



**CORPORATE RESPONSIBILITY REPORT  
PERIOD 2006  
MEDLEY S.A. INDÚSTRIA FARMACÊUTICA S.A.**

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## ABOUT THIS REPORT

This is the third Annual Report of Medley Corporate Liability and the first to adopt the guidelines of the GRI-Global Reporting Initiative<sup>1</sup>, international model that contemplates essential aspects in economic, environmental and social aspects of the business.

The adoption of this new Report model was motivated by search of improvement in the relationship, processes of management and account rendering to the company. The same motivation that made Medley sponsor the activities of the Work Group GRI–Ethos Institute, which is the focus of the Global Reporting Dissemination Initiative in Brazil.

The Report preparation process tried to excel in the internal participation. Several awareness meetings were held with managers and coordinators, as well as individual and specific meetings in order to stress the importance of the balance, comparison, precision and clarity of the indicators to be provided, guided by technical protocols of the GRI model. The Report also incorporates the analysis resulting from the application, by the second year, of Ethos indicators, and the recommendation from the internal meeting with Ricardo Young, President of Ethos Institute of Companies and Social Liability about the most important matters of corporate liability in the pharmaceutical sector.

This process of thinking supported the application of the materiality<sup>2</sup> principle to identify the most relevant economic, environmental and social information, as well as the public for the Report and its main themes, which are as follows:

- a) **Medley investments in Generics are clearly directed to improvement of health and well-being of the society, since they allow the increase of the access of the population to medication.**

<sup>1</sup>**GRI** – Global Reporting Initiative is an internal non-governmental organization with head office in Amsterdam, Holland, that has the objective of standardizing and raising the Standard level of the information provided in the Reports worldwide. This model of Report requires management processes increasingly accurate, while allowing more proximity between the published indicators and the legitimate concern of all public. (Learn more about it at [www.globalreporting.org](http://www.globalreporting.org)).

<sup>2</sup> Determination of the materiality in Sustainable Reports includes considering economic, environmental and social impacts that go beyond the threshold that affects the capacity to “meet the needs of the present, without compromising the future generations’ capacity to surpass their own necessities” (source: Global Reporting Initiative Guidelines).

- b) the Company's concern to increase and **improve Access of all public to the information** about products, its practices and organizational performance
- c) and the concern of the leaders in the field of human relations, whether the easy **access to the dialogue provided to employees**, or in the understanding of the expectations of the near communities and of the society.

Afterwards, interviews with the leading managers have contributed to identify and gather the most significant indicators, published and written by specialized journalists in the publication of Reports by the GRI model. The next step was the validation of information, made by internal teams. After that, another important step: Medley hired external auditing for the Report in the GRI model, carried out by KPMG Assurance Services.

In all, there were four months work between February and May, with nearly 40 professionals involved in several areas of the Company.

In addition to this complete version, with printing of 4 thousand copies – also available on the website [www.medley.com.br/responsabilidadesocial/relatorios](http://www.medley.com.br/responsabilidadesocial/relatorios) –, a summarized version with printing of 50 thousand copies is intended for employees and the broad external public that is familiar, on a daily basis, with Medley products: physicians, health and pharmaceutical professionals.

This edition represents the beginning of a new journey of organizational management learning process to be daily renewed and also in each annual publication. Therefore, it is with pleasure that Medley widely shares its information “always with enthusiasm, responsibility and respect for the sustainable values”, as oriented by the Company Mission.

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#### **Declaration from the Directorate**

We declare that this Report was prepared according to the 2006 Guidelines - G3 version of the GRI-Global Reporting Initiative, level B+, since almost all published indicators were audited by KPMG Assurance Services. This publication represents well balanced account on the economic, environmental and social performance of Medley Indústria Farmacêutica S. A.

**Jairo Yamamoto, President**

**Roberto Mangabeira, Vice-President for Finance and Administration**

**Jorge Coelho, Industrial Vice-President**

## Medley is present in life models

### Do you know what Medley means?

According to Houaiss Dictionary, *medley* signifies a piece of music consisting of a collection of tunes or songs that an artist plays or sings; and also designates a swimming competition in which the swimmers use the four main swimming styles.

However, it is in the etymology of the word (origin and development) that its most important meaning resides: *medley* is the combination of heterogeneous elements. And it was exactly on account of this meaning that **Medley** received its name. After all, the secret of a good laboratory is the quality of the ingredient combination that comprises its medication.

The most interesting factor is to find out that this combination of ingredients does not only refer to raw-material. **Medley's** success over the years arises from a combination of much more important ingredients: people.

By combining respect to differences of each one's dedication to strengthening of the relationship that appears every moment, experience to practice and responsibility towards the future, **Medley** came onto the secret of its success . It discovered its **perfect medley**.

Nevertheless, personally we act the same way. At looking back on our lives we notice that we are constantly and daily performing perfect combinations. Simple and, ordinary combinations; and therefore perfect. And these combinations are responsible for making our lives special. The list is endless: our family is formed of *medleys*, our friends represent a medley, the set of things we like most is also *medley*. Even our food is comprised of *medleys*. Finally, each one of us combines everyday, ingredients that add flavor and pleasure to our goals, projects, tasks and dreams.

Each one of us has a recipe. Each one of us has a *medley*. We just had to figure that out.

Therefore, we have created the concept of the brand name communication, and we do believe that "there is **Medley** in life's models".

We wish to share with our entire public the prescription for a better life, a better future, a more humane world, in which the well-being plays a fundamental role.

We wish to increase, each day, our pride in the mission of bringing health and well-being to a larger number of people.

More than that, we wish to summon all of those who have the same thinking to share experiences, to share their *medleys*. Because there are many recipes and infinite combinations. But there is only one **Medley**.

## Vison, Mission, and Values

### VISION

To be a brand name internationally regarded by the excellence of its accomplishments and contribution towards a healthier society.

### MISSION

To make easier and enlarge the access to health through products, services and initiative, in total integration with our partners and collaborators, always with enthusiasm, responsibility and respect for the sustainability values.

### VALUES

**Simplicity:** Choices based on simple, direct and objective ways.

**Excellence in Business:** Commitment to the search for excellence through innovation, quality, agility and results.

**Responsible Actions:** To meet, with responsibility, the needs of the society, through actions that involve collaborators and communities, with respect for the environmental and social aspects.

**Integrity:** To act with integrity, in compliance with the legislation in force and with respect for collaborators, partners, suppliers and customers.

## Message from the Directorate

Several achievements made 2006 a very special year for Medley. Besides the celebration of the brand name's 10th anniversary, the period was full of positive results, such as the 3rd rank in the sector and the production records in the generic market and in the total market share of the Company. Medley is finally situated among the largest pharmaceutical industries of the Country.

During these ten years, Medley has played the leading role in the largest evolution of the pharmaceutical market history, recognized by its quality – both in the line of branded medication and in the generic products -, and conquered the preference of consumers, customers, health professionals and physicians.

In order to continue its growth, the Company invests about R\$ 60 million in equipment, technology and in the physical enlargement of the plant in Campinas, to increase its productive capacity. Special attention is given to its portfolio, with product research and development; to constant qualification of its employees; to permanent evaluation and adequacy of the commercialization means; and to the search for innovation in its financing sources. The Company also opens new perspectives by signing export agreements with Mexico, Peru, and Central American countries.

However, to remain strong in brand name products, leader in generic medication, symbol and synonym of reliability and efficiency in the market, Medley faces several other challenges. It is not enough to produce what is expected. It is necessary to care for the quality of the products, since Medley brand is associated to the capacity of promoting health to consumers in an accessible manner. In order to achieve these goals, total attention is given to good production practices, efficiency, loss reduction, and safety in all their aspects.

It is necessary to watch over the relationship with the employees, professional development, commitment to goals and organizational growth. As indicated, the accomplishment in this sense has added value to collaborators that again show their pride in working at Medley and to see it for the fourth time, among the Best Companies to work for in Brazil, according to the evaluation of Exame and Você S.A Magazines. Medley has also been placed on the list of the Best Companies for Women Workers and among the Best Companies for Executives, according to analysis of Você S.A. Magazine.

Medley is attentive to the need to disseminate the Company culture of sustainable development. Being aware that, to keep sustainability means promoting the organized and profitable development of the business, in harmony with the environment and preservation of natural resources, in balance with employees, suppliers, customers, physicians, pharmaceuticals, consumers, surrounding communities, government, and society.

It is clear the understanding that the social responsibility is implicit in the nature of Medley businesses, directed to promote good health and well-being of the society. However, its accomplishment goes beyond in the management of its Corporate Social Responsibility, in addition to the internal dissemination of the sustainability culture, accomplishment in two watersheds: support to surrounding communities and work of its volunteer employees with needy institutions.

It is also clear that the assertion of a good quality community is as important as the care with the company brand name, administration and technology. Therefore, in addition to the internal informality, which facilitates communication among all employees and between employees and the leadership, in addition to the specific means of communication directed to employees and customers, Medley publishes, for the first time, this issue of the Corporate Responsibility Report, in accordance with the directives of the Global Reporting Initiative-GRI. This international model of Report discloses comprehensible,

economic, environmental and social information to the public with whom the Company is related.

With this Report, Medley seeks to advance one more step in the effort to convey, with clarity and transparency, its commitment to the quality of the products and expectations of the shareholders, collaborators, customers, consumers, surrounding communities and the entire society.

**Jairo Yamamoto**, President

**Roberto Mangabeira**, Vice-President for Finance and Administration

**Jorge Coelho**, Industrial Vice-President

**Pride to be Medley**  
**To be a Company where the**  
**employees are proud to work**



### **Profile**

The celebration of the 10<sup>th</sup> anniversary of the Medley brand name, which took place in October, 2006, represented a milestone in the history of the Company: All employees, shareholders, administrators and leaders gathered to celebrate the integration and the success achieved with the increase of the objectives and business responsibility in this period.

The new brand name appeared in 1996, as an addition to the existing family owned company that started the business in 1932 (*see history*).

Today, Medley Indústria Farmacêutica is a 100% National Limited Liability Corporation. It is a leader in the Brazilian market of Generics and ranks third among the national pharmaceutical industries.

It offers **184** products to the Brazilian market, in **423** types of presentations that comprise **80** therapeutic classes. Its portfolio includes branded, similar, and generic medication (see more details in the box). In relation to trading, the medication can be RX – those that need doctor's prescription – or MIP – Medication Exempt from doctor's prescription, well known as OTC – Over the Counter.

Two industrial units produce Medley medication, both located in the interstate of São Paulo: one in Campinas, dedicated to solid, semi-solid and oral liquid medications – and the other in Sumaré, dedicated to cephalosporin and penicillin in liquid, oral, and injectable forms.

With a total number of 1304 employees in 2006, Medley produced over 116 million units of medication, an increase of 26.26% compared to the previous year.

Out of the total number of its sales team, a group of 150 professionals provide information about the products, supported by material that is monthly carefully prepared, for over 30 thousand managers and drugstores sales clerks, purchasers and sales people from the distributing companies. More than 15 thousand outlets are visited all over Brazil.

Another 350 representatives, during their visits, meetings and congresses, pass on technical and scientific information to physicians. The information is also released by direct mail and advertisement in specialized magazines, among other means of communication. Approximately 70 thousand physicians receive monthly information from Medley.

For the population, information from Medley arrives through the press and through TV and printed advertisements.

There is also the advertisement of the brand name through athletes and professional Stock Car sponsoring.

### Export Operations

For four years, Medley has been exporting to two partners in México: Merck and Medix. It is also present in Peru and Paraguay and has several other agreements with companies from Ecuador and other countries in Latin America.

The export of Medley trade-mark products have 0.5% participation in the total sales and present significant potential – notice that Mexico and Brazil account for two-thirds of the Latin American market. The export operations include products such as Pyloripac, Imidex, Lansoprazol and some Generics.

### Types of Medication existing in the Market

**Branded Medications**– are normally innovative patented medication; and the first to obtain Health Department registration and, consequently the first to reach the market.

**Generic Medications**– are medications that bear the same molecule, concentration, and therapeutic indication and pharmaceutical formulation as the branded name's. They are produced from expired patents. According to Brazilian legislation, the laboratory that produces this medication must present all necessary tests to substantiate its quality, safety, and effectiveness, exactly like the branded medication, so that this medication can be used in place of the Branded name medication.

**Similar Medications**– They are also medications that bear the same molecule, concentration, therapeutic indication, pharmaceutical formulation as the Branded names. However, only as of June 2003, do Similar Medication are obliged to substantiate its effectiveness, safety, and quality, much the same way as Generics have been doing since 1999. Similar medication found on shelves today have until 2014 to fit this legislation..

## A History of Success

Innovation, growth, qualification and professionalism are some of the remarkable Medley characteristics that were founded in the mid 90s. In its consistent trajectory of growth, the Company confirms its entrepreneur vocation, cultivated by the shareholder's family that started its activities in the pharmaceutical market in 1932. We present, as follows, some outstanding facts of Medley's history.

### 1996

Medley trade-mark appears in the market.

### 1997

It ranks 38 in the pharmaceutical industry.

### 1998

It launches Plenty for obesity treatment, in partnership with the Abbott Laboratory.

### 1999

It enters the generics market

First Brazilian Company to obtain ISO 9.001.

It carries out the first studies on medication bioequivalence in Brazil.

It launches Estrofem, Trisequens and Kliogest, all for hormone replacement therapy, in partnership with Novo Nordisk.

It launches Prandin (anti-diabetic), again in partnership with Novo Nordisk.

It opens the Santa Genebra Day Care Center

Initial stage of employees's volunteer work; with company support.

### 2000

It launches the generic Captopril.

It ranks 20 in the sector.

### 2001

The shareholders begin to participate exclusively in the Advisory Council.

The Company is consolidated as a Market Leader in Generic Medications.

The Company ranks 13 in the sector.

It launches Activelle for hormone replacement therapy.

The Ação Voluntária Medley (Medley Volunteer's Work) is awarded by CIESP – Campinas (Industrial

Association of the State of São Paulo) as the Best Social Project, an award that happened again in 2003.

Its volunteer work is restructured.

## 2002

The “Orgulho de Ser Medley” event is created.

The photo-protector line is launched, in partnership with the ISDIN Laboratory, from Spain.

Medley participates, for the first time in the contest, and is granted a position among “As Melhores Empresas para se Trabalhar” (The Best Companies to Work For), from Exame and Você S.A. magazines, a fact that happens again in the years 2003 and 2004.

## 2003

Zanidip, for hypertension control, is launched in partnership with Recordati Laboratory.

Ureadin moisturizers line is launched, in partnership with the ISDIN Laboratory from Spain.

Medley ranks 7 in the sector.

Medley appears in Exame magazine’s first list of the 50 Best Companies for Women Workers. This fact is repeated in the year 2004.

Medley’s two units are awarded by the ABS (Brazilian Safety Agency) for Work Safety. The Medley unit in Sumaré also receives the award in 2004.

## 2004

Medley ranks 7 in the pharmaceutical industry.

## 2005

The new Medley logo is launched.

The Corporate Social Responsibility Area is created.

Vivanza, for erectile dysfunction treatment, is launched in partnership with Bayer.

The Medley team obtains the title of the Stock Car – V8, the most important category of the Brazilian car race.

Medley ranks 6 in the sector.

For the third consecutive year, Medley Sumaré is awarded by the Agência Brasil de Segurança-ABS, for its Work Safety, for totalizing 1.3 million hours/men working without accidents or accident leave in the period from 2002 to February 2006.

## 2006

Medley trademark celebrates its 10th anniversary.

Medley ranks 3 in the sector.

## Governance

GRI -4.1



Family Owned Company of closed capital, Medley Indústria Farmacêutica belongs to three family holdings: one of them holds 51% of the shares and the other two 24% and 25% each.

The management was professionalized five years ago with the appointment of a President, two Vice-Presidents and some Executive Directors, elected among the main Executives already working with the Company.

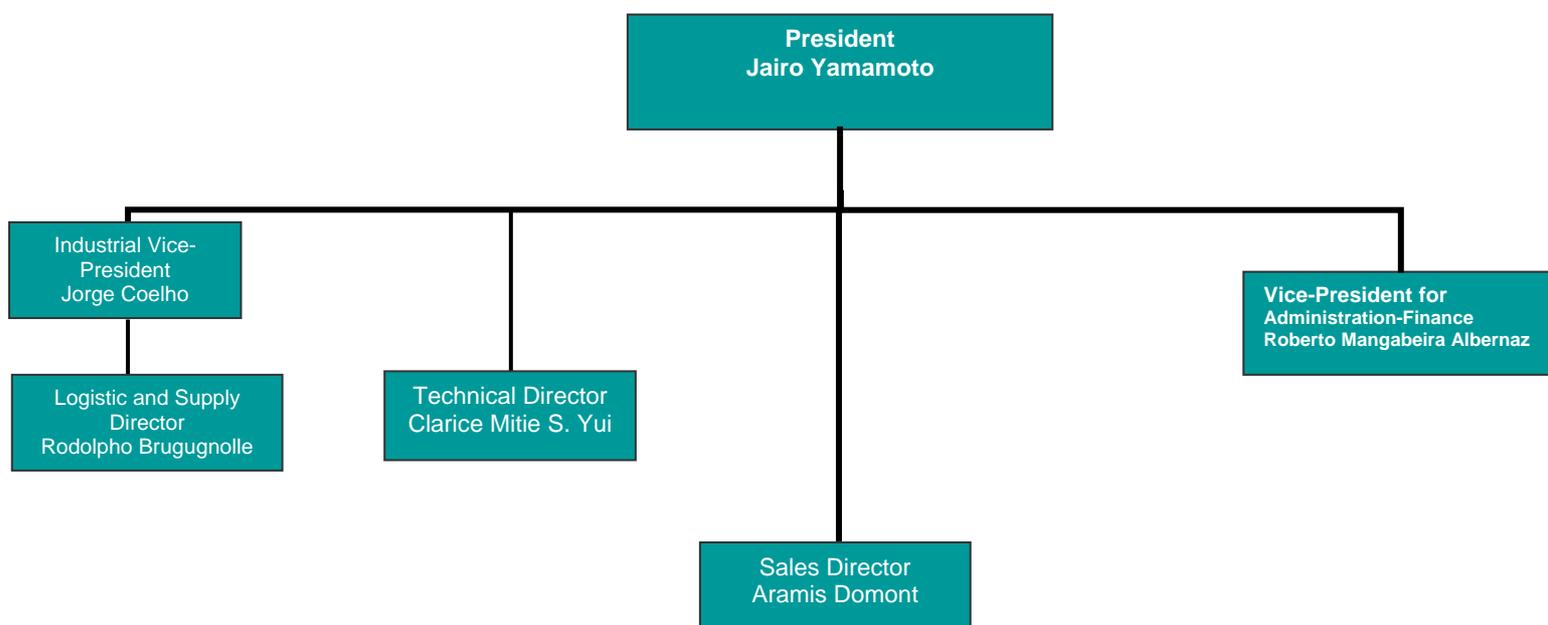
The Executives report to the Advisory Council represented by all shareholders. There are no Outside counselors.

The Executive Board power of attorney for one year is renewed in the Annual Stockholder's Meeting held annually to approve the strategic planning and make decisions directed to business. The Executives meet monthly to

appraise performance and results, as well as to define the directions to be taken.

Annually, an external specialized company performs auditing of the Company financial statements. The adoption of the Annual Report Model, according to the Global Reporting Initiative guidelines, reassures the disposition of disclosing, with transparency, information about Medley to all its public.

### Organizational Chart – Medley Indústria Farmacêutica



#### GRI- 2.9

### Strategy

Since 1997 Medley has established the objective of increasing its market share, up to the consolidation of its sustainability. In that occasion, when 0.75% of its participation in the market was registered and the Company ranked 38 in the pharmaceutical industry, it was already possible to visualize the need of growth as a condition to achieve a viable production scale.

Medley believes in the market growth of pharmaceutical products. Hence, its Strategy comprises:

1. The need to grow
2. The investments in Generic Medications
3. The set up of tactics to be a competitive company in the market.

By putting this objective into practice, it did not take long before the results started to appear: in three years, the market share doubled.

As of the year 2000, Medley decided to enter the worldwide increasing Generic market, since it offers to the consumers the option to acquire the same quality products with the same effectiveness and safety of the branded medication for a price at least 35% lower.

To these advantages Medley has aggregated the commitment to the quality and strictness in regard to Good Manufacturing Practices. It has also joined the adequate tactics to put itself in a special place as a reference company in the market, which included the new place of the brand name and the innovative work in its relationship with physicians, distributors and pharmacy professionals.

The results indicate that the strategy is correct: in the last seven years Medley market share increased over five times. And developed 26% per year, in average, in the Generic Medication market. Among the twenty most sold Generic medications in the Brazilian market, 11 are Medley's. This indicates the already established preference of consumers for the Company brand name.

In 2006, Medley became the third Brazilian pharmaceutical industry (in MAT-US\$) (Moving Annual Total) and kept the leadership in the Generic Market.

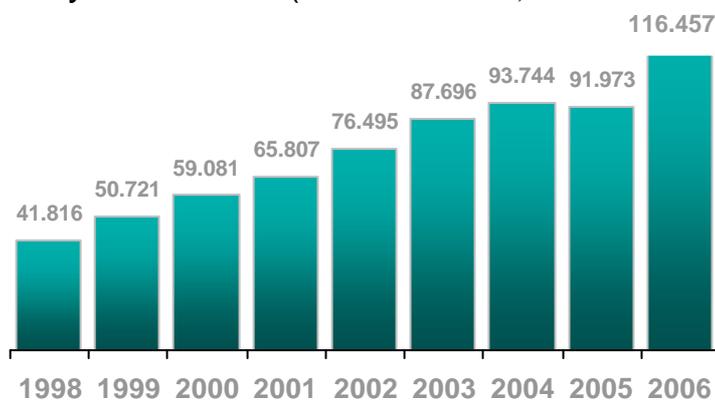
The performance was possible because the growing plan included:

- a) Increase of productive capacity
- b) Portfolio increase with product research and development.

- 3) Continuous employee qualification.
- 4) Permanent evaluation of trading methods
- 5) Innovation to obtain sources of financing.

The strategy remains in practice because Medley's objective is to continue growing.

Medley Production (in million of units)



GRI 1.2

## Perspective And Investments

The analysis for the pharmaceutical industry market perspectives must include the following possibilities:

- a) the path of the Brazilian economy which is growing more than 3% per year, should reflect positively in the increase of the income *per capita*
- b) the increase of Brazilian population life expectancy , which also means a larger presence of chronic pathology and consequent increase in medication demand
- c) promising possibilities of Generic Medication expansion, bearing in mind the increasing number of products with patent approaching expiration date.
- d) the impact of the Regulatory Mark enforcement through which all medication considered similar must, up to 2014, comply with the new provisions. These new specifications should also influence a large part of

pharmaceutical products commercialized in the so called “informal market”. On the whole, these products represent about 25% of the medication market.

Bearing in mind such opportunities, it is estimated that the medication market should soon increase from 5.5% to 6.5% per year: that is, at least double what it has been increasing so far.

Medley’s planning is directed to the obvious need to increase the amount and variety of Generic Medication in the market.

In order to keep up with this new profile of the population and pharmaceutical market, Medley invests in two directions: product research and development and increase of the production volume.

After going through the rigorous scrutiny of Clinical Research and of the Physician Department, new products were launched in 2006. In 2005, 23 new products were launched.

Approximately R\$ 60 million have been invested in the construction of new facilities and acquisition of equipment, between July 2006 and the second semester of 2007. Therefore, in the second semester of 2007, the reallocation of several areas to the new building will allow doubling the production of the present lines of solid medication.

For the next three years, the Company foresees investments totaling R\$ 42 million, R\$ 12 million of which will be in development of new products, R\$ 5 million in Campinas facilities and R\$ 25 million in the acquisition and installation of national and imported equipment, among others.

## GRI 1.2

**Due to its focus in promotion of health and well-being, Medley trusts that it will always find promising opportunities in the pharmaceutical market.**

## Requirements for Similar Medications



Tests of bio-equivalence for Antibiotics  
 Tests of equivalence for remaining products  
 Good Manufacture Practices for all companies

Tests de bio-equivalence for the remaining similar products

Up to 2014, similar medication, which represents approximately 41% of the pharmaceutical market (in units), must be adjusted to the same practices required today for Generics.

Generic Medications have provided, in five years, savings estimated in R\$ 3,422 billion in Brazil.

**Medley's growth is directed to Public Health through increasing the Access to Medications**



## Management of Economic Performance

GRI EC9

### Generics Impel social-economic Contribution And Medley Growth

Medley's main social-economic contribution to the Brazilian population resides in the nature of its business, strongly directed to the production of Generic medications that cost at least 35% less than the branded medications.

By sharing the offer of a varied range of Generics in the Brazilian market, Medley allows savings in the purchase of medications and helps to increase the access of these products to several segments of the population, mainly those products intended for chronic pathologies, which require continuous use of certain active ingredients (see diagram with examples of the increase in use of Generic Medicatin for hypertension and diabetes, among others).

At the same time, this strategy supports the sustainable growth of the Company. In 2006, its total revenue amounted to nearly R\$ 600 million, with growth of 29.9% upon 2005. Sales reached, in volume, 116,457 million units. During the current year, Medley has kept leadership in the market of Generic Medications for the fifth time in a row, with market share of 34.2 %.( in MAT, US\$).

An innovating agreement with Abbott led the company to the launching of the Generic Sibutramine hydrochloride for obesity treatment, six months before the patent expired, a fact that, due to the substantial price reduction to consumers – increased the access and adherence to the treatment. Prior to this agreement, this active ingredient was commercialized as Plenty, the branded medication for

which Medley had maintained partnership of co-marketing with Abbott.

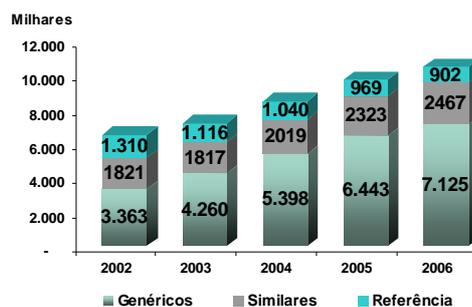
In the brand name product lines, Medley maintains partnerships with Sanofi Aventis, Merck, Ache, Abbott, Isdin, Medix, Novo Nordisk, Bayer and Recordati. Among the products that stood out in 2006 is Vivanza (Vardenafila Hydrochloride), launched in partnership with Bayer for erectile dysfunction treatment.

There are also license agreements for the following products:

- a) Zandip, in the field of cardiology, with Recordati Laboratory;
- b) Photo protector and Ureadin, both in the dermatology area, with Isdin
- c) Hormones (for gynecology), with Novo Nordisk.

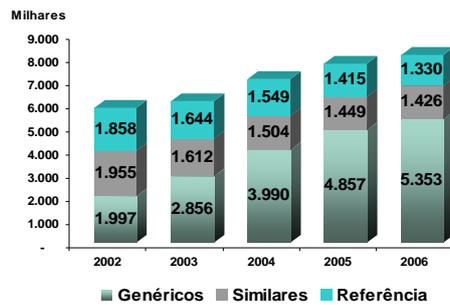
## Generic Medication: Important Advancements

### Increase of Access to Atenolol, for patients with chronic Hypertension

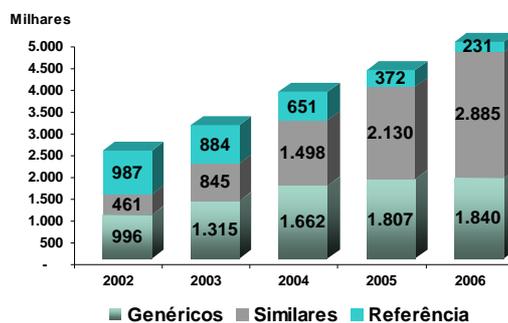


Source: IMS Health (MAT Un.)

### Increase of access to Metaphormine medication, for Diabetes.



### Increase of access to the Hypercholesterdemia-Sinvastatine medication



## Industrial Expansion Keeps up with Market Growth

GRI 2.9

The year 2006 stood out for Industrial growth in order to keep up with the company's growth within the market. Investments were made in the solids unit – tablets and capsules – for which the Company intends to double its production capacity, starting in the second semester of de 2007.

The expansion started with the construction, in June, of an add-on building next to the already existing headquarter, in Campinas, which will, in the second half of 2007, house the entire administration, the Raw materials warehouse, weighing facilities, the new Cafeteria, and employee's dressing rooms.

These changes will make possible to double the present solid medication production line, in the same building where it is today. The link between the new building and the industrial area will be made through fingers, with slightly slopped ramps. There will be an elevator available for people who cannot use the ramp.

Recently Anvisa issued regulations in regard to registration and commercialization of Generic contraceptive Hormones. The regulation requires the projects to be registered as protocol in order to obtain authorization from that organ. Meanwhile, Medley starts to assemble the manufacturing line of hormones, mainly birth control, in the Sumare unit. This unit should be in operation in about two years.

GRI EC1

### Added Value Demonstrative (AVD) Generation and Distribution of Wealth In millions of R\$

DESCRIPTION	2004	2005	2006
<b>Wealth Generation</b>			
a) Revenues	397.091.614	459.641.114	598.557.565
b) Goods and services acquired from third parties	(242.044.499)	(246.959.267)	(322.371.709)
<b>c) Gross Added Value (A - B)</b>	<b>155.047.115</b>	<b>212.681.847</b>	<b>276.185.856</b>
d) Retentions, (Depreciation, Amortization, Exhaustion)	(7.337.891)	(8.144.672)	(8.821.078)
<b>e) Net Added Value (C - D)</b>	<b>147.709.224</b>	<b>204.537.175</b>	<b>267.364.779</b>
f) Transfers – Non – operational income	4.160.255	0	7.177.181
<b>f) Added Value to be distributed (E + F)</b>	<b>151.869.479</b>	<b>204.537.175</b>	<b>274.541.960</b>
<b>Wealth Distribution per Segments</b>			
<b>GOVERNMENT</b>	<b>(54.396.839)</b>	<b>(73.809.552)</b>	<b>(112.589.291)</b>
Taxes paid	(54.396.839)	(73.809.552)	(112.589.291)
<b>COLABORATORS</b>	<b>(65.346.356)</b>	<b>(88.793.933)</b>	<b>(107.462.342)</b>
Salaries	(40.344.750)	(44.614.897)	(57.930.078)
Social Security Burdens	(15.820.866)	(27.652.877)	(27.977.828)
Private pension	0	0	0
Benefits	(7.867.302)	(15.101.699)	(19.678.817)

Profit Share	(1.313.438)	(1.424.460)	(1.875.620)
<b>FINANCIERS</b>	<b>(26.387.781)</b>	<b>(32.267.782)</b>	<b>(37.205.664)</b>
Third party capital investment.	(26.387.781)	(32.267.782)	(37.205.664)
<b>SHAREHOLDERS</b>	<b>0</b>	<b>0</b>	<b>8.847.792</b>
Interest upon own capital	0	0	8.847.792
Retained profits/losses of the period	<b>5.738.503</b>	<b>9.665.908</b>	<b>26.132.454</b>

GRI EC5

### Relation of the lowest salary compared to local minimum wage in important operational unions.

Indicadores	2006		2005		2004	
	Valor R\$	% x SM	Valor R\$	% x SM	Valor R\$	% x SM
Minimum Wage	350,00		300,00		260,00	
Union floor (*)	607,23	73,5%	562,25	87,42%	520,60	100,23%
Medley floor (*)	783,76	123,9%	725,71	141,90%	671,96	158,45%

## Product Responsibility



### Good Manufacture Practices are certified

The pharmaceutical sector is strictly regulated by Anvisa- National Health Regulatory Department. One of the most accurate processes of the federal inspection department deals with the annual renovation of the Good Manufacture

GRI-PR1

#### GRI PR4

Anvisa inspections show Medley's competitive differential; It has never received a notice of infringement.

Practices Certificate; without it, the company cannot obtain any new registrations. This certificate can only be issued after the visit of Anvisa technical professionals who during a week evaluate the whole process; from the incoming of raw materials to the outgoing of the finished products. Furthermore, all of the manufacturing processes must be documented, so that they can be tracked in any step of the way.

It should be emphasized that the Good Manufacture Practice Certificate will only be issued if all of the evaluated items are approved –the indispensable, the necessary, the advisable, or the informative items.

In 2006, Medley held 221 commercialized medication registrations, out of which, 151 were generics.

### **Bio equivalence tests assure Generic Medication authenticity.**

To be able to launch a Generic medication into the market, Medley follows all of the necessary legal steps, a process that takes at least a year and a half before obtaining the registration. One of the most important steps is the running of bio equivalence tests. In other words, the molecule that had already gone through clinical research before reaching the market as a reference product, and whose patent has expired, can only be produced by another pharmaceutical industry after the company submits the product to bio-equivalence testing. For Medley, these tests are run by specialized certified companies enabled by Anvisa.

Medley's technical department is responsible for bio-equivalence tests, regulatory affairs, product registration, as well as trade marks and patents registration. The Company's medical department is in charge of clinical



GRI-PR1

researches, and also manages pharmaco vigilance, which includes writing reports to Centro de Vigilância de São Paulo – (São Paulo Vigilance Center), as well as dealing with all aspects regarding periodical medication registration at Anvisa.

### **Directions: Adequate and precise information**

Medley abides by all Pharmaceutical Regulatory Department regulations. As a result, it has never presented serious non-conformities, aside from some adjustments that had to be made in order to meet the new legislation.

All Medleys' medication instructions bear information requested by law, as well as procedures for safe use, and directions as to how medication should be taken by different age groups, among others. The consumer information also brings the universal sign for recycling material on its secondary package.

GRI-PR3

Label and instruction texts of medication produced by Medley are in accordance with following texts:

#### **1 - ANVISA (National Health Department)**

- ✓ RDC 80/2006 (Fractioning Rules)
- ✓ RDC 211/2005 and RDC 237/2005 (Cosmetics)
- ✓ RDC 138/2004 (Sales Category)
- ✓ RDC 333/2003 (Medication Labeling Norms)
- ✓ RDC 137/2003 (Mandatory Sentences on Instructions and Secondary Package)
- ✓ RDC 47/2001 (Generic Medication)
- ✓ RDC 92/2000 (Medication Package)
- ✓ Internal Regulation 2814/1998 (phrase "Sale Prohibited to Consumer")
- ✓ Internal Regulation 110/1997 and RDC 140/2003 (Guidelines for Medication User Instructions)

- ✓ Decree 79.094/1977 (Minimum size lettering for easy reading)
- ✓ Law # 6.360/1976 (Labeling).

## 2 – INMETRO-(National Industrial Quality, Norms and Measuring Institute:

- ✓ Internal Regulation 157/2002 (Content Specification)
- ✓ Internal Regulation 69/2001 (Cosmetics Weight and Volume)
- ✓ Internal Regulation 162/1995 (Empty Spaces on Package).

## 3 - Consumer Defense Code

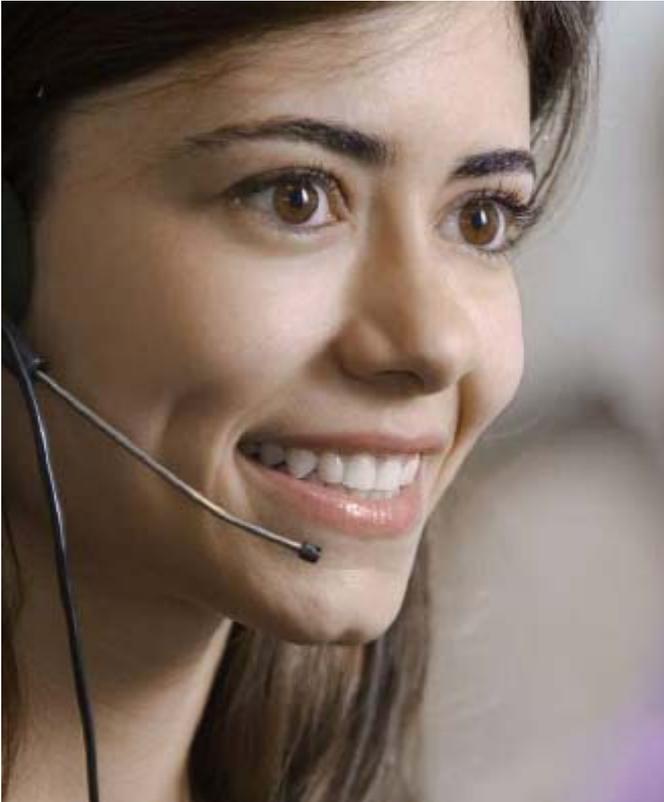
- ✓ Law # 8078/1990

GRI- PR4

Since 2004 Medley has not received any infringement notice in regard to label non compliance.



## Clear and easy communication: Medley's secret for healthy relationships.



### Attention to Relationships

#### Consistent information that Guide the Relationship with Physicians

GRI-PR5

There are many services and programs available for physicians, whether it is information regarding new medication or an open channel for dialogue and research. For this purpose, the Company representatives who have direct contact with doctors, not only must have a degree, but also attend training courses held by Medley's Medical Department. They are, therefore, apt to offering consistent and updated information to the medical class about the benefits and properties of each medication.

Representatives visit, on a monthly basis, about 60 thousand doctors, in eight different areas: general practice, cardiology, dermatology, gastroenterology, gynecology, pediatrics, endocrinology, and urology.

Medley's Medical Department makes available bibliographical researches and monographies. It also clarifies doubts about Medley's techno-scientific medication characteristics, and can, through its SIM program – Medley Information Service - provide information by phone, letter, or internet.

Medley's Pharmacovigilance System receives professional health reports regarding the medication action on patients; it then processes the data and forwards it, if necessary, for product adequacy and refinement.

Medley also takes active part in Medical Congresses and Ongoing Educational Programs, holding tight relationships with well regarded Universities for clinical researches, to assure doctors good updated quality information.

### **Good Quality Relationship with Clients**

Medley understands communication as an opportunity to provide accessible and good quality information to all customers: Drugstore chains, distributors, Health professionals, and final consumers. For all of them the Company makes available adequate channels of communication.

Medley was the first pharmaceutical Company to send information to drugstore employees, to enable these professionals to understand the characteristics and quality of Generic medication. This is a key tool for store

managers and clerks to become apt to inform, and thus, contribute to consumer's easy access to Generics.

Information to drugstores is done basically through folders and the Corporate Channel publication for drugstore owners; through consumer displays, and also through "Almanaque", a 30-thousand-bimestrial-issue publication aimed at drugstore clerks. Almanaque offers mainly cultural information about how to deal with work environment and with personal life as well.

### **Sibutramine Generic: A Case of Communication Success**

Medley believes that knowledge disclosure is one of the most important means of promoting health and well being. A good example of how this position makes a difference is the success achieved by Sibutramine Generic, an aid in weight loss treatments. The work done by marketing, aligned with information disclosure, reached not only endocrinologists, but cardiologists, among others, because obesity treatment can prevent different diseases, such as cardiac conditions.

This was the case of the Generic medication once commercialized as the branded name Plenty, which is now sold at a much lower price. With adequate media support, Sibutramine Generic Medication became an evident case of how lower priced medication can become accessible through good information disclosure in its first months in the market. The sales shot up in the early 2006.

### **Client and Consumer Service**

The objective of S.I.M – Medley Information Service is to answer client and consumer questions about products and

services offered by the Company. Contact with S.I.M can be done through a toll free 0800 729 8000 number, letter, fax, internet site, e-mail, and personally; from 8am to 5pm from Monday to Thursday, and on Friday from 8am to 4:30 pm.

At S.I.M., all contacts are registered in the client assistance software, and sorted out according to issues (Information, Requests, Medication Exchange, Praising/Thanking, Suggestions, and Other). This way it is possible to come up with statistical reports, which in turn, can start new strategy development aimed at improving services.

There are formal procedures to be followed before recalling or replacing consumer's medication that has supposedly been altered. When such product comes to the Company, S.I.M. pharmacists make a fist detailed visual analysis, and then, send the medication to other departments linked to the industrial area for thorough analysis.

Customer satisfaction is mainly evaluated in quarter researches carried out in March, June, September, and December.

A teal-colored speech bubble containing the text "GRI - PR5".

The S.I.M. Client Satisfaction Research carried out among clients who contacted the department in August 2006, shows that 97% of the interviewed clients were totally satisfied with the quality of the service and technical knowledge of the pharmaceutical team that renders the service.

Starting in April 2007, S.I.M will also be able to rely on the Contact Center; which will be responsible for monitoring and generating reports related to customer services.

**Topics handled by  
S.I.M.- Medley's Information Service**

GRI-PR5

Topics	2006		2005		2004	
	Number	%	Number	%	Number	%
Information	33,863	74.70	36,299	71.41	45,107	70.92
Other	3,128	6.90	4,860	9.56	5,480	8.61
Exchanges	2,365	5.21	1,547	3.04	981	1.54
Complaints	2,267	5.00	1,952	3.84	2,104	3.30
Pharmaco vigilance	1,678	3.70	1,795	3.93	1,813	2.85
Requests	1,672	3.68	4,042	7.95	7,741	12.17
Suggestions	197	0.43	171	0.33	133	0.20
Praising/thanking	157	0.34	161	0.31	237	0.37
Distance ongoing learning	0	-	1	-	6	-
<b>Total</b>	<b>45,327</b>	<b>99.96</b>	<b>50,828</b>	<b>99.97</b>	<b>63,602</b>	<b>99.96</b>

## Information Service Center Helps Promote Better Service

Many improvements were implemented resulting from S.I.M's actions, or to improve its services.

- a) In 2006, phone caller ID with number delivery, was implemented.
- b) In 2005, Software updating customer service was done to optimize S.I.M data base; and the customer satisfaction research, for medication information exchange, was implemented.
- c) And, in 2004, the S.I.M Medical Department Manual was put together and handed out to sales people; pharmacists were assigned to provide special attention to adverse event reports, and to systematize pharmaco vigilance system; as well as implement pharmacist visit services to sales team, in order to get to know and meet the team's needs.

## Access to the Scientific Information Site

The [www.medley.com.br](http://www.medley.com.br) site and the [medley@medley.com.br](mailto:medley@medley.com.br) are available to medical professionals, as well as to consumers, in order to provide information about the Company, its products, and services. Physicians may request information on a variety of different

areas, obtained through national and international agreements; and it has important access to medical area links.

## **Adherence to Laws, Norms and Marketing Codes**

GRI-PR6

Like every other pharmaceutical industry in Brazil, Medley's communication follows stiff Anvisa regulations. Medley always sticks to ethical principles that rule the pharmaceutical sector, with strict alliance with the Health Department's norms and recommendations. In its communication, the Company especially strives on taking extra care not to lead the consumer to self medication.

The Company follows standard internal approval in order for the law to be complied with. Internal validation is carried out by Marketing, Medical, Regulatory Affairs, and Legal Departments.

## **Debate about Amphetamine**

The diethyl propion active ingredient, present in one of the Company's medication, Inibex, intent on curbing appetite and indicated in the fight against obesity, was involved in a public debate.

The debate came about due to the fact that this medication, without proper supervision, may cause chemical dependency. Brazil is appointed by International Research, as the worldwide leader in this type of medication intake.

For this debate, a group was put together; Anorexigenic Medicine Studies Technical Advisor Team, comprised of Agência Nacional de Vigilância Sanitária-ANVISA, (National Health Department) in the General Management of Medication from the Medication and Products Board

Scope. This Technical Group included members of the following institutions: Associação Brasileira para o Estudo da Obesidade-ABESO, International Association Study of Obesity-IASE, Hospital das Clínicas da Universidade de São Paulo, Comissão Nacional de Assessoramento Técnico-Científico em Medicamentos-CONATEM; Conselho Federal de Farmácia, Conselho Federal de Medicina and Agência Nacional de Vigilância Sanitária.

As a result, the Technical Team concluded that the anorexic medication commercialized in Brazil, which has in its basic formulation diethyl propion, femproporex, and mazindol, is effective in treating obesity, according to controlled scientific studies; these medications are a low cost therapeutic alternative, accessible to the lower income population, where obesity has significant growth rate, according to Instituto Brasileiro de Geografia e Estatística IBGE; to many patients, they can be more effective than the most modern anti-obesity agents; the risk/benefit ratio can be favorable, considering that the medication is wisely prescribed.

Medley makes known that its medication is in compliance with Brazilian laws. When used under correct physician's supervision, the medication provides assured benefits. Moreover, the main reported problems regarding this active ingredient, are related to its utilization in compound formulas filled in pharmacies, which is not the case of Medley's medication. The Company closely follows up problems that arise from indiscriminate use of this kind of medication, and always tries to highlight, in its communication to the public, the importance of a physician's supervision before taking any medication.

The Medical, Marketing, Regulatory Affairs, and Legal Departments are always ready to answer any questions.

## Brand Name Management

In 2006, all internal and external communication was aligned with Medley's brand name quality, which has since, 2005, followed annual planning management. One of the brand name's strategies is a variety of different sports sponsorship, for a very good reason; sports promote healthier life, and the health principle lies within the essence of the Medley brand name.

In 2007, there is a forecast for carrying out a research to evaluate how Medley brand name is being perceived in the market. Thus, making it possible to appraise this intangible asset, in other words, to have a clear dimension of how much all segments trust and respect the brand name.

Medley brand name emerged ten years ago and received a new concept in 2003. The new brand name management was presented to different segments in 2005. The Company's steady growth puts the brand name under the spot light, which also brings about more responsibility to the Company and to each of its collaborators.

### Athletes sponsored by Medley - 2006

Athletes	Kinds of Sports
Adenir Mendes Fonseca	Wheelchair Basketball
Luciano Bispo Dantas	Wheelchair Basketball
Aguinaldo José Damásio	Wheelchair Basketball
Equipe Gadecamp	Wheelchair Basketball
Carolina Solberg e Maria Clara	Beach Volleyball
Fabiana Sugimori	Swimming for Visually Impaired
Giuliano Losacco	Auto racing
Guto Negrão	Auto racing
Robert Scheidt	Sailing
Samanta de Almeida	Wheelchair Tennis
Xandinho Negrão	Auto racing

### Athletes sponsored by Medley - 2007

Ricardo Maurício	Auto racing ✓
Marcos Gomes	Auto racing ✓
Guto Negrão	Auto racing
Márcio Araújo e Fábio Luiz	Beach Volleyball
Pedro Solberg e Harley	Beach Volleyball ✓
Xandy Negrão	Auto racing

### Suppliers: Careful Choosing

Medley is very demanding in the process of selecting suppliers, but, on the other hand, it offers qualification programs especially aimed at these company's professionals.

The supplier choice process is strongly supported by Good Manufacture Practices, and takes into account prices and good quality. Suppliers are asked to fill out a self evaluating questionnaire that, later goes through Medley professional's critical analyses. They must also present documents to evidence compliance with the legislation.

In 2007, Medley's supplies area started a program for promoting sustainable management before its suppliers chain (learn more about it in the Social Responsibility Chapter).

Selected supplier's performance is monitored, and auditing can be carried out by Medley in its facilities, especially among those responsible for strategic materials.

In 2006, Medley registered 4,020 active suppliers, out of which 132 were of productive inputs (97 of raw-materials and 35 of national packaging); 568 of commodities, 3,186 of services (national) and 134 international (several). In all, 132 large supplier companies (raw-material and packing) are responsible for 3.28% of the inputs acquired by Medley. In that year, Medley carried out 12 auditings.

## Environmental Management



### Preventive Actions and Environmental Education

Environmental Management considers two basic requirements: compliance with legal and other demands; and Environmental Educational Plan.

Based on the designed processes, all activities developed in the respective processes were drawn up and, from there, the aspects and environmental impacts related to soil, air, water and the residues generated were identified. Plans for preventive operational control were defined, according to impact relevance.

GRI EN26

A set of environmental indicators – validated by the high administration – has been developed to evaluate performance and indicate definitions of objective and goals, as well. These objectives and goals are monitored by Action Plans.

Medley has an environmental training plan for all employees. The plan comprises two watersheds: education held on significant dates – Water day, Environment Day, and Tree Day; and also training directed to the involvement of each collaborator in prevention and mitigation of environmental impact in their respective working areas.

Awareness training is also developed for fixed third parties according to the same criteria. For the third parties that perform occasional activities for the Company, the integration program foresees identification of the impacts caused by the service and the suitable preventive actions.

For any situation that does not satisfy the foreseen care, the corrective Action Plan is triggered to identify the problem and all professionals involved; and these professionals must take steps to solve the problem in order to avoid recurrences.

GRI EN-30

#### Total Investments and Expenditures in Environmental Protection, per type (\*)

	2004	2005	2006
Cleaning service	R\$ 310.00	R\$ 3,518.81	R\$ 3,519.10
Waste collecting	R\$ 27,492.46	R\$ 29,594.75	R\$ 39,211.85
Buildings and facilities	R\$ 3,226.85	R\$ 4,842.21	R\$ 10,862.31
Environment Education	R\$ 1,139.46	R\$ 5,192.00	R\$ 18,338.72
Legal Expenditures (Licenses, Publications, etc)	R\$ 23,530.17	R\$ 21,417.36	R\$ 32,109.96
Operational costs (Materials, Reactants, Supplies)	R\$ 15,315.52	R\$ 13,438.15	R\$ 21,947.56
Residue Disposal	R\$ 13,065.51	R\$ 49,647.41	R\$ 27,941.70
<b>Total</b>	<b>R\$ 84,079.97</b>	<b>R\$ 127,650.69</b>	<b>R\$ 153,931.20</b>

(\*) Information based on Finance Department indicators, not revised by Auditing.

## Management System is Documented

The area of Quality Management and Environment comprises a technical coordination, an environment engineer professional, other environment technician professionals, a technician and six operators – being the latest in charge of the residue control and of operating the Effluent Treatment Station. The area reports directly to the Industrial Vice-President and works with management system structured with basis on requirements of norm 14001:2004.

In 2006, these requirements were incorporated into the already existing Environmental Management System, as well as the Health and Work Safety requirements, which started the Integrated Management System – SGI (Sistema de Gestão Integrado.)

## Reuse of Water

At Medley, there is permanent attention to rational use of natural sources. Currently, in the Sumaré Unit, the water that is disposed of after the treatment is reused for toilet flushes and for washing the external areas of the plant. The goal for 2007 is to include, in the Campinas Unit, the residual water reuse program in the washing activities, aiming at increasing the reuse of water which is presently disposed of by the productive processes.

GRI EN10  
GRI EN 21

All generated effluents are treated before discharged in the waste water discharge system. In 2006, it was not possible to measure the volume of treated effluents.

GRI EN9

## Water Sources

The largest amount of water used comes from artesian wells duly controlled through granting of water resources use. The water collection is monitored by daily measuring

of the volume consumed. When the demand is made from a Company duly accredited. Another portion is obtained from public supplier concessionaries.

GRI EN8

#### Total of water collected, by spring \*

Annual volume collected: Total = **73,922.0** m<sup>3</sup>

#### Sumaré Unit, in m<sup>3</sup>

Wells: 45,486

Public System=120.0

#### Campinas Unit, in m<sup>3</sup>

Wells=27,808.0

Public System=508.0

\*The sources of collection used in the units are deep wells and public system

#### Remedy for Noise Pollution

In 2006, in attention to the nearby community complaint regarding the noise in the Campinas unit, a company specialized in acoustic studies was hired to analyze the problem. Although it was proved that the noise from the production area fits the parameters of the legislation, confinement of the equipment and change of the direction of the air outlets was decided.

#### Total Weight of Residues, by Type and Method of Disposition (\*)

GRI EN22

Residue Generation – Campinas and Sumaré units	Quantity (Tons.)	
	2005	2006
Type of Residues		
Class I	19.52	23.89
Class II	15.93	84.97

1. The residues generated are segregated according to their characteristics and controlled in accordance to the legislation requirements. They are transported by suppliers previously accredited that meet the legal requirements.

GRI- EN 24

#### Recyclable Materials (\*)

	Material	Quantity
Weight	Paper; Card board, Glass, Aluminium Blisters, Scrap; Plastic	412.50 Tons
Units	Pallets, Barrels, Vessels	6716 Units

(\*)The quantification of recyclable materials is made by weighr or units, according to the type of material. The information is based on data from the Environment Department and was not revised by auditing.

#### Relation between Raw-material and Generated Residues(\*)

(\*)the control is made considering the generating source, the type of residue and the percentage of generated residue, in relation to solid raw-material handled.

Information based on data from the Environment Department and not revised by Auditing.

## Human Resource Management

### Well Being at Medley: from work environment to everyday lives!



#### The quality of the Internal Relationship is recognized by the Employees

In 2006, Medley was included, for the fourth time, among the Best Companies to Work At, according to evaluation of Exame magazine. This award has special meaning because it was mainly attributed by its own employees. The same title was already awarded to the Company in 2002, 2003 and 2004. This position is also important because it reflects the employees' recognition to the restructuring started in 2000 and that gradually introduced new processes to Human Resources Management.

In 2004 and 2006 Medley was also ranked among the Best Companies for Women to Work at, and in the beginning of 2007, among the Best for Executives, according to analysis from Você S. A. magazine.

**GRI -LA4**  
All employees are included in Collective Work Agreements.

These titles reflect the result of the processes introduced in the last years. The Management of the Organizational Atmosphere, Performance Appraisal, Programs of Internal Recruiting, Profit Sharing, Quality of Life, Restructuring of Positions and Salaries, and Internal Communication Channels, among several others made the difference. It also makes difference the internal relaxed and accessible atmosphere that the employees find in their daily working hours. The high administration and the managers are generally close to their collaborators, which facilitates communication and informal conversation.

**GRI-LA5**  
Organizational alterations such as holiday work hour compensations, work hour changes, among others are informed through internal communication means and disclosed on bulletin boards and e-mails at least 15 days in advance.

In 2005 and 2006, the President, Vice-President, Directors, and Managers were involved in the PMDF Program (Medley Program for Development of Executives) carried out by Fundação Dom Cabral; on the whole there were 32 participants. In 2007, two new groups joined PMDE.

Two modules of the Medley Program for continuous development were also developed in 2006, to form future leaders, identify and prepare professionals for possible opportunities.

For operational functions, the training programs follow the Skills Matrix and promote technical, practical, and behavioral knowledge.

ECO- Estudo de Clima Organizacional (Study of Organizational Atmosphere), carried out in December, 2006 by the third time and applied every two years showed results that indicate improvement at each consultation: 76% of Campinas and Sumaré employees and of the sales team filled out the questionnaire: better participation than the 74% of the last edition. The general results presented progress in the satisfaction rate in nine

out of 13 researched fields of action, considered relevant to the internal atmosphere. There was a slight decrease in three domains, in comparison to 2004, while one of the domains maintained the same previous result.

GRI LA12

## Performance Management

The Performance Management System, based on competences, is developed in two models: one of the models promotes 360 ° appraisals for Directors, Managers, Coordinators and the other one carries out 180 ° appraisals for technicians and administrative collaborators.

The objective of the Performance management is to promote self-knowledge, personal growth, alignment of expectations, dissemination of feedback culture, and improvement of professional and organizational performance, besides the incentive to self-development and career management.

**613 doses of Anti Flu vaccines** were inoculated into employees in 2006. Vaccination was also made available to employee's children who attend the Day Care Center.

## Performance Management

GRI LA12

	Total number of employees (CPS + SUM)	Number of evaluated Employees	% Avaliados
2004	819	408	46%
2005	862	442	51%
2006	977	450	46%

### Average number of Training hours per year, per employee, per function. (\*)

Level	Trained Men Hours (HHT)	
	2005	2006
Directors	26	120,66
Managers/Coordinators	67,3	35,06
Other levels	30,7	27,38
Field (all positions)	122,55	92,08

GRI -LA10

(\*)Indicators informed by the person responsible for Human Resource Department; not reviewed by Auditing.

## Benefits

In the health field, Medley started offering, as of 2005, cardiac risk evaluation to employees and, as complementation, as of 2006, it introduced a Nutritionists Service, with weekly visits aiming at correcting and improving eating habits, thus improving life quality. Massages are carried out by chiropractors, who are also available in order to promote well being. There is also daily employees' workout during 10 minutes, in the beginning and at the end of working days, available to the entire work force.

These benefits, as well as others, are made known through bulletin boards and intranet; and the results are analyzed in monthly report.

The Expectant Mother Course is another benefit offered to women employees, as well as men employees' wives and its objective is to clarify women's doubts. During three mornings, 11 specialized guests – psychologist, gynecologist, pediatrician, teaching expert, phonoaudiologist, nutritionist, nurse, physiotherapist, and day care center monitors carry out dynamic and practical courses and talks. In 2006, second year of the course, 10 expectant mothers and 3 employee's wives took part in the course. In 2005, 10 expectant mothers and 4 employees' wives took part in the first course.

## Day Care Center for community Children

The Medley Day Care Center bears a differential: it not only welcomes employee's children but also makes available one third of its vacancies, free of charge, for children living in the vicinities. On the whole, it has 200 children enrolled in two shifts: 6 am to 2 pm, and from 7:30 am to 5:30 pm, according to parents' work shifts. Children eat five meals a day.

### There is a growing interest for the “Vozes Medley” Chorale

Brought about in October 2003, the “Vozes Medley” Chorale has as its objective, make accessible chorale music as well as improve personal and professional relations among its participants..

Rehearsals happen weekly in both Medley facilities (Campinas and Sumaré) conducted by UNICAMP musician Hipólito Ribas.

The chorale performs in internal well as in external events. In 2006 there were 32 members – 20 from the Campinas unit, and 12 from Sumaré unit. In 2005 there were 31 members - 18 from Campinas unit, and 13 from Sumare.

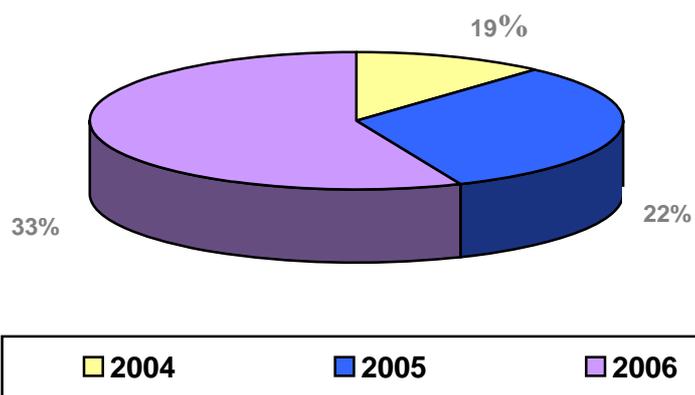
## Minor Apprenticeship Development Program

With the objective of integrating under age young people into the Company, Medley offers market preparation courses aimed at bringing about adequate professional attitude. The Minor Apprenticeship Development Program promotes quarterly meetings, in order to approach themes such as: health and sex education, team work, and professional relocation.

GRI LA11

As differential, Medley offers the young learners daily dinners because most of them go straight to school from work. It also offers medical assistance, dole, medicine acquisition aid, bonus (14<sup>th</sup> salary). At the age of 18, should the area where the apprentice worked not be able to hire the apprentice, he is also intitled to take part in any internal selective processes.

### Minor Apprenticeship Hiring



	December 2004	December 2005	December 2006
<b>Employees</b>	1128	1191	1304
<b>Third parties(*)</b>	84	93	119
<b>TOTAL</b>	<b>1212</b>	<b>1284</b>	<b>1423</b>
	December 2004	December 2005	December 2006
Trainees	171	172	184
Minor Apprentices	23	19	17
Temps	0	0	1

### Total number and employees' Turnover, per Age, Gender and Region

#### Total Turnover (Dismissed + Resigned)

	2006	2005	2004
Nº	168	135	178
Rate	13.20%	11.54%	16.17%

#### Total Turnover, per type

Dismissed 2006	Resigned 2006	Dismissed 2005	Resigned 2005	Dismissed 2004	Resigned 2004
117	51	88	47	129	49
9.19%	4.01%	7.52%	4.02%	11.72%	4.45%

#### Unit Turnover

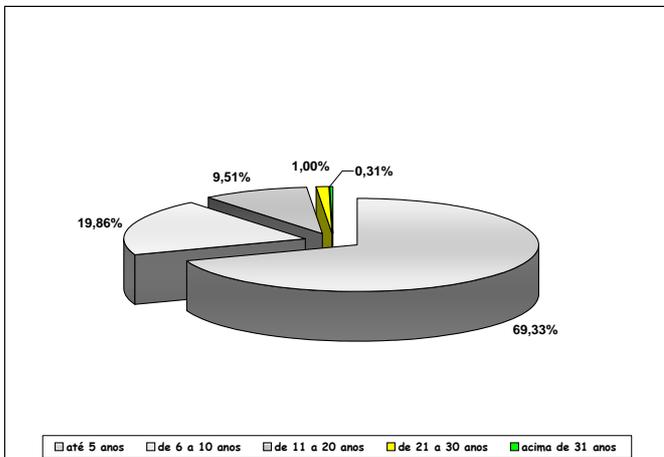
Campinas Dismissed 2006	Campinas Resigned 2006	Sumaré Dismissed 2006	Sumaré Resigned 2006	Sales Team Dismissed 2006	Sales Team Resigned 2006
59	33	17	3	41	15
7.82%	4.38%	9.82%	1.73%	12.17%	4.45%

Campinas Dismissed 2005	Campinas Resigned 2005	Sumaré Dismissed 2005	Sumaré Resigned 2005	Sales Team Dismissed 2005	Sales Team Resigned 2005
41	23	19	4	28	20
6.01%	3.37%	11.29%	2.38%	9.24%	6.60%

Campinas Dismissed 2004	Campinas Resigned 2004	Sumaré Dismissed 2004	Sumaré Resigned 2004	Sales Team Dismissed 2004	Sales Team Resigned 2004
60	16	18	2	51	31
9.68%	2.58%	10.51%	1.17%	17.48%	10.62%

## Medley Employees' Profile

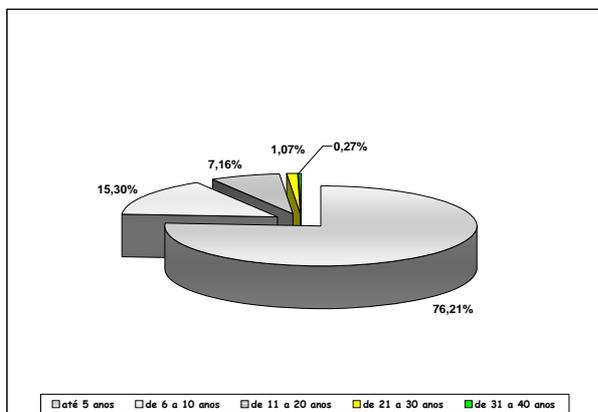
### Medley Employment Time December/2006



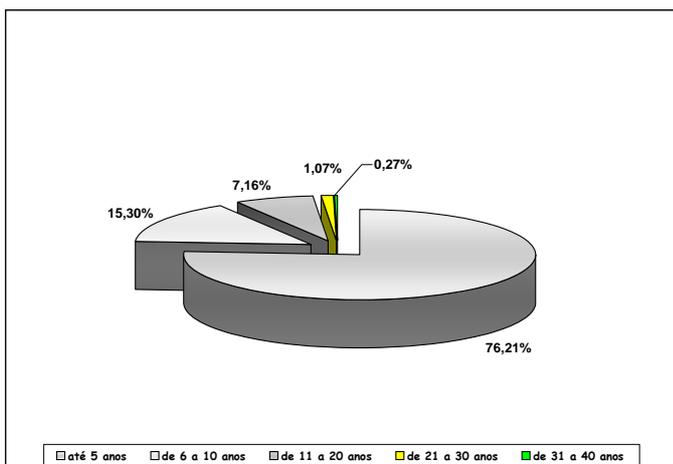
Up to 5 years from 6 to 10 years from 11 to 20 years from 21 to 30 years over 31 years



### Medley Employment Time December/2005



### Medley Employment Time December/2004



### Total Number of Employees per Position, per Gender

2006			
Position	Men	Women	Total number per position
Managers	61	14	75
Coordinators	35	37	72
Administrative/ technical	298	364	662
Operational	335	160	495
<b>Total number of employees per Gender</b>	<b>729</b>	<b>575</b>	<b>1304</b>

GRI LA13

2005			
Position	Men	Women	Total number per position
Managers	53	20	73
Coordinators	35	28	63
Administrative/ technical	289	323	612
Operational	278	165	443
<b>Total number of employees per Gender</b>	<b>655</b>	<b>536</b>	<b>1191</b>

2004			
Position	Men	Women	Total number per position
Managers	55	16	71
Coordinators	30	23	53
Administrative/ technical	264	300	564
Operational	270	170	440
<b>Total number of employees per Gender</b>	<b>619</b>	<b>509</b>	<b>1128</b>

### Position Vs. Age - 2006

GRI LA13

2006	Under 30		Between 30 to 50		Over 50		TOTAL
	Amount	% x Total	Amount	% x Total	amount	% x Total	
Management	12	0.9%	61	4.7%	2	0.2%	75
Coordination	17	1.3%	53	4.1%	2	0.2%	72
Administrative / technical	385	29.5%	257	19.7%	20	1.5%	662
Operational	315	24.2%	167	12.8%	13	1.0%	495
<b>TOTAL</b>	<b>729</b>	<b>55.9%</b>	<b>538</b>	<b>41.3%</b>	<b>37</b>	<b>2.8%</b>	<b>1304</b>

### Position Vs. Age - 2005

2005	Under 30		Between 30 and 50		Over 50		TOTAL
	Amount	% x Total	Amount	% x Total	amount	% x Total	
Management	19	1.6%	53	4.5%	1	0.1%	73
Coordination	15	1.3%	46	3.9%	2	0.2%	63
Administrative / technical	349	29.3%	236	19.8%	27	2.3%	612
Operational	273	22.9%	154	12.9%	16	1.3%	443
<b>TOTAL</b>	<b>656</b>	<b>55.1%</b>	<b>489</b>	<b>41.1%</b>	<b>46</b>	<b>3.9%</b>	<b>1191</b>

### Position vs. Age - 2004

2004	Under 30		Between 30 and 50		Over 50		TOTAL
	Amount	% x Total	Amount	% x Total	amount	% x Total	
Management	23	2.0%	47	4.2%	1	0.1%	71
Coordination	15	1.3%	36	3.2%	2	0.2%	53
Administrative / technical	322	28.5%	220	19.5%	22	2.0%	564
Operational	283	25.1%	142	12.6%	15	1.3%	440
<b>TOTAL</b>	<b>643</b>	<b>57.0%</b>	<b>445</b>	<b>39.5%</b>	<b>40</b>	<b>3.5%</b>	<b>1128</b>

### Different Ethnicities and Disabled Employees

GRI-LA13

2006	White		African Brazilians/Swarthy		Oriental		TOTAL	Disabled Employees
	Amount	% x Total	Amount	% x Total	Amount	% x Total		
Management	70	5.4%	4	0.3%	1	0.1%	75	
Coordination	64	4.9%	1	0.1%	7	0.5%	72	
Administrative / technical	591	45.3%	59	4.5%	12	0.9%	662	13
Operational	394	30.2%	100	7.7%	1	0.1%	495	21
<b>TOTAL</b>	<b>1119</b>	<b>85.8%</b>	<b>164</b>	<b>12.6%</b>	<b>21</b>	<b>1.6%</b>	<b>1304</b>	<b>34=2,6%</b>

### Different Ethnicities and Disabled Employees

2005	White		African Brazilians/Swarthy		Oriental		TOTAL	Disabled Employees
	Amount	% x Total	Amount	% x Total	Amount	% x Total		
Management	68	5,7%	4	0,3%	1	0,1%	73	
Coordination	55	4,6%	2	0,2%	6	0,5%	63	
Administrative / technical	546	45,8%	51	4,3%	15	1,3%	612	10
Operational	348	29,2%	95	8,0%	0	0,0%	443	21
<b>TOTAL</b>	<b>1017</b>	<b>85,4%</b>	<b>152</b>	<b>12,8%</b>	<b>22</b>	<b>1,8%</b>	<b>1191</b>	<b>31=2,6%</b>

## Different Ethnicities and Disabled Employees

2004	White		African Brazilians/Swarthy		Oriental		TOTAL	Disabled Employees
	Amount	% x Total	Amount	% x Total	Amount	% x Total		
Management	67	5.9%	3	0.3%	1	0.1%	71	
Coordination	48	4.3%	0	0.0%	5	0.4%	53	
Administrative / technical	503	44.6%	47	4.2%	14	1.2%	564	6
Operational	336	29.8%	104	9.2%	0	0.0%	440	17
<b>TOTAL</b>	<b>954</b>	<b>84.6%</b>	<b>154</b>	<b>13.7%</b>	<b>20</b>	<b>1.8%</b>	<b>1128</b>	<b>23= 2%</b>

## Health and Work Safety

The implantation of the SGI-Sistema de Gestão Integrado (Integrated Management System) that has as reference the Norms ISO 9001 (of quality, already implanted), ISO 14001, of environmental management, and OHSAS 18001, of health and work safety, started in 2006. The committee organized for SGI implementation is comprised by Work Health, Occupational Health, Environment, and Total Quality and of the employees high Administration sectors employees.

GRI LA6

In May, 2006 was also formed the Multidisciplinary Ergonomics Committee with representatives of the Sectors: Occupational Health, Work Safety, Production, Maintenance, Engineering and Purchase. The objectives of the Committee are the fulfilling of the recommendations of Regulatory Norm 17 of Ergonomics recommendation and contribution for the adequacy of the work conditions. In 2006, ergonomic surveys were initiated and adequacy measures were also established with deadlines to be met.

## Health Training and Work Safety

Regular Specific trainings are customarily performed in each Sector of the Company, aiming at qualifying the employees to operate the equipment and guarantee their physical integrity.

GRI-LA8 e  
GRI LA9

Campaigns to prevent serious illness such as Aids, and work safety are carried out in specific dates, aiming at the awareness and prevention of work and private life accidents. Subjects like sexually transmitted diseases (STD), drug addiction and alcoholism are approached through information campaigns during Carnival, June festivities and collective vacation.

The Internal Week of Work Accident Prevention - SIPAT-Semana Interna de Prevenção de Acidentes do Trabalho-, that takes place annually, approaches themes related to prevention and treatment of DSI/AIDS and also to the Environment, as determined by norm NR5 and Category Union Collective Labor Agreement.

**Injuries, work accidents, sick leave, absenteeism, and occupation related death rates, per region.**

TF: Attendance Rate

TG: Severity Rate



GRI-LA7

**Campinas Unit**

Year	TF	TG	Number of Accidents with sick leave	Number of Accidents with sick leave	Absenteeism
2004	3.99	180	7	7	0.43
2005	2.52	34	5	5	0.08
2006	0.00	0	5	0	0

**Sumaré Unit**

Unidade – Sumaré					
Year	TF	TG	Number of Accidents with sick leave	Number of Accidents with sick leave	Absenteeism
2004	0,00	0	0	0	0
2005	0,00	0	2	0	0
2006	0,00	0	3	0	0

## Corporate Social Responsibility Management-RSE



### RSE Management Spreads Sustainability Culture

The Area of Corporate Social Responsibility, formally created in 2005 has the mission to disseminate the sustainable development culture through individual responsibility in the experience of the company Values, strengthening ethical management, transparent and committed to the society, the environment and Medley's business".

In order to do that, RSE manages the activities related to business sustainability in the various areas of the organization, bearing in mind the three dimensions of the responsibility – social, environmental and economic – and

different society's segments: internal, shareholders, suppliers, physicians, pharmacists, consumers, communities, press, universities, and government.

The area is also in charge of administering the company social investments and guiding the relationship of its employees with the surrounding communities.

## Main Activities in 2006

### ***Values and Transparency:***

a) The **adoption of the GRI model - Global Reporting Initiative**, in its G3 version – the most updated one - was defined to prepare the Corporate Responsibility Report on 2006 period. Motivated by this initiative, Medley has also decided to sponsor the work group GRI-Ethos, together with seven other large companies: Natura, Petrobrás, CPFL Energia, Banco Itaú and AES Eletropaulo, Suzano Group, and Bunge.

b) **Dissimination of Medley's Values** occurred in internal events like the Orgulho de Ser Medley Celebration, Cascata Elo (Term used to describe the manner in which decision-making flows down the organizational chart), and new collaborators integration, among others.

c) The search for further participation and legitimacy in the construction of the **Ethical Code** led to the option to postpone this work until the second semester of 2007, when the Company activities return to their normal rhythm, with the end of the enlargement plan.

### ***Corporate Management***

The holding of the **Sustainability Workshop (Oficina de Sustentabilidade)** with vice- Presidents, Directors, and Managers was remarkable in 2006. During the whole day

the entire high administration of the Company, comprised by 45 participants got together to evaluate and understand the impact of these matters in the business and identify Medley's paths for construction of a more sustainable society. The reasons for the approach of urgent matters in the Company, in general range, and the social environmental impacts of each particular area. Therefore, it was possible to collectively construct Medley's value chain and visualize the starting point of the Company's activities to positively influence the Society.

The "**Sessão, Pipoca e Bate-papo**" (Movies, popcorn, and chatting) project also stood out. In this project, the collaborators – 184 in this first year- watched films about the theme connected to Corporate Social Responsibility and discussed the issues presented. The initiative continues in 2007 with a variety of movies.

### ***Suppliers***

The long term and solid relationship with the suppliers began to receive a new approach. By Medley initiative, meetings took place to align the suppliers in regard to matters related to corporate and social sustainability. In 2006, representatives of ten companies attended the first meeting. In 2007, rules are being defined for this information interchange and have the suppliers to delve deep into sustainable management.

### ***Environment***

The environmental issues are analysed in all actions pertinent to the matter, and the RSE area acts as support to the Environmental Management area in the process of collaborator awareness.

### ***Costumers and Consumers***

It is the duty of a socially responsible company to respect its customers and consumers. Medley goes an extra mile in this respect by providing specific communication means and sharing knowledge related to the needs of each one of these segments. The drugstore chain managers, for example, are provided with qualification courses about their business management. Pharmacists are given the following publications directed to their interests, produced by Medley Almanaque: To Drugstore Clerks and Corporate Channel. Physicians have total support and welcome from Madley in international conferenes and have access to several publications related to their specizations.

Participation of the RSE area in events such as Mega Medley has been considered important. In these occasions, it is possible to convey new ideas to professionals of the drugstore chains, new ideas as well as trends about social responsibility, which always arise interest. In 2006 this occurred in two big events, with participation of 3500 people in Salvador, BA and 3000 in Sao Paulo, SP.

In 2007, one of the management goals is to increase participation in the RSE area on forums intended for drugstore clerks and change the use of existing plastic bags for bio degradable bags. There is also the objective of introducing texts about corporate sustainability in the Almanaque publication intended to drugstore owners and clerks.

### ***Relationship with the Communities***

The relationship with the communities takes place in two different activity sources: RSE **direct activities** and **Ação Voluntária Medley (Medley Volunteer Actions)**, a group

of organized volunteers with formal laws, following their own rules and Committee, and comprised by 15 collaborators that organize and mobilize all volunteers.

Medley acts as facilitator by supporting the projects developed by the **Ação Voluntária Medley**, assigning working hours of the period, material, and financial resources. The ties between each assisted entity and each volunteer is guided by Adherence Term to Volunteer Work, signed by both sides. In 2006, besides the Committee members, approximately 256 volunteers participated in actions together with several institutions.

### **Social Management in Medley's Initiative**

The team of the corporate Social manages several social projects directed to the internal segment and the nearby communities, for which investments of approximately **R\$ 2 million** were destined among which the following are highlighted:

- **Cooperativa Santa Genebra**

Medley invested a little under R\$ 150 thousand in supporting the Cooperativa de Materiais Recicláveis (Recycling Materials Cooperative). Cooperative members work in temporary installation in an empty lot near Medley's headoffice. With support from the City Hall – that donated the lot, as well as the support of the CRCA – Centro de Referência ao Cooperativismo e Associativismo (cooperative and /association Reference Center). Medely constructed three buildings with administrative area, cafeteria, dressing room, work area, and green area. The project was designed and developed with regard to environmental criteria, such as reuse of rain water and maintenance of the existing trees. Cooperative members

perform, in that place, the sorting out of recyclable materials and their sale. In the end of 2006, the Ação Voluntária Medley team guided the neighborhood residents and businesses to forward recyclables materials directly to the Cooperative members. As a result, the Cooperative had a significant increase it increased from 5 to 11 members.

- **Gincana do Bem (Fund Raiser)**

Gincana do Bem started in 2005 in Campinas and Sumare and already had its 2006 edition, this time including the entire Força de Vendas Medley (Medley's Sale Workforce). The theme of the Fund Raiser Event in both units was Consumption with Awareness. The event involved the corroborators in the collection of materials for the Santa Genebra Recyclable materials, as well as hygiene and cleaning products, and food that were sent to Campinas and Sumare institutions of the collaborator's choice.

The Fund Raiser directed to Sales Work Force was carried out during the weekends, and included lectures on education, recreational activities and food collecting, in addition to a pool of local volunteers to improve the structure of several needy entities. The Sales Work Force was instructed in the importance of social responsibility actions, incentive to volunteer work, citizenship development, as well as in the difference between social action and sales promotion.

The purpose of the Fund Raiser was leading Medley commitment to social problems outside the headoffice. Therefore, Gincana do Bem was a well succeeded investment in the community.

### 2006 Gincana do Bem Outcome:

- 646 Volunteers
- 42017 units of hygiene, cleaning and toys
- 794,5 k of rice
- 317,5 k of beans
- 229,5 k of pasta
- 245 l of oil
- 1.400, 750 k plastic material;
- 5.380,650 k paper scrap;
- 1407, 900 k aluminum scrap.

**2008 people were benefitted in 12 different institutions in:**

Cachoeirinha, Curitiba, Florianópolis, Belo Horizonte, Brasília, Fortaleza, Belém, Salvador, São Paulo, Ribeirão Preto and Rio de Janeiro.

- **CDI Campinas (Campinas Computer Information Democratization Committee)**

Medley supports this non-governmental organization's activities of Matao Subdivision- a community in the vicinities of Sumare unit. This institution promotes social inclusion, using information technology as tools for community development. Number of beneficiaries: 740 {children}, according to the institution.

- **Griots- Story Tellers**

In the end of 2006 Medley started a partnership with Griots Group of story tellers in Campinas Public Hospitals and anticipates a volunteer training qualification and action structuring for better performance of the activities.

### Projects Developed by the Corporate Social Responsibility Area.

**2006**

Activities	Segment involved	Duration	# of Beneficiaries
Volunteer and Citizenship week	Internal	10 hours	1.304
Movies, Popcorn, and Chatting	Internal	16 hours	184 employees
Gincana do Bem (Fund Raiser)	Internal and Sales Team	59 hours	2.392
Sustainability Workshops for Managers	Internal, Managers, and Directors	9 hours	45
Digital Inclusion – Self teaching facilities in Sumare	Internal	11 months	215
Food waste Campaign	Internal	One week	1.304 employees
Sustainability Workshop- Suppliers	Suppliers	8 hours	25
Medicine donation Program	Government and society	12 months	39.664 patients

Construction of Santa Genebra Cooperative	Community	2 and a half months	8 cooperative members
Clean Neighborhood Project and Inauguration of Cooperative	Community	One day	1.200 houses and 60 volunteers
Digital Inclusion Digital Inclusion – CDI Campinas	Community	10 months	720
Citizenhip Hazing	Community	1 month	900 Unicamp freshmen
GRIOTS			
What's on – Classic			

### Ação Voluntária Medley activities concentrated in:

#### a) Bairro Limpo Program (Clean Neighborhood Program):

provided instruction and distributed 3 thousand first reader books to dwellers of the area in the vicinities of the Campinas Unit. Door to door, volunteers handed out information about recycling and selective waste collection and sought support for collecting and delivering recycled materials to neighborhood Cooperative.

GRI EC8

b) **No Barril de Alegria (Barrel of Joy)**, a group created by an employee that organized a soccer team for needy children from 12 to 16 years of age. Ação Voluntária Medley sponsored the cause and provides structure, uniforms, and refreshments for the team. In compensation, school attendance and good grades are required from young athletes.

GRI EC8

c) **NUTRITION:** a project in partnership with Pastoral da Criança (Catholic Church –linked Children's Welfare Project) that assisted 500 children, and guides parents and teachers of local public school Lucia de Matão, in the vicinities of Sumare Unit, in the importance of eating healthy food. Books with recipes for leftovers were handed out to community members. In addition, instructions about weighing and measuring the children were provided to parents.

**Ação Voluntária (Voluntary Work)**

<b>Number of Beneficiaries</b>	2.142
<b>Investment</b>	<b>R\$ 61.538,41</b>

The Ação Voluntária goals for 2007 are:

- \* Preparation of “Seu Projeto é a nossa Cara” (Your Project is Our Starking ImageProject). In this project all employees are again incentivated to present their social projects for analysis and work support of Medley Volunteers.
- \* Promote the review of the Ação Voluntária By-Laws
- \* Increase the number of volunteers.

**Institutions Supported by Ação Voluntária Medley:**

CMPCA-Centro Municipal de Proteção a Crianças e Adolescentes, Abrigo Renascer, Barril da Alegria, Cooperativa Santa Genebra, Casa do Idoso, Escola EMEI Jardim Lucia and Escola Adalberto Prado e Silva

**Social Investments – Medley Indústria Farmacêutica**

	2006	2005	2004
Percentage of gross billing intended to all social actions.	0,32%	0,14%	0,13%
From the total intended to social area, the corresponding percent of services and product donations.	12%	7%	6,2%
From the total intended to social area, the corresponding percent in kind donations.	17%	<b>0% *</b>	<b>7% *</b>
From the total intended to social area, the percent corresponding to investments made to own social project.	40%	48%	93,8%

\*In 2004 and 2005 there were no donations made bearing tax incentives. Numbers shown in these two years refer to investments made to the Santa Genebra Day Care Center.

**Medicine Donation**

Period	Sectors	Donated units(**)	Donation value	# of helped people (***)
<b>2006</b>	Elderly, children and native Brazilian Reservations, and <b>Public Hospitals</b>	<b>80.556(*)</b>	<b>R\$ 225.610,19</b>	<b>39.664</b>
<b>2005</b>	<b>Elderly, children and Public Hospital patients</b>	<b>13.146</b>	<b>R\$ 48.253,44</b>	<b>8.100</b>
<b>2004</b>	<b>Elderly, children, and Public Hospital patients.</b>	<b>13.097</b>	<b>R\$ 32.977,82</b>	<b>10.741</b>

(\*) The significant rise in donations is due to the creation, in 2006, of the Programa Corporativo de Doação (Cooperative Donation Program), whose policy guides and defines donation frequency, which allowed beneficiary institution growth.

(\*\*) Volumes based on standard packages and estimated by Department in charge; not revised by Auditing.

(\*\*\*) Estimated numbers by beneficiary institutions; out of the Auditing's revision scope.

## Social Impact Management

GRI SO1

Medley operates in cooperation with its neighbors and surrounding communities. The case of Santa Genebra Cooperative, created for the activities of cleaning the vicinities, taking part in meetings (held by the City, and including representatives of the organized civil society, companies, and other public areas). In addition, possible disturbance due to the presence of industrial plants are prevented by constant monitoring.

There are no neighbors across from the head office in Campinas. Therefore the inputs and finished products transportation trucks have to park in the street while waiting authorization to enter the facility and unload the merchandise.

In 2007, due to the enlargement of the Campinas plant, the movement of trucks and vehicles is expected to increase. Therefore, alterations have already been made in the Receiving and Dispatching Sectors, which since May 2006; have been working in two shifts, from 6am to 10pm from Monday to Friday, and between 6am and 5pm on Saturdays. The objective is to improve supplier's service, and avoid lines of trucks that come to load and unload.

There is also a target of scheduling unloading according to the Company's incoming capacity, and thus doing away with vehicle lines in the streets.

## Remissive Index

### Global Reporting Initiative – Version G3

1	<a href="#">Profile Strategy and Analysis</a>	1.1 Statement of the position holder with more power of decision on the relevance of the sustainability for the organization and its strategy. <b>R. pages 3 and 7</b>
		1.2 Description of main impacts, risks and opportunities <b>R. page 7</b>
2	<a href="#">Organizational Profile</a>	2.1 Organization name <b>R. page 9</b>  2.2 Main brand names, products and/or services <b>R. pages 5, 9 e 10</b>  2.3 Operational structure of the organization, including main divisions, operational units, branches and joint-ventures <b>R. pages 9, 10 e 68</b>  2.4 Head office location <b>R. pages 9, 10 e 68</b>  2.5 Number and names of countries in which the organization operates <b>R. pages 9, 10 e 21</b>  2.6 Type and legal nature of the property <b>R. page 15</b>  2.7 Markets attended for <b>R. pages 9, 10 e 21</b>  2.8 Size of the organization <b>R. pages 7, 9, 10</b>  2.9 Main alterations during the period covered by the Report, regarding size, structure or stake holding <b>R. In 2006 there were no changes regarding structure or stake holding</b>  2.10 Awards received during the period covered by the Report <b>R. page 11</b>
3	<a href="#">Report Profile</a>	3.1 Period covered by the Report <b>R. Cover and page 2</b>  3.2 Date of the previous Report <b>R. Corporate Social Responsibility Report, published in 2006, related to 2005 period.</b>  3.3 Cycle of Report issuance <b>R. Annual</b>  3.4 Data for contact in case of questions related to the Report or to its contents. <b>R. page 78</b>  3.5 Process for the Report contents definition <b>R. pages 2 and 3</b>  3.6 Limit of the Report <b>R. pages 2 and 3</b>  3.7 Statement about any specific limitation in regard to the Report scope and limit <b>R. pages 2 and 3</b>  3.8 Basis for Report preparation when it comes to joint-ventures, subsidiaries, leased installations, outsourced operations and other organizations that may significantly affect comparison among periods. <b>R. Non applicable</b>

		<p>3.9 Techniques of data measuring and calculation basis. <b>R. Amounts in Reais and Dollars, according to practices of the Pharmaceutical Sector; volumes and other indicators in the way usually practiced in the economic, social, environmental Brazilian means.</b></p> <p>3.10 Explanation of the consequences of any information alteration provided in previous reports and reasons <b>R. page 77</b></p> <p>3.11 Significant alterations compared to previous years in regard to scope, limit or measurement methods applied to the Report. <b>R. pages 2 and 3</b></p> <p>3.12 Table that identifies and locates information in the Report <b>R. This Remissive Index</b></p> <p>3.13 Policy and present practices related to the search of external checking for the Report. <b>R. pages 2, 3 and 65</b></p>
4	<u>Governance</u>	<p>4.1 Governance Structure, including committees. <b>R. page 15</b></p> <p>4.5 Relation between remuneration of the highest level of government, executive board of Directors and remaining executives and the performance of the organization (including social and environment at performance) <b>R. The Profit Sharing Program yearly distributes to all employees variable amounts.</b></p> <p>4.8 Statement of Mission and Values, conduct code and relevant internal principles for economic, environmental and social performance, as well as the implementation phase <b>R. page 6</b></p> <p>4.9 The highest government organ procedures to supervise identification and management on the part of the organization, economic environment, and social performance, including risks and relevant opportunities, as well as adherence or compliance with internal international norms, conduct codes and principles. <b>R. page 15</b></p> <p><b>Indicators 4.2, 4.3, 4.4, 4.6, 4.7 and 4.10 were analyzed and deemed of low relevance for the organization, since Medley is a closed capital family corporate.</b></p>
	<u>Commitment with External Initiatives</u>	<p>4.11 Explanation about if and how the organization applies precaution principles <b>R. pages 27, 28, 29, 54 and 55</b></p> <p>4.12 Letters, principles or other external initiative developments of economic, environmental and social nature that the organization subscribes or endorses. <b>R. page 66</b></p> <p>4.13 Participation in Associations <b>R. The list will be available in the next edition.</b></p>
	<u>Engagement of Segments</u>	<p>4.14 List of <i>stakeholders</i> groups engaged by the organization <b>R. pages 2 and 3</b></p> <p>4.15 Basis for identification and selection of <i>stakeholders</i> <b>R. pages 2, 3, 35 and 36</b></p> <p>4.16 approach for stakeholders engagement including the frequency of the engagement <b>R. pages 35 and 36</b></p> <p>4.17 Main themes and concerns that were raised by the engagement of the stakeholders; and what measures the organization has adopted to deal with them. <b>R. pages 35 and 36</b></p>

## Economic Performance Indicators

### Aspects

EC1	<b><u>Economic Performance</u></b>	Direct economic value generated and distributed, including revenues, operational costs, employees remuneration, donations, other investments in the community, accumulated profits and payment to capital providers and government R. <a href="#">page 24</a>
EC2		Financial implications and other risks and opportunities for the organization activities due to climate changes. R. <a href="#">Not available</a>
EC3		Coverage of pension plan obligations of defined benefits offered by the organization. R. <a href="#">Social Security not available</a>
EC4		Significant financial help received by the government R. <a href="#">Does not apply.</a>
EC5	<b><u>Presence in the Market</u></b>	Proportion variation of the lowest salary compared to the local minimum wages in important operational units. R. <a href="#">page 24</a>
EC6		Policies, practices and proportion of expenses with local suppliers in important operational units R. <a href="#">page 39</a>
EC7		Procedures for hiring local employees and proportion of high level management recruited in important operational units. R. <a href="#">Medley uses competence criteria in hiring and does not have control on hiring in the places where it operates.</a>
EC8	<b><u>Indirect Economic Impact</u></b>	Development and impact of investments in regard to infrastructure and services provided, especially for public benefit, through commercial engagement, in kind or pro bono activities ("free"). R. <a href="#">pages 50, 60 and 62</a>
EC9		Identification and discrimination of significant indirect economic impact, including the extension of the impact. R. <a href="#">page 60</a>

## Environmental Indicators

EN1	<b><u>Materials</u></b>	Material used per weight or volume. R. <a href="#">Not available</a>
EN2		Percentage of materials that arise from recycling. R. <a href="#">Not available</a>
EN3	<b><u>Energy</u></b>	Direct energy consumption through primary energy source. R. <a href="#">Not available</a>
EN4		Indirect energy consumption through primary energy source. R. <a href="#">Not available</a>
EN5		Amount of energy saved due to the improvement of efficiency and conservation. R. <a href="#">Not available</a>
EN6		Initiative to offer products and services with low energy consumption, or that use energy generated by renewable resources, and, from this initiative, reduce the need for energy. R. <a href="#">Not available</a>
EN7		Initiative to reduce direct energy consumption and the obtained reductions. R. <a href="#">Not available</a>
EN8	<b><u>Water</u></b>	Total water collected per source R. <a href="#">page 42</a>
EN9		Water sources significantly affected by water collection R. <a href="#">page 42</a>
EN10		Percentage and total volume of recycled and reused water R. <a href="#">page 42</a>
EN11	<b><u>Bio-diversity</u></b>	Location and size of the area possessed, rented or administered within the protected or adjacent areas and in areas of high rate of bio-diversity outside the protected areas. R. <a href="#">Not applicable</a>
EN12		Description of significant impacts in bio-diversity of activities, products and services in protected areas and in areas of high rate of bio-diversity outside the protected areas. R. <a href="#">Not applicable</a>

EN13		Protected or restored habitats R. <b>Not applicable</b>
EN14		Strategies, measures in force and future plans for management of impacts on the bio-diversity. R. <b>Not applicable</b>
EN15		Number of species in the IUCN Red List and of national lists of habitat preservation in areas affected by activities and differentiated by the level of extinction risk. R. <b>Not applicable</b>
EN16	<b><u>EMISSIONS, EFFLUENTS AND RESIDUES</u></b>	Total of direct and indirect gas emissions of the greenhouse effect, per weight. R. <b>Medley has no control of the total gas emitted. However, it has action plans to soon implement an identification plan.</b>
EN17		Other relevant indirect emissions of greenhouse effect gas, per weight R. <b>Not available</b>
EN18		Initiatives to reduce greenhouse effect gas emission and the reductions achieved. R. <b>Medley acquired a natural gas boiler.</b>
EN19		Emissions of substances that destroy the ozone layer, per weight. R. <b>Not available</b>
EN20		NOx, SOx and other significant atmospheric emissions, per type and weight. R. <b>Not available</b>
EN21		<b>R. page 42 – The discharge of effluents is made after treatment. At the moment, there are no flow meters in the outlets.</b>
EN22		Total residue weight per type and disposal method. R. <b>Page 43</b>
EN23		Number and total volume of significant spillage. R. <b>Non applicable.</b>
EN24		Weight of residues transported, imported, exported, or treated which are considered hazardous according to the Basel 13 convention – Attachments 1, 2, 3, and 8, and percent of residual load internationally shipped. R. <b>Page43.</b>
EN25		Identification size protection status and rate of bio-diversity of bodies of water and related habitats significantly affected by water discharges and drainage made by the reporting organization. R. <b>Not applicable</b>
EN 26	<b><u>PRODUCTS AND SERVICES</u></b>	Initiatives to mitigate environmental impacts of products and Services and extend of such impact reduction. R. <b>Page41</b>
EN 27		Percentage of products and their packing recovered in relation to the total of products by product category. R. <b>Not available</b>
EN 28	<b><u>COMPLIANCE</u></b>	Monetary value of relevant fines and total number of non monetary sanctions resulting from non compliance with environmental laws and regulations. R. <b>Medley suffered no sanctions from environmental organs in the last year.</b>
EN 29	<b><u>TRANSPORTATION</u></b>	Significant environmental impacts from products or goods and materials used in the Company operation or worker transportation. R. <b>Not available.</b>
EN 30	<b><u>GENERAL</u></b>	Total of investments and expenditures on environmental protection per type. R. <b>Page 41</b>

LA1	<b><u>Employment</u></b>	Total number of employees per type of job, work contract and region. R. <b>Page 51</b>
LA2		Total number and rate of employees turnover, per age, gender and region R. <b>Pages 51 e 52</b>
LA3		Benefits offered to full time employees and that are not offered to temporary employees or part time workers and discriminately by the main operations. R. <b>Page 49</b>

LA4	<b><u>Relationship between workers and Governance</u></b>	Percentage of employees covered by collective agreement. R. <b>Page 47</b>
LA5		Minimum advance notice term for operational changes, including changes that have been specified in agreements and negotiations. R. <b>Page 47</b>
LA6	<b><u>Health and Work Safety</u></b>	Percentage of employees represented in formal safety and formal health committees comprised by administrators and workers who help monitoring and advising about safety and occupational health programs. R. <b>Page 54</b>
LA7		Rate of work related wounds, occupational illnesses, sick leaves, absenteeism and death per region. R. <b>Page 55</b>
LA8		Education programs, training, advising, prevention and on going hazard control to assist employees, their families and members of the community in regard to serious illness. R. <b>Page 55</b>
LA9		Issues related to health and safety and which are covered by formal union agreements. R. <b>Page 55</b>
LA10	<b><u>Training and Education</u></b>	Average number of training hours per year, per employee, discriminated by job category. R. <b>Page 48</b>
LA11		Program for competence administration and on going learning to support continuity of employment and manage career end. R. <b>Page 50 e:</b> * a) The following qualification programs for employees are in effect: In-Company courses; out of company courses, language, and PMDE – Medley Program of Executive Development in convention with Fundação Dom Cabral. b) Presently there is no program for retirement preparation. c) Managers and Coordinators are benefited by outplacement program that also provides psychological assistance and financial guidance. * <b>This information refers to 2204, 2005 and 2006.</b>
LA12		Percentage of employees that regularly receive appraisal for their performance and career development. R. <b>Page 48</b>
LA13	<b><u>Opportunity Diversity and Equality</u></b>	Composition of the groups responsible for corporate governance and employees' discrimination per category, according to gender, age, minorities and others. R. <b>Page 15, 52, 53 and 54</b>
LA14		Proportion of floor salary per function between men and women. R. <b>Not available</b>
HR1	<b><u>Investment and Purchase Process Practices</u></b>	Percentage and total number of significant investment agreements that include clauses related to human rights or that were submitted to appraisal regarding human rights. R. <b>In 2006, two investment agreements that included human relation clauses were signed by Medley.</b>
HR2		Percentage of companies and key suppliers that were submitted to appraisal related to human rights. And measures adopted. R. <b>Medley does not take initiative on the appraisal of hired companies and key suppliers when it comes to human rights.</b>
HR3		Total hours of employees training in regard to policies and procedures related to human rights aspects that are relevant to the operations, including the percent of employees that receive training. R. <b>Not applicable</b>
HR4	<b><u>Non Discrimination</u></b>	Total number of discrimination cases and measures taken. R. No case of discrimination was registered in the Company, neither before the Administration nor in the Judicial sphere. In addition, Medley did not receive any complaint regarding this matter in neither one of the two units. The Company Administration is guided by five values: Simplicity, Business Excellence, Responsible Actions, Integrity and Pride to be Medley. <b>These values regulate all actions and determine compliance with legislation in force, with respect to collaborators, partners, suppliers and customers. The objective of these values is to motivate employees to be proud of working for Medley.</b>

HR5	<b><u>Freedom of Association and Collective Negotiation</u></b>	Operations in which the right to exert freedom of association and collective negotiation were identified, with significant risk to the Company Culture and measures adopted to support these rights. <b>R. Indicators not in conformity with the Company culture</b>
HR6	<b><u>Child Labor</u></b>	Operations identified as having significant risk of child labor occurrence. Measures adopted to avoid child labor. <b>R. Indicator in consonance with the Company context</b>
HR7	<b><u>Forced Labor or Similar to Slave Work</u></b>	Operation identified as significant risk of forced labor or similar to slave work and measures to eradicate such work. <b>R. Indicator not in consonance with the Company context</b>
HR8	<b><u>Safety Practices</u></b>	Percentage of safety personal submitted to training on policies and organization procedures regarding human rights aspects relevant to the operations. <b>R. Not available</b>
HR9	<b><u>Native Brazilians Rights</u></b>	Total number of cases of Brazilian natives rights violations and the measures adopted <b>R. Medley does not operate in areas of native Brazilians and does not develop activities with indigenous people. The Company recognizes and respects different cultures.</b>

### Indicators of Performance Related to the Society

SO1	<b><u>Community</u></b>	Nature, scope and effectiveness of any program and practices to evaluate and manage the impact on the community operations, including incoming and outgoing of material operations. <b>R. Page 63</b>
SO2	<b><u>Corruption</u></b>	Percentage and total number of business units submitted to evaluation of risks related to corruption. <b>R. Medley states its commitment to ethics and transparency in its public documents, however, the Company does not have any specific evaluation on this matter.</b>
SO3		Percentage of employees trained in policies and procedures anti-corruption of the Company <b>R. Not available</b>
SO4		Measures taken to deal with corruption cases. <b>R. Since there is no evaluation of risks related to corruption practices, there are no measures against it. Neither there are, in the period covered by the report, any legal actions against the Company or its employees in connection to the subject.</b>
SO5	<b><u>Public Policies</u></b>	Position in regard to public policies and participation in the preparation of public policies and lobbies <b>R. Medley does not have specific policy for this matter.</b>
SO6		Total amount of financial contributions and in kind to political parties, politicians or related institutions per country. <b>R. Medley does not make any financial donation or in kind to political parties or related institutions, either in Brazil or Abroad.</b>
SO7	<b><u>Disloyal Competition</u></b>	Total number of legal actions due to disloyal competition, practice of trust or monopoly and their results. <b>R. Medley does not suffer any legal action due to disloyal competition, practice of trust or monopoly. The Company obeys the applicable legislation. Besides, no corporate operation that represent economic concentration act was carried out.</b>
SO8	<b><u>Conformity</u></b>	Monetary value of significant fines and total number of non-monetary sanctions resulting from non-conformity with laws and regulations. <b>R. Considering the "Significant Fines" those fines with value equal or higher than R\$ 500,000.00 (Five hundred thousand Reais), there is no registration of such fines, being the existing fines considered irrelevant.</b>

### Indicators of Performance Referent to

<b>Responsibility for the Product</b>		
PR1	<b><u>Customer Health and Safety</u></b>	Phases of the life cycle of products and services in which impact on the health and safety are evaluated, aiming at the improvement and the percentage of products and services subject to these procedures R. <b>Pages 27, 28</b>
PR2		Total number of non-conformity cases with regulations and volunteer codes related to impact caused by products and services on health and safety during the life cycle, discriminated per type of result. R. Considering the definition given by the Indicators protocol (IP) in the sense that <b><u>“TYPE OF NON CONFORMITY is the sentence of a court for acts not in compliance with regulation or laws. Specified by the nature of the infringed laws or regulations”</u></b> , and if it was only a case of <b><u>estoppels by judgment</u></b> , with no possibility of appeal, it can be concluded that, in the period covered by the Report, Medley did not have any case of non-conformity that resulted in sentence.
PR3	<b><u>Product Labeling and Services</u></b>	Type of information about products and services required by labeling procedures and the percentage of products and services subject to such demands. R. <b>Page 28</b>
PR4		Total number of cases not in conformity with the regulations and volunteer codes, related to information and labeling of products and services, discriminated by type of result. R. <b>Pages 27, 29 and:</b> <b>Since 2004, Medley has not received any notes of infringement related to labeling or no conformity that has resulted in fine. In the previous years, the cases of non-compliance were not significant number.</b>
PR5		Practices related to customer satisfaction, including results of satisfaction polls. R. <b>Pages 33, 35 and 36</b>
PR6	<b><u>Marketing Communications</u></b>	Programs of adherence to laws, norms and volunteer codes related to marketing communication, including publicity, promotion and sponsorship. R. <b>Page 37</b>
PR7		Total number of cases of non-conformity with regulations and volunteer code related to marketing communication, including publicity, promotion and sponsorship, discriminated by type of result R. Considering the definition given by the Indicators protocol (IP) in the sense that <b><u>“TYPE OF NON CONFORMITY is the sentence of a court for acts not in compliance with regulation or laws. Specified by the nature of the infringed laws or regulations”</u></b> , and if it was only a case of <b><u>estoppels by judgment</u></b> , with no possibility of appeal, it can be concluded that, in the period covered by the Report, Medley did not have any case of non-conformity that resulted in sentence.
PR8	<b><u>Conformity</u></b>	Total number of corroborated complaints related to private violation and loss of customer data R. <b>Not available</b>
PR9		Monetary value of significant fines for non-compliance with laws and regulations related to the supply and use of products and services R. Considering the <b><u>“Significant Fines”</u></b> those fines with value equal or higher than R\$ 500,000.00 (Five hundred thousand Reais); and also considering the definition given by the Indicators protocol (IP) in the sense that <b><u>“TYPE OF NON CONFORMITY is the sentence of a court for acts not in compliance with regulation or laws. Specified by the nature of the infringed laws or regulations”</u></b> , and if it was only a case of <b><u>estoppels by judgment</u></b> , with no possibility of appeal, it can be concluded that, in the period covered by the Report, Medley did not have any case of non-conformity that resulted in sentence.

### Erratum:

1. History: According to IMS Health, these are the correct Medley's rank in the sector, different from the ones printed in the previous edition of the Annual Report.

**2000: Ranks 20 in the sector.** (On the previous edition, it read **29th ranking place**).

**2001: Ranks 13.** in the sector (On the previous edition, it read **15th ranking place**).

**2003: Medley ranks 7** in the sector (On the previous edition, it read **10th ranking place**).

Note: More detailed tallies done by Auditing request led to number re evaluation on some indicators. Below, on the right column, the new Indicators approved by auditing and published on this edition of the 2006 Period Report.

Social Responsibility Report Description Period 2005	Correct Corporate Responsibility Report - Period 2006
Number of Minor Apprentices: In December 2005 = 21	Number of Minor Apprentices: In December 2005 = <b>19</b>
Total number of manifestations dealt with by SIM: in 2005 = 56.183 in 2004 = 63.838. percentage of complaints in relation to the total number of manifestations dealt with: in 2005 = 2,86% in 2004 = 1,53%.	Total number of manifestations dealt with by SIM: in 2005 = <b>50.828</b> in 2004 = <b>63.602</b> . percentage of complaints in relation to the total number of manifestations dealt with in 2005 = <b>3,84%</b> in 2004 = <b>3,30%</b> .
Participation in the Generics market: in 2005 = 29,2%	Participation in the Generics market (MAT US\$): in 2005 = <b>27,8%</b>
Market Growth – Evolution in Billion US\$: in 2004 = 5,860 in 2005 = 7,754 (+32,3%) Market Growth – Evolution in Million US\$: in 2004 = 192,891 in 2005 = 287,850 (*49,2%) – Medley Growth(???)	Market Growth – Evolution in Billion US\$: in 2004 = 5,903 in 2005 = 7,954 (+34,7%) Market Growth – Evolution in Million US\$: in 2004 = 194 in 2005 = 293 (+50,6%) – Medley Growth(???)
Timeline Medley's rank in sector: in 2000 = 28th. in 2001 = 15h in 2003 = 10th	Historic –medley rank in sector: 2000 = 20th. 2001 = 13th. 2003 = 7th.
Medley production in million units: in 2005 = 75.984	Medley production in million units in 2005 = 91,973
Social Investments in 2004: • 0,49% (% of Gross billing destined to the total social Actions); • 7,33% (of the total destined to social area – service and product donation ) • 92, 67% (total destined to social area – in kind donations.) • 100% (total destined to social area – investments made to own social projects.) in 2005, respectively: 0,50%; 4,5%; 95%, 4,8%.	Social Investments in 2004 • 0,13% (% of Gross billing destined to the total social Actions); • 6,2% (of the total destined to social area – service and product donation ) • 7% (total destined to social area – in kind donations.) • 93, 8% (total destined to social area – investments made to own social projects.) in 2005, respectively: 0,14%; 7%; 0%, 48%.

## **Credits**

### **Corporate Responsibility Report**

**Period 2006**

**Medley S. A. Indústria Farmacêutica**

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## **Independent Auditors Report about the 2006 Social Responsibility and Sustainability Report.**

To Shareholders and Directorate of Medley S.A. Indústria Farmacêutica  
Campinas – SP

1. Based on auditing norms applicable in Brazil, we have audited the accounting statements of Medley S.A. Indústria Farmaceutica, Medley, related to the fiscal period ended on Dec. 31<sup>st</sup>, 2006, which are not included in this report. Our audit was performed with the objective to issue our opinion about accountable statements jointly made and, as a result, we issued an audit opinion, without reservation, on June 1<sup>st</sup>, 2007. The information included in the 2006 Social Responsibility and Sustainability Report is being presented in order to provide additional information about the company, in spite of not being required as part of the accountable statements. The information contained in the 2006 Social Responsibility and Sustainability Report was subjected to the review procedures detailed in paragraph 2, as required by the Federal Council of Accountability Resolution number 1003 of August 19<sup>th</sup>, 2004 that approved the NBCT 15 (Brazilian Accountability Norm) – Information of Social and Environmental Nature.
2. Our review constituted a scope substantially smaller than an audit performed according to audit norms applicable in Brazil, whose objective would be to issue an opinion about the 2006 Social Responsibility and Sustainability Report, and consequently we have not issued an opinion on such information. The revision procedures consisted basically of: i) complete reading of the 2006 Social Responsibility and Sustainability Report to check the compliance with financial and not financial information disclosed; ii) interviews with Medley officials responsible for the areas that direct or indirectly contributed with data that generated the information contained in this publication; iii) verification by non statistical sampling, of electronic and physical files that originated the information contained in the 2006 Social Responsibility and Sustainability Report; iv) general understanding of the main processes, and the internal control structure of the respective process that generated the information included in the 2006 Social Responsibility and Sustainability Report; v) re calculation and other verification through non statistical sampling of formulas, tables, percentages, and indicators described in the report, and vi) analysis of the accountable information consistency included on the Social Balance Sheet that is an integral part of the 2006 Social Responsibility and Sustainability Report with the financial statements related to the fiscal period ended on December 31<sup>st</sup>, 2006.
3. Based on the review above mentioned, we do not know any relevant alteration that must be made in Medley S.A. Indústria Farmacêutica's 2006 Social Responsibility and Sustainability Report related to the fiscal period ended on December 31<sup>st</sup> 2006, in order for this report to be in compliance with the registration and files that served as basis for its preparation.
4. The previous year's information contained in the 2006 Social Responsibility and Sustainability Report, presented for comparison purposes, were checked by other independent auditors that on the same matter, issued their report dated of May 29<sup>th</sup>, 2006 without exceptions.

June 1<sup>st</sup>, 2007

KPMG Assurance Services Ltda.  
CRC 2SPO23228/0-4

Jarib Brisola Duarte Fogaça  
Accountant CRC 1SP125991/0-0