

MANAGEMENT REPORT 2012

Annual report as per:	IFRS
For the financial year:	2012
Report date:	March 21, 2013
Company name:	Antibiotice SA
Registered office:	Iasi, 1 Valea Lupului Street
Phone:	0232/209000
Fax:	0232/209633
Fiscal registration code:	RO 1973096
Regulated market on which the issued shares are traded:	Bucharest Stock Exchange
Subscribed and paid-up capital:	56,800,710 RON
Main characteristics of the securities issued by the trading company:	Nominal shares, nominal value: 0.10 RON

Analysis of company's activity

The company was founded in 1955 and defined as a trading company according to Law no. 15/1990 and Government Decision no. 1200/12.11.1990 by taking over the whole patrimony of Antibiotice Enterprise, with the legal form of joint-stock company.

The 8 manufacturing lines, upgraded and certified according to the Good Manufacturing Practice (GMP) standards, produce medicines in five pharmaceutical forms: powders for solutions and suspensions for injection (from the penicillin class), capsules, tablets, suppositories and topical use preparations (ointments, gels, creams). All of these form a complex portfolio of more than 140 human use medicines for the treatment of a wide range of diseases: infections, cardiovascular or dermatological ones, those affecting the digestive tract or the musculo-skeletal system.

All production capacities owned by the company are located in the headquarters territory. The company detains the ownership over all fixed assets recorded in the accounts of the company.

DOMESTIC MARKET

With a tradition of over 57 years in the pharmaceutical industry and a comprehensive portfolio of products, Antibiotice SA Iasi is the leading Romanian manufacturer of generic drugs.

On the domestic market, our company is present with medicines from 13 therapeutic classes and differs from other manufacturers as the main producer of anti-infective medicines and the only manufacturer of active substances obtained by biosynthesis (Nystatin). This positioning, as well as the partnership with the Ministry of Health in National Health Programs, e.g. the Anti-Tuberculosis Program, nowadays have made the medicines produced by Antibiotice to represent the stock necessary for each hospital in Romania.

The quality of Antibiotice products is attested by the main certification forms: Good Manufacturing Practice (GMP) for all the 8 manufacturing lines, the Certificate of Suitability with the European Pharmacopoeia (COS), Food and Drug Administration (FDA) approval for

the US and Canada markets. Getting these international certifications by Antibiotice accounted for premises for a solid development on the foreign market.

Permanent monitoring of the effectiveness and safety in administering the Antibiotice's medicines is performed by our own Pharmacovigilance & Medical Counseling Department connected to the European data processing network on the safety of medicines - EudraVigilance. Antibiotics was the first company in Romania which joined to the relevant European standards in the field of pharmacovigilance.

Antibiotice is also the first Romanian pharmaceutical company which obtained, in February 2007, the recognition of implementing the Integrated Management System (quality, environment, labour, health and labour safety), which attests that Antibiotice manufactures quality, safe and effective drugs, while protecting the environment, the health and safety of its employees.

In terms of research and formulating new drugs, starting with 2011, the company has a modern Research & Development Center, which will be able to rhythmically increase the renewal rate of the products in the portfolio, as the patents on the innovative products expire.

The Romanian pharmaceutical market recorded in 2012 an increase of 8.3%, reaching a value of 11.7 billion RON as compared to 10.8 billion RON in 2011, according to Cegedim, the leading market research company (values calculated on the basis of the entry price in pharmacies).

Continuing the company's strategy in the last few years focused on strengthening the market position as the leading anti-infective manufacturer, the trade and promotion policies applied in 2012 were focused towards the high exploitation of the traditional medicine portfolio as well as of the new therapeutically valuable medicines, assimilated in our portfolio. The balanced growth in turnover and profits is backed by a well-defined business plan, supported on five pillars of development which determine the company's evolution milestones until 2016.

Thus, in the context of the Romanian pharmaceutical market, the Company Antibiotice Iasi achieved net sales on the domestic market worth of 234.5 million RON, while in the segment of distribution, the sales amounted to 252.2 million, and in pharmacies and hospitals the figure was 291.1 million RON (data source: *Cegedim 2012*).

Thus, in the year 2012, Antibiotice consolidated his marketshare (2.5 %), ranking the eleventh in the classification pharmaceutical companies operating on the domestic market.

The breakdown of Antibiotice sales on the consumption channels for the period 2010-2012 is represented as follows:

- **Hospital Segment:**

Indicator	Million RON				
	Year 2010	Year 2011	Year 2012	2012/ 2011	2012/ 2010
<i>Sales to Hospitals - Source: Cegedim</i>	79.9	105.9	110.4	4.2%	38.2%
ANTIBIOTICE marketshare	7.9%	7.5%	7.0%		
<i>In the Romanian pharma market</i>	(place 3)	(place 3)	(place3)		

- **Retail Segment:**

The main sales-related actions launched in 2012 are, as follows:

1. Introduction in the company's portfolio of the therapeutic class Antineoplastics and Immunomodulators, by launching three molecules on the market: *anastrozolum*, *bicalutamidum* and *letrozolum* (oral forms).

2. Approaching a new therapeutic area - Genito-Urinary Apparatus, by launching on the market the product Lactic Atb® ovules (lactic acid + natrium lactate combination).

3. Launching on the market 3 new molecules from the following therapeutical classes:

Cardiovascular system: Trimetazidina Atb® tb. 35mg (*trimetazidinum*).

Anti-infectives: Eficef® cps. 100mg (*cefiximum*), completion of the range.

Central Nervous System: Paroxetina Atb® tb. 20mg (*paroxetinum*).

Their contribution to the turnover in 2012 amounted to 3.4 million RON.

4. Increase in consumption per pharmaceutical forms: capsules, tablets and topical preparations (ointments, creams, gels)

PHARMACEUTICAL FORMS	ANTIBIOTICE			2012/2011	2012/2010
	2010	2011	2012		
CAPSULES	91.45	122.57	143.29	16.9%	56.7%
<i>position on the market</i>	2	2	2		
<i>share/marketshare</i>	7.43%	9.13%	10.16%		
TABLETS	156.80	186.42	200.69	7.7%	28.0%
<i>position on the market</i>	12	12	12		
<i>share/marketshare</i>	2.09%	2.29%	2.32%		
OINTMENTS, CREAMS, GELS	6.74	6.82	6.90	1.2%	2.4%
<i>position on the market</i>	1	1	1		
<i>share/marketshare</i>	33.06%	32.07%	30.62		

PRODUCT STRATEGY

The company's strategy consists in guiding both the structure of sale and promotion policy towards therapeutically valuable medicines in order to enforce the presence of Antibiotice drugs in the pharmacies.

The entire activity of the company - from research and production to sales - is structured on a portfolio of generic drugs as varied in terms of the approached pharmaceutical forms and therapeutic classes.

The portfolio of 140 medicines covering 13 therapeutic classes certifies that the company's strategy is oriented towards upgrading the product portfolio, manufacturing generic drugs therapeutically bioequivalent with the originals, also maintaining high quality standards.

Developing new products, especially in an industry as dynamic and specialized as the pharmaceutical one, has as the main objective the gradual replacement of the products in the medical therapy, while maintaining or increasing the volume of future sales.

New products launched in the market in 2012

The company's portfolio was completed in 2012 with 7 new products from the therapeutic classes in which the company has chosen to develop strategically in the coming years: anti-infectives, drugs for cardiovascular, CNS systems and oncological drugs.

From the anti-cancer drugs classes, Antibiotice launched on the market 3 products necessary for the current therapies used by oncologists: Bicalutamida Atb® tbs. 50 mg (for the treatment of prostate cancer), Letrozol Atb® tbs. 2.5 mg (for the adjuvant treatment of

hormonally-responsive breast cancer in its early stages in post-menopausal women) and Anastrozol Atb® cpr. 1 mg (for the treatment of breast cancer in advanced stage in post-menopausal women).

The company portfolio has been also enriched with drugs for cardiovascular use, psychiatric diseases, and anti-infective treatment. These are as follows: Trimetazidina Atb® tbs. 35 mg (used in patients with angina pectoris, in combination with other therapies), Paroxetina Atb® tbs. 20 mg (for the treatment of major depression and other obsessive-compulsive disorders), the anti-infective product Eficel ® cps. 100 mg si Lactic Atb ® ovules for genitourinary apparatus diseases.

The future product portfolio of Antibiotice will mainly target the Romanian population characterized by: the high aging rate (the statistics mention 5,500,000 retirees, about 29% of the population), multiple disorders (with high incidence, most of them chronic - diseases of the cardiovascular and nervous system systems, cancer, diabetes) and, last but not least, with a low and medium incomes.

PRICING

The pharma-related legislation restricts the possibilities of the pharmaceutical companies to use price as a strategic tool to differentiate among manufacturers.

The differentiation in determining the price for the same molecule, among the brands on the market, can be manifested as follows:

- for over-the-counter (OTC) drugs - the prices are freely determined by manufacturers, the only barrier is the psychological price accepted by the patient;
- for prescription drugs (RX): a generic drug can be positioned in a price range that does not exceed 65% of the innovative drug price.

In 2012, the average manufacturer price of Antibiotice was approximately 0.706 RON/therapeutic unit, representing 64% of the average market price (1.106 RON/therapeutic unit).

On the Hospital segment, the average price of the Antibiotice's portfolio products was approximately 1.66 RON/therapeutic unit, representing 28% out of the average market price (6.03 RON/therapeutic unit); on the Retail segment, Antibiotice recorded an average price of about 0.52 RON/therapeutic unit, representing 53% of the market average price (0.98 RON/therapeutic unit).

Price strategies for both the current portfolio of drugs and the future one will permanently follow the relationship between the maximum level imposed by law, the offset of the manufacturing costs and ensuring a competitiveness against the competition's offer (positioning as the first generic, positioning as reference medicine, the best price/quality ratio).

DISTRIBUTION STRATEGY

The highly varied Antibiotice portfolio referred both to the Hospital and the Retail segment require address a conventional-type of distribution through a number of distributors with a national coverage area:

- **Hospital segment:** 8 partners who represent Antibiotice lasi at the tenders or offer selections organized by the health units with beds.

- **Retail segment:** is covered by 9 distributors with a nation-wide distribution network, specialized sales and tele-sales teams. The main objective of these distributors is to ensure

through competitive and commercial practices, the continuous and active presence of the Antibiotice products both in the independent community pharmacies and in the pharmaceutical groups (national chains and mini-chains).

The partnership between Antibiotice and the distributors aims at attaining the common objective, i.e. to be present on the domestic pharmaceutical market, the interest of the parties being to identify the best means of supporting the promotion and selling process, as well as the most advantageous combination delivery terms/payment.

In support of this cooperation, Antibiotice developed its own account management system dealing at the territorial level with the optimal management of the distributors' demands.

PROMOTION STRATEGY

In parallel with the marketing-distribution activities and as a direct consequence of the structure of the product portfolio, the company has developed a marketing & promotion team comprising about 170 people. This team has a pyramidal structure, at territorial level, depending on the main therapeutic areas (anti-infectives, cardiovasculars, nervous system and oncology) as follows: product manager, marketing specialist, medical representative, commercial representative.

Based on current activities of direct promotion (*door-to-door*) to the prescribing doctors of pharmacies, the company has integrated, from 2012, in its promotional strategy an integrated electronic management system (CRM) in-house concept.

This system allows:

- an integrated control on the target, sales data in real time about the Sales Representatives' activity;
- an integrated management of customers: physicians and pharmacists;
- history data on the activity of the Sales Representatives;
- synchronization between the declared activity of all the medical representatives and the situation on the ground through the electronic mapping on digital maps that confirm their presence in the areas of interest;
- electronic management system of CALL CENTER campaigns;
- car fleet management system;
- reporting, extracting, summarizing and automatic sending of reports to the senior managers.

The continuous implementation of these strategies will allow Antibiotice to consolidate its position and image on the market - as a leader in the anti-infective medication as well as to approach, through its generics, to new valuable and interesting therapeutic areas for the health system in Romania (cardiovascular, CNS, oncology, osteoporosis).

In the last years, Antibiotice invested in diversifying its portfolio, both in the traditional fields (anti-infectives, dermatology, musculoskeletal system, oncology) and in the new therapeutic areas (cardiovascular, central nervous system, oncology)

Through the portfolio renewal and a balanced growth, our company has succeeded in maintaining its top position in the main traditional therapeutic classes.

In 2012, the activity of the promotion and commercial divisions was supported by informing actions on the role of the generic drug or on the various pathologies, by organizing some events or participation in scientific congresses on these topics.

The main promotion events in 2012 were, as follows: /

The National Congress of Internal Medicine, Căciulata February 28th - March 3rd, 2012;
 The Dermatological Spring in Iasi, April 26-28th, 2012; /
 The Romanian Medical Association Congress, Bucharest, April 26-28th, 2012;
 The 38th Congress of the Romanian Society of Anaesthesia and Intensive Care, Sinaia, May 16-20th 2012;
 The Dermatology Conference "Gh. Nastase Days", Iasi, May 24-26th 2012
 The National Conference of the Working Groups of the Romanian Society of Cardiology, Brasov;
 The National Congress of Cardiology, Sinaia, October 4 - 6th, 2012
 The National Conference of Psychiatry, Iasi, October 4 - 7th, 2012;
 The National Course of Guidelines and Protocols in Anaesthesia, Intensive Care and Emergency Medicine, Timisoara, October 4-6th, October 2012;/
 The National Conference of Oncology and Medical Radiotherapy, Sinaia, Oct 19-22th 2012;
 National Congress of Dermatology, Cluj Oct 25-28th, 2012;
 Pharma Forum and Medical Forum held throughout the year in the major university centres.

Our company launched and supported **educational campaigns** addressed both to doctors and patients, as such:

The Symposium "*Medicine and Spirituality: a multidisciplinary approach to the elderly patient*";

The training course "*The approach of the diabetic patient in the context of primary health care*";

The Symposium "*Medicine and faith*" - the elderly patient: an approach with science and soul"

Campaign "*One step towards health*" to educate the public regarding the incidence of mycoses;

Educational campaign „*Equilibra - every day energy*";

Educational campaign "*Stress management*"

The company's sales structure on consumption channels
 In the period 2011-2012

Consumption channels	Million RON	
	2011	2012
Retail	167.3	180.9
Growth rate (%)		8.1%
Hospital	105.9	110.4
Growth rate (%)		4.2%

Data source: Cegedim 2011-2012

Attracting new molecules into fabrication will assure a real growth potential of the physical production used mainly for the following pharmaceutical forms: powders for injection, tablets and capsules.

The risks specific for the drug industry came forward in 2012 with the following issues: /

- introduction of the clawback tax;
- increase of manufacturing costs (utilities, raw materials);
- insolvencies in distribution and pharmacies;

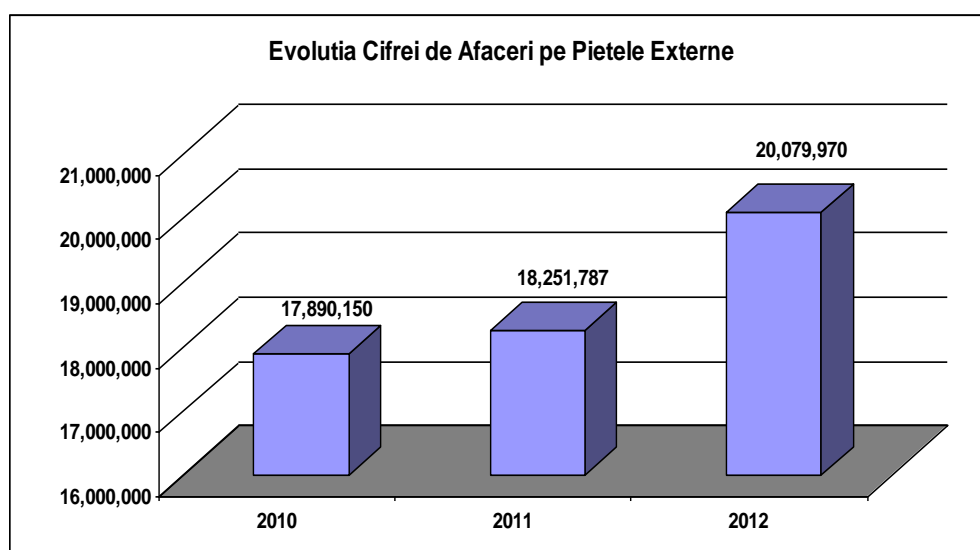
- fluctuating legislation for the hospitals;
- the amounts reimbursed by the National Health Insurance Fund are paid on terms that exceed by far those agreed in the framework contract.

While these risks have manifested in the Romanian drug market, we managed, through tracking programs and various measures, to surpass the market's shortcomings and to achieve the indicators proposed.

PRESENCE ON THE FOREIGN MARKET

In 2012, the export share in the sales revenues was 24%. Taking into account the projects for extending Antibiotice's presence on the international markets and our intention of reducing the degree of dependence of the internal market, the medium-term objective is to achieve an export share of about 30 % of the annual turnover.

The revenues from the sales made on the foreign markets in 2012 were 20,079,970 USD on the rise against 2011 when the total export amounted to USD 18,251,787. In 2012, the export activity has continued its upward trend as it can be seen from the chart which summarizes the developments on the external markets between 2010 and 2012.



In terms of the export structure, 57% of the export value was represented by exports of Nystatin API, the remaining of 43% being represented by exports of finished products.

Export of active substances

The export of Nystatin recorded a 15% increase in terms of value. During 2012, a total amount of 396,010 BOU of Nystatin was exported, this being the largest annual amount exported by Antibiotice so far.

The main markets for exportation were in Europe (Germany, Switzerland, Belgium, France, United Kingdom), North America (US) and Asia (Vietnam, India, Syria, Iraq, China, Jordan).

In 2012, Antibiotice continued the promotion policy for Nystatin API on the highly regulated markets, especially on the US market, which offers significant opportunities to increase the volumes exported at prices higher than on other foreign markets. In this regard, the most significant end-users on this market have started the authorization procedures for

this product. It is estimated that the completion of this procedure in 2014 will generate an additional turnover of about 2 million USD.

Export of finished products

The total export value of finished products performed in 2012 was 8,694,022. USD. The products for injection have the main value weight in the export of finished forms (68.43%), followed by capsules (19.34%), ointments & suppositories (6.8%) and tablets (5.43%).

In 2012 the main geographical areas for the export of finished products were: Russia - C.I.S. by 38.91% (achieved primarily through the export of penicillins and cephalosporins for injection in Azerbaijan), Africa with a percentage of 35.64%, (mainly due to exports of penicillin injectable forms in Algeria), Asia 10.56%, Europe 10.4% and North America 4.48%.

Considering the ongoing projects on various foreign markets, the medium-term estimates aim at achieving a turnover of approximately 34 million USD in 2016, growth generated mainly by the development of export of finished forms and by the authorization of Nystatin API made by the most significant end-users in the US. /

International cooperations

An important component of the development strategy on the foreign markets for finished products is selling on regulated markets in Europe and the United States./

At the current moment, FDA, the regulatory authority in the U.S. authorized two products manufactured by Antibiotice: Ampicillin for injection 250 mg, 500 mg, 1 g and 2 g. and Nafcillin for injection 1g and 2 g. At the end of 2012, a distribution contract was signed for those two products which aims to achieve a turnover of approximately 4,300,000. USD in 2013.

The export of finished products to the Russian and CIS area recorded a value of 2,800,000 USD in 2012, higher than in 2011, when the turnover on this market was approximately 1,800,000. USD. The positive evolution is the result of expansion in the number of products registered or sent for registration in countries such as Azerbaijan, Georgia, Armenia, as well as of the identification of new partners for distributing the products in Ukraine and the Baltic States.

For 2013, we estimate to obtain the first two marketing autorizations in the Russian Federation for Amoxiplus 1.2 g and Bisoprolol 5 mg and 10 mg. This year, we intend to negotiate a strategic partnership with the company's distributor on this market, i.e. Protek SVM, for the marketing of Antibiotice products in Russia, one of the most important markets in terms of consumption of pharmaceuticals, which leads to development predictions for this area in the medium and long term.

The cumulated export value of finished products for the Asian, African and South-American markets maintained at the level of 2011, with a total value export of 3,340,000 USD.

In this area, the main market was Algerian one for the injectable penicillins. At the same time, the activity of promotion and development continued on the markets such as Vietnam, Saudi Arabia, Yemen, Sri Lanka, Hong Kong, Iraq and Tunisia.

COMMERCIAL POLICY

Domestic procurement

The procurement process from the internal market is the resultant of some interdepartmental efforts starting from production planning to the transport ensurance of the raw materials and cosumables necessary in the production process.

A number of appropriate characteristics are essential in carrying out the procurement process: adaptability, mobility, quickness in decision-making.

Harmonizing the commercial conditions imposed by the type of activity with the existing internal market trends is one of the desiderata of the trade policy:

- to renegotiate the contracts for the raw materials with a high value share in the production process;
- to eliminate the complaints regarding the quality of raw materials and materials which could cause malfunctions in the production process;
- to provide 3 quotes for the raw materials and materials necessary for production in order to ensure the conditions to obtain the most competitive price on the market; /
- to increase the supplier credit to 90 days.

Our continuing concern is to reduce the operating costs in order to increase the efficiency of operational activities. To that effect a plan for reorganizing, rescaling the activities where possible and improving the profitability, aiming especially the most competitive price, the high supplier credit in line with the financing and receivable recovery capacity from the market, without compromising the quality standards imposed on the national and international pharmaceutical market.

During 2012 other facilities provided by suppliers were also followed, such as: aspects related to the ensurance of the raw materials and spaced out delivery terms in order to avoid overloading the deposits and creating slow-moving stocks.

Imports of raw materials

In the recent years, the procurement activity evolved from an administrative approach to a strategic mission. Since international competition has gradually increased, the companies sought to become more efficient by organizing the procurement activity in close correlation with the sales of finished products, having regard to a well-defined informational circuit with their foreign partners.

The economic crisis which started in 2008, and which led companies to reassess their business and partners, corroborated with the new regulations in the pharmaceutical field, with the new restrictions imposed upon the supply of raw materials and the qualification of supply sources, imposed further actions to strenghten the existing partnerships by:

- managing the relationship with each supplier of raw materials, developing a common strategy to get competitive prices, convenient delivery times and payment terms tailored to the Romanian market;
- orientation towards various supply markets, avoiding dependency on a geographic area or a source of supply;
- internal orientation in order to meet the internal needs of the enterprise, in accordance with the development strategy of the company as a whole.

In 2012, Antibiotice has continued the program for the approval of alternative sources for each raw material required in the production process and for each finished product which contributes to the turnover of the company.

The risks arising from operating with a single supplier were taken into account: inability of perform manufacturing and to fulfill the orders at the requested time, stiffness in the negotiation of prices and delivery conditions, possibility of occurrence of certain events

that lead to disruption in the delivery or production with strong relational and financial consequences.

Under the terms of the current competitiveness on the Romanian market, of the budgetary restrictions and international pricing policies, the efficiency of the operational process, which includes a continuous focus on reducing the acquisition costs, is already a constant concern of partnerships management.

The foreign acquisition activity has one more major objective: correlating the external balance of payments to the balance of export earnings. Given that, in recent years, the share of exports in the turnover has increased, tending to equalize the foreign purchases of raw materials and finished products, we are constantly seeking to pay our external suppliers mainly from the revenues from our external partners.

From the external suppliers, Antibiotice purchases over 200 raw materials from sources certified by the ANMDM Romania (*National Agency for Medicines and Medical Devices*), recognized by the European authorities and inspected by qualified persons within the company's Quality Unit, with the following geographical distribution: /

- Europe: 53%;
- India: 24 %;
- China: 23%.

HUMAN RESOURCES POLICY

The setting of the number and structure of the staff required to carry out the business plan has been carried out in collaboration with all the managers of involved structures. In this respect, the human resource activity has been directed toward completing structures with the necessary staff by:

- redeployment of staff from the structures with surplus towards those with vacancies according to the possibilities for adaptation to their specific needs;
- attracting and hiring of new employees to replace the retired personnel and to complete the existing teams by a number of:
 - 47 people with higher education for the following main areas of activity: pharmaceutical development, regulatory affairs, bioequivalence studies, promotion, sales, risk management, production;
 - 38 people with secondary education for the following Units: Technical and Production, Quality, Commercial and Logistics.

On Dec 31st, 2012, the staff structure was: total **1440 employees**, out of which:

- higher education staff = 536 (37.22 % of the total staff), up by 0.9% compared to Dec 31st 2011 (36.3% of the total staff) and 2.72% compared to Dec 31st, 2010 (34.5% of the total staff);
- secondary education staff = 904 (62.78% of the total staff) down by 0.9% compared to Dec 31st, 2011, (63.7% of the total staff) and 2.72% compared to Dec 31st, 2010, (65.5% of the total staff); assigned according to the organizational structure approved by the Board of Directors of SC Antibiotice SA as follows:

The structure of higher education staff, by professions, on Dec 31st, 2012, is the following:

<i>Professions</i>	<i>No.</i>	<i>% of total higher education staff</i>
Doctors, pharmacists	84	15.7%

Chemical engineers, chemists, physicists	152	28.4%
Medical representatives, other professions	62	11.6%
Economists	104	19.4%
Various engineering specializations	51	9.5%
Biologists	34	6.3%
I.T. specialists	17	3.2%
Other specialty areas	32	6.0%
Total	536	100.0%

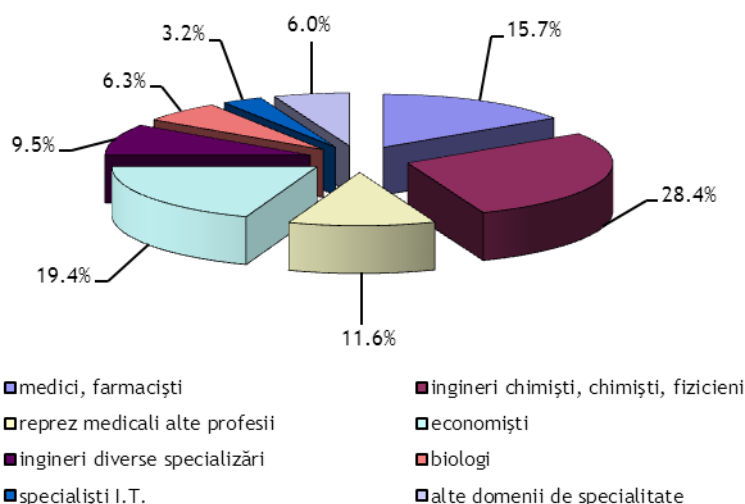


Fig. 1 Structure of higher education staff

In 2012, the staff fluctuation rate was 5.34%, down compared to the previous year, when the fluctuation rate was 7.58%. A percentage of 58% of termination of employment contracts were due to the retirement conditions that were met by 45 employees.

Coordinating human resources training activity

To obtain professional performances - the prerequisite for increasing business competitiveness and quality, our concerns have resulted in human resources development projects, with training projects for each Unit, according to the needs identified for each organizational structure and in close correlation with Community legislative changes also applicable to the domestic legislation in force.

Training courses held by external lecturers

According to the 'Annual training plan with external lecturers' for 2012, the following training sessions were conducted, as follows:

- For the specialized personnel within the Medical and Quality Units:
 - „Dissolution - theory and good practice” (Center for Research and Development and Quality Control Dept. - Physico-Chemical Analysis),
 - The European Pharmacopoeia - 7th edition - quality certification for products and raw materials and preparation of documentation in view of authorization,

- Quality Assurance aspects related to tablets packaging and film-coating,
 - The use of sensors in direct measurements and potentiometric titrations,
 - Training on the topic „*Product Manager*” for the product managers.
- For the specialized personnel in the Marketing and Domestic Market Sales Unit:/
 - Procurement expert (auctions activity staff),
 - Training on the topic „*Product Manager*” for the marketing specialists.
- For the Economic Direction staff:
 - Closing the 2011 financial year,
 - Applicable tax regulations - Income tax and VAT
 - Accounting and taxation - legislative updates.
- Staff of the Human Resources Management Unit:
 - Regulation on social security and health insurance.
- Staff from the Research and Development Center, Export, Import Units:
 - Annual Conference on licenses for generic drugs,
 - News and solutions in the pharmaceutical and nutritional supplements industries,
 - The use of sensors in direct measurements and potentiometric titrations,
 - *In-vitro* methodologies for assessing the dissolution tests for semisolid forms,
- Staff of the Technical and Production Unit:
 - Aspects of the formulation and production of Eudragit oral forms,
 - Solutions for process improvement, product innovation and quality enhancing in production;
 - Auditing and planning systems for the prevention of accidents at work;
- For the specialized personnel of the Engineering and Investment Unit:
 - Training for certification the person responsible for environment and waste management related matters;
 - Training to certify professional competences in metrology;
 - Professional training in the electrical domain (RSL - IR);
- For the specialized personnel of the Marketing and Logistics Units:
 - Specific training in the field of emergencies and civil protection ;
 - Professional training and certification in the field of transport safety ;
- For the qualified personnel in the structure of Risk Management:
 - Risk management and compliance with the management systems;
- For the specialized personnel within the Internal Audit structure:
 - Audit and control in public administration;
- For the specialized personnel within the Public Relations structure:
 - Professional training on the topic „*Legal issues in the media*”.
- For the personnel of the Quality Unit:
 - Training on *The European Pharmacopoeia*, Strasbourg, July, 9-10, 2012
 - Training on *The 3rd Meeting with manufacturers of finished pharmaceuticals products and active pharmaceutical ingredients*, 25-26 September, Copenhagen, for the WHO pre-qualification of the products in the company's portfolio:

Training project „Summer School a+”

Continuing the tradition, in 2012 took place the third edition of the „*Summer School a+*” training project intended for both the professional development of company's own

employees and to attract young professionals in research, drug development, production and quality control.

1. The internal component

About 500 employees from the top management, union leaders, middle management to production employees (with secondary and higher education), followed modules for development and professional skills.

Among the covered topics were: creativity, innovation, process improvement, organizational behaviour, managerial skills development, specific legislation. The training sessions were held by professors from „Al. I. Cuza” Iasi University, within an *education-business* collaboration that is already a tradition.

2. The external component

The external component of the "*Summer school a+*" was attended by 35 students and graduates from the faculties of Medicine and Pharmacy, Chemistry and Chemical Engineering in Iași who wished to become familiar with a series of concepts and regulations specific to the pharmaceutical industry.

Thus, the specialists from Antibiotice in Quality Assurance, Research & Development of drugs, pharmacovigilance and pharmaceutical production offered the future specialists a theoretical and practical training on generic industry peculiarities.

From among the participants in the "*Summer school a+*", (the editions I, II and III), about 20 graduates were hired by Antibiotice in the Pharmaceutical Development, Regulatory Affairs and Bioequivalence Departments.

The system of management by objectives (MBO) in 2012

For some categories of personnel, where the activity peculiarities allow it, the management by objectives (MBO) is applied as a specific form of performance evaluation. For 2012, 171 leadership and executive employees were included in the MBO system.

RESEARCH AND DEVELOPMENT

As a result of the strategic investments in research carried out by the Antibiotice in the past few years, that have resulted in the creation of a modern Center for Research and Development, the company is able now to develop and complete over 15 research projects annually.

These projects have as their object mainly the research on new products and also they constantly improve the quality of traditional medicines in order to ensure compliance with the latest legislative requirements in the field and to permanently adapt the portfolio drugs to the quality requirements required for the registration of products on various foreign markets.

Thus, in 2012, in the Company's new Research and Development Center were initiated 20 projects aiming the development of new pharmaceutical products belonging to different therapeutic classes from various therapeutical classes, namely: cardiovascular drugs (7 in 13 doses), central nervous system (1 in 2 doses), antibacterial drugs (1 in 2 doses), gynecology (3), dermatology (4), and dietary supplements (4).

Since our analytical research laboratories are equipped with the latest generation instrumentation and equipment as well as with a new research pilot-scale plant for solid dosage forms, the team of researchers has completed, in 2012, the marketing documentation

for 17 new drugs in various pharmaceutical formulations: immediate release tablets (10), extended-release tablets (1), ovules (3) and topical medications (3).

The formulations and manufacturing technologies for 4 pharmaceutical products were optimized in order to comply with the latest requirements of the pharmacopoeia and/or with the view of their registration on foreign markets.

The generic drugs developed by the team of researchers specialized in formulation were tested in terms of effectiveness and safety in bioequivalence clinical trials within the company's clinical study center, which was reauthorized, in 2012, for good practice in the field by the National Agency for Medicines and Medical Devices (**NAMMD**).

Within the frame of clinical research, 10 *in-vivo* and 50 *in-vitro* studies were carried out in compliance with the latest European regulations in the field. The clinical research team approached, for the Bioequivalence studies, the most appropriate designs, in compliance with the latest European requirements.

The Regulatory Affairs Department continued its specific activities to support the portfolio and the registration of the Antibiotice drugs on the foreign markets.

In this respect, in 2012, were obtained **6 marketing authorizations for the Romanian market** and **35 marketing authorizations** for the Antibiotice drugs in **12 countries** in Europe, Asia and Africa.

These achievements were made possible due to the creation of an interdisciplinary research team of over 60 professionals (pharmacists, doctors, biologists, chemists, engineers, etc.) and also to the financial support of the research activities funds of over 7.7 mil. RON during 2012 only.

Other activities of the Research and Development Center held in 2012 which aimed at developing generic medicines in modern pharmaceutical formulations (modified-release tablets, pellet-containing capsules, fixed-dose-polypill-type tablets), as well as the biotechnological research development, will bear their fruit in the years to come.

By performing research in an integrated system (pharmaceutical development - clinical testing), the Research and Development Center provides the company the development of a portfolio of generic drugs with proven therapeutic efficiency and safety, in accordance with the latest legislative requirements in the field.

The investments in research done in the recent years by Antibiotice, both in endowments and human resources, together with the results in research obtained in the recent years, constitute a guarantee for the long-term development of the company.

PRODUCTION

In 2012 production continued and the following types of products were manufactured:

- pharmaceutical formulations: sterile powders for injectable solutions and suspensions, operculated (hard-gelatin) capsules, conventional oral tablets and film-coated tablets, ointments, suppositories.
- bulk active substances obtained by biosynthesis belonging to the antibiotics class - Nystatin and biofertilizers - Azotofertil® and Ecofertil®.

The measurable objectives of the Production Unit, based upon technical and economic calculations oriented towards business efficiency and cost optimization were, as follows:

- achieving production while observing the quality standards;
- framing within the budget allotted to the Unit - degree of achievement 100.12%;
- framing the technical - economic plan - degree of achievement 100.57%;

- framing within the specific indexes of utility consumption per unit of product for each Plant - global degree of achievement 110.13%;
- achieving the planned profitability at the plant price - degree of achievement 99.42%;
- compliance with the environmental protection program referring to emissions of volatile organic compounds during the Nystatin extraction step;
- reducing raw materials costs by optimizing manufacturing formulas and identifying of new sources for the excipients used in the production of ointments and suppositories;
- introduction into manufacturing of the products made by the Pharmaceutical Development Service;

Antibiotic manufactures, for both internal and external partners, medicines in 5 forms, their quality being assured by manufacturing in compliance with the Good Manufacturing Practice (GMP) on the 8 manufacturing flows of the company .

In 2012 Antibiotic had manufactured:

- 508 million pharmaceutical units as tablets, capsules, parenteral products, ointments, creams, gels, suppositories;
- 68 tons of bulk active substance - Nystatin;
- 105 tons of Biofertilizers.

In 2012, the total value of the export production accounted for nearly 21.2%.

In terms of value, the production of 2012 can be presented as follows:

18.83% - parenteral products, 25.46% - capsules, 17.66% - tablets, 16.48% - ointments, creams, gels, 8.35% - suppositories, 13.05% - nystatin, 0.17% - biofertilizers.

In order to achieve manufacturing, the Technical-Production Service establishes specific consumptions of raw materials, auxiliary materials and utilities (electricity, drinkable and demineralized water, steam, gas, waste water, incinerable wastes), as well as time norms and technical and economic indicators for the manufacturing processes, all of them being tracked monthly and corrected whenever it is necessary.

The production of Nystatin per batch in the Biosynthesis Plant was 1.8% higher in 2012 than planned. The good results obtained in the late 2012 generated the conditions to increase by 9% the production of Nystatin per batch.

At the Parenteral Products Plant, the production for export accounted for 31.5% of the total value of the exported products. Also, based upon contracts of manufacturing, the company had produced goods for foreign companies.

At the Tablets Production Plant, the activity of adapting the compression and primary packaging technologies on the new equipments purchased in 2011 had continued, which resulted in an increase in the production capacity from 350 million tablets/year to 400 million tablets/year. In the future, the company will be able to assimilate a greater number of products from the Antibiotic domestic research, as well as to expand manufacturing for foreign regulated markets which require approval from the FDA or the European Community.

The Capsules Plant has operated on three separated flows dedicated to penicillins, non-beta-lactams and cephalosporins. Of the 180 million capsules manufactured in 2012, 177 million capsules is intended for the domestic market.

The Ointments and Suppositories Production Plant has manufactured 9 million tubes of ointments, creams, gels, and 45.6 million suppositories. From this production, 0.34 million tubes and 8.3 million suppositories are intended for export.

During 2012, two new products for cosmetic use were introduced into manufacturing, i.e.: Lactic Atb® (lactic acid) ovules, Cicatrol® (argent sulfadiazine), regenerating cream.

INVESTMENT POLICY

In accordance with the company's overall business goals, in 2012 several investments were made with a major impact on the development of the company. Thus, investments were made for the Technical-Production Unit in order to increase the labor productivity, to decrease energy losses, to increase operational safety and to comply with the notifications the regulatory bodies made during the re-certification audits.

Tablets Plant

The functional and technological works were, as follows:

- the partial restauration of the lines for sewage and distribution of utilities;
- the partial restoration of the electrical grounding belt;
- the rehabilitation of the Plant's therma unit: restructuring and technological modernization of installations and restoring thermal insulation.

The transport infrastructure for raw materials and finished products within the plant's area was rebuilt and modernized.

Hard-gelatin capsules Plant

A high performance oil-free air compressor was purchased to supplement the requirements of technological compressed air. Also, upgrading works were carried out aiming at improving the working conditions, smooth activities in the Plant, such as: the arrangement of a room for staff training and upgrading the related areas. /

Biosynthesis Plant

- The spray-drying hall was rehabilitated and modernized. The works performed consisted in the rehabilitation of the manufacturing facilities, the reappraisal and rehabilitation of the technological installations and the distribution installations of the own building's utilities.

- For an effective control of the Nystatin manufacturing process, it was initiated the implementation of an automatic system of the biosynthesis process control by computer, an automatic addition of nutrients and control of their consumptions. The system will be implemented over a period of 3 to 4 years and, towards the end, the manufacturing process will be driven by the computer during the Nystatin biosynthesis phase of fermentation.

QUALITY POLICY

The essence of our activity is to increase the confidence in the quality, efficiency and safety of the company's products through maintaining the control and the improvement of the Integrated Management System, as certified by the results obtained after the performance of following inspections/audits during 2012:

1. Between June 5th and 7th, 2012, the **National Agency for Medicines and Medical Devices (NAMMD)** and the **Pharmaceutical Inspection Convention Scheme (PIC/S)**, performed a follow-up inspection at the Parenteral Section. No critical nonconformities were reported, which means the company's operating and import authorization, as well as the GMP certificate for the manufacturing flow for parenteral products, will remain in force.

2. On October 29th, 2012, the NAMMD conducted an inspection with the following objectives:

- re-authorization of the secondary packaging flow of injectable vials with cephalosporins,
- Good Laboratory Practice re-certification for the bio-analytical laboratory within the company's Drug Evaluation Center (DEC),
- inspection of the clinical unit within the DEC of Antibiotice SA Iasi.

No major or critical nonconformities were reported during this inspection.

3. During the period November 06 - 09, 2012 the **National Sanitary Veterinary And Food Safety Authority** performed an inspection to GMP recertify the manufacturing flows for veterinary products:

- Nystatin-feed grade
- aseptically prepared products: parenteral products, ointments
- Non-sterile products: ointments, tablets, veterinary use premixes

No major or critical nonconformities were reported during this inspection, which means the company's operating and import authorization remain in force. The GMP certificate for the company's veterinary products was issued on Nov 29.11th 2012.

4. **Surveillance audit on the conformity of products manufactured at the Micro production Plant** - during April 09-10th, 2012, **SRAC CERTSERV** had performed a surveillance audit on the conformity of products manufactured at the Micro-production Unit: aluminium tubes, polyethylene stoppers and aluminium caps. No non-compliances were identified, and it was recommended that the certification to be maintained.

5. Audits from beneficiaries/potential contract suppliers (Contract manufacturing): /

- On May 28th, an audit took place to qualify Antibiotice as a supplier of **Nystatin - active substance for the company Fougere USA**. The audit was conducted by an auditor from the Pharma Quality Consulting company. The audit assessed and appreciated the good knowledge of manufacturing requirements of the staff, as well as the quality of the presented documents.

- On October 11th, 2012, an audit was held to qualify Antibiotice as a supplier of Nystatin active substance for the company Teva Pharmaceuticals USA. The audit had assessed and appreciated the good knowledge of manufacturing demands of the staff as well as the high quality of the presented documents. During the audit, the good knowledge of the manufacturing requirements possessed by staff was appreciated, as well as the quality of the submitted documents.

These two audits were held in compliance with *EU-GMP part II* and the international guide *ICH Q7-Good Manufacturing Practice Guideline for Pharmaceutical Ingredients*.

- During December the period December 6-7, 2012, an audit was held by the Sagent company - supplier to the U.S. market, to verify the cGMP compliance for the manufacturing and control operations of the parenteral products.

- During the period December 11-12, 2012, an audit was held by the Worldgen company - supplier to the U.S. market, to verify the GMP compliance with for the manufacturing and control operations of parenteral products.

As a result of the favourable findings reported following the audits, the company Antibiotice has been accepted by these two distributors as a certified manufacturer of Ampicillin for injectable solutions (USP), and Nafcillin for injectable solutions (USP).

ENVIRONMENTAL PROTECTION

With respect to the activities of protection the environment, Antibiotice has committed itself through its Environmental Management System, to prevent pollution, to constantly improve the environment-related performances by acting in accordance with the requirements of the environmental legislation in force.

The Antibiotice's wasted waters treatment plant, which was commissioned in 2006, has since operated normally, without incident. The evacuated water quality met the requirements imposed by the HG 352/2005 - NTPA 002.

The levels of pollutant emissions at the company's own wastes incineration plant were measured half-yearly, and, at the power station, annually, by a RENAR (National Accreditation Body) accredited laboratory and it was found that the requirements of the law in force were met.

The measures ordered by the environmental controlling authorities have been resolved, and the integrated environmental permit requirements have been complied with.

ECONOMIC AND FINANCIAL RESULTS FOR 2012 /

During 2012, Antibiotice S.A. Iasi has been operating in the spirit of achieving the objectives and indicators set by the Revenues and Expenses Budget.

Starting with the 2012 financial exercise, the adoption for the first time of the International Financial Reporting Standards (IFRS) has imposed the **reprocessing of accounting data** in compliance with the Order of the Public Finance Minister no. 881/2012 and the Order of the Public Finance Minister no.1286/2012. /

Global result situation

For 2012, the sales revenues were worth of 304.09 million RON, on the rise by 8 % as compared to 2011, when they were worth of 280.02 million RON, as a result of the entire company's staff effort to strenghten the business.

	Dec.31,2012	Dec.31,2011	2012/2011
Income from sales	304,086,833	280,020,922	8.59%
Other operational income	27,279,538	31,162,111	-12.46%
Income related to product inventories	520,299	870,962	-40.26%
Income from work performed by the entity and capitalized	2,346,621	567,689	313.36%
Expenses on raw materials and consumables	(102,129,986)	(87,002,398)	17.39%
Expenses on staff	(68,929,460)	(68,426,642)	0.73%
Expenses with amortization and depreciation	(18,124,209)	(15,902,068)	13.97%
Other operational expenses	(103,271,107)	(110,623,830)	-6.65%
Operating profit	41,778,528	30,666,747	36.23%
Net financial income	(9,319,490)	(4,352,336)	114.13%
Profit before tax	32,459,037	26,314,410	23.35%
Expenses with current corporate tax and deferred tax	(5,348,201)	(6,117,994)	-12.58%

Profit	27,110,836	20,196,416	34.24%
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The Sold production grew by 9.8% to 286.03 million RON, while in the previous year it was 260.47 million RON.

The revenues for the sale of goods worth of 56.95 million lei represent, mostly, the value of the products in the company's classification list which were manufactured on other manufacturing flows (of abroad), on dedicated manufacturing flows due to the requirements imposed by the GMP regulations in force.

	Dec.31,2012	Dec.31,2011	2012/2011
Sales of finished goods	286,030,387	260,469,015	9.8%
Sales of goods	56,947,765	61,912,253	-8.0%
Trade discounts	(38,891,319)	(42,360,345)	-8.2%
TOTAL	304,086,833	280,020,923	8.6%

The expenses on raw materials and consumables have increased by 17.39% as compared to 2011 as a result of changes in the structure of production and, therefore, of the quantities to be supplied and of the rising the prices of raw materials.

The production of goods grew by 5% to 272.37 million lei, while utilities went up by 34% because of the policy of aligning utility prices to the community prices, thus: the electricity price increased by 13%, the methane gas price by 26% and the drinking water price by 5%.

OTHER OPERATING EXPENSES

Description (LEI)	Dec.31,2012	Dec.31, 2011	2012/ 2011
Utilities	11,016,102	8,222,129	34%
Repaire	3,042,316	3,803,303	-20%
Rent	163,130	143,115	14%
Insurance	1,152,204	1,443,896	-20%
Bank commissions	1,319,161	1,561,999	-16%
Advertising and promotional products	2,676,795	3,787,915	-29%
Travel and transport	3,469,717	2,824,992	23%
Post and telecommunications	538,393	440,859	22%
Other services provided by third parties	36,624,262	45,996,635	-20%
Other taxes and duties	16,855,939	2,664,730	533%
Environmental protection	-	7,806	
Expenses from disposal of assets	31,894	-	
Losses and adjustments for doubtful receivables	6,947,098	20,200,792	-66%
Other provisions	2,900,000	2,293,525	26%
Foreign exchange differences	14,961,996	16,402,883	-9%
Miscellaneous	1,572,099	829,251	90%
TOTAL	103,271,107	110,623,830	-7%

The „Other Operating Expenses” is influenced by the claw-back tax which determined an increase in taxes by 533%, from 2.66 million RON to 16.86 million RON in 2012.

For the entire management team and of all the employees, an ongoing concern of is the constant reduction of costs by optimizing processes in order to improve the structure of expenditures. The expenditure on wages decreased by approximatively 1%, leading to an increase of labor productivity by 8% in 2012 compared to 2011, from 193,118 RON/employee in 2011 to 207,568 RON/employee in 2012.

The expenditure on the tangible and intangible assets amortization and the depreciation increased by 14%, from 15.9 million RON in 2011 to 18.12 million RON in 2012, as a result of applying the IFRS rules.

The influence of rigorous management of all expenditure resulted in an operating profit of 41.78 million lei, 36% more than the value recorded in 2011, when the operating profit was 30.67 million lei.

In 2012, the USD exchange rate has recorded various variations, from 3.339 RON/\$ on December 31st, 2011 to 3.358 RON/\$ on December 31st, 2012, with a maximum of 3.573 RON/\$ in November 2012 and a minimum of 3.238 RON/\$ in January 2012.

As far as the EURO currency is concerned, the exchange rate evolved from 4.3197 RON/EUR on December 31st, 2011 to 4.429 lei/EUR on December 31st, 2012 with a maximum of 4.648 RON/EUR in August 2012 and a minimum level of 4.327 RON/EUR in January 2012.

The net financial incomes were mainly influenced by the following expenditures:

- Banking interests expenses 2.36 million RON;
- Expenditure on discounts granted worth of 7.04 million RON.

The profit before taxation, for this financial exercise, is of 32.46 million RON, 23% higher than in 2011, when it was about 26.31 million RON. The profit after taxation is 27.11 million RON, higher by 34% in 2011 (20.2 million RON).

The profit for the year 2012 was distributed as follows:

Destination	Amount (RON)
Profit to be distributed:	27,110,836
- legal reserves	18,699
- own sources of funding and other distributions of profit required by law	16,759,043
- dividends, of which:	10,333,094
- dividends due to the Major Shareholder	5,478,325
- dividends due to other legal entities and natural persons	4,854,769

The distribution of the accounting profit remaining after the deduction of the tax on income was done according to the provisions of OG 64/2001, approved with amendments by the Law 769/2001 and GO 61/2004.

The amount of 16,759,043 RON, representing own financing resources provided by the law, consists of:

- Facilities from the recovery of fixed assets: 44,113 RON;
- Waste recovery facilities: 1,434,942 RON;
- Amounts from the correction of the reported result worth of 2,486,809 RON;
- Amounts from past dividends reported as incomes: 1,920,713 RON;
- Fiscal incentives for R&D activities as per Art. 19 of the Tax Code: 539,371 RON;
- Own sources of funding in the amount of 10,333,095 RON.

The total dividends amount to 10,333,094 RON, of which:

- Ministry of Health (53.0173%) 5,478,325 RON
- Other legal entities and natural persons (46.9827%) 4,854,769 RON

Statement of financial position

On 31.12.2012, the buildings and the land owned by the company were revalued resulting in a decrease in current assets by 4% compared to the values recorded at the beginning of the year. The accounting depreciation is computed using the linear method according to the IFRS standards.

STATEMENT OF FINANCIAL POSITION (LEI)	31-Dec-12	31-Dec-11	31-Dec-10	2012/ 2011	2011/ 2010
ASSETS					
FIXED ASSETS					
Tangible fixed assets	198,463,669	211,206,357	210,983,245	-6%	0.1%
Intangible assets	4,887,455	1,652,572	1,989,253	196%	-17%
TOTAL FIXED ASSETS	203,351,125	212,858,929	212,972,497	-4%	-0.1%
CURRENT ASSETS					
Stocks	47,973,857	41,943,038	40,289,331	14%	4%
Trade and similar receivables	256,986,254	226,845,657	181,673,656	13%	25%
Financial assets for sales	140	140	60,140	0%	-100%
Cash and cash equivalents	6,006,554	5,339,857	3,723,380	12%	43%
TOTAL CURRENT ASSETS	310,966,804	274,128,692	225,746,507	13%	21%
TOTAL ASSETS	514,317,929	486,987,621	438,719,004	6%	11%
LIABILITIES					
CURRENT LIABILITIES					
Trade and similar debts	58,963,493	57,479,626	40,103,069	3%	43%
Credits	92,290,294	82,416,576	69,335,186	12%	19%
Debt relative to profit tax	1,139,461	1,080,877	1,166,680	5%	-7%
Charges and fees	2,812,412	1,745,012	47,533	61%	3571%
Provisions	2,900,000	2,090,000	1,400,000	39%	49%
TOTAL CURRENT LIABILITIES	158,105,660	144,812,091	112,052,468	9%	29%
LONG-TERM DEBT					
Subventions for investments	4,431,688	4,938,038	5,582,049	-10%	-12%
Deferred tax	918,436	6,027,912	7,354,785	-85%	-18%
Provisions	4,313,611	4,521,574	4,318,049	-5%	5%
LONG-TERM DEBT	9,663,735	15,487,524	17,254,883	-38%	-10%
TOTAL LIABILITIES	167,769,395	160,299,615	129,307,351	5%	24%

NET ASSETS	346,548,531	326,688,006	309,411,653	6%	6%
Share capital and reserves					
Share capital	254,502,062	249,129,629	238,748,469	2%	4%
Revaluation reserves	135,933,818	142,267,991	150,477,382	-4%	-5%
Legal reserves	11,341,443	10,021,560	9,097,946	13%	10%
Other reserves	101,607,532	91,900,555	89,341,613	11%	3%
Reported result	(156,836,324)	(166,631,730)	(178,253,757)	-6%	-7%
TOTAL EQUITY	346,548,531	326,688,006	309,411,653	6%	6%
TOTAL EQUITY AND LIABILITIES	514,317,929	486,987,621	438,719,004	6%	11%

Current assets:

– The stock recorded at the end of the year increases by 14% as compared to the value recorded at the beginning of the year due to securing the requirements of raw materials for the first quarter of 2013 and not exceeding the approved stok-related norms;

– The total receivables have, at the end of the year, values higher by 13%, from 226.85 million RON at the beginning of the year to 256.99 million RON given that the sales were higher by 8.6% compared to the previous year.

In 2012, the average duration of collection of receivables from the foreign market was 93 days, considering that from the domestic market was 393 days, thus resulting in an average duration of 324 days for debts collection.

The main diagnostic indicators of the company highlight the financial equilibrium and the constant concern for the business efficiency.

		31.12.2012	31.12.2011	2012/2011
EBITDA (RON)	= Earnings before interest, taxes and depreciation	62,267,316	49,118,539	126.77%
EBIT(RON)	= Earning before interests and taxes	34,823,617	28,864,134	120.65%
ROE (return on equity)	=Profit before interest and taxes/equity	10.0%	8.8%	113.73%
ROA (return on assets)	=Net profit/Total assets	5.3%	4.1%	127.10%
EPS (RON/shares)	=Net profit/share	0.05	0.04	134.24%
Indebtedness	=Debts/Total assets	32.6%	32.9%	99.10%
NET PROFIT RATE	=Profit/earnings from sales	8.9%	7.2%	123.61%
No. of shares (million)		568	568	100.00%

The cash and the cash equivalents rised by 12% as compared to 2011. The company's assets increased by 6% as compared to 2011.

Balance sheet liabilities

On December 31 2012 the company's current liabilities were worth of 158.11 million RON, on the rise by 9 percent as compared to 2011. The amounts owed to the credit institutions are, at the end of this exercise, by 12% higher than in 2011, namely from 82.42 million RON on December 31st, 2011 to 92.29 million RON on December 31st, 2012.

Amounts owed to credit institutions

The short term contract no 28/18.04.2005 concluded with Alpha Bank - Iasi Branch

Objective	Line of credit - current capital
Amount	8,000,000 RON 100,000 EUR
Maturity date	May 31 st , 2013
Balance on December 31 st , 2012	6,771,418 RON
Garantee	Receivable assignment contract

The short-term Contract no. 5175/ July 17th 2006 concluded with RBS Bank Romania

Objective	Line of credit - current capital
Amount	11,000,000 EUR
Maturity	July 31 st , 2013
Balance on December 31 st , 2012	10,621,877 EUR (47,041,109 RON)
Guarantee	Mortgage on buildings and land

The short-term Contract no. 12239/May 22nd, 2012 concluded with ING BANK N.V. AMSTERDAM - Romanian Branch

Objective	Line of credit - current capital
Amount	9,500,000 EUR
Maturity date	May 22 nd , 2013
Balance on December 31 st , 2012	8,688,276 EUR (38,477,767 RON)
Guarantee	Receivable assignment contract Mortgage on buildings and land

The amount constituted as provision on wages at the end of 2012 represents the participation of the employees to the profit, as well as the variable compensation of the members of the Board of Directors to achieve the indicators.

The net assets record a steady growth by 6%.

The share capital was restated in compliance with IAS 29 „hyperinflationary economies” recording a value of 254.5 million RON.

Cash flow

The level of cash and cash equivalents at the beginning of the period was 5.34 million RON. The cash receipts from the operational activity were 264.46 million RON. The cash payments to suppliers of goods and services were 167.24 million RON and those related to and on behalf of the employees, payments made in connection with staff, were 66.86 million RON.

Also, payments worth of 9.36 million RON representing tax on profit, VAT, local taxes and bank interests also payments for acquisition of fixed assets worth of 9.63 million RON. Contributions were paid at the Ministry of Health (the claw back tax) worth 14.56 million lei.

With reference to the financing activity, 8.77 million lei were grossed, representing short-term loans, the payment of 7.79 million lei worth dividends.

At the end of the year, the level of cash and cash equivalents level amounted to 6 million lei.

Evaluation of risk management

The company's risk management strategy provides the framework for the identification, assessment, monitoring and control of these risks, in order to keep them at acceptable levels, depending on the risk appetite of the company and its ability to cover (absorb) these risks.

The objectives of the strategy concerning the administration of significant risks are:

- the determination of significant risks that may arise in the normal course of the company's activity and the formalizing of a robust framework to manage and control these situations in compliance with the objectives of the company's business general strategy, by adopting the best practices tailored to the company's size, profile and risk strategy;
- the development of a risk mapping to facilitate its identification, to structure and prioritize risk according to its possible impact on the current activity of the company;
- The promotion of a culture of risk awareness and management in all the company's structures.

The highest risk the company faced in 2012 was the liquidity risk caused, on the one hand, by the forced loans to the National Health Insurance Fund (NHIF), the payment terms for drugs exceeding 300 days and generating substantial arrears, given that the NHIF contractual time limit is 120 days. The risk is so much higher, as the company does not transfer such delays in the collection of debts to suppliers by extension of time limits for payment to them.

In order to improve the cashflow, the company focused on internationalization: the volume of exports increased from 13.2 million US\$, in 2009, to 20 million US\$ in 2012 and a growth up to 23.5 million US\$ is expected in 2013. The company is always concerned with: adapting the export portfolio to the demands of a global market by introducing new products; developing new projects by focusing on markets with a high potential of uptake of generic drugs and which can generate high Turnover (U.S.A., Europe, Russian Federation); development of existing partnerships.

This strategy of the raise in exports has in view the collection of bills on the external markets with deadlines ranging between 60 - 90 days as compared to over 300 days on the domestic market.

To reduce the risk of non-collection from the domestic market, the following measures were taken: the assessment of the creditworthiness of the trading partners through verification, before the conclusion of a contract, in multiple ways; monitoring of credit through control and permanent assessment of risks; developing a loyalty-based relationship from customers through regular meetings to make their acquaintance and to approach constructive attitudes; provisioning expenses to cover the risk of default. Among the company's businesses, one of the high frequency risks is the currency risk.

The macroeconomic changes entail fluctuations of the exchange rate that reflect in the cost of the imported raw materials as well as in the recovery prices of the exported finished products, on the one hand. On the other hand, the depreciation of the national currency against the EURO and the USD is also caused by the domestic political instability which negatively impacted the financial markets, the exchange rate and the stock exchange. On the basis of this instability, the exchange rate for the main currencies experienced historical highs (4.5484 RON/EUR, 3.6993 RON/USD). As compared to 2011, when the average exchange rate for the main currencies was 4.2379 RON/EUR and 3.0486 RON/USD, in 2012 the average exchange rate increased by 105.14% for the EUR to 4.4560 RON/EUR and for the USD it increased by 113.76% to 3.4682 RON/USD.

As a measure to reduce this risk, Antibiotice permanently seeks to synchronise the import and export activities, by correlating the payment and collection terms as well as the share exchange, so the times the payments are to be made be as close or even simultaneous with those of export receipts.

Another measure is to anticipate or to delay of payment or collection by appropriately setting the maturity or the introduction of insurers margin in the price, correlated with forecasts for the evolution of the payment currency.

INTERNAL CONTROL

The internal audit activity had considered the application of Law 672/2002 on the public Internal audit with subsequent amendments and supplements and of O.M.P.F. no.38/2003 for the approval of the General rules for the exerting the activity internal audit with subsequent amendments and of O.M.P.F. NO.252/2004 - the code of ethical conduct of the internal auditors.

Implementation of methodological and procedural framework

- The activity of the internal audit structure is based upon specific internal audit norms, prepared in accordance with the general rules on the exercise of that activity; the personnel performing the audit work has its activity regulated under a specific status, contained in the Internal Audit Charter, which is, itself, a part of a methodological and procedural framework on the internal audit.

- In 2011 the "*Rules for the exercise of internal audit*" were revised and approved by the Director General and by the Audit and Control Unit within the Ministry of Health.

The Code of ethical conduct of the internal auditor approved by O.M.P.F. 252/2004, which includes all the principles and rules of conduct that must govern the internal auditor's activity is known and applied by the auditors.

In 2012, 9 internal audit missions were conducted in the following Units:

1. The Commercial and Logistics Unit - Transport ation Service - the main analyzed objectives were:

- The preparation and observation of the operation procedures within the service;
- The preparation and approval of the documents within the Transport Service (road maps, daily activity sheet, notes on the deficiencies found, etc.);
- The reduction of fuel consumption, spare parts for the Transport Service within the entity;
- The recordings of outputs and inputs and the disposal of fixed assets within the Transport Service;
- The observation of the income and expenditures budget approved for the fiscal year 2011;
- The observation of the decisions and internal notes issued by the entity's management.

2. Commercial and Logistics Unit - Domestic Suppliers Office - the main analyzed objectives were:

- The application of the operating procedures for the supply of materials and raw materials from the domestic suppliers;
- Establishing the necessary of materials and raw materials and its correlation with the budget assigned during the financial year 2011;
- Type of qualification - evaluation - re-evaluation and selection of domestic suppliers of materials and raw materials;
- Conclusion of contracts with the domestic suppliers of materials and raw materials and their implementation;

- The income and expenditure budget, approved for the financial year 2011 and the budget framing;
- The degree of achievement of objectives for the first semester of 2011 within the Supply Office through the decision of the entity's management;
- The observance of the decisions and internal notes issued by the entity's management concerning the supply activity with materials and raw materials from the domestic suppliers;

3. General Management Unit - Import Office- the main analyzed objectives were:

- The preparation and observation of the operation procedure within the Import Office;
- Organization and management of the import activity;
- Establishing the necessary of materials and raw materials imported in 2011; Selection of price offers and foreign suppliers of materials and raw materials necessary for the company's activity;
- Preparation and approval of the contracts concluded with the foreign suppliers and the observance of the contract clauses;
- Observation of the income and expenditure budget approved for 2011;

4. Marketing and Domestic Sales Unit - the main analyzed objectives were:

- Analysis of the contracts concluded with the distributors for April 2012;
- Analysis of the fulfillment of purchase and sales plan approved for April 2012;
- Analysis of billing of goods related to the contracts concluded under the orders for April 2012;

5. Technical and Production Unit - Ointments and Suppositories Plant - the main analyzed objectives were:

- The preparation and observation of the operation procedure within the Ointments and Suppositories Plant;
- Establishing the production program for the year 2011;
- The discount of materials and raw materials consumption for the products manufactured in 2011;
- Statement preparation concerning the analysis of costs by expenditure elements;
- Specific consumption realized per unit of product;
- Payment of staff in overall agreement;
- Occupancy of the production capacity calculated for the Ointments and Suppositories Section;
- Observing the income and expenditure budget approved for the year 2011.

6. Technical and Production Unit - Solid Oral Formulations - Capsules - Plant - the main analyzed objectives were:

- The preparation and observation of the operation procedure within the Oral Solid Formulations Section;
- Establishing the production program for the year 2011;
- The discount of materials and raw materials consumption for the products manufactured in 2011;
- Statement preparation concerning the analysis of costs by expenditure elements;
- Specific consumption realized per unit of product;
- Payment of staff in overall agreement;

- Occupancy of the production capacity calculated for the Solid Oral Preparations Section;
- Observing the income and expenditure budget approved for the year 2011.

7. Engineering and Investment Unit - Utilities Service - the main analyzed objectives were:

- The preparation and observation of the operation procedure within the service;
- The discount of raw materials consumption in the Utility Service;
- The preparation and checking of the orders executed within the Service;
- Tracking cost savings for utilities;
- Compliance with the approved economic and financial indicators approved by the income and expenditure budget in 2011;
- Framing of the income and expenditure budget approved for the financial year 2011;
- Compliance with the decisions and internal notes issued by the company's management.

8. Medical Unit - Center for Drug Evaluation - the main objectives analyzed were:

- The preparation and observation of the operation procedure within the Center for Drug Evaluation;
- The preparation of an annual plan of conducting bioequivalence studies in 2011;
- The discount of raw materials consumption during the audit;
- The tracking of expenses incurred on studies conducted in 2011 (completed or in process of completion) and of recorded income;
- The preparation of the expenditure on studies conducted in 2011;
- The observation of the income and expenditure budget approved for the fiscal year 2011.

9. Sales and Marketing Unit Domestic Market - Sales Hospitals - the main analyzed objectives were:

- The organization and Management of the hospital sales office activity;
- The management and adjudication of tenders (through authorized dealers) for selling Antibiotic products in hospitals;
- The compliance with the price approved limits (for participation in auctions) for the products sold in hospitals by distributors through auctions;
- The development of contracts concluded with the drug distributors in hospitals;
- The compliance with the income and expenditure budget approved by the Marketing and Domestic sales Unit for 2011;
- The analysis of the observation of decisions and internal notes issued by the entity's management.

The inventoring and management control activity

As for the inventory and management control activity, 26 inventoring activities, 7 handing over and receiving of management (inventory objects, materials, finished products and other materials) were performed in 2012.

During November and December, the annual inventory of the company assets for a number of inventories was performed. The legal framework established by the following regulations was observed:

- Accounting Law no. 82 /1991, republished and updated;
- Law no. 22 / 1969 regarding the hiring of administrators, the provision of warranties, and the liability in connection with asset management;

- M.F.O. 2861/Oct 9th,2009 for the approval of the organization and conducting of inventories of assets, debts and equity.

- Operating procedures, internal memos and internal decisions of the top management.

In 2012, the control activity included the following entity management elements:

a. The company's central warehouses;

b. The management of the inventory items within the production units and in other company compartments;

c. The points of consumption.

The targets of the control activity were:

- The compliance with the operating procedures specific to each inventory on the reception, storage, consumption / delivery of property items such as stocks;

- The checking of the proper preparation and the compliance with the supporting documents;

- The framing with the pre-established consumption rules;

- The management control of stocks of inventories in order to determine any differences from script stocks;

- The verification of the fulfillment of proposals made in the reports drawn from previous checks.

In most control actions performed, the verifications found the compliance with the legal regulations and internal decisions on managing inventories.

Assessment of general awareness levels of management

The internal audit, through a systematic and methodical approach, provides objective assurance and advises the management on the level of functionality of the control systems attached to its activities, in order to eliminate/decrease the potential risks that can affect the achievement of the entity's objectives.

The continuous awareness of managers at all levels to correctly understand the internal audit activity, both in terms of the rules by which it is conducted and how this activity is best capitalized. Strengthening the role of the UCAAPI territorial structures in the coordination, guidance and information exchange at a county level.

CORPORATE GOVERNANCE

The structures on which the governance system is based within the Company Antibiotice Iasi are, as follows:

- **Management Board,**
- **Advisory Committees,**
- **Corporate Executive Team,**
- **Code of Ethics .**

The details on compliance with the principles and recommendations laid down in the Corporate Governance Code of the Bucharest Stock Exchange are presented in the Corporate Governance compliance or noncompliance Statement with the Corporate Governance Code - the "*Comply or Explain Statement*".

Management Board

As per law 31/1990, republished with all subsequent amendments, Section 1 - **The Unitary System**, Art.137, paragraphs 1 and 2 and of the Company Statute, the company S.C. Antibiotice S.A. is managed in an unitary system by a Management Board, which responsible for fulfilling all the tasks necessary to achieve the Company's object of activity, except as lawfully provided with respect to the General Meeting of Shareholders.

In those 8 sessions held thorough 2012, each time being recorded a 100% attendance, the Management Board had adopted decisions which allowed to fulfill their duties in an effective and efficient manner.

Thus, at the quarterly meetings, the Board examined in detail the financial outcomes obtained during the reporting period, and cumulatively since the beginning of the year, also the Company's economic performance in relation to the budget and to the same period of the previous year.

Depending on the situation, the Management Board requested the executive team to provide detailed explanations about the plans to enhance the efficiency of production, the investment plans, the provisions made, the liquidity management, operational and the overall business profitability.

Following the detailed analysis of the results obtained during the mentioned period, the Board decided to approve them in view of publication and further sending to the Bucharest Stock Exchange, observing each time the Financial Communication Calendar.

The members of the Board have guaranteed the effective capacity to monitor, analyse and assess the activity of directors and the fair treatment of shareholders.

As compared to the end of last year, during 2012 the structure of the Management Board of directors was changed by replacing the old board with a new one which was constituted in accordance with the Government Emergency Ordinance 109/2011.

Thus, the mandates of the ladies Ancamaria-Mihaela NEGRU and Vasilica-Rodica DOBRA and of the Mr. Florian-Teodor D. BUZATU have ceased. A new Member of the Board was elected, namely Mr. Nicolae STOIAN:

1. **ec. Valentin RADU, PhD.**

- Chairman of the **Management Board** - he was elected for a period of 4 years to the Board of Directors in the Ordinary General Meeting of Shareholders of April 26, 2012; he was elected by the **Management Board** as chairman.
- year of birth: 1949
- Trainings/studies:
 - The Bucharest University of Economic Studies - Faculty of Management
 - Faculty of Law, Bucharest
 - "Alexandru Ioan Cuza" University Postgraduate studies - specialization in administrative law
 - Institute of Chartered Accountants of Scotland - post graduate studies, International accounting norms
 - Public Internal Audit Course organized by the Ministry of Public Finance, Bucharest and Deloitte & Touche LLP
 - Specialization in audit at the Department of Health in Lyon, France
 - PhD in Economics - Management, The Bucharest University of Economic Studies
 - National Defence College
- Previous jobs:
 - METROUL S.A. Bucharest
 - Ministry of Internal Affairs

- Ministry of Labour, Family and Social Protection
 - Mr. Valentin Radu is currently Director in the Ministry of Health
- Number of ATB shares owned: **none**

2. **ec. Ioan NANI**

- Deputy Chairman of the Management Board and CEO - elected for 4 years in the Management Board in the General Meeting of Shareholders of April 26, 2012: elected by the Management Board as Deputy Chairman and Company's CEO
- year of birth: 1959
- training/studies:
 - "Alexandru Ioan Cuza" University - Iasi - Faculty of Economics and Business Administration
 - Training course on Management
 - Training course - "**Capital Market**", Tessaaloniki, Greece
- Previous jobs :
 - Antibiotice S.A. Iasi
 - General Directorate of Public Finance
 - Romanian Court of Accounts
 - Authority for State Assets Recovery Bucharest
- Number of ATB shares owned: Number of Antibiotice shares held on August 20th 2012, (as per the latest 2012 database) = **1280** (the Share Certificate granted after the assignment via change of 1 (one) nominative coupon of privatization and of 1 (one) checkbook with certificates of ownership, according with the law no.58/1991) /

3. **dr. Gheza-Gheorghe MOLNAR**

- Member of the Management Board - elected in the Ordinary General Meeting of Shareholders of April 26th 2012, for a period of 4 years,
- Year of birth: 1943
- Studies/training:
 - University of Medicine and Pharmacy "**Iuliu Hatieganu**" (UMPIH) Cluj Napoca /
 - Faculty of Medicine
 - Postgraduate studies and specializations
 - physician - general medicine
 - Resident physician-infectious diseases and epidemiology
 - Specialist in infectious diseases and epidemiology
 - Physician epidemiologist
 - Post-graduate UMPIH Cluj, Department of Infectious Diseases
 - Doctor of medicine, specialization infectious diseases and epidemiology
 - The survey and control of nosocomial infections, CPPSS-MS
 - Field Epidemiological Training Program, CDC-WPB, Budapest
 - Management of medical and social services, IMMSS-CPPMF Bucharest
 - Vaccinology, European Programme CEE-NIS, Siofok-Ungaria
- Previous jobs :
 - Institute of Public Health Cluj
 - Clinical Hospital for infectious diseases, UMPIH Cluj
 - UMPIH Cluj, Academic medical education - integration
 - Ministry of Health
 - Post-graduate Sanitary and Nursing School, Cluj Napoca

- Health Services Foundation Cluj
- "Sapientia" University
 - Mr. Geza-Gheorghe MOLNAR currently operates at the National Institute of Public Health, the regional center Cluj-Napoca
- Number of ATB shares owned: **none**

4. **ec. Nicolae STOIAN**

- Member of the Management Board - elected in the Ordinary General Meeting of Shareholders of April 26th, 2012, for a period of 4 years.
 - year of birth: 1956,
 - Studies/training :
 - University of Craiova - Faculty of Economic Sciences - Department of Economics of Industry, Constructions and Transportation
 - BRM Business Consulting training course "*Business management in projects*" /
 - ASE training course "*Costs calculation and controlling. Accounting Management*"
 - Professional training course - OK Service Corp. «Closure of the fiscal year 2004»
 - WTIB Seminar «*Financial analysis of companies on the basis of the balance sheet accounts*»
 - Professional training course - OK Service Corp. «*Accountancy Regulations in accordance with the 4th directive of EEC. Amendments done IAS - 2005 edition. The closing of the fiscal year 2005*»
 - Expert accountant training course
 - Financial consultant training course
 - Millenium Financial Training Centre course « *Consultants in investments* »
 - Training Program attended at the Millenium Financial Training Centre «*Risk management through derivative financial instruments*»
 - UNOP course for the authorised staff within the Internal Control Department /
 - Course for the staff within the Internal Control Dept. held at the Millenium Financial Training Centre
 - Previous jobs :
 - A.E.C. Turceni, Gorj County / A.E.C. Turceni, Gorj County
 - Electroputere Craiova
 - Bancorex Suc. Craiova
 - S.C. Voltalim S.A. Craiova
 - S.I.F. Oltenia
 - S.C. Lacta S.A. Giurgiu
 - S.S.I.F. Voltinvest S.A. Craiova
 - Currently, Mr. Nicolae STOIAN is the representative of the Internal Control Department of the S.I.F. Oltenia
 - Number of ATB shares owned: **none**

5. **biologist Gabriela ILIE**

- Member of the Management Board (reconfirmed in the Ordinary Meeting of Shareholders of April 21st, 2008, for a period of 4 years)
 - year of birth: 1949

- **Training:** Faculty of Chemistry, University of Bucharest.
- Previous jobs:
 - Chemical Factory Craiova
 - Research Center for Chemical Fertilizers, Craiova
- At present, Ms Gabriela ILIE is retired from the position of Director at SIF Oltenia
- **Number of ATB shares owned:** Number of Antibiotice shares held on August 20th, 2012, (as per the latest 2012 database held by Antibiotice Iasi) = **12601** (purchased)

Advisory Committees

The Management Board has set up the following specialized advisory committees:

- Audit Committee ;
- Committee for remuneration, selection and recruitment
- Committee for quality and investment development
- Committee for marketing and market analysis.

The advisory committees have conducted investigations and analyses, have drawn-up recommendations for the Management Board in specific areas, elaborating periodical reports on the work developed.

Executive Team

Antibiotice Iasi is represented by the General Manager (CEO) who signs documents legally binding against third parties and in court (as per Article 17, Chapter V, Statute of the Trading Company Antibiotice - S.A. Iasi). The Management Board retains the power of representation of the Company in its relations with the directors it had appointed.

In the year 2012, as compared with the end of last year, the structure of the Executive Team has changed by setting up a specialized Department - Business Development, headed by Mr. Economist Mihai STOIAN.

The executive management of Antibiotice Iasi is ensured by ten directors: a general manager (who also holds the position of Vice President of the Management Board) and nine specialized directors:

1. ec. Ioan NANI

Chief Executive Manager and Vice-President of Management Board - elected for a period of 4 years as a member of the Management Board in the Ordinary General Meeting of Shareholders of April 26th, 2012; elected by the Management Board as its Vice-President since 2012 and as Company's CEO since 2009.

2. eng. Cornelia MORARU

3. Specialized director - Production and Technical Unit since 2005

- year of birth: 1965
- Studies /training
 - "Gheorghe Asachi" Technical University - Iasi, Faculty of Chemical Technology
- Previous jobs
 - "Chimica" Factory Falticeni
- Number of ATB shares owned: Number of Antibiotice (ATB) shares held on July 20th 2012 (as per the latest 2012 database held by Antibiotice Iasi) = **1280** (Share Certificate granted after the assignment via change of 1 (one) nominative coupon of

privatization and of 1 (one) checkbook with certificates of ownership, according with the law no.58/1991)

- **ec. Paula-Luminita COMAN**

- Specialized director - Financial Director since 2011
 - year of birth: 1967
 - Studies/Training
 - “Alexandru Ioan Cuza” University Iasi - Faculty of Economics and Business Administration
 - Training course in computer science
 - WORLD TRADE INSTITUTE BUCHAREST - Management and cost analysis
 - *National Association of Romanian Valuers* - Methods for the evaluation of commercial companies
 - O.K. SERVICE NATIONAL TRAINING CENTER - “*Financial management of the company*”
 - OK SERVICE CORPORATION - PROFESSIONAL DEVELOPMENT CENTER - Fiscal Code 2010
 - TMI Romania - Communication & Presentation Skills Program
 - Antibiotice Iasi - Summer School a+ “*Management and development in a era of turmoil*”
 - TMI Romania - Time Manager - Priorities & Results Program
 - DOMA TRAINING PLOIESTI - The new amendment of the Fiscal Code valid from 01.01.2011; Closure of the financial year 2010
 - Tax consultant training course
 - Previous jobs
 - County Tourism Office - Iasi
 - Number of ATB shares owned: **none**

- **ec. Vasile CHEBAC**

- Specialized director - Commercial and Logistics Director since 2005
- year of birth: 1954
- Studies/Training
 - University “Al.I.Cuza” Iasi, Faculty of Economic Sciences, Finances and Accounting Department
 - “*Stock market and capital market*” training course organized by the National Securities Commission
 - “*Reappointment the quality of independent external auditor*” training course
 - Financial Auditors training course - The Chamber of Financial Auditors of Romania
 - Tax consultants training course - Chamber of Tax Consultants of Romania
 - Previous jobs:
 - Antibiotice S.A. Iasi
 - General Directorate of Public Finance Iasi
 - Romanian Court of Accounts Iasi
- Number of ATB shares owned: **none**

- **eng. Eugen-Florin OSADET**

- Specialized director - Engineering and Investment Director since 2000
- year of birth: 1955
- Studies/Training
 - Gheorghe Asachi Polytechnical Institute - Iasi, Faculty of Mechanics

- Masters Degree in Management and Business Administration - Gheorghe Asachi Technical University, Iasi
- Previous jobs:
- Antibiotice S.A. Iasi
- Number of ATB shares owned: Number of Antibiotice (ATB) shares held on July 20th 2012 (as per the latest 2012 database held by Antibiotice Iasi) = **1279** (Share Certificate granted after the assignment via change of 1 (one) nominative coupon of privatization and of 1 (one) checkbook with certificates of ownership, according with the law no.58/1991)

- **eng. Cristina-Lavinia DIMITRIU**

- Specialized director - Quality Director since 2004
- year of birth: 1957
- Studies/Training
- “Gheorghe Asachi” Technical University - Iasi, Faculty of Chemical Technology
- Faculty of Biology - Post-graduate course of Biochemistry
- MBA degree granted by the “Gheorghe Asachi” Technical University, Iasi
- Post-graduate course at the Faculty of Pharmacy - “Gr.T.Popa” University of Medicine and Pharmacy - Iasi
- Previous jobs:
- Făgăraș Chemical Plant
- Antibiotice S.A. Iasi
- Number of ATB shares owned: **none**

- **ec. Gica RUSU**

- Specialized director - head of the Human Resources Management Department since 2006
- year of birth: 1963
- Studies/Training
- “Alexandru Ioan Cuza” University, Iasi - Faculty of Economic Sciences - Department of Economics of Industry, Constructions and Transportation
- Post-graduate course in Human Resources Management at “Al.I.Cuza” University, Iasi
- *Previous jobs:*
- Antibiotice S.A. Iasi
- Number of ATB shares owned: Number of Antibiotice (ATB) shares held on July 20th 2012 (as per the latest 2012 database held by Antibiotice Iasi) = **1278** (inherited)

- **ec. Ovidiu BĂTAGĂ**

- Specialized director - Marketing and Domestic Sales Department since 2011 /
- year of birth: 1977
- Training
- graduated of the Faculty of Economics and Business Administration (FEAA) , specialization “Banks and stock exchanges” at the University “Alexandru Ioan Cuza” Iasi
- Master’s Degree in “Financial and Banking Management” - Faculty of Economics and Business Administration (FEAA), University “Alexandru Ioan Cuza” Iasi /
- “Gheorghe Asachi” Technical University - Iasi - programmes Department, Master’s Degree in “Project Management”

- “Grigore T. Popa” University of Medicine and Pharmacy Iasi - programmes Department, Master's Degree in “*Pharmaceutical Management*”
- Training courses about the capital market - the International Conference "RATING for ROMANIA and the COUNTRIES of the BLACK SEA" (under the patronage of the Romanian National Bank and Adrian Nastase) and the International Conference “ROMANIAN EQUITY MARKET OVERVIEW” (organized by KBC Securities) - Opportunity to meet the Romanian Listed Companies
- Previous jobs:
- “Alexandru Ioan Cuza” University, Iasi - Faculty of Economics and Business Administration (FEAA),
 - Number of ATB shares owned: **none**

9. dr. Mihaela MOȘNEGUȚU

- Specialized Director - head of the Medical Department since 2011
- year of birth: 1969
- Training
 - Graduate of the Faculty of General Medicine at the “Grigore T. Popa” University of Medicine and Pharmacy (GTPUMP), Iași
 - Specialization in family medicine - General Medicine GTPUMP Iasi
 - Doctoral School on Pharmacology - GTPUMP, Iasi
 - Previous jobs:
 - «Sf. Spiridon» Hospital, Iași
 - Hârlău Hospital, Iași County
 - Number of ATB shares owned: **none**

10. ec. Mihai STOIAN

- Specialized Director - Business Development Department since 2012
- year of birth: 1975
- Training/ Studii:
 1. “Costache Negruzzi” High School, Iasi (math & physics specialties)
 2. “Alexandru Ioan Cuza” University - Iasi - Faculty of Economics and Business Administration, degree in “International transactions”.
 - Previous jobs:
 3. S.C. TRUST NEW COMPANY S.R.L.
 4. Chamber of Commerce Iasi
 - Number of ATB shares owned: **none** /

The Code of Ethics

The code of ethics of the company' Antibiotice S.A. Iasi presents the ethical norms of conduct which establish and regulate the corporate values, responsibilities, way of conduct and the business obligations of the organization and the way in which the company operate.

The Code of Ethics is a guide for the employees of the company and also provide information on the way in which they can solve the problems of ethics in business.

The Code provides rules in the key areas relating to the employees, human rights, management of the environment, social responsibility and corporate governance, contains the guidelines which help the company to follow its values. Our values and the code of ethics are reference points for corporate culture.

The Code presents the set of rules on the basis of which the Company was developed, the ethical rules of behavior in business and how to prevent those illegal actions which might arise during the business activities within the Company.

The Code of Ethics is compulsory and applies to all structures and activities of the Company.

All the Company's employees will comply with the letter and the spirit of these regulations.

The Code of Ethics is a fundamental commitment to endeavor to comply with high ethical standards and with legal applicable requirements, wherever Antibiotice S.A. Iasi carries out its activities.

The principles and values by which the code of ethics guides us are shown in the Company's site (www.antibiotice.ro/companie - Code of Ethics).

Rights of the financial instruments holders /

The corporate governance frame of Antibiotice company adopted and partially implemented is, as follows:

- protects the shareholders' rights,
- ensures the fair treatment of all shareholders,
- recognizes the role of third parties with interests in the company,
- guarantees the information and transparency,
- ensures the Management Board's accountability to the Company and shareholders.

Antibiotice Iasi has on its official website (www.antibiotice.ro) a section dedicated to its shareholders where one can access and download documents relating the General Meeting of Shareholders, as such: procedures for access to and attending in meetings, convening notice, additions to the agenda, informative materials, special powers-of-attorney for representation, forms for distance voting, draft decisions, decisions, vote results, etc.

Antibiotice makes available the periodical and annual financial statements drawn-up in accordance with the legislation in force.

Also, the company complies with all the requirements of the publication under the legislation referring to the trading companies and capital market.

Within Antibiotice Iasi there is a specialized structure for the relationship with the existing and potential investors, called "Investor Relations"; its main role is to ensure a better communication with the shareholders. The persons designated to keep in touch with investors, treat the most efficiently the shareholder's requests and facilitate the dialogue with the company's management.

The company creates and develops an appropriate policy to promote and effective communication with the investors and shareholders.

General Meeting of Shareholders (GMS)

The General Meeting of Shareholders is the highest decision-making body of the Company, where the shareholders directly participate and take decisions. Among other attributions, the GMS decides on profit distribution, appoints the auditors, elects the members of the Management Board and decides upon their remuneration.

During 2012, the Management Board convened two Ordinary General Meetings of Shareholders (OGMS) (on April 26th and August 9th) and two Extraordinary General Meetings of Shareholders (EGMS) (on April 26th and August 9th). All necessary documents related to the smooth unfolding of GMSs were duly published on time as required by law.

In the OGMS held on April 26th, the company's financial statements for 2011 were approved, these results being drawn-up as per Public Finance Minister's Order no 3055/2009 for accounting regulations approval in accordance with the European Directives and with the updated Accounting Law no. 82/1991.

During the same Ordinary General Meeting of Shareholders (OGMS), the following measures were approved:

- Approval of the 2011 net profit allotment (worth of 20,298,909.0 RON), setting the gross dividend value per share of 0.015191574 Lei, payment of dividends within maximum 6 months after the **GMS** date, as per general provisions Art. 238, par.2 of the republished Law 297/2004, in case the **GMS** shall not decide the investment of the 2011 dividends by capitalization;
- 3. Approval to discharge the Management Board from the liability relative to the activity performed during the financial year 2011 based on the appropriate reports submitted;
- 4. Approval of Revenue and Expenditure Budget for 2012;
- 5. Approval the degree of fulfilling objectives and performance criteria by the Chief Executive Officer;
- 5. Approval of implementation the Government Emergency Ordinance 109/2011 at the Company level;
- 6. Approval of substitution the present Management Board with a new Management Board established in accordance with the Government Emergency Ordinance 109/2011;

Approval of the management plan, of the objectives and the performance criteria for the Management Board;

- 7. Setting the wages of the Management Board members;
- 8. approval of empowerment of the Ministry of Health representative to sign the mandate contracts with the new administrators;

In the Ordinary General Meeting of Shareholders held on August 9th 2012, the financial statements of the Company for the first semester of 2012 were approved; these statements were prepared in accordance with the Public Finance Minister's Order no 3055/2009 for approval of accounting regulations according with the European Directives and the updated Accounting Law no 82/1991.

In the Extraordinary General Meeting of Shareholders of April 26th, it was decided by the shareholders, as follows:

- approval of the amendment of the Company's Statute as a result of the implementation of the Government Emergency Ordinance 109/2011

In the Extraordinary General Meeting of Shareholders of August 9th, it was decided by the shareholders, as follows:

- « Ratification of the SC Antibiotice Management Board's decision with respect to the credit facility agreement concluded with ING Bank Amsterdam N.N., Bucharest Branch, as follows :

A. Non-binding credit line for financing the working capital, available as overdraft and for issuing contingent liabilities with a maturity of up to 1 year.

B. The loan amount : maximum EUR 9,500,000. of which :

a. sub-limit overdraft : EUR 9.5 million.

b. sub-limit issue of contingent liabilities : EUR 500,000. (with debt/claim outstanding as a guarantee)

The loan is secured by real estate, property of the company, registered in the Iasi Town Land Register nos. 133201 and 133207.

- supplementation of the mortgage loan from ING Bank Amsterdam N.N. Bucharest Branch for the building of the Research Center, inventory number 10114, with the remaining book value on May 31st, 2012 of RON 7,750,351.93
- approval of a multi-option loan facility from Alpha Bank Romania, as follows:
 - A - sub-limit: RON 8,000,000.
 - B - the sub-limit of EURO 100,000 with outstanding claim as a guarantee
- SC Antibiotice SA Status change approval and the completion of article 18 "*Duties of the Management Board*"

In 2012, the company's share capital, subscribed and paid up, was of 56,800,710. RON, represented by 568,007,100. shares with a nominal value of 0.1000 RON.

Antibiotice Iasi benefits from a strong shareholding structure, with the Ministry of Health as major shareholder.

The Company's shareholding structure on July 20th, 2012 (the last data base of 2012 held by the Antibiotice Iasi) is, as follows:

I. Investors

- Ministry of Health (*) - 53.0173%,
- S.I.F. Oltenia (*) - 10.0954%
- Broadhurst Investments Limited - 4.1977%
- S.I.F. Transilvania - 4.0356%
- Privately Run Pension Fund / ING Pensions S.A.F.P.P. - 2.1104%
- Romanian Opportunities Fund - 1.9189%
- S.I.F. Banat-Crisana S.A - 1.3148%
- A-Invest - 0.6179%
- Privately Run Pension Fund Aripa / Generali S.A.F.P.P. - 0.6514%
- Polunin Discovery Funds - Frontier Markets Fund - 0.6514%
- Other legal entities and natural persons 21.3893%.

NOTE: (*) - Significant shareholders, according to Law n 297 from June, 28th 2004, art. 2, alignment 1

II. Categories of shareholders

- Legal entities - 85.7023%,
- Natural persons - 14.2977%.

During 2012, the total amount of paid dividends for the fiscal years 2007, 2008 and 2011 was RON 7,369,119.- and their breakdown by years is presented in the table below:

Period	Net dividends							End of dividend payment
	due	Paid dividends				Outstanding/ 31.12.2012		
		RON			% (total paid)			
		by Dec 31 st 2011	Jan 1 st ÷ Dec 31 st 2012	Total		RON	%	
0	1	2	3	4	5	6	7	8
2007	13,106,611.	11.887.890	1,911	11,889,801	91	1,216,810	9	Jan 31 st 2012
2008	7,222,070	6.532.772	4,387	6,537,159	91	684,911	9	June 24 th 2012
2011	8,204,647.	-	7,362,821	7,362,821	90	841,826	10	Payment in progress/

For these years, the dividends were distributed directly from the company's head office, by bank transfer and by postal order.

For the years 2007 and 2008, the company distributed dividends over the term prescribed by law.

For these years, the payment of dividends was stopped, and the term of payment cease has been established in accordance with the legislation in force - Par.5, Art.67 of the Law 31/1990, republished.

Regarding the year 2012, the dividends reinvestment could be one of the sources required to sustain the investment program and to enhance the value of the company, ensuring the construction and completion of an Ointments and Suppositories production plant and the continuation of substantial investments, namely *“Purchase of installations and pieces of equipment intended for achievement of a production capacity for dosage filling of sterile non-penicillin powders in vials”*.

Antibiotice on the securities market

In the course of the year 2012, sales of shares took place in all sectors, including the pharmaceutical one, and it has not been taken into account the fundamental analysis, nor the obtained profits.

In the Eastern and Central Europe, prices of the pharma shares have maintained low, reaching levels very attractive to investors.

Many of the shares listed on the Bucharest Stock Exchange, including those of Antibiotice S.A. are underevaluated, so that, from this perspective, they present a high growth potential.

16 years after the first transaction, about 43,000 shareholders follow with interest the evolution of ATB shares on the Bucharest Stock Exchange. Although undervalued because of the world economic crisis, the ATB shares enjoy the interest of investors who know and have confidence in the market potential of the company.

In the past few years, the ATB shares have been framed in a trend dictated by movements on capital markets.

In 2012, the minimum price of the ATB share has reached the lowest value on July 2nd (0.3300 lei/share) lower by 8.66 % as compared to last year's figure. The share price reached a maximum of 0.4400 RON/share (February 17th), down by 31% as compared to 2011.

As compared to 2011, the BET-C Index (BET Composite), which includes the shares of all companies listed on the BSE , except for the Financial Investment Funds, increased by 6% in 2012, so that the ATB shares reached, in December, a maximum quota of 0.76% of this index.

The Index BET XT (blue-chip index reflecting the evolution of the prices of the most liquid 25 companies traded on the regulated market, including SIFs) - active support for derivative financial instruments and structured products has also recorded an increase of 20% compared to 2011, the ATB shares attaining at the beginning of the year a maximum quota of 1.02% to this index.

Since July, the Bucharest Stock Exchange (BSE) has launched a new index - the index-BK BET (Bucharest Exchange Trading Benchmark Index). This is a benchmark-type index calculated as a weighted price index of free-float capitalization of the most traded

companies listed on the BSE regulated market. The ATB shares reached in September a maximum quota of 4.78 % to this index.

At the end of the year 2012, the stock capitalization of Antibiotice Iasi was of 213,798. thousand RON.

ANTIBIOTICE SHARES - ATB / TOTAL MARKET

	2011	2012
Number of shares	568,007,100.	568,007,100.
Market capitalization (thsnd RON)*	221,523.	213,798.
Market capitalization (thsnd EUR)*	51,282.	48,276.
Market capitalization (thsnd \$)*	66.338	63,678.
Total traded amount (mln RON)	17	10
Number of shares traded	33,430,079.	24,002,033.
Opening price (RON/share)	0.6200	0.3974
Highest price (RON/share)	0.6420	0.4400
Lowest price (RON/share)	0.3613	0.3300
Price at the end of the year (RON/share)	0.3900	0.3764
Average price (RON/share)	0.5209	0.3985
Earning/share (RON/share)**	0.0357	0.0477
Gross dividend /share (RON/share)	0.0152	0.0182
Dividend yield***	3.90%	4.83%
Rate of dividend distribution ****	43%	38%

* Calculated based on the share price in the last trading day of that year,

** The calculation of earning per share is based on the net profit of each year,

*** Dividend per share / share price on the last trading day of each year,

**** The dividend distribution rate = (total number of shares x gross dividend per share) / total net profit.

On average, the company Antibiotice S.A. ranks among the first 11 companies of the BET-C index, among the first 14 companies of the component of BET-XT index and among the first 15 companies of the BET-BK structure.

The investors who took advantage in 2012 of the opportunity of reaching the maximum price of the Antibiotice shares (0.4400 RON/share), achieved an investment return of 22%, compared to the investment made with the minimum price of the previous year.

During the year 2012, 22,002,033. shares were traded, worth of 9.6 million RON (EUR 2.9 million, \$ 2.8 million), with an average price of RON 0.37785 per share.

The quarterly, half-yearly and the yearly reports have complied with the financial communication calendar established for 2012.

For 2013, the Company proposed and submitted to the Bucharest Stock Exchange and the National Securities Commission the following Financial Communication Calendar (*)

<i>Events</i>	<i>Date</i>
- Presentation of preliminary annual financial results for 2012:	Feb 20 th , 2013
- General Meeting of Shareholders to approve the annual financial results - 2012:	April 25/26 th , 2013
- Presentation of the annual report for 2012:	April 29 th , 2013
- Presentation of the quarterly reports:	1 st , Quarter 2013 3 rd , Quarter 2013
- Presentation of the half-yearly report for 2013:	May 15 th , 2013 Nov 15 th , 2013 Aug 14 th , 2013

(*) This calendar can also be found on the company's website: [www.antibiotice.ro/investitori/raportari_financiare/calendar financiar 2013](http://www.antibiotice.ro/investitori/raportari_financiare/calendar_financiar_2013)

External auditor

„B.D.O. Audit” S.R.L. was the independent auditor of the S.C. Antibiotice S.A for the year 2012.

Annual financial statements

„B.D.O. Audit” SRL audited the company's financial statements on 2012, reviewed the compliance between the annual report and the financial statements and issued an opinion with *clause*.

The financial statements were submitted in due time to the Managing Board for their analysis. Based on our own analyses performed on the annual financial statements and of the Report of the Management Board, we agree with the results of the auditing process. The final results of our analysis did not lead to any objection.

Thus, the annual financial statements were approved at the meeting of the Management Board of March 21st, 2013 and they will be subject to a later debate during the General Shareholders' Meeting, which will take place on April 25/26th, 2013. The relations between the management and the employees are normal, without collective challenge to management and there is a permanent dialogue between them and the trade union representatives.

Conclusions

In 2012, Antibiotice S.A.:

- has continuously perfected the human capital on scientific principles;
- has risen the exports up to 20.08 million US\$
- has increased the net profit by 34% as compared to 2011, up to 27.11 million RON.

Vice-president of the Management Board,
ec. Ioan NANI

Financial Director,
ec. Paula Luminita Coman