

ANTIBIOTICE Iasi  
 NOTES to FINANCIAL STATEMENTS  
 (the amounts are expressed in LEI, if not otherwise specified)

**NOTE 1**

Elements	Gross value			Depreciations			Net values			
relative to assets	Initial balance	Increases	Decreases	Final balance	Initial balance	Increases	Decreases	Balance	Balance	Balance
	01.01.2010			31.12.2010	01.01.2010			31.12.2010	initial	final
0	1	2	3	4 (1+2-3)	5	6	7	8 (5+6-7)	9(1-5)	10(4-8)
Other non-tangible assets	2.268.419	1.185.724		3.454.143	1.795.393	331.601		2.126.994	473.026	1.327.149
Advance for non-tangible assets	1.336.390		674.285	662.103					1.336.388	662.103
<b>TOTAL INTANGIBLE ASSETS</b>	<b>3.604.809</b>	<b>1.185.724</b>	<b>674.285</b>	<b>4.116.246</b>	<b>1.795.393</b>	<b>331.601</b>		<b>2.126.994</b>	<b>1.809.414</b>	<b>1.989.252</b>
Lands	73.327.133	0	515.103	72.812.030					73.327.133	72.812.030
Buildings	65.064.591	13.648.673	6.500.976	72.212.288	1.152.486	6.415.378	6.500.976	1.066.888	63.912.105	71.145.400
Machinery, equipment and work installations										
Control machines install.	90.818.206	13.912.504	616.948	104.113.762	76.123.067	8.551.522	589.031	84.085.558	14.695.139	20.028.204
Means of transport										
Furniture, office support and other tangible assets	3.820.921	384.737	6.966	4.198.691	3.111.946	293.821	6.966	3.398.801	708.974	799.890
Advance payments and pending tangible assets	4.412.138	0	2.316.003	2.096.133					4.412.138	2.096.133
<b>TOTAL TANGIBLE ASSETS</b>	<b>237.442.989</b>	<b>27.945.914</b>	<b>9.955.996</b>	<b>255.432.904</b>	<b>80.387.499</b>	<b>15.260.721</b>	<b>7.096.973</b>	<b>88.551.247</b>	<b>157.055.487</b>	<b>166.881.657</b>
Partially fixed assets	60.640			60.640					60.640	60.640
Fixed receivables	20.419	362		20.781					20.419	20.781
<b>TOTAL FINANCIAL ASSETS</b>	<b>81.059</b>	<b>362</b>		<b>81.421</b>					<b>81.059</b>	<b>81.421</b>
Provisions for depreciations					223.806	244.652		468.457	-223.806	- 468.457
<b>TOTAL FIXED ASSETS</b>	<b>241.128.857</b>	<b>29.132.000</b>	<b>10.630.281</b>	<b>259.630.571</b>	<b>82.406.698</b>	<b>15.592.322</b>	<b>7.96.973</b>	<b>91.146.698</b>	<b>158.722.154</b>	<b>168.483.874</b>

## NOTE 2. PROVISIONS FOR RISKS AND EXPENSES

Name Provision	Balance on 1 January	Transfers*)		-lei-
		In the account	from the account	Balance 31 December
0	1	2	3	4=1+2-3
Provision for risks and expenses	1.300.000	1.400.000	1.300.000	1.400.000
Provisions for delayed taxes	12.708.241	0	203.604	12.504.637
<b>TOTAL</b>	<b>14.008.241</b>	<b>1.400.000</b>	<b>1.503.604</b>	<b>13.904.637</b>

On December 31st 2010 a provision for risks and expenses was established in conformity with OMF 128/2005, amounting to 1.400.000 lei, representing the employees' contribution to the profit reported on 2010. The financial obligations towards the employees and the contributions with respect to their participation to the profit will be highlighted in the accounting department based on the expenses with salaries, respectively of the expenses related to the contributions on 2011 and, simultaneously the provision created will be resumed in revenues.

## NOTE 3. PROFIT DISTRIBUTION

The profit relative to 2010 financial year has been distributed as follows:

Destination	Amount
Profit to distribute:	12.539.100
- legal reserve	923.614
- amounts collected from the correction of the reported result	21.506
- reserve generated by the valorization of waste and assets	1.248.229
- reserves generated by research and development activities according to art. 19 from the Fiscal Code	306.820
- the company's own financing sources	1.003.893
- dividends	9.035.038

The distribution of the accounting profit remaining after deducing the corporate tax was carried out according to the stipulations of GO (Government Ordinance) 64/2001 approved with amendments by law 769/2001, GO 61/2004 and GO nr. 55/2010.

## NOTE 4. ANALYSIS OF THE OPERATIONAL PROFIT

No.	Indicator	-lei-	
		2009	2010
1	Net turnover	219.754.104	243.626.062
2	Costs of sold goods and services provided (3+4+5)	81.727.361	91.103.032
3	Expenses with the main activity	55.159.330	61.491.868
4	Expenses with auxiliary activities	8.328.113	10.179.116
5	Indirect production expenses	18.239.918	19.432.048

6	Gross result related to net turnover (1-2)	138.026.743	152.523.030
7	Sales costs	49.954.405	44.999.262
8	General administration expenses	45.438.198	45.926.276
9	Other operating expenses	-16.461.379	-31.034.992
10	Operating profit (6-7-8+9)	26.172.761	30.562.500

#### NOTE 5. THE SITUATION OF RECEIVABLES AND PAYABLES

RECEIVABLES 2009	BALANCE AT 31.12.2009 (COL 2+3)	LIQUIDITY TERM 2009	
		SUB 1 AN	
0	1	2	3
TOTAL LEI , OUT OF WHICH:	179.772.285	179.772.285	-

RECEIVABLES 2010	BALANCE AT 31.12.2010 (COL 2+3)	LIQUIDITY TERM	
		UNDER 1 YR	OVER 1 YR
0	1	2	3
TOTAL LEI , OUT OF WHICH:	179.809.223	179.809.223	-

Within the total receivables the largest share is occupied by financial receivables, 98,6% accounting for delivery of pharmaceuticals form our company's portfolio.

Our company's business activity has been conducted both on the internal as well as the external level. In this way, in the structure of financial receivables at the end of 2009 and 2010, we registered the following amounts to collect from our clients:

-lei-

	2009	2010
Internal clients	169.017.614	157.465.074
Uncertain clients	10.359.730	25.345.874
External clients	9.328.398	14.797.695
Effects to collect	2.643.019	11.632.694
Adjustment for depreciation of receivables	-12.268.730	-31.707.168
Other receivables	692.254	2.275.054
Total	179.772.285	179.809.223

The average time for collecting receivables is 285 days, and the average duration for collecting receivables on the internal market is 341 days, the payments being generally made with delay, because of the insufficient funds allotted in the healthcare system.

The "uncertain clients" category Includes the clients who failed to honor the debts, in the case of whom Antibiotice has filed a lawsuit while previously all steps were taken for the recovery of debts. For a part of these clients were issued final court decisions, and for others the lawsuits are in progress. For all clients in this category were created provisions for the depreciation of receivables.

DEBTS 2009	Balance at 31.12.2009 (COL 2+3)	Maturity date 2009	
		under 1 yr	
0	1	2	3
Total lei, out of which:	114.252.280	114.219.143	33.137

DEBTS 2010	Balance at 31.12.2010 (COL 2+3)	Maturity date	
		under 1 yr	over 1 yr
0	1	2	3
Total lei, out of which:	110.652.469	110.652.469	0

The company's payables on December 31<sup>st</sup> 2010 had the following structure:

-lei-

	2009	2010
Financial debts	74.745.728	69.301.605
Commercial debts	29.614.293	31.217.328
Debts related to human resources and social insurance	3.587.134	4.159.416
Debts related to the corporate tax	331.374	1.166.680
Other debts	5.973.751	4.807.440
<b>Total</b>	<b>114.252.280</b>	<b>110.652.469</b>

On 31.12.2010, Antibiotice company hired loans/ credits contracts in foreign currency with the following banks :

Name	Date of contracting the loan	Loan type	Credit value	Amount to be payed back on 31.12.2010	Balance	Warranties
ALPHA BANK Iasi	18.04. 05	Multi-option line credit facility	5.500.000 EUR	6.163.274,21 EUR	31.05.2011	Mortgage contract
ALPHA BANK Iasi	18.04. 05	Credit facility	4.000.000 EUR	401.309,87 USD	31.05.2011	Discount for invoices, cheques and promissory notes.(P/Ns)
ALPHA BANK Iasi	06.05. 08	Credit facility	300.000 EUR	4.459.792 lei	31.05.2011	Transfer of external contracts
<b>Total Alpha Bank Iasi</b>		<b>Credit facility</b>	<b>9.800.000 EUR</b>			
RBS BANK Iasi	17.07.06	Credit facility	11.000.000 EUR	1.030.235,11 lei	29.07.2011	Mortgage + buildings + land
RBS BANK Iasi	17.07.06	Credit facility		1.865.467,77 Eur	29.07.2011	
RBS BANK Iasi	17.07.06	Credit facility		8.239.564,44 USD	29.07.2011	
<b>Total RBS BANK Iasi</b>			<b>11.000.000 EUR</b>			
CITI BANK	27.01.2010	Credit facility	1.500.000 EUR	401.498,84 EUR	26.01.2011	Transfer of receivables

<b>Total CITI BANK Iasi</b>			<b>1.500.000 EUR</b>			
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\*The date of contracting the loan is the date when the initial credit contract was concluded, which was extended by an addendum.

The euro equivalent of the assets mortgaged with respect to the credit contracts/loans concluded with RBS BANK and Alpha Bank that are on balance on 31.12.2010, is set when the credit is approved in the evaluation report conducted by an independent evaluator/assessor.

For credits contracted with banks on 31.12.2010 amounting to 22.300.000 euro, the company submitted as mortgage/pledge the following: buildings, land, fixed assets belonging to the company's assets with a total value of 13.691.560 euro.

Also, for the credits/loans contracted, the company has transferred to certain banks the right to claim relative to certain trade contracts, as well as the creation of a security interest in real estate on the balance due relative to the accounts in lei (Romanian currency) and in the foreign currency.

The guarantees/pledges submitted to the respective banks, on 31.12.2010, are as follows:

No.	Name of the building, the fixed asset, stock	Register no.	U/M	Value of the buildings, fixed asset, stock (evaluated), which constitute the guarantee (EUR)	Guarantees - mortgage (euro)	No. and date of the contract	Obs.
0	1	2	3	4	5	6	7
1.	" Conditioning " Building C60,C61	10082	EUR	4.373.667	3.498.934	C6122/2007.06	RBS BANK
2.	Quality Control Building	10042	EUR	2.287.157	1.829.726	-	RBS BANK
3.	Substation PT6 (Building in Electric Dept.)	10074					RBS BANK
4.	Raw materials warehouse, 2 storey building with 2 elevators	10075					RBS BANK
5.	Building for station/plant 0,4 KV PT6	10076					RBS BANK
6.	Tablet manufacturing building	10077		2.940.736	2.352.589		RBS BANK
7.	" Main Administrative " building C66	1004501	EUR	1.700.000	1.360.000	Addendum 28/1/8 to Ctr. no.28 /1/18.04.05	ALPHA BANK
8.	Building " Microproduction Research Lab " C96	10043	EUR	2.150.000	1.720.000	-	ALPHA BANK
	TOTAL MORTGAGES ON BUILDING EURO			13.451.560	10.761.248		
9.	Mortgage on land RBS+ALPHA		EUR	240.000	192.000	-	
	TOTAL LAND EURO			240.000	192.000		
	<b>TOTAL MORTGAGES in EURO</b>			<b>13.691.560</b>	<b>10.953.248</b>		

As of 31.12.2010, our company has the following leasing contracts:

Name of the firm/company	Contract no.	Object of the contract	Initial value	Value on 31.12.2010
PORSCHE LEASING	131931/01.08.2008	1 Skoda Superb Avangarde	82.874	15.618,18
PORSCHE LEASING	131925_131926	2 Skoda Octavia	93.747	17.963,03
TOTAL				33.581,21

## NOTE 6. PRINCIPLES, POLICIES AND ACCOUNTANT METHODS

The purpose of ANTIBIOTICE's financial statements is that of providing information on the financial position, the performances and changes in the company's financial position which are useful to a large range of users in view of taking economic decisions.

ANTIBIOTICE's financial position is influenced by the economic resources it controls, by its economic structure, its liquidity and solvency as well as its capacity to adapt to the changes in its current field of activity namely the pharmaceutical industry. In order to reach these objectives, the financial situations are drawn-up according to the commitment-based accounting, respectively the effects of transactions and other events acknowledged when the transactions and events and are recorded in the accountant records and reported in the financial situations of the respective periods.

By respecting the legal frame created by Law 82/1991 and by Order of the Finance Minister no. 3055/2009, at Antibiotice the accounting practice is done in a double-party way, thus ensuring:

- The chronological and systematic recording in the accountant books all operations related to the company's assets, depending on their nature, simultaneously, in debit of certain accounts and the credit of others;
- Recording/ knowing the total debtor and creditor amounts, as well as the final balance of each account;
- The monthly drawing up and recording of the checking balance, that reflects the equality between the total debtor and creditor amounts and the total debtor and creditor balances of the accounts;
- Presenting the situation on the company's assets and the results/profit obtained, respectively the assets and liabilities balance, as well as that of the revenues, expenses and benefits or losses, in the loss and profit account.

In order to give a real view of the company's assets, of the financial situation and the results obtained the company's management respects the rules concerning the assets evaluation as well as the other rules, norms and accountant principles.

- **Principle of cautiousness**

On 31.12. 2010 Antibiotice has recorded adjustments for the depreciation of tangible assets, adjustments for the depreciation of raw materials and materials stocks, adjustments for uncertain clients and provisions for risks and expenses, accounting for the participation of employees to the profit of 2010.

- **Principle of method permanence**

In order to ensure the comparability in time of the accounting information, within the society were maintained the same rules and regulations, the same norms of evaluation and recording in accountant logs, in the presentation of the corporate assets or results.

- **Principle of ongoing activity**

The entire manufacturing of pharmaceutical products during the 55 years of activity is reflected in the financial reports in line with the current regulations in force. In the following period there are no elements that would affect the company's ability to continue its activity.

- **Principle of independent exercise**

Each year Antibiotice prepares/draws up the financial reports that record the expenses and revenues with respect to the fiscal year in course, while those belonging to other fiscal years are reflected in distinct accounts, namely 471 "Expenses recorded in advance", 472 "Revenues recorded in advance".

- **The principle of separate evaluation of the assets and liabilities**

According to this principle, the elements belonging to the assets or payables (debts) are separately evaluated.

- **The principle of intangibility of the initial balance**

At the start of the fiscal year the initial balances are equal to the final balances from the previous fiscal year.

- **The principle of lack of compensation**

The balance is drawn-up by evaluating and reporting in the accountant records the assets and liabilities, separately, without compensating them, the same treatment applying to the items of expenses and revenues in the profit account. .

▪ **The principle of prevalence of the economic over the legal**

The presentation of values within the profit and loss account was made by considering the substance of the transaction or operation reported, not just their legal form.

## **A. FIXED ASSETS**

### **I. Intangible assets**

This group includes licenses for new products as well as licenses for computers recorded at a historical cost that are subject to the straight-line method of depreciation for a duration of three years. The intangible assets are not reevaluated, the value of each non-tangible asset being analyzed every year for the likelihood of discovering certain depreciation.

### **II. Tangible assets**

On 31.12.2010, based on regulations O.M.F. 3055/2009, I.A.S.no.16, p .35(a), there was a re-evaluation of the company's tangible assets, so that they are presented in the accountant books at their correct value, reflecting the results in the financial reports drawn-up with this purpose. For the reevaluation activity, the following stages were observed:

a)issuing the decision to draw-up the annual stock of fixed asset : Decision no.158/10089P/14.10.2010;

b) listing the fixed assets with respect to all stocks (the inventories);

c) the committees will determine the degree of tare & ware as well as the degree of usefulness for each individual fixed asset;

For the fixed assets in the company's total assets which on 31.12.2010 are used in the manufacturing process, both the fixed assets that are not entirely depreciated, as well as those that are entirely depreciated have been reassessed.

#### **The re-evaluation of fixed assets which aren't entirely depreciated**

During the reevaluation of tangible assets in this category, the amortization cumulated on the reevaluation date was treated as bellow:

1) recalculated proportionally with the change in the gross accounting value of the assets, so that the total asset's value, post-reevaluation, is equal to the reevaluated value.

This is the method used for assets in category 2 and 3, by applying the indicator updating to the rate of inflation. The reevaluation method used is based on coefficients determined yearly by the National Institute of Statistics.

2) deducted from the gross accounting value of the asset while the net value, determined following the adjustments of value, is recalculated at the new asset value. This method applies to buildings and special structures from category 1, namely the tangible assets.

In O.M.F. 3055/2009, item 121(3) it is stipulated; "if a tangible asset entirely depreciated can still be used, on the occasion of reevaluation it is attributed a new value and a new economic usage time, according to the following estimated usage time." For fully depreciated fixed assets, which are also used in the production process, depending on the degree of physical wear and usefulness estimated by the inventory subcommittees, we calculate a new value and a new economic life, using the formulas:

$$\text{Inv. value}(v') = \text{inv.val.} \times (100 - \text{degree of phys. tear}) \times \text{degree of usefulness}$$
$$\text{Useful ec.dur.} = (100 - \text{degree of phys. tear}) / 100 \times \text{norm dur., min. limit}$$

After making the inventory of all fixed assets owned by the Company on 31.12.2010, the members of the review committee have established the following ways of working:

For category 1 "Buildings", the cumulated depreciation was eliminated from the gross value reported at the end of the year and the net updated value with the inflation update factor, is the new reassessed value on 31.12.2010.

It was established that for fixed assets in the category of Constructions, revaluation will be done with a coefficient of 1.0000 updated for inflation, except building no. 10 109 in the Inventory, whose value will be determined by an evaluation report carried out by a company specialized in the field.

The fixed assets in categories 2 and 3, which on 31.12.2010 record the undepreciated value remaining, the review board will update the gross value with the updated rate for inflation between: 1.0000 and 1.0798, depending on a number of defining elements, namely: the degree of physical wear, the degree of usefulness and commissioning.

Under the provisions of OMF 3055/2009, for the company's fixed assets which are fully depreciated but which participate in the production, the revaluation committee determined the new asset value (V') and new economic usage period (useful ec. life), for fixed assets belonging to production plants and utilities.

On 31.12.2010, category 1 "Constructions", out of the inventory value of 78.423.170 lei the cumulated amortization of 6.388.186 lei was cancelled, and the resulting net value of 72.034.985 lei was updated with an inflation update factor of: 1,0000.

The fixed assets in category 1, for which were recorded "Adjustments for the depreciation of fixed assets", aren't revaluated.

At the end of 2010, the fixed assets in category 1 "Constructions" are recorded in the balance with the revaluated net value: 72.212.288 lei. Also, fixed assets whose inventory value at a historical cost is not revaluated, the accumulated depreciation recorded for them was eliminated from the gross value. In late 2010, the fixed assets in category 1 "Buildings" are recorded in the balance sheet at the revalued net value: 72,212,288 lei. For categories 2 and 3 of fixed assets, according to the new regulations, two revaluation methods were used, namely:

**A.** For fixed assets that are not fully depreciated on 31/12/2010, the gross value was indexed to inflation update factor so that the accounting value of the assets is their carrying value. The gross accounting value for fixed assets in category 2 and 3, not entirely undepreciated on 31.12.2010 is 48,166,515 lei, indexed with the inflation update factor: 51,698,093 lei, consisting of the remaining revalued value: 38,184.153 and 13,513,940 lei, as the revalued accumulated depreciation difference.

The result of the revaluation is recorded in the account books under "Revaluation reserve" and "Revaluation differences" and "Depreciation differences resulted from revaluation", with analytical tools for each category of fixed assets, after their presentation to the managing board. The following table shows changes in the recorded gross inventory values as a result of their upgrade using the update factor for inflation:

Fixed assets in the category 2 and 3, undepreciated and revaluated as of 31.12. 2010:

lei

CTG.	Inv. values	AMC	Val .ram.	K	Reev. val..	AMC reev	Val.ram reeval	Dif.val reev.	Dif. amc reeval.
1	2	3	4(2-3)	5	6(2*5)	7(3*5)	8(4*5)	9(6-2)	10(7-3)
Ctg.2	46.848.721	34.923.582	11.925.138	1,0734	50.288.894	37.531.895	12.756.999	3.440.174	2.608.313
Ctg.3	1.317.794	604.905	712.890	1,0693	1.409.199	652.258	756.941	91.405	47.354
	48.166.515	35.528.487	12.638.028		51.698.093	38.184.153	13.513.940	3.531.579	2.655.667

**B.** With respect to the fixed assets which are entirely amortized at 31.12.2010 and used in the manufacturing process, a new life and a new value were determined by using the calculation formulas presented in procedures:

**Inv. value (v')= inv.val. x(100- degree of phys. tear)x degree of usefulness.**

**Useful ec. dur. = (100- degree of phys. tear)/100x norm dur. , min. limit .**

After applying these formulas, were analyzed the inventory values and the new economic usage time for the fixed assets which are entirely amortized, and the reevaluation committee decided:

- the minimum inventory value = 1000 lei.
- the economic usage time is maximum 4 years.

For categories 2 and 3, fixed assets which are entirely amortized at 31.12.2010 and used in the manufacturing process, the recorded differences resulted after reevaluation amount to 7.310.659 lei, as stipulated in the grid below :

Fixed assets in categories 2 and 3 entirely depreciated and reevaluated on 31.12.2010  
lei

Category	Stock value	Cumulated depreciation	Inventory stock value	Differences from re-valuation
1	2	3	4	5
2	21.337.900	21.337.900	28.605.610	7.267.710
3	74.004	74.004	116.953	42.949
	21.411.904	21.411.904	28.722.563	7.310.659

The recording in accountant logs are made by using the same accounts:” Provisions from revaluation” and “Differences from revaluation values”.

The summary on the revaluation result is materialized in the total revaluation of values: 11,019,541 lei and total depreciation differences after revaluation: 2,655,666 lei. The company-owned land has been revalued at 31.12.2010, and is evidenced in the corporate assets to a value of 72,812,030 lei

## B. CIRCULATING ASSETS

### I. Stocks

**Raw materials and consumables** - inputs of raw materials and consumables are at the purchase cost, being highlighted by quantity-value, and for the commissioning the weighted average cost method is used. The criteria based on determining the slow moving stocks and the no motion stocks are related to the **date** of the last output of the company’s warehouse and the possibilities of their recovery.

**Production in progress** - is the flow production value that hasn’t reached the end of the manufacturing process. In the current accounting records the ongoing manufacturing is expressed in the cost of execution.

**Finished products** – is the manufactured stock’s value located in the central warehouse in order to be capitalized on the market. The evidence of stock products is at the department’s cost

**Advances for stock purchasing** - these represent amounts paid by the company in advance for purchasing raw materials and auxiliary materials from the domestic market and imported

### II. Receivables

They are represented by the balance of customers through which the company capitalizes products on domestic and foreign markets. The value of domestic debt is reflected at a historic price. The value of receivables on the external market is updated at the exchange rate of 31.12.2010.

### III. Cash and bank accounts

Cash equivalents comprise the cash existing in-house, at the bank and the vouchers.

## C. EXPENSES IN ADVANCE

Expenses not related to the financial year are included in this financial position so as to respect the principle of financial independence.

## D. PAYABLES

The loans contracted by the society can be divided into:

- credit lines for restoring the working capital

- credit for investments,

Amounts owed to credit institutions

The value of loans and leases is recorded in the financial statements at the exchange rate of the National Bank of Romania on 31 December 2010.

### Commercial Debts

Trade payables represent the obligations of the company for the acquisition of raw materials, auxiliary materials, utilities and services. Foreign currency obligations are updated according to the rate of December 31, 2010. Other credits, including taxation and other liabilities for social insurance

In this group are included mainly the expenditure with social security and social protection, social security contributions and dividends.

### E. ADJUSTMENTS

In this category are recorded value adjustments of fixed assets, adjustments to inventory of raw materials and materials whose last movement is more than 365 days, adjustments to the inventory of finished goods which have a validity of less than 180 days, uncollected customers' adjustments over a period exceeding 365 days.

### F. CAPITAL AND RESERVES

This group of accounts consists of:

- The social capital is described in notes to the financial statements;
- revaluation reserves recorded in the accounting accounts as a result of revaluating the fixed assets on previous years and current year in accordance with the legal provisions in force in the dates indicated;
- legal reserves established in the limit of 5% of gross profit accounting;
- other reserves resulting from the application of normative acts in force;
- the result of the exercise entirely distributed according to law.

### NOTE 7. ACTIONS AND OBLIGATIONS

Subscribed share capital	47.765.668,10 lei
Number of actions issued	477.656.681 shares
Nominal value of the shares issued	0,10 lei/share
Redemption of shares - the earliest date and end date of redemption - the binding or non-binding nature of redemption - the value of the possible redemption premium/bonus	-
Bonds issued during the fiscal year: - Type of shares - no. de shares issued - Total par value - value collected on distribution - rights related to distribution: - number, description and value of corresponding shares - the exercise of rights - the price paid for the shares distributed	- shares resulted from dividend capitalization on fiscal year 2009- 2.759.390 shares; 0,10 lei/ share
Bonds issued: - type of obligations issued - value issued and the amount received for each type of bonds - bonds issued by the company, owned by a person nominated or authorized by the company - par value - value recorded upon receipt	-

The social capital has undergone changes in 2010 being increased from 45,489,729.10 to 47,765,668.10 lei, divided into 477,656,681 shares with a nominal value of 0.10 lei.

The ownership structure on 31.12.2010 is as follows:

1. Ministry of Health = 53.0173%
2. Individuals and Legal persons = 46.9827%

The gross dividend value per share in 2010 is 0.018915339 lei.

#### **NOTE 8. INFORMATION REGARDING THE PERSONNEL, THE EXECUTIVE BOARD AND THE DIRECTORS**

During 2010 the company management was made by a Board of Directors consisting of seven people, headed by the CEO who covered the role of Chairman of the Board. The wages of the board were based on Law 31/1990 and Government Decision 1715/2008, the administration council members being paid an amount of 213,488 lei. In 2010 the company management was provided by the Director General, Financial Accountant Manager, Technical and Production Director, Director of Business Development, Commercial and Logistics Manager, Quality Manager, Engineering & Investment Manager, Marketing and Internal Market Sales, Human Resources Director.

Limits on the wages given to the General Director were established in the General Meeting of Shareholders in compliance with Ordinance 79 / 2008 (with subsequent additions and modifications) to give a gross salary equivalent to that of the Secretary of State, the warrant was signed and the Board of Directors remuneration of directors was established in the Board of Directors. Chief salaries and expenses of directors were specialized in value during 2010 of 1,687,265 lei, of which:

- Salaries 1.327.376 lei;
- Expenditure on insurance and social protection 359.889 lei.

During this fiscal year there were granted no loans and advances to directors and executive board. The company has no contractual responsibility on the payment of pensions to former members of the administrative bodies and the former members of management.

The average number of employees for this fiscal year was 1441.

#### **Structure of personnel:**

Structure of personnel	1 Jan. 2010	Hired personnel	Personnel that left	promotions	31 Dec. 2010
Total personnel, out of which:	1438	94	83		1449
Personnel with a higher-education degree	471	59	30		500
Personnel with high-school level certificate:	967	35	53		949
- high-school graduation certificate	495	35	4	9	509
- vocational school/ training courses/ secondary-school studies	480	-	40		400

Total expenditures on personnel wages amounted to 65.439.305 lei, out of which:

- salaries = 50.961.031 lei;
- insurance and social protection = 14.478.274 lei.

The average monthly gross wage per unit, for the year 2010, was 2947 lei. Expenditure on personnel in the company's total expenditure was 26.78% and in the turnover it was 26.86%. Staff salaries were paid on time (days 13 and 28 of each month). By the end of year the company had paid all current taxes and contributions withheld from employees and those calculated and recorded as an employer.

On December 31, 2010 the company was registered with the following obligations on taxes and other contributions related to wages:

- lei-

	Amounts on 2009	Amounts on 2010	Paid on 2010	Outstanding
Wage tax	558.891	6.551.682	6.403.948	706.625
Company's health and social insurance	222.727	2.501.310	2.466.302	257.735
Health insurance employees	234.281	2.644.168	2.606.582	271.867
Company's unemployment fund	21.057	231.858	228.147	24.768
Fund guaranteeing wage claims	10.536	115.930	114.082	12.384
Employees' unemployment fund	21.040	234.828	230.710	25.158
Company's contributions to health insurance	903.228	9.697.133	9.568.552	1.031.809
Fund for occupational accidents and diseases	12.718	138.465	136.986	14.197
Employees contribution to health insurance	449.602	4.956.043	4.877.406	528.239
Fund allotted to vacations and indemnities	-41.233	665.286	705.792	-81.739

Employees	
* average number of staff	1.441
* Wages paid or outstanding related to fiscal year (lei)	50.961.031
* Social security expenditure (lei)	14.478.274

**NOTE 9. CALCULATING THE MAIN ECONOMICO-FINANCIAL INDICATORS**

No.	INDICATORS	CALCULATION FORMULA	2009	2010
<b>I</b>	<b>Liquidity indicators</b>			
1.	Current liquidity indicator	= Current assets /Current debt	= 217.496.442/114.219.143= <b>1.9</b>	=223.940.478/110.652.469= <b>2.02</b>
2.	Immediate liquidity indicator	= ( Circulating assets – Stocks)/ Current debt	=(217.496.442-34.148.030)/114.219.143= <b>1.6</b>	=(223.940.478-40.407.875)/110.652.469 = <b>1.7</b>
<b>II</b>	<b>Risk Indicators</b>			
1.	Degree of indebteding	= (Borrowed capital / Equity X100	=(0/242.024.210)x100= <b>0</b>	=(0/262.612.444)x100 = <b>0</b>
2.	Indicator for interest coverage	= Profit before interest and taxes / Expenditure on interest	=19.031.854/3.384.326= <b>5.6 times</b>	=21.789.437/3.317.167 = <b>6.6 ori</b>
<b>III</b>	<b>Activity indicators</b>			
1.	Stocks' rotation speed	= Sales cost / average stock	=81.727.361/38.764.403= <b>2.1 times</b>	=91.103.032/42.984.498= <b>2.1 ori</b>

No.	INDICATORS	CALCUL FORMULA	2009	2010
2.	Number of storage days	= (average stock / sales cost) X365	=(38.764.403/81.727.361)x365= = <b>173 days</b>	=(42.984.498/91.103.032)x365= = <b>172 days</b>

3.	Debit rotation speed - clients	= (Clients average stock / Turnover)X365	=160.862.987/219.754.104)x365 = <b>267 days</b>	=(190.360.497/243.626.062)x365= <b>285 days</b>
4.	Credit rotation speed - supplier	= [ Supplier average stock / Goods purchase ] X 365	=(26.132.187/139.330.710)x365= = <b>69 days</b>	=(43.762.972/173.235.018)x365= = <b>92 days</b>
5.	Tangible assets rotation speed	= Turnover / Tangible assets	=219.754.104/156.831.681= <b>1.4</b>	= 243.626.062/166.413.201= <b>1.5</b>
6.	Total assets rotation speed	= Turnover / Total assets	= 219.754.104/376.700.408= <b>0.6</b>	= 243.626.062/392.751.598= <b>0.6</b>
<b>IV</b>	<b>Profit indicators</b>			
1.	Profitability of engaged capital	= (Profit before interest and tax/ engaged capital)	=19.031.854/262.481.265= <b>7.3%</b>	= 21.789.437/282.099.129= <b>7.7%</b>
2.	Gross sales margin	= (Operational profit / Turnover X100	= (26.172.761/219.754.104)x100 = <b>11.9%</b>	=(30.562.500/243.626.062)x100= = <b>12.5%</b>

## NOTE 10. OTHER INFORMATION

### a) Information on the company

#### Headquarters and legal form:

Iasi, Valea Lupului. no. 1, on the National Road DN 28 (Iasi-Pascani)

S.C. Antibiotice S.A. Iasi was set as a trading society based on Law 15/1990 and GD no. 1200/12.11.1990

**Country:** Romania

**Field of activity:** 2010 – Manufacture of basic pharmaceutical products

#### Main activities: Manufacturing the following products and groups of products:

- Products obtained through by processes of biosynthesis: Nystatin
- Products for injection (powders and solutions) in vials
- Oral products: capsules, tablets
- Products for external use: ointments, creams, gels, suppositories,
  - **Producing thermal energy;**
  - **Producing compressed air;**
  - **Internal and external transport with company's means of transportation**
  - **Providing services.**

All manufacturing lines obtained Good Manufacturing Practice Certificates as follows:

- sterile products solid dosage forms filled with beta-lactam antibiotics penicillins prepared aseptically (dosaged powders)
- non-sterile solid dosage forms filled by betalactam antibiotics penicillin – single dose (capsules)
- non-sterile solid dosage forms filled by betalactam antibiotics – non-cephalosporins – single dose (capsules)
- non-sterile solid dosage forms filled by other antibiotics – nonpenicillins- single dose (capsules)
- non-sterile solid dosage forms - single dose (suppository)
- semisolid dosage forms - multidose (ointments, eye ointments, creams, gels)
- sterile products - solid dosage forms – single dose (tablets and coated tablets)
- sterile products - active pharmaceutical ingredients by biosynthesis- Nystatin.

Antibiotice has also obtained the following quality certificates:

- Certificate issued by the European Directorate for the Quality of Medicines, Certificate of Suitability (COS) for Nystatin, Authorization by Food and Drug Administration (FDA) for Nystatin and Ampicillin for injection 250mg, 500mg, 1g, 2g.
- ISO 9001/2000 Certificate for Quality Management System
- 14001/2005 Certificate for environmental management system;
- 18001/1999 Certificate for Management Systems relative to Occupational Health and Safety.

### b) Information on relationships with other firms where Antibiotice owns equity

**Pharma SA** - Antibiotice SA owns 30% of its equity representing 6.000 shares worth 10 lei per share. The shares were purchased on 12/01/2000. In our company's records the value for the registration of shares is a historical value. The remaining shares are held by employees of the company. This company was founded in November 22, 2000, by detaching from the sales activity of Antibiotice SA Iasi, following the appearance of GEO 152/1991, which interdicted drug manufacturers to sell products directly in pharmacies with an open circuit. The company is headquartered in Iasi, no. 73 E Bucium road, with open outlets in: Cluj-Napoca, Craiova, Timisoara, Constanta and Ploiesti. In 2010, Pharma SA equity was presented as follows:

lei

		1.01.2010	31.12.2010
Subscribed share capital (ct.1012)	67	200.000	200.000
Reserves from reevaluation (ct.105)	72	1.693.990	2.039.973
Legal reserves (ct.1061)	73	40.000	40.000
Other reserves(ct. 1068)	76	5.198.436	5.785.611
Profit reported on Balance C (ct.117)	81	725.495	725.495
Profit fiscal year Sold (ct.121)	83	587.175	618.991
EQUITY	86	8.445.096	9.410.070

c) On 31.12.2010 the company reported debt and receivables in foreign currency at an exchange rate from 31.12.2010.

**d) Information about profit tax**

Gross profit 31.12.2010	=	18.472.270 lei
Non-taxable income	=	3.090.068 lei (-)
Other deductible amounts	=	783.874 lei (-)
Non-deductible amounts	=	27.051.969 lei (+)
Taxable profit	=	41.650.297 x 16%
Profit tax	=	6.664.048 lei
Tax deductible sponsorships *	=	730.878 lei (-)
Profit tax	=	5.933.170 lei

\* The income at 31.12.2010 = 243.626.063 x 3‰ = 730.878 lei

- Profit tax at 31.12.2010 = 5.933.170 lei
  - Profit tax at 30.09.2010 = 4.766.490 lei
- Total profit tax for the 4th quarter = 1.166.680 lei

e) Turnover - the situation for the different economic sectors and types of markets:

The turnover in amount of 243.626.063 lei was obtained by:

- Selling on the external market - 22%;
- Selling on the internal market - 78%

In accordance with the contractual arrangements with customers, as well as the principles of revenue recognition, the distribution is deemed made when delivery of the goods has been achieved.

f) The board of directors approved the sale of a package representing 6,000 shares of the company Pharma SA IASI, as a result of requests from that company in November 2010 and January 2011 based on the law 31/1990. The value of the shares package was appreciated by the company Darian SRL Cluj at a level of 2,932 million, equivalent to 488.67 lei / share. By analysis and negotiations, the Antibiotice Board of Directors approved the sale of package representing 6,000 shares of Pharma SA IASI at the value of 3,000,000 lei. Signing the contract will take place in the next period. By law 297/2004 Article 241 (1) the value of these shares in total assets less debt amounts to 0.0000028% as accounting value and 0.00014% at sales value.

g) Deferred expenses totaling 327,245.84 lei, broken down as follows:

- Deferred rent = 34241.37 lei SCI Development SRL – rental; subscriptions in advance = 11494.97 lei as newspaper subscriptions in 2011 ; -insurance in advance = 281,509.50 lei RCA, Casco 2011.

h, i) financial leases in progress on 31.12.2010. Antibiotice company develops a number of leasing contracts by which were purchased cars for the medical reps and the sales agents of the company.

Financial leasing contracts in progress are as follows 31/12/2010

:

- lei-

Company	Contract no.	Object of the contract	Initial value	Value on 31.12.2010
PORSCHE LEASING SA	131931/1.08.2008	1 Skoda Superb Avangarde	82.874	15.618,18
PORSCHE LEASING SA	131925-131926/1.08.2008	2 Skoda Octavia	93.747	17.963,03
TOTAL				33.581,21

**j)** The fee charged by BDO Audit SRL as external auditor for 2010 is 69,300 lei representing auditing the financial statements ended at 31.12.2010 prepared in accordance with the OMPF 3055/2009, the review of financial statements prepared in accordance with the provisions of 06/30/2010 OMPF 3055/2009 audit and financial statements ended 31.12.2010 prepared in accordance with International Financial Reporting Standards.

**o)** The company has ongoing lawsuits in quality as plaintiff. Given the uncertainty of the process, and the low level in terms of financial recovery, we believe that it is not necessary to register any contingent asset. The company is not present as a defendant in any trial. There are other situations where an outflow of resources embodying economic benefits is probable. Thus, it is not necessary to present any position of contingent liabilities.

**p)** Subsidies for investments amount to 5.581.948 lei, accordingly:

- Subsidies for wastewater treatment plant = 5,135,608 lei
- Subsidies for research laboratories equipment = 245.645 lei
- Subsidies for other investments = 86 582 lei
- "Phare" Grants = 2053 lei
- Subsidies for laboratory equipment = 112 060 lei

TOTAL on 2010 = 5581.948 lei.

The amounts reflected in this account represent investment subsidies received by the company in the form of subsidies over the past 10 years for environmental protection and funds meant to increase competitiveness of industrial products, by funding from the Ministry of Economy and Commerce.

#### NOTE 11. ADJUSTMENTS for STOCKS and RECEIVABLES DEPRECIATION

- lei-

Name of Adjustment	01.01.2010	Growth	Reductions	31.12.2010
0	1	2	3	4=1+2-3
Adjustments for tangible assets depreciation (2912)	223.807	0	0	223.807
Adjustments for installations and means of transport depreciation (2913)	0	244.652		244.652
Adjustments for raw materials depreciation (391)	586.810	391.725	586.810	391.725
Adjustments for finished products depreciation (3945)	836.723	198.508	836.723	198.508
Nondeductible adjustments depreciations- clients (491.02)	8.505.651	17.121.431	366.535	25.260.547
Deductible adjustments depreciations - clients (491.02) (491.01)	3.763.078	3.262.120	578.578	6.446.620
<b>TOTAL</b>	<b>13.916.069</b>	<b>21.218.436</b>	<b>2.368.646</b>	<b>32.765.859</b>

**NOTE 12. LIABILITIES AND RECEIVABLES WITHIN THE AFILIATED ENTITY PHARMA SA IASI**

Receivables within the group:

Description	31 December 2009	31 December 2010
Pharma SA Iasi	45.561.787,35 lei	45.455.005,70 lei
<b>Total</b>	<b>45.561.787,35 lei</b>	<b>45.455.005,70 lei</b>

Acquisitions from companies within the group in 2010:

Company	Stocks	Services	Total
Pharma S.A Iasi	10.742 lei	11.421.587,13 lei	11.432.329,13 lei
<b>Total</b>	<b>10.742 lei</b>	<b>11.421.587,13 lei</b>	<b>11.432.329,13 lei</b>

Sales to companies within the group in 2010 :

Company	Stocks	Services	Total
Pharma S.A Iasi	50.011.814,80 lei	173,65 lei	50.011.988,45 lei
<b>Total</b>	<b>50.011.814,80 lei</b>	<b>173,65 lei</b>	<b>50.011.988,45 lei</b>

The analysis of Pharma company's financial statements revealed that the net assets significantly exceed the par value of shares. Thus, it is not necessary making provisions for setting up these shares.

The prices for transactions concluded with Pharma are the transactional prices of medicines approved by the Ministry of Health, applied to other distributors. Financial assets refers to minority stakes with the company SC U.S. Pharma SA, amounting to 60,000 lei and other financial assets amounting to 140 lei

CHIEF EXECUTIVE OFFICER  
Ec Ioan NANI

ECONOMIC DIRECTOR  
Ec. Constantin NICUTA

