ANNUAL REPORT 2010

Antibiotice
Science and soul

ANNUAL REPORT 2010

Contents

01-
Company Profile

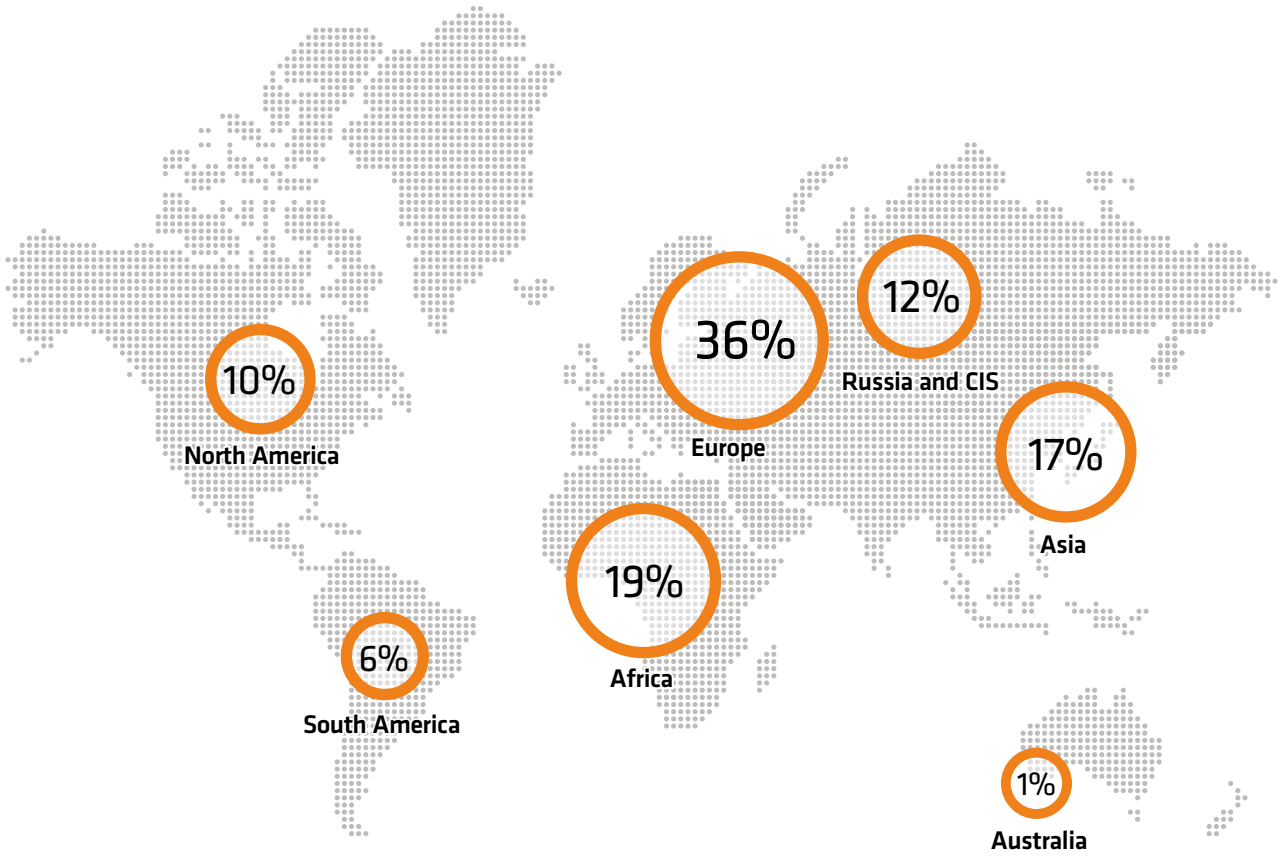
Antibiotice: a short introduction

Domestic Profile

- Leading producer of anti-infectives in Romania;
- Portfolio consisting of 81 molecules, 140 products, 10 therapeutic classes;
- 8 manufacturing lines producing: powders for injection, capsules, tablets, ointments, creams, gels, suppositories, active ingredients obtained by biosynthesis;
- Marketing and promotion team counting 150 doctors and pharmacists;
- Turnover of 243 million LEI (higher by 11% against 2009);
- 22% of turnover is export;
- 70 products for export;
- It owns world-wide acknowledged certifications and approvals: certification from the FDA, the American authority regulating the pharmaceutical industry, for Nystatin and products for injection; the Certificate of Suitability with the European Pharmacopoeia (COS) for Nystatin; the Good Manufacturing Practice certification (GMP) for all manufacturing lines; Integrated Management System.
- Its own Center for Drug Evaluation;
- 1450 employees.

Presence on the market

- Domestic market leader in the production of powders for injection;
- Domestic market leader in the production of ointments, creams, gels, and suppositories;
- Ranked the 4th among Romanian manufacturers of generic drugs, with prescription and OTC with a market share of 7%;
- Romanian producer of the complete range of essential antituberculosis drugs;
- Second world producer of Nystatin;
- 80 partnerships in 55 countries throughout the world;
- The only Romanian manufacturer of active ingredients and biofertilizers which are obtained by biosynthesis.



History

1955

The Chemical Factory no. 2 was built between 1953 and 1955, being south-east Europe's first manufacturer of penicillin (active ingredient). December 11th, 1955 marks the memorable day when the first batch of penicillin was obtained.

1959

This is the year marking the start of the Streptomycin production and of the first finished forms (ointments, creams, suppositories).
The Chemical Factory no. 2 changes its name into Antibiotice Enterprise.
The next fifteen years see the development of technological lines for manufacturing new active substances such as Erythromycin, Oxytetracycline, Tetracycline, Griseofulvine or Lysine.

1977

FDA, the Food and Drug Authority in the United States, authorized the Streptomycin manufacturing line (active ingredient).

In the 80's

Antibiotice was already exporting 50% of its total production. The active ingredients manufactured in Iasi are the main components of a vast range of medicinal products manufactured locally and abroad.
In the 80's 44 patents in pharmaceutics were registered and 600 technological innovations were applied in the manufacturing process.

1990

Antibiotice becomes a stock company by taking over the assets of the former Enterprise Antibiotice Iasi, in conformity with GD no. 1200/12.11.1990.

The historical changes in Romania and Eastern Europe determined the reorientation of production to medicines in finished form, the active ingredients being used especially for developing new pharmaceutical forms.

1997

Antibiotice shares are listed on the first category of the Bucharest Stock Exchange since 14th April 1997. The company implemented an efficient quality assurance system which involves a strict control of the manufacturing processes in accordance with the requirements imposed by Romania's accession to the EU.

1999

Antibiotice SA becomes the sole Romanian producer to obtain the GMP certification for the line manufacturing powders for injection.

2002

The company's plant producing Nystatin – active ingredient – is granted the FDA approval, which facilitates exports to the United States, making Nystatin one of the most important products for export. Antibiotice company became the second largest producer of Nystatin in the world.

2005

Along with the anniversary of half a year of existence, on December 11th, 2005, Antibiotice launches its new brand identity: the Antibiotice a+ logo and the slogan *Science and Soul.*

2006

The Quality Management System implemented by Antibiotice SA is certified according to ISO 9001:2000 by Lloyd's Register Quality Assurance (LRQA).

2007

Antibiotice gains recognition for implementing its Integrated Management System – quality, environment, occupational health and safety – as per standards EN ISO 9001:2008, EN ISO 14001:2004 and OHSAS 18001:2007.

2009

The first finished forms intended for export in the United States (four doses of ampicillin for injection) are granted the FDA authorization.

2010

On the 11th December 2010 Antibiotice company celebrates 55 years of tradition and experience on the pharmaceutical market.

02-

Message of Management Board President

First of all, I want to express my gratitude to all Antibiotice staff who has understood, more than ever, that a difficult stage in the life of a company can be surpassed through the involvement, dedication and professionalism of the entire team. Thus, our organization managed to meet the challenges of 2010, a year still marked by economic turmoil, achieving positive economic results which guarantee a stable and enhanced development in the future.

During my last year's business travels, I had the opportunity to make contact with business people from various fields of activity and markets who expressed their concern regarding the new geostrategic balances and settlements. Although I find it hard to make predictions, I believe that the pharmaceutical industry will be marked by essential changes in the future. The large pharmaceutical corporations producing innovatives try to enter the generics market. Personally, I consider this context an opportunity. Antibiotice has the necessary know-how, research, development and innovation capabilities, enabling it to do businesses to a senior level with key partners across the globe.

Beyond the difficulties we encountered in the context of an extended global economic crisis, 2010 remains for us a year of satisfaction. Antibiotice managed to grow as a business, be more profitable, consistently increase its exports and, at the same time, maintain the valuable people in the company. We all know that the most difficult things, during periods of crisis, are to find the power to keep innovating, invest in research and reward people's performance in such a way as to boost the company's activity.

In 2010, it was crucial for us to stabilize the commercial relationships with our partners on the traditional markets – Russia, the United States, the Middle East and CIS – and to continue exporting to Europe. The presence of over 250 business partners at our booth at the Cphl Worldwide – the exhibition of manufacturers of active pharmaceutical ingredients held in Paris- showed that Antibiotice is identified on the international market and represents a reliable business partner.

We are not fully satisfied with the degree of feedback of the domestic market and I refer primarily to the increase in the payment periods to over 280 days, which creates difficulties in efficiently managing the resources. I hope though that such situations will be solved in the future and this is the reason why we must keep strengthening our market share in Romania and on the generics market, in general.

Our response speed must increase in direct proportion with the turmoil we feel coming from all over the world. The conflicts in Northern Africa, the instability created by the events in Japan, the economies still under recession in different parts of the world do not create for us the best business opportunities. But we must think positively and find our way in this rapidly changing economy.

Antibiotice must emerge stronger from the crisis, ready to meet the challenges of the new reality

We must continue our efforts to improve the staff's structure and training level, to continue investments for the acquisition of modern technologies and manufacturing capabilities, in line with the company's core activity. Antibiotice must remain a major manufacturer of latest generation anti-infectives and, as much as possible, develop two or three collateral therapeutic areas, which represent an important share in the national consumption and, at the same time, are significant to the consumption within the European Comunity.

We will continue to be receptive to the opportunities created by the large companies, especially in Europe, America and Asia. We are available and we have everything that we need so that, together with these companies, we can develop new products, domestic and international marketing projects. We are convinced that only alongside strong, credible partners, compatible in vision and principles, can we cross the period to come.

On the other hand, the anniversay of 55 years of activity was another occasion on which Antibiotice met the most of its business partners as well as its target audience in Romania, doctors and pharmacists, policy makers at the governmental level. We gratefully thank them all because together we have overcome, with good results, a year of global economic recession.

I personally believe that 2011 will be a better year for Antibiotice, when new products will enter the market. We will initiate new programs, including the Central Nervous System and the Oncology programs and I hope that, with the help of our colleagues from the Marketing and Promotion departments these projects will take shape to increase both our business, as well as the company's reputation.

We must not forget that apart from satifying the interests of our shareholders and employees, Antibiotice has the noble mission of being close to the people. Therefore, the newly created foundation "Antibiotice – Science and Soul" is designed to supplement the means by which the company becomes a partner for the people in distress, for doctors, pharmacists and for community in general.

The results of our activity are reflected in the company's balance sheet, in the economic results and also in the recognition of some important institutions, such as the Romanian Chamber of Commerce and Industry which rewards the performance of Romanian companies, establishing a hierarchy depending on the activity fields, and the National Association of Exporters and Importers of Romania which, in 2010, granted Antibiotice the Honour Trophy awarded to companies which increased their exports during the crisis.

As a manager, I have understood, more than ever, that you cannot assume the role of Atlas by yourself during times like these. In times of crisis you must learn to rely on the company's valuable people who stand by your side and use their expertise. Any crisis brings great challenges and opportunities that only an open and adaptable organization can exploit and emerge out of crisis, transformed. In the new, post-crisis context, Antibiotice will be reborn stronger and ready to meet the challenges of new realities.

Therefore, I urge those close to our company to take immediate action to overcome, stronger and fortified by our accumulated experience, the current, yet difficult period.

I am convinced that together we can find the resources so that, years from now, Antibiotice will still represent the same valuable alternative for business partners and customers from Romania and many countries around the world.

Ec. **Ioan Nani**,
President of the Board
Chief Executive Officer

03-

Company's strategic orientation

Priority actions taken in 2010

Development of research projects

In order to develop the research activity, the project for reorganizing and expanding the Antibiotice Research Center started in 2010. For this purpose, the first tranche of modern analytical equipment was acquired and 5 newly-employed pharmacists were integrated in the team of researchers.

In the years ahead new specialists in the field of drug analysis will be attracted. Funds will be also invested for equipping the Center with laboratory-scale manufacturing equipment and cutting-edge analytical equipment.

Core Business Continuity

In 2010, 13 new drugs (8 INNs) obtained the Marketing Aurhorization. They belong to the following classes: antineoplastics and immunomodulators, anti-infectives for systemic use, dermatological preparations, medicines for digestive tract and metabolism. Also, the formulas were optimized and Marketing Authorization Files were submitted for reauthorizing another 2 drugs from the company's traditional portfolio.

Developing portfolio

At the end of 2010 the documentation for 27 generic drugs, from 7 therapeutic classes, developed by own research or through partnerships were under review for authorization at the National Agency for Medicines and Medical Devices.

During 2010 research studies were carried out for a number of 18 new generic drugs including a wide range of pharmaceutical forms. These are addressed mainly to the cardiovascular, musculoskeletal and central nervous systems and various skin disorders.

New medicines for injection on the U.S. market

Antibiotice entered the U.S. market in 2010 with the first products for injection (Ampicillin, four doses), manufactured on its premises. Along with other structures of the company, the research-development and regulatory affairs departments were involved last year in the development of partnerships with regard to registration of other new drugs for injection on the U.S. and Canadian markets.

Modernization and development of production lines

R&D results determine adaptations of production lines for a maximum exploitation of their commercial potential. The convergent actions in the fields of quality assurance, quality control, research & development and manufacturing were a priority in 2010.

Investment for the Future

Antibiotice will continue modernizing and developing its production lines that will constitute the basis for the future external partnerships. In conformity with the company's overall business goals, investments with major impact on company growth were performed in 2010, the most significant ones being:

- modernization of the Tablet Plant according to the latest GMP requirements, a necessary condition for the continuation and further development of the tablets production;
- investments imposed by GMP and FDA requirements;
- construction of the building for the future manufacturing plant of sterile powders for injection which will lead to the increase in turnover and also to the diversification of parenteral product portfolio.

Development of marketing activities

Reorganization of the marketing and promotion activities resulted in significant results in 2010. Responsabilization of marketing specialists and sales managers focused on certain objectives led to the identification of an effective sales structure which generated a profit above expectations.

Strategies for active presence in the market

By aiming permanently to adapt to our customers' needs we have started a reorganization process, through developing partnerships with national pharmacy chains, which provide a better impact on the general public and implicitly a market share increase, especially in the large cities where these chains have a good representation. This process will continue in the future, aiming to double the turnover over the next two years.

Trade relations with the distributors have evolved into another stage of partnership, aiming the sales structure, which recorded this way favorable results in terms of stabilizing the distribution and securing the sales.

Antibiotice ranks the 4th among generic drug manufacturers in Romania

Although the market saw strong restrictions (insolvencies among distributors and pharmacies, reformations in the hospitals area, legislative changes), Antibiotice launched 6 new products, managing to maintain its fourth position among the manufacturers of generics with prescription and OTCs, with a 7% market share.

Expanding presence in foreign markets

Strengthening the company's position on the worldwide Nystatin market (active substance) and increasing the exports of finished products, particularly to regulated markets, as well as expanding the number of products registered and marketed under own name on the external markets aimed at promoting the image of Antibiotice as a major producer on the international generics market.

The company also aimed at strengthening the collaborations with the leading drug producers on the external markets, Antibiotice identifying itself as a significant contract manufacturing partner.

Industrial partnerships on value chain

2010 marked the enlargement of international cooperations, advancing up from the strategic partnerships in 2009 for parenteral finished products from cephalosporin class (contract manufacturing) to strategic partnerships for solid forms from central nervous system and cardiovascular classes.

Export higher than import

Exports exceeded imports in 2010 this allowing the company to make the payments using the amounts cashed from the foreign partners. In this way the company maintained a steady foreign trade balance that mitigated the unfavourable influences of the exchange rate movements.

Flexible partnerships to maximize results

Strengthening and developing partnerships with over 200 domestic and foreign suppliers of raw materials and materials used in the manufacturing process aimed at finding the best cooperation solutions, in the current economic context, characterized by a persistent economic crisis.

Developing human capital

2010 involved the initiation and development of two major human resource projects focused on development needs of the company.

Summer School a+

Starting from the concept of "knowledge-oriented company" the project Summer School a+ pursued in parallel to increase the level of vocational training and personal development of employees. As a beneficial partnership between the business environment and the academic one Antibiotice pursued also the initiation into specific aspects of the pharmaceutical industry of the university graduates as potential future employees.

Code of Ethics

Assuming the company's fundamental values and principles is essential for ensuring the prosperity and status of a highly prominent company in the pharmaceutical market. Implementation of the Code of Ethics is reflected in our attitude toward and respect for customers, physicians and patients, employees and shareholders, the community the company belongs to.

04-

Company's performance in 2010

Strategic Evolution

Strengthening leadership position in generic anti-infective market	Increase in market share in value terms from 35% in 2009 to 38% in 2010
Strengthening leadership position in hospital anti-infective segment (powders for injection)	Increase in market share in value terms from 44% in 2009 to 46% in 2010
Strengthening company's position among Romanian generic drug manufacturers	2010 market share in value terms – 9.5%
Renewal of commercial portfolio	5 new products launched on market in 2010
Assimilation of new products through own development	In 2010 our company obtained Marketing Authorizations for 6 new drugs developed on its premises: • Dermatological preparations – diclofenac sodium (Clafen® 50 mg/g gel); • Digestive tract and metabolism – Glimepirida Atb® 1 mg, 2 mg, 3 mg, 4 mg tablets; • Vasoprotective medicines – Hemorzon, suppositories.
Attracting new products in portfolio, by partnerships	In 2010 the following drugs received MAs: • Systemic use anti-infectives – amoxicillin/clavulanic acid (Amoxiplus® 875 mg/125 mg), piperacillin/tazobactam (Perasin® 2g/0.25 g and 4g/0.5 g); etionamide (Etionamida Atb® 250 mg); • Antineoplastic and immunomodulating agents – anastrozole (Anastrozol Atb® 1 mg), gemcitabine (Gemcitabina Atb® 200 mg and 1000 mg).
Expanding international market presence and increasing export turnover (in USD)	• Export turnover increase by 35%; • 13% increase in value terms for Nystatin and 64% for finished products; • Improving the share of exports in total turnover – 22% in 2010 versus 18% in 2009; • Development of finished products exports in its own name, with a share of 70% of total exports of finished products; • Expanding presence in regulated markets by initiating supplies on the U.S. market and increasing the registrations in the U.S., Europe and Russia.
Continuous improvement of product quality and therapeutic efficacy	The formulas of two traditional products were improved: Triamcinolon S cream and Fluocinolon N ointment.
Development of research facilities	• To increase the working capacity of the bioanalytical laboratory, a last-generation mass selective detector was purchased; • 50% of bioequivalence studies were conducted for external partners; • Center for Drug Evaluation increased its capacity to 25 studies annually.

Antibiotice most recognized brands

Brand	International Nonproprietary Name (INN)	Therapeutic class Pharmaceutical form	Main competitors	Sales in 2010 LEI
Cefort®	ceftriaxonum	anti-infectives 3rd generation cephalosporins powder for injection	Rocephin (Hoffman la Roche), Medaxone (Medochemie), Novosef (Sanofi-Aventis)	31,421,977 1st place
Ampiplus®	ampicillinum + sulbactanum	anti-infectives combination of penicillins powder for injection	sole producer	7,482,495
Clafen®	diclofenacum	antiinflammatories ointments, creams, gels suppositories, tablets	Diclac/Voltaren (Novartis)	5,300,831 3rd place
Ceftamil®	ceftazidinum	anti-infectives 3rd generation cephalosporins powder for injection	Fortum (GSK)	4,136,658 2nd place
Nidoflor®	combination	dermatological preparations corticosteroids ointment	sole producer	6,569,642 1st place
Colistina Antibiotice®	colystinum	anti-infectives polymixins powder for injection	sole producer	5,471,883
Amoxiplus®	amoxicillinum + acidum clavulanicum	anti-infectives combination of penicillins powder for injection	Augmentin (GSK), Amoksiklav (Novartis)	5,582,692
Lisinopril Atb®	lisinoprilum	cardiovascular system converting enzyme inhibitors tablets	Ranolip (Daiichi-Sankyo), Tonolysin (Gedeon Richter), Lisinopril (Sandoz)	3,743,303 2nd place
Eficef®	cefiximum	anti-infectives 3rd generation cephalosporins capsules	sole producer	4,829,846
Cipro Quin®	ciprofloxacinum	anti-infectives quinolones tablets	Ciprinol (Krka), Cuminol (Gedeon Richter), Cifran (Daichii-Sankyo)	2,649,085 3rd place
Bisotens®	bisoprololum	cardiovascular system beta blockers tablets	Concor (Merck AG), Bisoblock (Actavis), Bisogamma (Worwag)	1,841,751
Sinerdol®	rifampicinum	anti-infectives antituberculous drugs capsules	Rifampicină (Arena)	852,183 1st place
Sinerdol ISO®	rifampicinum + isoniazidum	anti-infectives first line antituberculous drugs capsules	sole producer	1,096,517 1st place
Piafen®	combination	analgesics tablets	Antinevralgic (Zentiva), Quarelin (Zentiva)	4,348,561
Simcor®	simvastatinum	cardiovascular hypercholesterolemiant tablets	Vasilip (Krka), Simvacard (Zentiva)	608,893
Moldamin®	benzathini benzylpenicillinum	anti-infectives penicillins retard powder for injection	sole producer	1,873,228
Cutaden®	combination	dermatological preparations healing ointment	sole producer	1,373,509
Novocalmin®	metamizolum natricum	central nervous system antypiretic suppositories, tablets	Algocalmin (Zentiva), Algozone (Ozone Laboratories – Labormed)	4,526,571 3rd place
Hemorzon®	combination	antihemoroidal suppositories, ointment	sole producer	3,150,876 3rd place
Neopreol®	combination	ointment	sole producer	1,753,717
Lorine®	acidum risedronicum	musculo-skeletal bone calcium regulator tablets	Actonel (Sanofi-Aventis)	573,134 3rd place

Drug list for which Antibiotice is sole producer

Brand	International Nonproprietary Name (INN)	Therapeutic class Pharmaceutical form	Sales in 2010 (LEI)
Glycerin	glycerolum	Digestive tract – laxatives suppositories	10,093,604
Penicilin potassium 1,000,000 UI and Penicilin natrium 400,000 UI and 1,000,000 UI	benzylpenicillinum	Anti-infectives – penicillins powder for injection	7,844,893
Ampiplus® 1.5 g	ampicillinum + sulbactamum	Anti-infectives – combination of penicillins powder for injection	7,482,495
Nidoflor®	combination	Dermatologic Preparations – corticosteroids	6,569,642
Colistina Antibiotice® 1,000,000 UI	colistinum	Anti-infectives – polymixins powder for injection	5,471,883
Eficef® 200 mg	cefiximum	Anti-infectives – 3rd generation cephalosporins capsules	4,829,846
Oxacilina 500 mg and 1000 mg	oxacillinum	Anti-infectives – penicillins powder for injection	4,374,811
Cicloserina Antibiotice® 250 mg	cycloserinum	Anti-infectives – second-line antituberculous drugs capsules	2,079,939
Moldamin® 1,200,000 UI	benzathini benzylpenicillinum	Anti-infectives – penicillins retard powder for injection	1,873,228
Pirazinamida 500 mg	pyrazinamidum	Anti-infectives – first line antituberculous drugs tablets	1,690,991
Strevital® 1 g	streptomycinum	Anti-infectives – first-line antituberculous drugs powder for injection	1,232,435
Sinerdol ISO®	rifampicinum + isoniazidum	Anti-infectives – first line antituberculous drugs capsules	1,096,517
Ceftamil® 2 g	ceftazidimum	Anti-infectives – 3rd generation cephalosporins powder for injection	993,902
Cefort® 250 mg	ceftriaxonum	Anti-infectives – 3rd generation cephalosporins powder for injection	625,054
Isoniazida 100 mg and 300 mg	isoniazidum	Anti-infectives – first-line antituberculous drugs tablets	457,898

Financial evolution

2010 net turnover was 243.6 million LEI of which 190.6 million LEI (78%) represented sales on the domestic market and 53 million LEI (22%) on the external markets. This is an 11% overall increase as compared to the results of 2009, i.e. 219.8 million LEI.

Gross profit recorded in 2010 was 18.5 million LEI, by 18% higher than the 2009 figure (15.6 million LEI).

2010 net profit resulting from the gross profit minus profit tax amounting to 5.9 million LEI was 12.5 million LEI, higher than the 2009 figure (11.9 million LEI).

At the end of financial year 2010 the net current assets recorded an increase of over 7%, (282.1 million LEI) as compared to the previous year when the figure was 262.5 million LEI, which demonstrates an efficient use of both own and attracted capitals.

Equity recorded an increase from 242 million LEI in 2009 to 262.6 million LEI in 2010 (more than 8.5%).

Evolution of key economic and financial indicators (in LEI currency)

	2009	2010	2010/2009
Turnover	**219,754,104**	**243,626,062**	**1.11**
Total revenue	221,309,361	262,815,581	1.19
Total expenditure	205,661,833	244,343,311	1.19
Gross profit	15,647,528	18,472,270	1.18
Net profit	11,916,807	12,539,100	1.05
Staff costs, including:	63,417,664	65,439,305	1.03
Salaries	48,616,983	50,961,031	1.05
Current assets, including:	217,496,442	223,940,478	1.03
Receivables	179,772,285	179,809,223	1.00
Total debt of which:	114,252,280	110,652,469	0.97
Commercial debt	29,614,293	31,217,328	1.05
Bank loans	74,745,728	69,301,605	0.93
Total assets	376,700,408	392,751,598	1.04
Equity	242,024,210	262,612,444	1.09
Average staff number	1,430	1,441	
Gross yield	7.12%	7.58%	
Net yield	5.42%	5.15%	
Share of staff costs in turnover	28.86%	26.86%	
Share of wages in turnover	22.12%	20.92%	
Share of wages in total costs	23.64%	20.86%	
Average gross salary	2,833.16	2,947.09	1.04
Labour productivity = turnover /no. of employees	153,674	169,067	1.10

Profitability Indicators

		2009	2010
Gross sales margin	= (turnover – material expenditures) /turnover x 100	80%	79%
Gross yield	= Gross profit /turnover x 100	7.1%	7.6%
Self-financing capacity	= Net profit + Asset and reserve adjustments (in LEI)	25,822,076	31,144,238

Liquidity Indicators

General liquidity	= Current assets /Current liabilities	1.90	2.02
Current ratio	= (Current assets – Stocks) /Current liabilities	1.61	1.66

Management Indicators

Average receivables collection period	Days	267.00	285.00
Rotation speed of fixed assets	Days	263.63	252.42
Equity rotation speed	Days	401.99	393.45
Fixed assets rate	= Fixed assets /Total assets	42%	43%
Receivables rate	= Receivables /Total assets	48%	46%
Current assets rate	= Current assets /Total assets	58%	57%
Financial stability rate	= Permanent equity /Total liabilities	84%	85%
Financial autonomy rate	= Equity /Total liabilities	64%	67%
Commercial debt rate	= Commercial debt /Total liabilities	7.86%	7.95%

11% increase in turnover and 18% in gross profit

Maximum value of ATB shares – 0.7500 LEI /share

7.3% growth in market capitalization (EUR) in 2010 compared to 2009

Stock evolution

Antibiotice shares

Now, 14 years later after the first transaction, nearly 43,000 shareholders watch with interest the evolution of Antibiotice shares on the Bucharest Stock Exchange. Traded under the ATB symbol, Antibiotice shares are freely transferable and issued in dematerialized form. Although underestimated because of the world economic crisis, ATB shares enjoy interest from investors who know and trust the company's market potential.

There were sales of shares in all sectors, including the pharmaceutical one, without taking into account the basic analysis and the 2010 profits. The pharmaceutical stock prices in Central and Eastern Europe dropped to levels very attractive to investors.

The same trend was also recorded on the Bucharest Stock Exchange, whose evolution was characterized both by depreciations and recoveries, influenced mainly by negative news on the developments in international financial markets.

During 2010, the ATB shares placed themselves within a trend imposed by the movements on capital markets.

Shares issued by Antibiotice Iasi have been listed on the first category of the Bucharest Stock Exchange under the ATB symbol.

The first transaction was recorded on April 16th, 1997, at a reference price of 0.3500 LEI per share. The historical maximum was reached on July 10th, 2007, i.e. 2.1700 LEI/share, while the historical minimum of 0.0650 LEI/share was recorded on June 8th, 2000.

Antibiotice shares are included in the BET-XT index (blue chips index that reflects the evolution of the most liquid 25 companies on the regulated market share, including the SIFs) and in the BET-C (composite index which reflects the price evolution of all listed companies, except the SIFs).

Since 2005, the ATB shares have been included in the structure of the ROTX index (Romanian Traded Index) of the Vienna Stock Exchange and starting with 2007 in the Dow Jones Wilshire Global Total Market Index of the New York Stock Exchange (NYSE).

Market capitalization

Antibiotice's market capitalization at the end of 2010 was 296,147 thousand LEI (69,116 thousand EUR and 92,416 thousand USD), representing 1.15% of the total capitalization of the BET-C index on the Bucharest Stock Exchange, on the rise by 9.41% in LEI currency and by 7.32% in EUR currency as compared with 2009.

Stock price evolution

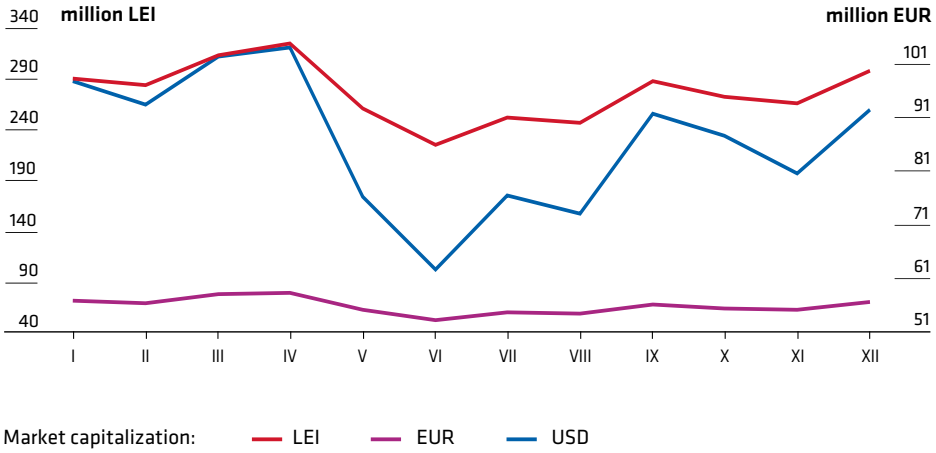
In 2010, the minimum price of ATB share recorded a rise in 2009, reaching the lowest rate on May 25th (0.4640 LEI/share), however higher by 28% over the previous year. The share price rose to a maximum of 0.7500 LEI /share (14–16 April), down by 6% as compared to 2009. Annually, the average price rose by 11%.

During 2010 BET-C index (BET Composite) increased by nearly 15%, witnessing an almost similar trend with the ATB shares.

BET-XT index also witnessed a 2% increase as compared to 2009, ATB shares reaching a maximum weight of 1.46% in its composition toward the end of the year.

ROTX index calculated at Vienna Stock Exchange, reflecting in real-time the evolution of the 14 most liquid shares traded on the BSE increased by over 12% in 2010.

Evolution of Market Capitalization in 2010



On average the company has been among the top ten companies in the BET-C index, part of the "top of the most attractive companies on the stock market."

Investors who, in 2010, took the opportunity to reach the maximum value of Antibiotice shares (0.75 LEI/share) achieved an investment return of 108% compared to the investment made at the minimum price in the previous year.

During 2010, 8,430,000 ATB shares were traded on the *Deals Market*, worth 5 million LEI (1.2 million EUR, 1.6 million USD), with an average price of 0.5847 LEI/share (maximum price – 0.6100 LEI/share, the minimum price – 0.5650 LEI/share).

Also, the analyses made by the newspaper *Bursa* on the "blue chips" shares, a category which includes shares considered the best ones listed on the stock market, showed that, depending on the liquidity in the market and financial performance of issuing companies, Antibiotice shares have recorded significant increases year after year.

Antibiotice shares – ATB/ Regular Market

	2008	2009	2010
Number of shares	454,897,291	454,897,291	477,656,681
Market capitalization (thousand LEI)*	163,763	270,664	296,147
Market capitalization (thousand EUR)*	41,093	64,401	69,116
Market capitalization (thousand USD)*	57,781	92,804	92,416
Total amount traded (million LEI)	56	26	22
Number of traded shares	43,814,300	46,562,908	35,107,724
Opening price (LEI/share)	2.1000	0.3650	0.6260
Maximum price (LEI/share)	2.1400	0.8000	0.7500
Minimum price (LEI/share)	0.3320	0.3600	0.4640
Price at the end of the year (LEI/share)	0.3600	0.6300	0.6200
Average price (LEI/share)	0.3463	0.5667	0.6277
Earnings/share (LEI/share)***	0.0232	0.0262	0.0263
Gross dividend/share (LEI/share)	0.0166	0.0050	**0.0189
Dividend yield****	4.61%	0.79%	3.05%
Dividend distribution rate*****	71%	19%	72%

* Calculation based on share price on the last trading day of the year
** Proposed dividend
*** Calculation of earnings per share is based on net profit of each year
**** Dividend per share / share price on the last trading day of each year
***** Dividend distribution rate = (total number of shares x gross dividend per share) / total net profit.

Antibiotice ownership breakdown on November 29th, 2010

Company ownership breakdown:

I. Investors

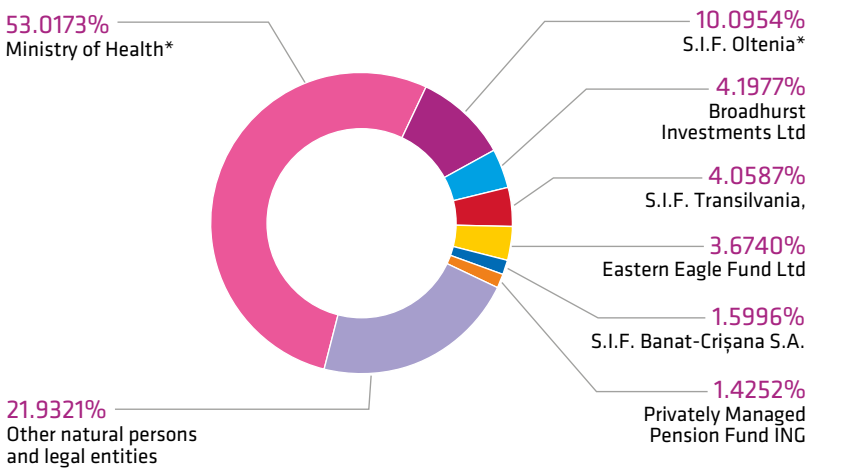
- Ministry of Health* – 53.0173%
- S.I.F. Oltenia* – 10.0954%
- Broadhurst Investments Limited – 4.1977%
- S.I.F. Transilvania – 4.0587%
- Eastern Eagle Fund Ltd – 3.6740%
- S.I.F. Banat-Crișana S.A – 1.5996%
- Privately Managed Pension Fund ING – 1.4252%
- Other natural persons and legal entities – 21.9321%.

NOTE: * – Significant shareholders, acording to the Law 297 of June 28th, 2004, Art. 2, align. 1.

II. Categories of Shareholders

- Legal persons – 86.84%
- Natural persons – 13.16%.

Ownership breakdown – Investors



NOTE: * – Significant shareholders, acording to the Law 297 of June 28th, 2004, Art. 2, para. 1.

Dividends for 2010

During the year 2010, the share capital was adjusted from 45,489,729.10 LEI to 47,765,668.10 LEI, divided into 477,656,681 shares, thus resulting a nominal value of 0.10 LEI/share.

This was done from the value of 2009 net dividends.

In 2010, dividends amounting to 9,035,038 LEI were distributed from the total profit, with a gross dividend per share of 0.018915339 LEI.

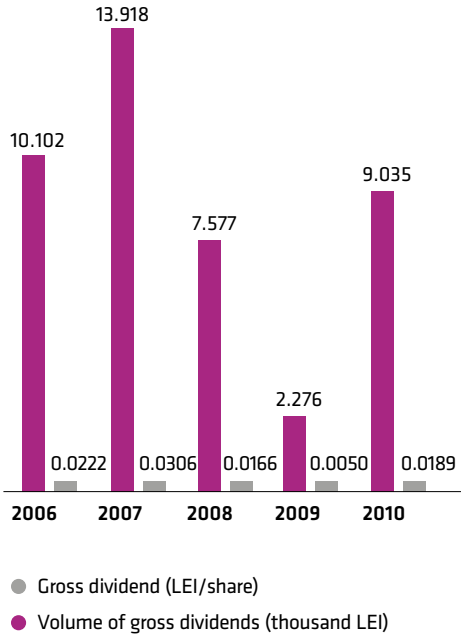
Their reinvestment could be one of the resources for the investment program and also a source for increasing the company value. Such a decision would provide the conditions necessary for the completion of some important investments for the company and also for the health system and national economy in general.

During 2010, dividends were paid for the financial years 2005, 2006, 2007 and 2008 in the amount of 664,665 LEI, as follows:

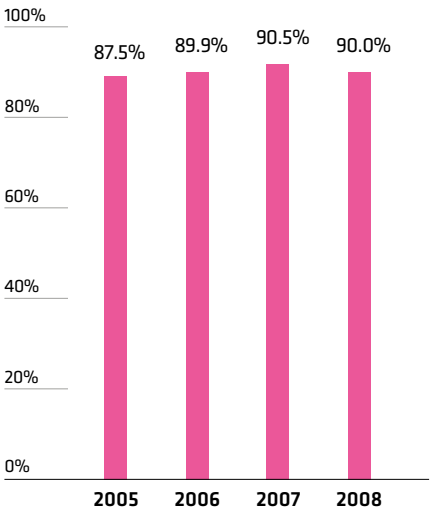
Antibiotice shares – ATB/ Regular Market

Period	Net Dividends							Cessation date for dividend payment
	Due	Paid			%	Outstanding 31.12.2010		
		LEI				LEI	%	
		Until 31.12.2009	In 2010	Total				
2005	5,979,743	5,227,340	2,177	5,229,517	87.5	750,226	12.5	31.01.2010
2006	9,511,493	8,530,533	20,510	8,551,043	89.9	960,450	10.1	Payment in progress
2007	13,106,611	11,762,431	99,399	11,861,830	90.5	1,244,781	9.5	Payment in progress
2008	7,222,070	5,959,923	542,579	6,502,502	90.0	719,568	9.0	Payment in progress

Volume of gross dividends and gross dividend per share



Paid dividends



05-
Actions and results in 2010

18 new generic drugs, in research stage performed at Antibiotice

13 MAs obtained in 2010

The first 3 MAs for oncology drugs

Antibiotice defines its future through research

Antibiotice is a company which invests in research, being focused on the expansion of its portfolio of generic drugs and the introduction on the market of therapeutically valuable competitive products, at an affordable price. The way to realize this is by exploiting the results of its own research activity as well as by various forms of partnerships with other pharmaceutical companies, taking into account the new therapeutical tendencies, its own manufacturing capacities, as well as the intellectual property rights owned. At the same time, Antibiotice maintains on the market the drugs from its traditional portfolio, through the improvement of formulas or of the manufacturing technology.

The research activity is supported by 65 specialists with high qualification in the pharmaceutical formulation, physico-chemical analysis and bioequivalence assessement. An important role is held by the Regulatory Affairs department which compiles all the information in the authorization documentation in compliance with the requirements of the current international legislation.

The completeness of the authorization files is guaranteed by the registration of some drugs from the portfolio in countries around the world in Europe, in the CIS as well as in the U.S. or in South America. The company's portfolio includes generic drugs for human use (with prescription or for self-medication) and products for organic farming. The Biotechnology Research Laboratory manufactures and studies biological products meant to increase crop productivity.

Development of the research activity at Antibiotice

One of the company's objectives, the development of its research capacity, continued in 2010 through its modernization, reorganization and expansion under the Antibiotice Research Center. This project took shape in 2010 by the integration within the pharmaceutical development team of 5 pharmacists and by investment in state-of-the-art analytical equipment. In the coming years new specialists in drug analysis will be attracted, and funds will be invested in laboratory-scale manufacturing equipments and cutting-edge analytical equipment.

This strategy will improve the research activity, it will make possible the future approach to new pharmaceutical forms and the simultaneous development of an increasing number of projects.

Pharmaceutical products under research define the future of Antibiotice

The main priority of the research activity is the portfolio enhancement through the launch of new generic drugs. This involves the development of new formulas, new analytical methods and the verification of manufacturing technologies. The final stage of research consists in conducting bioequivalence studies demonstrating the therapeutical similarity between the generic medicine and the innovative medicine. Thus, during 2010, research studies were performed for 18 new generic drugs according to the company's development strategy.

The objective of developing the cardiovascular class is reflected in the 7 products which are under research in 2010, with therapeutical antihypertensive, lipid lowering and diuretic action.

As a result of the research activity, the therapy of various dermatological diseases will benefit in the coming years from 3 new drugs, formulated as creams and ointments.

The research resources are also oriented towards addressing new pharmaceutical forms used in the treatment of genital and urinary disorders. In this respect, 4 ovules are in research stage, ovules which mainly contain combinations of substances and manifest a broad spectrum of therapeutic activity.

27 generic drugs are in authorization process at NMAMD

Azotofertil® and Ecofertil® certified as organic by BioAgriCert

Two of the company's renowned dermatological products had their composition optimized in 2010 plus a more rigorous analytical characterization in compliance with the current requirements of the medicines' legislation.

The drugs formulated as suppositories due to which Antibiotice is leader on this market segment also show a special interest, two of the products in this pharmaceutical formulation being found in the research program.

The first marketing authorizations for oncology drugs

In 2010, 13 new drugs received marketing authorizations (8 INNs), as a result of the company's own research activity (6 products), as well as of partnerships developed in the recent years (7 products). Thus, new MAs were obtained for drugs from the Anti-neoplastic, Immunomodulator, Anti-infective and Systemic Use classes, as well as Dermatological preparations, Digestive Tract and Metabolism.

The concern for entering new therapeutic classes with high-value therapeutic medicines is reflected by obtaining in 2010 3 new MAs for drugs intended to treat cancer formulated as tablets and injections. This strategic development direction will continue in the following years, through the assimilation of new molecules designed to treat various forms of cancer currently under licensing state.

MAs granted in 2010 for new portfolio drugs

Brand	Active substance	Therapeutic class
Amoxiplus® 875 mg/125 mg, film-coated tablets	amoxicillin/ clavulanic acid	Anti-infectives for systemic use
Clafen® 50 mg/gram, gel	diclofenac sodium	Dermatology – Antiinflammatory
Perasin® 2 g/0,25 g, powder for solution for injection/infusion	piperacillin/ tazobacatam	Anti-infectives for systemic use
Perasin 4 g/0,5 g, powder for solution for injection/infusion		
Glimepirida Atb® 1 mg, tablets	glimepiride	Digestive system – antidiabetic
Glimepirida Atb® 2 mg, tablets		
Glimepirida Atb® 3 mg, tablets		
Glimepirida Atb® 4 mg, tablets		
Etionamida Atb® 250 mg, film-coated tablets	etionamide	Anti-infectives for systemic use – antituberculosis
Anastrozol Atb® 1 mg, film-coated tablets	anastrozole	Oncology
Hemorzon®, suppositories	tetracycline hydrochloride hydrocortisone acetate benzocaine	Antihemoroidal
Gemcitabina Atb® 200 mg, powder for solution for infusion	gemcitabine hydrochloride	Oncology
Gemcitabina Atb® 1000 mg, powder for solution for infusion		

Also, in 2010, formulations were optimized and files were submitted for renewal for 2 other drugs from the company's traditional portfolio.

New generic drugs whose authorization is in progress

In future years, the company's portfolio will be enhanced by new generic drugs in an ongoing effort to correlate it with the requirements of the pharmaceutical market.

At the end of 2010 the National Agency for Medicines and Medical Devices (NAMMD) was assessing for approval the documentation of 27 generic drugs from 7 therapeutic classes, which are the result of either the company's own research or business partnerships.

Therapeutic class	Number of documentations filed to NAMMD
Anti-infectives	8
Oncology	5
Digestive tract	4
Central Nervous System	4
Dermatology	4
Cardiovascular	2

Enhancing the portfolio of drugs for injection for the U.S. market

In 2010 Antibiotice entered the U.S. market with the first products for injection (Ampicillin, 4 doses) manufactured on its own site.

Alongside other company structures, the Research-Development and Regulatory Affairs departments were involved in 2010 in the development of partnerships with regard to the registration of new drugs for injection on the U.S. and Canadian markets.

Antibiotice produces biological fertilizers for conventional and organic agriculture

The most important achievement within the biotechnological research conducted in 2010 at Antibiotice was the acquisition of new manufacturing technologies and stabilization of organic fertilizers (biofertilizers) which, from 2011 onwards, will allow obtaining more competitive products for the domestic and external markets.

The new technologies aim at improving the quality and increasing the shelf-life of Azotofertil® and Ecofertil® from two months to six months. The extension of the validity term was tested and revealed by physico-chemical and microbiological analyses carried out in laboratories specialized in quality control within the company through analysis certificates that accompany each product.

22 in vivo and in vitro bioequivalence studies

CDE capacity went up to 25 bioequivalence studies/year.

The biofertilizers are to be tested and approved by the National Institute for Research and Development in Pedology, Agrochemistry and Environmental Protection (ICPA) in Bucharest.

The research in the field of industrial biotechnologies performed at Antibiotice aims at expanding the portfolio of ecological products for agriculture with new fertilizers (for bacterial enrichment of the vegetable seeds) and bioinsecticides (intended for the protection of crops, orchards and forests from the damages produced by defoliating insects) through conducting its own projects or in collaboration with domestic or foreign scientific centers.

The organic fertilizers Azotofertil® and Ecofertil® are used in conventional and organic agriculture to increase crop production per hectar and to achieve high quality vigorous cultures. The Azotofertil® and Ecofertil® organic fertilizers are certified as organic products by BioAgriCert Italy, which is an international authorization body for organic products.

The Center for Drug Evaluation

Bioequivalence studies conducted in 2010

One of the most modern clinical study centers in Romania, the Center for Drug Evaluation (CDE) at Antibiotice includes analytical laboratories boasting GMP certifications which allow bioequivalence studies and phase I clinical trials. For 2010 the team of specialists within CDE conducted 22 in vivo and in vitro bioequivalence studies for drugs from various therapeutic classes such as: cardiovascular system (diuretics, ACE inhibitors, lipid lowering drugs), antifungal, antiinflammatory and antirheumatic preparations for the CNS medication, antibiotics and gynecological antiseptics, etc.

Out of the 22 bioequivalence studies conducted, 8 studies were conducted for external sponsors from the European Union, on the basis of collaboration contracts. The studies conducted on drugs in the company's own portfolio have allowed, in 2010, the authorization and re-authorization of 14 medicines manufactured by Antibiotice.

Also, by using HPLC equipment coupled with mass spectrometry equipment, analytical methods were developed and validated in order to trace impurities in various topical medications.

Investments

In order to increase the working capacity of the bioanalytical laboratory, a new, state-of-the art mass selective detector triple quad type was purchased. In this way, the LC/MS/MS chromatographic system allows analysts to quantify the active substances and metabolites from the biological matrices at detection limits as low as a few picograms/ml.

Also, a new program was purchased that provides data processing and interpretation of pharmacokinetic data obtained from non-conventional design bioequivalence studies such as parallel or replicated trials. Moreover, the manufacturing flow for secondary packaging of products for clinical trials was completed.

These investments will allow performing approximately 25 bioequivalence studies annually within the CDE.

Authorizations, certifications, audits

The inspection from the NAMMD conducted in May 2010 lead to the GLP (Good Laboratory Practice) reauthorization of the CDE's bioanalytical unit. Also, the Clinical Unit within the CDE was reauthorized by the Ministry of Health so as to conduct phase I clinical trials and bioequivalence trials.

The CDE was authorized by the French Ministry of Science and Research to conduct research for French companies.

The CDE was audited and/or monitored by several clients from Europe. The favorable audit /monitoring reports underly the development of the CDE as a contract research organization (CRO).

Revamping and modernizing the manufacturing lines

The company's development strategy has set as priority the modernization and development of the product portfolio and of the manufacturing lines.

Antibiotice company manufactures for its domestic and foreign partners over 140 medicines in five formulations. The product quality is ensured by their manufacture in compliance with the GMP requirements on all 8 manufacturing lines of the company. Also, the value of Antibiotice products is confirmed by the European Pharmacopoeia Certificate of Suitability (CoS) issued by the European Directorate for the Quality of Medicines (EDQM) and the FDA approval received for the Nystatin active ingredient and Ampicillin for injection 250 mg, 500 mg, 1 g and 2 g.

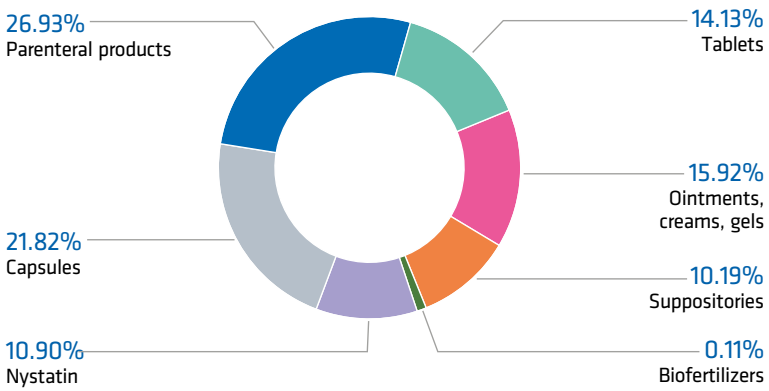
All these certifications are the result of intensive work for implementing new requirements in order to maintain under the control and evaluate the quality management system during the audits which took place in 2010.

In 2010, Antibiotice manufactured:

- 371 million pharmaceutical units in the form of tablets, capsules, parenteral products, ointments, creams, gels, suppositories;
- 60 tons of Nystatin bulk;
- 50 tons of bio-fertilizers.

The total value of production for export accounted for almost 22% in 2010, compared to 17% in 2009.

The 2010 production chart



In 2010 the company structures responsible for production, quality and investments pursued the enhancing of activity and the modernization of the manufacturing lines as well as the recertification of the Good Manufacturing Practice (GMP) level by our business partners and the regulatory institutions. Thus, 2010 saw the achievement of the following objectives:

1. FDA inspection of the parenteral product manufacturing line for the authorization of two medicinal products for injection on the U.S. market;

2. GMP re-certification for the parenteral product manufacturing line (sterile products: powders dosed as beta-lactam penicillin antibiotics) following the inspection conducted by the National Agency for Medicines and Medical Devices;

3. Manufacturing of parenteral products for foreign companies based on manufacturing contracts and control. The exports of parenteral drugs accounted for 25% of the total value of products intended for foreign markets;

4. Auditing of the parenteral product manufacturing line by ACIC Fine Chemicals, Canada, the Marketing Authorization Holder on the U.S. market for Ampicillin for injection 250 mg, 500 mg, 1 g and 2 g.

5. Auditing of the parenteral product manufacturing line by Claris Lifescience, our distributor on the U.S. market as part of the parenteral drug manufacturing agreement.

6. The modernization of the solid oral tablet line in view of:

– future manufacturing of a higher number of products assimilated through the company's own research and the acquisition of licenses;

– expansion of production for the regulated foreign markets (where the FDA or EC authorizations are required);

– diversification of the new range of tablet types, such as the oblong type (in addition to the existing round tablets) with new ways of packaging, i.e. Alu/Alu and Alu/PVDC.

7. The acceptance of Antibiotice as supplier of Nystatin (active ingredient) following the audit conducted by Rephine PharmaAssess from U.K. on the manufacturing line, without identifying any critical deficiencies, in compliance with the international guide ICH Q7-Good Manufacturing Practice Guideline for Pharmaceutical Ingredients.

8. Compliance with the environmental protection program on volatile emissions of organic substances during the Nystatin extraction phase, by using a closed equipment to be purchased from a foreign provider.

9. Increase by 2% of Nystatin (active ingredient) production on each manufacturing batch.

In Romania 1 in 3 patients is treated with anti-infectives produced by Antibiotice

Multiplied sales:
Almacor® (+159%)
Gladycor® (+368%)
Nolet® (+1,864%)

Half of the suppositories market is provided for by Antibiotice

1 in 3 Romanian patients uses ointments manufactured by Antibiotice in the treatment of dermatological affections

10. Maintaining under control and improving the Integrated Management System by:

- recertification of the Environmental Management System and the Health and Occupational Health and Safety System in compliance with ISO 14001/2004 and OHSAS 18001/2007;
- maintaining the Quality Management System certification in compliance with ISO 9001/2008 following the audits conducted by Lloyd's Register Quality Assurance.

11. Maintaining the certification of compliance concerning aluminum tubes, polyethylene lids and aluminum caps manufactured by the Microproduction Department following the audit conducted by SRAC CERTSERV.

12. Cutting-down costs on primary materials by optimizing the manufacturing formulas and identifying new sources for excipients used in the manufacture of tablets, ointments and suppositories.

13. Cutting-down the utility consumption at all production plants through a careful management.

14. Ensuring the compliance with the GMP requirements related to the qualification/ requalification of suppliers. In 2010 a number of suppliers of sterile active ingredients and primary packaging materials were audited, in order to check their compliance with the GMP and ISO requirements. Following the audits carried out in China, Antibiotice identified a new partner for the contract manufacturing of cephalosporins for injection.

15. Launching into production several new products from the following therapeutic classes:

- Central Nervous System: Rofluxin® (Fluoxetine) 20 mg, capsules and Zolpidem Atb® 8 mg tablets;
- Alimentary tract and metabolism: Ranitidina Atb® 300 mg, tablets;
- Antidiabetics: Glibenclamid Atb® 1.75 mg and 3,5 mg, Gliclazida EP 30 mg, tablets;
- Products for dermatological use: Clafen® 5% (Diclofenac) gel, 45 g (anti-inflammatory) and Sal-Ekarzin® (Betamethasone and salicylic acid) 0.5/30 mg, ointment, 15 g (corticosteroid).

16. In line with the company's overall goals, in 2010 investments were performed with a major impact on the company growth, the most important being:

- upgrading the Tablet Plant in compliance with the latest GMP requirements, a necessary condition for the further development of the tablet manufacture.
- the construction of a building for a new parenteral manufacturing plant (the new unit will increase turnover and will also widen the range of paranteral products).

Development of the marketing activity

The sales of generic drugs manufacturers increased by 11.9 % in 2010 compared to 2009, about 10 percentage points less than the growth recorded by innovative drugs manufacturers.

In 2010 Antibiotice company reported domestic sales worth 222 million LEI as compared to 202 million in 2009, a 7.84% increase. With a market share of 6.67%, last year Antibiotice was ranked 4th in the top of Romanian generic producers.

Combining promotion strategies with market policies as well as maximizing the experience in the field have led to strengthening leadership on the generic anti-infectives market (market share: 35% on 2009, 38% on 2010). Practically 30% of the anti-infectives consumption in Romania is covered by at least one product manufactured by Antibiotice.

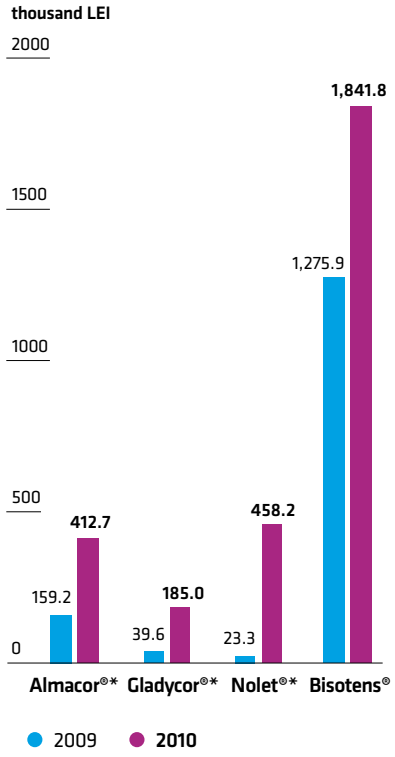
One of the strategic marketing priorities of our company was increasing the rate of response to actions from the main competitors. Thus, via an intense promotion activity and competitive bidding the sales generated by the cardiovascular portfolio went up 16% (7.3 million LEI) and the volume traded went up 24% (from 16.8 million therapeutic units in 2009 to 20.9 therapeutic units in 2010). The development of the cardiovascular portfolio through new products such as amlodipine (Almacor®), carvedilol (Gladycor®) and nebivolol (Nolet®), doubled by a segment market growth thanks to the molecule bisoprolol (Bisotens®) have positioned the company among the top producers of generics in Romania.

Thousand LEI	2009	2010	Variation
Almacor® range	159.5	412.7	159.1%
Gladycor® range	39.6	185.0	367.8%
Nolet®	23.3	458.2	1,864.5%
Bisotens® range	1,275.9	1,841.8	44.3%

Starting from an ongoing analysis of the competitors' behaviour, through promotion and special price policy, in 2010 Antibiotice maintained its leading position on the Hospital segment (powder for injection) reporting a market share of 26.3%.

The distribution strategy developed during 2010 involved a regional approach to each market segment – hospital and retail – with the support of five major distributors in Romania. Amid a market whose consumption is going down (minus 6% in ointments and minus 9% suppositories), the partnerships developed with prominent distribution teams

Evolution of sales for cardiovascular drugs



* 2009 – release year

6 new medicinal products launched on the market in 2010

Norquin® and Novogast® – 1 million LEI increase

have stabilized Antibiotice in leadership position across the entire range of ointments (33% market share) and suppositories (46% market share).

Concerning the capsule anti-infectives' segment where consumption on the domestic market has reported an annual regress from 20% to 30%, Antibiotice company managed, thanks to competitive market bidding and support given to partner-distributors, an increase of the market share with 7 percentage points (49.9% in 2009, compared to 56.8% in 2010).

Since 2002 Antibiotice is the Ministry of Health's partner in the National Tuberculosis Control Program, being the only manufacturer of five essential anti-TB drugs used in treating multidrug-resistant tuberculosis. The portfolio of anti-TB drugs continued to be in 2010 a profitable business for the company, covering a strategic therapeutic area for public health. Last year this segment grew by 15% compared to the previous year.

2010 was the year approaching new therapeutic areas through launching, promoting and marketing Lorine®, a drug used in the treatment of osteoporosis, and Zolpidem Atb® which combats insomnia. In the same year the therapeutic areas were completed by new products: the anti-infective betal-actam Perasin® (Piperacillin + tazobactam), completing the ointment portfolio with the corticosteroid by Sal-Ekarzin® (betamethasone + salicylic acid) and antireumatics such as Clafen® gel 5% 45 g, as well as completing the anti-ulcerous range through the assimilation of Ranitidine Atb® with a strength of 300 mg.

Taking into account the growth potential of the molecules norfloxacin and omeprasol, a special attention was given to promoting Norquin® and Novogast®, which brought a plus of 1 million LEI.

The top selling product in 2010 remains the cephalosporin Cefort®, with a contribution to turnover of 31.4 million LEI (14% of total turnover).

The company has identified new therapeutic areas that can be assimilated to its portfolio starting with 2011, as these are to be established in new sources of revenue and profit, in alternative sources to replace the traditional portfolio, in challenges on new segments of the market (oncology, central nervous system).

In 2010 the medical activity was developed and diversified, aimed at accumulating know-how in various pathologies and therapeutic areas and at disseminating it both within the company, as support in business development, as well as to the company clients. So, getting involved in continuous medical training in fields like cardiology, infectious diseases, dermatology, rheumatology and pneumology, next to specialists in the field and backed the commercial efforts, while maintaining the legal compliance and ethics related to promotion.

In the frame of the company's marketing strategy, an important trend aims to extend our presence on overseas markets, on the one hand designed to build an image as manufacturer of generics beyond the local level, and on the other hand, minimizing the risks posed by excessive concentration on the domestic market.

Products launched in 2010

Trademark	Active ingredients	Therapeutic class
Lorine® 35 mg, tablets	Acidum risedronicum	Musculoskeletal system – bone calcium regulator
Zolpidem Atb® 10 mg, tablets	Zolpidem	CNS – hypnotic-sedative
Perasin® 2,25 g, 4,5 g, powder for injection	Piperacillin + Tazobactam	Anti-infectives – beta-lactams
Sal-Ekarzin® 15 g, ointment	Betametazone + salicylic acid	Dermatology – corticosteroids in combination
Clafen® gel 5% 45 g	Diclofenac	Musculoskeletal system – antirheumatic
Ranitidina Atb® 300 mg, tablets	Ranitidine	Digestive tract – antiulcerous drug

Exports went up 35% in 2010

Exports of finished products are 64% higher

The first exports of finished products in the US are worth 1 million USD

Export activity

Antibiotice's turnover on foreign markets showed a consistently positive trend, the export figures in 2010 amounting to USD 17,890,150, 35% higher than the previous year. In terms of structure, 2010 marked an increase in the export of conditioned preparations up to 51% in the share of the company's total exports, reflecting the company's strategy to expand world-wide as manufacturer of finished products. The concern for growth is supported by the strategy for profitability, the profitability levels obtained being comparable to 2009.

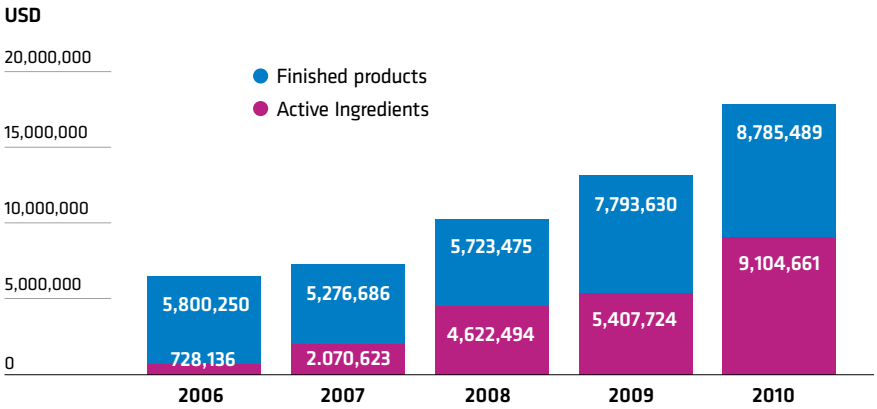
In November 2010 Antibiotice was awarded the Troffey of Honour from the National Association of Romanian Exporters and Importers (ANEIR) awarded to companies that increased their exports during the economic crisis. In 2009 ANEIR appointed Antibiotice as the most dynamic export company on the pharmaceutical market.

At the same time, our company observed the effects of a business going global and a decline in the degree of dependence on the internal market. The share of exports in the total turnover went up from 19% (the value reported on 2009) to 22%.

Active Ingredients (Nystatin)

The Development strategy for the export of active ingredients applied in 2010 was aimed at simultaneously improving the value and volume indices, which led to an increase of 6% in quantitative terms; in terms of value the growth was 13%, the export of active ingredients reaching the level of 8,785,489 USD. This strategy was possible by increasing exports to European partners (Germany, Switzerland, Belgium, France, United Kingdom), North America (USA) and Asia (Vietnam, India, Syria, Iraq, China, Jordan).

Exports evolution in years 2006-2010



Finished products

A significant positive trend was recorded with the export of finished products, where the growth value assessed against the previous year was 64%, amounting to 9,104,661 USD. The main products exported were anti-infectives under the form of sterile powders for injection, followed closely by capsules.

Europe

An important contribution in the export of conditioned products was represented by the manufacturing under contract to clients from Europe, although the share of this activity within total exports of finished products has declined significantly, due to efforts to increase exports in products of our own. In 2010, the value of supplies to foreign markets from contract manufacturing was 29%, while in 2009 the same business segment represented 34% out of total exports. For the years to come, the export policy is expected to increase deliveries of our own products to Eastern European countries as well and non-EU countries (Albania, Serbia, Bosnia-Herzegovina).

The United States

2010 brought along the first exports of preparations for injection to the U.S. following our company's FDA approval. Therefore starting with mid-2010 Antibiotice began delivering Ampicillin for injection 4 doses on the American market, the export figures reaching 1,075,484 USD. The next interval is expected to boost our exports to this market by extending the portfolio of products registered in the US.

Asia and Africa

Exports to outlets in Asia and Africa reached the cumulated value of 3,223,262 USD, higher by 86% than the level reported in 2009. This upward trend was possible in the frame of an emergent presence of Antibiotice on the northern African market – particularly by a growth in the oral preparations exports to Algeria, but also as a result of new products approved and registered in Vietnam, Yemen or Tunis. The forecast for the future estimates a boost in exports to this area, thanks to product registration in the Middle East (Saudi Arabia, Irak and UAE), northern Africa and Asia (Sri Lanka, Hong Kong).

Exports of finished products to Russia and CIS states

Exports to Russia and the CIS states reported an increase in value by 37%, amounting to 1,077,156 USD in 2010. The increase is the result of extending the number of products registered or submitted to registration in Moldova, Azerbaijan, Georgia, Mongolia,

Armenia, Afghanistan and Uzbekistan, as well as identification of new partners for product distribution in the area.

In 2010, agreements were concluded in view of marketing our products to Russia, one of the most important markets in terms of consumption of pharmaceuticals, and the first files for registration were sent. As a result of these efforts, exports in this area see a growing importance of Russia + CIS in exports for the period of the next antibiotics.

First products for injection on the United States market

For Antibiotice 2010 represents the year when the first preparations for injection manufactured on the company's premises – Ampicillin – penetrated the American market

The same year coincided with the FDA inspection in view of approving the manufacture of two other medicines for injection; this creates the premise for a significant export increase on the US market up to 20 million dollars for the next five years.

This success was the result of a vast project that set off in 2006 reuniting a multidisciplinary team consisting of over 100 specialists, in collaboration with ACIC Pharmaceuticals company, the representative of our company on the American and Canadian market.

Our medicines for injection reach America

2006: Taking into account that Antibiotice has tradition and expertise in the manufacture of sterile powders for injection, it was decided to conclude a contract with the Canadian company ACIC Pharmaceuticals with the aim of putting on the U.S. market 5 medicines for injection in 12 doses.

From May to June 2007 three of the drugs whose files had to be authorized in order to enter the U.S. market were manufactured at pilot scale. Afterwards began the procedure for complying to and applying the GMP requirements for human use medicinal products specific to the North American market.

June 2007–January 2008 – The authorization files in CTD format (Common Technical Documentation) for Ampicillin 4 doses are prepared. The authorization documentation reunited the results of analyses and documents relative to quality control (physico-chemical parameters, sterility, endotoxin level, stability studies, analytical methods validation), quality assurance (process description and validation, batch files, validations for all sterilization processes, various procedures), as well as relative to pharmaceutical development (chromatographic tests that demonstrated the similarity between the medicine produced by Antibiotice and the innovative medicine approved by the FDA, with respect to the stability of solutions recovered, intended for administration by injection).

In 2008 were filed for registration with the FDA two more files for penicillin products for injection.

December 2009 – Antibiotice obtains the Marketing Authorization allowing it to enter the US market with the 4 doses of Ampicillin: 250 mg, 500 mg, 1 g, 2 g.

June 2010 – The first supply of drugs for injection (finished products) to the American market takes place. Up to that date Antibiotice exported only active ingredients to this outlet.

November 2010 – The FDA audit takes place, with the purpose of verifying if the manufacture of two products for injection submitted for approval on the north-American market comply with the GMP requirements concerning medicines for human use.

In the frame of the audit, the FDA auditors have evaluated in detail the facilities, the systems of critical utilities and the manufacturing and control documents required by the legislation in force. The final conclusion of the FDA inspection was that Antibiotics meets all legal requirements in force, drugs are manufactured in accordance with the current requirements of Good Manufacturing Practice for medicines for human use, meeting the three fundamental attributes of a drug quality, efficiency and safety.

Perspectives

Obtaining the FDA's approval for several medicines for injection will have the same impact on exports as the FDA approval given in 2002 for Nystatin, which has now become the main export product. Anywhere in the world, the FDA approval is an identity card which opens new business opportunities on the international market. Exports of products for injection to the U.S. market injectable products will generate a turnover of 20 million dollars over the next five years.

45 traditional suppliers own more than 55% of imports

GMP approval for 8 manufacturing lines, 140 products

CoS and FDA for Nystatin

2010: Export value > Import value

Industrial partnerships on a value chain

Working closely with strong partners which support its development, Antibiotice has an eye these days on both improving its current business relations as well as developing new, fruitful partnerships. At the same time the company is trying to identify the elements that slow down processes on the value chain, in an attempt to adopt measures necessary to offer customers products with a high therapeutic effect in terms of recognized quality, efficiency and safety.

The collaboration with entities acknowledged on a national and international level, the communication and feedback on the degree of satisfaction offered by the cooperation with Antibiotice, the acquisition of quality materials and a prompt delivery of products made by Antibiotice, all these represent the mainstay of the company's activity.

The drugs are constantly checked and monitored in the manufacturing process. We plan to deliver quality products on the market, using high-quality raw materials provided by world class manufacturers. Equally, we aim to improve the distribution processes ensuring that Antibiotice medicines reach the final consumers intact and on time.

The partnerships concluded by Antibiotice can be classified as follows:

Upstream Partnerships

1. **Procurement partnerships for production activity and new product development;**
2. **Finished product procurement partnerships;**
3. **Financial partnerships with banking institutions;**
4. **Partnerships in production.**

The principles pursued in building such partnerships are: quality, diversity, continuity, efficiency, flexibility.

1. Procurement partnerships for production activity and new product development

Recently major changes took place on the international scene, protectionist local policies such as legislative and financial changes that are forcing companies to rethink development strategies, markets and product portfolio. By the purchasing policies adopted in 2010, Antibiotice tried to foresee these risks and take measures to prevent any gaps in the supply of current products and raw materials for pharmaceutical product development.

The main objective of the purchasing department was identifying new partners for both traditional products in the company portfolio, as well as new product development (purchasing licenses and raw materials).

The procurement activity is mainly focused on assisting the company's general strategy, which is achieved by providing a safe portfolio of suppliers, able to support the company with quality products, on the agreed schedule requested by Antibiotice and the mutually agreed terms. This also applies to acquisition programs elaborated together with suppliers in order to make sure the material basis is low cost, at high standards of quality and the payment terms are related to the collection periods on the domestic and foreign market.

The teams in charge of purchasing constantly follow the national and European legislative tendencies, the regulatory policies in pharmaceutics, the sales trend on both internal and external markets in view of foreseeing any changes, achieving a good inventory management and reducing time to adapt.

Under the current competitive market conditions in Romania, the budget restrictions and international pricing policies, streamlining the operational processes including a continuous focus on reducing acquisition costs is already a constant in business management partnerships.

Antibiotice is working with GMP certified partners, recognized internationally for product quality, assessed by the Quality Assurance component within the company.

The main characteristics of purchasing activities are: making suppliers loyal and ensuring their integration in the company's processes, so as to benefit from their support in the difficult times encountered on the Romanian market, which has a much more unpredictable dynamics as compared to other markets.

The economic crisis that debuted in 2008 continued to make its presence felt in 2010. The macroeconomic changes have attracted foreign exchange rate fluctuations which affected the cost of imported raw materials from two sides: on the one hand, supplying companies have come up with higher prices and, on the other hand, inflation in Romania has led to exchange rate differences unfavorable for imports.

The economic crisis that debuted in 2008 continued to make its presence felt in 2010. The macroeconomic changes have attracted foreign exchange rate fluctuations which affected the cost of imported raw materials from two sides: on the one hand, supplying companies have come up with higher prices and, on the other hand, inflation in Romania has led to exchange rate differences unfavorable for imports.

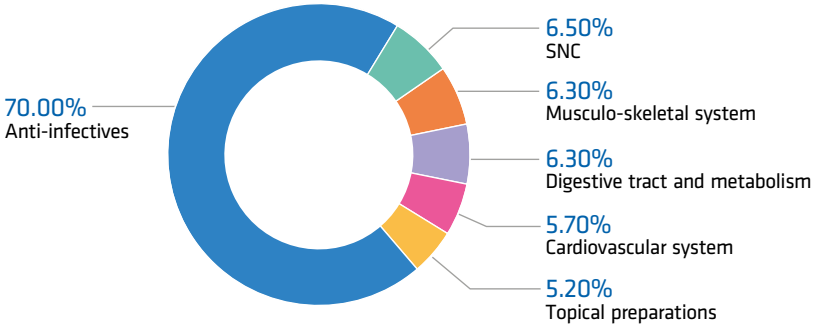
To counteract the influence of price variations and exchange rates, in 2010 long-term contracts were discussed with suppliers, and payment terms related to exports with a view to balancing the company's external trade balance. We managed to optimize payments to foreign partners and collect external payments on time, which has led to considerable diminution of the adverse exchange rate influences.

To minimize the impact of international influences, Antibiotice envisages a balanced geographical distribution, collaborating with the largest manufacturers in the pharmaceutical field, companies that continually update their documentation as requested by the EU or American law, where appropriate.

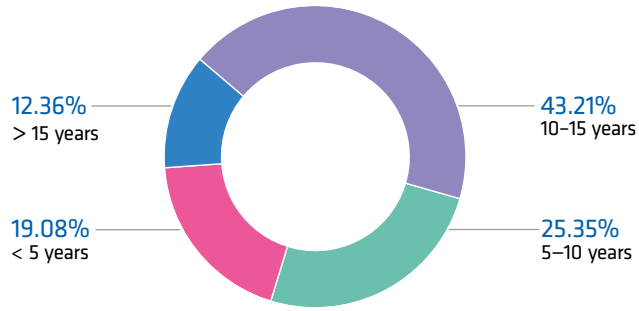
Antibiotice is also considering a balance of imports from country to country and reducing its exposure to only one particular market, as can be seen from the chart below.

The economic turmoil during the crisis that hit different economies has made Antibiotice company launch an intensive program for approval of alternative sources for each raw material required in manufacturing and for each finished product.

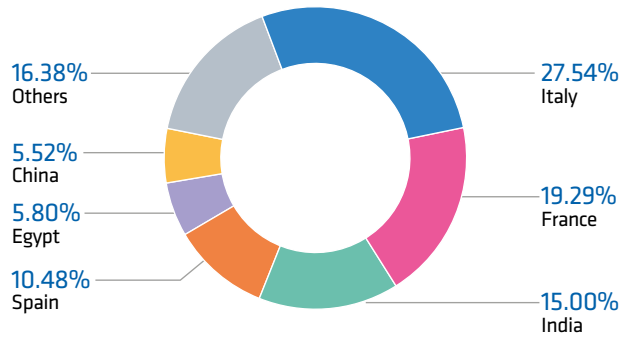
Share of active ingredient purchase on therapeutic classes



Partners



Share of total purchasing on countries



The risks that may occur from working with only one supplier were taken into account, namely: inability to produce and fulfill orders in the timeframe set, stiffness in negotiating prices and delivery terms, the likelihood of events leading to disruption in supply or production.

Antibiotice is continuously investing in the research for new suppliers, which implies their qualification by the internal Quality Assurance unit together with the commercial structure, to identify the optimal alternative in terms of cost vs. quality.

The procurement activity has also in view maintaining the inventory under control. Thus, it avoids the creation of financial assets in stocks and the negative influences on the costs – due a gap between entry price and manufacturing price or the price a product has on the market – are reduced. This was achieved through an ongoing collaboration between the production department, domestic sales and export department.

2. Finished product procurement partnerships

In 2010 we continued the upward trend in the purchase of finished products (in-licensing). Within the total transactions, 87.66% of finished goods purchases are made in Europe. Antibiotice has developed partnerships with world renowned producers of cephalosporins for injection, vials of distilled water and normal saline solution, lidocaine vials, colistin methanesulphonate for injection.

In addition, Antibiotice took steps to procure finished products from reputed world manufacturer; located in Europe and India, they provide us with anti-infectives, cardiovascular and central nervous system drugs which cannot be produced on-site or whose in-licensing registration was done in a shorter amount of time.

The registrations of finished products for which there are ongoing contracts from previous years have continued, as well the files submitted to the NAMMD – for instance those of oncology drugs or other products in the cardiovascular and CNS class.

3. Financial partnerships with banks

The economic crisis that stated in 2008 had extensive effects up to 2010, although some developed countries have emerged from recession in this period. For many developing countries including ours the crisis persists, which implies on the one hand, a low purchasing power and under-financing of healthcare systems, and, on the other, increasing the risk of default.

In order to diminish the negative economic influences, the company envisages concluding partnerships with banking institutions, using payment instruments to ensure optimizing and rendering more secure the relations with partners.

4. Partnerships in production

Antibiotice company operates on all 8 manufacturing lines which are GMP certified and produces 140 products in five formulations. This enables the prompt delivery of quality products to all internal and external partners.

The value of our company's products is confirmed by the European Pharmacopoeia Certificate of Suitability for Nystatin – active ingredient, released by the European Directorate for the Quality of Medicines (EDQM). Another proof of quality is the FDA's approval for the Nystatin manufacturing line.

In late 2009, Antibiotice was granted the final FDA approval for the first finished product – Ampicillin for injection; in 2010 the first deliveries of drugs for injection reached the the U.S. market. Antibiotice aims at honoring orders promptly without compromising the quality or increasing manufacturing or delivery costs. It aims to apply the same standards to both the domestic and foreign market.

By its operational strategies Antibiotice meant to optimize production activities and reduce the available manufacturing capacity, both through a higher production as well as through partnerships.

The internal market is an attractive market, but with many competitors and without the opportunity to assimilate to the degree to which the company is able to manufacture.

The availability of production capacities is an additional incentive to build strong relationships with various companies interested to outsource their manufacturing operations by contracting production phases on the premises of Antibiotice.

The certifications obtained guarantee the product and service quality that Antibiotice is able to offer. In addition, the professionalism of the entire marketing team makes it easier to run the co-manufacturing contracts on-site at Antibiotice.

Certifications and capabilities available on the 8 manufacturing lines

Manufacturing line	Certification / approval of the manufacturing line	Production capacity available
Nystatin – active ingredient	GMP certificate released by the national authority, August 2001 Latest GMP recertification, June 2010 FDA approval, 2002 Latest FDA approval: April 2007	–
Sterile products – powders for solutions and suspensions for injection – beta-lactam antibiotics – penicillins	GMP certificate, December 1999 Latest GMP recertification, May 2010	30 mln vials/year
Non-sterile products – capsules with beta-lactam antibiotics – penicillins	GMP certificate, December 1999 Latest GMP recertification, August 2008 GMP recertification audit (every 3 years) scheduled for 06–08.04.2011	20 mln capsules/year
Non-sterile products – capsules with beta-lactam antibiotics – cephalosporins	GMP certificate, December 1999 Latest GMP recertification, August 2008 GMP recertification audit (every 3 years) scheduled for 06–08.04.2011	50 mln capsules/year
Non-sterile products – capsules with other antibiotics	GMP certificate, December 1999 Latest GMP recertification, August 2008 GMP recertification audit (every 3 years) scheduled for 06–08.04.2011	40 mln capsules/year
Non-sterile products – tablets, film-coated tablets	GMP certificate, December 2000 Latest GMP recertification, August 2008 GMP recertification audit (every 3 years) scheduled for 06–08.04.2011	100 mln tablets/year
Non-sterile semisolid products: ointments, creams, gels Sterile semisolid products: ophthalmic gels	GMP certificate, April 2002 Latest GMP recertification, August 2008 GMP recertification audit (every 3 years) scheduled for 06–08.04.2011	10 mln tubes/year
Non-sterile products – suppositories	GMP certificate, April 2002 Latest GMP recertification, August 2008 GMP recertification audit (every 3 years) scheduled for 06–08.04.2011	25 mln suppositories/ year
Products for veterinary use: – Nystatin – Parenteral products – Ointments	GMP certificate, February 2005 Latest GMP recertification, November 2009	–
Azotofertil, Ecofertil	Approved as ecological products in 2009	–

47% of total purchases are finished product purchases

Presence in 450 Romanian hospitals

5 partner distributors in Top 10 Romanian distributors

Downstream Partnerships

The key of the distribution business, both domestic and external, is to develop a mutually beneficial partnership, flexible to the ever changing market, with jointly agreed upon objectives.

Antibiotice has continuously pursued to develop partnerships with distribution firms while having a fair behavior towards all market players. Distributors are an important link in the chain manufacturer – end user because they are those who emphasize the company's products on the Romanian market and in over 55 countries where Antibiotice is present.

In Romania, Antibiotice's distributors provide products for both the hospital (hospitals, public health units) and retail segment (independent pharmacies, mini-chains and national chains of pharmacies), as follows:

- **Hospital:** partners specialized on the hospital market, which represent the manufacturing company at calls for tender or selection of tenders organized by the healthcare units. Through its partner-distributors, Antibiotice's medicines reached in 2010 over 450 Romanian hospitals.
- **Retail:** it is covered by a number of 13 distributors, most having a national distribution network. The main objective of these vendors is to ensure, through competitive business practices and an active presence, that Antibiotice brand products get to independent (EU) pharmacies and to pharmaceutical groups (chains and mini-chains).

On the domestic market, more than half of the products in the portfolio are sold to hospitals and pharmacies in Romania through the five distributors and partners featuring in Top 10 Romanian distributors, according to Cegedim. In addition, the old commercial relationship recommends some as traditional (Farmexpert, Mediplus, Polisano, Pharma Science, ADM, A&G).

In 2010, Antibiotice has developed a partnership with Fildas and participated in the campaign "Crisis Prices" organized by Catena pharmacy chain.

For national chains of pharmacies that allow a major impact on customers, for a wide range of drugs, there are custome tailored campaigns are adopted, promoting our company's product brands.

The partnership between Antibiotice and its distributors goes beyond a buyer-seller relationship, the common interest being to identify the best combination of delivery terms, payment terms and sales and promotional tools so as to achieve the common business objectives. In support of this collaboration, the company has developed its own system of account management, dealing at local level with an optimal management of its distributors' needs. The share of traditional distributors can be illustrated as follows:

- partners for more than 5 years: **9**
- new partners (for less than 3 years): **2**

For the international market, the distribution is a complex one as it requires the use of different instruments, on types of vendors, depending on the outlets.

Key features of our partnership with foreign distributors:

- In order to export finished products, individual agreements of representation specific to each country are concluded, with competent partners, able to represent the Antibiotice brand and the value of its products;
- For Nystatin exports we work closely with agents representing us on various markets;

Concluding a mutually beneficial partnership, flexible to the constant changes in the market, with commonly accepted goals specific to downstream partnerships, is particularly important in the relationship with distributors on the foreign market. The latter have an increased degree of freedom in representing Antibiotice medicinal products, so that the distribution partnership developed over a long time on various markets is characterized by transparency and loyalty.

Work productivity went up 13.6% in 2010 against 2009

Enhancing our human capital

The human resources policy of Antibiotice centers on developing the human capital, increasing team performance and recruiting valuable staff from the pharmaceutical field. Because of these reasons in 2010 the company had in view to recruit, select, motivate and provide ongoing training programs for its staff, which generated a boost in work productivity up to 180.402 LEI/per capita, higher by 13.6% against 2009 figures (158.749 LEI/per capita) and in manufacturing competitive and high-quality products.

Last year Antibiotice recruited 67 highly educated people in its team, representing a 2% increase in the share of higher education staff across the structure, in key fields such as medical and promotion, marketing, quality control, quality assurance, manufacturing, regulatory affairs, pharmacovigilance, pharmaceutical development.

Out of the total staff that joined the company in 2010, 60% was assigned to the departments of marketing, promotion and sales with the aims to maintain and develop the team, and consequently strengthen the company's position on the drug market.

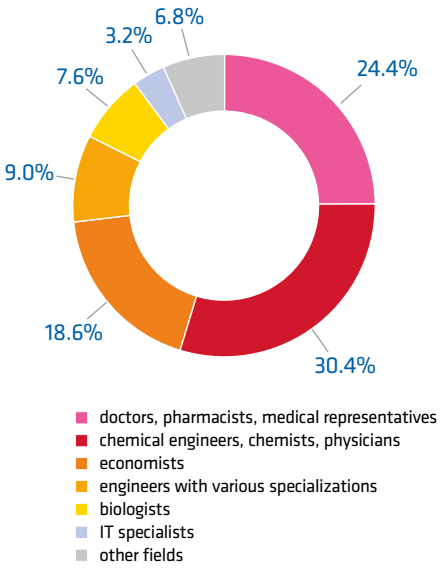
Actions accomplished	Results and Impact
Recruiting a number of 67 people with a higher education degree	2% increase in the share of higher education staff across the entire structure (34.5% out of total employees) – a strategic direction in staff policy
Attracting 40 new members of staff (60% of total staff) in the Medical – Promotion – Marketing Department	Promotion team extended to over 150 people, in the aim of accomplishing the goals set, the turnover and market share
Achieving the training programs with in-house and external trainers in important fields such as Quality Assurance and Control, Regulatory Affairs, Marketing and Promotion, Drug Evaluation, Pharmaceutical development, Management. The training programs with invited lecturers involved 440 employees, almost double against the previous year.	Improving the staff's level of instruction and adapting to job changes and requirements, according to the dynamics of the pharmaceutical industry
Ongoing application of the MBO system for 144 members of middle management	Increasing the level of satisfaction and motivation among the employees. Increasing the employees' stability and loyalty and reducing staff fluctuation rate by 3.1% as compared to the previous year
Elaborating and implementing the Code of Ethics	Making employees aware of the company's principles and values

Increasing performances and motivating employees requires a continuous investment in human capital, in order to create a consistent stock of knowledge and skills. The company has therefore allotted large sums in order to provide attendance to seminars, training and continuous formation courses for 440 employees, which stands for 88% of the higher education staff.

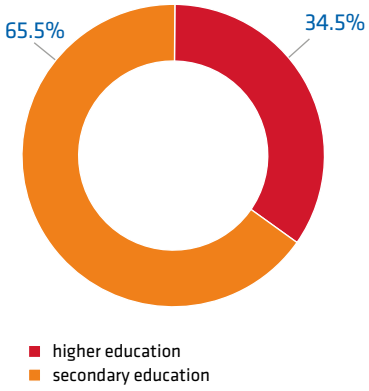
The management by objectives (MBO) – a system implemented in 2005 – makes sure that the employees' objectives are in relation to the mission and vision of the company, are generated by the company's strategic orientation and envisage the valorization of opportunities. Simultaneously, we studied the negative impact of reducing risks and limitations arising from the ever-changing environment of drug markets. The identification of appropriate targets and their formulation allowed the development of new skills, needed for highlighting the strengths and reducing the weaknesses or their adverse effects.

Following the study on organizational climate conducted in 2009 within the company, an important milestone in the plan of measures for its improvement resulted, a year later, in the elaboration of the **Code of Ethics**. The Code of Ethics is a set of principles and values which stands for the base of Antibiotice's policies in terms of ethics and morality. All employees assume these values and all HR management decisions in matters of pay, motivation, promotion or maintenance of a position are all guided by the Code of Ethics. It was presented to employees during the project **Summer School a+**, and later special training sessions were held in all company's structures by lecturers from the HR department.

Structure of higher education staff



Structure of staff according to education level



Summer School a+

Antibiotice, a company that focuses on and invests in knowledge, began the **Summer School a+** project in 2010. Over time, Antibiotice was concerned about the relationship between academia and industry and, accordingly, the purpose of the **Summer School a+** has been both training the staff as well as raising the interest of students close to graduation to develop their business research, quality assurance, regulatory affairs, marketing, etc.

The summer school's courses focused on two components, an internal one (dedicated to staff) and an external one (training for final-year students).

The internal component took place in June and July 2010 and addressed the company staff, being aimed at enhancing their professional performances. Over 170 employees were involved in these training courses and different themes were tackled: organizational culture, marketing strategies, crisis management, quality assurance and others. The **Summer School a+** was a unique learning opportunity: innovation through shared experiences in different management groups. Panel topics covered themes ranging from project management to internal communication, from stress management to leadership and knowledge-management.

The training sessions were given by invited lecturers, professors at Alexandru Ioan Cuza University, a prestigious institution with which our company has had a long collaboration, but there were also specialized in-house lecturers. The above-mentioned collaboration in HR development (with mixed teams of experts) has shown that in times of economic recession there is a major concern for the education-business partnership.

The external component was carried out during April-September and came to meet the future professionals, enabling them to further their academic studies by a series of concepts, professional standards and regulations specific to the pharmaceutical industry.

Addressing young graduates and students in final years at the Faculties of Pharmacy, Marketing, Chemistry and Chemical Engineering, the external component of the **Summer School a+** included training in the following areas: quality assurance, applied pharmaceutical technique, formulation and analytical methods, equipment and laboratory techniques, technology and equipment from the pharmaceutical industry, strategic marketing. The training sessions were finalized with an evaluation which constituted the pre-selection stage in competitions for filling the vacancies within the company.

Students had a chance to identify features of the drug industry, develop useful skills and acquire knowledge in view of a possible career in the pharmaceutical industry. At the end of the **Summer School a+**, 5 pharmacists were hired within the pharmaceutical development activity.

Setting up the **Summer School a+** – a project that will continue in 2011 – testifies the importance that Antibiotice company attaches to the training and professional development of its employees, thus maintaining them on the first line of professional competence.

06-
Corporate Governance

Antibiotice is a public limited company listed on the Bucharest Stock Exchange (BSE). Besides the two major roles, the technical one (manufacture of pharmaceutical products at the highest standards) and the economic one (making profit for its shareholders), Antibiotice SA assumes a new role by directing itself towards ethics and social responsibility.

Corporate governance is the system by which a company is managed and controlled and takes into account all interested parties (shareholders, Management Board and Executive Team, employees, customers, partners, supervision bodies, the entire community).

A transparent decision-making process based on clear rules and objectives, strengthens confidence of the parties interested in the company, protects the shareholders' rights, provides a better access to capital, improves overall performance of the company and reduces the risks.

Antibiotice SA attaches great importance to good governance principles based on the requirements and recommendations of the Corporate Governance Code of the Bucharest Stock Exchange.

The Corporate Governance System applied within the company is in accordance with Law 297/2004 republished and with the regulations of the National Securities Commission (NSC) for applying this law, with Law 31/1990, republished with subsequent changes and complies with NSC Regulation no. 6/2009, with Bucharest Stock Exchange Code and with the company's Statute.

Antibiotice's management structures

The company's management structures are:

- **General Shareholders' Meeting**
- **Management Board**
- **Corporate Executive Team**

General Shareholders' Meeting reunites the Antibiotice shareholders and is the company's policymaking body. The company is governed by the Management Board of Directors and Corporate Executive Management. Management Board is responsible for managing the entire company and the Executive Team is in charge of the day-to-day operations.

General Shareholders' Meeting

The General Meeting of Shareholders is the highest decision making forum of the company, where the shareholders participate directly and exert their right to make decisions on company business.

Among the duties of the General Meeting of Shareholders there are included the review and approval of annual financial statements, setting the dividend, income and expense budgeting, selection and dismissal of Board members, appointment of the financial auditor, fixing the remuneration of Board members and so on.

General Shareholders' Meetings in 2010

During 2010, the Management Board convened two Ordinary General Meetings of Shareholders (April 29th and November 12th) and one Extraordinary General Meeting of Shareholders (November 12th). All necessary documents related to the smooth conduct of General Meetings were published on time and as required by law.

Ordinary General Shareholders' Meeting of April 29th, 2010 approved the company's financial statements for 2009, statements that were prepared in accordance with the Public Finance Minister's Order no. 1752/2005 for approval of accounting regulations according to the European Directives and

Accounting Law no. 82/1991. In the same meeting the shareholders also took the following decisions:

- distribution of 2009 net profit amounting to 11,916,807 LEI, fixing of the gross dividend per share amounting to 0.005003193 LEI and approval for reinvesting the dividends;
- discharging the Management Board from liability, for their activity performed in the financial year 2009;
- approval of Revenue and Expenditure Budget for 2010.
- setting the remuneration of the Board members to 1% of the remuneration of the CEO, according to GD no. 1715/30.12.2008;
- Changing the membership of the Management Board as follows:

  a) Revocation of the Board members Mr. Alexandru Rafila and Mr. Victor Voicu

  b) Election by secret vote of the following members of the Board: Ms. Ancamaria-Mihaela Negru and Ms. Vasilica-Rodica Dobra.

Ordinary General Meeting of Shareholders held on November 12th, 2010 decided:

- rectification of 2010 Revenue and Expenditure Budget, according to the Emergency Ordinance no. 55/2010, published in the Official Gazette, Part I no. 425/24.06.2010.

Extraordinary General Meeting of Shareholders held on November 12th, 2010 decided:

- deposit guarantee of some fixed assets and stocks of finished products in favour of RBS Bank Romania, to supplement the line of credit
- establishment and registration of Antibiotice Representation in Bucharest
- selling a water pool and its adjacent land to the trading company Apavital S.A.
- increase of the share capital by 2,275,939 LEI by issuing new shares, following the capitalization of dividends for the fiscal year 2009 and their distribution to the shareholders registered in the Register of Shareholders at the date proposed as the registration date (29.11. 2010), so the number of shares will be increased for each shareholder with an allocation index of 0.050031931, at an issue price equal to the nominal value of a share, 0.1000 LEI respectively.
- amendment of Art. 7, chap. III of the company's Statute relating to the share capital and ownership structure, with the following words: "The share capital is set at 47,765,668.10 LEI, divided into 477,656,681 shares at a nominal value of 0,1000 LEI each, the shares being nominative. Shareholding structure corresponding to the number of shares and their holdings is:

  1. Ministry of Health – 253,240,556 shares (53.0173%), amounting to 25,324,055.60 LEI;

  2. Other shareholders (natural persons and legal entities) – 224,416,125 shares (46.9827%) worth 22,441,612.50 LEI.

General Meeting of Shareholders in 2011

The General Meeting of Shareholders which are to consider and approve the financial results of 2010 is scheduled for April 28/29, 2011, according to the Financial Communication Calendar, sent to the Bucharest Stock Exchange and National Securities Commission. The Meeting will be held at the Antibiotice headqvarters in Iași, 1 Valea Lupului St.

Management Board

Antibiotice Management Board sets the overall development strategy and oversees on behalf of its shareholders the company's performance and management, while the Executive Team is responsible for the day-to-day operations.

Management Board oversees the Executive Team on the decisions taken and operations implemented, ensuring itself that these comply with the legal requirements and are adequately implemented.

The Management Board's responsibilities are described in the Company's Statute and in the relevant internal regulations, available on the company website www.antibiotice.ro, to the corporate governance section.

Management Board's Members

Antibiotice Management Board is composed of seven independent administrators with a four-year representation mandate, elected by the General Shareholders' Meeting.

At the Ordinary General Meeting of Shareholders of April 29th, 2010, the representation mandates for Alexandru Rafila and Victor Voicu were revoked. Ancamaria-Mihaela Negru and Rodica Vasilica Dobra are the new members of the Management Board.

Antibiotice Management Board has the following composition on December 31st, 2010

1. Ec. Ioan Nani, aged 51
President of Management Board and Chief Executive Officer
Management Board Member between 1998–2008 and from 2009 onwards.
Economist and Chartered Accountant.
Antibiotice shares – 1,025

2. Pharm. Ancamaria-Mihaela Negru, aged 33
Management Board Member since 2010, representing the Ministry of Health.
Pharmacist, PhD graduand, she holds a Master's degree in the drug study and analysis and one in pharmacognosy. She is currently the Director of Medicine Policy Unit at the Ministry of Health.
Antibiotice shares – 0

3. Dr. Géza B. Molnár, aged 67
Member of Management Board since 2009, representative of the Ministry of Health.
PhD in Medical Sciences, specialist in infectious diseases and epidemiology, physician epidemiologist, associate professor.
He is currently Head of Epidemiology and Public Health Department at the Institute of Public Health Prof. Dr. Iuliu Moldovan, Cluj.
Antibiotice shares – 0

4. Dr. Ec. Valentin Radu, aged 61
Member of Management Board since 2009, representative of the Ministry of Health.
Doctor in Economics, management specialization, auditor and administrative law specialist.
He is currently Internal Audit Director within the Ministry of Health.
Antibiotice shares – 0

5. Ec. Vasilica-Rodica Dobra, aged 45
Member of Management Board since 2010, representative of the Ministry of Health.
Economist, specialist in marketing, she holds a Master's degree in health system management.
She is currently Financial Director in the Ministry of Health.
Antibiotice shares – 0

6. Eng. Gabriela Ilie, aged 61
Member of the Management Board since 2004, reconfirmed in this position in 2005 and 2008, representing the SIF Oltenia corporate shareholders and others.
She graduated from the Faculty of Chemistry, University of Bucharest.
She is currently Shareholding Director at SIF Oltenia.
Antibiotice shares – 10,092

7. Ec. Florian-Teodor D. Buzatu, aged 53
Member of the Management Board since 2008, representing the SIF Oltenia corporate shareholders and others.
PhD in economics, chartered accountant, financial analyst and auditor, property and movable assets assessor, investment advisor.
He is currently the Director of Management and Logistics at SIF Oltenia.
Antibiotice shares – 944

(Number of Antibiotice shares on November 29th, 2010 from the latest database in 2010)

Management Board's Activity in 2010

The Management Board usually meets monthly or whenever necessary, but at least once every three months. The Board met eight times in 2010, each time the presence being 100%. These meetings reviewed the reports elaborated by the executive directors, approved various actions and projects and adopted resolutions for the next stages of development.

Remuneration of Management Board Members

The Ordinary General Meeting of Shareholders of April 29th, 2010 decided, under current legislation, "Setting the remuneration of the Management Board's members, at 1% of the remuneration of the Chief Executive Officer" (Decision no. 5), i.e. 67 LEI – gross figure. According to the legal regulations in force (Law no. 203/2009 updated on April 12th, 2010 – Article IV – 1), the remuneration of the CEO in 2010 was to the level of a state secretary.

Advisory committees' activity in 2010

The Management Board established the following specialized advisory committees:

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

The Consultative Committees conducted investigations, analyses and developed recommendations for the Management Board, in specific areas, elaborating periodically reports on the work developed.

Executive Team

Executive Team is responsible for managing the company's current activities such as allocating resources, establishing and implementing strategies and policies, establishing lines of action, providing information and reports on time to the Management Board and so on.

Antibiotice's Executive Management is ensured by eight directors: a CEO who has been holding also the position of President of the Management Board and 7 specialist directors. The Mangement Board retains the representation role of the company in the relations with the appointed directors.

Executive Team meets at least once a month, but many times, more frequently.

Company's corporate executive team on December 31, 2010

1. Ec. Ioan Nani, aged 51
President of Management Board and Chief Executive Officer since 2009
Ioan Nani is a graduate of the Faculty of Economic Sciences, University Alexandru Ioan Cuza Iași. He is also a Chartered Accountant. He began working as an economist in 1987 within Antibiotice company. Between 1991 and 1993 Mr. Nani was a financial inspector at the General Directorate of Public Finance, Iași and then at the Court of Accounts.
In 1994 he returned to Antibiotice as a Financial Executive Director, and in 1998 he was appointed Chief Executive Officer. In February 2009 Mr. Nani was appointed Deputy Chairman of the Authority for State Assets Recovery (AVAS).
In June the same year he returned to Antibiotice as Chief Executive Officer.
Antibiotice shares – 1.025

2. Eng Cornelia Moraru, aged 43
Production & Technical Director
Cornelia Moraru is a graduate of the Faculty of Chemical Technology, Technical University Gheorghe Asachi Iași. After graduation she worked as a chemical engineer at the Chimia Factory Fălticeni. Between 1990 – 1998 she worked as a chemical engineer at the Penicillin Plant and then for one year within the Biosynthesis Department. In July 1999 Mrs. Moraru became the biosynthesis technologist within the Penicillin Plant II.
In January 2001 she was appointed Chief of the Tablet Plant and in May 2003 she became Director of the Pharmaceutical Division. Starting with February 2005 Mrs. Moraru has been occupying the position of Production and Technical Director.
Antibiotice shares – 1,025

3. Ec. Constantin Nicuță, aged 57
Financial Director
Constantin Nicuță graduated from the Faculty of Economic Sciences, University Alexandru Ioan Cuza Iași. He is a Chartered Accountant and an ANEVAR assessor. Mr. Nicuță began working within Antibiotice as an economist since January 1985, first in the Financial Department and then in the Pricing Department since December 1988.
In June 1990 he was appointed Head of Economic Analyses Department, and in September 1994 he became Chief of the Accounting Department. Starting with July 1998 Mr. Nicuță has been occupying the position of Financial Director.
Antibiotice shares – 9,404

4. Eng. Eugen Diaconu Ph.D, aged 61
Business Development Director
Eugen Diaconu is a graduate of the Faculty of Industrial Chemistry, Technical University Gheorghe Asachi Iași. He holds a PhD in medicinal chemistry and technology, from the same faculty. He has been working in Antibiotice since 1972 as a chemical engineer and researcher. Between 1975 and 1998 he worked as a researcher within the Antibiotice Research Center, Iași branch of the Chemical-Pharmaceutical Research Institute.
In 1988 Mr. Diaconu returned to Antibiotice as Executive Research and Development Director and in 2001 he became Executive Quality Director. In 2003 he was apppointed Executive Production Director and in 2004 he became the Executive Director of the Biotechnology and Sterile Products Division. Since 2005 Mr. Diaconu has been occupying the position of Business Development Director.
Antibiotice shares – 1,000

5. Ec. Vasile Chebac, aged 56
Commercial and Logistics Director
Graduated from the Faculty of Economic Sciences Iași, University Alexandru Ioan Cuza Iași Vasile Chebac is a Chartered Accountant and a financial auditor. He has been working within Antibiotice since 1987, first as an economist within the Planning – Development Office, Investment Department. Starting with February 1991 he worked as a financial inspector at the General Directorate of Public Finance Iași, and in July 1993 he became a financial auditor at the Chamber of Accounts Iași.
In January 1998 Mr. Chebac was appointed Chief Commissioner at the Financial Guard Iași. In September 2001 he returned to Antibiotice Iași as Executive Commercial and General Services Director. Since 2005 he has been occupying the position of Commercial and Logistics Director.
Antibiotice shares – 0

6. Eng. Eugen Florin Osadeț, aged 55
Engineering and Investment Director
Florin Osadeț is a graduate of the Faculty of Mechanics, Technical University Gheorghe Asachi Iași. He holds a Master's degree in Management and Business Administration granted by the same university in 2000.
He has been working with Antibiotice since 1980, first as a mechanical engineer in the Workshop for obtaining the industrial cold and then as a thermoenergetical dispatcher. In 1997 Mr. Osadeț became the Head of Thermoenergetic Plant. Since 2000 he has been occupying the position of Engineering and Investment Director.
Antibiotice shares – 1,025

7. Eng Lavinia Cristina Dimitriu, aged 53
Quality Director
Representative of the Corporate Executive Team for the Integrated Management System.
Lavinia Dimitriu is a graduate of the Faculty of Chemical Technology Iași, Technical University Gheorghe Asachi Iași. She holds a a Master's degree in Management and Business Administration granted in 2000 by the same university and a Master's degree in Management and Marketing granted in 2007 by the Faculty of Pharmacy, University of Medicine and Pharmacy Grigore T. Popa Iași. Mrs. Dimitriu is currently a candidate for a doctor's degree at the Faculty of Pharmacy Iași. After graduating she worked as a chemical engineer engineer at the Fagaras-based Chemical Plant. Since 1987 she has been working in Antibiotice as a chemical engineer at the Biosynthesis – Lysine Plant. In 1990 she became Production Manager at the Parenteral Preparations Plant and in 2000 Quality Control Manager. Since 2003 she has been occupying the position of Quality Director. Starting with September 2007 she has become a Qualified Person in the manufacturing/import units of medicines for human use.
Antibiotice shares – 0

8. Ec. Gica Rusu, aged 47
Human Resources Director
Gica Rusu graduated from the Faculty of Industry, Construction and Transport Economics, University Alexandru Ioan Cuza Iași. She holds a Masters's degree in Human Resource Management granted by the same university in 2003. She has been working within Antibiotice since 1981 first as an economist at the Penicillin Plant and since 1996 she occupied the same position within the Financial Department. In 1999 Mrs. Rusu became the Head of the Human Resources Department. She has been occupying the position of Human Resources Director since 2005.
Antibiotice shares – 1,024

(Number of Antibiotice shares on November 29th, 2010 from the latest database in 2010)

Rights of financial instruments holders

Valuing our shareholders' investment is a priority objective of our company in the fulfillment of its obligations and mission, which is accomplished by implementing a policy aimed at ensuring the long-term confidence and achieving significant economic benefits.

Antibiotice encourages participation of the shareholders at the General Meetings of Shareholders, making possible their involvement in the fundamental decision-making as well as the full exercise of their rights.

Antibiotice complies with the principle "one share-one vote-one dividend", so that there are no non-voting shares, shares giving entitlement to more than one vote or preferred shares.

Shareholders are entitled to receive dividends in cash or, if the share capital increases, in the form of new shares. Dividends are a crucial element for investors. In fact, financial theory says that stock prices increase because of the future dividends which are to be distributed by an issuer.

Treatment of financial instruments holders

Antibiotice creates and develops timely and regularly an appropriate policy to promote effective communication with investors and shareholders, making sure itself that their right to be informed on decisions concerning fundamental corporate changes is respected.

Rights of minority shareholders are adequately protected under existing legislation and NSC and BSE regulations.

The most relevant information on the company's activity are presented on the website www.antibiotice.ro, in Romanian and English.

All information on the organization of General Meetings of Shareholders (GMS) and materials/documents under debate in GSMs are available for consultation by shareholders at the company headquarters, with the compliance of legal requirements on content and advertising.

On the company's website, in the "Information for shareholders" chapter there is a section dedicated to GSM, containing details regarding the conduct of the general meetings. Information in this section covers – without limitation – convocation of GSMs, informing materials and documents under debate and approvals, information on shareholders' rights, special powers-of-attorney forms, voting forms by mail, decisions taken and results of voting for each point on the agenda, financial calendar, current reports, annual, half-yearly and quarterly financial statements and dividend payment method.

Antibiotice has a specialized internal structure for its relations with the investors and shareholders, the staff in charge permanently studying the ever-changing legal system governing the capital market.

07-
Social responsibility

350 books donated by our employees' children for hospitalized children

Antibiotice has been granting Science and Soul scholarships for over 9 years

Antibiotice fulfills its mission to manufacture quality medicines that are accessible to patients and make profit for its shareholders. It is also involved in the community through charitable work, donations, sponsorships, as well as several humanitarian, educational or cultural projects.

Social projects

With science and soul alongside people in need

By carrying out numerous humanitarian campaigns, Antibiotice helped over the years thousands of children, elderly and sick people. The actions undertaken within the campaigns "The power of action", "With science and soul alongside people" and "Offer a book, offer a smile" brought joy and hope to the people's hearts.

In April, during Easter holidays, but also in December at Christmas time, Antibiotice joined the "Save the children" NGO, Iași branch, donating traditional and basic necessity food for 350 children and adults from Iași and the surrounding localities (Românești, Ruginoasa, Aroneanu, Tomești, Ciurea). The children from these families – who are not under the protection of any state organizations – are assisted by experts from "Save the children" organization so that they attend school and are not abandoned by their families because of precariousness.

June 1 – the campaign "Offer a book, offer a smile"

On the occasion of June 1st, the International Children's Day, Antibiotice organized an event dedicated to children. The voluntary action involved the donation, on behalf of the employee's children, of 350 storybooks, coloring books and educational books, which made up a mini library in Sf. Maria Children's Hospital in Iași.

The company also donated gift packages for the 100 children treated in the Oncology and Nephrology wards at Sf. Maria Hospital. The packages were offered voluntarily by the company's employees and consisted of fruits, sweets and toys. The children from the Pediatric Hospital in Bacău, from Fundeni Hospital in Bucharest, from the Marie Curie Children's Hospital and the Institute of Oncology in Bucharest also received gifts. Moreover, the children were amused by the jokes of two clowns who also offered them balloons.

Education

The Science and Soul scholarships

Thanks to the scholarships given by Antibiotice, five children with no financial support began their secondary education courses at the best highschools in Iași, in the fall of 2009. For over 9 years, Antibiotice has joined the "Pro Ruralis" association to support the scholarship program for students from the rural area with a higher IQ, who come from underprivileged families. The first five young recipients of the "Science and soul" scholarships graduated from high school in the summer of 2009 and are currently students.

Antibiotice Science and Soul Foundation

In November 2010 upon the initiative of the company and of a number of employees, the Antibiotice Science and Soul foundation was established. Setting the base of this foundation is the way in which Antibiotice considers it normal and humane to be socially involved in the life of the community in which it takes part, and to actively contribute to the fulfillment of people's dreams by offering them resources and support.

Antibiotice Science and Soul foundation intends to continue the tradition opened by the company and conduct charitable actions; in addition there will be humanitarian, educational and cultural projects meant to improve the population's health conditions and to solve certain social issues.

10,000 people worked for Antibiotice within the past 55 years

ANEIR trophy for upward trend in exports

Sport

For almost half a century, Antibiotice has supported the volleyball in Iași. Penicilina women's volleyball team has evolved in first division since 1962 and it was the only local team present in the A-list of performance sport. Throughout its history Penicilina won the national champion title twice and that of vice champion four times. On December 8th 2010 Antibiotice relaunched the Penicilina Iași women's volleyball club.

Actions for the former and current employees

Each year, Antibiotice organizes special events for the employees and their families on March 1st, on June 1st and on Christmas.

For the past 11 years, the company's anniversary on the 11th December occasions a traditional meeting of the former employees, currently retired. The Association of the Former Antibiotice Employees was established in 2005 and aims at monitoring and solving various problems which the former Antibiotice employees face every day.

Antibiotice supports the Association of Former Employees by providing medicines and paying visits to the suffering, by providing legal assistance in litigations with the local and national authorities, and in the organization of thematic tours in the county or across Romania. This association is a bridge between the company's management and the former staff.

All these actions prove the concern Antibiotice has for the people who worked and contributed, along the years, to develop and consolidate the business activities on the pharmaceutical market.

Recognition within the business community

In 2010, as every year, Antibiotice is represented in the National Top of Companies conducted by the Romanian Chamber of Commerce, a top gathering companies with the best economic results. Antibiotice also features in top Iași companies constituted by the Chamber of Commerce and Industry of Iași.

Also, due to exports' increase, in November 2010 Antibiotice received the Trophy of Honour on behalf of the National Association of Exporters and Importers of Romania (ANEIR).

Promoting environmental protection

The environmental program "Be Pro Nature! Get Involved!" set out in 2008. Through this program the company shows its responsibility and involvement in environmental protection by investing significant resources in protecting water, air and soil. Under the umbrella of this program, the following actions were organized:

Earth Hour 2010

On March 27th 2010, Antibiotice participated in the "Earth Hour" international campaign, symbolically turning off outdoor lighting for one hour. Having become the biggest environmental event in history, the "Earth Hour" was initiated by the WWF in 2007. Since 2009, Romania has joined the worldwide Earth Hour campaign which aims at informing and raising awareness among employees about the causes and effects of climate change.

Antibiotice participates in this campaign for the second year in a row, by informing its employees and by turning off the outdoor lighting.

Let's Do It, Romania 2010! – The National Cleaning Day

For the first time in our country, on September 25, volunteers from across the country decided to participate in cleaning the piles of garbage generated by humans in nature, in a single day. The idea of this project originated in Estonia in March 2008. The "Let's Do It Romania" project aims at educating people and drawing their awareness on the importance of protecting the natural environment. Antibiotice was a sponsor of this action in Iași and the surroundings, providing gloves and bags and a bus for the transportation of volunteers. Also, several company employees volunteered to collect household waste in the Bucium area along with high school and university students and other companies' employees.

Environmental protection

At Antibiotice environmental protection is regulated by the Integrated Environmental Authorization and the Water Management Authorization. The new Integrated Environmental Authorization no. 1/10.01/2011 with ten-year validity was issued by the Agency for Regional Environmental Protection in Bacău, as a result of the audit in October 2010. A new Authorization for Water Management no. 303/20.12.2010 was issued by the "Romanian Waters" National Administration, the Water Basin Administration Prut – Bârlad, after the inspection of November 2010.

Antibiotice controls the impact of its activities on the environment through the Environmental Management System certified according to ISO 14001:2004 by Lloyd's Register Quality

New Integrated Environmental Authorization valid 10 years

No environmental incident reported in 2010

Assurance (LRQA). In February 2010 LRQA performed an audit to assess the compliance of the Environmental Management System. The inspection observed the proper functioning of the system and recommended its recertification.

In 2010, in order to comply with the legislation and prevent any environmental incident, Antibiotice provided the necessary specific facilities and qualified staff and organized quarterly training activities for its employees. The monitoring of the environmental factors was performed according to the requirements of the Integrated Environmental Agency in its own laboratories, as well as though a laboratory certified by the Romanian Accreditation Association – National Accreditation Body (RENAR).

The measures ordered by the control authorities concerning the environment were solved and the requirements of the Integrated Environmental Authorization were met.

Air quality

In order to monitor air quality, the laboratory of the company's waste water treatment station conducted 2660 analyses on pollutant emissions. The maximum permissible concentrations set out by the Integrated Environmental Authorization were not exceeded.

The emissions of non-methane volatile organic compounds (NMVOC) from the Nystatin (active ingredient) extraction plant were determined on the basis of the balance of solvents and samples collected and analyzed by the Givaroli Bucharest laboratory.

Monitoring the emissions from the company's own industrial waste incineration installation is performed in compliance with the requirements of the Integrated Environmental Authorization, through laboratory analysis conducted by Givaroli Bucharest. The results from the analysis reports showed that the plant operates within the designed parameters and respects the environmental protection regulations.

The analysis of exhaust gases released in the atmosphere by the heating plant did not reveal any exceeding of the emission limit values.

Water quality

To monitor the water quality entering the treatment plant (which is afterwards discharged in the municipal sewer system), the quality of the conventional clean water discharged in the environment as well as the quality of ground waters, 24935 analyses were performed. Also, the ground water quality was monitored by collecting and analyzing samples taken from the nine perimeter observation drills and from the drill located downstream of the landfill site.

The treatment plant operated with yields ranging between 85% and 98%, which corresponds to an efficient operation. The maximum permissible levels set by the Integrated Environmental Authorization, the Water Management Authorization and by the GD no. 352/2005 (NTPA 001 and NTPA 002) were not exceeded.

Soil quality

Of the 41.5 hectares of land owned by the company, approximately 16.5 hectares are green spaces. There was no accidental pollution or environmental incident leading to the degradation of soil quality in the area of influence of the company activity.

Waste management

Antibiotice has a system for the waste selective collection, each manufacturing plant and auxiliary activity uses appropriate collection containers.

The recyclable waste was recovered by contract with licensed operators. The recoverable waste was incinerated in the company's own installation or disposed of in the municipal waste landfill.

The packaging-waste was managed according to the amount of products introduced by Antibiotice on the Romanian market. In 2010 the contract with a licensed economic operator was maintained, which collected and disposed of in the name of the company, 186,570 kilograms of glass, 152,880 kilograms of paper and cardboard, 13,950 kilograms of plastic and 26,620 kilograms of metal (aluminium). Thus, both the overall recycling goal and the minimum recycling objectives were met, (types of materials, established by the Government Decision no. 621/2005 amended and supplemented).

The Electric and Electronic Equipment Waste (EEEW) were collected according to the existent internal procedures, and the total amount of stock indicates 3,312 kg. The EEEW are stored within the company in suitable facilities (closed, masonry facilities), from which they are delivered to the licensed economic operators.

08-

Economic and financial results for 2010

The financial activity of Antibiotice company evolved under the circumstances generated by the national and international economico-financial crisis.

The evolution of Profit and Loss Account on December 31st, 2010, as compared with the values recorded in years 2008-2010, is presented below.

The net turnover of last year was of 243.6 million LEI, of which 190.6 million LEI accounted for sales on the domestic market (78%) and 53 million LEI (22%) sales on external markets, with an overall increase by 11% as compared with the net turnover of 2009 (219.8 million LEI).

The discounts granted to the customer–distributors post delivery of goods, clearly reflected in the 2010 data according to OMF 3055/2009 provisions, were 18.9 million LEI. The trade discounts were granted for increasing the sales volume in relation with the approved commercial offers.

The sold production increased by 18%, i.e. 224.9 million LEI, whereas in the previous year it was only 191.3 million LEI. Revenues from sales account for, for the most part, 37.6 million LEI, the value of the products in the company's portfolio manufactured on other manufacturing lines (abroad), on dedicated flows as a result of the requirements imposed by the GMP regulations in force.

Given that production in 2010 amounted to 224.5 million LEI, by 24.24% higher than in 2009 (180.7 million LEI), the expenses with raw materials and energy were 16% higher than in 2009.

The staff-related costs have registered a growth of about 2 million LEI (3% increase) as compared with the previous year.

Expenses for the amortization of tangible and intangible assets were 13.2 million LEI, aproximatively equal to those of 2009 (13.6 million LEI).

With reference to the current assets, the value adjustments amounted to 18.6 million LEI, whereas in 2009 they were 3.7 million LEI. The value recorded in the previous fiscal year was accounting for operating expenses related to the adjustments of the current assets depreciation (payables) worth of 21 million LEI; also, with respect to certain revenues resulted from the reduction of adjustments from the depreciation of current assets (payables) of 2.4 million LEI, related to adjustments performed during the previous financial years.

The effect of a rigurous management of all the expenses resulted in an operating profit of 30.6 million LEI, by 17% higher than the recorded value in 2009 (26.2 million LEI). The operating result was influenced in 2010 by the financial result, thus leading to an unfavourable difference of 12.1 million LEI, by 15% higher than that of 2009 (10.5 million LEI), the main influence being exerted by the difference of the currency exchange rate.

The USD exchange rate recorded various changes during 2010, i.e. from 2.9361 LEI/USD on December 31, 2009, to 3.2045 LEI/USD on December 31, 2010, attaining a peak of 3.5697 LEI/USD on June 29, 2010 and a minimum value of 2.8388 LEI/USD on January 13, 2010.

With respect to the EURO exchange rate, it went up from 4.2282 LEI/EUR on December 13, 2009 to 4.2848 LEI/EUR on December 31, 2010, a peak being attained on June 30th, 2010 (4.3688 LEI/EUR) and a low on March 25, 2010 (4.0653 LEI/EUR).

The evolution of Profit and Loss Account in years 2008–2010

mln. LEI

Indicator	2008	2009	2010	2010/2009
Turnover	215.81	219.75	243.63	1.11
Total income	231.22	221.31	262.82	1.19
Total expenses	217.85	205.66	244.34	1.19
Gross profit	13.38	15.65	18.47	1.18
Net profit	10.57	11.92	12.54	1.05

Profit distribution

mln. LEI

Destination	Amount
Profit distribution:	12,539,100
- legal reserve	923,614
- own financing sources and other distributions from profit complying with the law	2,580,448
- dividends, out of which:	9,035,038
- dividends due to the main shareholder	4,790,131
- dividends due to other legal and natural persons	4,244,907

Balance sheet evolution in years 2008–2010

mln. LEI

	01.01.2008	01.01.2009	01.01.2010	31.12.2010	%
Fixed assets					
I. Nontangible fixed assets	1.77	1.72	1.81	1.99	9.95
II. Tangible fixed assets	162.32	163.56	156.83	166.41	6.11
III. Financial fixed assets	0.08	0.08	0.08	0.08	
Fixed assets – TOTAL	**164.10**	**165.35**	**158.72**	**168.48**	**6.15**
Current assets					
I. Stocks	21.75	35.95	34.15	40.41	18.33
Raw materials and consumables	9.64	11.51	10.41	13.15	26.32
Production in progress	0.95	0.96	0.94	1.21	28.72
Finished products and goods	11.14	23.32	22.64	25.83	14.09
Advances for buying stocks	0.02	0.17	0.16	0.21	31.25
II. Receivables	122.33	124.45	179.77	179.81	0.02
III. Cash and bank accounts	36.69	42.12			
Current assets – TOTAL	**180.77**	**202.52**	**217.50**	**223.94**	**2.96**
Expenses in advance	**0.42**	**0.31**	**0.48**	**0.33**	**-31.25**
Debts to be paid within one year	**84.28**	**111.38**	**114.22**	**110.65**	**-3.13**
Debts to be paid within a period longer than one year	**3.81**	**1.45**	**0.03**	**0**	
Provisions	**2.40**	**1.00**	**14**	**13.9**	**-0,71**
Incomes in advance	**8.55**	**7.45**	**6.42**	**5.58**	**-13.08**

The financial results were mainly influenced by the following expenses:

- expenses for bank interests amounting to 3.3 million LEI;
- expenses from currency exchange rate differences related to the currency liabilities and debts worth 18 million LEI;
- expenditure on discounts granted to distributors (5 million LEI) in case the invoices are paid prior to the contractual payment terms.

The influence of the financial expenses was attenuated mainly by the financial incomes, as follows:

- incomes from currency exchange rates differences worth of 14.2 million LEI;
- other financial incomes (0.1 million LEI).

As a peculiarity of 2010 as compared to the previous financial years, the positions representing "Other financial incomes" and "Other financial expenses" record higher absolute values because of changes that have ocurred since January 1st 2010, due to entering into force of OMF 3055/2009 which, according to article 174, imposes the accounting re-assessment and registration, at the end of each calendar month, of the differences from currency exchange rates related to the current cash, liabilities and debts in foreign currency.

By cumulative combination of these two activities, operation and financial, in 2010 resulted a total income of 262.8 million LEI, 19% higher than in 2009, i.e. 221.3 million LEI. To this total income corresponds in 2010 total expenses worth of 244.3 million LEI, whereas in the previous year these total income raised only to 205.7 million LEI.

The gross profit for this financial year is worth 18.5 million LEI, by 18% higher than that of 2009 – 15.6 million LEI.

After influencing the gross profit, with expenses accounting for tax on profit of 5.9 million LEI, the net profit was 12.5 million LEI, higher than in 2009 (11.9 million LEI).

The net profit of 12.5 million LEI was distributed in accordance with the provisions of G.O. 64/2001, approved with amendments by the Law 769/2001 and GO 61/2004, and G.O. 55/2010, as follows.

The amount of 2,580,448 LEI, representing the company's own sources of funding provided by law, consists of:

- Company's own sources of funding – 1,003,893 LEI;
- Facilities from capitalization of goods resulting from dismantled fixed assets – 531,339 LEI;
- Facilities from the valorization of waste – 716,890 LEI;
- Sums from the correction of the result reported – 21,506 LEI;
- Fiscal facilities for R&D activities according to art. 19, Tax Code – 306,820 LEI.

In accordance with the OMF (Ordinance of the Ministry of Finance) 3055/2009, the company shows no calculated dividends as debt; they shall be recorded as a liability after the balance approval by the General Meeting of Shareholders.

In 2010, the gross dividend value per share was 9,035,038 LEI/447,656,681 shares = 0.018915339 LEI.

The amount of due gross dividend/share over the past two years evolved as follows:

2008	**0.008328706 LEI**
2009	**0.005003193 LEI**

In conducting activities on-site, the company's employees had at hand a series of goods which registered the following value evolution during the previous 3 years.

The intangible fixed assets including licenses for new products and licenses for computer operation systems have recorded an increase this year from 1.8 million LEI to 2 million LEI. The tangible fixed assets increased during 2010 from 156.8 million LEI to 166.4 million LEI due to new investments, to differences from re-evaluation, these operations being accounted on December 31, 2010.

On December 31, 2010, the average level of wear of the fixed assets was 60%.

Balance sheet liabilities

The company recorded on 31 December 2010 only debt payable within one year.

The amounts owed to the credit institutions at end of year are by 7% lower than in 2009, i.e. from 74.7 million LEI (December 31, 2009) to 69.3 million LEI (December 31, 2010). This was done due to better collections during the second half of the year, thus making possible a partial reimbursement of the credit lines for the working capital.

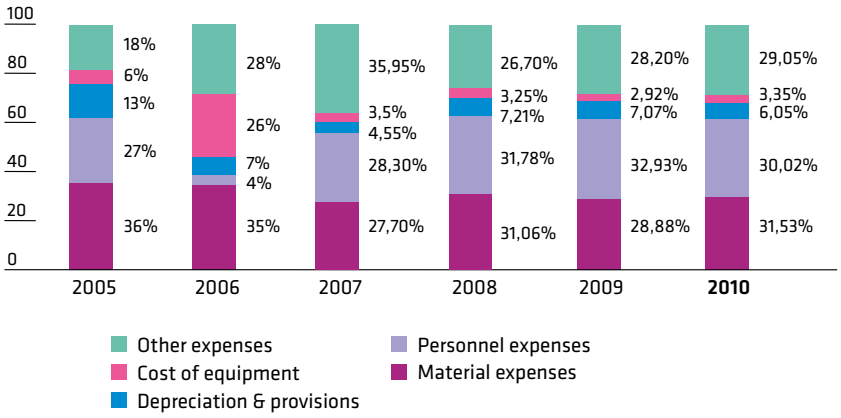
The bank loans contracted by the company on 31 December 2010 have the following structure.

Commercial debts to suppliers recorded on December 31, 2010, in the amount of 29.8 million LEI, are on rise by 3% as compared to 2009 (28.9 million LEI).

During 2010, the company faced no legal issues in terms of financial obligations towards the internal and external suppliers.

The net current assets at the end of fiscal year 2010 recorded a growth of over 7%, from 282.1 million LEI as compared with the previous year when it was 262.5 million LEI, thus indicating a fair yield of return on equity and of attracted ones, as well.

Operating expenses breakdown

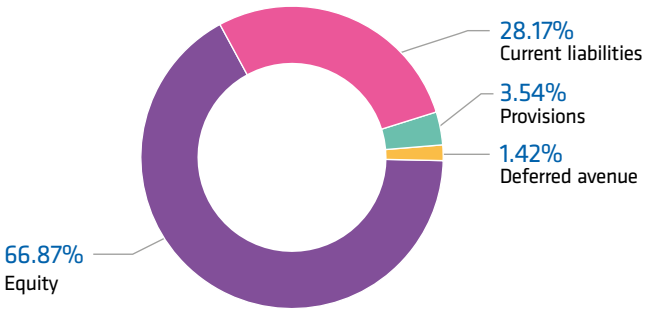


Credit contracts contracted by 31st December 2010

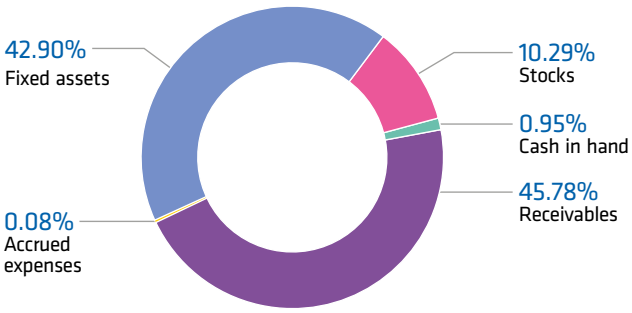
Bank name	Date for contracting the credit*	Type of credit	Credit value	Outstanding on Dec 31, 2010	Due term of payment	Warranties
Total CITI Iași	Jan 27, 2010	Credit facility	1,500,000 EUR	401,498 EUR	Jan 26, 2011	Debt assignment
Total Alpha	April 18, 2005	Credit facility	9,800,000 EUR	7.504,244 EUR	May 31, 2011	Debt assignment
Total RBS BANK Iași	July 17, 2006	Credit facility	11,000,000 EUR	8,268,082 EUR	July 29, 2011	Mortgage build. + land
TOTAL				**16,173,824 EUR**		

* Date for credit contracting represents that date of the credit agreement was concluded, extended initially by additional documents.

Liabilities



Assets



Balance Sheet of the Financial Year 2010*

LEI

	2009	2010
A. FIXED ASSETS		
I. Intangible fixed assets	**1,809,414**	**1,989,252**
Concesions, patents, licenses, trademarks, rights and similar values	473,026	1,327,149
Advances and non-tangible fixed assets in course	1,336,388	662,103
II. Tangible fixed assets	**156,831,681**	**166,413,201**
Land and buildings	137,015,431	143,733,624
Technical installations and machinery	14,695,138	20,028,204
Other installations, equipment and furniture	708,974	811,204
Advances and tangible fixed assets in course	4,412,138	1,840,169
III. Financial fixed assets	**81,059**	**81,421**
Titles as tradeable securities	60,000	60,000
Titles as fixed assets	640	140
Other payables	20,419	21,281
Fixed assets – TOTAL	**158,722,154**	**168,483,874**
B. CURRENT ASSETS		
I. Stocks	**34,148,030**	**40,407,875**
Raw materials and consumables	10,409,543	13,152,374
Production in progress	938,895	1,209,603
Finished products and merchandise	22,639,256	25,831,908
Advances for stock purchases	160,336	213,990
II. Receivables	**179,772,285**	**179,809,223**
Commercial receivables	179,145,935	177,364,680
Other receivables	626,350	2,444,543
III. Cash and accounts with banks	**3,576,127**	**3,723,380**
Current assets – TOTAL	**217,496,442**	**223,940,478**
C. PREPAYMENTS	**481,812**	**327,246**
D. LIABILITIES PAYABLE WITHIN ONE YEAR	114,219,143	110,652,469
Amounts owed to credit institutions	74,745,728	69,301,605
Advances collected for orders	7,028	73,177
Commercial debt	28,925,677	29,771,888
Bills of exchange payable	681,588	1,372,263
Other debt, including tax and debt for social security	9,859,122	10,133,536
E. NET CURRENT ASSETS – LIABILITIES	**103,759,111**	**113,615,255**
F. TOTAL ASSETS MINUS CURRENT LIABILITIES	**262,481,265**	**282,099,129**
G. LIABILITIES PAYABLE IN MORE THAN A YEAR	**33,137**	**0**
Other debt, including tax and debt for social security	33,137	0
H. PROVISIONS FOR RISK AND EXPENSES	**14,008,241**	**13,904,637**
I. INCOME IN ADVANCE, OF WHICH:	**6,415,677**	**5,582,048**
Subsidies for investments	6,415,677	5,582,048
Deffered revenue	0	0

*The financial statements, as per the IFRS provisions are available at www.antibiotice.ro/investors

LEI

		2009	2010
J. CAPITAL AND RESERVES			
Subscribed and paid capital		45,489,729	47,765,668
Reevaluation reserves		95,396,469	103,382,910
Reserves		91,294,309	99,869,886
Legal reserves		9,097,946	10,021,560
Reevaluation surplus reserves		422,515	506,713
Other reserves		81,773,848	89,341,613
Reported result	Credit balance / Balance due	1,995,648	21,506
Result of the fiscal year	Credit balance	11,916,807	12,539,100
Profit distribution		77,456	923,614
Total equity		**242,024,210**	**262,612,444**
Total capital		**242,024,210**	**262,612,444**

The equity capital recorded an increase from 242 million LEI in the previous year to 262.6 million LEI in 2010 (up over 8.5%).

On December 31, 2010, the reported share capital was 47,765,668 LEI and on December 31, 2009, respectively, 45,489,729 LEI.
The increase of 2,275,939 LEI was achieved by the capitalization of 2009 dividends following the decision taken in the Extraordinary General Meeting of Shareholders held at the Antibiotice h.q. on November 12, 2010.

The effects of the adopted decision were felt by all shareholders of the company since the recording date (November 29, 2010) by an index of allocation of 0.050031931.

The level of debt of the company (calculated as the ratio total payables/equity capital) was 42% on December 31 2010 compared with December 31, 2009 (47%), which is a very good situation.

In 2010, current debts worth of 34.7 million LEI were settled to the state and local budget.

The level of cash and cash equivalents was 3.3 million at the beginning of the fiscal year. The cash receipts from operational activities were 204.5 million LEI. The cash payments to suppliers of goods and services were 103.8 million LEI, and those staff-related and on behalf of employees were of 64.2 million LEI.

At the same time, payments worth of 11.5 million LEI were done, representing the tax on profit, VAT, local taxes and bank interests, also payments for acquisition of fixed means worth of 13.7 million LEI.

With reference to the financing activity, reimbursements worth of 0.9 million LEI (net value) were recorded, representing long-term loans, payments of 7.8 million LEI – short-term loans, dividends payments (0.6 million LEI) and leasing contracts related payments (1.5 LEI).

At the end of the year, the cash and cash-equivalents level amounted to 3.7 million LEI.

Cash flow

LEI

	2009	2010
I. Operational cash flow		
Cash receipts from sales and provision of services	174,796,090	204,044,572
Cash receipts from royalties, fees, commissions and other types of income	286,567	415,227
Cash payments to suppliers of goods and services	(98,720,314)	(103,803,359)
Cash payment to and on behalf of the employees, payments made by the employer in connection to staff	(60,300,302)	(64,183,435)
VAT paid	(3,742,649)	(2,023,979)
Other taxes, fees and assimilated payments	(870,672)	(903,982)
Cash generated by operation	11,448,720	33,545,044
Interest earned	243,618	45,893
Interest paid	(3,595,528)	(3,468,958)
Profit tax paid	(2,836,153)	(5,097,864)
Net operational cash flows	**5,260,657**	**25,024,115**
II. Investment cash flow		
Cash collection and payments from other invesments	(21,275)	
Cash payments for purchase of land and fixed assets, intangible assets and other long-term assets	(2,610,545)	(13,746,633)
Interest earned		(862)
Dividends earned		266
Net investment cash flows	**(2,631,820)**	**(13,747,229)**
III. Financing cash flows		
Proceeds from long-term loans/repayments	(1,441,294)	(924,919)
Proceeds from short-term loans/repayments	1,891,099	(7,769,750)
Payments for financial leasing operations	(2,132,547)	(1,525,954)
Purchase of shares		500
Dividends paid	(7,475,421)	(649,510)
Net financing cash flows	(9,158,162)	(10,869,633)
Effects of exchange rate variation related to cash and cash equivalents		–
Cash flows – TOTAL	**(6,529,325)**	**407,252**
Cash and cash equivalents at the beginning of the period	**9,845,453**	**3,316,127**
Cash and cash equivalents at the end of the period	**3,316,127**	**3,723,380**

Intermediate management balances

LEI

Indicators	2009	2010
Sales of goods	28,437,397	37,647,080
Expenditure on goods	11,833,612	18,537,909
Trade margin	**16,603,785**	**19,109,171**
Production sold	191,316,707	224,870,563
Production stored	-2,781,202	1,684,820
Capitalised production	559,531	899,908
Production of the financial year	**189,095,036**	**227,455,291**
Material expenses	43,784,947	50,168,643
Industrial margin	**145,310,089**	**177,286,648**
Trade margin	16,603,785	19,109,171
Other purchases and external expenses	52,110,059	48,756,252
Added value (AV)	**109,803,815**	**147,639,567**
Operational subsidies	0	0
Personnel related expenses	63,417,664	65,439,305
Taxes and fees	1,084,196	1,055,070
Gross operating surplus (GOS)	**45,301,955**	**81,145,192**
Trade discount	0	18,891,581
Other operating income	1,207,261	2,319,401
Expenses with depreciation and operating provisions	17,635,371	31,886,446
Other operating expenses	2,701,084	2,124,066
Operating profit	**26,172,761**	**30,562,500**
Financial income	2,569,667	14,285,390
Financial expenses	13,094,900	26,375,620
Current result	**15,647,528**	**18,472,270**
Extraordinary income	0	
Extraordinary expenses	0	
Gross result of the financial year	**15,647,528**	**18,472,270**
Income tax	3,730,721	5,933,170
Net result of the financial year	**11,916,807**	**12,539,100**

09-
Risk Factors

Impact of economic crisis on Romanian pharmaceutical market

2010 marked a turning point for the pharmaceutical market in Romania. A large distributor entered an insolvency procedure this generating negative effects on the entire health system. That is why encashment security has become a priority for distributors and producers, being even allowed the withdrawal of certain products or manufacturers from the market.

Also in 2010 the transfer of hospitals from the Ministry of Health to the local authorities was decided, the legal framework for their financing being not yet applicable.

There are risks to ensure appropriate treatment of the chronically ill by revaluing the list of compensated products in terms of limiting them. A positive aspect, however , would be the introduction of generic products on the lists, just as valuable from therapeutic standpoint as the innovative products.

Changes in the regulations on the authorization of pharmaceutical products in foreign markets

Lately a general tendency can be observed, regarding the enhancement of the control measures over the access of pharmaceutical products on the market, and strengthening of the regulations on the pharmaceutical companies and products' registration at the local health authorities.

In its export activity, the company has to comply with the legislation from the target countries, in terms of authorizations, quality requirements and marketing conditions. Adapting to the legislative requirements involves both financial and time costs, as well as human resources expenditure, and increases the risk of incertitude regarding the marketing potential of the products, taking into consideration the modification of the market conditions that might occur during the registration procedure. The regulations are particularly strict and costly in the developed countries from Europe, United States or Australia.

At the same time, one must take into consideration the risks related to the changes of the authorization regulations, especially in the emergent countries, where there is a tendency of strengthening the authorization and control measures for pharmaceuticals. Such changes might involve supplementary delays in marketing the products and might have a negative impact on the initial forecasts.

Antibiotice has a proactive approach on such risks, being constantly concerned to obtain international certifications for the production capacities, to update the authorization documentation for its products and to perform bioequivalence and stability studies, closely following the legislative modifications at international level.

Recurrence of protectionist policies in some foreign markets

Another tendency, noticed particularly in the emergent markets, is the resurrection of protectionist commercial policies, both explicit and indirect, regarding the access of medicines on the market. Developing countries from Asia, Africa and South America apply economic policy measures for encouraging the local pharmaceutical industry by imports substitution. In the same time, indirect protectionist measures can be applied, through implementing specific quality or registration requirements.

In these conditions, the risk of losing some markets or narrowing down the future access possibilities occurs, affecting the company's strategic forecasts on the export of finished products.

This type of risks is out of the company's control, therefore in order to control their impact the company has been constantly watching over the international commercial policy tendencies and implementing a diversified export strategy, in terms of structure and geographic areas, with different approaches for the developed and under-development markets. Moreover, the company is aiming for

strategic partnerships on each market, with companies holding important positions locally, that have the capacity of following and controlling such risks.

International economic instability

The economic crisis started in 2008 made its effects felt in 2010 also, although some developed countries emerged from recession in this period. For many developing countries, including Romania, the crisis continued in early 2011, which implies on one hand the downfall of the buying capacity and underfinancing of the health systems and, on the other hand, the enhancement of the non-payment risks. These influences can affect negatively the demand for the company's products as well as the price levels, and can result in delays in recovering the external receivables.

In order to minimize the negative economic influences, the company strategic approach involves a balanced geographic distribution of its exports, with a special focus on developing the market of the countries less affected by recession. Also, the company adopts supplementary insurance measures, by using specific international payment instruments and contracting insurance policies covering its due receivables.

International pharmaceutical market dynamics and fluctuations in foreign exchange

The international pharmaceutical market is one of the most dynamic markets competition-wise, with rapid changes related to the players and products. Almost 80% of the world production for pharmaceuticals is concentrated in USA, Germany, UK, Switzerland, France, Japan, Italy, Canada, Netherlands, Belgium and Denmark, dominated by the multinational companies. These companies are strong players on the world market, and they adopt policies meant to consolidate their international position by mergers and acquisitions.

On the generics market, the influence of the Chinese and Indian companies is growing, with aggressive promotion strategies, externally oriented, through aligning to the latest international regulations and offering products at low price levels. The international tendencies have been lately in favor of increasing the generics consumption (relatively reduced national budgets, underdeveloped pipelines for innovative products, the competition of Asian countries both for finished formulations and for active substances). At the same time, a great number of emerging countries adopt centralized acquisitions policies for pharmaceuticals, thus imposing low price levels.

On the other hand, the macroeconomic changes involve exchange rate fluctuations, which can be found as influences on the cost of the imported raw materials on one hand, and in the price of the exported prices on the finished products on the other hand. Also, the internal economic crisis, taxation enhancement and inflationist pressures are reflected in increased manufacturing costs, mainly for the raw materials from local suppliers and for utilities.

For countervailing these risks, the company adopts promotion policies focused on the quality of the products and the alignment to international standards. Also, a special interest is given to expanding the presence on the highly regulated markets, with relatively restrictive access conditions but also higher price levels.

Legislative changes affecting the local market

Romanian pharmaceutical market is highly regulated, with a complex legislation, aiming to control the quality and therapeutic efficiency of the products sold on the market and to avoid counterfeits. The control over the medicines on the market is performed at product level, through the National Agency of Medicines and Medical Devices (NAMMD), as well as in terms of pricing, through the Ministry of Health. The only products which are not covered by these regulations are food supplements.

The main risks that can influence the company's development on the Romanian pharmaceutical market are given by the changes that might occur in the local legislation, which can attract supplementary costs related to the documentary updates and aligning to the latest quality standards, according to the NAMMD regulations, or in influences related to the maximal selling price levels.

In order to control these risks, Antibiotice has been constantly following the legislative tendencies at national and European level, so that the changes can be foreseen and the adaptation time reduced. Also, the company aims to increase market share of foreign sales in total turnover, to minimize the influence of legislative changes in Romania on the general evolution of the company.

Financial risk factors

There are no notable influences with regard to price risk for the products of the company's portfolio. In 2011 there is a risk of selling a part of the goods sold on the hospital segment (approximately 10% of turnover) by electronic tenders at prices lower on average by 15% compared with the 2010 prices. This is due to increasing competition in the domestic market because of the entry of some new suppliers for a range of products.

The highest risk for the company in the years 2009 and 2010 and for which it is necessary finding ways to blur the negative effects in 2011, too, is the reduction in liquidity. The terms of settlement are not observed by the National Health Insurance House. Through the GD 1088/2009 the settlement term was established within 180 days, but, in fact, this term is extended to over 300 days.

To reduce the cash flow risk, company policies provide a number of targets for increasing the share of export in turnover because the settlement terms are generally between 60–90 days.

The risk of interrupting the supply of imported raw materials

Production of pharmaceutical raw materials is regulated by the quality standards that must be met by our suppliers. Our suppliers' failure to receive certification/recertification for the compliance with these rules may lead to stockouts and blocking certain production flows.

Environmental measures taken globally in recent years have resulted in fewer producers with high risk of polluting the environment or their relocation in other areas. This leads to fewer producers of such substances or even disappearance of some of them, involving increased bargaining power of suppliers who implement the environmental protection measures and maintain production and do not necessarily adapt to European trends in the pharmaceutical, which are binding for Romania.

The small number of global producers of raw materials and the strategic alliances between companies producing raw materials for medicines, can cause the impossibility of changing the supplier. Therefore, there is the risk of developing a relationship of dependency with a single supplier or a limited number of suppliers.

Each of the above-mentioned circumstances contribute to the risk of interrupting the supply process with imported raw materials. To counter this risk, Antibiotice continually invests in the search for alternative sources of raw materials and for assimilating new finished products with high therapeutic efficiency to replace the obsolete ones.

10-
Auditor's Report

Independent Auditor's Report to Antibiotice Shareholders

Report on financial statements

[1] We audited the financial statements of SC Antibiotice SA (hereby referred to as the Company) which comprise the balance sheet as of 31 December 2010, the profit and loss account, statement of changes in equity and cash flow statement for the financial year ended on the above-mentioned date and a summary of the significant accounting policies and other explanatory notes numbered from page 1 to page 22. The mentioned financial statements refer to:

Net assets / Total equity	**262,612 thousand LEI**
Net result of financial year – profit	**12,539 thousand LEI**

Executive Team's Responsibility for the Financial Statements

[2] The company's executive team is responsible for the elaboration and fair presentation of these financial statements in accordance with the Order of the Minister of Public Finance no. 3055/2009 and for the internal control considered by the executive team as necessary for elaborating the set of financial statements without any significant misstatements due to errors or fraud.

Auditor's Responsibility

[3] Our responsibility is that, based on the audit conducted, to express an opinion on these financial statements. We conducted our audit in conformity with the International Auditing Standards. These standards require that we comply with ethical requirements, plan and conduct the audit so as to obtain reasonable assurance of whether the financial statements are free of significant misstatements.

An audit consists in conducting procedures to obtain the proofs justifying the amounts and information contained in the financial statements. The selection of procedures is based on the professional judgment of auditors, including the evaluation of risk relative to significant misstatements in the financial statements, regardless if they are caused by error or fraud. In conducting these risk evaluations, the auditor takes into account the internal control relevant for the elaboration and faithful presentation of the company's financial statements in order to set the relevant auditing procedures in the given circumstances, but not with the aim of presenting an opinion on the effectiveness of the internal control system of the company. Auditing the financial situations equally includes the assessment of the accounting principles used, reasonableness of accounting estimates made by the executive team and the evaluation of the overall financial statement presentation.

We consider that the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

Base of qualified opinion

[4] The company recorded during the month of December 2009 revenues from the sale of finished products and goods in amount of 5.3 million LEI, with the corresponding costs amounting to 3 million LEI for which the delivery of finished products was made during January 2010. Thus, the result of the current fiscal year is underestimated by the amount of 2.3 million LEI.

Qualified opinion

[5] In our opinion, excepting the effects of the aspects described in paragraph [4], the enclosed financial statements of Antibiotice SA provides a fair image in all their significant aspects of the company's financial position on December 31, 2010, of its financial performance and cash flows in conformity with the Order of the Minister of Public Finance no. 3055/2009.

Highlighting some aspects

[6] Without further qualifying, we points out that the company made the reevaluation of the tangible assets in its patrimony using the company's experts. The coefficients for adjusting the reevaluated value contain some arguable elements in terms of determining the right value of the tangible assets.

Report on compliance between the financial statements and executive team's report

According to the Order of the Minister of Public Finance no. 3055/2009, Article 318, Section 2, we read the executive team's report attached to the financial statements and numbered from page 1 to page 37. The executive team's report is not a part of the financial statements. We did not identify in the executive team's report any significant discrepancies with the information presented in the accompanying financial statements.

In the name of:

BDO AUDIT
Registered with the Chamber of Financial Auditors of Romania
With no. 18/02.08.2001

Name of signatory:

Mircea Tudor
Registered with the Chamber of Financial Auditors of Romania
With no. 2566/25.06.2008

Bucharest, Romania
March 25th, 2011

ANNUAL REPORT 2010

Antibiotice SA

1, Valea Lupului Street,
Iași 707410, Romania
Tel: +40 (232) 209 000
Fax: +40 (232) 209 633
office@antibiotice.ro

www.antibiotice.ro