

THE MANAGEMENT BOARD REPORT on 2010

Annual report complying to:	OMF 3055/2009
For the year:	2010
Report date:	March 25 2011
Company name:	Antibiotice SA
Registered office:	Iasi, Str. Valea Lupului nr.1
Phone number, Fax:	0232/209000, 0232/209633
Registration number:	RO 1973096
Regulated market which trades issued shares:	Bucharest Stock Exchange
Subscribed and paid up capital:	47.765.668
Main characteristics of the securities issued by the company:	
Nominal shares, rated value:	0.10 RON

The company was founded in 1955 and defined as a company under Law no. 15/1990 and the GD no. 1200/12.11.1990 by taking the entire Antibiotice assets, with the legal form of share company.

On the 8 manufacturing flows, upgraded and certified in compliance with the Good Manufacturing Practice (GMP) standards are produced medicines five pharmaceutical formulations: powder for solutions and injectable suspensions (penicillin class), capsules, tablets, suppositories and topical preparations (ointments, gels, creams). Together, they form a complex portfolio of over 120 medicines for human use, designed to treat a wide range of dermatological, cardiovascular and digestive tract diseases, or of the musculo-skeletal system.

All manufacturing capacities which are the company's propriety are located on the registered office territory.

The company has ownership over all fixed assets recorded in the company accountancy.

On the domestic market, Antibiotice stands out as the main manufacturer of anti-infective medicines and the only manufacturer of active substances obtained by biosynthesis (Nystatin).

In addition, the position of leading Romanian manufacturer of anti-infective drugs, as well as the partnership with the Ministry of Health on national health programs, such as the Tuberculosis Control program, has resulted in a need for the Antibiotice medicines in any hospital in Romania.

The international certificates obtained for the product quality represented the premises of a sound development of Antibiotice. The main forms of certification proving the quality of Antibiotice medicines are: Good Manufacturing Practice (GMP), Certificate of Compliance with the European Pharmacopoeia and the Food and Drug Administration (FDA) for the United States and Canadian markets.

These certifications have allowed the company to develop partnerships for medicine export in finished form and Nystatin active substance in 45 countries worldwide.

The permanent monitoring of efficacy and safety in the administration of Antibiotice medicines is performed through its own Division of Pharmacovigilance and Medical Consulting connected to the European network of data processing concerning medicines safety - **Eudra Vigilance**. Antibiotice was the first company in Romania to comply to the European standards in pharmacovigilance.

Antibiotice is also the first Romanian company which gained recognition in February 2007 for the implementation of the Integrated Management System (quality, environment, health and safety) which proves that Antibiotice manufactures quality safe and effective medicines, protecting the environment, the health and safety of its employees.

With a tradition of over 55 years in the pharmaceutical industry and with a complex portfolio of products, ANTIBIOTICE SA Iasi is a top company among domestic manufacturers of generic medicines. The company is present on the Romanian pharmaceutical market with medicines from 10 therapeutic classes. The pharmaceutical market has increased in 2010 by 18,74%, reaching a value of 9.6 billion lei compared to 2009, when it reached 8.1 billion, according to Cegedim, a market research and analysis company (values are calculated based upon entry price in pharmacies).

The company's development programs framed for short and long term for the coming period are the foundation to ensure the conditions for strengthening and increasing the workload on the platform of ANTIBIOTICE SA Iasi.

Based on average annual growth index of the pharmaceutical market in Romania planned for 2010-2012 to 10%, Antibiotice has achieved a domestic market turnover of 190.6 million lei, while the distribution sales amounted to 234.5 million lei, while in pharmacies and hospitals to 222.2 million lei. (data source Cegedim 2010).

Referring to the two sales channels, the main characteristics by which the sales ran were:

- Hospital segment

Million lei	2008	2009	2010	2009/2008	2010/2009
Distributors output	64.57	73.88	75.54	114.4%	102.2%
Consumption in hospitals	69.06	82.87	79.9	120.0%	96.4%
ATB market share	7.1% (rank 3)	8.5% (rank 2)	7.9% (rank 3)		
ATB market share - generics market+OTC	25.1% (1 st rank)	25.9% (1 st rank)	24.3% (1 st rank)		

The reduction of budgets for drug consumption in hospitals has largely influenced during the last calendar year.

- Retail segment

Million lei	2008	2009	2010	2009/2008	2010/2009
Distributors output	129.6	133.1	157.6	102.7%	118.4%
Consumption in pharmacies	125.1	123.1	142.2	98.4%	155.5%
ATB market share	2.0% (rank 16)	1.7% (rank 16)	1.7% (rank 17)		
ATB market share - generics market+OTC	4.9% (rank 7)	4.7% (rank 7)	4.8% (rank 7)		

The main attributes of the retail sales for 2010 are:

1. The market launch of 14 new molecules (with different strengths) with an addition of 6.2 million lei in turnover (2.9%);

Cardio: Gladycor[®] (carvedilol), Almacor[®] (amlodipine), Nolet[®] (nebivolol).

Antiinfectives: Norquin[®] (norfloxacin), Roclarin[®] (clarithromycin).

Digestive tract: Novagast[®] (omeprazole), Ranitidine ATB 300 mg

Musculo-skeletal: Lorine[®] (risedronic acid), Clafen[®] Gel 5% (diclofenac)

Dermathological: Ekarzin[®] (betamethasone)

CNS: Zolpidem ATB, Tuadin[®] (donepezil), Spring[®] (risperidone), Zulin[®] (mirtazapine)

2. The increased consumption in the capsule formulations, tablets, and some injectable powders.

THE PRODUCT STRATEGY

The whole activity of the company - from research to production and sales - is structured on a portfolio of generic drugs as varied as possible concerning the pharmaceutical forms and therapeutic classes covered. The difference from competitors on the market - Romanian manufacturers or multinational corporations - can be achieved by continuous strategies of upgrading the product portfolio, manufacturing generic drugs therapeutically bioequivalent with the genuine product, maintaining high quality standards.

The creation of new products, especially in an industry so dynamic and specialized, as the pharmaceutical industry, aims mainly at the gradual product replacement in the medical therapy, while maintaining or increasing the volume of future sales.

The permanent and fast evolution of the pharmaceutical market in Romania and beyond, requires a careful selection of the therapeutic areas for the development of a pharmaceutical company in compliance with its manufacturing technological capabilities. On the other hand, the generic companies can manufacture and sell a drug only after the patent and data exclusivity for the innovative product have expired.

Antibiotice, the generic drug manufacturer will expand its assortment of drugs by the research / creation of new products, through the acquisition of licenses from other manufacturers or manufacturing contracts.

The Antibiotice future drug portfolio will mainly address the population of Romania, characterized by: high rate of aging (statistics indicate 6 million pensioners, i.e. 30% of the population), multiple diseases (some of them chronic or with high incidence - cardiovascular diseases, nervous system diseases, cancer, diabetes), and, last but not least, low-income.

The product portfolio of Antibiotice lasi will follow three main strategies:

1. The development of the existent therapeutic areas in the company's activity, through:
 - Anti-infective drugs;
 - Cardiovascular drugs;
 - Central nervous system drugs;
 - Digestive tract medication;
 - Dermatological preparations;
 - Musculo-skeletal system;
2. The attracting of new therapeutic classes, the oncology program beginning by 2010 (8 products).

THE PRICE STRATEGY

The legislation in the pharmaceutical domain limits the possibilities of the pharmaceutical companies to use the price as a strategic tool for the differentiation among manufacturers.

The differentiation in pricing for the same molecule, among the brands on the market may manifest as such:

- For drugs without prescription (OTCs): prices are determined freely by the manufacturers, the only barrier being the psychological price accepted by the patient;
- For prescription medicines: a generic medicine can be positioned in a price range which cannot exceed 65% from the price of the innovative drug

On the Hospital segment, the average manufacturer price in 2010 of Antibiotice is approximately 1.7 lei / therapeutic unit, representing 50% of the average market price (3.25 lei / therapeutic unit).

On the Retail segment, the average price of Antibiotice was of approximately 0.4 lei / therapeutic unit, representing 53% of the average market price (0.75 lei / therapeutic unit). The distribution average margin added on the company's current portfolio is 12% (10.9% - hospital and 14% - retail, 7.8% national programs: TBC), while the average added margin per pharmacy is 22%.

The pricing strategies for both the current portfolio of medicines as well as for the future portfolio will permanently follow a correlation between the maximum level prescribed by the law, the coverage of the manufacturing costs and providing competitiveness against the competition offer (positioning as first generic, the best quality / price ratio - National Health Programs: TBC and Oncology).

DISTRIBUTION STRATEGY

The extremely diverse product portfolio of Antibiotice which addresses both to the Hospital and Retail segments are necessary to address a conventional distribution, through a large number of distributors with a national coverage:

- the Hospital segment: 7-8 partners specialized in the Hospital market, which represent Antibiotice lasi to auctions and selections of offers organized by medical facilities equipped with beds.

Punctually, on limited geographical areas, with the current logistics capabilities, the company provides, directly and in its own name, the marketing of medicines in hospitals.

- the Retail segment: covered by a total of 13 distributors, with a national distribution network, specialized teams of sales and tele-sales. The main objective of these distributors is to ensure, through trade and competition practices the continued and active presence of Antibiotice products in the independent pharmacies (community pharmacies) as well as in the pharmaceutical groups (chains and mini-chains).

The partnership between Antibiotice and its distributors goes beyond the theoretical limits of a seller-buyer relationship, the interest of the parties is to identify the best combination of delivery terms, payment terms or means of support in the process of promotion and sales, so to attain the common goal which is the penetration of the pharmaceutical market.

In support of the cooperation, Antibiotice has developed its own account management system dealing, at the local level, with the optimal management of the needs of the distributors.

PROMOTION STRATEGY

In parallel with the marketing-distribution activity, and as a direct consequence of the structure of product portfolio, Antibiotice develops, within itself, a structure of promotion and marketing which employs about 150 people. This team has a pyramid-like structure on the local level, depending on the main therapeutic areas (anti-infectives, cardiovascular, nervous system and oncology) in: product manager, marketing analyst, medical representative, commercial representative.

Based upon current activities, i.e. direct promotion (door-to-door), to prescribers and pharmacies, the company pursues the integration in its promotion strategy of an integrated marketing communication system (CMR). This system requires the classification of the main promotion instruments of the Antibiotice medicines according to three triggers of prescription or purchasing decision: a physician will accept more easily as he has a good opinion about the product, about the person who promotes or sells or the pharmaceutical company who manufactures the drug.

The ongoing implementation of these strategies will enable Antibiotice to consolidate the position and image it currently holds on the market - the leader in the anti-infective drugs - as well as the access with generic drugs on new valuable therapeutic areas of interest in the health system in Romania (cardiovascular, nervous system, oncology and osteoporosis). The results of these efforts will translate into significant growth in the retail segment in particular, the majority of products sold through the Hospital channel maintaining at a relatively constant level of 33% - 35% of the annual turnover.

Antibiotice has invested in recent years to diversify its portfolio both in the company's traditional field (anti-infectives, digestive tract and metabolism, dermatology) as well as in new therapeutic areas (cardiovascular, central nervous system, medicines for the bone disease treatment, bisphosphonates).

The portfolio renewal and organic growth have managed to maintain a top ranking on the market of the main traditional therapeutic classes:

THERAPEUTIC CLASSES	Romanian pharmaceutical market		Antibiotice	
	2009	2010	2009	2010
DIGESTIVE TRACT AND METABOLISM	1.138.697.390	1.285.045.113	22.482.681	23.134.570
Antibiotice rank among top manufacturers			17	16
DERMATOLOGICAL PREPARATIONS	131.678.775	149.721.097	16.980.737	23.136.689
Antibiotice rank among top manufacturers			2	2
ANTI-INFECTIVES OF SYSTEMIC USE	929.293.573	993.673.362	130.165.792	137.454.943
Antibiotice rank among top manufacturers			2	2

Data source: Cegedim Romania 2009-2010

The new therapeutic class drugs launched in 2010 have won significant market share, due to marketing and promotion focused on information, education and fidelity gaining of healthcare professionals and patients of molecules like Lorin® (risedronic acid) 35 mg tablets - medicines for bone treatment have gained significant market shares.

In 2010 molecules for the treatment of the Central Nervous System were manufactured for the first time:

Tuadin® (donepezil) tablets
 Zulin® (mirtazapine) tablets
 Spring® (risperidone) tablets
 Rofluxin® (fluoxetine) capsules

In 2010, the actions of the three divisions of medical representatives (Anti-infectives, Cardiovascular and OTC-Dermatology) were sustained by actions meant to increase the medical information on the role of the generic drug or of various pathologies in organizing events or participation in scientific congresses in the field.

The main promotion events held in 2010 were:

The "Gh. Nastase" Congress Sixteenth Edition - Dermatology June 17-19 2010;
 The Otolaryngology National Congress, 32nd Edition, September 22 - 25 2010;
 The Invest Healthcare Forum - Healthcare Policies, September 27-29 2010;
 The National Conference on Infectious Diseases, September 23-25 2010;
 The National Congress of Psychiatry, Fourth Edition, September 29 - October 2 2010;
 The National Congress of Cardiology, Edition 49, October 7 - 10 2010;
 The National Congress of Pharmacy, Fourteenth Edition, October 13-16 2010;
 The SOROT National Conference on Orthopedics, October 6-9, 2010;
 The National Conference of Surgery, Fifth Edition, Fifth Edition, October 7 - 10 2010;
 The National Course guidelines and protocols in ATI and emergency medicine, Eight Edition October 14 - 16 2010;
 The National Conference on Pneumology 2010 INSPIR, October 14-16;
 The Postgraduate courses: "Update in antibiotic therapy", "Update in the treatment of hypertension".

Structure of turnover of Antibiotic consumer channels during 2010 - 2012

million lei

Consumption channels	2010	2011	2012
Retail	141	166	179
Growth rate (%)	+38.5%	+15.5%	+8.2%
Hospital	82	84	96
Growth rate (%)	+2.4%	+2.8%	+13.7%

The attraction of new molecules into manufacturing will provide a real potential to increase valued physical production especially for the following pharmaceutical forms: powder for injection, tablets and capsules.

The evolution of the valued physical production on the pharmaceutical market in Romania during 2010 - 2012

Therapeutic million units

Pharmaceutical forms	Therapeutic form	2010	2011	2012
Sterile powders and injectable solutions	Millions of vials	25.5	28.0	30.5
Tablets	Millions of tablets	179.0	192.0	209.0
Capsules	Millions of capsules	92.6	104.2	108.0
Topical preparations (ointment, cream, gel)	Millions of tubes	7.3	7.9	8.0
Suppositories	Millions of suppositories	47.1	51.8	52.6

At the level of the anti-infective portfolio the compound annual growth rate during 2009 - 2012 will reach about 8.3% from 113.5 million lei (2009) to 156 million lei (2012) both by market share increase of the current portfolio of cephalosporins and penicillins, as well as the contribution of new products - macrolides, carbapenems and carbencillines.

The main directions of action of Antibiotice for the segment of cardiovascular medication and platelet antagregants should lead to a compound annual growth rate (CAGR) in 2012 compared to 2009 from 16.5% from 10.0 million lei (2009) to approximately 18.5 million lei (2012) both for the current portfolio (beta blockers, ACE inhibitors) as well as of new products (antiplatelet agents, statins, ARBs).

Structure of turnover by therapeutic classes during the period 2010 - 2012 - million lei
Million lei

Therapeutic classes	2010	2011	2012
ANTI-INFECTIVES SYSTEMIC USE	130.7	140.7	156.0
CARDIOVASCULAR SYSTEM AND ANTIPLATELET AGENTS	14.4	16.0	18.5
DIGESTIVE TRACT	22.9	25.0	26.5
CENTRAL NERVOUS SYSTEM	12.1	15.0	16.6
MUSCULO SKELETAL SYSTEM	13.4	14.8	15.9
DERMATOLOGICAL PREPARATIONS	22.1	24.0	24.1
ONCOLOGY	1.5	5.9	8.3

The central nervous system medication will record a similar growth (CAGR = 16.6 %), from a value of 9 million lei in 2009 to approximately 16.6 in 2012, the growing source is represented by the new prescription drugs (antidepressants, antipsychotics, antialzheimer and tranquilizers).

At the level of the musculoskeletal portfolio, the annual growth rate will be made of approximately 14.7% from a value of 9.2 million lei in 2009 to approximately 15.9 in 2012, the growth sources originating in the classical antiinflammatories (Clafen® - diclofenac, Rubifen® - ketoprofen, Piroxicam) and the treatment for osteoporosis (Lorine® - risedronic acid).

The portfolio of oncology drugs will have the highest growth rate in the period 2010 - 2012 (CAGR 77%), Antibiotics benefiting from the promotion and capitalization of these drugs and from the experience of nearly 10 years in The National Program for Fighting Tuberculosis.

The share of new products absorbed during the 2009 - 2012 period in turnover will grow from 1% in 2009 (approximately 2.5 million lei) to over 12.5% in 2012 (approx. 35 million lei).

The risks typical for the pharmaceutical industry manifest at the level of the following situations:

- Distribution insolvency and pharmacies;
- Hospital merging and the reduction of number of beds in compliance with the national program initiated in 2011;
- Price reduction in compliance with the currency forecast;
- Out-of-payment terms and which makes it hard to ensure the cash-flow necessary to current activities (loans).
- Increasing evolution of original products, difficult to stop, even if generic drugs would make the access to treatment more affordable and less costly to the National Health Insurance Agency.

PRESENCE ON THE DOMESTIC MARKET

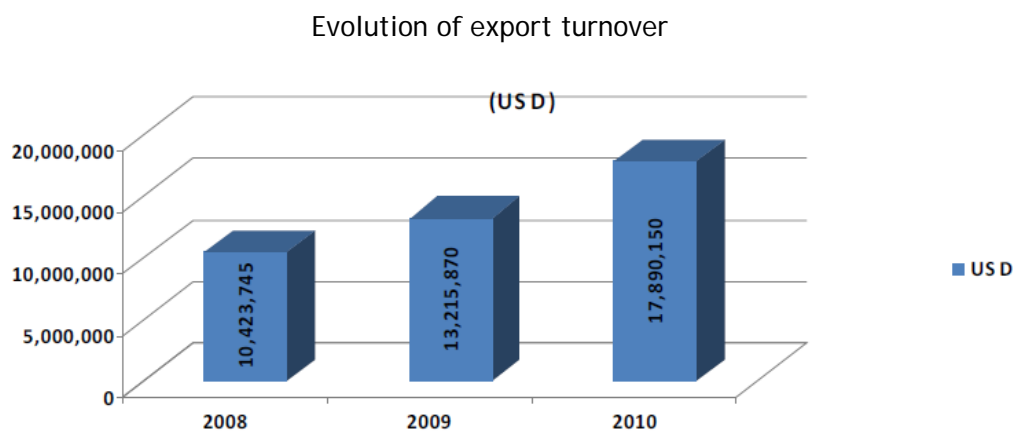
35% in export growth

2010 continued the upward trend in the export activity, resulting in positive evolutions of the export volume as well as in the geographical distribution.

The value level of export operations performed during 2010 was 17.887.187 USD, up by 35% compared to the export value from the previous year.

In 2010 the export share in the total turnover was 22%. In order to reduce the degree of dependence of the company on the domestic market, the target for the next three years involves achieving a rate of export share of over 25% of the company's turnover.

Structurally, there were no major changes in the share of the major export product groups. Thus, there was a relatively balanced distribution in the exports of active substances and finished products, the sales of Nystatin representing 50.71% of the total exports, the difference being covered by the exports of finished products.



The export of active substances - rising in value by 13%

The export strategy for active substances aimed simultaneously at improving the value and volume indexes, which led to a 6% increase in sale quantity, reflected in a value increase more than proportional, of 13% to a level of 8.785.489 USD. The main markets were those from Europe (Germany, Switzerland, Belgium, France, United Kingdom), North America (USA) and Asia (Vietnam, India, Syria, Iraq, China, Jordan).

The strategic direction set the previous year was maintained in 2010 related to Nystatin, thus obtaining an average price increase of 5.26% of the Pharma Grade range.

Antibiotice is the second largest global Nystatin manufacturer (active substance) with a share of approximately 33% of the global market.

The exports of finished products - up by 64%

The positive trend was also noticed concerning the exports of finished products, the value of deliveries to foreign markets in 2010 was higher by 64% compared to the previous year by 8.540.189 USD.

An important contribution in the export of finished products is represented by the activity of production under contract to customers in Europe. Although it represents a significant segment, the share of this activity was reduced from 54.00% in 2009 to 38.58% in 2010 due to increased promotion of product export in its own name on the markets of Asia, Africa and the CIS region.

International cooperation

An important component of the development strategy on the foreign market for the finished products is represented by sales on the regulated markets of Europe and the United States.

Thus, as a result of the completion of the registration of Ampicillin injectable with the FDA (Food and Drug Administration - U.S. drug regulator body) in 2010 deliveries for all doses of Ampicillin 1g, 2g, 500 mg, 250 mg reaching a level of 1.075.484 USD.

Due to 4 certificates registered in Hungary, in 2010 deliveries for Xivulan 1.2 mg (Amoxiplus) were initiated worth 213.000 USD. In parallel the company aims at

continuing and developing cooperation relationships with traditional partners from Europe for production under contract.

The exports of finished products to Russia + CIS recorded a growth in terms of value of 37% up to a level of 1.077.156 USD. The positive evolution is the result of the extension of number of products registered or submitted for registration in countries such as Moldova, Azerbaijan, Georgia, Armenia, Afghanistan and Uzbekistan, as well as of the identification of new partners for product distribution in this area in Belarus and Ukraine.

In 2010 a contract of cooperation was finalized and the documentation for the registration of Amoxiplus 1.2 g, Bisotens 5 mg, 10 mg, Simvastatin 20 mg, Lisinopril 10 mg, 20 mg, 40 mg was sent to market the Antibiotice products in Russia, one of the most important markets in terms of consumption of pharmaceutical products, which leads to medium and long term development provisions for this area.

The cumulative value of the exports of finished products for markets in Asia, Africa and South America doubled in comparison with the previous year, reaching a level of 3.283.527 USD.

The determining factor which led to the positive evolution was the development of partnerships on the Algerian market for the sale of oral products. At the same time, there was a continuation in the activity of promotion and development on markets such as Vietnam, Saudi Arabia, Yemen, Sri Lanka, Hong Kong, Iraq or Tunisia.

TRADE POLICY - domestic acquisitions

Providing the necessary of raw materials, machinery, equipment and spare parts was based on the manufacturing program launched - the suppliers were selected according to requirements imposed in the working procedures of Antibiotice.

During the whole period of 2010 the development of the acquisition program - domestic suppliers was performed within the established deadlines agreed with the other functional departments - based on economic analysis carried out previously, and finally, the acquisition itself being made in all cases at the lowest costs of supply.

Compared to the budgeted amount for the chapter on domestic acquisitions for 2010 which was 14.048.451 lei - the value of the acquisitions made by domestic suppliers was 13.985.947 lei.

One of the ongoing concerns of the activity was to analyze the product prices, a chapter where for certain raw materials there was a sharp instability of the unit price. An example is the petroleum-based products (acetone, methanol), whose price has increased from one month to another. In order to prevent such fluctuations, a monthly analyze was initiated for the offers from suppliers thus choosing the most advantageous pricing for the company.

The products manufactured from raw materials from agriculture (sunflower oil, soy flower) increased due to the poor results in this sector.

The price of package paper increased from 0.93 euro / kg in January 2010 to 0.96 euro / kg in June 2010 triggering the prices of packaging with consequences on the price of our products.

In this context, the shortcomings mentioned above were compensated by organizational measures such as:

- Determining the date of delivery of raw materials and materials closer to the date of effective production entry. Thus the storage in the company's warehouse was avoided.
- Centralizing of the received reports from the internal users and the permanent tracking of stocks by limiting purchases to a minimum;
- Cooperating with the Sales Department in order to achieve an optimum in the transport of the finished products towards finished products beneficiaries with the acquisition of raw materials for production;
- Increasing the credit period from suppliers from 60 to 90 days;

For the analyzed period, measures were taken to:

- Strictly observe the necessary of raw materials, materials and packages for production with a concern to eliminate the creation of stocks with a slow movement or with no movement at all;
- Review and renegotiate contracts for 2010 with the suppliers in terms of:
- Reduction of the price of raw materials and materials; increase of payment terms; obtaining from suppliers of larger credit periods;
- Firm establishment of delivery deadlines without a negative influence on the production in the sections;
- Daily analysis of incoming reports from sections and limiting purchase to a strictly minimum imposed by the manufacturing program or current interventions upon installations;
- Optimization of the circuit : ordering - transport - product entrance, reducing the safety stock from 7 days to 15 days, with a rigorous control of delivery terms from suppliers correlated with the entry into production of raw materials;
- Reducing storage time in the warehouses of the supplied raw materials until their introduction into production;

The activity within the Auto Transport Service was performed with transport units serving the following activities:

- Supply of raw materials, solvents both from internal and external sources;
- Transport of finished products to distributors, hospitals and warehouses within the country in compliance with economic contracts concluded with them;
- Transport people to and from work;
- Company service and internal administration;

The analysis of these activities shows that the total expenditure for 2010 was 3.167.571 lei, for a number of 1.384.025 km run, with a price level of 2.29 lei / km.

The total expenditure increased by 22.21% compared to the previous year, given that there was an increase in the number of kilometers by 8.42% (107.518 km), the increase of the fuel average price by 23% resulting in a price increase leu/km by 12.72% compared to the previous year.

In order to ensure temperature and humidity conditions, during the transport of finished products from Antibiotice headquarters to pharmacies, in compliance with the marketing authorisations and the transport of raw materials from domestic suppliers, in compliance with the conditions specified by the manufacturer, during the analyzed period, isothermal refrigerators were mounted on seven vans.

Also, in order to comply with Law no. 95/2006, OMSP 1963/2008 and OMPS 1964/2008, the transport vehicles for finished products, and raw materials have their own system of creating, maintaining and recording of temperature from 15 to 25 °C and of relative humidity of maximum 60+/- 5%.

Import of raw materials

Antibiotice SA is focused on attracting partners in order to develop the Romanian market for new products which can lead to the company development, an increase in the profit of shareholders and the achievement of the company objectives.

The year 2010 was marked by a more efficient supply chain, contributing to a more solid company profit. Alternative source license programs were initiated taking into consideration the insurance for each raw material of at least two supply options approved by the Quality Assurance and by the National Medicines Agency thus increasing the company's bargaining power with its foreign partners.

Although 2010 began with many global changes, under the influence of the worldwide crisis and of economic turbulences, the large number of traditional partners has enabled us to provide flexibility in acquisition and to make the supply activity more efficient.

Antibiotice has relationships for over 10 years with more than 55% of the suppliers with which it cooperates. Financial exposure reduction programs were initiated through a relationship with the Production, Sales, Export directions to reduce stocks of raw materials and purchase quantities strictly necessary to achieve the production and sales plans.

Import and export were correlated in terms of payments and collection on the one hand, and as contracted currency units to reduce the impact of exchange rate fluctuations on the other hand.

Therefore, in the last two years, the import level was below the export level as total value in USD.

At a time when low operations costs are essential strategies were implemented through direct negotiations with suppliers and ensuring an effective project management in order to provide raw materials under the conditions of time, cost and quality imposed by the law in force.

Also, through the consolidation of the raw materials for a period of time based upon a business history and also on a forecast of business development, large amounts have been negotiated and substantial discounts were obtained, resulting in savings in the procurement budget.

HUMAN RESOURCE POLICY

The determination of the number and structure of the personal necessary to achieve the business plan was carried out in collaboration with the managers of all the structures involved. In this respect, the human resources activity was oriented towards completing the structures with the necessary staff through:

- Redeployment from the structures with a surplus of staff towards those with vacancies depending on the ability to adapt to their specific requirements;
- Attraction and employment of 94 people, 59 of which with higher education in the following main business areas: medical and promotion, quality assurance, quality control, manufacturing, pharmaceutical development, regulatory affairs.

The personnel structure at 31.12.2010 is the following:

A total of 1449 employees, of which:

- Personnel with higher education: 500 (34.5% of total staff) rising by 1.7% compared to 2009 (471 employees with higher education);
- Personnel with secondary education: 949 (65.5% of total staff) decreasing by 1.7% compared to 2009 (967 employees with secondary education);

The structure of the profession staff at 31.12.2010 is the following:

Table 1. The structure of higher education staff

Profession	Number	% of total personnel with higher education
Doctors, pharmacists, medical representatives	122	24.4
Chemical engineers, Chemists, physicists	152	30.4
Economists	93	18.6
Engineers - various specializations	45	9.0
Biologists	38	7.6
I.T. specialists	16	3.2
Other specialty areas	34	6.8
Total	500	

In 2010, a reduction in the number of the staff by 83 people was operated throughout the company.

The staff turnover rate was 5.76% in 2010, down from the previous years, i.e.: 8,8% in 2009 and 10,6% in 2008.

To obtain professional performance - a prerequisite for increasing business competitiveness and quality, our concerns have resulted in human resource development projects, training programs in each direction, in accordance with the needs identified for each organizational structure and in close correlation with the changes in the EC applicable legislation also in domestic legislation.

Training courses held by external lecturers

According to the requests received from each structure, the following training sessions were carried out:

- For 76 specialists from the Quality Assurance, Quality Control, Technical and Manufacturing, Pharmaceutical Development, Regulatory Affairs structures, a 5 days training session has been organized in cooperation with a specialized and FDA-agreed Canadian company (**Novatek**).
- For a total of 75 employees among the specialized staff and/or in management positions in: Promotion, Import, Export, Financial Accounting, Marketing, Project Management, Pharmaceutical Development, Quality Assurance, Human Resources Departments a training program was conducted between June and December 2010 together with a specialized company (**TMI**).

- For the specialized personnel within the labs of the Quality Control and Pharmaceutical Development departments, the participation was ensured in symposia and seminars on themes as such: „**Contamination control in the Clean Rooms used in the Pharma Industry**”, „**Development of HPLC analytical methods and optimization of pharmacopoeal (Ph.Eur. and USP) methods.**” conducted by **Phenomenex** (Germany) and **MUSO** (Phenomenex representative in Romania),
- For the specialized staff in the Economic Direction, was ensured the participation in trainings on changes and amendments to the methodological norms for the application of the „**Tax Code**”.
- The specialized staff from the Business Development attended the EGA Bioequivalence Symposium.
- The specialized staff from Regulatory Affairs and Pharmacovigilance structures had participated in the conference „**Licensing in Generics**”.
- For the specialized staff of the Compressed Tablets, Capsules Plants and from the Pharmaceutical Development Department, was ensured the participation in the seminary „**Tablet Formulation and Film Coating**”.
- For the specialized staff from the Automation Department, the participation in the seminary „**PALL, Basics of Filtration, Filter Integrity and Testing Methods**” in Vienna, Austria was ensured.
- For the personnel from all Company's structures, a Microsoft Office on-line training course was organized.

A new component of the staff training process with external lecturers during 2010 was the project „**Summer School a+**”, whose objectives were, as follows:

- Attracting specialists in pharmacy, marketing, chemistry, chemical engineering for the vacancies in the Pharmaceutical Development, Quality Assurance, Quality Control, Strategic Marketing Departments, by familiarizing the candidates with the working environment and the specific concepts and regulations of the pharmaceutical industry.
- To enhance the managerial skills of the Antibiotice's employees in leadership positions - top managers, middle managers, line managers.

Regarding the 2010 program, a special role was played by the external component addressed to the graduates and students of the terminal years from the Faculties of Pharmacy, Marketing, Chemistry and Chemical Engineering with the following training themes:

- Quality Assurance in the Pharmaceutical Industry;
- Applied pharmaceutical technique, formulation methods;
- Analytical methods, laboratory techniques and equipment;
- Engineering and equipment utilized in the Pharmaceutical Industry;
- Strategic marketing in the Pharmaceutical Industry.

The training courses held in-house by lecturers selected among the Company's specialized staff (lectures, seminars, practical activities, study visits) took place between July 21st and September 15th, 2010, for specialties, as such: pharmacy, chemical engineering, and between September 9 and 13, 2010, for marketing. These courses were finalized by the selection for the positions as pharmacist and analytical chemist (pharmaceutical R&D), quality analyst, responsible for QA, team chiefs for production plants and marketing analysts, thus being attracted about 15 new specialized persons.

As far as the internal component is concerned, addressed to the Antibiotice staff in leading positions, the following modules were involved:

- Management and development during the turbulent times, including the themes, as such:

1. Organizational culture

2. Ethical behavior and Company's social responsibility. Code of Ethics – presentation.
 3. Knowledge management and the learning organization.
 4. Stress management.
 5. Management during turbulent times.
- Management and human resources:
 1. Team training. Control and coordination
 2. Ethical behavior and Company's social responsibility. Code of Ethics – presentation.
 3. Leadership Coaching
 4. Staff assessment and motivation
 5. Stress management
 - Project management:
 1. Team formation and training
 2. Budgets developing and tracking
 3. Project sequencing
 4. Utilization of the Microsoft software “Project Manager”

170 persons attended the courses (directors, managers, heads of plants, head of services, technologists, office heads, laboratory heads, team heads, dispatchers, project managers from Business Development, Medical Direction, Marketing and Domestic Market Sales) and all of them have appreciated the initiative, so that the next year the project is going to be extended also to the executive staff, both with higher and secondary education

The training sessions were conducted by external lecturers, university professors from “Al. I. Cuza” University also by Company's lecturers, highly skilled persons in the field of Quality Assurance and Regulatory Affairs. The lectures on the mentioned themes were followed by open debates; a brainstorming session was organized to discuss the critical matters and possible ways to solve them aiming at the future development of the Antibiotice SA Company.

In order to maintain the human resources to the specific training level required by the positions they hold and to achieve the business plan, the Human Resources Management Direction monitors the trainings held by internal lecturers according to the system procedure issued by the Quality Assurance and materialized in annual training schedules, elaborated according to the specific needs and approved at every structural level.

Management by Objectives (MBO)

One of the important activities of the Human Resources Directorate is the monitoring and analysis of the degree of achievement of objectives by the employees involved in the MBO. In 2009, 144 employees with managerial and executive functions were involved in the MBO system.

The assessment of results showed that, for the entire company, the average degree of achievement the objectives was 102.14%

There have been also objectives set for 2011 after negotiations with the staff involved in the MBO and assuming their responsibilities for objectives achievement according to the addenda to the individual labour agreements for 145 employees.

As a result of the study focused on the organizational climate, an action Plan was established aiming to improve the climate and the strengthening of discipline within the company.

Within the frame of this action plan, the “**Code of Ethics**” was elaborated by the Human Resources Management direction and was presented to the employees within the “**Summer School a+**” Project. As a continuation of the “Summer School a+” courses, within all structures were organized by the Human Resources Office training sessions on the Code of Ethics and the Internal Service Instructions.

BUSINESS DEVELOPMENT

The projects included in the Development Plan aim to strengthen the Antibiotice's position as a producer of anti-infective medicines and to expand the portfolio for cardiovascular, CNS and antitumoral medicines.

The Business Development Division had in the year 2010 the following objectives:

- research and development of novel products;
- clinical bioequivalence investigation for both company's own products and external partners;
- cooperation agreements with foreign partners;
- authorization and re-authorization of the products in the company's portfolio;
- monitoring the environment-related matters;

Research and development of novel products

The Research and Development of Pharmaceutical Forms achieved the objectives included in the R&D Program for 2010-2011 referring to getting new medicines (9 products), reformulation of certain portfolio products in order to optimize their manufacturing formulas (6 products) and answering the NMA remarks referring to the pending authorization products (7 products).

For the financial year 2010, the R&D expenditures were 1,534,098 lei.

During 2010, the staff of the R&D Department was completed with 5 pharmacists oriented to the pharmaceutical formulation activities and the analytical laboratory was endowed by two new HPLC instruments. The selection of instruments and equipment for the new oral solid forms pilot plant was finalized and a supply contract worth USD 225,000 was concluded.

In the first half of 2011, the instruments and equipment shall be supplied, the areas shall be arranged and the project shall be finalized in accordance with the approved budget.

In the biotechnological research laboratory, the works for upgrading technologies for obtaining the products Azotofertil and Ecofertil were completed. The new products shall have more than 6 months stability, thus satisfying the customer's requirements.

Clinical bioequivalence research

Contracts with external sponsors worth 547,210 EUR were concluded and 12 *in-vivo* and another 10 *in-vitro* studies were finalized. During 2010, an inspection for GLP authorization and an GMP inspection took place, also two audits took place from EU partner companies.

Cooperation agreements concluded with external partners

The projects referring to penicillins for injection for SUA market continued, i.e.: the authorization files for ampicillin+sulbactam 1.5g and 3g were finalized and the pilot batches for penicillin GK were produced. In November 2010, a FDA inspection took place at the production facilities for penicillins for injection, already authorized for the American market.

The deliveries of sodium ampicillin for injection continued in all the dosages approved for the USA market, in accordance with the supply contract provisions.

Authorization and re-authorization of the portfolio products

The specific activities for the products to be supplied to the domestic and external markets continued. Six marketing authorizations were obtained for the products resulted from in-house researches and another seven marketing authorizations for the products acquired under licences.

Five products were re-authorized and received final Marketing Authorizations. For five new products, the files for Marketing Authorizations were applied to National Medicine Agency. With reference to the external markets, 20 Antibiotic brand products received the Marketing Authorizations in 7 countries.

Monitoring of environment-related matters

In November, 2010, a new Integrated Environmental Authorization was granted and the environment management system was re-certified in accordance with the ISO 14001 provisions.

All the activities performed by the Business Development Direction were within the limits of approved budgets.

PRODUCTION

The Technical and Production Unit continued its activity in 2010 for the manufacture of:

- Pharmaceutical forms: sterile powders for solutions and suspensions for injection, hard gelatin capsules, conventional and film-coated oral tablets, ointments and suppositories.
- Antibiotic bulk active substances produced by biosynthesis - Nystatin and biofertilizers: Azotofertil and Ecofertil.

The quantifiable goals of the Technical and Production Unit, based on technical-economical calculations and oriented towards business efficiency and cost optimization, were as follows:

- fulfillment of production meeting the quality standards;
- expenditures to frame within the budget allocated to the Unit - in 2010, the degree of goal achievement was 101.83%;
- the technical and economical indicators according to planning - in 2010, the degree of achievement of this goal was 100.59%;
- in 2010, the overall level of achievement of the objective on specific utility consumption per unit of product in each plant was 119.94%.
- compliance with environmental protection programme on emissions of volatile organic substances during the nystatin extraction phase – a purchase contract for a closed-type filter was concluded with an Italian manufacturer;
- to reduce the raw material costs by optimization of manufacturing formulas and to prospect new sources of excipients utilized in the manufacture of ointments and suppositories
- putting into fabrication of products made by the Department of Pharmaceutical Development;
- ensuring all management and specialized positions with qualified personnel.

Antibiotic produces for both internal and external partners over 130 medicines in 5 different pharmaceutical forms, the product quality being ensured by the manufacture performed in accordance with the Good Manufacturing Practice – GMP, on all 8 GMP authorized production lines.

In 2010, the achieved production was structured as follows:

- conditioned forms: 26.93% - parenterals, 21.82% - capsules, 14.13% - compressed tablets, 15.92% - ointments, creams, gels,
- active substances in bulk: 10.90% Nystatin, 0.11% - biofertilizers.

The total value of production for export accounted for 21.67% of the total production in 2010.

For production achievement, by means of the Technical and Production Department, specific consumptions for raw material, auxiliary materials and utilities (electrical energy, drinking and

demineralized water, steam, methane gas, wasted water, incinerable wastes), timing quota and technical and economical indicators for the manufacturing processes were set and monitored on a monthly basis and updated when necessary.

Launching new products into manufacturing is a priority. In 2010, new products belonging to the following therapeutical classes were manufactured:

- central nervous system: **Rofluxin^R** (Fluoxetina) 20 mg, capsules and **Zolpidem Atb^R** 8 mg, tablets;
- digestive tract and metabolism: **Ranitidina Atb^R** 300 mg, tablets;
- antidiabetics: **Glibenclamid Atb^R** 1,75 mg si 3,5 mg , **Gliclazida EP** 30 mg, tablets;
- dermatological: **Clafen^R** 5% (Diclofenac) gel, 45 g (antiinflammatory) and **Sal-Ekarzin^R** (Betametazone and salicylic acid) 0,5/30 mg ointment 15 g (corticosteroid)

The manufacture of Nystatin in the Biosynthesis Plant was performed during the cold periods of the year, when the yields are maximum (proved in long working experience in biosynthesis) and the nystatin production per batch increased by 2% as compared with the planning. These measures generated savings of 6.6% in consumption of utilities.

At the Parenteral Products Plant, the production for export accounted for 31.4% of the total value of the products dedicated to exportation. Moreover, products for foreign companies were fabricated on the basis of Manufacturing Agreements. The Parenteral Plant obtained the FDA authorization, thus enabling the Plant to produce Ampicillin in 4 doses for the U.S. market.

The Capsules Plant unrolled its activity on 3 separate production lines for penicillins, non-betalactams and cephalosporins. Of the 144.3 million capsules produced in 2010, 39.5 million were intended for export.

The Tablet Plant continued to improve its pharmaceutical forms. As, in 2010, the modernization of the compressed tablets production line was imposed, all the aspects referring to areas repartitioning, ventilation and air-conditioning unit, utilities-distributing systems, endowments, qualification and validation documentations were analyzed with the view to assess their compliance with the latest requirements imposed by GMP.

Thereby, the investment effort presumed the change of the production flow structure, the building endowment with all the specific utilities for Class D manufacturing areas, the acquisition of new industrial furniture and equipment for certain stages of technological manufacturing (to repace the worn-out ones), the laboratory instrumentation required for in-process control.

The manufacturing expectations for this modernized line are as follows:

- more products to be manufactured following the assimilation by Antibiotice's in-house research and by licences acquisition;
- the expansion of manufacturing for external market (SUA, Europe) (regulated markets which require FDA or EC authorization);
- better working conditions for the Plant's personnel.

Concerning the Ointments and Suppositories Production Plant, the efforts to improve the fabrication formulas and to prospect sources for new excipients, aiming at reduction of raw materials costs, continued.

INVESTMENT POLICY

In line with overall Company's business goals, in 2010 a series of investments with significant impact on the company's development were made:

- the modernization of the Tablet Plant was achieved in accordance with the latest GMP requirements in order get the re-authorization of the production line, a prerequisite for the continuation and further development of the tablet manufacturing;
- in order to increase the Company's turnover and to diversify the parenteral products portfolio, the building of the future Parenteral Plant was erected;
- independent fixed assets, i.e. laboratory instruments, computers, equipment were purchased;

In 2010, the investment-related expenses accounted for 15,163 thousand Lei.

Investment program for 2011 – 2013

(estimations in thousand Lei, without VAT)

	OBJECTIVE	2011	2012	2013
1	"Acquisition of installations and equipment for sterile powders dosaged filling in vials for non-penicillin products"	17,000 (7,500 non-redeemable)	24,000 (10,500 non-redeemable)	
2	"Relocation of the Ointments and Suppositories Production Plant"		4,210	8,420
3	"Arrangement of a production flow for oral solid forms, tablets, penicillin class products"		4,210	6,300
4	"Completion of a raw material warehouse"		1,250	
5	"Technological upgrading and endowments to be performed on production plants in order to comply with the GMP requirements"	5,000	1,250	4,210
6	"Investments in laboratory instrumentation, equipment for R&D and Quality Management"	4,400	1,250	1,250
7	"Investments for modernization of utilities production and distribution in order to reduce the energy consumptions"	3,400	420	840
8	"Modernization of the Company's cargo fleet"		420	420
9	"Greening the Antibiotice's platform"			840
10	"Refunding the investment credit opened in 2010"			5,050
11	"Investments required to consolidate the integrated management system"	1,800		
	TOTAL	31,600	37,010	27,330

In order to complete the above presented necessary financing sources, the Management Board favourably advised and requested approval of the General Meeting of Shareholders with reference to the following matters:

- contracting a bank credit worth of 6,500,000 EURO from RBS Bank;
- approval of the share capital increase by issuance of new shares resulting from the capitalization of 9,035,041.90 Lei (net dividends for the financial year 2010 and non-allotted net dividends from the previous years) and their allotment to the shareholders recorded in the Shareholders Register on the date proposed as registration date (May, 16th,

2011), so that each shareholder will have an increased number of held shares, by an allocation index of 0.18915347

- sale of shares from other trading companies, i.e.: S.C. Bursa Moldovei S.A. Iasi (140 shares) and S.C. Pharma S.A. Iasi (6000 shares). By a notification sent on March 2011, BURSA MOLDOVEI Iasi requests to take over by assignment contract the 40 shares currently detained by Antibiotice S.A. This request shall be reviewed by the Management Board in May 2011. So far, the sale of the share stock of 6000 shares detained in Pharma SA Iasi to this company were analyzed and endorsed following the request received from Pharma SA Iasi in November 2010 and January 2011, in accordance with the Law 31/1990.

The value of the share stock was evaluated by the company Darian SRL Cluj as being worth 2,932,000 Lei (488.67 Lei/share). Following the analysis and negotiations, the Antibiotice Management Board approved the sale of the stake of 6000 share from Pharma SA Iasi for 3,000,000 Lei. The signing of the contract will take place shortly. According to the Law 297/2004(1), the value of these shares, total assets less debts, accounts for 0.0000028% of the accounting value and 0.00014% of the sale value.

QUALITY POLICY

The essence of this activity is to increase confidence in the quality, efficiency and safety of the company's products through the monitoring and the improvement of the Integrated Management System, attested by the results obtained after the performance of the following audits during 2010:

1. GMP re-certification inspection of the parenteral products manufacturing line (sterile products - divided powders of beta-lactam penicillin antibiotics) conducted by the National Medicines Agency between May 25 and May 27 2010.

2. GMP re-certification inspection of the Nystatin - active substance manufacturing flow, conducted by the National Medicines Agency between May 31 and June 4, 2010. Both inspections were concluded with no identified critical deficiencies.

3. Re-certification audits of the Environmental Management System and of the Occupational Health and Safety System in compliance with ISO 14001/2004 and OHSAS 18001/2007, as well as **the surveillance audit of the Quality Management System**, in compliance with ISO 9001/2008, conducted by the LRQA, between February 22 and February 25, 2010, both audits being completed without having identified non-compliances by the certification bodies.

4. Surveillance audit of product compliance for the products manufactured at the Microproduction and Spare Parts Department (aluminium tubes, polyethylene stoppers and aluminum caps) conducted by the SRAC CERTSERV on May 5, 2010, completed without having identified non-compliances, with one-year extension of the Certificate of Conformity of the above mentioned products.

5. Surveillance audit of Parenteral Products manufacturing line conducted by the Claris Lifescience – distributing company for the U.S. Market, within the frame of the parenteral products manufacturing agreement, on April 12, 2010, completed without having identified non-compliances.

6. Audit of Parenteral Products manufacturing line conducted by ACIC Fine Chemicals, Canada, holder of the Marketing Authorization for Ampicillin for injection 250mg, 500mg, 1g and 2g for the US market, between May 21 and May 23, completed without having identified non-compliances.

7, **Audit** of the Nystatin - active substance manufacturing line, conducted by the Rephine PharmAssess in accordance with the ICH Q7 - Good Manufacturing Practice Guideline for Pharmaceutical Ingredients on September 22 and 23, 2010, concluded with no identified critical deficiencies.

8. **FDA Inspection**, between November 01 and November 9, 2010, of the parenteral products manufacturing in order to authorize 2 injectable products: Nafcilin 1g and 2g - powder for injectable solutions and Oxacillin 1g and 2g USP for the US market. No critical deficiencies were detected.

ECONOMIC AND FINANCIAL RESULTS FOR 2010

The financial activity of the Antibiotice S.A. Company unrolled under circumstances generated by the national and international economic and financial crisis.

The evolution of Profit and Loss Account on December 31, 2010, as compared with the values recorded during the period 2008-2010, is presented below:

Million 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

The net turnover of the 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, which represents an overall increase by 11% as compared with 2009 (219.8 million lei).

The discounts granted to the customers-distributors post delivery of goods, distinctly reflected in 2010 according to OMF 3055/2009 provisions, were 18.9 million lei. The trade discounts were granted to increase the sales volume in relationship with the approved commercial offers.

The production sold increased by 18%, i.e. 224.9 million lei, whereas in the previous year was of only 191.3 million lei.

The revenues from the sale of products account for, for the most part, 37.6 million lei, the value of the products of the company's portfolio manufactured on other fabrication lines (from abroad), on dedicated lines due to the requirements imposed by the GMP regulations in force.

Given that the value of production fabricated in 2010 was of 224.5 million lei, by 24.24% higher than in 2009 (180.7 million lei), the expenses with raw materials and energy were by 16% higher than in 2009.

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

The expenses for the depreciation of tangible and intangible assets were 13.2 million lei, approximatively equal to those of 2009 (13.6 million lei).

With reference to the current assets, the value adjustments were 18.6 million lei, whereas in 2009 they were 3.7 million lei.

The value recorded in the ended financial year was accounted on the background of operating expenses referring to the adjustments of the current assets depreciation (debts) worth 21 million lei and of certain revenues resulted from the reduction of adjustments related to depreciation of current assets (debts) of 2.4 million lei related to some adjustments performed during the previous financial years.

The expenses related to the adjustments of the constituted current assets were recorded in accordance with Fiscal Code, Art.22, point c, following the entry into insolvency of the customer Montero Bucharest in 2010 and following submitting the file for approval of entering into insolvency by the company Relad International Bucharest.

Antibiotice S.A. develops trading relationships with most medicines distributors of Romania and S.C. Montero S.A. - Bucharest was among the most important of them, until the opening of the procedure of judicial reorganization of this company. This company is present on the Romanian medicines distribution market since 1993, and, together with S.C.Tamisa Trading S.R.L. Bucharest, belongs to the NewArch Instruments Group. The cooperation between Antibiotice S.A. and Montero S.A. Bucharest has had a long history, the trading relations were first established in 1993-1994, and since 1995 until 2009, Montero S.A. has become an important business partner of our company. Every year, trade contracts between the two companies were concluded, as a result of positive results obtained by both companies through this cooperation.

Between 2008 and 2009, Antibiotice S.A. sold to S.C. Montero medicines worth 13,152,852 lei, of this amount invoices worth 6,160,389.28 lei remained unpaid. This sum was recorded on December 31, 2010 within the adjustments for depreciation of non-collected debts by the Antibiotice S.A. By the notification no. 80/March 5, 2010, sent by Fineco Insolvency - the judicial administrator of Montero S.A., - Antibiotice S.A. Iasi was informed about the opening the insolvency procedure against S.C. Montero according to the decision 1461/February 17, 2010, issued by the Bucharest Court - the VII-th Commercial Section, file no.8097/3/2010.

Considering this fact, Antibiotice Legal Department submitted on April 13, 2010, at the Bucharest Court, the request for registration of Antibiotice S.A. Iasi among the creditors of Montero S.A. Bucharest with reference to the sum of 6,160,389.28 lei. The first meeting of creditors was to take place on May 14, 2010 at the judicial administrator's headquarters. At the first meeting of creditors of the debtor S.C. Montero S.A. Bucharest took place on May 14, 2010, there were decided as follows: the creation of a committee of creditors composed of three members, the designation of SC Tamisa Trading SRL as chairman of the creditors' committee and the confirmation of Fineco Insolvency SRL as a judicial administrator.

At the trial on the file 8097/3/2010 held on the peremptory date April 13, 2010, at the Bucharest Court, new requests for registration on the list of creditors were recorded, also requests to modify the debts already accepted and included among the former, preliminary, list of creditors.

Also, the Court set the next date for the proceedings of insolvency on March 8, 2011, when the reorganization plan of Montero S.A. was submitted. According to this plan, the unsecured creditors, as Antibiotice SA, will not recover any sum of the existing debts.

Relad International SRL faced serious difficulties in terms of debt payment to suppliers, the total amount of such debt was 680 million lei (about 160 million Euro), as shown by the data provided by the distributor's representatives to the press between September and October, 2010.

As a result of delays in payment and high values of the unpaid amounts, some creditors asked the insolvency of Relad International SRL, thus several requests for opening the insolvency proceedings were recorded to the Court Buzau, as follows:

- On September 1, 2010, the company OZ Pharma Logistic filed an application for opening the insolvency proceedings against SC Relad International SRL, but the request was

rejected at the first hearing on November 27, 2010. Although our company filed in its own interest a request for intervention within the same file, our request was rejected, as well;
- Roche Romania SRL filed on October 15, 2010, an application for opening the insolvency proceedings against SC Relad International SRL, the first hearing being established on November 24, 2010;

- Johnson & Johnson filed on October 21, 2010, an application for opening the insolvency proceedings against SC Relad International SRL, the first hearing being set on November 29, 2010;

- Pfizer H C P Corporation filed on October 22, 2010, an application for opening the insolvency proceedings against SC Relad International SRL, the first hearing being set on November 29, 2010;

Following the downward evolution of the payments made by Relad International SRL, our company

reduced gradually the sales volume to this distributor and, finally, ceased them from July 2010. In late August 2010, the balance of the unpaid debt was of 10,521,871 lei. This amount was recorded within the adjustments for the unpaid debts on December 31, 2010.

The relations with the other customers were generally conducted within the limits specific for the period

we are crossing, the volume of sales being in close relationship with the amounts of encashments for cash-flow balancing.

The effect of a rigorous management of expenses resulted in an operating profit of 30.6 million lei, by 17% higher than 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 rate of exchange.

The USD exchange rate recorded various changes during the year 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.

The Euro exchange rate evolved from 4.2282 lei/Euro on December 13, 2009 to 4.2848 lei/Euro on December 31, 2010, a peak was attained on June 30, 2010 (4.3688 lei/Euro) and a minimum value on March 25, 2010 (4.0653 lei/Euro).

The financial results were influenced by the following expenses:

- expenses for bank interests;
- expenses from currency exchange rate differences related with the currency liabilities and debts worth of 18 million lei;
- expenses 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 income, as follows:

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

As a peculiar feature of 2010 as compared with the previous financial years, the positions representing "*Other financial incomes*" and "*Other financial expenses*" record higher absolute values because of changes that occurred since January 1, 2010, due to entering into force of the OMF 3055/2009

which, according of the Article 174, imposes the accounting re-assessment and registration at the end of each calendar month the differences of the currency exchange rates related to the current cash, liabilities and debts in foreign currency.

By cumulative combination of these two activities, operation and financial, for 2010 resulted a total income of 262.8 million lei, by 19% higher than in 2009, i.e. 221.3 million

lei. To this total income correspond in 2010 total expenses worth of 244.3 million lei, whereas in the previous year this total income raised only to 205.7 million lei.

The gross profit is for this financial year 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 of 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 Government Ordinance (GO) 64/2001, approved with amendments by the Law 769/2001 and GO 61/2004, and GO 55/2010, as follows:

Destination	Amount
Profit for distribution:	12,539,100
- legal reserve	923,61
- own financing sources and other distributions from profit, according to the law	2,580,448
- dividends, of which:	9,035,038
– dividends due to the Stock-holder	4,790,131
– dividends due to other legal and natural persons	4,244,907

The sum of 2,580,448 lei, representing own sources of funding provided by law, consists of:

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

In accordance with the OMF (Ordinance of the Ministry of Finance) 3055/2009, the Society 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 per share over the past two years evolved as follows:

2008 0.008328706 lei
2009 0.005003193 lei

In conducting activities on the platform, the company's employees had at hand a series of goods which registered the following value evolution during the last 3 years:

Million lei

	01/01/2008	01/01/2009	01/01/2010	12.31.2010	%
1	2	3	4	5	5/4
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 intangible fixed assets including licences for new products and licences for computer operation systems, 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%.

In 2010, Antibiotice disposed by sale the fixed asset 5000 m³ water pool and the 3,567 m² area surrounding land to S.C. APAVITAL S.A. IASI. according to the endorsed decision of the Extraordinary General Meeting of Shareholders held on November 12, 2010.

The total current assets raised by 3% as follows:

- Stocks rise by 18%
- Receivables steady values
- Cash and bank accounts rise by 4%

Stocks:

- **raw materials and consumables** – increased by 26% from 10.4 million lei to 13.2 million lei due to necessity to satisfy the raw material needs for the production performed during the first quarter of 2011.

- production in progress, in various stages of fabrication, - increased from 0.9 to 1.2 million lei;

- finished products and goods – registered a 14% increase from 22.6 million lei to 25.8 lei in pace with the sales growth. The value of the stock of finished products is the optimal for fulfillment of all orders in the first two months of 2011;

Total receivables registered at the end the year were sensibly equal to those of the beginning of the year, although the sales were higher by 11% compared with the previous year.

This is due to the following influences:

- the increase of export turnover - the collection from the external markets of the sold drugs value is much faster than from domestic markets. The average duration of receivables encashment from outer markets was 100 days in 2010 as compared with the domestic market, i.e. 341 days.

- release of payments in the health system as a result of budgetary rectifications that lead to an improvement of collections in September, October and December 2010.

Cash and bank accounts

On December 31, 2010, the value of this group of economic factors grew by 4% as compared with December 31, 2009.

Balance sheet liabilities

The company recorded on 31 December 2010 only amounts to be paid over a period of up to one year.

The amounts owed to credit institutions at the end of the year are 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 of the last half of the year, thus making possible a partial reimbursement of the credit lines for the working capital.

The bank loans incurred by the company on 31 December 2010 have the following structure:

Bank name	Date for contracting the credit*	Type of credit	Credit value	Outstanding on Dec 31, 2010	Due term of payment	Warranties
Total CITI IASI	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 Iasi	July 17, 2006	Credit facility	11,000,000 EUR	8,268,082 EUR	July 29, 2011	Mortgage buildings + land
				16,173,824 EUR		

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

Commercial debts to suppliers record on December 31, 2010, 29.8 million lei, on rise by 3% as compared with that of 2009 (28.9 million lei).

During 2010, the company has not registered juridical events 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%, e.g.: 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.

The equity capital in this exercise 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 registered share capital was of 47,765,668 Lei and on December 31, 2009, of 45,489,729 lei. The increase of 2,275,939 lei was achieved by capitalization of dividends of 2009 following the decision taken in the Extraordinary General Meeting of Shareholders held at the Antibiotice SA h.q. on November 12, 2010.

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

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

During 2010, the current debts worth 34.7 million lei were settled to the state central and local budget

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

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

With reference to the financing activity, reimbursements worth 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.

We believe the assessment of company activity on risk management is very important in this period due to the implications of the ongoing financial and economic crisis

In terms of price risk, we do not foresee major influences for the company's product portfolio to occur.

In 2010, there is a capitalization risk for a part of the goods sold to the hospitals (about 10% of turnover) by electronic auctions at prices by 15% in average lower than those operated in 2009. This is due to an increased competition through the entry the domestic market of new suppliers for a range of products.

Starting on April 1st, 2011, the recorded prices for the portfolio products of the company, as well as of the other manufacturers, will be adjusted depending on the exchange rate of 4.21 Lei/EUR taken into account in drafting the State Budget, thus resulting in a decrease of prices by 1%.

The highest risk to which the company was exposed during 2009 and 2010 and for which is compulsory to find solutions to diminish the negative effects also in 2011, is the liquidity reduction.

This risk is caused by the noncompliance of the medicines reimbursement terms by the National Health Insurance Fund.

By the Government Decision 1088/2009, a due term for reimbursement of 180 days was established, but, in fact, the reimbursement is currently performed in more than 300 days

In order to reduce the risk of cash flow, the company policies establish for the next period a series of targets aiming at the increase the weight of the export value in the turnover during this year, too, due to collection of payments from the foreign markets in periods generally ranging between 60-90 days.

INTERNAL AUDIT

The Office for Internal Financial Audit (OIFA) was organized as a structural entity on the grounds of Decision no.68/54668/May 25, 2010, referring to the restoration of organizational and functional structures.

In order to establish and define the stages referring to the internal financial audit, OIFA elaborated the operation procedure, Code CFI-001 "*The procedure for the basic internal financial control*".

The scope of the procedure is all the existent structures within the company's organization chart.

The legal basis for developing the operating procedure is, as follows:

- Government Ordinance no.119/1999 on internal control and preventive financial control, amended and completed by the Law 84/2003;
- the Order no. 522/2003 issued by the Ministry of Public Finance for endorsement of General Methodological Norms regarding the exercise of preventive financial control;
- Law no. 31/1990 on trading companies (republished);
- the Order 1389/2006 regarding the modification and completion of the Order of the Ministry of Public Finance no.946/2005 referring to the approval of Internal Control Code, including management standards/internal control of public entities and for the managerial control systems development.
- the Order 2861/2009 for approval of Norms on the organization and inventory performance of assets and liabilities;
- the Decision 68/54668/May 25,2010 on restoration of organizational and functional structures;

The tasks of the The Office for Internal Financial Audit (OIFA) are as follows:

- Prepares the annual program of internal financial control objectives to be submitted to the approval of the General Director, and after approval, aims to achieve the program objectives within the agreed deadlines;
- Is responsible for carrying out the basic control of management under the framework established by the laws in force;
- Performs a total or by random selection control on a representative set of items and documents that allows drawing of sound conclusions regarding the observance of financial, accounting and management norms;
- Controls how the legal norms and the decisions of the company's management have been complied with, regarding the elaboration and circulation of primary documents, the management of technical, operative and accounting situation and about the reliability and correctness of the data recorded within;
- Is responsible for the compliance with the legal provisions and conditions relating to hiring, granting of rights and fulfilling the duties of the persons that manage the company's financial and material goods;
- Monitors how it is organized and carried out the own preventive financial controls, with reference to the compliance with the analytical framework approved by the company's management company or set in accordance with the normative acts in force. OIFA is responsible for the proper examination of the accounting system and its reliability
- Informs and makes proposals to improve the book-keeping in case an inaccurate evidence is detected or when proper checks on company's patrimony are not ensured;
- After the performed controls, OIFA suggests technical and organizational measures to correct the existing conditions, to improve the operations and to eliminate the phenomena that cause damages to the company's patrimony, submit the proposals to the competent persons for approval and follows them to be valued in legal terms;
- Checks the compliance with the legal provisions on the accounting and reporting of the approved budgetary and legal commitments, also the preparation, approval and execution of the revenues and expenditures budget.
- Checks the observance of the procedure for debt collection from debtors, also the manner of calculation of interests and penalties for delays caused by these debtors;
- Checks by random selection the factual existence of cash and other values in cash, by confronting the existing balance with the accounting data;
- Check how the encashments and payments, in cash or by account, in lei and foreign currencies, including the wages and deductions from these and other obligations to employees, are carried out.

Through its control missions conducted during 2010, the Internal Financial Control aimed to achieve the following objectives:

1. The observance of legal provisions on ensuring the technical and material basis in close relationship with the manufacturing needs:
 - the standardized consumptions
 - the concluded contracts and the correct determination of the needs to be supplied.
2. The factual existence of the material means from the entity's patrimony by stock-taking in warehouses, storage-spaces, production plants and workshops according to the approved time-schedule, determining any difference from the accounting stock evidences, the causes and responsibilities thereof and by making proposals for solving such situations;
3. To check the concordance between the accounting documents and the technical-operative ones in order to justify the consumption of material means subject to control;
4. Compliance with the legal provisions relating to the taking-over and transportation of material means during the inspection carried out on entity's warehouses;
5. The way the legal norms are observed with reference to the management, storage and preserving the integrity of material goods within appropriate areas and to their handling and transportation;
6. Legality and truthfulness of disposal and removal from use operations of the material means meeting the legal conditions for this purpose.
7. The manner of organization and conducting the periodic and annual inventories, how they were valued in accordance with legal provisions, and the differences detected on these occasions.

The types of internal control designed to mitigate the associated risks are as follows:

- self-control;
- mutual control;
- hierarchical control;
- quality control;
- preventive financial control;
- budgetary control;
- financial – accounting control;
- inspection.

In practice, within the company, the system of internal control operates on the basis of operating procedures developed in accordance with the Order 946 of July 2005, updated (2006), Standard 17 - Procedures.

The procedure means the steps to be followed (algorithm) in accomplishing the tasks, exercising the competencies and assuming the responsibilities.

The procedures are written and continuously updated and constitute a working tool for the performing staff to be aware of the legal rules to be followed for each area of the company, depending on regulatory developments in the field and the execution staff being informed about.

This way, the internal control of the entity S.C. ANTIBIOTICE S.A. is integrated into management system of each structural component, becomes an obligation to the staff operating at all levels and provides a reasonable assurance for achieving the objectives, from individual to the general ones.

The internal control is a process conducted by the staff at all levels and manifests itself as self-control, chain-control (along the phases of process) and hierarchical control.

In terms of execution time, the control may be preventive, current or subsequent.

In accordance with Internal Financial Control Plan, approved by the General Director for the year 2010, the staff of the Office for Internal Financial Audit, conducted internal control missions at the following Directions:

Marketing Unit – National Sales through Distributors;
Marketing Unit – Sales on Domestic Market;
Commercial and Logistics Unit – Cargo Service
Commercial and Logistics Unit – Provisioning Office - Internal Suppliers
Business Development Unit - Center for Drug Evaluation

During the performed checks, it has been aimed to be achieved the general objectives referring to the Internal Financial Audit established according to the operation procedure: Code CFI-001 and of the objectives established for each unit/service/office on the basis of the Service Order approved by the General Director of the entity, as follows:

- In controlling tasks performed at the above mentioned Units, the compliance with the operating procedures and the legislation related to each activity was monitored.
- In the operating procedures developed for each Unit, the economists from the Office for Internal Financial Audit (OIFA) checked the responsibilities correlation mentioned in procedures with the duties in the job description file at all hierarchical levels within each Unit.
- Another objective was to verify the income and expenditure budgets, planned and executed for each activity within the entity and tracking how they framed within the approved budgets.
- During the missions conducted in 2010, another objective was the observance of internal decisions and notes issued by the entity's management regarding the economical use of material and financial resources, the improvement of activities regarding the signing, execution, following and recording of contracts and negotiations and approval of prices for acquisitions (internal suppliers), raw material, packaging materials,
- Another goal followed in carrying out auditing activities was the compliance with the Decision no. 225 on the organization and execution of preventive financial control considering the provisions of the Order of the Ministry of Public Finance 522/2003 referring to approval of Methodological Norms regarding the preventive financial control by which there were set the goals and responsibilities of those persons carrying out preventive financial control depending on the nature of the matters to be advised.

Following the inspection missions carried out in above mentioned Units, the auditors found the following situation:

- all the audited Units detained operation procedures which were reviewed whenever changes in legislation occurred;
- all the units had the budgets within the approved limits;
- throughout the audit, the decisions and internal notes issued by entity's management were met;
- It was found that the decision no. 225 on preventive financial control exercise by the persons empowered by the decision was upheld.

Following the audits carried out on above mentioned Units, a series of measures were proposed, such as:

Marketing Direction:

- a. to increase the direct sales volume to the hospitals through the S.C. Antibiotice S.A. Iasi warehouse.
- b. permanent tracking of sales to hospitals as the established deadlines for collection of products countervalue to be observed.

c. avoiding returning of products through ongoing tracking of the validity terms of the medicines carrying the "Antibiotice" brand existent in distributors' stocks.

Commercial and Logistics Direction:

- a. Verification by responsible persons (according to the duties listed in job description) of the records in the route sheets and daily activities files of the transportation cars.
- b. Checking the fuel consumption and the remaining fuel in the tank according to the Norm approved through the Order of the Ministry of Transports no. 14/1982 in order to reduce, as much as possible, the fuel consumption and the expenses during duty transportations.

Business Development Direction – Center for Drug Evaluation

- a. Ongoing efforts to reduce the costs of the bioequivalence studies carried out in the Center for Drug Evaluation.
- b. The revenues and efficiency rate of a bioequivalence study to be established when the study is finished.

During 2010, 23 inventorying activities were carried out, 2 (two) actions of handing over (fixed assets, inventory items, materials, finished materials and other materials).

The following inventories were audited during 2010:

- a. Company's central warehouses;
- b. Inventories (inventory items) within the production plants and other departments of the company;
- c. Consumption spots

The goals followed during the auditing activities were, as follows:

- observance of the operation procedures specific for each inventory regarding the reception, storage, consumption/release of patrimonial elements
- verification of the proper elaboration and the correct flow of the justifying documents;
- framing within the preset consumption norms;
- making the inventory of the stocks managed by the company, in view of determining the differences between these and the inventory list
- checking the level of compliance to the proposals made in the verbal reports drawn-up in previous check-ups.

CORPORATE GOVERNANCE

Besides the two major roles that the company already has, the technical one - Manufacture of basic pharmaceutical products by meeting the quality standards (Good Manufacturing Practice - GMP, Certificate of Conformity with the European Pharmacopoeia and Food and Drug Administration - FDA) and the economic ones- to create profit, it is time to take a new role in a more visible manner; a role that is more responsible and ethics-oriented, with a positive impact, which is the foundation of a corporate history page.

The principles and recommendations of the Corporate Governance Code of the Bucharest Stock Exchange (BSE-CGC) are the basis for meeting the standards of good corporate governance. Antibiotice Iasi believes that corporate governance is an important instrument for obtaining high performance in terms of sustainable development, ensuring accuracy and transparency for the decision-making process of the company, through all shareholders' equal access to relevant information about the company.

The governance system is in accordance with Law no. 297/2004 republished, and the regulations of the Romanian National Securities Commission (CNVM) for its application, Law no. 31/1990, with all subsequent amendments, CNVM Regulation no. 6 / 2009, the Bucharest Stock Exchange Code, the Code of Corporate Governance of the Bucharest Stock Exchange and the Company's Establishment Act.

A transparent decision-making process based on clear rules and objectives reinforces stakeholders' confidence in the company. It helps to protect shareholders' rights, improve overall performance of the company, provides better access to capital and decreases the risk. Therefore, Antibiotice attaches great importance to good governance principles and fundamentals the applicable Code of Corporate Governance.

The year 2010 was a difficult year in which we had to adjust priorities, on the short and long term, according to current challenges faced as a result of increased financial and economic crisis, that equally affected Romania and other relevant economies. In 2010 difficulties gave us the opportunity to test the robustness of Antibiotice team. In particular, we demonstrated how, if team members collaborate better, they are able to react promptly. This is true both for the management team and operational teams, but also for the entire community of the company. There was evidence of consistency in terms of strategic directions, accompanied by appropriate investment programs. We achieved this by applying the principles of good corporate governance, which allowed us to mobilize the full potential of our employees in order to implement and maintain high standards in all company activities.

The Management board and the executive team make decisions without the influence of their own interests for the well-being of society, considering primarily the interests of shareholders and employees. Structures that underlie the system of governance in the Antibiotice Iasi:

- Management Board
- Advisory Committees
- Executive team
- Code of Ethics.

Management Board

SC Antibiotice SA Iasi is managed by a Management Board responsible for fulfilling all tasks necessary to achieve objectives of the company, except those established by law for the General Assembly of Shareholders.

It aims at making their own decisions, those of the company's management and the General Meeting of Shareholders as well as domestic regulations, to comply with the legal requirements and be properly implemented. The Management Board is responsible for monitoring the management company on behalf of shareholders. The responsibilities of the Management board are described in the Company Statute and the relevant domestic regulations, available on the website of the company, under the Corporate Governance section.

The seven members of the Board ensure an effective capacity to monitor, analyze and evaluate the work of the directors, as well as the fair treatment of shareholders:

1. Ec. NANI Ioan

- Chairman of the Management Board and CEO of the company - elected as member of the Managing Board in the Shareholders Ordinary General Meeting (OGMS) on 24.04.2009, for a period of four years; elected by the Management Board as Chairman and CEO of the company.
- Birth year: 1959
- Education: "Al. I. Cuza " University Iasi - Faculty of Economics
Specialisation in Management
Training in the Capital Market area- Thessaloniki, Greece
- Previous Jobs:
 - Antibiotice S.A. Iasi
 - The General Directorate of Public Finance
 - The Romanian Court of Accounts
 - The Authority for State Assets Recovery in Bucharest
- Stock-owning: Antibiotice stocks (ATB) held on 29.11.2010 (last database held by Antibiotice Iasi is from 2010) - 1,025 (Shareholder Certificate acquired after allocation by changing 1 nominal coupon of privatization and 1 book with property certificates, in accordance with Law no. 58/1991).

2. Pharm. NEGRU Ancamaria-Mihaela

- Member of the Management Board- elected in OGMS from 29.04.2010, for a period of four years
- Birth year: 1977
- Education:
"Iuliu Hatieganu" University of Medicine and Pharmacy, Cluj-Napoca - Faculty of Pharmacy;
 - University of Medicine and Pharmacy "Iuliu Hatieganu" - Master in "Study and Analysis of Drugs" University of Medicine and Pharmacy "Iuliu Hatieganu" - PhD student in the Analytical Control of Drugs - Study and Analysis"
 - University of Oradea - Faculty of Medicine and Pharmacy - Master in "Pharmacognosy"
 - National School of Public Health and Health Management
- Previous Jobs: SC Sicomed SA - Pharmacist - Department of Quality Assurance
 - National Drug Agency - Pharmacist - Authorization Evaluation Department, Head of the document reception & samples office
 - University of Oradea - Faculty of Medicine and Pharmacy - Lecturer

Currently Ms. NEGRU Ancamaria Mihaela is the Director of Drug Policy Directorate from the Ministry of Health.

- Stock owning: Does not own ATB stocks.

3. Dr. MOLNAR Gheza-Gheorghe

- Member of the Management Board- elected in OGMS since 24.04.2009, for a period of four years
- Birth year: 1943
- Education: "Iuliu Hatieganu" University of Medicine and Pharmacy Cluj-Napoca
Faculty of General Medicine
Postgraduate and specialization studies
- Main Doctor - General Medicine,
- Resident physician - infectious diseases and epidemiology,
- Specialist doctor - infectious diseases and epidemiology,
- Primary Doctor Certificate- epidemiology,
PhD student at UMF Cluj, Department of Infectious Disease
Medicine Doctor, specialization in infectious disease and epidemiology
Surveillance and control of nosocomial infections, CPPSS-MS
Epidemiological Training Program, CDC-WPB Budapest,
Management of medical & social services, Bucharest IMMSS-CPPMF
Vaccinology, European Programme CEE-NIS, Siofok, Hungary

- Previous Jobs:

- Public Health Institute Cluj, Doctor - General Medicine
- Specialist in General Medicine
 - Hospital for Infectious Diseases, UMF Cluj - resident and integration
 - UMF Cluj, University Medical Education - Integration
 - Institute of Public Health Cluj - MD - Chief of Epidemiology Public Health
 - Ministry of Health - Secretary of State
 - Sanitary and Technical School of Nursing Cluj - physician-teacher
 - Institute of Public Health Cluj Physician - Chief of Epidemiology, Public Health / resident, primary specialist
 - Health Services Foundation Cluj - President

University "Sapientia" - University Associate Lecturer.

Currently Mr. MOLNAR Gheza-Gheorghe is hired at the Institute for Public Health "Prof. Dr. Iuliu Moldovan" Cluj-Napoca.

- Stock owning: Does not own ATB stocks.

4. Ec.dr.RADU Valentin

- Member of the Management Board- elected in OGMS of 24.04.2009, for a period of four years

- Birth year: 1949,

- Education: Academy of Economic Studies Bucharest - Faculty of Management

Faculty of Law, Bucharest

"Alexandru Ioan Cuza" Academy - Postgraduate Studies, specialization in Administrative Law

Institute of Chartered Accountants of Scotland - Postgraduate, international accounting standards

Internal public audit course - organized by the Ministry of Public Finance, Bucharest and Deloitte & Touche

Audit specialization in the Department of Health in Lyon France

Ph.D. in economics - Management, Academy of Economic Studies

National Defence College

- Previous Jobs:

- Enterprise "Metrou" Bucharest - Economist Internal Financial Control
- Ministry of Internal Affairs - Audit-Auditor
- Ministry of Labour (Special Department) - Advisor to the Labour Minister
- Ministry of Internal Affairs - Audit - Project Manager, Assistant Director
- Ministry of Health -Internal Audit - Director

Mr. RADU Valentin is currently Director in the Ministry of Health.

- Stock owning: does not own ATB stocks.

5. Ec. DOBRA Vasilica-Rodica

- Member of the Management Board- elected in OGMS from 29.04.2010, for a period of four years

- Birth year: 1965

- Education: Academy of Economic Studies Bucharest - Department of Marketing

Course in "Debt Recovery"

DRG - Courses in "Fundamentals of financing hospital-based case"

Courses in "Public Finance, Budget and Public Accounting"

Courses in "Accreditation, contracting and reimbursement of pharmaceutical services"

Course in "Management tactics in social insurance system in Romania"

Master in "Management of health system"

Master in "Politics and the European economy"

- Previous Jobs:

Public Domain Administration - Head of the Marketing Office

SC DRUPO SA - Economist

DSPJ Ilfov - Bureau of Recording, Tracking and Cashing of Fund - Economist

EUCASS - Head of service and delegated Economic Director

Currently, Mrs. DOBRA Vasilica-Rodica is Economic Director at the Ministry of Health.

- Stock owning: Does not own ATB stocks.

6. Eng. ILIE Gabriela

- Member of the Management Board (reiterated in OGMS from 21/04/2008 for a period of four years)
 - Birth year: 1949
 - Education: Faculty of Chemistry - University of Bucharest,
 - Previous jobs:
 - Chemical factory Craiova - chemist
 - Research Center for chemical fertilizers, Craiova - Head of Laboratory
- Currently Mrs. ILIE Gabriela is director of SIF Oltenia's Shareholding Directorate.
- Stock owning: Stocks ATB held at 29/11/2010 (last database held by Antibiotice Iasi is from 2010) - 10,092 (purchased).

7. Ec. BUZATU Florian-Teodor

- Member of the Management Board- elected in OGMS of 21/04/2008, for a period of four years
- Birth year: 1957
- Education: Academy of Economic Studies Bucharest - Bachelor in Economics
 - Cooper & Lybrand - Assessor for enterprises
 - ANEVAR - Real estate evaluator
 - Millennium Training Center and NSC - Financial - Investment Consultant
 - University of Craiova - Strategies used in production management
 - European Institute of Enterprises Management - Management Strategies
 - CECCAR - Chartered Accountant
 - Booz - Allen Hamilton Inc. and USAID - USA - Financial Analyst
 - Chamber of Financial Auditors of Romania - Financial Auditor
 - University of Craiova - PhD in Economics
 - National Agency for Privatization - Enterprises evaluator
 - ANEVAR - Movable assets evaluator
 - CISA University of Bucharest - Privatization and restructuring management
 - Stock Exchange - Exchange Brokers
- Previous Jobs: IE Turceni - Head of Office
 - AMRCT-Oltenia - Head of Department

At the moment Mr. BUZATU D. Florian-Teodor is Director of the Department for Management and Logistics of SIF Oltenia.

- Stock owning: Stocks ATB held on 29/11/2010 (last database of Antibiotice Iasi dates from 2010) - 944 (purchased).

The Management Board gathered 8 times in 2010, recording each time an attendance of 100%. During these meetings were reviewed reports prepared by the heads of units, various actions and projects were approved and certain resolutions for the next stages of development were adopted.

The Ordinary General Meeting of Shareholders of Antibiotice Iasi from 29.04.2010, decided, according to law in force "fixing the remuneration for members of the Board at a quantum of 1% of the remuneration of the CEO" (decision no. 5), resulting in a value of 67 lei gross .

According to legal regulations in force (Law no. 203/2009 - updated on 12/04/2010 - Article IV - 1), the CEO remuneration for 2010 was equal to the salary of a secretary of state.

Advisory Committees

The Management Board has established the following specialized advisory committees:

- the Audit Committee
- Committee for remuneration, job selection and set-up.
- Committee establishing the investment development and quality
- Committee for marketing and market analysis;

The Advisory Committees have conducted investigations, analyses and have developed recommendations for the Board in specific areas, filed periodic reports on their activities.

Executive Team

The current activity of Antibiotice company is managed by the executive management team, whose work is supervised by the Management Board in accordance with the law, with the Establishment Act of the Company, the regulations and internal procedures, as well as the decisions of the General Assembly of Shareholders.

The management of the company coordinates the company's strategic development, in close cooperation with the Board of Directors. Periodically, these two entities analyze the results achieved in implementing Antibiotice's strategy. In this regard, the company management informed

the Management Board monthly on all aspects related to the work performed and its evolution in relation to the previous forecast, by presenting reports according to the agendas of the meetings. These reports were reviewed by the Board members and based on them and on other information have been adopted resolutions with effect on operating the company. Antibiotice Iasi is represented by the CEO, who signed the commitment documents to third parties and in front of the justice. The Management Board retains the duty to represent the Company's relationships with the directors it has appointed.

The executive management team of Antibiotice Iasi is provided by eight directors: one is the CEO and also Chairman of the Management Board, two executive directors and five unit directors:

1. ec. NANI Ioan

- CEO and Chairman of the Management Board- elected as member of the Management Board in the Shareholders Ordinary General Meeting (OGMS) of 24.04.2009, for a period of four years; elected by the Management Board as its Chairman and CEO of company since 2009.

2. eng. MORARU Cornelia

- Director - Technical and Production Unit, since 2005

- Birth year: 1965

- Education: Faculty of Chemical Technology - "Gh Asachi" University Iasi - Specialization Organic Chemical Technology

- Previous jobs:

"Chimica" Falticeni

- Stock owning: Antibiotice stocks (ATB) held at 11.29.2010 (last database of Antibiotice Iasi is from 2010) - 1,025 (Shareholder Certificate acquired after allocation, by changing 1 nominal coupon of privatization and 1 book with property certificates, in accordance with Law no. 58/1991).

3. Ec. NICUTA Constantin

- Executive Director - Economics Unit, since 1998

- Birth year: 1953

- Education: "Al. I. Cuza" University Iasi - Faculty of Economical Sciences

Postgraduate studies - Chartered Accountant

Evaluator course - ANEVAR

- Previous jobs

Antibiotice SA Iasi

- Stock owning: Stocks ATB held at 29/11/2010 (last database held by Antibiotice Iasi is from 2010) - 9,404 (purchased).

4. Eng. DIACONU Eugen, PhD

- Executive Director - Business Development Unit, since 2005

- Birth year of birth: 1949

- Education: Polytechnic Institute of Iasi - Faculty of Industrial Chemistry,

Polytechnic Institute of Iasi - PhD - Organic Synthesis

- Previous Jobs:

Antibiotice S.A. Iasi

I.C.C.F. Bucharest / C.C.A. Iasi

- Stock owning: ATB Stocks held at 29/11/2010 (last database held by Antibiotice Iasi is from 2010) - 1,000 (purchased).

5. Ec. CHEBAC Vasile

- Director of the Commercial and Logistics Unit since 2005

- Birth year: 1954

- Education: "Al. I. Cuza" University Iasi - Faculty of Economic Sciences - Department of Finance & Accounting

Courses in "Capital Market and Stock Exchange - organized by NCS

Course in "Reappointment as external independent auditor/censor"

Course for Financial Auditors - Romanian Chamber of Financial Auditors

Course Tax Consultants - Romania Chamber of Tax Consultants

- Previous Jobs

General Directorate of Public Finance, Iasi

Accounting Court Iasi

- Stock owning: Does not own ATB stocks.

6. **eng. OSADET Eugen-Florin**

- Director of the Engineering and Investment Unit since 2000
- Year of birth: 1955
- Education: Polytechnic Institute of Iasi - Faculty of Mechanical Engineering
MBA - Technical University "Gheorghe Asachi" Iasi
- Previous jobs:
Antibiotice SA Iasi
- Stock owning: Antibiotice stocks (ATB) held on 11.29.2010 (last database of Antibiotice Iasi is from 2010) - 1,025 (Shareholder Certificate acquired after allocation by changing 1 nominal coupon of privatization and 1 book with property certificates, in accordance with Law no. 58/1991).

7. **eng. DIMITRIU Cristina Lavinia**

- Director of the Quality Unit since 2004
- Year of birth: 1957
- Education: Polytechnic Institute of Iasi - Faculty of Chemical Technology
Faculty of Biology - Graduate Course in "Biochemistry"
MBA - Technical University "Gheorghe Asachi" Iasi,
"Grigore T. Popa" Faculty of Pharmacy Iasi - Postgraduate Course
- Previous jobs:
Chemical factory - Fagaras
Antibiotice S.A. Iasi
- Stock owning: Does not own ATB stocks.

8. **Ec. RUSU Gica**

- Director - Human Resources Management Unit, since 2006
- Birth year: 1963
- Education: Al. I. Cuza University - Faculty of Industrial, Construction and Transportation Economics
Al. I. Cuza University- Postgraduate course - Human Resources Management
- Previous jobs:
Antibiotice SA Iasi
- Stock owning: Stocks ATB held on 29/11/2010 (last database of Antibiotice Iasi is from 2010) - 1,024 (inherited).

The Code of Ethics

The Code of Ethics of Antibiotice company shows the ethical rules of conduct that establish and regulate the corporate values, responsibilities, obligations and conduct in business and how the company works.

The Code of Ethics is a guide for the employees of the company and provides information on how they can solve problems in business ethics. It provides rules in key areas regarding the employees, human rights, environmental management, social responsibility and corporate governance, contains guidelines that help the company to pursue its values. Our values and ethics points are the reference for our corporate culture.

The code shows the set of rules based on which the company has developed, rules of ethical conduct in business and the way to prevent illegal actions that may occur during the development of business within the Company. The Code is mandatory and applies to all structures and activities. All Company employees will comply in letter and spirit to these regulations.

The Code of Ethics is a fundamental commitment to strive for compliance to high ethical standards and applicable legal requirements, regardless of where Antibiotice operates.

The values that drive the company:

- Professionalism
- Effectiveness
- Knowledge

- Cooperation
- Honesty and fairness
- Respect
- Loyalty
- Confidentiality
- Initiative
- Transparency
- Partnership.

Antibiotice is convinced that translating these values into action creates long-term benefits for all interested parties namely shareholders, customers, employees, suppliers, communities.

Developing a high level of professionalism and partnership is an important element of success in our company. These values also support our development as individuals and as a team. In our company employees are constantly encouraged to think about these values and the relevance to their professional work. We believe this is the basis for a team and creating a high performance, continuously.

To contribute to the proper functioning of the capital market, Antibiotice takes all necessary measures to ensure that privileged information to which employees have or may have access, before they become public, shall not be used for personal interest, in order to obtain financial benefits or other personal advantage. The transmission of this information to others constitutes a violation of the Code of ethics of the company and the relevant legislation.

Principles and values that guide us through the code of ethics are presented in detail on the company website under the section **Company** (www.antibiotice.ro/companie - cod de etica).

The rights of the financial instruments holders

Valuing the investment of our shareholders is one of the priority objectives of the company in fulfilling its mission and obligations, which is done by putting into practice a policy aimed at ensuring long-term confidence and obtain important economic benefits. All holders of shares issued by the company Antibiotice SA Iasi are fairly treated. All the issued shares confer equal rights to holders. The rights of major shareholders and also of the minor shareholders are adequately protected, in accordance with the national legislation in force.

The company Antibiotice SA Iasi applies an active policy of communication and consulting with all stakeholders, facilitating and encouraging the participation of shareholders in the General Meetings of Shareholders, making possible their participation in the fundamental decision-making process and the full exercise of their rights. Antibiotice complies with the principle "one share, one vote, a dividend." As a result, there aren't any stocks that do not confer voting rights, or stocks that give more than one vote or preferential shares.

For shareholders who cannot attend the GMS, Antibiotice Iasi provided the possibility to vote in absence, based on a special mandate and the vote by mail. The company encouraged in the GMS the dialogue between shareholders and members of the Board and/or the management. Shareholders were invited to ask questions about items on the agenda for the meetings.

One or more shareholders representing, individually or together, at least 5% of the share capital have the right to introduce new items on the agenda of the GMS and to submit draft resolutions for these items and related materials.

Shareholders are entitled to receive dividends or, if the value of share capital increase, new shares. Shareholders have equal access to company information, thereby facilitating the exercise of their own rights and respecting in case of all, the same rules of transparency. To make relevant information available to shareholders in real time, Antibiotice company has created on its homepage, at www.antibiotice.ro, a special section called **Investors** [subsections: *Financial Reports, Annual Reports, Stock Quotes, Information for shareholders (GMS, Dividends)*]. This section is easily accessible and constantly updated. The page is structured so as to contain all information required by securities holders: information about GMS (procedures for access and participation in meetings, conferences, additions to the agenda, the Management Board answers to questions from shareholders concerning the right to vote, materials relating to items on the agenda, models of power-of-attorney, models of ballots by mail, resolutions, voting results etc.) financial calendar, periodic and current reports, dividends, members of the Management Board and company management etc.

Also, Antibiotice Iasi has devoted specialized internal structures for the relations with investors and with shareholders. The individuals designated to maintain contact with investors and shareholders constantly study and learn about the ever-changing legal system, about the stock market, in order to apply these and communicate with the owners of securities. The company creates and develops an appropriate policy to promote effective communication with investors and shareholders.

The General Meeting of Shareholders

The General Meeting of Shareholders is the highest decision making body of the company, where shareholders participate directly and take decisions. Among other duties, it shall decide on the allocation of profits, choose the Board of Directors, appoints auditors and determines remuneration of the Board. During 2010, the Board convened the Second Ordinary General Meeting (April 29 and November 12) and Extraordinary General Meeting (November 12). All necessary documents related to the smooth running of the General Assembly have been published on time and according to law. In OGMS of 29 April were approved the company's financial results for 2009, results that have been prepared in accordance with the Minister of Public Finance. 1752/2005 for approval in accordance with European accounting regulations and the Accounting Law no. 82/1991. At the same meeting they also took the following decisions:

- The distribution of net profit for 2009 amounting to 11,916,807 lei, determining gross dividend per share amounting to ROL 0.005003193 and approval to reinvest dividends.
- discharge of company directors for their activity on the year 2009,
- approval of the revenue and expenditure budget for 2010, fixing the remuneration
- setting the remuneration of Board members, at 1% the CEO's, according to GD. 1715/30.12.2008.

• Change the membership of the Management Boardby:

a) Revocation of Board Members and Voicu Victor Alexander Rafila,

b) Election by secret ballot of the following members of the Board of Directors: BLACK-Rodica Vasilica Ancamaria Mihaela and Dobrich.

In OGMS of 12 November, the shareholders have decided the following: • the correction of the revenue and expenditure budget for the year 2010, under the Emergency Ordinance no. 55/2010, published in the Official Gazette, Part I no. 425/24.06.2010.

In EGMS of 12 November, the shareholders have decided the following:

- the guarantee deposit of fixed assets and inventories of finished goods in favor of RBS Bank Romania, in order to supplement the line of credit, establishment and registration
- Representation of SC Antibiotice Iasi from Bucharest
- alienation by selling to SC APAVITAL SA IASI a pool of water and its related land,
- increasing the share capital by 2,275,939 RON, by issuing new shares, following the capitalization of dividends for fiscal year 2009, and their distribution to existing shareholders in the Register of the company's shareholders on the proposed registration date (29/11/2010), so that each shareholder will increase the number of shares, with an allocation index 0.050031931, an issue price equal to the nominal value 0.1000 lei a share, respectively.
- amendment to Art. 7, chap. III of the statutes, relating to capital and ownership structure, the text being given the following wording: "The share capital is fixed 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.

The ownership breakdown for the number of shares and their holdings is the following:

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 - worth 46.9827% or 22,441,612.50 lei.

In early 2010, the company's share capital subscribed and paid in lei 45,489,729.10, was represented by 454,897,291 shares with a nominal value of 0.1000 lei; thus recording at the end of the year a subscribed and paid up share capital of 47,765,668.10 lei represented by 477,656,681 shares with a nominal value of 0.1000 lei. Antibiotice Iasi has a strong shareholding structure, with the majority shareholder the Ministry of Health. Firm ownership structure on November 29, 2010 (last database in 2010, which has Antibiotics Iasi):

I. Investors

- Ministry of Health (*) - 53.0173%,
- SIF Oltenia • (*) - 10,0954%
- Broadhurst Investments Limited 0954% - 4.1977%
- SIF Transilvania - 4.0587%
- Eastern Eagle Fund Ltd. - 3.6740%
- SIF Banat-Crisana SA - 1.5996%
- ING private pension fund - 1.4252%
- Other legal entities and individuals 21.9321%.

NOTE: (*) - Significant shareholders, according to Law no. 297 of 28.06.2004, Article 2, paragraph 1. II. •

C								
Period	Net dividends							End of dividend payment
	Due	Paid				Outstanding 31.12.2010 ^a		
		lei						
		By 31.12.2009	In 2010	Total		lei	%	
0	1	2	3	4	5	6	7	8
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	Pending payment
2007	13.106.611	11.762.431	99.399	11.861.83 0	90,5	1.244.781	9,5	Pending payment
2008	7.222.070	5.959.923	542.579	6.502.502	90,0	719.568	9,0	Pending payment

holders - 86.84% • Individuals - 13.16%.

During 2010, dDividends have been paid for the financial years 2005, 2006, 2007 and 2008 in the amount of 664,665 lei lei, as follows:

Reinvestment of dividends for the year 2010 could be one of the sources needed to support the investment program, and an increase in the company's value. Reinvestment of dividends would be intended to align its policies to reinvest the entire net income as adopted in the last 9 years by most drug manufacturing units in Romania. Also such a decision would ensure the completion of necessary conditions for very important investment, valuable for both society and the healthcare system and national economy in general.

For these years, dividends have been distributed directly - at the company headquarters, by bank transfer and by wire transfer.

Antibiotice on the real estate market

In 2010, international stock markets have been volatile and have recorded lower values, reflecting the financial sector crisis and its impact on global economic growth. The effects of the global financial crisis have affected the capital market dynamics worldwide. There were sales of shares in all sectors, including pharmaceuticals and there was no heed of fundamental analysis and profits during 2010. Pharmaceutical stock prices in Central and Eastern Europe (CEE) decreased, reaching very attractive levels for investors. The same trend was also recorded on the Bucharest Stock Exchange, whose evolution has been characterized by depreciations as well as recovery, influenced mainly by negative news on the evolution of international financial markets. In 2010 ATB shares were included in a trend imposed by movements of the capital markets.

The shares of Antibiotice have been listed on the first category of Bucharest Stock Exchange under the symbol ATB, since 1997, the year of the Romanian capital market performance. The first transaction was recorded on 16 April 1997 at a reference price of 0.3500 RON / share. A historical maximum was reached on 10 July 2007; the price of 2.1700 RON / share, and the historical low of 0.0650 lei per share was recorded on 8 June 2000.

Over the years, through the positive results, through programs for the next stages, as well as investors in our company's credibility. Ever since the first transaction until the end of 2008, the stock has entered an upward trend. Throughout this period, investments in Antibiotice shares have brought big gains to investors. Both business plans and financial results recorded by the company represented a solid guarantee that Antibiotice strengthened its position on the national market of medicines. Also, the results have provided greater financial stability in view of implimenting modernization programs and development of key sectors (production basis, production of utilities, marketing, research, quality control). 14 years after the first transaction, all those interested are watching with interest the evolution of shares on the Bucharest Stock Exchange. Although understated because the global economic crisis, ATB shares enjoy investor interest that know and trust in the company's market potential.

Although ATB shares were on a trend imposed by international capital markets , Antibiotice has maintained almost all the time the leading position in the top of pharmaceutical companies traded on the Bucharest Stock Exchange, in terms of reference price index and PER. ATB shares traded on the Bucharest Stock Exchange:

- are included in BET-XT index, which reflects the evolution of prices of the 25 most liquid companies;
- are included in the BET-C index, the composite index;
- are included in the ROTX indices (Romanian Traded Index) of the Vienna Stock Exchange;

- enter the Dow Jones Wilshire Global Total Market Index of the New York Stock Exchange. This reflects the fact that Antibiotice is a strong company, which developed a strong economic foundation .

In addition, the position of Antibiotice within the main Romanian indicator (BET-C, BET-XT, ROTX) has stayed largely the same compared with the end of 2007 (before the recession), when the value of an ATB share was 2.05 lei.

In early 2010, the minimum price of ATB shares grew as opposed 2009, reaching the lowest rate on May 25, 2010 (0.4640 lei / share) - but up 28% compared to the previous year. Share price rose to a maximum of 0.7500 lei / share (14 ÷ 16 April), down 6% from 2009. On an annual basis, the average price grew by 11%.

During 2010 the BET-C (BET Coposite) indicator, which includes shares of all companies listed on BSE, with the exception of Financial Investment Companies (SIFs) increased by almost 15% in 2010, with an almost similar trend on ATB securities . BET XT (blue-chip index reflecting the evolution of prices for 25 most liquid companies traded on the regulated market, including SIFs) - an active support for derivatives and structured products - has also recorded an increase of 2% against 2009, ATB stocks reaching a maximum share of 1.46% in its composition, towards late 2010. The ROTX calculated at Vienna Stock Exchange and which reflects the real-time evolution of the 14 most liquid stocks traded on the BSE, increased by over 12% in 2010. Antibiotice market capitalization on 30 December 2010 (last trading day of the year) was 296,147 lei representing 1.15% of the total capitalization of the BET-C on the Bucharest Stock Exchange.

Antibiotice shares - ATB / REGULAR MARKET

	2008	2009	2010
Number of shares	454.897.291	454.897.291	477.656.681
Market capitalization (ths lei)*	163.763	270.664	296.147
Market capitalization (ths euro)*	41.093	64.401	69.116
Market capitalization (ths \$)*	57.781	92.804	92.416
Total tranzactional value (mln lei)	56	26	22
No. of shares traded	43.814.300	46.562.908	35.107.724
Opening price (lei/share)	2,100	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 output ****	4,61%	0,79%	3,05%
Rate of dividend allocationd*****	71%	19%	72%

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

** Proposed dividend

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

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

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

A constant presence in relevant charts

The analysis performed by the newspaper "Bursa" (Stock Exchange), under the category of "blue chip" actions considered as the best stocks listed on the stock market, have shown that depending on market liquidity and on financial results of the financial companies issuing shares, for years , Antibiotice registered significant growth. Antibiotice is present on average in the top ten companies composing the BET-C index, being part of the top most attractive companies on the Stock Exchange.

Investors who have profited in 2010 by the opportunity to achieve the maximum high point of Antibiotice shares (0.75 lei per share) achieved an investment return of 108% over the minimum price of the investment made the year before. In 2010 there were 8.43 million shares traded on the DEALS market, worth 5 million lei(1.2 million euro, \$ 1.6 million), with

an average price of 0.5847 RON / share (maximum price - 0.6100 lei per share, minimum price - 0.5650 lei / share).

The quarterly, trimestrial and annual reports have observed the financial communication calendar set for 2010. For 2011, the company proposed and sent to the Bucharest Stock Exchange and to the National Securities Commission the following financial communication calendar (*)

Presentation of preliminary annual financial results -	2010: 2/15/2011
General Meeting of Shareholders	
approving the annual financial results- 2010 :	28/29.04.2011
Annual Report 2010	29.04.2011
Quarterly Reporting:	
Quarter I 2011	13.05.2011
Quarter III 2011	15.11.2011
Presentation of 2011 half-yearly report	12.08.2011

*) It can also be found on our website at <http://www.antibiotice.ro> / investors / financial reports / financial calendar 2011.

We believe that in 2010 the company's development process has continued successfully, despite difficulties caused by the growing economic and financial crisis, nationally and globally. The Management Board, the Executive team, company employees and union representatives have all put the foundation to adapting to the unfavorable backdrop by responsibility and commitment manifested in their activity during the year.

External auditor

BDO Audit SRL was the independent auditor of our company on 2010, following that within the next General Meeting of Shareholders will be presented a resolution for the re-election of the same auditor.

The annual financial statements

BDO Audit has audited the financial statements for 2010, reviewed the annual report compliance with the financial statement. The financial statements have been filed in a timely manner to the Management Board for consideration. Thus, the annual financial statements were approved on 25/03/2011 at the Management board meeting and will thereafter be subject to debate in the General Meeting of Shareholders, which will take place on 28/29.04.2011.

Relations between management and employees are normal, there is a dialogue between them.

Participating interests to other trade companies

No.	Company name	Trade Reg.Office Registration no.	Account value (RON)	% of share capital representing shares/ comp.shares
1	S.C. Bursa Moldovei S.A. Iasi	J/22/1689/1998	140	0,006 %
2	S.C. Pharma S.A. Iasi	J/22/933/2000	6.000	30 %

Despite all the difficulties encountered during the year, primarily due to financial and economic crisis, the results registered at the company level, significantly higher than the national average, provide the conditions necessary for implementing the work programs for the next period so as to determine a consolidation of the whole business.

President of the Management Board,
Ec. Ioan Nani

Financial-Accountant Director,
Ec. Constantin Nicuta