ANNUAL REPORT

Antibiotice

CONTENTS

01 President's Message

Ioan Nani
President of the Management Board
and Chief Executive Officer

My message addresses all those who throughout 2011 were close to Antibiotice. It addresses first and foremost my colleagues, shareholders and business partners.

In a difficult year, when words such as crisis and recession were still obstinately present when describing the socio-economic environment in Romania and elsewhere, we have found the resources to focus our expertise on fulfilling the goals projected by Antibiotice shareholders in early 2011.

I could list several projects and results achieved in 2011, but they can certainly be found in the pages of this report. I would like to mention, however, the performance of the marketing and promotion team that once again managed to find appropriate solutions to promote our products, boosting turnover.

I also note the efforts of the colleagues working with the international market which resulted in increased export value, for another year.

Accordingly, in the last three years Antibiotice has succeeded in increasing turnover by 40%, reiterating the results on 2007, which were by far the best results our company has reported in the last 15 years.
Financial indicators are certainly always important, because a company's performance is measured by the economic results reported. Nevertheless, the life of a company is equally measured in terms of how it relates to the world, to people and the environment it conducts its activity in.

Antibiotice is a company that, in essence, is devoted to people. It is an organization that uses science and truth to create, every day, putting heart and soul, valuable medicines for people.
In this line of thought, I am convinced that our shareholders see the values we constantly promote, the very milestones of our development as an organization.

Creating a modern center for Drug Research and Development, operational since 2011, was by far one of the most significant projects.
We have wanted for a long time a modern research facility where new formulations can be developed and well, in 2011 our wish came true.

It will provide us with the opportunity to expandbusiness relationships with our

partners, enabling them to develop products in our center, as well as elaborate the documentation required for drug registration on international markets.

Just as in previous years, the Romanian market – our main outlet accounting for 80% of turnover- has been a hectic one, marked by many unexpected changes.

Truth be told, it is difficult to activate on a market that does not support enough resources and is subject to numerous changes, but our teams have joined efforts and, by hard work, succeeded in overcoming the impediments.
Nevertheless, there is a lot to be done in a company that turns to itself, in a permanent quest for new resources.

Therefore, since September 2011 we as a team have started to build a strategic development plan for 2012-2016.

Teams of specialists in various fields have defined a practical, concrete way of considering the future of the company, supported by six main directions called "strategic pillars":

1 **Internationalizing our business** – involves strengthening the position of Antibiotice on the global market;
2 **Adaptation and strategic analysis of the portfolio** - aims to optimize the product portfolio and accelerate its renewal;
3 **Adapting human resources to strategic action** - is the way in which the organization intends to form the skills and abilities of the employees, in view of supporting activities under the strategic plan;
4 **Cutting-down operating costs** - the permanent optimization of costs in relation to the added value they produce;
5 **Focusing organizational culture on innovation and performance** – refers to the active involvement of employees in systematic activities of innovation, improvement and streamlining that bring more value to the company;
6 **Protecting the working capital** - involves focusing on favorable solutions for creating our own development resources.

Establishing strategic goals for 2016 was not an easy task, as there are still many variables.
Yet, for 2012 at least, I am positive that the path we designed is well-traced, with elements of predictability, so that in future we can continue to safely build this organization.

Moreover, we remain determined to rejuvenate our work teams, to bring in young and talented professionals.
Knowledge is a key feature of our company, and we believe that well-trained staff is our main asset of our company.

Considering the current competitiveness in the market and the pretty ambitious targets set for 2012, we need more research force, doubled by a stronger team in marketing and sales.
Since every evolutionary process entails a continuous assimilation of knowledge, we have to absorb know-how with respect to all processes forming the internal engine of Antibiotice's development. And we will do our best.

I am confident that we can reconfirm the good results reported in recent years, especially 2011. Our wish for 2012 is that the company results meet the expectations of customers and business partners, but primarily those of our shareholders.

I wish my colleagues be wise enough to predict the best course for this company, so that next year we can show that Antibiotice has completed the first stage in its strategic plan to reach the desired targets.

I would like to gaze at the future with confidence. Having so many young people around us, seeing there is commitment and desire to do important things lead me to believe that together we will be able find resources so that, over the years, Antibiotice might mean more than "science and soul" – rather an organization constantly rediscovering itself, finding its way to ongoing development, working for the benefit of people whom it confers a most precious gift, health.

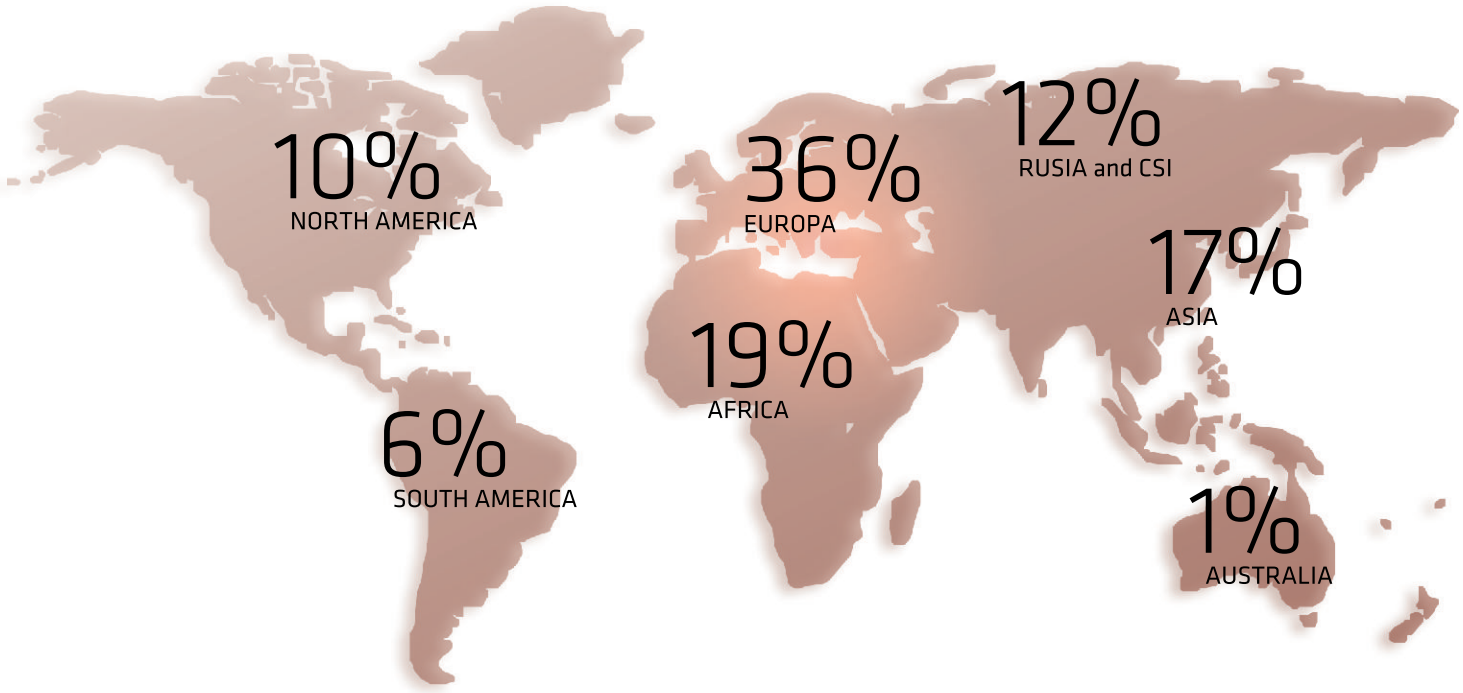
Ioan Nani's message
President of the Management Board and Chief Executive Officer

02 Company Profile

Antibiotice - an overview

Domestic Profile

- leading producer of anti-infectives in Romania;
- portfolio consisting of 99 molecules, 153 products, 11 therapeutic classes;
- 8 manufacturing lines producing: powders for injection, capsules, tablets, ointments, creams, gels, suppositories and active ingredients obtained by biosynthesis;
- marketing and promotion team consisting of 150 physicians and pharmacists;
- prominent manufacturer of anti-inflammatory and cardiovascular drugs, dermatologicals as well as products intented for the digestive tract and central nervous system;
- turnover amounting to 282 million lei (higher by 16% against 2010);
- share of exports in turnover amounting to 20%;
- 60 products for export;
- worldwide acknowledged approvals and certification: certification from the US FDA (Food and Drug Administration), for Nystatin and products for injection; the Certificate of Suitability to the European Pharmacopoeia (COS) for Nystatin; the Good Manufacturing Practice (GMP) certificate for all manufacturing lines; Integrated Management System.
- in house Research and Development Center;
- 1439 employees.



Presence in the market:

- domestic market leader in the production of powders for injection;
- domestic market leader in terms of consumption, in the production of ointments, creams, gels and suppositories;
- leader in terms of prescription generic drugs intended for hospitals, with a 24% market share;
- ranked the 3rd among Romanian manufacturers of generic prescription drugs, with a 9.98% market share;
- Romanian producer of the entire range of essential antituberculosis drugs;
- second world producer of Nystatin;
- 100 partnerships in 60 countries worldwide;
- the only Romanian manufacturer of active ingredients and biofertilizers obtained by biosynthesis.

Antibiotice hystory

1955

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

1959

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

1977

FDA, the Food and Drug Authority in the United States, authorizes the Streptomycin (active ingredient) manufacturing line.
In the 80's Antibiotice already exports 50% of its total production.
The active ingredients manufactured in Iasi are the basic components of a vast range of medicinal products manufactured on the domestic market and abroad. In the 1980's, 44 patents in pharmaceutics are registered and 600 technological innovations are applied in the manufacturing process.

1990

Antibiotice becomes a joint stock company by taking over the assets of the former Antibiotice Enterprise Iaşi, in conformity with GD no. 1200/12.11.1990.
The historical changes in Romania and Eastern Europe determines a reorientation of the manufacture to medicines in finished form, the active ingredients being used especially for developing new pharmaceutical forms.

1997

Antibiotice shares are listed on the first category of Bucharest Stock Exchange since April 14th ,1997.
The company implements an efficient, state-of-the art quality assurance system involving a strict control of the manufacturing processes, in accordance with the requirements imposed by Romania's accession to the European Union.

1999

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

2002

The company's plant producing Nystatin is granted the FDA approval, which encourages exports to the United States.
Consequently, Nystatin becomes the most important products for export, securing Antibiotice's position as second worldwide producer of Nystatin.

2005

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

2006

The Quality Management System implemented by Antibiotice SA is certified in conformity with the ISO 9001:2000 standard by Lloyd's Register Quality Assurance (LRQA).

2007

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

2009

The first finished forms intended for export to the United States (four doses of Ampicillin for injection) obtain the FDA authorization.

2010

The first delivery of finished products (medicines for injection) to the US market takes place in June 2010, whereas in December of the same year Antibiotice celebrates 55 years of tradition and expertise in the pharmaceutical market.

03 Company's strategic orientation

Development of research projects

Antibiotice distinguishes itself as an important manufacturer of medicines from CNS, cardiovascular and oncology drugs

Anticipating the factors affecting the pharmaceutical market and the competitive environment in which it operates, Antibiotice has set as a strategic direction to achieve a top position, focusing on the segment of high incidence diseases, namely: diseases of cardiovascular system, central nervous system and oncological ones.

To this purpose, the company invested in a modern R&D Center which ensures the development of 5-8 new projects annually and implicitly the rhythmic increase of the portfolio product renewal.

Strengthening the anti-infectives portfolio

The renewal of the basic therapeutic class, namely the antiinfectives, represents another direction of the company's strategy.

The concern of the company's team of experts focuses on the development and introduction of medicines with modified release and fixed-dose combinations into the portofolio.

Development of veterinary product portfolio

Along with the portfolio of human medicinal products, we have been developing a new veterinary product portfolio by our own research.
This portfolio covers drugs in the following dosage forms: products for injection (powders for solutions for injection), oral products (tablets) and topical preparations (creams and ointments).

Conducting research for Antibiotice's partners

Antibiotice develops, by contract, the complete documentation for obtaining marketing authorizations, from the stage of developing a pharmaceutical formula to the confirmation of product efficacy and safety by bioequivalence studies.

Modernization and development of manufacturing lines

The R&D results determine changes in the production lines in order to exploit to the maximum their commercial potential.
In 2011 the converging actions in quality assurance, quality control, R & D and manufacturing were the priority actions.

Investing for the future

Antibiotice will continue modernizing and developing the manufacturing lines - the basis for the future external partnerships.

In line with the general objectives of the company, investments with major impact on the development of the company were made in 2011, the most important being:

- modernization of the tablet line by endowing it with high-performing compressing and primary packaging equipment;
- building an R & D pilot equipped with facilities intended for the research of tablets;
- investments imposed by the GMP and FDA requirements.

Development of marketing activities

The follow-up of the strategies launched in 2010 raising awareness by common objectives of the marketing specialists and sales managers led to significant results in 2011 in terms of optimizing the distribution chain between manufacturer and end-user.

Tracing the dynamics of sales on pharmaceutical forms led to optimizing the inventories and production under conditions of efficiency.

Strategies for an active presence in the market

A primary goal in 2011 which will be pursued in the future is the development of partnerships with the national pharmacy chains that provide a better impact on the general public and thereby an increase in the market share, especially in the large cities where these chains are well represented.

The commercial relations with the distributors have evolved into a new partnership stage regarding the sales structure, recording favourable results with regard to stabilizing distribution and securing sales.

Ranked 3rd in the top of generics producers in Romania

In 2011 Antibiotice launched 3 new products, maintaining its third position in the top of prescription generics producers, with a 9,98% market share.

Expansion prescription in international markets

Augmenting sales on foreign markets and strengthening the company's position on the strategic markets represented in 2011 as well one of the key components of the medium and long-term strategy of Antibiotice.

Two developing directions in line with the structural features of the company were followed in attaining the general objective of the business internationalization.

The first direction assumes reinforcing the position on the Nystatin world market, a market in which Antibiotice enjoys its recognition as the second producing company of Nystatin in the world.

The second direction implies expansion in the international market of finished drugs, by registering new products as well as by developing new partnerships in the markets considered as strategic ones.

The main actions undertaken in 2011 aimed at identifying an export portfolio to meet the requirements of the target markets, focusing on markets of the U.S. and Canada, Central and Eastern Europe, Russia and CIS, Middle East and North Africa.
At the same time, the company initiated partnerships with major companies for contract manufacturing.

Industrial partnerships on the value chain

In 2011, the company's main concerns focused on optimizing relations with the partners on the value chain, developing existing partnerships and identifying the elements that slow down the processes on the value chain.

All of these, in order to adopt measures necessary to provide products with a high therapeutic value, in terms of quality, efficiency and safety recognized worldwide.

The main objective of the external procurements was to carry them out in a cost-effective manner and within appropriate quality and safety standards, in accordance with the legislation in force.

Procurement activity is always focused on supporting the company's general strategy. This is achieved by providing a secure portfolio of suppliers, able to sustain the company with quality products, within the deadlines requested by Antibiotice and under the mutually agreed conditions.

The company aims at identifying partnerships in sales, marketing, supply of products in all markets in which Antibiotice operates and at exploring the collaborative opportunities by selling and/or purchasing licenses.

It also pursues the development of the partnerships with the existing suppliers and attraction of new partners able to support the company's strategy including the expansion of the product portfolio in accordance with the market's requests and trends.

In terms of the current competitiveness, budgetary restrictions and international pricing policies, the optimization of the operational process is already a constant feature of the partnership management.

Human capital development

In order to develop business on a strong, competitive market like the pharmaceutical one, companies need to keep pace with the dynamics and development of the relevant industry.

The need for a continuous training of employees comes as a natural way of adapting and contributing to the competitiveness of the company.

2011 involved the ongoing development of an important human resources project Summer School a+ to support training and improvement of Antibiotice's employees and attract valuable candidates to the company.

Summer School a+

Antibiotice, a company investing into knowledge, continued in 2011 the Summer School a+ project, started in 2010.

Over time, Antibiotice has had a continuos interest in the inter-relationship between the academic and the business world.

Therefore the objectives of the Summer School a+ aim at training employees, as well as attracting graduates and final year students to develop Antibiotice's own research, quality assurance, regulatory affairs, bioequivalence activities etc.

04 Company Results in 2011

Strategic evolution

Consolidating leadership position on the anti-infectives prescription generics market

Revenue market share increase from 38% in 2010 to 45% in 2011

Consolidating leadership position on hospital anti-infectives market (powders for injection)

Revenue market share went up from 46% in 2010 to 58% in 2011

Strengthening position among top manufacturers of generic prescription drugs in Romania

Revenue market share of 9.98 % in 2011 over 9.5 % in 2010

Trade Portfolio Renewal by

3 new products in various concentrations, plus the launch of a new therapeutic class treating CNS disorders with 5 products intended for schizophrenia, Alzheimer's disease, insomnia and depression.

Assimilating new products by in-house development

6 Marketing Authorizations were issued in 2011 for new medicines developed within the company:

- Dermatological preparations- clotrimazole/betamethasone (Clo-Ekarzin 0.5 mg/10 mg/g, cream)
- Digestive tract and metabolism - drotaverine (Spaverin 40 mg and 80 mg, capsules)
- Anti-inflammatory and anti-rheumatic products - Piroxicam Atb 20 mg, suppositories
- Systemic use anti-infectives: cefixime (Eficef 100 mg, capsules)
- Antidote products – potassium iodide Atb 65 mg, tablets.


CAMERA DE COMERȚ ȘI INDUSTRIE
IAȘI
Laureat
Topul Firmelor Ieșene
Ediția 2010

Elaborating 6 new pharmaceutical products, with the support of long-term partners

In 2011 Antibiotice obtained Marketing Authorizations for the drugs below, falling under the following therapeutic classes:

- Oncology - Bicalutamida Atb 50 mg, filmed tablets; Letrozol Atb 2.5 mg, tablets; Topotecan 1 mg and
  4 mg, powder for concentrate for solution for infusion.
- CNS: Paroxetina Atb tablets, 20 mg
- Cardiovascular system: Trimetazidina Atb 35 mg, extended release tablets

Strengthening presence on the international market

- export turnover amounting to over USD 18 mln
- turnover from active ingredients exports went up 13% over last year
- strengthening position as the second largest producer of Nystatin worldwide
- obtaining 30 new MAs in foreign markets
- developing finished product exports in its own name, reporting 21% increase on this segment
- obtaining the ANDA approval (MA) in the US for one more product for injection, in two concentrations
- 100 partners, compared to only 80 in 2010
- currently Antibiotice exports to 60 countries instead of 55 in 2010

Continuous improvement of product quality and efficacy while harmonizing documentation to the latest provisions of the Pharmacopoeia

7 traditional pharmaceutical products were improved: semisolid products (Nidoflor® cream), products for injection (AmoxiPlus®), tablets(Simcor®, Rompirin®, Bisotens®, Almacor®, Gladicor®).

Developing the research facilities

- Completing the Pilot Research Center for solid oral dosage forms, equipped with 5 items of manufacturing equipment, pilot scale and related labs.
- Enhancing the analysis capacity of the physical-chemical research laboratories, by purchasing 11 quality-inspection apparatus including: a laser-diffraction analyzer to determine particle size, a high-performance liquid chromatography and a system for obtaining ultrapure water.

Top most valuable Antibiotice trademarks

Trademark	International Nonproprietary Name	Terapeutical Class/ Pharmaceutical Form	Main C ompetitors	Sales in 2011 (RON)
Cefort®	ceftriaxonum	Anti-infectives – Third generation cephalosporins Powder for injection	Ciframax (Ranbaxy), Medaxone (Medochemie), Rocephin (Hoffman la Roche), Novosef (Sanofi-Aventis)	44,144,856 1st place
Eficef®	cefiximum	Anti-infectives – Third generation cephalosporins Capsules	Sole manufacturer	7,333,751
Ceftamil®	ceftazidinum	Anti-infectives – Third generation cephalosporins Powder for injection	Fortum (GSK)	7,284,347 1st place
Colistina Antibiotice®	colystinum	Anti-infectives – Polymyxins Powder for injection	Sole manufacturer	6,907,591
Amoxiplus®	amoxicillinum + acidum clavulanicum	Anti-infectives – Combinations of penicillins Powder for injection	Augmentin (GSK), Amoksiklav (Novartis)	7,150,058 3rd place
Nidoflor®	nystatinum + neomycini sulfas + triamcinoloni acetonidum	Dermatologicals – Corticosteroids Ointment	Sole manufacturer	6,885,052
Ampiplus®	ampicillinum + sulbactanum	Anti-infectives – Combinations of penicillins Powder for injection	Sole manufacturer	6,374,824
Clafen®	diclofenacum	Anti-inflammatory products Ointment, cream, gel suppositories, tablets	Diclac/Voltaren (Novartis)	6,064,211 3rd place
Novocalmin®	metamizolum natricum	Nervous system – Antipyretics Suppositories, tablets	Algocalmin (Zentiva), Algozone (Ozone Laboratories)	4,911,820 2nd place
Hemorzon®	Hidrocortisonum + tetracyclinum + lidocainum	Cardiovascular system– Agents for treatment of hemorrhoids Suppositories, ointment	Sole manufacturer	4,743,263 2nd place
Piafen®	Metamizolum natricum+ phytophenonum +fenpipramidum	Nervous system – Analgesics Tablets	Antinevralgic (Zentiva), Quarelin (Zentiva)	4,377,071 1st place
Lisinopril Atb®	lisinoprilum	Cardiovascular system – ACE inhibitors Tablets	Ranolip (Daiichi-Sankyo), Tonolysin (Gedeon Richter), Lisinopril (Sandoz)	3,909,869 2nd place
Cipro Quin®	ciprofloxacinum	Anti-infectives – Quinolones antibacterials Tablets	Ciprinol (Krka), Cuminol (Gedeon Richter), Cifran (Daichii-Sankyo)	3,571,890 3rd place
Bisotens®	bisoprololum	Cardiovascular system – Beta-blocking agents tablets	Concor (Merck AG), Bisoblock (Actavis), Bisogamma (Worwag)	2,275,171 4th place
Moldamin®	benzathini benzylpenicillinum	Anti-infectives – Beta-lactamase – sensitive penicillins Powder for injection	Sole manufacturer	1,919,342
Neopreol®	prednisolonum + neomycini sulfas	Dermatologicals Ointment	Sole manufacturer	1,758,764
Cutaden®	ichthammolum + zinci oxydum + extractum hamamelis	Dermatologicals – Cicatrizants Ointment	Sole manufacturer	1,370,310
Lorine®	acidum risedronicum	Musculo-skeletal system – Bisphosphonates, combinations Tablets	Actonel (Sanofi-Aventis)	1,296,879 2nd place
Sinerdol ISO®	rifampicinum + isoniazidum	Anti-infectives – Drugs for treatment of tuberculosis (1st line) Capsules	Sole manufacturer	1,129,580
Sinerdol®	rifampicinum	Anti-infectives – Drugs for treatment of tuberculosis Capsules	Rifampicină (Arena)	932,731 1st place

Drug products for which Antibiotice is the only manufacturer

Product Name	International Nonproprietary Name	Therapeutic Class Pharmaceutical Form	Sales in 2011 (RON)
Eficef® 200 mg	cefiximum	Anti-infectives – Third generation cephalosporins Capsules	7,333,751
Colistina Antibiotice® 1,000,000 I.U.	colistinum	Anti-infectives – Polymyxins Powder for injection	6,907,591
Nidoflor®	nystatinum + neomycini sulfas + triamcinoloni acetonidum	Dermatologicals – Corticosteroids Cream	6,885,052
AmpiPlus® 1.5 g	ampicillinum + sulbactamum	Anti-infectives – Combinations of penicillins Powder for injection	6,374,824
Penicillin potassium 1,000,000 IU and Penicillin sodium 400,000 IU and 1,000,000 IU	benzylpenicillinum	Anti-infectives – Penicillins Powder for injection	8,759,521
Oxacillin 500 and 1,000 mg	oxacillinum	Anti-infectives – Penicillins Powder for injection	4,798,748
Nystatin 500,000 IU	nystatinum	Alimentary tract and metabolism – Intestinal anti-infectives – Antibiotics Tablets	2,643,153
Tetracycline Hydrochloride 12 g	tetracyclinum	Dermatologicals – Antibiotics for topical use Ointment	2,512,415
Kanamycin S 6 g	kanamycinum	Sensory organs – Ophthalmologicals – Anti-infectives Ointment	2,372,610
Cicloserina Antibiotice ® 250 mg	cycloserinum	Anti-infectives – Drugs for treatment of tuberculosis (2^{nd} line) Capsules	1,984,336
Moldamin® 1,200,000 IU	benzathini benzylpenicillinum	Anti-infectives – Beta-lactamase - sensitive penicillins Powder for injection	1,919,342
Neopreol®	prednisolonum + neomycini sulfas	Dermatologicals – Corticosteroids Ointment	1,758,764
Pyra zinamide 500 mg	pyrazinamidum	Anti-infectives – Drugs for treatment of tuberculosis (1^{st} line) Tablets	1,739,428
Ampicillin sodium 250 mg	ampicillinum	Anti-infectives – Penicillins Powder for injection	1,638,492
Cutaden®	Ichtiolum + zinci oxydum + hamamelis virgiana extractum	Dermatologicals – Cicatrizants Cream	1,370,310
Sinerdol ISO®	rifampicinum + isoniazidum	Anti-infectives – Drugs for treatment of tuberculosis (1^{st} line) Tablets	1,129,580
Streptomycin sulfate 1 g	streptomycinum	Anti-infectives – Drugs for treatment of tuberculosis (1^{st} line) Powder for injection	1,104,759

In 2011, the products with sales of over one million lei for which Antibiotice is the unique manufacturer recorded a sales increase of 9.7% over the previous year (from 47.2 million lei in 2010 to 51.8 million lei in 2011).

Financial progress

The 2011 net turnover amounted to RON 281.8 million, of which RON 226.15 million came from domestic sales (80%), and RON 55.7 million (20%) from sales in the foreign markets.
Thus, the overall turnover in 2011 grew by 16% compared to 2010 when the turnover was RON 243.6 million.

The gross profit for this financial year was RON 26.4 million, 43% higher than in 2010, when the gross profit was RON 18.5 million.

Following the deduction from the gross profit of the expenses representing the income tax amounting to RON 6.1 million resulted a net profit of RON 20.3 million, by 62% higher than in 2010, when the profit was RON 12.5 million.

The equity increased by over 9.3%, from RON 262.6 million in 2010 to RON 287 million in 2011.

16% increase in turnover and 62% incrase in net profit

Evolution of economic and financial indicators in the period 2009-2011

RON	2009	2010	2011	2011/2010
Turnover	219,754,104	243,626,062	281,847,455	1.16
Total revenue	221,309,361	262,815,581	302,548,473	1.15
Total expenditure	205,661,833	244,343,311	276,150,814	1.13
Gross profit	15,647,528	18,472,270	26,397,659	1.43
Net profit	11,916,807	12,539,100	20,298,909	1.62
Personnel related expenses , of which	63,417,664	65,439,305	68,426,642	1.05
Wages	48,616,983	50,961,305	53,559,653	1.05
Fixed assets	158,722,154	168,483,874	175,363,858	1.04
Current assets, of which:	217,496,442	223,940,478	273,646,635	1.22
- receivables	179,772,285	179,809,223	226,374,446	1.26
- stocks	34,147,030	40,407,875	41,932,333	1.04
Total debts, of which:	114,252,280	110,652,469	142,722,089	1.29

RON	2009	2010	2011	2011/2010
- commercial debt	29,607,265	31,217,328	48,780,932	1.56
- bank loans	74,745,728	69,301,605	82,416,576	1.19
Total assets	376,700,408	392,751,598	449,313,171	1.14
Shareholder's equity	242,024,210	262,612,444	287,058,407	1.09
Average number of staff	1,430	1,441	1,450	
Operating profit	11.91%	12.54%	11.38%	
Gross profitability	7.12%	7.58%	9.37%	
Net profitability	5.42%	5.15%	7.20%	
Share of personnel expenses in turnover	28.86%	26.86%	24.28%	
Share of personnel expenses in AV	57.76%	44.32%	40.15%	
Share of wages expenses in turnover	22.12%	20.92%	19.00%	
Share of wages in Total Cost	23.64%	20.86%	19.40%	
Gross average salary	2,833.16	2,947.10	3,078.14	1.04
Labour productivity	153,674	169,067	194,378	1.15

Profitability indicators

Gross return	7.1%	7.6%	9.4%	
Added value	109,803,815	147,639,567	170,426,273	
Self-financing capacity	25,822,076	25,820,408	37,662,327	

Liquidity ratios

General liquidity	1.90	2.02	1.92	
Current liquidity	1.61	1.66	1.62	

Management indicators

Average collection period of receivables(days)	**298.59**	**285.0**	**293.2**
Fixed assets turnover ratio (days)	**263.63**	**252.4**	**227.1**
Equity turnover ratio (days)	**401.99**	**393.4**	**371.7**
Fixed assets ratio	**42%**	**43%**	**39%**
Receivables ratio	**48%**	**46%**	**50%**
Current assets ratio	**58%**	**57%**	**61%**

Stock evolution

In the early 2011, the company's subscribed and paid-up capital amounted to RON 47,765,668.10 represented by 477,656,681 shares with a nominal value of RON 0.1000.

On December 31, 2011, the subscribed and paid-up capital was RON 56,800,710, represented by 568,007,100 shares with a nominal value of RON 0.1000.
Antibiotice S.A. has a strong ownership structure, the main shareholder being the Ministry of Health.

The company's shareholding structure as of September 22, 2011 according to the latest database held by Antibiotice SA for 2011 is as follows:

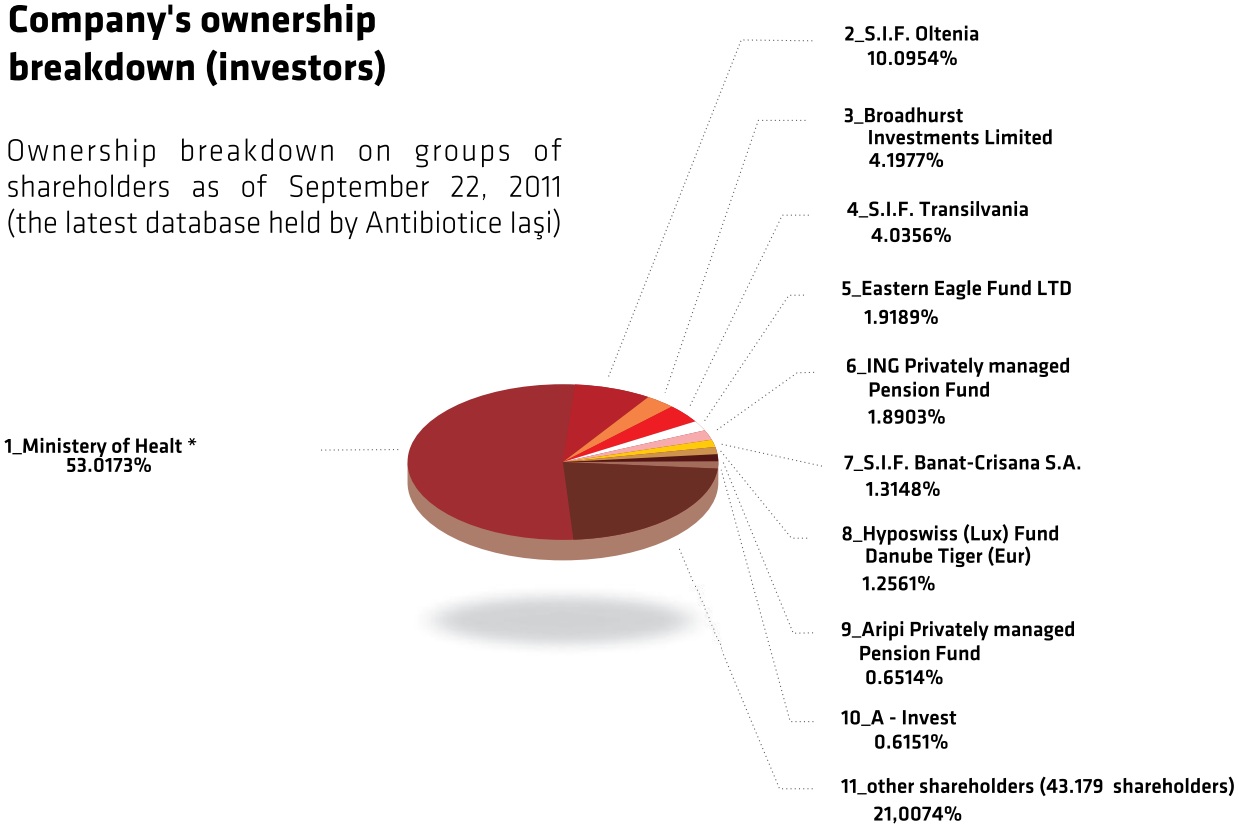
I. Investors

- Ministry of Health * - 53.0173%,
- S.I.F. Oltenia* - 10.0954%
- Broadhurst Investments Limited - 4.1977%
- S.I.F. Transilvania – 4.0356%
- Eastern Eagle Fund LTD – 1.9189%
- ING Privately Managed Pension Fund – 1.8903%
- S.I.F. Banat-Crişana SA – 1.3148%
- Hyposwiss (Lux) Fund Danube Tiger (Eur) – 1.2561%
- Aripi Privately Managed Pension Fund – 0.6514%
- A-Invest – 0.6151%
- other individuals and legal entities - 21.0074%.

* Significant shareholders, according to Law no. 297 from June 28, 2004, Art. 2, Paragraph 1

Company's ownership breakdown (investors)

Ownership breakdown on groups of shareholders as of September 22, 2011 (the latest database held by Antibiotice Iaşi)

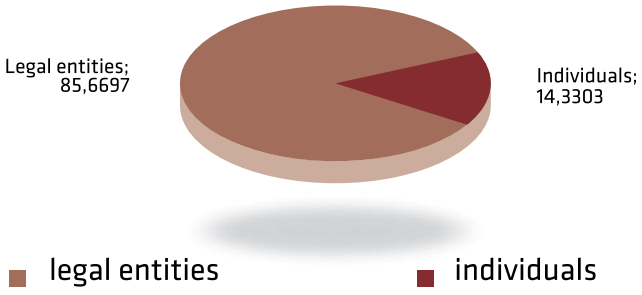


II. Groups of shareholders

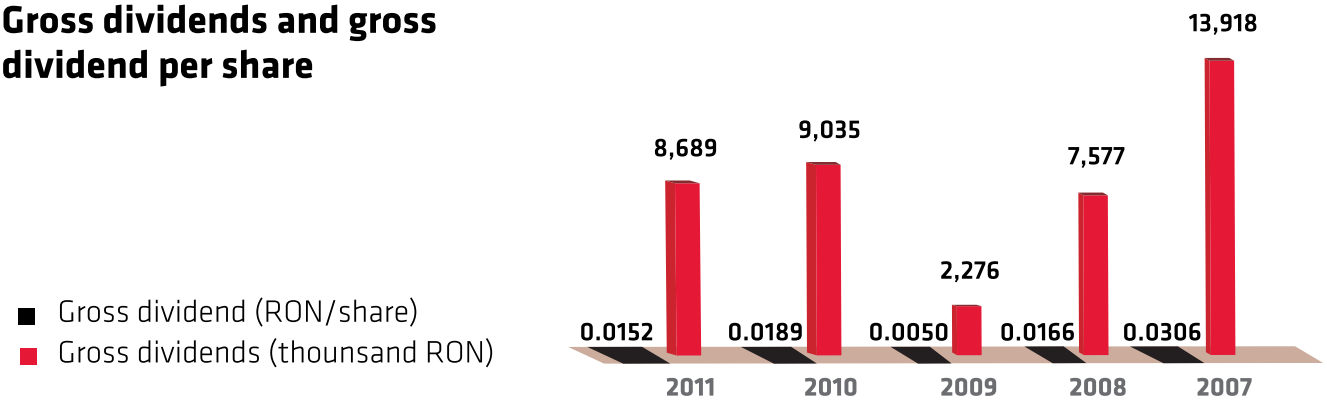
- Legal entities – 85.6697%,
- Individuals – 14.3303%.

Ownership structure on groups of shareholders as of September 22, 2011 (the latest database held by Antibiotice Iasi) - %

Company's ownership structure (groups of shareholders)



Gross dividends and gross dividend per share



As shown in the chart, the decrease in the value of the gross dividend per share between 2008 and 2010 (as compared to 2007) is a consequence of the financial and economic crisis that has extended at company level, too.

In addition, the growth of the gross dividend per share in 2010 and 2011 compared to 2008 and 2009 is due to the profit distribution in compliance with the new financial legislation applicable since 2010.

Antibiotice on the securities market

In the opinion of the financial analysts at the Center for European Economic Research (ZEW) in Germany, the prospects on the evolution of the Bucharest Stock Exchange started to improve in mid 2011.

During 2011, all the sectors experienced sales of shares, including the pharmaceutical sector. Such sales did not take into account the fundamental analysis or the profits of the companies.
The pharmaceutical stock prices from the Central and Eastern Europe (CEE) fell to levels very attractive for investors.

Many of the shares listed on the Bucharest Stock Exchange (BSE), including the Antibiotice shares, were undervalued and that is why the Antibiotice shares have a high growth potential.

This undervalued price was mainly influenced by the negative news on the trend of the international financial markets.

15 years from the first transaction, 43,000 shareholders follow with interest the evolution of the Antibiotice shares at BSE.

Although undervalued, due to the economic recession, the ATB shares enjoy interest from investors who know and trust the company's market potential.

The Antibiotice (ATB) shares in the regular market

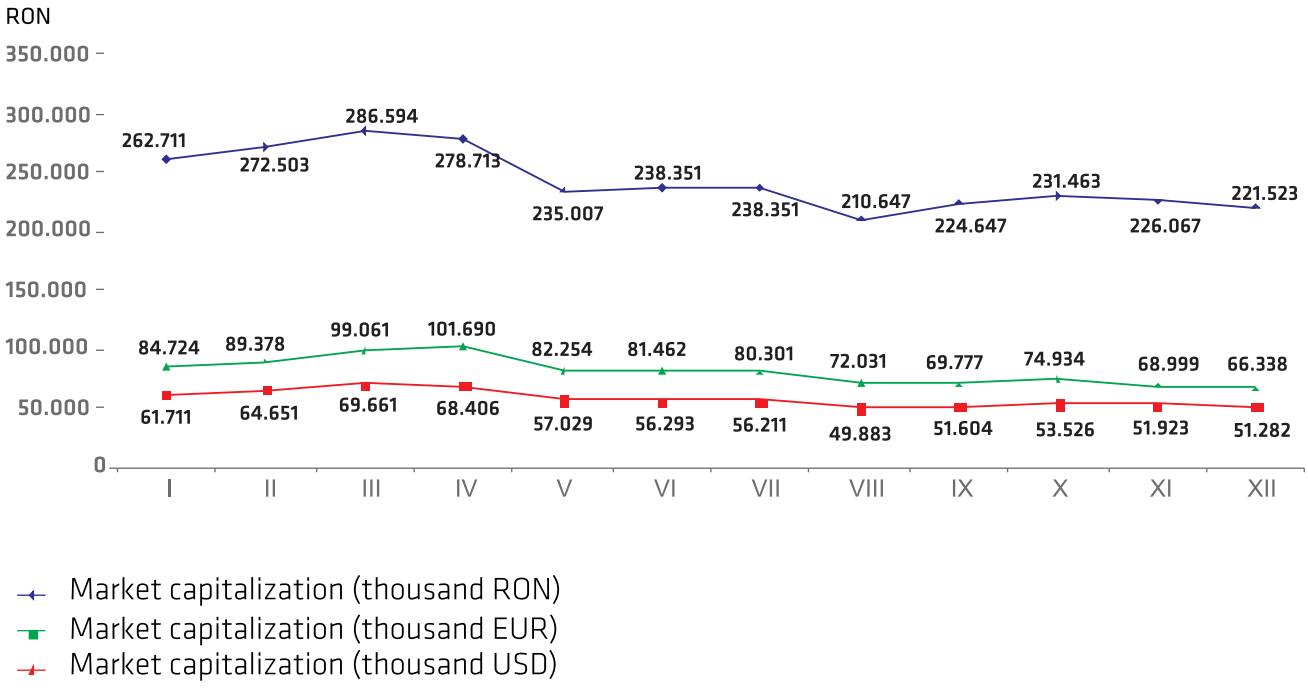
RON

	2009	2010	2011
Number of shares	454,897,291	477,656,681	568,007,100
Stock market capitalization (thousand RON)*	270,664	296,147	221,523
Stock market capitalization (thousand EUR)*	64,401	69,116	51,282
Stock market capitalization (thousand USD)*	92,804	92,416	66,338
Total traded value (million RON)	26	22	17
No. of traded shares	46,562,908	35,107,724	33,430,079
Opening price (RON /share)	0.3650	0.628	0.6200
Maximum price (RON /share)	0.8000	0.7500	0.6420
Minimum price (RON /share)	0.3600	0.4640	0.3613

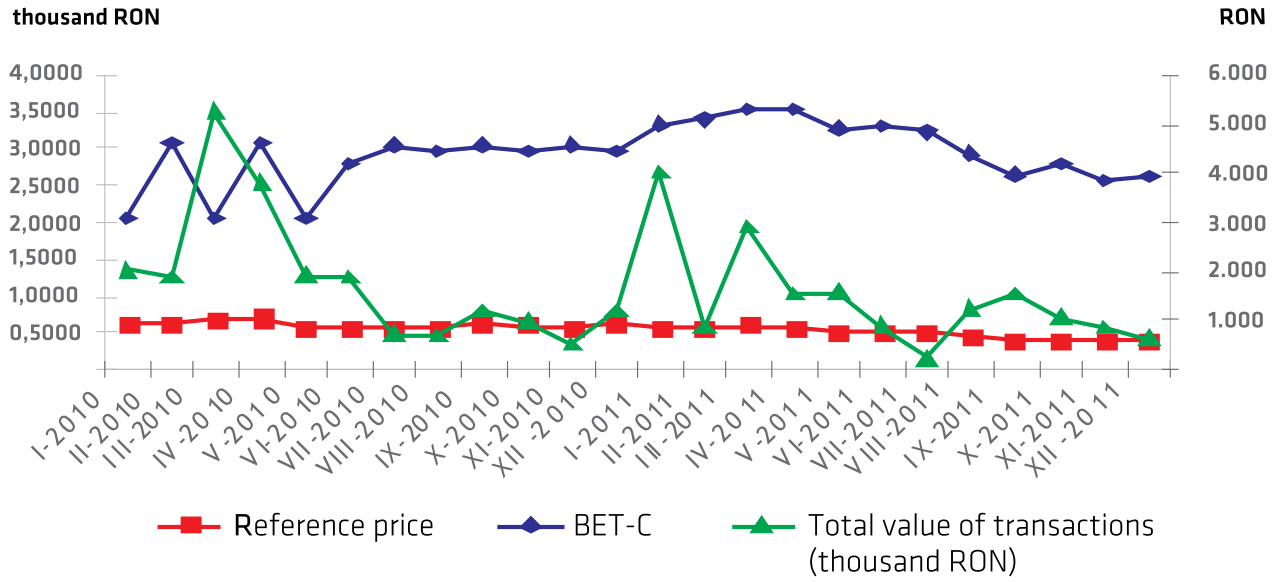
Price at the end of the year (RON/share)	**0.6300**	**0.6200**	**0.3900**
Average price (RON/share)	**0.5667**	**0.6277**	**0.5209**
Earning /share (RON /share)**	**0.0262**	**0.0263**	**0.0357**
Gross dividend/share (RON /share)	**0.0050**	**0.0189**	**0.0152**
Dividend yield ***	**0.79%**	**3.05%**	**7.79%**
Rate of dividend distribution****	**19%**	**72%**	**85%**

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

Evolution of market capitalization in 2011



Evolution of the ATB shares and of the BET-C index (2010-2011)



The investors who in 2011 took the opportunity offered by the achievement of a maximum point by the Antibiotice shares (i.e. RON 0.6420 / share) achieved a return on investment of 138% compared to the investment achieved in the previous year with the minimum price.

Throughout 2011, 33,430,079 shares were traded on the regular market, worth RON 17.41million (EUR 4.13 million, USD 5.73 million), with an average price of RON 0.5209 /share.

The quarterly, half-yearly and annual reports met the financial communication calendar set for 2011.

For 2012, the company proposed and sent to the Bucharest Stock Exchange and the National Securities Commission the following financial communication calendar(*):

Financial communication calendar for 2012	Date
Presentation of preliminary annual financial results for 2011	15.02.2012
General meeting of the shareholders to approve the annual financial results for 2011	26/27.04.2012
Presentation of the annual report for 2011	30.04.2012
Presentation of the quarterly reports for:	
Quarter I - 2012	15.05.2012
Quarter III - 2012	15.11.2012
Presentation of the half-yearly report for 2012	14.08.2012

* The financial communication calendar can also be found on the company's website: www.antibiotice.ro/ investors - financial reports - financial calendar 2012

05 Actions and Results

Research and development of new products at Antibiotice

In 2011, Antibiotice continued to develop, by in-house research and partnerships, its generic product portfolio to the purpose of providing patients with new therapeutic perspectives in compliance with the currents trends in therapeutics and medical casuistry.

Antibiotice owns an R&D centre

The activities of Antibiotice's Research and Development Center are conducted conjointly in three distinct departments, as follows:

- Pharmaceutical Development, where new pharmaceutical formulations are selected and developed;
- Center for Drug Evaluation, where the efficacy and safety of drug products are tested by in vivo studies (bioequivalence studies) and in vitro studies (dissolution profiles and biowaiver studies)
- Regulatory Affairs, where the documentations required for the research activities are developed, with a view to obtaining the marketing authorizations (Mas) of drug products for both Romania and other countries.

Pharmaceutical Development

A number of 13 projects were initiated in 2011.

The projects were focused on the development of new pharmaceutical products of different therapeutic classes as follows: cardiovascular system (5 products), genito-urinary system (4 products), dermatologicals (2 products), central nervous system (1 product), and thyroid therapy (1 product).

The recently started research projects consider various dosage forms, such as immediate release tablets (6 products), extended release tablets (1 product), pessaries (4 products), and topical preparations (2 products).

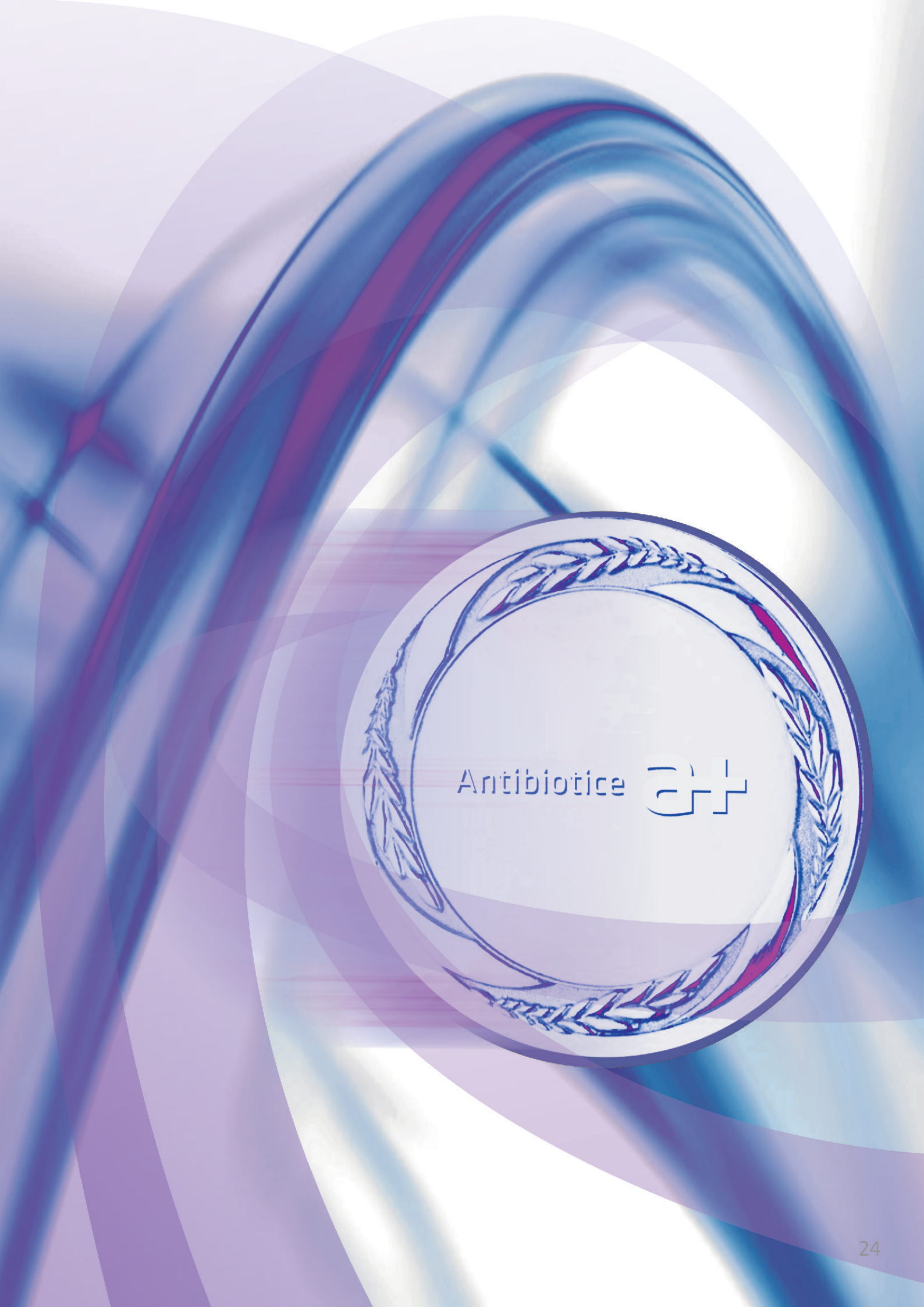
In addition, the manufacturing formulae and processes for 5 pharmaceutical products already in the portfolio were optimized to comply with the latest requirements of the European Pharmacopoeia.

In line with the international expansion strategy, the department provided the research work required for the marketing authorization of 4 drug products on external markets (3 cardiovascular drugs and 1 systemic anti-infective drug).

Key figures – 13 new products currently under research

Antibiotice's Pilot Research Center

In 2011, Antibiotice carried on the strategy for the development and upgrade of the facilities designed for generics research.
Thus, an appropriate site was set up for the construction of a pilot center designed to


Antibiotice

manufacture solid dosage forms for oral administration and the related laboratories.

Also in 2011, the company purchased pilot equipment compatible with the equipment used in the production plants. Such equipment allows the efficient transfer of the developed technologies from pilot scale to production scale reducing the research times and costs.
The five pieces of equipment acquired for the pilot center are designed for tablet homogenization, granulation, compression and film-coating, and are adapted to quantities of tablets between 1.5 and 20 kg of tablets.

Moreover, the existing research laboratories were fitted with state-of-the-art apparatus devices which provide a strict control of the pharmacotechnical parameters of the tablets and perform the analytical tests according to the current requirements of the international pharmacopoeias.

Center for Drug Evaluation

In 2011, a number of 10 in vivo studies (i.e. clinical bioequivalence studies) and 30 in vitro studies (dissolution profiles and biowaivers) were conducted at the Center for Drug Evaluation.
The bioequivalence studies were performed to assess the efficacy and safety of generic drugs from two therapeutic classes, namely systemic anti-infectives and cardiovascular drugs.

To demonstrate the bioequivalence of highly variable drugs, a non-traditional replicate study design was selected, in conformity with the current regulatory requirements of the European Medicines Agency.

Changes in the legislation on the in vitro investigation of bioequivalence generated an increase in the complexity and extent of work required by such studies.
In order to ensure compliance with the new legislation, over 30 in vitro studies were conducted for different products manufactured by Antibiotice.

The in vivo and in vitro studies performed for Antibiotice at the Center for Drug Evaluation in 2011 will ensure the registration and reauthorization of 14 pharmaceutical products in Romania and other countries all over the world.

10 in vivo studies
and 30 in vitro studies conducted at CDE

Regulatory Affairs (RA)

In 2011, the following 12 new drugs, 6 of which developed by in-house research(*) were granted Mas:

Mas garanted in 2011

Name	API	Therapeutic class
Bicalutamida Atb 50 mg, film-coated tablets	bicalutamide	Oncology
Letrozol Atb 2.5 mg, tablets	letrozole	Oncology
Topotecan 1 mg, powder for concentrate for solution for infusion	topotecan hydrochloride	Oncology
Topotecan 4 mg, powder for concentrate for solution for infusion	topotecan hydrochloride	Oncology
*Eficef® 100 mg, capsules	cefixime trihydrate	Anti-infectives for systemic use
*Spaverin® 40 mg, capsules *Spaverin® 80 mg, capsules	drotaverine hydrochloride	Drugs for functional gastrointestinal disorders

Paroxetina Atb 20 mg, tablets	**paroxetine hydrochloride hemihydrate**	**Psychoanaleptics Antidepressants**
Trimetazidina Atb 35 mg, extended-release tablets	**trimetazidinedi hydrochloride**	**Cardiac therapy**
***Clo-Ekarzin® 0.5 mg/10 mg/g, cream**	**clotrimazole betamethasone dipropionate**	**Corticosteroids, dermatological preparations**
***Piroxicam Atb 20 mg, suppositories**	**piroxicam**	**Anti-inflammatory and antirheumatic products**
***Potassium iodide Atb 65 mg, tablets**	**potassium iodide**	**Antidotes**

The dossiers supporting other 16 generics developed either by in-house research or in partnership have already been submitted to the National Agency for Medicines and Medical Devices and are at different stages of evaluation.

The generics cover 6 therapeutic classes, as follows: anti-infectives (5 products), dermatological preparations (4 products), CNS (3 products), alimentary tract (2 products), oncology and cardiovascular system (2 products).
The evaluation of the dossiers is permanently monitored by the RA department so that the company could begin the manufacturing of the products as soon as possible.

12 new MAs in 2011

Qualified personnel receiving on going training

Due to the interdisciplinary nature of the activities performed by each department of the Center, the pharmaceutical research and development is conducted by a team of 67 employees, out of which 55 are specialists in various fields, 8 of them having a Sc.D. degree (4 in chemistry, 2 in medicine, and 2 in pharmacy).
The higher education personnel have expertise in pharmaceutical formulation, physico-chemical analyses, bioequivalence assessment, and international regulations related to drug products.

The continuous improvement of the R&D Center personnel is the result of training courses held by in-house and invited lecturers; the purpose of such courses was the assimilation of the latest GMP (Good Manufacturing Practices), GLP (Good Laboratory Practices), and GCP (Good Clinical Practices) regulations, pertaining to tablet coating techniques, spectroscopy and high performance chromatography or concerning the clinical investigation of medicinal products.

Pharmacovigilance in 2011

Antibiotice's department responsible for matters related to pharmacovigilance – an area attentively and strictly regulated worldwide – has been continuously monitoring the safety of drug products in the company's portfolio.

The purpose of the risk/benefit balance evaluation was achieved by collecting, investigating and reporting to the relevant regulatory authorities any item of information on the adverse effects of the company's medicines that might have occurred.

Antibiotice stands beside and assists not only physicians, but also patients with professionalism.

The physicians working for the Pharmacovigilance Department are well-informed and trained according to the international standards, the result of both the exchanges of experience with specialists from other countries and the continual individual study.

Antibiotice consistently provides up-to-date information on the safe use of its portfolio products by different communication and information media 24 hours a day, every day of the week.

Maintaining the connection to the European pharmacovigilance network – Eudravigilance – the company guarantees the transparent and correct information on the safety of the medicines it produces.

In conformity with the current legislation, through its pharmacovigilance activity, Antibiotice provides the identification and collection of any suspected adverse effect that may occur following the administration of the portfolio medicines anywhere in the world.

In addition, the company assesses the overall data, evaluates the risk of occurrence of adverse effects according to the literature data, issues alerts and takes actions in case a yet unknown adverse effect occurs or the safety profile of the drug product has changed.

Thus, pharmacovigilance protects the patients and the company in an ethical manner, impacting on worldwide health.

Biofertilizers used in conventional and organic farming

Throughout 2011, the National Research and Development Institute for Soil Science, Agrochemistry and Environment Bucharest conducted tests on the two fertilizers Azotofertil® and Ecofertil®, in view of extending their term of validity from 2 to 6 months.

The 2011 tests conducted on five cultures simultaneously sought to extend the scope of biofertilizers used in vegetable farming.

Thus, the efficiency of Ecofertil® and Azotofertil® was for the first time tested on greenhouse tomatoes cycle I, greenhouse tomatoes cycle II and winter cabbage.
Tests measuring whether the biofertilizers maintained their efficiency with crops already approved were carried out on winter wheat and corn.

Thanks to improving the quality of Azotofertil® and Ecofertil® biofertilizers, produced in Antibiotice's Biotechnology Research Laboratory, it was possible to obtain an increased validity from 2 to 6 months, as well as a boost in agricultural production between 22.4% and 37.6%. (Table1).

Table 1

Efficiency of Azotofertil® and Ecofertil® tested at ICPA Bucharest (2011)

Item No.	Culture	Production yield compared to the unfertilized control variant (100 %)	
		Azotofertil®	Ecofertil®
1	Winter wheat	127.7%	126.4%
2	Corn	133.8%	134.6%
3	Winter cabbage	135.0%	133.7%
4	Greenhouse tomatoes – cycle I	137.6%	135.0%
5	Greenhouse tomatoes – cycle II	122.4%	120.0%

In the future, Antibiotice aims at enriching its portfolio of biotechnological, environmentally friendly products.

The biofertilizers, bioinsecticides and biofungicides the company intends to produce are manufactured by biotechnology, based on microorganisms with a specific action.

With natural gas depletion and the increase in chemical fertilizer prices, these products can sustain a healthy agriculture, while providing a significant production growth.

Modernization and development of the manufacturing lines

Antibiotice's 2011 development strategy states as a priority the modernization and development of the product portfolio and manufacturing lines.

The company manufactures over 153 drugs in five pharmaceutical formulations for domestic and foreign partners.
Manufacturing processes that comply with the Good Manufacturing Practices assure product quality, all the eight lines of the company being GMP certified.

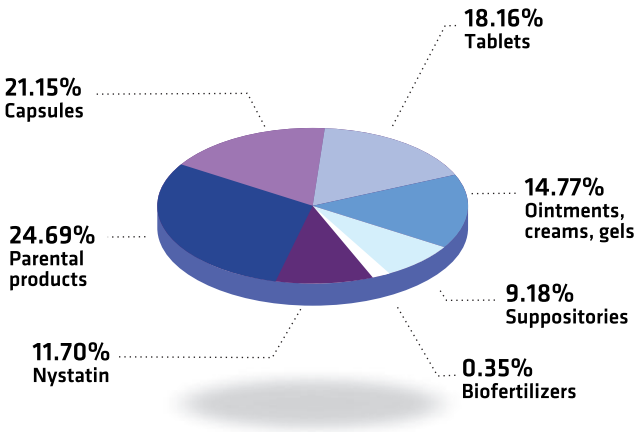
Implementation of regulatory requirements, and the evaluation of the Quality Management System by the regulatory authorities and customers resulted in maintaining a high level of quality, efficiency and safety of the medicinal products.

In 2011, Antibiotice manufactured:

- 470 million pharmaceutical units (tablets, capsules, parenteral products, ointments, creams, gels, suppositories);
- 58 tons of bulk Nystatin (API);
- 215 tons of biofertilizers

In value, the production intended for export in 2011 accounted for approximately 20% of the total production, similar to 2010 (i.e. 22%).

2011 production



The objectives pursued and achieved in 2011 by the structures responsible for manufacturing and quality were as follows:

1. The manufacture of parenteral products for foreign companies based on the manufacturing and control contracts concluded.
The production of parenteral products for export accounted for 18% of the total value of the products for foreign markets;

2. The modernization of the tablets manufacturing line by equipping it with efficient compressing and primary packaging equipment whith allows an increase in the production capacity from 350 to 400 million tablets per year.
Two compression units have been set on the line: one for the oblong shapes (equipped with online tester of mass, diameter, tablet hardness, and possible metal traces) and one for primary packaging with Alu/Alu, Alu/PVC and Alu/PVDC formats.
The improved line will allow the assimilation of a greater number of products obtained by in-house research as well as the expansion of the manufacturing of products intended for regulated foreign markets requiring FDA or EU approval;

3. The reduction of the raw material costs by optimizing the manufacturing formulas and identifying new sources for the excipients used in the tablet, ointment and suppository technology;

4. The reduction of utility consumption through careful management in all the manufacturing facilities;

5. The GMP recertification inspection of the manufacturing lines for ointments and tablets conducted by the National Medicines and Medical Devices Agency (ANMDA) from April 6 to 8, 2011. Following the inspections, the Manufacturing /Import Authorisation was renewed and the Certificate of GMP Compliance was granted for the inspected lines;

6. The GMP recertification inspection of the capsules manufacturing line was performed by the ANMDA from April 19 to 20, 2011.

Following the inspections, the Manufacturing/Import Authorisation was renewed and the Certificate of GMP Compliance was granted for the inspected lines;

7. The audit conducted by the DSM Anti-Infectives B.V. between May 23 - 24, 2011, to qualify Antibiotice as a partner in the Amoxicillin manufacturing contract.

Following the audit conducted on the product manufacturing line (the part dedicated to research and development and clinical trials), Antibiotice was recommended to become a partner in the manufacturing contract of Amoxicillin trihydrate 250 mg and 500 mg, capsules, and to conduct clinical trials for DSM;

8. The audit for the manufacturing line of Nystatin API conducted by Actavis on September 27, 2011, in compliance with the EU-GMP, part II and the ICH Q7 - GMP Guideline for Pharmaceutical Ingredients.

Following the audit, completed without identifying any critical deficiencies, Antibiotice remained a supplier of Nystatin API for Actavis;

9. The audit for the manufacturing line of Nystatin API conducted by Haupt Pharma, Germany, through its distributor Aceto Pharma, between September 28 - 29, 2011.
The audit, necessary for the approval of Antibiotice as a supplier of Nystatin API, was conducted in compliance with the EU-GMP, part II and the ICH Q7 - GMP Guideline for Pharmaceutical Ingredients and was completed without identifying any critical deficiencies;

10. The audit for the manufacturing line of Nystatin API conducted by Holding Kharazmi Ph.Co., Iran between October 6 - 7, 2011.
The audit, necessary for the approval of Antibiotice as a supplier of Nystatin API, was conducted in compliance with the EU-GMP, part II and the ICH Q7 - GMP Guideline for Pharmaceutical Ingredients.
The audit identified no critical deficiencies.

11. In order to comply with the environmental protection program concerning the emission of volatile organic substances during the extraction of Nystatin, a fully automated mixing filter with closed system operation was purchased;

12. The surveillance audits of the three management systems implemented at Antibiotice concerning quality, environment, occupational health and safety were conducted by LRQA, between February 7 - 11, 2011, in compliance with the ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 standards. The audits identified no deficiencies and LRQA recommended the maintenance of certifications.

13. The recertification audits of the three management systems implemented at Antibiotice concerning quality, environment,

occupational health and safety were conducted by LRQA between November 28 and December 2, 2011 in compliance with the ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 standards.
The audits identified no deficiencies and LRQA recommended the maintaining of the certifications.

14. The maintenance of the certifications for aluminum tubes, polyethylene caps and aluminum caps manufactured by the in-house Micro-production Department, following the audit conducted by SRAC CERTSERV on April 1, 2011.
The audit identified no irregularities and extended the validity of the Conformity Certificates for the mentioned products for one more year;

15. The assurance of compliance with the GMP requirements concerning the qualification / requalification of suppliers. In order to check the compliance with GMP and ISO requirements, in conformity with the program approved for 2011 several suppliers of sterile active ingredients and primary packaging materials were audited.
Following the audits, the suppliers of primary packaging materials and active pharmaceutical ingredients from China qualified.

16. Starting the manufacture of new products from the following therapeutic classes:

- digestive tract and metabolism : Spaverin® , 40 mg and 80 mg, (Drotaverine), capsules
- products for dermatological use: Clo-Ekarzin® , 0.5/10 mg, (Betamethasone and Clotrimazole), cream
- musculoskeletal system : Piroxicam 20 mg, suppositories.

17. In compliance with Antibiotice's overall objectives, 2011 was a year of investments with major impact over the company development, the most important being:

- the implementation of an online system monitoring nonviable particles on the line filling sterile powders into vials;
- the acquisition of a fully automated closed-system mixing filter for Nystatin insolation-purification;
- the equipping of the tablets manufacturing line with high-tech pieces of equipment: a compression device and a primary packaging unit for tablets;
- the arrangement of a 650 m2 area for the pharmaceutical research and development pilot unit according to the GLP norms;
- the fitting for the research and development pilot unit witch equipment for tablet research ;
- the acquisition of advanced pieces of equipment for the research and quality control laboratories.

Development of the marketing activities

Keeping a steady upward trend in terms of value, Antibiotice's domestic sales amounted to RON 273m in 2011. It is a 23% increase as compared to the sales in 2010 (i.e. RON 222m), higher than the growth rate of the Romanian generics market (i.e. 17.3% in 2011, according to Cegedim, a company providing pharmaceutical market research).

With a 9,98% market share, in 2011 Antibiotice was ranked 4th among the top players on the prescription generics market in Romania.

Consolidation of the sales in the anti-infective medication segment

Taking into consideration that generic anti-infectives rank the first among the therapeutic classes accounting for the largest share in Antibiotice's turnover, one of the company's main objectives was to maintain its leading position for this segment.

The 45% share attained by Antibiotice in this market in 2011 is in line with the upward trend of the sales of the previous years (i.e. 35% market share in 2009 , 38% market share in 2010).

In what concerns the segment of the market for anti-infective drugs in the form of capsules for which the total market increased by 2.8%, Antibiotice reported a 31% increase in the product consumption in 2011, through competitive commercial offers and appropriate support provided to the partner distributors.

Thus, Antibiotice's market share on this segment grew by 15 percentage points, from 56.8% in 2010 to 72.5% in 2011.

Cardiovascular and CNS products gain ground on the Romanian market

One of the strategic marketing priorities was to enhance the rate of response to the actions of the main competitors.

Thus, by intensive promotion and competitive offers, the company managed a 28% increase in the sales generated by the cardiovascular portfolio products (i.e. RON 9.3m in 2011) and a 37% increase in value (from 20.9m units in 2010 to 28.7m units in 2011).

Keeping a constant rate of increase, Antibiotice continues to secure its place among the top manufacturers of generic cardiovascular drugs in Romania.

Top cardiovascular products

Pharmaceutical product	RON ths 2010	RON ths 2011	Increase
Lisinopril ® range	3,743.3	3,909.9	4.4%
Bisotens ® range	1,841.8	2,275.2	23.5%
Nolet ®	458.2	1,174.5	156.4%
Almacor ® range	412.7	911.1	120.8%
Gladycor ® range	185.0	401.0	116.7%

In 2011, based on the long tradition in the field and the solid background in delivering quality products, Antibiotice brought to the attention of the medical specialists and pharmacists an authentic Romanian brand under which to promote its CNS drugs.

The constant and targeted product promotion as well as the inclusion in the product portfolio of new drugs designed for the central nervous system therapy resulted in a 282% increase of the sales, as compared to the previous year (from RON 262ths in 2010 to approximately RON 1mn in 2011).

Sales increase in the Hospital segment

Through distribution channels, by appropriate promotion actions and commercial policies, in 2011, Antibiotice kept its leading position in the Hospital segment (powders for injection) with a market share of 29.9% (as compared to the 26.3% market share in 2010).

Market leader in ointments and suppositories
The partnerships with the distribution commercial teams resulted in the consolidation of the company's leading position in terms of consumption for the entire range of ointments (32% market share in 2011) and suppositories (48% market share in 2011).

Romania's only manufacturer of essential anti-tuberculosis drugs

Ever since 2002, Antibiotice has been the partner of the Ministry of Health in the National Tuberculosis Control Program being the sole manufacturer of the 5 essential anti-TB drugs and the main producer of drug products used in the multidrug-resistant tuberculosis therapy.
In 2011, Antibiotice reported a 3% increase in value in this segment.

Three new molecules in the product portfolio

2011 was also the year in which Antibiotice approached new therapeutic classes.

The company launched on the market, promoted and marketed three new drug products in different strengths.

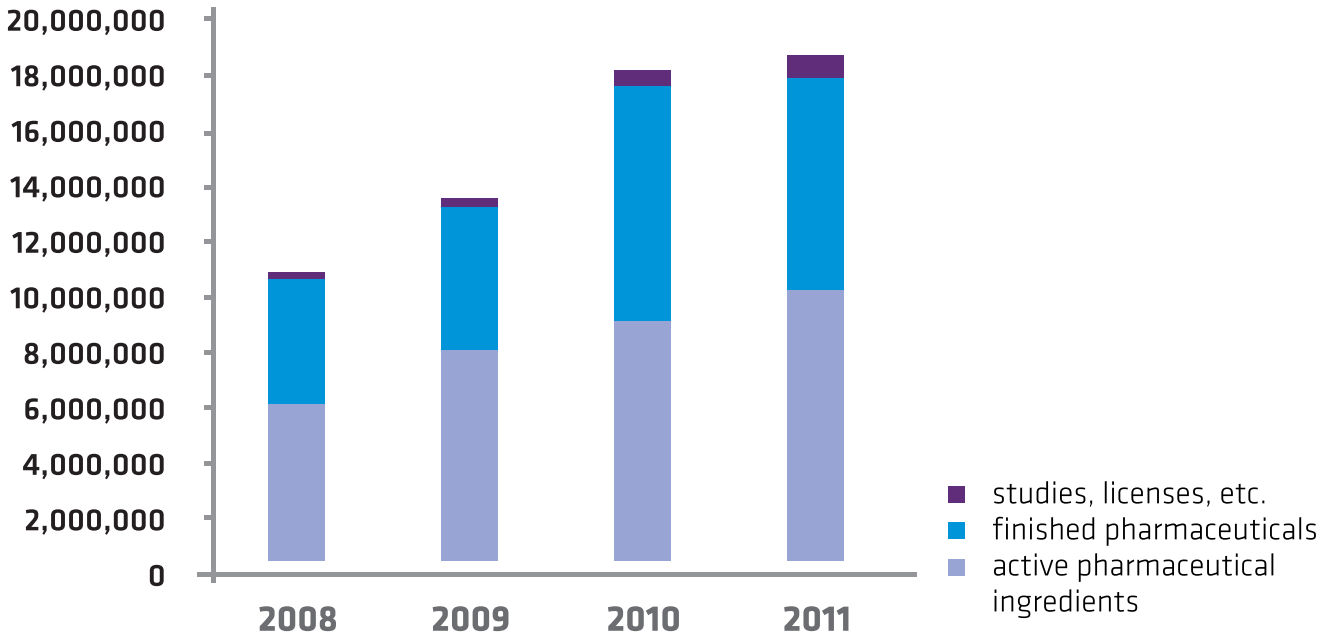
Products launched in 2011

Trademark	Active pharmaceutical ingredient	Therapeutic class
AmoxiPLUS ® 1g, 625 mg tablets	Amoxicillinum + acidum clavulanicum	Anti-infectives – Combinations of penicillins
Clo-Ekarzin ® 15 gr ointment	Betamethasonum + clotrimazolum	Dermatologicals – Corticosteroids, combinations
Spaverin ® 40 mg, 80 mg capsules	Drotaverinum	Alimentary tract - Antispasmodic agents

- **One in three patients in Romania receives therapy with anti-infectives manufactured by Antibiotice**
- **Half of the suppositories market is covered by Antibiotice's products**
- **One in three patients in Romania suffering from dermatological diseases is treated with ointments produced by Antibiotice**
- **3 new drug products launched on the market in 2011**
- **Cefort®, the company's best-seller (RON 44.1m)**

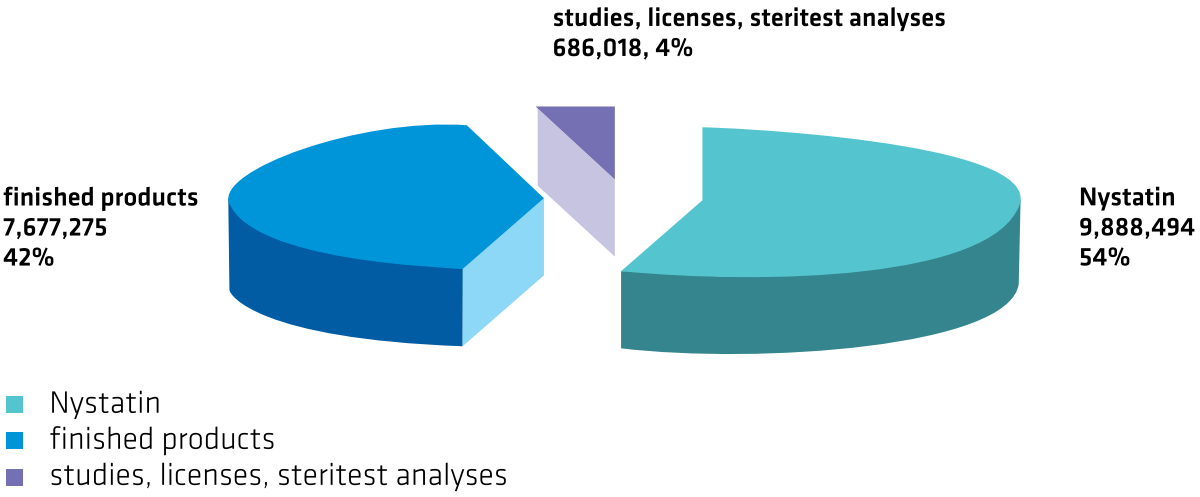
Export activity

In line with the previous years, Antibiotice's exports maintained an upward trend.
Between 2008 and 2011, the value of the company's exports went up 75%, from USD 10m to USD 18.25m, as follows:



In 2011, Antibiotice's export sales amounted to USD 18,251,787.

The sales of active pharmaceutical ingredients accounted for the largest share, followed by the sales of finished products and licenses and bioequivalence studies, as shown in the diagram below:



13% increase in the exports of Nystatin (API)

In line with the last years' positive trend, Nystatin exports in 2011 boosted by 13% as compared to the previous year.
Such increase was accounted for proportionally by the sales of the main forms of Nystatin available for export (i.e. Nystatin bulk for pharmaceutical use, micronized Nystatin, and Nystatin for veterinary use).

The main destinations were the markets from Europe (Germany), North America (the United States), Asia (particularly China, where the 2011 increase was significant), and the emerging markets in Belarus and Brazil.

The positive evolution of the API export was the result of the thorough study of the Nystatin international market in order to identify the main consumers and contact them for registering Antibiotice as an authorized supplier.

The policy followed in the last years was to increase direct exports to the manufacturers of Nystatin-containing products and reduce exports through intermediaries.

50% increase in the exports of finished products over the last two years

In what concerns the export of finished products, the last two years brought a significant growth in this segment; thus, in 2011, the value of finished product exports was 50% higher than in 2009.

The breakdown of exports of finished products by dosage form shows that the powders for injection continued to be the most exported, followed by oral forms, i.e. capsules and tablets.

The principal destinations of the exports of finished products were the markets in Europe – both for contract manufacturing (especially the West European markets such as France or Spain) and the export of products on the company's own behalf (Hungary, Bulgaria, Albania, Serbia, Bosnia) –, in North America (the United States of America), Russia, the CIS (Moldova, Azerbaijan, Georgia, Armenia, Mongolia, Kazakhstan, Uzbekistan), the MENA region (Algeria, Tunisia, Saudi Arabia, United Arab Emirates, Bahrain, Oman, Yemen), and South-East Asia (Vietnam, Hong Kong, Taiwan).

FDA approval of the manufacturing line for products for injection

The constant concern with the approval of the company's products in foreign markets and the attainment of international certifications related to the compliance with the appropriate drug manufacturing standards allowed the expansion of Antibiotice's presence in the regulated markets from Europe and North America.
Apart from the EU-GMP certification for all the eight manufacturing lines, Antibiotice was granted the FDA approval for its plant manufacturing products for injection in 2011.

Registration of products in external markets under Antibiotice brand

The objective regarding the increase in the export turnover was pursued along with that of promoting the trademark Antibiotice in the foreign markets; as a result, in the last years, the company has focused on the registration and marketing of its finished products in the external markets under the Antibiotice brand.

The promotion effort boosted the export of finished products on the company's own behalf by 20% as compared to 2010, amounting to USD 6.8m.

Antibiotice's worldwide image as a supplier of active pharmaceutical ingredients and finished pharmaceuticals was promoted internationally also by taking part in different relevant international fairs.

In 2011, Antibiotice participated in the largest API and finished product fair in the world (i.e. CPHI Europe) for the 9th time, and was involved in the organization of a Romanian-Uzbek symposium for the presentation of the company's anti-tuberculosis drugs.

- Exports of over USD 18 m
- 13% increase in the API exports y-o-y
- 50% increase in the finished product exports in the last two years

Antibiotice, present in more than 50 scientific events

Antibiotice supported doctors and pharmacists by taking part – both as a partner and sole organizer – in more than 50 regional and national scientific medical events.
By means of renowned opinion leaders, the company got involved in various continual medical and pharmaceutical education activities thus contributing to the dissemination of scientific news.

The communication with the medical world and enhancement of the notability of the medicinal products in the portfolio were carried out by maximum exposure and visibility both in the conference halls and the exhibition booths at different events.

Among the major national events attended by the company are: the National Congress of Cardiology - the jubilee edition, the National Guidelines and Protocols Course in Anesthesiology, Intensive Care and Emergency Medicine, the Scientific Days of the "Prof. Dr. Matei Balş" National Institute for Infectious Diseases, the National Conference of ENT with international participation, the 4th National Congress of Psychiatry.

Under the slogan „Stress – an everyday problem?" Antibiotice organized a series of national events.

Such events, dedicated to pharmacists, focused on the current concept of associated recommendation providing integrated solutions to patients with multiple medical conditions.

The „Dermatofocus" Conference started the series of events focused on high-incidence diseases and provided the framework within which the dermatologists from Moldova exchanged opinions on dermatological diseases with high incidence rate in a dynamic, interactive atmosphere.

The purpose of the information campaign entitled "Canicular days affect me, too!" organized by the company in May was to raise public awareness of the cardiovascular risk, which is higher in hot weather.

Thus, more than 200 people from Iasi were informed and counseled by medical professionals on the potential risks they may be exposed to on hot days.

The company's specialists provided useful advice and recommendations to minimize health risks.

Antibiotice in the market of psychiatric drugs

The pivotal event of 2011 was the launch of a new therapeutic class, i.e. the Central Nervous System (CNS), in November.

The event was supported by the participation of over 150 psychiatrists, neurologists, and other specialists from the country.
The launch took place while consolidating a portfolio of molecules meeting the requirements of the medical practice to the benefit of the patients.

The event had as a motto „Modern and complex therapeutic alternatives provided for doctors and accessible medicinal products provided for patients".

CNS drug portfolio

Trademark	Active pharmaceutical ingredient	Therapeutic action
Rofluxin ® 20 mg capsules	Fluoxetinum	antidepressant
Spring ® 1 mg, 2 mg, 3 mg, 4 mg tablets	Risperidonum	antidepressant
Tuadin ® 5 mg, 10 mg tablets	Donepezilum	anti-Alzheimer
Zulin ® 30 mg tablets	Mirtazapinum	antidepressant
Zolpidem Atb® 10 mg tablets	Zolpidem tartrate	treatment of insomnia

The continual presence at scientific events shows Antibiotice's intent of standing by the medical community.

The company is actively involved in the ongoing medical training and formation, which contributes to the consolidation of the partnerships with specialists from the pharmaceutical industry.

Electronic system for the management of information campaigns

The promotion activity is supported by an in-house management electronic system (CALL CENTER), which provides assistance to the information campaigns designed for target audiences.

Promotion in foreign markets

Moreover, in 2011, Antibiotice enhanced its promotion efforts in the external markets. Promotion was carried out both directly and by encouraging partnerships with local companies.
In October, Antibiotice took part in the API fair CPhI Worldwide 2011 in Frankfurt, the most important event in the field held annually for the pharma industry.

The first edition took place in 1990 in the form of an international convention in the field of active ingredients and gathered 16 exhibitors and 250 visitors.

In 2011 the fair brought together over 25,000 visitors and 1,800 exhibitors from 125 countries all over the world. Antibiotice has had its own exhibition booth since 2003.

The constant participation in such event has been extremely beneficial for the company allowing the identification of new opportunities to develop the export of Nystatin and finished dosage forms, to enhance contract manufacturing for the Europe and the US markets, as well as the in-licensing and out-licensing activities.

In addition, participating in the CPhI provides the opportunity to identify new suppliers of raw materials and other materials necessary for manufacturing.

Another outstanding event meant to further the company in the foreign markets was the

participation in the Romanian-Uzbek symposium in Tashkent in September 2011.

The symposium, organized by Antibiotice in cooperation with the Ministry of Health of Uzbekistan, had in view the promotion of 1st line and 2nd line anti-tuberculosis drugs in Uzbekistan and the entire CIS area.

Antibiotice's portfolio contains 12 drug products completely covering the first lines of the anti-tuberculosis therapy.

On the event, such products were presented exhaustively to the participating public reuniting the Ministry of Health's representatives, specialist doctors, and representatives of the local distribution companies.

Industrial partnerships on a value chain

In recent years pharmaceutical companies are have been confronting with new challenges requiring them to adapt their strategies to the ever-changing markets.
The rate in which new products and services emerge is accelerating, business development strategies are being transformed and the relevant regulations are amended, whereas economical and financial requirements are more and more demanding.

Antibiotice is meeting these challenges by working closely with strong, traditional partners who support its development, while targeting an improvement in its business relations, the company aims to strengthen ongoing partnerships, as well as indentify elements that slow down processes on the value chain.
As a result, efforts are made to offer customers, in a prompt manner, medicinal products with a high therapeutic effect and worldwide acknowledged quality, efficiency and safety.

The major concern of Antibiotice remains extending partnerships in sales, marketing and operates on.
Thus, opportunities for collaboration are explored by means of sale or purchase of licences in order to increase added value of current partnerships.

Within an integrated management system, permanently monitored and improved, Antibiotice works in close collaboration with entities acknowledged on a national and international scale, and gets feedback on the degree of satisfaction given by the cooperation with our company.

Pharmaceutical products are constantly checked and monitored during the manufacturing process, in conformity with relevant regulations and norms, as we plan to put on the market high-quality products, using reliable raw materials made by world class manufacturers.

Equally, we aim to improve the distribution processes ensuring that Antibiotice medicines reach the end users intact and on time.

Our company has been continuously evaluating opportunities to enrich the portfolio with new products, aiming to develop the existing partnerships with suppliers and expand the portfolio in accordance with demands and market trends.

The partnerships concluded by Antibiotice can be classified as follows:

A. Upstream Partnerships

A.1. Procurement partnerships for production and new product development

A.2. Finished product procurement

A.3. Financial partnerships with banks

A.4. Partnerships in production

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

The objective envisaged together with our partners is to create a successful product, and success is shared with partners.

A.1. Procurement partnerships for production and new product development

Recent challenges on the pharmaceutical market have led us to believe that the most important resource is the rate of response to change.

Our company has accordingly started to attach more importance to a transparent communication between Antibiotice and its traditional or recently-attracted suppliers. From the very first meeting with our partners, up to product launch on the market, the rate of response of both partners doubled by mutual trust are of utmost importance.

The portfolio of suppliers is continously monitored and updated

In 2011, Antibiotice accelerated the process begun in 2010, with a view to consolidate and select partnerships with suppliers, but also identify new partners both for the existing products, as well as for developing new ones (licence and raw materials purchases), with the aim to make the most cost-effective acquisitions.

The persistence of the world economic crisis determined Antibiotice to continue its intensive program authorizing alternative sources for each raw material required in the manufacturing process, as well as for each finished product with a say in the company's turnover.

The risks that may occur as a result of working with only one supplier were taken into account, namely: failure to produce and fulfill orders on the terms agreed, stiffness in negotiating prices and delivery terms, likelihood of speific events leading to a disruption in supply or production, with significant relational and financial consequences.

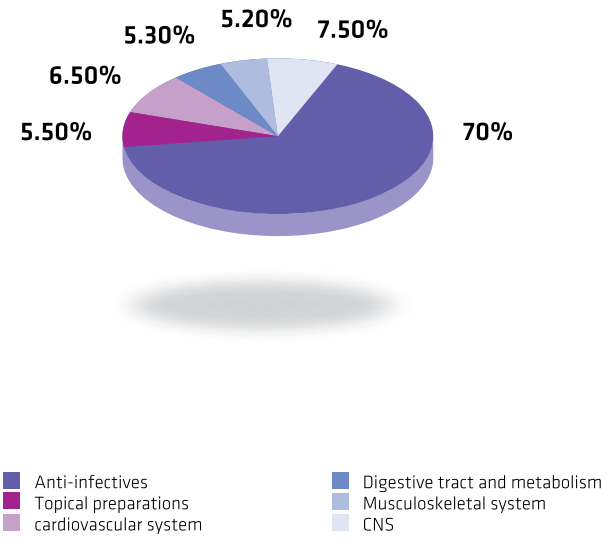
In the selection of future partners Antibiotice has in view to provide a safe portfolio of suppliers, able to support the company with quality products, delivered on schedule as requested by Antibiotice and on the mutually agreed terms.

The acquisition programs are elaborated together with suppliers in order to make sure the material basis provided is cost-effective, high-quality and the payment terms are correlated to the collection periods on the domestic and foreign markets.

Considering the current competitiveness on the Romanian market, the budget restrictions and international pricing policies, a streamlining of the operational processes that includes ongoing focus on cutting down acquisition costs is already a mainstay of our partnership management activity.

APIs for anti-infectives: the largest share in acquisitions

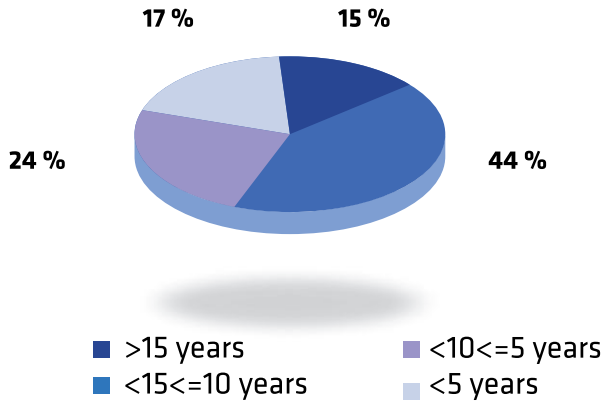
In terms of production, Antibiotice purchases chiefly active pharmaceutical ingredients used for manufacturing antiinfectives, as illustrated in the table below:



The active ingredients in the anti-infectives class are characterized by cyclical prices and a reduction in the number of producers. Nevertheless, Antibiotice has been cooperating with the most important players in the field for over 10 -15 years, developing strong partnerships on this segment.

Moreover, Antibiotice has been collaborating with GMP certified partners, with a worldwide recognition in terms of product quality, which are evaluated by the Quality Assurance Department within our company.

Partnership breakdown by duration of partnership



45 traditional suppliers own over 55 % of imports

30 raw material suppliers for anti-infectives

10 new raw material suppliers attracted in the last 5

Financial risk management strategies

The aftermath of the economic crises in recent years is not yet a thing of the past.

The combination between fixed prices, volatility of exchange rates and additonal costs incurred as a result of aligning to the latest regulations in the field have increased pressure on the profitability threshold.

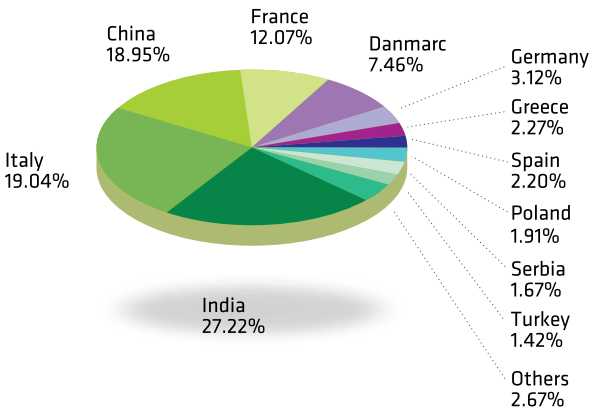
This has influenced the price of imported raw materials in two ways: on the one hand, supplying companies came up with higher prices, and on the other, the Romanian inflation led to exchange rates variations unfavorable for imports.

- In order to counteract the influence of price and exchange rate variations in 2011, further to discussions with long-term suplliers, payment terms correlated with the export activity were agreed on, which leveled the scale of outgoing trade.

- In order to minimize the impact of changes on an international scale, Antibiotice has in view a balanced geographic distribution, by collaborating with the largest pharmaceutical manufacturers from various countries, companies that continuously update their documentation in line with the European or American legislation, where necessary.

- To counter price increases, Antibiotice observe the behaviour of the major global players on the pharmaceutical market and their tendency to create partnerships in emerging markets like India and China.

Nevertheless, Antibiotice continues to aim at balancing the imports on countries, so as to reduce the degree of exposure on a single market only, as it can be observed in the chart below:



Maintaining the inventory under control
The purchasing activity envisages among others maintaining inventories under control, especially the safety inventories.
Thus, the generation of financial fixed assets in the form of inventories is avoided, and the negative impact on costs -due to gaps between entry price and manufacturing price or marketing price - is diminished.

At the same time, Antibiotice aims to keep several safety inventories so as to allow honouring additional orders for our partners.

This is being achieved through an ongoing collaboration between production, domestic sales and export departments.

A.2. Finished product procurement partnerships

2011 maintained the upward trend in the purchase of finished products (in-licensing), observing the same principles governing cooperations in raw materials procurement.
Antibiotice has developed partnerships with world renowned producers from Europe and beyond.

2011 saw a rise in procurements from European manufacturers (85% of the finished products purchased are manufactured in Europe) and Indian ones.

Hence, the company purchased anti-infectives, cardiovascular and central nervous system (CNS) drugs which cannot be produced on-site or whose in-licensing registration took in less time.

The market launch of the CNS class this year has increased purchases of finished products dedicated to this therapeutic class.
This determined the start of discussions with partners for putting on the market new products that would provide a complete and complex medicine range intended for the treatment of nervous system disorders.

In addition, 2011 saw the first steps to procure oncology drugs, further developing this therapeutic class in the coming years.

All together, discussions have started and new development projects are being assessed, considering the frame and conditions leading to marketing success and to applying the company's development strategy, as a whole.

A.3. Financial partnerships with banks

The aftermath of the economic crisis that started in 2008 had extensive effects up your 2011.
For many emerging countries including ours the crisis persists, implying on the one hand a low purchasing power and under-financing of healthcare systems and, on the other hand, an increased risk of default.

In order to cutdown negative economic influences, our company envisages to conclude partnerships with banking institutions and use payment instruments so as to ensure optimizing and rendering more secure the relations with partners.

A.4. Partnerships in production

Antibiotice operates on all eight GMP-certified manufacturing lines and boasts a portfolio of 130 products in five pharmaceutical forms, which enables the prompt delivery of quality products to all internal and external partners.

8 GMP authorized manufacturing lines, 130 products

The value of Antibiotice's pharmaceutical products is confirmed by the Certificate of Suitability to the European Pharmacopoeia for Nystatin – active ingredient, released by the European Directorate for the Quality of Medicines (EDQM).

Another quality proof is the FDA approval for the Nystatin manufacturing line.

In October 2011 Antibiotice obtained the FDA approval for Nafcillin powder for injection, 1g and 2 g in order to be put on the US market.

Moreover, the above-mentioned American authority granted Antibiotice the approval for the line manufacturing preparations for injection from the penicillins class, which goes to prove once more the compliance to the FDA cGMP standards of the quality management system within the organization.

Nafcillin: 1g and 2 g powder for injection was granted FDA approval

Antibiotice is determined to honor partners' orders promptly, and without compromising the quality or increasing either manufacturing or delivery costs.
Moreover, in dealing with orders the company desires to apply the same standards to both local and foreign market.
Furthermore, the company intends to reduce the available manufacturing capacity, both by augmenting its own production as well as by concluding manufacture partnerships.

Certifications and capacities available on the eight manufacturing lines

Manufacturing line	Certification / approval of the manufacturing line	Production capacity available
Nystatin active ingredient	GMP certificate released by the national authority, August 2001 Latest GMP recertification, June 2010 FDA approval, 2002 Latest FDA reinspection- April 2007	
Sterile products- powders for solutions and suspensions for injection: beta-lactam antibiotics-penicillins	GMP certificate-December 1999 Latest GMP recertification,May 2010 FDA approval, 2011	20 million vials/year
Produse nesterile - capsule cu antibiotice β-lactamice penicilinice Non-sterile products- capsules with beta-lactam antibiotics- penicillins	GMP certificate-December 1999 Latest GMP recertification,October 2011	-
Non-sterile products – capsules with beta-lactam antibiotics-cephalosporins	GMP certificate-December 1999 Latest GMP recertification- October 2011	40 milli capsules/year
Non-sterile products – capsules with other antibiotics	GMP certificate-December 1999 Latest GMP recertification- October 2011	40 millicapsules/year
Non-sterile products – tablets, film-coated tablets	GMP certificate, December 2000 Latest GMP recertification- October 2011	150 million tablets/year

Non-sterile semisolid products: ointments, creams, gels **Sterile semisolid products: ophthalmic ointments**	**GMP certificate-April 2002** **Latest GMP recertification,October 2011**	**8 million tubes/year**
Non-sterile products - suppositories	**GMP certificate,April 2002** **Latest GMP recertification-October 2011**	**30 million suppositories/year**
Products for veterinary use **-Nystatin** **-Parenteral products** **-Ointments**	**GMP certificate,February 2005** **Latest GMP recertification,November 2009**	**-**
Azotofertil, Ecofertil	**Certified as ecological products in2009**	**-**

The availability of production capacities provides an additional incentive to build strong partnerships with various companies, interested to outsource their manufacturing operations or to extend production capacities by concluding contracts for certain production phases on the premises of Antibiotice.

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

B. Downstream Partnerships

The key of the distribution activity, both local and international, is to develop mutually beneficial partnerships, flexible to the ongoing changes on the market, with jointly agreed upon objectives.
Distributors are an important link in the chain manufacturer – end user, because they are the ones to emphasize the company's products on the Romanian market and abroad, in more than 60 countries.

Therefore the company has continuously pursued to develop partnerships with distribution firms while having a fair behavior to wards all market players.

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

- Hospital: Thanks to its partner-distributors, in 2011, Antibiotice medicinal products reached over 450 Romanian hospitals.
- Retail: This segment is covered by a number of 13 collaborator-distributors. The main goal of the distributors' activity is to ensure, through competitive business practices, an active and continuous presence of Antibiotice trademark products in independent pharmacies, respectively in pharmaceutical groups.

Antibiotice has ongoing partnerships with national chains of pharmacies, thanks to a marketing and promotion policy suited to the needs of end-users.

The partnership between Antibiotice and its distributors goes beyond the limits of a buyer-seller relationship, the common target being to identify the best combination of delivery terms, payment terms or sales and promotion tools, so as to achieve mutually advantageous business objectives.

Distributors can be classified as follows:

- partners for more than 5 years : 11
- new partners (< 3 years): 2

On the foreign market, the distribution process is a complex one as it requires the use of different instruments, on types of distributors, depending on the outlets.

Long-term partnerships -a key feature of our exports

The specific of the international pharmaceutical market imposes special attention to identifying partners and developing long-term collaboration, marked by mutual trust, transparency and loyalty.

Due to specific regulations on international trade in pharmaceuticals, investments are needed from both manufacturer and local partner, several years before putting the products on the market.

For this reason, developing long term partnerships is essential for external projects.
Antibiotice aims to optimize business on foreign markets by building strong partnerships adapted to local conditions.

With exports of active substances in recent years the tendency was to strengthen trade relations with companies producing medicines based on Nystatin; as an authorized source in order to ensure export continuity on target markets, with a significant consumption, while maintaining the cooperation with major trading companies dealing either with small consumers or those from difficult markets.

Local partnerships for finished product distribution

To export finished products under Antibiotice brand we team up mainly with local distribution companies acting as representatives of Antibiotice both for local health authorities and in relation to warehouses, pharmacies and patients.

Our company is well-aware of the high responsibility falling on local representatives and therefore shows interest in identifying reliable partners for the development of such projects.

Another category of export partners is that of pharmaceutical companies for which Antibiotice acts as a contract-manufacturer.
This type of business relationship is preferable on protected markets or markets where costs incurred for product registration and promotion are restrictive.

Like any successful partnership, these relationships are based on reciprocity: Partners put on the market the products requested, which meet the international quality standards and are affordable, whereas Antibiotice benefits from exploiting its production capacity and promoting its image on the international pharmaceutical market.

Top priority in 2011

The well-trained human capital

In order to develop the human capital, increase team results and attract the most promising applicants in the pharmaceutical field, the Human Resources Department HR attention targeted in 2011 the recruitment, selection and continuous training as well as the motivation of staff.
This has lead to a work productivity of RON 194, 378/person, up 15% over the same interval in 2010, when productivity amounted to RON 169,067/ person.

Last year Antibiotice recruited 72 highly-educated people in its team, reporting a 2% increase in the share of higher education staff across the entire personnel structure, in key fields such as: medical divison, promotion, marketing, quality control, quality assurance, manufacturing, Regulatory Affairs, pharmacovigilance, pharmaceutical development, bioequivalence studies and exports.

Out of the total staff hired by the company in 2010, 70% was attracted by the marketing, promotion and medical departments with the aim to maintain and strengthen the team, and consequently consolidate the company's leading position on the pharmaceutical market.

Increasing performance and providing incentives for the employees requires continuous investments in human capital, in order to create a consistent stock of knowledge and skills.
The company has therefore allotted large funds so as to provide seminars, training and continuous formation courses with invited lecturers for about 500 employees, i.e. over 35% of total staff.

The management by objectives (MBO) -a system implemented in 2005- makes sure that the objectives are well-related to the mission and vision of the company, are generated by the company's strategic orientation and envisage the valorization of opportunities.

Simultaneously, we studied the negative impact of risks and limitations arising from the ever-changing environment of drug markets.

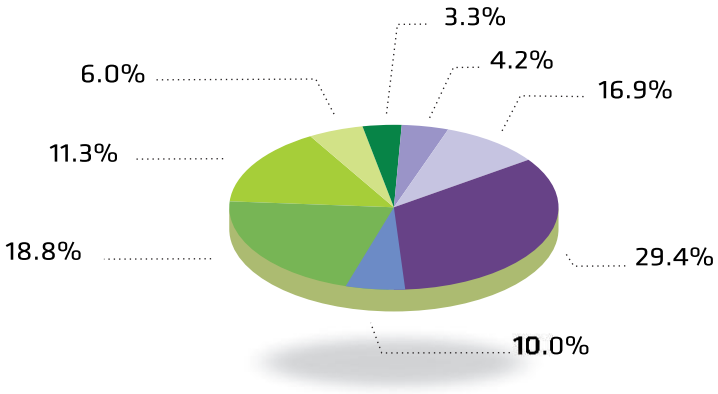
The identification of targets and their appropriate formulation allowed the development of new skills, strictly needed for highlighting the strengths of Antibiotice and reducing the weaknesses or their adverse effects.

Labour productivity went up about 15 % in 2011 over 2010

Actions accomplished	Results
Recruiting 72 people with an academic degree	**2% increase of the share of higher-education staff across the entire structure (34.5% of the personnel), marking a strategic direction in staff policy**
Recruiting 50 new members of staff (70% of total newly employed staff) to join the Medical - Promotion - Marketing and Sales Departments	**Promotion team extended and strengthened in view of accomplishing the goals set, the turnover and market share**

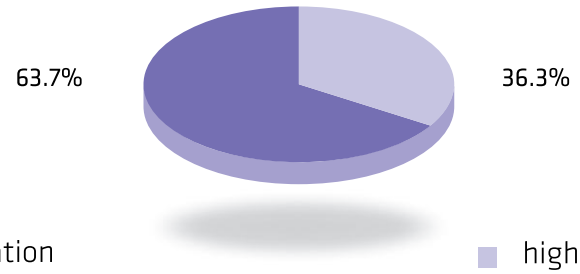
Delivering training programs held by in-house and guest trainers, in relevant fields such as Quality Assurance and Control, Regulatory Affairs, Marketing and Promotion, Drug Evaluation, Pharmaceutical Development, Management.	**Improving the staff's level of instruction and adaptability to job changes and requirements, according to the dynamics of the pharmaceutical industry**
The training programs with guest lecturers addressed 500 employees, 15% more than the previous year (i.e. 430)	
498 employees attended the Summer School a+, up 190% against the previous year (i.e. 170)	
	Increasing the level of satisfaction and motivation among the employees
Ongoing implementation of the MBO system for 145 employees with managerial and executive attributions.	**Enhancing the feeling of tability and loyalty among the employees**

Breakdown of higher education staff



- economists
- engineers with various specialisations
- biologists
- IT specialists
- other area of expertise
- physicians, pharmacists
- chemical engineers, chemists, physicists
- medical representatives and other professions

Breakdown of staff by education level



- secondary education
- higher education

Summer school a+

Antibiotice, a company that focuses on and invests in knowledge, continued in 2011 its Summer School a+, a project begun in 2010.

Over time, Antibiotice has become concerned by the relationship between academia and industry and, accordingly, the purpose of the Summer School a+ has been equally training staff and drawing interest among students close to graduation, in view of developing the company's research activities, quality assurance, regulatory affairs, bioequivalence production etc.

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

1. The internal component took place in June-August 2011 and addressed the company staff, being aimed at enhancing their professional performance. 498 employees- an incrase of about 190% over last's year 170 employees- were involved in these training courses where different themes were tackled: organizational behaviour, labour legislation, statistical analysis in quality control and assurance, creativity and innovation, and others.

The 2nd edition of Summer School a+ was a unique learning opportunity: innovation by experience shared within different groups, this time including the secondary-education staff along with the higher education staff.

The topics' panel covered a variery of themes from statistical analysis to internal communication, from stress-management to leadership and knowledge management.

The training sessions were given by guest lecturers- professors at Alexandru Ioan Cuza University- the prestigious institution which has had a long collaboration with our company, but also by in-house trainers, specialized in various fields.

The above-mentioned collaboration in HR development (with mixed teams of experts) has shown that problems caused by economic recession can be more easily overcome by the education-business partnership, as well.

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

Addressing graduates and students in their final years from the Faculties of Pharmacy, Chemistry and Chemical Engineering, the external part of Summer School a+ included training sessions in the following areas: quality assurance, applied pharmaceutical techniques, formulation methods, analytical testing equipment and laboratory techniques, technology and equipment used in the pharmaceutical industry, pharmacovigilance and regulatory affairs.

The training sessions were completed with an evaluation which constituted the pre-selection stage in competitions for filling the vacancies within the company.

The trainees had the chance to get acquainted to the drug industry, develop useful skills and acquire knowledge in view of a possible career in the pharmaceutical industry.

Hence, when **Summer School a+** ended, our company hired pharmacists and chemists for the following departments: Pharmaceutical Development, Regulatory Affairs and Bioequivalence Studies and Production.

The Summer School a+ project will continue in 2012, testifying the importance that Antibiotice attaches to training and professional development of its employees, thus maintaining them in the A-list of professional competence.

06 Corporate Governance

The quality of the corporate governance system has always been a relevant criterion in assessing the global performance of Antibiotice.

Shareholders rights, and their equal treatment, the role of the interest holders, the system of reporting based on transparency and the responsibilities of the Management Board have all defined the applied corporate governance.

To maintain competitiveness in a changing world, Antibiotice is developing and partly adapting its corporate governance practices so that they can meet new requirements and exploit current opportunities.

The transparent decision-making process, based on clear and objective rules, has strengthened the shareholders' confidence in the company and contributed to protecting the shareholders' rights, thus providing a better access to capital, improving overall performance of the company preventing and reducing risks.

Antibiotice is a joint-stock company listed on the Bucharest Stock Exchange (BSE).

It has a unitary system of administration, a Management Board responsible for fulfilling all tasks necessary to achieve the company's object of activity, except as lawfully provided with respect to the General Meeting of Shareholders (as per Law 31/1990, republished with amendments and subsequent additions to the articles of association).

Ever since 2010, Antibiotice has attached great importance to good governance principles, based on requirements and recommendations stated in the Corporate Governance Code of the BSE.

The concept "apply or explain" includes details on the compliance or non-compliance to the code's stipulations.

The main aspects of corporate governance provide the internal frame for defining the corporate governance structures, the principles and regulation system, the responsibilities and competences of the Management Board and Executive team.

Antibiotice company undertakes to put all reasonable efforts from a professional, legal and administrative viewpoint in order to ensure compliance to the Corporate Governance Code of the BSE and the transparent presentation of results.

The core structures of the company's governance system:

- Management Board
- Advisory Committees
- Corporate Executive Team
- Code of Ethics

Management Board

The Management Board monitors the company's management, on behalf of the shareholders.
The responsibilities of the Management Board are stipulated in the articles of association and in the relevant internal regulations (Corporate Governance Guidelines).

The Management Board aims to harmonize its own decisions, those of the Executive Team and the General Meeting of Shareholders (GMS) as well as the internal regulations to the duly implemented legal requirements.
The Management Board and Executive Team take decisions without the influence of their own interests for the well-being of the company, the interests of shareholders and employees taking priority.
In the seven meetings held throughout 2011 (recording full attendance each time), the Management Board adopted decisions which allowed to perform their duties effectively and efficiently.
At quarterly meetings, the Board examined in detail the financial results for the reporting period and cumulatively, since the beginning of the year, the company's economic performance in relation to budget and to the same period of 2010.
The Management Board requested the executive team to provide, where applicable, detailed explanations about the plans to enhance production efficiency, investment plans, the provisions made, liquidity management, operational and overall business profitability.
Following the detailed analysis of results for the period in question, the Board decided to approve them in view of publication and further sending to the Bucharest Stock Exchange, observing each time the financial communication schedule set.
The Management Board consists of seven members, which ensures the efficiency of its capacity to supervise, analyze and evaluate the activity of directors and equally a fair treatment of shareholders.

Composition of Antibiotice Management Board as of 31st December 2011

1. Ec. Ioan Nani, aged 52
President of Management Board and Chief Executive Officer in years 1998-2008 and since 2009 to date.
Economist and Chartered Accountant
Antibiotice shares – 1,280*

2. Pharm. Ancamaria-Mihaela Negru, aged 34
Management Board member since 2010, representing the Ministry of Health Pharmacist and PhD student, she holds a Master's degree in drug study and analysis and another in pharmacognosy.
Antibiotice shares – 0*

3. Dr. Geza B. Molnar, aged 68
Member of the Management Board since 2009, representative of the Ministry of Health.
PhD degree in Medical Sciences, specialist in infectious diseases and epidemiology, physician specialized in epidemiology and associate professor.
Antibiotice shares – 0*4.

4. Ec. Valentin Radu, PhD, aged 62
Management Board member since 2009, representing the Ministry of Health.
Doctor in Economics, specialized in management, auditor and administrative law specialist
Antibiotice shares – 0*

5. Ec. Vasilica-Rodica Dobra, aged 46
Management Board member since 2010, representative of the Ministry of Health.
Economist, marketing specialist, holds a Master's degree in healthcare management.
Antibiotice shares – 0*

6. Eng. Gabriela Ilie, aged 62
Management Board member since 2004 (appointment reconfirmed in 2005 and 2008) representing SIF Oltenia corporate shareholders and others.

Graduate of from the Faculty of Chemistry, University of Bucharest.
Antibiotice shares- 12,601*7.

7. Ec. Florian-Teodor D. Buzatu, aged 54
Member of the Management Board since 2008, representing SIF Oltenia corporate shareholders and others.
PhD in Economics, chartered accountant, financial analyst and auditor, property and movable assets assessor, investment advisor.
Antibiotice shares – 2,975*

(*The number of Antibiotice shares held on September 22nd, 2011 as per the latest 2011 database)

The Ordinary General Meeting of Antibiotice shareholders held on April 28th, 2011 decided upon "the remuneration of the Management Board members, setting an indemnity of 1% of the CEO's remuneration for each member, as per the provisions of GD no. 1715/30.12.2008 (decision no. 6) i.e. RON 67 gross value.
The money was donated to the state budget.

According to the legislation in force (Law 203/2009, updated on 12.04.2010, Art.IV-1) the 2011remuneration of the CEO matched that of a state secretary.

Advisory Committees

The Management Board set up the following specialized advisory committees:

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

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

Executive Team

The current activity of Antibiotice is managed by the corporate executive management.

The work of the Executive Team is supervised by the Management Board, as required by law and stipulated in the articles of association, internal procedures and regulation as well as decisions of the General Meeting of Shareholders.

The executive team coordinates the strategic development of the company in close cooperation with the Management Board. Periodically, the two bodies review the results obtained implementing the company strategy.

Throughout 2011, the Executive management regularly and timely informed the Management Board on all relevant aspects of its activity, including major risk assessment and risk management within the company, and reports of meetings on the agenda.
These reports were reviewed by Management Board members and served as basis, along with other information, for decisions impacting the company's activities.

The executive management team apply the decisions of the GMS, those of the Management Board and their own, while implementing internal procedures in accordance with the applicable law.

The company is represented by the CEO who signs documents legally binding against third parties and in court.
The Board retains the power to represent the company in relation to the directors it has appointed.

In 2011 the structure of Antibiotice's executive team suffered a few changes: Mr.Constantin Nicuță left office as financial director; Mr. Eugen Diaconu, the former business development director, went into retirement, and in terms of newly-established activities, Antibiotice boasts a marketing & domestic sales unit and a medical unit.

Currently the position of financial director is held by Ms. Paula Luminita Coman, and the functional structures previously coordinated by Mr. Eugen Diaconu have been included in other units of the company.
The Marketing and Sales unit is coordinated by Mr.Ovidiu Bățaga, and the Medical unit by Ms.. Mihaela Mosneguțu.

The executive management of Antibiotice is ensured by nine directors: a general manager (who also holds the office of President of the Management Board) and eight specialized managers.

Composition of Antibiotice Executive Team as of December 31st 2011

Ec. Ioan Nani, aged 52
President of Management Board and Chief Executive Officer

Ioan Nani is a graduate of the Faculty of Economic Sciences, of Alexandru Ioan Cuza University Iaşi.
He has been a Chartered Accountant since 1992.
He began working as an economist in 1987 within Antibiotice company.
Between 1991 and 1993 Mr. Nani was a financial inspector within the General Directorate of Public Finance in Iasi, and after that within the Romanian Court of Accounts.
In 1994 he returned to Antibiotice as a Financial Executive Director, and in 1998 he was appointed Chief Executive Officer.
In February 2009 Mr. Ioan Nani was invested Deputy Chairman of the Authority for State Assets Recovery (AVAS).
In June the same year he was reappointed Chief Executive Officer of Antibiotice company, position he currently holds.
Antibiotice shares- 1.280*

Eng. Cornelia Moraru, aged 46
Production & Technical Director

Cornelia Moraru is a graduate of the Faculty of Chemical Technology within Gheorghe Asachi Technical University Iaşi.
engineer at Chimia Factory in Fălticeni.
In 1990 she joined Antibiotice's Penicillin Plant II (up to 1998) and, for one year, the Biosynthesis Department.
Since July 1999 Mrs. Moraru worked as a biosynthesis technologist within the Penicillin Plant II, up to January 2001 when she was appointed Manager of the Tablet Plant; in May 2003 she became Director of the Pharmaceutical Division.
Starting with 2005 Mrs. Moraru has held the position of Production and Technical Director.
Antibiotice shares – 1,280*

Ec. Paula Luminița Coman, aged 44
Financial Director

She graduated from the the Faculty of Economics and Business Administration, Alexandru Ioan Cuza University.
She has been chartered accountant since 2006 and financial adviser since 2007.
After graduation she worked as an economist at the County Office of Tourism, Iaşi.
She joined Antibiotice in 1991, as an economist in the Price Efficiency office.
In 1998 she became head of the Economic Analysis office and in 2003, head of the Financial and Accounting department.
She has held the position of Financial Director since 2011
Antibiotice shares - 0*

Ec. Vasile Chebac, aged 57
Commercial and Logistics Director

Mr. Chebac graduated from the Faculty of Economic Sciences.
He has been an active member of the Body of Chartered Accountant Experts iasi sice 2003 and Financial Auditor, member of the Romanian Chamber of Auditors since 2008.
He has been working for Antibiotice since 1972; in 1987 he joins the Planning - Development Office, Investment Department as an economist.
Starting with February 1991 he became a financial inspector at the General Directorate of Public Finance Iasi, and in July 1993 he was nominated a financial auditor at the Chamber of Accounts Iasi.

In January 1998 Mr. Chebac was appointed Chief Commissioner at the Financial Guard in Iasi. In September 2001 he returned to Antibiotice Iasi as Executive Commercial and General Services Director.
Since 2005 he has been occupying the position of Commercial and Logistics Director.
Antibiotice shares – 0*

Eng. Eugen Florin Osadeț, aged 56
Engineering & Investment Director

Florin Osadet is a graduate of the Faculty of Mechanics, Gheorghe Asachi Technical University Iaşi.
He holds a Master's degree in Management and Business Administration granted by the same university in 2000.
He has been working with Antibiotice since 1980, first as a mechanical engineer in the workshop for obtaining industrial cold, and later as a thermoenergetical dispatcher.
In 1997 Mr. Osadet became the Head of Thermoenergetical Workshop.
Since 2000 he has been occupying the position of Engineering and Investment Director.
Antibiotice shares – 1.279*

Eng. Lavinia Cristina Dimitriu, aged 54
Quality Director

Lavinia Dimitriu is a graduate of the Faculty of Chemical Technology, Gheorghe Asachi Technical University Iaşi.
She holds an MBA degree granted in 2000 by the same university and a Master's degree in Management and Marketing granted in 2007 by the Faculty of Pharmacy - Gr. T. Popa - University of Medicine and Pharmacy of Iasi.
Mrs. Dimitriu is currently a PhD student at the Faculty of Pharmacy Iasi.
After graduating she worked as a chemical engineer at the Fagaras Chemical Plant.
Since 1987 she has been working in Antibiotice as a chemical engineer at the Biosynthesis – Lysine Plant. In 1990 she became Production Manager at the Parenteral Preparations Plant and in 2000 Quality Control Manager - Physical-chemical & Microbiological Analyses.
Starting with 2007 she has become a Qualified Person in the manufacturing / import units of medicines for human use, and Antibiotice's management representative of the integrated management system. She has held the position of Quality Director since 2003.
Antibiotice shares – 0*

Ec. Gica Rusu, aged 48
Human Resources Director

Gica Rusu graduated from the Faculty of Economic Sciences of Alexandru Ioan Cuza University Iasi.
She holds a Masters's degree in HR Management granted by the same university in 2003. She has been working within Antibiotice since 1981, first as an economist at the Penicillin Plant (since 1986) and from1996 within the Financial Department. In 1999, Mrs. Rusu became Head of the Human Resources Department.
She has been occupying the position of Human Resources Director since 2004.
Antibiotice shares – 1.278*

Ec. Ovidiu Bățaga, aged 34
Marketing and domestic sales director

Graduate of the Faculty of Economics and Business Administration (FEAA), Alexandru Ioan Cuza University. He has three MA degrees in financial management (2001), pharmaceutical marketing (by the Gr. T. Popa University of Medicine and Pharmacy, 2003) and project management (by Gheorghe Asachi Technical University, 2007).
After graduation, he has been a teaching assistant at the Currency and Credit Drept within FEAA. He joined Antibiotice in February 2001 as an economist in the departments of Economic Analysis, Accounting and Marketing.
In January 2006, he was appointed head of Market Analysis and Strategic Planning. Mr. Bățaga has held the position of Marketing and Domestic Sales Director since 2010.
Antibiotice shares – 0*

Dr. Mihaela Moşneguțu, aged 42
Medical Director

Graduate of the Faculty of General Medicine within Grigore T. Popa University, Ms. Mosneguțu is specialized in family medicine. She started her activity as a physician in Iaşi, and she joined Antibiotice in 2000, within the Promotion Office, whose leader she became in 2001.
In 2005 Mrs. Mosneguțu becames head of the Pharmacovigilance and Medical Consulting

Department, whereas in 2009 she is nominated Manager, in charge of the Medical Divison and Retail Promotion.
She has been Medical Director since 2011.
Antibiotice shares- 0*

(* No. of Antibiotice shares held on 22nd September 2011, as per the latest 2011 database)

The Code of Ethics

The Code of Ethics of Antibiotice has established the ethical norms of conduct governing the values, responsibilities, conduct and business obligations of our company, as well as how the latter works.

The Code of Ethics is a guide for company employees providing information on how they can solve problems of business ethics. Moreover, the Code sets out rules in the areas of employment, human rights, environmental management, social responsibility, corporate governance and contains guidelines to help the company pursue its values.

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

It is presented in detail on our official website, under "Company" section (please go to www.antibiotice.ro /company/code of ethics).

Rights of the financial instruments holders

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

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

The company's official website has a section dedicated to shareholders (www.antibiotice.ro/investors) where one can access and download documents relating to GMS (the procedures for access to and participation in meetings, convening notice, additions to the agenda, informative material, special powers-of-attorney, forms for distance voting, draft decisions, decisions, vote results, etc.)

Thus, Antibiotice makes available the periodical and annual financial statements, drawn-up in accordance with the legislation for trading societies and capital market, complying with all publication requirements.

The company has a specialized structure for the relationship with existing and potential investors, called "Investor Relations". Its main role is to ensure a better communication with shareholders.
The persons designated to keep in touch with investors, treat shareholders' demands efficiently and facilitate dialogue with company management.

General Meeting of Shareholders (GMS)

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

In 2011, the Management Board convened on April 28th 2011 an Ordinary General Meeting of Shareholders and an Extraordinary General Meeting of Shareholders.
All necessary documents related to the smooth unfolding of GMS were duly published on time, as required by law.

The Ordinary General Shareholders Meeting approved the company's financial statements

for 2010, drawn-up as per the Public Finance Minister's Order no. 1752/2005 for accounting regulations approval, in accordance with the European Directives and Accounting Law no. 82/1991.

The Ordinary General Shareholders Meeting has approved the following measures:

- approval of 2010 net profit distribution, setting the gross dividend per share and approval for dividend reinvestments.
- discharging the Management Board from liability, relative to the activity performed in the financial year 2010 based on the appropriate reports submitted;
- approval of Revenue and Expenditure Budget for 2011;
- extending the financial audit contract with BDO Audit SRL, for a period of two years;
- setting the wages of the Management Board members;
- approval for the CEO's degree of fulfilling objectives and performance criteria.

The Extraordinary General Meeting of Shareholders decided as follows:

- Antibiotice will contract a loan amounting to EUR 6.5m from RBS Bank, Romania (hereby referred to as "the Bank") under the conditions negotiated by the parties;
- the above-mentioned loan will be guaranteed as follows:

1. a pledge on all equipment relative to the project "Purchase of machinery and technological equipment to create production facilities for non-penicilin antibiotics, sterile powders, powders for injection, filled in vials", according to Annex 1 to the Contract;

2. a mortgage on the land and buildings located in Iaşi, Valea Lupului str. no. 1, Iaşi, CF 133186, cadastral no. 133186, 133186-C160 (derived from CF 13967, cadastral no. 4784/1), CF 133199, cadastral no. 133199, 133199-C1, 133199-C2, 133199-C3, in favor of the Bank, as per Annex 2 to the Contract.

- Share capital increase by issuing new shares (following the capitalization of RON 9,035,041.90 representing net dividends for the financial year 2010 and net dividends not collected in previous years) and distributing them to shareholders registered in the Shareholders Register of Antibiotice as per proposed registration date (16.05.2011), so that the number of shares held by each shareholder increase by an allocation index of 0.18915347.
- Approval of amendment to Art. 7, ch. III, from the company's articles of association, on share capital and ownership tructure, formulating the text as follows:
  "Share capital is fixed at the amount of RON 56,800,710 , divided into 568,007,100 shares with a nominal value of RON 0.1000 each, the shares being nominative.
  The ownership breakdown, according to the number of shares and securities, is as follows:

1. The Ministry of Health - 301,141,886 shares (53.0173%) in the amount of RON 30,114,188.60 ;

2. Other shareholders (individuals and legal entities) totalling 266,865,214 shares (46.9827%) in the amount of RON 26,686,521.40.

GMS in 2012

The GMS that will examine and approve the financial results for 2011 is scheduled on the 26/27 April 2012, according to the financial communication schedule sent to Bucharest Stock Exchange and the National Securities Commission. The meeting will take place at the headquarters of Antibiotice Iaşi.

07 Economic and Financial Results

2011 economic and financial results

During 2011, Antibiotice Iasi developed its activity in the spirit of achieving the objectives and indicators established by the Income and Expenditure Budget.

Turnover rose by 16% compared to previous year

In 2011 net turnover was RON 281.85 million, of which RON 226,15 million came from domestic sales 80%) and RON 55,7 million (20 %) were obtained from sales on foreign markets.

The increase by 16% of the 2011 turnover, compared to the 2010 figure (243,63 million), is the result of the sustained effort of the entire company to strengthen the business.

Production sold in 2011 recorded an increase by 17%, amounting to RON 262,30 million, as compared to the previous year when the figure was RON 224,87 million.

Profit and Loss Account in years 2009-2011

RON

Indicator	Year 2009	Year 2010	Year 2011	2011/ 2010	2011 /2009
TURNOVER	219.75	243.63	281.85	1.16	1.28
TOTAL INCOME	221.31	262.82	302.55	1.15	1.37
TOTAL EXPENDITURE	205.66	244.34	276.15	1.13	1.34
GROSS PROFIT	15.65	18.47	26.40	1.43	1.69
NET PROFIT	11.92	12.54	20.30	1.62	1.70

Revenues from the sale of goods amounting to RON 61,91 million represent, for the most part, the value of the products from the company's portfolio manufactured on the manufacturing lines outside the country (i.e. dedicated lines), as a result of the requirements imposed by the regulations in force regarding the good manufacturing practice.

While the value of the production manufactured in 2011 was RON 272,4 million, by 21% higher than the 2010 figure (i.e. RON 224,5 million), the raw materials and energy expenses were by 19% higher than those recorded in 2010.

Cost reduction – a priority in 2011

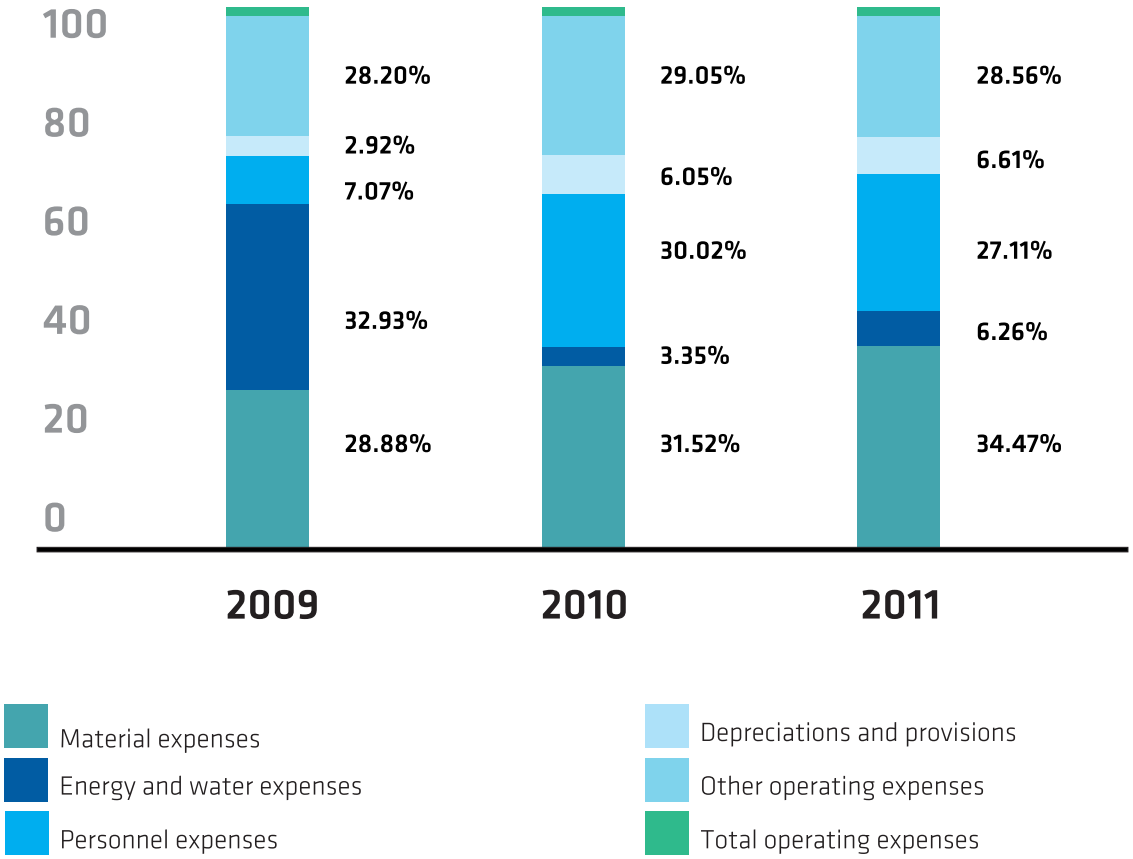
A permanent concern of the entire management team and all employees is to reduce costs by continuously optimizing processes in order to improve the composition of expenditure.

The share of expenditure on salaries decreased by about 3% in 2011, leading to an increase in labour productivity by 15% in 2011 over the previous year, from RON 169.067/employee in 2010 to RON 194.378/employee in 2011.

Expenditure on depreciation of intangible and tangible fixed assets increased by 26%, from RON 13.18 million in 2010 to RON 16,67 million in 2011 as a result of purchases of manufacturing equipment.

The influence of the rigorous management of all expenditures resulted in an operating profit of RON 32 million, by 5% over the figure recorded in 2010 when the operating profit was RON 30.6 million.

Operating Expenses Breakdown



Evolution of exchange rate in 2011

Exchange rate for USD recorded various variations during 2011, from RON 3.205 on 31st of December 2010 to RON 3.339 on 31 st of December 2011, with the maximum value of RON 3.3423 on December 15th, 2011 and a minimum value of RON 2.7408 on April 29th , 2011.

As regards the Euro, the exchange rate evolved from RON 4.285 on 31st of December 2010 to 4.320 at 31st of December 2011, with a maximum of RON 4.362 on November 25th, 2011 and a minimum level of RON 4.0735 on April 26th, 2011.

The financial result was influenced mainly by the following expenditures:

- Bank Interests - RON 2.5 million;
- Exchange rate differences related to the obligations and receivables in the foreign currency - RON 16.4 million;
- discounts of RON 4.8 million granted to distributors to pay the invoices before the contractual deadline.

The influence of financial expenditure was mainly alleviated by the financial income, as follows:

- Exchange rate differences - RON 15 million;
- Other financial income - RON 3 million.

The two cumulated activities, the operational and the financial one, for 2011, resulted in a total income of RON 302.5 million, by 15% more than in 2010 when the amount recorded was RON 262.8 million.

These total revenues in 2011 are correlated with total expenditure of RON 276,2 million, compared with the previous year when the amount was RON 244,3 million.

Bank loans incurred by the company as of Decembrie 31th, 2011

Name of the bank	*Date of contracting the loan	Type of loan	Loan amount	Amount to be paid back on 31.12.2011	Maturity	Warranties
Total CITI IASI	27.01.2010	Credit facility	1,500,000 EUR	1,085,668.24 EUR	26.01.2011	Assignment of debts
Total Alpha	18.04.2005	Credit facility	9,500,000 EUR	8,835,894.24 EUR	31.05.2012	Assignment of debts
Total RBS BANK Iasi	17.07.2006	Credit facility	11,000,000 EUR	9,157,649.38 EUR	29.07.2011	Mortgage on buildings+land
				19,079,211.86 EUR		

*The date of employing the loan represents the date when the initial loan agreement was concluded, being extended afterwards by addenda.

Net Profit of RON 20.3 million, higher as compared to 2010

Gross profit amounted to RON 26.4 million for this fiscal year, by 43% higher than that recorded in 2010 when the figure was RON 18.5 million.

After reducing, out of the gross profit, the expenses representing the income tax, in the amount of 6.1 million lei, a net profit of RON 20.3 million resulted, higher than in 2010 when the figure was RON 12.5 million.

The amount of RON 10,350,104, representing the company's own sources of financing and other allocation provided for by law, consists of:

- Facilities from exploiting the goods resulted from the dismantling of the fixed assets in the amount of RON 31,679;
- Facilities from the recovery of waste in the amount of RON 590,561;
- Amounts coming from the correction of the reported result, in the amount of RON 643,127;
- Fiscal facilities for research and development activities in accordance with art. 19 of the Fiscal Code – RON 455,816.
- Self-financing sources amounting RON 8,628,921

In accordance with the provisions of OMF 3055/2009, since the company did not present as a balance debt the calculated dividends, these will be recorded as debt upon approval of the balance sheet in the General Meeting of Shareholders.

- Total dividends, of which: 8,628,922 lei
- Ministry of Health (53.0173%) 4,574,819 lei
- Other legal and natural persons (46.9827%) 4,054,103 lei

Value of gross dividend/share = 8,628,922/568,007,100 = 0.015191574 lei.

Net profit of RON 20.3 million was distributed according to the GO 64/2001, which was approved with amendments by Law 769/2001 and GO 61/2004 as follows:

RON

Destination	Amount
Profit to be distributed:	**20,298, 909**
- legal reserve	**1,319,883**
Self - financing sources and other allocations of profit specified by law	**10,350,104**
Dividents of witch:	**8,628,922**
Dividents due to the majority shareholder	**4,574,819**
Dividends due to other legal entities and natural persons	**4,054,103**

Balance sheet liabilities

Intangible assets including licenses for new products and computer operating system recorded a decrease this year, from RON 2 million in 2010 to RON 1.7 million in 2011.

Tangible assets recorded an increase in the ended fiscal year, from the RON 166,4 million to RON 173,7 million, because of recording new investments and revaluation differences, transactions performed until 31.12.2011.

The average degree of recorded wear and tear of the fixed assets on 31 December 2011 is 51.4%.

Balance Sheet in year 2009-2011

m. RON

	2009	2010	2011	%	%
FIXED ASSETS					
I. Intangible fixed assets	1.81	1.99	1.65	0.83	0.91
II. Tangible fixed assets	156.83	166.41	173.69	1.04	1.11
III. Financial fixed assets	0.08	0.08	0.021	0.26	0.26
FIXED ASSETS - TOTAL	158.72	168.48	175.36	1.04	1.10
CURRENT ASSETS					
I. Stocks	34.15	40.41	41.93	1.04	1.23
Raw materials and consumables	10.41	13.15	10.43	0.79	1.00
Production in progress	0.94	1.21	1.476	1.22	1.57
Finished products and goods	22.64	25.83	29.95	1.16	1.32
Advances for stock purchase	0.16	0.21	0.075	0.36	0.47
II. Receivables	179.77	179.81	226.37	1.26	1.26
IV. Cash at bank and in hand	3.58	3.72	5.34	1.44	1.49
TOTAL CURRENT ASSETS	217.5	223.94	273.64	1.22	1.26
Prepaid expenses	0.48	0.33	0.30	0.92	0.63
Debts payable within one year	114.22	110.65	142.72	1.29	1.25
Debts payable in more than one year	0.03	0	0		0.00
Provisions	14	13.9	14.6	1.05	1.04
Deferred revenue	6.42	5.58	4.94	0.89	0.77

Inventory

- inventory of raw materials and consumables recorded a decline by 21% from 13.2 million lei in 2010 to RON 10.4 million in 2011, reduction achieved through a rigorous planning and tracking of manufacturing.
The stock of 2011 was done in the context of providing the necessary raw materials for the production of the first quarter of 2012;

- production in progress – grew from 1.2 million lei in 2010 to RON 1.5 million, representing production at various stages;

- inventory of finished products and goods – grew by 16%, from RON 25.8 million in 2010 at 30 million lei in 2011, in the pace of sales growth.
The value of the stock of finished products represent the optimal value to honour all orders in the first two months of the year 2012;

The total receivables increased by 26% at the end of the year, from RON 179,8 million in early 2011 to RON 226,4 million, while sales were higher by 16% compared with the previous year.

The average collection period of receivables increased in 2011 at 312 days

The average collection period of receivables from the foreign market was 119 days in 2011 versus 357 days on the domestic market.

The low collection rate from the healthcare system compared to the previous year led to an average collection period of receivables of 312 days compared to 285 days in 2010.

Cash at bank and in hand

The value of these patrimony elements as of 31 December 2011 rose by 44% compared to 31 December 2010.

Liability items

The company recorded on 31 December 2011 only amounts to be paid within a year.

Amounts due to credit institutions were 82.4 million lei, at the end of the financial year, namely 31 December 2011, by 19% higher than on December 31, 2010 when the figure was RON 69,3 million.
Commercial debts – suppliers recorded RON 44.7 million as of 31st of December 2011, by 50% higher compared with 2010 when the figure was RON 29.8 million.

During 2011, the company did not record any legal events regarding the progress of financial obligations with the domestic and foreign suppliers.

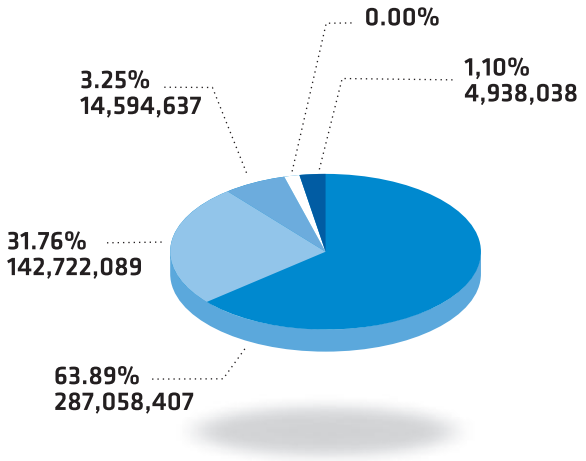
Net current assets recorded at the end of the fiscal year 2011, an increase of more than 16%, i.e. RON 306,6 million, compared with the previous year when the figure was 282,1 million lei, which demonstrates a good efficiency of use of equity and capital attracted.
The equity recorded this year an increase, from RON 262.6 million in the previous year to RON 287,1 million in 2011 (an increase of over 9%).

The share capital as of 31 December 2011 was RON 56,800,710, compared with the share capital recorded as of 31 December 2010, i.e. RON 47,765,668.

The increase of the capital to RON 9,035,042 was accomplished by capitalisation of dividends for 2010, a decision adopted by the General Meeting of Shareholders of Antibiotice S.A. dated 28.04.2011.

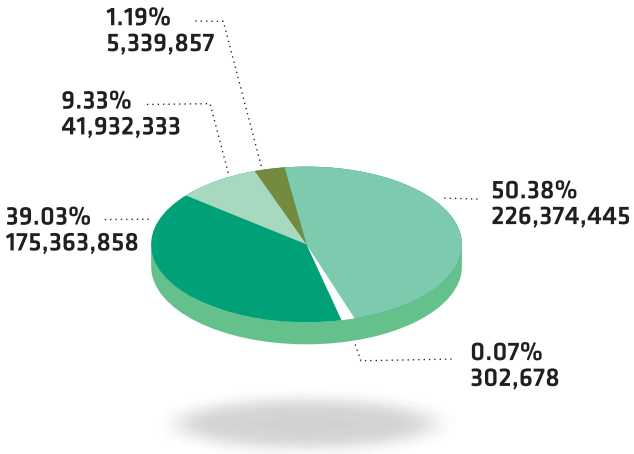
The effects of the adopted decision were reflected on all the shareholders of the company registered as of 16th of May 2011, with an allocation index of 0.18915347 (a ratio between the value of net dividends for capitalization and share capital).

Liabilities
449,313,171



- Shareholder's equity
- Current liabilities
- Provisions
- Long-term debt
- Deferred revenue

Assets
449,313,171



- Fixed assets
- Stocks
- Cash
- Receivables
- Prepaid expenses

In 2011 the company paid current debts to the central and local state budget amounting to RON 41.2 million.

Cash flow

The level of cash and cash equivalents at the beginning of the financial year was RON 3.7 million. Cash receipts from operating activities were RON 212 million.

Cash payments to suppliers of goods and services were RON 124,7 million, while those to and on behalf of employees were RON 65.9 million.

At the same time, payments amounting to RON 7.8 million representing corporate tax, VAT, local taxes and bank interest were made. payments for the purchase of fixed assets amounting to RON 22.2 million were made, as well.

As regards the funding, RON 11.4 million were encashed, representing short-term loans, payment of dividends amounting to RON 0.5 million and RON 0.06 million for the payment of leasing contracts.

At the end of 2011 the cash and cash equivalents amounted to RON 5.3 million.

Balance Sheet of Financial year 2011

m. RON

	2010	2011
A. FIXED ASSETS		
I. Intangible fixed assets	1,989,252	1,652,572
Concessions, patents, licenses, trademarks, rights and similar values	1,327,149	1,200,053
Advances and intangible fixed assets in progress	662,103	452,519
II. Tangible fixed assets	166,413,201	173,690,051
Land and buildings	143,733,624	143,068,318
Technical installations and machinery	20,028,204	27,235,830
Other installations, equipment and furniture	811,204	862,529
Advances and tangible fixed assets in progress	1,840,169	2,523,374
III. Financial fixed assets	81,421	21,235
Titles as participating interests	60,000	-
Titles as fixed assets	140	140
Other receivables	21,281	21,095
FIXED ASSETS - TOTAL	168,483,874	175,363,858
B . CURRENT ASSETS		
I. Stocks	40,407,875	41,932,333
Raw materials and consumables	13,152,374	10,428,336
Production in progress	1,209,603	1,476,207
Finished products and merchandise	25,831,908	29,952,754
Advances for stock purchases	213,990	75,036
II. Receivables	179,809,223	226,374,445
Trade receivables	177,364,680	224,040,809
Other receivables	2,444,543	2,333,636
IV. Cash and bank accounts	3,723,380	5,339,857
CURRENT ASSETS - TOTAL	223,940,478	273,646,635
C. PREPAYMENTS	327,246	302,678
D. LIABILITIES PAYABLE WITHIN ONE YEAR	110,652,469	142,722,089
Amounts owed to credit institutions	69,301,605	82,416,576
Advances collected for orders	73,177	1,030,566
Commercial debt	29,771,888	44,672,354
Bills of exchange payable	1,372,263	3,078,012
Other debt, including tax and debt for social security	10,133,536	11,524,581

E. Net current assets- net current liabilities	113,615,255	131,227,224
F. Total assets minus current liabilities	282,099,129	306,591,082
G. LIABILITIES PAYABLE IN MORE THAN ONE YEAR	0	0
Other debt, including tax and debt for social security	0	0
H. PROVISIONS FOR RISK AND EXPENSES	13,904,637	14,594,637
I. INCOME IN ADVANCE, OF WHICH:	5,582,048	4,938,038
Subsidies for investments	5,582,048	4,938,038
Income recorded in advance	0	0
J. CAPITAL AND RESERVES		
Subscribed and paid-up capital	47,765,668	56,800,710
Revaluation reserves	103,382,910	108,124,295
Reserves	99,869,886	103,797,503
Legal reserves	10,021,560	11,341,443
Reserves representing the revaluation reserve surplus	506,713	555,505
Other reserves	89,341,613	91,900,555
Reported result Credit balance/ Debit balance	21,506	643,127
Result of the fiscal year Credit balance	12,539,100	20,298,909
Profit distribution	923,614	1,319,883
Total shareholder's equity	262,612,444	287,058,407
Total capital	262,612,444	287,058,407

STATEMENT OF TREASURY CASH FLOWS as of 31.12.2011
(amounts are expressed in RON, if not specified otherwise)

		2011	2010
I. OPERATING CASH FLOW			
Cash receipts from sales of goods and provision of services	01	201,054,849	204,044,572
Cash receipts from royalties, fees, commissions and other types of income	02	10,446,290	415,227
Cash payments to suppliers of goods and services	03	(124,738,999)	(103,803,359)
Cash payments to and on behalf of the employees and personnel-related payments	04	(65,947,785)	(64,183,435)

		2011	2010
VAT paid	05	-	(2,023,979)
Other taxes, fees and similar levies	07	(936,108)	(903,982)
Operating cash flow		19,878,246	33,545,044
Interest earned		46,791	45,893
Interest paid		(2,548,848)	(3,468,958)
Profit tax paid		(4,334,627)	(5,097,864)
Net operational cash flows	08	13,041,563	25,024,115
II.INVESTMENT CASH FLOW	10		
Cash proceeds and payments from other investment activities	12		
Cash payments for purchasing land and fixed assets, non-tangible assets and other long-term assets.	14	(22,247,995)	(13,746,633)
Interest earned	15	186	(862)
Dividends earned	16	628	266
Net investment cash flows	20	(22,247,181)	(13,747,229)
III. FINANCING CASH FLOWS			
Proceeds from long-term loans/repayments	33		(924,919)
Proceeds from short-term loans/repayments	34	11,408,158	(7,769,750)
Payments for financial leasing operations	35	(55,918)	(1,525,954)
Purchase of shares	36		500
Dividends paid	39	(530,144)	(649,510)
Net financing cash flows	40	10,822,096	(10,869,633)
Effects of exchange rate variation related to cash and cash equivalents	41	-	-
Cash flows - TOTAL	44	1,616,477	407,252
Cash and cash equivalents at the beginning of the period	45	3,723,380	3,316,127
Cash and cash equivalents at the end of the period	46	5,339,857	3,723,380

Director General,
ec. Ioan NANI

Director Economic,
ec. Paula Coman

Intermediate Management Balances

RON

Indicators	2010	2011
Sales of goods	37,647,080	61,912,253
Expenditure on sales	18,537,909	26,878,876
Trade margin	19,109,171	35,033,377
Production sold	224,870,563	262,295,547
Production stored	1,684,820	878,024
Capitalized production	899,908	567,689
Production of the financial year	227,455,291	263,741,260
Material expenses	50,168,643	60,123,521
Industrial margin	177,286,648	203,617,739
Trade margin	19,109,171	35,033,377
Other purchases and external expenses	48,756,252	68,224,843
Added value (AV)	147,639,567	170,426,273
Operational subsidies		
Personnel expenses	65,439,305	68,426,642
Taxes and fees	1,055,070	2,622,532
Gross operating surplus (GOS)	81,145,192	99,377,099
Trade discount	18,891,581	42,360,345
Other operating income	2,319,401	1,174,795
Expenses with depreciation and operating provisions	31,886,446	25,249,432
Other operating expenses	2,124,066	879,256
Operating profit	30,562,500	32,062,861
Financial income	14,285,390	18,080,510
Financial expenses	26,375,620	23,745,712
Current result	18,472,270	26,397,659
Extraordinary income		
Extraordinary expenses		
Gross result of the financial year	18,472,270	26,397,659
Income tax	5,933,170	6,098,750
Net result of the financial year	12,539,100	20,298,909

08 Social responsability

Antibiotice continues to carry out its mission to produce quality medicines affordable to patients and to generate profit for its shareholders. At the same time, the company is actively involved in the life of the community supporting it by charitable activities, donations, sponsorships, as well as humanitarian, educational or cultural projects

"Antibiotice – Science and Soul" Foundation

The purpose of the "Antibiotice – Science and Soul" Foundation established in November 2010 has been to continue the company's tradition of performing charitable activities, humanitarian, educational and cultural projects meant to improve people's health condition and to provide solutions to different social problems.

In addition, the Foundation supports scientific activities intended for both the doctors (e.g. training, formation and ongoing medical learning sessions) and the public (various events for educational and preventive purposes), expanding their medical knowledge of the role of generics or of different pathologies.

Prevention and information

In 2011, particular attention was paid to the projects focused on the prevention of and information on the diseases with high incidence such as cardiovascular disorders.

In May 2011, the "Antibiotice – Science and Soul" Foundation in cooperation with the Preventis Medical Center organized the campaign entitled „Canicular days affect me, too!".

The doctors from Preventis and medical representatives of Antibiotice assessed the cardiovascular risk and counseled 200 people from Iasi on the ways to counteract the effects of hot weather on their health.

200 people from Iasi assessed for cardiovascular risk Social Projects

Social Projects

The numerous humanitarian actions carried out by the "Antibiotice – Science and Soul" Foundation during 2011 provided aid and assistance to many families, institutionalized children, elderly persons, or sick people in need. Thus, "The Power of Action", "Offer a Book, Bring on a Smile", "With Science and Soul Assisting People", "Make Gifts from the Heart! Be Santa Claus" projects brought joy and hope to the people needing humanitarian aid.

Alongside mothers on the International Women's Day – March 8, 2011

On the International Women's Day, the "Antibiotice – Science and Soul" Foundation organized and carried out charitable activities at three maternity hospitals, one from Iasi and two from Bucharest.

The beneficiaries of the project were 150 in-patient women from the Iasi "Cuza-Voda" Obstetrics and Gynecology Hospital and "Filantropia" and "Polizu" Maternities in Bucharest.
They received products for body care, nutritional supplements made by Antibiotice, and a guide to raising children containing useful advice.

The power of good deeds lies in our power!

On Easter holidays, the "Antibiotice – Science and Soul" Foundation provided help for 300 underprivileged people by offering them traditional Easter foods worth RON 15,000.

As part of the "Power of Good Deeds" Program, on the holy occasion of Easter, 100 people in need received donations consisting in traditional and essential foods from the "Antibiotice – Science and Soul" Foundation.

The aid was intended for children from families with at least one unemployed parent. In addition, 200 elderly persons with poor material conditions from Iasi and two neighboring small towns (Moreni and Voinesti) received parcels containing foods for the holidays.

Easter gifts were offered also to the five pupils who benefit from the "Science and Soul" scholarships and to three needy families with a large number of children (10 to 16 persons) having precarious financial and dwelling conditions.

Key figure: 300 people in need received help from the company on Easter

"Offer a Book, Bring on a Smile"

The 2nd edition of the campaign entitled „Offer a Book, Bring on a Smile!" involved the offering of books, toys and gifts to less fortunate children who were in hospitals on the International Children's Day.
Many Antibiotice's employees joined the campaign and donated 250 books, games and toys.

All donations were placed in a library facility set up by the Foundation and offered to the Surgery Department of the "Sf. Maria" Hospital Iasi.

Besides books, the Foundation's volunteers gave gift packages containing sweets and fruits to 100 sick children who were at the time in the "Sf. Maria" Hospital Iasi and 50 children from the "Pinocchio" children's home Bucharest.

250 books donated by Antibiotice's employees to children in hospitals

Antibiotice takes care of its employees

On the International Children's Day, Antibiotice offered also gifts to 170 of its employees' children who wanted to take part in the events organized on the occasion.

The children under 5 years of age spent an hour and a half at the Kidsland playground in the Iulius Mall, while the older ones under 14 watched 3D films.

170 of the employees' children had many surprises on their day

„Make Gifts from the Heart, Be Santa Claus!"

On the occasion of the winter holidays, the "Antibiotice – Science and Soul" Foundation appealed to the company's employees to give a helping hand to 50 children and their families burdened by hardships.

A number of 115 employees took part in the fundraising campaign.

This act of human solidarity helped children with special needs, lacking material and financial resources, as well as institutionalized children included in the records of the Iaşi Community Assistance Directorate.

In addition, Santa Claus brought gifts as all to the 5 little girls included in the "Science and Soul" scholarship project.

Donate blood!
Put your heart into saving lives!

The "Antibiotice – Science and Soul'' Foundation organized a voluntary blood donation campaign entitled "Donate blood! Put your heart into saving lives!".

The campaign was carried out in cooperation with the Iasi Blood Transfusion Mobile Unit and had two sessions (April and May), marking the World Health Day (April 7).

A number of 150 employees of Antibiotice took part in the voluntary and valuable action donating blood.
The blood donation campaign was carried out at the clinical unit of the company's Center for Drug Evaluation.

Due to the fact the mobile blood collection campaign was highly appreciated Antibiotice intends to continue it in the following years as well.

150 employees of the company donated blood for saving lives

Antibiotice supports the Association of the Former Employees

Antibiotice supports the Association of the Former Employees by providing drug products and house calls to those suffering from different medical conditions, legal assistance in disputes with local or national authorities, organizing thematic trips in our county or around the country.
The Association is a communicating bridge between the company's management and its former staff. The Association of the Former Employees was established in 2005 and its main purpose is the monitoring of and finding solutions to the different problems the retired personnel faces.

All such actions demonstrate the concern Antibiotice has for the people who, over the years, have contributed to the business growth and consolidation on the pharmaceutical market.

Education

The "Science and Soul" Scholarships

For over 11 years, Antibiotice has been standing beside the "Pro Ruralis" Association and supported the program of scholarships dedicated to high intelligence quotient pupils from underprivileged families living in rural areas.

In November 2010, the project was taken over and has been carried out via the "Antibiotice – Science and Soul'' Foundation.

Initiated in 2001, the project offers to intelligent children with no material resources from rural areas the chance to further their education at elite high schools in Iasi.

Antibiotice also takes part in this generous action in the school year 2011-2012, offering 5 "Science and Soul" scholarships.
The first 5 young students who benefited from the financial support provided by Antibiotice graduated from high-school in the summer of 2009 and now attend different universities.

Moreover, the company, on various events and holidays, has offered to the supported pupils gifts consisting in school supplies, footwear and clothes, or invitations to different shows.

For 11 years Antibiotice has been awarding the „Science and Soul" scholarships

Promoting environmental protection

Antibiotice, by the Environmental Management System implemented, committed itself to pollution prevention and continuous improvement of its environmental performance, acting according to the current environmental regulations.

The new Integrated Environmental Authorisation granted to Antibiotice for 10 years in December 2010 demonstrates the compliance of the company with the legal environmental requirements, the emissions of

pollutants to air, water and soil being within the limits specified by the appropriate European regulations.

Antibiotice initiated the environmental program entitled „Be Pro Nature. Get Involved!" in 2008 to validate its concern for and involvement in environmental protection, investing significant resources in water, air and soil preservation.
In 2011, the program included the actions below.

Let's Do It, Romania!
The National Cleanup Day

On September 25, 2011, along with high-school students, university students, and employees of different institutions from Iasi Antibiotice took part for the second time in the largest action of social engagement ever carried out in Romania.

Volunteers from Antibiotice helped gathering household and municipal solid waste from natural areas.

The company also provided also the means to transport all the volunteers to the different target areas and supplied the initiators with 300 garbage bags.

2011 - International Year of Forests

On the World Environment Day (June 5), on the initiative of the company's in-house publication, i.e. InfoBuletin, Antibiotice organized a contest encouraging the employees' children to show what the grow-ups should do to improve the health of forests.

In the numerous drawings, paintings, collages, handmade items, compositions, essays or poems presented the children let their artistic imagination loose and portrayed a cleaner natural world.

All works on the theme "2011 - International Year of Forests" were rewarded with games, toys and sweets.

Earth Hour - 2011

For the third consecutive year, Antibiotice participated in what became the most extensive environmental campaign ever.
"Earth Hour" was marked by informing the employees on the causes and effects of global warming.

On March 26, 2011, between 8.30 p.m. and 9.30 p.m., the company turned off the outdoor lighting in the areas where it was possible in a symbolic act prompting to the responsible resource management.

Raising awareness of environmental issues is part of the company's strategy of responsible management of the resources (from consumption to recycling), a first step in the effort made to protect the environment.
The participation in the "Earth Hour" project is included in the environmental program entitled „Be Pro Nature. Get Involved!"

Responsibility to the environment

The activities related to environmental protection carried out at Antibiotice are regulated by the Integrated Environmental Permit no. 1/10.01.2011 (valid for 10 years) issued by the Regional Environmental Protection Agency – Bacau and by the Water Management Authorisation no. 303/ 20.12.2010 issued by the "Romanian Waters" National Administration, the Prut-Barlad River Basin Directorate.

The integrated management system (environment, quality, occupational health and safety) implemented at Antibiotice was audited by Lloyd's Register Quality Assurance in November and December 2011.

The purpose of the audit was to assess the compliance of the system with the requirements of the EN ISO 14001:2004, EN ISO 9001:2008, and ISO 18001:2007 standards. Based on their findings, the auditors recommended the recertification of the system.

No change in the production facilities and any expansion or cancellation of activities took place outside the scope of the Integrated Environmental Permit.

In 2011, to comply with the appropriate relevant legislation and prevent any environmental incident, Antibiotice provided the necessary supply of specific outfits and qualified personnel.

The monitoring of the environmental factors was carried out according to requirements of the Integrated Environmental Permit both by the in-house laboratories and by a third-party laboratory certified by the national accreditation body RENAR (Romanian Association for Accreditation).

In 2011, Antibiotice's total environmental costs amounted to RON 3,942,109, out of which RON 2,849,569 for the company's wastewater treatment plant (operation, monitoring, services provided by third parties, personnel expenses), RON 629,968 for the in-house waste incineration plant (operation, collection, transport, personnel expenses), and RON 462,572 for waste collection and transport, maintenance and landscaping of the green areas.

The actions required by the environmental control authorities to be taken were addressed and the specifications of the Integrated Environmental Permit were met.
There were no environmental incidents/ accidents, notifications or complaints.

Specific consumptions, power use

Only the equipment producing Nystatin at the company's Biosynthesis Plant is subject to the European Directive concerning Integrated Pollution Prevention and Control (IPPC).

The main raw materials included in the manufacturing of Nystatin are: soybean flour, corn starch, corn extract 45%, dextrose monohydrate, refined soybean oil, subtilase, calcium carbonate, ammonium sulphate, ferrous sulphate, solid dibasic diammonium phosphate, solid monopotassium phosphate, technical grade ammonia, acetone and methanol.
In 2011, the plant's specific consumptions were within the scheduled limits.

The specific consumptions of acetone and methanol were below the levels reached in 2010

Specific consumption of acetone and methanol 2010 - 2011

Solvent	UM	specific consumption 2010	pecific consumption 2011
Acetone	kg solvent/BOU Nystatin	1.04	1.02745
Methanol	kg solvent/BOU Nystatin	1.032	0.95156

Air quality

The laboratory of the company's waste water treatment plant conducted 3,930 pollutant emissions tests for indicators such as nitrogen oxides, ammonia, suspended or settleable solids to monitor air quality.
The test results were below the maximum allowed concentrations specified on the Integrated Environmental Permit.

The emissions of non-methane volatile organic compounds (NMVOC) from the API Nystatin extraction plant were determined based on the solvent mass balance and samples collected and tested by the Givaroli Bucharest laboratory.

The monitoring of the emissions generated by the in-house industrial waste incineration plant was carried out by analytical tests performed by the Givaroli Bucharest laboratory in conformity with the requirements of the Integrated Environmental Permit.
The results indicated on the certificates of analysis showed that the plant operated within the designed parameters and met the environmental protection regulations and the appropriate requirements of the European Directives.

The results of the analytical tests of the exhaust gases released by the heating plant in the atmosphere did not exceed the emission limit values.

Water quality

A number of 21480 analytical tests were performed to monitor the quality of the water entering the water treatment plant and discharged in the municipal sewerage system, the quality of the conventionally clean water discharged in the environment as well as the quality of ground waters.

The test results showed that the maximum allowable concentrations set by the Integrated Environmental Permit, the Water Management Authorization and the Government Decision 352 / 2005 (NTPA 001 and NTPA 002) were not exceeded.

The waste water treatment plant, which was put into service in 2006, operated within normal parameters, with no incidents, at 85% to 98% efficiency.

Soil and underground water protection

Of the 41.5 ha of land owned by the company, approximately 16.5 ha are green areas.

The underground water quality was monitored by collecting and testing samples from the nine observation wells in the perimeter and the observation well located downstream from the waste storage facility.

There was no accidental pollution and no environmental incident leading to the degradation of the soil quality in the company's area of influence.

Waste management

Antibiotice has in place a system for selective waste collection, each manufacturing site and ancillary activity being supplied with appropriate collection containers.

The recyclable waste was collected and turned to good account by authorized waste management contractors.
The non-recyclable waste was incinerated in the on-site plant or disposed of in the city waste storage site.

Antibiotice complies with the legal requirements for managing the packaging waste corresponding to the quantity of products introduced on the Romanian market.

In 2011, the company continued the contract with an authorized economic agent that collected and recovered, on behalf of the company, 279,000 kg of glass, 210,000 kg of paper and cardboard, 23,500 kg of plastics and 21,500 kg of metal (i.e. aluminium).

Thus, both the overall objective of recovery by recycling and the minimum targets of recovery by material-specific recycling set out by the GD 621/2005 (including the ammendments and

The waste electrical and electronic equipment (WEEE) were collected according to the in-house procedure in place.

The total quantity in reserve amounts to 4,371 kg.
WEEE are stored on site in appropriate areas (closed, masonry constructions) and then turned over to authorized economic operators.

Prevention and management of emergency situations

The prevention of the emergency situations and provision of the means of intervention in case of accidents lie with the company's own services for emergency, environmental protection, prevnetion and protection.

With this aim in view, the following were prepared: plan for the prevention and mitigation of accidental pollution, prevention and protection plan, policy to prevent accidents when handling dangerous substances (e.g.solvents), fire fighting and prevention plan, fire scenario, fire intervention strategies,emergency preparedness and response procedure, other authorizations and documents for all the equipment subject to ISCIR (National Inspection for the Control of Boilers, Pressure Vessels and Lifting Equipment). regulations.

In 2011, a number of eight emergency drills were carried out, one in cooperation with the representatives of the County Inspectorate for Emergency Iasi simulating an incident involving dangerous substances (solvent storage at the solvent recovery plant), and seven in-house.

During the drills, the rate of response of emergency intervention and post earthquake evacuation teams was tested and evaluated.

The specific indicators for the entire company, i.e. utility consumption per one thousand RON, are shown in the table below:

Year	Electricity (MWh)	Natural gas (ths m ^{3})	Drinking water (ths m ^{3})	Total utilities (ths RON)	Value of production (ths RON)	Electricity / Value of production (MWh/ ths RON)	Natural gas / Value of production (m^3/ ths RON)	Drinking water / Value of production (m^3/ ths RON)
2010	10.744	5.259	143	8.867	224.486,10	0.0478	23.40	0.637
2011	11.262	5.158	140	8.388	272.369,50	0.0413	18.94	0.514

09 Risk Factors

Reduction of healthcare expenditure worldwide, the result of the economic recession

Far from over, the 2008 economic recession continues to exhibit its side effects affecting the economies of both the developed countries and the developing ones.

In terms of drug product consumption, the crisis impacts negatively not only at macroeconomic level with a general trend of healthcare budget cuts and pharmaceutical product price control, but also at microeconomic level involving the decrease of the purchasing power of the pharmaceutical companies and difficulties in fulfilling the payment obligations.

Despite the fact the former trend may lead to a preference for generics, which would promote the growth of Antibiotice, the pressure on drug product prices may lead to a reduction in the demand for the company's products and of the selling prices, thus further generating delays in collecting foreign receivables.

In order to counteract the economic risks related to the decrease in the demand and prices, the company considers a balanced geographic distribution, paying increased attention to developing the markets in the countries less affected by the recession.

In addition, it pays due attention to taking enhanced ensuring actions by using specific international payment instruments and byconcluding insurance agreements for the receivables due.

Changes in the legislation on drug product registration in the target markets

To the purpose of controlling the access of drug products to the market aimed at preventing counterfeit and at ensuring drug quality and efficiency, the health authorities from many countries have gradually hardened the regulations concerning pharmaceutical companies and product registration.

In terms of the export, the company must meet the legal requirements on drug product authorization, quality and marketing in the target country.

Adapting to such requirements demands material expenses and is time and human resource consuming; it also adds to the degree of uncertainty about the products' selling potential taking into account the changes that may occur in the target market during the registration process.

The costs and tight regulations are considerable especially in the developed countries in Europe, the United States or Australia.

On the other hand, the tendency of the developing countries to comply with the international regulations on drug registration

incurs the risks related to a significant change in the registration requirements, thus leading to further delays in product marketing and affecting negatively the initial marketing forecasts.

Antibiotice approaches such risks proactively by:

- showing ongoing concern in attaining international certifications of the manufacturing lines;
- updating the marketing authorization documentation for the products already in its portfolio;
- performing bioequivalence and stability studies;
- permanent monitoring of the changes in the international legislation.

Protectionist policies applied by the governments of the target countries and persistence of non-tariff barriers in international drug trade

Lately, there has been a trend of applying protectionist trade policies, be they explicit or indirect, on drug product access to the market, tightly linked to the last years' economic conditions.

Developing countries from Asia, Africa or South America have in place economic policies encouraging the domestic pharmaceutical industry by actions meant to substitute imports.

In addition, the domestic market can be protected by indirect actions such as setting specific quality standards or tightening the regulations for marketing authorization.

Under these circumstances, there is the risk of losing markets or diminishing the future ways of access, thus influencing the strategic forecasts on the export of finished products. Such risks are outside the control of the company.
Therefore, in order to manage them, the company aims at keeping a close eye on the trends in the international commercial policy and adopting a diversified export strategy in terms of structure and geography, with a differentiated approach to the developed and developing countries.

Moreover, it intends to conclude strategic partnerships with companies holding key positions in the target markets and capable of tracking and controlling such risks judiciously.

International pharma market dynamics

The international pharmaceutical market is one of the most dynamic in terms of competition and new products launched on the market.

Up to 80% of the world drug production is concentrated in the US, Germany, UK, Switzerland, France, Japan, Italy, Canada, the Netherlands, Belgium and Denmark, the multinationals dominating the markets.

The policy of such companies focuses on the consolidation of their position in the international market and on gaining new markets by merging with or acquiring pharmaceutical manufacturers with a solid market position.

The influence of the Indian and Chinese companies has been more and more significant in the generics market.
Such companies adopt aggressive export promotion policies, by aligning with the appropriate international regulations and imposing low price levels.

The international apparent trends (i.e. low national budgets, poorly developed innovative product pipelines, aggression of low prices, both for active ingredients and finished products, practiced by Asian companies) encourage generics.

In addition, a large number of developing countries have adopted policies for centralized purchasing of medicines, thus setting low price levels.

Again, the changes at macroeconomic level attract exchange rate fluctuations, which affect on the one hand the costs of importedraw materials, and on the other, the selling prices of the finished products exported.

At the same time, the domestic economic crisis, the increase in taxation and the inflationary pressure bring about increases in the manufacturing costs, particularly the costs of the local raw materials and utilities.

In order to counterbalance such risks, the company intends to adopt product promotion policies focused on high product quality and compliance with the international regulations.

Moreover, the company aims at strengthening its position in the regulated markets with more restrictive access conditions and relatively higher price levels.

Changes in the Romanian legislation with an impact on drug production and trade

To the purpose of preventing counterfeiting, recently, the general trend has been to enhance the control of the access of drugs and other products for pharmaceutical use to the market by creating tighter and tighter regulations on the authorization of companies and products by competent authorities alongside with the harmonization with the requirements of the community legislation.

The main risks that may influence the development of the company in the Romanian market are related to the compliance and harmonization with the legislative changes in the field, which require additional costs.

In order to limit the effect of such risks, the company constantly monitors the international legislative trends and assesses their impact on the company.

Instability of the Romanian economic environment

Economy in Romania, despite a period of relative upturn in the first half of 2000, maintained the character of a developing one, sensitive to the variation of the external macroeconomic factors.

Among the effects of the economic recession there is an enhancement of the business environment instability.

The poor financial discipline and the fiscal pressure following the actions taken by the government to counteract the economic crisis have resulted in rising arrears.

At the same time, the policy is to reduce the budget expenses, with a direct impact on the public healthcare expenditure.

The changes in the local economic environment entail a number of risks related to the drug sales on the domestic market, such as the risk of non-collection of receivables and the risk of decrease in the sales.

Taking into consideration the recent experience with the insolvency of bad paying customers, there is the danger that in the following period one or more distributors could file for court insolvency proceedings (i.e. business reorganization plan with a payment schedule).

At the same time, taking into account the moves in the Romanian pharmaceutical market and the healthcare policies, the sales in both pharmacies and hospitals, are very likely to decrease.

To counterbalance such risks, the company has developed a complex action plan that includes:

- observation of the moves in the market and close cooperation with the local players;
- making provisions for expenses to cover the risks of non-payment;
- taking actions to reduce costs, and negotiation of flexible terms of payment with the raw material suppliers.

10 Independent Auditor's report

To Antibiotice shareholders

Report on Financial Statements

[1] We have audited the enclosed financial statements of the trading company S.C. Antibiotice S.A. (hereby referred to as the Company) comprising the balance sheet as of December 31st 2011, profit and loss account, statement of changes in equity and cash flow statement for the financial year ended at the above-mentioned date and a summary of the significant accounting policies and other explanatory notes, numbered from page 1 to page 22.
These financial statements relate to:

- **Net assets / total equity**
  RON 287.058 thousand

- **Net result of the fiscal year-profit**
  RON 20.299 thousand

Executive team's responsibility for the financial statements

[2] The Company's executive team is responsible for the preparation and fair presentation of these financial statements in accordance with the Order no. 3055/2009 of the Minister of Public Finances and for the internal control which the management considers relevant for elaborating the financial statements without significant misstatements due to fraud or error.

Auditor's Responsibility

[3] Our responsibility is, based on our audit, to express an opinion on these financial statements.
We conducted our audit in accordance with the International Standards on Auditing.

These standards require us to comply with the ethical requirements, to plan and perform the audit in order to obtain reasonable assurance that the financial statements are free from significant misstatements.

An audit involves performing procedures to obtain audit evidence on the amounts and information contained in the financial statements.
The selection of procedures is based on the professional judgment of the auditor, including the evaluation of risk relative to significant misstatements in the financial statements, regardless if they are caused by errors or fraud.

In conducting these risk evaluations the auditor takes into account the internal control relevant for the drawing up and faithful presentation of these financial statements in order to set the

relevant auditing procedures in the given circumstances, but not with the aim of expressing an opinion on the effectiveness of the internal control system of the company.

Auditing the financial statements equally includes evaluating the appropriateness of the accounting policies used, the rationale of the management's accounting estimates, as well as the assessment of the overall financial statement presentation.

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

Our opinion

[4] In our opinion, the enclosed financial statements give a true and fair view, in all significant aspects, of the financial position of the company on 31 December 2011, as well as of the financial performance and cash flows for the financial year ended on that date in accordance with the Order of the Romanian Minister of Public Finances no. 3055/2009.

Highlighting issues

[5] We note that the Company achieved the revaluation of the tangible fixed assets from its own patrimony, using the company's specialists.

The coefficients for adjusting the revaluated value contain some interpretable elements in terms of determining the fair value of the tangible assets.

Our opinion does not contain reserves about the above.

Report on the compliance of the executive team's report with the financial statements

In accordance with the Order of the Minister of Public Finances, no. 3055/2009, Article 318, Section 2, we have read the executive team's report attached to the financial statements.

The executive team's report is not part of the financial statements.

We have not identified in the executive team's report any item of financial information significantly non-compliant with the information presented in the attached financial statements.

In the name of:

BDO Audit,
Registered at the Chamber of Financial Auditors of Romania
With no. 18/02.08.2011

Signatory's name:
Mircea Tudor
Registered at the Chamber of Financial Auditors of Romania
With no. 2566/25.06.2008

Bucharest, Romania
March 22nd , 2012