



Annual Report

2014

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CEO's message

In 1955, in Iași, the first and only manufacturer of antibiotics in Romania came into being. Now, years later, the company has become the most important Romanian manufacturer of generic drugs and a reference brand in the Romanian industry, which is also internationally recognized.

These almost 60 years of tradition and continuity prompt us to undertake the responsibility also for the future generations. Beyond the tradition, brand awareness, the fact that we operate in a national and international market, we need to constantly invest in new products and equipment that meet international quality standards, to upgrade and extend our existing capacities, and last but not least, we need to invest in new generations of well-trained people.

We consider that 2014 has been a year during which we have managed to reach our targets, despite a wave of skepticism from analysts and the main players in the market, which we noticed ever since the first quarter. We stand above the level of 2013 and this is important, as we grow healthily every year.

The positive development of the company in 2014 has been due equally to the investments, sound management of the operating costs, increase in the products profitability, and the augmentation of the profitability index by constantly monitoring and adjusting the manufacturing overhead.

Year by year, we managed to reduce the indebtedness of the company, so that in 2014 it was 28% compared to 32% in 2011.

Our most important actions have been focused on strengthening both our domestic market and the international one, by adopting a preventive policy aimed at increasing profitability.



Internally, Antibiotice has continued to be the first in the market of generic medicines sold in the Romanian hospitals, being the leading provider of anti-infectives. We will maintain our leading positioning as long as we continue our strategy of adding to the product list, in a balanced manner, the three types of betalactam antibiotics that are currently consumed: penicillins, cephalosporins and carbapenems.

We are committed to constantly updating our product portfolio, so that in 2014, the portfolio value has increased by the addition of eleven new products from therapeutic classes for which Antibiotice intends to strengthen its positioning

in the coming years, namely Digestive Tract, Central Nervous System, Cardiovascular System, Oncology, and Genitourinary System.

The increase of the presence in the foreign markets and the development of new partnerships are part of a strategic orientation, as shown by the evolution of the turnover in the last five years, which has increased by 97% from USD 13 million in 2009, to USD 25.6 million in 2014.

The export expansion has been possible by increasing the exports both of Nystatin API (active pharmaceutical ingredient) and of finished pharmaceutical forms, manufactured on in-house lines, Antibiotice being constantly concerned with the development of new types of partnership that would bring capital gain to the company.

We have continued our efforts to register our products in target markets. Projects have been launched for the registration and marketing of injectable products, topical drugs and oral solid forms in markets in the European Union, North America and Southeast Asia.

The need to promote the products internationally led to the evaluation of the prospects for opening representative offices in foreign markets. After Republic of Moldova and Serbia, new agencies are considered, in the emerging markets of Latin America and Southeast Asia, where the goods provided by Antibiotice have a significant growth potential.

In terms of investments, during 2014, we have focused our actions on the modernization of the quality control and assurance laboratories because Antibiotice is a quality-oriented company concentrated on ensuring the therapeutic efficacy and safety of the drugs it produces.

We have completed the building of the entire storage site and opened a new warehouse for raw materials and materials intended for production. The warehouse was built according to the latest Good Storage Practices. Moreover, we will carry on our investment plans pertaining to the research and development of the product portfolio, construction of new production capacities, and increase of the labor productivity and operational reliability.

During 2014, we have continued to research, build, and formulate future projects, so that this year also would add to the years that shape, in the real plan, our development goals.

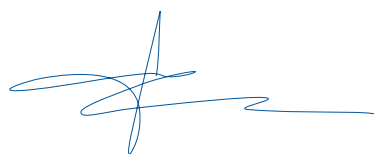
Our intent and attempt was to attract new people in the areas being developed and that need infusion of knowledge and creativity. Most of our employees are young people, who update their training on an ongoing basis in order to really understand what Antibiotice represents, to know its tradition and build a future for it.

The main "drivers" of the company, such as the research or the domestic and international marketing, are run by young people. I think that for the first time, the change of an entire generation has been taking place.

The project "Ideas are free of charge", which aims at stimulating the employees to be creative and generate ideas that could improve the processes in which they are involved, carried on for the second consecutive year. The employees' proposals regarding the improvement of the activity were assessed and led, in the end, to the melioration of the internal communication and enhancement of the employees' motivation and involvement.

At the end of my message, I would like to emphasize that we concern ourselves with the life of this company, we are interested in making people proud they work here, and that in what we do and think our employees come first. The devotion and involvement of all help us perform better and have the wisdom to make things happen in a balanced, transparent manner, with confidence in the future.

ec. Ioan Nani
CEO and Vicepresident of the
Management Board



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Company profile

Antibiotice today

- The main manufacturer of generic anti-infective drugs in Romania;
- Portfolio comprising 148 products from 12 therapeutic classes;
- Major manufacturer of anti-inflammatory drugs, dermatologicals, gastrointestinal, cardiovascular, oncology, and nervous system drugs;
- 8 production lines for: sterile powders for injection, penicillin capsules, non-penicillin capsules, cephalosporin capsules, tablets, ointments, creams and gels, suppositories, active pharmaceutical ingredients produced by biosynthesis;
- Sales revenues in amount of RON 318.9 million in 2014, by RON 1.5 million higher compared to 2013;
- Internationally acknowledged approvals and certificates: US FDA approval for Nystatin API and products for injection, Certificate of Suitability to the European Pharmacopoeia (CoS) for Nystatin, Good Manufacturing Practice (GMP) certificate for all the manufacturing lines, Integrated Management System;
- Modern in-house Research and Development Center;
- First European company prequalified by the World Health Organization for the range of essential anti-TB drugs;
- Important employer of 1465 employees.

Domestic market achievements:

- Leader in the market of generic prescription drugs intended for hospitals;
- Ranks 4th among the 131 manufacturers of generic medicines in Romania (8% market share);
- Romanian manufacturer of the full range of essential anti-TB drugs.

Active presence in foreign markets:

- World leader in the production of Nystatin;
- 70 export products;
- 120 partners in 73 countries worldwide.

1955

Built in Iasi between 1953 and 1955, Fabrica Chimică nr. 2 (Chemical Factory No. 2) is the first factory in South-eastern Europe that manufactured Penicillin - active pharmaceutical ingredient. The first batch of Romanian penicillin is obtained on December 11, 1955.

1959

Starts the manufacture of Streptomycin API and the first finished drug products, such as ointments, creams, and suppositories. Fabrica Chimică nr. 2 (Chemical Factory No. 2) changes its name into Fabrica de Antibiotice.

1977

The US Food and Drug Agency (FDA) authorizes the production line of the Streptomycin API.

1990

Antibiotice becomes a joint-stock company and takes over the assets of the former Antibiotice Iași Company (according to the Government Decision no.1200 of November 12, 1990).

2007

Antibiotice SA company gains recognition for the implementation of the Integrated Quality, Environment, Health and Safety Management System, according to the requirements of EN ISO 9001: 2008, EN ISO 14001: 2004 and OHSAS 18001: 2007. With the introduction of four new products, Antibiotice supplements its cardio portfolio with drugs covering the treatment of the main cardiovascular diseases.

2006

Antibiotice establishes its own Center for Drug Evaluation (rom. CEM), which conducts Phase I clinical trials and bioequivalence studies. The center is GLP certified (Good Laboratory Practice) and authorized by the Ministry of Health. The Quality Management System implemented at Antibiotice is certified to ISO 9001: 2000 by Lloyd's Register Quality Assurance (LRQA).

2010

Antibiotice makes its first deliveries of finished products to the US, a market on which the company was present until 2010 only with active pharmaceutical ingredients.

2011

The production line for penicillins in the form of sterile injectable powders, obtains the FDA approval, which allows the expansion of the export of these products in the US market. Antibiotice launches the first products for the Central Nervous System (CNS) therapy.

2012

Antibiotice enters the oncology drugs market and becomes the first company in Europe prequalified by the World Health Organization for the anti-TB range of drugs.

History

1992

Antibiotice manufactures the first drugs in the form of tablets.

1993

Ampicilina 250 mg and Oxacilina 250 mg are first capsules obtained in Antibiotice, on the penicillin products line.

1997

Starting April 14, Antibiotice shares (ATB symbol) are traded in the first category of the Bucharest Stock Exchange; Antibiotice becomes the joint-stock company Antibiotice SA.

The company implements an efficient Quality Assurance System involving a strict control of the manufacturing processes.

2005

Upon celebrating 50 years of operation on December 11, 2005, Antibiotice launches its new brand identity: the logo "Antibiotice a+" and slogan "Science and Soul".

2002

FDA approves the production line for Nystatin, which opens the way to the export of the active ingredient to the United States. Antibiotice secures its position as a top international manufacturer of Nystatin and Nystatin becomes the most important product sold abroad.

1999

Antibiotice SA becomes the first Romanian producer to be granted the Good Manufacturing Practice (GMP) certificate for its production line dedicated to powders for injection.

2013

Antibiotice is re-approved by the FDA and is granted the GMP and ANMDM re-certifications for the manufacturing lines for sterile injectable powders and Nystatin production line.

Antibiotice takes first place in the world production of Nystatin API. The first export of Nafcillin to the US market takes place.

Antibiotice opens an international office in Chişinău, Republic of Moldova.

2014

Antibiotice expands its business in Serbia through the partner ATB Pharma, which represents it in commercial relations. The investment works for a new manufacturing plant dedicated to ointments and suppositories start.

The strategic orientation of the Company

Research perspectives at Antibiotice

Year 2014 meant the strengthening of the competitive positioning of Antibiotice as a generic drugs manufacturer, an important role being played by the development of new products.

The performance of all the stages involved in the pharmaceutical development, analytical testing, bioequivalence and then the conducting of the national or European procedures for the authorization of medical prescription or over-the-counter drugs, food supplements and dermato-cosmetic products, was the work of the multidisciplinary team of specialists in various fields (pharmacists, chemists, biologists, physicists).

In addition, the company carried on the program designed to equip with state-of-the-art analysis apparatus and test equipment. This allowed the complexity of projects to increase so that to include the development of modern pharmaceutical forms and approach of new molecules with the purpose of registering them as first generics.

The creativity, perseverance and continuous training of the staff are behind the objectives of development and strategic adjustment of the portfolio, so that the medicines manufactured starting 2014 should bring profit in the coming years.

of the Company is sustained by the integrated capacity for research, clinical testing, carrying on the complex authorization procedures and subsequent implementation into production. All these activities are performed at the in-house Center for Drug Evaluation and R&D.

In line with the development of medicine and by focusing on increasing the patients' quality of life, during 2014, portfolio consolidation involved several main actions:

- strengthening of the anti-infective therapeutic class either through the development of antibiotics intended for the treatment of both infections with resistant germs and community-acquired infections, in-house research or through cooperation;
- development of the portfolio for chronic non-contagious diseases (drugs for the treatment of cardiovascular diseases as well as for the prevention of cardiovascular risk factors, medicines for neurodegenerative diseases and psychiatric drugs, medicines for digestive disorders and oncology drugs, produced by means of cooperation);
- research and consolidation of the dermatological drugs portfolio;
- development of a portfolio for prophylaxis and the quality of life enhancement (dietary supplements and over-the-counter medicines).

Renewal and strengthening of the portfolio

The multiannual vision for the development

With the development of the portfolio, by in-house research, Antibiotice undertakes to support therapeutic classes that play a

major part in global health by providing valuable medicines, thus turning present time efforts into future opportunities for the Company.

Capitalization of the portfolio

Year 2014 meant for Antibiotice the strengthening its business in the markets it is present, especially in Romania. The new products benefited from the notoriety gained for the therapeutic classes covered by Antibiotice for several years already (Central Nervous System, Digestive Tract and Metabolism), the portfolio renewal being a long process requiring a solid development base.

Both in the hospital segment and in the retail one, Antibiotice continues to support the strategic partnerships with the main distributors, national chains of pharmacies and powerful individual pharmacies, with teams prepared to face outside challenges. The purpose of the actions undertaken has always been the return on sales, efficiency being the basic principle for the marketing - sales - promotion activities.

Quality Management

Quality Management is one of the most important strategic pillars of the company, which aims to ensure the legal framework for maintaining the Company's Authorization for Manufacturing and Import, allowing the operation and as well the continuous improvement thereof and the permanent control of the Quality Management System, in accordance with the specific legal requirements of the Pharmaceutical Industry.

Given these requirements, associated with the increasingly more stringent legislative changes, the activities of 2014 were aimed at reaching the targets outlined under this pillar, namely:

- obtaining and maintaining the Manufacturing and Import Authorization

- sustaining the business partnerships
- maintaining the Integrated Management System's compliance

■ **Obtaining and maintaining the Manufacturing and Import Authorization**, which qualifies the manufacturing and the sale of medicines, was the result of the GMP recertification of the manufacturing lines for tablets, capsules (penicillins, cephalosporins, non-penicillins), ointments, suppositories. Therefore, following the joint inspection conducted by the National Agency for Medicines and Medical Devices (ANMDM) and the World Health Organization (WHO), the Authorization for the Manufacturing/Import of Antibiotice Company was updated and the Certificate of Conformity with Good Manufacturing Practices (GMP) was issued for the inspected flows.

Another objective of the ANMDM-WHO joint inspection was the evaluation of Antibiotice as a provider of anti-TB drugs (tablets, capsules) for the World Health Organization (WHO). As a result, the products of Antibiotice were maintained in the "*WHO Prequalification of Medicines Program*" (WHO/PQP), in the list of qualified products.

■ **Sustaining the business partnership** was an objective achieved by means of:

- completion without critical deficiencies of the audits performed by business partners, on Antibiotice site work frame (6 audits conducted by partners, users of Nystatin API, or contract providers). The audits were conducted in accordance with the provisions of the legal requirements in force, for conducting manufacturers audits of API (at least once every 3 years). The conclusions of each audit were positive, noting the robustness and the compliance of the Company's Management System with the current specific legislation, thus enabling the

continuation of the business and the conclusion of new contracts.

- verification of the compliance with the requirements of EU GMP/Directive 2011/62/EU by auditing the manufacturing sites of:

- the manufacturers of active ingredients, used for the manufacturing of finished products in the company's portfolio;

- the contracts beneficiaries, which ensure the framework for the manufacturing and sale of the products in international markets and supplementing the medicines portfolio with products that cannot be produced on the manufacturing lines of the Company due to legal restrictions.

Audits were conducted at 16 producers of active substance or manufacturers of end products under contract in India and at 20 producers of active substance/intermediary materials for active substances, or producers of end products in China.

■ **Continuous improvement and keeping under control the Integrated Management System** allowed maintaining its certification - as required by the ISO 9001:2008 (Quality Management System), ISO 14001:2004 (Environmental Management System), OHSAS 18001:2007 (Occupational Health and Safety Management System) standards.

This objective was achieved due to the favorable results attained during audits performed by Lloyd's Register Quality Assurance certification body, accredited by UKAS (United Kingdom Accreditation Body):

- surveillance audit of the Integrated Management System for all the three systems: ISO 9001, ISO 14001 and OHSAS 18001;
- recertification audit of the Integrated Management System: Quality, Environment, Health and Occupational Safety (recertification is carried out

every 3 years, the last recertification being conducted in November 2011).

Strengthening the strategic partnerships in international markets

The medium and long term strategy of Antibiotice requires developing partnerships in international markets, meant to lead to the consolidation of company's position in foreign markets.

The main development directions of the export and of the business in international markets were as follows:

- assessment of the current partnerships and identification of the development opportunities in the outlets worldwide;
- identification of new outlets and of new partnerships in the current markets;
- adaptation of the product portfolio to the requirements of the foreign markets and the development of products with marketing potential abroad;
- development of strategic partnerships for product development, for the marketing and distribution of Antibiotice brand medicines abroad.

For Nystatin-API, the company's strategy is to maintain the global leadership and increase of its presence in regulated markets, notably in the US and Europe. This goal is supported by the authorization granted for the Biosynthesis Plant by the FDA and the CoS Certificate (Certificate of Suitability issued by EDQM - European Directorate for the Quality of Medicines) which allow access to these markets. The possibility of vertical integration by manufacturing finished products containing Nystatin is also assessed, given the availability of the active substance and manufacturing facilities for finished products.

For the finished pharmaceutical forms, the pursued objectives are the increase of not only the turnover and the increase of the exported volumes, but also of their profitability, in an increasingly competitive global market of generic products. In these circumstances the markets covered are both the regulated ones (USA, Europe, Australia, South Africa) and the emergent ones (Latin America, South East Asia, Middle East). The increase of the regulatory scrutiny manifested globally confers Antibiotice a competitive advantage, as it holds already EuGMP authorizations for all its manufacturing lines, and also the FDA approval for injectable products, with the prospect of also obtaining the certification from the US authority for other manufacturing lines.

The need to promote products in foreign markets has driven Antibiotice to assess the adequacy of opening representation offices in foreign markets. After Republic of Moldova and Serbia, new representation agencies are considered in the emerging markets of Latin America and Southeast Asia, markets with significant growth potential for Antibiotice goods.

Management of the operating costs and the efficiency increase for the operation, financial and investment activities

The strategic pillar considered for the economical and financial activity has involved management activities based on income and expenditure budgets (cost centers and profit centers) with the application of corrective measures programs to activities where variations from the planned figures occurred.

The assurance of the financial balance was also aimed, and it was conducted through the continuous assessment of the needs and their prioritization, together with the tracking of the cash flow so that all activities can unfold smoothly.

Increase of the professional skills

The investments in the development of the human resource, a strategic direction of Antibiotice, meant the deployment of projects and policies regarding the encouraging of personal development, the use of active communication, the compliance with the values of the company, and not least, the teaching and training of a loyal staff.

Therefore, in 2014, the project "Ideas do not cost" continued. By unfolding this program, for the second year in a row, the outcome was the "polishing" of the implementation levers for the ideas management procedure. Most employees, who distinguished themselves in the first year of the project, proved their consistency in generating and implementing new ideas and also involved other colleagues into the project. For the next year, it is foreseen to design tools meant to attract as many employees as possible to further progress to contribute with ideas in all domains of activity. Still loyal to the idea of continuity, Antibiotice organized in 2014 the fifth edition of the "a+ Summer School", project aiming at improving the knowledge and skills of the Company's own employees. As before, an estimated number of 500 employees took part in workshops on topics of organizational development and of professional skills development.

This project brought our specialists alongside with 55 final year students or young graduates with specializations in Pharmacy, Biology, Chemistry and Chemical Engineering, who took part in the external component of the "a+ Summer School".

Equally, according to the needs identified, and in close correlation with scientific evolutions and with national and international legislative changes, training programs were initiated and implemented for all the structures within the company.

Company Performance in 2014

Strategic evolution

Renewal of the portfolio with eleven new products

The company's portfolio was supplemented in 2014 with eleven new products from the following therapeutic classes: *Alimentary Tract*, *Genito-urinary System*, *Anti-neoplastic Agents* and *Central Nervous System*.

Pantoprazol Atb® 40 mg	Gastro-resistant tablets, from the Alimentary Tract and Metabolism class, Antiulcers pharmaco-therapeutic group
Piador® (pantoprazole) 20 mg	Gastro-resistant tablets, from the Digestive Tract and Metabolism class, Antiulcer pharmaco-therapeutic group
Silithor® (silymarin + methionine + cysteine)	Vegetal capsules, Digestive Tract and Metabolism, Hepatoprotectives pharmaco-therapeutic group
Mastoprofen® (progesterone)	Gel, Genito-urinary System class
Gemcitabină Atb® 200 mg și 1000 mg	Powder for perfusable solution, Antineoplastic class Antimetabolites pharmacotherapeutic group
Alprazolam Atb® 0,25 mg, 0,5 mg, 1 mg	Tablets, Central Nervous System class, Anxiolytics pharmaco-therapeutic group
Memantină Atb® 10 mg	Central Nervous System class, Anti-Alzheimer product
Nobixal® (tianeptine)	Film coated tablets, Central Nervous System class, anti-depressant product.

Acquirement of new products in the company's portfolio

In 2014, the following were obtained:

■ Marketing authorization for an anti-infective product -Imipenem/Cilastatin Atb® 500 mg/500 mg	58 new marketing authorizations in 11 countries in Europe, Asia, Africa and North America and re-authorization of 17 products worldwide
■ Enhancement of the presence in the market of dietary supplements through the notification of a new dietary supplement - Silithor®	Two European procedures (simultaneous authorization in several EU countries) for Rosuvastatină Atb® 5 mg, 10 mg, 20 mg and 40 mg, film coated tablets (eight countries)
■ 24 re-authorization completed procedures	and Escitalopram Atb® 5 mg, 10 mg, 15 mg and 20 mg, tablets (two countries).

Acchievements in the domestic market

■ Strengthening of the leadership in the market of generic medicines and of over-the-counter drugs, sold in hospitals in Romania, with a market share of 17% (+0,4% compared to the market share of 2013)
■ Higher return on the sales of over-the-counter (OTC) drugs which grew by 15.5% compared to 2013, while the market grew by 13.7%
■ Increase by 10.6% of the sales in the retail segment (pharmacies) while the retail market increased overall by 6.7%
■ Strengthening of the leadership in the Hospital anti-infectives segment (injectable powders) - value market share growth from 52.3% in 2013 to 56.1% in 2014
■ Maintenance of leading position of the leadership in the suppositories market, both in terms of quantity (market share of 43.6%, increasing by 2.4% compared to 2013) and value (market share of 26.3%, upswing by 0.9% compared to 2013), and the perpetuation of the market leadership in the ointments market in terms of quantity (27.7% market share).

Business consolidation in the international market

Export turnover of USD 25.6 million
First place in the world top of Nystatin producers (active substance)
Expansion of the international presence by exporting the company products in 73 markets
Exports towards 120 foreign partners.

Top 20 most recognized brands of Antibiotic

The top 20 brands (by sales value) marketed by the Antibiotic company in 2014 have recorded sales of 168.6 million lei, increasing by 2.6% over the previous year.

Brand	International Common Name	Therapeutic Class + Administration Form	Main competitors
Amoxicilină® 250 mg and 500mg	amoxicillinum	Anti-infectives for systemic use -betalactamic antibacterials, penicilines- capsules	Amoxicilină® (Novartis) Ospamox® (Novartis) Duomox® (Astellas Pharma)
Amoxiplus® 1,2 g, 500/125 mg and 875/125 mg	amoxicillinum + acidum clavulanicum	Anti-infectives for systemic use -betalactamic antibacterials, injectable penicilines and tablets	Augumentin® (GlaxoSmithKline) Amoksiklav® (Novartis)
Ampicilină® 250 mg, 500mg and 1 g	ampicillinum	Anti-infectives for systemic use -betalactamic antibacterials, injectable penicilines and tablets	Ampicilină® (Novartis) Pamecil® (Medochemie) Ampicilină® (Farmex Company)
Ampiplus® 1000 mg + 500 mg	ampicillinum + isulbactamum	Anti-infectives for systemic use -betalactamic antibacterials, injectable penicilines	Single product*
Cefort® 250 mg, 1 g and 2 g	ceftriaxonum	Anti-infectives for systemic use -other injectable betalctamic anti-bacterials	Oframax® (Ranbaxy) Rocephin® (Hoffmann La Roche) Medaxone® (Medochemie)
Cefuroximă Antibiotice® 250 mg, 500mg, 750mg and 1,5g	cefuroximum	Anti-infectives for systemic use -other injectable betalctamic anti-bacterials	Zinnat® (GlaxoSmithKline) Axetine® (Medochemie)
Clafen® Range 10 mg/g, 50 mg/g, 100 mg	diclofenacum	Musculoskeletal system -non-steroid antiinflammatories / antirheumatics - ointment and suppositories	Diclac®/Voltaren® (Novartis) Diclofenac MK®/Diflex® (Fiterman) Diclofenac Terapia® (Ranbaxy)
Colistină Atb® 1.000.000 U.I.	colistini sulfas	Anti-infectives for systemic use -other injectable antibacterials	Single product*
Eficef® 100 mg and 200 mg	cefiximum	Anti-infectives for systemic use -other betalactamic antibacterials - capsules	Xifia® (Alkaloid AD)
Fluocinolol N® 18 g	fluocinoloni acetonidum + neomycinum	Dermatologic preparations -corticosteroids combined with antibiotics- ointment	Fluocinolol Acetonid® (Laropharm)
Hemorzon®	tetracyclinum + hydrocortisonum + benzocainum	Cardiovascular System -topical antihemorrhoids- ointment and suppositories	Procto Glyvenol® (Novartis) Devaricid® (Biofarm) Proctolog® (Pfizer)
Lisinopril Atb® 10 mg, 20 mg and 40 mg	lisinoprilum	Cardiovascular System -inhibitors of the angiotensin conversion enzyme - tablets	Ranolip (Ranbaxy) Lisinopril Sandoz (Novartis) Tonolysin® (Gedeon Richter)
Nidoflor® 15 g	nystatinum + neomycini sulfas + triamcinoloni acetonidum	Dermatologic preparations -corticosteroids combined with antibiotics- ointment	Triderm® (Merck & Co)
Novocalmin® 300 mg and 500 mg	metamizolum natricum	Central nervous system -analgesics and antipyretics- tablets and suppositories	Algocalmin® (Sanofi) Algozone® (Labormed)
Oxacilină® 250 mg, 500 mg and 1 g	oxacillinum	Anti-infectives for systemic use -betalactamic antibacterials, penicilines- capsules and injectables	Oxacilină® (Novartis) Oxacilină® (Farmex Company)
Paracetamol® 125 mg, 250 mg, 500 mg	paracetamolum	Central nervous system -analgesics and antipyretics- tablets and suppositories	Algocalmin® (Sanofi) Algozone® (Labormed)
Piafen® 500 mg	metamizolum natricum + fenpiverini bromidum + pitofenoni hydrochloridum	Digestive tract and metabolism - spasmolytic combined with analgesics- tablets	Quarelin® (Sanofi) Algifen® (Sanofi)
Penicilina G® 400.000 U.I. and 1.000.000 U.I.	benzylpenicillinum	Anti-infectives for systemic use -betalactamic antibacterials, penicilines- injectables	Single product*
Ranitidină Atb® 150 mg	ranitidinum	Digestive Tract and Metabolism -antiulcer- tablets	Ranitidină (Laropharm) Ranitidină LPH® (Alvogen) Zantac® (GlaxoSmithKline)
Glycerin Suppositories® 1,39 g and 2,13 g	glycerolum	Digestive Tract and Metabolism -laxatives- suppositories	4Lax® (Solacium Pharma) Glycerin Suppositories® (Solacium Pharma)

*Only product available in the Romanian market (Data source: Cegedim Romania 2014)

The top medicines for which Antibiotice Company is the only manufacturer

The products for which Antibiotice is the only manufacturer on the market have recorded sales of RON 63.2 million, by 6.6% higher compared to the previous year.

Brand	International Common Name	Therapeutic Class + Administration Form
Aceclofen®	diclofenacum+paracetamolium	Musculoskeletal System Suppository
Amoxiplus® 1000mg/200mg	amoxicillinum + acidum clavulanicum	Anti-infectives for systemic use Injectable powder
Ampicilină® 250 mg	ampicillinum	Anti-infectives for systemic use Injectable powder
Ampiplus® 1000 mg / 500 mg	ampicillinum + sulbactamum	Anti-infectives for systemic use Injectable powder
Cefort® 250 mg	ceftriaxonum	Anti-infectives for systemic use Injectable powder
Ceftamil® 2g	ceftazidimum	Anti-infectives for systemic use Injectable powder
Cicloserină Atb® 250 mg	cycloserinum	Anti-infectives for systemic use Capsules
Colistină Atb® 1.000.000 U.I.	colistini sulfas	Anti-infectives for systemic use Injectable powder
Eficef® 100 mg	cefiximum	Anti-infectives for systemic use Capsules
Etambutol® 250 mg	ethambutolum	Anti-infectives for systemic use Tablets
Hidrocortizon Acetat® 20 g	hydrocortisonum	Dermatologic preparations Ointments
Izoniazidă Atb® 100 mg and 300 mg	isoniazidum	Anti-infectives for systemic use Tablets
Lisinopril Atb® 40 mg	lisinoprilum	Cardiovascular System Tablets
Moldamin 1.200.000 U.I.	benzathini benzylpenicillinum	Anti-infectives for systemic use Injectable powder
Nidoflor® 15 g	nystatinum + neomycini sulfas + triamcinoloni acetonidum	Dermatologic preparations Cream
Nistatină 500.000 U.I.	nystatinum	Anti-infectives for systemic use Tablets
Oxacilină Atb® 500 mg and 1 g	oxacillinum	Anti-infectives for systemic use Injectable powder
Penicilină G potasică 1.000.000 U.I. and Penicilină G sodică 400.000 U.I. & 1.000.000 U.I.	benzylpenicillinum	Anti-infectives for systemic use Injectable powder
Pirazinamidă 500 mg	pyrazinamidum	Anti-infectives for systemic use Tablets
Sinerdol® 300 mg	rifampicinum	Anti-infectives for systemic use Tablets
Sinerdol® ISO	rifampicinum+isoniazidum	Anti-infectives for systemic use Capsules
Tetracilină Atb® HCL 12 g	tetracyclinum	Dermatologic preparations Ointments
Kanamicină S® 6 g	kanamycinum	Sensitive organs Ointments

Data source: Cegedim România 2014

Financial evolution

The revenues from sales in 2014 amounted to RON 318.9 million, by RON 1.5 million higher compared to 2013, when they amounted to RON 317.4 million. This is the result of the unceasing efforts made by all the company structures to strengthen the business.

The consistent application of the administration plan, management plans and the ongoing monitoring of all the strategic directions during the financial year 2014 yielded an operating result of RON 50.3 million. As a result, the impact of the claw back tax (which increased by 68% compared to 2013) was attenuated and consequently generated decrease in the operating profit by only 2% compared to the previous year.

The following expenses mainly influenced the net incomes:

- Bank interest expenses of RON 2.1 million, down by 24% y-o-y;
- Expenses with discounts granted in the amount of RON 10.8 million, down by 23% y-o-y.

■ **The profit before tax** for the current year was **RON 37.4 million**, by 8% higher than in 2013, when it amounted to RON 34.7 million.

■ **The profit after tax** reached **RON 31.1 million**.

The main diagnostic indicators of the company performance highlight the financial stability and continuing concern with business efficiency.

Evolution of the main economic and financial indicators

	31.12.2014	31.12.2013	2014/2013
Sales Revenues	318,945,093	317,432,940	1.00
Operating Profit	50,277,530	51,385,724	0.98
Gross Profit	37,363,132	34,690,920	1.08
Net Profit	31,138,739	31,380,855	0.99
Fixed Assets	196,493,836	196,714,072	1.00
Current Assets, of which:	307,152,861	314,852,829	0.98
- receivables	232,062,022	254,001,617	0.91
- inventories	57,284,464	50,363,337	1.14
Effective debt, out of which:	139,315,696	162,915,544	0.86
- business debts	46,916,170	53,366,639	0.88
- bank credits	54,783,341	72,139,195	0.76
Total Assets	503,646,697	511,566,901	0.98
Totals Equity	364,331,001	348,651,357	1.04
Average No. of Personnel	1465	1465	1.00
Productivity of Labor	217,710	216,678	1.00

RON

		31.12.2014	31.12.2013	2014/2013
EBIT(ROE)	=Earnings before interests and taxes	37,363,132	34,690,920	1.08
ROE (Return On Equity)	=Profit before interests and taxes/Owner's Equities	10%	10%	1.03
ROA (Return on Assets)	=Net Profit /Total Assets	6%	6%	1.01
EPS (RON/share)	=Net Profit/share	0,046	0,047	0.99
Net profit ratio	=Profit/Revenues from sales	10%	10%	0.99
Current capital	=Current assets/Current liabilities	2.6	2.3	1.13
Quick ratio	=(Current assets-Inventories) /Current liabilities	2.1	1.9	1.09
Indebtedness	=Liabilities/Total Assets	28%	32%	0.87
No. of shares		671,338,040	671,338,040	1.00

Stock exchange evolution

In 2014, the company's subscribed and paid-up share capital was of RON 67,133,804, represented by 671,338,040 shares with a nominal value of RON 0.1000.

Antibiotice benefits from a strong shareholder structure, the majority shareholder being the Ministry of Health.

The shareholder structure of the Company on August 5, 2014 (the last database in 2013, held by Antibiotice):

I. Investors

- Ministry of Health (*) - 53.0173%
- S.I.F. Oltenia (*) - 12.0204%
- Broadhurst Investments Limited - 4.1977%
- S.I.F. Transylvania - 4.0356%
- S.I.F. Banat-Crișana S.A. - 2.1104%
- Privately Managed Pension Fund Alico - 1.5116%
- Managed Pension Fund Your Future AZT/Allianz - 1.3037%

□ SGKB (Lux) Fund Danube Tiger (EUR) - 0.8530%

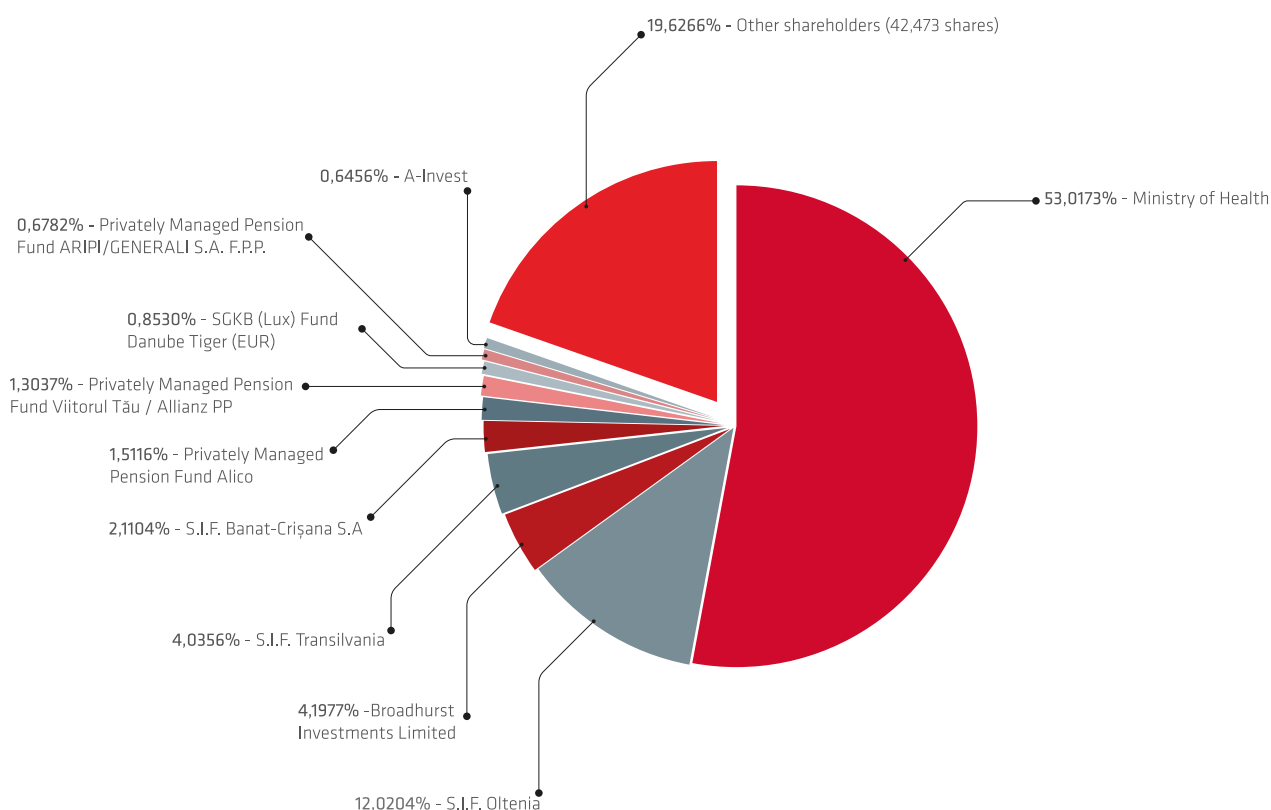
□ Privately Managed Pension Fund ARIPI/GENERALI S.A.F.P.P. - 0.6782%

□ A-Invest - 0.6456%

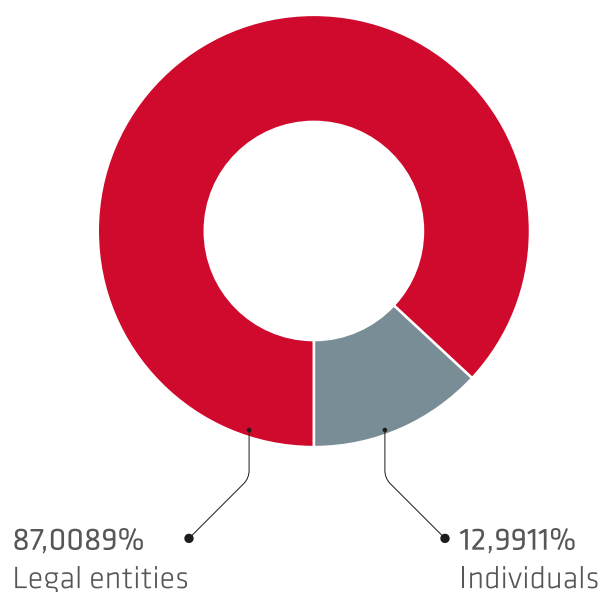
□ Other legal entities and individuals - 19.6266%.

NOTE: (*) - Significant shareholders, according to Law. 297 of 28.06.2004, Art. 2, paragraph 1

Shareholder breakdown as of 05.08.2014 by investors



Shareholder breakdown by class of shareholders, as of 05.08.2014



II. Classes of shareholders

Legal entities – 87.0089%;

Individuals – 12.9911%.

During year 2014, dividends were paid for the financial years 2011, 2012 and 2013 amounting to RON 13,607,513, as follows:

Dividend History (2011 - 2012 - 2013)

Dividenda history (2011 - 2012 - 2013)

Period	Net dividends							Closure date of dividend disbursement
	Due	Paid				Uncollected at 31.12.2014		
		Until 31.12.2013	01.01÷31.12 2014	Total	% (total disbursed)	RON	%	
2011	8,204,647	7,439,718	35,485	7,475,203	91	729,444	9	Ongoing payment
2012	9,834,108	8,701,030	254,616	8,955,646	91	878,462	9	Ongoing payment
2013	14,753,415	-	13,317,412	1,436,003	90	1,436,003	10	Ongoing payment

RON

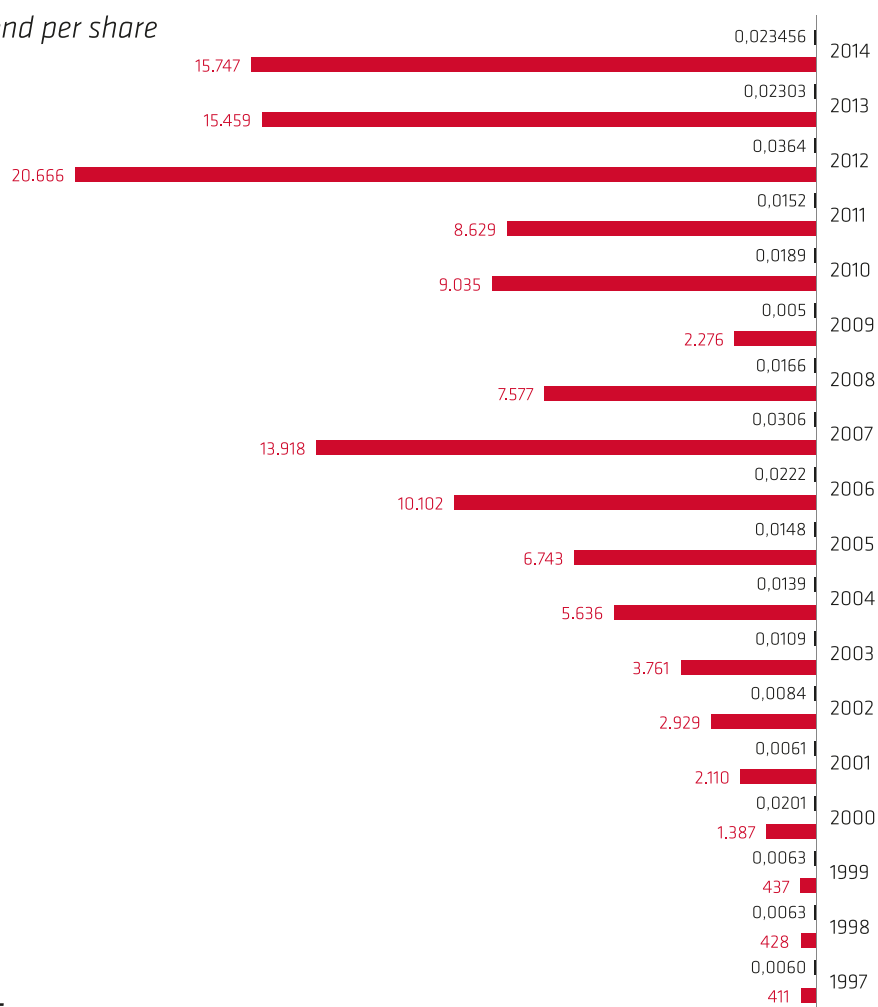
RON

For these years the dividends are distributed directly from the company's headquarters, by bank transfer and post office order.

Volume of gross dividends and gross dividend per share

■ Gross dividends volume (thousand RON)

■ Gross dividends (RON/share)



Antibiotice on the securities market

The securities issued by Antibiotice are listed, since 1997, in the first tier on the Bucharest Stock Exchange, under the symbol ATB.

The first transaction was recorded on April 16, 1997 at a reference price of 0.3500 RON/share. The historical maximum was reached on July 10, 2007, with the price of 2.1700 RON/share and the historical minimum of 0.0650 RON/share was recorded on June 8, 2000.

Both the business plans and the financial results of the company were a solid guarantee that Antibiotice has consolidated its position in the national drugs market.

After 17 years since the first transaction, nearly 43,000 shareholders are watching with interest the evolution of Antibiotice shares on the Bucharest Stock Exchange.

ATB shares have been falling into a trend imposed by the movements occurred on international capital markets and ended year 2014 with an increase of 4.8%.

The shares of Antibiotice Company

(ATB) traded on the Bucharest Stock Exchange:

■ are included in the composition of BET-XT index, reflecting the price evolution of the most liquid 25 companies;

■ are included in the BET-Plus index, which includes Romanian companies listed on BVB market which meet the minimum selection criteria, except for financial investment companies;

■ are included into the BET-BK index, which reflects the evolution of share prices issued by domestic and foreign companies traded in the market administered by BVB (Bucharest Stock Exchange).

In 2014, the minimum price of the TB share has recorded the lowest rate in October 17 and amounted to 0.5410 lei. The share price rose to a peak of 0.6170 RON/share.

The Market Capitalization of Antibiotice on December 30, 2014 (the last trading day of the year) was 390,719 thousand RON.

Antibiotic shares – ATB / Regular Market

	2012	2013	2014
Number of shares	568,007,100	671,338,040	671,338,040
Market capitalization (thousands of RON)*	213,798	374,607	390,719
Market capitalization (thousands of EURO)*	48,276	83,919	87,173
Market capitalization (thousands of USD)*	63,678	115,413	105,978
Total value traded (million lei)	10	23	16
No. of shares traded	24,002,033	48,439,486	27,467,454
Opening price (RON/share)	0.3974	0.3774	0.5520
Maximum price (RON/share)	0.4400	0.5680	0.6170
Minimum price (RON/share)	0.3300	0.3700	0.5410
Price at the end of the year (RON/share)	0.3764	0.5580	0.5850
Average price (RON/share)	0.3985	0.4692	0.5845
Gain/ share (RON/share)***	0.0477	0.0467	0.0466
Gross dividend /share (RON/share)**	0.0182	0.0230	0.0235
Dividend performance****	4.83%	4.12%	4.03%
Dividend distribution*****	38%	49%	51%

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

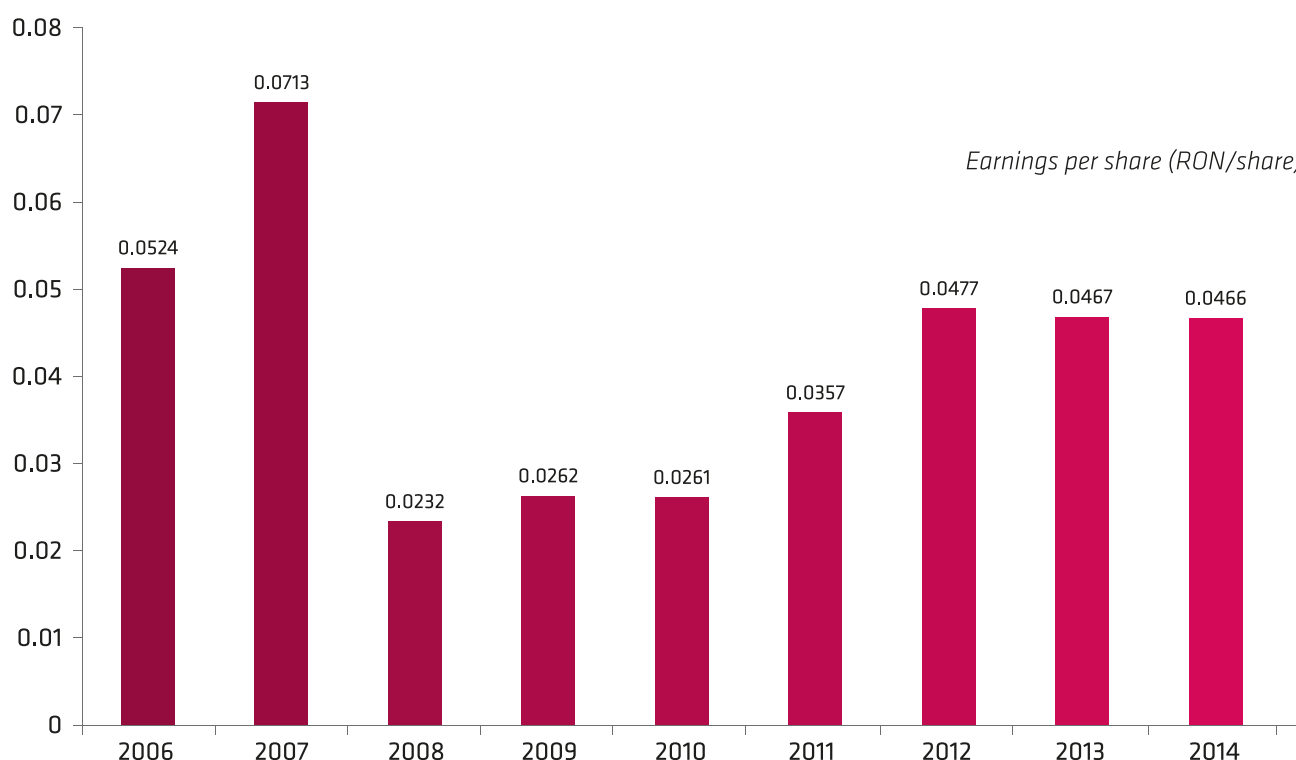
** Proposed dividend,

*** The calculation of the earnings per 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 = (total number of shares x gross dividend per share)/total net profit.

Throughout year 2014 2,467,454 shares were traded, worth 16 million RON (3.6 million Euros, 4.3 million \$), with an average price of 0.5845 RON/share.



Actions and results in 2014

Research and Development in 2014

The research and development of generic medicines at Antibiotice has focused not only on molecules valuable for patients' health, which can contribute to the consolidation of the Company's core portfolio (anti-infectives and topical medication), but also on specialized therapeutic classes (cardiovascular drugs, medicines for the Central Nervous System). In addition, 2014 has been oriented towards the initiation of research of products intended for the prophylaxis of some diseases and quality of life improvement (i.e. dietary supplements, dermato-cosmetics and OTC drugs). Last but not least, in line with the objective of business internationalization, the formulas of the drug products in the portfolio have been continuously adapted to meet other countries' requirements for product registration.

New research projects

In 2014, research studies were conducted for the authorization of 16 new products covering key therapeutic classes such as Dermatology, Central Nervous System (CNS), Cardiovascular System and Anti-Infectives both in Romania and other markets. In the same context, the research for three new dietary supplements were completed (supplements with antioxidant and hepatoprotective action, for joint health,

and adaptogenic role). Part of the activity was focused on the development and authorization of anti-infective injectable products, requested in foreign regulated markets such as the US, Canada and Great Britain.

Other ten research projects, initiated in previous years, shall be concluded in 2015, thereby contributing to the future drug portfolio.

The bioequivalence studies and biowaivers for the company products under research and external partners continued to be performed within the Center for Drug Evaluation.

Among the new projects started in 2014, there are clinical pharmacodynamic trials in compliance with EMA and FDA regulations, necessary to demonstrate the efficacy of the corticosteroid-containing dermatological product and the performance of a Phase I clinical trial, as a result of the cooperation with an external partner.

The future portfolio of Antibiotice will include not only the basic component of the current one, namely anti-infective drugs for the treatment of both severe hospital-acquired infections with resistant germs and community-acquired infections, but also a number of medicines intended for chronic non-contagious diseases (such as cardiovascular diseases,

neurodegenerative diseases and psychiatric disorders, oncology diseases, digestive disorders).

Antibiotice will also continue to develop topical pharmaceutical forms (i.e. ointments, creams, gels). Such forms are recommended by medical guidelines for diseases with significant medical, social and economic impact (such as psoriasis, osteoarthritis/ osteoarthrosis). The positive effect given by the high benefit/cost ratio of topical corticosteroids and nonsteroidal anti-inflammatory products on the healthcare system is well known. Such products offer the possibility of home care (and thus fewer inpatient days), help patients recover and return to community life soon, thus providing benefits both to the public health and economic systems.

Further training and expansion of the research team

The R&D specialists, pharmacists, chemists and engineers participated in "in-house" and external trainings related to the modern design of pharmaceutical forms, the innovative techniques for the preparation of oral formulations and for gaining information on the last generation excipients and their use.

In 2014, out of the need to diversify the portfolio of active ingredients manufactured by Antibiotice through biotechnology, the Biotechnology Research department was set up to the purpose of scientifically documenting the research for potential new technologies.

MAs in Romania and other 11 countries

In 2014, the simultaneous authorization of the following products was completed in several EU countries: Rosuvastatina Atb® 5 mg, 10 mg, 20 mg and 40 mg film coated tablets (eight countries), Escitalopram

Atb® 5 mg, 10 mg, 15 mg and 20 mg tablets (two countries). Moreover, two registration procedures were initiated at European level and they are going to be concluded in 2015.

At national level, a marketing authorization (APP) was obtained for an anti-infective product (i.e. Imipenem/Cilastatin Atb® 500 mg/500 mg), the presence in the market of dietary supplements was enhanced following the notification of a new dietary supplement (Silithor®), and 24 procedures for the renewal of authorization were concluded.

Furthermore, in 2014, the process of product authorization in foreign markets continued: 58 new marketing authorizations were granted for 11 countries in Europe, Asia, Africa and North America and the marketing authorization of 17 other products was renewed.

Internationally certified quality

In order to maintain the certification standards regarding product quality, safety and efficacy, the following inspections and audits were conducted in 2014.

Inspections / audits conducted by the relevant authorities

Between April 1 and 4, 2014, NAM-MD-WHO conducted a joint inspection in view of:

- GMP re-certification of the manufacturing lines for tablets, capsules (penicillins, cephalosporins, non-penicillins), ointments, suppositories;

- qualification of Antibiotice as an anti-TB drugs supplier (tablets, capsules) for the World Health Organization (WHO).

Following the GMP inspection, the Manufacturing and Import Authorization of the company were updated and GMP certificates were issued for the medicinal products for human use manufactured on the inspected lines, and for the medicinal products for human use intended for clinical investigation.

At the same time, Antibiotice was re-confirmed as a qualified supplier of anti TB drugs by the World Health Organization.

Audits of the certification bodies

- Surveillance Audit of the Integrated System Management conducted by Lloyd's Register Quality Assurance between February 18 and 20, 2014 for all the three systems implemented within the company, namely ISO 9001 (Quality Management System), ISO 14001 (Environmental Management System) and OHSAS 18001 (Occupational Health and Safety Management System).

The auditors did not identify any non-conformity and recommended the maintenance of the certifications.

- Recertification Audit conducted by **SRAC CERTSERV**, on May 20, 2014, for reviewing the compliance with and maintenance of the conditions that led to the release of the Certificates of Conformity for the following products: aluminum tubes, caps, screw caps.

The auditors identified no deficiencies and recommended the maintaining of the SRAC certification.

- Re-Certification Audit of the Integrated Management System (Quality, Environment, Occupational Health and Safety) conducted by auditors from Lloyd's RQA between November 10 and 14, 2014, involving all the company's structures. No nonconformities were identified and the auditors recommended the recertification of the three management systems. As a result, certificates of

conformity with the standards ISO 9001:2008; ISO 14001:2004 and OHSAS 18001:2007 were issued.

Audits from API beneficiaries /suppliers or potential contract suppliers (contract manufacturing)

- On February 12, 2014, the company Perrigo from UK conducted an audit for the qualification of Antibiotice as a supplier of Nystatin API.

No nonconformities were identified, and Antibiotice was recommended as a supplier of Nystatin API.

- Between March 18 and 19, 2014, the company **PanPharma** from France conducted an audit to assess Antibiotice as a beneficiary for the manufacturing of three injectable penicillins under contract.

No critical nonconformities were identified, and Antibiotice remained the beneficiary of the manufacturing contract.

- Between May 8 and 9, 2014, **Smart Pharmaceuticals** from South Africa conducted an audit to assess Antibiotice as a beneficiary for the manufacturing under contract of six products as tablets. No critical nonconformities were identified.

- On October 9, 2014, **Actavis** conducted an audit for the re-certification of the company as a supplier of Nystatin API for their Iceland subsidiary. The audit did not identify any critical or major nonconformities and the partnership was reconfirmed.

- On October 10, 2014, the company **Polfa** from Poland engaged the audit company **Rephine** to conduct an audit for the Nystatin production line. No critical or major nonconformities were identified.

- Between October 23 and 24, 2014, the New Zealand subsidiary of the company **Hospira** from Australia conducted an audit of

the manufacturing line for sterile powders for injection, to the purpose of initiating a partnership for the production under contract of eight products. No critical or major nonconformities were identified.

- Between October 27 and 28, 2014, the partner company Sagent from the United States conducted an audit of the manufacturing line for sterile powders for injection. No critical or major nonconformities were identified.

Audits at the suppliers of raw materials / primary packaging materials

Conducting audits of the APIs suppliers has become mandatory for the pharmaceutical MA holders as a result of the new European regulations on the import of active ingredients in the European Union applicable since January 2013.

The legislation in force requires the **manufacturing authorization holder to evaluate periodically the compliance with the EU GMP requirements**, by conducting audits of the APIs manufacturers/distributors at time intervals not exceeding three years. In order to comply with these new GMP requirements on the compliance of the sources of active ingredients/primary packaging materials and to support the submission of the MA application for the company's products, several audits were conducted.

Thus, between February 6 and 24, 2014, audits were conducted on the manufacturing sites of 16 API or finished product contract manufacturers in **India**, and between October 4 and 31, 2014, a number of 20 audits were conducted on the manufacturing sites of API/API and finished product intermediates producers in **China**.

The audits were conducted to evaluate the compliance with the EU GMP requirements needed to release the Qualified

Person's Declaration and submit it with the relevant regulatory authorities.

Modernization and streamlining of the production lines

The company's development strategy for 2014 includes, as a priority, the update and development of the product portfolio and manufacturing lines. On the 8 existing manufacturing lines, the company produces medicines in five pharmaceutical forms (i.e. injectable sterile powders, capsules, tablets, topical products and suppositories) for internal and external partners.

The quality of the products is assured through processes that comply with the good manufacturing practices, all the manufacturing lines of the Company being GMP certified.

The implementation of all the regulatory requirements and the assessment of the Quality Management System by the regulatory authorities and customers have helped maintain the level of quality, effectiveness and safety of the medicines produced by Antibiotice.

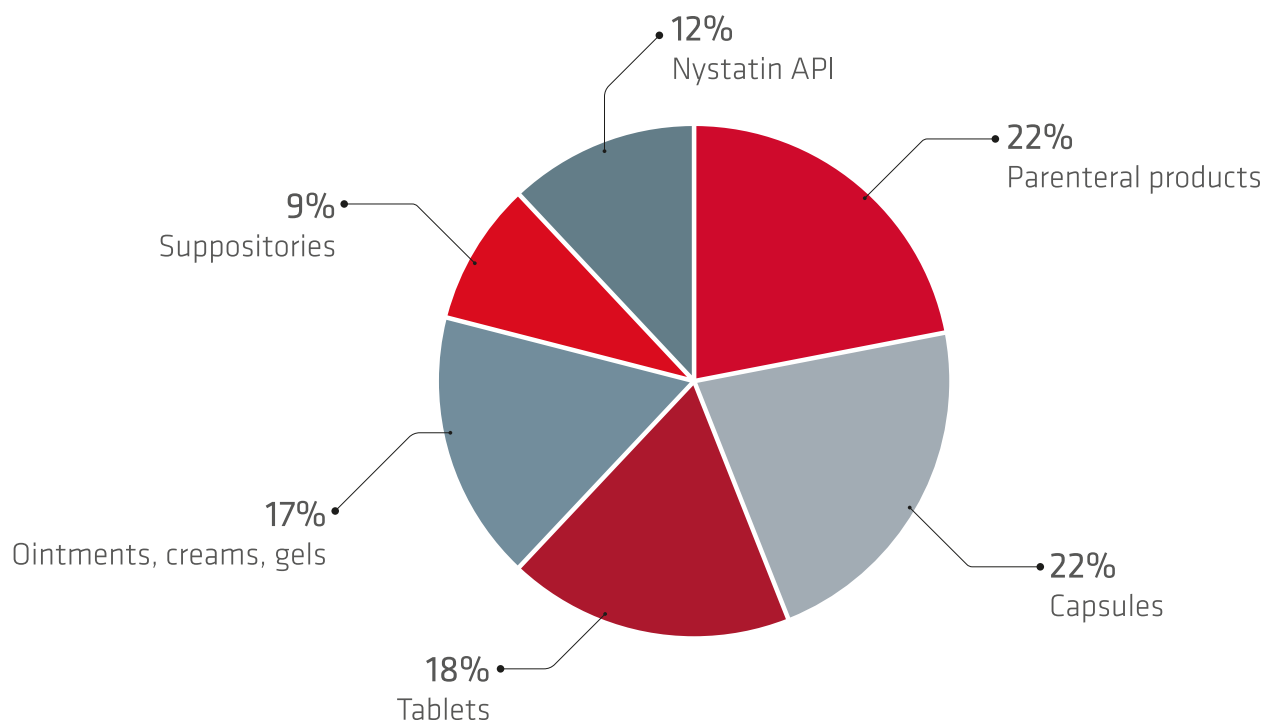
In 2014, Antibiotice produced:

- 508 million pharmaceutical units as tablets, capsules, parenteral products, ointments, creams, gels, suppositories;

- Nystatin API, by 6% more in terms of quantity as compared to 2013.

The value of goods produced for the export (Nystatin API and finished products) accounts for 22. 6% of the total production value achieved in 2014.

Production breakdown (chart):



Objectives achieved in 2014 by the structure responsible for production:

The manufacture of parenteral products for foreign companies based on the manufacturing and control agreements. The export of the parenteral products accounted for 28% of the total value of the products intended for foreign markets;

The reduction of the raw material related costs by optimizing the manufacturing formulas and identification of new sources for the excipients used in the manufacture of tablets, ointments and suppositories;

The reduction of the utility consumption by a careful management in all the production facilities;

The increase of Nystatin production by 6% compared to the previous year, while reducing costs and increasing the productivity of the Nystatin drying process. In relation to the emissions of organic volatile substances during the extraction phase of the Nystatin, the implementation of the environmental protection program continued, resulting in a solvent saving of 15%;

The launching of the manufacturing of new products belonging to the following therapeutic classes:

- Cardiovascular System: **Rosuvastatină Atb®** 5 mg, 10 mg, 20 mg and 40 mg, tablets;
- Dietary supplement with hepatoprotective effect: **Silithor®**, vegetal capsules.

Investments in 2014

Consistent with the company's development objectives, the following investments were made or initiated in 2014:

A new warehouse for raw materials and supplies

The construction of the new warehouse for raw materials and supplies became necessary with the increase of production volumes and the need to comply with the latest Good Manufacturing Practice and Good Storage Practice requirements, recommended by the National Drug Agency, upon the auditing of the manufacturing lines in 2009.

The new warehouse consists of a storage area with a capacity of 1,600 EUR-pallets and a technical and administrative area, which includes two class D lines for raw material transfer.

The warehouse was put into operation in 2014, the investment being implemented within a year and a half using own resources.

Development of laboratories for sterility control physico-chemical analyses

In order to comply with the regulatory requirements related to the work with highly active substances and to prevent cross-contamination, dedicated spaces for the sterility control tests and physico-chemical analyses of the penicillin products had to be made.

To this end, within an existing building, two new laboratories for sterility control and microbial and physico-chemical testing were set up. The investment was completed in 2014, with own funding.

Rehabilitation of the scaffold system for the conveyance of utilities

In 2014, the project for the rehabilitation of the company's scaffold system started. The system is a structure made of reinforced concrete columns and beams supporting the distribution pipelines for utilities (i.e. steam, deionized water, hot water, gas, compressed air), electrical cables, telephone and wired radio networks, fire signaling, optical fiber.

Considering the corrosion in time due to the environmental factors and the changes brought to the charts of the manufacturing lines, the rehabilitation of the scaffold system became a priority.

The project involved the construction of new scaffold segments, rehabilitation of the existing sections, change-over of the utility routes according to the current needs, and decommissioning of the obsolete sections. A first stage of the works was carried out during 2014, and it consisted in the modernization of the sections important for the smooth performance of the manufacturing processes. The remaining works will be carried out in the following period.

Progress of the marketing activities in 2014

On a market with 298 competitors, under the influence of local economic climate and the continuously changing legislative framework*, Romanian pharmaceutical market recorded an increase by 6.8% in year 2014, reaching RON 12.3 billion, compared with RON 11.5 billion in 2013.

In November 2014, the Marketing Analysis and Research Company Cegedim conducted an adjustment of the reported amounts for sales to hospitals referring to years 2013 and 2014. The new reporting in 2014 highlighted a correction by RON 246.9 million of the sales to hospitals in 2013, representing a decrease by 15.6% compared to the initial estimate for the same year.

In the context of the Romanian pharmaceutical market, the activity in the domestic market was conducted by taking into consideration the following risks:

- increase of the clawback tax amount, compared to the previous year;

- increase of the manufacturing costs due to the price rise for utilities and raw materials;

- re-segmentation on categories of pharmacies (pharmacy chains, mini-chains and independent pharmacies), which attracted the allocation of more important budgets to the segments of pharmacy chains and pharmacy mini-chains;

- fluctuating legislation in what concerns hospitals;

- settlement of the amounts owed by the National Health Insurance House at deadlines exceeding the terms agreed in the framework agreement.

**The values are calculated based on the entry prices into pharmacies, according to Market Analysis and Studies Company Cegedim*

Brief description of the Romanian pharmaceutical market's evolution

Although the pharmaceutical market did not have the expected evolution in 2014, drug consumption rose by 6.8% in the retail segment and decreased by 0.7% in the hospital segment compared to 2013. In terms of value, the retail segment grew by 6.7% and the hospital segment increased by 8%.

With the increase of the clawback tax impact on the indicators reported by the companies, the segment of over-the-counter drugs (for which no clawback fee is collected) recorded a value increase during 2014, of 13.7%, higher than the total market growth, while the medical prescription drugs segment increased by 5.5%.

On the Romanian pharmaceutical market, the highest value sales were recorded for the Cardiovascular System medicines (representing 18.5% of total sales, respectively RON 2.275 million), followed by Oncology drugs (16.8% and RON 2.065 million), drugs for the Digestive System (16.1% and RON 1.975 million), drugs for the Central Nervous System (13% and RON 1.603 million) and Anti-Infective medicines (9.1% and RON 1.122 million).

Together, these five top therapeutic classes generated 74% of the total value sales recorded in Romania, recording an overall increase of 7.2% compared to 2013.

Company's performance in the market

In the domestic pharmaceutical market, in 2014, Antibiotice has recorded sales of RON 257.4 million, by 7.5% higher compared to the previous year and having a higher value than the market growth rate (+ 6.8%), according to Cegedim data.

In the hierarchy of the 298 companies manufacturing generic and innovative products, evolving on the market in Romania, at the end of 2014 Antibiotice stood, according to Cegedim, on the 16th place (constant, compared to 2013). According to the same source, Antibiotice was on fifth position among the manufacturers of prescription generic medicines and of over-the-counter drugs.

Both prescription drugs (RX) and over-the-counter drugs (OTC) traded by Antibiotice recorded growth rates above those of the market, rising by 6.4% respectively for RX drugs (compared to 5.5% in the market) and 15.5% growth for OTC drugs (compared with 13.7% on the market).

Antibiotice as a sales leader for the generic drugs intended for hospitals

Antibiotice kept its leading position in the hospital segment, optimally capitalizing on the *Anti-Infectives* medicines portfolio for which it is recognized on the market.

With sales of RON 63 million and a market share of 17%, **Antibiotice is the leader in the market of generic medicines and of over-the-counter drugs (OTC) sold to hospitals in Romania, with an added value of 19 million lei, compared to the second ranking company.**

Likewise, Antibiotice is a leader in terms of therapeutic units sold, for the sales of injectable powders, with a market share of 73.8%.

Antibiotice, leader in the segment of ointments and suppositories

Antibiotice Company kept its leading positioning in 2014, in quantitative terms, in what regards the full range of ointments (market share 27.7%) and suppositories (market share 43.6%).

The growths recorded this year were achieved by means of the continuous and sustained efforts of the sales teams and of the newly created team, set up for the promotion of the dermatological and inflammatory products, whose actions have performed complementarily and synergistically for the achieving of the targets.

Increases superior to the market for the therapeutic classes: Digestive Tract, Cardiovascular System and Dermatological Preparations

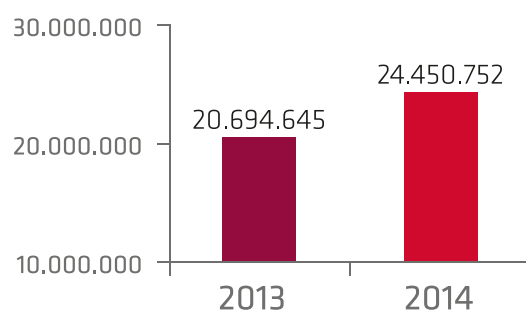
In terms of therapeutic areas, Antibiotice recorded a greater growth than the market of the products intended for the Digestive Tract, Cardiovascular System and Dermatological Diseases, compared to 2013 as follows:

■ The Digestive Tract Class increased by 26%. A significant contribution, in terms of value, in reaching the performance indicators on Digestive Tract class have had the products of the Glycerin suppositories range (38%), Novogast® (omeprazole) tablets (44%) and Piafen® (metamizol+fenpipramide+pitofenone) tablets (16%)

■ The Cardiovascular System class has progressed positively in terms of value in the range 2013 - 2014, with a growth rate of 18% in 2014 compared to the previous year.

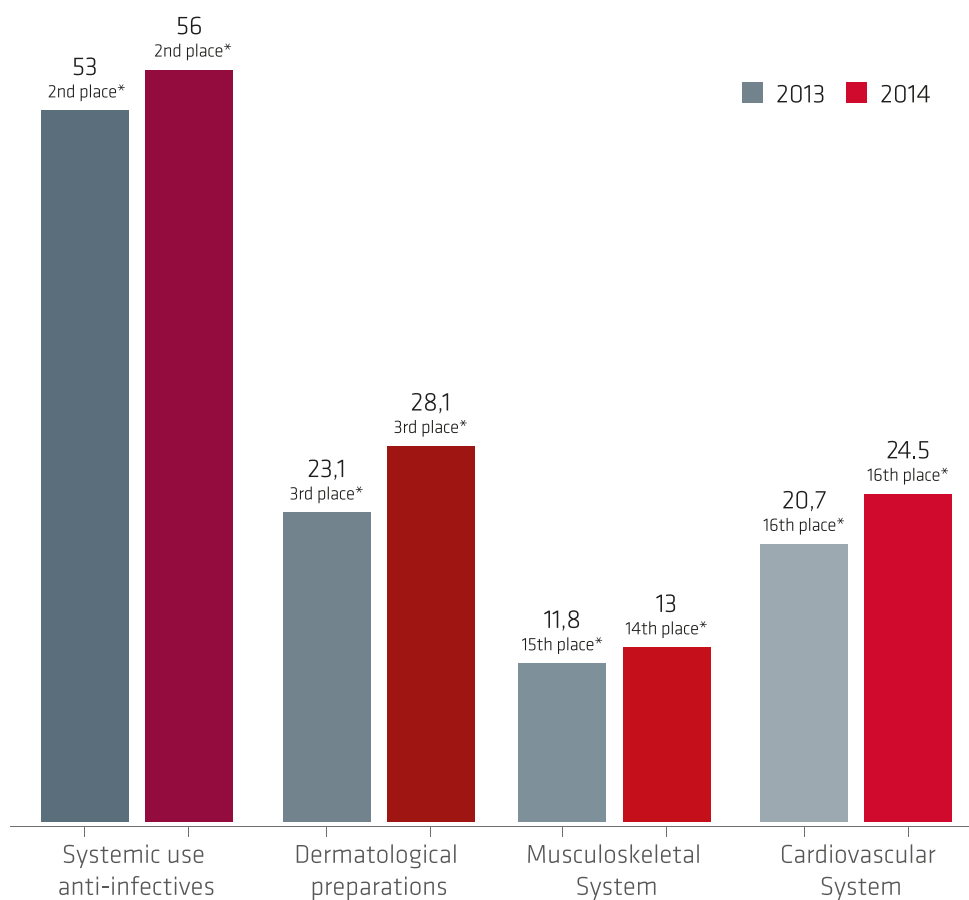
An important contribution to the increase of Cardiovascular System class in 2014 had: the Almacor® tablets range (amlodipine), increase by 113%, Trimetazidina Atb® tablets, (42%) the Gladycor® range (carvedilol), increase by 34%, Nolet® (nebivolol), increase by 34% and the Biostens® tablets range (bisoprolol), increase by 16.9%.

*The evolution, in terms of value, of the Cardiovascular System class (RON)
2013-2014*



■ The class of Dermatological Preparations recorded a growth of 22%. The products that increased significantly during the analyzed period are: Nidoflor® ointment (nystatin+neomycin+triamcinolone) by 25%, Cutaden® Bebe (Ichtyol + zinc oxide + vital ET), and the newly launched Clotrimazol Atb® product range by 18%.

*The evolution, in terms of value, of the main therapeutic classes in the Antibiotic portfolio
(million RON)*



*place held by Antibiotic in the producers top for each therapeutic class

Source: Cegedim 2014

Cefort® - the best selling product of Antibiotice Company

The most valuable product marketed by the company Antibiotice is **Cefort® injectable powder 1g** (ceftriaxonum), with a share in total revenues of 6.7%. This product recorded the most important quantitative and value contribution of top 10 products, both in terms of value (RON +2.9 million) and of physical consumption (+1.3 million units sold). The ascending trend of Cefort® 1g medicine was the exclusive result of the sales growth on the hospital segment, while the retail pharmacy segment sales have stagnated.

Reported to the direct competitors, in what concerns the ceftriaxonum molecule in injectable form, with the concentration of 1 g, the Cefort® product succeeded to grow both in terms of value and quantity within the market share (from 87% in 2013 to 95% nowadays).

Moreover, the injectable powder Cefort® 1g was the only product on the market of the 1g ceftriaxonum molecule which had recorded increases, given that the two competing company's sale fell by 63% in terms of value and 62% in terms of quantity.

Top products

On the second place in the Antibiotice sales for 2014 is *Amoxicillina 500 mg capsules* (share in sales of 5.2%), followed by *Efcef® capsules 200 mg* (4.9%) and the *Ampiplus® injectable product* (3.2% share).

From the portfolio of OTC drugs, the brands that came into prominence in 2014 (both in terms of value and quantity) are *Ibufen®* (ibuprofen), *Cutaden® Bebe* (Icthyol+zinc oxide+vital ET) *Saliform® forte* (methyl salicylate+menthol) and *Equilibra®* (magnesium+ vitamin B6).

At the same time, the antispasmodic product *Spaverin®* (drotaverine) benefited from a national media campaign, positioned in the same time as engine for the growth of the product's brand, and also of the Antibiotice Company's notoriety.

11 new products launched on the market in 2014

The company's portfolio was supplemented in 2014 with 11 new products in therapeutic classes Digestive Tract, Genitourinary Apparatus, Antineoplastics and Central Nervous System.

From the category of products for Digestive Tract, Antibiotice extended its portfolio by assimilating three products. Of these, two belong to the ulcer pharmacotherapeutic group, respectively the RX product **Pantoprazol Atb®** 40 mg tablets Atb®, the OTC product **Piador®** tablets (pantoprazole), and a product from the Hepatoprotectives group, marketed under the name **Silithor®** (silymarin+methionine+cysteine).

From the Genitourinary system class, the product **Mastoprofen®** gel (progesterone), for the treatment of mastalgias, was re-launched.

From the Antineoplastic Agents class, two products were launched: **Gemcitabina Atb®** injectable 1,000 mg and also, from the antimetabolite pharmacotherapeutic group **Gemcitabina Atb®** 1,000 mg, injectable product.

From the category of products for the

*Data source: Cegedim Romania, Pharmaceutical Market Report for 2014

Central Nervous System, Antibiotics extended its portfolio by the assimilation of five drugs, belonging to pharmacotherapeutic groups:

■ Anxiolytics (3 products) - **Alprazolam Atb®** tablets 0.25 mg, **Alprazolam Atb®** tablets 0.5 mg and **Alprazolam Atb®** 1 mg tablets;

■ an anti-Alzheimer's product - **Memantina Atb®** tablets 10 mg;

■ an antidepressant product, **Nobixal®** (tianeptine).

In the first year since their launch, the contribution of these products in the turnover was of RON 4.5 million.

Antibiotice promoted its portfolio at important national scientific meetings

In parallel with the sales and distribution activity, within the company there is developed a marketing and promotion structure, which is organized territorially, according to the main therapeutic areas (Anti-Infectives, Cardiovascular System, Central Nervous System and Antineoplastic Agents) having the role to promote ethically and professionally the medicines among specialists in the medical area.

The activity of the medical and sales representatives is managed by an integrated management system (CRM), in terms of efficiency and effectiveness (targets, areas, etc).

The continuous implementation of the promotion strategies will enable the Company to strengthen its positioning and reputation currently held on the market - a leader in anti-infective medication and will facilitate the access with generic medicines, in new valuable therapeutic areas of interest to the healthcare system in Romania.

The activity of the Division for the Promotion and that of the Commercial Division was also supported in 2014 by

means of organization and participation in local, regional and national scientific meetings, where themes about the population's access to medication and the economic impact of generic drug use were approached. During these scientific meetings, presentations on various pathologies were performed, with reference to drugs in the portfolio of Antibiotice.

The major national events attended by Antibiotice 2014 include:

- Modern Medical Management Conference, November 2014, Brasov;
- National Conference of Family Medicine, March 2014, Bucharest;
- National Congress of the Romanian Society of Intensive Care, May 2014, Sinaia;
- National Congress of Internal Medicine, April 2014, Călimănești Căciulata;
- National Conference on Cardiology Working Groups, May 2014, Sibiu;
- National Congress of Cardiovascular Surgery, September 2014, Iasi;
- National Congress of Pharmacy, in September 2014, Iasi;
- Pharma and Medical Forum Conferences, September 2014, Bucharest;
- National Congress of Dermatology, November 2014, Timisoara;
- National Congress of Psychiatry, October 2014, Sinaia;
- National Conference of Oncology and Radiotherapy, October 2014 Sinaia;
- Interdisciplinary symposia organized by Antibiotice (in university towns).

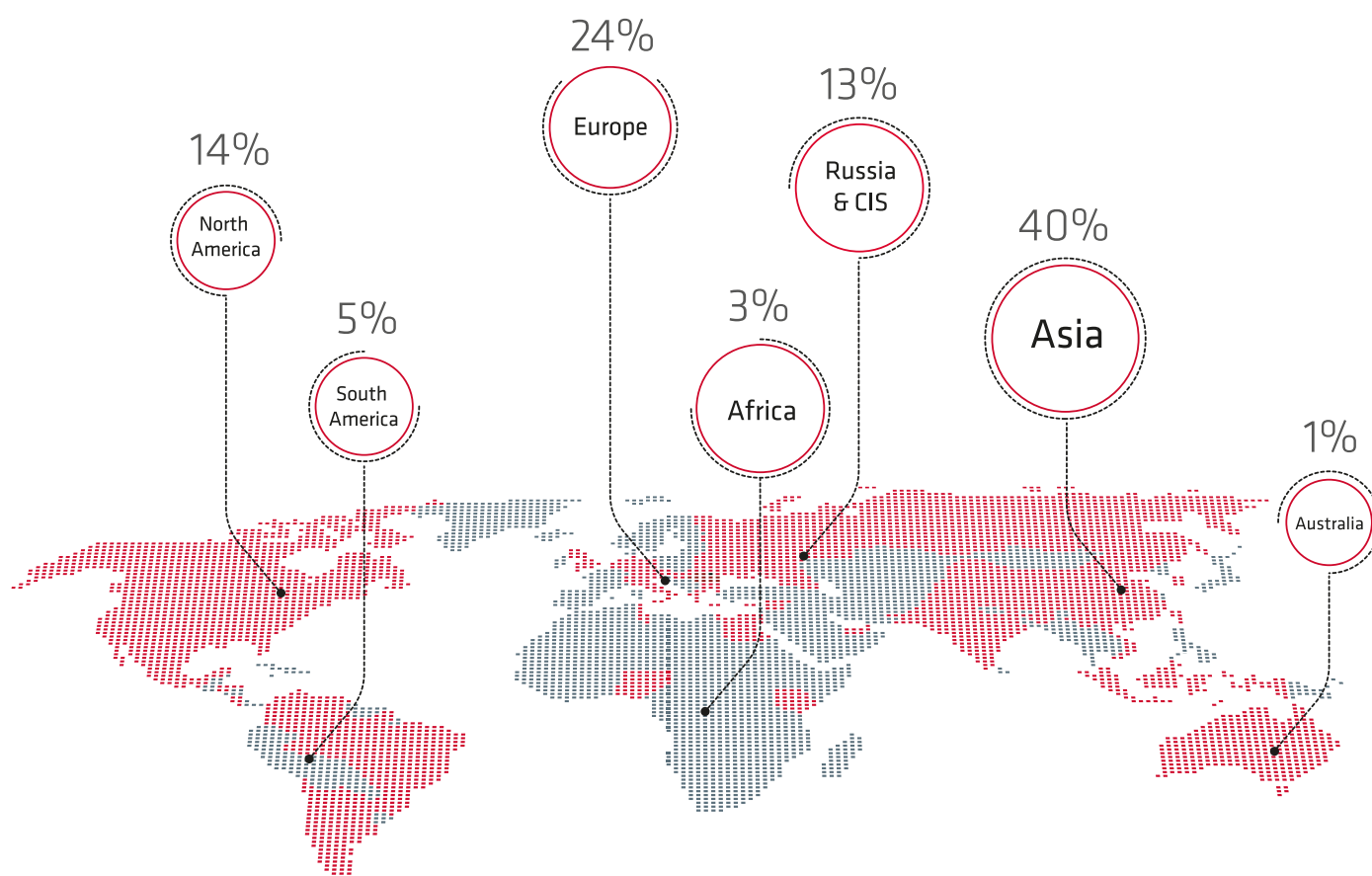
International business expansion, a strategic orientation of the company

The expansion of the presence in foreign markets and the creation of new partnerships are part of the company's strategic orientation for future development, as shown also by the evolution of the export sales turnover over the last five years, which increased by 97%, from USD 13 million in 2009 to USD 25.6 million in 2014.

The export increase was the result of the enhancement of the exports of both Nystatin API and finished dosage forms manufactured on the company's own lines. Moreover, Antibiotice has always been concerned with the development of new types of partnerships that would bring added value to the company.

In 2014, the turnover resulting from the sales of Nystatin API and finished pharmaceuticals in foreign markets accounted for 27% of the company's turnover.

Geographic structure of Antibiotice's exports in 2014



Asia is the chief destination for Antibiotice's exports, followed by Europe, North America, Russia & CIS.

The main product sold on foreign markets is the active pharmaceutical ingredient Nystatin, with 53% of the total value, while the finished pharmaceutical forms account for 47%.

Nystatin exports have strengthened the global leader position

Year 2014 marked a further increase in the exports of Nystatin API, by 7% compared to 2013.

The increase of Nystatin API exports was encouraged equally by the FDA's approval and European Directorate for the Quality of Medicines' Certificate of Suitability, and the strategic business partnerships concluded in foreign markets. The main destinations of the product were Asia (China, India and Vietnam), Europe (Germany, Switzerland, and the Netherlands), South America (Brazil) and North America (USA).

The company's strategies for the product aims at maintaining the company's global leadership position and boosting the efficiency of product sales by targeting deliveries towards regulated markets, which offer more favorable commercial conditions compared to the unregulated ones.

Exports of finished pharmaceutical forms

The export of finished pharmaceutical forms represents the backbone sustaining the company's export growth in the medium and long term. The existing development projects and those to be implemented in emerging and regulated markets in 2015 – 2016 create solid grounds for the growth of the finished product exports, despite the less favorable trends in 2014. Expanding in regulated markets is based on the internationally recognized quality certifications in force, namely the EU GMP certification for all the manufacturing lines and the FDA approval for the manufacturing line of sterile products for injection.

In 2014, the main destinations for the Antibiotic products were the USA, France, Iraq, Saudi Arabia, Azerbaijan, Denmark and Vietnam. The sales in South East Asia (Vietnam) and Middle East (Iraq, Saudi Arabia, and Yemen) increased significantly. The anti-infective drugs accounted for the largest share of the exports, followed by the products intended for the digestive tract and metabolism, cardiovascular system, and the dermatological preparations.

Among the premieres of 2014 were the introduction of the first products made by Antibiotic into the Russian market (Bisoprolol 5 mg and 10 mg, and Glycerin suppositories for children and adults) and the first sales of drugs in Turkmenistan (18 products).

Prospects for international business development

In 2014, a new partnership with one of the main companies manufacturing injectable products was negotiated for the US market, which will result in the delivery of drugs starting with 2015. Currently, Antibiotic exports injectable Ampicillin in 4 strengths and injectable Nafcillin in 2 strengths to the US market, and is waiting to obtain the marketing authorization for a third injectable product.

In addition, the company continued the process of product registration in EU markets and initiated new projects involving injectable, oral and topical products in regulated markets.

In what concerns the emergent markets, the company aims at increasing its exports to the Russian Federation, Central Asia (i.e. Turkmenistan, Uzbekistan and Tajikistan) and South-East Asia, based on the projects initiated in recent years and the success of the first drugs sales in such areas.

International promotion

Antibiotice aims to enhance its international promotion efforts by taking part in industry-specific fairs and exhibitions, actions intended to promote the company's products in foreign markets, and opening representative offices meant to generate an increase in the company's and its products' notability.

In 2014, the promotion efforts in the Republic of Moldova intensified. As a result, the value of the exports to this market doubled and the premises of achieving significant growth rates in future years were created. Moreover, the dossiers pertaining to the first products to be registered were transmitted to the company's representative office in Serbia, and the deliveries of such products will start once the marketing authorizations have been obtained.

In order to promote business opportunities among global manufacturers, in 2014, Antibiotice took part with its own stand in the most important fair of the pharmaceutical industry, CPhI Worldwide, held in Paris. This year the fair had a total of 2,200 exhibitors and more than 35,000 visitors from 140 countries. The participation in the fair allows the identification of new development opportunities for the export of Nystatin and finished products, as well as the development of partnerships with new foreign partners for *in licensing, out licensing and contract manufacturing*.

Building confidence in efficient and sustainable partnerships

The main objective of the procurement activity is to support the company's overall strategy by identifying and securing the sources of quality and affordable raw materials used in the manufacture of varied pharmaceutical dosage forms, in accordance with the national and international regulations.

The dynamics of the product portfolio renewal and the opening of the company towards the international market have required the permanent adaptation of the material resources needed for production, the identification of stable sources of raw materials and the management of the price/quality ratio.

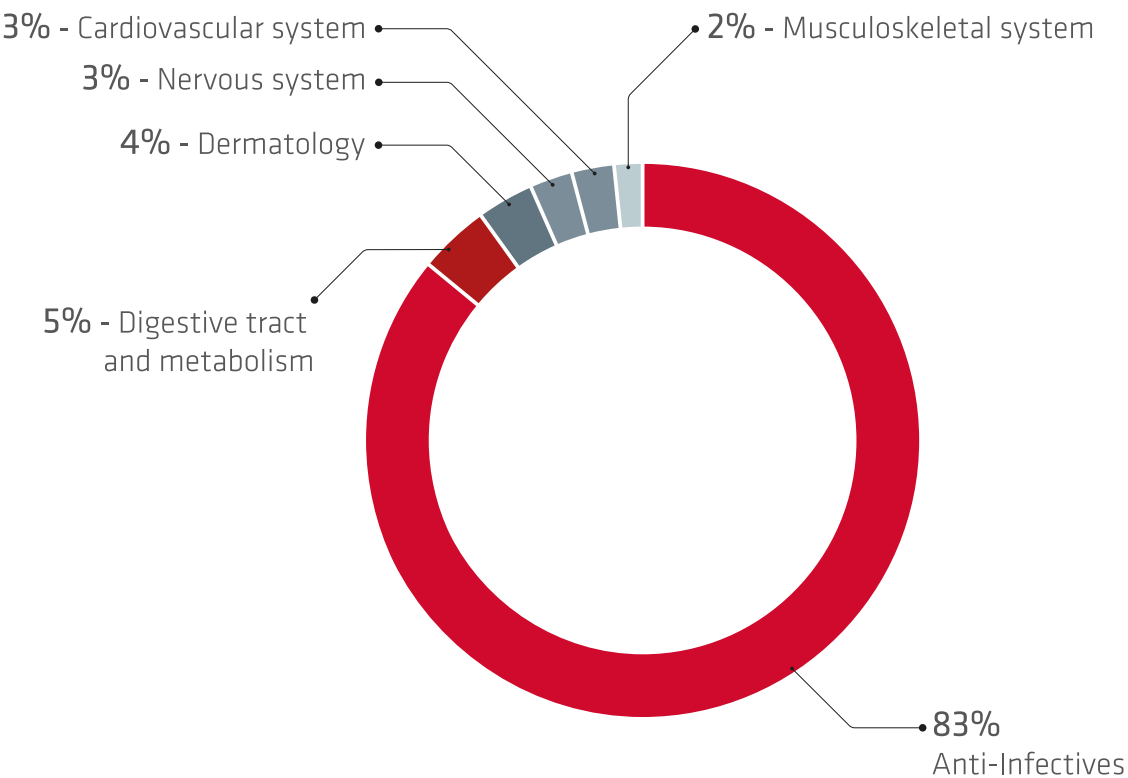
At present, Antibiotice has 10 to 15 year-long relationships with more than 70% of its suppliers.

Procurement policy oriented towards efficiency and an optimum quality/price ratio

Through direct communication, based on principles of transparency, Antibiotice set itself to develop durable partnerships aimed at building the suppliers' confidence and protecting their interests, and at the same time involving those into the decisions related to market approach and operational process streamlining.

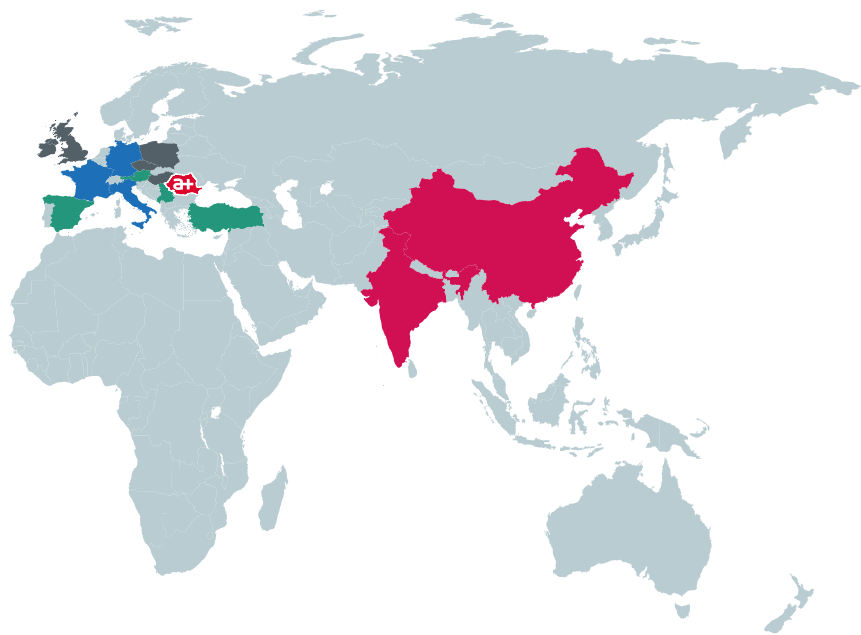
Antibiotice identifies itself as a producer of anti-infectives, an area in which the prices have a downward trend and the competition from other generic drug manufacturers becomes more aggressive day by day. In this context, the company's procurement policy allowed the management of the limited number of producers of raw and intermediate materials along with the maintenance of the prices at an optimum level.

Share of raw material procurements for various therapeutic classes



An important number of sources for raw, intermediate and packaging materials used in manufacturing are found in Asia, particularly in India and China, countries that offer a fair quality/price ratio for the entire current pharmaceutical market.

Geographic structure of the imports (raw materials and finished products)



In the selection process, the company's priority is the collaboration with suppliers holding GMP and FDA certifications for their manufacturing lines and able to provide added-value to the finished product made by Antibiotice by means of an optimum quality/price ratio and fair delivery conditions.

Besides the traditional partnerships that provide stability, predictability and flexibility, in order to adapt quickly to the circumstantial changes in the market, Antibiotice continuously invests in market research to be able to identify new partnerships that can offer sustainable alternatives for the current suppliers of strategic raw materials and/or partnerships for the development of new products.

The entire procurement activity focuses on the adjustment of the costs to the optimum level that would ensure competitiveness, the control of the inventory and delivery conditions, the reduction of the exchange rate impact, so as not to create unjustified financial assets or with a negative impact on the company's results.

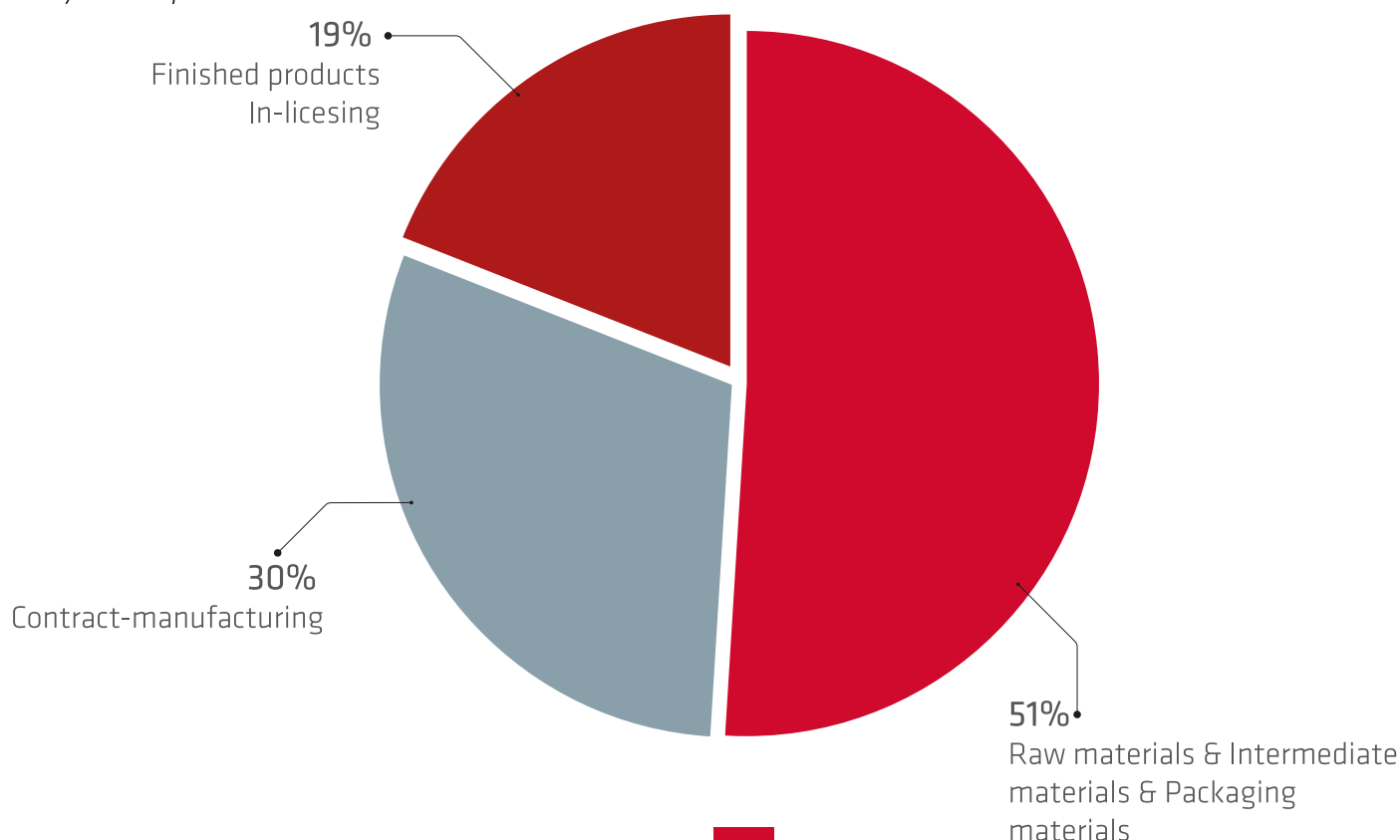
All these actions involve acquiring information on the external partners' capabilities and ongoing cooperation with the structures in charge with the quality assurance and control, production, research and sales.

In-licensing or contract manufacturing cooperation projects for finished products

An important component of the procurement process has been, since 2006, the in-licensing or contract manufacturing collaborations for finished products. Such type of business has enabled Antibiotice to develop its portfolio to cover therapeutic areas that required a new specialization, other manufacturing lines, or the rapid turning to good account favorable market conditions, such as the expiry of patents, the emergence of market niches or new governmental programs.

In this manner, the portfolio of oncology and central nervous system drugs has been

Development areas of international partnerships on raw materials, packaging materials and finished products



developed through in-licensing or contract manufacturing collaborations.

Globally renowned generic companies from Asia and Europe decided to join Antibiotice in a market heavily regulated in terms of product quality standards and governed by restrictive legislative rules for price setting, such as the clawback tax, the cap imposed by the minimum European price etc. This shows the commitment of both sides for a lasting, constructive and forward-looking partnership.

In essence, each new collaboration or strategic partnership with major players in the international market means a new step towards the international assertion and maintenance of Antibiotice among the major producers of generic drugs in Europe.

Domestic procurement partnerships

Domestic procurements are the result of continuous inter-departmental efforts made from production planning up to the shipment of the raw materials and supplies needed for the manufacturing process.

Antibiotice's commercial policy is designed to harmonize the trading conditions specific to the pharmaceutical industry with the existing trends in the domestic market.

In 2014, the commercial policy for the internal market was directed towards the following aspects:

- Renegotiation of the contracts with the suppliers of raw materials, printing materials, solvents and auxiliary materials (to the purpose of price reduction), with a direct impact on the manufacturing costs;

- Limitation of the complaints related to the quality of the raw materials and materials that could lead to malfunctions in the production process;

- Identification of at least three quotations for the raw materials and supplies required for production, in order to obtain

the most competitive price in the market;

- Attainment, by negotiation, of a 90-day supplier credit.

A continuing concern was the reduction of the operating costs in order to increase the efficiency of the cash flow from operating activities. In this regard, a plan for activity reorganization, resizing and streamlining was prepared aiming especially at the most competitive price, the highest supplier credit possible correlated with the financing capability and the ability to meet market requirements without undermining the quality standards. Different aspects related to the shipment of raw materials and supplies as well as staggered delivery were considered in order to avoid overloading the warehouses and overstocks.

The value of procurements from domestic sources in 2014 amounted to 21.7 million lei (exclusive of VAT), by 11% higher y-o-y. The increase was due to the enlargement of the production plan compared to 2013 and the acquisition of fixed assets pertaining to the investment plan for 2014.

Stable financial partnerships with banking institutions

The financial restraints encountered in some European countries made Antibiotice adopt a cautious policy with respect to banking institutions and attempt to optimize the business relationships with such partners.

In order to minimize the negative economic influences, the company intends to conclude partnerships with banking institutions and use specific payment instruments meant to optimize and secure the relationships with the partners.

Domestic partnerships

The company's highly diverse product portfolio, which is intended both for health-care facilities and pharmacies (retail), require the approach of partnerships developed through distributors holding national coverage. They represent Antibiotice both in auctions or in tender selections organized by health-care units with beds and open circuit pharmacies, through specialized sales teams and by means of telesales.

The main objective of these distributors is to ensure, through commercial and competitive practices, the continuous and active presence of the products made by both in independent (community) pharmacies and pharmaceutical groups (national chains and mini-chains of pharmacies).

The purpose of the partnership between Antibiotice and distributors is to reach the common objective of being present in the domestic pharmaceutical market. Moreover, both parties are interested in identifying the best means for supporting the promotion and sale process, and the optimization of the delivery/payment deadlines.

also close cooperation in different areas, such as product development, product registration in foreign markets, know-how pertaining to research and access to various international markets, commercial and product strategies.

■ Partnerships for the export of APIs

In what concerns the active pharmaceutical ingredients (Nystatin), Antibiotice aims to strengthen its global leadership by establishing long-term partnerships with the end users of the product. The development of transparent partnerships enables an efficient and controlled distribution of the product and allows the provision of the necessary technical and documentation support to all the partners. The ability to provide such services and to deliver the products according to the terms and conditions required by the partners is essential for the long-term development of strong business relationships.

■ Partnerships for the export of finished products

With regard to the export of finished products, Antibiotice has developed partnerships both for distribution, out licensing and contract manufacturing. Currently, special attention is given to complex partnerships, aimed at product development (i.e. research, formulation, clinical trials, bioequivalence studies, obtaining Marketing Authorizations in the eligible countries) and product marketing in foreign markets.

The exports to different markets require the conclusion of distribution agreements whereby the company makes sure that the local distributor can register and market Antibiotice products, has the ability to maximize all the sales channels and to elaborate long-term development strategies.

International partnerships

Developing strategic partnerships in foreign markets is crucial taking into account the growing complexity and competitiveness of the international pharmaceutical market. Acquisitions and mergers, or cooperation agreements between large companies for the development of products or the global portfolio management, are increasingly common, accelerating the pace of the industry development worldwide.

In this context, Antibiotice considers the developing of long-term partnerships as a key priority. Partnership relations mean no longer just an opportunity for marketing the company's products, but

Moreover, for foreign markets with a high degree of complexity (especially developed markets), Antibiotice envisages out-licensing partnerships through which the company's products are made available, under license, and subsequently marketed in other countries under the partner's brands. License agreements allow fast access to foreign markets given that the partner companies possess the appropriate reputation and experience for the marketing and sale of the products in such areas.

In recent years, the complex agreements for product development and marketing in collaboration with external partners are of increasingly higher importance. These types of projects have in view the development of formulations, performance of bioequivalence/clinical trials, preparation of product registration dossiers and their submission with the relevant authorities and subsequently, the launch of the products in the market. These complex long-term partnerships involve the participation of both partners to the financial efforts made for the development of projects, each partner offering, as appropriate, research and manufacturing capabilities, mechanisms and tools needed for the effective launch of the developed products, together with their expertise and sales force.

Improving employee performance, priority direction in 2014

The achievement of the 2014 - 2016 Business Plan's targets is a constant concern for the human resources activity, which during year 2014, pursued the completion of the company's structures with the necessary staff by hiring 43 specialized persons in domains such as promotion, sales, production, business development, quality control, pharmacovigilance, regulatory affairs, bioequivalence studies and intellectual property.

Structure of the staff on 31.12.2014:

The average number of employees in year 2014 was 1465, of which:

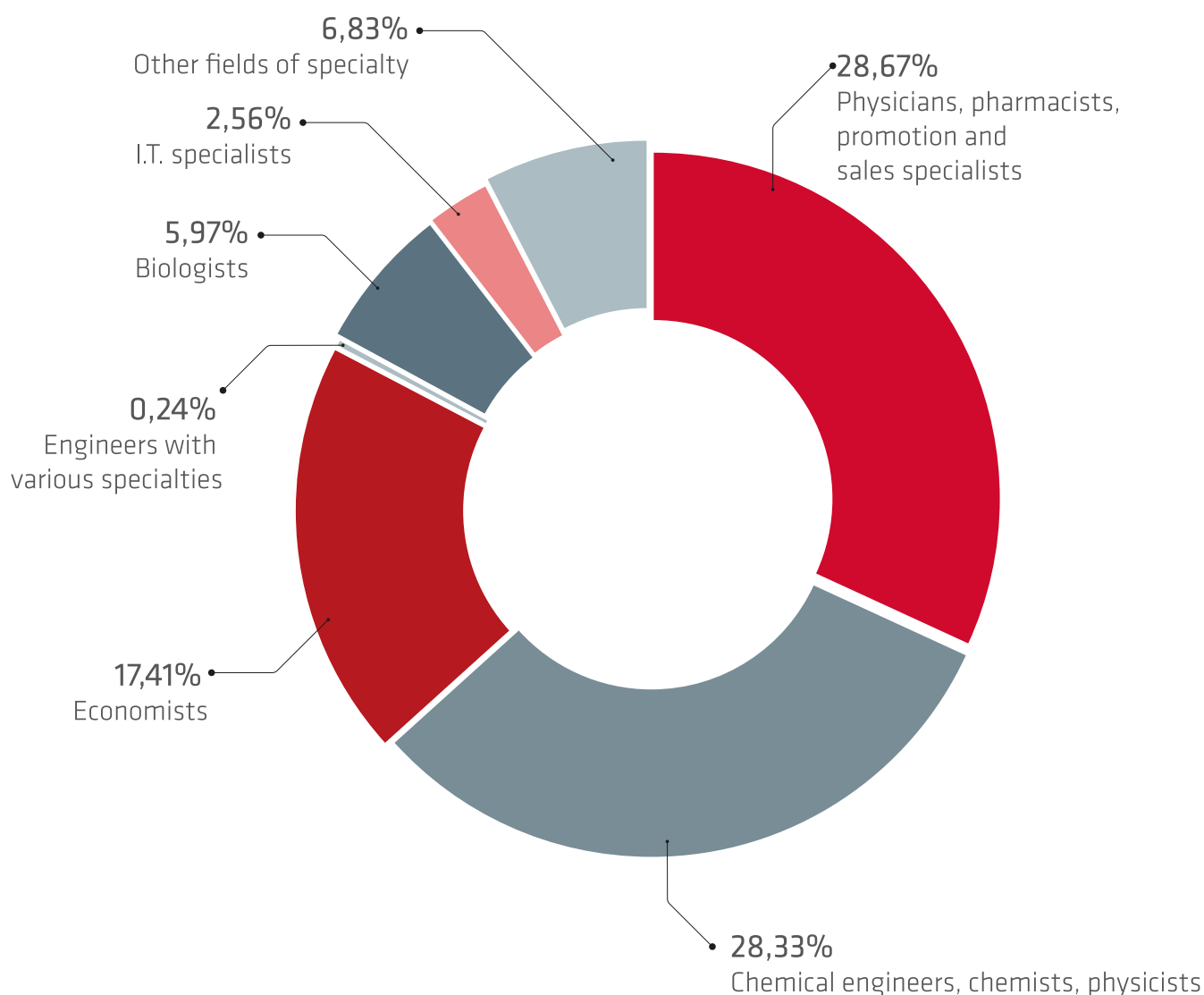
■ Higher education staff: 586 employees, representing 40% of total staff, increasing by 9.12% over the previous year (537 employees);

■ Average education staff: 879 employees representing 60% of total staff, down by 5.3% compared to the previous year (928 employees).

Breakdown of higher education staff, by profession, as of 31.12.2014

Professions	Number	Total percentage of higher education staff
Physicians, pharmacists, promotion and sales specialists	168	28.67%
Chemical engineers, chemists, physicists	166	28.33%
Economists	102	17.40%
Engineers with various specialties	60	10.24%
Biologists	35	5.97%
I.T. specialists	15	2.56%
Other fields of specialty	40	6.83%
Total	586	100.0%

Breakdown of the higher education staff



Human resources development

In order to develop professional skills, a number of 650 employees (44% of total employees) received continuing professional and personal development through the programs established within the "Annual Training Plan with External Lecturers" and through the instrumentality of the Summer School a+.

The training topics addressed in 2014 have included areas such as Quality Assurance and Control, Bioequivalence and Evaluation of the Medicine, Pharmaceutical Formulation, Experiments Design and the Stability of Medicated Products, Intellectual Property, Project Management, Risk Management, Equipment Qualification and Metrologic Calibration, Sales and Negotiation Techniques, Leadership and

Coaching, Performance Management.

Summer school a+, at its V-th edition

The "Summer School a+" destined for both the professional development of the own employees (internal component) and also for attracting young specialists from the fields of pharmacy, biology, chemistry and chemical engineering (external component) reached in 2014 at its fifth edition.

Trough the instrumentality of the "Organizational Development" and "Development of specialty competences" training modules, organized within the internal component it was intended to ensure access for about 500 employees to information enabling

them to broaden their knowledge and orientation towards performance.

Within the external component of the project, year 2014 brought a maximum of participants, respectively 57 final year students and graduates of the Faculties of Medicine and Pharmacy, Biology, Chemistry and Chemical Engineering. They have received intensive training from the company's specialized trainers on topics such as: Quality Assurance Systems, Pharmacovigilance, Regulatory Affairs, activities and techniques for Laboratory Quality Control, Research and Pharmaceutical Formulation, Technology and Equipment in the Pharmaceutical Industry.

Partnerships with academia

In 2014, by way of collaborative partnerships concluded with the "Alexandru Ioan Cuza" University Iași, the University of Medicine and Pharmacy "Gr.T.Popa" Iași and the Technical University "Gh. Asachi" Iași, conditions were ensured for the conducting of internships and study visits for 230 students from the specialties of Pharmacy, Medicine, Chemistry, Chemical Engineering and Biology.

Within the project "Traineeship and guidance for a successful career", conducted in partnership with the "Petru Poni" Technology High School in Iași, 25 students from chemical laboratory technician specialty classes, have accomplished their internship at Antibiotice.

At the same time, within the project "The School Differently – learn more, in order to be better", Antibiotice has opened its doors to 225 students from pre-university educational institutions in Iași.

The organization of these internships and open doors projects are aimed at familiarizing young people, already from the school benches, with the specific activities in the pharmaceutical industry in order to establish the premises for the selection, among the graduates, of the future employees.

The Management by Objectives System (MBO) in 2014

202 employees with management and execution positions, from all the structures of the company, were included, in 2014, in the MBO system. Upon formulating individual goals, it was intended that these are consistent with the Company's Mission and Vision, and that they derive from the strategic orientation defined for the 2014-2016 period, and they were meant to capitalize opportunities, concurrently with the reduction of the negative impact of risks and limitations, specific to the pharmaceutical market.

The Project "Ideas do not cost"

Running for the second consecutive year, of the project "Ideas do not cost", allowed managing the improvement proposals of the employees, through the optimization of business processes, reduction of costs and the increase of labor productivity.

The project aims to create an internal environment in which employees contribute directly in the launch, dissemination and implementation of ideas, with beneficial effects on improving communication and increasing motivation and employee involvement.

Within the departments of manufacturing, research, engineering, investment, and in marketing and promotion activities, the creation and implementation of ideas continued in the course of year 2014.

In various areas of the organization, this project had given the opportunity that at the end of the year, 31 employees received prizes for the ideas proposed or implemented over 2014.

Recognition and appreciation

Celebrating 59 years of the Company's existence has occasioned also this year, on December 11, the awarding, within a festive ceremony, of 60 employees who distinguished themselves through dedication, commitment and outstanding results in the company's development.

Risk Management

Risk Management

The role of risk management is to continuously assess the risks to which Antibiotice activities are or might be exposed, that may impair the achievement of targets.

In this regard the company has adopted specific procedures for the identification, assessment, measurement and control of the risks, in order to provide reasonable assurance regarding the achievement of the company's objectives, by constantly pursuing a balance between the risk and the estimated profit.

The entire staff must acknowledge the risks that may arise in the activity carried out, as well as their incumbent responsibilities for managing these risks.

The main categories of risk that may arise in the Company's activity can be of the following nature: financial, economic, technological, marketing-related, reputational and legislative.

Currency Risk

Currency risk or foreign exchange risk is a component of the financial risk and it appears frequently in the current market economy conditions, where monetary rates fluctuate under the influence of supply and demand.

Exchange rate fluctuations are reflected both in the costs of imported raw materials and in the capitalization prices of the exported finished products.

In order to limit the currency risk, the following measures have been taken:

- synchronization of the import activity with the export business by linking payment and collection terms and the correlation of the currencies weight;
- anticipation or delay of the payment or the collection, by setting appropriate maturity dates and introducing insurance price margins, correlated with forecasts for the evolution of payment currency.

Liquidity Risk

Liquidity risk results from the inability of the company to honor its payment obligations at any time in the short term.

The liquidity risk occurrence circumstances are:

- collection of receivables at deadlines exceeding 300 days;
- increased fiscality; when we talk about fiscality, we talk in the first instance about fiscal predictability, whereas the business environment is exposed to very frequent changes in tax matters (changes and emergence of new taxes, fees, contributions). Such a tax, having a significant impact on the cash flow, is the clawback provision.
- insolvency of certain customers;
- increase of prices for utilities, raw materials and services.

The strategy adopted in the field of liquidity risk:

- the defining of liquidity indicators (overall, rapid and immediate liquidity);
- the use of an early warning system that supports the identification of the heightened risk or of the vulnerability regarding the position of the liquidity.

In order to mitigate the liquidity risk, the following actions were taken:

- internationalization of the business activity

The volume of exports has grown steadily in recent years. Thereby the adaptation of the export portfolio to the requirements of the global market demands, by introducing new products, developing new projects by focusing on markets with high potential for the absorption of generic drugs, establishing new local branches, by maintaining and developing the existing partnerships, have created the premises for diminishing the liquidity risk. This strategy regarding the growth of exports takes into consideration the fact that in foreign markets higher returns are obtained, compared with the domestic market where the duration of the payment collection term is shorter than in the internal market and not lastly, the exports are not encumbered by the clawback tax.

- the most accurate estimation and the linking of the payments with the cashing;
- monitoring the claims and liabilities;
- negotiations with the suppliers on extending the payment deadlines;
- bridging, by means of loans, the gap between cashing and payments.

Commercial Risk (default)

The **Commercial Risk** is defined as the risk of recording losses or not reaching the estimated profits due to the debtor's lack of financial liquidity and failure to fulfil the payment obligations.

Circumstances for the occurrence of the

default risk:

- As far as medicinal drugs are concerned, the average term for payment collection exceeds 300 days, resulting in significant arrears. The lack of liquidity generates an increase in indebtedness, which may bring into question the insolvency of certain chains of pharmacies and pharmaceutical distributors.

In order to reduce the risk of not collecting payments from the domestic market, the following measures have been taken:

- assessing the creditworthiness of trading partners, by checking it in several ways, prior to the conclusion of the contract;
- monitoring the receivables through continuous control and assessment of the risks;
- the development of customer loyalty by organizing regular meetings and approaching a constructive attitude;
- conclusion of protocols on the timing of the payments;
- conclusion of mortgage contracts;
- financial deals granting discounts for payments made before the contractual deadline.
- establishment of expense provisions for covering the risk of default.

Economic Risk

Within the category of economic risks, a risk faced by the company is the increase in the price of the raw materials, due to a growing dependency on imports from Asia, also considering the EU Directive 2011/62 and the environmental policy.

To counter this risk, the company continuously invests in the authorization of at least two sources for all raw materials, by signing supply agreements containing limitations to a maximum threshold for the increase of the contractual price. Another measure taken into account is the inclusion in the portfolio of new products that would diminish the impact of discard

ing older generation products or because of losing raw materials suppliers.

In the same category is the risk of **losing markets (contracts) or the reduction of future access to them, affecting the strategic forecasts related to the export of end products.**

The circumstances of this risk are:

- changes of the legislative conditions in the local market;
- decrease in the price of competitive products in the market, which leads to dropping to an uncompetitive position;
- the loss of the partner's interest in Antibiotice products, due to new products entering the market;
- protectionist legislative regulations concerning the access of medicines on the market (Algeria, Tunisia, South America, Israel), conflict zones (Syria, Egypt, Afghanistan), the difficult situation in Ukraine and Russia.

For the management of this risk, the following measures are taken into consideration:

- constant observance of international trade policies;
- approaching a structurally and geographically diversified export strategy;
- differentiated approach of developed markets and emerging ones;
- conclusion of strategic partnerships with companies which hold important positions in international markets;
- building relationships based on trust and loyalty with local partners;
- involvement of the company's external distributors in marketing and promotion activities;
- ensuring quality and maintaining the international certifications, in accordance with the latest standards;
- anticipation of the legislative conditions and incentives for partnerships with local pharmaceutical companies, which sell under their own brands products manufactured by Antibiotice;
- opening new area offices.

Legislative Risk

The legislative amendments aimed at the pharmaceutical market generate **Legislative Risk**, which must be managed continuously.

The pharmaceutical market is a regulated market, with clear legislative provisions, developed in order to control the quality and therapeutic efficacy of the drugs, and to avoid counterfeiting.

Adaptation to these provisions is reflected both in additional costs, related to updating the documentation to the latest quality standards, with influence on the maximal prices, and in delays in the marketing of the products.

Antibiotice's strategy to manage these risks requires constant concern for acquiring the international certifications for the manufacturing flows, the updating of the licensing documentation for the products in the portfolio, conducting bioequivalence and stability studies, and also constant monitoring of international legislative changes.

Reputational risk

The reputational risk is defined as the actual or future risk of loss on earnings and capital, resulting from an unfavorable perception of the company's image. This includes the following risks:

- damages to the company's reputation due to negative information released in the media;
- withdrawal/refusal to grant an authorization.

In view of reputation risk management, the following measures are taken into consideration:

- monitoring the company's reflection in the media in order to identify any rumors that could jeopardize the company's image;
- regular appearance in the media with

positive information, transparency and fostering good relationships with the press;

- continuous training of staff in order to maintain authorizations;
- quick adaption to the legislative requirements in the relevant areas;
- compliance with the procedures.

During the risk assessment process, a number of risks that cannot be controlled have been identified, namely:

- risk of natural disasters (earthquake, flood, fire, etc.)
- risk of wars or ethnic conflicts;
- risk of economic, social and legislative instability;

Antibiotice will take all reasonable efforts to mitigate these risks, by way of preparing specific plans:

- Evacuation Plan in case of emergencies;
- intervention plan in case of natural disasters (earthquake, floods);
- intervention plan in case of fire;
- Accident Prevention Policy involving dangerous substances (acetone, methanol).

All these plans are intended to protect the employees, the property and the environment.

Diminishing the legislative instability risk is achieved by continuous adjustment of the policies, rules and procedures to the intervening changes.

Corporate Governance

The principles and recommendations of the Corporate Governance Code of the Bucharest Stock Exchange (CGC-BVB) are the basis for meeting the good corporate governance practices within the company.

Antibiotice SA considers corporate governance an important tool in achieving good performance, in sustainable development conditions, which ensures accuracy and transparency of the company's decision-making process, by providing equal access of all the shareholders to relevant information on the company. The governance system complies with the provisions of Law no. 297/2004 republished and CNVM regulations on the implementation thereof, Law no. 31/1990 republished, as further amended, CNVM Regulation no. 6/2009, BVB Code, BVB's Corporate Governance Code and the company's Articles of Incorporation.

The reliability of Antibiotice team is proven by their ability to strategically guide the company, to react promptly, and develop responsible and transparent business practices. This is valid for not only the management team, but also for the operational teams and the entire personnel of the company, who manage to attain a balance between conformity and high performance.

In 2014, consistency was proven in terms of strategic directions, supported by

proper investment programs. This was possible by applying the principles of best corporate governance, allowing to mobilize the employees' full potential in order to implement and maintain high standards in all the company's activities.

Structures the governance system relies upon within Antibiotice:

- Board of Directors
- Advisory Committees
- Executive Management
- Code of Ethics

Board of Directors

Antibiotice SA is managed by a Board of Directors responsible for performing all tasks required to achieve the company's scope of business, except for those provided by law for the General Meeting of Shareholders.

The 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 with the appropriate legal requirements and to implement them properly. The Board of Directors is responsible for monitoring the company's management on behalf of the shareholders.

The Board of Directors' duties are described in the company's Articles of Association and relevant internal regulations, available on the company's website, at the Corporate Governance section.

During 2014, the Board of Directors had

12 meetings, with a 100% attendance for each meeting, and adopted decisions allowing the effective and efficient fulfillment of their obligations. Thus, during the monthly meetings, the Board of Directors analyzed in detail the financial results obtained during the reporting period and cumulated since the beginning of the year, as well as the economic performance in relation to the budget and the similar period of last year. The 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 submission to the Bucharest Stock Exchange, each time meeting the established financial communication schedule.

The five members of the Board guarantee the efficiency of their capacity to supervise, analyze and assess the activity of directors, as well as the equal treatment of the shareholders.

The members of Antibiotice SA's Board of Directors as of December 31, 2014

**Ec. Valentin Radu, PhD, 65 years old
Chairman of the Board of Directors, representing the Ministry of Health**

At the Ordinary General Meeting of Shareholders of April 26, 2012, his appointment to the Board of Directors was reconfirmed for a period of four years; afterwards, he was elected Chairman by the members of the Board.

PhD in Economics, auditor and specialist in administrative law, member of the Board of Directors since 2009 and Manager within the Ministry of Health.

Shares in Antibiotice SA - 0*

**Ec. Ioan Nani, 55 years old Vice-President
of the Board of Directors
and General Manager**

At the Ordinary General Meeting of Shareholders of April 26, 2012, appointment to the Board of Directors was reconfirmed for a period of four years; afterwards, he was elected Vice-President by the members of the Board.

Economist specialized in management and chartered accountant, member of the Board of Directors since 2009 and Managing Director (1998 - 2008 and 2009 - present).

Shares in Antibiotice SA - 1,513*

**MD Adela-Petrinia Neagoe, 56 years old
Member of the Board of Directors, representing the Ministry of Health**

At the Ordinary General Meeting of Shareholders of March 20, 2014, she was elected to be a member of the Board of Directors for a period of four years.

Medical doctor, attending physician in Pediatrics, attending physician in Public Health and Sanitary Management, member of the Board of Directors since March 20, 2014 and deputy secretary general within the Ministry of Health.

Shares in Antibiotice SA - 0*

**Ec. Nicolae Stoian, 58 years old
Member of the Board of Directors,
representing SIF Oltenia and other
corporate shareholders**

At the Ordinary General Meeting of Shareholders of April 26, 2012, he was elected member of the Board of Directors for a period of four years.

Chartered accountant, tax consultant and financial auditor, representative of the Internal Control department of SIF Oltenia.

Shares in Antibiotice SA - 0*

**Eng. Gabriela Ilie, 65 years old
Member of the Board of Directors representing SIF Oltenia and other corporate
shareholders**

Reconfirmed in 2005, 2008 and then at

the Ordinary General Meeting of Shareholders of April 26, 2012 for four more years.

Chemist engineer and former manager within SIF Oltenia, she is a member of the Board of Directors since 2004. Currently she is retired.

Shares in Antibiotice SA - 14,894*

**The number of shares in Antibiotice (ATB) owned on August 5, 2014, according to the most recent database of Antibiotice for 2014.*

reorganization of the Business Development Unit by splitting the division in charge with international relations into:

■ *Export Department* – superintended by the General Manager, and

■ *Business Development Department* – coordinated by the economist Mihai Stoian.

The Executive Management of Antibiotice is ensured by nine managers, out of which one is the General Manager and Vice-President of the Board and eight are specialized managers.

Advisory Committees

During 2014, the advisory committees had the following structure:

■ *Audit Committee*: Mr. Valentin Radu and Mr. Nicolae Stoian;

■ *Nomination and Remuneration Committee*: Mrs. Gabriela Ilie and Mrs. Adela-Petrinia Neagoe;

■ *Commercial Policy Committee*: Mrs. Adela-Petrinia Neagoe and Mr. Nicolae Stoian.

The advisory committees performed investigations, analyses and issued recommendations for the Board of Directors, in specific areas and submitted regular reports on their activity to the Board of Directors.

Executive Management

Antibiotice SA is represented by the General Director who has the authority to sign legally binding documents in relation to third parties and legal proceedings (according to Art. 17, Chap. V of the Articles of Association of SC Antibiotice SA).

The Board of Directors retains their power to represent the company in relation to the directors it has appointed.

In 2014, the structure of the Executive Management changed as a result of the

The structure of the Executive Management of Antibiotice SA as of December 31, 2014

**Ec. Ioan Nani, 55 years old
General Manager and Vice-President of
the Board of Directors**

Mr. Nani is a graduate of the Faculty of Economic Sciences of “Alexandru Ioan Cuza” University in Iași. He is an economist specialized in management, and a chartered accountant.

He began his work as an economist at Antibiotice in 1987. Between 1991 and 1993, he was a financial auditor at the General Directorate of Public Finance of Iași, and then at the Romanian Court of Auditors. In 1994, he returned at Antibiotice as a Chief Financial Officer, and in 1998, he became the General Manager of the company. In February 2009, he was appointed Vice-President of the Authority for State Assets Recovery (AVAS), and in July of the same year, General Manager of Antibiotice.

He has held the position of General Manager since 2009.

Shares in Antibiotice SA – 1,513*

**Eng. Cornelia Moraru, 49 years old
Technical and Production Director**

Mrs. Moraru is a graduate of the Faculty of Chemical Technology of „Gheorghe Asachi” Technical University in Iași. After graduat

ing from the university, she worked as a chemical engineer at Chimia Fălticeni Factory. She has been working for Antibiotice since 1990. Until 1998, she worked at the Penicillin II manufacturing plant, and afterwards, for one year, in the Biosynthesis manufacturing plant. In July 1999, she became a biosynthesis technologist at the Penicillin II section. In January 2001, she was appointed Head of Tablet manufacturing plant, and in May 2003, she was appointed Director of the Pharmaceutical Unit.

She has held the position of Technical and Production Director since 2005.

Shares in Antibiotice SA - 1,513*

**Ec. Paula Luminița Coman, 47 years old
CFO**

Mrs. Coman is a graduate of the Faculty of Economy and Business Management of "Alexandru Ioan Cuza" University in Iași. She has been a chartered accountant since 2006 and a tax consultant since 2007.

After graduating from the university, she worked as an economist at the County Office of Tourism in Iași. She joined Antibiotice SA in 1991 as an economist within the Price Efficiency office. In 1998, she became the head of Economic Analysis office, and in 2003, Head of the Accounting and Financial Department.

She has held the position of Financial Director since 2011.

Shares in Antibiotice SA - 0*

**Ec. Vasile Chebac, 60 years old
Business and Logistics Director**

Mr. Chebac is a graduate of the Faculty of Economic Sciences, "Alexandru Ioan Cuza" University in Iași. He has been an active member of the Body of Chartered Accountants - Iași since 1993, and a financial auditor, member of the Romanian Chamber of Chartered Accountants since 2008.

He started to work for Antibiotice SA in 1972. In 1987, he joined the Planning-Development office within the Investments department as an economist. From February 1991, he started to work as a tax inspector at the General Directorate of Public

Finance of Iași, and in July 1993, he became a financial auditor at the Court of Auditors of Iași. In January 1998, he was appointed chief commissioner at the Financial Guard of Iași. He returned to Antibiotice in September 2001, as a Chief Commercial and General Services Officer.

He has held the position of Business and Logistics Director since 2005.

Shares in Antibiotice SA - 0*

**Eng. Eugen Florin Osadeț, 58 years old
Engineering and Investment Director**

Mr. Osadeț is a graduate of the "Gheorghe Asachi" Technical University in Iași, the Faculty of Mechanics. In 2000, he was awarded the Master's degree in Management and Business Administration by the same university.

He started working for Antibiotice SA in 1980, first as a mechanical engineer within the Industrial Refrigeration Systems Workshop, and later as a thermal power dispatcher. In 1997, he became the head of Thermal Power Workshop.

He has held the Engineering and Investment Director since 2000.

Shares in Antibiotice SA - 1.511*

**Eng. Cristina Lavinia Dimitriu, 57 years old
Quality Director**

Mrs. Dimitriu is a graduate of the "Gheorghe Asachi" Technical University in Iași, the Faculty of Chemical Technology. In 2000, she was awarded the Master's degree in Management and Business Administration by the same university. In 2007, she was awarded the Master's degree in Management and Marketing by the Faculty of Pharmacy within the "Grigore T. Popa" University of Medicine and Pharmacy" Iași. As of the same year, she became a PhD candidate at the Faculty of Pharmacy in Iași.

After graduating from the university, she worked as a chemical engineer at the Făgăraș Chemical Factory. She started working for Antibiotice SA in 1987, at the Biosynthesis-Lysine manufacturing plant.

In 1990, she became a production manager at the Injectable Products manufacturing plant, and in 2000, she was appointed quality control manager for physical-chemical and microbiological analyses. Since 2007, she has been a qualified person for the manufacture /import of products for human use, and a representative of the management for the integrated management system.

She has held the position of Quality Director since 2003.

Shares in Antibiotice SA – 0*

**Ec. Gica Rusu, 51 years old
Human Resources Director**

Mrs. Rusu is a graduate of the “Alexandru Ioan Cuza” University in Iași, Faculty of Economic Sciences. In 2003, she was awarded the Master’s degree in Management and Business Administration by the same university.

She started to work at Antibiotice in 1981. In 1986, she was an economist at the Penicillin manufacturing plant, and in 1996, she started working for the Financial Department. In 1999, she was appointed Head of the Human Resources department.

She has held the position of Human Resource Director since 2004.

Shares in Antibiotice SA - 1,510*

**Ec. Ovidiu Bățaga, 37 years old
Marketing and Internal Market Sales Director**

Mr. Bățaga is a graduate of the Faculty of Economy and Business Administration (FEAA), within the “Alexandru Ioan Cuza” University in Iași. He holds three Master’s degrees: in financial management (awarded by the same university, 2001), pharmaceutical marketing (awarded by University of Medicine and Pharmacy “Grigore T. Popa” Iași, 2003) and project management (awarded by “Gheorghe Asachi” Technical University, 2007).

After graduating from university, he worked as a teaching assistant for the Currency and Credit department (field of

study: Finances), within FEAA. He started to work for Antibiotice SA in February 2001 as an economist in the department of Economic Analysis, Accounting and Marketing. In January 2006, he was appointed Head of the Market Analysis and Strategic Planning Department.

He has held the position of Marketing and Internal Market Sales Director since 2010.

Shares in Antibiotice SA – 0*

**Dr. Mihaela Moșneguțu, 45 years old
Medical Manager**

Mrs. Mosnegutu is a graduate of the Faculty of Medicine of the “Grigore T. Popa” University of Medicine and Pharmacy in Iași. She is a physician specialized in family medicine.

She began her career working as a physician in Iași. She started to work for Antibiotice in 2000, in the Promotion office. She became the head of the Promotion office in 2001. In 2005, she was appointed head of the Pharmacovigilance and Medical Consulting department, and in 2009, she was assigned the position of Medical and Retail Promotion manager.

She has held the position of Medical Director since 2011.

Shares in Antibiotice SA – 0*

**The number of shares in Antibiotice (ATB) owned on August 5th, 2014, according to the most recent database of Antibiotice for 2014.*

Code of Ethics

The Code of Ethics of Antibiotice SA outlines the ethical standards of conduct which establish and regulate the corporate values, the company’s business responsibilities and obligations and the way the company operates.

The Code of Ethics provides rules in key areas pertaining to employees, human rights, environmental management, social responsibility and corporate governance,

and contains guidelines intended to help the company pursue its values. The Code presents the set of rules which the company was developed upon, the rules of ethical business conduct and ways of preventing illegal actions that might occur during business performance. The Code is mandatory and applies to all structures and activities of the company. The Code of Ethics is a fundamental commitment to make every effort in order to observe the high ethical standards and the applicable legal requirements, anywhere Antibiotice conducts their business.

The Code of Ethics is presented in detail on the company's website ([www.antibiotice.ro/Investitori/ Corporate Governance / 1. Reference Documents /Code of Ethics](http://www.antibiotice.ro/Investitori/Corporate%20Governance/1.%20Reference%20Documents/Code%20of%20Ethics))

financial and annual standings drawn up according to the legislation in force. Also, the company observes all publication requirements according to the legislation on trade companies and capital market.

Within the company there is a structure dealing with the existing and potential investors, called Investor Relations; its role is to ensure a good communication with the company's shareholders. The individuals appointed to maintain the connection with the investors treat the requests of the shareholders with maximum diligence and facilitate their dialogue with the company's management. The company creates and develops a proper policy to promote an efficient communication with the investors and shareholders.

Rights of the financial instrument owners

The corporate governance framework adopted and partially applied:

- protects the shareholders' rights;
- ensure an equal treatment of all shareholders;
- recognizes the role of third parties with interest in the company;
- guarantees information and transparency;
- ensure the responsibility of the Managing Board in regard to the company and the shareholders.

On our website, at www.antibiotice.ro/investors, there is a section dedicated to the shareholders, where documents on the General Assembly of Shareholders can be accessed and downloaded: procedures on the access and participation to assemblies, the convener, additions to the agenda, information materials, special representation power of attorney documents, correspondence vote forms, decision drafts, decisions, voting results, etc. The company provides all those interested the periodic

General Meeting of Shareholders

The General Meeting of Shareholders (GMS) is the highest decisional body of the company, the place where the shareholders participate directly and make decisions. Among other obligations, the GMS decides regarding the distribution of the profit, elects the Board of Directors, appoints auditors and sets the remuneration of the Board of Directors.

During 2014, the Board of Directors called four General Meetings of Shareholders, out of which three Ordinary General Meetings (March 20, April 25, and August 14) and two Extraordinary General Meetings (March 20, and June 26).

All the necessary documents regarding the proper performance of General Meetings were published in due time and according to the legislation in force.

During the **General Meetings of Shareholders of March 20, 2014** the structure of the company's Board of Directors changed, by revoking Mr. Gheza-Gheorghe Molnar

and appointing Mrs. Adela-Petrinia Neagoe.

During the **General Meeting of Shareholders of April 25, 2014** the company's financial statements for the financial year of 2013 were approved, based on the Directors' Report and the Financial Auditor's Report, along with the distribution of the net profit amounting to RON 31,380,855, setting the gross dividend per share of RON 0.02302729 and the payment thereof as of 15-Oct-2014.

Also, during the same meeting, the following were approved:

- the discharge from administration of the directors, for the activity performed in 2013 financial year, based on the presented reports ;

- the Income and Expenditure Budget for 2014;

- the level of targets and performance criteria achievement in 2013, for the members of the Board of Directors;

- the targets included in the management plan, for the members of the Board of Directors for 2014;

- determination of the remunerations of the members of the Board of Directors according to the provisions of the Government Emergency Ordinance no. 51/2013 on the amendment and supplementation of the Government Emergency Ordinance no. 109/2011 on the corporate governance of public companies;

- the procedures for awarding procurement contracts, concession contracts for public works and service concession contracts, according to the provisions of the legislation in force: Government Emergency Ordinance 34/2006 amended through the Government Emergency Ordinance 77/2012, amended and complemented through the Government Emergency Ordinance 94/2013 and according to

the other legal provisions in force.

During the **General Meeting of Shareholders of June 26**, the company's shareholders approved the extension by 12 months of the validity of the credit facility amounting to RON 60 million contracted by SC Antibiotice SA from Eximbank and transforming it into a multi-product/-multi-currency limit with the possibility of issuing letters of guarantee and L/Cs, as well as the financing of the current business.

The **Ordinary General Meeting of Shareholders of August 14, 2014** approved the company's financial statements for H1 of 2014, based on the Administrators' Report and the Financial Auditor's Report, according to art. 55.(1) of the Government Emergency Ordinance no. 109/30.11.2011 and the internal procedures on procurement contracts, the Government Emergency Ordinance no. 34/2006 amended through the Government Emergency Ordinance no. 77/2012, amended and supplemented through Law no.193/2013.

Social Responsibility

The success of a company is measured not only by business it makes, but also in terms of how well it serves the community, how well it protects the planet's resources and changes people's lives. Antibiotice assumes responsibility and is directly involved in the community by charity actions, donations, sponsorship, developing humanitarian, educational and cultural projects, acting to promote a better society, but also protecting and improving the environment.

“Antibiotice - Science and Soul” Foundation

“Antibiotice - Science and Soul” Foundation continues the tradition in conducting charity events as well as humanitarian, educational and cultural projects to improve the health of the population and to mitigate certain social issues.

Moreover, the Foundation supports scientific activities for both physicians (by organizing training seminars, continuous medical training) and the public (by increasing the level of medical awareness on the role of generic medicines or the various pathologies, by organizing educational and preventive events).

Throughout 2014, “Antibiotice - Science and Soul” Foundation developed humanitarian campaigns helping lots of families, children with a serious health condition or held in institutions, elderly, sick or underprivileged people. The actions within the campaigns “The power of action”, “Be a volunteer! Donate blood!”, “Give a toy, give a smile”, “With science and soul close to people”, “Give from the heart! Be Santa Claus” brought joy and hope into the hearts of those in need of humanitarian support.

Be a volunteer! Donate blood!

Under the impulse Be a volunteer! Donate blood! “Antibiotice - Science and Soul” Foundation organized in 2014, for the fourth year in a row, two blood donation campaigns. The first was on the World Health Day, on April 7, and the second as a result of the increasing demand from the hospitals in Iași, on October 8th.

115 employees of Antibiotice made a volunteer and valuable gesture by donating blood. They saved 230 lives thanks to the 55 liters of blood collected.

The blood donation campaigns were held at the clinical unit of the Center for Drug Evaluation within Antibiotice. Following a favorable appreciation, this mobile blood collect campaign will be continued through “Antibiotice - Science and Soul” Foundation during the following years.

The power of action is in our power!

With the occasion of Easter celebration, 31 children in need from Rebricea, Vaslui County received a set of new clothes and new footwear offered by the employees of Antibiotice. The Science and Soul Foundation brought joy in the hearts of these underprivileged children aged 6 -11, who were the guests of Antibiotice in December as well, when they met Santa Claus. On this occasion, many employees of Antibiotice generously offered children new clothes and footwear, candy and school supplies.

Most of these children come from underprivileged families with no material means, for whom receiving new clothes and footwear for Easter brings merely a solution to a stringent need, not a holiday indulgence.

June 1st – Open gates day for the employees' children

On the International Children's Day, Antibiotice widely opened its gates for a number of 160 children of our employees, with ages between 5 and 14, who had the chance to see where their parents work, to meet their colleagues and “inspect” one of the company's flows or laboratories. For a few hours, the children were able to sit at mom's desk, enter the laboratory where dad works or visit the manufacturing plants of Antibiotice.

They therefore saw what their parents' work involves in a unique experience and they had a “different” celebration of their June 1.

Be Santa Claus!

62 children in need met with Santa Claus at Antibiotice headquarters. “Antibiotice - Science and Soul” Foundation managed to bring joy into the hearts of disadvantaged children from Dagâța village (Iași County) for whom Santa's arrival was the happiest moment of the year.

With the help of teachers or on their own, children between 4 and 9 years of age wrote their wishes to Santa. Then, their letter reached the hands of several employees of Antibiotice who enthusiastically embraced the role of Santa's “elves”, fulfilling their wishes.

Coming from underprivileged families, the children wished for simple things: fairytale books, shoes, dolls or toy cars, bananas, oranges and candy, but Santa offered them much more. During the festivity held at Antibiotice, the children hugged Santa, they told him how wisely they waited for him, and were glad to meet some of the elves who made their wishes come true.

Antibiotice supports the Association of Former Employees

Antibiotice supports the Association of Former Employees by providing medicines and house calls to those in need, by providing legal assistance in disputes with the local and national authorities. The Association is a bridge between the company's management and the former employees of Antibiotice. The Association of Antibiotice Former Employees was set up in 2005 and its objective is to monitor and solve different issues of the retired former staff of Antibiotice.

All these actions show the care Antibiotice has for those who contributed along the years to developing and strengthening our business on the pharmaceutical market.

“Science and Soul” scholarships

For over 14 years, Antibiotice has been close to “Pro Ruralis” Association supporting the program of scholarships for students from rural areas with a higher IQ, who come from underprivileged families. As of November 2010 the project is run by “Antibiotice Science and Soul” Foundation.

Initiated in 2001, this project offers intelligent children without material means the chance to complete their education according to their potential, in elite high schools in Iași.

Antibiotice participated to this generous program in the academic year 2014 - 2015 as well, by offering “Science and Soul” scholarships. The first 5 students who benefited from our financial support in the last years graduated high school in the summer of 2009, and attended the courses of different universities. In addition, on the occasion of different events and holidays, the company offered gifts consisting of school supplies, clothes and footwear, invitations to various shows.

emissions of air, water and soil pollutants falling under the maximum acceptance limits set by the European standards in the field.

In 2008, the environmental program “Be pro nature. Put your heart in it!” was initiated, as a proof that our company commits to and takes part in protecting the environment, investing important resources in water, air and soil protection.

Within this program, in 2014 we took part to Earth Hour 2014. Antibiotice participated for the sixth year in a row to what has become the largest environment campaign of all time.

“Earth Hour” was marked by the fact that between 20:30 and 21:30 on March 29, 2014 the exterior lighting and power supply was shut off on the company's premises, where it was possible. The action of raising awareness on environmental issues is part of our company's strategy for responsible resource management (from consumption to recycling) as a first step in the effort of protecting the environment.

Promoting the environmental protection

Antibiotice continues to actively take part in protecting the environment, acting according to the requirements of the applicable legislation. By implementing the Environmental Management System, the company intends to prevent pollution and to continuously improve environmental performance.

By obtaining, in December 2010, the Integrated Environmental Authorization, valid for a period of 10 years, Antibiotice demonstrates it is a company observing the environmental requirements, the

Environment responsibility

The company's business in the field of environment protection is regulated by the Integrated Environmental Authorization no. 1/10.01.2011 issued by the Regional Agency of Environment Protection Bacău (valid until 10 January 2021) and the Authorization for water management no. 303/20.12.2010 issued by the Romanian National Administration of Waters, the Administration of Water Prut - Bârlad (valid until 31-Dec-2020).

All production plants' manufacturing lines within the company are GMP authorized and certified by ISO 9001, and the production line for Nystatin, as well as for parenteral products, have FDA's approval.

Antibiotice implemented an Integrated Management System (Quality, Environment, Health and Operational Security) certified by Lloyd's Register Quality Assurance (LRQA) in 2007.

In November 2014, LRQA conducted the audit to re-certify the compliance of the Integrated Management System implemented within the company (environment, quality and occupational health and safety) with the requirements of EN ISO 14001:2004, EN ISO 9001:2008, and ISO 18001:2007 standards. As compared to the provisions of the Integrated Environment Authorization, in 2014 changes were made to the production capacities, activities were developed or eliminated, as follows: the project for partial removal of the Biosynthesis Pilot building, finalizing the

works and commissioning a new warehouse for raw materials and materials, for which the technical documentation was submitted and the necessary regulatory documents were obtained from the Agency for Environmental Protection Iași.

In order to observe the legislation in the field of environmental protection, Antibiotice ensured the necessary equipment and the qualified personnel. The entire activity is regulated by operational procedures of the environmental management system and by specific operation instructions.

Monitoring the environmental factors was performed according to the Integrated Environmental Authorization, both by our own laboratories and a laboratory authorized by the Romanian Accreditation Association - RENAR.

Total environmental costs in 2014

Activity	Costs 2014
Waste water treatment plant - operation, monitoring, outsourcing, personnel expenses	2,840,198
Waste incineration - plant operation, collection, transport, personnel expenses	257,791
Administrative - waste collection and transport, green area maintenance	235,628

RON

The measures required by the control authorities in the environmental field were solved, and the requirements of the Integrated Environment Authorization were observed. No environmental incidents/accidents, complaints or notifications have been recorded.

Specific consumption and energy use

At Antibiotice, the Biosynthesis Plant where Nystatin (active pharmaceutical ingredient) is produced, is subject to the European Directive on integrated pollution prevention and control (IPPC). The main raw materials used to produce Nystatin are: soya flour, corn starch, corn extract (45%), dextrose monohydrate, refined soya oil, subtilase, calcium carbonate, ammonium sulphate, green copperas, ammonium phosphate (dibasic), solid monopotassium phosphate, technical ammonia, acetone and methanol. In 2014 the Biosynthesis plant met the specific consumption planned.

Specific consumption indicators at company level in 2014 (utilities/1000 RON)

Year	Electricity (MWh)	Natural gas (thousands of cm)	Drinkable water (thousands of cm)	Total value of utilities (thousands of RON)	Value of goods production (thousands of RON)	Electricity / Goods production (MWh/thousand RON)	Natural gas / Goods production (cm/thousand RON)	Drinkable water / Goods production (cm/thousand RON)
2013	12,810	5,109	132	9,186	333,139.8	0.0385	15.33	0.396
2014	13,293	4,902	161	9,261	339,755.2	0.0391	14.43	0.474

Air quality

In 2014, in order to monitor air quality, 3,048 analyses were performed in the laboratory of our water treatment plant to determine pollutant emissions for the following indicators: nitrogen oxide, ammonia, suspension powders and sediment powders, as well as 119 analyses for the pollutant emissions resulting from the technological process, for the section of Biosynthesis. No maximum acceptance limit provided in the Integrated Environmental Authorization was exceeded.

The emissions of non-methane volatile organic compounds from the Nystatin extraction plant were determined based on the balance of solvents and by samples collected and analyzed by a third party lab, Givaroli lab in Bucharest.

Monitoring the emissions from our own incineration plant was carried out according to the requirements of the Integrated Environmental Authorization. The analyses were performed by Givaroli lab. The results, indicated in analysis reports, show that the plant operates at the parameters designed, observing the environmental protection standards and the provisions of European Directives.

The analysis of the gas evacuated into the atmosphere by our own thermal power plant reports that no limit emission value was exceeded.

Water quality

Monitoring water quality involved 49,010 tests on the water entering our water treatment plant that is evacuated into the city sewage system, the conventionally clean waters evacuated into the natural emissary, as well as underground water.

No maximum acceptance limits set in the Integrated Environment Authorization, in the Authorization for water management and Government Resolution no. 352/2005 (NTPA 001 and NTPA 002) were exceeded.

The water treatment plant operated with a yield ranging from 88% to 97%, which translates into a high-performance operation.

Soil and underground water protection

The quality of underground water was monitored by collecting and analyzing on a monthly basis the samples taken from the nine perimeter observation drills and from the drill located downstream to the location of the waste deposit.

No accidental pollution or environment incident was reported that would lead to a degradation of the soil quality in the area influenced by the company's activity.

Waste management

Antibiotice implemented a system of selective collection of waste, each manufacturing plant and auxiliary activity having proper containers for collection.

Recyclable waste is salvaged based on agreements with authorized economic operators. The waste that cannot be recycled was incinerated in our incinerator or discarded in the municipal waste landfill.

The global objective, as well as the minimum objectives to recycle different types of materials, set for 2014 (according to the Government Resolution no. 621 of 2005, as further amended and supplemented) were met.

The company observes the requirements of packaging waste management. In 2014, the agreement with an authorized economic operator was maintained and 383,150 kg of glass, 223,946 kg of paper and cardboard, 42,221 kg of plastic and 25,925 kg of metal (aluminum) were collected and salvaged on behalf of the company.

The waste generated by electrical and electronic equipment (WEEE) was collect

ed according to the internal procedure, the total quantity amounting to 311.65 kg after salvaging a quantity of 1,249.05 kg. WEEE is stored on the company's premises in appropriate areas (confined, made of masonry), and later delivered to the authorized economic operators.

Emergency situations prevention and management

At Antibiotice the prevention of emergency situations and the intervention capability in case of accidents are ensured by the activity of the following services: Emergency situations, Environmental protection, Prevention and protection.

To this effect, the plan of accidental pollution prevention and control, the policy of accident prevention in case of handling dangerous substances (solvents), the plan of protection against fire (fire prevention and fighting - PSI), the scenario of fire safety, the hypotheses of intervention in case of fire, the procedure on preparing for emergency situations and reaction capability, the authorizations/documents required for all the teams subject to the regulations of the State Inspection for the Control of Boilers, Pressure Vessels and Hoisting Units (ISCIR) have been drafted.

In 2014, during the annual inspection of ISUJ Iași, an evacuation drill was conducted in case of earthquake, fire and emissions of dangerous substances for the Administrative Building, the Quality Control building, Warehouse no. 3 and the Plant for solvent regeneration - Biosynthesis, as well as a number of 12 internal alarm drills. During these drills, the reaction capabilities of the emergency intervention teams were tested and assessed.

Economic and Financial Activity

In 2014, Antibiotice conducted their activity in the spirit of achieving the targets and indicators set in the Income and Expenditure Budget.

Starting with the financial year 2012, our company adopted the International Financial Reporting Standards (IFRS) requiring us to restate the accounting information according to the Minister of Public Finance Order no. 881/2012 completed by the Order no. 1286/2012. The financial year 2013 was the first for which the accounting records were kept according to IFRS provisions and the financial reporting continued in the same manner in 2014.

Statement of Comprehensive Income

The sales revenues amounted to RON 318.9 million, by **RON 1.5 million** higher in comparison to 2013, when they amounted to RON 317.4 million, the result of the sustained effort of the entire company to consolidate our business.

Statement of Comprehensive Income	31.12.2014	31.12.2013	2014/ 2013
Sales revenues	318,945,093	317,432,940	1.00
Other operational revenues	15,314,945	20,466,692	0.75
Revenues from product inventory expenses	9,297,266	9,512,329	0.98
Revenues from the business conducted by the entity and capitalized	2,837,630	2,253,937	1.26
Expenses with raw materials and consumables	(108,174,189)	(107,346,872)	1.01
Personnel expenses	(71,439,222)	(70,814,378)	1.01
Amortization and depreciation expenses	(17,057,809)	(20,399,308)	0.84
Other operational expenses	(99,446,184)	(99,719,617)	1.00
Operation profit	50,277,530	51,385,724	0.98
Net financial revenue	(12,914,398)	(16,694,804)	0.77
Profit before tax	37,363,132	34,690,920	1.08
Expenses with the current corporate tax and the deferred corporate tax	(6,224,393)	(3,310,065)	1.88
Profit	31,138,739	31,380,855	0.99
Average number of personnel	1465	1465	1.00
Labor productivity	217,710	216,678	1.00

RON

The consistent implementation of the administration plan and the management plans, as well as the continuous monitoring of all units throughout the financial year of 2014 led to an operational result of RON 50.3 million. Thus, the impact of the clawback tax (which increased by 68% in comparison with 2013) was reduced, determining a decrease in the operation profit by only 2% in comparison to the previous year.

The revenues from the sale of goods, of RON 67.41 million, were mostly accounted for by the value of the portfolio products, which were manufactured on other production lines (outside the country) or on dedicated lines according to the requirements of the Good Manufacturing Practice principles in force.

The revenues were obtained with a commercial effort of RON 61 million, which represents the differences in prices when selling in hospital tenders (in the ratio of 25%) and sales support by promotion campaigns in the retail segment.

Sales revenues	31.12.2014	31.12.2013	2014/ 2013
Sales of finished products	312,499,471	298,026,216	1.05
Sales of goods	67,408,992	64,373,453	1.05
Commercial discounts	(60,963,371)	(44,966,729)	1.36
Total	318,945,093	317,432,940	1.00

RON

The net financial revenues were mainly influenced by the following expenses:

- Expenses with bank interests of RON 2.1 million, by 24% lower;
- Expenses with granted discounts of RON 10.8 million, by 23% lower.

Other operational expenses

Description	31.12.2014	31.12.2013	2014/ 2013
Utilities	9,262,780	9,187,388	1.01
Repairs	2,038,820	4,149,947	0.49
Rent	135,489	141,528	0.96
Insurances	1,335,027	1,380,162	0.97
Bank commissions	1,314,930	1,320,994	1.00
Product advertising and promotion	3,270,357	3,212,435	1.02
Travels and transportation	3,863,649	3,545,858	1.09
Mail and telecommunication	523,878	537,533	0.97
Other services provided by third parties	29,027,474	40,740,834	0.71
Other taxes and charges	26,856,901	16,410,017	1.64
Environment protection	491,138	761,397	0.65
Expenses with asset assignment	15,953	-	-
Losses and adjustments of doubtful receivables	9,216,847	137,354	67.10
Other provisions	5,023,420	3,753,883	1.34
Exchange rate differences	5,484,841	12,694,655	0.43
Miscellaneous	1,584,680	1,745,632	0.91
Total	99,446,184	99,719,617	1.00

RON

The profit before tax amounted to **RON 37.4 million**, by 8% higher than the one of 2013, when it amounted to RON 34.7 million. The profit after tax amounted **RON 31.1 million**.

Gross profit on 12.31.2014 = RON 37,363,132

Tax = RON 6,224,393

Net profit to distribute = RON 31,138,739

The profit after tax is of RON 31.1 million.

The distribution of profit for the financial year 2014:

Destination	Amount
Profit to distribute	31,138,739
Legal reserve	237,754
Own financing sources and other profit distributions provided by the law:	15,154,276
▪ Reserve of reinvested profit Government Emergency Ordinance no. 19/2014	1,094,281
▪ Reserve out of the R&D activity according to art. 19 of the F.C.	1,556,930
▪ Reserves out of waste recovery	1,156,356
▪ Own financing sources	11,346,709
Dividends out of which:	15,746,709
▪ dividends due to the main Shareholder (53.0173%)	8,348,476
▪ dividends due to other legal entities and individuals (46.9827%)	7,398,233

RON

Financial standing statement

On December 31, 2014, Antibiotice's non-current assets had a constant value compared to the beginning of the year. The accounting amortization was calculated based on the linear method according to IFRS standards.

Financial standing statement	31.12.2014	31.12.2013	2014/ 2013
ASSETS			
NON-CURRENT ASSETS			
Tangible assets	188,576,994	190,590,225	0.99
Intangible assets	7,916,842	6,123,847	1.29
Investments in equity instruments	-	-	-
TOTAL NON-CURRENT ASSETS	196,493,836	196,714,072	1.00
CURRENT ASSETS			
Inventory	57,284,464	50,363,337	1.14
Commercial receivables and similar	232,062,022	254,001,617	0.91
Financial assets held for sale	140	140	1.00
Cash and cash equivalent	17,806,234	10,487,736	1.70
TOTAL CURRENT ASSETS	307,152,860	314,852,829	0.98
TOTAL ASSETS	503,646,697	511,566,901	0.98
DEBTS			
CURRENT DEBRS			
Commercial debts and similar	46,916,170	53,366,639	0.88
Amounts due to credit institutions	54,783,341	72,139,195	0.76
Debts due to current taxes and charges	12,436,407	8,196,629	1.52
Short-term provisions	5,021,334	3,753,883	1.34
TOTAL CURRENT DEBTS	119,157,252	137,456,346	0.87
LONG-TERM DEBTS			
Subsidies for investments	3,521,762	3,949,729	0.89
Deferred tax	16,636,682	17,448,292	0.95
Long-term provisions	-	4,061,177	-
TOTAL LONG-TERM DEBTS	20,158,444	25,459,199	0.79
TOTAL DEBTS	139,315,696	162,915,545	0.86
Share capital and reserves			
Share capital	264,835,156	264,835,156	1.00
Revaluation reserves	4,158,471	5,721,808	0.73
Legal reserves	13,189,007	11,360,142	1.16
Other reserves	118,149,425	105,017,965	1.13
Carried forward result	(67,139,797)	(69,664,570)	0.96
Current result	31,138,739	31,380,855	0.99
TOTAL EQUITIES	364,331,001	348,651,356	1.04
TOTAL EQUITIES AND DEBTS	503,646,697	511,566,901	0.98

RON

Current assets:

■ the inventory, at the end of the year, increased by 14% compared to the beginning of the financial year in the context of ensuring the necessary raw materials for the Q1 2015 production without exceeding the approved inventory norms;

■ at the end of the year, the value of total receivables was 9% lower than at the beginning of the year, decreasing from RON 254 million to RON 232 million, as a result of the policy of accelerating the collection of payments from the distributors.

The average time of receivable collection in the external market was 68 days in 2014, compared to 367 days in the internal market. This resulted in an average collection time of 288 days.

The cash and cash equivalent increased by 70% at the end of 2014 compared to the previous year.

The key diagnosis indicators show the company's financial balance and continuous concern with business efficiency.

The evolution of the main economic and financial indicators

		31.12.2014	31.12.2013	2014/2013
EBIT(ROn)	=Earnings before interest and taxes	37,363,132	34,690,920	1.08
ROE (return on equity)	=Earnings before interest and taxes/Equities	10%	10%	1.03
ROA (return on assets)	=Net profit/Total assets	6%	6%	1.01
EPS (RON/share)	= Net profit/share	0.046	0.047	0.99
Net profit ratio	= Profit/Sales income	10%	10%	0.99
Current ratio	= Current assets/Current obligations	2.6	2.3	1.13
Quick ratio	= (Current assets - Inventory) /Current obligations	2.1	1.9	1.09
Indebtedness	= Credits/Total assets	28%	32%	0.87
No. of shares		671,338,040	671,338,040	1.00

Liabilities

As of December 31st, 2014, the company's current liabilities amounted to RON 119 million, by 13% lower compared to 2013, as a result of reducing debts towards the suppliers by 10% and the bank loans by 24%.

Amounts owed to credit institutions on December 31, 2014

The short-term agreement no. 28/18.04.2005 concluded with Alpha Bank - Iași Branch

Objective	Credit line - current assets
Amount	8,000,000 RON 100,000 Eur
Due date	30.05.2015
Balance on 31.12.2014	3,694,740.11 RON
Guarantees	Debt assignment agreement

The short-term agreement no. 12/01.07.2013 concluded with the Export Import Bank of Romania EXIMBANK S.A.

Objective	Credit line - current assets
Amount	60,000,000 RON
Due date	30.06.2015
Balance on 31.12.2014	20,206,393.16 RON
Guarantees	Mortgage agreement over buildings, land and receivables

The short-term agreement no. 12239/22.05.2012 concluded with ING BANK N.V. AMSTERDAM - Romanian Branch

Objective	Credit line - current assets
Amount	9,500,000 Eur
Due date	22.05.2015
Balance on 31.12.2014	6,890,120.15 Eur (30,882,207.53 Lei)
Guarantees	Debt assignment agreement / Mortgage agreement over buildings, land

Amounts owed to credit institutions on December 31, 2013

The short-term agreement no. 28/18.04.2005 concluded with Alpha Bank - Iași Branch

Objective	Credit line - current assets
Amount	8,000,000 RON 100,000 Eur
Due date	30.05.2014
Balance on 31.12.2013	3,301,508.20 RON
Guarantees	Debts assignment agreement

The short-term agreement no. 12/01.07.2013 concluded with the Export Import Bank of Romania EXIMBANK S.A.

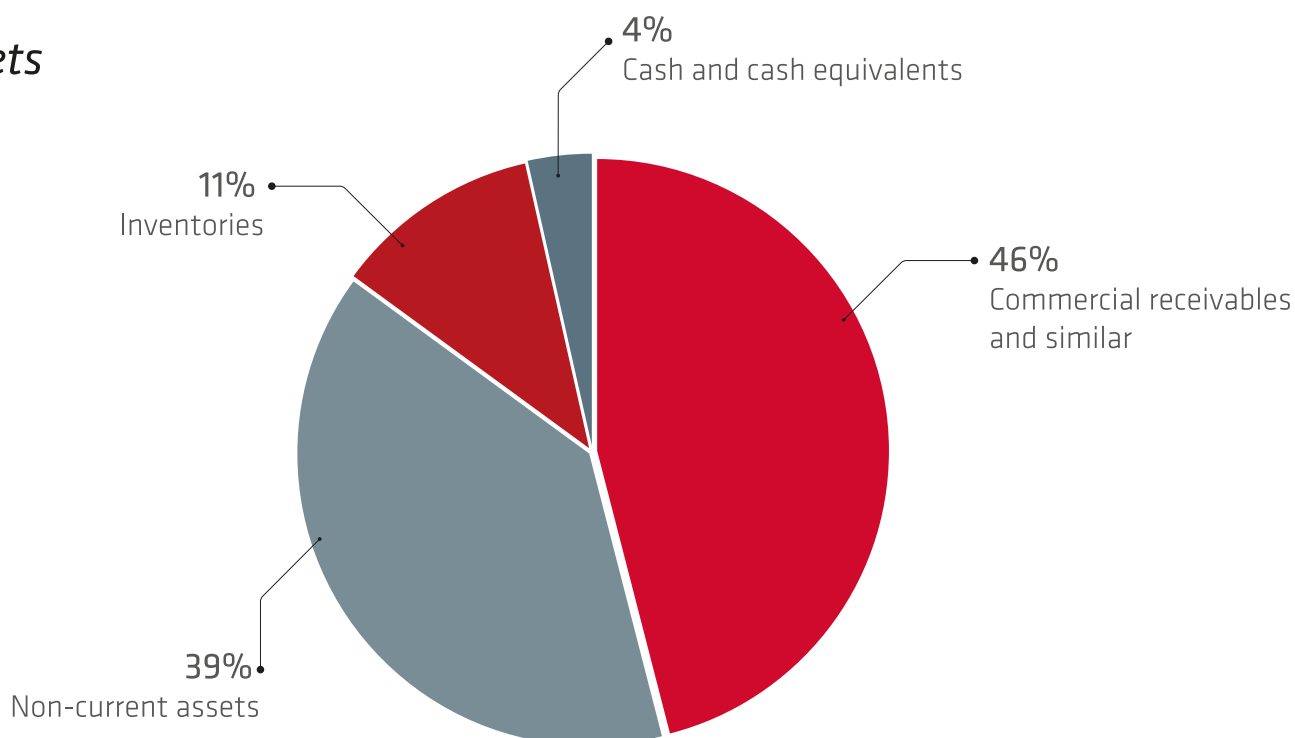
Objective	Credit line - current assets
Amount	60,000,000 RON
Due date	30.06.2014
Balance on 31.12.2013	31,967,468.52 RON
Guarantees	Mortgage agreement over buildings, land and receivables

The short-term agreement no. 12239/22.05.2012 concluded with ING BANK N.V. AMSTERDAM - Romanian Branch

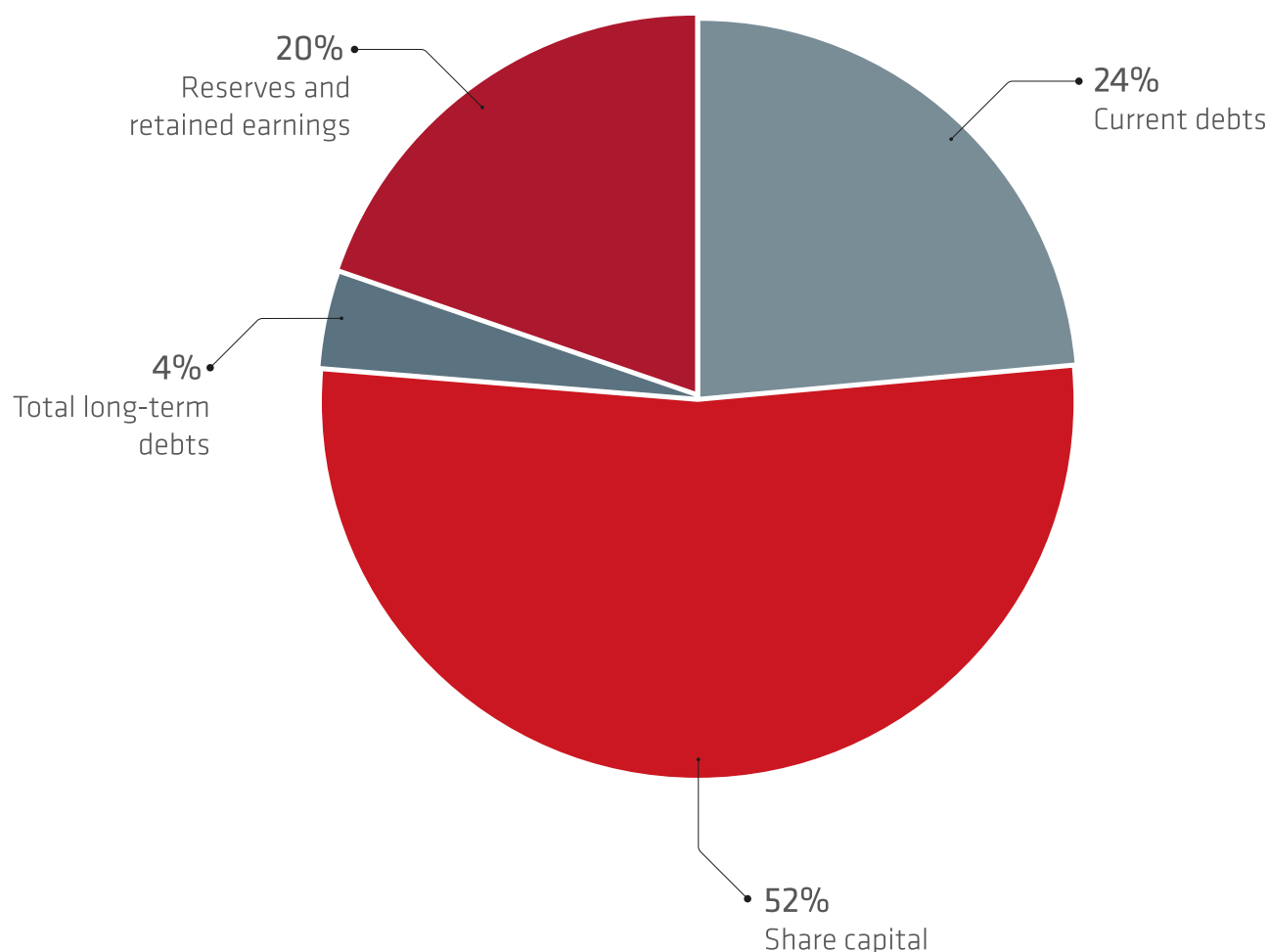
Objective	Credit line - current assets
Amount	9,500,000 Eur
Due date	22.05.2014
Balance on 31.12.2013	9,403,675.59 Euros (36,870,218.73 RON)
Guarantees	Debts assignment agreement /Mortgage agreement over buildings, land

During the financial year 2014, Antibiotice neither offered guarantees nor pledged or mortgaged any of its own assets in order to secure obligations in favor of a third party.

Assets



Liabilities



Cash flow

At the beginning of the period, the cash and cash equivalent amounted to RON 10.5 million. The cash proceeds from the operating activity amounted to RON 322.9 million. The cash payments to suppliers of goods and services amounted to RON 165.3 million, and those to and on behalf of employees, payments made in relation to the personnel, amounted to RON 69.1 million.

In addition, the company made payments amounting to RON 11.98 million, which represent the corporate tax, VAT, local taxes and bank interests, as well as payments amounting to RON 14.76 million to acquire fixed assets. Antibiotice SA paid contributions to the Ministry of Health (clawback tax) amounting to RON 19.5 million (the difference to 25.4 being paid in February 2015).

As for financing, payments amounting to RON 17.7 million were made for short-term credits and the payment of dividends of RON 13.6 million.

At the end of the year, the cash and cash equivalent amounted to RON 17.8 million.

Cash flow statement

I. Cash flows from operating activities	31.12.2014	31.12.2013
Cash collection from the sale of goods and provision of services	322,905,011	300,662,506
Cash collection from royalties, fees, commissions and other revenues	(97,353)	683,763
Cash payments to providers of goods and services	(165,298,921)	(169,031,738)
Cash payments to and on behalf of employees, payments made by the employer relating to the personnel	(69,137,056)	(65,871,713)
Paid VAT	(1,059,262)	(821,032)
Contributions to the Ministry of Health and the Ministry of Environment	(18,254,337)	(9,727,128)
Other paid taxes, charges and assimilated payments	(1,808,435)	(1,148,367)
Operation-generated cash	67,249,648	54,746,291
Collected interests	11,579	46,292
Paid interests	(2,111,806)	(2,802,415)
Paid corporate tax	(7,002,580)	(2,390,691)
Net cash flows from operating activities	58,146,841	49,599,478

RON

II. Cash flows from investment activities	31.12.2014	31.12.2013
Cash payments for acquiring land and assets, intangible assets and other assets on long-term	(19,513,117)	(14,756,029)
Net cash from investment activities	(19,513,117)	(14,756,029)

RON

III. Cash flows from financing activities	31.12.2014	31.12.2013
Collection/reimbursement under short-term loans	(17,721,666)	(20,803,131)
Paid dividends	(13,593,559)	(9,559,137)
Net cash flows from financial activities	(31,315,226)	(30,362,268)
Net increase/(decrease) of cash	7,318,498	4,481,181
Cash and cash equivalent at the beginning of the period	10,487,736	6,006,554
Cash and cash equivalent at the end of the period	17,806,234	10,487,736

RON

Independent Auditor's Report

Independent Auditor's Report to the Shareholders of S.C. Antibiotice S.A.

■ (1) We audited the annexed financial statements of S.C. Antibiotice S.A. (hereby referred to as "the Company") including the statement on the financial standing as of December 31, 2014, the global result statement, the statement on equity changes and the cash flow statement for the financial year ending at the above-stated date, and a summary of the significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

■ (2) The management of the Company is responsible for the preparation and fair presentation of such financial statements in conformity with the International Financial Reporting Standards (IFRS) adopted by the European Union and for the internal control the company considers relevant for the preparation of the financial statements with no material misstatements due to fraud or error.

Auditor's Responsibility

■ (3) Our responsibility is to express an opinion on such financial statements, based on the conducted audit. We conducted the audit according to the International Audit Standards. These standards require us to comply with the ethical requirements, to plan and conduct the audit in order to obtain a reasonable assurance that the financial statements are free from material distortions.

■ (4) An audit consists of conducting procedures in order to obtain audit evidence regarding the amounts and information presented in the financial statements. The selected procedures depend on the professional judgment of the auditor, including the assessment of the risks of significant misstatements in the financial statements, due to fraud or error. In assessing these risks, the auditor takes into consideration the internal control relevant for the correct preparation and presentation of the financial statements of the Company, in order to establish the audit procedures relevant under the given circumstances, but not in order to express

an opinion on the efficiency of the Company's internal control. An audit also includes the assessment of the level of adequacy of the accounting policies used and the reasonable nature of the accounting estimates considered by the management, as well as the assessment of the presentation of the financial statements as a whole.

■ (5) We consider that the obtained audit evidence is sufficient and relevant to constitute the basis of our conditional audit opinion.

Basis of the Conditional Opinion

■ (6) During the 2014 financial year the Company acquired services provided by distributors, as distribution commissions, amounting to RON 14.3 million, which could be considered commercial discounts. Therefore, without changing the result of the financial year, the structure of the Global Result Statement might be changed by reducing both the turnover, and the expenses with third-party services, by the amount mentioned above. Similar aspects were included in the report of the previous financial year.

Conditional Opinion

■ (7) In our opinion, except for the possible adjustments resulted from the aspects presented in paragraph (6), the financial statements provide a correct reflection, under all significant aspects, of the financial standing of S.C. Antibiotice S.A. as of December 31, 2014, and of the financial and cash flow performance for the financial year ending at this date, in compliance with the International Financial Reporting Standards adopted by the European Union.

Highlighting Certain Aspects

■ (8) According to the provisions of Note 9 - Expenses with corporate tax, the Company was not subject to any background

tax audit for a period exceeding 5 years. Given the frequent changes of the tax legislation during this period, any audit could lead to differences between the amounts set out in the financial statements and the conclusions of tax authorities. Our opinion does not contain reserves regarding this aspect.

Other Aspects

■ (9) This report of the independent auditor is solely addressed to the Company's shareholders. Our audit was conducted in order to report to the Company's shareholders those aspects that we must report in a financial report, and for no other purpose. To the maximum extent permitted by the law, we do not accept and undertake any responsibility other than towards the Company and shareholders thereof, for our audit, for the report on the financial statements and the report on the conformity or for our expressed opinion.

Report on the Consistency between the Administrator's Report and the Financial Statements

According to the Order of the Minister of Public Finance no.1286/2012, Annex 1, Art. 16 (1), letter c), we have read the executive team's annexed to the financial statements. The executive team's is not part of the financial statements. In the administrators' report we identified no financial information significantly inconsistent with the information set out in the annexed financial statements.

On behalf of:

BDO AUDIT SRL

Registered with the Chamber of Financial Auditors of Romania:

Under no. 18/02.08.2001

Signatory's name:

Mircea Tudor

Registered with the Chamber of Financial Auditors of Romania

Under no. 2566/25.06.2008

March 26th, 2015



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