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# ANNUAL REPORT 2013





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## EO's Message

*"We're going to act in view of extending our business, in view of adapting the human resources to our company's strategic orientation, we'll cut-down costs and we'll take special steps in view of protecting the work capital. I am certain that with such an approach 2013 may turn out to be a very important year in the life of our company."*

I was sending out this message in the opening to the Management Report 2012 and my words were backed up by the strategy which the company's management team continues to implement successfully, in a step by step approach.

The 2013 results contained in this report actually come to confirm that our vision and strategy are the right ones. The growth of the turnover on the domestic and international market is an ongoing goal that requires vision, a constant adaptation to the market's needs and strategic partnerships. Certainly, our employees are the ones to carry out these objectives and they are always performing it in a successful way when the strategic vision is correct and is supported by market realities that change with extraordinary speed.

In the pharmaceutical industry, companies are always trying to "tune" their missions. Their messages are conveyed in such a way so as to find the connection with the greatest challenge of our times: supporting the health policies when the insurance budgets are under maximum pressure.

Social responsibility tends to become a major component of each player on the market, therefore the role of leaders is infinitely harder. They ought to harmonize the shareholders' wish to make profit with the current realities, reconfirmed everywhere in the world: a weaker purchasing power and dramatic shifts in social life brought about by economic globalization.

Antibiotice is an important player on the Romanian pharmaceutical market, demonstrating year after year that it succeeds in increasing its exposure to foreign markets, as well.

The path we chose when we defined the 2012-2016 business plan by strategies and objectives meant to consolidate „the strategic development pillars” turned out to be good, but not comprehensive enough.

The enhancement of our product portfolio, internationalization of business, protection of the work capital and adapting the human resource in order to increase competitiveness – here are the chief elements shaping our future.

Browsing through this report one can conclude, for instance, that we managed to grow sustainably from one year to the next under the circumstances in which the degree of debt went down, thanks to an efficient economic management.

New products add value to our company but we constantly aim at improving the structure of our product portfolio and therefore 2014 will be identified by a strong orientation towards new research

projects. Investing in the structural definition of our future will be important but here a significant role is attributed to the specialized structures within the company, along with the marketing structures that must be capable to capitalize the opportunities on the market. We have a major investment plan, daring projects and trained people, so in theory we have all the necessary conditions to complete the steps set out in the strategy for the years to come.

The management of total quality, the regular reauthorization of the GMP standard granted by the European authorities and of the markets regulated by the FDA, maintaining the management by objectives, the development of communication inside the company, the development of project management and communication, the recognition of performance by systems meant to evaluate and motivate the employees are all deeply ingrained in the management's mentality and embraced by our employees. The development of a new manufacturing plant, approaching new therapeutic classes as well as developing new laboratories for research and manufacturing lines are supported within the investment plan for 2015-2020.

I personally have faith in the destiny of this company and am determined to implement, together with my colleagues, the changes needed to continue this development. Many of these depend on the economic environment where we conduct our activity and this is why internationalizing our business and fostering strategic partnerships must be of high priority for our future.

***ec. Ioan Nani***  
***CEO and Vice president of the***  
***Management Board***



## Company profile

### **A**ntibiotice overview:

- The main producer of generic anti-infectives in Romania;
- Portfolio consisting of 137 products from 12 therapeutic classes;
- An important manufacturer of anti-inflammatory and cardiovascular drugs, dermatologicals, oncology products and products treating disorders of the digestive tract and central nervous system;
- 8 manufacturing lines producing: sterile powders for injection, penicillins and non-penicillins formulated as capsules, cephalosporin capsules, tablets, ointments, creams, gels, suppositories and active ingredients obtained by biosynthesis;
- Income generated by sales amounting to 317.43 million RON (+ 4% as compared to 2012);
- Internationally acknowledged certifications and approvals: FDA authorization for Nystatin and products for injection, Certificate of Suitability to the European Pharmacopoeia (CoS) for Nystatin, Good Manufacturing Practice

certificate (GMP) for all manufacturing lines, Integrated Management System;

- Modern Center for Research and Development;
- First WHO-prequalified European company for the range of essential anti-tuberculosis drugs;
- Important countrywide employer: 1465 employees.

### **Results on the domestic market:**

- Leader on the segment of generic preScripted drugs, intended for hospitals;
- Ranked the 4th among the 251 manufacturers of generics and OTC (6.4 market share) on the Romanian market;
- Romanian producer of the entire range of essential anti-tuberculosis drugs.

### **Active presence on the international market:**

- Leading worldwide producer of Nystatin;
- 70 products for export;
- 120 partners in 72 countries around the world.



## Brief history

**1955**

The Chemical Factory no. 2 was built in Iași between 1953 and 1955, being south-east Europe's first manufacturer of penicillin, active ingredient. The first batch of penicillin was obtained on December 11th, 1955.

**1959**

This is the year marking the start of the Streptomycin production (active ingredient) and of the first finished forms: ointments, creams, suppositories. The Chemical Factory no. 2 changes its name into The Factory of Antibiotics.

**1977**

FDA, the Food and Drug Administration authority in the United States authorizes the manufacturing line for Streptomycin active ingredient.

**1990**

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

**1992**

Antibiotice manufactures the first medicinal products formulated as tablets.

**1993**

Ampicillin 250 mg and Oxacillin 250 mg are the first capsules obtained by Antibiotice on the penicillin manufacturing line.

**1997**

Since April 14th, 1997 Antibiotice shares have been listed on the first category of Bucharest Stock Exchange. The company implements an efficient, state-of-the-art quality assurance system that implies a strict control of the manufacturing processes.

**1999**

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

## 2002

The company's plant producing Nystatin obtains the FDA approval, which allows exports to the United States. As a result, Nystatin becomes the most important product exported, securing Antibiotice's position as a top worldwide producer of Nystatin.

## 2005

On the occasion of its fiftieth anniversary, on December 11th, 2005 Antibiotice launched a new brand identity: the Antibiotice a+ logo and the slogan *"Science and Soul"*.

2006

Antibiotice establishes its own Center for Drug Evaluation that conducts phase I clinical studies and bioequivalence studies. The Center for Drug Evaluation is GLP certified and authorized by the Romanian Ministry of Health.

The quality management system implemented by Antibiotice complies with the ISO 9001:2000 standard by Lloyd's Register Quality Assurance (LRQA).

## 2007

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

By launching four new products Antibiotice completes its cardiovascular portfolio with medicines covering the treatment of the main cardiovascular diseases.

## 2010

Antibiotice delivers the first finished products to the US market; up to 2010, the company exported to the US active pharmaceutical ingredients only.

## 2011

The line manufacturing penicillins formulated as sterile powders for injection obtains the FDA's approval which allows Antibiotice to put these products on the US market. Antibiotice launches the first products belonging to the CNS therapeutic class.

## 2012

Antibiotice enters the oncologicals' market segment becoming the first WHO - prequalified European company for the range of anti-tuberculosis drugs.

## 2013

Antibiotice obtains the FDA reauthorization and the GMP and NAMMD recertification for the lines producing sterile powders for injection and Nystatin.

Antibiotice becomes leading worldwide producer of Nystatin.

The first export of Nafcillin is recorded on the North American market.

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



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## trategic orientation

### Portfolio update and consolidation

The strategic portfolio analysis and adaptation in accordance with the trends of medicine represent a priority for Antibiotice, as a manufacturer of generic drugs belonging to the main therapeutic classes.

The medicines to be developed mainly by in-house research programs will supplement the company's traditional portfolio designed for treating infections, with generics for cardiovascular system, CNS, digestive tract and dermatology, anti-inflammatory medicines as well as with products designed for prevention and enhancing the quality of life, which may be administered through self-medication. Performing its research in an integrated system (pharmaceutical development, clinical testing,

implementation in production), the Research & Development Center ensures the permanent renewal of Antibiotice portfolio with medicines of interest for the Romanian healthcare system in terms of efficacy, safety and constant improvement of the manufacturing technologies.

### Adapting the product portfolio to the new market requirements

The research & development capabilities represent a vital component of the company, generating a long-term competitive advantage.

The Antibiotice research team dedicated to the development of the generics portfolio is a multidisciplinary one, comprising specialists involved in pharmaceutical formulation, physical-chemical analyses, technology transfer, bioequivalence studies, Regulatory Affairs activities and post-marketing monitoring of the safety of medicines.





Our continuous concern in expanding the Antibiotic portfolio is reflected in the 11 projects carried out during 2013 for developing new pharmaceutical products.

The products belonging to the cardiovascular system, central nervous system and anti-infectives classes are part of medication proved effective by clinical studies in treating the high incidence diseases.

### Research perspectives

The long-term vision of our company comprises diversifying the product portfolio, focusing the research towards the development of modern pharmaceutical forms and approach of new molecules for registering them as first generics.

Extending the research team with specialists from various fields (*doctors, pharmacists, chemists, biologists*) and continuing the program of endowing with the latest generation equipment will contribute to increasing the number and complexity of projects conducted simultaneously and will facilitate the research approach for partners.

Also, at the end of 2013, the Center for Drug Evaluation initiated the bioequivalence clinical research for the topical corticosteroid-containing medicines.

Unlike the usual pharmacokinetic bioequivalence studies, in this case, the bioequivalence assessment is carried out by measuring the pharmacodynamic effect, the method involving also a specific statistical evaluation.

This type of studies represents a novelty for the research conducted by the Center for Drug Evaluation and implies achieving the comparability between the generic and innovator drug by measuring the vasoconstriction occurred at the level of the dermis, using healthy volunteers.

## Turning the portfolio to good account

Antibiotic portfolio was supplemented in 2013 for the domestic market with products belonging to the business core: products for injection – Meropenem range, intended for sale in hospitals and 4 ointments (Mematasone range, ointment and cream, Cutaden® bebe, Cicatrol®) which supplements a traditional form for our company.

During 2013 we put into practice the strategy for developing partnerships with leading distributors from the Romanian pharmaceutical market, with solid teams on retail and hospital sales channels, for securing the turnover and capital return through regular cash collections amid the difficulties confronting the market for some time.

A major aspect that marked the evolution in 2013 refers to the profitability of sales. This was the main criterion that governed the work of 160 persons within the sales activity in order to harness the portfolio, maximizing the potential of each product and generating profit with each unit sold.

This process will continue also in the coming years, as the only solution to keeping the company in the market as a factor of balance and stability.

## Dynamic growth in the international markets

The business internationalization is one of the most important pillars on which the company's medium and long-term development strategy has been built.

The export business conducted in 2013 aimed at following this pillar's directions:

- expansion of our presence in the foreign markets, by accessing new markets and registering new products in the existing markets;



- strengthening of the world leading position in the Nystatin market;
- identification of the strategic partnerships on the main markets of interest.

The results obtained in 2013 confirm the overall development strategy of the company. Exports reached USD 26.92 million, a 34% increase compared to the value recorded during the previous year. As regards the exports of active ingredients, 2013 meant for Antibiotice a consolidation of its leading position in the Nystatin world market, the market in which Antibiotice has had a constant and growing presence over the last decade.

Export of finished products had the most significant growth in 2013, the value being almost double than that recorded in 2012. The main increases were recorded on the markets in North America (*USA and Canada*), Europe, Africa and the Middle East. In 2013 the company also generated sales on new foreign markets, the number of countries in which Antibiotice has been operating reaching 72.

Furthermore, in 2013 Antibiotice opened the second overseas branch in the Republic of Moldova at Chisinau with the objective of directly promoting the finished products in the territory.

The company have also initiated discussions for opening a branch in the area of the former Yugoslav countries, which will start operating in 2014.

## Quality Management

Quality Management is one of the most important strategic pillars having in view to ensure the legal framework for maintaining the Manufacturing and Import Authorization of the company, allowing its operation as well as to continuously improve and maintain

the Quality System under control Management in accordance with the specific legal requirements of the pharmaceutical industry.

Considering these requirements, associated with the increasingly restrictive legislative changes, the objective of the actions was to follow the directions mapped out within this pillar, namely:

- to obtain and maintain the manufacturing and import authorization, by obtaining the EU GMP recertifications for all the manufacturing flows
- to support the business partnerships
- to maintain the compliance of the Integrated Management System.

The manufacturing and import authorization, which confers the right to manufacture and sell medicinal products, was obtained and maintained through the GMP recertification of the manufacturing flows for Parenteral Products and Nystatin.

**Support of business partnerships,** an objective fulfilled through:

- obtaining and maintaining the US FDA approval as a result of the inspection for tracking the compliance of the Antibiotice quality system with the current GMP requirements both for sterile finished products and for the active substance Nystatin.
- the GMP certifications issued by the national authorities in the countries where Antibiotice products are registered – an objective achieved following the GMP inspection conducted by the Libian regulatory authority on the manufacturing flows for tablets, ointments, capsules, parenteral products, quality control, storage of raw materials and finished products.
- audits conducted by our business partners without any critical deficiencies found (*ten audits*) – active substance users (*Nystatin*) or contract providers.

The legal requirements provide auditing the active substance manufacturers every three years, thus allowing the continuation of business, i.e. the conclusion of new contracts.

■ checking the compliance with the EU GMP requirements/Directive 2011/62/EU through auditing every 3 years the manufacturing sites of the manufacturers of active substances used in the manufacture of the finished products from the company's portfolio and the contract beneficiaries, which provide the frame for the manufacture and sale of products on the international markets and complete our portfolio with products that cannot be produced within the company. Therefore, 3 manufacturers of primary packaging materials for injectable products and 10 active substance manufacturers from China were audited and qualified.

**The continuous improvement and monitoring of the Integrated Management System** has enabled the maintenance of the integrated management system certification-according to ISO 9001: 2008 requirements (*quality management system*), ISO 14001: 2004 (*environmental management system*), OHSAS 18001: 2007 (*occupational health and safety management system*). This objective was achieved by obtaining favorable results of the surveillance audit performed by the certification body, Lloyd's Register Quality Assurance.

## **Management of operating costs and increase in the efficiency of the operational, investment and financial activities**

The strategic pillar referring to the economic-financial activity assumed the management of the operations

based on the revenue and expenditure budgets (*cost centers and profit centers*) by applying corrective action programs for the activities susceptible to variations. It was also aimed at ensuring the financial balance by a continuous assessment of needs and their prioritization, achieving and monitoring the cash flow so that all the activities are carried out smoothly.

## **Enhancing professional competence and knowledge**

In 2013 Antibiotice continued investing strategically in human resources development projects in order to obtain professional performances - a guarantee for increasing the business competitiveness and quality. Therefore training programs were initiated and conducted in every department of the company, according to the identified needs and in close correlation with the scientific progress and changes in the community and national legislation in force. Being a continuous process, about 500 employees attended courses and seminars for their professional training and personal development. The program Summer School a+, which has become a traditional one, continued in 2013 with its fourth edition both for training employees and attracting potential candidates for vacancies in research, marketing, production, quality, regulatory affairs.

In 2013, the company reaped the first fruits of the project „*Ideas are free of charge*“ initiated in 2012. This project has been aiming at creating a transparent behavior in relation to the production of ideas and their implementation. At the same time our company recognizes the merits of the employees who have been generating ideas and the employees who subsequently become involved in their implementation.

# Company results on 2013

## Strategic evolution

### *Assimilating new products in the portfolio*

#### **13 Marketing Authorisations for the Romanian market obtained in 2013:**

- **Mometazonă Atb**® 1 mg/g, cream and ointment, dermatological preparations
- **Neluptin**® (tianeptine) 12.5 mg, tablets, CNS
- **Piador**® (pantoprazole) 20 mg, gastro resistant tablets, digestive tract and metabolism
- **Pantoprazol Atb**® 40 mg, gastro resistant tablets, digestive tract and metabolism
- **Alprazolam Atb**® 0.25 mg, 0.50 mg, 1 mg, tablets, CNS
- **Memantină Atb**® 10 mg, 20 mg, film-coated tablets, CNS
- **Cicatrol**® 10 mg/g, (argentic sulfadiazine), topical cream, dermatological preparations
- **Meropenem Atb**® 500 mg, 1000 mg, powder for solution for injection/infusion, anti-infectives for systemic use, carbapenems.

### **25 new Marketing Authorisations for 12 countries in Europe, Asia and Africa**

### *Renewing the portfolio with six new products from the anti-infective and dermatologicals segments where Antibiotice intends to consolidate its position in the following years:*

- **Meropenem Atb**® 1000 mg, (meropenenum), powder for solution for injection/infusion, anti-infectives for systemic use, carbapenems
- **Meropenem Atb**® 500 mg, (meropenenum), powder for solution for injection/infusion, anti-infectives for systemic use, carbapenems
- **Cicatrol**® 50 g, (argentic sulfadiazine), topical cream, dermatological preparations
- **Cutaden**® Bebe 40 g, cream (zinc oxide, ichthol, Vital ET®) dermatological preparations
- **Mometazonă Atb**® 15 g, cream and ointment (mometasonum), dermatological preparations.

### **Results on the domestic market**

- Consolidating the leading position on the anti-infectives, Hospital segment (*powders for injection*) – market share reports an increase from 59.9% in 2012 to 65.5% in 2013
- Maintaining a leading position in the suppositories market both in terms of volume market share (41.3%) as well as value market share (25.4%)
- Maintaining the leading position on the ointments segment in terms of volume market share (28.4%)
- Strengthening the key role on the segment of powders for injection, Hospital, both in terms of consumption (75.8% market share) as well as value (value market share 33.3%)

- Strengthening leadership on the generics, OTC segment (*sold in Romanian hospitals*) with 22.3% market share (+ 1% over 2012).

### **Enhanced presence on the international market**

- Export turnover amounting to 26.92 million USD
- Exports increased by 34% in comparison with 2012
- World's no. 1 producer of Nystatin
- Extending the international exposure by placing Antibiotic products on 72 markets
- Obtaining 25 new Marketing Authorizations for foreign markets
- Exports to 120 foreign partners.

## TOP 20 MOST RENOWNED ANTIBIOTICE BRANDS

The first 20 brands (*according to the sales revenue*) traded by Antibiotice in 2013 have reported sales of 152,9 million RON, 8.4% higher than the previous year

Trademark	International Nonproprietary Name	Therapeutic class+ Pharmaceutical form	Main competitors
<b>Amoxiplus®</b> 1.2 g, 500/125 mg and 875/125 mg	amoxicillinum+acidum clavulanicum	Anti-infectives for systemic use -beta-lactam antibiotics, antibacterials-penicillins for injection; tablets	Augumentin® (GlaxoSmithKline) Amoksiklav® (Novartis)
<b>Ampiplus®</b> 1000 mg + 500 mg	Ampicillinum+ sulbactamum	Anti-infectives for systemic use - other beta -lactam antibiotics, antibacterials, penicillins – product for injection	<b>Unique product *</b>
<b>Bisotens®</b> 5 mg and 10 mg	bisoprololum	Cardiovascular system -beta blockers- tablets	Concor® (MERCK KGaA) Bisoblock® (Actavis) Bisogamma® (Worwag Pharma)
<b>Cefort®</b> 250m g, 1 g and 2 g	ceftriaxonum	Anti-infectives for systemic use - other beta-lactam antibacterials- product for injection	Oframax® (Ranbaxy) Seftrion® (E.I.P.I.CO.) Medaxone® (Medochemie)
<b>Ceftamil®</b> 1 g and 2 g	ceftazidimum	Anti-infectives for systemic use - other beta-lactam antibacterials- product for injection	Fortum® (GlaxoSmithKline)
<b>Cicloserină Antibiotice®</b> 250 mg	cycloserinum	Anti-infectives for systemic use - antituberculosis drugs- capsules	<b>Unique product *</b>
<b>CiproQuin ®</b> 500 mg	ciprofloxacinum	Anti-infectives for systemic use -antibacterial quinolones- tablets film-coated tablets	Ciprinol® (KRKA D.D.) Cuminol® (Gedeon Richter) Cifran® (Ranbaxy)
<b>Clafen® range</b> 10 mg/g, 50 mg/g, 100 mg	diclofenacum	Musculo -skeletal system -nonsteroidal anti-inflammatory/ antirheumatic drugs- ointment , suppositories	Diclac®/Voltaren® (Novartis) Diclofenac/Diclotard® (Ranbaxy) Diclofenac MK®/ Diflex® (Fiterman)
<b>Colistină Antibiotice®</b> 1.000.000I.U.	colistinum	Anti-infectives for systemic use - other antibacterials- product for injection	<b>Unique product *</b>
<b>Eficef®</b> 100 mg and 200 mg	cefiximum	Anti-infectives for systemic use - other beta-lactam antibacterials- capsules	<b>Unique product *</b>
<b>Hemorzon®</b>	tetracyclinum+ hydrocortisonum+ benzocainum	Cardiovascular system - topical anti-hemorrhoids- ointment; suppositories	Procto Glyvenol® (Novartis) Proctolog® (Pfizer) Ultraproct® (Bayer Healthcare AG)

Trademark	International Nonproprietary Name	Therapeutic class+ Pharmaceutical form	Main competitors
<b>Lisinopril Atb®</b> <b>10 mg, 20 mg and 40 mg</b>	lisinoprilum	Cardiovascular system - ACE inhibitors - tablets	Ranolip ( <i>Ranbaxy</i> ) Tonolysin® ( <i>Gedeon Richter</i> ) Lisinopril Sandoz ( <i>Novartis</i> )
<b>Meropenem Atb®</b> <b>500 mg and 1000 mg</b>	meropenemum	Anti-infectives for systemic use - carbapenems - product for injection	Meropenem Kabi ( <i>Fresenius</i> ) Meronem® ( <i>AstraZeneca</i> ) Loditer® ( <i>Ranbaxy</i> )
<b>Nidoflor®</b> <b>15 g</b>	nystatinum+neomycini sulfas+triamcinoloni acetonidum	Dermatologicals - corticosteroids combined with antibiotics - ointment	Triderm® ( <i>Merck &amp; Co</i> )
<b>Novocalmin®</b> <b>300 mg and 500 mg</b>	metamizolum natricum	CNS - analgesics and antipyretics - tablets; suppositories	Algocalmin® ( <i>Sanofi</i> ) Algozone® ( <i>Labormed</i> )
<b>Novogast®</b> <b>20 mg</b>	omeprazolum	Digestive tract and metabolism - medicines for peptic ulcer and gastro-esophageal reflux disease - capsules	Omez® ( <i>DR. REDDY'S LAB.</i> ) Omeran ( <i>GlaxoSmithKline</i> ) Omeprazol ( <i>Ranbaxy</i> )
<b>Piafen®</b> <b>500 mg</b>	metamizolum natricum+ fenpiverini bromidum+pitofenoni hydrochloridum	Digestive tract and metabolism - antispasmodics combined with analgesics - tablets	Quarelin® ( <i>Sanofi</i> ) Algifen® ( <i>Sanofi</i> )
<b>Ranitidină Atb®</b> <b>150 mg</b>	ranitidinum	Digestive tract and metabolism - antiulcerous - tablets	Zantac® ( <i>GlaxoSmithKline</i> ) Ranitidine ( <i>Laropharm</i> )
<b>Roclarin®</b> <b>500 mg</b>	clarithromycinum	Anti-infectives for systemic use - macrolides - tablets	Klacid® ( <i>Abbott</i> ) Klabax® ( <i>Ranbaxy</i> ) Fromilid® ( <i>Krka</i> )
<b>Trimetazidine Atb®</b> <b>35 mg</b>	trimetazidinum	Cardiovascular system - coronary disease treatment - tablets	Predictal® ( <i>Servier</i> ) Trimetazidină LPH ( <i>Alvogen</i> ) Moduxin® ( <i>Gedeon Richter</i> )

\*Unique product on the Romanian market (Source: Cegedim Romania 2013)

## TOP MEDICINAL PRODUCTS WHOSE SOLE PRODUCER IS ANTIBIOTICE

Products whose only manufacturer is Antibiotice have recorded sales of 55,7 million RON, up 1 % in comparison with 2012.

Trademark	International Nonproprietary Name	Therapeutic class+ Pharmaceutical form
Aceclofen®	diclofenacum+paracetamolum	Musculo-skeletal system suppositories
Ampicilină 250 mg and 500 mg	ampicillinum	Anti-infectives for systemic use Powder for injection
Ampiplus® 1000 mg/500 mg	ampicillinum + sulbactamum	Anti-infectives for systemic use Powder for injection
Ceftamil® 2 g	ceftazidimum	Anti-infectives for systemic use Powder for injection
Cutaden® 40 g	ichtiolum+zind oxydum+hamamelis virginiana extractum	Dermatologicals Cream
Eficef® 100 mg and 200 mg	cefiximum	Anti-infectives for systemic use Capsule
Izoniazidă Atb® 100 mg and 300 mg	isoniazidum	Anti-infectives for systemic use Tablets
Kanamycin S 6 g	kanamycinum	Sensitive organs Ophthalmic ointment
Lisinopril Atb® 40 mg	lisinoprilum	Cardiovascular system Tablets
Moldamin 1.200.000 I.U.	benzathini benzylpenicillinum	Anti-infectives for systemic use Powder for injection
Neopreol® 40 g	prednisolonum+neomycini sulfas	Dermatologicals Ointment
Nidoflor® 15 g	nystatinum+neomycini sulfas+triamcinoloni acetonidum	Dermatologicals Cream
Nystatin 500.000 I.U.	nystatinum	Anti-infectives for systemic use Tablets
Oxacilină Atb® 500 mg and 1 g	oxacillinum	Anti-infectives for systemic use Powder for injection
Penicillin G potassium 1,000,000 I.U. and Penicillin G sodium 400,000 I.U. and 1,000,000 I.U.	benzylpenicillinum	Anti-infectives for systemic use Powder for injection

Trademark	International Nonproprietary Name	Therapeutic class+ Pharmaceutical form
Pyrazinamid 500 mg	pyrazinamidum	Anti infectives for systemic use Tablets
Sinerdol® ISO 300mg+150mg	rifampicinum+isoniazidum	Anti-infectives for systemic use Capsules
Sinerdol® 300 mg	rifampicinum	Anti-infectives for systemic use Capsules
Tetraciclina Atb® HCL 12 gr	tetracyclinum	Dermatologicals Ointment

Source: Cegedim Romania 2013

## Financial evolution

In 2013 sales revenue went up 4.4% from 304.09 million RON in 2012 to 317.4 million RON in 2013, the result of sustained efforts from all the company's structures.

Operating profit went up 23%, amounting to 51.4 million RON, testifying the concern of the entire management team for a constant reduction of costs by improving processes and expenses. Net profit reported a 16% growth reaching the value of 31.4 million RON.

The main economic indicators highlight the financial equilibrium of the company as well as a constant concern for business efficiency.

## EVOLUTION OF THE MAIN FINANCIAL INDICATORS

	31.12.2013	31.12.2012	2013/2012
Sales revenue	317,432,940	304,086,833	4.39%
Operating profit	51,385,725	41,778,527	23.00%
Gross profit	34,690,920	32,459,037	6.88%
Net profit	31,380,855	27,110,836	15.75%
Fixed assets	196,714,072	203,351,125	-3.26%
Current assets, of which:	314,852,829	310,966,804	1.25%
- receivables	254,001,617	256,986,254	-1.16%
- stocks	50,363,337	47,973,857	4.98%
Total debt, of which	162,915,545	167,769,395	-2.89%
- commercial debt	53,366,639	58,963,493	-9.49%
- bank loans	72,139,195	92,290,294	-21.83%
Total Assets	511,566,901	514,317,929	-0.53%
TOTAL EQUITY	348,651,356	346,548,531	0.61%
Average no. of employees	1465	1465	0.00%
Work productivity	216,678	207,568	4.39%
<b>Liquidity</b>			
General liquidity	1,93	1,85	4.27%
Current liquidity	1,62	1,57	3.57%

RON

## EVOLUTION OF THE MAIN FINANCIAL INDICATORS

		31.12.2013	31.12.2012	2013/2012
EBITDA	=Earnings before interest, taxes, depreciation and amortization	71,785,032	59,902,737	20%
EBIT	=Earnings before interest and taxes	34,690,920	32,459,037	7%
ROE	= Profit before interest and taxes/Equity	10.0%	9.4%	6%
ROA	= Net profit/Total assets	6.8%	6.3%	7%
EPS (RON/share)	= Net profit /share	0.05	0.05	-2%
NET PROFIT RATE	=Profit/Sales revenue	9.9%	8.9%	11%
No. of shares		671,338,040	568,007,100	18%
Debt ratio	= Debt/total assets	31.8%	32.6%	-2%

RON



## Stock market evolution

In 2013, the subscribed and paid-up share capital amounted to 67,133,804 RON represented by 671,338,040 shares with a nominal value of 0.1000 RON.

Antibiotice benefits from a strong ownership structure, the main shareholder being the Ministry of Health. Ownership breakdown on October 23rd, 2013 (according to the latest database held by Antibiotice in 2013)

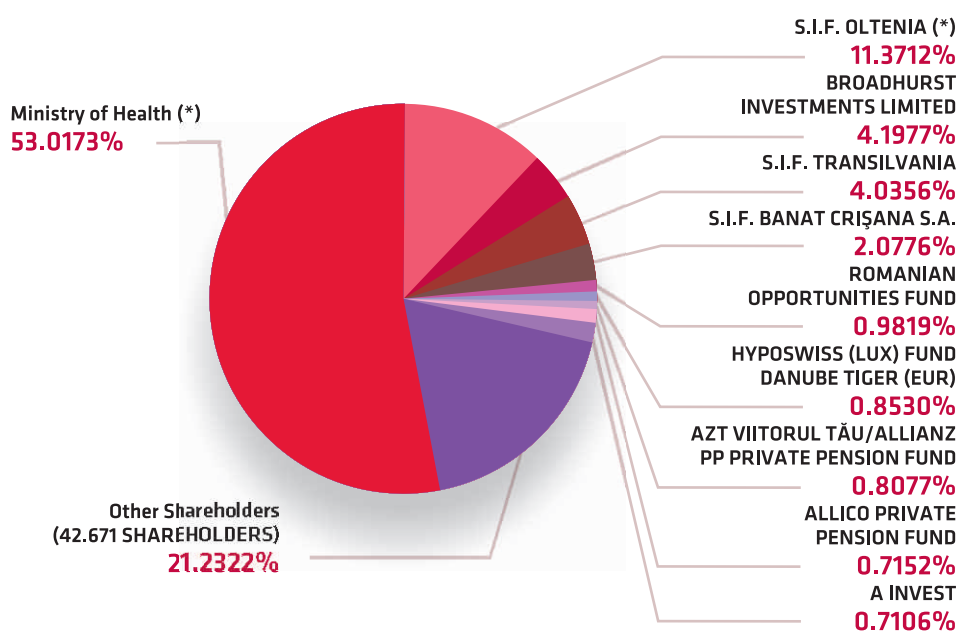
### I. Investors

- The Ministry of Health (\*) - 53.0173%
- S.I.F. Oltenia(\*) - 11.3712%

- Broadhurst Investments Limited - 4.1977%
- S.I.F. Transilvania - 4.0356%
- S.I.F. Banat-Crisana S.A - 2.0776%
- Romanian Opportunities Fund - 0.9819%
- Hyposwiss (Lux) Fund Danube Tiger (EUR) - 0.8530%
- AZT Viitorul Tău/Allianz privately managed pension fund - 0.8077%
- Alico privately managed pension fund - 0.7152%
- A-Invest - 0.7106%
- Other natural persons and legal entities- 21.23223%.

NOTE: (\*) - Significant shareholders, as per Law 297/ 28.06.2004, Art. 2, paragraph 1

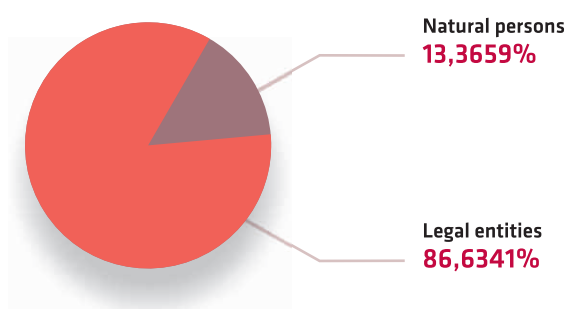
## Shareholders breakdown on October 23.10.2013



### II. Shareholders by category

Legal entities - 86.6341%  
Natural persons - 13.3659%.

## Shareholders breakdown by category on 23.10.2013



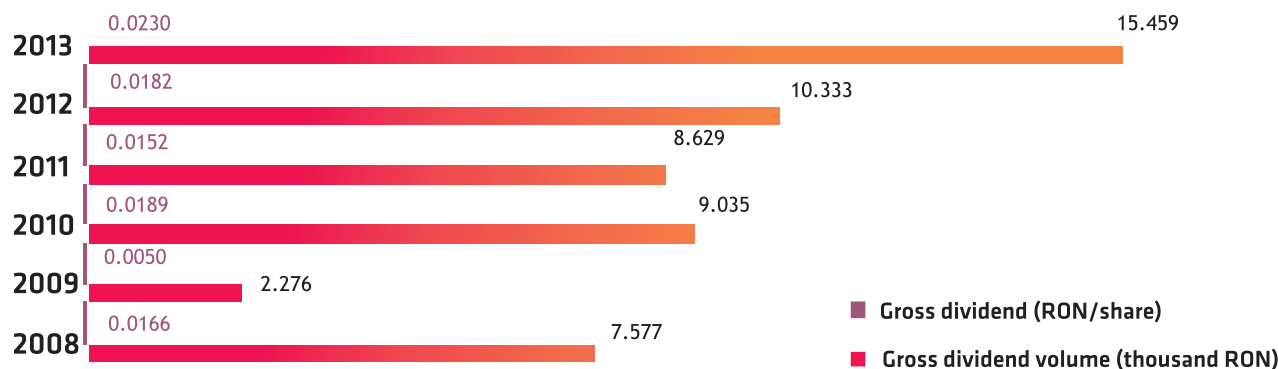
Throughout 2013, dividends with respect to the financial years 2011 and 2012 amounting to 8,778,325 RON were paid, as follows:

DIVIDEND HISTORY (2011 - 2012)								
Net dividends								
Year	Due	Paid				Outstanding on 31.12.2013		End of dividend payment interval
		Up to 31.12.2012	01.01÷31.12 2013	Total	% (total paid)	RON	%	
2011	8,204,647	7,362,423	77,295	7,439,718	91	764,929	9	Payment in progress
2012	9,834,108	-	8,701,030	8,701,030	89	1,133,078	11	Payment in progress

RON

For the above years, dividends are distributed by wire transfer and postal order.

## VOLUME OF GROSS DIVIDENDS AND GROSS DIVIDEND PER SHARE



### Antibiotice on the securities market

The securities issued by Antibiotice have been listed in the first category of the Bucharest Stock Exchange under the symbol ATB, since 1997. The first transaction was recorded on April 16th, 1997 at a reference price of 0.3500 RON/share. The historical peak of 2.1700 RON/share was reached on July 10th, 2007 and the historical minimum of 0.0650 RON/share was recorded on 8th June 2000.

Both the business plans as well as the financial results recorded by the company have represented a solid guarantee that Antibiotice strengthened its position on the domestic pharmaceutical market.

16 years after the first transaction, approximately 43,000 shareholders watch closely the evolution of Antibiotice shares listed on the Bucharest Stock Exchange.

Although ATB shares followed a trend imposed by the movements taking place on the international stock markets, Antibiotice represented the most valuable investment in October - November 2013, bringing investors the highest yield on the market (17.25%, *related to the euro*). The quota was encouraged by the purchases reported by SIF Oltenia and the credibility given to the management that they will continue implementing the development strategy and they'll perform a structural reorientation, aiming at consistent results throughout the four quarters. ATB shares, listed on the Bucharest Stock Exchange:

■ are included in the BET-XT index that reflects the evolution of prices of the most liquid 25 companies. In November, ATB shares reached a maximum quota of 1.30 % of this index.

■ are included in the BET-C index, the composite index that includes the shares of all companies listed on the BSE except for the financial investment funds (*Romanian SIF*), ATB shares reaching in November a maximum share of 1.10%.

■ are also included in the BET-BK index, which reflects the evolution in prices of the shares issued by local and foreign companies traded on the BSE regulated market.

In November, ATB shares had a maximum quota of 5.48%.

This reflects the fact that Antibiotice is a vigorous company, developed on a strong economic foundation. Moreover, Antibiotice's position in the compenence of the major Romanian market indicators maintained the same in comparison with the end of 2007 (*before the economic crisis*) when the value of one Antibiotice share reached 2.05 RON.

In 2013 the minimum price of an ATB share reported the lowest value on the 3rd January, 0.3700 RON per share. The price per share went up to the maximum value of 0.5680 RON/share (*31st December*).

The market capitalization of Antibiotice on December 30th, 2013 (*last trading day of the year*) amounted to 374,607 thousand RON.

**The most  
valuable  
investment  
during October-  
November 2013**

Antibiotice shares – ATB / Regular Market			
	2011	2012	2013
Number of shares	568,007,100	568,007,100	671,338,040
Market capitalization (thousand RON)*	221,523	213,798	374,607
Market capitalization(thousand EUR)*	51,282	48,276	83,919
Market capitalization(thousand \$)*	66,338	63,678	115,413
Total amount traded (million RON)	17	10	23
No. of shares traded	33,430,079	24,002,033	48,439,486
Opening price (RON / share)	0.6200	0.3974	0.3774
Maximum price (RON/ share)	0.6420	0.4400	0.5680
Minimum price (RON/ share)	0.3613	0.3300	0.3700
Price at the end of the year (RON/ share)	0.3900	0.3764	0.5580
Average price (RON/ share)	0.5209	0.3985	0.4692
Earning/ share (RON/ share)***	0.0357	0.0477	0.0467
Gross dividend/ share (RON/ share)**	0.0152	0.0182	0.0230
Dividend yield****	3.90%	4.83%	4.12%
Rate of dividend distribution*****	43%	38%	49%

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

\*\* Dividend proposed,

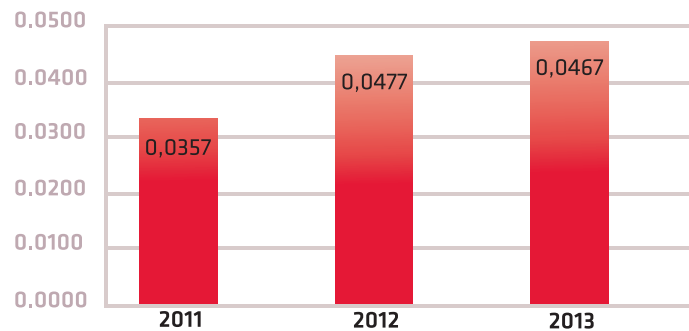
\*\*\* The calculation of the result per share is based on the net profit of each year,

\*\*\*\* Dividend per share/share price on the 1st trading day of each year,

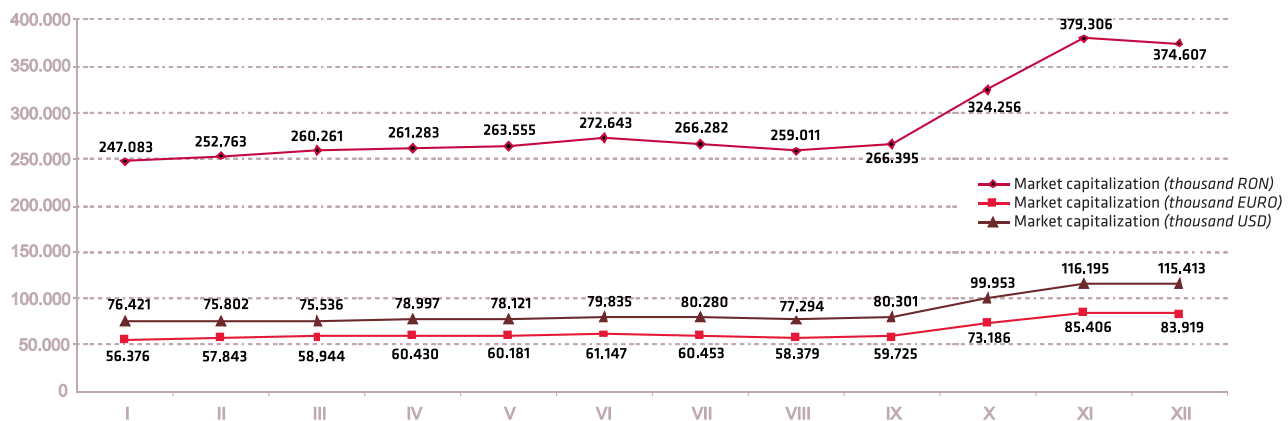
\*\*\*\*\* Dividend distribution rate = (total no. of shares x gross dividend per share)/total net profit.

Antibiotice is present, on average, among the first 11 companies included in the BET-C index, the first 14 companies constituting the BET-XT index and the 12 companies composing the BET-BK index. 48,439,486 shares were traded in 2013, amounting to 22,7 million RON (5,1 million EUR or 6,8 million \$) with an average price of 0,4692 RON/share.

### Earnings per share (RON/share)



### Evolution of market capitalization in 2013

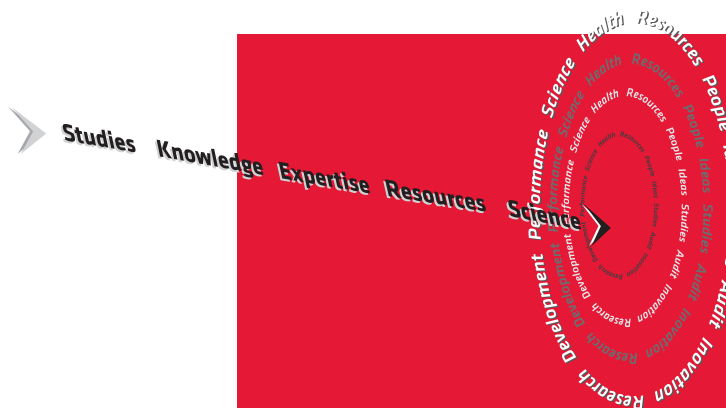


## Research Activity

Since 2013 Antibiotice has been involved in two European authorization projects whose reference state is Romania: a cardiovascular drug in 4 strengths and a beta-lactam anti-infective drug in 2 strengths.

In addition, the manufacturing formulas and technologies for 5 pharmaceutical products were improved, in view of observing the latest requirements in the Pharmacopoeia and/or registration on foreign markets (*US, Canada and other European countries*).

The Center for Drug Evaluation conducted 9 bioequivalence studies, of which two for foreign partners, as well as 37 in vitro studies, which facilitated the registration of 15 Antibiotic medicinal products on the domestic and foreign market. At the same time, the research for the veterinary product portfolio – injectables and products for oral use – was initiated.



In 2013, 13 MAs for the Romanian market were obtained for medicines belonging to 4 therapeutic classes:

- **Mometasone Atb**® 1 mg/g, cream and ointment;
- **Neluptin**® (*tianeptine*) 12.5 mg, tablets;
- **Piador**® (*pantoprazol*) 20 mg, gastro resistant tablets;
- **Pantoprazol Atb**® 40 mg, gastro resistant tablets;
- **Alprazolam Atb**® 0.25 mg, 0.50 mg, 1 mg, tablets;
- **Memantina Atb**® 10 mg, 20 mg;
- **Cicatrol**® 10 mg/g, topical paste;
- **Meropenem Atb**® 500 mg, 1000 mg, powder for solution for injection/infusion.

Antibiotice obtained 25 MAs for 12 countries in Europe, Asia and Africa.

## Internationally certified quality

Quality, safety and efficacy are three major attributes that Antibiotice strives to obtain with respect to all manufacturing processes conducted by our company, starting with research and development, production, control, release on the market up to the distribution to patients. Our ultimate aim is to satisfy the demands of all clients that collaborate with our company on the production chain, in all fields of activity.

The Quality Management System of Antibiotice complies to the EU GMP, cGMP – US (CFR 210 & 211 requirements), ISO 9001/2008 as well as the other guidelines applicable to the pharmaceutical industry.

In order to maintain the standards certifying our products' quality, efficiency and safety in administration, the following inspections and audits took place in 2013:

1. The FDA inspection conducted on 14-22 January 2013 evaluated the quality management system

conformity with the cGMP (*Current Good Manufacturing Practices*) both for sterile products and for Nystatin API, and the inspection was completed without issuing form 483 – the third of four audits conducted by the FDA since 2002, without releasing form 483. During this interval Antibiotice became authorized to manufacture Nystatin and to put on the US market, one of the most regulated markets in the world, two products for injection: Ampicillin in all its 4 strengths and Nafcillin in 2 strengths.

2. The recertification audit for the integrated management system (*quality, environment, occupational health and safety*) was conducted by Lloyd's Register Quality Assurance, during 28 January – 1 February 2013. No nonconformities were reported, and it was recommended to maintain the integrated management system – as per the ISO 9001:2008 (quality management system), ISO 14001:2004 (*environmental management system*), OHSAS 18001:2007 (*occupational health and safety management system*).

3. The GMP recertification inspection of the manufacturing flows for Parenteral Products and Nystatin – active ingredient, conducted by the NAMMD during 19-21 June, 2013.

Following this inspection the company's manufacturing/import authorization was updated and the GMP certificates for the two lines audited were released.

4. The GMP inspection conducted by regulatory officers from Libya for the lines manufacturing tablets, ointments, capsules, parenteral products, raw materials and finished product warehouse during 24- 25 June 2013 targeted the method for implementing and observing GMP requirements that ensure compliance with the standards required by the Lebanese authority. Further to the audit, all manufacturing lines audited were declared suitable according to the Lebanese authority standards.

**13 MAs**  
for the  
Romanian  
market

5. Surveillance audit for the products manufactured on our premises (*respectively aluminum tubes, polyethylene lids and caps*) performed by SRAC CERTSERV on June 28th, 2013. The audit was completed without any nonconformities and the certificates of conformity of the products listed above were extended for another year.

The assessment of the quality management system's compliance is also conducted by our present partners or potential clients.

In 2013 Antibiotice was audited by the following companies:

- Haupt Pharma, Germany, for the line manufacturing Nystatin – active ingredient;
- Amgen (*Bergamo*), Brasil, for the line manufacturing Nystatin – active ingredient;
- Jamp Canada, contractual supplier of Antibiotice;
- Prati-Donaduzzi, Brasil, for the line manufacturing Nystatin – active ingredient;
- Auditul Grunnenthal Ecuador for the line manufacturing Nystatin – active ingredient;
- Qualitest US audit for the line manufacturing Nystatin – active ingredient;
- Stada Germany for the line manufacturing Nystatin – active ingredient;
- Pfizer UK for the line manufacturing Nystatin – active ingredient;
- Bouchara Recordati for the line manufacturing Nystatin – active ingredient;
- Innothera France for the line manufacturing Nystatin – active ingredient;

The audits of the companies mentioned were conducted as per the legal requirements in force that foresee auditing active ingredient

manufacturers at least once every 3 years.

The conclusions of each audit were positive; the auditors noticed the company's robustness and compliance to the current relevant legislation.

The satisfactory results obtained by our company at these audits materialized in contractual agreements with over 120 partners across the globe.

## **Revamping and streamlining the manufacturing platform**

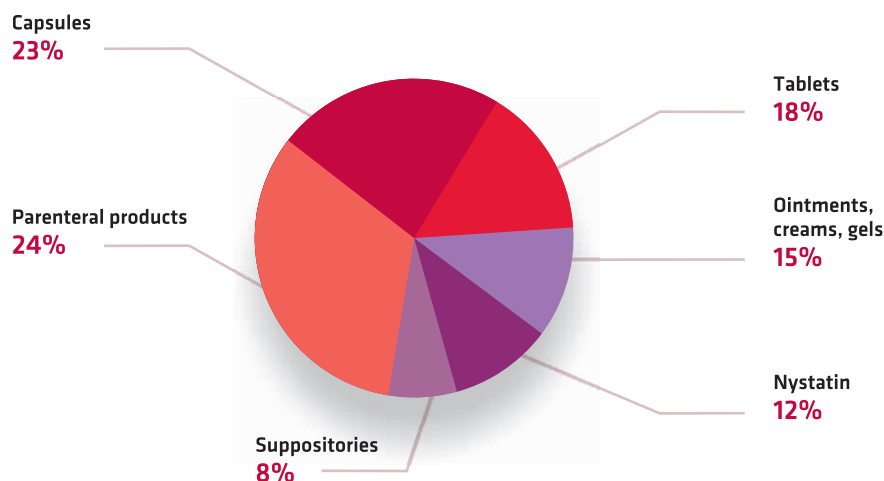
In 2013 Antibiotice's development strategy was oriented to enhancing the product portfolio and revamping the manufacturing lines.

Antibiotice produces for domestic and foreign partners 137 medicines in five pharmaceutical forms. Product quality is provided by GMP compliant processes, all eight manufacturing lines being aligned to the GMP standards.

The implementation of all regulatory requirements and the evaluation of the quality management system by regulatory authorities and clients have lead to maintaining the high quality, efficiency and safety of the medicines manufactured by Antibiotice.

In 2013 Antibiotice manufactured 511 million pharmaceutical units formulated as tablets, capsules, parenteral products, ointments, creams, gels and suppositories. The value of exported manufacture (*Nystatin and finished products*) is 22.7% of the total production on 2013.

## Manufacturing breakdown in 2013



Objectives achieved in 2013 by the Production Unit:

1. The manufacture of parenteral products for foreign companies is based on manufacturing and control contracts. The exports of injectables amounted to 43.6% of the total production exported.

2. The tablet manufacture capacity increased to 400 million tablets/year. Moreover, the manufacturing line was completed with a secondary packaging equipment. These upgrades of the manufacturing flow will allow assimilating a higher number of products as well as extending our presence on foreign regulated markets, for which the FDA or the European community's approval is needed.

3. Cutting-down costs with raw materials, by optimising manufacturing formulas and

identifying sources for excipients, tablets, ointments and suppositories.

4. Reducing the utilities consumption, by a careful management in all production plants.

5. Increase of Nystatin production by 5% against the previous year, while reducing costs and increasing the yield of dry Nystatin. The efforts to apply the environmental protection program regarding organic volatile substances emissions in the Nystatin extraction process continued, with solvent savings of 22%.

6. Launching 6 new products from the following therapeutic classes:

- Central Nervous System:  
**Alprazolam Atb**® 0,25 mg, 0,5 mg and 1 mg, tablets
- Corticosteroids for dermatological use: **Mometazona Atb**® cream and ointment
- Protective cream: **Cutaden**® **Bebe**, cream.

**6** new products  
recently  
launched



## **Continuous investments to maintain standards and support the development**

In accordance with the overall company goals, in 2013 investments with a major impact upon the company's growth were made. Thus, investments were made to increase productivity, to lower energy losses, to increase the operational safety as well as for the compliance with the requirements of the regulatory bodies formulated during the recertification audits.

### **Raw materials warehouse**

The creation of a new warehouse for the raw materials needed for production became necessary with the increase in the production of finished forms and the need to align to the actual requirements imposed by the Good Manufacturing Practices (GMP) norms. The construction of the new raw materials warehouse began in 2013 and in 2014 it will be financed from the company's own resources. The warehouse, with a total storage capacity of 1600 Euro pallets will be composed of the storage area and the technical and administrative area where there are two streams of class D raw materials sampling.

### **The acquisition of secondary packaging equipment and a calibration grain mill for the Tablets manufacture**

The increase of the production capacity of tablets had required the acquisition of secondary packaging equipment which, by coupling to the primary packaging equipment performs the secondary packaging online or by itself. In order to achieve the quality parameters of mass,

content uniformity and active ingredient of tablets as well as the appropriate power supply of the compression equipment, a calibration die was purchased.

### **Finished products warehouse - Tablets**

Following the modernization of the manufacturing flows of tablets (*a process started in 2010*) and the increase in production capacity through the acquisition of compression and primary packaging equipments in 2011 the need for the creation of finished products warehouse at the level of the production manufacture appeared. The warehouse is equipped with facilities for monitoring temperature and humidity, shelving system, electric transport and elevating equipments.

### **Arranging a laboratory for sterility control and a laboratory for physical-chemical analysis**

In order to comply with the regulatory requirements related to the work with highly active substances as a result of the expansion of the product portfolio of the company, the obligation of creating dedicated spaces to avoid cross contamination appeared.

In this regard, it was decided to entirely separate the penicillin product analysis laboratory from the Quality Control building and the setting of new dedicated laboratories to verify sterility, to perform microbial and physical-chemical analysis. The investment will be completed in 2014.

### **Video surveillance system**

In order to comply with the legal requirements in force on the security of objectives and goods, an efficient and modern closed

circuit television system (video surveillance) was purchased and installed.

### **Fixed assets acquisition**

Extending and renewing the fleet vehicles:

- 15 Ford Focus;
- a Mercedes minibus;
- a Mercedes tractor and a Mercedes chassis.

### **The setting of Spare Parts Micro production flow in accordance with the ISO 9001/2008 quality standard**

The redesigning of this flow was necessary in order to comply with the Good Manufacturing Practices requirements and in accordance with the company's present and future requirements.

After the flow redesigning, the equipment used for this activity were grouped so as to achieve the process optimization and a more efficient use of the technological times.

## **The development of the marketing activities**

In 2013 the pharmaceutical market in Romania recorded an increase in value of +0.3% compared to 2012, reaching 11.7 billion RON, influenced by the local economic climate and the changing government programs.

### **The Romanian pharmaceutical market at a glance**

In the context of maintaining the claw back tax for the prescription medicines and the persistence of the economic crisis in the recent years, the pharmaceutical market had on consumer channels (*retail, hospital*) a moderate but contrasting progress.

Thus, in terms of value, the retail segment increased by +0.4% and the hospital segment decreased by -0.5%, and in terms of consumption, the retail segment increased by +0.1%, and the hospital segment decreased by -6.7%.

On the Romanian pharmaceutical market the highest value sales were recorded for the Cardiovascular system drugs (*representing 18% of total sales, respectively 2.116 million RON*), followed by Oncology drugs (*17.4% and 2.041 million RON*), digestive system drugs (*15.1% and 1.775 million RON*), the central nervous system drugs (*13% and 1.534 million RON*) and anti-infective drugs (*10.1% and 1.188 million RON*).

Together, these five top therapeutic classes generated 74% of the total sales value recorded on the market in Romania, a percentage increasing by 1.2 % compared to 2012.

The antineoplastic and the immunomodulatory (*second place*), the alimentary tract and metabolism classes (*third place*) had an upward dynamic, while the sales of the other three therapeutic classes had a plateau evolution.

### Antibiotice in the market

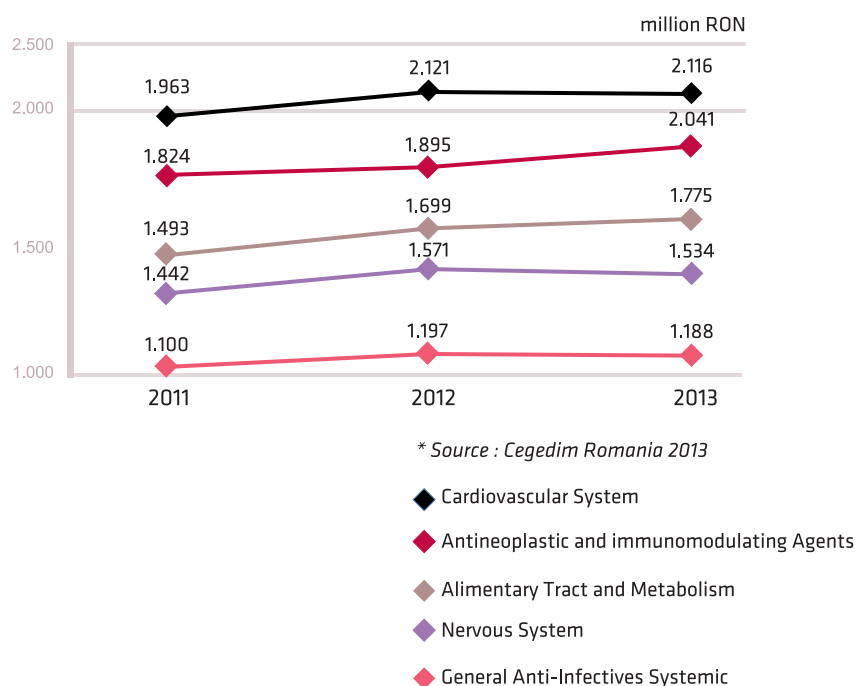
In the context of the stagnation of domestic sales, our company recorded in 2013 sales worth 295.6 million RON, increasing by 1.5% compared to the previous year, according to the data provided by Cegedim.

In the hierarchy of the 286 generic and innovative companies acting on the Romanian market, at the end of 2013 Antibiotice ranked 11 th, according to the data provided by Cegedim.

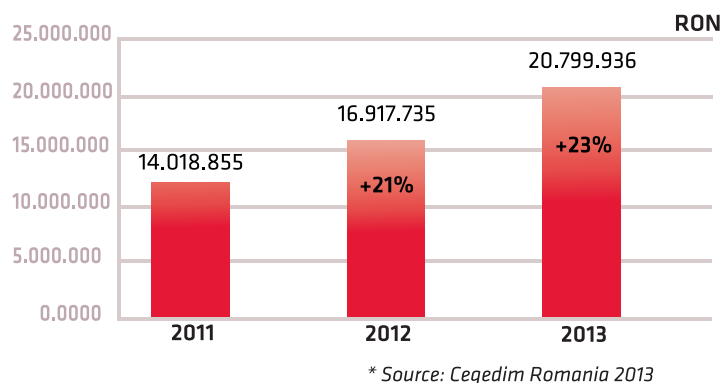
### Increases in the cardiovascular and oncology products in line with the market

In terms of therapeutic area, antibiotice registered a sustained increase of sales for the antineoplastic and cardiovascular

## Evolution of sales on the Romanian market of the first 5 therapeutic classes during 2011 - 2013



## Evolution of cardiovascular drugs in 2011-2013



products compared to 2012, as follows:

- In the overall market, the antineoplastic class has recorded an important increase also due to the oncology drugs made by Antibiotice that were launched in March 2012.
- The cardio class records a positive trend between 2011 - 2013, with a growth rate of 21% in 2012 compared to 2011 and +23% in 2013 compared to the previous year.

**Cardiovascular  
drugs report a  
23%  
increase**

The Hemorzon® (ointment and suppositories) range had an important contribution to growth in 2013, which increased sales by over 40% and the Gladycor® range by +31.5%. To the positive trend of the class contributed the successful market launch, in the second part of 2012, of the Trimetazidină Atb®, which climbed to number 5 in the company's top of sales for cardiovascular use products, with a figure of 1.9 million RON;

### **The prescription medicines, a major share in the domestic business**

The prescription medicines have strengthened the increase in value sales of the Antibiotice company in 2013, providing an increase of +2.3%, due to a slightly decreasing market (-0.7%), reaching a sales level of 265 million lei in 2013.

The main contribution to this positive trend was brought by an increase in the sales of prescription medicines in the anti-infective class (+3.2%) and the cardiovascular system (+23%), these two classes occupying the first two places in the total prescription drug sales under the Antibiotice brand name, with a share of 82.3%.

The anti-infective class representing 66.8% of the total value sales performed by Antibiotice in 2013 has greatly influenced the evolution dynamics for the entire Antibiotice company.

A significant contribution to the increase in sales of the injectable anti-infective (+9.1%) and the anti-infective products in the form of tablets (+3%).

On the pharmaceutical market where tablets reign in terms of consumption (8.6 billion of units sold at the market level), Antibiotice occupies the 12th place in the hierarchy of producers of a total of 128 companies, with a market share of 2.1% and sales of 185 million units.

### **Antibiotice, a leader of sales to hospitals**

The value sales of the company on the hospital segment increased by +8.5% in 2013 given that the hospital market decreased slightly (-0.5%) and the difficulties to recover the funds from the system also persisted in 2013.

Thus, Antibiotice maintained its leading position on this segment optimally exploiting the portfolio of Anti-infective drugs for which it is recognized on the market, with a percentage of 63% of the total sales of drugs belonging to this therapeutic area and which is distributed to the hospitals in Romania.

With sales over 119 million RON and a market share of 22.3% (+1% compared to 2012), Antibiotice is a leader on the generics and drugs without a prescription (OTC) market sold in hospitals in Romania, with an added value worth 48 million RON compared to the company that ranks second.

### **Antibiotice, Romanian leader on the ointment and suppositories segment**

In 2013, Antibiotice has maintained its leadership position for the sales concerning the entire range of ointments (market share: 28.4%), suppositories (market share: 41.3%) and powder for injection (market share: 73.9%). The increases recorded this year were made by a continuous and sustained effort of the sales and promotion teams who acted complementarily and synergistically to achieve the desired results.

### **Cefort® - Antibiotice's best selling product**

The most valuable product that is marketed by Antibiotice is Cefort® powder for injection 1g (ceftriaxonum) with a share in the total turnover of 18.2%. It has recorded the highest growth in the top 10 of products, both in value (+16.5% in 2013 compared to 2012) and in physical consumption (+17% in 2013, compared to 2012).

**Ranks 11<sup>th</sup>**  
**amongst the**  
**286**  
**pharmaceutical**  
**companies active**  
**in Romania**

**1 in 3**  
**Romanian**  
**patients is**  
**treated with**  
**anti-infective**  
**medicinal drugs**  
**made by**  
**Antibiotice**

**Leader on the**  
**whole range**  
**of ointments**  
**28%**  
**market share**

The upward trend of Cefort® powder for injection 1g medicinal product was the exclusive result of the increase in the sales on the hospital segment, given that sales have stagnated in retail pharmacies.

Compared to direct competitors on the ceftriaxonum molecule, injectable form at a concentration of 1 g, the Cefort® product managed to significantly increase both in value market share (*from 91% in 2012 to 93.6% today*) and in volume market share (*from 81.2% to 87%*).

Moreover, Cefort powder for injection 1g was the only product on the relevant market which had an increase in sales given that two competing companies had their sales drop by more than -4% in value and over -13% in quantity, and a third company withdrew from the market in 2013.

Amoxicillin capsules 500 mg (*share in turnover of 4.7%*) ranks second in the Antibiotic sales in 2013, followed by Ampicillin powder for injection 1g (3.5% share) and Eficef® capsules 200 mg (3.5%).

### 6 new products launched on the market in 2013

In the period 2010-2013, Antibiotic successfully adopted

a continual renewal policy of the drug portfolio; the share of new products in the company's total sales has increased steadily from 9% in 2010 to 19% in 2013.

The company's portfolio was completed in 2013 with six new products in the therapeutic classes where Antibiotic wants to strengthen its position in the years to come: anti-infective and dermatological preparations.

In the category of the anti-infective products, Antibiotic has completed its portfolio by assimilating a medicinal product belonging to the carbapenems pharmacotherapeutic group. By launching the two new products, **Meropenem ATB®** injection 1 g and **Meropenem ATB®** injection 500 mg (*meropenemum*), the company follows the trend of consumption in hospitals, which represents useful and current treatments against severe gram-negative infections.

In the dermatological preparations class, in 2013, 4 new products were introduced in the portfolio: Cicatrol® dermal paste 50g (*argentic sulfadiazine*), a drug designed for the prevention and treatment of infections in burns and an adjuvant in tissue regeneration, Cutaden® Bebe cream 40g (*zinc oxide, ichthyole*,

*Vital ET®*), a product for calming and the daily protection of the baby skin and Mometasone Atb® cream and ointment 15 g (*mometasonum*), two products containing corticosteroid, meant to treat the atopic dermatitis and psoriasis.

In the first year after the launch, the contribution of these products to the turnover was 2.7 million RON.

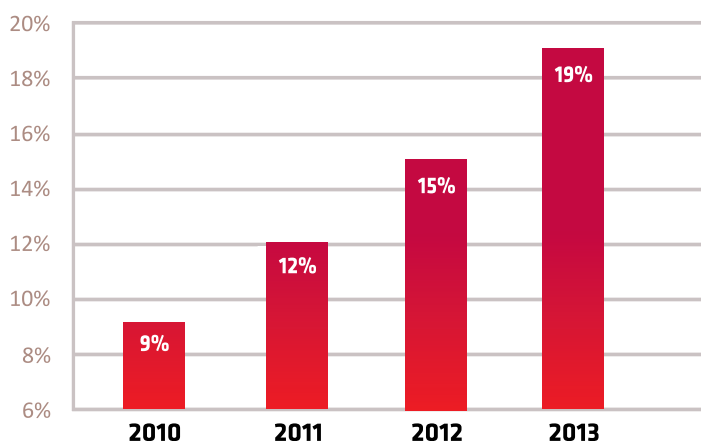
### Antibiotic has promoted its portfolio at comprehensive nationwide scientific events

The activity of the Promotion and the Commercial unit were supported by the organization and participation to local, regional and nationwide scientific meetings where subjects on the public access to medication and the economic impact of the generic drug use were discussed.

During these scientific meetings, presentations on various pathologies were held, in reference to the medicinal drugs from Antibiotic portfolio. Among the major national events attended by Antibiotic in 2013, there are:

- The Modern Medical Management Conference
- The National Conference of Family Doctors
- The World Psychiatric Society Congress
- The National Congress of the Romanian Society of Intensive Care
- The National Congress of Internal Medicine
- The National Conference of Cardiology Working Groups
- The National Congress of Cardiovascular Surgery
- The National Congress of Dermatology
- The National Congress of Psychiatry
- The National Conference of Oncology and Radiotherapy .

**Evolution in the share of sales of new products in total sales**



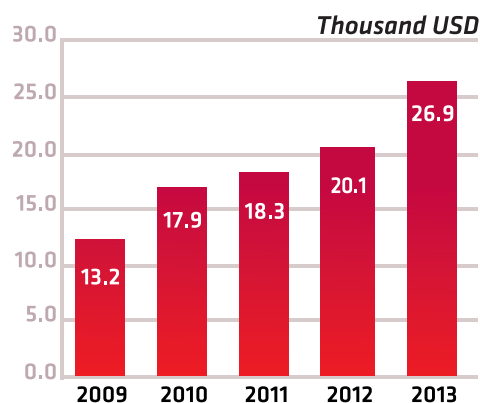
## Exports continue the upward trend, amounting to 28% in turnover

The year 2013 proved beneficial for the export activity, being in tune with the trend observed by the company in last years, namely enhancing the company's exposure on international market and reducing dependence on the internal market.

The cumulated value of exports on 2013 amounted to USD 26,918,500 representing 28% of the company's total turnover which observes the mid-term strategy of Antibiotice to obtain a share of 35% of the total turnover from sales to foreign markets

In comparison with 2012, when exports amounted to 20,079,900 USD, the export turnover generated by foreign markets in 2013 reported a 34% growth, continuing the recent upward trend. Actually, Antibiotice doubled its sales figures in the last 5 years, the evolution of exports in 2009- 2013 being the following:

### Export evolution in years 2009 - 2013

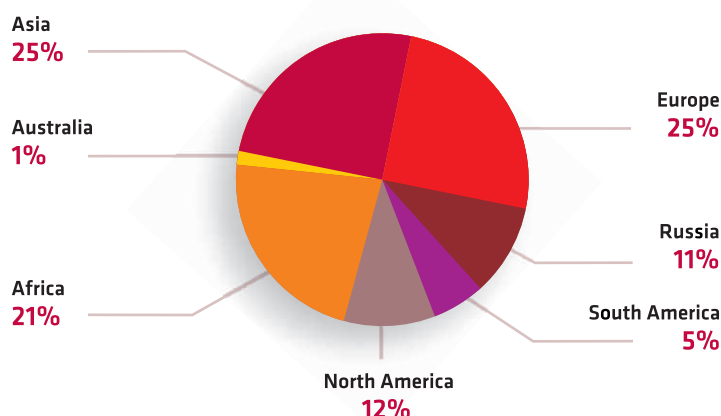


The largest share of exports in 2013 was generated by sales of Nystatin active pharmaceutical ingredient. The rest resulted from sales of finished products, licenses and services testing pharmaceutical products. From a geographical

viewpoint, 25% of exports went to Asia followed by almost equal percentages to Europe, Russia and the CIS.

2013 brought a change in the structure of exports, as it is the first year when the value of finished product sales exceeded the value of active ingredients sales.

### Breakdown of exports by geographic region in 2013



### The focus of API exports- Nystatin

The focus of API exports in 2013 was to consolidate Antibiotice's leading position on the Nystatin market, position claimed since 2012.

The results reported in 2013 confirmed that we reached this objective, the value of Nystatin exports being 11.5 % higher than those recorded in 2012.

The long-term consolidation of international business on the API segment is possible thanks to, on the one hand, efforts to maintain and acknowledge product quality by complying to international standards, as well as the concern to build solid partnerships in each of the territories, on the other.

Antibiotice Nystatin reached approximately 150 end-users around the world. The main export markets were Asia (*the largest share to China and India*), Europe (*especially Germany and Holland*), the CIS (*Russia and Byelorussia*), South America (*Brazil*) and North America.

Exports went up **34%** in 2013

Leader in the global production of Nystatin

Exports doubled in the last

**5** years



### **The exports of finished products**

The recent years' concern for registering Antibiotic products on the foreign market, strengthening partnerships and initiating new ones was translated in a favorable evolution of finished products sales. The value of finished products enjoyed a significant growth, 91 %, in comparison to the export activity in 2012.

The most important contribution to this growth was given by a boost in the exports of sterile powders for injection to Africa, especially Algeria, US and France. In the breakdown of finished product exports sales to Africa and the Middle East continue to occupy first position, followed by sales to Europe and the US.

The development of finished exports remains one of our top priorities, related to the general objective of increasing the exports' contribution in turnover. In order to reach this objective, projects were initiated in 2013 targeting developed markets such as Europe, Australia and North America. At the same time, efforts to obtain new MAs intensified and materialized in 25 new products registered on foreign markets.

### **International promotion**

In 2013, Antibiotic management made efforts to increase visibility on the international market, the promotion activity being carried out both directly, by marketing related activities taking place abroad and participation in international events - as well as indirectly, by supporting marketing events organized by local partners in other countries.

In early 2013 an Antibiotic delegation participated in the Arab health fair, an annual event organized in Dubai reuniting professionals in the pharmaceutical industry from Arabic speaking countries. The fair occasioned meetings with important collaborators of the company, coming from 12 countries in Northern Africa and the Middle East.

In the second part of 2013 our company took part in the Cphl Worldwide in Frankfurt, Germany - the most important networking event in the pharmaceutical industry. The first edition of this event was held in 1990 as an international convention on active ingredients and reunited 16 exhibitors and 250 guests.

In 2013 the fair recorded a number of over 34,000 visitors and 2,200 exhibitors from 140 countries. Our constant participation to Cphl made it possible to identify new opportunities to develop the exports of Nystatin and finished products, for contract manufacturing on the European and North American market, in-licensing and out-licensing and raw materials import.

### **New branch office in Chişinău**

In 2013 our company opened its second branch office abroad (the first is in Moscow) in Chişinău, the Republic of Moldova, whose aim is the direct promotion of finished products in this region. At the same time discussions were initiated for opening an area office in the ex-Yugoslav countries that might become active starting with 2014.

## **Building confidence in valuable partnerships**

### **Supporting and securing traditional partnerships on the procurement chain**

A particular aspect in the pharmaceutical industry during the designing stage of the procurement chain is the need to find a balance between the production capacity of the suppliers and the anticipated market demand. The ability to locate any knots / jams on the procurement channel, the optimizing of the acquisition prices and ensuring GMP compliant manufacturing sources are important steps in shaping an efficient and transparent procurement activity.

**Export in  
72  
countries**

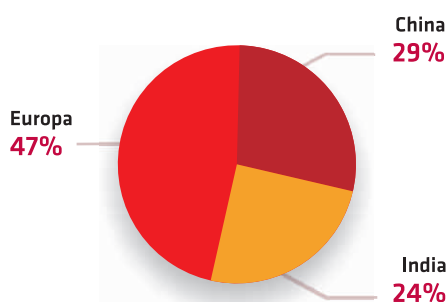
**120  
foreign partners**

## The compliance with the regulations and laws in the field of drug manufacturing

The manufacturing of raw materials that are part of a medicinal drug requires the compliance with all the good manufacturing practice regulations. Any disruption in the procurement chain negatively impacts the evolution of the product and the company's financial indicators.

To minimize the influence of changes at an international level, Antibiotice aims at a balanced geographical distribution of its partnerships on the procurement chain. The cooperation with some of the most representative companies in the pharmaceutical industry in Europe and Asia offers benefits such as: optimal purchase prices, flexible delivery terms, providing complete documentation for product registration and procurement safety.

### Procurement breakdown by geographic region



In 2013, Antibiotice has continued the program for licensing alternative sources for each of the raw materials required in the manufacturing process, the main objective was supporting the overall company strategy. The procurement of raw materials was developed taking into account the European regulations (*EU-GMP*) and the

American regulations (*FDA*) concerning the raw material quality, the implementation of quality management and the observation of the efficiency criteria established at the company level.



The uncertainty regarding the implementation method of the Directive 2011/62/UE by some Asian manufacturers forced the securing of the production and sales by creating buffer stocks for certain raw materials. The current activity of the foreign suppliers was monitored continuously to identify and control the current risks on the manufacture and supply of raw materials.

### Compliance with the company's portfolio strategy

The acquisition strategy is integrated in the global strategy of the company on the development of new products, the increased visibility on the Romanian market and on the foreign markets. A key priority is building beneficial partnerships with those pharmaceutical companies that share a common vision and complementary strengths.

**The manufacturing platform with the largest number of foreign suppliers (50% in total) is the Ointments -Suppositories Manufacture**

The current manufacturing process needs approximately 200 active substances (*API*), excipients or packaging and their acquisition requires an excellent cost, payment and delivery management.

For the products in the research program new external collaborations are initiated within a complex program which begins by identifying, selecting, auditing and qualifying of resources.

### Purchasing partnerships on the domestic market

The purchasing process on the domestic market is the result of interdepartmental efforts, from production planning to securing the raw materials and materials transport required by the manufacturing process.

Harmonizing the trading conditions imposed by the specifics of the pharmaceutical industry with the trends on the domestic market is one of the goals targeted by the commercial policy of the company and it involved :

- Renegotiating contracts with the suppliers of raw materials and printing materials, solvents, reagents and auxiliary materials. All these have a direct implication on manufacturing costs and thus decreases in commodity purchasing prices (*between 4% and 27 %*) were negotiated ;
- Eliminating complaints on raw materials and materials quality that may cause malfunctions in the production process, by direct negotiation with suppliers;
- Providing a minimum of three bids for raw materials and materials necessary for production to ensure the premises for obtaining the most competitive price on the market;

■ Negotiating a loan in the best conditions possible.

Paying suppliers (*for a period of 90 days in most cases or higher*) was correlated with the financing capacity and receivables recovery without compromising on quality standards in the national and international pharmaceutical market;

■ Obtaining other facilities provided by suppliers such as issues related to the transportation of raw materials and delivery deadlines staggered to avoid overloading deposits and creating slow moving stocks

■ Direct implications in rendering the transport activity

profitable by reducing maintenance costs and fuel consumption

The company currently develops partnerships with approximately 96 providers on the Romanian market covering part of the necessary products in the domestic market.

### **Stable financial partnerships with banking institutions**

The financial bottlenecks that occurred in some European countries led Antibiotice to adopt a prudent policy in relation to the banking institutions and, at the same time, to make efforts to optimize the relationships with

the same business partners.

In order to minimize the negative economic influences, the company is considering the conclusion of some partnerships with banking institutions and the use of specific payment instruments to optimize and secure the relationships with its partners.

### **Production partnerships**

Antibiotice operates all 8 manufacturing flows under GMP conditions and manufactures pharmaceutical products in 5 pharmaceutical forms. This allows the provision of quality products to all its partners both domestic and foreign.

## **Certifications and capabilities available in 2013 on the 8 manufacturing flows**

Manufacturing flow	Certification / approval of the manufacturing flow	Available production capacity
Nystatin - active substance	GMP Certificate issued by the national authority, August 2001 Latest GMP recertification: June 2013 FDA Approval, 2002 Latest FDA Approval: January 2013	-
Sterile products - powders for injectable solutions and suspensions - $\beta$ -lactam penicillins and antibiotics	GMP Certificate, December 1999 Latest GMP recertification: June 2013 FDA Approval 2009 Latest FDA Approval: January 2013	15 million vials/year
Non-sterile products - capsules with $\beta$ -lactam penicillin antibiotics	GMP Certificate: December 1999 Latest GMP recertification: April 2011.	-
Non-sterile products - capsules with $\beta$ -lactam cephalosporin antibiotics	GMP Certificate: December 1999 Latest GMP recertification: April 2011.	10 million capsules/year
Non-sterile products - capsules with other antibiotics	GMP Certificate: December 1999 Latest GMP recertification: April 2011.	-
Non-sterile products - tablets, film-coated tablets	GMP Certificate: December 2000 Latest GMP recertification: April 2011.	140 million tablets/year
Non-sterile products - semisolid: ointments, creams, gels Sterile products - semisolid: ophthalmic ointments	GMP Certificate: April 2002 Latest GMP recertification: April 2011.	7 million tubes/year
Non-sterile products - suppositories	GMP Certificate: April 2002 Latest GMP recertification: April 2011.	20 million suppositories/year
Veterinary products: - Nystatin - Parenteral products - Ointments	GMP Certificate, February 2005 Latest GMP recertification: November 2012	-



### **Domestic partnerships**

The key in the distribution activity on the domestic market as well as on the foreign market is to develop a mutually beneficial partnership, flexible to the continual market changes with commonly agreed upon objectives.

The extremely varied product portfolio of Antibiotice addresses both the hospital segment (*hospitals, public health authorities*), and the retail segment (*national pharmacy chains, mini-chains, independent pharmacies*), makes the approach for a national coverage distribution necessary:

■ **The hospital segment:** In this segment, Antibiotice has 8 partners representing the company at auctions or offer selections organized by health units with beds.

■ **The retail segment:** In this segment, Antibiotice collaborates with 9 distributors that have a national distribution network, specialized teams and telesales. The main objective of these distributors is to ensure, through trading and competitive practices, the continuous and active presence of the Antibiotice brand products both in independent (*community*) and in pharmaceutical groups (*national chains and mini-chains*).

The partnership between Antibiotice and the distributors pursues the common goal of being present on the domestic pharmaceutical market; the interest of the parties is to identify the best means of support in the promotion and sale process as well as the best delivery and payment terms. The synergistic activity carried out by the teams of distributors and by the company's commercial team has strengthened the partners'

confidence in the promo product portfolio under the Antibiotice brand name.

### **Partnerships on the foreign market**

Achieving strategic objectives to the business going international, whether it is exports of active substances or finished products depends on the company's ability to develop and maintain long-term partnerships in a climate of mutual trust and transparency. The export activity is no longer a relationship between a manufacturer and a buyer, but a strategic partnership relation with common objectives and goals and a permanent and effective communication.

This type of partnership becomes essential if one takes into account the specific of the international pharmaceutical market, of regulations governing the registration, which require investments in the preparation of documentation and specific studies as well as a large amount of time in project implementation. After product registration, it is required to maintain the same close contact with partners, since the pharmaceutical market is highly competitive and dynamic.

### **Partnerships for the export of active substances**

In the segment of active substances (*Nystatin*), Antibiotice aims at building long-term relationships with end users, by authorizing the company as registered source with the local authorities and by constant support granted to partners. This support translates into providing documentary support, firm delivery terms and the provision of quality conditions as well as the maintaining of international

certifications in accordance with the latest standards.

At the same time, the company maintains its partnership relations with important intermediate companies, which allow access to the fragmented markets or to the markets characterized by a high degree of risk.

### **Partnerships for exporting finished medicinal products**

Regarding the export of finished products, Antibiotice adapts its strategy according to the specific of the target markets. For most of the foreign markets, the company focuses upon the identification of local distributors to act as representatives of Antibiotice in relation to authorities, distributors, hospitals, pharmacies and patients.

The representatives in the destination countries take the company's responsibility for ensuring the treatment with quality and affordable medicines. They also aim to ensure product quality throughout the validity period and track the product impact on the market. Therefore, it is essential for Antibiotice to build a relationship with local partners based upon trust and loyalty on both sides.

For the difficult markets or for the markets where the local laws discourage the distribution of import products, the company is focused upon partnerships with local pharmaceutical companies that manufacture under their own brands the products made within Antibiotice. For this type of collaboration, the company has developed partnership relations with established companies, recognized in local and international markets.

## Improving employees' results is our company's top priority

Antibiotice management together with the HR department have determined the suitable number of employees needed to accomplish the 2013 - 2015 business plan.

Accordingly, the human resources department's activity on 2013 was oriented towards completing the company's structures with the staff required, by attracting and hiring 41 people with a higher education degree working in the departments of promotion, sales, production, business development, intellectual property, automation, QA, pharmaceutical development.

### The breakdown of Antibiotice staff at the end of 2013

1465 employees, of which:

- higher education staff = 537 (36.65% of total staff),
- secondary education staff = 928 (63.35% of total staff)

### Coordinating the training programs

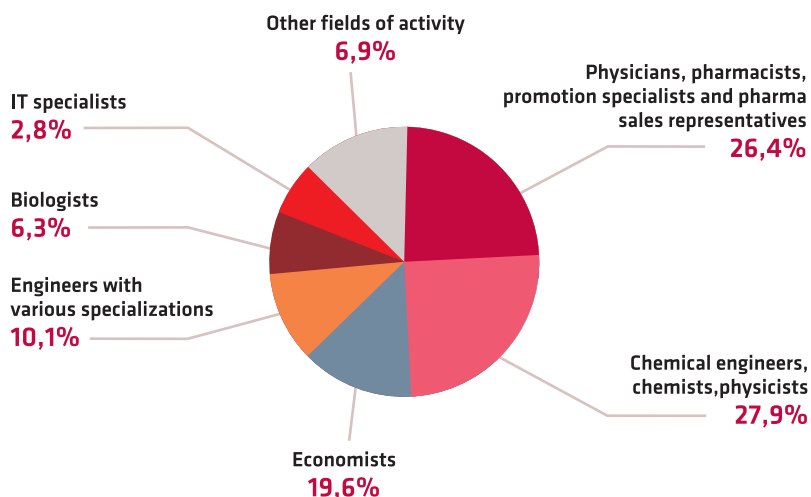
In order to improve professional results, a condition allowing to develop competitiveness and business quality, the preoccupation of the HR Management materialized into development projects, namely training programs, in accordance with the needs of each organizational structure and closely related to the changes in the European legislation in force and the domestic regulations.

### The structure of higher education staff, by profession, on 31<sup>st</sup> December 2013

Profession	Number	% of total staff with a higher education degree
Physicians, pharmacists, promotion specialists and pharma sales representatives	142	26.4%
Chemical engineers, chemists, physicists	150	27.9%
Economists	105	19.6%
Engineers with various specializations	54	10.1%
Biologists	34	6.3%
IT specialists	15	2.8%
Other fields of activity	37	6.9%
<b>Total</b>	<b>537</b>	<b>100.0%</b>

**500**  
employees  
participating  
in training  
programs

### Breakdown of staff with a higher education degree



### **Training sessions with invited speakers**

In accordance with the annual training delivered by invited speakers, in 2013 we organized training sessions for over 500 employees representing 35% of the staff.

The fields of activity that got most emphasis this year are quality assurance and quality control, pharmaceutical formulation, negotiation techniques, business communication, marketing forecast and research, pharmaceutical legislation, clinical studies, risk management, automation systems in the pharmaceutical industry, national and international legislation regarding patents, management development.

### **Summer School a+**

Continuing tradition, in 2013 took place the fourth edition of the Summer School project aimed at the professional development of employees as well as that of young specialists in pharmacy, biology, chemistry and chemical engineering.

The training courses organized in 2013 were attended by 55 final year students and graduates, the highest number recorded since the debut of this project in 2009. The training was delivered by trained key speakers, on topics such as: quality assurance, pharmacovigilance, regulatory affairs, QA lab activities and techniques, research and formulation, clinical research and bioequivalence, pharmaceutical technology and equipment.

### **Collaborating with secondary and higher education institutions**

Throughout 2013, following collaborative partnerships concluded with Alexandru Ioan Cuza University, with the University of Medicine and Pharmacy and the Technical University, the conditions were created for internships and study visits for a total of 613 students specialized in Pharmacy, Chemistry, Chemical Engineering, Biology,

Computer Automation and IT.

Thanks to a partnership with Petru Poni technological highschool Iasi, 22 students in the 11th and 12th grades specialized as laboratory chemist technicians carried out their internship at Antibiotice.

Also, Antibiotice opened its gates to 264 younger students from several educational institutions in Iasi with the purpose of introducing them to the production process and the specifics of the local pharmaceutical industry. These internships are designed to familiarize young students with the industry and establish the prerequisites for the selection of future employees from among university graduates.

### **The Management by Objectives (MBO) on 2013**

For certain categories of employees, the Management by Objectives is applied as a form of evaluating performance.

In 2013, the MBO system included 177 employees with both managing and executive attributions.

For the first time in 2013 the people involved in the company's business plan contributed to "*Preventing deviations from the business plan by monitoring and operational adoption of corrective measures*". This goal has ensured the transition to correlating both the MBO and the Control Board system for a much more accurate monitoring of the financial indicators in the company's overall business plan.

### **The project "*Ideas are free of charge*" implements an idea management system**

The pharmaceutical industry has the reputation of an industry where competitiveness is first determined by the level and quality of the knowledge encapsulated in the medicinal products.

For a sustainable growth of its competitiveness, in November 2012 Antibiotice initiated the project "*Ideas are free of charge.*"

**613**  
**students**  
**visited**  
**Antibiotice**  
**in 2013**

**55**  
**students**  
**attended**  
**the Summer**  
**School a+**

The project is aimed at creating an idea management system that promotes an organizational culture oriented to innovation, whose effect is we capitalize the employees' intelligence and expertise and transfer them onto company products.

The expression *"Ideas are free of charge"* reminds each employee the minimum effort needed to share with colleagues and managers those ideas that make things better, in comparison with the benefits that can be obtained at the level of the entire company.

By implementing this project Antibiotice tracks the effects of cost reduction, creating revenue, increased productivity, increased product quality, improved organization, increased employee motivation, improved internal communication and work environment

Conceived in such a way so as to record and convey ideas to Antibiotice staff, the system provides collecting and analyzing ideas by the management structures, which allows taking rapid and timely decisions to maximize the benefits brought by the ideas. At the same time, an annual domestic competition rewards the best idea, the most creative

department and the most successful idea turned to life.

2013 presented the first results of the project, among which launching and implementing general ideas within the manufacturing lines, research and formulation, maintenance, marketing, economic analysis and human resources.

In late 2013, 30 employees received prizes for their ideas and involvement in putting them into practice.

The valorization of creative people and the acknowledgement of their merits means promoting the project among the employees and represents a catalyst of the process that refreshes the values of organizational culture.

#### **58 prizes awarded for outstanding results**

On the occasion of the 58th anniversary of our company, in December 2013, 58 employees with outstanding results in their activity received prizes and got acknowledged for their merits and contribution to the company's development.

The event took place within the festive ceremony attended by present and former employees –personalities with a key role in the company's history of almost 6 decades.

**30**  
**employees**  
**rewarded in**  
**the project**  
*"Ideas are*  
*free of charge"*

# Risk management

## Evaluation of risk management

The risk management continuously evaluates the risk to which the company is exposed or might be exposed and which can influence the achievement of objectives. They have in view the fulfillment of the targeted indicators under controlled risk conditions that ensure both the continuity of the activity as well as the protection of the interests of shareholders and clients.

The risk management is carried out within a consistent methodological framework and their management is an important component of the strategy aiming at maximizing profitability, achieving a desired level of profit while maintaining an acceptable risk exposure and the compliance with the legal regulations.

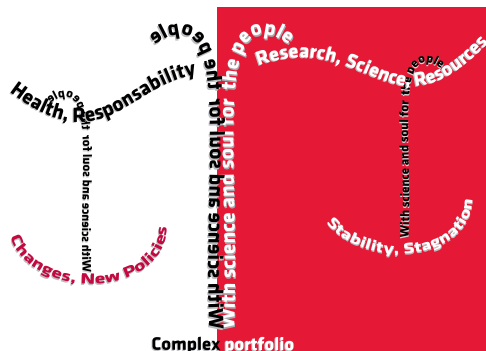
Antibiotice is exposed through its operations, to the following financial risks:

- The liquidity risk
- The currency risk
- The commercial (default) risk

## The currency risk

Within the Antibiotice business activities, one of the risks with a high frequency is the currency risk, which is the possibility of financial loss arising from changes in the exchange rates and / or correlations between them. The company is mainly exposed to the currency risk on the purchases made from the suppliers of raw materials, packaging and other import materials.

On December 31st 2013, the net loss from exchange differences (*the difference between the costs of foreign exchange differences and the income from foreign exchange differences*) was 624.064 RON.



The impact of this loss on profit was 1.8%. Given that on December 31st 2013 the profit rose by 12.5% compared to December 31st 2012, we consider the impact is moderate.

#### **The circumstances of currency risk are as follows:**

- the macroeconomic changes and the national currency depreciation.
- In order to limit the currency risk, the following control measures were taken:
- synchronize the import activity with the export activity by correlating the terms of payment and receipt and the correlation of share exchange;
- the anticipation and the delay in making the payment or the receipt by setting a proper timing and the introduction of insurers to price margins correlated with a forecast on the currency evolution;
- the refinancing of the loan in foreign currency with loans in RON (*the loans in RON proportionate to the turnover in foreign currency*).

## **The liquidity risk**

The liquidity risk results from the company's failure to honor at any time its short-term payment obligations.

The occurrence of the liquidity risk is as follows:

- the collection of receivables at periods exceeding 300 days;
- the increase in taxation (*the claw back tax*);
- the insolvency of certain customers;
- the increase in the price of utilities, raw materials and services.

#### **The strategy adopted concerning the liquidity risk is:**

- the definition of liquidity indicators (*general, fast and immediate liquidity*);

- the use of an early warning system that supports the identification of the liquidity risk.

#### **Control measures to reduce the liquidity risk**

1. Going international  
The volume of exports has grown steadily in recent years.

The adaptation of the export portfolio to the requirements of the global market by introducing new products, by developing new projects through focusing on the markets with a high absorption potential of generic drugs, by establishing a Antibiotice branch in Chisinau, the Republic of Moldova and by maintaining and developing the existing partnerships.

This strategy concerning the export growth aims at the fact that on the foreign markets higher returns are obtained compared to the domestic market, the duration of the collection of deliveries ranges between 60 and 90 days against 300 days on the domestic market. And last but not least, the exports are not encumbered by the claw back tax.

2. A survey as accurate as possible and the correlation between payments and receipts;
3. The coverage of the gap between receipts and payments of loans.

On December 31st 2013 the overall liquidity and the rapid liquidity ranged within normal limits ( $Lg=2.28$ ;  $Lr=1.92$ ), which means Antibiotice was able to fully cover its short term debts on the account of current assets and, as a result, the company is insured against the short term default.

## **The commercial risk**

The commercial risk or the default risk is defined as the risk of loss or failure to obtain the estimated profits because of a lack of financial liquidity of the borrower and the failure to pay on the due maturity thereof.

Circumstances for the development of the risk default:

- the average collection period for drugs exceeds 300 days which generates significant arrears.
- the financial market turbulence.

#### **Control measures to reduce the risk of non-collection on the domestic market:**

- The assessment of the credit worthiness of trading partners by its checking before signing the contract, in many ways;
- The monitoring of claims by control and permanent risk assessment;
- The development of a relationship of loyalty from customers through regular meetings meant to make their acquaintance and to approach a constructive attitude;
- The conclusion of protocols on payment schedules;
- The conclusion of security mortgage contracts;
- Financial deals providing financial cuts for the payments made before the contract term;
- The provisioning of expenses to cover the risk of default.



## C Corporate governance

The principles and recommendations of the Corporate Governance Code of the Bucharest Stock Exchange are the foundation of good governance standards.

Antibiotice believes that corporate governance is an important tool for achieving performance in terms of sustainable development by ensuring accuracy and transparency of the decision-making process, by the shareholders' equal access to relevant information about the company.

The governance system is in accordance with Law no. 297/2004 republished and CNVM regulations for its enforcement, Law no. 31/1990 republished, with all subsequent amendments of Regulation no. 6/2009, BSE Code, the Corporate Governance Code of BSE and the Articles of Association of the company.

Antibiotice team soundness is demonstrated by the promptness with which it is able to react.

This applies to the management team, as well as to the operational teams and the entire staff of the company. In 2013 we showed consistency on strategic directions accompanied by adequate investment programs. This was achieved by applying the principles of good corporate governance, which allowed counting on the full potential of employees to implement and maintain high standards in all company activities .

The company's corporate governance system is based on:

- The Management Board,
- Advisory Committees,
- The Corporate Executive Team,
- The Code of Ethics.

### Management Board

Antibiotice is managed by a Management Board, responsible for carrying out all tasks necessary to achieve the objective of the company, except those provided by law for the General Meeting of Shareholders .



The Board monitors that their decisions, those of the management, of the GMS as well as internal regulations comply with the legal requirements and are adequately implemented. The Board is responsible for monitoring the company's management on behalf of shareholders. The Board's duties are described in the Articles of Associations and the relevant internal regulations, available on the website of the company under the corporate governance section.

During 2013 the Board met in 12 sessions, each time recording a 100 % presence and adopted decisions that allowed to fulfill their duties in an effective and efficient manner. At the monthly meetings, the Board reviewed in detail the financial results during the reporting period and cumulatively since the beginning of the year, as well as the economic performance compared to the budget and to the same period last year. The Board demanded the executive management thorough explanations about plans to increase production efficiency, investment plans, provisions made, liquidity management and overall operational profitability of the business. After analyzing in detail the results for the period, the Board decided to approve them for publication and sending to Bucharest Stock Exchange. The 5 members of the Board shall ensure an effective ability to supervise, analyze and evaluate the work of directors and the fair treatment of shareholders.

#### **The members of the Management Board on December 31st, 2013**

##### **Ec. Valentin Radu, aged 64 President of the Management Board and representative of the Ministry of Health**

At the Ordinary General Meeting of Shareholders of 26 April 2012,

Mr. RADU was reconfirmed as a member of the Board for a four-year period and elected President of the Board. Mr. Valentin Radu holds a PhD in economics, is an auditor and expert in administrative law and a director in the Ministry of Health; he has been a member of the Antibiotice Board since 2009.

**ATB shares - 0\***

##### **Ec. Ioan Nani, aged 54 Vice-President of the Management Board and CEO**

At the OGMS of 26 April 2012, Mr. NANI was reconfirmed as a member of the Board for a four-year period and elected Vice-President of the Board. Mr. Ioan NANI is an economist specialized in management and a chartered accountant, member of the Management Board since 2009 and Chief Executive Officer (1998 - 2008 and since 2009 to date).

**ATB shares - 1.513\***

##### **Dr. Geza B. Molnar, aged 70 Member of the Management Board and representative of the Ministry of Health**

He is a Doctor of Medicine, epidemiologist physician and associated professor; he is also a member of the Board since 2009, reconfirmed in 2012, and has been currently working at the Institute of Public Health "Prof. dr. Iuliu Moldovan", Cluj-Napoca.

**ATB shares - 0\***

##### **Ec. Nicolae Stoian, aged 57 Member of the Management Board and representative of SIF Oltenia and other corporate shareholders**

At the OGMS of 26 April 2012, he was elected in the Management Board for a period of four years. He is a chartered accountant, tax consultant and financial auditor. He is a representative of the Internal Control Department at SIF Oltenia.

**ATB shares - 0\***



**Eng. Gabriela Ilie, aged 64**  
**Member of the Management Board**  
**and representative of SIF Oltenia**  
**and other shareholding legal**  
**entities**

She was reconfirmed as member of the Board in 2005, 2008 and, again, for another four years, in April 2012. She is a chemical engineer and has been a member of the Management Board since 2004. Currently, she is retired.

**ATB shares - 14.894\***

*\* Number of Antibiotice (ATB) shares held on October 23rd, 2013 (as per the latest database held by Antibiotice in 2013).*

**Advisory Committees**

The Management Board established the following specialized advisory committees:

- Audit Committee: Valentin Radu and Nicolae Stoian;
  - Committee for appointment and remuneration: Gabriela Ilie and Geza Molnar
  - Committee for marketing policies: Geza Molnar and Nicolae Stoian.
- The advisory committees have conducted investigations and analyses; have drawn-up recommendations for the Management Board in specific areas, elaborating periodic reports on the work developed.

**Executive Team**

Antibiotice Iasi is represented by the General Manager (CEO) who signs legally binding documents against third parties and in court (*as per Article 17, Chapter V, Statute of the trading company Antibiotice.*) The Management Board retains the power of representation of the Company in its relation with the directors appointed by the Board.

In 2013, as compared with last year, the structure of the Executive Team has changed by re-establishing the Medical Unit headed by Dr. Mihaela Moşneguţu. The executive management of Antibiotice Iasi is ensured by ten directors: a CEO (*who also holds the position of Vice*

*President of the Management Board*) and nine unit directors.

**The members of the Executive Team on December 31st, 2013**

**Ec. Ioan Nani, aged 54**  
**Vice-President of the Management Board and Chief Executive Officer**

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

In 1987, he began his work as an economist at Antibiotice. Between 1991 and 1993, Mr. NANI was a financial inspector within the General Directorate of Public Finances in Iasi, then he worked for the Romanian Court of Accounts.

In 1994 he returned to Antibiotice as Financial Executive Director, and in 1998 was appointed Chief Executive Officer.

In February 2009, Mr. Ioan NANI was invested as Vice-President of the Authority for State Assets Recovery, Bucharest. In June 2009 he was reappointed Chief Executive Officer of the Antibiotice. He has been holding this position since 2009.

**ATB shares - 1.513\***

**Eng. Cornelia Moraru, aged 48**  
**Production & Technical Director**

Mrs. Cornelia MORARU is a graduate of the Faculty of Chemical Technology of the Technical University "Gheorghe Asachi" Iasi. She debuted as a chemist engineer at Fălticeni Chemistry Factory. She has been working for Antibiotice since 1990. Until 1998, she worked in the Penicillin Plant II, then, for one year, at the Biosynthesis Department. In July 1999, Mrs. Moraru became a senior biosynthesis technologist at the Penicillin Plant. In January 2001, she was appointed Manager of the Tablet Plant; in May 2003 she became Director of the Pharmaceutical Division. In 2005, she was appointed Production and Technical Director.

**ATB shares - 1.513\***

**Ec. Paula Luminița Coman, aged 46**

**Financial Director,**

Mrs. Coman graduated from the Faculty of Economics and Business Administration. She has been a chartered accountant since 2006 and tax consultant since 2007.

After graduation, she worked as an economist at the Tourism County Office. She joined Antibiotice in 1991 as an economist in the Price Efficiency Office. In 1998 she became head of the Economic Analysis office, and, later in 2003, head of the Financial and Accounting Department. She obtained the position of Financial Director in 2011.

**ATB shares - 0\***

**Ec. Vasile Chebac, aged 59**

**Commercial and Logistics Director**

Mr. Chebac graduated from the faculty of Economics. Since 1993 he has been an active member of the Body of Chartered Accountant, Iasi, and a financial auditor, member of the Romanian Chamber of Auditors since 2008.

He began to work at Antibiotice in 1972. In 1987, he joins the Planning-Development Office, within the Investment Department, as an economist. From February 1991 he worked as a financial inspector at the General Directorate of Public Finance Iasi and in July 1993 he was nominated as a financial auditor at the Chamber of Accounts Iasi. In January 1998, Mr. Chebac was appointed Chief Commissioner at the Financial Guard Iasi. In September 2001 he returns to Antibiotice as Commercial and General Services Director. Since 2005, he has been holding the position of Commercial and Logistics Director.

**ATB shares - 0\***

**Eng. Eugen Florin Osadet, aged 57**

**Engineering & Investment Director**

Mr. Osadet is a graduate of the Technical University, Faculty of Mechanical Engineering, and in 2000 he obtains the Master's degree in Management and Business Administration granted by the same University.

He has been working with Antibiotice since 1980, first as a mechanical engineer in the workshop for production of industrial cold, later as a thermoenergetic dispatcher. In 1997, Mr. Osadet became the Head of the Thermoenergetic Service.

Since 1999 he has been holding the position of Engineering and Investment Director.

**ATB shares - 1.511\***

**Eng. Cristina Lavinia Dimitriu, aged 56**

**Quality Unit Director**

Mrs. Dimitriu is a graduate of the Faculty of Chemical Technology at the Technical University, Iași. She holds an MBA degree granted in 2000 by the same university and a Master's degree in Management and Marketing granted in 2007 by the Faculty of Pharmacy. In 2007, Mrs Dimitriu got her PhD from the Faculty of Pharmacy, Iași.

Since 1987, she has been working with Antibiotice company as a chemical engineer at the Biosynthesis – Lysine Plant. In 1990, she became Production Manager at the Parenteral Products Plant and in 2000, Quality Control Manager – Physical-Chemical & Microbiological Analyses.

Starting with 2007, Mrs. Dimitriu has become a Qualified Person in the manufacturing/import units of medicines for human use and Antibiotice's management representative for the integrated management system.

She has been holding the position of Quality Director since 2003.

**ATB shares - 0\***

**Ec. Gica Rusu, aged 50**

**Human Resources Director**

Mrs. Rusu graduated from the Faculty of Economic Sciences. She holds a Master's degree in Business Management granted in 2003. She has been working with Antibiotice since 1981, first as an economist at the Penicillin Production Plant (1986), and since 1996 within the Financial Department. In 1999, Mrs. Rusu become Head of the Human Resources Department.

She has been a Human Resources Director since 2004.

**ATB shares - 1.510\***

**Ec. Ovidiu Bățaga, aged 36**

**Marketing and Domestic Sales Director**

Mr. Bățaga had graduated from the Faculty of Economics and Business Administration (FEAA), of the Alexandru Ioan Cuza University - Iași.

He holds three MA degrees in financial management (2001), pharmaceutical marketing (granted by the "Gr.T.Popa" University of Medicine and Pharmacy, in 2003) and project management (granted by the Gheorghe Asachi Technical University, in 2007).

After graduation, Mr. Bățaga has been a teaching assistant at the Currency and Credit Department within FEAA. He joined Antibiotice in February 2001 as an economist in the departments of Economic Analysis, Accounting and Marketing. In January 2006, he was appointed head of the Market Analysis and Strategic Planning.

Mr. Bățaga holds the position of Marketing and Domestic Sales Director since 2010.

**ATB shares - 0**

**Dr. Mihaela Moşneguţu, aged 44**  
**Medical Director**

Mrs Moşneguţu is a graduate of the Faculty of Medicine of the Grigore T. Popa University of Medicine and Pharmacy in Iaşi, and is specialized in family medicine. She started her professional activity as a physician in Iaşi, then she joined the company in 2000 within the Promotion Office, whose head she became in 2001.

In 2005, Mrs. Moşneguţu is appointed head of the Pharmacovigilance and Medical Consulting Department. In 2009, she is nominated Manager in charge with the Medical Division and Retail Promotion. She has been a Medical Director since 2011.

**ATB shares - 0\***

**Ec. Mihai Stoian, aged 38**  
**Business Development Director**

Mr. Stoian has graduated from the Faculty of Economics and Business Administration, (*specialisation: international transactions*). Since 2000, he has been a promotion adviser at the Chamber of Commerce Iaşi and since 2001 he has been working in foreign trade. Since 2005, Mr. Stoian has been working with Antibiotice company in the Export Department, first as an Area Sales Manager for active substances, then as Export Manager (2008) and Business Development Manager (2011). He was appointed Business Development Director in 2012.

**ATB shares - 0\***

*\* Number of Antibiotice (ATB) shares held on October 23rd, 2013 (as per the latest database held by Antibiotice in 2013).*

**The Code of Ethics**

The code of ethics of Antibiotice presents the ethical norms of conducts which establish and regulate the corporate values, responsibilities, way of conduct, the business obligations of the organization and the way in which the company operates.

It contains the guidelines which help the company follow its values.

The Code presents the set of rules on the basis of which the company was developed, the ethical rules of conduct in business and how to prevent those illegal actions which might arise during the business activities within the company. The Code of Ethics is compulsory and applies to all structures and activities of the company.

The Code of Ethics is presented in detail on the Company's website.

**Rights of the financial instrument holders**

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

- protects of the shareholders' rights,
- ensures fair treatment for all shareholders;
- recognizes the role of third parties with interests in the company;
- guarantees the information and transparency,
- ensures the Management Board's accountability to the Company and shareholders

On the official website of the company at **[www.antibiotice.ro](http://www.antibiotice.ro)** /**investors**, a section is dedicated to shareholders, where they can access and download documents relating to the General Meeting of Shareholders (procedures for access to meetings, convening notice, additions to the agenda, informative materials, special powers-of-attorney for representation, vote-by-mail forms, decisions and draft decisions, voting results, etc. Antibiotice makes available the periodic and annual financial statements drawn-up in accordance with the legislation in force. Also, the company complies with all the requirements for publication under the legislation referring to the trading companies and the capital market. Within Antibiotice Iasi there is a specialized structure that deals with the existing and potential

investors, called Investor Relations; its main role is to ensure a good communication with the shareholders. The persons designated to keep in touch with the investors, treat with utmost efficiency the shareholder's requests and facilitate the dialogue with the company's management. The company creates and develops an appropriate policy to promote an effective communication with the investors and shareholders.

### **The General Meeting of Shareholders**

The General Meeting of Shareholders is the highest decision-making body of the Company, where shareholders directly participate and take decisions. Among its attributions, the GMS decides on profit distribution, on the election of the members of the Management Board, and on their remuneration, on the appointment of the auditors.

During 2013, the Management Board convened two Ordinary General Meetings of Shareholders (on April 25th and August 14th) and two Extraordinary General Meetings of Shareholders (*on April 25th and June 27th*). All necessary documents related to the smooth unfolding of GMSs were duly published as required by law.

**In the OGMS held on April 25th**, the company's financial statements for 2012 were approved, based on the Management Report and the Financial auditor's Report. These results being drawn-up as per the Public Finance Minister's Order no. 3055/2009 for approval of accounting regulations in accordance with the European Directives and with the updated Accounting Law no. 82/1991.

In the Extraordinary General Meeting of Shareholders of 27 June, shareholders have reviewed and approved the capital increase, a point on the agenda of the Extraordinary General Meeting of Shareholders of 25 April which was not approved at that time.

The share capital increase was approved by issuance of new shares as a result of capitalizing the value of 10,333,094 RON (*50% of the net dividend on 2012 and other reserves*) and its distribution to existing shareholders in the register of shareholders on the proposed registration date (*15/07/2013*) so that each shareholder received 0.181918395 shares for each share owned with a nominal value of RON 0.1000.

The value of 10,333,095 RON (*50% of the dividends on 2012*) was to be paid to shareholders registered in the Register of shareholders on registration date 15/05/2013, as of 10/15/2013. The share capital was set at 67,133,804 RON divided into 671,338,040 shares at a nominal value of 0.1000 RON each, the shares being registered.

The same general meeting approved the:

- extending the credit facility with sublimit 1, amounting to 8,000,000 RON granted by Alpha Bank, according to the Multioptional Credit Line Contract no. 28/1/2005 for financing receivables up to 80% of the invoices issued by the beneficiary to its distributors accepted by the bank;
- extending the credit facility with sub-limit 2, maximum of EUR 100,000 granted by Alpha Bank to Antibiotice, according to the Multioption Credit Line Facility no. 28/1/2005 for issuing letters of guarantee, letters of credit and advances.

- maintaining the collaterals granted by the Company to guarantee the credit facility in the amount of 1,892,154.84 EUR (sub-limits: EUR 8,000,000 and EUR 100,000) issued by Alpha Bank Romania under the Multioption Credit Line Facility no. 28/01/2005, namely:
  - mortgage on claims arising from sales contracts concluded and / or to be concluded between Antibiotice and its distributors, as well as bills, promissory notes and checks issued and/or to be issued under such contracts;
  - endorsement in favor of the bank of checks and promissory notes issued by company distributors ;
  - guarantee / pledge in real assets on future and present credit balances of the current accounts of Antibiotice, opened at Alpha Bank Romania;
  - promissory note in white.
- the appointment of the Vice President of the Board, CEO Ioan Nani and Financial Director Ms. Paula - Luminița Coman - persons authorized to sign credit agreements and related addenda, facility contracts and addenda, mortgage and warranty contracts and addenda thereto, P/N in white, use / refund applications, requests for issuing letters of guarantee, opening letters of credit, all applications, all documents related to the fulfillment of these decision and any other documents requested by Alpha Bank Romania.
- ratification of all financing documents, including but not limited to the following credit and guarantees and addenda to:
  - Credit contract no. 28 / 18.04.2005 modified by the Addendum concluded on 14.11.2011, together with the addenda, respectively:
    - Multioption credit line contract no. 28/1/2005, amended and completed by addenda no.1-34 concluded with Alpha Bank;

- Pledge contract of tangible assets as collateral no. GRM/1/28/07.01.2011, whose objects are the credit balance in domestic and foreign currency to which correspond the associated IBAN codes and all rights to these amounts, as amended and supplemented;
- The tangible assets mortgage contract no. 8/28 (Claims) for the rights of debt collection of current and future company, arising from sales contracts entered into by the company with its customers and the bills, notes and checks issued under these contracts, together additional acts and annexes, as amended and supplemented;
- Issuance of promissory notes "*in white*" whose beneficiary is Alpha Bank Romania that the bank can fill on the maturity date or at any time with the corresponding amount representing the total amount owed by the company under the credit agreement no. 28/18.04.2005 concluded with Alpha Bank Romania.

The contracts mentioned considered the total amount borrowed by the company from Alpha Bank Romania until the date the resolution was adopted, whose total amount was EUR 1,892,154.84 (sub-limits : EUR 8,000,000 and EUR 100,000) plus interest, plus increased interest, penalties, fees, charges and any other costs and amounts guaranteed by the company as collateral.

- Ratification of all decisions taken by the Board pursuant to art. 18 letter b1 of the Articles on contracting / extension / increase / credit guarantee granted by Alpha Bank Romania to Antibiotice.
- the appointment of the Vice President of the Board, CEO Ioan Nani and Financial Director Paula - Luminița Coman, Production Director Cornelia Moraru and Head of the Financial Department Tatiana Bîrsan - persons authorized to sign documents necessary for credit analysis (financial statements, declarations, certifying documents in conformity with the original).
- appointment of the Vice President of the Board, CEO Ioan Nani and Financial Director Paula Coman, as persons authorized to commit the company by signing credit contracts/ addenda and collateral guarantees and any documents requested by the bank, as well as the warranty agreement.

**The Ordinary General Shareholders Meeting of 14 August 2013** approved the financial statements of the company for the first half of 2013 , based on the Management report and the auditor's report in accordance with art . 55 . - (1) Ordinance 109/30.11.2011 and procedures for awarding the contracts, according to the legislation in force : GEO 34/2006 as amended by Ordinance 77/2012, amended by Law no. 193/2013.





## Social responsibility

A company's success is measured not only in terms of turnover, but also on how well it serves the community, protects the planet's resources and changes people's lives. Antibiotice assumes the responsibility to be involved as a "good citizen" in the life of the community and it is directly implicated through charities, donations, sponsorships, carrying out humanitarian, educational or cultural projects, working to develop a better society, to protect and preserve the environment.

### The "Antibiotice – Science and Soul" Foundation

The "Antibiotice – Science and Soul" Foundation decided to continue the company's tradition in carrying out charitable, humanitarian, educational and cultural projects in order to improve the health of the

population and to solve certain social issues.

Also, the Foundation supports the scientific activities for both physicians, by organizing training programs and continuous medical education seminars and the public, by increasing awareness on the role of the generic medicinal product or of various pathologies, by organizing educational and preventive events. Throughout 2013, the "Antibiotice – Science and Soul" Foundation carried out humanitarian campaigns that helped numerous families, children in serious health conditions, institutionalized children, elderly people and sick people in need. The actions promoted by the campaigns "The power of the deed", "Be a volunteer, donate blood", "Offer a toy, offer a smile", "Close to people with science and soul", "A gift from the heart! Be Santa Claus" brought joy and hope to those who needed humanitarian aid.



### **Be a volunteer! Donate blood!**

In 2013 under the motto "*Be a volunteer! Donate blood!*" the "*Antibiotice – Science and Soul*" Foundation organized, for a third consecutive year, two blood donation campaigns.

The first campaign took place on April 7th, on World Health Day, and the second campaign took place on September 23rd as a response to the increasing blood requests from the hospitals in the city of Iași.

A total of 120 Antibiotice employees made a voluntary and valuable gesture by donating blood. The donation campaigns were held in the clinical unit of the Centre for Drug Evaluation within Antibiotice headquarters. As a result of the positive feedback, this mobile blood collection campaign will be carried out by the "*Antibiotice – Science and Soul*" Foundation in the years to come.

**120**  
**employees**  
**donated blood**  
**to save lives**

### **It is up to us to do a good deed!**

On the occasion of the Easter celebrations, the „*Antibiotice – Science and Soul*” Foundation helped a few families in need.

To one particular single parent family, in a very difficult situation because of a seriously ill child, a scholarship was granted to support the child's monthly necessary medical treatment. Also, for other families with a large number of children, basic Easter specific foods, cleaning products and toys were offered.

### **June 1 - alongside children with autism**

In order to celebrate the International Children's Day, the white walls of the headquarters of the National Association for Children and Adults with Autism (A.N.C.A.A.R.) - Iași branch came alive with child stories.

Snow White and the Seven Dwarfs, Princess Ariel, the little fish Nemo, Mickey Mouse and Minnie Mouse gathered together around the "*Tree of Friendship*". All of these were made possible thanks to the "*Antibiotice – Science and Soul*" Foundation and to some Antibiotice employees who volunteered to carry out this project. A few of the children of the Association have put their artistic skills to work and tried to better outline the characters on the walls as they were incited by the brushes and the color tubes scattered around.

Thus, the 90 people attending the centre were offered, as a gift, a more friendly living space populated with fairy tale characters and favorite heroes. The gift was completed with materials and supplies useful to the centre staff working with children diagnosed with autism.

### **Antibiotice is alongside the children of its employees**

Also, on the International Children's Day, Antibiotice offered gifts to its employees' children who took part in the projects organized on this occasion. It was a show coming right out of fairytales but with live characters who have led the children into a number of sport competitions and games specific to their age.

The "*Fun Olympics*" gathered 100 small Olympians who enjoyed their Day and received prizes for their participation in the competitions organized by the company.

**100**  
**children of**  
**the employees**  
**enjoyed surprises**  
**on their Day**

### **Be Santa Claus this year!**

76 needy children met Santa Claus at the Antibiotice headquarters.

The company thus responded to the World Vision initiative to bring joy in the hearts of needy children from Vlădeni (*county Iași*) and Rebricea (*country Vaslui*) villages for whom the arrival of Santa is the happiest time of the year.

Helped by their teachers or by themselves, the children aged 6 to 11 wrote on paper what they wanted to receive from Santa. Then, their letters got to 76 Antibiotice employees who enthusiastically played the role of Santa's "*elf*" helpers fulfilling the children's very wishes.

The children's wishes were simple since they come from a disadvantaged background: they wanted to receive tale books, dictionaries, slippers, puzzles, toys, bananas, oranges and sweets, but Santa endeavored to offer them more. During the ceremony held at Antibiotice headquarters, excited children have embraced Santa and told him how patiently they have waited for him. Then, they were happy to meet some of the "*elves*" that helped Santa to make their wishes come true.

**76**  
**children met Santa**  
**Claus at Antibiotice**  
**headquarters**



### **Antibiotice supports the Association of Former Employees**

Antibiotice supports the Association of Former Employees of the company by providing free medicines and visits to the suffering, free legal assistance in disputes with the local and national authorities and free thematic trips in the county or across the country.

The Association is a link between the company's management and the former Antibiotice employees.

The Association of Former Antibiotice Employees was founded in 2005 and aims to monitor and solve various issues the former Antibiotice employees face in their daily lives.

All these actions highlight the care the company shows for those who, over the years, contributed to develop and strengthen our business on the pharmaceutical market.

## **Education**

### **The "Science and Soul" scholarships**

For over 13 years Antibiotice has been alongside the "Pro Ruralis" Association, to support the scholarship program for students from the rural areas with a higher IQ, who come from poor families.

In November 2010, the project was taken over by the "Antibiotice – Science and Soul" Foundation. Initiated in 2001, the project offers an opportunity to intelligent, disadvantaged children from rural areas to complete their education according to their potential in elite high-schools in the city of Iași. Antibiotice still participates to this generous program during the academic year 2013-2014 by offering 5 "Science and Soul" scholarships. The first 5 young people who have benefited in past years of the financial support provided by

Antibiotice graduated high school in the summer of 2009 and now attend various universities.

In addition, on the occasion of numerous events and official holidays, the company offered schoolgirls gifts consisting in school supplies, clothes, shoes and invitations to various shows.

## **Promoting the environmental protection**

Regarding the protection of the environment, Antibiotice has committed through the Environmental Management System to prevent pollution, to continuously improve its environmental performance by observing the environmental legislation. Since December 2010, when it obtained the Integrated Environmental Authorization, valid for 10 years, Antibiotice proves to be a company that meets the environmental requirements. Accordingly, the emissions of pollutants in the air, water and soil are below the limits set by the European rules in this field.

The environmental program "*Be pro environment. Get involved!*" debuted at Antibiotice in 2008. Through this program, the company proves its responsibility and involvement in the protection of the environment, by investing significant resources in the preservation of the water, air and soil.

Under this program, the 2013 campaign included the following actions:

### **Let's Do It, Romania! The National Cleaning Day**

On September 28th 2013 Antibiotice participated for the forth year alongside high school students and employees of various institutions from the city of Iași to the most important social awareness action conducted in Romania so far. The Antibiotice volunteers helped to the collection of piles of household waste scattered around polluting the environment.

**Antibiotice has been granting the "Science and Soul" scholarships for 13 years**

The company also provided a means of transport that facilitated the transportation of volunteers to areas previously mapped.

Antibiotice also provided the organizers with 300 trash bags and ensured the voluntary participation of the company staff to the collection of waste in and around the city of Iași.

In 2013 Antibiotice received from "Let's Do It, Romania" the "Reliable Partner" trophy and the "Champion of cleanliness" medal for having supported all the editions previously organized by LDIR Iași.

### Earth Hour 2013

Antibiotice participated for the fifth consecutive year to what has become the largest environmental campaign ever.

On March 31st 2013 the "Earth Hour" was celebrated between 20:30 and 21:30. The outer lighting was turned off at Antibiotice headquarters in areas where that was possible, as a symbolic gesture urging to a responsible management of resources.

The raising of awareness concerning the environmental issues is part of the company's strategy to manage resources responsibly (*from consumption to recycling*), as a first step in the assumed effort to protect the environment. The participation to the "Earth Hour" campaign is included in the Environmental program "Be pro environment! Get involved!".

### The environmental responsibility

The company's activity in the field of environmental protection is regulated by the Integrated Environmental Authorization no. 1/10.01.2011 issued by the Regional Agency for Environmental Protection Bacău (*valid until 10.01.2021*) and by the Water Management Permit no. 303/20.12.2010 issued by the

Romanian Waters National Administration, Water Basin Administration, Prut-Bârlad branch (*valid until 31.12.2020*).

All the manufactures within the company utilize GMP and ISO 9001-certified technological flows, and both Nystatin and parenteral products manufacturing lines are FDA approved.

Antibiotice has implemented an Integrated Management System in the environmental, quality, health and occupational safety fields, certified in 2007 by Lloyd's Register Quality Assurance (LRQA).

In January 2013 and February 2014 LRQA performed audits to monitor the compliance with the Integrated Management System implemented in the company in the fields of environment, quality, health and occupational safety according to EN ISO 14001:2004, EN ISO 9001:2008 and ISO 18001:2007 standards.

There were no alterations in production capacity, development or cancellation of activities against the provisions of the Integrated Environmental Authorization.

In order to comply with the environmental legislation, Antibiotice provided specific facilities and qualified staff. The entire activity is regulated by operating procedures relative to the environmental management system and specific work instructions.

The monitoring of the environmental factors was performed according to the requirements of the Integrated Environment Authorization, both in our laboratories as well as in a laboratory authorized by the Romanian Accreditation Association (RENAR).

**Antibiotice  
has supported  
Let's Do it  
Romania!  
for 4 years**

**Antibiotice  
embraced  
Earth Hour  
for the  
5th year**

The measures taken by the environmental control authorities have been solved and the requirements of the Integrated Environmental Permit have been met. No incidents/ environmental accidents or complaints have been reported.

### Specific consumptions and energy use

At Antibiotice, the Biosynthesis Manufacture which produces Nystatin active substance is regulated by the International Plant Protection Convention (IPPC). The main raw materials used in the manufacture of Nystatin are: soy flour, corn starch, corn extract (45%), dextrose monohydrate, refined soy oil, subtilase, calcium carbonate, ammonium sulfate, ferrous sulfate, solid diammonium phosphate (*dibasic*), solid monopotassium phosphate, technical ammonia, acetone and methanol. In 2013, the Biosynthesis Manufacture Plant specific consumptions fell within the planned value range.

### TOTAL ENVIRONMENTAL COSTS OF THE COMPANY IN 2013

Activity	Costs 2013
Waste water treatment plant– operation, monitoring, third party services, staff expenditure	2,834,228
Incineration of waste – installation operation, collection, transport, staff expenditure	320,341
Administrative – waste collection and transport, maintenance and landscaping	312,788

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### SPECIFIC CONSUMPTION OF ACETONE AND METHANOL - BIOSYNTHESIS MANUFACTURE IN 2013

Solvent	MU	Planned specific consumption	Specific consumption 2012	Specific consumption 2013
Acetone	kg solvent/ BIU Nystatin*	1.04	1.03917	1.02019
Methanol	kg solvent/ BIU Nystatin*	0.9983	0.92509	0.77242

\* BIU = billions of international units

### SPECIFIC CONSUMPTION INDICATORS AT COMPANY LEVEL IN 2013 (UTILITIES PER 1000 RON)

Year	Electricity (MWh)	Natural gas (thousand m <sup>3</sup> )	Drinking water (thousand m <sup>3</sup> )	Total utilities (thousand RON)	Commodity output value (thousand RON)	Electricity/ Commodity output (MWh/thousand RON)	Natural gas/ Commodity output (m <sup>3</sup> /thousand RON)	Drinking water/ Commodity output (m <sup>3</sup> /thousand RON )
2012	13,601	5,468	169	11,016	285,170.7	0.0477	19.17	0.593
2013	12,810	5,109	132	9,186	333,139.8	0.0385	15.33	0.396

### **Air quality**

In 2013, the air quality monitoring was carried out in our in-house lab within the waste treatment plant, where 3684 analyses of air pollutant emissions were performed, for the following indicators: nitrogen oxides, ammonia, particulate matter and sedimentable powder.

There were no exceedances of the maximum acceptable concentrations specified in the Integrated Environmental Authorization.

The emissions of non-methane volatile organic compounds (*nmCOV*) of the Nystatin (*active substance*) extraction equipment were determined based on the balance of solvents and by samples taken and analyzed by Givaroli București, a third party laboratory.

The monitoring of emissions from our own incineration facility was performed according to the Integrated Environmental Authorisation requirements. The analyses were performed by the Givaroli București laboratory. The results, written down in the certificates of analysis reveal that the equipment operates within the designed parameters, in compliance with the environmental standards according to the requirements of the European directives.

The analysis of the exhaust gas produced by our own power plant revealed no exceedances of the emission limit values (*ELV*).

### **Water quality**

The water quality monitoring involved the performance of 31.650 tests on the quality of the water which enters our own wastewater treatment plant and is discharged into the municipal sewer system, of the conventionally clean waters discharged in the natural emissary, as well as of the underground water.

There were no exceedances of the maximum permissible

concentrations established by the Integrated Environmental Authorisation, the Water Management Authorization and the GD no. 352/2005 (*NTPA 001 and NTPA 002*). The wastewater treatment plant operated with yields ranging between 85% and 98%, which corresponds to a highly-performing operation.

### **Soil and groundwater protection**

Of a total of 41.50 ha of land owned by Antibiotice, approximately 16.50 ha are undeveloped and are arranged as green space.

The groundwater quality was monitored through monthly sampling and testing from the nine observation wells and the drilling located downstream from the waste warehouse.

There was no accidental pollution or environmental incident leading to the degradation of soil quality in the area influenced by the company's activity.

### **Waste management**

Antibiotice has implemented a system of selective waste collection, thus each manufacture plant and auxiliary activity is equipped with suitable containers for waste collection.

The recyclable waste was exploited based upon contracts concluded with licensed operators.

The unused waste was incinerated in our own facility or disposed of in the municipal waste landfill.

The overall objective as well as the minimal objectives of recovery through recycling by types of materials set for 2013 (*according to the GD no. 621/2005, amended and supplemented*) have been met. Our company complies with the packaging waste management norms (*in accordance with the amount of products Antibiotice has put on the Romanian market*).

packaging waste management norms *(in accordance with the amount of products Antibiotice has put on the Romanian market)*. In 2013 we maintained the contract with an authorized economic operator who collected and capitalized, on behalf of our company, 336800 kg of glass, 208900 kg of paper and cardboard, 23250 kg of plastic and 40000 kg of metals *(aluminium)*.

The waste from electrical and electronic equipment *(WEEE)* was collected under the internal procedure and the total amount in stock is 813 kg after the capitalization of a quantity amounting 5323 kg. The WEEE are stored within our company in adequate premises *(closed, masonry facilities)* and from there they are handed over to authorized economic operators.

### **Emergency prevention and management**

At Antibiotice, the emergency prevention and the interventions in case of accidents are covered by the following services: Emergency, Environmental Protection and Prevention and Protection.

To this end, the following plans were developed: the plan to prevent and control accidental pollution, the accident prevention policy for hazardous substances *(solvents)*, the plan for fire protection (fire prevention and firefighting), fire safety scenario, fire scenario approach, the procedure for emergency preparedness and response, authorizations/ documents required for all equipments covered by the regulations of the State Inspection for Control of Boilers, Pressure Vessels and Hoisting *(ISCIR)*.

In 2013, a fire drill was performed within the annual inspection performed by the County Inspectorate for Emergency Situations *(ISU)* Iași.

The drill, also attended by the representatives of ISUJ Iași, simulated an accident involving dangerous substances *(storage of solvents at the solvent regeneration plant - Biosynthesis manufacture, as well six internal alarm drills)*. The fire drills tested and assessed the response capabilities of the emergency response teams.



## Economic and financial results in 2013

Antibiotice performed its activity in 2013 in the spirit of fulfilling its objectives and indicators set by the Income and Expenditure Budget.

Starting with 2012, our company adopted the International Financial Reporting Standards (*IFRS*), which imposed a new treatment of the accounting information according to the Order 881/2012 of the Minister of Public Finance and Order 1286/2012 of the Minister of Public Finance, 2013 being the first fiscal year in which the accounting was recorded under IFRS.

**4% increase**  
in the sales revenues  
over the same  
period last year

**Global result statement on 2013**  
sales income recorded a value of RON 317.43 million, higher by 4% compared to the 2012 value which amounted to RON 304.09 million, a result of the sustained effort of the entire staff in consolidating the Antibiotice business.

health  
Comunitate Research  
Results Resources  
Responsability  
Tehcnology  
Efficiency  
Education Partnership  
Innovation Dynamism  
Competitiveness Value  
Ideas Complex Portfolio  
Tradition Modernity  
Audit  
Evolution  
Strategy Development  
Expertise  
Experience  
CSR  
Performance  
Efficiency  
Beneficial  
Trends  
Ethical  
Resources



GLOBAL RESULT STATEMENT			
	31.12.2013	31.12.2012	2013/2012
Sales revenues	317,432,940	304,086,833	4%
Other operating income	20,466,692	27,279,538	-25%
Income relative to cost of product stocks	9,512,329	520,299	
Income from the capitalized activity	2,253,937	2,346,621	-4%
Expenses on raw materials and consumables	(107,346,872)	(102,129,986)	5%
Personnel expenses	(70,814,378)	(68,929,460)	3%
Expenses on amortization and depreciation	(20,399,308)	(18,124,209)	13%
Other operating expenses	(99,719,617)	(103,271,107)	-3%
Operating profit	51,385,725	41,778,527	23%
Net financial income	(16,694,804)	(9,319,490)	79%
Profit before tax	34,690,920	32,459,037	7%
Expenses on current income tax and deferred tax	(3,310,065)	(5,348,201)	-38%
Profit	31,380,855	27,110,836	16%
Average number of employees	1465	1465	0%
Labour productivity	216,678	207,568	4%

RON

The consistent application of the management plans and continuous monitoring of all units during the financial year 2013 led to an operating result of RON 51,3 million, higher by 23% compared to the previous year amid rising the raw material and material costs by 5%, while the production manufactured on our own manufacturing lines increased by 6% compared to the previous year. The revenues from the sale of goods amounting to RON 64,37 million mostly represent the values of

products from the company's portfolio manufactured on the dedicated manufacturing flows (outside the country) as a result of the good manufacturing practice requirements in force.

This income was obtained by a commercial effort of RON 45 million representing price differences in the sale by tenders in hospitals at a rate of 25%, and sale support by promotional campaigns in the retail area.

INDICATORS	31.12.2013	31.12.2012	2013/2012
Sales of finished goods	298,026,216	286,030,387	4%
Sales of goods	64,373,453	56,947,765	13%
Trade discounts	-44,966,729	-38,891,319	16%
TOTAL	317,432,940	304,086,833	4%

RON

Net financial income was mainly influenced by the following expenditures:

- **Bank interest expenses: RON 2,8 million;**
- **Expenses on granted discounts amounting to RON 13,9 million.**

## OTHER OPERATING EXPENSES

Description	31,12,2013	31,12,2012
Utilities	9,187,388	11,016,102
Repairs	4,149,947	3,042,316
Rent	141,528	163,130
Insurance	1,380,162	1,152,204
Bank fees	1,320,994	1,319,161
Advertising and product promotion	3,212,435	2,676,795
Mobility and transport	3,545,858	3,469,717
Postal and telecommunication services	537,533	538,393
Other services provided by third parties	40,740,834	36,624,262
Other taxes and fees	16,410,017	16,855,939
Environmental protection	761,397	-
Expenses from disposal of assets	-	31,894
Loss and adjustment of uncertain receivables	137,354	6,947,098
Other reserves	3,753,883	2,900,000
Foreign exchange rate difference	12,694,655	14,961,996
Various items	1,745,632	1,572,099
<b>Total</b>	<b>99,719,617</b>	<b>103,271,107</b>

RON

The pre-tax profit for the current year is RON 34.69 million, by 7% higher than that recorded in 2012 when the value was RON 32.46 million.

The after-tax profit is RON 31,38 million, by 16% higher than the value recorded in the previous year, when this indicator amounted to RON 27,11 million.

**16 %**  
higher  
net profit

### The 2013 profit was distributed as follows:

Destination	Suma
<b>Profit distribution:</b>	<b>31,380,855</b>
- legal reserve	1,828,865
- self-financing sources and other profit distribution as required by law	14,092,896
- dividends, of which:	15,459,094
- dividends due to the majority shareholder	8,195,990
- dividends due to individual and corporate shareholders	7,263,104

RON

The distribution of the accounting remaining profit after profit tax deduction was carried out in accordance with the provisions of G.O. no. 64/2001, with the subsequent modifications and GD no. 319/2013 on approving the Antibiotic revenue and expenditure budget for 2013.

**The amount of RON 14,092,896, representing self-financing sources provided for by law, consists of:**

- Self-financing sources amounting to: RON 10,979,094;

- Amounts generated by the sale of goods resulted from the dismantling of fixed assets: RON 4,568;
- Amounts generated by waste valorization: RON 682.899;
- Amounts generated by the adjustments of the reported result: RON 961.436;
- Fiscal facilities for R&D activities pursuant to art. 19 in the Fiscal Code: RON 1,464,899.
- Total dividends amounting to RON 15,459,094, of which:
  - Ministry of Health (53.0173%) RON 8,195,990
  - Other individual and corporate shareholders (46.9827%) RON 7,263,104

## Financial position statement

On December 31, 2013, the fixed assets recorded a 3% drop compared to the beginning of the year, as a result of the RON 2,3 million increase in the depreciated amount. Accounting depreciation is calculated using the straight-line method in accordance with IFRS standards.

FINANCIAL POSITION STATEMENT			
ASSETS	31.12.2013	31.12.2012	2013/2012
FIXED ASSETS			
Tangible assets	190,590,225	198,463,669	-4%
Intangible assets	6,123,847	4,887,455	25%
Fixed assets	196,714,072	203,351,125	-3%
Current assets			
Stocks	50,363,337	47,973,857	5%
Trade and similar receivables	254,001,617	256,986,254	-1%
Financial assets intended for sale	140	140	0%
Cash and cash equivalents	10,487,736	6,006,554	75%
	314,852,829	310,966,804	1%
TOTAL ASSETS	511,566,901	514,317,929	-1%
LIABILITIES			
CURRENT LIABILITIES			
Trade and similar payables	53,366,639	58,963,493	-9%
Credits	72,139,195	92,290,294	-22%
Income tax debt	8,196,629	3,951,873	107%
Provisions	3,753,883	2,900,000	29%
	137,456,346	158,105,660	-13%
LONG-TERM DEBT			
Subventions for investments	3,949,729	4,431,688	-11%
Deferred tax	17,448,292	918,436	
Provisions	4,061,177	4,313,611	-6%
	25,459,199	9,663,735	163%
TOTAL DEBT	162,915,545	167,769,396	-3%
NET ASSETS	348,651,356	346,548,533	1%
Share capital and reserves			
Share capital	264,835,156	254,502,062	4%
Revaluation reserves	5,721,808	135,933,818	-96%
Legal reserves	11,360,142	11,341,443	0%
Other reserves	105,017,965	101,607,532	3%
Reported result	(38,283,715)	(156,836,324)	-76%
TOTAL EQUITY	348,651,356	346,548,531	1%
TOTAL EQUITY AND LIABILITIES	511,566,901	514,317,929	-1%

RON

**Current assets:**

- the stock at the end of the year recorded a 5% rise compared to the value recorded at the beginning of the year due to ensuring the raw materials for the production of Q1 2014, without exceeding the approved stock normatives;
- the total receivables recorded a 1 % drop at the end of the year, from RON 256,99 million at the beginning of the year to RON 254 million, given the fact that the sales were higher by 4% compared to the previous year as a result of the policy of speeding-up the collection of receivables from distributors.

In 2013 the average collection period of receivables on the foreign market was 121 days as compared to 358 days on the domestic market, namely an average collection period of 293 days.

Cash and cash equivalents recorded a 75 % rise at the end of 2013 compared to 2012.

The key diagnosis indicators highlight the company's financial equilibrium and continuous concern of the management for the business performance.

EVOLUTION OF MAIN ECONOMIC AND FINANCIAL INDICATORS				
		31.12.2013	31.12.2012	2013/2012
EBITDA	=Earnings before interest, taxes, depreciation and amortization	71,785,032	59,902,737	20%
EBIT	= Earnings before interest and taxes	34,690,920	32,459,037	7%
ROE (Return on equity)	=Net income/Shareholders' Equity	10.0%	9.4%	6%
ROA (Return on assets)	=Net income/Total Assets	6.8%	6.3%	7%
EPS (RON/share)	=Net income/Share	0.05	0.05	
NET PROFIT RATE	=Profit/ Revenues from sales	9.9%	8.9%	11%
No.of shares		671,338,040	568,007,100	18%
Degree of indebttness	= Total debt/total assets	31.8%	32.6%	-2%

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**Liabilities**

As of December 31 th, 2013, Antibiotice recorded current liabilities amounting to RON 137,46 million, down 13 % compared to 2012 following the 9% reduction in the current debt owed to its suppliers and 22% for the bank loans.

**Amounts owed to credit institutions as of December 12, 2013**

Short-term contract no. 28/18.04.2005 concluded with Alpha Bank Iași	
Objective	Credit line – working capital
Amount	RON 8,000,000 EUR 100,000
Maturity	30.05.2014
Balance at December 31 th, 2013	RON 3,301,508
Guarantees	Assignment of debts agreement

**Short-term contract no. 12/01.07.2013 concluded with Export Import Bank of Romania - EXIMBANK S.A**

Objective	Credit line – working capital
Amount	RON 60,000,000
Maturity	30.06.2014
Balance at December 31, 2013	RON 31,967,469
Guarantees	Mortgage agreement for buildings and land

**Short-term contract no. 12239/22.05.2012 concluded with ING BANK N.V. AMSTERDAM România**

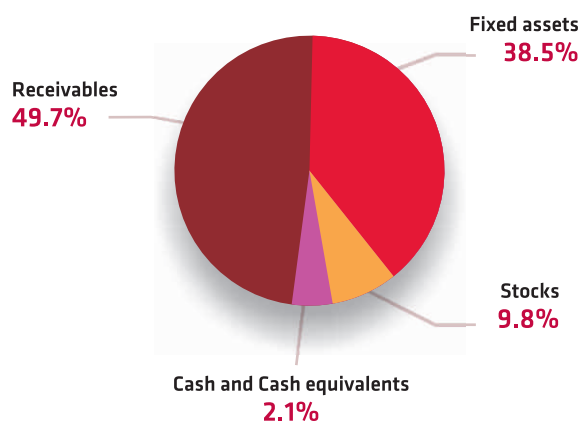
Objective	Credit line – working capital
Amount	EUR 9,500,000
Maturity	22.05.2014
Balance at December 31, 2013	EUR 9,403,675,59 EUR ( RON 36,870, 218)
Guarantees	Assignment of debts agreement/ Mortgage agreement for buildings and land

In the financial year 2013. Antibiotice did not submit warranties and did not pledge, in other words it did not mortgage assets to guarantee some obligations in favour of a third party. The amount established as provision for wages at the end of 2013 represents the participation of employees in profits, as well as the

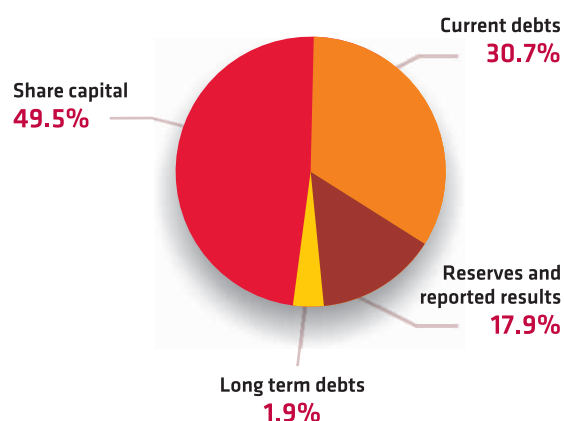
variable compensation of the Board members for meeting their objectives. Net assets recorded a 1% increase.

The share capital was revaluated in accordance with IAS 29 for hyperinflationary economies recording a value of RON 264,84 million.

## ASSETS



## LIABILITIES



## Cash flow

Cash and cash equivalents amounted to RON 6 million at the beginning of the period. Cash receipts from the operating activities were RON 300.66 million. Cash payments to suppliers of goods and services were 169.03 million RON, while those to and on behalf of employees were RON 65.87 million.

At the same time payments of RON 7.16 million representing the profit tax, VAT, local taxes and bank interests were made while the

amount of RON 14.76 million RON were used for the purchase of fixed assets. Antibiotice paid contributions worth RON 9.73 million to the Ministry of Health (the claw-back tax). With regard to the financing activities the company recorded payments amounting to RON 20.8 million for short-term loans and RON 9.56 million for payment of dividends.

At the end of the year the cash and cash equivalents amounted to RON 10.49 million.

<b>CASH FLOW STATEMENT</b>		
	<b>31.12.2013</b>	<b>31.12.2012</b>
<b>I. Cash flows from operating activities</b>		
Cash receipts from sales of goods and provision of services	300,662,506	264,462,896
Cash receipts from royalties, fees, commissions, and other types of income	683,763	2,784,164
Cash payments to suppliers of goods and services	(169,031,738)	(167,244,481)
Cash payments to and on behalf of the employees and personnel-related payments	(65,871,713)	(66,860,018)
VAT paid	(821,032)	(987,665)
Contributions to the Ministry of Health and Ministry of Environment	(9,727,128)	(14,555,828)
Other taxes, fees and similar charges	(1,148,367)	(1,057,711)
Operating cash flow	54,746,291	16,541,358
Interests received	46,292	86,131
Interests paid	(2,802,415)	(2,287,538)
Income tax paid	(2,390,691)	(5,026,660)
Net operating cash flow	49,599,478	9,313,290
<b>II. Investment cash flow</b>		
Cash receipts from the sale of land and buildings, installations and equipment, intangible assets and other long-term assets	-	-
Cash receipts and cash payments from other investment activities		
Cash receipts from the reimbursement of advances and loans made to other parties	-	-
Cash payments for purchase of land and fixed assets, intangible assets and other long-term assets	(14,756,029)	(9,630,027)

RON

	31.12.2013	31.12.2012
Interests received	-	(1,283)
Dividends received	-	-
Investment net cash flows	(14,756,029)	(9,631,310)
<b>III. Financing cash flow</b>		
Receipts from long-term loans/refunds	-	-
Receipts from short-term loans/refunds	(20,803,131)	8,771,395
Payments for financial leasing operations	-	-
Purchase of shares	-	-
Dividends paid	(9,559,137)	(7,786,678)
Net cash flows from financing activities	(30,362,268)	984,717
Effects of the foreign exchange rate variation on cash and cash equivalents	-	-
Cash flows - Total	4,481,181	666,697
Cash and cash equivalents at the beginning of the period	6,006,554	5,339,857
Cash and cash equivalents at the end of the period	10,487,735	6,006,554

RON



# Independent auditor's Report

to the shareholders of Antibiotice SA

**(1)** We audited the enclosed financial statements of the trading company Antibiotice (*hereby referred to as the Company*) comprising the balance sheet as of December 31, 2013, statement of global result, statement of changes in equity and cash flow statement for the financial year ended at the above-mentioned date and a summary of the significant accounting policies and other explanatory notes.

## **Executive team's responsibility for the Financial Statements**

**(2)** The Company's executive team is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards (*IFRS*) and for the internal control that the management considers relevant for elaborating the financial statements without significant misstatements due to fraud or error.

## **Auditor's responsibility**

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

These standards require that we comply with ethical requirements, plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements.

**(4)** An audit involves performing procedures to obtain audit evidence on the amounts and disclosures in the financial statements. The procedures selected depend on the professional judgment of the auditor, including the assessment of the risks of significant material misstatements in the financial statements whether due to fraud or error.

Performance  
Responsability  
Health Resources  
Research

In conducting these risk assessments the auditor takes into account the internal control relevant for the drawing up and faithful presentation of these financial statements in order to set the relevant auditing procedures in the given circumstances, but not with the aim of expressing an opinion on the effectiveness of the internal control system of the company. Auditing the financial statements equally includes evaluating the appropriateness of the accounting policies used, the reasonableness of the management's accounting estimates, as well as the assessment of the overall financial statement presentation.

(5) We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

#### **Basis for our qualified opinion**

(6) The financial statements include the costs of services purchased from distributors, without being able to quantify the level of the trade discounts included in these costs. As a result of the above, we are unable to estimate the real impact in the Global Result Statement. This aspect was also included in the auditor's report for the 2012 financial statements.

#### **Our qualified opinion**

(7) In our opinion, with the exception of the possible adjustments resulting from those set out in paragraph (6), the financial statements give a true and fair view, in all significant aspects, of the financial position of the trading company Antibiotice on December 31, 2013, as well as of its financial performance and cash flows for the financial year ended on the above-mentioned date in accordance with the International Financial Reporting Standards adopted by the European Union.

#### **Highlighting certain aspects**

(8) In accordance with those mentioned in Note 9 - Income tax expenses, the company was not subject to a tax audit for a period longer than 5 years. Due to frequent changes in tax laws during this period a possible control could lead to differences in the amounts presented in the financial statements and the conclusions of the tax authorities.

#### **Other aspects**

(9) This independent auditor's report is addressed solely to the shareholders of the company. Our audit was conducted in order to be able to report to the company's shareholders those aspects which must be reported in a financial audit, and not for other purposes. To the extent permitted by law, we do not accept and assume any responsibility other than towards the company and its shareholders for our audit, for the financial statements report and the compliance report or for our opinion.

#### **Report on the compliance of the Executive Team's Report with the Financial Statements**

(10) In accordance with the Order of the Minister of Public Finances no. 1286/2012, annex 1, article 16 (1), paragraph (c), we have read the executive team's report attached to the financial statements. The executive team's report is not part of the financial statements. We have not identified in the executive team's report any financial information significantly non-compliant with the information presented in the attached financial statements.

In the name of:  
**BDO AUDIT SRL**  
Registered at the Chamber of Financial  
Auditors of Romania  
With the no. 18/02.08.2001

Signatory's name  
**Mircea Tudor**  
Registered at the Chamber of Financial  
Auditors of Romania  
With the no. 2566/25.06.2008  
**March 20, 2014**



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