

ADMINISTRATORS' REPORT 2016

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Annual report according to:	IFRS
For the year:	2016
Report date:	14 March 2017
Company name:	Antibiotice SA
Sediul social:	Iasi, Strada Valea Lupului no. 1
Phone number, Fax:	0232/209000, Fax 0232/209633
Fiscal registration code:	RO 1973096
Regulated market which trades shares:	Bucharest Stock Exchange
Subscribed and paid up capital:	67,133,804 lei
Main characteristics of the securities issued by the company:	Nominative shares, nominal value: 0.10 RON

Activity report

In over 60 years of continuity and performance in the Romanian pharmaceutical industry, Antibiotice evolved from a traditional pharmaceutical manufacturer in a modern and competitive society, adapted to current times. In 2016, Antibiotice, the most important Romanian producer of generic drugs continues to manufacture high quality medicines at affordable prices, giving people the hope of a healthy life.

Present on the domestic market with a portfolio of 140 generic drugs in 12 therapeutic areas, Antibiotice continues strengthening its activities in Romania, being the main producer of generic anti-infectives and leading manufacturer of topical medications. Moreover, the company develops new and affordable generic alternatives to treat cardiovascular, central nervous system and dermatological diseases, and increases the quality of life. By engaging in national health programs along with the Ministry of Health, the company contributes to significant savings for the Romanian health system.

Internationally, Antibiotice is present in 76 countries worldwide with finished drugs and the active ingredient Nystatin (an antifungal used in both the pharmaceutical industry and in cosmetics), which secured our global leadership position for three consecutive years.

The positive evolution of the company both nationally and internationally is the result of continuous investments in manufacturing technologies and workforce training. These investments are reflected in the recognition of product quality as a result of obtaining quality certificates recognized internationally: FDA Approval, Certificate of Suitability for Nystatin and authorizations for all 8 GMP manufacturing flows. Also,

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Antibiotice is prequalified by the World Health Organization for its essential anti-TB range.

The continuous monitoring of the efficacy and safety in the administration of Antibiotice drugs is conducted by the Department of Pharmacovigilance and Medical Consulting, connected to the European network for data processing on medicines safety of EudraVigilance. Antibiotice was the first Romanian company aligned to European standards in the field of pharmacovigilance.

Being a company interested in the development of quality products, obtained in conditions of safety and security for the employees and without harming the environment, Antibiotice was certified in February 2007, becoming the first pharmaceutical company in Romania to receive recognition for implementing the Integrated Management System.

Paying fundamental attention to introducing new products, Antibiotice has invested in developing a modern Research and Development Centre (completed in 2011) that reduces the time needed for testing and launching generics for the innovatives whose patents expire. In 2015, the Center for Research and Development was rewarded with the Prize for medicines at the EUROINVENT exhibition.

The performance of Antibiotice was nationally recognized in 2015, when the company won for the sixth consecutive year the 1st place in the category "Industry - large companies - manufacture of basic pharmaceutical products", in a top compiled by The Romanian Chambers of Commerce in Romania. Because a company's success is measured not only by achieving financial indicators and targets but also in terms of the contribution it brings to the community, the company conducts charitable actions, humanitarian and educational projects, thanks to our foundation *Antibiotice - Science and Soul*.

The Romanian pharmaceutical market reported a 10.6% growth reaching 12.95 billion lei over 11.7 billion lei in 2015. The positive evolution was reported in terms of physical consumption of medicines, increasing to 11.27 million units in 2016 (up by 471 million units).

The growth of the pharmaceutical market can be explained both by its comparison to a 2015 value affected by the consecutive reduction of prices for prescription medicines and by the introduction of new molecules in the list of subsidized and free drugs, including the treatment without interferon of chronic hepatitis C and liver cirrhosis C. Except for the introduction of the treatment for hepatitis, pharmaceutical market growth in 2016 would have been about 1%. In the context of the pharmaceutical market in Romania, activity on the domestic market was carried out by taking into account the following risks:

- Increase of the clawback tax over 2015, up to 18.9% of the medicines reimbursed by the National Health Insurance.
- increasing manufacturing costs as a result of higher prices for raw materials;
- the redistribution in pharmacies (pharmacy chains, minichains and independent pharmacies), which attracted the allocation of more significant budgets on the chains and minichains segments by adapting sales policy of chain and minichain

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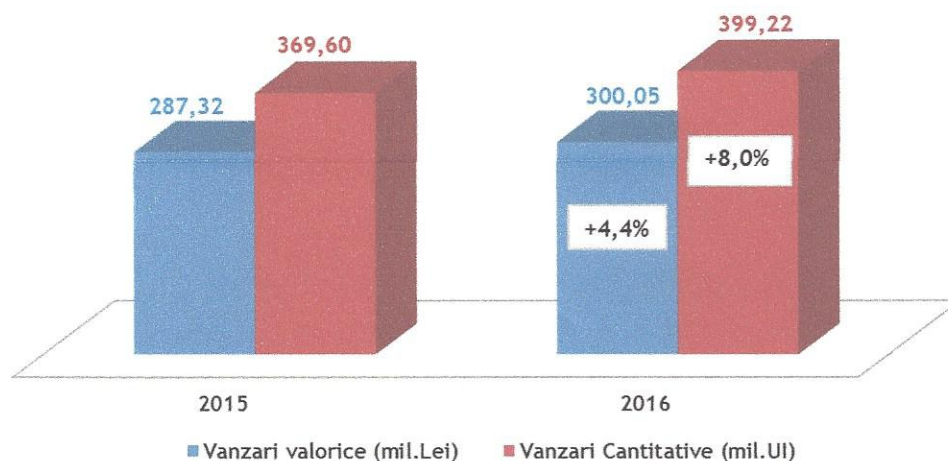
- pharmacies (molecules negotiation, negotiation of portfolios, promotion of products, ensuring a zero copayment standard for the patient);
- introduction of new molecules in the list of compensated and free medicines, including those for the treatment of chronic hepatitis and liver cirrhosis;
 - the premise of the falling prices on inovative drugs which are out of the patent protection on the one hand affects drug manufacturers by strenghtening the competitive environment and patients on the other hand, who face the disappearing of the product from the market;
 - the Ministry of Public Health started late last year by the open tender procedure for purchasing anti-infective drugs aimed at streamlining the use of resources in the health budget;
 - settlement of amounts owed by the National Health Insurance House in terms that exceed the terms agreed in the framework contract.

Continuing the company's strategy in recent years, focused on strengthening its position as the main producer of generics and OTCs for Hospital and leader of the ointment and suppositories market, the marketing and promotion policies in 2016 were aimed at a better utilization of the portfolio of both traditional as well as newly assimilated drugs.

A balanced growth of product sales and profit is based on a well-outlined strategy supported on 5 development pillars guiding the company evolution until 2020.

On the Romanian pharmaceutical market, Antibiotice reports higher sales to pharmacy and hospitals of 4.4% compared to 2015. Physical sales reported 8% growth against only 4.2% consumption on the total market.

Evolutia vanzarilor Antibiotice



With sales amounting to 300 million lei, the company maintains its 4th place among generic drug manufacturers of prescription and non-prescription drugs (OTC) recording

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the largest growth in the top 10. The Retail pharmacy segment is up 3.7% compared to 2015, from 215.5 million lei to 223.6 million lei, while the hospital segment recorded a growth of 6.5%, from 71.8 million lei 2015 to 76.5 million lei in 2016.

Therefore, following the general trend of the market determined by an increased interest for prevention, preserving good health and the quality of living, the non-prescription OTC drugs went up by 25.3%, above the total OTC level (+11.6)

Million lei

Index name	Year 2014	Year 2015	year 2016	2016/2015
Pharma market	12,285.93	11,703.55	12,946.36	10.6%
Generics + OTC market	4,977.91	5,090.35	5,306.11	4.2%
Share of Generice + OTC	40.5%	43.5%	41.0%	
Antibiotice market share	2.10%	2.45%	2.32%	
Antibiotice (output to pharmacies)	257.4	287.3	300.1	4.4%

The structure of Antibiotice sales on consumption channels during 2014-2016 is represented as such:

- **Hospital Generics and OTC:**

Million lei

Index name	Year 2014	Year 2015	Year 2016	2016/2015
Hospital sales - Cegedim	62.91	71.79	76.46	6.51%
Antibiotice market share	17.0%	18.7%	18.3%	
<i>in the Romanian pharma market</i>	<i>(2nd place)</i>	<i>(1st place)</i>	<i>(1st place)</i>	

- **Retail Generics and OTC:**

Million lei

Index name	Year 2014	Year 2015	Year 2016	2016/2015
Retail sales - Cegedim source	194.51	215.53	223.59	3.74%
Antibiotice marketshare	4.2%	4.6%	4.6%	
<i>in the Romanian pharma market</i>	<i>(7th place)</i>	<i>(7th place)</i>	<i>(5th place)</i>	

PRODUCT STRATEGY

The portfolio dedicated to human use drugs counts 140 drugs in 12 therapeutic areas and the company focuses on renewing the product portfolio and manufacturing generics which are therapeutically equivalent to the original products at high-quality standards.

The whole activity of the company - from research to production and sales - is structured on a portfolio of generic drugs as varied as possible concerning the pharmaceutical forms and therapeutic classes covered.

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

New products launched in 2016

In 2016, Antibiotice portfolio was completed by 13 new drugs from the company's drug portfolio from the following classes: cardiovascular, anti-infectives, dermaologicals or CNS areas.

In terms of cardiovascular drugs, Antibiotice completed its cardiovascular drugs portfolio by creating its own range of candesartanum molecules (antagonists of angiotensin receptor II), ramiprilum (inhibitor of angiotensin converting enzyme) and indapamidum (diuretics): **Candesartan Atb® tablets 8 mg and 16 mg, Ramipril Atb® tablets 2.5 mg, 5 mg and 10 mg and Indapamida Atb® tablets 1.5 mg.**

In the main therapeutic class of anti-infective drugs Antibiotice strengthened its position on the fluoroquinolone group by introducing, besides CiproQuin® tablets 500 mg, **Atb® Norfloxacin tablets 400 mg.**

Antibiotice has proposed the further development of the product portfolio on CNS so that in 2016 we launched 3 drugs used to treat depression and anxiety disorders: Escitalopram Atb® 10 mg tablets and the range Zatinex® (duloxetine) tablets, 30 mg and 60 mg.

The dermatologicals portfolio added Cicatrol® paste 20 grams.

Following the general trend in the population to focus more on preventive therapies, the company's portfolio was enriched with two dietary supplements in 2016: **Fluxiv® tablets**, a combination for healthy vascular circulation and **Soriso® tablets**, a combination of extracts with adaptogen role against various stress factors which helps maintaining physical and psychological balance.

In the first year of launch, the contribution of these 13 new products in turnover was 7 million lei.

PRICE POLICY

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

Pricing strategies in 2016 pursued constantly the correlation between the maximum level required by law, increase in portfolio profitability and ensuring a competitive level compared to other players in the market (positioning as the first generic positioning as the reference product, best price / quality).

The average price of the market capitalization in 2016 was 0.752 lei/unit, representing 68% of the average market price (1.110 lei/unit), according to Cegedim.

In the hospitals segment, the average price of Antibiotice products was 1.895 lei / unit representing 31% of the average market price (6038 lei /unit); on the retail

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segment, Antibiotice recorded an average price of 0.623 lei / unit representing 62% of the average market price (1.002 lei/unit), according to Cegedim.

DISTRUBUTION STRATEGY

The main objective of 2016 was to strengthen partnerships with national-coverage key distributors through which were planned significant increases in sales in 2016.

The product portfolio was sustained throughout the year both by distribution (monthly framework offer, periodical campaigns, project for promotion and merchandising OTC products), and through our own commercial reps and Call Center team.

We have drawn up a timetable for sustaining profitable products with significant shares in the planned figures as well as in those which represent a significant part in the distributors' stock.

In order to foster indicators, the company's strategy focused primarily on the growth of this segment of pharmacy chains and minichains that hold significant shares within the total retail pharmaceutical market, the company recording in 2016 a 12.3% increase over the the previous year.

THE PROMOTION STRATEGY

The strategies mentioned above were supported by the following promotion actions:

- ✓ the sequel of the pharmaceutical education program continues within the "Partner Antibiotice A+" project;
- ✓ organizing workshops with independent and mini-chain pharmacies;
- ✓ the company brand promotion and the product brands through the campaign intended for the general public for the health monitoring: "*Health for my patients*" dedicated to the family doctors which aims to monitor the risk of hypertension in the patients in rural areas, a project developed with the support of doctors specialized in cardiology;
- ✓ the expansion of the above-mentioned project for the patients suffering from gynecological diseases. The project was initiated following the introduction in the portfolio of a new pharmaceutical form, ovules, intended to treat such diseases;
- ✓ a campaign dedicated to the general public for the cosmetic product Cutaden Bebe® offered freely to mothers when they give birth, within the project "Discover the world to me," conducted in maternity hospitals in the southern part of the country;
- ✓ the campaign „Romanian products from sea to summit" dedicated to the general public aimed at promoting food supplements Fluxiv®, Equilibra®, Silithor® and Soriso® in the context of an increased interest in maintaining the quality of life;
- ✓ The campaigns carried out on Facebook for the products Cutaden Bebe®, Fluxiv® and Soriso® were intended for the public and adapted to be promoted in the

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- social media and making a contribution to the integrated project helping to educate the general public on the need to maintain and improve the quality of life;
- ✓ Radio campaigns for the products Cutaden Bebe® and Equilibra® aimed at the increase of the notoriety of Antibiotice brands;
 - ✓ "Mystery Shopper" marketing campaigns to promote the product brand names in pharmacy chains;
 - ✓ marketing campaign for the products on the shelves in open circuit pharmacies.
 - ✓ the campaign for celebrating the European Antibiotics Awareness Day (EAAD - November 18th), conducted in 2016 under the slogan "Antibiotics - use them responsibly." During the campaign, leaflets were distributed and information was provided to the general public about what bacterial resistance means and how to use antibiotics properly so that the future generations can also benefit from the therapeutic efficacy of this precious resource.
 - ✓ During the EAAD week a project intended for students was initiated, which aims to involve them in the educational process.

Among the major national events attended by Antibiotice in 2016 there are:

- The National Congress of Internal Medicine, in April at Căciulata;
- The National Conference of Working Groups of the Romanian Society of Cardiology, in May in Sibiu;
- The Dermatology Conference "Days Gheorghe Năstase", in May, in Iași;
- Iași Dermatology Spring, in Iași;
- Pharma and Medical Forum Conferences organized at national level
- The interdisciplinary symposium "Antibiotice - 60 years of Romanian continuity and performance" in March in Timișoara and in May, in Bucharest;
- The National Congress of Family Medicine, in October, in Iași;
- The National Congress of Pharmacy, in September, in Iași.

The objectives proposed through the participation in these events were: the increase of the awareness of the company and of the promoted products, the training of the health professionals to identify patient profiles, treatment options and to identify associated recommendations.

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The continued implementation of these strategies will allow Antibiotice to strengthen the position and image held currently on the market - as the leader in the anti-infective medication on the segment of the manufacturers of generic medicinal products, a leader of the Hospitals segment - generic medicinal products, a leader in quantitative terms on the segment of ointment, suppositories and powder for injection pharmaceutical forms.

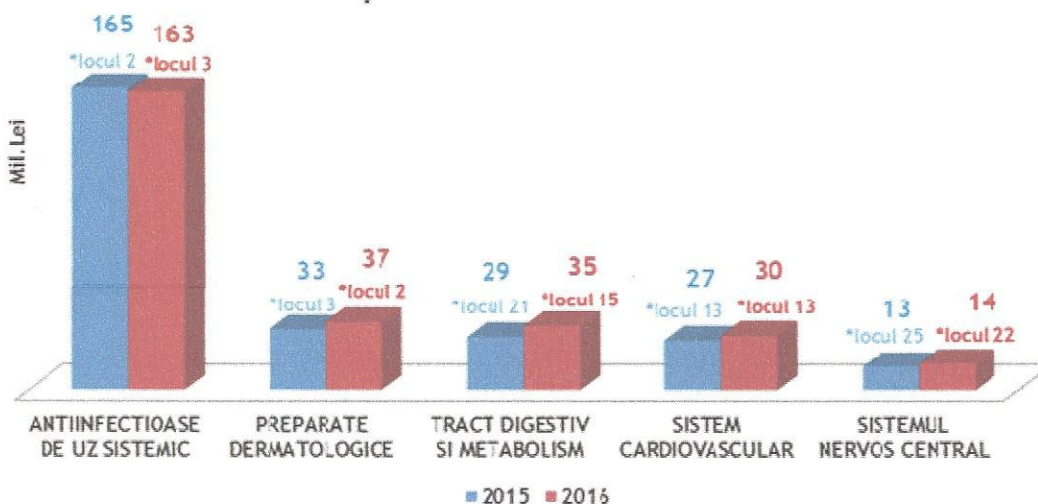
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By the continuous promotion and commercial activity, Antibiotice succeeded to strengthen its position on the market of the major therapeutic classes:

CLASE TERAPEUTICE	Piata Pharma Romania			Antibiotice		
	2014	2015	2016	2014	2015	2016
ANTIINFECTIOASE DE UZ SISTEMIC	1.309,1	1.238,4	2.215,5	146,6	165,0	163,0
<i>locul ocupat de Antibioitce in top producatori</i>				3	2	3
TRACT DIGESTIV SI METABOLISM	1.971,3	2.043,7	2.203,1	25,7	28,9	34,7
<i>locul ocupat de Antibioitce in top producatori</i>				24	21	15
SISTEM CARDIOVASCULAR	2.275,1	1.942,7	1.874,4	24,5	27,0	29,6
<i>locul ocupat de Antibioitce in top producatori</i>				14	13	13
SISTEMUL NERVOS CENTRAL	1.606,4	1.406,5	1.351,8	11,3	12,7	14,3
<i>locul ocupat de Antibioitce in top producatori</i>				28	25	22
SISTEMUL MUSCULO-SCHELETIC	572,4	547,5	567,9	13,0	13,2	13,7
<i>locul ocupat de Antibioitce in top producatori</i>				17	12	12
PREPARATE DERMATOLOGICE	211,6	221,5	242,4	28,1	32,9	36,8
<i>locul ocupat de Antibioitce in top producatori</i>				3	3	2

Sursa datelor: vanzari Cegedim 2014-2016

Evolutia valorica a principalelor clase terapeutice din portofoliul Antibiotice



On such a performing, dynamic and regulated market such as the pharmaceutical market, Antibiotice portfolio could be highlighted by the sustained efforts made to promote the company's brand and its awareness.

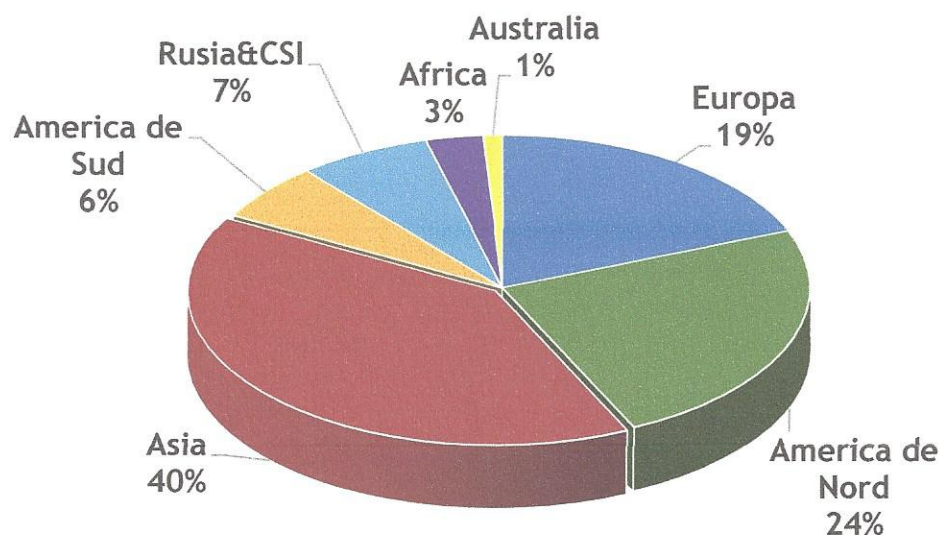
THE PRESENCE ON THE FOREIGN MARKET

The business development on the foreign markets, the company's strategic orientation

The exports of Antibiotice recorded a value of USD 25.60 million in 2016, up by 11.60% compared to 2015, experiencing a steady increase in the recent years, from USD 17.90 million, the value registered in 2010.

The increase in the export sales was generated by the development of the export of finished products due to the materialization of the projects started in the previous years in various international markets by obtaining the marketing authorizations and the materialization of the commercial stage of projects.

The geographical breakdown of exports in 2016



Asia continues to be the main geographical area of the company's exports due to the important consumption of Nystatin active ingredient and increasing the export of finished products especially in Vietnam. North America reported the largest growth rate in 2016 compared to 2015, an increase generated by a higher volume of sterile penicilin products, finished forms, as well as Nystatin API.

Europe became the third geographical area where we export Nystatin, followed by Russia and the CIS, South America and Africa.

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Nystatin active ingredient - Antibiotice maintains world leader position

Nystatin active substance is a strategic product of our company. Thanks to the continuous improvement of product quality, obtaining international certifications for access on regulated markets and flexibility in dealing with external partners, Antibiotice has become the world market leader in Nystatin manufacture. The highest percentage growth in 2016 was registered on the US market where deliveries increased by 25% compared to 2015. Nystatin market share growth has been a strategic goal and remains the main direction of exports intensification in the medium and long term.

In 2016, the main markets for Nystatin were: Asia (China, India, Vietnam), the United States, Middle East (Iraq, Iran, UAE) and Europe (Germany, Netherlands). The geographic distribution of Nystatin API coincides with areas with the largest worldwide consumption:

The company's strategy for Nystatin has two main objectives;

- maintaining world leader position in the production of Nystatin;
- increasing market share in regulated markets, notably in the US;

The company's strategy for this product is supported by international certifications: FDA authorization for the biosynthesis Plant and CoS (Certificate of Suitability) issued by EDQM allowing access to regulated markets.

Finished product exports

In 2016, the main destinations for finished products export were North America (US, Canada), Asia (Vietnam), Europe (Holland, Baltic States, Denmark, Serbia), Russia & the CIS (Moldova, Russian Federation, Ukraine) and Middle East (Iraq, Yemen). The largest share in exports of finished products was accounted for by anti-infectives, followed by the digestive tract and metabolism, cardiovascular, dermatological and musculoskeletal drugs.

In the medium and long term Antibiotice intends to develop its presence in international markets with the traditional, renowned products (anti-infectives and dermatologicals) without neglecting attractive products from other therapeutic areas (cardiovascular products, dietary supplements, etc.). Export development of dermatologicals is a strategic priority, given Antibiotice's tradition in this area. Antibiotice plans to develop

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partnerships with companies that are active on the international market in order to prepare registration documents and market these products.

Development strategies adapted to the international pharmaceutical market

The global generics market is dynamic, constantly changing and increasingly competitive. Developed markets are becoming more competitive given the governmental policies to limit health expenditure budgets by carefully controlling prices. Emerging markets represent an opportunity given the large population of these areas, per capita expenditure on medicines and the increasing living standards and life expectancy.

Antibiotice strategy is to address both types of market to generate exports growth in terms of profitability. The increasing regulatory demands in the pharmaceutical industry is a competitive advantage of Antibiotice given the EuGMP authorizations for all manufacturing flows and the FDA approval for injectable products and biosynthesis products.

In 2016 we developed new collaborative projects for regulated markets in Europe and North America for injectables and dermatologicals. We also promoted exports of penicillin for injection on the U.S. market where the market share of Antibiotice products increased significantly compared to 2015.

Regarding emerging markets, the most important project developed in 2016 was opening a representative office in Vietnam, a market with significant potential for Antibiotice. Also, we have intensified efforts to promote Antibiotice in Russia and the CIS.

Main directions for development are:

- ✓ Developing our company's presence on current markets;
- ✓ Identifying new promising outlets for Antibiotice;
- ✓ Focusing efforts to boost exports on strategic markets;
- ✓ Developing the product portfolio based on the potential offered by strategic market;
- ✓ Developing complex partnerships on new products, marketing and distribution abroad.

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At the moment Antibiotice has opened local offices in the Republic of Moldova, Serbia and the Vietnam office will be operational starting with 2017. This growth strategy of opening local representative offices will continue in the upcoming period, as we are presently intend to approach new markets.

International promotion

2016 Antibiotice participated for the fifteenth time in CPHI Worldwide, the main pharmaceutical networking event held in Barcelona. The fair brought together 2,500 exhibitors from 150 countries and was visited by 36,000 professionals. This event gave the company the opportunity to meet business partners for Nystatin to establish future strategies of action and contact new partners to develop export projects, licensing and out licensing projects.

Antibiotice also attended EuroPLX held in Barcelona in March 2016. EuroPLX is one of the most important events in pharmaceutical development in providing collaborative business to business prospects in the most varied forms: in and out licensing, product development partnerships, co-marketing, etc.

THE COMMERCIAL POLICY

The domestic acquisitions

The acquisition process on the domestic market is the result of interdepartmental efforts starting from the production planning and to ensure the transport of raw materials necessary to the manufacturing process.

The harmonization of the commercial conditions imposed by the specificity of the activity in the pharmaceutical industry with the existing trends on the domestic market is the trade policy of Antibiotice.

In 2016, the trade policy on the domestic market was focused on the following issues:

- The provision of offers (*at least three*) for raw materials and the materials necessary for the production, in order to obtain the most competitive price on the market;
- The increase of payment terms (provider credit) written in the contract up to 90 days;
- The obtaining of prompt deliveries from suppliers;
- The renegotiation of contracts with the suppliers of raw materials, printing materials, supplies, solvents, reagents, spare parts and auxiliary materials (*in order to reduce prices*), with direct implications in the manufacturing costs;
- The elimination of complaints regarding the quality of raw materials and materials that can cause malfunctions in the production process;

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- The development and maintaining of favorable relationships with the suppliers of the company, as well as seeking and developing new ones.

The reduction of operating costs in order to increase the efficiency of the business operations was a continuing concern. In this respect, a plan of reorganization and downsizing activities as well as their capitalization was launched; this plan aimed especially at the most competitive price, the provider loan as high as possible correlated with the financing and the recovery capacity of the market needs without sacrificing the quality standards. Aspects relating to ensuring the transportation of raw materials, printing materials, solvents, reagents and spare parts were taken into account as well as the sequenced delivery times to avoid overloading deposits and creating inventories.

The raw materials import

In the context of the company business internationalization, the mission of the team responsible for the procurement team is expanded to the optimization of the costs for identifying eligible sources that provide safety in observing the manufacturing and quality standards required by the law.

Thus, there is an attempt to anticipate the production of risks in the acquisition process by the interdepartmental assessment of the potential suppliers during the (pre-) selection stage, the encouraging of the strategic partnerships with representative international suppliers, the direct and transparent communication, the monitoring of the procurement process from time of the order placement to the reception of the goods in Antibiotice warehouses.

In the continuous process of research and development of the product portfolio in various therapeutic areas or which involve pharmaceutical forms and complex stages of production, the acquisition activity has the role to identify and acquire the best option in terms of the raw material quality, cost and safety of the procurement source.

The company utilizes an exhaustive process of identifying suppliers, gradually applying the selection criteria so that, at the end, to dispose of at least two viable and secure sources for each raw material.

Top 5 rules to observe in acquisitions

- Compliance with regulations and legislation in force;
- Impartial selection process by offering all potential suppliers equal contracting opportunities;

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- implementation of a fair, ethical and transparent assessment of suppliers, to promote long-term stable partnerships, in terms of technology and manufacturing capabilities, quality, price, delivery capacity and corporate stability etc. ;
- A fair cost-volume ratio, allowing companies to achieve scale economies of related to manufacturing campaigns;
- Continuous communication with the supplier so that any risks associated with the production and acquisition can be known, evaluated and resolved in due time.

THE HUMAN RESOURCE POLICY

In ensuring the sustainable development and the continuity of activities, a special attention is paid to the professional training to always have well trained employees for whom the future of Antibiotice is part of their personal future.

The diversity and equal opportunities in the processes of recruitment are promoted, as well as the selection and integration of employees. All the rights under the law are ensured, providing good working and professional development conditions.

In order to achieve the objectives set in the Business Plan at the company level, during 2016 higher education employees were drawn and integrated in Antibiotice team to fill vacancies and to develop activities in close correlation with the development strategy of the company in the medium and long run: pharmaceutical research and development, promotion and domestic and international sales, quality assurance and control, production and engineering.

Th structure of the staff on 31.12.2016:

The average number of employees is 1449, of which:

- Higher education staff = 580 employees representing 40.028% of the total staff,
- Secondary education staff = 869 employees representing 59.972% of the total staff.

Employee skills development programs

The professional training programs taking place both at home and abroad represent a continuous effort which allows our company to maintain its position in a market with a fast development pace.

The trainings conducted in 2016 for the employees of the company covered topics of quality assurance and control, compulsory regulatory requirements in the pharmaceutical industry (serialization, data integrity, intellectual property), Pharmacovigilance and Regulatory Affairs, Good Laboratory Practices, Maintenance Management, legislation concerning various activities.

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The colleagues in the promotion, marketing and sales team have improved their coaching, entrepreneurship and negotiation skills, the portfolio and territory management skills and planning through workshops and teambuilding programs.

The domestic component of the Summer School a+ dedicated to the employees offered this year the opportunity to junior managers to undergo an extended module during 8 training sessions called "The initial training of managers" who provided them with the main concepts about the organization and coordination of the team, the achievement of results, the behavior and communication within the team of young colleagues who did not receive management training in their academic training.

Partnerships with the academia

We invest with science and soul in the education of young people, who, like our employees can build a career and can thus become models of responsible behavior. We recognize and support the role of local communities in the formation and development of the company's main source of value - well trained people.

The company supports the increased performance of the education system through social programs to support education and culture (Summer School a+, Performb a+, ProRuralis Scholarships).

Summer school a+, a "nursery" for future employees

In 2016 the "Summer School a+" project reached its 6th edition!

Its purpose is to initiate the young graduates into the fascinating world of the pharmaceutical industry and to attract young professionals in the fields of pharmacy, biology, chemistry and chemical engineering.

Through the project - which became well known in the academia and among the junior and senior students in Iași - a number of 32 participants received training from the specialized trainers of the company. The topics of the Summer School a+ were the areas of Quality Assurance in a pharmaceutical company, Pharmacovigilance, Regulatory Affairs activities, laboratory techniques in quality control, research and pharmaceutical formulation, technology and equipment in the pharmaceutical industry, and so on.

The Performa+ project

The project aims to create a platform for communication and long-term cooperation with the University of Medicine and Pharmacy within the "Al.I.Cuza" University of Iași and the "Gh. Asachi" Technical University of Iași for training and attracting qualified personnel for the pharmaceutical industry.

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The **Performa+** project started in collaboration with the Faculty of Pharmacy of Iași and included a program of theoretical and practical activities through assigned mentors selected among our company employees.

15 students have completed internships by the support of projects through which the students have shown how they have acquired knowledge related to the formulation of a pharmaceutical product.

The next phase of the program was open to students of the Faculty of Biology of the "Alexandru Ioan Cuza" University of Iași with a practical program for six candidates selected among the master's program students recommended by the Faculty professors based upon their results. During the internship, according to the academic programs, they were involved in research projects in the laboratories of the company, alongside the employees acting as mentors.

150 students specialized in pharmacy, medical bioengineering, chemical engineering and biology have undergone internships and study visits during the year 2016 within the collaborative partnerships concluded with "Al. I. Cuza" University of Iași and the "Gr.T.Popa" University of Medicine and Pharmacy and the „Gh. Asachi” Iași University Technical University.

Also within the partnership "Internships and career guidance for a successful career" completed with the „Petru Poni” Iași Technology Highschool a total of 25 students in XIth and XIIth grades have held internships in our company, in the specialization of chemical laboratory technician/chemist operator in the pharmaceutical and cosmetics industry.

Within the program "Learning is fun week" Antibiotice has opened the doors to more than 500 students from schools and high schools in Iași in order to make them familiar to the history and work methods of one of the most famous landmarks in the local industry of the city of Iași.

The involvement of employees in achieving strategic objectives

The management by objectives system (MBO) in 2016

For the year 2016, a number of 325 employees of all company structures who were responsible for management and execution were included in the MBO system. The formulating of individual goals has intended it to be consistent with the mission and vision of the company, to derive from the strategic orientation of the company and boost the opportunities, control and reduce the negative impact of environmental risks and limitations specific to the dynamic pharmaceutical market.

A favorable working climate of an organizational culture focused on innovation and performance

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The employee representatives frequently participate in meetings with the company management to identify the best solutions in order to maintain a climate beneficial to professional activities.

During the year 2016, an opinion survey was carried out based upon questionnaires applied to all employees who had to provide reference points for a better understanding of their perception of the value system of the company and the involvement of managers, the degree of satisfaction with the positions and expectations concerning the workplace. The results of this research, compared with those obtained in the previous years will underpin the climate improvement programs to facilitate getting the most performance possible and employee satisfaction.

Antibiotice applied in its activity ethical standards which are based upon principles of honesty, integrity, fairness and transparency and it focuses equally on all the shareholders, employees, business partners, authorities, society and the community at large.

To provide an insight into the workforce of Antibiotice the structure of employees is as follows:

	20-30		30-40		40-50		50-55		OVER 55		Total	
WOMEN	66	9%	196	25%	322	42%	97	13%	94	12%	775	55%
MEN	51	8%	143	22%	244	38%	75	12%	132	20%	645	45%
total	117	8%	339	24%	566	40%	172	12%	226	16%	1420	100%

Antibiotice increased year by year the hiring of women providing equal opportunities for personal development, so that in its management staff and top management the share of women is 59%.

By the nature of the specific activities performed by Company, the structure of professional staff is presented as follows:

Higher education, of which:	607	43%
- completed doctoral studies	29	
Specialized secondary education	55	4%
Secondary education	758	53%
	1420	100%

From a confessional standpoint the structure company's employees is made of 1357 orthodox employees as well as 63 employees of Catholic confession; this feature is not a limiting criterion for employment.

The dialogue with the co-interested groups is important for everything that deals with our social responsibility policy. Therefore, we always seek opportunities for dialogue with our employees, shareholders, business partners, local communities and

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organizations in the pharmaceutical industry to see how we work together and how we can improve our performance.

Through collective bargaining the Antibiotice S.A. establishes the terms of the Collective Labor Agreement at the company level, thus ensuring to our employee the safety at work, the social protection as well as providing additional features concerning the professional training and development.

THE OCCUPATIONAL HEALTH AND SAFETY

Since 2007 the compliance with the management system of occupational health and safety international standard 18001 was implemented and certified, integrated with the management and environmental quality systems.

Depending on the risks identified measures have been implemented to ensure:

- The reduction of the physical effort by providing all the structures with adequate equipment for handling the packages with raw materials and / or finished products and also safety in the activities carried out in areas with danger: working at height, work in potentially explosive environment;
- The reduction of the exposure to medicinal products by purchasing a pneumatic equipment for feeding the Kilian S 250 equipment and industrial vacuum cleaners for powders at the Capsules and Biosynthesis Plants - Clean area).
- The exposure to chemical agents: the equipping of the industrial toxicology laboratory with advanced equipment to ensure the monitoring of powders in the working environment;
-

The knowledge and awareness of the staff concerning the new guidelines in the field of occupational health and safety:

- The occupational stress: it is known that the work-related stress can lead to 5 times more accidents, poor performance at work, personnel fluctuation and the absences due to stress causes 40% more than musculoskeletal disorders.
- The management of the occupational health and safety in terms of longer working lives under the influence of changes both positive (strategic thinking, experience and professional expertise) and negative (mainly physical and functional capacities sensory diminished as a result of the natural aging process) of the employees.
-

The implementation, maintenance and development of an effective occupational health and safety management system, is the guarantee for:

- Creating a single and coherent framework to eliminate work-related hazards and risks;

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- The achievement of a more effective control of risk factors for injury and / or occupational disease;
- The improvement of the working environment and interpersonal relationships at work;
- The achievement of a better performance from employees;
- The staff awareness about the value that the organization attaches to the human capital.

THE RESEARCH AND DEVELOPMENT ACTIVITY

Given the current market requirements, the company continued to invest in research and development of products covering a wide range of therapeutic indications prevailing in the anti-infective products, dermatology and cardiovascular class and products for prophylaxis and the improvement of the quality of living.

The Research & Development activity performed in 2016 has included documentation stages, the selection of the raw materials manufacturers, pharmaceutical formulation and development, scale-up and validation, stability studies and preparation of the documentation for authorization.

Various formulations have been targeted, such as: immediate-release tablets, extended release / gastro-resistant tablets, ovules and suppositories, topical medicinal products and powders for injection.

A constant concern was the training on important issues in the development of a pharmaceutical product according to the latest European and American guidelines.

As in the previous years, in 2016 and the upgrading of the documentation and the optimization of drugs in the portfolio of the Company were performed by documentation updates and alignment with the monographs of the European Pharmacopoeia (Ph EUR).

Thus, in the future product pipeline there are currently 26 projects in various stages of development, in the therapeutic classes that define the strategic development directions of the company. These are as follows: oral anti-infective products (3 products), anti-infective products for injection (3 products), dermatological products (6 products), ovules and suppositories (3 products), cardiovascular drugs (3 products), drugs for the central nervous system (1 product) and anti-inflammatory drugs (1 product).

Another direction of research has been focused on products for the prophylaxis of diseases and the improvement of the quality of life. These categories include food supplements and OTC medicines (6 products).

25 new international Marketing Authorizations and 7 new products on the Romanian market

The results of the research and development stages have led to new marketing authorizations and the reauthorization of already known drugs on the national and international market.

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In Romania, 7 new Marketing Authorizations were obtained through national procedure (MA) for drugs in the following classes: cardiovascular (Atb® Ramipril 2.5 mg, 5 mg and 10 mg tablets, Candesartan 8 mg and 24 mg Atb® film-coated tablets), anti-infectives (Norfloxacină Atb® 400 mg film-coated tablets) and genitourinary apparatus (Zifex® Complex ovules).

However, 18 authorization procedures for products already on the market were ended.

The veterinary products portfolio has been improved by the completion of the licensing procedures for 2 new products, Sulfadiazină Argentică Vet Atb® 10 mg/g gel and Zoodermin Vet Atb® ointment.

The international business development was supported in 2016 by the obtaining of a total of 25 new marketing authorizations for Antibiotic products in 6 countries in Europe, Asia and Africa.

In 2016 2 European decentralized procedure (DCP) for simultaneous authorizing in EU countries were started for Perasin® (piperacillin/tazobactam) 2.25 mg and 4.5 mg powder for solution for infusion and Nebivolol Atb® 5 mg and 10 mg tablets.

The Center for Drug Evaluation

Clinical trials

During 2016, within the Clinical Unit of the Center for Drug Evaluation six clinical bioequivalence studies were conducted either for products in the portfolio of Antibiotic, or for external sponsors in Europe.

The development of protocols

Bioequivalence assessment procedures were initiated for two products in the research plan of the Antibiotic Company as the bioequivalence study protocols were approved by the National Medicines Agency and the National Commission of Bioethics.

Also, the procedures for two types of clinical trials for topical products were started:

- phase I trials for dermatological products containing corticosteroids;
- extensive phase III clinical trials (efficacy) for dermatological antifungal products.

PRODUCTION ACTIVITY

Ungrading and streamlining production lines

Development Strategy for 2016 provides as priorities the modernization and development of the product portfolio and manufacturing flows.

Antibiotic manufactures for domestic and international partners more than 140 drugs in six formulations:

- sterile powders for injection
- capsules

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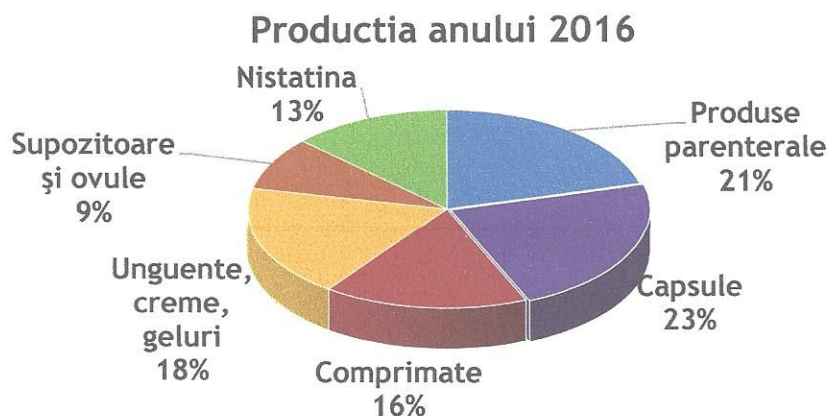
- tablets
- topical products (ointments, creams, gels)
- suppositories
- ovules

Product quality is assured by processes that comply with the latest requirements in the field of good manufacturing practices, all eight production flows of the company are certified EU-GMP. The production flow of sterile injectable products and the active substance Nystatin are approved by the FDA.

Implementing all regulatory requirements and evaluating quality management system by regulators and clients from all over the world, resulted in maintaining the level of quality, effectiveness and safety of Antibiotic medicinal products.

Antibiotic manufactured in 2016:

- 468 million units dosaged as tablets, capsules, parenteral products, ointments, creams, gels, suppositories and pessaries;
 - Nystatin active substance in bulk in amounts comparable to the previous year;
- Value of production for export (Nystatin and conditioned products) represent 25.2% of the total production achieved in 2016.



Goals in 2016 in terms of manufacture:

- Manufacturing of parenteral products for foreign companies under contract and control manufacturing. Export production of parenteral products represented 26.6% of the total value of goods for foreign markets;
- Reducing raw material costs by optimizing manufacturing formulas and identifying new sources for excipients used in technology of conditioned products;
- Reducing consumption of utilities by a careful management in all production departments;
- doubling the capacity for mixing the active substance Nystatin, which resulted in reduced analytical costs.

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Efforts to implement the program of environmental emissions of volatile organic compounds during the phase of Nystatin extraction continued

QUALITY POLICY

Certified quality

Increased confidence in the quality, effectiveness and safety of our products is done every day by maintaining the Integrated Management System under control and constantly improving it, which is certified by the results obtained following inspections / audits in 2016.

1. Inspections conducted by authorities

- 1.1. During 25-26.01.2016 Antibiotice was audited by the **National Sanitary Veterinary and Food Safety Agency (ANSVSA) for the GMP recertification** of the manufacturing lines for veterinary products - aseptically prepared products (products for injection, ointments) and non-sterile products (ointments). Following the inspection, the manufacturing authorization was maintained and the GMP certificate was issued for veterinary products (44/2016/RO on 11.02.2016).
- 1.2. On 28.03.2016 the **Sanitary Veterinary Agency** inspection conducted an audit in order to reauthorize the Pharmacodynamical Analysis Lab as an lab animals user for scientific purposes. The lab was reauthorized following the inspection.
- 1.3. During 19-23.09.2016 the **GMP recertification inspection of NAMMD** was held, for:
 - the manufacturing line of products for injection;
 - the Nystatin manufacturing line;
 - secondary packaging of cephalosporin vials;
 - reception, sampling and storage of raw materials and packaging materials in the new warehouse.

Following the reception, the manufacturing and import Authorization and the GMP certificates for the respective manufacturing lines were obtained.

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2. Audits conducted by authorising bodies

2.1. During 10-11.06.2016, the **SRAC CERTSERV** surveillance audit took place, in order to verify compliance with the conditions leading to releasing the certificates of conformity with the specifications in force (aluminum tubes, aluminum caps, screw-top lids). There were no non-conformities and it was recommended to maintain the certifications. .

2.2. During 21-25.11.2016 there was an audit on the Integrated Management System conducted by Lloyd's Register Quality Assurance. The audit was conducted on all three systems

- quality (as per standard ISO 9001),
- environment (as per ISO 14001),
- occupational health and safety (conform OHSAS 18001).

There were no non-conformities and it was recommended to maintain the certifications

3. Audits conducted by clients

Audits from customers

3.1. The audit of the **Fagron** from the **Czech Republic** to assess the manufacturing line of Nystatin - active substance.

3.2. The audit of the company **Amneal** from **India** to assess the manufacturing line of Nystatin - active substance. There were no critical/major nonconformities and Antibiotice is proposed for qualification as supplier of Nystatin.

3.3. The audit of the company **Audit Associates Ltd.** (third party audit firm) for the **Sandoz Ireland** Company to assess the manufacturing line of Nystatin - active substance. There were no critical/major nonconformities and Antibiotice is proposed for qualification as supplier of Nystatin.

3.4. The audit of the **Pfizer** Company from **Pakistan** to assess the manufacturing line of Nystatin - active substance. There were no critical/major nonconformities and Antibiotice is proposed for qualification as supplier of Nystatin.

3.5. The audit of the **WorldGen**, distributor of Antibiotice products on the US market, the cGMP compliance of the manufacturing operations for sterile products. The audit result was favorable, ascertaining the compliance with cGMP requirements and Antibiotice received the further approval to manufacture Nafcillin under contract for the Worldgen Company.

3.6. The audit of the **Prati Donaduzzi** Company from **Brazil** to assess the manufacturing line of Nystatin - active substance. There were no critical/major nonconformities and Antibiotice is proposed for re-qualification as supplier of Nystatin.

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3.7. The audit of the **Teva Company** from **Canada** to assess the manufacturing line of parenteral products. There were no critical/major nonconformities and Antibiotice is proposed for qualification as supplier of parenteral products.

3.8. The audit of the **SGD** (third party audit firm) for the company **Par/Endo USA** to assess the manufacturing line of Nystatin - active substance. There were no critical/major nonconformities and Antibiotice is proposed for re-qualification as supplier of Nystatin.

3.9. The audit of the **Innothera** from **France** to assess the manufacturing line of Nystatin - active substance. There were no critical/major nonconformities and Antibiotice is proposed for re-qualification as supplier of Nystatin.

3.10. The audit of the **Sagent Company** from the **US** to assess the manufacturing line of parenteral products. There were no critical/major nonconformities and Antibiotice is proposed for qualification as supplier of parenteral products.

3.11. The audit of the **Blue Inspection Body / Diapharm Company** to assess the manufacturing line of Nystatin - active substance. There were no critical/major nonconformities and Antibiotice is proposed for re-qualification as supplier of Nystatin.

4. Audits on raw materials/primary packaging materials suppliers/ finished products suppliers

4.1 A verification audit concerning the compliance of the quality management system with the GMP requirements a **DEVA Holding, Turkey** was performed; **DEVA Holding, Turkey** is a potential sterile mixture of Amoxilina Na: Clavulanat K 5:1. Major non-compliances were identified. After resolving the non-compliances by the supplier, a new audit will be performed.

4.2 The audit by the **Soja Austria** - supplier of soybean meal for Nystatin biosynthesis in order to verify the quality management system compliance. There were no critical/major nonconformities, so the supply can be continued from this supplier.

4.3 The audit on compliance with GMP quality management system requirements of **APTAR Stelmi - USA** was conducted - provider of stoppers for parenteral products. There were no critical/major nonconformities, therefore supply can be continued.

4.4. Audits on the quality management system compliance with EU GMP requirements were conducted at a number of manufacturers of active substances manufacurers / manufacturers of finished products under contract manufacturing in China, India and Taiwan, according to the audit plan approved in 2016.

ENVIRONMENTAL PROTECTION

Promoting environmental protection

Thanks to the Environmental Management System, the environmental protection activities within the company manage the prevention of pollution and the ongoing improvement of environmental performances, in line with the legislation in force.

By obtaining, in January 2011, the Integrated Environmental Authorization, valid for a period of 10 years, Antibiotice demonstrates it is a company observing the environmental requirements, the emissions of air, water and soil pollutants falling under the maximum acceptance limits set by the European standards in the field.

Within the program **"Be Pro Nature. Put soul in it!"** Antibiotice participated in for the sixth year in a row to the largest environment campaign of all times, **Earth Hour 2016**. Earth Hour was celebrated on March 19, 2016, by turning off the exterior lights between 20:30 and 21:30, where it was possible. The action of raising awareness on environmental issues is part of our company's strategy for responsible resource management.

Environmental Responsibility

The company's business in the field of environment protection is regulated by the Integrated Environmental Authorization no. 1/10.01.2011 issued by the Regional Agency of Environment Protection Bacău (valid until 10 January 2021) and the Authorization for water management no. 303/20.12.2010 issued by the Romanian National Administration of Waters, the Administration of Water Prut - Bârlad (valid until 31 December 2020). In order to observe the legislation in the field of environmental protection, Antibiotice ensured the necessary equipment and the qualified personnel. The entire activity is regulated by operational procedures of the environmental management system and specific operation instructions.

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

Specific consumption and energy use

The activity of the Biosynthesis Plant where Nystatin active ingredient is produced is subject to the European Directive on integrated pollution prevention and control (IPPC). In 2016 the Biosynthesis Plant observed the planned specific consumption.

Air quality

In 2016, in order to monitor air quality we conducted tests in our labs in order to determine pollutant emissions for nitrogen oxide, ammonia, suspension powders and sediment powders. The maximum acceptance limits provided by the Integrated Environmental Authorization were not exceeded.

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Water quality

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

The maximum acceptance limits set were not exceeded in the Integrated Environmental Authorization, in the Authorization for water management and Government Resolution no. 352/2005 (NTPA 001 and NTPA 002) were exceeded.

Soil protection and underground water

40% of the total land owned by Antibiotice is construction-free, arranged as green spaces.

Groundwater quality was monitored by collecting and analyzing on a monthly basis samples from the observation wells and the drill located downstream of the landfill.

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

Waste management

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

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

The company observes the requirements of packaging waste management (as per the amount of products Antibiotice put on the market). The main objective as well as the minimum objectives to recycle type of materials were achieved (as per Law no. 249 din 2015, with subsequent amendments and additions)

Environmental plans and programs

In 2016, environmental objectives were aimed at:

- Purchasing vehicles equipped with EURO 6, a goal transferred to 2017 due to lack of funds, being proposed for the 2017 investment plan;
- improving the aesthetic appearance and safety of facilities/ constructions by the rehabilitation of 10% of the total length of the system of trestles existing in the company in 2015 - the goal achieved;
- Reduction by 2% of the electrical power specific consumption (kw/Gcal) for the supply of thermal energy in the heating circuit, compared with 2015 - goal achieved, Antibiotice acquired two low power consumption pumps;
- Improving the recovery of waste from dismantling the decommissioned fixed assets by reusing 80% of the total amount of waste after the demolition of the

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penicillin plant- goal achieved, Antibiotice exploited 90.75% of the total of waste generated by demolition by authorized operators.

Emergency situations prevention and management

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

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

Five internal drills were carried out In 2016, to test and assess the response capability of the emergency situations intervention team.

NET PROFIT OF THE PERIOD INCREASE BY 12% AS COMPARED WITH 2015

Antibiotice developed its activity in 2016 in line with its objectives and indicators set in the Income and Expenditure Budget.

The International Financial Reporting Standards (IFRS) were adopted starting with the financial year 2012, this requiring the **restatement of financial statements** in conformity with the Orders 881/2012, Order 1286/2012 and Order 2844/2016 of the Minister of Public Finance. Starting with January 1, 2013 our company applies IFRS as the basis of accounting.

Overall financial result

In 2016 the sales revenues amounted to LEI 332.4 million, higher by 1% as compared to 2015 when the figure recorded was LEI 330 million, a result of all our employees' sustained effort to strengthen the business.

Overall financial result (Lei)	31.12.2015	IEB 2016	31.12.2016	2016/ 2015	2016/ IEB
Sales income	330,087,508	339,085,000	332,435,059	1.01	0.98
Other operating revenues	14,631,018	7,970,000	20,262,937	1.38	2.54

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Income relative to the cost of product stocks	6,546,669	932,000	-900,215	-0.14	-0.97
Income generated by the work carried out and capitalized by the company	2,505,214	2,020,000	2,177,574	0.87	1.08
Raw materials and consumables expenses	118,818,573	129,322,000	126,867,849	1.07	0.98
Personnel expenses, of which:	73,466,734	72,117,000	76,846,812	1.05	1.07
- current personnel expenses	71,266,735	72,117,000	71,800,968	1.01	1.00
- provisions on personnel	2,199,999	0	5,045,844	2.29	
Depreciation and impairment expenses	15,099,989	16,930,000	18,948,912	1.25	1.12
Other operating expenses	109,448,274	94,767,000	91,782,114	0.84	0.97
Operating Profit	36,936,839	36,871,000	39,529,669	1.07	1.07
Net financial income	-4,889,304	-2,710,000	-4,648,023	0.95	1.72
Profit before tax	32,047,535	34,161,000	34,881,646	1.09	1.02
Income tax expenses	4,868,712	6,300,000	4,510,835	0.93	0.72
Profit	27,178,823	27,861,000	30,370,811	1.12	1.09

Lei

Net financial income was mainly influenced by the following expenses:

- Bank's interest expenses worth LEI 1 million, lower by 30% (the figure amounted to LEI 1,485,438 in 2015 and LEI 1,035,710 in 2016);
- Expenses on granted discounts worth LEI 3.62 million, at the same level with 2015.

In 2016, the **profit before tax** was **LEI 34.9 million**, higher by 9 % than the figure recorded in 2015 and higher by 2% than the profit estimated in the IEB, Antibiotice applying a prudential policy regarding the adjustments at the retail market customers (Antibiotice sells products in about 5000 pharmacies).

Profit after tax was **LEI 30.4 million**, higher by 12% than in 2015 and by 9 % than the budget estimation.

Statement of financial position

On 31.12.2016, our company's fixed assets recorded a similar value with that one recorded at the beginning of the year. Accounting depreciation is calculated using the straight-line method in accordance with IFRS standards.

Our company restructured its debts in order to reduce the bank exposure and attract stable liabilities that do not involve additional risks or costs, reducing in this way the financing cost of the core activity, so the degree of indebtedness decreased from 28% in 2015 to 23% in 2016.

	31.12.2015	31.12.2016	2016/2015
ASSETS			

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FIXED ASSETS			
Tangible assets	205,945,190	206,702,347	1.00
Intangible assets	9,730,186	10,139,458	1.04
TOTAL FIXED ASSETS	215,675,376	216,841,805	1.01
CURRENT ASSETS			
Stocks	60,290,277	60,195,101	1.00
Trade and similar receivables	231,314,744	242,456,065	1.05
Financial assets intended for sale	220	0	0.00
Cash and cash equivalents	37,381,974	13,902,686	0.37
TOTAL CURRENT ASSETS	328,987,215	316,553,852	0.96
TOTAL ASSETS	544,662,591	533,395,657	0.98
LIABILITIES			
CURRENT LIABILITIES			
Trade and similar payables	74,141,352	49,045,370	0.66
Amounts owed to credit institutions	41,778,509	40,705,967	0.97
Liabilities from current taxes	8,989,373	11,486,302	1.28
Short-term provisions	4,430,343	1,418,895	0.32
TOTAL CURRENT LIABILITIES	129,339,577	102,656,534	0.79
LONG TERM LIABILITIES			
Subventions for investments	3,193,972	2,914,396	0.91
Deferred tax	19,479,158	18,758,368	0.96
Long-term provisions	0	0	
TOTAL LONG-TERM LIABILITIES	22,673,130	21,672,764	0.96
TOTAL LIABILITIES	152,012,707	124,329,298	0.82
Share capital and reserves			
Share capital	264,835,156	264,835,156	1.00
Revaluation reserves	19,909,157	16,925,870	0.85
Legal reserves	13,426,761	13,426,761	1.00
Other reserves	133,303,701	146,528,189	1.10
Reported result	-66,003,714	-63,020,428	0.95
Current result	27,178,823	30,370,811	1.12
TOTAL EQUITY	392,649,884	409,066,359	1.04
TOTAL EQUITY AND LIABILITIES	544,662,591	533,395,657	0.98

Lei

Current assets:

- stocks recorded the same level as in 2015;
- total receivables grew by 5% as compared to 2015

In 2016 the average receivables collection period in foreign market was 90 days versus 376 days in the domestic market resulting in an average collection period of 286 days.

Cash and cash equivalents at the end of 2016 reached a value of LEI 13.9 million.

The main diagnostic indicators of the company highlights its financial stability and our continuing concern for streamlining our business. Liquidity indicators recorded

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higher values compared to 2015 while the level of indebtedness dropped from 28% to 23%.

		31.12.2015	31.12.2016
ROE (return on equity)	= Profit before interest and taxes/Equity	3.8%	4.6%
ROA (return on assets)	= Net profit/Total assets	0.9%	0.8%
EPS (Lei/share)	= Net profit /share	0.040	0.045
RATE OF NET PROFIT	= Profit/Sales revenue	8%	9%
GENERAL LIQUIDITY	= Current assets/Current liabilities	2.5	3.1
QUICK LIQUIDITY RATE	=(Current assets-Stocks/Current liabilities	2.1	2.5
Level of indebtedness	= Debts/total assets	28%	23%
No. of shares		671,338,040	671,338,040

A 12% growth in the net profit rate resulted in a higher value of the net profit / share.

Balance sheet liabilities

On December 31, 2016, our company recorded current liabilities amounting to LEI 102.6 million, a 21% drop compared to 2015. Antibiotice restructured its liabilities to reduce its credit exposure and debts to the suppliers.

Sume datorate institutiilor de credit la 31.12.2016

Short-term contract no. IAS3-42-2016/17.08.2016 concluded with Unicredit Bank S.A.

Objective	Credit line - working capital
Amount	LEI 30,000,000
Maturity	16.08.2017
Balance account on December 31, 2016	LEI 22,919,001
Guarantees	Mortgage contract for buildings, land/ Receivables assignment 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	LEI 30,000,000
Maturity	27.06.2017
Balance account on	LEI 0

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December 31, 2016

Guarantees

Mortgage contract for buildings, land/ Receivables assignment agreement

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

Objective	Credit line - working capital
Amount	EUR 9,500,000
Maturity	22.05.2017
Balance account on December 31, 2016	EUR 3,916,884.93 EUR (LEI 17,786,966.16)
Guarantees	Mortgage contract for buildings, land/ Receivables assignment agreement

Amounts owed to credit institutions on 31.12.2015

Short-term contract no. 28/18.04.2005 concluded with Alpha Bank - Iași Branch Office

Objective	Credit line - working capital
Amount	LEI 8,000,000 EUR 100,000
Maturity	28.05.2016
Balance account on December 31, 2015	LEI 0
Guarantees	Receivables assignment 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	LEI 60,000,000
Maturity	28.06.2016
Balance account on December 31, 2015	LEI 16,999,999.75
Guarantees	Mortgage contract for buildings, land, receivables

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

Objective	Credit line - working capital
Amount	EUR 9,500,000
Maturity	22.05.2016
Balance account on December 31, 2015	EUR 5,476,518.79(LEI 24,778,509.27)
Guarantees	Receivables assignment agreement /Mortgage contract for buildings, land

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SC Antibiotice SA neither submitted guarantees nor pledged or mortgaged its own assets to guarantee obligations in favor of a third party.

Cash flow

Cash and cash equivalents at the beginning of the period amounted to LEI 37.4 million. Cash receipts from operating activity were LEI 295.9 million. Cash payments to suppliers of goods and services were LEI 189.3 million and those to and on behalf of employees, personnel-related payments amounted to LEI 68.3 million.

The company also paid LEI 11.3 million representing income tax, VAT, local taxes, bank interests and LEI 17.7 million for purchasing fixed assets. There were made payments amounting to LEI 20.2 million (the difference up to LEI 22.4 million being paid in February 2017) representing contributions to the Ministry of Health (clawback tax)

As regards the financing activity, payments of LEI 1.2 million representing short-term loans were recorded. Our company also paid dividends amounting to LEI 7.4 million.

At the end of the year, cash and cash equivalents amounted to LEI 13.9 million.

Risk management

Risk management aims at securing the medium and long-term sustainability and at reducing the uncertainty associated with the company's financial and strategic objectives.

The risk management process is achieved by passing through the following steps:

- identifying the risks in close connection with activities within the specific objectives whose achievement could be affected by the materialization of risks;
- assessing the risks by measuring their probability of occurrence and their impact on the activities within the specific objectives if these risks materialize;
- ranking and prioritizing the risks depending on risk tolerance;
- setting the risk management strategy by identifying the most appropriate way to deal with the risks, so as these to be within the risk tolerance;
- monitoring the implementation and effectiveness of the control measures
- periodically reviewing and reporting on the risk situation

The main categories of risk that may arise in the company's activity are:

- financial
- economical
- technological
- marketing
- image
- legislative

The Company is exposed through its operations to the following financial risks:

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- Foreign Exchange Risk
- Liquidity risk
- Commercial risk/ default risk

The foreign exchange risk, a component of the financial risks, occurs frequently in the current market economy where monetary rates fluctuate under the supply and demand rule. Another factor also causing the occurrence of currency risk is the national and international political context.

Exchange rate fluctuations are reflected both in the costs of imported raw materials, as well as in the prices of finished goods for export.

In order to minimise the risk, the following measures were considered:

- synchronizing the import with the export, by correlating the payment and collection terms as well as by correlating the share of foreign exchange, so that the moments in which the payments are to be done to be as close as possible, or even simultaneous with the export receipts;
- anticipating or delaying the payment or collection by fixing the appropriate maturity and introducing some protective price margins in conjunction with the forecasts on the evolution of the payment currency;
- bridging the gap between cash proceeds and payments from loans in the currency of the transaction

Liquidity risk arises from the company's failure to honor, at any time, the short-term payment obligations.

Liquidity risk may occur in the following circumstances: collection of receivables at maturities exceeding 300 days; increase in taxation/ lack of predictability (clawback tax); insolvency of some customers; increase in the price of raw materials, utilities, and services

In order to mitigate the risk, the company took into consideration the following assessment of the creditworthiness of trading partners; monitoring of the receivables through permanent control and evaluation; estimation, as accurate as possible and correlation of the payments with the receipts; bridging of the gap between receipts and payments from loans; negotiations with suppliers on extending payment deadlines.

Commercial (default) risk is the risk of incurring losses or not-reaching the estimated profits due to lack of financial liquidity of the borrower and the failure to pay upon maturity. Default risk can arise in a number of circumstances: collection of receivables at maturities exceeding 300 days; increase in taxation/ lack of predictability (clawback tax); insolvency of some customers; increase in the price of raw materials, utilities, and services

The following measures were taken for mitigating the commercial (default) risk:

- assessment of the trading partners' creditworthiness by checking them, before the conclusion of the contract;
- monitoring of the receivables through a permanent control and evaluation;
- development of a relationship of loyalty with the customers by organizing periodical meetings for constructive approaches;
- conclusion of protocols for rescheduling the payments;

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- request for guarantees (insurance policies, securities collateral agreements, checks, promissory notes, letters of banking guarantee);
- cease of deliveries until the outstanding amounts are paid;
- diversification of the customers portfolio to reduce the exposure to large customers;
- provisions for expenses to cover the risk of default.

Din categoria riscurilor economice, un risc cu care se confrunta compania se refera la *pierderea sursei de materie prima*.

In the category of *economic risks*, a risk faced by our company refers to the *loss of raw material sources*.

Circumstances in which the economic risk occurs:

- obligation of the Chinese manufacturers to meet the EU GMP requirements;
- existence of a single supplier who does not meet the GMP requirements;
- implementation of the environmental policy;
- tougher inspections conducted by the EU and US authorities;

To limit the economic risks, the following measures have been taken:

conclusion of Supply Agreements to secure the sources; buffer stocks for emergencies; annual meetings/visits for strengthening relations and mutual information; identification of stable sources of raw materials; purchases secured by authorizing minimum two sources for each raw material; market research and identification of new suppliers.

This category comprises also, the loss of some markets (contracts) or reduced access possibilities in the future, affecting the strategic forecasts related to the export of finished products.

This category comprises also, the loss of some markets (contracts) or reduced access possibilities in the future, affecting the strategic forecasts related to the export of finished products.

Circumstances in which this risk occurs: changing of the legislative conditions in the local market; lowering of the price of competing products in the market which lead to a noncompetitive position; losing of the partner's interest in the Antibiotice products, following the entry of new products on the market; protectionist legislation on the access of the medicines in the market, conflict areas (Syria, Egypt, Afganistan), the difficult situation in Ukraine and Russia.

In order to mitigate this risk, our company has taken the following measures:

to continuously monitor the trends in the international commercial policy; to adopt a diversified export strategy; to differentially approach the developed and developing markets; to conclude strategic partnerships with strong companies in the international markets; to build a trust and loyalty-based relationship with the local partners; to ensure the quality requirements and maintain the international certifications in accordance with the latest standards; to anticipate the legislative changes in order to approach other markets; to focus towards partnerships with local pharmaceutical companies selling the products

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manufactured by Antibiotice under their own brands; to open new branches abroad; to negotiate for developing new products

Legislative changes aiming the pharmaceutical market lead to the occurrence of the legislative risk, which must be continuously monitored.

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

Conformation to these requirements is reflected both in extra costs for updating the documentation for meeting the quality standards, in the influences on maximum sale prices and in the delays in launching the products in the market.

Our company's strategy to mitigate these risks involve a permanent concern for obtaining the international certifications for all the manufacturing flows, for updating the authorization documentation for its products and for conducting the bioequivalence and stability studies. It also involves a continuous monitoring of the international legislative changes.

Reaching the turnover with difficulty is another risk our company has faced:

Among the causes generating this risk we include: initiation of the national tender for purchasing antibiotics for hospital consumption over a two year period; decrease of the hospital budgets; rationalization of consumption of medicines; reduction of sales of certain products in the pharmacy chains; new direct and indirect competitors in the market affecting our product portfolio; delays in introducing new products in the portfolio; aligning of the price of generics to 65% of the original product. In order to mitigate this risk, our company has taken the following measures:

an adequate commercial and promoting policy; continuously monitoring of the distributors; shifting of the focus towards other customers; a commercial and promotion policy for maintaining the profitability of products; monitoring of the competitors' commercial policy; shifting of the focus towards strategic and traditional products unaffected by price decreases; partnerships with independent and mini-chain pharmacies for promoting the entire product portfolio.

Image risk is defined as the current of future risk which negatively affects the profits and capital because of the unfavorable perception of the company's image.

In order to effectively manage the events that could lead to the risk of image, the following measures are envisaged:

monitoring of the company's image in the mass media in order to identify any rumors which could generate image risks; periodical press releases with positive information; a good and transparent relation with the mass media; control of risks which could affect the company's image.

Within the risk assessment process, the company identified a number of risks that can not be controlled, namely: risk of natural disasters (earthquake, flood, fire, etc.); risk of wars or ethnic conflicts; risk of economic, social and legislative instability.

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Antibiotice will apply all the necessary measures to mitigate these risks, by developing the specific plans:

- Emergency evacuation plan;
- Plan of intervention in case of natural disasters (earthquake, flood);
- Fire intervention plan;
- Accident prevention policy involving dangerous substances (acetone, methanol).

All these plans are aimed at protecting our employees, property and environment.

Structura interna a managementului riscului din Antibiotice prezinta ca aplicand procedurile proprii s-au inclus in situatiile financiare evaluarea riscurilor semnificative prin provizioane sau ajustari de valoare (imobilizari, stocuri, clienti, personal) dupa criteriile stabilite prin politicile societatii.

Internal control

Internal control activities are carried out within the Internal Audit Office and consists of: internal audit, financial control management, management control in a methodological framework governed by laws, rules, codes of professional conduct, specific to each activity.

The setting and achievement of objectives of the Internal Audit Office, findings and recommendations resulting from control actions were presented to the Audit Committee on a quarterly basis to assess the activity and the Ministry of Health, annual Public Audit Service according to legal regulations.

Internal audit is organized and carried out in accordance with:

- Law 672/2002 on public internal audit
- norms own issued under GD no. 1086/2013, approving the general rules on internal audit;
- O.M.F.P. 252/2004, code of ethical conduct for internal auditors, amended and supplemented;
- Corporate Governance Code of Antibiotice.

During 2016 nine internal audits planned for in the annual internal audit Plan, according to the multi-annual plan 2015-2019. Internal audit objectives were:

- examination of compliance with the set of principles, rules, procedures and methodologies, notes and internal decisions
- assessment of management and control system activity;
- other specific business objectives.

The internal audit missions evaluated structures' activity and found that the management and control of these are transparent, in accordance with the rules of legality, regularity, economy, efficiency and effectiveness and have made recommendations for their improvement.

The internal audit activity is carried out systematically and methodically, providing objective assurance and advice to management on the level of functionality of controls applicable to its activities including those of financial reporting, in order to eliminate / diminish potential risks that may affect the achievement of company objectives and preparation of financial reports without material misstatement

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Financial control management is organized by internal decision, according to art. 3 point 5 letter a) to e) of Government Emergency Ordinance no. 94/2011 on the organization and functioning of the economic and financial inspection and Norms of Decision 1151/2012 on the organization and exercise of financial control management.

Financial management control was carried out under the Control Plan 2016 approved by the head company. There have been six control actions and their objectives were:

- verification of compliance with legal provisions regarding the registration of economic-financial operations;

- verification of compliance with the law on the execution of revenues and expenditures budget;

- verification of compliance with the law in the substantiation of the draft budget of revenues and expenditures of the company for 2016;

- verification of legal provisions and internal regulations on how to perform annual inventatierii items of assets, liabilities and equity;

- verification of compliance with the law and applicable regulations regarding internal receipts and payments in lei and foreign currency of any kind, in cash or by bank transfer;

- verification of compliance with legal and regulatory provisions on preparing internal circulation, storage and archiving of primary documents, accounting and the technical-operative.-

Following the actions of management financial control, control reports were drawn up, which present findings and proposed measures to improve the activities verified.. Nu nonconformities were found to lead to distortion of financial reporting. The inspection reports were presented to the company that approved and ordered the implementation of the proposed measures.

Management control activity is organized in accordance with the legal framework and procedures of:

- Law 82/1991, on accounting, republished and updated;
- Law 22/1969 on hiring managers, provision of warranties and liability in connection with asset management;
- Order 2861 / 09.10.2009 for approving the norms on organizing and conducting inventory of assets, liabilities and equity;
- Operating procedures, internal notes, internal decisions of company management.

During 2016, we conducted a total of 19 actions covering all central raw materials warehouses, inventory of and finished products; management of raw materials in the production units.

The objectives in management control activities were as follows:

- compliance with operating procedures specific to each management regarding the reception, storage, consumption / delivery of property items such as stocks;
- checking the accuracy of preparation and compliance documents circuit;
- alignment to consumption of approved raw materials;
- confrontation of stocks to the inventory to establish any factual differences, establish the causes of differences observed.

Following checks made, it was found that legal regulations and internal decisions about managing inventories are observed and there is a correlation between scripted stocks and factual stocks as a result of proper management. Minutes stating the inventory stocks were submitted to the Accounting Office for the results to be used by the central committee for the annual inventory of assets.

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The internal control structure of Antibiotice through the missions carried out, has ensured that in the financial statements of 2016, items relating to assets, inventories, receivables and liabilities are presented exactly as in reality.

CORPORATE GOVERNANCE

THE CORPORATE GOVERNANCE

In order to build a strong relationship with the shareholders and potential investors, our company observes the principles and recommendations of the Corporate Governance Code of the Bucharest Stock Exchange (BVB-CGC), principles that underlie the good corporate governance standards.

The Antibiotice SA Company believes that the corporate governance is an important tool for achieving performance in terms of sustainable development ensuring the accuracy and transparency in the company's decision making process through the equal access for all shareholders to relevant information about the company. The system of governance is in accordance with Law no. 297/2004 amended and supplemented by Law no. 10/2015 and GEO no. 90/2014 as well as the CNVM regulations issued in its application of Law no. 31/1990, republished, with all subsequent amendments, the Regulation no. 6/2009, of the Law no. 111/2016 for approving the Government Emergency Ordinance no. 109/2011 concerning the corporate governance of public enterprises of the BVB Code, the BVB Corporate Governance Code and the company's Articles of Association.

The strength of Antibiotice team is demonstrated by the company's strategic guidance and readiness with which it is able to react by developing responsible and transparent business practices. This applies to both the management team, the operational teams and the entire staff of the company who manage to achieve a balance between compliance and performance.

In 2016 consistency was proved regarding the strategic directions, accompanied by adequate investment programs. This was achieved by applying the principles of good corporate governance, which has allowed to mobilize the full potential of employees to implement and maintain high standards in all of the company's activities.

Structures underlying the governance system at Antibiotice:

- the Board of Directors
- the Advisory Boards
- the Executive Management
- the Code of Ethics
- The Code of Corporate Governance

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The Board of Directors

Antibiotice is administered by a Board of Directors responsible for fulfilling all the tasks necessary to achieve the object of the company, except as provided by law for the General Meeting of Shareholders. There is a clear division of responsibilities between the Board of Directors and the Executive Management.

The Board of Directors seeks to ensure that its own decisions, those of the company's management, the General Meeting of Shareholders as well as the internal regulations comply with the legal requirements and are properly implemented. The Board is responsible for monitoring the company's management on behalf of the shareholders.

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

During the year 2016, the Board has met in 12 sessions and adopted decisions which have allowed to perform their duties in an effective and efficient manner.

Thus, on the monthly meetings the Board has discussed in detail about the financial results in the reporting period and cumulatively since the beginning of the year as well as the economic performance relative to the budget and the same period last year. The Council requested, as appropriate, detailed explanations of the executive management in connection with the plans to increase production efficiency, the investment plans, the provisions made, the liquidity management, the operational profitability and of the overall activity. After the detailed analysis of the results for the period, the Council decided the approval thereof for the publication and submission to the Bucharest Stock Exchange and the Financial Supervision Authority falling each time in the Financial Communication Calendar.

The 5 members of the Board shall ensure the effectiveness of the ability to monitor, analyze and assess the work of directors as well as the fair treatment of the shareholders.

The structure of the Board of Directors of the Antibiotice SA Company on 31 December 2016

Legal adviser, IAVOR Ionuț-Sebastian, 41 years old

Chairman of the Board and representative of the Ministry of Health
At the Ordinary General Meeting of Shareholders of April 30 2015 Mr. Iavor was elected a member to the Board of Directors of the company and then appointed by the Board members as Chairman.

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Mr. Ionut Sebastian Iavor is currently General Manager of the General Directorate of Human Resources and Legal Department within the Ministry of Health.
Number of Antibiotice SA shares owned - 0*

Ec. Ioan NANI, 57 years old
Vice Chairman of the Board and CEO

At the Ordinary General Meeting of Shareholders of April 19 2016, Mr. Nani was reconfirmed as a member of the Board of Directors, for a period of four years; Mr. Nani was appointed then by the members of the Board as Vice-President. Mr. Nani is an economist specialized in management, a chartered accountant and a member of the Board since 2009 as well as CEO (1998-2008 and 2009 - present day).

Number of Antibiotice SA shares owned - 1.513*

Dr. Adela-Petrinia NEAGOE, 58 years old

Member of the Board and representative of the Ministry of Health

At the Ordinary General Meeting of Shareholders of March 20 2014 Mrs. Neagoe was appointed a member of the Board of Directors for a period of four years. Mrs. Neagoe is a Doctor of medical sciences, a primary doctor in the specialty of pediatrics, a primary doctor in the specialty of Public Health and Health Management. Mrs. Neagoe is a member of the Board since March 20 2014 and a Deputy Secretary General in the Ministry of Health.

Number of Antibiotice SA shares owned - 0*

Ec. Nicolae STOIAN, 60 years old

Member of the Board and representative of the SIF Oltenia shareholding and other corporate shareholders

At the Ordinary General Meeting of Shareholders of April 19 2016, Mr. Stoian was elected as a member of the Board of Directors for a period of four years. Mr. Stoian is a chartered accountant, a tax consultant and financial auditor, as well as a representative of the Internal Control Department with SIF Oltenia.

Number of Antibiotice SA shares owned - 0*

Eng. Elena CALIȚOIU, 54 years old

Member of the Board and representative of SIF the Oltenia and other corporate shareholders

Mrs. Calitoiu was confirmed during the Ordinary General Meeting of Shareholders on April 19, 2016, for a period of four years.

Mrs. Calitoiu is a mechanical engineer and Director of Investments and Risk Management with SIF Oltenia; Mrs. Calitoiu has been a member of the Board since 2016.

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Number of Antibiotice SA shares owned - 0*

*The number of Antibiotice shares (ATB) held on September 1 2016 according to the latest database held by Antibiotice for the year 2016.

The advisory committees

During the year 2016, the specialized advisory committees had the following membership:

- *the Audit Committee*: Mr. Ionuț Sebastian IAVOR and Mr. Nicolae STOIAN and Mrs. Elena CALIȚOIU;
- *the Nomination and Remuneration Committee*: Mrs. Elena CALIȚOIU and Mrs. Adela-Petrina NEAGOE
- *the Trade Policies Committee*: Mr. Ionuț Sebastian IAVOR and Mr. Nicolae STOIAN.

The advisory committees have conducted investigations, analyzes and have developed recommendations for the Board of Directors in specific areas and submitted periodic reports upon their activity.

The executive management

Antibiotice is represented by the General Manager, according to powers provided by law and company charter. The Board of Directors retains the duty of representing the company in relationship with the directors whom they have appointed.

The executive management of Antibiotice is ensured by ten directors, one of whom is the CEO and also the Vice Chairman of the Board and nine specialty executives.

Membership of the Executive Management of the Antibiotice SA Company on December 31 2016

Ec. Ioan NANI, 57 years old

CEO and Vice Chairman of the Board

Mr. Nani has graduated from the Faculty of Economics, the "Alexandru Ioan Cuza" University of Iași. Mr. Nani is an economist specialized in management and a chartered accountant.

Mr. Nani began working as an economist at Antibiotice in 1987. Between 1991 and 1993 he worked as a financial control inspector with the General Directorate of Public Finance Iași and then with the Court of Auditors of Romania. In 1994 Mr. Nani returned to Antibiotice as a financial executive and in 1998, Mr. Nani became CEO. In February 2009 Mr. Nani was appointed Deputy Chairman of the Authority for State Assets Recovery (AVAS), and in the month of June of the same year he became CEO of Antibiotice.

Mr. Nani has been CEO since 2009.

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Number of Antibiotice SA shares owned - 1.513*

Eng. Cornelia MORARU, 51 years old

Technical and Production Director

Mrs. Moraru graduated from the Faculty of Chemical Technology, the Technical University "Gheorghe Asachi" Iași. After graduation Mrs. Moraru worked as a chemical engineer at the Fălticeni Chemical Factory. Mrs. Moraru has been working at Antibiotice since 1990. Until 1998 Mrs. Moraru has worked at the Penicillin II Plant and then at Biosynthesis compartment for a year. From July 1999 until January 2001 Mrs. Moraru has worked as a biosynthesis technologist at the Penicillin II Plant. In January 2001 she became Head of the Tablets Plant and in May 2003 Mrs. Moraru was appointed Director of the Pharmaceutical Division.

Mrs. Moraru has been the Technical and Production Director since 2005.

Number of Antibiotice SA shares owned - 1.513*

Ec. Paula Luminița COMAN, 49 years old

Economic Director

Mrs. Coman has graduated from the Faculty of Economics and Business Administration, the "Alexandru Ioan Cuza" University of Iași and has been a Chartered Accountant since 2006 and a tax consultant since 2007.

After graduation Mrs. Coman has worked as an economist at the County Iași Tourism Office. Mrs. Coman has been working at the Antibiotice SA Company since 1991 as an economist in the Rates Efficiency Office. In 1998 Mrs. Coman has become Head of the Economic Analysis Compartment and in 2003 Head of the Financial-Accounting Department.

Mrs. Coman has been the Economic Manager since 2011.

Number of Antibiotice SA shares owned - 0*

Ec. Vasile CHEBAC, 62 years old

Commercial and Logistics Director

Mr. Chebac has graduated from the Faculty of Economics, the "Alexandru Ioan Cuza" University of Iași, has been an active member of the Body of Chartered Accountants, Iași Branch since 1993 and a financial auditor and a member of the Chamber of Auditors of Romania since 2008.

Mr. Chebac has started working at Antibiotice SA in 1972. In 1987 Mr. Chebac became an economist at the Planning and Development Department within the Investment Compartment. In February 1991 Mr. Chebac has worked as a financial controller at the Directorate General of Public Finance and in July 1993 Mr. Chebac has worked as a financial controller at the Chamber of Accounts Iași, and in July 1993 the Chamber of Auditors financial controller Iași. In January 1998 Mr. Chebac was appointed Chief Commissioner at the Financial Guard of Iași. In September 2001 Mr. Chebac returns to Antibiotice SA to the position of Chief Commercial Officer and General Services.

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Mr. Chebac has been the Commercial and Logistics Director since 2005.

Number of Antibiotice SA shares owned - 0*

Eng. Eugen Florin OSADEȚ, 61 years old

Engineering and Investment Director

Mr. Osadeț is a graduate of the "Gheorghe Asachi" Technical University of Iași, the Faculty of Mechanical Engineering. In 2000 Mr. Osadeț is granted the Master's Degree in Management and Business Administration at the same university.

Mr. Osadeț has been working at Antibiotice SA since 1980 as a mechanical engineer in the industrial refrigeration team, and then as a thermal power dispatcher. In 1997 Mr. Osadeț became the Head of the Thermal Power workshop.

Mr. Osadeț has been the Engineering and Investment Director since 2000.

Number of Antibiotice SA shares owned - 1.511*

Eng. Cristina Lavinia DIMITRIU, 58 years old

Quality Director

Mrs. Dimitriu, a graduate of the "Gheorghe Asachi" Technical University of Iași, the Faculty of Chemical Technology, is granted in 2000 a Master's Degree in Management and Business Administration by the same university. Mrs. Dimitriu has been the holder of a Master's Degree Diploma in Management and Marketing granted by the Faculty of Pharmacy, the "Grigore T. Popa" University of Medicine and Pharmacy since 2007. During the same year, Mrs. Dimitriu became a PhD student of the Faculty of Pharmacy of Iași.

After graduation Mrs. Dimitriu worked as a chemical engineer at the Făgăraș Chemical Plant. Mrs. Dimitriu has been working at Antibiotice SA since 1987, at the Lysine - Biosynthesis Plant. In 1990 Mrs. Dimitriu has become a Production Manager at the Parenteral Plant and in 2000 she has held the position of Quality Control Manager for Physico-chemical and Microbiological Analysis. Since 2007 Mrs. Dimitriu has become a qualified person for the manufacture / import of medicinal products for human use and a Management Representative for the Integrated Management System.

Mrs. Dimitriu has been the Quality Manager since 2003.

Number of Antibiotice SA shares owned - 0*

Ec. Gica RUSU, 53 years old

Human Resources Director

Mrs. Rusu, a graduate of the "Alexandru Ioan Cuza" University of Iași, the Faculty of Economics, was granted in 2003 a master's degree in management and business administration by the same university.

Mrs. Rusu has been working at Antibiotice since 1981. In 1986 Mrs. Rusu was an economist at the Penicillin Plant and in 1996 was working in the Financial Department. In 1999 Mrs. Rusu has become the Head of the Human Resources Department.

Mrs. Rusu has been the Human Resources Director since 2004.

Number of Antibiotice SA shares owned - 1.510*

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Ec. Ovidiu BĂȚAGA, 39 years old

Domestic Sales and Marketing Director

Mr. Bățaga, a graduate of the Faculty of Economics and Business Administration (FEAA), the "Alexandru Ioan Cuza" University of Iași holds three titles of Masters in Financial Management (awarded by the same university in 2001), Pharmaceutical Marketing (from the "Grigore T. Popa" University of Medicine and Pharmacy in 2003) and Project Management (awarded by the "Gheorghe Asachi" Technical University in 2007).

After graduation Mr. Bățaga worked as a junior in the Currency and Credit Chair, Finance specialty, within the FEAA. Mr. Bățaga has been working at Antibiotice SA since February 2001 as an economist in the Economic Analysis, Accounting and Marketing Department. In January 2006 Mr. Bățaga was appointed Head of Market Analysis and Strategic Planning Department.

Mr. Bățaga has been the Domestic Sales and Marketing Director since 2010.

Number of Antibiotice SA shares owned - 0*

Dr. Mihaela MOȘNEGUȚU, 47 years old

Medical Director

A graduate of the Faculty of Medicine, the "Grigore T. Popa" University of Medicine and Pharmacy, Dr. Moșneguțu is a specialist in family medicine.

Dr. Moșneguțu began work as a doctor working in County Iași. Dr. Moșneguțu has been working at Antibiotice since 2000. In 2000 she was working at the Promotion Office and in 2001 Dr. Moșneguțu becomes the Head thereof. In 2005 Dr. Moșneguțu became the Head of the Pharmacovigilance and Medical Consultancy Department and in 2009 she was appointed Medical and Retail Promotion Manager.

Dr. Moșneguțu has been Medical Director since 2011.

Number of Antibiotice SA shares owned - 0*

Ec. Mihai STOIAN, 41 years old

International Business Director

A Graduate of the Faculty of Economic Sciences at the "Alexandru Ioan Cuza" University of Iași, the International Economic Relations specialization.

Mr. Stoian has been working at Antibiotice SA since May 2005 as Export Area Sales Manager for active substances.

In July 2008 Mr. Stoian was appointed Head of Intracommunity Deliveries and Export, within the Marketing and International Relations.

Since August 2009 Mr. Stoian was appointed Export Manager and June 2011 he was appointed Business Development Manager.

Mr. Stoian has been an International Business Director since 2012.

Number of Antibiotice SA shares owned - 0*

** Number of Antibiotice Company shares (ATB) owned on September 1 2016 according to the latest database held by Antibiotice on the year 2016.*

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The Code of Ethics

The Code of Ethics of the Antibiotice SA Company presents the ethical standards of conduct that establish and regulate the corporate values, the business responsibilities and obligations of the organization and how it works.

The Code of Ethics provides rules in key areas relating to employees, human rights, environmental management, social responsibility and corporate governance and contains guidelines that help the company to pursue its values.

The Code is a set of rules under which the company was developed, rules of ethical behavior in business and how to prevent illegal actions that might arise during the course of affairs within the company. The Code is binding and applies to all structures and activities of the company.

The Code of Ethics is a fundamental commitment to endeavor to comply with high ethical standards working to high ethical standards and the applicable legal requirements wherever Antibiotics operates.

The Code of Ethics is presented in detail on the website of the company ([www.antibiotice.ro/Investitori/Guvernanta Corporativa/Documente de referinta /Cod de etica](http://www.antibiotice.ro/Investitori/Guvernanta_Corporativa/Documente_de_referinta/Cod_de_etica)).

The Code of Corporate Governance

The Code of Corporate Governance of the Antibiotice SA Company retrieved the principles and recommendations of the BSE and represents the tool through which Antibiotice implements these principles and recommendations by observing the rules of corporate governance.

The aim of the Corporate Governance Code is to create the framework for establishing strong relationships with shareholders and other holders of interests, as well as an effective and transparent communication, based on trust.

The Corporate Governance Code of the Antibiotice SA Company is divided into four chapters:

- Chapter I - Responsibilities of the Board

- Chapter II - The Risk Management and Internal Control System

- Chapter III - Fair reward and motivation

- Chapter IV - Investor relations

It also has two annexes, namely:

- Annex I - Operating Rules of the Board

- Annex II - Rules for assessing the Antibiotice SA Company management.

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In **Chapter I - Responsibilities of the Board**, the role of this body is defined alongside the guidelines in terms of competence, experience, knowledge and independence of its members, enabling them to effectively perform their specific duties and responsibilities.

In **Chapter II - The risk management and internal control system** shows that the activity of the company is subject to the supervision exercised by certain risk management and internal control systems set up for this purpose. Also, internal audits are organized in order to assess independently and periodically the safety and effectiveness of the risk and internal management control.

The **Chapter III - Fair reward and motivation** establishes the general principles and conditions that are the foundation of the method for setting the level of remuneration of Board members and the company management.

The **Chapter IV - Investor Relations** establishes that Antibiotice should make constant efforts in order to provide shareholders with updated information on events of interest to them (ex.: general meeting of shareholders, payment of dividends, etc.).

In conclusion, the Corporate Governance Code of the Antibiotice SA Company and its annexes outline the general framework under which the Board operates, complying with the rules and principles of corporate governance set by the BSE in order to create an attractive capital market, based upon the best practices, transparency and trust.

The rights of the holders of financial instruments

The corporate governance framework adopted and partially implemented:

- protects the rights of shareholders;
- ensures the fair treatment of all shareholders;
- acknowledges the role of third parties with interests in the company;
- ensures information and transparency;
- ensures the accountability of the Board to the company and shareholders.

On our company's website at www.antibiotice.ro/investitori/informatii_actionari, there is a section dedicated to shareholders, where one can access and download documents related to the General Meetings of Shareholders: procedures for the access and participation in meetings, the convener, additions to the agenda, informational materials, presentation procures, voting forms by correspondence, resolution drafts, resolutions, voting results etc.

The company provides all those concerned periodic and annual financial statements, prepared in accordance with the law. Also, the company complies with all disclosure requirements under the company law and the capital market.

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Within the company there is a structure specialized in the relation to existing and potential investors called Investor Relations, whose main role is to ensure a good communication with the shareholders of the company. The people appointed to liaise with investors treat with maximum efficiency the requests of shareholders and facilitate the dialogue with the company management. The company designs and develops an appropriate policy to promote effective communication with both investors and shareholders.

The remuneration paid to the Board and the Executive Management is shown in the following table:

Description	For the year ending on	
	31.12.2016	31.12.2015
Salaries	2.827.250	2.495.330
Taxes and social contributions	648.984	571.974
Total	3.476.234	3.067.304

Lei

The administrators and managers with mandate contract (general manager) are entitled to receive, for the work done, a monthly fixed allowance and a variable compensation.

The variable allowance is payable depending on the performance indicators and the performance criteria set out in the management contracts and the mandate contract.

The fixed monthly allowance complies with the law or the provisions of Article 37 OUG nr.109/2011 on the corporate governance of public enterprises, as amended and supplemented. The fixed and variable allowance for the Board members is approved by the General Assembly of Shareholders. The general limits concerning the remuneration of directors with mandate contract is approved by the General Assembly of Shareholders. Based upon these overall limits, the Board sets the amount of the remuneration of directors (with mandate contract).

The General Meeting of Shareholders

The General Meeting of Shareholders (GMS) is the highest decision-making body of the company, where shareholders participate directly and make decisions. Among other duties, the GMS decide upon the distribution of the profit, elect the Board of Directors, appoint auditors and establish the remuneration of the Board of Directors.

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During the year 2016, the Board convened two Ordinary General Meetings of Shareholders and two Extraordinary General Meetings of Shareholders, on **April 19 2016**, and on **August 11 2016**.

All necessary documents relating to the smooth conduct of the General Meetings were published on due time and as required by the law.

Within the Ordinary General Meeting of Shareholders on April 19 2016 the changing of the composition of the Board was approved, by the dismissal of Mrs. Gabriela ILIE as a result of his retirement and the election of Mrs. Elena CALIȚOIU, as well as by the re-election of Mr. Ioan NANI and Mr. Nicolae STOIAN, according to the provisions of the GEO no. 109/2011, amended by the Law no. 111/2016 regarding the corporate governance of public enterprises.

Also the company's financial results for 2015 were approved; these results were drafted in accordance with the Order of the Minister of Public Finance no. 881 / 25.06.2012, the Order of the Minister of Public Finance No.1286 / 2012 for the approval of accounting regulations in accordance with the international financial reporting standards applicable to companies whose securities are admitted to trading on a regulated market, the Order of the Minister of Public Finance no.1690 / 2012 on the amending and supplementing of certain accounting regulations, the Order of the Minister of Public Finance no.123/2016 on the main aspects of preparing and submitting the annual financial statements and the annual accounting reports of economic operators to the local offices of the Ministry of Public Finance.

During the same meeting the following decisions were taken:

- The approval of the allocation of net profit for the year 2015 worth 27.178.823 lei, the setting of the fixing gross dividend per share of 0,020785865 lei and the payment of dividends as of 15.09.2016;
- The approval of the discharge from administration for the activity during the financial year 2015, based upon the reports submitted;
- The approval of the Revenues and Expenditures Budget for the year 2016;
- The approval of the degree of achievement of the objectives and the performance criteria for the year 2015 for members of the Board of Directors;
- The approval of the objectives of the management plan for the Board members for the year 2016;
- The approval of the remuneration of the Board members in accordance with the Government Emergency Ordinance no. 51/2013 on amending and supplementing the Government Emergency Ordinance no. 109/2011 regarding the corporate governance of public enterprises;
- The approval of the Antibiotice SA Company's affiliation to the National Committee of I.C.C. (International Chamber of Commerce) - Romania as well as to the Romanian-American Chamber of Commerce.

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During the **Extraordinary General Meeting of Shareholders**, the following were approved:

- the extension for a period of 12 months with of the multi-product credit validity in the amount of 60 million lei contracted by SC Antibiotice SA from the Export Import Bank of Romania - EximBank SA;
- the extension for a period of 12 months of the multi-product credit validity in the amount of 10 million lei related to the multi-currency limit in the amount of 60 million lei contracted by SC Antibiotice SA from the Export Import Bank of Romania - EximBank SA.
- the maintaining of the multi-product credit limit related guarantees in the amount of 60 million lei for the entire period of validity resulting from the extension according to the points 1 and 2 on the Agenda.
- the making of a decision - a commitment of SC Antibiotice SA not to divide, not to merge and not to decide the anticipated dissolution throughout the life of the multi-product multi-currency credit and the guarantee on behalf of the state issued by Eximbank without the prior consent of the Export Import Bank of Romania - EximBank SA.
- the empowering of Mr. Ioan Nani, CEO and Mrs. Paula Coman, Economic Director to sign on behalf of the Company all the papers/documents related to the extension and conversion of the credit facility, according to the paragraphs 1 and 2 of the Agenda and the papers/documents related to the obligations assumed by the Company in accordance with the paragraphs 3 and 4 of the Agenda.
- the appropriate amendment of the Annex 1 - The administrators of SC Antibiotice SA - Iasi;
- the modifying, updating and renumbering of the Articles of Association.

During the **General Ordinary Meeting**, dated **August 11 2016** the financial statements of the first semester of 2016 were approved, based upon the Directors' report and the Auditor's report and during the **General Extraordinary Meeting of Shareholders** the contracting a multi-currency credit facility, cash-noncash, in the amount of 30.000.000 RON from UniCredit Bank S.A was approved and its guarantee with:

- mortgages and prohibitions of alienation, encumbrance, dismantling, rental, demolition, construction, building, restructuring and joining of the real estate property of SC Antibiotice SA;
- rank security mortgage on claims arising from contracts/orders/invoices concluded or to be concluded and issued / to be issued by SC Antibiotice S.A. in relation to FARMEXPERT DCI SRL, FARMEXIM SA, ROMFARMACHIM S.A. and Azelis UK Life Sciences LTD;
- movable mortgage on current accounts opened by SC Antibiotice S.A. at UniCredit Bank S.A.

Also, during the same meeting approved the empowerment of Mr. Ioan Nani as CEO and Ms. Paula Luminița Coman as Financial Manager to sign on behalf of the company all

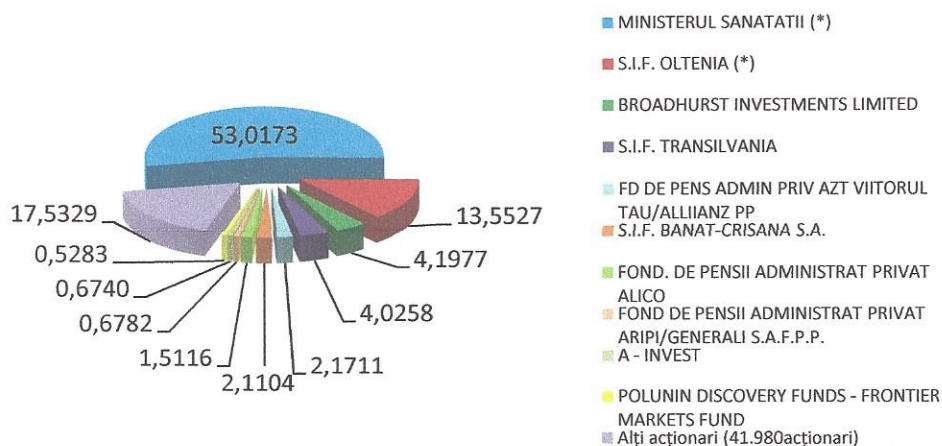
ADMINISTRATORS' REPORT 2016

papers/documents/credit agreements and the accessories thereof necessary and related to the contracting and implementation of the credit facility, under paragraphs 1 and 2.

I. Investors

- The Ministry of Health (*) - 53.0173%
- S.I.F. Oltenia (*) - 13.5527%
- Broadhurst Investments Limited - 4.1977%
- S.I.F. Transilvania - 4.0258%
- Fondul de Pensii Administrat AZT Viitorul Tau/Allianz - 2.1711%
- S.I.F. Banat-Crisana S.A - 2.1104%
- Fondul de Pensii Administrat Privat Alico - 1.5116%
- Fond de Pensii Administrat Privat ARIPI/GENERALI S.A.F.P.P. - 0,6782%
- A-Invest - 0.6740%
- Polunin Discovery Funds - Frontier Markets Fund - 0.5283%
- Other individuals and legal entities - 17.5329%.

NOTE: (*) - Significant shareholders, according to Law no. 297 from 28.06.2004, Art. 2, Paragraph 1



II. The ownership structure per classes of shareholders

- Legal entities - 87.3737%,
- Individuals - 12.6263%.

During the year 2016 dividends were paid for the financial years 2012, 2013, 2014 and 2015 amounting to 48.967.531.30 lei, as follows:

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Dividend history (2012 - 2013 - 2014 -2015)

Period	Net dividends							Dividend payment suspending date
	Due	Paid				Not collected on 31.12.2016		
		lei			% (total paid)	lei	%	
		Until 31.12.2015	01.01÷31.12 2016	Total				
0	1	2	3	4	5	6	7	8
2012	9.834.108	8.986.709	9.996	8.996.705	91.48	847.403	8.52	01.11.2016
2013	14.753.415	13.456.573.64	28.648	13.485.221.64	91.40	1.268.193.36	8.60	Payment in progress
2014	15.061.293	13.870.071.74	36.465.91	13.906.537.65	92.33	1.154.755.35	7.67	Payment in progress
2015	13.753.343	-	12.579.067.01	12.579.067.01	91.46	1.174.275.99	8.54	Payment in progress

Istoric dividende (2012 - 2013 - 2014 -2015)

For the year 2013, the dividends are distributed directly, from the Company's headquarters, by bank transfer and postal order, and for the years 2014 and 2015, through the Central Depository Bucharest and implicitly, through the CEC Bank.

The securities issued by Antibiotice are listed on the PREMIUM category on the Bucharest Stock Exchange under the symbol ATB since 1997.

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

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

Antibiotice shares (ATB), traded on the Bucharest Stock Exchange:

- Are included in the BET-Plus index, which includes Romanian companies listed on the BSE market that meet the minimum selection criteria excluding the financial investment companies.

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- Are included in the BET-BK index, the index which reflects the evolution of prices of shares issued by domestic and foreign companies admitted to trading on the regulated market administered by BSE.

This reflects the fact that Antibiotice is a stable company, developed a on a durable economic foundation.

In the year 2016, the minimum price per ATB action value was worth 0.4200 lei. The share price rose to a peak of 0.5420 lei / share.

The market capitalization of Antibiotice on December 31 2016 (the last trading day of the year) was 349.096 lei.

Actiuni Antibiotice - ATB / Piata Regular

	2013	2014	2015	2016
Number of shares	671.338.040	671.338.040	671.338.040	671.338.040
Market capitalization (thousand lei)*	374.607	390.719	357.152	349.096
Market capitalization (thousand euros)*	83.919	87.173	78.868	76.875
Market capitalization (thousand \$)*	115.413	105.978	86.167	81.123
Total value traded (million lei)	23	16	11	6
No. of traded shares	48.439.486	27.467.454	18.844.935	12.555.866
Opening price (lei/share)	0.3774	0.5520	0.5850	0.5320
Maximum price (lei/share)	0.5680	0.6170	0.6170	0.5420
Minimum price (lei/share)	0.3700	0.5410	0.5240	0.4200
Price at the end of the year (lei/share)	0.5580	0.5850	0.5320	0.5200
Average price (lei/share)	0.4692	0.5845	0.5836	0.5032
Earnings/share (lei/share)***	0.0467	0.0464	0.0405	0.0452
Gross dividend/share (lei/share)**	0.0230	0.0235	0.0197	0.0235
Dividend yield****	4.12%	4.03%	3.69%	4.05%
Dividend distribution rate*****	49%	51%	49%	52%

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

** Proposed dividend,

*** The calculation of earnings per share is based on the net profits of each year

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

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

During the year 2016 12.555.866 shares were traded, worth 6.3 million lei (1.4 million euros, \$ 1.5 million), with an average price of 0.5032 lei / share. Antibiotice is present, on average, among the first 12 companies in the BET-PLUS index and among the 20 top companies in the BET-BK index.

In accordance with Chapter VI, Section 2, Art. 92 - the B.V.B. Code, *the financial communication calendar for the year 2016 was:*

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Evenimente	Data
• Presentation of preliminary annual financial results - 2015:	15.02.2016
• The General Meeting of Shareholders for approving the annual financial results - 2015:	18/19.04.2016
• The presentation of the Annual Report - 2015:	19.04.2016
• Submission of quarterly reports:	
Quarter I 2016	13.05.2016
Quarter III 2016	11.11.2016
• Meeting with investors and analysts	20.05.2016
• Presentation of Half-yearly 2016:	12.08.2016
• Meeting with investors and analysts	21.10.2016

B.D.O. Audit "SRL has audited the financial statements for the year 2016 and issued an unqualified opinion. The financial statements have been filed in due time to the Board of Directors for consideration.

The annual financial statements were approved in the Board Meeting of 15.03.2017 and will further be submitted for debate in the General Meeting of Shareholders, which will take place on 06.04.2017.

The relationships between the management and employees are normal, without the manifestation of collective action to challenge the management and there is an ongoing dialogue between them and the trade union representatives.

Vice Chairman of the Board
Ec. Ioan Nani

Economic Director,
Ec. Paula - Luminita Coman