

MANAGEMENT REPORT 2017

Annual report according to:	IFRS
For the fiscal year:	2017
Report date:	March, 14 2018
Name of the company:	Antibiotice SA
Registered office:	Iasi, 1 Valea Lupului St.
Phone number:	0232/209000, Fax 0232/209633
Tax registration code:	RO 1973096
Regulated market on which the issued shares are traded:	Bucharest Stock Exchange
Subscribed and paid-up share capital:	67,133,804 LEI
Main characteristics of the securities issued by the trading company:	Nominal shares, nominal value: 0.10 LEI

The Management Plan for 2016 - 2020 is assessed for 2017 in the current Management Report.

CORPORATE GOVERNANCE

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

The governance term means management and involves all activities within an entity which fall into the sphere of management. As a result, it can be said that this concept - corporate governance - means managing the entire organization by accepting all internal components that work together but which will eventually be integrated with the management and implementation of risk management within the organization as well as with the financial management and internal control system including the internal audit.

Corporate governance provides a greater degree of assurance that an effective control system is in place at the entity level, thus ensuring that the business is managed in the interest of investors (shareholders) and stakeholders. Therefore, if the Corporate Governance is the premise of transparency of the company's activities, in order to protect the interests of the social partners, the guarantee of achieving the objectives is the audit.

The governance system is in accordance with the provisions of Law 24/2017 on issuers of financial instruments and market operations, Law no. 31/1990 republished, with all subsequent amendments, CNMV Regulation no. 6/2009, Law no. 111/2016 for approving the Government Emergency Ordinance no. 109/2011 on corporate governance of public enterprises, BVB Code, the Corporate Governance Code of the BVB and those of the Articles of Incorporation of the Company.

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Solidity of the Antibiotice team is demonstrated by the strategic guidance of the company and by the promptness with which it is capable to react, developing responsible and transparent business practices. This is true for the management, operational teams and for the entire staff of the company, who succeed in achieving a balance between compliance and performance.

In 2017, our company proved consistency as regards the strategic directions, accompanied by appropriate investment programs. This was done by applying the good corporate governance principles, what enabled the mobilization of the entire potential of our employees for implementing and maintaining high standards in all the company's activities.

The governance system of the company is based on:

- Management Board
- Advisory Committees
- Executive Management
- Code of Ethics
- Corporate Governance Code
- Internal Audit, Managerial Control

Management Board

Antibiotice is administered by a Management Board responsible for fulfilling all the strategies necessary to achieve the company's object of activity, 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. There is a clear division of responsibilities between the Management Board and the Executive Management.

The Management Board aims to make its own decisions, those of the company's management and of the General Meeting of Shareholders as well as the internal regulations compliant with the legal requirements and properly implemented. The Board is responsible for monitoring the company's management on behalf of the shareholders.

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

In 2017, the Management Board met in 12 sessions and adopted decisions which have allowed to perform its duties in an effective and efficient manner.

Thus, on the monthly meetings, the Management Board analyzed 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. Depending on the situation, the Board requested, detailed explanations of the executive management in connection with the plans to increase production efficiency, the investment plans, provisions made, liquidity management, operational and general profitability and of activity as well as the commercial policies. After analyzing in detail

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the results of the period, the Management Board decided their approval for publishing and sending them to the Bucharest Stock Exchange and to the Financial Supervision Authority, falling each time within the Financial Communication Calendar.

Cei 5 membri ai Consiliului garanteaza eficienta capacitatii de a supraveghea, analiza si evalua activitatea directorilor, precum si tratamentul echitabil al actionarilor.

Those five members of the Management Board guarantees the efficiency of the ability to supervise, analyze and evaluate the activity of the directors as well as the fair treatment of the shareholders.

Management Board of Antibiotice S.A. on December 31, 2017

Legal adviser, IAVOR Ionuț-Sebastian, 42 years old

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

Mr. Ionuț Sebastian Iavor is currently General Manager of the General Directorate for Human Resources, Legal Issues and Litigation within the Ministry of Health.
Number of Antibiotice SA shares held - 0*

Economist, Ioan NANI, 58 years old

Vice President of Management Board and General Manager

At the Ordinary General Meeting of Shareholders held on April 19, 2016, Mr. Nani was reconfirmed as a member of Management Board, for a 4-year period, the members of the Management Board electing him as the Vice President. Economist specialized in management and accountant expert, member of the Management Board since 2009 and General Manager (1998 - 2008 si 2009 - present).

Number of Antibiotice SA shares held - 1,513*

Physician, Adela-Petrușia NEAGOE, 59 years old

Member of the Management Board and representative of the Ministry of Health

At the Ordinary General Meeting of Shareholders held on 2014, Ms. Neagoe was elected as a member of the Management Board for a 4-year period.

Doctor of Medical Sciences, Primary Specialist in Pediatrics, Primary Specialist in Public Health and Sanitary Management, member of the Management Board since March 20, 2014 and Government Inspector within the General Secretariat of the Government of Romania.

Number of Antibiotice SA shares held - 0*

Economist Nicolae STOIAN, 61 years old

Member of the Management Board and representative of the shareholder SIF Oltenia and other shareholders, legal entities

At the Ordinary General Meeting of Shareholders held on April 19, 2016, Mr. Stoian was elected as a member of the Management Board for a 4-year period.

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Tax consultant and Accounting expert
Number of Antibiotice SA shares held - 0*

Engineer, Elena CALITOIU, 55 years old
Member of the Management Board and representative of the shareholder SIF Oltenia and other shareholders, legal entities
Confirmed in the OGMS held on April 19, 2016, for a 4-year period.
Mechanic engineer and Director of the Placements and Risk Management Department , member of the Management Board since 2016.
Number of Antibiotice SA shares held - 0*

** Number of Antibiotice shares (ATB) held on September 11, 2017, according to the latest database owned by Antibiotice for 2017.*

Advisory Committees

In 2017, the specialized advisory committees had the following composition:

- *Audit Committee:* Mr. Ionut Sebastian IAVOR, Mr. Nicolae STOIAN and Ms. Elena CALITOIU;

- *Nomination and Remuneration Committee:* Ms. Elena CALITOIU and Ms. Adela-Petrinia NEAGOE

- *Trade Policy Committee:* Mr. Ionut Sebastian IAVOR and Mr. Nicolae STOIAN.

The Advisory Committees conducted investigations, analyses and made recommendations for the Management Board in specific fields and submitted periodic reports on their activities.

The Audit Committee had 5 meetings with the following objectives:

- to examine and verify the fairness of the annual and interim consolidated financial statements of the trading company and any other financial reporting before their submission to the Board for approval;
- to analyze and recommend to the Management Board the appointment, reappointment or revocation of external auditors;
- to periodically evaluate the efficiency, independence and objectivity of the external auditor and to monitor the relationship with this auditor;
- to propose specific areas in which additional verifications may be required from the external auditor;
- to analyze and approve the tasks of the Internal Audit Office and to monitor its activity to ensure that it acts objectively and independently.

INTERNAL CONTROL

The specialized internal control activities specified by the legislation in force are made by the Internal Audit Office. These are the following: internal audit, financial management control, management control; these activities are carried out in a

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methodological and procedural framework regulated by laws, norms and codes of professional conduct specific to each activity.

The procedure of setting and achieving the objectives of the Internal Audit Office, findings and recommendations resulted from all internal control actions were quarterly submitted to the Audit Committee from the Management Board for evaluating the activity and internal control within the company.

The internal audit activity is organized and developed in accordance with the provisions of :

- Law no. 672/2002, on internal public audit;
- Its own methodological norms, issued on the basis of G.D. no. 1086/2013, for approving the General Norms on the exercise of public internal audit;
- O.M.F.P. no. 252/2004, Code of Ethics of the Internal Auditor, with subsequent amendments and additions;
- Corporate Governance Code of Antibiotice S.A.

9 internal audit missions were undertaken in 2017. They were planned in the Annual Internal Audit for Plan, approved by the Audit Committee, extracted from the Multi - Annual Audit Plan for 2015-2019. The objectives of the internal audit missions were targeted:

- to examine if the principles, specific procedural and methodological rules are met;
- to examine the way of organizing the activity;
- to evaluate the management and control system of the activity;
- other objectives specific to the activity of the audited structure.

Internal audit missions assessed the activity of audited structures and found that their management and control systems were transparent, in accordance with the rules of legality, regularity, efficiency and effectiveness, and recommendations were made to improve them.

Internal audit activities are carried out systematically and methodically, providing objective assurance and counseling of the management on the level of functionality of the control systems applied to its activities in order to eliminate / mitigate the potential risks that may affect the achievement of the company's objectives.

The activity of financial management control is organized by internal decision, according to art. 3, para 5, letter a), e) of the Emergency Government Ordinance no. 94/2011, regarding the organizing and functioning the economic-financial inspection and of the Methodological Norms of the Decision no. 1151/2012, regarding the organizing and exercising the financial management control.

The financial management control was carried out under the Control Plan for 2017 approved the company's manager. Six control actions were carried out with the following objectives:

- to verify if the legal provisions on the registration in the accounting records of the economic and financial operations;
- to verify the compliance with the legal provisions regarding the execution of the revenue & expenditure budget;
- to verify the compliance with the legal provisions in substantiating the draft income and expenditure budget for 2017;

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- to verify the legal provisions and internal regulations on how to perform the annual inventory of assets, debts and equity at 31.12.2017;
- to verify the compliance with the legal provisions and internal regulations in respect of receipts and payments in LEI and foreign currency of any kind, in cash or by transfer;
- to verify the compliance with the legal provisions and internal regulations regarding the preparation, circulation, keeping and archiving of primary, accounting and technical-operative documents.

As a result of the financial control actions, control reports were drawn up, according to the established objectives, containing the findings and proposed measures for improving the verified activities. The issued control reports were submitted to the General Manager, who decided the implementation of the proposed measures.

The controlling activity is organized according to the legal and procedural framework established by:

- Accounting law no. 82/1991, republished and updated;
- Law no. 22/1969 on the employment of managers, the setting up of guarantees and the responsibilities involved in the management of goods;
- O.M.P. F. no. 2861/09.10.2009 for approving the rules on the organization and conduct of the inventory of assets, liabilities and equity;
- Operating procedures, Internal Notes, Internal Decisions of the company's management.

In 2017, a total of 15 inventory actions were undertaken for: the central warehouses for raw materials, materials and finished products and inventories of raw materials and materials within the manufacturing plants.

The objectives pursued in the management control activities were: confronting the scripted stocks with the factual stocks in order to establish the possible differences; determining the causes of the differences found; correlating scripted stocks with factual stocks.

As a result of the verifications carried out, it was found that the legal regulations and internal decisions regarding the stock management were observed and there is a correlation between the scripted and factual stocks resulting from their good management.

The minutes drawn up during the stock inventory were sent to the Accounting Office so that the results to be used by the central committee designated for the annual inventory of the patrimony as a preparatory stage for drafting the financial reporting.

The internal control structure within Antibiotice, through the missions carried out, assured itself that, in the financial statements of 2017, the balance sheet items related to the fixes assets, stocks, receivables and debts are presented in accordance with the reality.

Risk management

Risk management continuously evaluates the risks to which the company's activity is or may be exposed, affecting the achievement of the objectives. It aims to achieve the predicted indicators under the controlled risk conditions, ensuring the continuity of the activity and protecting the shareholders' and clients' interests.

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The main purpose of risk management is to help understand and identify the risks to which the organization is exposed, so that they can be anticipated and managed without adversely affecting the organization's goals.

Running the risk management processes ensures the identification, analysis, assessment and management of risks to keep them at acceptable levels, depending on the company's risk tolerance and its ability to cover (absorb) these risks.

The main categories of risks which may occur in the company's activity are: financial, economical, technological, marketing, image, legislative.

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

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

The foreign exchange risk, a component of the financial risk, occurs frequently in the current market economy where monetary rates fluctuate under the supply and demand rule.

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

During 2017, there were periods with a higher volatility, with depreciation time ranges of the Romanian LEU amid the domestic and international events.

Since the beginning of the year, the national currency has depreciated by 2.56% against EUR and appreciated by 9.9% against USD which fell below 4 LEI since August.

So, in 2017, foreign exchange earnings amounted to 4,786,767 LEI while the expenses were 8,047,855 LEI. The general impact of exchange rate differences generates a loss of 3,261,088 LEI.

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; unpredictability and lack of transparency for the clawback tax calculation; insolvency of some customers; increasing the price of raw materials, utilities, and services.

The company's liquidity management policy is to maintain, to the extent possible, sufficient liquidity to meet its obligations as they mature.

For controlling the risk, the company supervises the following: level of expected cash inflows from the collection of commercial receivables as well as the level of expected cash outflows for the payment of commercial debts and other debts, cover of the gap between receipts and payments from credits; negotiations with the suppliers for extending the payment terms.

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.

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Default risk can arise in a number of circumstances: large exposures to the major distributors, long payment deadlines; insolvency of some pharmacies and distributors. In order to mitigate the commercial (default) risk and bring it into the tolerable area, the company took the following steps: assessment of the trading partners' creditworthiness by checking them, before the conclusion of the contract; development of a relationship of loyalty with the customers by organizing periodical meetings for constructive approaches; request for guarantees (securities collateral agreements, letters of banking guarantee); cease of deliveries until the outstanding amounts are paid; expenditure provisions for covering the risk of default.

Legislative changes regarding the pharmaceutical market lead to the emergence of *legislative risk*, which must be continuously managed.

Pharmaceutical market is a regulated market, with clear legislative requirements elaborated for controlling the quality and therapeutic efficiency of the medicines present in the market.

Conformation to these requirements is reflected both in additional costs related to updating the documentation of compliance with the latest quality standards, in terms of the impact on the maximum sales prices as well as in the delays in the marketing of the products.

The company's strategy of managing these risks involves a permanent concern for obtaining international certifications for the manufacturing flows, updating the authorization documentation for the products in the portfolio, conducting bioequivalence and stability studies, continuously pursuing legislative changes at international level.

Image risk is defined as the current or 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.

Our company also carries out permanent surveillance of operational risks in order to take measures to maintain them at an acceptable level that does not threaten its financial stability, the interests of creditors, shareholders, employees, partners.

In the process of evaluating the risks, the company identified a series 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 instability;
- risk of social instability (strikes, labor disputes, etc.);
- risk of legislative instability;
- risk of classified information leakage

The company will apply all the measures at its disposal to mitigate these risks by developing the specific plans:

- Emergency evacuation plan;

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- Plan of intervention in case of natural disasters (earthquake, flood);
- Fire intervention plan;
- Accident prevention policy involving dangerous substances (acetone, methanol).
- Program for preventing the classified information leakage

All these plans are for protecting the employees, assets and environment.

The legislative instability risk will be mitigated by adapting continuously the policies, norms and procedures to the occurred changes.

The Trade Policy Committee met in two sessions aiming at assessing the commercial activity on the domestic and foreign market.

The Nomination and Remuneration Committee met in three sessions having as objectives the observance of the principles and criteria of remuneration, evaluation of objectives and performance criteria for 2017:

Remuneration to the Management Board and Executive Management (General Manager) is presented in the following table:

Description	For the year ended at	
	31-12-17	31-12-16
Wages	1,014,017	817,142
Taxes and social contributions	227,308	183,909
Total	<u>1,241,325</u>	<u>1,001,051</u>

Administrators and directors with a mandate agreement (general manager) are entitled to receive a fixed monthly allowance and a variable allowance for their work.

The variable allowance is payable according to the fulfillment of the performance indicators and criteria established in the management agreements and mandate agreement.

The fixed monthly allowance is established in accordance with the provisions of the art. I.33. para. (3) of Law no. 111/2016 for approving the Government Emergency Ordinance no. 109/2011 on the corporate governance of the public enterprises. The fixed and variable allowance for the members of the Management Board is approved by the General Meeting of Shareholders. General limits for the remuneration of the directors with a mandate agreement are approved by the General Meeting of Shareholders; based on these general limits, the Management Board fixes the amount of the remuneration for the directors with a mandate agreement.

Executive management

Antibiotice is represented by the General Manager, according to the powers provided by law and company's Articles of Association. The Management Board represents the company in relationship with the appointed directors.

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

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Antibiotice's Executive Management on December 31, 2017

Ec. Ioan NANI, 58 years old

General Manager and VicePresident of the Management Board

Graduated from the Faculty of Economics, the "Alexandru Ioan Cuza" University of Iași, Mr. Nani is an economist specialized in management and an expert accountant.

He started his career as an economist within 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 Director and became General Manager in 1998. In February 2009, he was appointed Vice President of the Authority for State Assets Recovery (AVAS), and in June same year he was appointed General Manager of Antibiotice. Mr. Nani has been General Manager since 2009.

Number of Antibiotice SA shares held - 1,513*

Engineer, Cornelia MORARU, 52 years old

Technical & 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, in the Penicillin Plant II until 1998 and then in the Biosynthesis Department for a year. Starting July 1999 she worked as a biosynthesis technologist in the Penicillin Plant II. In January 2001 she was appointed as the Head of the Tablets Plant. In May 2003 she was appointed Director of the Pharmaceutical Division.

Mrs. Moraru has been Technical & Production Director since 2005.

Number of Antibiotice SA shares held - 1,513*

Economist Paula Luminita COMAN, 50 years old

Financial Director

Graduated from the Faculty of Economics and Business Administration, the "Alexandru Ioan Cuza" University of Iași, expert accountant since 2006 and tax consultant since 2007. After graduation Mrs. Coman worked as an economist at the County Iași Tourism Office. Mrs. Coman has been working with Antibiotice SA since 1991. Firstly she was an economist in the Price Effectiveness Office. In 1998 Mrs. Coman became the Head of the Economic Analysis Department and then the Head of the Financial-Accounting Department in 2003.

Mrs. Coman has been the Financial Director since 2011.

Number of Antibiotice SA shares held - 0*

Economist, Vasile CHEBAC, 63 years old

Commercial and Logistics Director

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

Mr. Chebac started working with Antibiotice SA in 1972. In 1987 Mr. Chebac was an economist in the Planning & Development Office within the Investment Department. Starting with February 1991 Mr. Chebac worked as a financial inspector at the General Directorate of Public Finance Iasi and, starting July 1993, he worked as a financial controller at the Chamber of Auditors Iași. In January 1998 Mr. Chebac was appointed Chief Commissioner at the Financial Guard Iași. In September 2001, Mr. Chebac returned to Antibiotice SA as Commercial & General Services Director.

Mr. Chebac has been Commercial & Logistics Director since 2005.

Number of Antibiotice SA shares held - 0*

Engineer, Eugen Florin OSADET, 62 years old

Engineering & Investment Director

Graduated from the "Gheorghe Asachi" Technical University of Iași, the Faculty of Mechanics. In 2000 Mr. Osadeț obtained the Master's Degree in Management and Business Administration at the same university.

He has been working with Antibiotice SA since 1980, as a mechanic engineer in the team for obtaining the industrial cold and then as a thermal energy dispatcher. In 1997 he became the Head of the Thermoenergetic Workshop.

Mr. Eugen Osadeț has been Engineering & Investment Director since 2000.

Number of Antibiotice SA shares held - 1,511*

Engineer, Cristina Lavinia DIMITRIU, 60 years old

Quality Director

Graduated from the "Gheorghe Asachi" Technical University of Iași, Faculty of Chemical Technology, Ms. Dimitriu obtained in 2000 the Master's Degree in Management and Business Administration at the same university. In 2007, she obtained the degree of Master of Science (MSc) in Management and Marketing granted by the Faculty of Pharmacy of the Grigore T. Popa University of Medicine and Pharmacy Iasi. Starting with the same year, she has become a PhD student of the Pharmacy Faculty Iasi.

After graduating from the faculty, she worked as a chemist engineer at the Fagaras Chemical Plant. She has been working with Antibiotice SA since 1987, initially in the Biosynthesis-Lysine Plant. In 1990, she became the production manager of the Parenteral Product Plant and, in 2000, she became quality control manager for physico-chemical and microbiological analyzes. In 2007 she has become the qualified person in the manufacturing/import units of the medicines for human use and the representative of the management team for the integrated management system.

Ms. Lavinia Dimitriu has been Quality Director since 2003.

Number of Antibiotice SA shares held - 0*

Economist, Gica RUSU, 54 years old

Human Resource Director

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Graduated from the Alexandru Ioan Cuza University of Iasi, Faculty of Economic Sciences, Mrs. Rusu obtained in 2003 the Master's Degree in Management and Business Administration at the same university.

She has been working with Antibiotice since 1981, initially as an economist in the Penicillin Plant and then, starting with 1996, in the Financial Department. In 1999, she became the Head of Human Resources Department.

Mrs. Rusu has been Human Resources Director since 2004.

Number of Antibiotice SA shares held - 1.510*

Economist, Ovidiu BATAGA, 40 years old

Marketing & Domestic Sales Director

Graduated from the Faculty of Economics and Business Administration (FEAA), Alexandru Ioan Cuza University of Iasi, Mr. Bătagă holds three master's degrees in Financial Management (granted by the same university in 2001), pharmaceutical marketing (granted by the Grigore T. Popa University of Medicine and Pharmacy Iasi in 2003) and project management (granted by the Gheorghe Asachi Technical University in 2007).

After graduating from the faculty, he was a junior teaching assistant at the Currency and Credit Chair, Finance specialty within FEAA. He has been working with Antibiotice SA since February 2001, initially as an economist in the Economic analysis Department and Accountancy & Marketing Department. In January 2006 he was appointed Head of Market Analysis & Strategic Planning Department.

Mr. Bătagă has been Marketing & Domestic Sales Director since 2010.

Number of Antibiotice SA shares held - 0*

Physician Mihaela MOSNEGUTU, 48 years old

Medical Director

Graduated from the Faculty of General Medicine, Grigore T. Popa University of Medicine and Pharmacy Iasi, Mrs. Moșneguțu is a specialist in family medicine.

She started her professional activity as a physician in the Iași County. She has been working with Antibiotice since 2000, initially in the Promotion Office, becoming the Head of this office in 2001. Starting with 2005, she became Head of Pharmacovigilance and Medical Consultancy Department and then, in 2009, she was appointed Medical & Retail Promotion Manager.

Mrs. Moșneguțu has been Medical Director since 2011.

Number of Antibiotice SA shares held - 0*

Economist, Mihai STOIAN, 42 years old

International Business Director

Graduated from the Alexandru Ioan Cuza University of Iasi, Faculty of Economic Sciences, at the International Economic Relations section.

He has been working with Antibiotice SA since 2005, initially as an Area Sales Export Manager - Active Ingredients.

Starting with August 2009, he became Export Manager and then, in June 2011, Business Development Manager.

Mr. Stoian has been International Business Director since 2012.

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Number of Antibiotice SA shares held - 0*

Number of Antibiotice (ATB) shares held on September 11, 2017, according to the latest database **owned by Antibiotice for 2017.*

Code of Ethics

The Code of Ethics of Antibiotice SA presents the ethical standards of conduct that establish and regulate the corporate values, 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 pursue its values.

The Code is a set of rules under which the company has 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 of our company to do its best in order to comply with high ethical standards and applicable legal requirements wherever it operates.

The Code of Ethics is presented in detail on the website of the company ([www.antibiotice.ro/Investors/Corporate Governance/Reference documents /Code of Ethics](http://www.antibiotice.ro/Investors/Corporate_Governance/Reference_documents_/Code_of_Ethics)).

Code of Corporate Governance

The Code of Corporate Governance of Antibiotice SA embraced 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 the shareholders and other holders of interests, as well as an effective and transparent, trust-based communication.

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

Chapter I - Responsibilities of the Management Board

Chapter II - Risk Management and Internal Control System

Chapter III - Fair reward and motivation

Chapter IV - Investor relations

It also has two annexes:

Annex I - Management Board's Rules of Procedure

Annex II - Guidelines for assessing the Antibiotice administrators

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Chapter I - Responsibilities of the Management Board, defines the role of this body while setting the guidelines in terms of competence, experience, knowledge and independence of its members, enabling them to effectively perform their specific duties and responsibilities.

Chapter II - Risk Management and Internal Control System demonstrates that the company's activity is supervised by certain risk management and internal control systems set up for this purpose. Also, internal audits are conducted in order to assess independently and periodically the safety and effectiveness of the risk management and internal control systems.

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 for the members of the Board and for the company's management team.

Chapter IV- Investor relations states the fact that Antibiotice must make constant efforts to provide the shareholders with updated information on events of interest to them (e.g. general meetings of shareholders, payment of dividends, etc)

In conclusion, the Corporate Governance Code of Antibiotice SA and its annexes traces the general framework under which the Management Board develops its activity in accordance with the rules and principles of corporate governance established by the Bucharest Stock Exchange, in order to create an attractive capital market, based on the best practices, transparency and trust.

Rights of holders of financial instruments

The adopted and applied corporate governance framework:

- protects the shareholders' rights;
- ensures the fair treatment of all shareholders;
- recognizes the role of third parties with interests in the company;
- guarantees the information and transparency;
- assures the Management Board's responsibility towards the company and the shareholders

To the website address www.antibiotice.ro/investors/information_for_shareholders, there is a section dedicated for shareholders for accessing and downloading documents related to the General Meetings of Shareholders: procedures relating to the access to and participation in the meetings, convening notice, modifications of the agenda, informative materials, special proxies, correspondence voting forms, draft decisions, resolutions, results of votes etc.

The company provides all interested parties with regular and annual financial statements drafted in accordance with the legislation in force. The company meets also all the publishing requirements in accordance with the legislation for the trading companies and capital market.

The company has a specialized department responsible for the relation with the current and potential shareholders called Investor Relations which has as main role, ensuring a good communication with the company's shareholders. The persons

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responsible for maintaining the connection with the investors treats with maximum efficiency the shareholders' requests and facilitates the dialogue with the company's management team. The company creates and develops a proper policy to promote the effective communication with the shareholders and investors.

General Meeting of Shareholders

The General Meeting of Shareholders (GMS) represents the highest decision-making body of the company, where the shareholders participate directly and make decisions. Among other attributions, GMS decides the distribution of profit, elects the Management Board, appoints the auditors and sets the remuneration for the members of the Management Board.

In 2017, the Management Board convoked three Ordinary General Meetings on *April 6, 2017, June 28, 2017 and September 20, 2017* and an Extraordinary General Meeting of Shareholders on *April 6, 2017*.

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

The Ordinary General Meeting of Shareholders held on April 6, 2017 approved the company's financial results for 2016 drafted in accordance with the Order of Minister of Public Finance no. 2844/2016 for the approval of the accounting regulations compliant with the international financial reporting standards, Order of Minister of Public Finance no. 166/2017 on the main aspects of preparing and submitting the annual financial statements and accounting reports of economic operators to the territorial units of the Ministry of Public Finance.

At the same meeting, the following decisions were taken:

- Approval to distribute the net profit for 2016 amounting to 30,370,811 lei, setting the gross dividend at 0.03835158 LEI per share and the beginning of the payment of dividends with the date of 15.09.2017.
- Approval for registering the unsolicited and unclaimed dividends for the fiscal year 2012 as revenues.
- Approving the discharge of administration for the activity conducted in the fiscal year 2016, based on the submitted reports;
- Approval of the Income & Expenditure Budget for 2017;
- Approval of the degree of achieving the objectives and performance criteria for 2016 for the members of the Management Board.
- Approving the objectives set in the management plan for the members of the Management Board for 2017;

The Extraordinary General Meeting of Shareholders approved:

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- to extend for 12 months the validity period of the multicurrency multiproduct credit amounting to 30 million LEI borrowed by Antibiotice SA from the Export-Import Bank of Romania - EximBank S.A.;
- to maintain the guarantees relative to the multicurrency multiproduct credit amounting to 30 million LEI throughout the entire validity period resulting from the extension above mentioned in the para 1 in the Agenda;
- to issue a decision-commitment of Antibiotice SA not to divide itself, not to merge or decide the anticipated dissolution throughout the entire validity period of the multicurrency multiproduct credit without the prior consent of Eximbank S.A.;
- to empower Mr. Ioan Nani, General Manager and Mrs. Paula Coman, Financial Director to sign on behalf of the company all the documents related to the credit facility extension, in accordance with the paragraphs 1 and 2 in the Agenda, as well as the documents related to the obligations assumed by the company in accordance with the paragraph 3 in the agenda;
- to change, update and renumber some articles from the Articles of Association;
- to establish the company's representative office in Vietnam in the Sannam building located on Duy Tan St. 78, Dich Vong Hau Ward, sector Cau Giay, Hanoi.

The Ordinary General Meeting of Shareholders held on *June 28, 2017* approved:

- the financial audit contract concluded with the Accountancy, Expertise and Accounting Consultancy Company - SOCECC Ltd. Bucharest, for a three-year period;
- remunerations for the members of Management Board according to the provisions of the Government Emergency Ordinance no. 109/2011 on corporate governance of public enterprises;
- to approve the Antibiotice's membership to the Romanian Association of OTCs, Food Supplements and Medical Devices Manufacturers - RASCI
- to approve the participation of Antibiotice SA Iasi as a founding member in the establishment of the PATRONAGE OF INDUSTRIAL MEDICINES PRODUCERS IN ROMANIA - PRIMER;

The Ordinary General Meeting of Shareholders held on *September 20, 2017* approved the company's financial statements for the first semester of 2017, based on the Management Report and Financial Auditor's Report.

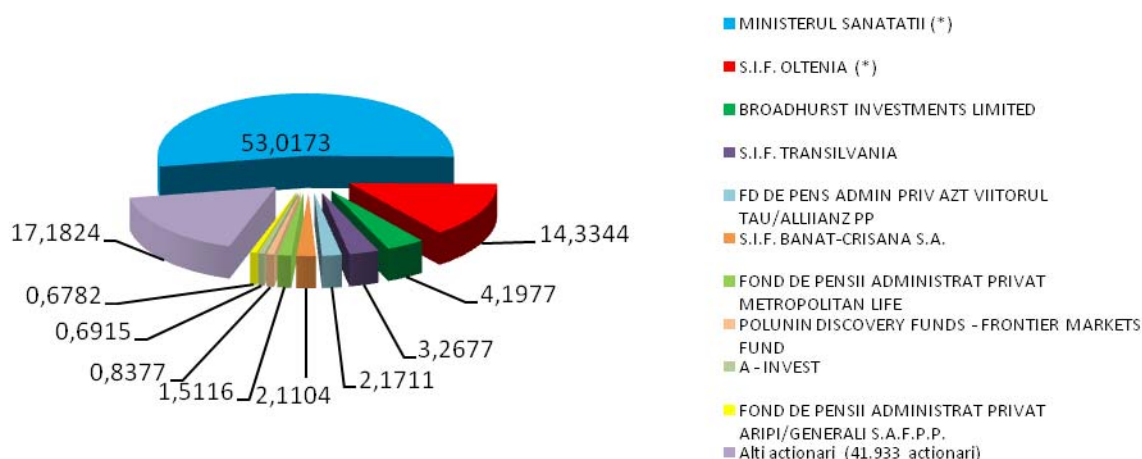
I. Investors (*according to the Shareholders' Registry on 11.09.2017*)

- Ministry of Health (*) - 53.0173%,
- S.I.F. Oltenia (*) - 14.3344%
- Broadhurst Investments Limited - 4.1977%
- S.I.F. Transilvania - 3.2677%
- Private Pension Fund AZT Viitorul Tau/Allianz - 2.1711%
- S.I.F. Banat-Crisana S.A - 2,1104%
- Private Administered Pension Fund Metropolitan Life - 1,5116%
- Polunin Discovery Funds - Frontier Markets Fund - 0.8377%
- A-Invest - 0.6915%

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- Private Administered Pension Fund ARIPI/GENERALI S.A.F.P.P. - 0.6782%
- Other legal entities and individuals- 17.1824%.

REMARK: (*) - Significant shareholders, according to the Law no. 24/2017 on issuers of financial instruments and Market Operations , article 2, paragraph 1.



II. The ownership structure per classes of shareholders

- Lgal entities- 87.0082%,
- Natural persons - 12.9918%.

In 2017, the company paid dividends for the fiscal years 2013, 2014, 2015 and 2016 amounting to 23,330,344.89 LEI, as follows:

Dividend history (2013 - 2014 - 2015 - 2016)

Dividends history (2013 - 2014 - 2015 - 2016)

Period	Net dividends							Dividend payment suspending date
	Due	Paid				Not collected on 31.12.2017		
		LEI			% (totally paid)			
		Until 31.12.2016	01.01÷31.12 2017	Total		LEI	%	
0	1	2	3	4	5	6	7	8
2013	14,753,415	13,485,221.64	8,462	13,493,683.64	91.46	1,259,731.36	8.54	01.11.2017
2014	15,061,293	13,906,537.65	27,731.10	13,934,268.75	92.52	1,127,024.25	7.48	Payment in progress
2015	13,753,343	12,579,067.01	36,611.78	12,615,678.79	91,73	1,137,664.21	8,27	Payment in progress
2016	25,401,595	-	23,257,540.01	23,257,540.01	91.56	2,144,054.99	8.44	Payment in progress

Dividends for 2013 were distributed directly from the company's headquarters, by bank transfer and postal order and those for 2014, 2015 and 2016, through the Central Depository of Bucharest and, implicitly, through CEC Bank.

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Antibiotice in the securities market

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

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

Both the business plans and financial results recorded by our company represent a solid guarantee that Antibiotice has consolidated its position in the national medicines market.

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

- are included in the BET-Plus index, which includes the Romanian companies listed on the BSE market that meet the minimum selection criteria except for financial investment companies.
- are included in the BET-BK index, an index reflecting the evolution of share prices issued by local and foreign companies admitted to trading on the regulated market administered by BSE.

This reflects the fact that Antibiotice is a solid company developed on a strong economic foundation.

In 2017, the minimum price of the ATB share was 0.5200 LEI. The price of the share increased to the maximum value of 0.5920 LEI/share.

The stock market capitalization of Antibiotice on December 31, 2017 (last trading day of the year) was 361,180 mii LEI.

Antibiotice shares - ATB / Regular Market

	2013	2014	2015	2016	2017
Number of shares	671,338,040	671,338,040	671,338,040	671,338,040	671,338,040
Stock market capitalization (thousand LEI)*	374,607	390,719	357,152	349,096	361,180
Stock market capitalization (thousand euro)*	83,919	87,173	78,868	76,875	77,511
Stock market capitalization (thousand \$)*	115,413	105,978	86,167	81,123	92,813
Total transaction value (million LEI)	23	16	11	6	12
No. of traded shares	48,439,486	27,467,454	18,844,935	12,555,866	21,113,565
Opening price (LEI/share)	0.3774	0.5520	0.5850	0.5320	0.5200
Maximum price (LEI/share)	0.5680	0.6170	0.6170	0.5420	0.5920
Minimum price (LEI/share)	0.3700	0.5410	0.5240	0.4200	0.5200
Price at the end of the year (LEI/share)	0.5580	0.5850	0.5320	0.5200	0.5380
Average price (LEI/share)	0.4692	0.5845	0.5836	0.5032	0.5585
Earnings/share (LEI/share)***	0.0467	0.0464	0.0405	0.0452	0.0500
Dividend brut/actiune (LEI/share)**	0.0230	0.0235	0.0197	0.0384	0.026552598
Dividend yeald****	4.12%	4.03%	3.69%	4.05%	4.59%
Dividend Distribution Rate *****	49%	51%	49%	52%	53%

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

** Proposed dividend,

*** Calculation of earnings per share is based on the net profit of each year,

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

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

In 2017, a number of 21,113,565 shares were traded amounting to 11.8 million LEI (2.5 million EUR, 2.9 million \$), with an average price of 0.5585 LEI/share.

According to the Chapter VI , Section 2, Art. 92 - BSE Code, *the timetable for financial communication for 2017* is presented below:

Events	Date
• Presentation of the annual preliminary financial results - 2016	15.02.2017
• General Meeting of Shareholders for approving the financial results - 2016	06/07.04.2017
• Presentation of the Annual Report - 2016:	07.04.2017
• Presentation of Quarterly Reports:	
First quarter 2017	15.05.2017
Third quarter 2017	15.11.2017
• Meeting with the investors and analysts	18.05.2017
• Presentation of the Half-Yearly Report 2017: <i>Art. 65 (1) of the Law no. 24/2017</i>	20/21.09.2017
• Meeting with the investors and analysts	19.10.2017

ANALYSIS OF ACTIVITY

In 2017, Antibiotice, the most important Romanian producer of generic medicines continued its mission of manufacturing high quality medicines at affordable prices to give people the hope for a healthy life.

In 62 years of activity, Antibiotice has proved to be a modern and competitive company that has demonstrated that it is possible to achieve in Romania the performances of the world pharmaceutical market. Our company has become a company adapted to the contemporary pharmaceutical market which makes globally known a genuine Romanian brand.

Antibiotice continues to strengthen its activity in Romania, being the main manufacturer of generic anti-infective medicines and leader in the production of topical medicines. Its portfolio comprises 157 generic medicines from 12 therapeutic areas. At the same time, it develops new generic and accessible alternatives for treating cardiovascular, dermatological, central nervous system disorders and for the prophylaxis and quality of life.

2017 is the third consecutive year in which Nystatin, a biosynthesis product (an antifungal used in both the pharmaceutical and cosmetic industries) maintains its position as a world leader. This product obtained also the the world's supreme

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recognition, receiving the Diploma and the USP Trophy for Nystatin - Reference Standard.

The company's finished products manufactured on the 8 manufacturing flows are sold in 75 countries worldwide.

Following continued investment in manufacturing technologies and workforce training, Antibiotice has continued to have a positive evolution. The national and international top positions are evidence of these sustained efforts. These investments are also reflected in the recognition of quality of the Antibiotice brands as a result of obtaining internationally recognized quality certificates: FDA authorization (granted by the U.S. Food and Drug Administration), Certificate of Suitability with the European Pharmacopoeia (CoS) for Nystatin and GMP authorization for all 8 manufacturing flows. Antibiotice is also pre-qualified by the World Health Organization for its essential antituberculous range.

Antibiotice continues to be a support of the Romanian health system through involvement in national health programs, along with the Ministry of Health.

The Pharmacovigilance & Medical Consulting Department, connected to the European Medicines Data Processing Network - EudraVigilance - is constantly monitoring the efficacy and safety of our medicines. Antibiotice was the first Romanian company which has aligned itself with the European Pharmacovigilance Standards.

In 2007, Antibiotice has become the first certified company in Romania to gain recognition of implementing the Integrated Management System continuously maintained and updated. This was made possible by manufacturing high-quality products, obtained safely and securely to the employees without harming the environment.

The Antibiotice's management team attaches great importance to the introduction of new products into production. Thus, the modern Research & Development Center (finalized in 2011) reduced the necessary times for testing and launching the generics for innovative medicines whose patents expire.

Antibiotice's performances have been recognized at national level in 2017 when it obtained the *Diploma of Excellence* for positioning for 10 consecutive years on the podium of the companies from Iasi and the seventh consecutive year on the 1st place in the category "Industry - very large enterprises - manufacture of basic pharmaceutical products" in a top launched by the Romanian Chambers of Commerce.

A company's success is not only measured by financial indicators and profits but also by giving back to the community. Antibiotice carries out its own charitable actions (Be Santa Claus), humanitarian programs (blood donation) and education programs (ProRuralis Scholarships). Thus, underprivileged families, elderly people and young people without material opportunities or patients receive support when needed.

In order to meet the expectations of its shareholders - to increase the confidence in the company and in its stock market capitalization - the priority actions of the management team were grouped into the following strategic directions:

- I. Developing the international business component;
- II. Providing a sustainable and marketable portfolio by increasing the degree of innovation;;
- III. Optimizing the operating costs and increasing the operating efficiency

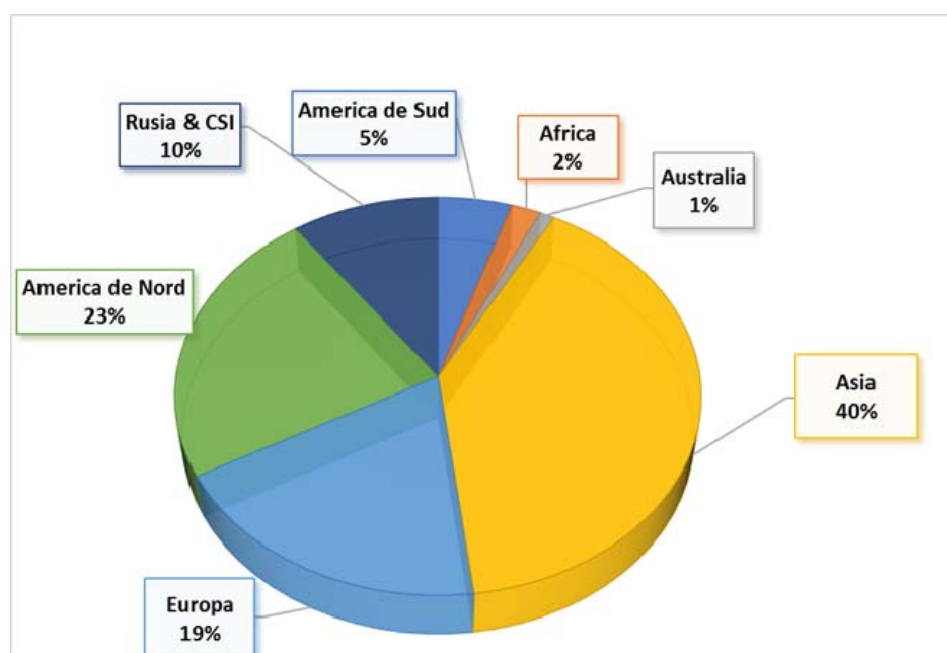
- IV. Adapting the human resource and providing the necessary skills to achieve strategic directions;
- V. Quality management for compliance with the legal, national and international requirements, specific to the pharmaceutical industry.

I. Developing the international business component

Antibiotic exports amounted to 28.75 million USD in 2017, higher by 12.80% as compared to 2016.

The increase in export sales was generated both by the increase of finished pharmaceutical forms by 18.05%, as well as the increase by 10,10% of the export of Nystatin, active ingredient.

Geographic breakdown of exports in 2017 (USD)



Asia represented the main destination of the Antibiotic exports, mainly due to rising the exports of finished products in the Vietnamese market. Nystatin API recorded the most significant growth pace in the US market, with significant impact both on the volume of exports and especially on the profitability of the product.

Europe represented the third geographic area of the company's exports, followed by Russia & CIS, South America and Africa.

Maintaining the world leadership position for Nystatin API

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Nystatin API has the largest share in the sales on the external markets, being one of the Antibiotice's strategic products. The compliance with the current international pharmacopoeias, international certifications on quality and solid partnerships developed over time allowed our company to become the world leading manufacturer of this product. In 2017, by continuously improving the quality of Nystatin, by obtaining the international certifications for accessing the regulated markets and by our flexibility in dealing with the external partners, Antibiotice became a world leader in the market of this product. The most significant increase for Nystatin was recorded in the US market where the volume exported in 2017 was by 50 % higher as compared to the previous year. Increase of the market share in the USA has been a strategic objective of our company and the authorizations obtained in the recent years by end users create the premises as Antibiotice to become the main supplier of this product.

In 2017, the main markets for Nystatin API were: Asia (China, India, Vietnam), North America (the US), Middle East (Iran, Irak, the United Arab Emirates) and Europe (Germany, the Netherlands). The geographic breakdown in the Antibiotice exports of Nystatin API overlaps with the world's largest consumer areas.

The Antibiotice's strategy for Nystatin API has two main objectives:

- to maintain its worldwide leading position for this product;
- to increase the share in the regulated markets, especially in the US market

This strategy is supported by the international certifications: the FDA authorization for the Biosynthesis Plant, Certificate of Suitability (CoS) issued by the European Directorate for the Quality of Medicines (EDQM). All these certifications allow the access of our company to the regulated markets.

Export of finished products

In 2017, the main destinations for the export of finished products were: Asia (Vietnam), Europe (the Netherlands, the Baltic countries, Denmark, Serbia), North America (the US, Canada), Russia & C.S.I. (Republic of Moldova, the Russian Federation, Ukraine) and Middle East (Irak, Yemen). Anti-infective products had the highest share in the export of finished products, followed by the medicines for digestive tract and metabolism, cardiovasculars, dermatologicals and the medicines for the musculoskeletal system.

In the medium and long term, Antibiotice intends to increase its presence in the international markets for the well-known products of the company (anti-infectives and dermatologicals) without neglecting the products with a high potential from other therapeutic areas (cardiovasculars, food supplements, etc)

Developing the export of dermatological products represents a strategic priority, taking into account our company's tradition in this field. Antibiotice intends to develop partnerships with dermatological companies in the international market for drafting the registration documentation and marketing of these products

Development strategies adapted to the international pharmaceutical market

In the last years, pharmaceutical market has experienced major changes, being influenced by the social, demographic and economic context. Even if the developed countries remain the largest markets in terms of value, it is estimated that emerging markets will have higher growth rates, due to increased purchasing power and population access to health systems.

Antibiotice's strategy in the medium and long term is to address both developed and strongly regulated markets as well as emerging markets with a high growth potential. This strategy is based on the EuGMP and U.S. FDA certifications of the manufacturing flows in the context in which the degree of regulation of international markets is steadily increasing.

The main directions of export development are:

- to increase/ consolidate our presence in the current markets and identify new markets with a high potential for Antibiotice;
- to focus our efforts for increasing the Antibiotice's exports in the strategic markets;
- to develop new business models and partnerships in the external markets for speeding the company's development at the international level;
- to adapt the product portfolio traded in the external markets depending on the local consumption.

Considering the need to promote the products on foreign markets, Antibiotice has started the procedures for establishing its own representative offices, the first being in Vietnam, the market in which our company recorded significant increases in the sales in the recent years. In the next period, our company will open representative offices in Ukraine and Republic of Moldova, in order to boost the sales in these markets.

International promotion

In 2017, Antibiotice participated for the sixteenth time at the CphI Worldwide Fair held in Frankfurt. The Fair reunited 2, 500 exhibitors from 150 countries and was visited by 36,000 visitors, specialists in the pharmaceutical industry. Attendance at the event aimed at negotiating and developing the current partnerships and developing new business projects, both for export of finished pharmaceutical forms, as well as for Nystatin API.

II. Ensuring a sustainable and marketable portfolio by increasing the degree of innovation

In 2017, Romanian pharmaceutical market recorded an increase in value of 9.1%, reaching 14.12 billion LEI as compared to the value of 12.95 billion LEI recorded in 2016. Physical consumption of medicines recorded also a positive evolution, increasing by 959 million physical units, from 11.7 billion in 2016 to 12.6 billion in 2017.

The following risks can be detected in the pharmaceutical market in Romania:

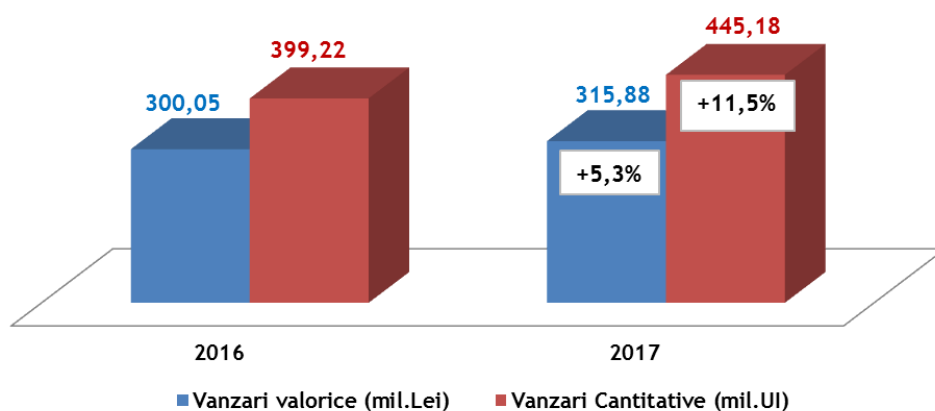
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- the progressive increase of the clawback tax representing 23.45%, in the fourth quarter 2017 from 18.89% in the similar period of 2016 (12.65% in the fourth quarter of 2015);
- increased manufacturing costs due to increase in the prices of raw materials;
- disappearance of family pharmacies and increase of the pharmacy chains and mini-chains has attracted the allocation of more important budgets for pharmacy chains and mini-chains by adjusting the policy of selling of the mini-chain pharmacies and independent pharmacies to the policies implemented by pharmacy chains (negotiation of molecules, negotiation of portfolios, promotion of products by types of diseases, providing a zero co-payment level for the patient);
- lists of compensated medicines have been updated by introducing new molecules so that patients in Romania have access to the latest generation therapies;
- centralized tenders for purchasing drugs, antibiotics and oncologicals, which will lead in 2018 to rationalizing the consumption of resources from the health budget;
- the premise of lowering prices for original medicines under the patent protection that affects drug manufacturers on the one hand. On the other hand, patients will face the disappearance of products on the market, thus the access to medicines will be limited.

In this context, Antibiotice, with a sale value of the portfolio amounting to 315.9 million LEI records a sale increase of 5.3% in the sales in pharmacies and hospitals as compared to the percent recorded in 2016.

Evolution of Antibiotice sales in pharmacies and hospitals (sell-out)

Evolutia vanzarilor companiei Antibiotice din farmacii si spitale (iesiri sell-out)



The retail pharmacy segment is up 5.7% compared to 2016, from 223.6 million lei to 236.3 million lei, while the Hospitals segment records a 4% increase from 76.5 million lei in 2016 to 79.5 million in 2017.

Also, physical sales increased by 11.5%, amid an increase of only 8.2% in total drug consumption.

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The main therapeutic classes which recorded significant increases as compared to 2016: Tract digestive tract (+4.3 million lei), cardiovascular system(+14.4 million lei) and central nervous system (+2.2 million lei) generated by both new products and the positive evolution of the company's top products.

Among these are the products with a contribution of over 1 million lei: Indapamida Atb® tb (+5 million lei), Silithor® (+4.9 million lei), Fluxiv® (+4 million lei), Rosuvastatina Atb® tb. (+2,8 million lei), Meropenem® the range for injection (+1.7 million lei), Equilibra® (+1.6 million lei), Nolet® tb. (+1.4 million lei), Memantina Atb® range (+1.4 million lei), Imipenem/Cilastatin Atb® (+1.3 million lei) and Bisotens® range, tb. (+1.2 million lei).

In 2017, Antibiotice maintains its leading position in the generic and OTC medicines sold in hospitals, with a market share of 17.4%.

On the generic and OTC segment, the company ranks fourth, with a market share of 5.2%, while the total pharmaceutical market is ranked 17th, with a market share of 2.24%.

Through the sold portfolio in 2017, Antibiotice maintains its leading position from the point of view of units sold on the ointment segment with a market share of 27%, suppositories with a market share of 40.3% and injectable powders with a market share of 74.7%.

The sales of OTCs recorded a steady growth in the recent years, recording in 2017: 22% of total market, with an average annual growth rate of 17.5% (2014-2017).

Through the portfolio of medicines without prescription and dietary supplements, Antibiotice ranks 14th among the companies activating in the Romanian OTC market (out of a total of 213 companies), higher by four positions as compared to 2015 (ranked 18th. The average annual growth rate recorded in 2014-2017 is 25.2%, above the overall market share rate (17.5%).

The share of OTC drugs in sales increased in 2017 to 19.1% (16% in 2016, 13% in 2015), the performing products they being the food supplements Fluxiv®, Silithor®, Equilibra®, Soriso®, Cutaden Bebe® as well as the OTCs Clafen® topical range, Saliform® Forte% and Cicatrol®.

Through the promotional and commercial policies in the first part of this year, food supplements in the company's portfolio were able to perform in relevant markets: Fluxiv® - ranks third in consumption, out of a total of 25 products, with a 6.9% market share in the second year of sale; Equilibra® - ranks third in consumption, in a relevant market with 40 products, recording a market share of 11.7%; Silithor® - ranks the sixth in the consumption, out of over 65 products, with a market share of 4.7%; Soriso® - ranks first in consumption, with a market share of 37.3%, in the second year of sale, on a market with 21 competing products.

PRODUCT STRATEGY

The portfolio of 136 medicines for human use (finished products marketed at the exit of Antibiotice in 2017) covering 12 therapeutic classes attests to the fact that Antibiotice's strategy is the permanent orientation towards the renewal of the product

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portfolio and the manufacture of generic medicinal products which are bioequivalent to the original products while maintaining high quality standards.

Antibiotice's activity - ranging from research, production and sales - is structured on a portfolio of varied medicines in terms of pharmaceutical forms and therapeutic classes.

The new products that are found in the company portfolio in 2017 are:

- **Zifex® Complex ovules** - a new product for gynecological disorders, completing the Zifex® range. This drug is unique in the pharmaceutical market in Romania containing Nystatin, the active substance whose leading producer is Antibiotice. Zifex® Complex adds value to the Antibiotice portfolio and will contribute together with Nystatin Atb® tablets, Nidoflor® and Nistatina Atb® pessaries to the vertical integration of Nystatin.

- **Clobetazol® cream** - corticosteroid for topical use, indicated for the short-term treatment of resistant dermatoses (psoriasis, treatment-resistant eczema for flat lichen, chronic lupus erythematosus); the Marketing Authorization was obtained in the first part of the year 2017;

- **Betahistin 24 mg ATB® tablets** - a medicine belonging to the antivertigo therapeutic subclass, prescribed for the treatment of vertigo caused by blood flow disruptions in the inner ear; the Marketing Authorization was obtained in the first part of 2017;

- **Caspofungin ATB@ powder for concentrate for solution for infusion** - a systemic antifungal drug for the treatment of invasive candidiasis and invasive aspergillosis; the Marketing Authorization was obtained in the first part of 2017.

Following the general tendency of the population to focus more on preventive therapies at the expense of treatments by consuming food supplements, the company's portfolio was enriched with two food supplements in 2017: Sprinten @ tablets - a dietary supplement that maintains the health of the skeletal system, reduces stiffness and joint fatigue, improving movement; the product has been marketed since November 2017; Fezivit® capsules, a combination for normal body functioning, through the formation of skin collagen, formation of red blood cell and hemoglobin, reduction of fatigue; the product has been marketed since December 2017.

The development of new products, especially in a dynamic and specialized industry as the pharmaceutical one, has as main objective the gradual replacement of products in the medical therapeutics.

PRICE STRATEGY

Drug legislation limits pharmaceutical companies' ability to use the price as a strategic tool for differentiating between manufacturers.

Price strategies in 2017 have consistently pursued the correlation between the maximum level required by law, increasing the profitability of the portfolio and ensuring a competitive level compared to other players in the market (positioning as the first generic, positioning as reference medicine, best price / quality ratio).

In 2017, the food supplements and non-prescription medicine portfolio (15 OTC products) experienced three price increases (January, July and October), following both competitive market positioning and profit margins optimization.

DISTRIBUTION STRATEGY

The main objective of 2017 was to strengthen partnerships with major national distributors where significant sales growth was planned.

The product portfolio was supported throughout the year through distribution (monthly offer, periodic campaigns, promotion and merchandising on OTC products) as well as through its own business team and Call Center team with specific actions.

A supply calendar was created on a monthly basis in which profitable products were promoted, with significant weightings in the planned figures, as well as those that represent a significant share in the distributors' stock.

Actions carried out in 2017:

- establishment of monthly / quarterly sales shares with each partner, so as to generate a sales increase in the market compared to 2016;

- taking action to reduce stocks- monthly stock analysis on each partner in terms of products representing 80% of the value stock, products with high storage times (over 2.5 months) and the validity terms;

- keeping offers with constant business conditions for specified periods.

In order to secure the indicators, the company's strategy focused mainly on the increase of the presence in pharmacies chains and minichains segment, which have significant share in the total value of the retail pharmaceutical market.

PROMOTIONAL STRATEGY

Promotional activities sustained during the analyzed period:

- implementing a pharmaceutical continuing education program addressed to pharmacists;

- Open Door Policy - Visiting the company by physicians and pharmacists;

- participation in events organized by student organisations to promote the company brand among future specialists;

- shelf products marketing campaigns in open-circuit pharmacies;

- organizing interdisciplinary Events in University Centers - Interdisciplinary Symposium "We've known each other for a lifetime".

Among the major national events attended by Antibiotice SA in 2017 we mention: National Congress of Internal Medicine, INSPIR, National Congress of Urogynecology, National Congress of Cardiology Sinaia, National Congress of Dermatology Brasov, National Congress of Flebology Timisoara, National Congress of Toxicology Bucharest , The National Congress of Psychiatry in Sinaia, as well as in the main national conferences and scientific symposia held at a national level.

In parallel with the company's participation in the main national events dedicated to health professionals, there were also promotional activities to the general public: Facebook and YouTube communication campaigns, CATP Iasi branding project, foiling partner car fleet project (Iasi), promotion of food supplements in events for the general public - Magic of Balloons (Iasi), Rocanotherword (Iasi), Afterhills (Iasi), Neversea (Constanta), Seaside Campaign 2017.

Between November and December, a broad public awareness campaign on antibiotic use was carried out: "Antibiotics save lives. Use them with care". There were

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presentations for the general public by family doctors in 3 rural locations with 200 participants.

The objectives pursued by the implementation of these promotional activities were: increasing the reputation of the company and the promoted products, training the health specialists to identify the patient profile, therapeutic options and identification of associated recommendations.

The continued implementation of these strategies will enable Antibiotice SA to strengthen its current position - leader of anti-infective medication in the generic manufacturer sector, leader of the hospital sector - generic drugs, a quantitative leader for the following pharmaceutical formulations: ointments, suppositories and injectable powders.

In a market that is so competitive, dynamic and regulated as the pharmaceutical market, Antibiotice's portfolio shows the sustained efforts to promote the company brands and notoriety.

Data source: Sales Cegedim 2016-2017

Development of research and development structures for the sustainable adaptation and consolidation of the company portfolio

In 2017, Antibiotice continued to invest in the research and development of products from classes considered strategic by the company for their impact on public health: Anti-infectives, Cardiovascular, neurodegenerative and Central Nervous System as well as dermatological products and self-medication products (OTC drugs, food supplements and cosmetics).

The Antibiotice pipeline currently includes 33 products at different stages of development, from the therapeutic classes that define the company's development directions. It is about: anti-infective drugs (7 products), cardiovascular drugs (5 products), dermatological products (4 products), genito-urinary (1 product), central nervous system (1 product), digestive tract (2 product), and respiratory tract (1 product). Another direction of research has been aimed towards products that are important for disease prevention and the increase of the quality of life. These include food supplements and OTC medicines (11 products).

A permanent concern was also the training of young R & D employees for the development of new knowledge and research techniques in line with the latest European and international guidelines.

9 new marketing authorisations at international level and 7 new products on the Romanian market

The favorable results from the research and development stages have allowed new marketing authorizations and re-authorizations of medicines already known on the national and international market.

In Romania, 7 new Marketing Authorizations for medicines from the following classes were obtained using national procedure: cardiovascular (Betahistina Atb® 8 mg tablets, Betahistina Atb® 24 mg tablets), anti-infectives (Ertapenem Atb® 1g powder for

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solution for infusion, Caspofungina Atb® 50 mg powder for concentrate for solution for infusion, Caspofungina Atb® 70 mg powder for concentrate for solution for infusion, Tigecycline Atb® 50 mg powder for solution for infusion) and dermatology (Clobetasol Atb® 0,5 mg / g cream) and 2 new food supplements have been notified: Sprinten® film-coated tablets and Fezivit® C capsules.

Development in international markets have been supported by the obtainment of nine new marketing authorizations for Antibiotic products in countries of Europe, Asia and Africa. The presence on the international markets of interest was also consolidated through the completion of 21 re-authorization procedures for the existing products.

In 2017, the two decentralized European (DCP) procedures for simultaneous authorization in EU countries for Perasin® (piperacillin / tazobactam) of 2.25 g and 4.5 g of powder for solution for infusion and Nebivolol Atb® 5 mg and 10 mg tablets continued; the procedures are expected to be completed in the first part of 2018.

The Medicines Evaluation Center

Clinical studies

In the course of 2017 three bioequivalence clinical trials were conducted, one for a product in the Antibiotic portfolio and two clinical studies for an external sponsor. Also, the documentation and preparation stage of clinical trial protocols for two other new products was completed.

Inspections / Certifications

In the first semester of 2017, the NMMDA inspection for GCP / GLP recertification of the Drug Evaluation Center and Bioanalytical Laboratory took place. Following this inspection, GLP (Good Laboratory Practice) certificate and GCP (Good Clinical Practice) authorisation were obtained with a validity of 2 years. At the same time, in the first half of 2017, recertification of GMP (Good Manufacturing Practice) of secondary packaging flow for the "Clinical Investigation Medicine" of the Center for Drug Evaluation took place. This certification allows secondary packaging of oral medicines (tablets and capsules) as well as solid topical forms (pessaries and suppositories) for administration in clinical trials.

Pharmacovigilance and health policies

The monitoring of efficacy and safety of Antibiotic medicines throughout their use is a continuous process, Antibiotic being linked to the European data processing network for medicines safety, EudraVigilance through Pharmacovigilance system. In 2017, access to the European drug safety monitoring system was expanded by developing the EVDAS (EudraVigilance data warehouse and analysis system) module which allows the analysis of data stored in the European database and a faster detection of a possible safety alerts by the marketing authorization holders and the initiation of appropriate measures to protect public health.

In 2017, Antibiotic became a member of the Romanian Association of OTC Drugs, Food Supplements and Medical Devices Manufacturers (RASCI), thus actively

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engaging in the dialogue with regulatory entities in this field to create an appropriate framework for promoting ethics and sustaining a fair competitive environment, as well as in conducting educational campaigns on informed and responsible consumption of self-medication products.

Manufacturing activity - Modernizing and streamlining manufacturing flows

Antibiotice's development strategy for 2017 provides the upgrading and development of product portfolio and manufacturing flows as a priority.

Antibiotice produces for the internal and external partners the following five pharmaceutical forms:

- Sterile injectable powders
- Capsules
- Tablets
- Products for topical use (ointments, creams, gels)
- Suppositories, pessaries

The quality of the products is ensured by processes that meet the latest requirements in the field of good manufacturing practice, all eight manufacturing flows of the company being certified EU-GMP. The manufacturing flows of sterile injectable products and the active substance Nystatin are also certified by the US Food and Drug Administration.

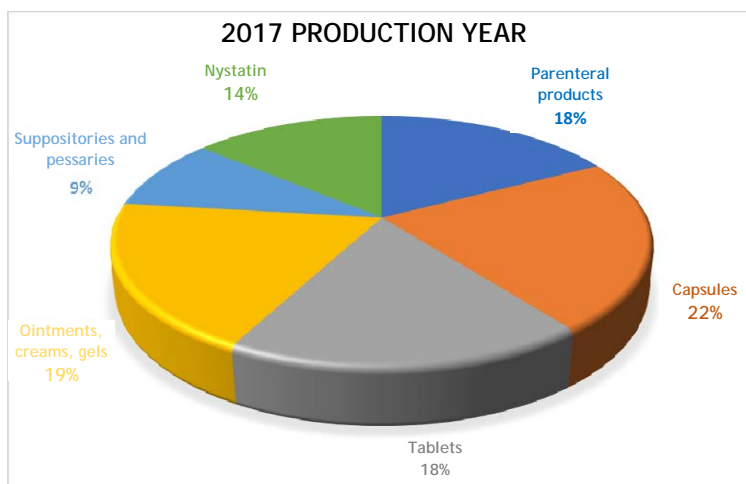
Implementing all regulatory requirements and assessing the quality management system by regulatory authorities and customers across the globe result in maintaining the level of quality, efficacy and safety of Antibiotice drugs.

Antibiotice produced in 2017:

- 522 million pharmaceutical units in the form of tablets, capsules, parenteral products, ointments, creams, gels, suppositories and pessaries;
- bulk active substance(Nystatin) in a quantity comparable to that of the previous year;

The 2017 production year related to pharmaceutical forms is presented in the chart below:

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The objectives of Antibiotice in 2017 in the field of pharmaceutical manufacturing:

- Manufacturing of parenteral products for foreign companies based on manufacturing and control contracts. Production for export of parenteral products accounted for 31.11% of the total value of products destined for foreign markets;
- Reducing raw material costs by optimizing manufacturing formulations and identifying new sources for the excipients used in finished products technology;
- Reducing utility consumption through careful management across all production sites;
- To continue the efforts to implement the environmental protection program on volatile organic emissions during the Nystatin extraction phase.

Investment policy - Medium and long term development through investment in new facilities

The total approved value of the investment program for the year 2017 is 72,094 lei. The achieved value at 31.12.2017 is of 41,017 lei or 56.9%.

ANTIBIOTICE S.A. makes valuable medicines, accessible as a health care tool for patients, doctors and pharmacists.

A permanent concern is the modernization of activity and products.

A valuable medicinal product is not necessarily an expensive one, but one that people can afford and that brings a reasonable gain that can sustain the production and performance by investing continuously in people, technology and successful partnerships to strengthen the position of the company on the market and to enter new potential markets.

In order to achieve this goal, it is always necessary to have well-planned investment that will contribute effectively to a balanced development of all the company structures: production, research, quality control, utilities, logistics.

The investment objectives included in the program are being pursued to achieve:

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- a new, high performance capacity equipped with modern production facilities for the manufacture of ointments and suppositories that is suitable for being authorized by GMP and FDA;

- Modernization and refurbishment of existing production flows to increase production capacities, product quality and reduce production costs;

- modernization of installations that provide utilities for the entire platform;

- achieving objectives that are in line with the strategy to reduce pollution and protect the environment;

- a constant compliance with the rules of Good Manufacturing Practice (GMP) as well as regulations for labor protection and environment protection to consolidate the integrated management system, create new production facilities to reduce costs, utility consumption and increase work productivity;

- increasing the storage capacity for raw materials corresponding to the increase of the production capacity.

I. ONGOING INVESTMENTS

1. Equipment for production, quality and research plants

Laboratory equipment and apparatus were contracted in 2016 for the purpose of refurbishing production flows and quality control laboratories and research laboratories for which payments were made in 2017. Both manufacturing and laboratory equipment are the latest generation, with high productivity, low energy consumption and high operational safety. The manufacturing equipment is designed to replace older generation equipment with significant physical wear that generates high maintenance costs and low productivity. The acquisition of modern laboratory equipment is required by the ongoing revision of pharmacopoeial monographs and increasing of the precision of analytical methods in laboratories in the farm industry.

2. Rehabilitation of the system for supporting and distribution of utility transport networks

It continues the actions taken to upgrade the system of transportation and distribution of utilities (steam, compressed air, hot water, demineralized water, methane gas, electricity) from the entire platform of the company, started in the previous years. The main goal of this investment is to configure and adapt the utility routes to the current consumption of the production flows in order to achieve energy savings by reducing consumption and eliminating losses.

3. Storage for biosynthetic raw materials

Based on analysis, it was proposed to set up a biosynthetic raw material storage room near the manufacturing department, the main advantage being the location in close proximity to the production flow, thus reducing the fuel consumption of the goods from the warehouse to the production plant, increasing labor productivity.

II. NEW INVESTMENTS

1. Creating a production capacity for Ointments and Suppositories

The aim of the project is to establish a new production facility to manufacture semi-solid pharmaceutical products divided into tubes and suppositories in order to increase the turnover and capacity of Antibiotice S.A. to register, produce and market

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quality Romanian medicines by investing in a new plant suitable to receive GMP certification in all regulated pharmaceutical markets (Europe, USA and Canada).

Objectives of the investment:

- construction and proper equipping of an Ointment and Suppository Plant suitable to receive Authorized EU-GMP and FDA certification.
- GMP Certification of the newly constructed Ointment and Suppositories plant by the national regulatory authority in the field (National Agency for Medicines and Medical Devices).
- ensuring the conditions for the manufacture of medicinal products in compliance with legislative and pharmacopoeial requirements to be registered and marketed on all regulated markets, especially in Europe, the USA and Canada.

Justifying the investment

The construction of a modern plant for the manufacture of semisolid drugs divided into tubes (ointments, creams, gels) and suppositories is for Antibiotice S.A. the guarantee of long-term business development.

The company's development strategy focuses on maintaining and expanding the portfolio of semisolid products divided into tubes and suppositories.

The strategy is based on developing the portfolio for the domestic market, but also on the diversification and access into new major foreign markets in Europe, North America, Asia and Africa.

In order to ensure the main characteristics of the medicines (quality, efficacy, safety), their manufacture must be carried out in facilities equipped with efficient equipment and critical utilities that meet the requirements of Good Practice of Manufacturing (GMP).

2. Investments in manufacturing flows - Production Unit

In 2017 it was proposed to acquire equipment, installations, various appliances and laboratory equipment in order to refurbish the production flows. The manufacturing equipment and the purchased installations are the latest generation, with high productivity, low energy consumption and high operational safety. The manufacturing equipment is designed to replace equipment with significant physical wear, which generates high maintenance costs and low productivity. Purchase of equipment and various appliances was also necessary in order to implement environmental protection measures, to reduce energy consumption and to ensure work safety.

3. Licensing for new products and research projects - Medical Unit

The new product development program has the following objectives:

- Modernization of the company's product portfolio in order to ensure and supply the internal market with generic drugs of the latest generation, therapeutically effective and safe in administration;
- Providing competitive pharmaceutical products on the foreign market and ensuring, in the long term, the growth of Antibiotice's turnover and competitiveness.

4. Research investments - Medical Division

Research is one of the most dynamic company's activities, which undergoes permanent changes and an ascending evolution. For the entire company, research acts as a dynamic element of the whole system, generating new products that lead to a

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production increase. Using intelligence and creativity, the research area contributes to product portfolio development.

Considering the importance of the information obtained in the Medicines Evaluation Center, the investment program included a range of equipment, appliances and software to support and improve research in order to obtain new, quality, valuable, competitive products.

5. Quality Investments - Quality Unit

In view of the ongoing revision of pharmacopoeial monographs and the increased precision of analytical methods in the pharmaceutical industry laboratories, it has become imperative to acquire the latest generation equipment that will make it possible to maintain the quality control of the products manufactured by Antibiotice at international standards. Quality Control Laboratories have a decisive role in demonstrating the quality and compliance of the products manufactured in our company, which is why they need to be permanently equipped with the most modern and efficient laboratory equipment.

6. Investments to ensure logistics - Commercial Unit

Investments are mainly directed towards the refurbishment of the auto park fleet. Thus, modern means of transport equipped according to the current transport legislation have been acquired to ensure safety in handling for the transportation of raw materials and finished products and for the partial replacement of the used auto fleet.

7. Investments for the production and transportation of utilities - Engineering and Investments Division

The investments were mainly focused on the modernization and upgrading of the systems, equipment and installations for the production of utilities (steam, compressed air, hot water, demineralized water, methane gas, electricity, drinking water, sewerage, etc.). In order to adjust and adapt utility routes to the current consumption of manufacturing flows, so as to save energy by reducing consumption and eliminating losses.

These investments generate many benefits:

- safety in operation;
- increasing labor productivity;
- reducing intervention times by implementing a powerful diagnosis system based on error messages, which leads to a decrease in maintenance and repair work;
- economy of energy and resources and implicitly better environmental protection;
- ease of use in handling the equipment by the human operator.

For objective reasons, a number of scheduled investments were made only partially, such as:

-Creating an Ointment and Suppository production capacity.

In 2017, for this objective, an amount of 23,433,000 lei was estimated, of which part represents the value of construction works and installations for the first stage (construction of the perimeter for manufacturing area and the technical-administrative building) and the rest representing the estimates for the advances to be paid to the technology equipment supplier and the clean room provider. From the total estimated value, an amount of 9,304,000 lei was invested, representing the value of construction and repair works for stage I.

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Since a proper analysis of the equipment provider's proposals and a good correlation between the equipment and the installations related to the construction elements of the building and the cleanrooms as well as the related installations were necessary, the time was insufficient to make all the corrections and, thus, to conclude the contract and payment of the advance in 2017. The selection procedure of the supplier of clean rooms and related installations was started in September 2017, when the URS was finalized by the designer Sinprest SA (completion of the URS was conditioned by the provision of technical data by the technology equipment supplier).

Initially, three companies from Europe (Cleantek Switzerland, M + W Group Germany and Cleangrad Slovenia) were selected, with experience to design cleanrooms for the pharmaceutical industry; these companies were asked to submit offers for the completion of four-turnkey manufacturing flows. The first two companies could not support our project. Thus, the procedure was resumed by selecting two other companies: Klimaoprema Croatia and Nicomac Italy. The Nicomac company informed us that they are only manufacturers of cleanroom supplies and could not make a turnkey project as requested but can recommend a company that can support a turnkey project - the Soimar company in Italy. Following the recommendation, the offer was also requested from this company. All these steps led to the prolongation of the selection procedure, so signing the contract and paying the advance were not possible in 2017.

- Aquisition and installation of a ventilation system at the Parenteral Products Plant. An amount of 1,000,000 lei was estimated for this objective and an amount of 543,711 lei was invested because only the climate control center and the related installations were set up; the indoor ventilation system, related to the clean areas, will be built in 2018 because it requires a rigorous design by a specialized firm and it takes a longer time.

- Storage space for finished products - Medical Unit - scheduled value of 682,500 lei. This goal was not achieved in 2017, as no suitable space for such a storage space with all the necessary facilities was identified.

- Relocation of acids and bases storage - the Storage service - estimated value 614,250 lei, invested 10,500 lei

Being a new warehouse for dangerous substances, it is necessary to do it after a rigorous project, prepared by a specialized designer. Construction must also be authorized. Both designing and authorisation are activities that take a long time (about 6 months or more). It was also not possible to provide all design data to the designer. The current hydrochloric acid storage containers have high physical wear and need to be replaced. The process of identifying a manufacturer for these type of equipments (with a special design to withstand the corrosive action of acid) was difficult. By the end of 2017, a manufacturer that has the technical possibilities to make such equipment has been identified. The dimensions and geometry of these containers are essential design data for sizing the retention tank and installations. For these reasons, the design project was not finished and the authorization process of the construction could not start.

III. The optimization of operational costs and the increase of exploitation yield

THE NET INCOME OF THE PERIOD GROWS BY 10% IN COMPARISON WITH 2016

Antibiotice carried out its activity during 2017 in the spirit of achieving the objectives and indicators established through the Budget of Income and Expenses.

Starting with the 2012's financial exercise there have been adopted for the first time the International Financial Reporting Standards (IFRS) which required the restatement of the accounting information in compliance with the Order of the Public Finances Minister no.1286/2012 and with the Order of the Public Finances Minister no.2844/2016, 2013 being the first financial exercise in which the accounting is registered in accordance with the IFRS provision.

The statement of the global result

The sales income in 2017 have registered a value of 336.9 million RON, increasing by 1.3% compared to 2016 when 332.4 million RON were registered, as a result of the collective effort by the company to consolidate business.

STATEMENT OF THE GLOBAL RESULT (RON)	31.12.2016	31.12.2017	2017/ 2016
Sales income	332,435,059	336,904,666	1.013
Other operating revenues	20,262,937	37,796,667	1.87
Revenue associated with product stock costs	-900,215	4,235,363	-4.70
Revenue from the capitalization of the activity	2,177,574	1,850,831	0.85
Expenses with raw materials and consumables	126,867,849	127,072,000	1.00
Expenses with staff, of which:	76,846,812	85,897,194	1.12
- current expenses with staff	71,800,968	81,310,923	1.13
- staff provisions	5,045,844	4,586,271	0.91
Expenses with amortization and depreciation	18,948,912	17,098,098	0.90
Other operating expenses	91,782,114	113,395,172	1.24
Operating profit	39,529,669	37,325,063	0.94
Financial incomes	8,134	4,287	0.53
Financial expenses	4,656,157	1,967,920	0.42
Profit before tax	34,881,646	35,361,430	1.01
Expenses with profit tax	4,510,835	1,803,076	0.40
Profit	30,370,811	33,558,354	1.10

Structurally, the main expenses progressed by:

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➤ the diminuation of the expenses with raw materials and consumables is determined by the fabrication structure as well as by the production diminuation;

➤ the expenses with staff have increasing by 12% compared to 2016 and increasing by 3% compared with the planned values due to the salary increase granted in May in compliance with IEB approved in the General Meeting of Shareholders;

➤ other expenses registered a value of 113,4 million RON, increasing by 24% in comparison with the same period of last year and by 37% compared to the budget values. These increases were counterbalanced by the superior operating revenues values. Mainly, the increase of these expenses is caused by the listing of uncertain expenses receivables amounting to 7.8 million RON, the increase of the clawback tax to 29.2 million RON, disadvantageous exchange rates of 8 million RON, halted research projects of 1.1 million RON.

The financial income and expenses represent income and expenses with interest.

The profit before tax for the current financial exercise amounts to 35.36 million RON, higher than that of 2016 by 1%, and by 1% up than the profit estimated in Antibiotice's IEB.

The profit after taxing amounts to 33.56 million RON, higher than that of 2016 by 11% and the one budgeted by 17%.

The net profit in 2017 amounting to 33.558 million RON is the result of este rezultatul the deductibility of the profit reinvested in technological equipment and the uncertain receivables taken out of evidence.

Statement of the financial position

On 31.12.2017, the fixed assets of the company recorded an increase by 9% compared to the beginning of the year. The accounting damping is calculated using the linear method according to the IFRS standards.

	01.01.2017	31.12.2017	
ASSETS			
FIXED ASSETS			
Tangible assets	206,702,347	223,242,890	1.08
Intangible assets	10,139,458	13,107,622	1.29
TOTAL FIXED ASSETS	216,841,805	236,350,512	1.09
CIRCULATING ASSETS			
Stocks	60,195,101	67,264,546	1.12
Commercial and similar receivables	242,456,065	264,212,743	1.09
Financial assets held for sale	0	0	
Cash and cash equivalents	13,902,686	5,107,743	0.37
TOTAL CIRCULATING ASSETS	316,553,852	336,585,032	1.06
TOTAL ASSETS	533,395,657	572,935,544	1.07
DEBT			

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CURRENT DEBT

Commercial debts and similar	49,045,370	55,535,974	1.13
Amounts owed to credit institutions	40,705,967	69,731,310	1.71
Debts from current taxes	11,486,302	9,792,887	0.85
Short-term provisions	1,418,895		0.00
Investment subsidies	275,047	326,246	1.19
TOTAL CURRENT DEBT	102,931,581	135,386,417	1.32

LONG-TERM DEBT

Investment grants	2,639,349	2,498,889	0.95
Postponed taxes	18,758,368	18,172,398	0.97
Long-term provisions	0	0	
TOTAL LONG-TERM DEBT	21,397,717	20,671,287	0.97
TOTAL DEBT	124,329,298	156,057,704	1.26

Share capital and reserves

Share capital	264,835,156	264,835,156	1.00
Re-evaluation reserves	16,925,870	14,556,141	0.86
Legal reserves	13,426,761	13,426,761	1.00
Other reserves	146,528,189	162,134,513	1.11
Reported result	-63,020,428	-60,650,699	0.96
Profit allocation	-	-10,982,386	
Current result	30,370,811	33,558,354	1.10
TOTAL EQUITY	409,066,359	416,877,840	1.02
TOTAL CAPITAL AND DEBT	533,395,657	572,935,544	1.07

Current assets:

- stocks see an increase of 12% compared to 2016;
- total receivables see an increase in value of 9% due to late payments in the sanitary system.

The average time for collecting receivables from the external market in 2017 was 79 days while from the domestic market was 353 days, resulting in an average time for collection of 257 days.

Cash and cash equivalents at the end of 2017 recorded a value of 5.1 million RON.

The main diagnostic indicators of the company highlight the financial equilibrium and the continuing concern for business efficiency and adjustment to changes in the business climate so that liquidity indicators were slightly higher than in 2016, with the level of indebtedness increasing from 23% to 27%.

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		31.12.2016	31.12.2017
ROE (return on capital employed)	=Net profit/Equity capital	7.4%	8.0%
ROA (return on assets)	=Net profit/Total assets	5.7%	5.9%
EPS (RON/Share)	=Net profit/Share	0.045	0.050
NET PROFIT RATIO	=Profit/Sales income	9%	10%
GENERAL LIQUIDITY	=Current assets/Current bonds	3.1	2.5
QUICK LIQUIDITY RATIO	=(Current assets-Stocks)/Current bonds	2.5	2.0
Level of indebttness	=Debt/Total assets	23%	27%
No shares		671,338,040	671,338,040

Elements of liabilities

The company has on 31 December 2017 current debts amounting to 135.4 million RON increasing by 32% compared to 2016, the company's need of cash in 2017 being superior to 2016, for payment of the claw back tax, leading to a greater use of the credit lines.

Amounts owed to banks at 31.12.2017

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

Objective	Credit line - circulating capital
Amount	30.000.000 RON
Deadline	16.08.2018
Balance at 31 Decembrie 2017	28,769,000 RON
Guarantees	Mortgage on buildings, land / Contract for assignment of receivables

Short-term contract no. 12/01.07.2013 with Romanian Export Import Bank EXIMBANK S.A.

Objective	Credit line - circulating capital
Amount	30,000.000 RON
Deadline	26.06.2018
Balance at 31 Decembrie 2017	25,905,001,42 RON
Guarantees	Mortgage contract for buildings, land / Contract for assignment of receivables

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

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- Romanian Subsidiary

Objective	Credit line - circulating capital
Amount	9,500,000 EUR
Deadline	22.05.2018
Balance at 31 Decembrie 2017	8,739,544.83 RON 1,355,830.54 EUR (6,317,763.57 RON)
Guarantees	Mortgage contract for buildings, land / Contract for assignment of receivables

Amounts owed to credit institutions at 31.12.2016

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

Objective	Credit line - circulating capital
Amount	30,000,000 RON
Deadline	16.08.2017
Balance at 31 Decembrie 2016	22,919,001 RON
Guarantees	Mortgage for buildings, land / Contract for assignment of receivables

Short-term contract no. 12/01.07.2013 with Romanian Export Import Bank EXIMBANK S.A.

Objective	Credit line - circulating capital
Amount	60,000.000 RON
Deadline	27.06.2017
Balance at 31 Decembrie 2016	0 RON
Guarantees	Mortgage contract for buildings, land, receivables

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

- Romanian Subsidiary

Objective	Credit line - circulating capital
Amount	9,500,000 EUR
Deadline	22.05.2017
Balance at 31 Decembrie 2015	3,916,884.93 EUR (17,786,966.16 RON)
Guarantees	Contract for assignment of receivables / Mortgage contract for buildings, land

SC Antibiotice SA has not submitted guarantees and has not pledged or mortgaged its own assets to guarantee obligations in favor of a third party.

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Cash flow

The amount of cash and cash equivalents at the beginning of the period was of - 26,8 million RON, representing loans/credit amounting to 40.7 million RON of which 13.9 million RON remained unused, available in accounts with banks from the same credit lines. Cash revenues from the operations were 313.46 million RON. Cash payments to goods and services suppliers were 179.35 million RON and those to and on behalf of employees were 77.4 million RON.

Also, payments of 8.88 million RON representing income tax, VAT, local taxes and bank interests and payments of 43.31 million RON for the acquisition of fixed assets were made. Contributions were paid to the Ministry of Health (claw back tax) of 28.43 million RON.

Regarding the financing activity, dividends were paid amounting to 13.66 million RON.

At the end of the period, cash and cash equivalents amounted to 64.62 million RON, which represents credit lines for the current activity (RON 69.73 million) of which 5.11 million RON remained available in banks of the same credit lines.

The company has fully paid its obligations to the state and local budget amounting to 76 million RON.

COMMERCIAL POLICY

Raw materials imports

In the context of internationalization of the company's business, the mission of the procurement team extends from the cost-optimization area to identifying eligible sources that provide safety in meeting the quality and manufacturing standards required by current legislation.

In this way, it is attempted to anticipate the occurrence of risks in the acquisition process through the interdepartmental evaluation of the potential suppliers in the (pre) selection phase, to encourage strategic partnerships with representative international suppliers, direct and transparent communication, to follow the procurement process from the moment the order is launched until the receipt of the goods in the warehouses of Antibiotice.

In the continuous research and development of the portfolio of products from various therapeutic areas or involving complex pharmaceutical forms and production steps, the acquisition activity has the role of identifying and contracting the most optimal alternative through the quality of the raw material, the costs and the security of the acquisition source.

Antibiotice uses an exhaustive process of identifying suppliers, applying gradual selection criteria, so at the end it has at least 2 viable and safe sources for each raw material.

Top 5 rules to be respected in the acquisition activity:

- Compliance with the current regulations and legislation
- Impartial handling in the selection process, offering all potential suppliers equal opportunities to a contract

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- Implementing a fair, ethical and transparent supplier rating system that promotes stable long-term partnerships through technology and manufacturing capacities, quality, price, delivery capacity, corporate stability, etc.
- A fair cost to volume ratio, allowing the company to achieve economies of scale related to manufacturing campaigns
- Continuous communication with the supplier so that any risks associated with production and acquisition are known, evaluated and resolved in the best possible time.

Internal market acquisitions

The procurement process on the internal market is the result of interdepartmental efforts ranging from production planning to ensuring the transport of raw materials and materials needed to carry out the manufacturing process. The harmonization of the commercial conditions imposed by the specificity of the activity in the pharmaceutical industry with the trends on the internal market is the commercial policy of Antibiotice.

In 2017, the internal trade policy considered the following:

- Ensuring the offers (minimum three) for the raw materials and materials necessary for the production, in order to obtain the most competitive price on the market;
- Increase of payment terms (supplier credit) included in contracts up to 90 days;
- Obtaining prompt deliveries from suppliers;
- The renegotiation of contracts with suppliers of raw materials, printing materials, consumables, solvents, reagents, spare parts and auxiliary materials (in the sense of discounts), with direct implications for manufacturing costs;
- Elimination of complaints about the quality of raw materials and materials that can cause malfunctions in the production process;
- Developing and maintaining favorable relationships with the company's suppliers, as well as seeking and developing new ones.

A continuing concern was reducing operating costs to increase operating efficiency. In this sense, a plan for reorganizing and resizing the activities and their profitability was launched, focusing on the most competitive price, the largest supplier credit in terms of financing capacity and market requirements recovery without compromising on quality standards. Issues related to the transport of raw materials, printing materials, solvents, reagents, spare parts, as well as timed delivery times to avoid overloading and stockpiling were taken into account.

IV. Adapting of human resources and the assurance of the necessary competencies to achieve strategic directions

The human resources policy promotes the diversity and equal opportunities in recruiting, selecting and integrating employees. We provide employees with all the rights deriving from the law, offering fair and equitable working and professional development conditions.

On 31.12.2017 the average number of staff is 1420.

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By the nature of the specific activities carried out at Antibiotice, the structure upon the levels of education and professional training of the staff is the following:

Higher education - 601 employees, of which:	42.32%
- 32 employees with completed doctoral studies (5%)	
Secondary education - 819 employees	57.68%
Total 1420	100%

In order to achieve the strategic objectives of the Business Plan for the period 2017-2020, the activity of the Human Resources Management Department in 2017 aimed at fulfilling the specific objectives, structured within the strategies and action measures.

The strategy „Providing with staff, training of the skills necessary to achieve the objectives and increasing the degree of involvement”

The concrete actions taken in implementing this strategy were aimed at:

1. Identifying of the staffing needs of each structure to achieve the objectives

In order to put into practice an integrated vision of all the Company's directions in terms of staffing to the needs of the proposed strategic objectives, there is an *Employment Commission* within Antibiotice, which has the role of establishing the necessary staffing to ensure an optimal structure of functioning, but also to maintain the balance of indicators assumed and approved through the Income and Expense Budget.

During the meetings of the commission in the year 2017, the results of the analyzes regarding the staff needs upon the organizational structures of the Company were presented taking into account the following:

- the need to fill vacancies;
- developing teams in priority areas:
 - o research & development
 - o portfolio management;
 - o production;
 - o automation and investment.

2. Providing specialized staff and training of the necessary skills

Ensuring the staffing needs

During the year 2017, 120 persons were employed, namely:

- 47 employees with higher education, 21 of which for the development of research teams, portfolio management, production, engineering and 26 for completing vacancies;

MANAGEMENT REPORT 2017

- 73 with secondary education of which 8 for the development of production and engineering teams and 65 for filling vacancies.

The staffing has been accomplished both through the specific recruitment and selection stages, as well as through specific projects of attraction and selection.

“Perform a+”, 2nd Edition

The project aims to select, attract and develop pharmacists (residents and final year students), physicians (residents and final year students), biologists (final year students), chemists (final year students) for specific activities within the Medical Unit, a the creation of a long-term communication and collaboration platform with the “Gr.T.Popa” University of Medicine and Pharmacy of Iasi, the „Al.I.Cuza” University of Iasi and „Gh. Asachi” Technical University of Iasi in order to train and attract specialized staff.

The „Perform a+” project continued this year also in the Medical Unit through the collaboration with the Faculty of Pharmacy in Iasi for the selection of graduates for Pharmaceutical Development, with a program of theoretical and practical activities carried out through mentors appointed amongst the employees of the Company; 6 of the graduates were attracted during the year 2017 through this project.

„Summer School a+” 8th Edition

The external component of this project is aimed at training specialists in the fields of pharmacy, biology, chemistry, chemical engineering for selection in order to fill vacant positions in Pharmaceutical Development, Quality Assurance, Quality Control and Production structures by familiarizing candidates with the work environment, the concepts and regulations in the pharmaceutical industry.

Through this well-known project in the academic environment of the city of Iasi and among the final years students of the Iasi universities, a number of 30 participants benefited from the training of our Company’s specialists during the period July - August. The themes approached during the „Summer School a+” classes dealt with quality assurance in a pharmaceutical company, pharmacovigilance, Regulatory Affairs, specific laboratory techniques in Quality Control, pharmaceutical research and formulation, technology and equipment in the pharmaceutical industry and the program was completed with the testing the acquired knowledge and enrolling graduates in the database for future selections.

To date, a total of 36 participants have been hired during the past 8 „Summer School a+” editions.

Partnerships with pre-university education institutions

Also, within the partnerships established with the „Petru Poni” Technological High School of Iasi and the Technological High School of Mechatronics and Automatizations for the school year 2016 - 2017, 60 pupils from the 11th grade 12th, specialized as laboratory chemist/chemist operator in the medicine and cosmetics industry and mechatronist/electromechanical technician have undergone internships in our Company.

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The program aims at building practical skills and enhancing the students' knowledge in order to attract staff to replace the employees facing retirement opportunities.

Under the „A different school” program, Antibiotice received more than 450 students from the pre-university education institutions in Iasi to make them familiar with the history and the way of working of one of the most famous landmarks of the industry in the Iasi area.

3. Carrying out of professional skills training programs

In order to achieve professional performance - the prerequisite for increasing the competitiveness and quality of our business, our concerns are reflected in human resource development projects with training programs in each unit, according to the needs identified for each organizational structure and in close correlation with the community legislative changes applicable and the domestic law.

In addition to the internal lecture programs set for each structure according to the specifics of the activity, Antibiotice organizes for its employees continuous training programs with external lecturers according to the Annual Training Plan approved and budgeted for the current year.

During 2017 a number of 580 employees followed scheduled training sessions, by specialization fields.

In 2017, the number of training hours per employee was 36.26 compared to 35 hours per employee as previously planned.

The training was structured as follows:

- 4 themes for the sales staff in the domestic market;
- 6 themes for the quality and research specialists;
- 3 themes for the automation specialists;
- 2 themes for the production specialists;
- 3 themes for the legal advisers.

The internal component of the “Summer school a+” program provided for the employees this year offered also at its eighth edition, the possibility for 244 employees to benefit from training aiming at developing specialized skills in the fields of quality assurance, laboratory techniques, engineering, new requirements in validating manufacturing processes and equipment re-qualification, as well as organizational development through human resource management, conflict management, talent management and employer branding.

A new group of junior managers attended an extended module during 8 training sessions called „Initial Training of Managers” which provided them with the main notions about the team organization and coordination, achievement of results, behavior and team communication with young colleagues who have not undergone management training during their academic education.

4. Increasing the degree of awareness of employees as well as their involvement in all organizational structures

Setting the 2017 targets for MBO staff

Based on the approved indicators in the Income and Expense Budget for 2017 and starting from the company's Business Plan for 2017 - 2020, the annual general objectives were set, which set the tone for the specific objectives for each activity for the employees included in the MBO system.

These objectives are set in accordance with the company's overall mission and objectives and involve employees' motivation and involvement to achieve them through a focused and well-coordinated effort.

Once established and assumed, the objectives were transposed into addenda to individual labor contracts for a number of 321 employees involved in this system.

Annual Performance of Individual Performance

According to the internal procedure, the process of evaluating the performance of employees in the activity carried out in 2016 was done on the basis of the evaluation forms. Employees on all hierarchical levels are included in the evaluation process, the assessment being differentiated as follows:

- *The assessment of management personnel (managers)* - takes into account both the assessment made by the hierarchical superiors according to the way of planning and administration of the subordinate personnel, the decision making and implementation of these decisions, the assumption of the responsibility of these decisions, the identification and prioritization of activities, balanced assignment of tasks, training and evaluation of subordinate staff, creating a favorable working climate, efficient use of assigned resources and budgeting, activity control, identification and correction of deficiencies, compliance with procedures and regulations, preoccupation to improve the activity and performances of the managed structure as well as the evaluation made by the subordinates.

- *The execution staff* was assessed according to the quantitative and qualitative criteria related to: the degree of achievement and the level of the quality of the assigned works, the compliance with the consumption and budget norms, the compliance with the established execution deadlines, the results obtained at the evaluation of the professional trainings, compliance with discipline and internal regulations, team spirit, improvement of activity proposals and involvement in the implementation of improvement solutions.

The report and analysis of the evaluation results were presented to the company's

MANAGEMENT REPORT 2017

management for validation and underpinned the application of the motivational principles in the salary negotiation process.

The staff motivation strategy

A Program to increase the attractiveness of the company was initiated, in view of the attraction and retention of staff that will actually take place in the year 2018 by establishing specific objectives in the human resources activity:

- Establishment of a salary study that is based on the foundation of the salary system for the positions in the organizational structure of the society based on analyzes of the current salary system compared to the levels of similar positions on the labor market and the hierarchy of posts on the basis of their complexity.

- Dynamization and diversification of collaborative projects with university and pre-university education institutions for the attraction and training of graduates with the necessary qualifications established by the Human Resources Plan.

ASPECTS ON DIVERSITY

Ensuring a favorable work environment and an organizational culture geared towards innovation and performance

The employees' representatives together with the management of the company identify the best solutions in order to maintain a beneficial climate for the professional activities.

Antibiotice applies ethical standards based on principles of honesty, integrity, fairness and transparency and focuses equally on all stakeholders, employees, business partners, authorities, society and the community in general.

Antibiotice increased the number of women employed each year, providing equal opportunities for personal development, so that 54.75% of all employees are women.

In our company there is a balanced distribution of employees according to gender and age:

Age interval	20 y.o.	20-30	30-40	40-50	50-55	over 55	Total (%)
Women (%)	0.07	4.25	12.96	22.95	7.44	7.08	54.75
Men (%)	0.14	3.82	9.07	18.06	5.74	8.43	45.25
Total (%)	0.21	8.07	22.03	41.01	13.18	15.51	100

From the confessional point of view, our employees are 96% of Orthodox and 4% Catholic, a proportion that respects the confessional structure at national level. This feature, as well as those related to gender, age, nationality or the presence of disabilities, are not limiting hiring criteria. 9 of our employees are people with disabilities and benefit from legal provisions but also from fair and non-discriminatory treatment at the workplace.

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Dialogue with the co-interested groups is important for everything that our social responsibility policy means. Therefore, we are always looking for opportunities for dialogue with our employees, shareholders, our business partners, local communities and pharmaceutical industry organizations to see how we can work together and how we can improve our performance.

Through collective negotiation within the company, the clauses of the Collective Labor Agreement are set at the company level, thus guaranteeing employees protection of work, social protection, as well as providing additional facilities for training and professional development.

Occupational health and safety

At the end of 2017, LRQA reconfirmed and certified the compliance of the Occupational Health and Safety Management System with the 18001 international standard, integrated with the quality and environmental management systems. In order to reduce occupational risks and continuous improvement, the implementation of measures to ensure:

- Reducing the physical effort by completing the endowments of the Biosynthesis Plant with electrical transport/lifting equipment
- Reducing exposure to chemical agents by ensuring the storage of chemical reagents in the Medical Unit's laboratories in reagent cabinets with vapor filtration system and the purchase of a chemical niche for granulometric determinations.

Staff awareness and awareness of our current concerns in the field of health and safety at work:

- promoting sustainable work and healthy aging from the very beginning of professional life;
- prevention of health problems during professional life.

Maintaining and developing an effective Occupational Health and Safety Management System is the guarantee for:

- Creating a unique and coherent framework for the elimination of hazards and risks related to work
- Making a more effective control over the risk factors of injury and/or occupational disease;
- Improving the working environment and interpersonal relationships at the workplace
- Getting better performance from employees;
- Awareness of the staff about the value the organization gives to its human capital

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V. Quality management for compliance with legal, national and international requirements, specific to pharma industry.

Certified Quality

Increasing confidence in the quality, efficiency and safety of the company's products is achieved day by day by keeping under control and improving the Integrated Management System, attested by the results obtained following the following inspections / audits in 2017.

1. Inspections conducted by the authorities

1.1. During 06-14.03.2017, the US FDA inspection was carried out to assess the compliance of cGMP with the Quality Management System of Antibiotice SA and the production of penicillin parenteral products (powder for injection) and the production flow of Nystatin. At the end of the inspection, Form 483 with 5 comments was issued and the CAPA Plan was sent. Subsequently, after evaluating the proposed corrective measures, the US FDA issued the EIR mentioning that it considered the inspection closed, and the result was favorable.

1.2. On 24-27.04.2017 an ANMDM inspection was carried out to assess the GMP compliance of the Quality Management System of Antibiotice and the manufacturing lines of capsules, tablets, semisolids and suppositories, including MIC. Following the receipt of the Deficiency List, the CAPA Plans were submitted, the Production and Import Authorization 30F of 04.08.2017, GMP Certificates no. 040/2017 / RO, respectively no. 041/2017 / RO of 11.08.2017 were issued.

1.3. On 03-04.05.2017 the NAMMD inspection for GLP compliance assessment was carried out in order to recertify the GLP of the Bioanalytical Laboratory and the Clinical Unit. Following the receipt of the Deficiency List, the CAPA Plans (for the clinical phase, respectively for the bioanalytical stage) were submitted, the GLP Certificate no. 49 in 05.07.2017 was issued.

1.4. On 05-06.12.2017, the Iraqi Authority's inspection for GMP compliance assessment of the Quality Management System of Antibiotice SA and the manufacturing lines of penicillin, non-penicillin, cephalosporin capsules, tablets, semisolids and suppositories, parenteral products were carried out.

2. Audits of Certification Bodies

The recertification of ISO 9001 by SRAC for aluminum tubes, polyethylene screw caps and metal caps manufactured in the Microproduction Unit was carried out after the recertification audit from 28-30.06.2017.

Between 13-17.11.2017 the ISO recertification audit was carried out by Lloyd's Register Quality Assurance, according to ISO 9001: 2015 and ISO 14001: 2015 (new standards), respectively according to OHSAS 18001: 2007, and the Audit Report will be sent.

3. Audits from clients (5 audits for Nystatin active substance, 1 final product audit)

4. Audits to 20 suppliers of raw materials / primary packaging materials / finished products

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ENVIRONMENTAL PROTECTION

Responsibility for the environment

The activity of the company in the field of environmental protection is regulated by the Integrated Environmental Authorization no. 1/10.01.2011 issued by the Regional Environmental Protection Agency Bacau (valid until 10.01.2021) and by the Water Management Permit no. 303 / 20.12.2010 issued by the Romanian Waters Administration, the Prut-Barlad Water Basin Administration (valid until 31.12.2020). In order to comply with the legislation in the field of environmental protection, Antibiotice provided the necessary endowments and qualified personnel. The entire activity is regulated by specific procedures of the environmental management system, as well as by operating procedures and working instructions. The monitoring of the environmental factors has been carried out according to the requirements of the Integrated Environmental Authorization, both through its own laboratories and through third party laboratories, authorized by the Romanian Accreditation Association (RENAR).

Specific consumption and use of energy

The activity of the Biosynthesis Plant which produces Nystatin, active substance, enters under the European Integrated Pollution Prevention and Control (IPPC) Directive. At the level of 2017, the Biosynthesis section was included in the planned specific consumption, regarding the quantities of solvents used.

Air quality

In 2017, air quality monitoring was carried out in our own laboratory on emissions / immissions of air pollutants for the indicators: nitrogen oxides, ammonia, suspended particulates and sedimentable powders. There have been no exceedances of the maximum acceptance concentrations provided in the Integrated Environmental Authorization.

Water quality

Water quality monitoring required analyses on the quality of the water entering our water treatment plant and discharged into the municipal sewage system, of conventionally clean water discharged into the natural emissary and underground water. No exceedances of the maximum admissible concentrations established by the Integrated Environmental Authorization, Water Management Permit, and by NTPA 001 and NTPA 002 - 2005 have been recorded.

Waste management

Antibiotice has implemented a selective waste collection system, each production plant and auxiliary plant being equipped with appropriate collection containers. Recyclable waste was redeemed on the basis of contracts with authorized economic operators. Unusable waste was incinerated within our facility or disposed of by landfilling at the municipal landfill.

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The company respects the packaging waste management requirements (corresponding to the quantity of products that Antibiotice has introduced on the Romanian market). The overall objective, as well as the minimum recycling recovery targets, by type of material, set for 2017 (according to Law No. 249 of 2015, with subsequent amendments and completions), have been achieved.

Environmental plans and programs

For the year 2017, the environmental objectives set at the company level were:

- Reduction by 1% of the specific electricity consumption (kw/ Gcal) for the supply of thermal energy (in the form of hot water) from the heating circuit compared
- Increasing the number of EURO 6 equipped vehicles by purchasing a new vehicle, objective proposed in the Investment Plan 2017 and objective achieved..

Prevention and management of emergency situations

At Antibiotice, the prevention of emergency situations and the providing intervention capacity in the event of accidents are ensured through the activity of the services: Emergency Situations, Environmental Protection, Prevention and Protection.

For this purpose, the accident prevention and control plan, the accident prevention policy for the use of hazardous substances (solvents), the fire protection plan (fire prevention and extinguishing), the fire safety scenario, emergency response procedures, emergency preparedness and response capability procedures, authorizations / documents required for all equipment subject to the regulations of the State Inspectorate for Boiler Control, Pressure Vessels and Lifting Installations (ISCIR).

In 2017, six internal alarm drill were performed. During the drill, the response capacities of emergency response teams were tested and evaluated.

Promoting environmental promotion

Through the Environmental Management System, the environmental protection activity of Antibiotice manages the prevention of pollution and the continuous improvement of environmental performance, acting in order to comply with the requirements of environmental legislation.

By getting in January 2011 an Integrated Environmental Authorization, valid for a period of 10 years, Antibiotice proves that it respects environmental requirements, emissions of pollutants to air, water and soil are below the limits stipulated by the applicable rules in the field.

Under the Corporate Responsibility Program "Be Pro Nature. Put Soul! ", In 2017, Earth Hour 2017 took place. Antibiotice participated for the tenth consecutive year at what became the largest environmental campaign of all times. " Earth Hour" was marked by the fact that between 20:30 and 21:30, on March 25, 2017, the external lighting system was switched off on company premises in the areas where it was possible, as a symbolic gesture which calls for responsible resource management.

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Also, through the same program "Be Pro Nature. Put soul!" runs the "School Orchard Project", in which in 2017 were planted five fruit orchards in the surroundings of the company, showing the younger generation respect for environmental protection, and maintaining a healthy lifestyle

External audits

In the year 2017 two external audits were carried out by the environmental protection institutions (National Environmental Guard and Romanian Waters Administration, Prut - Barlad Water Basin Administration), with the observance of the legal requirements in the field, as well as the requirements of regulatory documents held by the company.

Antibiotice is a responsible company involved in sustainable development

Antibiotice believes in the need to support social responsibility projects and is constantly concerned that, through all its activities, it contributes to protecting the environment, improving the life and health of people, creating a climate of trust in the relationships with the stakeholders. Sustainability in business means transparency, ethics, and care for the environment in which the business operates. For this reason, Antibiotice's activities are the result of responsible behavior such as environmental concern, human health, employee development, education, community involvement through social and educational programs.

The objective of Antibiotice is that through social responsibility programs, we become a model of sustainable development, building on the four pillars: health, spirituality, social-cultural - charitable and environmental protection.

Health

Antibiotice contributes through social responsibility programs to improving the health of the population. One of the directions of these programs is the development of campaigns to educate and inform the population about health prevention.

Campaigns on the responsible use of antibiotics

Antibiotice continued in 2017 the events of raising awareness in the population about the correct use of antibiotics. Thus, on 21 March 2017, Antibiotice organized the award ceremony of the project contest for the students of the University of Medicine and Pharmacy Gr. T. Popa Iasi, *Antibiotics - use them with care!* Students enrolled in the contest have made their creativity valuable by implementing integrated communication campaigns, whose message has been on the front line of rational use of antibiotics.

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The "Antibiotics save lives! Use them with care!" Caravan

Between November 18-25, 2017 on the occasion of the European Antibiotic Awareness Day, Antibiotice supported for the third consecutive year the caravan "Antibiotics saves lives! Use them with care!" initiated by the Student Associations of the University of Medicine and Pharmacy Iasi.

The caravan went to the villages of Victoria, Mironeasa and Voinesti and aimed to inform and educate the inhabitants of the countryside about the correct use of antibiotics.

Antibiotice's ethical involvement in bacterial resistance prevention is part of our mission to manufacture medicines responsibly. As a manufacturer, Antibiotice is interested in keeping the value of these medicines, which, judiciously used, save lives. Involvement in such campaigns leads to an increase in the level of knowledge and responsibility of the population in order to preserve the long-term effectiveness of antibiotics.

On this occasion, the Facebook "Science and Health" page was launched to support the educational message of the campaign "Antibiotics save lives! Use them with care!" and to create a community of health professionals, students, general public interested in the topic, who adhere to the educational message and receive correct and consistent information.

The site contains information on abusive use of antibiotics, recommendations for rational use of antibiotics, video support, and various messages of interest to the general public, infographics and animations with essential information about what antibiotics are, how they help us, how they are administered and what their future is.

On 24th March 2017, Antibiotice held the awareness events organized on the occasion of the World Tuberculosis Day by the TB Dispensary of the Iasi Clinical Pneumoftiziolog Hospital, in collaboration with the Iasi Public Health Department and the Grigore T Popa University of Medicine and Pharmacy.

Donate blood! Save a life!

Under the slogan "Donate blood! Save a life!", 51 employees responded on April 10, 2017 to the blood donation campaign organized by the Antibiotice - Science and Soul Foundation, in partnership with Regional Blood Transfusion Center (CRTS) Iasi.

On World Health Day, the company's employees donated 25 liters of blood to help save over 130 lives. The second round of the campaign "Donate blood! Save a life!" took

MANAGEMENT REPORT 2017

place on October 17, 2017, when 60 employees donated 27 liters of blood, giving life to 140 people.

"We Live Healthily in a Healthy Company"

The health of the company's employees is important and for this reason, in 2017, the project "We Live Healthily in a Healthy Company" was initiated, which aims at raising the awareness among the employees of Antibiotice on the fact that good health is maintained by adopting a correct and balanced diet.

Two conferences were organized in November 2017 in collaboration with a nutritionist at the company's headquarters, recommending the employees to adopt a healthy diet and establish the particularities of their food habits.

Education and spirituality

Social responsibility programs for youth education, who, like our employees, can reach career performance and become responsible role models in society, were also carried out in 2017.

"Science and Soul" Scholarships

For 16 years, Antibiotice has joined the "ProRuralis" Association by contributing with Science and Soul scholarships to the education of rural children, children with special skills but without material opportunities, supporting them to continue their studies in high school. The first generation of scholars graduated in 2008. A second generation of scholarship students taken over by the Antibiotice Science and Soul Foundation in 5th grade have graduated in 2017 Garabet Ibraileanu Highschool and are currently students at various faculties in Iasi.

We invest in excellence

In 2017 we continued to invest in excellence by developing educational partnerships designed to support young generation:

- ✓ Annual educational partnership with Iasi School Inspectorate by supporting the "Gala of Excellence in Education", an event attended by both students and teachers for the real recognition of performance and educational partnerships for the national and international school Olympiads with prestigious high schools in Iasi.
- ✓ An educational partnership with the St. Sava Kindergarten in Iasi, in 2017 whose result was a Mini Museum project dedicated to the promotion of authentic Romanian values for the 242 preschool children".

Protecting the environment

Care for protecting the environment is an important direction in the company's social responsibility strategy. Our actions aim to minimize any potential negative impact

MANAGEMENT REPORT 2017

of our activity on the environment by investing in modern manufacturing technologies and in specific environmental protection actions.

The School Orchard Project has taken root in five schools in Iasi

Antibiotice has been involved in the community by developing alongside its employees a social responsibility project for environmental protection. Within this project, the company's employees planted, in two stages, 410 fruit trees at schools in neighboring towns or villages.

Earth Hour

This year as well Antibiotice participated in the Earth Hour action, the largest environmental event of all time, which draws attention to the effects of global warming. On March 25, 2017, Antibiotice symbolically switched off the lights in the company's areas where this was possible.

Be Pro Nature! Put soul!

Antibiotice marked the World Environment Day on May 29, 2017, receiving 60 students from the Valea Lupului High School. The event was aimed at raising awareness for the environment to the young generation, enhancing their concern for protecting and preserving the environment for sustainable development.

Social programs

Beyond its economic performance, Antibiotice, thanks to the "Antibiotice - Science and Soul" Foundation, engages in community life by supporting disadvantaged groups such as children from underprivileged families, elderly people, people in difficulty by developing social programs, some of which have become traditional.

Play, song and joy on Children's Day

It has already become a tradition for Antibiotice to offer a gift to all employees' children on 1st June. Thus, on 6 June 2017, 120 children of Antibiotice employees were invited to the "Garden of Games and Sunshine" event, where they enjoyed educational workshops, theater, dancing, playing and sweet surprises outdoors. Twenty children from the Bogdanesti Placement Center also participated in the event.

The Power of Deed!

On April 12th, the Antibiotice "Science and Soul" Foundation supported 25 disadvantaged families and elderly people in the Petresti village, Golaiesti commune, Iasi county, offering them foods to prepare for the traditional Easter holidays. The village of

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Petresti is a remote place on the banks of the Prut river, this area being one of the most disadvantaged in the country, on the border with the Republic of Moldova.

Antibiotice employees were Santa's elves for 80 children with an underprivileged background.

S.O.C.E.C.C. Bucharest audited the financial statements for 2017 and issued a qualified opinion. The financial statements were submitted in due course to the Management Board for analysis.

The annual financial statements were approved by the Board on March 15, 2018 and will be subsequently submitted for discussion at the General Meeting of Shareholders, which will take place on 26.04.2018. Relationships between management and employees are normal, without the collective actions of contesting the management, there is a permanent dialogue between them and the representatives of the trade union.

In the legal deadline imposed by the Order of the Minister of Public Finance 1938/2016, Antibiotice undertakes to publish a Non-Financial Report which will be made available to the public on the company's website.

Conclusions:

- Net profit amounting of 33.56 million LEI, 10% higher than 2016;
- 12.8% increase in sales on the foreign market;
- the 17.5% increase in sales of non-prescription medicines on the Romanian market;
- 11.5% increase of physical sales compared 2016.

Vicepresident of the Management Board,
Ec. Ioan Nani

Financial Director,
Ec. Paula - Luminita Coman

ANTIBIOTICE S.A.

The financial statements below were drafted
on December 31st 2017

in accordance with the International Financial
adopted by the European Union.

ANTIBIOTICE S.A.
Financial statements for the year ending on
31st December 2017

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ANTIBIOTICE SA
STATEMENT OF THE GLOBAL RESULT
for the year ending on 31 December 2017
(toate sumele sunt exprimate in LEI, daca nu este mentionat altfel)

		Year ending on	
	NOTE	31-Dec-17	31-Dec-16
Sales revenue	4	336.904.666	332.435.059
Other operating revenue	5	37.796.667	20.262.937
Revenue relative to costs for stocks of products		4.235.363	(900.215)
Revenue generated by capitalized activities		1.850.831	2.177.574
	6	(127.072.00	(126.867.84
Expenses with raw materials and consumables		0)	9)
Staff related expenses	7	(85.897.194)	(76.846.812)
Expenditure on amortization and depreciation		(17.098.098)	(18.948.912)
	8	(113.395.17	
Other operating expenses		2)	(91.782.114)
Operating profit		37.325.063	39.529.669
Net financial income	9	4.287	8.134
Financial expenses	9	(1.967.920)	(4.656.157)
Profit before tax		35.361.430	34.881.646
Expenditure with tax on current profit and deferred tax	10	(1.803.076)	(4.510.835)
Profit		33.558.354	30.370.811
Other elements of the global result			
Elements that will not be reclassified:			
Earnings/losses from the revaluation of tangible assets		-	-
Income tax on other elements of the global result (revaluation)		-	-
Other elements of the global result, excluding taxes		-	-
Total global result		-	-
Result per share	11	0.0499	0.0452

Explanatory notes 1 to 28 are an integrating part of the financial statements

Approved by the Board on 15.03.2018
And signed on its behalf by:

Drafted by:

CEO
Ec. Ioan NANI

Financial Director
Ec. Paula COMAN

ANTIBIOTICE SA
STATEMENT OF THE FINANCIAL POSITION
on 31st December 2017
(all amounts are expressed in LEI, if not mentioned otherwise)

	NOTE	31-Dec-17	31-Dec-16
ASSETS			
FIXED ASSETS			
Tangible assets	12	223.242.890	206.702.347
Intangible fixed assets	13	13.107.622	10.139.458
TOTAL ASSETS		236.350.512	216.841.805
CURRENT ASSETS			
Stocks	14	67.264.546	60.195.101
Trade and similar receivables	15	264.212.743	242.456.065
Financial assets for sale		0	0
Cash and cash equivalents	16	5.107.743	13.902.686
TOTAL CURRENT ASSETS		336.585.032	316.553.852
TOTAL ASSETS		572.935.544	533.395.657
LIABILITIES			
CURRENT LIABILITIES			
Commercial and similar debt	17	55.535.974	49.045.370
Amounts owed to banks	18	69.731.310	40.705.967
Debt as taxes and current charges		9.792.887	11.486.302
Short-term provisions	19	-	1.418.895
Subventions for investment	20	326.246	275.047
TOTAL CURRENT LIABILITIES		135.386.417	102.931.581
LONG-TERM DEBT			
Subventions for investment	20	2.498.889	2.639.349
Deferred tax	21	18.172.398	18.758.368
TOTAL LONG-TERM DEBT		20.671.287	21.397.717
TOTAL DEBT		156.057.704	124.329.298

Explanatory notes 1 to 28 are an integrating part of the financial statements

Approved by the Board on 15.03.2018
And signed on its behalf by:

Drafted by:

CEO
Ec. Ioan NANI

Financial Director
Ec. Paula COMAN

ANTIBIOTICE S.A.
STATEMENT OF THE FINANCIAL POSITION (follow-up)
on 31st December 2017
(all amounts are expressed in LEI, if not mentioned otherwise)

	NOTE	31-Dec-17	31-Dec-16
Share capital and reserves			
Share capital	22	264.835.156	264.835.156
Revaluation reserves	23	14.556.141	16.925.870
Legal reserves	23	13.426.761	13.426.761
Other reserves	23	162.134.513	146.528.189
	24	(60.650.699)	(63.020.428)
Reported result		(10.982.386)	-
Current result		33.558.354	30.370.811
TOTAL SHAREHOLDERS' EQUITY		416.877.840	409.066.359
TOTAL EQUITY AND DEBT		572.935.544	533.395.657

Explanatory notes 1 to 28 are an integrating part of the financial statements

Approved by the Board on 15.03.2018
And signed on its behalf by:

Drafted by:

CEO
Ec. Ioan NANI

Financial Director
Ec. Paula COMAN

ANTIBIOTICE S.A.
STATEMENT OF CASH FLOWS

on 31st December 2017

(all amounts are expressed in LEI, if not mentioned otherwise)

	Year ending on	
	31-Dec-17	31-Dec-16
I. Operating cash flow		
Cash collection from sales of goods and provision of services	313.461.633	295.903.157
Cash collection from royalties, fees, charges and other income	(9.827.652)	(3.985.726)
	(169.526.601)	(189.347.963)
Cash payments to suppliers of goods and services)
Cash payments to and on behalf of employees and payRONI expenses	(77.395.419)	(68.264.144)
VAT paid	(2.667.613)	(1.937.385)
Contributions to the Ministry of Health and Ministry of the Environment	(28.427.073)	(20.192.307)
Other taxes, fees and assimilated charges paid	(1.635.017)	(2.366.757)
Operating cash	23.982.258	9.808.875
Interest charged	4.287	8.134
Interest paid	(1.252.021)	(1.014.156)
Income tax paid	(3.328.251)	(5.982.931)
Net cash flows generated by operations	19.406.273	2.819.922
II. Cash flow generated by investments		
Cash payments for purchasing land and fixed assets, intangible assets and long-term assets	(43.312.921)	(17.681.181)
Net investment cash flow	(43.312.921)	(17.681.181)
III. FINANCING CASH FLOW		
Purchasing shares	-	220
Dividends paid	(13.660.457)	(7.433.677)
Net cash flows from financing activities	(13.660.457)	(7.433.457)
Gains/losses from foreign exchange fluctuation	(253.181)	(112.030)
Net increase / (decrease) of cash	(37.820.285)	(22.406.746)
Cash and cash equivalents at the beginning of the interval	(26.803.281)	(4.396.535)
Cash and cash equivalents at the end of the interval	(64.623.567)	(26.803.281)
Cash and cash equivalents at the end of the interval include:		
Accounts at the bank and cash	5.107.743	13.902.686
Credit lines	(69.731.310)	(40.705.967)
	(64.623.567)	(26.803.281)

Explanatory notes 1 to 28 are an integrating part of the financial statements

Approved by the Board on 15.03.2018

And signed on its behalf by:

Drafted by:

CEO
Ec. Ioan NANI

Financial Director
Ec. Paula COMAN

ANTIBIOTICE S.A.
STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY
for year ending December 31st, 2017
(all amounts expressed in RON, if not mentioned otherwise)

	Subscribed capital	Adjustments regarding capital	Reserves	Other reserves	Current and reported result	Result from revaluation reserves	Profit distribution	Revaluation reserves	Result following applying IAS/IFRS for the first time	Result following applying IAS 29 for the first time	TOTAL
31-Dec-16	67.133.804	197.701.352	13.426.761	146.528.189	30.370.811	7.901.456	0	16.925.870	126.779.469	(197.701.352)	409.066.360
Current global result	-	-	-	-	33.558.354		-	-	-	-	33.558.354
Deferred tax relative to revaluation differences	-	-	-	-	-		-	-	-	-	-
Revaluation reserve	-	-	-	-	-		-	-	-	-	-
Transfer to result reported from revaluation reserves	-	-	-	-	-	3.800.866		(2.369.729)	-	-	1.431.137
Total other elements of the global result	-	-	-	-	-	11.702.322	-	14.556.141	-	-	-
Distribution of legal reserve	-	-	-	-			-	-	-	-	-
Distribution of other reserves	-	-	-	4.623.938	(4.623.938)		-	-	(1.431.137)	-	(1.431.137)
Dividends	-	-	-	-	(25.746.873)		-	-	-	-	(25.746.873)
Result following error correction	-	-	-	-	-		-	-	-	-	-
Profit distribution				10.982.386			(10.982.386)				
31-Dec-17	67.133.804	197.701.352	13.426.761	162.134.513	33.558.354	11.702.322	(10.982.386)	14.556.141	125.348.331	(197.701.352)	416.877.840

Explanatory notes 1 to 28 are an integrating part of the financial statements

ANTIBIOTICE S.A.
STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY
for year ending December 31st, 2017
(all amounts expressed in RON, if not mentioned otherwise)

	Subscribed capital	Adjustments regarding capital	Reserves	Other reserves	Current and reported result	Result from revaluation reserves	Profit distribution	Revaluation reserves	Result following applying IAS/IFRS for the first time	Result following applying IAS 29 for the first time	TOTAL
31-Dec-15	67.133.804	197.701.352	13.426.761	133.303.701	27.178.823	4.918.170	0	19.909.156	126.779.469	(197.701.352)	392.649.884
Current global result	-	-	-	-	30.370.811		-	-	-	-	30.370.811
Deferred tax relative to revaluation differences	-	-	-	-	-		-	-	-	-	-
Revaluation reserve	-	-	-	-	-		-	-	-	-	-
Transfer to result reported from revaluation reserves	-	-	-	-	-	2.983.286		(2.983.286)	-	-	-
Total other elements of the global result	-	-	-	-	-	7.901.456	-	16.925.870	-	-	-
Distribution of legal reserve	-	-	-	-			-	-	-	-	-
Distribution of other reserves	-	-	-	13.224.488	(13.224.488)		-	-	-	-	-
Dividends	-	-	-	-	(13.954.335)		-	-	-	-	(13.954.335)
Result following error correction	-	-	-	-	-		-	-	-	-	-
31-Dec-16	67.133.804	197.701.352	13.426.761	146.528.189	30.370.811	7.901.456	0	16.925.870	126.779.469	(197.701.352)	409.066.360

Explanatory notes 1 to 28 are an integrating part of the financial statements

ANTIBIOTICE S.A.
NOTES TO FINANCIAL STATEMENTS

for the year ending on 31st December 2017
(all amounts are expressed in LEI, if not mentioned otherwise)

1. GENERAL INFORMATION

1.1 Brief company profile

Antibiotice is a joint-stock company based in Iasi, Valea Lupului street no. 1, tax registration code RO 1973096. Antibiotice was founded in 1955 as per Law 15 / 1990 and Government Decision no. 1200/ 12.11.1990 and is traded on the regulated capital market of the Bucharest Stock Exchange.

Our company's 8 manufacturing lines, upgraded and certified according to Good Manufacturing Practice (GMP) standards produce medicinal products in 5 dosage forms: powders for injectable solutions and suspensions (penicillins), capsules, tablets, suppositories and topical preparations (ointments, gels, creams). Together they form a comprehensive portfolio of more than 153 drugs for human use, designed to treat a wide range of infectious, dermatological, cardiovascular, digestive tract diseases or diseases related to the musculoskeletal system.

All production capacities are located on the premises of Antibiotice. The company has ownership rights on all assets recorded in the accounting system.

1.2 Corporate Governance structures

Structures underlying the governance system at Antibiotice:

- The Management Board
- the Advisory Boards
- the Executive Management
- the Code of Ethics
- the Code of corporate governance

Management Board

Antibiotice is administered by a Management Board responsible for fulfilling all the tasks necessary to achieve the objective 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 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 shareholders. The duties of the Board 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 2017, the Management Board gathered in 11 meetings and adopted decisions which allowed to perform their duties in an effective and efficient manner. Thus, on the monthly meetings the Board has discussed in detail 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 Board 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

ANTIBIOTICE S.A.
NOTES TO FINANCIAL STATEMENTS

for the year ending on 31st December 2017
(all amounts are expressed in LEI, if not mentioned otherwise)

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 publication and submission to the Bucharest Stock Exchange and the Financial Supervisory Authority following each time the Financial Communication Calendar.

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

The structure of the Management Board of Antibiotice on December 31st 2017

Legal counselor Iavor Ionut Sebastian, 42

Chairman of the Board and representative of the Ministry of Health

At the Ordinary General Meeting of Shareholders (OGMS) of April 30th, 2015 Mr. Iavor was elected on the Board and then appointed Chairman of the Board.

Currently Mr Iavor Ionut Sebastian is General Manager within the Ministry of Health

Antibiotice shares - 0*

Ec. Ioan NANI, 58

Vice Chairman of the Management Board and CEO

At the OGMS on April 19th, 2016, he was reconfirmed on the Management Board for four years. Mr. Nani was later appointed Vice-President by the members of the Board (2009) and CEO (1998 - 2008 and 2009 - present).

He is an economist specialized in management and chartered accountant, he is a member of the Management Board since 2009 and General Manager (1998 - 2008 si 2009 – to date).

Antibiotice shares - 1.513*

Dr. Adela-Petrinia NEAGOE, 59

Member of the Board and representative of the Ministry of Health

At the OGMS of March 20th 2014, she was appointed on the Management Board for four years. Mrs. Neagoe is a Doctor in medical sciences, a primary doctor specialized of pediatrics, a primary doctor in Public Health and Health Management. Mrs. Neagoe is a member of the Board since March 20, 2014 and governmental inspector within the Ministry of Health.

Antibiotice shares - 0*

Ec. Nicolae STOIAN, 61

Member of the Board and representative of SIF Oltenia and other legal persons

At the OGMS on April 19th, 2016, he was appointed on the Management Board for four years. Chartered accountant, tax consultant and auditor, representative of the Internal Control Dept. of SIF Oltenia.

Antibiotice shares - 0*

Eng. Elena CALITOIU, 55

Member of the Board and representative of SIF 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.

ANTIBIOTICE S.A.
NOTES TO FINANCIAL STATEMENTS

for the year ending on 31st December 2017
(all amounts are expressed in LEI, if not mentioned otherwise)

Antibiotice shares - 0*

Advisory committees

During 2017, 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-Petria NEAGOE
- *the Trade Policies Committee*: Mr. Ionuț Sebastian IAVOR and Mr. Nicolae STOIAN.

The advisory committees have conducted investigations, have analyzed and developed recommendations for the Board in specific areas and submitted periodic reports on their activity.

The Audit Committee gathered in 5 meetings with the following objectives:

- Examining and verifying the fairness of the annual and interim consolidated financial statements of the company and any other financial reporting, before being forwarded to the Board for approval;
- analyzing and recommending to the Board the appointment, reappointment or revocation of external auditors;
- Periodic evaluation of the external auditor's efficiency, independence and objectivity and monitoring of the relationship with the auditor;
- proposals for specific areas where additional audits may be required by the external auditor;
- analyzing and endorsing the tasks of the Internal Audit Bureau and monitoring the activity to ensure that it acts objectively and independently.

Risk management

Risk management continuously evaluates the risks to which the company's activity is or may be exposed, which may affect the achievement of the objectives. They aim to achieve the predicted indicators under controlled risk conditions that ensure both the continuity of the activity and the protection of the interests of shareholders and clients.

The primary purpose of risk management is to help understand and identify the risks to which the organization is exposed, so that they can be anticipated and managed without adversely affecting the organization's goals.

The risk management process ensures the identification, analysis, assessment and management of all the risks in order to minimize their effects. Managing and reducing the identified and assessed risks take place at all the organizational levels of the company.

The main categories of risks which may arise in our company's activity are financial, economic, technological, marketing, image-related and legislative.

The company is exposed to the following risks:

- Liquidity risk
- Currency exchange risk
- Commercial risk (lack of payment)

ANTIBIOTICE S.A.
NOTES TO FINANCIAL STATEMENTS

for the year ending on 31st December 2017

(all amounts are expressed in LEI, if not mentioned otherwise)

Liquidity risk arises from the failure of the company to honour at any time the short-term payment obligations.

Circumstances for occurring the liquidity risk: collection of receivables at maturity dates exceeding 300 days; lack of predictability (clawback tax); insolvency of some customers; increase in utility, raw material and services prices.

The company's policy on liquidity management is to maintain, to the extent it is possible, sufficient liquid resources to honor the obligations as they mature.

For risk control the expected cash inflows from the collection of commercial receivables, as well as the expected cash outflows for the payment of commercial debts and other debts, covering the gap between receipts and payments from credits are monitored; negotiations with suppliers on the extension of payment terms.

Currency risk, a component of the financial risks, occurs frequently in the current conditions of the market economy in which monetary rates fluctuate under the rule of supply and demand.

Exchange rate fluctuations are reflected both in the costs of imported raw materials and in the selling prices of finished products for export.

During 2017 there were periods with a higher volatility, with depreciation intervals of the RON amid domestic and international events.

Since the beginning of the year, the national currency has depreciated by 2.56% against the EUR and appreciated by 9.9% against the USD, which in August has fallen below the 4 lei threshold. Therefore, in 2017, the exchange rate earnings amounted to 4,786,767 lei, while the expenditures amounted to 8,047,855 lei. The general impact of exchange rate differences generates a loss of 3,261,088 lei.

Commercial risk (non-payment risk)

Commercial risk is defined as the risk which results in financial loss or in failures in expected profit due to lack of financial liquidities of the debtor and to failure to pay the obligations when they are due.

Circumstances of occurring the **non-payment risk**: exposure on main distributors, long terms of payment, insolvency of some pharmacies and distributors.

The following measures were taken to minimise this risk: assessing the creditworthiness of commercial partners through a full check, before concluding the contract; developing a relationship of loyalty with the clients through regular meetings for knowing them and for approaching a constructive attitude; concluding some protocols for scheduling the payments; requesting warranty (mortgage, bank-guarantee contracts); ending deliveries until payment is made; establishing provisions for covering the non-payment risk.

Image risk is defined as the current or future negative risk on profits and capital caused by unfavorable perceptions of the company's image.

In order to effectively manage the events that may give rise to the image risk, the following measures are considered: monitoring the image of the company in the media in order to identify information that could generate image risks; periodical appearances in mass-media with positive information; transparency and good relationship with the press; controlling the risks that may affect the image of the company.

The company also carries out permanent surveillance of operational risks in order to take measures to maintain it at an acceptable level that does not threaten its financial stability, the interests of creditors, shareholders, employees, partners. Legislative changes aimed at the

ANTIBIOTICE S.A.
NOTES TO FINANCIAL STATEMENTS

for the year ending on 31st December 2017

(all amounts are expressed in LEI, if not mentioned otherwise)

pharmaceutical market lead to the emergence of legislative risk, which must be managed continuously.

The pharmaceutical market is a regulated market, with clear legislative provisions, designed to control the quality and therapeutic efficiency of medicines present on the market, as well as to avoid counterfeiting.

Adaptation to these provisions is reflected in additional costs related to updating the documentation of compliance with the latest quality standards, in terms of the impact on the maximum sales prices, as well as on the delays in the marketing of the products. The company's strategy for managing these risks involves a permanent concern for obtaining international certifications of manufacturing flows, updating the authorization documentation for portfolio products, undertaking bioequivalence and stability studies, and continually pursuing international legislative changes.

In the risk assessment process, **there were also identified a number of risks that can not be controlled**, namely

- the risk of natural disasters (earthquakes, floods, fires, etc.);
- the risk of wars or interethnic conflicts;
- the risk of economic instability;
- the risk of social instability (strikes, labor conflicts, etc.);
- the risk of legislative instability;
- the risk of leakage of classified information.

The company will apply all the measures available to it to mitigate these risks through specific measures:

- Exit Plan in case of emergency;
- Plan of interventions in case of natural disasters (earthquakes, floods);
- Fire Intervention Plan;
- Accident prevention policy involving dangerous substances (acetone, methanol);
- Prevention of leakage of classified information.

All these plans are designed to protect employees, goods and the environment. Reducing the risk of legislative instability will be achieved by continually adapting policies, rules and procedures to changes.

INTERNAL CONTROL

The specialized internal control activities provided by the legislation in force are carried out within the Internal Audit Office. These are: internal audit, financial management control, management control and are conducted in a methodological and procedural framework regulated by laws, norms and codes of professional conduct specific to each activity.

The way of setting and achieving the objectives of the Internal Audit Office, the findings and recommendations resulting from all the internal control actions, were submitted quarterly to the Audit Committee in the Administrative Board, for the assessment of the activity and the internal control exercised in the company.

The internal audit activity is organized and carried out in accordance with the provisions of:

- Law no. 672/2002 on public internal audit;
- The own methodological norms, issued on the basis of G.D. no. 1086/2013, approving the General Norms for the exercise of public internal audit;
- Order of the Public Finance Minister no. 252/2004, the Code of Ethics of the Internal Auditor, as amended and supplemented
- Corporate Governance Code of Antibiotice S.A.

ANTIBIOTICE S.A.
NOTES TO FINANCIAL STATEMENTS

for the year ending on 31st December 2017

(all amounts are expressed in LEI, if not mentioned otherwise)

In the course of 2017, 9 internal audit missions were planned, planned by the Annual Internal Audit Plan, approved by the Audit Committee, extracted from the Multi-annual Audit Plan for 2015-2019. The objectives of the internal audit missions were:

- Examination of compliance with all principles, specific procedural and methodological rules, internal notes and decisions;
- examining how to organize the activity;
- assessment of the management and control system of the activity;
- other objectives specific to the activity of the audited structure.

Internal audit missions assessed the activity of audited structures and found that their management and control systems were transparent, in accordance with the rules of legality, regularity, economy, efficiency and effectiveness, and recommendations were made to improve them. Internal audit activities are carried out systematically and methodically, providing objective assurance and management advice on the level of functionality of the control systems applied to its activities in order to eliminate / mitigate the potential risks that can affect the company objectives.

The activity of financial management control is organized by internal decision, according to art. 3 section 5 letters a) -e) of Government Emergency Ordinance no. 94/2011, regarding the organization and functioning of the economic-financial inspection and of the Methodological Norms of the Decision no. 1151/2012, on the organization and exercise of financial management control.

Financial management control was carried out on the basis of the Control Plan for 2017, approved by the company's general manager. Six control actions were performed and their objectives were:

- verification of compliance with the legal provisions regarding the execution of the income and expenditure budget;
- verifying compliance with legal provisions in substantiating the draft income and expenditure budget of the company for the year 2017;
- verification of the legal provisions and the internal regulations regarding the annual inventory of assets such as assets, debts and equity, as of 31.12.2016;
- verification of the observance of the legal provisions and the internal regulations regarding the collection and payments in lei and foreign currency, of any kind, in cash or by transfer;
- verification of the observance of the legal provisions and of the internal regulations regarding the preparation, circulation, keeping and archiving of the primary, accounting and technical-operative documents.

As a result of the financial control actions, control reports were drawn up, according to the established objectives, in which are presented findings and proposed measures for improvement of the verified activities. The control reports issued were submitted to the Director General who ordered the implementation of the proposed measures. The controlling activity is organized according to the legal and procedural framework established by:

- Law no. 82/1991 on accounting, republished and updated;
- Law no. 22/1969 on the employment of managers, the establishment of guarantees and the liability for the management of the goods;
- Order of Finance Minister no. 2861 / 09.10.2009 for the approval of the norms regarding the organization and performance of the inventory of elements such as assets, debts and equity;
- Operating Procedures, Internal Notes, Internal Decisions of the Company's Management.

ANTIBIOTICE S.A.
NOTES TO FINANCIAL STATEMENTS

for the year ending on 31st December 2017

(all amounts are expressed in LEI, if not mentioned otherwise)

During the year 2017, a total of 15 inventory actions were carried out regarding: the central warehouses of raw materials, materials and finished products and the management of raw materials and materials within the production units.

The objectives pursued in the controlling activities were: confronting the registered/scriptic stocks with the factual stocks in order to establish possible differences; determining the causes of the differences found; correlating scriptic stocks with factual stocks.

As a result of the verifications carried out, it was found that the legal regulations and the internal decisions regarding the stock management were observed and there is a correlation between the scriptic and factual stocks resulting from their good management.

The minutes of stock inventories have been submitted to the Accounting Office in order for results to be capitalized by the central commission designated for the annual inventory of the patrimony as the preparatory stage of financial reporting.

The internal control structure of Antibiotice, through its missions, ensured that in the financial statements of 2017, the balance sheet items relating to fixed assets, stocks, receivables and debts are presented realistically. The Trade Policy Committee met in two sessions aiming at assessing the commercial activity on the domestic and foreign markets.

The nomination and remuneration committee met in three sessions with the objective of observing the principles and criteria for remuneration, the assessment of the objectives and performance criteria for 2017.

Antibiotice 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 is provided by 10 directors, among which one is CEO and also Vice Chairman of the Board.

Membership of the Executive Management of Antibiotice on December 31, 2017

Ec. Ioan NANI, 58

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 director 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 June of the same year he became CEO of Antibiotice. Mr. Nani has been CEO since 2009.

Antibiotice shares– 1.513*

Ing. Cornelia MORARU, 52

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 Fălțiceni 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

ANTIBIOTICE S.A.
NOTES TO FINANCIAL STATEMENTS

for the year ending on 31st December 2017

(all amounts are expressed in LEI, if not mentioned otherwise)

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.

Antibiotice shares - 1.513*

Ec. Paula Luminita COMAN, 50

Financial 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 Financial Director since 2011.

Antibiotice shares - 0*

Ec. Vasile CHEBAC, 63

Commercial and Logistics Director

Mr. Chebac has graduated from the Faculty of Economics, 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.

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

Antibiotice shares - 0*

Eng. Eugen Florin OSADET, 62

Director de specialitate Directia Inginerie si Investitii

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.

Antibiotice shares – 1.511*

Eng. Cristina Lavinia DIMITRIU, 60

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

ANTIBIOTICE S.A.
NOTES TO FINANCIAL STATEMENTS

for the year ending on 31st December 2017

(all amounts are expressed in LEI, if not mentioned otherwise)

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.

Antibiotice shares – 0*

Ec. Gica RUSU, 54

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.

Antibiotice shares - 1.510*

Ec. Ovidiu BATAGA, 40

Domestic Sales and Marketing Director

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

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

Antibiotice shares – 0*

Dr. Mihaela MOSNEGUTU, 48

Medical Unit 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 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

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Medical and Retail Promotion Manager.

Dr. Moşneguţu has been Medical Director since 2011.

Antibiotic shares– 0*

Ec. Mihai STOIAN, 42

Director de specialitate Directia Afaceri Internationale

A Graduate of the Faculty of Economic Sciences at the "Alexandru Ioan Cuza" University of Iaşi, 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.

Antibiotic shares– 0*

** The number of Antibiotice (ATB) shares held on September 11, 2017, according to Antibiotice's latest data base for 2017.*

The Code of Ethics

The Code of Ethics of Antibiotice 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. Our values and ethics are references for corporate culture.

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)).

Corporate Governance Code

The Corporate Governance Code of Antibiotice has taken over the principles and recommendations of the Bucharest Stock Exchange and set up the tool by which Antibiotice implements these principles and recommendations by following the rules of corporate governance.

The purpose of the Corporate Governance Code is to create the necessary framework for establishing strong relationships with the shareholders of the company and other stakeholders, as well as effective and transparent communication based on trust. The Corporate Governance Code of Antibiotice SA is structured in four chapters:

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Chapter I - Responsibilities of the Management Board

Chapter II - Risk Management and Internal Control System

Chapter III - Fair reward and motivation

Chapter IV - Investor Relations

It also has two annexes, namely:

Annex I - The Regulations of the Board

Annex II - Regulation for the evaluation of the administrators of Antibiotice SA

In Chapter I - Responsibilities of the Management Board, the RONE of this body is defined, as well as the guidelines for the competence, experience, knowledge and independence of its members, which allow them to effectively fulfill their specific duties and responsibilities.

In Chapter II - The Risk Management and Internal Control System, it is shown that the activity of the company is subject to supervision exercised by certain risk management and internal control systems set up for this purpose. Internal audits are also organized to independently and periodically assess the safety and effectiveness of risk management and internal control systems.

Chapter III – Fair reward and motivation, sets out the general principles and conditions that represent the basis of the method for setting the remuneration level of the members of the Board and the management of the company.

Chapter IV- Investor Relations, states that Antibiotics must make constant efforts to provide shareholders with up-to-date information on events of interest to them (eg general shareholders' meetings, dividend payments, etc.)

In conclusion, the Corporate Governance Code of Antibiotice SA and its annexes outline the general framework on the basis of which the Board of Directors operates, in accordance with the rules and principles of corporate governance established by the Bucharest Stock Exchange in order to create a market for attractive capital, based on 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 RONE 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. Within the company there is a structure specialized in the relation to existing and potential investors called *Investor Relations*, whose main RONE 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

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and develops an appropriate policy to promote effective communication with both investors and shareholders.

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.

During the year 2017, the Board convened three Ordinary General Meetings of Shareholders on **6 April 2017**, **28 June 2017** and **20 September 2017** and one Extraordinary General Meetings of Shareholders, on **April 6, 2017**.

The Ordinary Shareholders' General Meeting dated **6 April 2017** the financial results of the company for the year 2016 were approved, results that 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 complying with the international financial reporting standards applicable to companies whose securities are admitted to trading on a regulated market, Order of the Minister of Public Finance no. 1690/2012 regarding the modification and completion of certain accounting regulations, the Order of the Minister of Public Finance no.123/ 2016 on the main aspects regarding the drawing up and filing of the annual financial statements and of the annual accounting reports of the economic operators to the territorial units of the Ministry of Public Finance.

Within the same meeting the following decisions were taken:

- Approving the distribution of the net profit for the year 2016 worth 30,370,811 lei, fixing the gross dividend of 0.03835158 lei per share and establishing the beginning of payment of dividends on 15.09.2017.
- Approval to record the unsolicited and non-claimed dividends, related to 2012 as income;
- Approval of the discharge of the administrators for the activity carried out in the financial year 2016 on the basis of the submitted reports;
- Approval of the Income and Expense Budget for 2017;
- Approval of the achievement of the objectives and performance criteria for the year 2016 for the members of the Board of Directors;
- Approval of objectives set in the administration members for members of the Management Board on 2017;

The Extraordinary General Meeting of Shareholders approved:

- the extension by 12 months of the validity period of the multicurrency multiproduct loan amounting to 30 million RON borrowed by Antibiotice from the Export Import Bank of Romania-Eximbank SA, is approved.
- the extension guarantees relative to the multicurrency multiproduct loan amounting to 30 million RON throughout the entire validity according to 1 on the agenda;
- to issue a decision-commitment of Antibiotice not to divide itself, not to merge and not to decide the anticipated dissolution throughout the entire validity period of the multicurrency multi-product loan and guarantee without prior consent of Eximbank SA.

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- the empowering the General Manager Mr. Ioan NANI and Financial Director Ms. Paula COMAN to sign on behalf of the company all documents related to the credit facility extension, under items 1 and 2 of the agenda, as well as documents related to obligations assumed by the company in accordance with item 3 on the agenda is approved.
- amending, updating certain clauses from the Articles of Incorporation.
- establishing Antibiotice area office in Vietnam, in the Sannam building located on Duy Tan 78, Dich Vong Hau Ward, sector Cau Giay, Hanoi.

On **28 June 2017** was held the OGMS, which approved the following:

- the financial audit contract with SOCECC S.R.L. Bucuresti, an expertise and accounting consultancy firm for 3 years;
- the remuneration of the members of the Board is approved in accordance with the provisions of Government Emergency Ordinance no. 109/2011 on Corporate Governance of public enterprises.
- the company's the accession to the Romanian Association of Prescription Drugs, Food Supplements and Medical Devices Manufacturers – RASCI is approved;
- the approval of participation of Antibiotice as a founding member in the establishment of the PATRONATE OF INDUSTRIAL MEDICINES PRODUCERS IN ROMANIA – PRIMER is approved;

The General Meeting of Shareholders dated **20 September 2017** approved the financial statements for the first semester 2017 based on the Administrator's Report and financial audit report.

I. Investors (as per the Shareholders Register on 11.09.2017)

- The Ministry of Health (*) - 53,0173%,
- S.I.F. Oltenia(*) - 14,3344%
- Broadhurst Investments Limited - 4,1977%
- S.I.F. Transilvania – 3,2677%
- Pension Fund AZT Viitorul Tau/Allianz – 2,1711%
- S.I.F. Banat-Crisana S.A – 2,1104%
- Metropolitan Life privately managed pension Fund– 1,5116%
- Polunin Discovery Funds – Frontier Markets Fund – 0,8377%
- A-Invest – 0,6915%
- ARIPI/GENERALI S.A.F.P.P. Privately managed pension Fund – 0,6782%
- Other individuals and legal entities – 17,1824%.

During 2017, dividends were paid for the financial years 2013, 2014, 2015 and 2016 amounting to 23,330,344,89 lei, as follows:

Dividend payment (2013 – 2014 – 2015 -2016)

year	net dividends							Date when payment stops
	Due	Paid				Unclaimed at 31.12.2017		
		lei			% (total paid)			
		Until 31.12.2016	01.01÷31.12 2017	Total		lei	%	
0	1	2	3	4	5	6	7	8
2013	14.753.415	13.485.221,64	8.462	13.493.683,64	91,46	1.259.731,36	8,54	01.11.2017
2014	15.061.293	13.906.537,65	27.731,10	13.934.268,75	92,52	1.127.024,25	7,48	Payment in progress

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2015	13.753.343	12.579.067,01	36.611,78	12.615.678,79	91,73	1.137.664,21	8,27	Payment in progress
2016	25.401.595	-	23.257.540,01	23.257.540,01	91,56	2.144.054,99	8,44	Payment in progress

For 2013, the dividends are distributed directly, from the company's headquarters, by bank transfer and postal order and for 2014, 2015 and 2016, through the Central Depository Bucharest and CEC Bank.

Antibiotice on the securities market

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 the company has consolidated its position on the drugs national market.

Actiunile societății Antibiotice (ATB), tranzactionate la Bursa de Valori din București:

- 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.
- 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 on a durable economic foundation. In 2017, the minimum price per ATB action value was worth 0.5200 lei. The share price rose to a peak of 0.5920 lei/share.

The market capitalization of Antibiotice on December 31, 2017 (the last trading day of the year) was 361, 180 thousand lei.

	2013	2014	2015	2016	2017
Number of shares	671.338.040	671.338.040	671.338.040	671.338.040	671.338.040
Market capitalization (thousand lei)*	374.607	390.719	357.152	349.096	361.180
Market capitalization (thousand euros)*	83.919	87.173	78.868	76.875	77.511
Market capitalization (thousand \$)*	115.413	105.978	86.167	81.123	92.813
Total value traded (million lei)	23	16	11	6	12
No. of traded shares	48.439.486	27.467.454	18.844.935	12.555.866	21.113.565
Opening price (lei/share)	0,3774	0,5520	0,5850	0,5320	0,5200
Maximum price (lei/share)	0,5680	0,6170	0,6170	0,5420	0,5920
Minimum price (lei/share)	0,3700	0,5410	0,5240	0,4200	0,5200
Price at the end of the year (lei/share)	0,5580	0,5850	0,5320	0,5200	0,5380
Average price (lei/share)	0,4692	0,5845	0,5836	0,5032	0,5585
Earnings/share (lei/share)***	0,0467	0,0464	0,0405	0,0452	0,0500
Gross dividend/share (lei/share)**	0,0230	0,0235	0,0197	0,0384	0,02652598

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Dividend yield***	4,12%	4,03%	3,69%	4,05%	4,59%
Dividend distribution rate*****	49%	51%	49%	52%	53%

Antibiotice shares– ATB / Regular Market

* Calculated based on the price per share on the last trading day,

** 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.

Throughout 2017, 21,113,565 shares amounting to 11.8 million lei (2.5 million euro, 2.9 million \$), with an average price of 0.5585 lei/share.

According to Chapter VI, Section 2, Art. 92 – Code B.V.B., *the financial schedule 2017* was as follows:

Events	Date
• Presenting the preliminary financial results 2016:	15.02.2017
• GMS for approving the annual financial results 2016:	06/07.04.2017
• Presentation of the Annual Report 2016:	07.04.2017
• Presentation of the quarterly reports:	
Q I 2017	15.05.2017
Q III 2017	15.11.2017
• Meeting with investors and analysts	18.05.2017
• Presentation of the half-yearly report 2017: <i>Art. 65 (1) din Legea nr. 24/2017</i>	20/21.09.2017
• Meeting with investors and analysts	19.10.2017

2. ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively named "IFRS") issued by the International Accounting Standards Board (IASB) as adopted by the EU. This set of financial statements represents the company's first IFRS financial statements issued for publication.

Separate financial statements have been approved by the Management Board in the meeting on 15.03.2018

The Company's accounting records are expressed in RON in accordance with Romanian Accounting Regulations. These accounts have been restated to reflect the differences between the accounts according to Romanian accounting regulations and those under IFRS.

The principal accounting policies applied in preparing the financial statements are set out below. Policies have been applied consistently to all years presented, unless otherwise noted.

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Preparation of financial statements in accordance with IFRS as adopted require the use of certain critical accounting estimates. It is also necessary, for the company's management to take decisions related to the application of accounting policies. Areas where decisions were taken and significant estimates were made in preparing the financial statements and their effect are shown in the following:

2.2 Bases of assessment

Separate financial statements are prepared using the historical cost convention, amortized except for property and equipment at cost revalued, by using fair value as deemed cost and the items presented at fair value, i.e. financial assets and liabilities at fair value through profit and loss, and financial assets available for sale, except those for which fair value can not be determined reliably.

2.3 Functional currency

The company's management considers that the functional currency, as defined by IAS 21 "Effects of exchange rate variation" is the Romanian leu (RON). Separate financial statements are presented in USD.

Transactions made by the company in a currency other than the functional currency are recorded at the rates in force at the time the transactions occur. Monetary assets and liabilities in foreign currencies are exchanged at rates in effect at the reporting date.

2.4 Crucial accounting estimations and evaluations

As a result of the uncertainties inherent in business activities, many items in financial statements cannot be measured with precision but can only be estimated. Estimation involves judgments based on the latest available reliable information.

The use of reasonable estimates is an essential part of the financial statements and does not undermine their reliability.

An estimate may need revision if changes occur regarding the circumstances on which the estimate was based or as a result of new information or subsequent experiences. By its nature, the revision of an estimate does not relate to prior periods and is not the correction of an error in the current period. If any, effect on future periods is recognized as income or expense in those future periods

The company performs certain estimates and assumptions about the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including forecasting future events that are believed to be reasonable under the circumstances. In the future, concrete experience may differ from these estimates and assumptions. The following are examples of assessment, estimation, assumptions applied in our company:

(a) Evaluation of investments in land and buildings owned

The company obtained evaluations conducted by external evaluators to determine the fair value of its investment property and buildings owned. These assessments are based on assumptions which include future rental income, maintenance costs, anticipated future costs of development and the appropriate discount rate. Evaluators refer to market information related to property transactions with similar prices.

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(b) *Adjustments for impairment of receivables*

Assessment for impairment of receivables is performed individually and is based on the management's best estimate of the present value of cash flows that are expected to be received. To estimate these flows, management makes certain estimates on the financial situation of the partners. Each impaired asset is analyzed individually. Precision in adjustments depends on estimates of future cash flows.

(a) *Legal proceedings*

The company reviews its backlog of unsettled legal cases following developments in legal proceedings and the existing situation at each reporting date, to assess the provisions and disclosures in its financial statements. Among the factors considered in decisions related to provisions we mention: the nature of litigation or claims and the potential of damage in the jurisdiction which settles the dispute, the progress of the case (including progress after the date of financial statements but before those statements are issued), opinions of legal advisors, experience in similar cases and any decision by the Company's management related to how you respond to the dispute, claim or assessment.

(b) *Estimates of expenditure accounting*

There are situations in which goals until the closing of tax years or up to the closing date of a financial year do not know the exact values of certain expenses incurred by the company (eg, marketing campaigns, sales promotion and incentive product sales). For this category of spending will make preliminary expenses, which will be corrected in future periods when it will produce and output of cash flows. Estimates of expenditure for each category of expense will be made by someone with experience in the type of activity that generated the expense.

(c) *Taxation*

The taxation system in Romania is in a phase of consolidation and harmonization with European legislation. However, there are still different interpretations of tax legislation. In some cases, the tax authorities may have different approaches to certain issues, the calculation of additional taxes and penalties for late payment. In Romania, fiscal years remain open for tax verification for 5/7 years. The company's management believes that tax liabilities included in the financial statements are appropriate.

2.5. Presentation of separate Financial Statements

The company has adopted a presentation based on liquidity in the statement of financial position and a statement of income and expenses according to their nature, in the statement of comprehensive income, considering that these methods of presentation provide information that is reliable and more relevant than those that would have presented other methods permitted under IAS 1 "Presentation of financial statements".

2.6 Intangible assets purchased

Evidence of intangible assets is done in accordance with IAS 38 "Intangible assets" and IAS 36 "Impairment of Assets". Externally acquired intangible assets are initially recognized at cost and subsequently amortized linearly over their useful economic usage/usability. Expenses related to the acquisition of patents, copyrights, licenses, trademarks, or plant and other intangible assets recognized in accounting terms, except set-up expenses, goodwill,

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intangible assets with an indefinite shelf-life framed according to accounting regulations, is recovered through depreciation deductions linear over the contract period or duration of use, respectively. Expenses related to the purchase or production software is recovered through linear depreciation deductions over a period of 3 years.

Intangible assets generated by the company (development costs)

Costs of research (or from the research phase of an internal project) are recognized as expenses of the fiscal year to which it relates.

Development costs related to projects for new products are recognized as intangible assets. They consist of: consumption of raw materials, labor costs related to hours worked for each project, other fees associated with the NAMMD as amounts necessary for authorization.

Tangible assets

Tangible assets are tangible items that:

- a) are held for use in the production or supply of goods or services, for rental to other parties or for administrative purposes; and
- b) are expected to be used over several financial years.

Recognition:

The cost of an item of property and equipment should be recognized as an asset if and only if: it generates future economic benefits associated with the asset; the cost of the asset can be measured reliably.

Evaluation post-recognition

After recognition as an asset, an item of property and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

After recognition as an asset, an item of tangible assets whose fair value can be measured reliably is carried at a revalued amount, being its fair value at the date of the revaluation. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period.

The fair value of land and buildings is generally determined based on the evidence from the market through an evaluation normally performed by professionally qualified evaluators. The fair value of tangible assets is generally their value following evaluation.

When an item of tangible Category I is revalued, any accumulated depreciation at the date of revaluation is eliminated from the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

If an item of property and equipment is revalued, the entire class of tangible assets which that asset belongs to is revalued.

If the carrying value of intangible assets is increased as a result of revaluation, the increase is recognized in other elements of comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognized in profit or loss to the

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extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

If the carrying amount of an asset is impaired as a result of a revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be recognized in the other comprehensive income to the extent that the revaluation surplus shows a credit balance for the asset. The reduction recognized in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

The revaluation surplus included in equity in respect to an item of property and equipment is transferred directly to retained earnings when the asset is derecognised. Transfers from revaluation surplus to retained earnings is not made through profit or loss.

If this is the case, the effects of taxes on income from the revaluation of tangible assets are recognized and presented in accordance with IAS 12 Income Taxes.

Amortization

The depreciable amount of an asset is allocated on a systematic basis over its useful life. Depreciation of an asset begins when it is available for use, ie when it is in the location and condition necessary for it to function in the manner intended by management.

The depreciation method used reflects the expected pattern of consumption of future economic benefits of the asset by the entity. The land owned property is not amortized.

For the depreciable fixed assets used, the company utilizes, in accounting terms, the straight line method of depreciation. The depreciable periods are determined by an internal specialty committee according to the internal procedures of the Company. Below there is a brief presentation of the lifetimes of fixed the fixed assets on major categories of goods:

Category	Lifetime
Buildings and constructions	24-40 years
Equipments and installations	7-24 years
Means of transport	4-6 years
Computing	2-15 years
Furniture and office equipment	3-15 years

Depreciation

To determine whether a tangible item is impaired, an entity applies IAS 36 the Depreciation of Assets. At the end of each reporting period, the entity estimates if there are indications of asset depreciation. If such evidence is identified, the entity estimates the recoverable amount of the asset.

If and only if the recoverable amount of an asset is lower than its book value, the book value of the asset will be reduced to be equal to the recoverable amount. Such a reduction represents a depreciation loss. A depreciation loss is recognized immediately in profit or the loss for the period, except for the situations where the asset is reported to the revalued amount, in accordance with another Standard (for example, in accordance with the revaluation model in IAS 16 Tangible assets). Any depreciation loss concerning a revalued asset is considered to be an overall decrease in revaluation.

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2.7 Financial assets - IAS 39 Financial instruments: recognition and assessment

The initial assessment of the financial assets and financial liabilities

When a financial asset or financial liability is recognized (a) initially, an entity assesses it at its fair value plus, in the case of a financial asset or a financial liability which is not at the fair value through profit or loss, the transaction costs directly attributable to the acquisition or issue of the financial asset or financial liability.

The subsequent assessment of financial assets

In terms of assessing a financial asset after initial recognition, the company classifies its financial assets in the following categories:

- I. A financial asset or financial liability measured at (a) fair value through profit or loss is a financial asset or financial liability that meets any of the following conditions:
(a) is classified as held for trading. A financial asset or financial liability is classified as held for trading if:
 - (I) acquired or supported mainly for the purpose of selling or reaching out to the nearest term;
 - (II) initial recognition is part of a portfolio of identified financial instruments managed together and for which there is evidence of a recent realistic pattern of short-term profit tracking; or
 - (III) a derivative (except for a derivative that is a financial collateral arrangement or a designated and effective hedging instrument).

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market other than:

- A) those that the entity intends to sell immediately or shortly to be classified as held for trading, and those that the entity, at its initial recognition, designates at fair value through profit or loss;
- B) those that the entity, at its initial recognition, designates as available for sale;
- C) those for which the holder may not substantially recover all of the initial investment, for any other reason than the credit deterioration, to be classified as available for sale. This category includes commercial and other receivables.

The financial assets available for sale are those financial non-derivative assets that are designated as available for sale or which are not classified as loans and receivables or investments held to maturity or financial assets at fair value through profit or loss.

This category includes investments in listed shares.

The company has no investments held to maturity and does not own or has not classified financial assets or financial liabilities at fair value through profit or loss.

Gains and losses

A gain or loss of a financial asset available for sale is recognized in other comprehensive income, except for the losses. The dividends for an equity instrument available for sale are recognized in profit or loss when the entity's right to receive payment is established.

When a decline in fair value of a financial asset available for sale was recognized in other comprehensive income elements and there is objective evidence that the asset is depreciated,

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the cumulative loss that has been recognized in other comprehensive income elements must be reclassified from equity in profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

The amount of the cumulative loss is removed from equity and recognized in profit or loss shall be the difference between the acquisition cost (net of any payment of the principal and amortization) and the current fair value, less any depreciation loss on that financial asset previously recognized in profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be related objectively to an event occurring after the depreciation loss was recognized in profit or loss, the depreciation loss is resumed and the amount recognized in profit or loss.

Cash and cash equivalents

The cash and cash equivalents includes the cash account, deposits held at call with banks, other short-term highly liquid investments with original maturity dates of three months or less than three months and – for the purpose of cash flow statements - overdrafts.

2.8. Stocks

According to IAS 2, the stocks are active:

- a) Held for sale in the ordinary course of business;
- b) Under production for such sale; or
- c) As raw materials, materials and other supplies to be used in the manufacturing or services.

The stock assessment:

The stocks are assessed at the lower value between the cost and the net achievable value.

The cost of the stocks

The cost of stocks includes all the purchase costs, conversion costs as well as other costs incurred in bringing the inventories to the state and location where they are now.

The stocks of raw materials and materials are stated at the cost of acquisition. The exit from inventory is performed using the Weighted Average Price method.

The stocks of the products in progress are stated at the raw materials cost and materials embedded in them. The stock of finished goods is recorded at production cost on the completion of the manufacture.

Adjustments for depreciation of stocks/inventory

The valuation for inventory depreciation is performed individually and is based on the best estimate of the management of the present value of the cash flows expected to be received. Each depreciated asset is analyzed individually. The accuracy of the adjustments depends on the estimation of future cash flows. Stock adjustments refer to provisioning based on the end-of-year calculation for adjusting the specific value of inventories of raw materials, finished materials and finished products that no longer qualify. The calculation of the general adjustment for depreciation of inventories is made according to the life of existing items in stock

2.9 Receivables

The receivables arise primarily through the provision of goods and services to customers (eg. trade receivables), but also incorporate other types of contractual monetary assets

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The receivables are presented in the balance sheet at the historical value minus the adjustments made for the depreciation in cases in which one noticed that the achievable value is lower than the historical value.

The adjustments for the depreciation are recognized when there is objective evidence (such as significant financial difficulties from partners or the non-fulfillment of payment obligations or the significant delay of the payment) that the Company will not collect all the amounts due according to the terms of receivables, the amount of that adjustment is the difference between the net book value and the present value of expected future cash flows associated with the impaired receivable.

The assessment for the depreciation of receivables is performed individually and is based on the management's best estimate of the present value of the cash flows that are expected to be received.

The company assesses at each balance sheet date whether there is any objective evidence that a financial asset (asset) is impaired. If there is any evidence of this kind, the company applies different treatments to determine the amount of any impairment loss, depending on the type of asset: financial assets accounted for at amortized cost, financial assets accounted for at cost and available-for-sale financial assets.

The carrying amount of the asset should be reduced either directly or by using a provision for impairment. The amount of the loss should be recognized in profit or loss.

If, in a subsequent period, the related impairment loss decreases and the decrease can be objectively correlated with an event occurring after the impairment has been recognized (such as an improvement in the debtor's credit rating), the loss of the previously recognized impairment should be restated either directly or by adjusting a provision for impairment. The resumption shall not result in a carrying amount greater than the amount that would have been the depreciable cost if the impairment would not have been recognized at the date when the impairment is resumed. The value of the rebound must be recognized in profit or loss.

Adjustments for impairment of trade receivables consist of the specific provision, entirely constituted for litigation, after which the general provision is calculated. The general provision for impairment of client receivables is calculated based on the length of the outstanding receivables in the balance. Calculated depreciation adjustments may not exceed the amounts that are required to settle the trade receivable. When analyzing receivables to be accrued on a commercial basis, in situations where there are identified events that indicate the occurrence of payment incidents or the deterioration of the debtor's financial situation, adjustments may be calculated, the amount of the provision for impairment being at most equal to the magnitude of the effect.

2.10 Financial liabilities

The financial liabilities mainly include the trade payables and other short-term financial liabilities, which are recognized initially at their fair value and subsequently at amortized cost using the effective interest method.

2.11 The recognition of income and expenses

2.11.1. The recognition of income

The revenue represents, according to IAS 18 "Revenues", the gross inflows of economic benefits during the period, arising in the course of the normal activities of an entity when those entries result in increases in equity, other than the increases relating to the contributions of participants to their own equities.

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The revenue represents the recorded increases in economic benefits recorded during the accounting period in the form of inputs or increases in assets or debt relief, which materializes in increases in equity other than those resulting from the contributions of shareholders.

The fair value is the value for which an asset could be exchanged or a liability could be settled, between knowledgeable willing parties, within a transaction carried out in objective conditions.

The income assessment

The revenue is measured at the fair value of the counterperformance received or receivable after reducing rebates or discounts.

The revenue from the sale of goods is recognized when all the following conditions were met:

- (a) The entity has transferred to the buyer the significant risks and benefits of ownership of the goods;
- (b) The entity no longer manages the goods sold at levels that would normally have done in the case of the ownership of their property and no longer has effective control over them;
- (c) The amount of revenue can be measured reliably;
- (d) It is probable that the economic benefits associated with the transaction to be generated by the entity; and
- (e) The costs incurred or to be incurred in respect of the transaction can be assessed reliably.

The revenue from the sale of goods is recognized when the company has transferred the significant risks and benefits of ownership to the buyer and it is likely that the Company receives the things previously agreed upon payment. The transfer of risks and benefits of ownership is deemed realized once the transfer of legal title of ownership or the passing of possession to the buyer. If the entity retains significant risks of ownership, the transaction does not represent a sale and revenue are not recognized.

The company believes that the cashing deadlines do not generate a financial component of the revenues invoiced to the distributors.

Special cases: In case it is found that the revenues associated with a period of the current year are encumbered by fundamental errors, their correction will be performed during the period which the error is discovered. If the error is discovered in the years ahead, its correction will not affect the income accounts, but the result account of retained earnings from the corrections of fundamental errors if the error value will be considered significant.

2.11.2 The recognition of expenses

The expenses are decreases in the economic benefits during the accounting period as outflows or decreases in the value of assets or increases in debt, which is materialized through reductions in equity other than those arising from their distribution to shareholders.

2.12 The depreciation of the non-financial assets (excluding stocks, real estate investments and the deferred tax assets) - IAS 36 "Depreciation of Assets"

The assets held by the company, as stated in IAS 36 "Depreciation of assets", are subject to depreciation tests whenever events or changes in circumstances indicate that their book value may not be recovered completely. When the book value of an asset exceeds the recoverable amount (ie the highest amount of value in use and the fair value minus the sell costs), the asset is adjusted accordingly.

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Whenever it is not possible to estimate the recoverable amount of an individual asset, the depreciation test is performed on the smallest group of assets to which it belongs and for which there are separately identifiable cash flows; its cash-generating units ('UGNs').

The depreciation charges are included in profit or loss unless it reduces gains previously recognized in other comprehensive income.

2.13 Provisions – IAS37 "Provisions, contingent liabilities and contingent assets"

The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date, changed to a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

Under IAS 37 "Provisions, contingent liabilities and contingent assets", a provision must be recognized if:

- a) The company has a present obligation (legal or constructive) as a result of a past event;
- b) it is likely that in order to settle the obligation an outflow of resources embodying economic benefits to be required; and
- c) a reliable estimate of the amount of the obligation can be made.

If these conditions are not met, a provision must not be recognized.

Provisions are recorded in the accounting using the accountancy with the help of the groups 15 "Provisions" and are based upon the expenses, except those related to decommissioning of tangible assets and other similar actions related thereto, for which the provisions of IFRIC 1 will be taken into account.

The recognition, assessment and updating of provisions are made in compliance with IAS 37 "Provisions, contingent liabilities and contingent assets".

The provisions are grouped in accountancy in categories and are considered for:

- a) litigation;
- b) guarantees to customers;
- c) decommissioning of tangible assets and other similar actions related thereto;
- d) restructuring;
- e) employee benefits;
- f) other provisions.

The previously established provisions are periodically analyzed and are regulated.

2.14 Benefits of employees –IAS 19

The current benefits granted to employees

The short-term benefits granted to employees include wages, salaries and social security contributions. These benefits are recognized as expenses with services.

Benefits after termination of the employment contract

Both the company and its employees have a legal obligation to contribute to the social security established with the National Pension Fund administered by the National House of Pensions (contribution plan founded on the principle of "pay on the way").

Therefore the company has no other legal or constructive obligation to pay further contributions. Its only obligation is to pay the contributions when they are due. If the company ceases to employ people who are contributors to the financing plan of the National House of Pensions, the company will have no obligation to pay the benefits earned by its own employees

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in previous years. The company's contributions to the contributions plan are reported as expense in the year to which they relate.

2.15 The deferred tax - IAS 12

In the deferred tax calculation, the company will take into account the provisions of IAS 12.

The deferred tax assets and liabilities are recognized when the book value of an asset or liability in the statement of the financial position differs from the tax base.

The recognition of deferred income tax assets is limited to those moments in which the taxable profit is likely to be available for the next period.

The amount of the asset or liability is determined using tax rates that have been enacted or adopted largely up to the reporting date and are expected to apply when the liabilities / (assets) concerning the deferred tax are settled / (recovered).

The company compensates for receivables and liabilities concerning the deferred tax if and only if:

- a) It has the legal right to offset the current tax receivables with the current tax liabilities; and
- b) The deferred tax receivables and liabilities relate to the income taxes charged by the same fiscal authority.

2.16 Dividends

The share of profits that is to be paid according to the law, to each shareholder is a dividend. The dividends distributed to shareholders, proposed or declared after the reporting period, as well as the other similar distributions made from the profit determined under the IFRS and included in the annual financial statements are not recognized as a liability at the end of the reporting period.

To the accounting for dividends the provisions of IAS 10 are taken into consideration.

2.17 Capital and reserves

The capital and reserves (equity) represents the right of shareholders over the assets of an entity after deducting all liabilities. The equity includes: the capital contributions, the reserves, the retained earnings and the result of the financial year.

The entity was established under Law no. 31/1990 on companies.

In the first set of financial statements prepared in accordance with IFRS, the Company has applied IAS 29 - "Financial reporting in hyperinflationary economies" for the shareholders gains obtained before January 1, 2004, ie, they were properly adjusted with the inflation index.

2.18 Financing costs

An entity shall capitalize the borrowing costs that are directly attributable to the acquisition, the construction or production of a qualifying asset as part of the production cost of that asset. An entity shall recognize other borrowing costs as an expense in the period during which the entity incurs them.

The company has not financed the construction of long-term assets from loans.

2.19 The result per share

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The company shows the earnings per share basic and diluted for the common shares. The basic earning per share is calculated by dividing the profit or loss attributable to ordinary equity holders of the company to the weighted average number of ordinary shares over the reporting period.

2.20 The segment reporting

A segment is a distinct component of the company that provides products or services (business segment) or provides products and services in a particular geographical environment (geographical segment) and which is subject to risks and rewards that are different from those of other segments. In terms of business segments, the company does not identify separate components in terms of associated risks and benefits.

2.21 The related parties

A person or a close family member of that person is considered to be affiliated with the company if that person:

- (i) Has control or joint control over the company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of key management staff.

The key management staff are those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any director (whether executive or otherwise) of that entity. The transactions with key staff include salary benefits granted to them exclusively as presented in Note 6. Staff costs.

An entity is affiliated with the company if it meets any of the following conditions:

- (i) The entity and the company are members of the same group (which means that each parent, subsidiary and branch of the same group is linked to the other).
- (ii) An entity is an associated entity or joint venture of the other entity (or associate or joint venture of a member of the group other entity is a part of).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third party, and the other is an associate of the third party entity.
- (v) The entity is a post-employment benefit plan in the benefit of the employees of the reporting entity or an entity affiliated to the reporting entity. In the event the reporting entity is itself such a plan, the sponsoring employers are also affiliates of the reporting entity.
- (vi) The entity is controlled or jointly controlled by an affiliated person.
- (vii) An affiliated person having control significantly influences the entity or is a member of the key management staff of the entity (or the parent of the entity). The company does not undertake transactions with the entity described in the above (i) - (vii).

2.22 Changes in accounting policies

- a) New standards, interpretations and amendments that have been in force since 1 January 2017

There were no new standards or interpretations that entered into force in January 2016, with a material effect on the company's financial statements.

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IFRS 14 *Deferred accounts for regulated activities* is the only new standard that has entered into force since 1 January 2016.

None of the amendments or improvements to the standards that came into force have had a significant effect on the Company's financial statements.

b) Standards issued but not yet in force and not adopted in advance

The following new standards, interpretations and amendments, which are not yet in force and have not been adopted in advance in these financial statements, may have an effect on the company's future financial statements. The list below presents IFRSs (and amendments to IFRSs) that have been issued but are not mandatory for the financial statements prepared on 31 December 2016:

- IFRS 9 *Financial Instruments* - replaces IAS 39 *Financial Instruments: Recognition and Measurement*. It includes the latest requirements for all three phases of the financial instruments project - classification and valuation, depreciation and hedge accounting that were issued between 2009 and 2013.
- IFRS 15 *Revenue from Customer Contracts and Related Changes* - Replaces IAS 18 Revenue, IAS 11 Construction Contracts and Related Interpretations (IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements on Property Construction, IFRIC 18 Transfers of Assets from clients and SIC 31 Income - Barter transactions involving advertising services). The objective of IFRS 15 is to clarify the principles of revenue recognition. This includes eliminating inconsistencies and weaknesses perceived, and improving the comparability of revenue recognition practices generated by companies, industries and capital markets. In this respect, IFRS 15 establishes a unique income recognition framework. The underlying principle of the framework is that an entity must recognize revenue to describe the transfer of goods or services promised to clients in an amount that reflects the consideration the entity expects to have the right in exchange for those goods or services.
- IFRS 16 *Leasing Agreements* - replaces IAS 17 *Lease Contracts*, IFRIC 4 Determining the extent to which an Undertaking contains a Lease Agreement, SIC 15 Operating Leasing - Incentives and SIC 27 Assessment of the Transaction Economic Fund involving the Legal Form of a leasing. Major changes to IFRS 16 establish a unique model that eliminates the distinction between operating and financial leases as well as results in the statement of financial position that reflect an active "right of use" and a corresponding liability for the majority of lease contracts.

Effects of IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments are still under evaluation, but do not expect to have significant effects on the company's future financial statements.

No significant effects on the Company's financial statements are expected, following the amendments to standards or annual improvements that will be effective after January 1, 2018.

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3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

- Credit risk
- Foreign exchange risk
- Liquidity risk

Like all other activities, the company is exposed to risks arising from the use of financial instruments. This note describes the objectives, policies and processes of the company for the management of those risks and the methods used to assess them. Further quantitative information about these risks is presented in these financial statements.

There were no major changes in the company's exposure to risks relating to financial instruments, its objectives, policies and processes for the management of these risks or the methods used to assess them in comparison to prior periods except where otherwise stated in this note.

The main financial instruments

The main financial instruments used by the company, of which there is a risk concerning the financial instruments are as follows:

- Trade receivables and other receivables
- Cash and cash equivalents
- Investments in equity securities listed
- Trade liabilities and other liabilities

A breakdown of financial instruments is provided below:

ASSETS	Loans and payables	
	31-Dec-17	31-Dec-16
Trade and related receivables	256.590.180	239.990.385
Cash and cash equivalents	5.107.743	13.902.686
Total	261.697.923	253.893.071

LIABILITIES	Per amortized cost	
	31-Dec-17	31-Dec-16
Trade and related liabilities	46.276.195	41.659.939
Short-term loans	69.731.310	40.705.967
Short term provisions	-	1.418.895
Total	116.007.505	83.784.801

The overall objective of the Board is to establish policies that seek to reduce the risk as much as possible without unduly affecting the competitiveness and flexibility of the company. Further details on these policies are set out below:

The credit risk

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The credit risk is the risk of financial loss for the company, which occurs if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is primarily exposed to credit risk which comes from sales to customers.

At the level of the company there is a Trade Policy approved by the Board of SC Antibiotice SA. In it the commercial conditions of sale are clearly presented and there are conditions imposed in the selection of clients.

Antibiotice SA only works with large distributors in the national pharmaceutical market. In the case of the export sales, in all situations where possible, advance payment sales are contracted.

The calculation and analysis of the net statement (equity)

Indicators (LEI)	31-Dec-17	31-Dec-16
Credits and loans	69.731.310	40.705.967
Cash and cash equivalents	(5.107.743)	(13.902.686)
Net debt	64.623.567	26.803.280
Total equity	416.877.840	409.066.359
Net debt in equity (%)	15,50%	6,55%

The Foreign Exchange Risk

The company is mainly exposed to the currency risk on the purchases made from the suppliers of raw materials, packaging and other materials from abroad. The suppliers from which the company purchases these items necessary for the production of drugs must have quality documents stipulated in the EU rules for drug registration. The company can not thus greatly limit the purchases from third party countries. The tracking of payment deadlines and ensuring the available funds for payment, so that the effect of foreign exchange risk is minimized fall in the responsibility of the Financial Accounting Department.

On December 31st, 2017 the net exposure by types of currency of the company to the foreign currency risk was as follows:

Assets/liabilities in EURO equivalent in LEI	31-Dec-17	31-Dec-16
Monetary financial assets	3.902.185	3.379.590
Monetary financial liabilities	(12.895.388)	(8.260.983)
Net financial assets	(8.993.202)	(4.881.393)
Variation RON/EUR	Castig/ Pierdere	
RON rise against the EUR by 5%	(449.660)	(244.070)
RON decrease against the EUR by 5%	449.660	244.070
Impact on result	-	-

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Assets and liabilities in EURO	31-Dec-17	31-Dec-16
Monetary financial assets	883.209	744.223
Monetary financial liabilities	(3.542.733)	(1.819.159)
Net financial assets	(2.659.524)	(1.074.936)
Active/passive in USD equivalent in LEI	31-Dec-17	31-Dec-16
Monetary financial assets	15.609.753	24.216.177
Monetary financial liabilities	(9.099.908)	(6.179.814)
Net financial assets	6.509.845	18.036.363
RON/USD variation		
RON rise against the USD by 5%	325.492	901.818
RON decrease against the USD by 5%	(325.492)	(901.818)
Impact on result		
Assets and liabilities in USD	31-Dec-17	31-Dec-16
Monetary financial assets	7.293.570	5.627.350
Monetary financial liabilities	(2.274.041)	(1.436.064)
Net financial assets	5.019.529	4.191.287

The company's net exposure to the foreign exchange risk, equivalent in RON, is shown in the table below:

Assets / Debt	31-Dec-17	31-Dec-16
LEI	129.973.962	156.953.300
EUR	(8.993.202)	(4.881.393)
USD	6.509.845	18.036.363
Alte valute (CAD,GBP)	(62)	-
Net exposure	127.490.543	170.108.271

Given the relatively low exposure to the currency fluctuations, it is not expected that reasonable fluctuations in exchange rates produce significant effects in the future financial statements.

The liquidity risk

The liquidity risk arises from the management of the company of the working capital, the financing costs and the repayments of principal sum for its cutting tools.

The company policy is to ensure that it will always have enough cash to allow it to meet its obligations when they become due. To achieve this objective, the Company seeks to maintain cash balances (or facilities agreed upon) to satisfy the payment needs.

The Board receives cash flow forecasts regularly as well as information on the company's available cash. At the end of the financial year, the company has sufficient cash resources to meet its obligations in all reasonably expected circumstances.

The following tables show the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

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	Up to 3 months	Between 3 and 12 months	Total
December 31 2017			
Trade and related liabilities	17.325.401	48.003.461	65.328.862
Credits and loans		69.731.310	69.731.310
Total	17.325.401	117.734.771	135.060.172

	Up to 3 months	Between 3 and 12 months	Total
December 31 2016			
Trade and related liabilities	18.111.488	36.889.921	55.001.409
Trade and related liabilities		40.705.967	40.705.967
Total	18.111.488	77.595.888	95.707.376

Bank liquidities

The banks to which the Company holds bank accounts are regularly reviewed by the management of the Company.

The operational risk

The operational risk is the risk of direct or indirect loss arising from a wide range of causes associated to the processes, the staff, the technology and infrastructure of the company as well as from external factors other than the credit, the market and the liquidity risk, such as those originating in the legal and regulatory requirements and the generally accepted standards of the organizational behavior. The operational risks originate in all the company's operations.

The main responsibility for the development of controls related to operational risk lies with the management of the unit. The responsibility is supported by the company's development of general standards for the operational risk management in the following areas:

- The requirements for the separation of responsibilities, including the independent authorization of transactions;
- The requirements for reconciliation and the monitoring of transactions;
- The compliance with the regulatory and legal requirements;
- The documentation of controls and procedures;
- The requirements for the periodic review of the operational risk that the Company faces and the adequacy of controls and procedures to prevent the identified risks;
- The requirements for reporting the operational losses and remedial proposals of the causes that generated them;
- The development of operational continuity plans;
- The professional development and training;
- The establishment of ethical standards;
- The prevention of the risk of litigation, including insurance, where applicable;
- The mitigation of risks, including the efficient use of insurance, where applicable;

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Capital adequacy

The management's policy regarding the capital adequacy is focused upon the maintaining of a sound capital base, in order to support the ongoing development of the Company and reaching the investment objectives.

4. SALES REVENUES

The revenues from sales include the following elements:

Description	Year ending on	
	Dec - 31-17	Dec - 31-16
Finished product sales	318.421.415	324.688.567
Sales of goods	89.433.883	90.439.956
Sales of goods	(70.950.632)	(82.693.464)
Total	336.904.666	332.435.059

The sales revenues are mainly achieved from the sales of finished products directly to pharmaceutical distributors. The intra and extra-community sales in 2017 amounted to RON 117.526.690 (RON 103.415.958 in 2016).

The company earns sales in individual values higher than 10% of the total sales with a total of 5 clients.

5. OTHER OPERATING REVENUES

The other operating revenues include the following:

Description	Year ending on	
	Dec - 31-17	Dec - 31-16
Rental income	75.144	83.592
Revenues from studies and research	413.641	1.010.281
Revenues from various activities	235.996	1.461.801
Revenues from subsidies	46.794	165.643
Revenues from the sale of fixed assets	4.985	-
Revenues from the sale of fixed assets	19.465	1.307.450
Other operating revenues	963.952	92.503
Revenues from the adjustments for the depreciation of current assets	24.300.766	3.377.726
Revenues from provisions for risks and expenses	6.949.158	5.805.390
Exchange rate differences	4.786.766	6.958.551
Total	37.796.667	20.262.937

6. RAW MATERIALS, CONSUMABLES AND GOODS

The expenses with raw materials and consumables have the following structure:

Description	Year ending on	
	31-Dec-17	31-Dec-16

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Raw materials	63.700.502	59.382.959
Auxiliary materials	4.767.726	4.667.266
Goods	53.168.204	57.380.318
Expenditure on fuel and spare parts	4.430.423	4.304.578
Inventory items	698.481	726.675
Other consumables	306.664	406.053
Total	127.072.000	126.867.849

7. STAFF RELATED EXPENSES

The staff related expenses have the following structure:

Description	Year ending on	
	Dec - 31-17	Dec - 31-16
Salaries	60.090.816	52.971.303
Civil contracts	455.674	295.936
Taxes and social contributions	15.273.047	13.490.563
Employee participation in profit and non-performed leaves	3.472.542	5.045.844
Variable allowance for the members of the Board	1.113.729	484.419
Other benefits (meal vouchers and employee participation in the 2016 profit)	5.491.386	4.558.747
Total	85.897.194	76.846.812

For the year 2017 the provisions were made in the amount of RON 3.472.542, representing the provision for the participation of the employees in the profit of the year 2017 and the provision for the holidays non-performed during 2017.

The company is managed in a unitary system within the meaning of Law 31/1990 concerning the commercial companies; the management of the Company is ensured by the Board of SC Antibiotice SA. The structure of the Board and Executive Directors is presented in Note 1. "General Information".

The remuneration granted to the Board and Executive Management is presented in the following table:

Description	Year ending on	
	Dec - 31-17	Dec - 31-16
Salaries	2.920.670	2.484.743
Civil contracts	346.330	240.096
Taxes and social contributions	757.368	648.984
Variable indemnities	484.419	398.347
Total	4.508.787	3.772.170

For the year 2017, the provisions amounted to RON 1.113.729 representing the provision for the variable indemnity granted to the members of the Board and a provision for the variable

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for the year ending on 31st December 2017
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indemnity related to the mandate contract for the achievement of the objectives for the year 2017.

8. OTHER OPERATING EXPENSES

The other operating expenses include the following:

Description	Year ending on	
	Dec - 31-17	Dec - 31-16
Utilities	7.841.379	8.044.768
Repairs	2.082.724	1.887.931
Rent	160.174	160.316
Insurance	1.107.184	1.234.159
Banking fees	1.163.971	1.274.874
Advertising and promotional products	8.287.376	3.457.023
Travel and transport	3.513.244	3.254.451
Postal services and telecommunications	503.087	477.758
Other services provided by third parties	22.035.655	22.366.833
Other taxes	32.695.434	26.571.101
Environment protection	688.620	612.846
Losses and adjustments of doubtful debts	21.696.464	13.899.824
Other provisions	-	44.347
Exchange rate differences	8.047.855	6.154.789
Miscellaneous	3.572.005	2.341.094
Total	113.395.172	91.782.114

9. FINANCIAL REVENUES AND FINANCIAL EXPENSES

The net financial revenues have the following component:

Description	Year ending on	
	Dec - 31-17	Dec - 31-16
Interest revenues	4.287	8.134
Interest expenses	(1.347.830)	(1.035.710)
Other financial expenses	(620.090)	(3.620.447)
Total	(1.963.633)	(4.648.023)

The other financial expenses are settlement receivables on receivables settled before maturity materialized in bonuses granted to the Company's clients for the anticipated payment of the amounts due by them.

10. EXPENSES ON PROFIT TAX

Description	Year ending on	
	Dec - 31-17	Dec - 31-16
Current tax	2.389.046	5.231.626
Deferred tax expense/(income)	(585.970)	(720.791)
Total	1.803.076	4.510.835

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The profit tax was calculated taking into account the influences of non-deductible expenses, i.e. the taxable income, tax incentives, the effects of income tax provisions and the effects of the applying of the Law 170/2016 on specific business tax.

A reconciliation between the accounting profit and the tax base upon which the profit tax is calculated is presented in the following table:

Description	Year ending on	
	Dec - 31-17	Dec - 31-16
Total revenues	349.757.635	345.800.740
Total expenses (excluding corporate income tax)	(313.571.337)	(310.198.303)
The gross accounting result	36.186.298	35.602.437
Deductions	(32.004.517)	(12.250.167)
Non-deductible expenses	25.465.028	28.167.244
Fiscal result	29.646.809	51.519.514
Profit tax (fiscal result x 16%)	4.743.489	8.243.122
Tax reduction	(2.354.443)	(3.011.496)
Current income tax	2.389.046	5.231.626
Deferred income tax	(585.970)	(720.791)
Total current income tax	1.803.076	4.510.835

11. RESULT PER SHARE

Description	Year ending on	
	Dec - 31-17	Dec - 31-16
Net profit (A)	33.558.354	30.370.811
Number of ordinary shares (B)	671.338.040	671.338.040
Earnings per share (A/B)	0,0499	0,0452

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12. FIXED ASSETS

	Land	Buildings	Technical equipment	Other installation, equipment and furniture	Tangible assets pending	Total
COST						
December 31 2015	108.306.000	76.698.199	129.573.898	5.605.349	1.667.946	321.851.392
Purchasing	-	2.976.278	9.873.286	330.878	17.835.045	31.015.487
Outputs	-	21.985	2.223.757	56.742	13.180.442	15.482.927
Re-assessment						
December 31 2016	108.306.000	79.652.492	137.223.427	5.879.485	6.322.549	337.383.953
Purchasing	-	3.738.017	16.819.970	337.980	33.762.998	54.658.965
Outputs	-	64.344	2.441.544	24.419	20.895.966	23.426.273
December 31 2017	108.306.000	83.326.165	151.601.853	6.193.046	19.189.581	368.616.645
AMORTIZATION						
December 31 2015	-	2.129.389	108.733.123	4.728.244	-	115.590.756
Cost of the interval	-	11.721.475	5.168.849	191.053	-	17.081.377
Outputs	-	13.880	2.223.757	56.742	-	2.294.379
December 31 2016	-	13.836.985	111.678.213	4.862.555	-	130.377.753
Cost of the interval	-	10.689.599	6.268.486	266.571	-	17.224.656
Outputs	-	64.344	2.441.544	24.419	-	2.530.307
December 31 2017	-	24.462.240	115.505.156	5.104.707	-	145.072.102
PROVISION						
December 31 2015	-	70.794	244.652	-	-	315.446
Outputs 2016	-	11.594	-	-	-	11.594
December 31 2016	-	59.200	244.652	-	-	303.852
Outputs 2016	-	2.200	-	-	-	2.200
December 31 2017	-	57.000	244.652	-	-	301.652
NET VALUES						
December 31 2017	108.306.000	58.806.925	35.852.045	1.088.339	19.189.581	223.242.890
December 31 2016	108.306.000	65.756.308	25.300.561	1.016.931	6.322.549	206.702.347
December 31 2015	108.306.000	74.498.016	250.596.124	877.105	1.667.946	205.945.190

Depreciation of fixed assets

The accounting depreciation is calculated using the straight-line method. For the new fixed assets entered in 2017 such as installations, machines and measuring and control devices, the shelf lives have been established taking into account the following:

- the estimated use level based upon the use of the asset's capacity;
- the repair and maintenance program on the installations and equipment ANTIBIOTICE SA;
- the moral wear and tear determined by possible changes in the manufacturing process according to the structure of the product portfolio provided by the company.

The value of inventory of the tangible assets which constitute pledges or guarantees is RON 46.671.912.

13. INTANGIBLE ASSETS

The intangible assets include proprietary development projects, legal documentation (for licenses and patents) as well as software licenses.

The changes in the cost of acquisition and amortization related to the intangible assets are shown in the following table:

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	Dec - 31-17	Dec - 31-16
Initial balance	17.317.531	16.042.866
Inputs	11.330.798	2.932.732
Outputs	6.930.226	1.658.065
Final balance	21.718.103	17.317.531
Amortization		
Initial balance	7.178.073	6.312.680
Cost of the interval	1.432.407	865.393
Final balance	8.610.480	7.178.073
Net value	13.107.622	10.139.458

14. STOCKS

Description	31-Dec-17	31-Dec-16
Raw materials and consumables	21.618.301	20.567.516
Ongoing production	2.430.978	1.895.609
Semi-manufacture and finished product	35.603.581	30.482.412
Goods	7.611.686	7.249.563
Total	67.264.546	60.195.101

The value of stocks taken as guarantees is 25.300.000 lei.

15. TRADE RECEIVABLES AND OTHER TYPES OF RECEIVABLES

Description	31-Dec-17	31-Dec-16
Trade receivables	299.570.239	290.997.945
Adjustments for trade receivables	(43.879.851)	(51.694.956)
Various debtors and other receivables	8.477.982	8.499.935
Adjustments for various debtors	(7.578.190)	(7.812.539)
Total financial assets other than cash, classified as loans and receivables	256.590.180	239.990.385
Receivables related to the employees	106	2.898
Other receivables for the State Budget	1.983.468	602.087
Advance payments	5.638.989	1.860.695
Total	264.212.743	242.456.065

On December 31, 2017, the Company recorded adjustments for trade receivables representing customer balance that are unlikely to be earned by the Company. The receivables of the company were analyzed and evaluated according to criteria established depending upon the risks per categories of clients.

Age analysis	Dec - 31-17	Dec - 31-16
Receivables - Clients	299.570.239	290.997.945
Up to 3 months	110.759.313	112.360.721

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Between 3 and 6 months	78.790.458	69.167.479
Between 6 and 12 months	61.437.090	62.680.927
Over 12 months	48.583.380	46.788.818
Value adjustments related to receivables-clients	(43.879.851)	(51.694.956)

The fluctuations in the Company's provisions for the impairment of trade receivables are presented in the following table:

Receivable adjustments	Dec - 31-17	Dec - 31-16
At the beginning of the interval	59.507.495	55.824.260
Established during the year	13.293.189	7.049.367
Adjustments canceling	(21.342.643)	(3.366.132)
At the end of the interval	51.458.041	59.507.495

The value of receivables taken as guarantees is RON 257.375.190.

16. CASH AND CASH EQUIVALENTS

Description	Dec - 31-17	Dec - 31-16
Available at the bank	5.096.113	13.880.865
Cash and cash equivalents	11.630	21.821
Total	5.107.743	13.902.686

17. TRADE DEBT AND DEBT OF A DIFFERENT NATURE

18. Description	Dec - 31-17	Dec - 31-16
Trade debt	34.385.826	27.979.046
Suppliers of assets	5.287.438	6.087.815
Debt relative to staff	1.676.678	1.503.632
Salaries provisions	4.586.271	5.530.262
Other debt	166.176	481.186
Interest to pay	173.806	77.998
Total debt minus loans, classified as measured per amortized cost	46.276.195	41.659.939
Taxes and social contributions	2.872.453	2.542.074
Dividends	5.670.739	4.434.628
Advances from clients	716.587	408.729
Total	55.535.974	49.045.370

18. AMOUNTS OWED TO BANKS

Amounts owed to banks on 31.12.2017

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

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on 31st December 2017

(all amounts are expressed in LEI, if not mentioned otherwise)

Objective	Credit line – working capital
Amount	RON 30.000.000
Maturity date	16.08.2018
Balance on December 31 2017	RON 28.769.000
Guarantees	Mortgage contract for buildings, land / Contract for assignment of receivables

Short-term contract no. 12/01.07.2013 concluded with EXIMBANK, Romania's Import-Export Bank

Objective	Credit line – working capital
Amount	RON 30.000.000
Maturity date	26.06.2018
Balance on December 31 2017	RON 25.905.001,42
Guarantees	Mortgage contract for buildings, land / Contract for assignment of receivables

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

Objective	Credit line – working capital
Amount	EUR 9.500.000
Maturity date	22.05.2018
Balance on December 31 2017	RON 8.739.544,83 EUR 1.355.830,54 (RON 6.317.763,57)
Guarantees	Mortgage contract for buildings, land / Contract for assignment of receivables

Amounts owed to banks on 31.12.2016

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

Objective	Credit line – current capital
Objective	Credit line – current capital
Amount	RON 30.000.000
Maturity date	16.08.2017
Balance on December 31 2016	RON 22.919.001
Guarantees	Mortgage contract for buildings, land / Contract for assignment of receivables

Short-term contract no. 12/01.07.2013 concluded with EXIMBANK SA, Romania's Export-Import Bank

Objective	Credit line – current capital
Amount	RON 60.000.000
Maturity date	27.06.2017

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on 31st December 2017

(all amounts are expressed in LEI, if not mentioned otherwise)

Balance on December 31 2016	RON 0
Guarantees	Mortgage contract for buildings, land, receivables

Short-term contract no. 12239/22.05.2012 concluded with ING BANK N.V. AMSTERDAM – Romania branch

Objective	Credit line – current capital
Amount	EUR 9.500.000
Maturity date	22.05.2017
Balance on December 31 2015	EUR 3.916.884,93 (RON 17.786.966,16)
Guarantees	Contract for assignment of receivables / Mortgage contract for buildings, land

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

19. SHORT-TERM PROVISIONS

Variation of provisions:

Provisions for risks and expenses	Movements in the period
December 31 2016	1.418.895
Made during the interval	0
Use during the interval	1.418.895
December 31 2017	0

Provisions for salaries are presented in Note 17.

20. SUBSIDIES FOR INVESTMENTS

The subventions for investments have the following structure:

Subventions for investments	Dec - 31-17	Dec- 31-16
Waste water treatment plant	2.639.349	2.914.052
Equipping analytical laboratory	0	344
Research project - UMF Iasi	16.786	-
Other amounts received in the form of subsidies	169.000	-
Total	2.825.135	2.914.396

The amounts reflected in the account subventions for investments received by the Company as subsidies during the last 10 years for investments in environmental protection as well as for the increase of the competitiveness of industrial products from the Ministry of Economy, Trade and Relations with the Business Environment and UEFISCDI Bucharest.

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21. DEFERRED INCOME TAX

The variation of debt regarding the deferred income tax is shown in the table below:

Description	Dec - 31-17	Dec - 31-16
Initial balance	18.758.368	19.479.158
Costs/(Income) deferred taxation	(585.970)	(720.791)
Final balance	18.172.398	18.758.368

The main components of the deferred tax are: the deferred tax related to the revaluation of fixed assets during the period 2004-2009 and the deferred tax related to the revaluations in 2012 and 2015.

22. SHARE CAPITAL

The subscribed share capital of the Company as of 31 December 2016 is RON 67.133.804; the nominal value of one share is RON 0.1000 per share. The Company has 671.338.040 shares that give equal rights to the shareholders of the Company. SC Antibiotice SA did not issue shares that would give preferential rights to their shareholders.

In accordance with the provisions of IAS 29 – Hyperinflationary Savings, the share capital was restated taking into account the inflation index communicated by the National Statistics Commission. It was applied starting with the balance determined according to GD 500/1994, from the date of submission until 31.12.2003, the date when it was considered that the national economy ceased to be hyperinflationary.

Subsequent to 31.12.2003 the share capital increased according to the historical amounts registered with the Trade Register. On 31.12.2012, there is a reported loss on the balance sheet of the Company arising from the application for the first time of IAS 29 “*Financial Reporting in Hyperinflationary Economies*” which is proposed to be covered from the amount resulting from the application of IAS 29 “*Financial Reporting in Hyperinflationist Economies*” as follows:

Reported result to loss arising from first application of IAS 29	197.701.352
Share capital adjustment - first application of IFRS	197.701.352

Pursuant to Order 1690/2012 on the amendment and completion of accounting regulations, the carried forward accounting loss resulting from the transition to IFRS, from the adoption of IAS 29 for the first time and from the use, at the date of transition to IFRS of fair value the alleged cost is covered by equity (including the amounts reflected in the credit of account 1028 “Adjustments of the share capital”), according to the GMS’s decision, in compliance with the legal provisions.

23. RESERVES

The reserves include the following:

Description	Dec -31-17	Dec - 31-16
Revaluation reserves fixed assets	17.524.457	20.345.564

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Legal reserves	13.426.761	13.426.761
Deferred tax recognized on equity	(2.968.316)	(3.419.694)
Other reserves	151.152.127	146.528.189
Reserves from current profit	10.982.386	-
TOTAL	190.117.415	176.880.820

The following describes the nature and purpose of each reserve within the equity:

Reserve	Description and purpose
Fixed assets revaluation reserves	If the carrying amount of a tangible asset is increased as a result of the revaluation, then the increase should be recognized in other elements of the overall result and accrued in equity as a revaluation surplus. The revaluation reserves cannot be distributed and can not be used to increase the share capital.
Legal reserves	According to Law 31/1990, at least 5% of the profit for the formation of the reserve fund is taken each year until it reaches at least a fifth of the share capital.
Other reserves	Other reserves include reserves that represent tax incentives that cannot be distributed with implications for the recalculation of the tax on profit. The difference represents reserves made up of profits.

24. REPORTED RESULT

The reported result includes the following:

Description	Dec - 31-17	Dec - 31-16
Reported result – surplus from revaluation reserves	(10.271.184)	(7.901.456)
Retained earnings arising from the use of fair value as deemed cost at the date of transition to IFRS	(126.779.469)	(126.779.469)
Retained earnings arising from the adoption for the first time of IAS 29	197.701.352	197.701.352
Total	60.650.699	63.020.428

25. PROFIT DISTRIBUTION

On 31.12.2017 Antibiotice recorded a net profit of RON 33.558.354 which is proposed for distribution as follows:

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Description	Dec - 31-17	Dec - 31-16
Dividends	17.825.769	25.746.873
Other reserves	15.732.585	4.623.938
Total	33.558.354	30.370.811

The amount of RON 15.732.585 lei, representing other reserves provided by law, consists of:

- Fiscal facilities for the profit invested in technological equipment, electronic computers and peripheral equipment, cash equipment, control and billing equipment, as well as in software programs produced and/or purchased according to art. 22 of the Fiscal Code in the amount of RON10.982.386;

- The tax incentives for development research activities according to art. 20 of the Fiscal Code amounting to RON 3.259.532;

- Other assignments provided under art. 1 of GO no. 64/2001 in the amount of 1.490.667 lei; the total dividends are in the amount of RON 17.825.769.

The gross dividend per share for the year 2017 was set at RON 0.026552598, which represents a distribution rate of 53.12% of the net profit for the financial year 2017.

26. CONTINGENT DEBT

SC Antibiotice SA has no contingent debts as of December 31 2017.

27. EVENTS FOLLOWING THE REPORTING PERIOD

There are no significant subsequent events that are not disclosed in these financial statements.

28. INFORMATION REFERRING TO AUDITING FINANCIAL STATEMENTS

The financial audit for the financial year 2017 was carried out by SC SOCECC SRL. The auditor provided only financial audit services.

Accountancy, Expertise & Accounting Consultancy Company
SOCECC Ltd.

INDEPENDENT AUDITOR'S REPORT
ON
THE INDIVIDUAL FINANCIAL STATEMENTS DRAWN UP BY
ANTIBIOTICE S.A. FOR THE FISCAL YEAR ENDED AT
DECEMBER 31, 2017

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ANTIBIOTICE

Report on the Audit of Financial Statements

Our opinion

We audited the attached financial statements of ANTIBIOTICE S.A. ("The Company") with its registered office in Iași, Valea Lupului St., tax identification number RO1973096 comprising the financial position statement as of December 31, 2017, statement of comprehensive income, statement of changes in equity and cash flow statement for the fiscal year ended at the above-mentioned date and a summary of the significant accounting policies and other explanatory notes.

The individual financial statements as of December 31, 2017 are identified as such:

- Net assets/ total equity: 416,877,840 LEI
- Net profit of the fiscal year 33,558,354 LEI

In our opinion, the attached individual financial statements give a true and fair view, in all significant aspects, of the financial position of the Company on December 31, 2017, as well as of the financial performance and cash flows for the fiscal year ended on the above-mentioned date in accordance with the Order of the Minister of Public Finance (OMFP) no. 2844/2016 for approving the accounting regulations compliant with the International Financial Reporting Standards adopted by the European Union ("IFRS-UE").

We conducted our audit in accordance with the International Standards on Auditing ("ISA"), "Regulation no. 537 of the European Parliament and of the Council ("The Regulation") and Law no. 162/2017. Our responsibilities are described in detail in the section *Auditor's responsibilities in an audit of financial statements* in our report. We are independent of the Company, in accordance with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA code), according to the relevant ethical requirements for the audit of financial statements in Romania, including the Regulation and Law no. 162/2017 and we fulfilled our ethical responsibilities according to these requirements and IESBA code. We believe that our audit evidence is sufficient and appropriate to provide a basis for our audit opinion.

Key issues

Key audit issues are those issues that, based on our professional reasoning had the greatest importance for the audit of the financial statements of the current period. The following key

issue was approached in the context of the audit of the financial statements as a whole and in forming our opinion on them and we do not offer a separate opinion on this key issue.

Key issue - Value of trade receivables

Presentation value of trade receivables according to IFRS depends significantly on the calculation and estimation process of the trade discounts as well as on the process of estimating their recoverability. The company presented in the financial statements in the explanatory note no. 4 - "Sales Income" the value of the granted trade discounts and, in the explanatory note no. 15 - "Trade and other receivables" presented the trade receivables in net value of 256 million LEI, adjusted with the estimated depreciation.

During our mission, we conducted audit procedures that included, but were not limited to the following procedures:

- assessing the compliance of the policies for recognizing the income and trade receivables;
- analytical review procedures and detail tests for verifying the amount of reductions granted, including the expansion of the verifications of the granted discounts in the next fiscal year related to the sales from the audited exercise;
- procedures for direct confirmation of trade receivables balances;
- evaluation of internal procedures and methods used by the management team for estimating the probable amount to be cashed;
- verifying the consistency of applying the accounting policies related to the adjustment of trade receivables.

Other information - Management Report

The administrators are responsible for drafting and submitting other information. Those other information include the Management Report but they do not include the financial statements and auditor's report on them. The Management is responsible for this information.

Our audit opinion on the financial statements do not cover other information and we do not express any form of assurance conclusion thereon.

In connection with the our audit on the financial statements, our responsibility is to read this other information and, in this approach, to evaluate whether that information is significantly inconsistent with the financial statements or with the knowledge we gained from the audit or if they appear to include significant errors. If, based on the activity carried out, we come to the conclusion that there are significant errors in this information, we must report this. We have nothing to report in this sense.

Additionally, in accordance with the provisions of OMFP no. 2844/2016, we read the Management Report and report the following:

- in the Management Report we did not identify information that is not consistent in all significant aspects with the information presented in the financial statements on December 31, 2017.
- The above-mentioned Management Report includes, in all the significant aspects, the information requested by OMFP no. 2844/2016 to the para 15-19 of the Annex no. 1;

- The Management Report does not include the non-financial declaration specified to the paragraphs 39-42 from OMFP no. 2844/2016 which will be subsequently presented in a separate report.
- Based on our knowledge and our understanding gained during the audit of the financial statements drafted on December 31, 2017 about the company and its environment, we did not identify significant erroneous information presented in the Management Report.

Responsibility of management and other persons responsible for governing the financial statements

The Management is responsible for drafting and fair presentation of these financial statements in accordance with OMFP no. 2844/2016 and for that internal control that the management considers it relevant for elaborating the financial statements without significant misstatements due to fraud or error.

When drafting the financial statements, the management is responsible for assessing the company's ability to continue its activity, presenting, if needed, the aspects related to the continuation of the activity and using the accounting on the basis of the continuity of activity unless the company plans to either liquidate the Company or it has no realistic alternative outside of them.

The persons responsible for administering the company are responsible also for supervising the financial reporting process.

The Auditor's responsibility

Our objectives are to obtain reasonable assurance that the financial statements as a whole do not include material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. The reasonable assurance represents a high level of assurance but it is not a guarantee that an audit conducted in accordance with the ISAs will always detect a significant misstatement, if it exists. Misstatements can be caused either by fraud or error and are considered significant if, they reasonably can be expected, individually or cumulatively, to influence the users' economic decisions based on these financial statements.

As part of an audit in accordance with the ISA standards, we exercise our professional judgement and maintain our professional skepticism during the audit. Moreover:

- We identify and evaluate the risks of significant misstatement of the financial statements caused either by fraud or by error, establish and perform audit procedures which to address to these risks and we get enough and appropriate audit evidence to form a basis for our opinion. The risk of not detecting a significant misstatement caused by fraud is higher, because fraud may include complicity, forgery, intentional omissions, false statements, or avoidance of internal control.
- We understand the internal audit relevant to the audit to establish the appropriate audit procedures in the given circumstances, but not to express an opinion on the effectiveness of internal control of the company.
- We assess the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- We formulate a conclusion on the appropriateness of the company's use of the continuity principle and determine, based on the audit evidence obtained, whether there is significant uncertainty about events or conditions that could raise significant doubts about the

Company's ability to continue its activity. If we conclude that there is a significant uncertainty, we need to draw attention in the audit report on the related presentations from the financial statements or, if these presentations are inappropriate, we must change our opinion. Our conclusions are based on the audit evidence obtained by the date of our audit report. However, future events or conditions may cause the Company not to continue operating on a business continuity basis.

- We evaluate the presentation, structure and overall content of the financial statements, including disclosures and the extent to which the financial statements reflect the transactions and underlying events in a manner that performs the accurate presentation.

We communicate to those responsible for managing, among other things, the planned objectives and timing of the audit, as well as the significant audit findings, including any significant internal control deficiencies identified during our audit.

Report on other legal and regulatory requests

We were appointed by the General Meeting of Shareholders held on June 28, 2017 to audit the financial statements of ANTIBIOTICE S.A. S.A. Iași for the fiscal year ended at December 31, 2017. The uninterrupted total duration of our commitment is 3 years, covering the financial exercises ended at 31.12.2017, 31.12.2018 and 31.12.2019.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Company which we issued on the same date to which we issued this report. Also, in conducting our audit, we maintained our independence from the audited entity.
- We did not provide for the Company the non-audit services that are banned according to the article 5, para. (1) of the UE Regulation no. 537/2014.

In the name of,

Accounting, Expertise & Accounting
Consultancy Company SOCECC Ltd.
headquartered in Bucharest, registered at
the Chamber of Financial Auditors of Romania
with the no.227/2002
through Zegrea Laurentiu, CAFR certification no. 2666

Iasi, March 14, 2018