

THE ADMINISTRATOR'S REPORT FOR THE FIRST SEMESTER OF 2019

The administrator's report

Yearly report according to:	IFRS
For the financial year:	30.06.2019
Report date:	August 8, 2019
Company name:	Antibiotice SA
Head office:	Iasi, Strada Valea Lupului nr. 1
Phone number:	0232/209000, Fax 0232/209633
Fiscal registration code:	RO 1973096
Trade Register Registration Number:	J22/285/1991
Regulated market which trades shares:	Bucharest Stock Exchange
Subscribed and paid up capital:	RON 67.133.804
Main characteristics of the securities issued by the company:	Nominative shares, nominal value: RON 0.10

Corporate governance

The corporate governance is a complex of processes, practices, policies, regulatory framework, with an impact upon the management, administration and control of a company.

The corporate governance plays an important role in protecting the interests of shareholders, as it supports maximizing the value of holding in the company in the long term, and in stimulating the attention of investors on the company, by making the activities and processes within the company more transparent and efficient, as investors need accurate, quality information disseminated in due time to help them make investment decisions.

The governance system complies with the provisions of Law 24/2017 on the issuers of financial instruments and market operations, Law no. 31/1990 republished, with all subsequent amendments, of the Financial Supervisory Authority (FSA) Regulation no. 5/2018, of Law no. 111/2016 for the approval of the Government Emergency Ordinance no. 109/2011 on the Corporate Governance of Public Enterprises of the BSE Code, the Corporate Governance Code of the BSE and the provisions of the Articles of Incorporation of the Company.

The structures on which the Antibiotice governance system is based are as follows:

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- The General Meeting of Shareholders;
- The Management Board;
- The Advisory Boards;
- The Executive Management.

General Meeting of Shareholders

The General Meeting of Shareholders represents the highest decision-making body of the company, the place where the shareholders participate directly and make decisions. Among other tasks, it decides on the distribution of profit, it elects the Management Board, it appoints the auditors and it sets the remuneration of the Management Board.

During the first semester of 2019, the Management Board convened on *April 18, 2019* an Ordinary General Meeting of Shareholders and an Extraordinary General Meeting of Shareholders.

All the necessary documents related to the smooth running of the General Meetings were published in due time and in accordance with the legislation in force.

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

- The company's financial statements for the financial year 2018, based upon the Administrator's Report and the Financial Auditor's Report.

<u>Profit to be distributed:</u>	<u>34.303.788</u>
- legal reserve	0
- other earnings reserves provided by law	27.596.110
- dividends of which:	6.707.678
- dividends due to the majority shareholder	3.556.228
- dividends due to other legal persons and natural persons	3.151.450

- The value of the gross dividend per share for the financial year 2018 is RON 0.009991506. The payment of dividends for 2018 will be made starting with 20.09.2019, according to the legal provisions in force;
- the registration of the unsolicited and unpaid dividends as income, related to the financial year 2014;
- The budget of revenues and expenses for the year 2019;
- the degree of achievement of the objectives and performance criteria for 2018, for the members of the Management Board;
- the discharge of administration of the administrators, for the activity carried out in the financial year 2018, based on the reports presented.
- the objectives included in the management plan, for the members of the Management Board for the year 2019.
- the remuneration of the members of the Management Board and the Addendums amending the Annexes to the mandate contracts of the administrators, according to the provisions of GEO no. 109/2011 on the corporate governance of public enterprises and Annex no. 1 to the GD no. 722/2016 for the approval of the Implementation Methodology for applying some

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provisions of the Government Emergency Ordinance no.109/2011 on the corporate governance of public enterprises;

- the appointment of Mr. Cristian-Vasile GRASU as provisional administrator, as of 30.04.2019, in accordance with the provisions of art. 641 of GEO no. 109/2011 on the corporate governance of public enterprises, for a period of 4 months which may be extended until the date on which the procedure for selecting a new administrator will be completed without exceeding a maximum term of 6 months and the form of the mandate contract which will be concluded by the company with the provisional administrator Cristian-Vasile GRASU, as well as the annexes A and B of the contract including the financial and non-financial performance indicators and the remuneration of the administrator, as a result of the termination of the mandate contract of Mr. Ionut-Sebastian IAVOR;
- the starting of the selection procedure of a member of the Management Board, according to the provisions of art. 64⁴ of GEO no.109/2011 on the corporate governance of public enterprises and art.4 paragraph 3 of Annex no. 1 to the GD no.722/2016 for the approval of the Methodological Norms for applying some provisions of GEO no. 109/2011 regarding the corporate governance of public enterprises, as well as the mandate of the Board of Directors to carry out the selection and to propose the administrator according to the provisions of art. 29 paragraph 2 of GEO no.109 / 2011 regarding the corporate governance of public enterprises and art. 4 par. 5 of Annex no. 1 to the GD no. 722/2016 for the approval of the Implementation Methodology for applying some provisions of GEO no. 109/2011 on the corporate governance of public enterprises.
- the date of registration **03.09.2019**, for the identification of the shareholders on whom the effects of the adopted decisions reflect, in accordance with the provisions of art. 86, par. 1 of Law 24/2017 on the issuers of financial instruments and market operations, and the establishment of ex-dates for **02.09.2019**.

The Extraordinary General Meeting of Shareholders approved the following:

- the extension with a 12-month period of the validity of the multi-volume multi-product limit of the RON 30 million contracted by SC ANTIBIOTICE SA from the Export Import Bank of Romania - EximBank SA.
- the maintaining of the guarantees for multi-volume multi-product limit of RON 30 million for the entire validity period (one calendar year starting with 26.06.2019) resulting from the extension under point 1 of the Agenda of the Meeting.
- the issuance of a decision-making commitment of SC Antibiotice SA not to divide, not to merge and not to decide on the early dissolution during the validity period of the multi-volume multi-product limit without the prior agreement of the Export Import Bank of Romania - EximBank SA.
- the empowerment of the General Manager, Mr. Ioan NANI and the Financial Director, Mrs. Paula COMAN to sign on behalf of the company all the documents related to the extension, according to the 1st and 2nd point of the Agenda of the Meeting, as well as the documents related to the obligations assumed by the company according to point 3 of the Agenda of the Meeting.

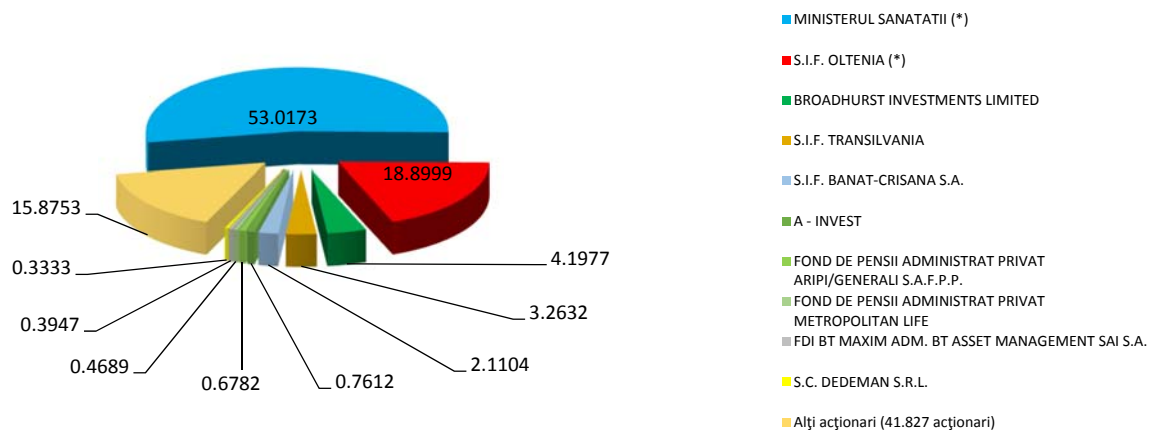
Antibiotice SA on the capital market

Investors (according to the Register of Shareholders on 30.06.2019)

- Ministry of Health (*) - 53.0173%,
- S.I.F. Oltenia (*) - 18.8999%

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- Broadhurst Investments Limited - 4.1977%
- S.I.F. Transilvania - 3.2632%
- S.I.F. Banat-Crisana S.A - 2.1104%
- A-Invest - 0.7612%
- Privately Managed Pension Fund ARIPI/GENERALI S.A.F.P.P. - 0.6782%
- Privately Managed Pension Fund Metropolitan Life - 0.4689%
- FDI BT MAXIM Adm. BT ASSET MANAGEMENT SAI S.A. - 0.3947%
- S.C. DEDEMAN S.R.L. - 0.3333%
- Alte persoane juridice si persoane fizice / Other legal persons and natural persons - 15.8753%



REMARK: (*) - Significant shareholders, according to Law no. 24/2017, Art. 2, Paragraph 2

Classes of shareholders

- Legal persons - 86.9229%,
- Natural persons - 13.0771%.

Evolution of the price per share

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

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

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Both the business plans and the financial results registered by the company represented a solid guarantee that Antibiotice strengthened its position on the national market for medicines.

The Antibiotice (ATB) shares, 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 the financial investment companies.

During the first half of 2019, the minimum price of the ATB shares had a value of RON 0.4500. The share price increased to the maximum value of RON 0.4922/share. The market capitalization of Antibiotice on June 30, 2019 was RON 335,669 thousand.

During this period, 26,113,415 shares were traded, worth RON 12.8 million (EUR 2.7 million, \$ 3 million), with an average price of RON 0.5028/share.

Antibiotice - ATB shares / REGULAR MARKET

	2015	2016	2017	2018	1st Sem. 2019
Number of shares	671,338,040	671,338,040	671,338,040	671,338,040	671,338,040
Stock market capitalization (thousand RON)*	357,152	349,096	361,180	326,942	335,669
Stock market capitalization (thousand EUR)*	78,868	76,875	77,511	70,100	70,890
Stock market capitalization (thousand \$)*	86,167	81,123	92,813	80,259	80,715
Total value traded (million RON)	11	6	12	9	13
Number of traded shares	18,844,935	12,555,866	21,113,565	17,109,263	26,113,415
Opening price (RON/share)	0,5850	0,5320	0.5200	0.5780	0.4800
Maximum price (RON/share)	0,6170	0,5420	0.5920	0.5780	0.5000
Minimum price (RON/share)	0,5240	0,4200	0.5200	0.4550	0.4500
Price at the end of the period (RON/share)	0,5320	0,5270	0.5380	0.4870	0.5000
Average price (RON/share)	0,5836	0,5032	0.5585	0.5028	0.4922

* Calculated on the basis of the share price on the last trading day from that period

The rights of the holders of financial instruments

The corporate governance framework adopted and applied:

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

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On the company's website at www.antibiotice.ro/investitori/informatii_actionari, there is a section dedicated to shareholders, within which the following documents regarding the General Meetings of Shareholders can be accessed and downloaded: procedures regarding the access and participation in meetings, convener, completions of the agenda, informative materials, special powers of attorney, e-mail voting forms, draft decisions, decisions, voting results, etc.

The company makes available to all those interested the periodic and annual financial statements, prepared according to the legislation in force. Also, the company complies with all the publication requirements according to the law of commercial companies and the capital market.

Within the company there is a specialized structure in relation with the existing and potential investors, called the Capital Market, whose main role is to ensure a good communication with the company's shareholders. The persons appointed to maintain the contact with the investors handle the requests of the shareholders with maximum operability and facilitate their dialogue with the management of the company. The company creates and develops an appropriate policy to promote an efficient communication with investors and shareholders.

Management Board

Antibiotice SA is administered by a Management Board, responsible for fulfilling all the strategies necessary to achieve the company's object of activity, except for those provided by law for the General Meeting of Shareholders. There is a clear division of responsibilities between the Management Board and the Executive Management.

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

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

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The structure of the Management Board of Antibiotice SA on June 30, 2019

Ec. Ioan NANI, 59 years old

Chairman of the Board and General Director

Executive Administrator

At the Ordinary General Meeting of Shareholders of April 19, 2016, Mr. Nani was reconfirmed as a member of the Management Board, for a period of four years; Mr. Nani was appointed then by the members of the Board as President on 18.04.2019. Mr. Nani is an economist specialized in management, a chartered accountant and has been a member of the Board since 2009 as well as CEO (1998-2008 and 2009 - present day).

Number of Antibiotice SA shares owned - 1.513*

Dr. Cristian-Vasile GRASU, 59 years old

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

Interim Non-Executive Administrator

In the Ordinary General Meeting of Shareholders of April 18, 2019, Mr. Grasu was elected as a member of the Management Board of the company, in accordance with the provisions of art.641 of GEO no. 109/2011. At present, Mr. Cristian-Vasile GRASU holds the position of Secretary of State in the Ministry of Health. Mr. Grasu is also a coordinator of the General Directorate of Medical Assistance and Public Health and of the Monitoring and Coordination Department for implementing regional hospitals, as well as of the priority actions of the Ministry of Health.

Number of Antibiotice SA shares owned - 0 *

Dr. Dan Octavian ALEXANDRESCU, 43 years old

Interim member of the Management Board and representative of the Ministry of Health

Definitive Non-Executive Administrator

At the Ordinary General Assembly of the Shareholders of September 25, 2018, Mr. Alexandrescu was elected as a member of the Management Board, in accordance with the provisions of art.64¹ of GEO no. 109/2011.

Mr. Alexandrescu Dan-Octavian is a physician, a State Secretary in the Ministry of Health and a coordinator of the Medicines and Medical Devices Policy Division.

Number of Antibiotice SA shares owned - 0*

Ec. Nicolae STOIAN, 61 years old

Member of the Board and representative of the SIF Oltenia shareholding

Non-Executive Administrator

At the Ordinary General Meeting of Shareholders of April 19, 2016, Mr. Stoian was elected as a member of the Management Board for a period of four years.

Mr. Stoian is a chartered accountant, a tax consultant and financial auditor and a representative of Internal Control department at SIF Oltenia.

Number of Antibiotice SA shares owned - 0*

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Eng. Elena CALIȚOIU, 55 years old

Member of the Board and representative of SIF the Oltenia shareholding

Non-Executive Administrator

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

Mrs. Calițoiu is a mechanical engineer and Director of Investments and Risk Management Unit.

Number of Antibiotice SA shares owned - 0*

The advisory committees

During the first semester of 2019, the specialized advisory committees had the following membership:

- *the Audit Committee*: Mr. Cristian-Vasile GRASU, Mr. Nicolae STOIAN and Mrs. Elena CALIȚOIU;

- *the Nomination and Remuneration Committee*: Mrs. Elena CALIȚOIU and Mr. Dan Octavian ALEXANDRESCU

- *the Trade Policies Committee*: Mr. Cristian-Vasile GRASU and Mr. Nicolae STOIAN.

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

Internal control

The specialized internal control activities provided by the legislation in force are carried out through the company's own Internal Audit Office, which carries out the following activities: internal audit, financial administration control, administration control and it is carried out in a methodological and procedural framework regulated by laws, norms and codes of professional conduct specific to each activity.

The method of establishing and achieving the objectives of the Internal Audit Office, the findings and recommendations resulting from all the internal control actions were presented quarterly to the Audit Committee in the Management Board, for evaluating the activity and the internal control exercised in the company.

Risk management

The risk management is an activity at the level of the whole company that aims to facilitate the efficient and effective achievement of the organization's objectives.

Antibiotice SA continuously explores and develops opportunities to support earnings and to stimulate long-term increases in shareholder value.

The risk management process focuses on the identification, evaluation, management, monitoring and systematic reporting of risks.

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The risk assessment involves evaluating the probability of occurrence and the impact on the objectives if they materialize, ensuring a global risk control within the company and allowing the maintaining of an acceptable level of risk exposure with minimal costs. Obviously, knowing the threats will allow them to be ranked according to the probability of their occurrence, the extent of the consequences upon the objectives, but also according to the expected costs for implementing the actions to reduce the probability of occurrence or to limit the effects upon the objectives; at the same time this is a continuous and cyclical process based upon the analysis of the internal and external environment in which the company activity is carried out.

The Antibiotice SA objectives regarding risk management are:

- Understanding the risks to which the company is exposed and the general and specific causes thereof;
- Improving the risk profile of the company, by managing the process of identifying, assessing and managing the risks and implementing the control measures necessary to maintain the risk exposure in the tolerable area.

Antibiotice SA continually reassesses the existing risk portfolio by identifying new exposures and adding value to the company by properly applying the best and most efficient risk strategies.

Executive management

Antibiotice is represented by the General Manager, according to the prerogatives established by the law and the Articles of Incorporation of the company. The Management Board represents the company in relation to the directors whom it has appointed. The executive management of Antibiotice is ensured by ten directors, one of whom is the General Manager and he is the Chairman of the Management Board, and nine specialty directors.

Structure of the Executive Management of Antibiotice SA on June 30, 2019

Ec. Ioan NANI, 59 years old

General Director and Chairman of the Management Board

Mr. NANI, a graduate of the Faculty of Economic Sciences of the "Alexandru Ioan Cuza" University of Iasi, is an economist specialized in management and also an accounting expert.

Mr. NANI began his activity as an economist at Antibiotice in 1987. Between 1991 and 1993 Mr. NANI was a financial control inspector at the General Public Finance Department of Iasi and then at the Romanian Court of Accounts. In 1994, Mr. NANI has returned to Antibiotice as Chief Financial Officer, and in 1998 Mr. NANI became General Manager. In February 2009 Mr. NANI was appointed Vice-President of the Authority for

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State Assets Recovery (AVAS), and in June of that year, the General Manager of Antibiotice.

Mr. NANI has been General Director since 2009.

Number of Antibiotice SA shares owned - 1.513*.

Eng. Cornelia MORARU, 53 years old

Technical and Production Director

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

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

Number of Antibiotice SA shares owned - 1.513*.

Ec. Paula Luminița COMAN, 51 years old

Financial Director

Mrs. Coman has graduated from the Faculty of Economics and Business Administration of 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 Antibiotice SA 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 Financial Director since 2011.

Number of Antibiotice SA shares owned - 0*.

Ec. Vasile CHEBAC, 63 years old

Commercial and Logistics Director

Mr. Chebac has graduated from the Faculty of Economics of the "Alexandru Ioan Cuza" University of Iași and has been an active member of the Body of Chartered Accountants, Iași Branch since 1993, 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 of Iași. In January 1998 Mr. Chebac was appointed Chief Commissioner at the Fraud Squad of Iași. In September 2001 Mr. Chebac returned to Antibiotice SA to the position of Chief Commercial Officer and General Services.

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

Number of Antibiotice SA shares owned - 0*.

Ec. Ovidiu BĂȚAGA, 40 years old

Specialty Director - Marketing and Domestic Sales Unit

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

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

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

Number of Antibiotice SA shares owned - 0*.

Dr. Mihaela MOȘNEGUȚU, 48 years old

Specialty Director - Medical Unit

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

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

Dr. Moșneguțu has been the Medical Director since 2011.

Number of Antibiotice SA shares owned - 0*.

Ec. Mihai STOIAN, 43 years old

Specialty Director - International Business Unit

Mr. STOIAN is a Graduate of the Faculty of Economic Sciences at the "Alexandru Ioan Cuza" University of Iași, with a specialization in International Economic Relations.

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 International Business Director since 2012.

Number of Antibiotice SA shares owned - 0*.

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Eng. Cristina Diaconescu, 51 years old Specialty Director - Research & Development Unit

Mrs. Cristina Diaconescu is a graduate of the Faculty of Industrial Chemistry of the "Gheorghe Asachi" Technical University of Iasi and holds two master's degrees, in the fields of business management, from the Faculty of Economics and Business Administration, the "Gheorghe Asachi" Technical University of Iasi and in Pharmaceutical Management and Marketing from the University of Medicine and Pharmacy "Gr. T. Popa" of Iasi - the Faculty of Pharmacy.

Mrs. Diaconescu has been working in the company since 1994. In 2005 Mrs. Diaconescu was appointed Deputy Director of Marketing and Internal Market. In January 2008 she became Promotion & Retail Sales Manager and Mrs. Diaconescu has been the Quality Control Manager since February 2015.

Within the company Mrs. Diaconescu holds the position of Research & Development Unit Director.

Number of Antibiotice SA shares owned - 1514 *.

Ec. Delia Eromanga RACOVEANU, 48 years old Specialty Director - Marketing and International Sales Unit

Mrs. RACOVEANU is a graduate of the Faculty of Economic Sciences of the "Alexandru Ioan Cuza" University of Iasi - economic profile, Marketing specialization. Mrs. RACOVEANU holds a master's degree in business management from the Faculty of Economics and Business Administration within the "Gheorghe Asachi" Technical University of Iasi.

After graduating from faculty, in 1995, Mrs. Racoveanu started her activity as an Export Economist within the Moldomobila SA company. In January 1997 Mrs. Racoveanu was appointed Sales Director within the company Logsoft SRL. In May of the same year, Mrs. Racoveanu was appointed Export Economist within SC Tepro SA.

Starting with May 1999 Mrs. Racoveanu holds the position of Head of Marketing Department at Antibiotice SA. In April 2003 she was appointed Internal Market closed-circuit Sales Director and in December 2008 Mrs. Racoveanu is appointed Head of the Marketing and Strategic Planning Department. In April 2018 Mrs. Racoveanu became Import Manager.

Mrs. Racoveanu has been a specialized Director of Marketing and International Sales since January 2019.

Number of Antibiotice SA shares owned - 0 *.

Psychologist, Mihaela MURARIU, 40 years old Specialized Director - Human Resources Unit

Mrs. MURARIU is a graduate of the "Alexandru Ioan Cuza" University of Iasi, the Faculty of Psychology and Educational Sciences, specializing in Psychology. In 2006, Mrs. MURARIU obtained the master's degree in *Psychological evaluation, training and counseling of staff*, at the same university.

In 2005, after graduation, Mrs. MURARIU started her activity at Lugera & Makler Bucharest, on the position of Human Capital Consultant; later, Mrs. MURARIU promoting to the position of Manager of the Lugera & Makler Iasi Branch. In 2009 Mrs. MURARIU was

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appointed Recruitment Coordinator at the Delphi factory in Iasi (Delphi Diesel Systems SRL), promoting the position of Human Resources Manager - Business Unit. In 2013, Mrs. MURARIU holds the position of Human Resource Manager at the Romanian ZF Group factory in Roman, Neamt County (TRW Airbag Systems SRL), and in 2018 Mrs. MURARIU was appointed Human Resource Manager at Tester Grup Iasi (Casa Auto SRL). Mrs. MURARIU has been holding the position of Human Resources Director at Antibiotice since May 2019.

Number of Antibiotice SA shares owned - 0 *

**Number of Antibiotice shares (ATB) owned on June 30 2019 according to the latest database held by Antibiotice on the year 2019.*

Activity analysis

The characteristics of sales on the international markets during the first semester of 2019 were:

The export increased by 6.34% compared to the export made during the similar period of 2018:

TYPE OF PRODUCT	SEM I 2018	SEM I 2019	Variation %
NYSTATIN	36,129,359	38,715,323	7.16%
FINISHED PRODUCTS	31,852,655	33,575,462	5.41%
TOTAL (RON)	67,982,014	72,290,784	6.34%

The main development directions of the Antibiotice SA strategy on international markets were continued:

- The development of the presence in the territories in which Antibiotice has an open representative office: Vietnam, Ukraine, Moldova, Serbia;
- The increase of the market share on regulated markets, especially on the US market;
- The development / consolidation the company's presence on current markets and adapting the product portfolio to potential external markets according to the local consumption specificity;
- The development of new business models and partnerships on external markets, in order to accelerate the development of the company internationally;
- Maintaining the position of world leader for Nystatin active substance;

The main destinations of the Antibiotice products (Finished Products and Nystatin) during the first half of 2019 were: Asia (35%), North America (20%) and Europe (15%). The sales in these areas accounted for about 70% of the sales made on foreign markets.

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The **Finished Products Southeast Asia** is one of the markets where the opening of the representative office in Vietnam has allowed an accelerated growth of sales and the implementation of commercial policies adapted to all sales channels. The sales of finished products on this market increased by 7% compared to the first semester of 2018. The sales growth was achieved on the hospital products segment by increasing the quantities used in hospitals in Vietnam, especially anti-infective products. Starting with 2019, we have obtained marketing authorizations for four other products.

On the **U.S. market** the exports of injectable finished products increased by 44% during the first half of 2019, through the winning of new tenders. The increase in sales was also influenced by the signing of a partnership with a new local distributor and the first delivery was already realized during the first quarter of 2019. Discussions are in progress about a new delivery that will materialize in the fourth quarter of this year.

The development strategy on the **European market** also covers the countries of Central and Eastern Europe, where, starting from the coordination center in Serbia, we develop projects in countries such as Slovenia, Croatia, Montenegro.

The exports to **Russia & C.I.S.** will further focus on the Ukrainian Representative Office, from where we will coordinate the projects we have in this area. During the first semester of 2019 we started the registration of a package of approximately 35 products from the Anti-Infective, Musculoskeletal, Dermatology, Cardiology and Food Supplements classes, as the objective of Antibiotice SA is to export to Ukraine but also to the other territories, the company's development concepts.

In the **Africa and the Middle East** area, the expansion program in the markets of Iraq, Saudi Arabia and Africa continued, with the registration of new products. Thus, during the first semester of 2019 we obtained registrations for six products and by the end of 2019 we will obtain marketing authorizations for other products from the Anti-Infective and Cardiovascular classes.

Nystatin

The main engine for the growth of exports of Nystatin was the area of **South America**, at the level of the markets of Brazil, Columbia and Cuba. This area represents at present 30% of the quantity of Nystatin used worldwide, with an annual potential for doubling the demand both at the level of current clients and through new projects initiated in 2017-2018.

During the first half of 2019, our company consolidated its sales for Micronized Nystatin in the **United States**, which remains the main market for this assortment. New collaborative projects have also been initiated in this area, which will be the source of increasing volumes traded for the period 2020-2025.

In **Europe**, the traditional retail markets - Germany and the Netherlands - registered an increase of about 30% of the quantity demand. In addition, new markets

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such as the UK and Poland add up, where new projects with local producers of oral suspensions and pessaries based on Micronized Nystatin have been started.

Even though in the last years, in the **Middle East** area and **South-East Asia** area there is a strong pressure on prices, Antibiotice has managed to keep its main traditional customers and to identify business opportunities in new markets such as Saudi Arabia, Hong Kong, Cambodia and Macau.

During the first 6 months of the year, in **Romania**, the company has recorded an increase of the revenues from gross sales of 11.5% from RON 136.8 million to RON 152.5 million.

The evolution of the pharmaceutical market in Romania

During the first half of 2019, the value of the relevant market (the market of the products in the Antibiotice portfolio, taken into account in the company's strategy) was RON 1.05 billion¹, up by +8.5% compared to the same period last year. The consumption in this market was 69.9 million boxes, of which Antibiotice holds a share of 22.2% with the 15.5 million boxes sold.

The prescription products (RX) represent 58.7% of the total value sales on the relevant market (RON 615.8 million), up by + 2.6% compared to last year. During the same period, the non-prescription products (OTC) represent 41.3% of the total (RON 432.9 million).

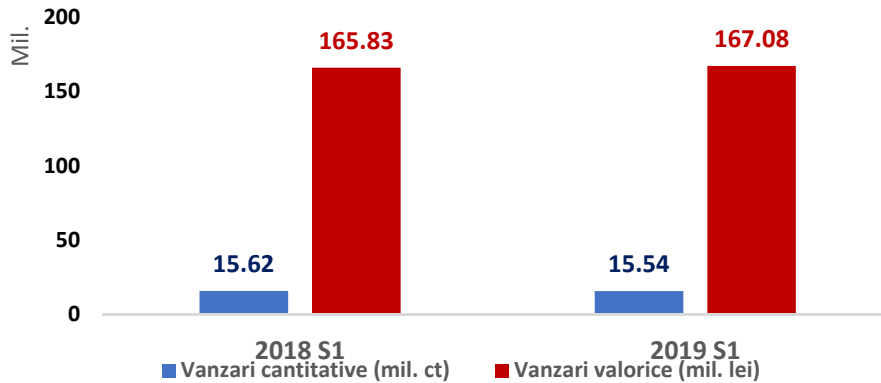
Antibiotice SA on the pharmaceutical market in Romania

During the first half of 2019, the company's sales value was RON 167 million (15.9% of the relevant market), up by +1% compared to the similar period of 2018.

¹ Data source: CegeDim Romania 2019 6 months market study

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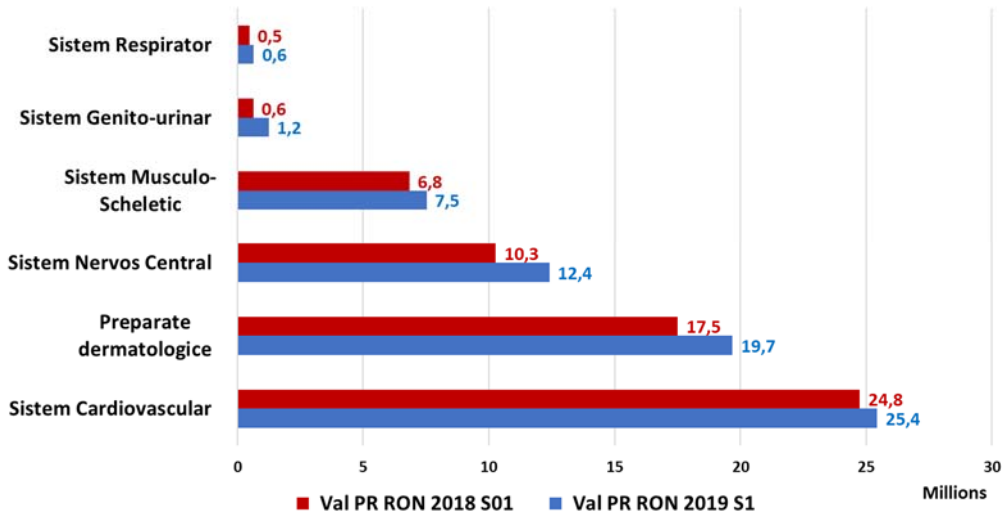
Antibiotice: Evolutia vanzarilor in perioada S1 2018 - S1 2019



The prescription products (RX) represent 80.8% of the total value sales (RON 135 million). In the same period, the products without a prescription (OTC) represent 19.2% of the total (RON 32.1 million), up by +3.8% compared to last year.

In the Antibiotice portfolio, the main therapeutic classes that register value increases during the first semester of 2019 are: Dermatological preparations (+ RON 2.2 million), Central Nervous System (+ RON 2.1 million), Cardiovascular System (+ RON 0.7 million), Musculoskeletal System (+ RON 0.7 million), Genito-urinary System (+ RON 0.6 million) and Respiratory System (+ RON 0.2 million).

Antibiotice: Vanzari valorice crescute pe clase terapeutice 2019 S1 vs 2018 S1



The products from the Antibiotice portfolio that brought during the first semester of 2019 a contribution of over 500 thousand RON compared to the first semester of 2018 are: Memantina Atb® cpr range (+1.1 million RON), Betahistina Atb® tbs 24 mg (+854 thousand RON), Indapamida Atb® tbs 1.5 mg (+788 thousand RON), Nidoflor® ung 15 g (748 thousand RON), Clotrimazole cream range (+708 thousand RON), Colistina

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Antibiotice® Inj 1,000,000 I.U. (+700 thousand RON), Perasin® inj range (+675 thousand RON), Bisotens® tbs range (+605 thousand RON).

Antibiotice SA ranks: 1st on the relevant market (15.9% market share), 5th on the generic and OTC segment (4.6% market share) and 19th on the total pharmaceutical market (1.84% market share).

During the first semester of this year, Antibiotice SA maintains its leading position in the segment of generic drugs and OTC drugs marketed in hospitals, with a market share of 15.7%.

Antibiotice SA ranks 16th out of 221 companies in the top of non-prescription medicines and food supplements (OTC).

During the first semester of 2019, promotional actions were carried out mainly intended for health professionals, doctors and pharmacists, which aimed to increase the reputation of the company brand and the brand of products from the portfolios of the Anti-Infective, Dermatology, Gynecology and Musculoskeletal classes and the range of Nutriensa® dietary supplements.

Of these we mention:

- The participation in the most important national and regional scientific events;
- The organizing of working meetings with independent pharmacies, mini-chain pharmacies and chain pharmacies;
- The continuing of the social responsibility program "Antibiotics of the IIIrd millennium" by bringing together international and local experts, as well as professionals who constantly support the judicious use of antibiotics;
- promoting the range of Nutriensa nutritional supplements;
- the awareness campaign for the risk of chronic venous disease, supported by Fluxiv;
- social media campaigns for Cutaden Bebe;
- marketing campaigns of the shelf products in open circuit pharmacies and chain pharmacies.

Research and development

The Research & Development activity has as main objective the development of new products and the optimization of the products already existing in the company's portfolio (topical forms, tablets, capsules, injectables and new pharmaceutical forms), products derived from the strategic development directions of the company and according to the sales plan until 2025.

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The pipeline of products undergoing research in 2019 includes a number of 15 projects, of which an injectable product, 4 projects of topical forms and 10 projects of solid oral forms. These projects cover the therapeutic classes that define the portfolio of Antibiotice: oral anti-infective products, injectable anti-infective products, dermatological products, non-steroidal anti-inflammatory cardiovascular drugs, digestive system drugs and medicines for women's health. In the first half of 2019 these products were in different stages of development.

Out of the 10 projects on oral solid forms, 4 of them are food supplements. The development of these products contributes to the consolidation of the portfolio of food supplements, cosmetics and prophylaxis products.

At the same time with these new research projects, in the first semester of 2019, activities have been carried out to optimize the products from the company's portfolio, in order to internationalize them, as follows: 5 injectable products, 2 topical products and 4 oral solid forms products.

As an integral part of the Research and Development activity, the Biotechnology Research is oriented on the identification of the stability conditions of the Nystatin product, in parallel with maintenance works of the strains from the Antibiotice SA fungi collection.

These projects are developed within a multidisciplinary team, made up of specialists from different fields, such as: pharmacy, chemistry, biology, chemical and physical engineering. The professionalism and the expertise in the pharmaceutical field of these researchers makes it possible to research and develop high quality products, which make up both the current and future portfolios of the company.

During the first semester of 2019, the research and analytical teams were completed with a number of 10 young specialists (pharmacists, biologists, chemists) to consolidate the current team.

In order to maintain the current portfolio, the alignment with the modifications of the pharmacopoeias in force, as well as the updating of the authorization documentation for a number of 11 products from the portfolio was completed, 19 national reauthorization procedures were completed and 19 products were authorized in the international system.

During the first half of 2019, the portfolio of anti-infective drugs, representative for the company both nationally and internationally, was completed with 2 new products in 3 concentrations. A new dietary supplement was also notified.

For the international market, a number of 3 new Marketing Authorizations for Antibiotice brand drugs from 2 countries from the CIS and Europe area were obtained.

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Medical Unit

During the first 6 months of 2019, within the Center for Clinical Studies, two bioequivalence studies were completed, a study conducted for an external partner and a study for a product from the company's portfolio. At the same time, the first clinical trial for a topical product manufactured by Antibiotice SA was started, aimed at expanding on international markets.

The Medical Unit has developed its structure by setting up the Portfolio Management activity whose mission is to define a flexible and dynamic portfolio structured on development directions and projects to support the turnover. Thus, during the first 6 months the activity was focused on the analysis, assessment and monitoring of medicines manufactured on the company's platform at the 5 production sites: parenteral products, topical products, capsules, tablets and biosynthesis (nystatin), as well as on defining new projects included in the research plan until 2030.

The permanent monitoring of the efficacy and safety in the administration of Antibiotice brand medicines, the proactive activities and the risk management throughout the life cycle of each drug are carried out through the Pharmacovigilance Department, connected to the European network for the processing of drug safety data - EudraVigilance.

Production activity

The planned production of 2019 is 583.8 million pharmaceutical units in the form of tablets, capsules, parenteral products, topical products (ointments, creams, gels), suppositories and pessaries with 58.8 million units higher than in 2018.

During the first semester of 2019, the production achieved has materialized in 320 million pharmaceutical units comparable to the same period last year.

The Nystatin active substance was produced in a quantity comparable to that of the first semester of the previous year.

The value of the manufactured products for export (Nystatin and finished products) during the first semester of 2019 represents 28.6% of the total value of the products manufactured on the platform, equal compared to the same period of 2018.

The total value of the production on the first semester of 2019 was RON 228.4 million. Through the environmental protection program, actions have been taken to reduce the emissions of volatile organic substances during the extraction phase of Nystatin and the specific solvent consumption in the technological process.

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During the first half of 2019, starting with February, through the measures and investments implemented, we achieved the alignment to the serialization process of prescription drugs in accordance with the EU Directive 62/2011, which made it possible to continue the sales in the European market and US.

New products introduced in manufacture during the first semester of 2019

- a cardiovascular medicinal product - **Nolet® 5 mg tablet** (nebivolol);
- a food supplement for the digestive tract (laxative) - **Lejer® capsules** (Hibiscus, Rhubarb, Ginger, Senna).

Medium and long-term development through investments in new facilities

The approved planned value of the investment program for 2019 is RON 92,284,030.

The value achieved on 30.06.2019 is RON 17,947,245. On this date, the percentage of achievement is relatively small, because during the first part of the year, for many of the investment objectives, the activities preceding the contracting are carried out, in accordance with the internal procedures, consisting of: carrying out projects (when applicable), technical specifications, obtaining permits, authorizations; soliciting and analyzing offers; negotiation and contracting, so that during the second part of the year the purchases and settlements to suppliers will be carried out effectively.

Through the investment objectives included in the program the following objectives are pursued:

- achieving a new, high-performance capacity, equipped with modern production facilities for the manufacture of ointments and suppositories, GMP and FDA authorized;
 - modernizing and retooling the existing production lines to increase production capacities, product quality and reduce production costs;
 - modernizing the facilities that provide utilities for the entire platform;
 - achieving objectives that respond to the strategy of reducing pollution and protecting the environment:
 - the demolition of unused buildings, with advanced physical and moral wear and tear, for the clearing of the land, in order to build new manufacturing capabilities.
- The investment program approved for 2019 is structured as follows:

1. Investments in the Research & development activity

Research is one of the most dynamic activities in society, which is constantly changing and ascending. Throughout the whole society, research acts as a dynamizing element of the whole system, generating new products, which leads to the increase of production. Due to the high consumption of intelligence and creativity, research contributes to the development of the product portfolio.

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The investment program includes a number of equipment items, software to support and improve the research activities, in order to obtain new, quality, valuable and competitive products in the market.

The new product development program considers the following objectives:

- modernizing the company's product portfolio in order to provide to the domestic market with the latest generation of generic drugs, therapeutically efficient and safe in administration;
- providing competitive pharmaceutical products on the external market and ensuring, in the long term, the turnover and the competitiveness of Antibiotice SA;
- the reduction of the NHIH (National Health Insurance House) related expenses for the purchase of expensive import drugs or at risk of discontinuation.

II. Investments in new manufacturing sites

Developing a production capacity of Ointments and Suppositories

The objectives of this investment are:

- The appropriate construction and equipment of an EU-GMP and FDA authorized Ointment and Suppositories plant.
- the GMP certification of the newly built 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 medicines in compliance with the legislative and pharmacopoeial requirements, for their registration and marketing in all the regulated markets, especially in Europe, U.S. and Canada.

The investment justification:

- The achievement of a modern plant for the manufacture of semi-solid drugs filled into tubes (ointments, creams, gels) and suppositories, represents for Antibiotice SA the guarantee of the long-term business development.
- The company's development strategy focuses on maintaining and expanding the portfolio of semisolid products filled into tubes and suppositories.
- The strategy is based upon the development of the portfolio for the internal market, but also the diversification and penetration on new important foreign markets in Europe, North America, Asia and Africa.
- To ensure the main characteristics of the medicines (quality, efficiency, safety), their manufacture must be carried out in facilities equipped with high performance equipment and critical utilities that correspond to the requirements of Good Manufacturing Practice (GMP).

The first stage of this investment, achieved in 2017, consisted of the industrial building intended for the manufacture (without the clean rooms and the related installations) and the technical-administrative building.

In 2018, the second phase of this important objective was partially achieved, consisting of:

- Contracting the design and building of the clean rooms and the related installations with a specialized company;

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- The design and partial building of clean rooms and related installations;
- The design and partial building of the installations for the production of utilities: a system for the production of compressed air, a system for the production of industrial cold, electricity supply, a system for the production of purified water, an interior installation of cool water supply (industrial cold), a supply of demineralized water, steam supply, technological hot water, drinking water, thermal station;
- Contracting and manufacturing of technological equipment.

In 2019, work (ending in 2020) will continue to build the clean rooms and related installations, in conjunction with the installation of technological equipment and installations.

III. Investments in the modernization of the existing manufacturing sites

The purchase of equipment, installations, various equipments and laboratory equipment for the purpose of retrofitting manufacturing flows is being suggested. The manufacturing equipment and installations to be purchased are of the latest generation, with high productivity, low energy consumption and high degree of safety in operation. The manufacturing equipment is intended for the replacement of equipment with important physical wear and tear, which generates high maintenance costs and low productivity. Also, it is necessary to purchase equipment to ensure the implementation of environmental protection measures, to reduce energy consumption and for safety at work.

IV. Investments in the Quality Control of Products

Given the continuous review of the pharmacopoeia monographs and the increase of the precision of the analysis methods in the laboratories of the pharmaceutical industry, it became imperative to purchase the latest generation equipment that would make it possible to maintain the verification of the quality control of the products manufactured by Antibiotice SA to international standards. The Quality Control laboratories have a decisive importance in demonstrating the quality and the conformity of the products manufactured in our company, which is why, it is permanently necessary that they be equipped with the most modern and performing laboratory equipment.

The procedure for implementing the LIMS software program is being carried out. LIMS is a computer program specific for laboratories and it is required for both the laboratories within the Quality Unit and for those within the Medical Unit, in order to ensure data integrity and streamline the activity by reducing manual registrations, achieving a complete electronic traceability from sampling until the completion of the analyzes and the issuing of a certificate of analysis.

V. Investments in the Environmental Protection

The main purpose of these investments is to observe the legal requirements and to protect the environment as follows:

- the acquisition of equipment and benchmarks for equipping the wastewater treatment plant is necessary in order to ensure the proper functioning of the

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wastewater treatment plant, in compliance with the legal requirements regarding the quality of the waste water discharged in accordance with the provisions of the environmental and water management authorizations;

- the purchase of laboratory equipment necessary to ensure the monitoring of the quality of environmental factors, according to the requirements of the Integrated Environmental Authorization.

-

VI. Investments in Occupational Safety and Health

The investments are oriented towards:

- The compliance with the legal requirements in the field of occupational safety and health and the general principles of prevention by purchasing equipment that complies with the European Directives in the field of occupational safety and health;
- Promoting the improvement of health and safety through:
 - reducing the physical effort by completing the endowments of the structures with equipment for handling the packaging with raw materials, finished products and/or packaging suitable for the activities (e.g.: lifting, handling equipment, etc.)
 - the improvement of the microclimate by acquiring a HVAC system suitable for the workspaces refurbished in the Tablets plant, as a result of the introduction of the serialization equipment;
 - equipment and endowments intended for the protection of work and the improvement of the working conditions (air conditioning devices, lifting means and material transport means, etc.)

VII. The rehabilitation of the industrial platform

This chapter has the following components:

- the rendering of the lands cleared after the demolition of the industrial circuit;
- the rehabilitation of existing buildings;
- the transport and storage infrastructure;
- the infrastructure of maintenance, production and distribution of utilities
- the IT infrastructure (network and system).

VIII. Investments for the modernization of the internal and external ambient of the company

Optimizing the operating costs and increasing the operating efficiency

The situation of the overall result

Following the strategic objectives with a focus on the internationalization of the business, during the first semester of 2019, compared to the similar period of the previous year, the revenues from sales experienced an increase of 9%, due mainly to the increase of sales on the international market.

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	Financial year		30.06.2019/ 30.06.2018
	30.06.2018	30.06.2019	
A	1	2	3=2/1
Sales revenues	157,700,486	172,391,095	1.09
Other operating revenues	14,810,614	18,686,567	1.26
Income related to the costs of product stocks	23,440,792	26,243,033	1.12
Income from the activity achieved by the entity and capitalized	1,549,525	2,568,485	1.66
Expenditure on raw materials and consumables	73,332,578	78,018,365	1.06
Staff expenditure	41,996,215	46,888,473	1.12
Depreciation and amortization expenditure	9,800,119	10,329,494	1.05
Other operating expenditure	50,067,426	57,508,252	1.15
Profit from exploitation	22,305,079	27,144,596	1.22
Net financial income	-1,460,910	-2,220,989	1.52
Profit before tax	20,844,169	24,923,607	1.20
Income tax expenditure	741,122	2,604,531	3.51
Profit	20,103,047	22,319,076	1.11

The achievement of revenues is supported by expenses, whose evolution in the structure is as follows:

- **The expenditure on raw materials and consumables**, in the amount of RON 78,018,365, is 6% higher than the value recorded in the same period of 2018. The increase in the expenditures on raw materials and consumables was determined by the need to increase the production in the Ointment and Suppositories Plant to ensure the stock of finished products needed during the period when production will be stopped in order to switch from the old manufacturing line to the new manufacturing line.
- As our company is faithful to a responsible employer policy, during the first semester of 2019 the **staff expenditure** was higher by 12% compared to the similar period of 2018. The increase in the value of this expenditure is due to the implementation of a unitary and modern wage system, with the purpose of aligning the benefits package at the level of performance of each employee.
- **The expenditure with the amortization and depreciation** increased by 5%, on account of:
 - the increasing the value of buildings by re-evaluation, carried out in 2018, according to the legal requirements;
 - the commissioning of the necessary equipment for the implementation of the serialization of pharmaceutical products marketed on the European market and other regulated markets, which entered into force starting with 09.02.2019.

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- **The other operating expenditure** experienced an increase of 15% due mainly to the increase of the clawback tax, whose value on 30.06.2019 was RON 20.057.376 and on 30.06.2018 was RON 18.066.978.

As a result of the recorded revenues and the expenditure incurred, during the first half of 2019, compared to the similar period of the previous year, the company registered:

- **profit from exploitation** amounting to RON 27,144,596, higher by 22%;
- **gross profit** in the amount of RON 24,923,607 higher by 20%;
- **net profit** amounting to RON 22,319,076 higher by 11%.

The statement of financial position

	Financial year		30.06.2019/ 31.12.2018
	31.12.2018	30.06.2019	
0	1	2	3=2/1
ASSETS			
FIXED ASSETS			
Tangible assets	310,640,665	316,959,046	1.02
Intangible assets	15,028,716	16,134,982	1.07
TOTAL FIXED ASSETS	325,669,381	333,094,028	1.02
Stocks			
Trade and similar receivables	64,964,662	97,450,800	1.50
Cash and cash equivalents	313,094,458	307,600,266	0.98
TOTAL CURRENT ASSETS	2,376,682	3,612,663	1.52
TOTAL ASSETS	380,435,802	408,663,729	1.07
LIABILITIES	706,105,183	741,757,757	1.05
CURRENT LIABILITIES			
Trade and similar liabilities			
Amounts owed to credit institutions	67,171,084	76,126,997	1.13
Liabilities from taxes and current taxes	100,729,229	104,527,433	1.04
Grants for investments	10,421,393	11,528,226	1.11
TOTAL CURRENT LIABILITIES	637,008	0	
LONG-TERM LIABILITIES	178,958,714	192,182,657	1.07
Grants for investments			
Deferred tax	2,489,791	3,192,430	1.28
Amounts owed to credit institutions	25,266,930	25,498,134	1.01
TOTAL LONG-TERM LIABILITIES	26,662,433	32,545,823	1.22
TOTAL LIABILITIES	54,419,154	61,236,387	1.13
Share capital and reserves	233,377,868	253,419,044	1.09

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Share capital	264,835,156	264,835,156	1.00
Reevaluation reserves	53,459,597	52,110,023	0.97
Legal reserves	13,426,761	13,426,761	1.00
Other reserves	190,422,002	193,386,084	1.02
Retained earnings	-60,182,699	-57,738,387	0.96
Distribution of profit	-23,537,290	0	0.00
Current result	34,303,788	22,319,076	0.65
TOTAL EQUITY	472,727,315	488,338,713	1.03
TOTAL CAPITAL AND LIABILITIES	706,105,183	741,757,757	1.05

Assets

As of 30.06.2019, the value of current assets is higher than the value of current liabilities and the value of the permanent capital (equity + long-term debt) exceeds the value of fixed assets, which shows that the company observes the principle of aligning the maturity of assets and liabilities.

- **The fixed assets** registered an increase of 2% compared to the value at the beginning of the year, as a result of the commissioning of the equipment necessary for the implementation of the serialization.

- The value of the **stocks** at the end of the first semester of 2019 registered a decrease by 6% compared to the value of the stocks as of 30.06.2018, but by reference to the beginning of the first semester of 2019 the value of the stocks is higher by RON 32,486,138, as a result of the additional production achieved to ensure the sales for the period of revision as well as to ensure the continuity of the sales for the period during which the transition from the old manufacturing line to the new manufacturing line will be made at the Ointments and Suppositors Plant.

- The value of the **receivables** decreased by 2% compared to the value registered at the beginning of 2019, as a result of the continuous measures to optimize the commercial relations with the clients.

Liabilities

At the end of the first semester of 2019 the **current liabilities** recorded a value of RON 192,182,657, up by 7% compared to the value at the beginning of the year:

- the short-term loans increased by 4%;
- the liabilities to suppliers increased by 13%, as a result of renegotiating contracts with suppliers by extending payment terms;
- the current taxes and duties increased by 11%.

The value of the **long-term liabilities**, represented by the long-term bank credit, necessary to ensure the financing of investments in the new Ointments and Suppositories plant, increased by 22% compared to the value at the beginning of the year, as a result of the intensification of works on this investment objective.

As of 30.06.2019, there were no outstanding obligations to the state budget.

By synthesizing the financial statements, we present the effects of the activities carried out, through the following indicators:

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Name of indicator	Calculation mode	Unit of measurement	30.06.2018	30.06.2019
Current liquidity	Current assets/Current liabilities	Number of times	2.04	2.11
Level of indebtedness	Borrowed capital/Equity *100	%	28.94	28.07
Turnover speed for client debit items	Average customer balance/Sales revenue* Time	days	322	303
Fixed assets turnover	Sales revenues/Fixed assets	Turnover	0.65	0.52
Return on equity (ROE)	Net profit/Equity	%	4.25	4.57
Return on assets (ROA)	Net profit /Total assets	%	2.85	3.01
No. of shares	Paid up share capital / nominal value	shares	671,338,040	671,338,040
Return on assets (ROA)	Net profit / Total assets	%	2.85	3.01
Earnings per share (EPS)	Net profit / shares	RON/share	0.030	0.033
Net profit rate	Net profit / Sales revenue	%	12.75	12.95

AMOUNTS OWED TO CREDIT INSTITUTIONS

Amounts owed to credit institutions on 30.06.2019

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

Objective	Line of credit - working capital
Amount	RON 50,000,000
Maturity	16.08.2019
Balance as of June 30 2019	RON 45,679,714
Guarantees	Mortgage contract on buildings, land / Debt assignment contract

Credit agreement no. IAS3-20-2018 / 03.05.2018 concluded with Unicredit Bank S.A

Objective	Investment credit
Amount	EUR 15,406,300
Maturity	02.05.2028
Balance as of June 30 2019	EUR 6,865,166.42 (RON 32,507,249.51)

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Guarantees	Mortgage contract on buildings, land / Debt assignment contract
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Short-term contract no. 12/01.07.2013, addendum no. 9/25.06.2019 concluded with the Import Export Bank of Romania- EXIMBANK S.A.

Objective	Line of credit - working capital
Amount	RON 30,000,000
Maturity	24.06.2020
Balance as of June 30 2019	RON 25,769,425.91
Guarantees	Mortgage contract on buildings, land / Debt assignment contract

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

Objective	Line of credit - working capital
Amount	EUR 9,500,000
Maturity	22.05.2020
Balance as of June 30 2019	RON 11,406,204.07 EUR 4,576,902.12 (RON 21,672,089.23)
Guarantees	Mortgage contract on buildings, land / Debt assignment contract

Antibiotice SA did not make guarantees and did not pledge, respectively, it did not mortgage its own assets to guarantee certain obligations in favor of a third party.

Cash flow

The level of cash and cash equivalents as of 01.01.2019 is RON -98,352,547, representing lines of credit in the amount of RON 100,729,229, of which RON 2,376,682 remained unused in accounts at banks of the same credit lines. The cash receipts from the operating activity were RON 185,978,184. The value of the cash payments to the suppliers of goods and services is of RON 97,107,286, and of the payments to and on behalf of the employees, in relation to the personnel is of RON 44,735,633.

The payments made during the first semester of 2019 representing taxes, fees and bank interest amount to RON 24,244,399.

The payments made in this quarter, for the investment activity are worth RON 23,853,327.

On 30.06.2019 the level of cash and cash equivalents is RON -100,914,770 representing lines of credit in the amount of RON 104,527,433 and RON 3,612,663 are available in bank accounts and cash remaining from the same credit lines.

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The year 2019 will be under the sign of business development on the international market, the consolidation of sales in Romania and at the same time a support plan for the coming years will be considered, given that there are no legislative measures to reduce the clawback tax, which risks to decrease the potential for the company development in the medium and long term.

The administrator's report was prepared based on the financial data that was audited according to the legal requirements by the external financial auditor S.O.C.E.C.C. Ltd. Bucharest.

Imports of raw materials

The import activity is a support activity on the value chain of Antibiotice S.A. with specific objectives, which implies:

- the monitoring of the purchasing structures and negotiating prices for active substances/excipients / packaging materials / reference substances / reference drugs / finished products manufactured under contract;
- the management of relations with their suppliers by negotiating contracts (supply, on quality specifications);
- the identification and management of alternative sources, with the objective of securing the supply or obtaining lower prices;
- framing within the deadlines set for the research-development projects.

The Import office provides the necessary material resources on the external markets (active substances/excipients/packaging materials/reference substances/reference medicines/finished products manufactured under the contract), suitable both qualitatively and financially, for the activities of production, sales, research-development and quality control.

In the procurement activity, a very important role is played by the correlation of the program of purchases of raw materials, packaging, reference substances/medicines, finished products, with the sales structure generated by both the domestic market and by various international markets, so that to achieve the objectives proposed at the beginning of the year. It was also aimed at maintaining the existing partnerships, as well as developing new strategic partnerships, a mandatory condition in the context of increasing the complexity and competitiveness of the pharmaceutical market worldwide.

Human Resources

The human resources policy promotes the diversity and equal opportunities in the processes of recruitment, selection and integration of employees. The employees benefit from all the rights deriving from the law, as they enjoy fair and equitable conditions of work and professional development.

On 30.06.2019 the average number of staff was 1415.

THE ADMINISTRATOR'S REPORT FOR THE FIRST SEMESTER OF 2019

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

Higher education - 608 employees of which: - 32 employees with completed doctoral studies (5.3%)	43 %
Secondary education - 807 employees	57 %
Total 1415	100%

The activities of the Human Resources Management Unit in the first semester of 2019 aimed at achieving the following specific objectives:

1. Identification of the staffing needs, on each structure, to achieve the objectives

For the year 2019, based on the analysis of the staff with possibilities of retirement and of the structures under development, the Plan of attracting personnel was established following and the incorporation in the salary budget approved at the company level.

During the period January - June 2019 a number of 37 people were employed, of which 24 for the replacement of the departed staff and 13 for the development of the personnel structure in the units / departments whose activity was reorganized.

In order to expand the recruitment database and train future specialists, the Human Resources Management Unit carried out the following projects:

- **"Perform a +"**, the 4th edition for practical training and staff selection through a partnership with the University of Medicine and Pharmacy of Iasi. In the project lasting 10 weeks 10 students of the Faculty of Pharmacy in their graduation year were included. So far, a number of 12 students involved in the project have been employed within the company.
- *"Summer school a+" X edition* - for the identification and training of specialists in the fields of pharmacy, biology, chemistry, chemical engineering, for selection in order to fill the vacancies in R&D, Quality Assurance, Quality Control and Production, to familiarize candidates with the working environment, with the concepts and regulations in the pharmaceutical industry. The project, an instrument in the process of recruiting for vacancies, offered the opportunity to 32 students and graduates to receive information about the process of making medicinal products and active substances, that will help them in their professional orientation and the starting of a career.

46 graduates of previous editions were employed in the vacant positions of the company

- The partnerships with pre-university educational institutions - Within the partnerships established with the "Petru Poni" Technological High School of Iasi and

THE ADMINISTRATOR'S REPORT FOR THE FIRST SEMESTER OF 2019

the Mecathronics and Automation Technological High School for the 2018 - 2019 school year, the internships of students from the 11th grade and 12th grade have developed in the specializations of laboratory chemist technician and chemical operator in the medicines and cosmetics industry and for the pupils from the mechatronic technician / electromechanical technician specialization, Antibiotice SA was a partner in the development of projects and events organized to encourage them to practice the chosen profession ("Mecatron" Competition).

- The involvement in "A different school" type events that allow the company to be presented to the public from pre-university education. During the first semester of 2019, this program facilitated the access and knowledge of the Antibiotice activity for a number of over 400 students.

2. Carrying out professional training programs of competences

For 2019, the training plan with external lecturers will consider the following components:

The strategic component - for the entire staff of the company. Change management / team coaching.

The management component - courses for approximately 150 people, run over two years, 2019-2020.

- a. Emotional intelligence - communication, awareness of the need for change;
- b. Basics of the operational management/First-time manager;
- c. The stress management.

Functional trainings - technical and non-technical.

- Project management (selectively, for those who work with projects);
- Communication (company values, communication rules, how we communicate cross-sectionally);

Training for obtaining compulsory professional certificates

3. Strategies and measures to increase the motivation of the employees

Substantiating the decisions to correlate the salaries with the index of job complexity and establishing the career plans

Following the development of the hierarchy of higher education and secondary education positions, based upon analyzes of the current payroll system compared to the levels of similar positions in the labor market, as well as the hierarchy of positions based on their complexity, a program of alignment of the wage levels was established that will be carried out in several stages.

The program was negotiated between the Trade Union and the Employer and implemented by an addendum to the Collective Labor Agreement concluded at the company level and the first stage was applied starting with January 2019.

THE ADMINISTRATOR'S REPORT FOR THE FIRST SEMESTER OF 2019

During 2019, actions will be carried out to refine this system, which will be supplemented by criteria based on which an adapted system of payroll and staff motivation will be established, which will include both the fixed component, based on the hierarchy and the variable component, in direct correlation with the employee performance.

Increasing the degree of information and awareness of employees, as well as their involvement at all levels of the organizational structure

The Monitoring and Evaluation Committee of the managerial performances analyzed the degree of achievement of the objectives and the performance indicators for 2018, following that in the second semester, based upon the evaluation report of the management plans of the specialized directors and the evaluation report of the objectives for the personnel from the MBO system to be applied the criteria and the motivational measures provided in the addendums to the employment contracts.

4. Ensuring a favorable working environment and an organizational culture oriented towards innovation and performance

The employees' representatives together with the company management identify the best solutions for maintaining a beneficial climate for the professional activities.

In order to improve the internal communication, the plan of measures regarding the improvement of the organizational climate following the study/cultural diagnosis started in 2018 and the initiation of its implementation, the monthly/quarterly/semi-annual and annual measurement of the number of implemented actions and their effect was established as an objective in 2019 through the results of the employees and biannually through the application of the diagnostic study of the organizational climate.

During the first quarter, the final report of the study was made based on questionnaires applied among the employees.

An important role in ensuring this objective is played by the organizing thereof as a distinct activity, with a process manager - by hiring a person as a specialist in internal communication and organizational climate.

Ethical standards in the Human Resources activity

Antibiotice applies in its activity ethical standards that are based on the principles of honesty, integrity, fairness and transparency and are equally focused on all shareholders, employees, business partners, authorities, society and the community in general.

THE ADMINISTRATOR'S REPORT FOR THE FIRST SEMESTER OF 2019

We have a balanced distribution of employees by gender and age:

Age range	20-30 years	30-40 years	40-50 years	50-55 years	over 55 years	Total (%)
Women (%)	4.07	11.91	20.99	11.91	6.61	55.48
Men (%)	2.83	8.35	16.99	8.13	8.21	44.52
Total (%)	6,90	20.26	37.98	20.04	14.81	100

Within our company, a fair and non-discriminatory treatment is ensured in the workplace. 10 of our employees are persons with disabilities and they benefit from facilities according to the applicable legal provisions.

Quality policy Certified quality

The increased confidence in the quality, efficiency and safety of the company's products is achieved by keeping under control and by improving the Integrated Management System, which is attested by the results obtained following the inspections / audits during the period 01-07.2019.

Inspections carried out by authorities

During:

- 29-31.01.2019, the inspection of the Russian regulatory agency (**STATE INSTITUTE OF DRUGS AND GOOD PRACTICES** - Ministry of Industry and Trade of the Russian Federation) was carried out, in order to certify the manufacturing line of suppositories, in order to support the re-authorization of the respective medicines in Russia.
The Inspection Report was received and the CAPA Plan was submitted. Afterwards completions were sent to the CAPA Plan at the request of the Russian authority.
As a result, the respective drugs were authorized, and Antibiotice maintains the right to further place these products on the Russian market.
- 01-03.04.2019 the inspection of the National Agency for Veterinary and Food Safety was carried out for the evaluation of the conformity with the Good Manufacturing Practice of the Quality Management System at Antibiotice SA and of the manufacturing flows of the veterinary medicinal products - Parenteral Products and Ointments. The GMP certificate was issued for the mentioned manufacturing lines.

THE ADMINISTRATOR'S REPORT FOR THE FIRST SEMESTER OF 2019

Audits of certification bodies

During the period 07.01.2019-22.07.2019 no audits were carried out by the certification bodies.

Audits from clients

During 2019, an audit was conducted for Parenteral Products for the re-qualification of Antibiotice as a supplier of finished products and an audit was conducted to the manufacturing line of Nystatin - active substance for the re-qualification of the company as a provider of API.

Audits to suppliers of raw materials/primary packaging materials/finished products

In accordance with the annual plan of audits for 2019, an audit was performed at a manufacturer of active substances, for his re-qualification as a supplier of active substances.

Occupational health and safety

In the first part of 2019, the Plan of prevention and protection for the year 2019 was drawn up, in which the proposals of the employees were correlated following the consultation of the representatives of the Committee of Occupational health and safety, with the budget for the year 2019, to ensure the continuous improvement of the conditions at work.

In this regard, the implementation of measures was continued to ensure:

- The reduction of physical effort by completing the endowments of all structures with modern equipment for transport and lifting of raw materials and of the finished product;
- The reduction of the exposure to chemical agents by the endowment with equipment to ensure work in a closed system both in the production activity and in laboratories;
- Providing modern equipment for the control of the emissions in the areas with special dangers as well as for the monitoring of the emissions in the working environment.
- The promotion of the knowledge and awareness of the personnel regarding the prevention of the health problems throughout the professional life was continued.

During the first part of 2019 the initiation regarding the knowledge and implementation of the requirements of the new standard in the field of health and safety management in the work of SR ISO 45001 has begun, which replaces the OHSAS SR ISO 18001 standard.

Maintaining and developing an effective occupational health and safety management system is the guarantee for:

THE ADMINISTRATOR'S REPORT FOR THE FIRST SEMESTER OF 2019

- Creating a unique and coherent framework for eliminating the dangers and risks related to work;
- Achieving a more efficient control over the risk factors of injury and/or occupational illness;
- Improving the working environment and the human relationships at work;
- Obtaining superior performance from employees;
- Raising the awareness of the staff regarding the value that the organization attaches to its human capital.

The responsibility towards 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 Bacau Regional Environmental Protection Agency, revised in 03.2018 (valid until 10.01.2021) and by the Water Management Authorization no. 303/20.12.2010 issued by the National Administration of Romanian Waters, Basin Water Administration Prut - Barlad (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 staff. 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 energy use

The activity within the Biosynthesis Plant where Nystatin active substance is produced falls within the scope of the European Integrated Pollution Prevention and Control Directive (IPPC). During the first semester of 2019, the Biosynthesis Plant has framed the planned specific consumption regarding the quantities of solvents used, the legal condition regarding the fugitive emissions of solvents, which were less than 15% of the quantity of solvents used during the year, was observed.

Air quality

During the first semester of 2019, the air quality monitoring was carried out in the laboratory through air pollutant emissions/immissions analyzes for the indicators: nitrogen oxides, ammonia, suspended particulates and sedimentable powders. There have been no exceedances of the maximum admissible concentrations provided in the Integrated Environmental Authorization. Also, the determinations carried out by third party laboratories showed the framing of the values of the pollutants emitted in the air in the legal requirements, established by the company's Integrated Environmental Authorization.

THE ADMINISTRATOR'S REPORT FOR THE FIRST SEMESTER OF 2019

Water quality

The water quality monitoring required analyzes of the quality of the water entering the company's own sewage treatment plant and discharged into the municipal sewage system, of conventionally clean water discharged into the natural emissary, as well as 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.

Soil and groundwater protection

Of the total area of the land owned by Antibiotice, about 45% is free, with green spaces.

The quality of groundwater was monitored by monthly sampling and analysis of samples obtained from perimeter observation drills and drilling downstream of the landfill site. There was no accidental pollution or environmental incident that would lead to the degradation of the soil quality in the area of influence of the company's activity.

Waste management

Antibiotice has implemented a selective waste collection system, as each production and auxiliary plant is equipped with appropriate collection containers.

The recyclable waste was capitalized on the basis of contracts with authorized economic operators.

The waste that was not capitalized was incinerated in the company's own facility or disposed of by landfilling at the municipal landfill.

The company observes 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 value targets, by type of material, set for 2019 (in accordance with Law No. 249 of 2015, subsequently amended and supplemented), have been achieved.

Antibiotice is a responsible brand that supports the development of the community CSR projects implemented during the first semester of 2019

Antibiotice takes responsibility of contributing as a "good citizen" to the life of the community, as it is directly involved in the development of a better society and for a cleaner environment.

The corporate responsibility strategy fundamentally supports the company's mission and vision. We manufacture drugs with science, but at the same time we put our soul into what we do to always stay close to people.

THE ADMINISTRATOR'S REPORT FOR THE FIRST SEMESTER OF 2019

We underline our mission to act in a sustainable manner and we are committed to creating long-term value for the company and stakeholders, while respecting the environment and supporting the communities in which we operate.

The involvement in the community is made through social responsibility programs based on four strategic pillars: health, education, social and environmental protection.

Health

We develop social responsibility programs regarding the improvement of the health status of our employees, as well as of the communities in which we operate. Within these programs, campaigns are developed to educate and inform the population regarding the prevention in the field of healthcare.

The antibiotics of the Third Millennium

The involvement of Antibiotice in limiting the phenomenon of antibiotic resistance is a responsible and natural demarche for a drug manufacturer in full international development, which is why Antibiotice SA initiated the "Antibiotics of the IIIrd Millennium" program. The main purpose of this program is to protect the public health by supporting and developing good practices in the use of antibiotics among health professionals in Romania, through educational campaigns and communication with the general public, as well as by protecting the environment.

A component of the "Antibiotics of the IIIrd Millennium" program developed in partnership with the Romanian Society of Microbiology and the Romanian Society of Epidemiology is the analysis of the use of antibiotics in the hospital. The results obtained will be evaluated by the professional companies and integrated in a document with recommendations that will support and can be used as a reference by experts, in a national program for the responsible consumption of antibiotics. The "Antibiotics of the IIIrd Millennium" program bears this name to draw attention to the fact that the antibiotics will continue to be part of the first line of treatment, but we must educate ourselves to use them correctly.

"Donate blood! Put your soul to life!"

In Romania, only 1.7% of the population donates blood, compared to other European countries where the percentage is much higher. In these conditions, where the hospitals in Romania are facing an acute blood crisis but also the awareness of the important act of donation in saving human lives, have been determining the employees of Antibiotice to become involved since 2010 in the blood donation campaign initiated by the "Antibiotice - Science and Soul" Foundation, in partnership with the Regional Blood Transfusion Center (CRTS) of Iasi. Among the Antibiotice employees, the CRTS doctors have identified a constant donor base, also rare blood types.

THE ADMINISTRATOR'S REPORT FOR THE FIRST SEMESTER OF 2019

In 2019, for the 9th consecutive year, the Antibiotice employees have donated blood. On the occasion of World Health Day (April 11) 65 employees donated 32 liters of blood, thus contributing to the saving of over 150 lives.

The active and sustained involvement of the company's employees yearly in filling the blood deficit in hospitals was recognized and our company was awarded the first place, within the Romanian CSR Adwards Gala, organized by CSR Media, on April 10, in the category "Internal CSR Campaigns".

Education

We invest with science and soul in the education of young people, who, like our employees, can perform in their careers and become responsible role models. We recognize and support the role of the local community in forming and developing the company's main source of value - the well-trained people.

"Science and Soul" scholarships

Since the establishment of the "Pro Ruralis" Association in 2001, Antibiotice has been a partner contributing with the "Science and Soul" scholarships to the education of highly intelligent children coming from disadvantaged families in rural areas. The scholarships received by students cover the meal and accommodation expenses. Thus, in the 2018 - 2019 school year, five children have continued their middle school and high school education, as they were offered new opportunities for both the professional and personal development.

At the same time, in the last years, the "Pro Ruralis" association has organized at the end of each school year a meeting bringing together high school graduates from the program and representatives of the business environment that support the scholarships. During these meetings, to which the General Director of Antibiotice SA also participated, those involved in this project shared with the pupils on their experiences in the field of business and how the need to earn one's own living intertwined with the desire to continue one's education.

The recognition of the involvement and support of over 18 years of this project, by the "Antibiotice - Science and Soul" Foundation has resulted in obtaining an award at the Romanian CSR Adwards 2018 Gala, in the category of Intersectoral Partnership.

Environment

Antibiotice proposes a sustainable partnership among the company, the environment and the community by carrying out activities designed to protect the environment, with a permanent concerned for improving its environmental performance.

THE ADMINISTRATOR'S REPORT FOR THE FIRST SEMESTER OF 2019

The "School orchard" gets roots in two schools in Iasi County

On April 6, 2019, on the third year of the "School orchard" project, the Antibiotice volunteers together with their families have planted 150 fruit trees at the "Constantin Paunescu" Special Gymnasium school and at the Day Care Center for children in risk situations from Cornesti village, Miroslava commune.

In these schools, the pupils with different mental deficiencies are taught, among which autism is the most common condition, and the "School orchard" project was intended to be a conducive environment for the therapy activities of the students in these units. At the same time, pupils will benefit from the fruits of the orchards in the context of healthy eating.

Thus, by the power of the example offered by the Antibiotice employees, since its beginnings, the "School orchard" has grown and has taken roots in 10 schools in Iasi County and has become a space conducive to the development of educational projects that concern the environment.

Antibiotice has been supporting "Earth Hour" for 11 years

For 11 years in a row, Antibiotice has symbolically turned off the lights during the "Earth Hour" campaign, the largest environmental event of all time, which draws attention to the effects of global warming and the measures we need to take, at any level, to stop this phenomenon.

The participation of Antibiotice in the "Earth Hour" campaign is part of the company's environmental protection program, "Be Pro Nature, put soul!" and implies the symbolic turning off of the lights for one hour, on the platform, in the areas where this is possible to do.

In 2019, the message and encouragement for the Earth Hour community in Romania was "# Connect2Earth" - and on this occasion, the Antibiotice employees were invited to support this campaign alongside their families, urging them to keep the lights turned off for one hour as a sign of appreciation for the environment.

Such actions are meant to inspire both the Antibiotice employees and the community in which they operate, on the importance of the rational consumption of natural resources but also on the responsibility for protecting the environment.

Social

Antibiotice, through the "Antibiotice - Science and soul" Foundation is involved in the life of the community by supporting the disadvantaged social categories, through the development of social programs, some of which have become traditional.

THE ADMINISTRATOR'S REPORT FOR THE FIRST SEMESTER OF 2019

"The power of deed is in our power"

As every year for the last 15 years, around Easter Holidays, the "Antibiotice - Science and Soul" Foundation has been involved in the life of the community by providing material help to those in need. This year, the Foundation in partnership with the Pro Vita department within the Mission Sector of the Iasi Archdiocese of the Metropolitan Church of Moldova and Bucovina, offered to 23 families with 121 children, from remote localities of Iasi county (Zmeu village, Lungani village, Dumesti villages and Cositeni, Dumesti commune) basic foods, traditional products, children's office stationary and cleaning products.

The action is part of the program "The power of deed is in our power" through which social, cultural and charitable projects are developed. The selected beneficiaries have a precarious social situation and come from very large families with many children, some of whom are disabled or suffer from rare diseases.

Conclusions:

- **The increase in the operating profit by 22% compared to 30.06.2018;**
- **The increase in sales revenues by 9% compared to 30.06.2018.**

**Chairman of the Management Board,
Ec. Ioan Nani**

**Financial Director,
Ec. Paula - Luminita Coman**

ANTIBIOTICE S.A.

June 30, 2019 Financial statements,
drafted in accordance with the
International Financial Reporting
Standards (IFRS) adopted by the
European Union

ANTIBIOTICE S.A.
Financial statements on June 30,2019

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ANTIBIOTICE SA
STATEMENT OF COMPREHENSIVE PROFIT
June 30, 2019
(all amounts expressed in LEI, if not mentioned otherwise)

	NOTE	30-06-19	30-06-18
Sales revenues	4	172,391,095	157,700,486
Other operating revenues	5	18,686,567	14,810,614
Revenues relative to costs of product stocks		26,243,033	23,440,792
Capitalized income generated by the entity's activity		2,568,485	1,549,525
Expenses with raw materials and consumables	6	(78,018,365)	(73,332,578)
Staff-related expenses	7	(46,888,473)	(41,996,215)
Expenditure on amortization and depreciation		(10,329,494)	(9,800,119)
Other operating expenses	8	(57,508,252)	(50,067,426)
Operating profit		27,144,596	22,305,079
Financial income	9	43,909	2,856
Financial expenses	9	(2,264,898)	(1,463,766)
Pre-Tax Profit		24,923,607	20,844,169
Current and deferred income tax expense	10	(2,604,531)	(741,122)
Profit		22,319,076	20,103,047
Other items of comprehensive profit			
Items not to be reclassified:		-	-
Gains/losses from revaluation of tangible fixed assets		-	-
Profit tax related to other items of comprehensive profit		-	-
Result reported after correcting the errors		-	(272,574)
Total other items of comprehensive profit, taxes excluded		-	(272,574)
Total comprehensive profit		22,319,076	19,830,473
Earnings per share	11	0,033246	0,029945

The Explanatory Notes from 1 to 26 are an integrating part of the financial statements

Drafted by:

General Director
Ioan NANI

Financial Director
Paula COMAN

ANTIBIOTICE SA
STATEMENT OF FINANCIAL POSITION
June 30, 2019
(all amounts expressed in LEI, if not mentioned otherwise)

	NOTE	30.06.19	31.12.18
ASSETS			
FIXED ASSETS			
Tangible fixed assets	12	316,959,046	310,640,665
Intangible fixed assets	13	16,134,982	15,028,716
TOTAL FIXED ASSETS		333,094,028	325,669,381
CURRENT ASSETS			
Stocks	14	97,450,800	64,964,661
Trade and similar receivables	15	307,600,266	313,094,458
Cash and cash equivalents	16	3,612,663	2,376,682
TOTAL CURRENT ASSETS		408,663,729	380,435,802
TOTAL ASSETS		741,757,757	706,105,183
LIABILITIES			
CURRENT LIABILITIES			
Trade and similar liabilities	17	76,126,997	67,171,084
Amounts due to credit institutions	18	104,527,433	100,729,229
Tax and current tax liabilities		11,528,226	10,421,393
Subsidies for investments	19	0	637,008
TOTAL CURRENT LIABILITIES		192,182,657	178,958,714
LONG-TERM LIABILITIES			
Amounts due to credit institutions	18	32,545,823	26,662,433
Subsidies for investments	19	3,192,430	2,489,791
Deferred tax	20	25,498,134	25,266,930
TOTAL LONG -TERM LIABILITIES		61,236,387	54,419,154
TOTAL LIABILITIES		253,419,044	233,377,868

The Explanatory Notes from 1 to 26 are an integrating part of the financial statements

Drafted by:

General Director
Ioan NANI

Financial Director
Paula COMAN

ANTIBIOTICE S.A.
STATEMENT OF FINANCIAL POSITION (continuation)
June 30, 2019
(all amounts expressed in LEI, if not mentioned otherwise)

	NOTE	30.06.19	31.12.18
Share capital and reserves			
Share capital	21	264,835,156	264,835,156
Revaluation reserves	22	52,110,023	53,459,597
Legal reserves	22	13,426,761	13,426,761
Other reserves	22	193,386,084	190,422,002
Reported result	23	(57,738,387)	(60,182,699)
Distribution of profit		-	(23,537,290)
Current profit		22,319,076	34,303,788
TOTAL EQUITY		488,338,713	472,727,315
TOTAL EQUITY AND LIABILITIES		741,757,757	706,105,183

The Explanatory Notes from 1 to 26 are an integrating part of the financial statements

Drafted by:

General Director
Ioan NANI

Financial Director
Paula COMAN

ANTIBIOTICE S.A.
CASH FLOW STATEMENT

on June 30, 2019

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

	H I 2019	H I 2018
I. Cash flows from operating activities		
Cash collection from sales of goods and provision of services	185,978,184	150,552,755
Cash collection from royalties, fees, charges and other revenue	141,706	406,512
Cash payments to suppliers of goods and services	(97,107,286)	(106,266,915)
Cash payments to and on behalf of employees, payments made by the employer in connection with the staff	(44,735,633)	(40,544,077)
VAT paid	0	0
Contributions to the Ministry of Health and Ministry of Environment	(21,603,991)	(19,113,215)
Other paid duties, taxes, and similar levies	(473,932)	(485,069)
Operating cash flow	22,199,049	(15,450,010)
Interest charged	5,030	1,129
Interest paid	(2,166,476)	(1,276,903)
Tax on profit paid	(238,988)	(1,393,506)
Net cash flows from operating activities	19,798,614	(18,119,291)
II. Cash flows generated by investments		
Cash payments for purchasing land and fixed assets, intangible assets and long-term assets	(23,853,327)	(26,926,194)
Net investment cash flow	(23,853,327)	(26,926,194)
III. Cash flows from financing activities		
Acquisition of shares	-	-
Dividends paid	(3,610,740)	(9,516,898)
Receipts from long-term loans	5,486,028	7,182,635
Net cash flows from financing activities	1,875,288	(2,334,263)
Gains / losses from exchange rate differences	(382,798)	(310,559)
Net increase / (decrease) in cash	(2,562,223)	(47,690,307)
Cash and cash equivalents at the beginning of the period	(98,352,547)	(64,623,567)
Cash and cash equivalents at the end of the period	(100,914,770)	(112,313,874)
 Cash and cash equivalents at the end of the period include:	 (100,914,770)	 (112,313,874)
Accounts in banks and cash	3,612,663	1,767,891
Credit lines	(104,527,433)	(114,081,765)

The Explanatory Notes from 1 to 26 are an integrating part of the financial statements

Drafted by:

General Director
Ioan NANI

Financial Director
Paula COMAN

ANTIBIOTICE S.A.
STATEMENT OF CHANGES IN EQUITY

on June 30, 2019

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

	Subscribed capital	Adjustments on capital	Reserves	Other reserves	Current result	Result from revaluation reserves	Distribution of profit	Revaluation reserves	Result reported from correcting the errors	Result after applying IAS/IFRS for the first time	Result after applying IAS 29 for the first time	TOTAL
31-12-17	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
Current comprehensive profit	-	-	-	-	34,303,788	-	-	-	-	-	-	34,303,788
Revaluation reserve	-	-	-	-	-	-	-	47,199,499	-	-	-	47,199,499
Deferred tax relative to the revaluation difference	-	-	-	-	-	-	-	(7,523,018)	-	-	-	(7,523,018)
Result from correcting the errors	-	-	-	-	-	-	-	789,712	(1,094,738)	-	-	(305,026)
Total other items of the comprehensive profit					34,303,788			40,466,193	(1,094,738)			73,675,244
Transfer of surplus from revaluation	-	-	-	-	-	2,503,058	-	(1,562,738)	-	(940,320)	-	-
Allocation of other reserves	-	-	-	4,750,199	(4,750,199)	-	-	-	-	-	-	-
Dividends	-	-	-	-	(17,825,769)	-	-	-	-	-	-	(17,825,769)
Mandatory distributions	-	-	-	23,537,290	-	-	(23,537,290)	-	-	-	-	-
31-12-18	67,133,804	197,701,352	13,426,761	190,422,002	45,286,174	14,205,380	(34,519,676)	53,459,596	(1,094,738)	124,408,011	(197,701,352)	472,727,315

The Explanatory Notes from 1 to 26 are an integrating part of the financial statements.

ANTIBIOTICE S.A.
STATEMENT OF CHANGES IN EQUITY

on June 30, 2019

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

	Subscribed capital	Adjustments on capital	Reserves	Other reserves	Current result	Result from revaluation reserves	Distribution of profit	Revaluation reserves	Result reported from correcting the errors	Result after applying IAS/IFRS for the first time	Result after applying IAS 29 for the first time	TOTAL
31-12-18	67,133,804	197,701,352	13,426,761	190,422,002	45,286,174	14,205,380	(34,519,676)	53,459,596	(1,094,738)	124,408,011	(197,701,352)	472,727,315
Current comprehensive profit	-	-	-	-	22,319,076	-	-	-	-	-	-	22,319,076
Deferred tax relative to the revaluation difference	-	-	-	-	-	-	-	-	-	-	-	-
Result from correcting the errors	-	-	-	-	-	-	-	-	-	-	-	-
Total other items of the comprehensive profit	-	-	-	-	22,319,076	-	-	-	-	-	-	22,319,076
Transfer of surplus from revaluation	-	-	-	-	-	1,349,573	-	(1,349,573)	-	-	-	-
Allocation of other reserves	-	-	-	2,964,082	(4,058,820)	-	-	-	1,094,738	-	-	-
Dividends	-	-	-	-	(6,707,678)	-	-	-	-	-	-	(6,707,678)
Mandatory distributions	-	-	-	-	(34,519,676)	-	34,519,676	-	-	-	-	-
30-06-19	67,133,804	197,701,352	13,426,761	193,386,084	22,319,076	15,554,953	-	52,110,023	-	124,408,011	(197,701,352)	488,338,713

The Explanatory Notes from 1 to 26 are an integrating part of the financial statements.

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

1. GENERAL INFORMATION

1.1 Brief company profile

Antibiotice SA is a joint-stock company based in Iasi, 1 Valea Lupului Street, tax registration code RO 1973096. Antibiotice was founded in 1955 and defined as a trading company as per Law 15 / 1990 and Government Decision no. 1200/ 12.11.1990 and is traded on the regulated 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). Altogether they form a complex portfolio of more than 144 medicines for human use, designed to treat a wide range of infectious, dermatological, cardiovascular, digestive tract or musculoskeletal system diseases.

All production capacities are owned by the company and are located within the territory of the head office.

Our company has the right of ownership over all the fixed assets registered in the company's accounts.

1.2 Corporate Governance structures

Antibiotice's governance system is based on:

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

In order to build a strong relationship with its shareholders and potential investors, the company has adopted the principles and recommendations of the Corporate Governance Code of the Bucharest Stock Exchange (CGC-BVB), principles that are the basis for meeting the good corporate governance standards.

Antibiotice SA considers that corporate governance is an important tool for achieving performance, under conditions of sustainable development, ensuring the accuracy and transparency of the decision-making process, through equal access for all shareholders to the relevant information about the company.

The governance system is compliant with the provisions of the Law no. 297/2004 amended and supplemented with the provisions of Law no. 10/2015 and GEO 90/2014 and CNVM regulations issued for its application, of Law no. 111/2016 for the approval of the Government Emergency Ordinance no. 109/2011 regarding the corporate governance of public enterprises of the BVB Code, with all subsequent changes, BVB Code, BVB Corporate Governance Code and with the provisions of the company's Articles of Association.

The solidity of the Antibiotice team is demonstrated through the strategic guidance and promptness with which it is able to react, developing responsible and transparent business practices. This applies both to the management team, as well as to operational teams and entire staff of the company, which manage to strike a balance between compliance and performance.

In the first semester of 2019, we consistently followed the strategic directions, accompanied by appropriate investment programs. We achieved this by applying the principles

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EXPLANATORY NOTES TO FINANCIAL STATEMENTS

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

of good corporate governance, which mobilized our employees' full potential for implementing and maintaining high standards in all the company's activities.

Management Board

Antibiotice SA is administered by a Management Board responsible for fulfilling all the tasks necessary to achieve the objective of the company, with the exception of those which fall into the responsibility of the General Meeting of Shareholders, as provided by law. There is a clear division of responsibilities between the Management Board and the Executive Management.

The Management Board seeks to ensure that its own decisions, those of the company's management, 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 Management Board are described in the company's Articles of Association and in the relevant internal regulations available on the company's website under the Corporate Governance section.

In the H1 2019, the Management Board met in 6 sessions and adopted decisions that allowed it to fulfill its duties in an effective and efficient manner. Thus, during the meetings, the Management Board analyzed in detail the financial results obtained during the reporting period and cumulated from the beginning of the year, as well as the economic performance in relation to the budget and the similar period of last year. Depending on the situation, the Management Board requested detailed explanations to the executive management regarding the plans for increasing the efficiency of the production, investment plans, established provisions, liquidity management, operational and general profitability of the activity. Following a detailed analysis, the Board decided to approve the results of the period in order to be published and sent to the Bucharest Stock Exchange and the Financial Supervisory Authority, our company observing each time the Financial Communication Calendar.

The five members of the Management Board guarantees the efficiency of supervising, analyzing and evaluating the activity of the executive directors, as well as the fair treatment of the shareholders.

Management Board of Antibiotice SA on June 30, 2019

1. Economist, Nani Ioan

President of Management Board and General Director

At the Ordinary General Meeting of Shareholders held on April 19, 2016, Mr. Nani was elected as a member of Management Board for a 4-year period and then he was appointed by the Board's members as a President.

2. Physician, Dan-Octavian Alexandrescu

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

At the Ordinary General Meeting of Shareholders held on September 29, 2018, Mr. Alexandrescu was elected as a member of Management Board for a 4-year period.

3. Physician, Cristian-Vasile GRASU

Member of the Management Board – Interim Non-Executive Administrator and representative of the Ministry of Health

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

At the Ordinary General Meeting of Shareholders held on April 18, 2019, Mr. Grasu was elected as a member of Management Board for the period 30.04.2019 - 29.10.2019.

4. Economist, Stoian Nicolae

Member of the Management Board and representative of the shareholder SIF Oltenia

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.

5. Engineer, Calitoiu Elena

Member of the Management Board and representative of the shareholder SIF Oltenia

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

Advisory committees

During the first semester of 2019, the specialized advisory committees had the following composition:

Audit Committee: Mr. Cristian Vasile Grasu, Mr. Nicolae Stoian and Ms. Elena Calitoiu;

Nomination and Remuneration Committee: Ms. Elena Calitoiu and Mr. Dan-Octavian Alexandrescu;

Trade Policy Committee: Mr. Cristian-Vasile Grasu and Mr. Nicolae Stoian.

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

Executive management

Antibiotice SA is represented by the General Director, according to the powers provided by law and by the 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 the General Director of the company who is also the President of the Management Board and ten specialty executives.

Antibiotice's Executive Management on June 30, 2019

1. Economist, Nani Ioan

General Director and President of the Management Board - elected as a member of Management Board for a 4-year period in the Ordinary General Meeting of Shareholders of 19.04.2016 and then elected by the Management Board as its President.

2. Engineer, Moraru Cornelia

Specialty Director – Technical & Production Unit - since 2005;

3. Economist, Coman Paula Luminita

Specialty Director – Financial Unit - since 2011;

4. Economist, Chebac Vasile

Specialty Director – Commercial and Logistics Unit – since 2005;

5. Physician, Mosnegutu Mihaela

Specialty Director – Medical Unit - since 2011;

6. Economist, Bataga Ovidiu

Specialty Director – Marketing & Domestic Sales Unit - since 2011;

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

7. Economist, Delia Eromanga Racoveanu

Specialty Director – Marketing & International Sales Unit - since 2019;

8. Economist, Stoian Mihai

Specialty Director – International Business Affairs Unit – since 2016;

9. Engineer, Cristina Diaconescu

Specialty Director – Research & Development Unit - since 2018;

10. Psychologist, Mihaela Murariu

Specialty Director – Human Resource Unit - since 2019.

Code of Ethics

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

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

The Code is a set of rules under which the company has been 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 and applicable legal requirements, wherever Antibiotice 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%20Governance/Reference%20documents/Code%20of%20Ethics)).

Rights of financial instruments holders

The adopted and partially implemented corporate governance framework:

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

On our company's website at www.antibiotice.ro/investors/informationforshareholders, 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, informative materials, special powers of attorney, correspondence voting forms, resolution drafts, resolutions, voting results etc.

The company provides all those concerned with periodic and annual financial statements, prepared in accordance with the legislation in force. Also, the company complies with all disclosure requirements according to the legislation on the companies and the capital market.

Within the company there is a structure specialized in the relation to the existing and potential investors called Investor Relations, whose main role is to ensure a good communication with the company's shareholders. The people appointed to liaise with investors treat with maximum efficiency the requests of shareholders and facilitate the dialogue with the

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company management. The company designs and develops an appropriate policy to promote effective communication with both investors and shareholders

General Meeting of Shareholders

The General Meeting of Shareholders (GMS) represents the highest decision-making body of the company, the place where the shareholders participate directly and make decisions. Among other tasks, the GMS decides on the distribution of profit, chooses the Management Board, appoints the auditors and establishes the remuneration of the Management Board.

During the first half of 2019, the Management Board convened on April 18, 2019, an Ordinary and an Extraordinary General Meeting of Shareholders.

All the necessary documents, related to the smooth running of the General Meetings, were published in time and according to the legislation in force.

The **Ordinary General Meeting of Shareholders** approved:

- The company's financial statements for the financial year 2018, based on the Management Report and Financial Auditor's Report.

<u>Profit to be distributed:</u>	<u>34,303,788</u>
• legal reserve	0
• other profit reserves provided by law	27,596,110
• dividends, of which:	6,707,678
• dividends due to the majority shareholder	3,556,228
• dividends due to other legal entities and natural persons	3,151,450

- Value of the gross dividend per share for the financial year 2018 was 0.009991506 LEI. The dividends for 2018 will be paid starting with the date of 20.09.2019, in accordance with the legal provisions in force;
- Registration as income of the unsolicited and unpaid dividends, related to the financial year 2014;
- Income & Expenditure Budget for 2019;
- The degree in which the members of the Management Board achieved their objectives and performance criteria in 2018;
- Discharging the members of the Board from administration for their activity developed in the financial year 2018, based on the submitted reports.
- The objectives included in the 2019 Management Plan for the Management Board's members.
- Remunerations of the Board members and addenda amending the Annexes to the mandate contracts of the administrators, according to the provisions of GEO no. 109/2011 on the corporate governance of public enterprises and Annex no. 1 to the GD no. 722/2016 for the approval of the Methodological Norms for applying some provisions of the Government Emergency Ordinance no.109 / 2011 regarding the corporate governance of public enterprises; .
- Appointment of Mr. Cristian-Vasile GRASU as interim administrator, starting with 30.04.2019, according to the provisions of art. 641 from GEO no. 109/2011 on corporate governance of public enterprises, for a 4-month period, which can be extended until the date on which the procedure for selecting a new administrator will be

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completed without exceeding a maximum term of 6 months and the form of the mandate contract to be concluded by the company with the interim administrator Cristian -Vasile GRASU, as well as the annexes A and B to the contract, including the financial and non-financial performance indicators and remuneration of the administrator, as a result of the termination of the mandate contract of Mr. Ionut-Sebastian IAVOR;

- Starting the procedure for selecting a member of the Management Board, according to the provisions of art. 64⁴ of GEO no.109 / 2011 on the corporate governance of public enterprises and art.4, paragraph 3 of Annex no. 1 to the GD no.722 / 2016 for the approval of the Methodological Norms for applying some provisions of GEO no. 109/2011 regarding the corporate governance of public enterprises, as well as the empowering of the Board to carry out the selection and propose the administrator according to the provisions of art. 29, para. 2 of GEO no.109 / 2011 on the corporate governance of public enterprises and art. 4 para. 5 of Annex no. 1 to the GD no. 722/2016 for the approval of the Methodological Norms for applying some provisions of GEO no. 109/2011 on the corporate governance of public enterprises.
- The date of 03.09.2019 as a registration date for identifying the shareholders affected by the effects of the adopted decisions, in accordance with the provisions of art. 86, para. 1 of Law 24/2017 on issuers of financial instruments and market operations, and the establishment of ex-dates for 02.09.2019.

The **Extraordinary General Meeting of Shareholders** approved:

- A 12-month extension of validity of the multi-currency, multi-product credit amounting to 30 million LEI borrowed by SC ANTIBIOTICE SA from the Export-Import Bank of Romania - EximBank SA;
 - to maintain the guaranties related to the multi-currency, multi-product credit in the amount of 30 million LEI throughout the validity period (one calendar year starting with 26.06.2019) resulting from the extension under point 1 of the Agenda.
 - the issuance by Antibiotice SA of a decision-commitment not to divide itself, not to merge and not to decide on the early dissolution throughout the validity period of the multi-product multi-currency credit without the prior consent of the Export-Import Bank of Romania - EximBank SA.
 - to empower the General Director, Mr. Ioan NANI and Financial Director, Ms. Paula COMAN to sign on behalf of the company all documents related to the credit facility extension, according to the items 1 and 2 of the agenda, as well as the documents related to obligations assumed by the company in accordance with item 3 of the agenda.

Our company's shareholding on June 30, 2019 (the latest database in 2019 owned by Antibiotice Iasi)

I. Investors

- Ministry of Health (*) – 53.0173%,
- S.I.F. Oltenia(*) - 18.8999%
- Broadhurst Investments Limited – 4.1977%

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- S.I.F. Transilvania – 3.2632%
- S.I.F. Banat-Crisana S.A – 2.1104%
- A-Invest – 0.7612%
- Privately managed pension fund ARIPI/GENERALI S.A.F.P.P. – 0.6782%
- Privately managed pension fund Metropolitan Life – 0.4689%
- FDI BT MAXIM Adm. BT ASSET MANAGEMENT SAI S.A. – 0.3947%
- S.C. DEDEMAN S.R.L. – 0.3333%
- Other individuals and legal entities – 15.8753%

NOTE: (*) - Significant shareholders, according to Law no. 24/2017, Art. 2, Paragraph 2.

II. Types of shareholders

- Legal entities – 86.9229%,
- Natural persons – 13.0771%.

During the first semester of 2019, dividends were paid for the financial years 2015, 2016 and 2017, as follows:

Dividend history (2015 – 2016 – 2017)

Year	Net dividends							Suspension date of dividend payment
	Due	Achtitate				Unclaimed on 30.06.2019		
		LEI			% (paid in full)	lei	%	
		Until 31.12.2018	01.01-30.06.2019	Total				
0	1	2	3	4	5	6	7	8
2015	13,753,343	12,653,207.76	9,033.42	12,662,241.18	92.07	1,091,101.82	7.93	Payment in progress
2016	25,401,595	23,325,012.26	36,817.76	23,361,830.02	91.97	2,039,764.98	8.03	Payment in progress
2017	17,588,679,97	16,093,548.70	24,625.19	16,118,173.89	91.64	1,470,560.08	8.36	Payment in progress

The dividends are paid through the Central Depository Bucharest, through the participants in the clearing-settlement and register system (the intermediaries according to Law 24/2017 on issuers of financial instruments and market operations, art. 86, point 5, which concluded a contract for participation in the system of the Central Depository) and through CEC Bank - the payment agent..

Antibiotice in 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 historical minimum of 0.0650 lei/share was recorded on June 8, 2000.

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

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

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- are included in the BET-Plus index, which includes Romanian companies listed on the BVB 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 the shares issued by domestic and foreign companies admitted to trading in the regulated market administered by BVB.

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

Antibiotice shares – ATB / REGULAR MARKET

	2015	2016	2017	2018	h I 2019
Number of shares	671,338,040	671,338,040	671,338,040	671,338,040	671,338,040
Stock capitalization (thousand LEI)*	357,152	349,096	361,180	326,942	335,669
Stock capitalization (thousand EUR)*	78,868	76,875	77,511	70,100	70,890
Stock capitalization (thousand \$)*	86,167	81,123	92,813	80,259	80,715
Total transaction value (million LEI)	11	6	12	9	13
No. of traded shares	18,844,935	12,555,866	21,113,565	17,109,263	26,113,415
Opening price (LEI/share)	0.5850	0.5320	0.5200	0.5780	0.4800
Maximum price (LEI/share)	0.6170	0.5420	0.5920	0.5780	0.5000
Minimum price (LEI/share)	0.5240	0.4200	0.5200	0.4550	0.4500
Price at the end of the period (LEI/share)	0.5320	0.5270	0.5380	0.4870	0.5000
Average price (LEI/share)	0.5836	0.5032	0.5585	0.5028	0.4922

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

2. ACCOUNTING POLICIES

2.1 Declaration of conformity

These financial statements have been prepared in accordance with the International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively named "IFRSs") issued by the International Accounting Standards Board (IASB) as adopted by the EU .

The separate financial statements have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union ("IFRS").

The Company's accounting records are expressed in LEI in accordance with the Order no. 2844/2016 for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards.

The principal accounting policies applied in preparing the financial statements are set out below.

Policies have been consistently applied to all the years presented, unless otherwise stated.

Preparation of financial statements in accordance with IFRS as adopted requires 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, depreciated except for the tangible fixed assets presented at revalued cost by using the fair value as assumed cost and the items presented at the fair value, i.e. financial assets and liabilities at fair value

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through the profit and loss account, and financial assets available for sale, except for those for which the fair value can not be reliably established.

2.3 Functional and presentation currency

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

Transactions made by the company in a currency other than the functional currency are recorded at the rates in force at the date when the transactions take place. Monetary assets and liabilities in foreign currencies are converted at rates in effect at the reporting date.

2.4 Critical accounting assessments and estimates

As a result of the uncertainties inherent in business activities, many items in financial statements cannot be precisely assessed, but only estimated. Estimation involves judgements based on the latest available reliable information.

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

An estimate may need review 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 review of an estimate does not relate to prior periods and is not the correction of an error in the current period. Any effect, if any, on future periods is recognized as income or expense in those future periods.

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

(a) Evaluation of investments in land and buildings

The company obtains evaluations conducted by external evaluators to determine the fair value of its real-estate investments and owned buildings. The current assessments are based on assumptions which include future rental income, anticipated maintenance costs, future development costs and the appropriate update rate. Evaluators also refer to market information related to the prices of transactions with similar properties.

(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, the management makes certain estimates on the financial situation of the partners. Each impaired asset is individually analyzed. Precision in adjustments depends on the estimate of future cash flows.

(c) Legal proceedings

The company reviews the unsettled legal cases, monitoring the evolution of the legal proceedings and existing situation at each reporting date, in order to assess the provisions and disclosures in its financial statements. Among the factors taken into account when making

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provisions are the nature of the dispute or claims and the potential level of damages in the jurisdiction in which the litigation is judged, the progress of the case (including the progress after the date of the financial statements but before the respective situations are issued), the opinions of the legal advisers, experience in similar cases and any decision of the company's management related to how it will respond to the dispute, complaint or evaluation.

(d) Estimari contabile de cheltuieli

Exista situatii obiective in care pana la data inchiderii unor perioade fiscale sau pana la data inchiderii unui exercitiu financiar nu se cunosc valorile exacte ale unor cheltuieli angajate de catre societate (ex: campanii de marketing-vanzari de promovare produse si stimulare a vanzarilor). Pentru aceasta categorie de cheltuieli se vor face preliminari de cheltuieli, care vor fi corectate in perioadele urmatoare cand se va produce si iesirea de fluxuri de numerar. Estimările de cheltuieli, pe fiecare categorie de cheltuiala, vor fi efectuate de catre persoane cu experienta in tipul de activitate care a generat acea cheltuiala.

(e) Taxation

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

2.5 Presentation of separate financial statements

The company adopted a liquidity-based presentation in its financial position statement and a presentation of its revenue and expense according to their nature in the overall result statement, considering that these disclosures provide information that is more credible and relevant than what would be were presented under other permitted IAS 1 methods "Presentation of financial statements".

2.6 Purchased intangible assets

Inventory 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 on a straight-line basis over their useful economic life.

Expenses related to the acquisition of patents, copyrights, licenses, trademarks or factory brands and other intangible assets recognized from an accounting point of view, with the exception of formation expenses, goodwill, intangible assets with indefinite useful life, according to the accounting regulations shall be recovered by means of linear depreciation deductions for the duration of the contract or for the period of use, as the case may be.

Intangible assets generated by the company (development costs)

Research expenditure (or related to the research phase of an internal project) is recognized as an expense for the year to which it relates.

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

Tangible assets

Tangible assets are tangible items that:

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

Recognition:

The cost of an item of tangible asset should be recognized as an asset if and only if: it is probable that the entity will generate future economic benefits related to the asset; the cost of the asset can be reliably measured.

Evaluation after recognition

After recognition as an asset, an item of property, plant and equipment is accounted for at its cost or minus the accumulated depreciation and accumulated impairment losses.

After recognition as an asset, an item of tangible assets whose fair value can be reliably measured is accounted for at a revalued amount, this being its fair value at the revaluation date.

Revaluations are made regularly enough to ensure that the accounting amount does not significantly differ from what would have been determined by using fair value at the end of the reporting period.

The fair value of land and buildings is generally determined based on the prices in the market through an evaluation normally performed by qualified professional assessors. The fair value of the items of tangible assets is generally their value in the market determined through evaluation.

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

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

If the carrying value of an intangible asset is increased as a result of the revaluation, then the increase is recognized in other items of the comprehensive income and accrued in equity as a revaluation surplus. However, the increase should be recognized in profit or loss to the extent that it compensates for a decrease in the revaluation of the same asset previously recognized in profit or loss.

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

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

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If any, the effects of taxes on income from the revaluation of tangible assets are recognized and presented in accordance with IAS 12 Income Tax.

Depreciation

The depreciable amount of an asset is systematically allocated over its useful life. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition required to operate in the desired manner.

The land owned is not depreciated.

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

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

Impairment

To determine whether an item of tangible assets is impaired, an entity applies IAS 36 Impairment of assets. At the end of each reporting period, the entity estimates if there are indications of impairment of assets. 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 an impairment loss. A impairment loss is immediately recognized in profit or loss of the period in question, except when the asset is reported to the revalued amount, in accordance with another standard (for example, in accordance with the revaluation model from IAS 16 Tangible assets). Any impairment loss concerning a revalued asset is considered to be a decrease generated by revaluation.

2.7 Financial assets – IFRS 9 Financial instruments (replaces IAS 39 Financial instruments: recognition and assessment)

Initial assessment of the financial assets and financial liabilities

IFRS 9 replaces IAS 39, Financial Instruments - recognition and assessment. IASB developed IFRS 9 in three stages, which deals separately with IFRS classification and evaluation of financial assets, depreciation and risk coverage. Other aspects of IAS 39, such as the scope, recognition and derecognition of financial assets survived with only a few changes against to IAS 39.

The classification on IFRS 9 is determined by the characteristics of the cash flows and business model within which an asset is held.

Subsequent assessment of financial assets

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IFRS 9 has a single model with fewer exceptions than IAS 39 which had a complex pattern. The new standard is based on the concept that financial assets should be classified and assessed at their fair value, with changes in the fair value recognized in the profit and loss account when they appear ("FVPL"), unless the restrictive criteria are met when the classification and the assessment of the asset is made at amortized cost or at fair value through other "FVOCI" revenues).

Impairment of financial assets

IFRS 9 eliminates the assessment of impairment for investments in equity instruments because they can now be measured only at FVPL or FVOCI without resuming changes in fair value in the profit and loss account.

Additionally, IFRS 9 establishes a new approach for loans and receivables, including the commercial receivables with an "early loss" model that focuses primarily on risk.

Cash and cash equivalents/Hedging

The third major change introduced by IFRS 9 is related to hedging; IFRS 9 allows the coverage of several exposures and establishment of new criteria for hedging against risks.

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 consumables to be used in the production process or in the provision of services.

Stock assessment:

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

Cost of 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.

Stocks of raw materials and consumables are stated at the cost of acquisition. The inventory outflow is performed using the Weighted Average Price method.

Stocks of products in progress are stated at the value of the raw materials and consumables included in them.

The stock of finished goods is recorded at production cost on the completion of the manufacture.

Adjustments for depreciation of stocks

The stock depreciation assessment is performed individually and is based on the best estimate of the management on the current value of the cash flows that are expected to be received.

Each depreciated asset is individually analyzed. The accuracy of the adjustments depends on the estimation of future cash flows.

Stock adjustments are based on the end-of-year calculation for adjusting the specific value of stocks of raw materials, consumables and finished products and finished products which no longer correspond from quality viewpoint. The calculation of the general adjustment for depreciation of inventories is based on the life of existing items in stock.

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2.9 Receivables

Receivables mainly arise through the supply of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary assets.

Receivables are presented in the balance sheet at historical value less the adjustments for impairment in cases where it was found that the realizable value is less than the historical value. Impairment adjustments are recognized when there is objective evidence (such as significant financial difficulties of the partners or non-fulfillment of payment obligations or significant payment delay) that the company will not be able to collect all the amounts due under the terms regarding the receivables, the amount of that adjustment being the difference between the net book value and the current value of expected future cash flows associated with the impaired receivable.

The assessment for impairment of receivables is performed on an individual basis and is based on a risk analysis based on customer categories, being the best estimate of the management regarding the current value of the cash flows expected to be received.

The Company assesses at each balance sheet date the extent in which there is any objective evidence that a financial asset (receivable) is impaired. If there is any evidence of this kind, the Company treats it differently 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 depreciation adjustment account. The amount of the loss should be recognized in profit or loss.

If, in a subsequent period, value of 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 from the previously recognized impairment should be resumed either directly or by adjusting a provision account for impairment. Resumption should not result in a carrying amount of the financial asset greater than the amount that would have been the amortized cost if the impairment would not have been recognized at the date when the impairment is resumed. The value of the resumption must be recognized in profit or loss.

Adjustments for impairment of trade receivables consist of the specific provision, entirely constituted for litigation, based on which the general provision is calculated.

The general provision for impairment of client receivables is calculated based on the maturity of the outstanding receivables in the balance. Calculated depreciation adjustments may not exceed from value viewpoint the amounts that are required to settle the trade receivable. When analyzing receivables to be cashed, based on commercial effects, in situations where there are identified events that indicate the occurrence of payment incidents or deterioration of the debtor's financial situation, adjustments may be calculated, the amount of the provision for impairment being at most equal to the value of the effect.

2.10 Value added tax

Value Added Tax must be paid to the tax authorities on the basis of the monthly VAT return until the 25th of the following month, regardless of the recovery level of receivables from customers. Tax authorities allow VAT to be settled on a net basis. If the deductible VAT is higher than the VAT collected, the difference is refundable at the request of the company. That VAT may be reimbursed after a tax audit, or even in the absence thereof, if certain conditions are met. VAT on sales and purchases that were not settled at the end of the reporting period is

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recognized in the financial position statement at the net cost and presented separately as a current asset or liability. In cases where adjustments for impairment of receivables have been recorded, the impairment loss is recorded for the debtor's gross value, including VAT. The related VAT must be paid to the state budget and can be recovered only in case of the debtor's prescription as a result of the bankruptcy decision.

2.11 Financial liabilities

Financial liabilities include primarily trade payables and other short-term financial liabilities (payables related to staff, tax and duty liabilities, short-term bank debt, debt in relation to various creditors) that are initially recognized at fair value and subsequently recorded at amortized cost using the effective interest method.

2.12 Recognition of income and expenses

2.12.1. Recognition of income IFRS 15 - Revenue from customer contracts (replaces IAS 18 Revenues).

Income represents the gross inflow of economic benefits during the period, generated in the course of the normal activities of an entity, when these inputs result in increases in equity, other than increases related to the participants' contributions to equity.

Income constitutes increases in economic benefits recorded during the accounting period, in the form of inflows or increases in assets or debt reductions, which result in increases in equity, other than those resulting from shareholder contributions.

Fair value is the value at which an asset can be traded or a debt settled, between interested parties and fully aware of the facts, in a transaction carried out under objective conditions.

Starting with January 1, 2018, the IFRS 15 standard regarding the contracts concluded with the clients entered into force. In some cases, IFRS 15 may require changes to current systems and may affect some aspects of operations.

IFRS 15 is a complex standard which introduces far more prescriptive requirements than previously included in IAS 18 Revenues, IAS 11 Construction Contracts and, therefore, may lead to changes in revenue recognition policies.

Income assessment

According to IAS 18, revenues were measured at the fair value of the received or receivable counterperformance, after deducting rebates or discounts. The revenues from the sale of the goods were recognized when all the following conditions were met:

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

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Instead, the new standard focuses on identifying obligations and makes a clear distinction between obligations that are satisfied "at one point in time" and those that are satisfied "over a period of time", this being determined by the way in which the control of the goods or services is transferred to the client. The new income model according to IFRS 15 means that we can have income recognized over a period for some results that have been accounted for as assets in accordance with IAS 18.

IFRS 15 establishes a general framework that will be applied for the recognition of revenues from a contract concluded with a client (with limited exceptions), regardless of the type of transaction or industry. The standard sets out five steps to follow for revenue recognition:

- identification of the contract (s) with a client;
- identification of execution contract (s) in a contract;
- determining the transaction price;
- allocation of the transaction price for the execution obligations;
- revenue recognition when (or to the extent that) the entity fulfills an enforcement obligation.

Revenues are measured at the fair value of the net VAT collected or receivable amounts. Revenues are reduced by the value of returns, commercial discounts and other similar costs.

The revenues from the sale of the goods are recognized when there is an obligation to register a contract, respectively all the following conditions have been fulfilled:

- (a) the parties to the contract have approved the contract (in writing, verbally or in accordance with other common business practices) and undertake to fulfill their obligations;
- (b) the company can identify the rights of each party regarding the goods or services to be transferred;
- (c) the company can identify the payments terms for the goods and services to be transferred;
- (d) the contract has a commercial content, and
- (e) it is likely that the company will collect the counterperformance to which it will be entitled in exchange for the goods or services that will be transferred to the client.

The income from the sale of goods is recognized when the company has transferred the significant risks and benefits related to the property right to the buyer and it is likely that the company will receive the ones previously agreed upon following the payment. The transfer of risks and benefits related to the property right is considered to be accomplished once the transfer of the legal title of ownership is completed or the goods are in the possession of the buyer. If the entity holds significant risks related to the property, the transaction is not a sale and the income is not recognized.

The company considers that the collection terms do not generate a financial component of the revenues invoiced to distributors.

Special cases: If it is found that the income associated with a period of the current year are burdened with fundamental errors, they will be corrected, during the period when the error is discovered. If the error is discovered in the following years, its correction will no longer affect the income accounts, but the result account reported from corrections of fundamental errors, if the value of the error will be considered significant.

2.12.2 Recognition of expenses

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 are materialized as reductions in equity, other than those arising from their distribution to shareholders.

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2.13 Impairment of non-financial assets (excluding the stocks, real estate investments and deferred tax assets) - IAS 36 "Impairment of assets"

The assets owned by the company, as stated in IAS 36 "*Impairment of assets*", are subject to the impairment tests whenever events or changes in circumstances indicate that their accounting value may not be fully recovered. When accounting value of an asset exceeds the recoverable amount (i.e. the highest amount between the value of use and fair value minus the selling costs) the assets is adjusted accordingly.

When it is not possible to estimate the recoverable amount of an individual asset, the impairment test is performed on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash-generating units.

Impairment costs are included in the profit and loss account unless they reduce the earnings previously recognized in other items of the comprehensive income.

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

The provision is measured at the best estimate of the expenses required for settlement of the liability at the reporting date, updated at a pre-tax rate reflecting the current market assessments of the value of money over time and debt specific risks.

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

- a) the Company has a current (legal or implicit) obligation generated by a past event;
- b) it is likely that outflow of resources incorporating economic benefits will be required to settle the obligation; 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 accounts from the group 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.

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 by 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 regulated.

2.15 Benefits of employees – IAS 19 Benefits of employees

Current benefits granted to employees

The short-term benefits granted to employees include allowances, salaries, and social security contributions. These benefits are recognized as expenses when providing the services.

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Benefits after termination of the employment contract

Both the Company and its employees have the legal obligation to contribute to the social insurance system 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 implicit 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 for the benefits earned by its own employees in previous years. The Company's contributions to the contributions plan are presented in the chapter Expenses in the year to which they relate.

2.16 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 financial position statement differs from the tax base.

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

The amount of the asset or liability is determined using tax rates that have been adopted or largely adopted up to the reporting date and are expected to be applied 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.

2.17 Dividends

The share of profit 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.

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

2.18 Capital and reserves

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

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

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

2.19 Financing costs

An entity shall capitalize the borrowing costs that are directly attributable to the acquisition, construction or production of an asset with a long production cycle as part of the cost of that asset. An entity must recognize other borrowing costs as expenses during the period in which it

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bears them.

The Company did not finance the construction of long-term assets from loans.

2.20 Earnings per share

The Company presents the basic earnings per share for the ordinary shares. The basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares over the reporting period.

2.21 Segment reporting

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

2.22 Affiliated parties

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

- (i) has the control or a joint control over the Company;
- (ii) has a significant influence over the Company; or
- (iii) is a member of key management staff

The key management staff includes those persons having the authority and responsibility for planning, managing and controlling the company's activities, directly or indirectly, including any director (executive or non-executive) of that entity. Transactions with the key staff include exclusively the salary benefits granted to them as shown in Note 7. *Staff Expenses*.

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 company, subsidiary and subsidiary of the same group is linked to the other ones);
- (ii) An entity is an associated entity or joint venture of the other entity (or an associated entity or joint venture of a member of the group to which the other entity belongs);
- (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 associated entity of the a third-party entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the reporting entity or of an entity affiliated with the reporting entity. If the reporting entity itself represents such a plan, the sponsoring employers are also affiliated with the reporting entity. Entitatea este controlata sau controlata in comun de o persoana afiliata
- (vi) The entity is controlled or jointly controlled by an affiliated person.
- (vii) An affiliated person in control significantly influences the entity or is a member of the key management staff of the entity (or the parent company of the entity).

The Company does not carry out transactions with entities described in points (i) to (vii) above.

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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 the other activities, the Company is exposed to risks arising from the use of financial instruments. This note describes the company's objectives, policies and processes for managing these risks and methods used to assess them. Additional quantitative information on these risks is presented in these financial statements.

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

Main financial instruments

The main financial instruments used by the Company, of which the risk concerning the financial instruments may occur are as follows:

- Trade and other receivables
- Cash and cash equivalents
- Investments in quoted participation titles
- Trade and other liabilities

A summary of the financial instruments by category is provided below:

	Loans and receivables	
ASSETS	30-06-19	31-12-18
Trade and similar receivables	285.233.708	292.458.773
Cash and cash equivalents	3.612.663	2.376.682
Total	288.846.371	294.835.455

	Amortized cost	
LIABILITIES	30-06-19	31-12-18
Commercial and similar debts	64,280,581	57,937,927
Short-term loans	104,527,433	100,729,229
Long-term loans	32,545,823	26,662,433
Total	201,353,837	185,329,589

The overall objective of the Management 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 regarding these policies are set out below:

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Credit risk

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 the credit risk arising from the sales to customers.

Antibiotice SA has developed a Commercial Policy approved by its Management Board which includes commercial sales conditions and conditions imposed in the selection of clients.

Antibiotice SA cooperates only with large distributors in the national pharmaceutical market. When selling for export, in all situations where possible, the sale is contracted with advance payment.

Calculation and analysis of the net statement (equity)

Indicators (LEI)	30-06-19	31-12-18
Short-term credits and loans	104,527,433	100,729,229
Long-term credits and loans	32,545,823	26,662,433
Cash and cash equivalents	(3,612,663)	(2,376,682)
Net debt	133,460,593	125,014,980
Total equity	488,338,713	472,727,315
Net debt in equity (%)	27.33%	26.45%

Foreign Exchange Risk

The Company is mainly exposed to currency risk in the purchases made from the suppliers of raw materials, packaging and other materials outside Romania. Suppliers from whom the company purchases these items for production of medicines must have documents attesting the quality of their goods, as required by the European medicine registration rules. The company cannot limit so much the acquisitions of third countries. Financial Unit is responsible for tracking the payment deadlines and for ensuring the available funds for payment, so that the effect of foreign exchange risk be minimized.

On June 30, 2019 the company's net exposure by types of currency to the foreign currency risk was as follows:

Assets/liabilities in EURO equivalent in LEI	30-06-19	31-12-18
Monetary financial assets	4,821,554	3,237,508
Monetary financial liabilities	(24,369,662)	(16,926,430)
Net financial assets	(19,548,107)	(13,688,922)

RON/EUR variation	Gain/ Loss	
Appreciation of the LEU against EUR by 5%	(977,405)	(684,446)
Depreciation of the LEU against EUR by 5%	977,405	684,446
Impact on result	-	-

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Assets and liabilities in EUR	30-06-19	31-12-18
Monetary financial assets	1,018,258	694,163
Monetary financial liabilities	(5,146,599)	(3,629,244)
Net financial assets	<u>(4,128,341)</u>	<u>(2,935,081)</u>
Assets/liabilities in USD equivalent in LEI	30-06-19	31-12-18
Monetary financial assets	30.294.498	22.064.544
Monetary financial liabilities	(13.779.855)	(7.287.274)
Net financial assets	<u>16.514.643</u>	<u>14.777.270</u>
LEI/EUR variation		
Appreciation of the LEU against USD by 5%	825,732	738,864
Depreciation of the LEU against USD by 5%	(825,732)	(738,864)
Impact on result	<u>-</u>	<u>-</u>
Assets and liabilities in USD	30-06-19	31-12-18
Monetary financial assets	7,284,608	5,416,473
Monetary financial liabilities	(3,313,501)	(1,788,903)
Net financial assets	<u>3,971,107</u>	<u>3,627,570</u>

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

Assets / Liabilities	30-Jun-19	31-Dec-18
LEI	113,478,920	135,045,374
EUR	(19,548,107)	(13,688,922)
USD	16,514,643	14,777,270
Other currencies(CAD,GBP)	(5,175)	(876)
Net exposure	<u>110,440,281</u>	<u>136,132,846</u>

Given the relatively low exposure to exchange rate fluctuations, reasonable fluctuations in exchange rates are not expected to have significant effects in the future financial statements.

Liquidity risk

Liquidity risk arises from the company's management of the current assets, financing costs and reimbursement of the amount for its debit instruments.

The Company's policy is to have any time the necessary cash for the payment of outstanding debts. To achieve this objective, the Company seeks to maintain cash balances (or facilities agreed upon) to satisfy the payment needs.

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

Management Board regularly receives cash flow forecasts 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 reasonable foreseeable circumstances.

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

	Up to 3 months	Between 3 and 12 months	Over 12 months	Total
June 30, 2019				
Commercial and similar debt	30,858,898	56,796,325		87,655,223
Credits and loans		104,527,433		104,527,433
Long-term credits			32,545,823	32,545,823
Total	30,858,898	161,323,758	32,545,823	224,728,479

	Up to 3 months	Between 3 and 12 months	Over 12 months	Total
December 31, 2018				
Commercial and similar debt	23,293,439	54,299,038		77,592,477
Credits and loans		100,729,226		100,729,229
Long-term credits			26,662,433	26,662,430
Total	23,293,439	155,028,267	26,662,433	204,984,139

Bank liquidity

The banks where the company has bank accounts are periodically reviewed by the company's management.

Operational risk

Operational risk is the risk of some direct or indirect losses arising from a wide range of reasons associated to processes, staff, technology and infrastructure of the Company as well as from external factors, others than the credit, market and liquidity risk, such as those arising from legal and regulatory requirements and from the generally accepted standards on the organizational behavior. Operational risks arise from all the Company's operations.

Management is responsible for conducting operational risk related-controls. Management is supported in its mission through the development of the company's general operational risk standards in the following fields:

- Requirements for separation of responsibilities, including independent transaction authorization;
- Requirements for reconciling and monitoring the transactions;
- Compliance with regulatory and legal requirements;
- Documenting controls and procedures;
- Requirements for periodic review of operational risk to which the Company is exposed and the adequacy of controls and procedures to prevent the identified risks;
- Requirements for reporting the operational losses and proposals to remedy the causes that generated them;
- Development of operational continuity plans;
- Professional development and training;

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- Establishing ethical standards;
- Preventing litigation risk, including insurance, where applicable;
- Mitigation of risks, including the efficient use of insurance, where applicable.

Adequacy of capital

The management's policy regarding the capital adequacy is focused on maintaining a sound capital base, in order to support the company's ongoing development and reach its investment objectives.

4. SALES INCOME

Sales income includes the following items:

Description	30-06-19	30-06-18
Finished product sales	181,027,124	163,227,620
Sales of goods	36,378,179	32,699,203
Trade discounts	(45,014,208)	(38,226,337)
Total	172,391,095	157,700,486

Sales revenues are mainly driven by sales of finished products directly to pharmaceutical distributors. On June 30, 2019, intra and extra-community sales amounted to 72,215,134 LEI as compared to 67,961,579 LEI on June 30, 2018.

Our company earns sales revenues in individual values greater than 10% of total sales from 5 clients.

5. OTHER OPERATING INCOME

Other operating income includes the following:

Description	30-06-19	30-06-18
Rental income	57,223	35,095
Income from research & studies	331,006	173,398
Income from various activities	174,599	159,974
Income from indemnities, fines and penalties	146,199	29,462
Other operating income	1,281,916	1,322,041
Income from adjustments for depreciation of current assets	11,949,570	8,412,312
Income from provisions for risks and expenses	2,098,241	1,686,271
Exchange rate differences	2,647,813	2,992,061
Total	18,686,567	14,810,614

6. RAW MATERIALS, CONSUMABLES AND GOODS

Expenditure on raw materials and consumables consists of:

Description	30-06-19	30-06-18
Raw materials	47,360,753	43,475,560
Auxiliary materials	3,664,224	2,691,040
Goods	24,302,004	24,543,132
Expenditure on fuel and spare parts	2,132,078	2,125,682
Inventory items	320,029	299,044

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Other consumables	239,275	198,121
Total	78,018,365	73,332,578

7. STAFF EXPENSES

Staff expenses consist of:

Description	30-06-19	30-06-18
Wages	42,740,485	38,199,336
Civil contracts	943,037	673,119
Taxes and social contributions	1,404,900	1,296,847
Other benefits (meal tickets)	1,800,051	1,826,913
Total	46,888,473	41,996,215

The company is managed in a unitary system, in accordance with the Law 31/1990 on trading companies, the management of the company being ensured by the Management Board of Antibiotice SA. The structure of the Management Board and Executive Team are presented in the Note 1. General Information.

Remuneration granted to the members of the Management Board and to the Executive Team is presented in the following table:

Description	30-06-19	30-06-18
Wages	3,129,753	2,089,629
Civil contracts	943,037	673,119
Taxes and social contributions	94,040	64,267
Total	4,166,830	2,827,015

8. OTHER OPERATING EXPENSES

Other operating expenses include the following:

Description	30-06-19	30-06-18
Utilities	6,334,317	5,347,690
Repairs	699,582	580,268
Rent	176,124	87,826
Insurances	733,046	620,116
Bank fees	664,817	985,572
Advertising & promotion of products	3,545,629	3,324,462
Travel & transport	1,601,098	1,797,146
Post & telecommunications	231,225	277,650
Other services provided by third parties	6,646,233	7,669,587
Other taxes	22,062,544	19,561,028
Environment protection	531,722	318,030
Loses and adjustments of uncertain receivables	10,005,395	5,561,145
Exchange rate differences	3,767,421	2,818,135
Sundries	509,099	1,118,771
Total	57,508,252	50,067,426

9. FINANCIAL INCOME AND EXPENSES

Net financial income consists of:

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June 30, 2019

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

Description	30-06-19	30-06-18
Interest income	5,030	1,129
Other financial income	38,879	1,727
Interest expenses	(2,192,289)	(1,389,097)
Other financial expenses	(72,609)	(74,669)
Total	(2,220,989)	(1,460,910)

Other financial expenses are settlement discounts on the receivables settled before maturity, materialized in bonuses granted to the company's clients for the anticipated payment of the amounts owed by them.

10. CURRENT AND DEFERRED PROFIT TAX EXPENSES AND OTHER TAXES

Description	30-06-19	30-06-18
Current tax	2,344,819	960,550
Deferred tax expense/ income	231,204	(247,936)
Taxes specific to certain activities	28,508	28,508
Total	2,604,531	741,122

Profit tax to be paid was calculated taking into account the influences of non-deductible expenses and taxable income, tax incentives, effects of income tax provisions as well as the effects of applying Law 170/2016 on the tax specific for some activities. A reconciliation between the accounting and fiscal profit which was the basis for the calculation of corporation tax and other taxes is presented in the following table:

Description	30-06-19	31-12-18
Total income	205,985,573	187,454,629
Total expenses (without profit tax)	180,594,056	166,270,944
Gross book value	25,391,653	21,183,685
Deductions	(37,213,877)	(11,783,345)
Non-deductible expenses	32,691,061	8,522,775
Fiscal result	20,868,701	17,923,115
Profit tax (fiscal result x 16%)	3,338,992	2,867,698
Tax reductions	(994,173)	(1,907,148)
Current profit tax	2,344,819	960,550
Deferred profit tax	231,204	(247,936)
Taxes specific to certain activities	28,508	28,508
Total profit tax and other taxes	2,604,531	741,122

11. EARNINGS PER SHARE

Description	30-06-19	30-06-18
Net profit (A)	22,319,076	20,103,047
Number of ordinary shares (B)	671,338,040	671,338,040
Earning per share (A/B)	0,033246	0,029945

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EXPLANATORY NOTES TO FINANCIAL STATEMENTS

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

12. FIXED ASSETS

	Land	Buildings	Technical installations & equipment	Other installations, equipment & furniture	Tangible assets in progress	Total
COST						
December 31, 2017	108,306,000	83,326,165	151,601,853	6,193,046	19,189,581	368,616,645
Acquisitions	-	9,678,817	39,680,112	1,427,093	58,049,608	108,835,631
Revaluation	-	48,743,396	-	-	-	48,743,396
Reversal amortization	-	31,911,246	-	-	-	31,911,246
Outputs	-	1,505,048	6,320,642	75,784	50,786,021	58,687,495
December 31, 2018	108,306,000	108,332,084	184,961,323	7,544,355	26,453,168	435,596,931
Acquisitions	-	3,524,135	4,943,130	65,972	15,301,217	23,832,454
Outputs	-	-	-	-	8,472,344	8,472,344
June 30, 2019	108,306,000	111,856,219	189,902,453	7,610,327	33,282,042	450,957,041
AMORTIZATION						
December 31, 2017	-	24,462,240	115,505,156	5,104,707	-	145,072,103
Cost of the period	-	9,227,396	8,442,259	277,591	-	17,947,246
Reversal amortization	-	31,911,246	-	-	-	31,911,246
Outputs	-	51,665	6,320,642	75,784	-	6,448,091
December 31, 2018	-	1,726,725	117,626,773	5,306,514	-	124,660,012
Cost of the period	-	3,049,307	5,792,485	199,938	-	9,041,730
Outputs	-	-	-	-	-	-
June 30, 2019	-	4,776,032	123,419,258	5,506,452	-	133,701,742
PROVISION						
December 31, 2017	-	57,000	244,652	-	-	301,652
2017 Outputs	-	5,400	-	-	-	5,400
December 31, 2018	-	51,600	244,652	-	-	296,252
2018 outputs	-	-	-	-	-	-
June 30, 2019	-	51,600	244,652	-	-	296,252
NET VALUES						
June 30, 2019	108,306,000	107,028,587	66,238,541	2,103,875	33,282,041	316,959,046
December 31, 2018	108,306,000	106,553,759	67,089,898	2,237,841	26,453,168	310,640,665
December 31, 2017	108,306,000	58,806,925	35,852,045	1,088,339	19,189,581	223,242,890

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Depreciation of fixed assets

Accounting depreciation is calculated using the straight line method. For the fixed assets, new entries in 2019 such as installations, machines and measuring and control devices, the useful lives were established taking into account:

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

The inventory value of tangible assets held as collateral or guarantees is 69,285,783 LEI.

13. INTANGIBLE ASSETS

Intangible assets include in-house development projects, legal documentations (for licenses and patents) as well as software licenses.

Changes in the acquisition cost and amortization related to the intangible assets are presented in the following table:

	30-06-19	31-12-18
Initial balance	26,250,866	21,718,103
Inputs	3,824,773	7,570,149
Outputs	1,237,640	3,037,386
Final balance	28,838,001	26,250,866
Amortization		
Initial balance	11,222,150	8,610,480
Cost of the period	1,480,869	2,611,670
Final balance	12,703,019	11,222,150
Net value	16,134,982	15,028,716

14. STOCKS

Description	30-06-19	31-12-18
Raw materials and consumables	24,982,305	20,915,669
Production in progress	5,871,891	3,036,478
Semi-finished and finished products	55,641,303	33,358,323
Goods	10,955,301	7,654,192
Total	97,450,800	64,964,662

The value of inventories held as collateral is 34,823,504 LEI.

15. TRADE AND OTHER RECEIVABLES

Description	30-06-19	31-12-18
Trade receivables	315,617,338	325,033,175
Ajustments for trade receivables	(31,382,950)	(33,548,330)
Various debtors and other receivables	4,435,849	4,427,757
Adjustments for various debtors	(3,436,529)	(3,453,829)

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

Total financial assets, other than cash, classified as loans and receivables	285,233,708	292,458,773
Receivables related to employees	8,234	209
Other receivables from the State Budget	3,752,518	880,939
Advance payments	18,605,806	19,754,537
Total	307,600,266	313,094,458

On June 30, 2019 the company recorded adjustments for trade receivables representing customer balance that are unlikely to be collected by the company. The receivables of the company were analyzed and evaluated according to criteria established according to the risks per customer categories.

Analysis of seniority	30-06-19	31-12-18
Receivables - customers	315,617,338	325,033,175
up to 3 months	117,828,484	129,963,030
between 3 and 6 months	59,807,460	76,193,641
between 6 and 12 months	102,374,429	77,280,125
over 12 months	35,606,965	41,596,378
Value adjustments related to receivables- customers	(31,382,950)	(33,548,330)

The fluctuations in the Company's provisions for the impairment of trade receivables are presented in the following table:

Adjustments of receivables	30-06-19	31-12-18
At the beginning of the period	37.002.158	51.458.041
Established during the year	8.792.157	18.349.355
Cancelling the adjustments	(10.974.836)	(32.805.238)
At the end of the period	34.819.479	37.002.158

Value of receivables established as guaranties is 272,155,873 LEI.

16. CASH AND CASH EQUIVALENTS

Description	30-06-19	31-12-18
Available at the bank	3,581,136	2,346,212
Cash and cash equivalents	31,527	30,470
Total	3,612,663	2,376,682

17. TRADE AND OTHER PAYABLES

Description	30-06-19	31-12-18
Trade payables	49,444,576	34,179,575
Suppliers of fixed assets	9,518,695	16,607,089
Employee-related liabilities	1,856,629	1,699,591
Wage provisions	2,900,000	4,998,241
Other debts	226,554	141,529
Outstanding interest	334,127	311,902
Total debt less loans, classified as	64,280,581	57,937,927

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measured at depreciated cost		
Taxes and social contributions	2,944,310	2,980,512
Dividends	7,752,823	5,751,482
Advance money from customers	1,149,709	501,163
Total	76,127,423	67,171,084

18. AMOUNTS DUE TO CREDIT INSTITUTIONS

The amounts due to the credit institutions at 30.06.2019 are presented in the following table:

Amounts due to the credit institutions	Value at 30.06.2019
Amounts due in the short term	104,527,433 LEI
Amounts due in the long term (including interest)	32,545,823 LEI

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

Objective	Credit line-working capital
Amount	50,000,000 LEI
Maturity	16.08.2019
Balance on June 30, 2019	45,679,714 LEI
Warranties	Mortgage contract for buildings, land/ Receivable assignment contract

Credit contract no. IAS3-20-2018/03.05.2018 concluded with Unicredit Bank S.A.

Objective	Investment credit
Amount	15,406,300 EUR
Maturity	02.05.2028
Balance on June 30, 2019	6,865,166.42 EUR (32,507,249.51 LEI)
Warranties	Mortgage contract for buildings, land/ Receivable assignment contract

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

Objective	Credit line-working capital
Amount	30,000,000 LEI
Maturity	24.06.2020
Balance on June 30, 2019	25,769,425.91 LEI
Warranties	Mortgage contract for buildings, land/ Receivable assignment contract

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

Objective	Credit line-working capital
Amount	9,500,000 EUR

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EXPLANATORY NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

Maturity	22.05.2020
Balance on June 30, 2019	11,406,204.07 LEI 4,576,902.12 EUR (21,672,089.23 LEI)
Warranties	Mortgage contract for buildings, land/ Receivable assignment contract

The amounts due to the credit institutions at 31.12.2018 are presented in the following table:

Amounts due to the credit institutions	Value at 31.12.2018
Amounts due in the short term	100,729,229 LEI
Amounts due in the long term (including interest)	26,662,433 LEI

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

Objective	Credit line-working capital
Amount	50,000,000 LEI
Maturity	16.08.2019
Balance on December 31, 2018	40,398,127 LEI
Warranties	Mortgage contract for buildings, land/ Receivable assignment contract

Credit contract no. IAS3-20-2018/03.05.2018 concluded with Unicredit Bank S.A.

Objective	Investment credit
Amount	15,406,300 EUR
Maturity	02.05.2028
Balance on December 31, 2018	5,709,266.17 EUR (26,627,446.49 LEI)
Warranties	Mortgage contract for buildings, land/ Receivable assignment contract

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

Objective	Credit line-working capital
Amount	30,000,000 LEI
Maturity	26.06.2019
Balance on December 31, 2018	24,158,985.50 LEI
Warranties	Mortgage contract for buildings, land/ Receivable assignment contract

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

Objective	Credit line-working capital
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EXPLANATORY NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

Amount	9,500,000 EUR
Maturity	22.05.2019
Balance on December 31, 2018	11,711,390.09 LEI 5,132,454.91 EUR (23,937,256.45 LEI) 128,503.05 USD (523,470.02 LEI)
Warranties	Mortgage contract for buildings, land/ Receivable assignment contract

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

19. SUBSIDIES FOR INVESTMENTS

The subsidies for investments have the following structure:

Subsidies for investments	30-06-19	31-12-18
Waste water treatment plant	2,256,652	2,379,324
Research project-UMF Iasi	24,503	24,503
Other subsidies - European funds	663,703	495,489
Other subsidies - state budget funds	126,733	92,282
Other amounts received as subsidies	120,840	135,201
Total	<u>3,192,430</u>	<u>3,126,799</u>

The amounts reflected in the account *Subsidies for investments* represent values received in the last 10 years by the company as subsidies for investments in protecting the environment and increasing the competitiveness of industrial products through financing from the Ministry of Economy and UEFISCDI Bucharest.

20. DEFERRED INCOME TAX

The variation of debts on the deferred income tax is presented in the following table:

Description	30-06-19	31-12-18
Initial balance	25,266,930	18,172,398
Cost / (income) deferred tax	231,204	7,094,532
Final balance	<u>25,498,134</u>	<u>25,266,930</u>

The main components of the deferred income tax are: deferred tax related to the revaluation of fixed assets during the period 2004-2009 and deferred tax related to revaluations in the years 2012 and 2015.

21. SHARE CAPITAL

The subscribed share capital of the company on June 30, 2019 is 67,133,804 LEI, the nominal value of an share being of 0,1000 LEI/share. Our company has 671,338,040 shares which confer equal rights to the company's shareholders. SC Antibiotice SA has not issued preference shares.

In accordance with the provisions of IAS 29 - hyperinflationary economies, the share capital was restated taking into account the inflation index communicated by the National Statistics

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Commission. It was applied starting with the balance determined according to GD 500/ 1994, from the reporting date to 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 Registry.

On 31.12.2012, in the balance sheet of the Company there was a retained earnings result from the application for the first time of IAS 29 "*Financial Reporting in Hyperinflationary Economies*" proposed to be covered from the amount resulting from the application of IAS 29 "*Financial Reporting in Hyperinflationary Economies*" as follows:

Reported loss result from the first application of the IAS 29	197.701.352
Adjustments of the share capital - the first application of the IFRS	197.701.352

22. RESERVES

The reserves include the following components:

Description	30-06-19	31-12-18
Reserves from revaluation of fixed assets	62,035,739	63,642,374
Legal reserves	13,426,761	13,426,761
Deferred tax recognized on equity	(9,925,716)	(10,182,778)
Other reserves	193,386,084	166,884,712
Reserves from current profit	0	23,537,290
TOTAL	258,922,868	257,308,360

The following describes the nature and purpose of each reserve within the equity:

Reserve	Description and purpose
Reserves from revaluation of fixed assets	If the book value of a tangible asset is increased as a result of the revaluation, then the increase should be recognized in other items of global result and cumulated in equity, as a revaluation surplus. Revaluation reserves can not be distributed and can not be used to increase the share capital.
Legal reserves	According to the Law 31/1990, at least 5% of the profit is taken each year for the formation of the reserve fund until it reaches at least a fifth of the share capital.
Other reserves	Other reserves include reserves that represent tax incentives that can not be distributed with implications on the recalculation of the profit tax. The difference represents reserves made up of profits.

23. RETAINED EARNINGS

The retained earnings include the following:

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

Description	30-06-19	31-12-18
Reported result – surplus from revaluation reserves	15,554,953	14,205,380
Reported result from error correction	-	(1,094,738)
Reported result arising from the use, at the date of transition to the application of IFRS, of the fair value as an assumed cost	124,408,011	124,408,011
Reported result from the first adoption of IAS 29	(197,701,352)	(197,701,352)
Total	<u>(57,738,388)</u>	<u>(60,182,699)</u>

24. CONTINGENT LIABILITIES

SC Antibiotice SA has no contingent liabilities on June 30, 2019.

25. EVENTS AFTER THE REPORTING PERIOD

There are no significant subsequent events that are not disclosed in these financial statements.

26. INFORMATION ABOUT THE AUDIT OF FINANCIAL STATEMENTS

The financial audit for H1 2019 was conducted by SOCECC SRL. The auditor provided only financial audit services.

**Accounting, Expertise & Accounting Consultancy Company
SOCECC Ltd.**

INDEPENDENT AUDITOR'S REPORT

ON

INTERIM FINANCIAL STATEMENTS

DRAWN UP BY ANTIBIOTICE S.A.

FOR THE H1 OF 2019

- IAȘI -
- 2019 -

THE INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ANTIBIOTICE S.A.

Review report on the interim financial information

We have reviewed the interim financial statements of ANTIBIOTICE S.A. ("The Company"), which includes the statement of financial position as of June 30, 2019, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the six-month period ending on June 30, 2019, as well as a summary of the significant accounting policies and other explanatory notes.

The management is responsible for the preparation and fair presentation of these interim financial statements in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union. Our responsibility is to express a conclusion regarding this interim financial information, based upon our review.

The scope of the review

We have made the review in accordance with the International Standard on Review Engagements 2410 "*Review of the interim financial statements, carried out by an Independent Auditor of the Entity*". A review of the interim financial information consists of interviewing people, in particular those responsible for the financial and accounting matters and of applying the analytical procedures and other review procedures. The scope of a review is substantially lower than the scope of an audit, conducted in accordance with International Standards on Auditing, and we are not allowed to obtain the assurance that we have aware of all the material matters that might have been identified in an audit. Therefore, we do not express an audit opinion.

Conclusion

Based on our review, we did not identify any evidence that would make us believe that the interim financial statements drawn up by ANTIBIOTICE S.A. on June 30, 2019 are not prepared in all the material aspects, in accordance with IFRS.

Iași, August 1, 2019

Accounting, Expertise & Accounting Consultancy Company SOCECC Ltd.
represented by Zegrea Laurențiu, CAFR certification no. 2666