

MANAGEMENT REPORT

January - September 2019

Q III Report according to:	IFRS
For the financial period:	30.09.2019
Report date:	15.11.2019
Name of trading company:	Antibiotice SA
Registered office:	Iasi, 1 Valea Lupului St.
Phone/ fax number:	0232/209000;fax: 0232/209633
Fiscal registration code:	RO1973096
Order number in the Trade Register:	J22/285/1991
Regulated market on which the issued securities are traded:	Bucharest Stock Exchange (BVB)
Subscribed and paid-up share capital:	67,133,804 LEI
Main characteristics of the securities issued by the trading company:	registered shares, nominal value: 0.10 LEI

Antibiotice SA, the most important Romanian manufacturer of generic medicines, has a portfolio of more than 150 medicines for human use, comprising parenteral dosage forms (powders for solutions and suspensions for injection), oral dosage forms (tablets, capsules), topical dosage forms (ointments, creams, gels) pessaries and suppositories. This portfolio includes antiinfectives for systemic use, dermatologicals, medicinal products for musculoskeletal system, cardiovascular system, digestive tract, central nervous system and medicines for women's health (genito-urinary system).

Our company is a significant partner in the hospital pharmaceutical market, having also a portfolio dedicated to the prevention and improvement of the life quality (food supplements, medical devices and OTCs). Antibiotice has an active global presence, exporting its products in more than 70 countries.

Antibiotice is also the world leader in the production of the active substance Nystatin, an international reference standard.

In order to increase the confidence of shareholders, meet the expectations of stakeholders and maximize the market capitalization, Antibiotice adopts strategies aimed at strengthening the long-term business. These strategies are mainly focused on developing strong partnerships in the territories where our company opened its own representative offices and in the main international markets, on developing the scientific and research activities as well as on expanding the portfolio by assimilating new products.

Business internationalization

Developing its business internationally is the medium and long-term strategic direction of Antibiotice, a strategy characterized by a high complexity which requires commercial policies and product portfolio adapted to the target markets in order to maximize the advantages and opportunities.

The export made in January-September 2019 amounted to 97.24 million LEI, by 6.6 % higher than the level recorded in 2018 and by 8.6% higher than the figure planned for this period of 2019 in the Revenue and Expenditure Budget.

Nystatin - a 14% increase in the volume sold in the American market

Consolidation of the market leader position for the active substance Nistatin is reflected in the upward trend of sales growth. Thus, in the reporting period, Antibiotice recorded a 14 % increase in the quantity sold in the main markets in the North and South America compared to the similar period of 2018. These results are the expression of a strategy aimed at adapting the product to the various requirements of the clients, at using it in the formulation of finished products with high added value (powders for oral suspensions, creams, ointments, topical powders and pessaries), a prudent pricing strategy and partnership policies with area agents / distributors.

Antibiotice expands its presence in the North American penicillin market

We recorded positive results in the US market also in the segment of finished products for which Antibiotice is FDA certified (Food & Drug Administration). In the first 9 months of 2019, our company sold a quantity higher by about 50 % compared the same period of 2018. We refer here to our main products, Ampicillin and Nafcillin, sterile powders for injection.

A consolidated presence of our company in the territories in which it opened its own representative offices

About 50% of the export value of finished products was recorded in the territories in which Antibiotice opened its own representative offices in the last three years: Vietnam, Republic of Moldova, Ukraine and Serbia. In January-September 2019, in these four markets, our sales recorded a 32% increase compared to the same period of 2018 and a 15% increase compared to the level planned in the Income and Expenditure Budget for this period of 2019.

It is a result that quantifies the plan of measures applied by Antibiotice in these markets as regards the following 3 development pillars: registration of a new anti-infectives portfolio for hospitals, a pricing policy adapted to the specific of the market and a strong partnership with the local distributors.

Targeting new markets, with a high potential for our core portfolio

Antibiotice expands its business internationally, following two main directions: to fully exploit the product portfolio in the current territories and to target new markets with a recognized consumption potential for anti-infective, dermatological and cardiovascular medications.

Evolution of pharmaceutical market in Romania¹

In the first nine months of 2019, the value of sold medicines amounted to 13.40 billion LEI (distribution price), higher by 18.1% compared to the same period last year. Quantitative consumption grew by 3.3%, the pharmacies releasing a number of 464.06 million boxes.

Pharmaceutical market is dominated by the prescription medicines (Rx) which represent 78.1% of total sales in terms of value and 65.3% of the total medicine consumption (no.of boxes) in Romania. In the period under analysis, prescription medicines record a 18.6% increase in terms of value, from 8.82 billion LEI in the first 9 months of 2018 to 10.46 billion LEI in the same period of 2019; the non-prescription medicines (OTCs) had also a 16.3%, increase in terms of value, from 2.53 billion LEI in the first 9 months of 2018 to 2.94 billion LEI in the January-September 2019.

Evolution of pharmaceutical market relevant for Antibiotice SA²

In the first 9 months of 2019, our relevant market records a value of 1.6 billion LEI, higher by 7.5% compared to the last year. Quantitative consumption grew by 3.5%, a number of 106 million boxes being released from pharmacies.

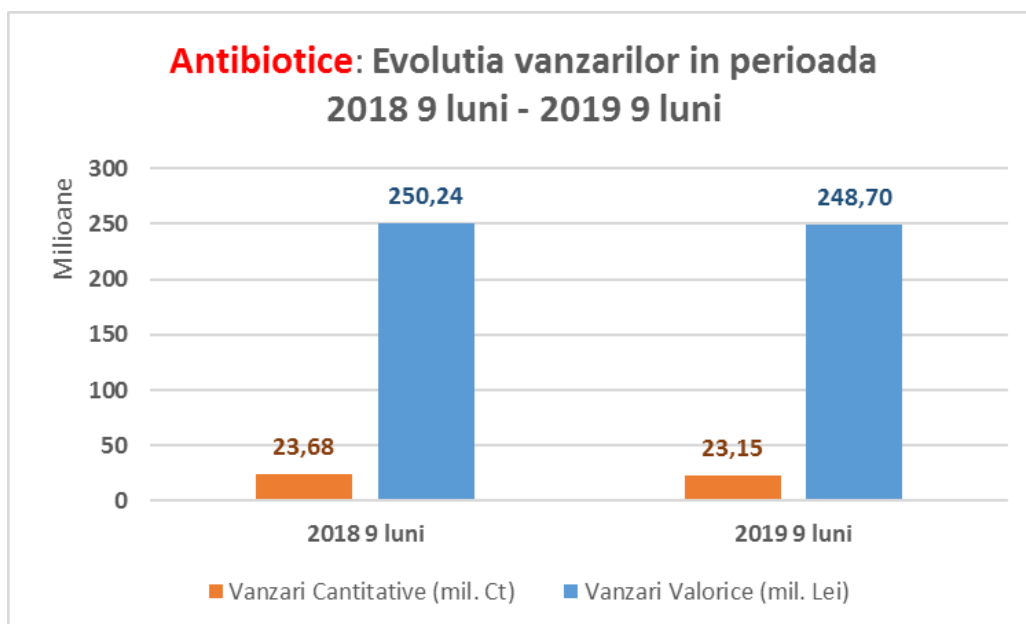
From a prescription point of view, pharmaceutical market is dominated by the prescription medicines (Rx). These represent 57.8% of the total sales in terms of value and 66.3% of the total medicine consumption (no.of boxes) in Romania. In the period under analysis, prescription medicines recorded a 2.2 % increase in terms of value, from 902.4 million LEI in the first 9 months of 2018 to 922.2 million LEI in the same period of 2019; the non-prescription medicines (OTCs) had also a 15.7%, increase in terms of value, from 581.3 million LEI in the first 9 months of 2018 to 672.8 million LEI in the January-September 2019.

Antibiotice SA in the pharmaceutical market in Romania

In the first nine months of this year, Antibiotice recorded sales comparable to the same period of the previous year, both in pharmacies and hospitals.

¹ According to CEGEDIM Romania, September 2019

² Relevant market is represented by the market to which the Antibiotice portfolio relates with regard to the therapeutic indication of the product.



Evolution of Antibiotic sales

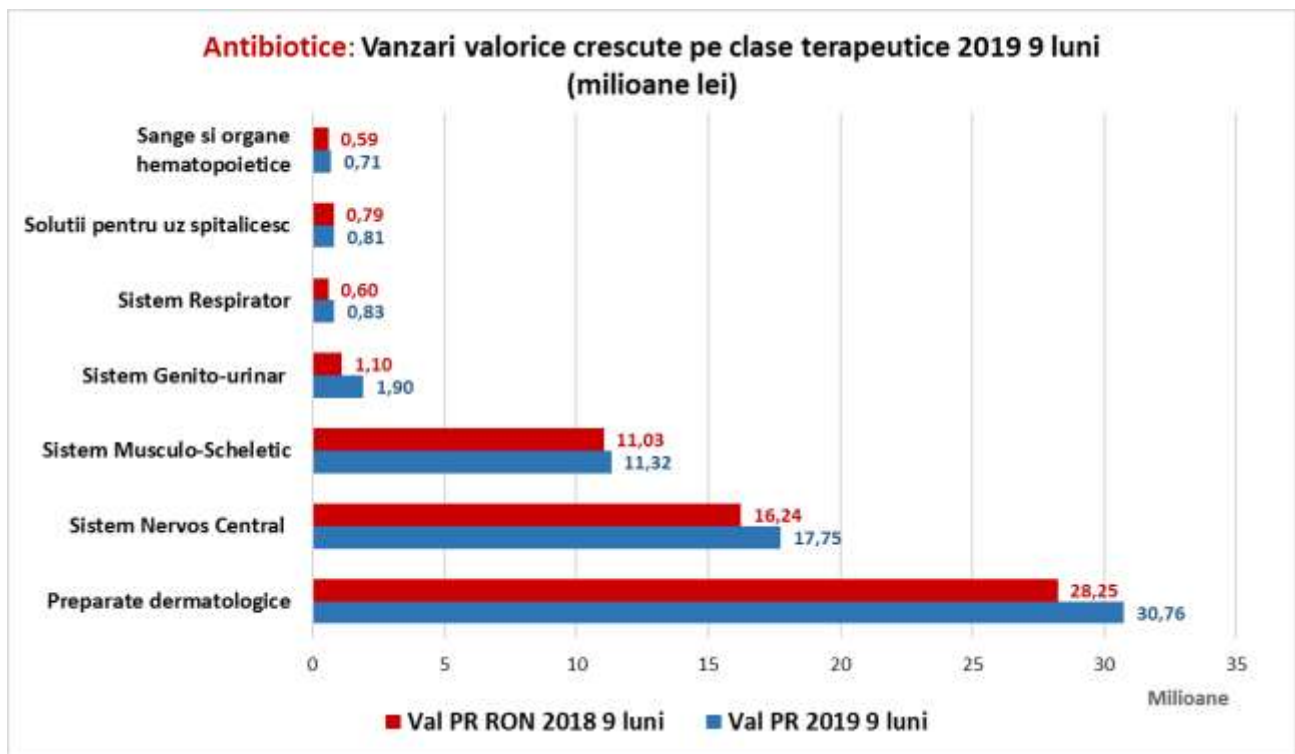
QIII 2018 versus QIII 2019

Millions

Sales in terms of quantity (million boxes)

Sales in terms of value (million LEI)

The main therapeutic classes recording significant value increases in the first nine months of 2019, compared to the similar period of 2018 are: dermatological preparations, medicines for central nervous system, genito-urinary system, musculoskeletal system and respiratory system.



Antibiotice: Increased sales in terms of value by therapeutic classes in the first 9 months of 2019 (million LEI)

Blood and hematopoietic organs

Solutions for hospital use

Respiratory system

Genito-urinary system

Musculoskeletal system

Central Nervous System

Dermatological preparations

Antibiotice ranks the fifth place in the generic & OTC segment (with a 4.58% market share) and the 19th place in the total pharmaceutical market (with a 1.86% market share)

In the first nine months of this year, Antibiotice maintained its leading position in the generic & OTC segment sold in hospitals, with a 15.55% market share.

Antibiotice ranks the 16th place among the 227 manufacturers of non-prescription medicines (OTCs) and food supplements.

In the relevant market, Antibiotice ranks first with a 15.6% market share in terms of value in the first nine months of 2019.

Quantitatively speaking, Antibiotice is the leading manufacturer of ointments (23.7%), suppositories (42.3%) and injectable powders (72.6%).

In the first nine months of 2019 our company carried out promotional actions targeting the health professionals, doctors and pharmacists, which aimed to increase the reputation of the employer brand and product brands from the portfolios of the anti-infectives for systemic use, dermatological preparations, medicines for genitourinary system and musculoskeletal system and dietary supplements from the Nutriensa range®.

Within these actions our company promoted products that support the portfolios of Hospital & Partners, portfolio for dermatology and the life quality portfolios that include the concepts of Women's Health and Nutriensa.

Hospital & Partners is the portfolio for hospitals, the promotion focusing on developing good practices in the use of antibiotics, supported by the "Antibiotics of the 3rd millenium " campaign.

Women's health

Through the communication concept "Women's health" the company aims to strengthen the identity of the portfolio for preventing and treating the obstetric & gynecology diseases.

Women's health is a concern of any health system because, beyond the conditions that commonly affect women and men, women are also affected by specific reproduction- and motherhood-related problems.

Nutriensa®

Nutriensa® is the proof of our company's concern for maintaining the people's health and wellbeing.

The Nutriensa® food supplements are manufactured according to the standards, of the highest quality ingredients, in unique combinations, based on the experience of Antibiotice pharmacists.

The Nutriensa® umbrella brand includes food supplements manufactured by Antibiotice for the central nervous system, digestive tract, peripheral vascular system, musculoskeletal system: Equilibra®, Fezivit C®, Fluxiv® tablets, Fluxiv® cream, Lejer®, Silithor®, Soriso®, Sprinten®.

Semisolid and solid topicals

Antibiotice aims at maintaining the leading position in the topical segment (creams, ointments, gels) intended, especially for dermatological, inflammatory musculoskeletal and peripheral vascular disorders.

The promotion of semisolid and solid topical products was made at national level through teams of specialized medical representatives, towards health professionals and through campaigns addressed to the general public.

Antibiotice portfolio was promoted in the scientific events organized by the main medical professional societies or in the interdisciplinary regional events organized by Antibiotice to continuously support the medical and pharmaceutical education.

Thus, interdisciplinary scientific events were organized for doctors and pharmacists in three university centers (Bucharest, Timișoara and Oradea) with topics of interest from several medical specialties: Gynecology, Pneumology, ENT, Urology, Dermatology, Orthopedics, Balneophysiotherapy and Medical Recovery, Rheumatology. As a communication platform for women's health, the "Ginecofocus" regional scientific events were also organized (Bucharest - South, South - West and Center), these being attended by family doctors, gynecologists, dermatologists and pharmacists.

Antibiotice was also present at national and regional scientific events organized by professional associations and medical societies: College of Pharmacists of Romania, Romanian Society of Obstetrics - Gynecology, Romanian Society of Neonatology, Romanian Society of Perinatal Medicine, Romanian Society of Sports Medicine, Association of Phytotherapy and Practical Phytopharmacology, Association of Dermatologists of Moldova, Union of Dermatologists of Iasi, Romanian Society of Dermatology, Romanian Society of ENT, Romanian Society of Infectious Diseases, Romanian Society of Anesthesia - Intensive Therapy, Romanian Association of Hepatic-Bilio-Pancreatic Surgery and Liver Transplantation. Our company participated also as a partner and organizer in scientific events for closed circuit pharmacists (hospital) - "Hospital pharmacist - indispensable link in the medical-pharmaceutical system" or for open circuit pharmacists - Nutriensa® - *Healthy with good science* as well as the Respiro and Benefica conferences (as a partner).

The promotion of Nutriensa range was also made to the general public, by:

- Pletix project - campaign to raise awareness of the risk of chronic venous disease, supported by Fluxiv®;
- merchandising campaigns of the products on the shelf in open-circuit pharmacies and chain pharmacies (planograms);
- campaign in the national and local radio stations: Fezivit C®, Equilibra®, Sprinten®.
- social media campaign in the printed media and catalogs of pharmacy chains for the Nutriensa® range.

Research & Development - the premise of sustainability

Our main objective is to develop new medicinal products and optimize the existent portfolio (topicals, tablets, capsules, injectables and new pharmaceutical dosage forms), products derived from the strategic development directions and according to the sales plan until 2025.

The 2019 research pipeline includes 15 projects: injectables - 1 project, topicals - 4 projects and oral dosage forms - 10 projects from the therapeutic classes covering the Antibiotic portfolio: oral anti-infectives, injectable anti-infectives, dermatologicals, nonsteroidal anti-inflammatory medicines, medicines for digestive system and for women's health. All of these projects are in progress on September 30, 2019.

Of the 10 projects for solid dosage forms, 4 of them are food supplements, contributing to consolidating the portfolio of food supplements, cosmetics and prophylaxis products.

In the period January- September 2019, simultaneously with these new research projects, our company conducted various activities for optimizing our products, with a view to selling them in the international markets: 5 injectable medicinal products, 2 topicals and 4 solid oral dosage forms.

Biotechnology research is focused on identifying the stability conditions of the product Nystatin in parallel with processes for maintaining the strains in the company's fungi collection.

In order to maintain the current portfolio, we optimized 11 products in order to be in line with the changes of pharmacopoeia in force updating their authorization documentation. 31 national reauthorization procedures were completed, 22 products being reauthorized in international system.

In 2019, the anti-infectives portfolio, which is representative both nationally and internationally for our company was enriched with 2 new medicinal products in three concentrations.

For the international market we succeeded in obtaining 6 new Marketing Authorizations for 3 countries in the CIS area and Europe.

To maximize the growth potential of the portfolio of injectables for hospitals, our company is going to launch the injectable beta-lactam antibiotics in Ukraine, starting with 2020. A new formula of the product Moldamin intended for the treatment of sexually transmitted diseases (syphilis) and streptococcal infections with *Streptococcus beta-hemolytic group A* was developed for the Romanian market.

In the first nine months of 2019, our company defined the 2020-2025 portfolio of topicals for eczema, atopic dermatitis, skin infections, vascular pathology, the portfolio intended to increase the quality of life (dietary supplements and OTCs from

the central nervous system, cardiovascular and immunity classes) and the women's health portfolio to be developed in the future by in-house research and partnerships.

Clinical studies

The **Center for Clinical Studies** completed in the first nine months of 2019 two bioequivalence studies, one for the Antibiotic product Omeprazol Atb® 20 mg capsules and one for a product of an external partner.

The Center also started the clinical trial for an Antibiotic topical product in order to be sold in the international regulated markets. A new clinical study was planned for a pessary product intended for bacterial infections.

Pharmacovigilance

The Pharmacovigilance Department continuously monitors the efficacy and safety in administration of the Antibiotic medicines. During the first nine months of 2019 this department elaborated the Updated Periodic Drug Safety Reports (PSUR), for submitting them to the European Medicines Agency and Annual Reports (Annual Report and PADER), for submitting them to the Food and Drug Administration.

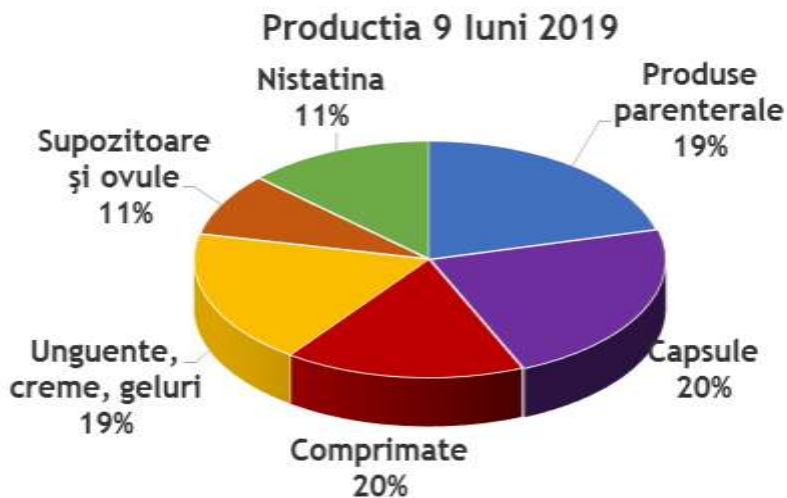
Production

Antibiotic manufacturers more than 150 medicinal products in eight pharmaceutical dosage forms. The total value of the planned production for the first 9 months of 2019 was 279.3 million LEI and the production made amounted to 280.5 million LEI, higher by 0.4% than the estimated value.

Thus, our company manufactured in the first 9 months of 2019:

- 421 million of pharmaceutical units: tablets, capsules, parenterals, ointments, creams, gels and pessaries;
- the active substance Nystatin in bulk, an amount comparable to that manufactured in the similar period of the previous year. The planned and achieved value of the production of Nystatin was 30 million LEI.

Value of the goods manufactured for the international territories (Nystatin and finished medicinal products) represents 27 % of the total production value made in the first 9 months of 2019.



Production made in the first 9 months of 2019

Parenterals; Capsules; Tablets; Ointments, creams, gels; Suppositories and pessaries, Nystatin

The main objectives achieved during January - September 2019:

- Cost management of raw materials, by optimizing the manufacturing formulas and identifying new sources for excipients used in the technology of the finished products. This maintained the manufacturing yields at an optimum level of 97.86% for all the manufacturing processes;
- Monitoring the utility consumption, by a careful management in all the manufacturing plants led to its compliance with the planned consumption, achieving earnings of 9%;
- the production in all the manufacturing sites was by 2% more efficient compared to the value planned for the first nine months by a proper management of production costs;
- Starting with February, the manufacturing processes were aligned with the serialization process of the prescription products in accordance with the EU Directive 62/2011, a mandatory condition for the marketing of medicinal products;
- Our company continued its efforts of implementing the environmental protection program regarding the emissions of volatile organic substances in the extraction phase of Nystatin and reducing the specific solvent consumption in the technological process.

2 new products were launched in the reporting period:

- Nolet® 5 mg tablets - cardiovascular medicinal product for human use;
- Lejer® - food supplement for the digestive tract.

Antibiotice's medium- and long-term development through investments in new facilities - the guarantee for a bright future

	Investment objectives (thousand LEI)	Planned 2019	Achieved 30.09.2019
	INVESTMENT EXPENSES, of which:	92,284,030	48,074,365
1	R & D investments	8,142,933	3,476,259
2	Investments in new manufacturing sites	49,269,826	29,451,903
3	Investments for modernizing the existent manufacturing sites	7,159,176	5,930,613
4	Quality control investments	3,700,576	752,187
5	Environmental protection investments	132,600	81,440
6	Occupational safety and health investments	140,033	132,476
7	Rehabilitation of the Industrial Site	21,843,080	8,103,982
8	Investments for modernizing the indoor and outdoor environment (to support the friendly employer brand)	1,895,806	145,505

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

The value obtained on 30.09.2019, recorded in accounting, is 48,074,365 LEI.

The investment objectives included in the program:

- a new, performing manufacturing plant equipped with modern production facilities for the manufacture of ointments and suppositories, able to be GMP and FDA authorized;
- modernizing and refurbishing the existing production flows to increase production capacities, product quality and reduce production costs;
- modernization of the facilities that provide utilities for the entire site;
- reducing the pollution and protecting the environment:
- demolition of unused buildings with advanced wear and tear for the liberation of the land, in order to build new manufacturing capacities.

The 2019 Investment Program is structured as follows:

I. Research & Development Investments

The investment program includes equipment and software to support and improve our research activities, in order to obtain new qualitative, valuable, competitive products in the market.

II. Investments in new manufacturing sites

Building a new Ointment & Suppository Plant

During 2019, the works for the clean rooms and the related installation were correlated with the assembly of technological equipment and installations. This investment will be completed in 2020.

III. Investments for modernizing the existent manufacturing sites

These represent investments for purchasing equipment, installations, various laboratory equipment in order to refurbish the manufacturing flows. 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.

IV. Quality Control Investments

Considering the continuous review of the pharmacopoeia monographs and the increased precision of the analysis methods in laboratories of the pharmaceutical industry, purchasing the latest generation equipment to verify the quality of the products manufactured by Antibiotice became imperative.

V. Environment Protection Investments

The main purpose of these investments is to comply with the legal environmental protection requirements.

VI. Occupational Safety and Health Investments

These investments are imposed by the legal requirements regarding the Occupational Safety and Health and by our commitment to continuously improve the working conditions.

VII. Rehabilitation of the industrial site

VII.A. The lands released after the demolitions are reintegrated in the industrial circuit

This objective is divided into two stages. The first stage was started in 2018 by elaborating the documentation provided by the law for authorizing the demolition and then the demolition of 16 unused buildings. The demolition process is in progress and will be completed by the end of 2019.

VII.B. Rehabilitation of the existent buildings

It consists in the modernization of both the manufacturing buildings, as well as the auxiliary buildings through: rehabilitation of the facades, extensions of buildings, modernization of the installations.

VII.C. "Transport and storage infrastructure

Includes investment objectives for: modernization of storage spaces, modernization of the car park and acquisition of specific equipment for storage activities (lifting and transporting equipment).

VII.D. Maintenance, production and utility distribution infrastructure

These investments are mainly focused on modernizing and refurbishing the utility systems, equipment and installations (steam, compressed air, thermoformed water, demineralized water, methane gas, electricity, drinking water, sewage, etc.), on the entire industrial site in order to size and adapt the utility routes to the current consumption of the manufacturing flows, so as to achieve energy savings by reducing consumption and eliminating losses.

VII.E. IT infrastructure (network + system)

These investments are mainly oriented towards:

- modernizing the access of both individuals and vehicles in our company;
- modernizing the computing system;
- modernizing the data networks

VIII. Investments for modernizing the indoor and outdoor environment

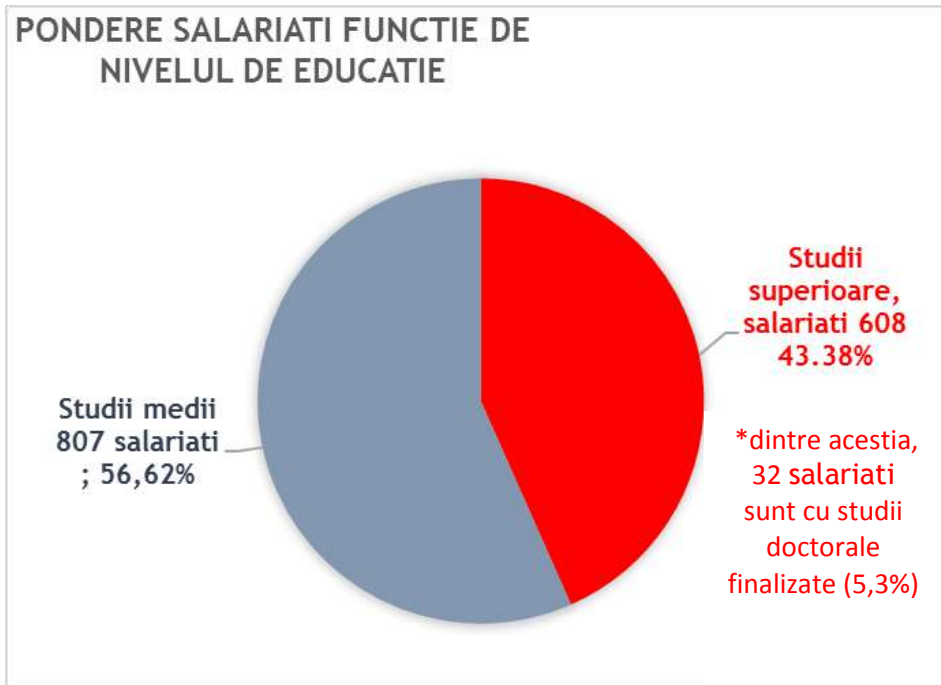
This investment chapter includes the following main objectives:

- rehabilitation of the Penicilina sports hall infrastructure;
- organization of the area between the two gates of access in our company (Gate no. 1 and Gate no. 2) and the space between the enclosure fence and the DN28 road (Iasi - Pascani) as a recreation and leisure park called "Friendship Park".

Human resources policy

The human resources policy promotes diversity and equal opportunities in the process of recruitment, selection and integration of employees. Employees benefit from all the legal rights, our company offering fair and equitable conditions of work and professional development.

On 30.09.2019 the average staff number was 1,415. The following pie chart shows the education and professional training breakdown:



SHARE OF EMPLOYEES BY LEVEL OF EDUCATION

- secondary education - 807 employees (56.62%)
- higher education - 608 employees (43.38%) - 32 employees completed their doctoral studies (5.3%)

The Human Resource Management Unit pursued the achievement of the specific objectives in the first 9 months of 2019:

1. Identification of the required staff for each department, to achieve the objectives

In the period January - September 2019, our company hired 87 people of which 57 for replacing the employees who left the company and 30 for completing the staff in the units/departments whose activity was reorganized.

In order to make the recruitment and training system for future specialists more efficient, the following projects were carried out:

- **„Perform a+“**, the 4th edition for practical training and staff selection through partnership with the University of Medicine and Pharmacy Iasi. 42 students were involved in all the editions of this project, and 12 of them were employed by Antibiotice.
- **Sumer school a+**, the tenth edition - these courses acquaint the candidates with the working environment, concepts and regulations in the pharmaceutical industry for identifying and training specialists in the fields of pharmacy,

biology, chemistry, chemical engineering in order to fill the vacancies in Research - Development, Quality Assurance, Quality Control, Production. About 400 students participated in the ten editions and **46 of them were employed by our company.**

- Partnerships with the pre-university educational institutions - Petru Poni Technological High School Iasi and Technological High School of Mechatronics and Automation - for internships in our company and for analyzing the possibilities of organizing the dual education.

2. Professional competency training programs

In 2019, the training plan with external trainers had as objectives both the continuous professional development and the acquisition of new managerial knowledge and skills for our employees.

Training for developing our employees' professional skills

300 Antibiotice employees attended courses totaling 8,300 hours of training for improving their specific professional skills.

Management

73 participants from Engineering and Service, Development Research, Economics, Human Resources, Commercial and Logistics, Marketing and Sales for Internal and International Market, Medical Unit attended the course "Time Management" for the staff with management and / or coordination positions.

Training for obtaining professional certificates

Our staff (approximately 150 employees) with responsibilities regarding the technical equipment and installations falling under ISCIR, ANRE, INSEMEX regulations, are monthly trained and certified.

3. Strategies and measures to increase employee motivation

Substantiating the decisions of correlating the wages with the job complexity.

After conducting the project on hierarchizing the positions based on their complexity, our company established a program for fairly aligning the salary levels. This program has been launched starting with 2019. During this year, actions were taken to refine this hierarchical system, to define the rare, sensitive and strategic positions in the company, personnel categories and motivational packages correlated with the established personnel categories. In line with these actions, an improvement of the performance evaluation tools will be achieved by the end of the year, so that they will gain added value, have a significant role in building the employees' professional development plans. Our human resource specialists will also make an objective, transparent and correct correlation with fixed and variable remuneration.

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

The commission for monitoring and evaluating the managerial performances analyzed the degree of achieving the objectives and performance indicators for 2018; based on the report for evaluating the management plans of the specialized directors and on the report for evaluating the objectives for the staff involved in the MBO system, the criteria and motivational measures provided in the additional acts to the employment contracts were applied.

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

In 2019, our company developed measures to optimize the organizational climate following the study started in 2018. The implementation of the plan has so far focused on developing new communication channels, organizing internal events and implementing measures plans to improve the conditions in the common social areas.

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

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

Age range	20-30	30-40	40-50	50-55	> 55	Total (%)
Women (%)	4,55	11,99	19,94	12,43	6,58	55,49
Men (%)	3,18	8,89	16,76	8,24	7,44	44,51
Total (%)	7.73	20,88	36,71	20,66	14,02	100

Our company ensures a fair and non-discriminatory treatment at the workplace. 11 of our employees are persons with disabilities who benefit from facilities according to the applicable legal provisions.

Integrated quality management

Certified quality

An increased confidence in the quality, efficiency and safety of the company's products is achieved by keeping under control and improving the Integrated Management System, attested by the results obtained following the inspections / audits conducted in the period January - September 2019.

Inspections conducted by authorities:

- On 29-31.01.2019 the **STATE INSTITUTE OF DRUGS AND GOOD PRACTICES**, a regulatory agency in Russia within the Ministry of Industry and Trade of the Russian Federation), conducted an inspection for certifying the manufacturing flow of suppositories to support the reauthorization of these medicinal products in Russia. Our company received the Inspection Report and the CAPA plan was submitted to the Russian authority. Subsequently, at the request of the Russian authority, our company submitted additions to the CAPA plan.
As a result, the above-mentioned medicinal products were authorized, Antibiotice SA maintaining the right to sell its products in the Russian market.
- On 01-03.04.2019, the National Sanitary Veterinary and Food Safety Agency conducted an inspection for evaluating the compliance of Quality Management of Antibiotice SA and of their manufacturing flows of veterinary medicines (parenteral products and ointments) with the Good Manufacturing Practice requirements. The GMP certificate was granted for the above-mentioned manufacturing flows.

Audits conducted by certification bodies

In the period January-September 2019 no audits were carried out by the certification bodies.

Audits conducted by our clients

- On 05.02.2019, the company Amneal, India audited the manufacturing and control flow of Nystatin - active substance, for requalifying Antibiotice as an API supplier. The audit was completed without critical non-conformities, and the re-qualification of Antibiotice SA as an API supplier was recommended.
- On 26-27.03.2019, the company Sagent, USA, audited the manufacturing and control flow of parenterals, for requalifying Antibiotice as a supplier of finished products. The audit was completed without critical non-conformities, and the re-qualification of Antibiotice SA as a supplier of parenteral products was recommended.

Audits conducted by our specialists to the raw materials / primary packaging materials / finished products suppliers

According to the 2019 audit plan, our representatives audited a manufacturer of active substances, for his re-qualification as a supplier of non-sterile active substances.

Overall result statement

On 30.09.2019, the sales revenues amounted to 242.41 million lei, at the level of the value recorded on 30.09.2018.

Overall result statement (LEI)	30.09.2018	30.09.2019	30.09.2019/ 30.09.2018
1	2	3	4=3/2
Sales revenues	241,251,421	242,409,623	1,00
Other operating revenues	24,491,926	31,210,309	1,27
Income related to the costs of product stocks	4,449,274	22,948,136	5,16
Income from the activity performed by the entity and capitalized	2,381,088	3,464,736	1,46
Expenditure on raw materials and consumables	94,208,926	105,565,481	1,12
Staff expenditure	64,763,769	70,937,450	1,10
Depreciation and amortization expenditure	14,863,487	15,809,493	1,06
Other operating expenditure	73,955,331	80,136,736	1,08
Profit from exploitation	24,782,196	27,583,645	1,11
Financing charges	-2,907,952	-3,437,240	1,18
Profit before tax	21,874,244	24,146,404	1,10
Expense on current and deferred profit	700,700	2,585,244	3,69
Profit	21,173,544	21,561,160	1,02

The situation of the recorded expenses presents itself as follows:

- **The expenditure on raw materials and consumables** are worth 105.57 million lei, 12% higher than the value recorded during the similar period of 2018, as a result of the increase of the commodity production value as well as of the increase of prices for some raw materials. The value of the merchandise production on 30.09.2019 is 280.55 million lei, higher by 8% compared to the value of the merchandise production registered on 30.09.2018, of 258.65 million lei.
- **The staff expenditure** is worth 70.94 million lei, 10% higher compared to the value registered during the same period of 2018. The value increase of these expenses is determined by the implementation of a unitary and modern system of remuneration, having as objective the alignment of the benefits package to the performance level of each employee.
- **The expenditure with the amortization and depreciation** amount to 15.81 million lei, 6% higher compared to the value recorded in the same period of the previous year. The increase in the value of these expenses is due to:
 - the increasing of the value of buildings by re-evaluation, carried out at the end of 2018, according to legal requirements;

- the commissioning of the equipment purchased to comply with the legislative requirements regarding the serialization of pharmaceutical products marketed on the European market and other regulated markets, which entered into force on 09.02.2019.

➤ **The other operating expenditure** are worth 80.14 million lei, 8% higher compared to the value recorded in the same period of 2018. In their structure, the expense related to the claw-back tax registered on 30.09.2019 is 29.87 million lei and its value is estimated, since according to the legal requirements (GO no. 77/2011 regarding the establishment of contributions for the financing of some expenses in the health field, art. 7¹), the elements for its calculation are communicated by the National House of Health Insurance "within the first 5 working days of the second month following the end of the quarter for which the contribution is due".

Compared to 30.09.2018, the value of the **claw-back tax** is **higher** by 4.36 million lei, 17% respectively.

Also, the expenditures on energy and water increased from 6.4 million lei to 7.8 million lei, as a result of the increase in the average price for utilities (the average price of electricity increased by 7.7% and the average price for methane gas increased by 43%).

➤ As a result of the registered revenues and the expenses incurred, on September 30, 2019 the **gross profit** is worth 24.15 million lei increasing by 10% compared to the value recorded in the same period of 2018.

➤ **The net profit** is worth **21.56** million lei, 2% higher compared to the value recorded in the similar period of 2018.

Financial position statement

INDICATORS	01.01.2019	30.09.2019	30.09.2019/ 01.01.2019
1	2	3	4=3/2
ASSETS			
FIXED ASSETS			
Tangible assets	310,640,665	341,528,406	1.10
Intangible assets	15,028,716	16,176,054	1.08
TOTAL FIXED ASSETS	325,669,381	357,704,460	1.10

CURRENT ASSETS			
Stocks	64,964,662	99,569,442	1.53
Trade and similar receivables	313,094,458	284,484,616	0.91
Cash and cash equivalents	2,376,682	4,415,589	1.85
TOTAL CURRENT ASSETS	380,435,802	388,469,647	1.02
TOTAL ASSETS	706,105,183	746,174,107	1.06
LIABILITIES			
CURRENT LIABILITIES			
Trade and similar liabilities	67,171,084	73,118,22	1.09
Amounts owed to credit institutions	100,729,229	102,116,929	1.01
Liabilities from taxes and current taxes	10,421,393	9,141,315	0.88
Subsidies for investments	637,008	0	0.00
TOTAL CURRENT LIABILITIES	178,958,714	184,376,465	1.03
LONG-TERM LIABILITIES			
Subsidies for investments	2,489,791	3,155,741	1.27
Deferred tax	25,266,930	25,478,847	1.01
Amounts owed to credit institutions	26,662,433	45,582,257	1.71
TOTAL LONG-TERM LIABILITIES	54,419,154	74,216,845	1.36
TOTAL LIABILITIES	233,377,868	258,593,310	1.11
Share capital and reserves			
Share capital	264,835,156	264,835,156	1.00
Revaluation reserves	53,459,597	51,457,132	0.96
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	-57,085,497	0.95
Distribution of profit	-23,537,290	0	0.00
Current result	34,303,788	21,561,160	0.63
TOTAL EQUITY	472,727,315	487,580,797	1.03
TOTAL EQUITY AND LIABILITIES	706,105,183	746,174,107	1.06

On 30.09.2019, the company's assets amount to 746.17 million lei, up by 6% compared to the value registered on 01.01.2019.

In their structure, the situation is as follows:

- **the tangible fixed assets** are higher by 10% as a result of investments made in production equipment and equipment for complying with the serialization requirements of medicinal products for human use.
- **the stocks** are higher by 53%, as a result of the increase of the purchases of raw materials and consumables necessary for the additional production of ointments and suppositories and implicitly the increase of the production in progress at the level of the Ointment and Suppository plant. The additional production of topical products is necessary to cover the needs of the market during the year 2020, when the plant will not work.
- **the commercial and similar receivables** are lower by approximately 9%, due to the collection of receivables at the due date.

Similarly, to the value of the company's assets, on 30.09.2019, the value of equity and liabilities is 746.17 million lei, 6% higher compared to the value registered on 01.01.2019.

In their structure, the situation of the indicators is as follows:

- **the commercial and similar liabilities** are higher by about 9%, as a result of the increase of purchases of raw materials and consumables, necessary for the achievement of a buffer stock of topical products, to cover the market requirements during the transition period from the old manufacturing flow to the new manufacturing flow. The payments towards the state budget and the local budgets were made in due dates.
- **the short-term bank loans** are at about the same level, however, the value of long-term bank credit has increased significantly, as a result of the investment process intensification in the new ointment and suppository plant and the implementation of serialization.
- **the subsidies for investments** are worth 3.16 million lei, higher by 27%, an increase determined by the amounts collected related to the project "Modernization of Energy Consumption for Industrial Consumers", co-financed from European funds, having as objective the reduction of the specific consumption energy.

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

Indicator name	Calculation formula	30.09.2018	30.09.2019
Current ratio	Current assets / Current liabilities	2.13	2.11
Degree of indebtedness	Borrowed capital / Equity x 100	31.25%	30.29%
Days' sales outstanding ratio	Average client balance/ Sales revenue x Time	313 days	321 days
Fixed assets turnover speed	Sales revenue / Fixed assets	0.95	0.68

The values of the economic and financial indicators of 30.09.2019 show a balanced financial situation, the value of the current liquidity indicator was above the acceptable recommended value of approximately 2. The degree of indebtedness decreased by 3% as a result of the fast increase of equity at a higher rate compared to the growth of the borrowed capital.

Cash flow

The level of cash and cash equivalents on 01.01.2019 is -98.35 million lei, which represent credit lines amounting to 100.73 million lei of which 2.38 million lei remained unused in bank accounts from the same credit lines. During the period 01.01.2019-30.09.2019, the cash receipts from the operating activity amount to 282.93 million lei. The payments from the operating activity are worth 249.2 million lei; by types of payments the situation presents itself as follows: the payments to the suppliers of goods and services are worth 143.86 million lei, the payments to and on behalf of the employees, in relation to the staff are worth 67.06 million lei, the payments representing taxes, fees and bank interest are worth 38.28 million lei. Also, during the analyzed period, the payments made for the investment activity amount to 44.86 million lei.

On 30.09.2019, the level of cash and cash equivalents is -97,70 million lei which represent credit lines worth 102.12 million lei, of which 4.42 million lei remained unused in bank accounts from the same credit lines.

The financial statements of ANTIBIOTICE S.A. on 30.09.2019 were not subject to financial audit.

Conclusions

Antibiotice, on 30.09.2019:

- **Operating profit** recorded a value of 27.58 million lei, higher by 11% compared to the value recorded on 30.09.2018.
- **Gross profit** recorded a value of 24.15 million lei, higher by 10% compared to the value recorded on 30.09.2018;
- **An extensive investment process** - on 30.09.2019 the value of the tangible fixed assets was 10% higher compared to the value recorded on 01.01.2019.
- In the period January-September 2019, our sales in Vietnam, Republic of Moldova, Ukraine and Serbia, markets where Antibiotice opened its own representative offices recorded a 32% increase compared to the same period 2018 and a 15% increase compared to the planned level for the reporting period;
- In the first nine months of the current year, Antibiotice maintained the leading position in the segment of generic and OTC medicines sold in hospitals, with a 15.55% market share.

Vice-president of the Management Board
General Director,

Ioan NANI

Financial Director,

Paula Luminita COMAN