SUBSTANTIATION REPORT
of the 2019 INCOME & EXPENDITURE BUDGET

Antibiotice SA Iaşi is a trading company listed on the Bucharest Stock Exchange with a share capital of 67,133,804 LEI whose the main shareholders are (at the reference date 31.12.2018):

No.	NAME	TOTAL SHARES	%
1	MINISTRY OF HEALTH (*)	355,925,135	53.0173
2	S.I.F. OLTENIA (*)	103,326,461	15.3911
3	BROADHURST INVESTMENTS LIMITED	28,180,963	4.1977
4	S.I.F. TRANSILVANIA	21,907,119	3.2632
5	PRIVATE ADMINISTRATED PENSION FUND AZT VIITORUL TAU/ALLIIANZ PP	14,575,530	2.1711
6	S.I.F. BANAT-CRISANA S.A.	14,167,736	2.1104
7	PRIVATE ADMINISTRATED PENSION FUND METROPOLITAN LIFE	10,147,713	1.5116
8	A - INVEST	5,028,808	0.7491
9	PRIVATE ADMINISTRATED PENSION FUND ARIPI/GENERALI S.A.F.P.P.	4,553,068	0.6782
10	FDI BT MAXIM ADM. BT ASSET MANAGEMENT SAI S.A.	2,650,000	0.3947
	Total	560,462,533	83.4844
	Other shareholders (41,883 shareholders)	110,875,507	16.5156
	Overall total (41,893 shareholders)	**671,338,040**	**100.00**

In substantiating the 2019 budget the following considerations have been taken into account:

- Maintaining the market share in Romania and the leading position in the hospital segment in terms of value;
- Developing our international segment up to 35% of total sales;
- Obtaining marketing autorizations for the products with an impact on sales growth in the coming period (2019-2021);
- Sustaining, from an investing viewpoint, the manufacturing flows, Quality Control laboratories, Center for Clinical Studies in order to maintain the GMP authorizations in Romania and USA (Food and Drug Administration) as well as those in the countries where Antibiotice registered its products for export;
- Introducing the obligation, starting with 2019, that all pharmaceutical products marketed both in the domestic and foreign markets (USA, EU) should be serialized in accordance with the requirements of the European Directive 2011/62 / EU and the Drug Quality and Security Act USA, on combating the counterfeit medicines.

Starting from these considerations, sales plans were substantiated based on therapeutic classes and products in the pharmaceutical market in Romania and on geographic areas and client for the foreign market.

Based on these sales program, our company elaborated:

- production program;
- procurement program of raw materials and materials from import and domestic sources;
- utility production program;
- equipment maintenance program;
- the workforce needs and their professional training to achieve the objectives.

The average exchange rate taken into account in substantiating the Income & Expenditure Budget is 4.66 LEI / EUR.

The Income & Expenditure Budget for 2019 was approved by the Management Board of Antibiotice SA.

Presentation of financial indicators (from the Annex 2 of IEB 2019)

- The production sold (row 3) represents the value of production made on the 8 GMP authorized manufacturing flows, production to be sold in the domestic market (184,507 thousand LEI) and international market (140,128 thousand LEI).
- The revenues from the sales of goods (row 8) represents the income from the sales of Antibiotice products manufactured on other manufacturing sites (the injectable cephalosporins have a significant share) having a value of 78,860 thousand LEI.
- Income from the production of fixed assets (row 12) represents the value of product licenses obtained through own research and development, including bioequivalence studies, in value of 1,848 thousand LEI.
- Other operating revenues (row 14) represents revenue from the sale of waste as a result of the dismantling the fully depreciated and decommissioned equipment in value of de 1,242 thousand LEI.
- Financial income (row 22), amounting to 8,182 thousand LEI, represents the income earned by the company mainly from exchange rate differences related to foreign currency liabilities and receivables.
- Total expenses (row 29) amount to 370,430 thousand LEI.
- Operating expenses (row 30) amount to 356,786 thousand LEI.
- Expenditures on raw materials (row 33), consumables (row 34) and expenditure on materials of the nature of inventory items (row 37) represents the expenses necessary for the production manufactured on the company's manufacturing flows. A value of 83,643 thousand LEI is provided for raw materials and excipients in 2019.
- Expenditure on electricity, gas and water (row 38) represents the value of the consumption of electricity, methane and water used in the production process, both directly and for other utilities (technological steam, sterile compressed air, purified water for injections) necessary for the manufacture of medicines. These expenses amount to 10,281 thousand LEI, being influenced by higher utility tariffs.
- Cost of goods (row 39) amounts to 52,429 thousand LEI in 2019. This indicator represents the expenditure with the Antibiotice products manufactured on other manufacturing sites outside the country (Cefort, Cefotaxim, Colistina), the sales being estimated at a value of 78,860 thousand LEI.
- Maintenance and repair costs (row 41) planned for 2019 are in value of 2,184 thousand LEI, expenses necessary to ensure the optimal operation of all the equipment and means of transport of the company.

- Expenditure on insurance premiums (row 45) amounting to 1,486 thousand LEI represents the expenses with insurances for mortgage bank loans, pledged stocks for the same loans as well as the expenses for insurance of goods during the international transport and insurance of trucks and cars.

- Protocol expenses (row 51) for the organization of symposiums, conferences, product presentations to doctors and pharmacists - opinion makers. These expenses amount to 635 thousand LEI in 2019, falling within the deductibility limit provided by art. 25 par. 3) of the Law no. 227/2015, respectively 2% of the accounting profit plus the protocol expenses (35,510 thousand LEI x 2% = 710 thousand LEI).

- Advertising and publicity costs in value 8,629 thousand LEI (row 53) represents the expenses necessary to promote both new and existing products in the portfolio.

- Expenses with sponsorship in value of 1,073 thousand LEI (row 57) include sponsorships in the healthcare field (429 thousand LEI), for sports clubs (429 thousand LEI), for other actions and activities (215 thousand LEI).

- Expenses with transportation of goods and people (row 62) amounting to 2,848 thousand LEI include the cost of goods sold ex-works in the internal and international markets as well as the cost of some raw materials.

- Expenditure with daily allowance 132 thousand LEI (row 64) will grow in 2019 compared to 2018, motivated by the necessity to make several trips in the country, for promoting our products as well as in the international market for auditing the suppliers of raw materials in India and China, according to European Pharmacopoeia regulations (Good Manufactured Practice). Failing to certify these suppliers leads to the withdrawal of the Marketing Authorizations for certain medicines and consequently we will not longer be able to manufacture these medicines, this resulting in a decrease in sales.

- Expenses with banking and assimilated services (row 68) amounting to 1,433 thousand LEI represents the commissions for bank account operations as well as commissions related to the renewal of credit lines.

- Expenditure on professional training (row 72) have been set in 2019 at a value de 642 thousand LEI due to the need to maintain a high level of professional training mandatory for maintaining the integrated quality management certification.

In the context of fulfilling the obligation included in the art. 194 of Law 53/2003, the Labor Code, republished in 2011, the employer ensures and bears the expenses for participation of the employees in professional training programs at least once every 2 years. Due to the specificity and particularities imposed by the main object of activity (NACE code 2110: Manufacture of basic pharmaceutical products) most of the training consists of continuous professional training, which can only be ensured by external suppliers approved by the control, authorization and certification bodies in the pharmaceutical field, the cost of these trainings having an upward trend, which leads to the need of budgeting the expenditures higher than those made in the previous year.

- Other expenses (row 78), in value of 17,559 thousand LEI represents the distribution expenses related to the contracts concluded with the distributors of the company (through distribution services and other auxiliary services - it is understood that distributors carry out drug distribution services in hospitals, participate in tenders with our company's products, provide logistics necessary for distribution operations, carry out commercial campaigns to support a product type or a group of products, transmit the Antibiotice offers to pharmacies), services provided for the registration of medicines at NAMMD Romania and in external markets, services regarding the analysis of the internal and external market, services performed for the good functioning of the production process, services representing the medical manifestations at the national level, the supply of services for the good performance of import and export activity, services for the smooth

running of the Center for Clinical Studies, services for evaluations, authorizations and certifications necessary for the good functioning of the activity during one year, expenses for the purchase of books, magazines, publications as well as the costs invoiced by utility suppliers for green certificates.

- Expenses with taxes and fees in amount of 39,863 thousand LEI (row 79) represents the expenditures with local taxes and fees, as well as the expenses with the quarterly contribution for the medicines supported by the Unique National Health Insurance Fund (FNUASS) and by the budget of the Ministry of Health. This expenditure leads to a decrease in the company's profitability and also a decrease in the self-financing capacity of the investment program for developing and increasing the production capacity, simultaneously with the sales capacity.

- The wages costs amount to 90,166 thousand LEI (row 87) and represents the salary expenses for the personnel with individual labor contract, which include the salary, rewards and other bonuses determined in accordance with to the Collective Labor Agreement, the bonuses granted according to the legal provisions representing social expenses, meal tickets and participation of the employees to the 2018 profit.

The increase in the salary expenditures in 2019 compared to the level planned in the last budget of income and expenditures approved for the year 2018 was made taking into account the reunion of the salary expenses.

In determining the gross average earnings per employee determined on the basis of the wage costs, the amounts representing increases in wage costs related to their reunion were not taken into account for the whole year 2019 (3,774 thousand LEI).

The average number of employees is 1,415, with the average monthly earnings per employee determined on the basis of wage costs at the level of 4,869 lei/employee/month meaning 5,088 LEI/employee/month representing the average monthly earnings per employee based on recalculated salary costs.

- Expenditures on the participation of employees in the profit obtained in the previous year (row 98) in the amount of 2,836 thousand LEI represents the amount registered in the expense account for the participation of employees in profit which is the gross amount (the amount received by the employee and the income tax and individual contributions related to this amount). The "expenses with the contributions due by the employer" (row 113) include the contributions of our company related to the participation of the employees in the profit up to the amount of the 2.900 thousand LEI.

The basis of the fixed and variable remuneration for the Management Board members according to the Decision no. 7 of the Ordinary General Meeting of Shareholders of April 26, 2018.

a) Legal basis

Article 37 paragraph (2) of Government Emergency Ordinance no. 109/2011: "The remuneration of non-executive members of the Management Board or of the Supervisory Board consists of a monthly fixed indemnity and a variable component. The fixed indemnity cannot exceed twice the average for the last 12 months of the average gross monthly earnings per class according to the classification of activities in the national economy, communicated by the National Institute of Statistics prior to the appointment. The variable component is established upon the basis of financial and non-financial performance indicators negotiated and approved by the General Meeting of Shareholders. [...] The amount of the variable component of the non-executive members cannot exceed maximum 12 monthly indemnities."

Article 37 paragraph (3) of GEO no. 109/2011: "The remuneration of executive members of the Management Board or of the Supervisory Board consists of a monthly fixed indemnity that cannot exceed 6 times the average for the last 12 months of the average gross monthly earnings for the activity carried out according to the main object activity registered by the company according to the classification of activities in the national economy, communicated by the National Institute of Statistics prior to the appointment, and from a variable component.
The variable component shall be based upon the financial and non-financial performance indicators, negotiated and approved by the General Meeting of Shareholders, different from those approved for the non-executive administrators, determined in accordance with the methodology provided in art.31 paragraph (5).

Para. (4) The variable component for the members of the Management Board or Supervisory Board shall be reviewed annually, depending on the level of achievement of the objectives included in the management plan and on the degree of fulfillment of the financial and non-financial performance indicators approved by the General Meeting of Shareholders, the annex to the mandate contract. "

Article 38 paragraph 1 of GEO no.109/2011: *"The remuneration of the directors is established by the Management Board and cannot exceed the level of the remuneration established for the executive members of the Management Board. It is the only form of remuneration for the directors who also fulfill the quality of administrators."*

Article 38 paragraph 2 of GEO no. 109/2011: *"The remuneration consists of a monthly fixed indemnity established within the limits provided by Article 3 paragraph (3) and a variable component consisting of a share in the net profit of the company, the granting of shares, the stock -options or an equivalent scheme, a pension scheme or other form of remuneration based upon performance indicators."*

b. Payment of the remuneration

The variable indemnity will be granted annually, depending upon the percentage of achieving the objectives, performance criteria and upon the involvement of each Management Board member in the working groups set up in the company.

- Depreciation of tangible and intangible assets (row 121) represents mainly expenditures with the depreciation of the existing fixed assets as well as those included in the investment plan, being estimated at the amount of 27,528 thousand LEI.
- Financial expenses (row 131) mainly include interest expense for the bank credits, to which expenses from exchange rate differences related to commercial transactions are added.
- Gross result (row 140) is 34,875 thousand LEI.

As regards the measures to be taken to achieve the budgeted indicators for 2019, measures for recovering the receivables have been stepped up through a stronger communication with our distributors in order to increase the volume of receipts.

Our company also applies an activity management system on the basis of spending budgets (cost centers) in order to limit the costs to the minimum needed in ord to avoid higher spending and thus an additional need to finance the current activity.

At certain times of the year, when the recovery of receivables will be more difficult, the outstanding payments indicator will be zero by using the contracted and unused credit lines.

Substantiation of the investment plan 2019-2021 is presented as follows:

ANTIBIOTICE S.A. makes valuable medicines accessible to patients and health professionals.

We have a permanent concern for modernizing our activity and products.

A valuable medicine is not necessarily an expensive one but one that people can afford to buy and gives us a reasonable profit, allowing us to sustain production and performance by investing continuously in people, technology and successful partnerships for strengthening the position in the markets in which our company is present and for penetrating new potential markets.

In order to achieve this goal, there is a constant need for well-planned investments that contribute effectively to the balanced development of all the company's structures: production, research, quality control, utilities, logistics.

Through the investment objectives included in the program, we aim at:

- creating a new performing ointment & suppository plant, equipped with modern production installations, which can be GMP and FDA certified.
- modernizing our product portfolio with last generation, therapeutically effective and safe in administration generic medicines in order to increase our turnover;
- modernizing and revamping the existent manufacturing flows for increasing the production capacities, quality of products and for reducing the production costs;
- upgrading installations that provide utilities for the entire site;
- reaching the goals included in our strategy on reducing pollution and protecting the environment;
- consolidating the integrated management system, creating new production facilities in order to reduce the costs, utility consumptions and increase the labour productivity, continuous compliance with the Good Manufacturing Practice (GMP) norms and with the labor protection and environmental protection regulations.
- increasing the storage capacity for raw materials corresponding to the increase in production capacity.

I. Investments in Research & Development

1. Laboratory equipment and techniques

Research is one of the most dynamic activities in our company, which records permanent changes and an ascending evolution. Throughout our company, research acts as a dynamic element of the whole system, generating new products that drive growth in production. Having as a specific feature, a high consumption of intelligence and creativity, the research contributes to the development of the product portfolio.

The investments in this sector aim at ensuring the compliance of the work / storage areas with the GMP regulations, whcih must be auditable. By equipping the laboratories with state-of-the-art laboratory equipment we aim at increasing the quality of analyses and determinations, with a direct impact on creating new, high-performing products to support the portfolio.

Given the importance of the information generated in the Center for Clinical Studies, the investment program includes a range of equipment and software to support and improve research activities, in order to obtain new, quality, valuable products competitive in the market.

2. Obtaining licenses for new products and research projects

The new product development program has the following objectives:

- to modernize the company's product portfolio in order to ensure the internal market with last generation, therapeutically effective and safe generic medicines;
- to provide pharmaceutical products competitive in the foreign market for ensuring, in the long term, the growth of the Antibiotice's turnover and competitiveness;
- to help reducing the expenses incurred by the National Health Insurance House for the purchase of imported medicines which are expensive or cannot be provided permanently.

II. Investments in new production facilities

1. Achieving a production capacity for ointments and suppositories

The aim of this project is to create a new production facility for manufacturing semisolid pharmaceutical products filled in tubes, suppositories and pessaries for increasing our company's turnover and capacity of registering, producing and trading quality Romanian medicines by investing in a new plant which can be GMP authorized in all the regulated pharmaceutical markets (Europe, USA and Canada) .

Objectives of the investment:

- to build and properly equip a new Ointment & Suppository Plant which can be EU-GMP authorized;
- to obtain the GMP certification of this new Ointment & Suppository Plant issued by the National Agency for Medicines and Medical Devices (NAMMD), our national regulatory authority;
- to provide the proper conditions for manufacturing medicines in compliance with the legislative and pharmacopoeial requirements, for registering and trading them in all the regulated markets, especially in Europe, USA and Canada.

Investment substantiation

A new modern production plant for manufacturing semisolid medicines filled in tubes (ointments, creams, gels) and suppositories represents for Antibiotice SA the guarantee for a long-term business development.

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

This strategy is based on developing the portfolio for the domestic market but also on diversifying and penetrating new important markets in Europe, North America, Asia and Africa.

In order to ensure the main characteristics of medicines (quality, efficiency, safety), they must be manufactured in facilities with high-performing GMP-compliant equipment and critical utilities.

The procedure for contracting the works for clean rooms and related installations is currently in progress. In 2018, the delivery of contracted manufacturing equipment started. This important investment objective is scheduled to be put into operation in 2020.

2. Manufacturing facility for sterile injectable solutions

With a tradition of over 40 years in the manufacture of sterile medicines, Antibiotice is the leader in the domestic market, being also a recognized company in the foreign markets for quality of penicillins filled in vials as sterile injectable powders. With expertise and experience in this field, for the sustainable development of the company, we are considering creating a new site for sterile injectable medicines.

Of the possible projects on the production of sterile products (solutions for perfusion, pre-filled syringes, lyophilized powder vials, ampoule-conditioned solutions, etc.), we defined as being of interest a new manufacturing site for sterile injectables containing generics with small molecules conditioned as pre-filled syringes (solutions / suspensions), lyophilized powders in vials and, respectively, solutions in vials / ampoules.

The feasibility study for this investment will be elaborated in the period 2019-2020. If the feasibility study shows that this investment is cost-effective, an authorized company chosen by Antibiotice will start designing in 2020.

3. A new Research Pilot

In order to ensure our company's medium and long-term development, we have to invest in a GMP-licensed modern research pilot to allow the research and licensing of products on pilot batches as well as a small-scale production based on a low-volume portfolio with high added value. We identified as fields of interest for us the sterile injectables and topicals.

The feasibility study for this investment will be elaborated in the period 2019-2020. If the feasibility study shows that this investment is cost-effective, an authorized company chosen by Antibiotice will start designing in 2020.

III. Investments in upgrading the existing manufacturing sites

1. Upgrading and diversifying the range of the active substance Nystatin

Upgrading the plant for manufacturing the active substance, Nystatin represents the guarantee of long-term business development for Antibiotice S.A.

Antibiotice S.A. created and upgraded its facilities for developing the active substance production as follows:

- Antibiotice S.A. has its own team that provides research to improve the quality of the active substance, Nystatin;
- our company has complete utility systems necessary for manufacturing plants and it exploits, in addition to the modern wastewater treatment plant, an efficient solid waste incinerator that solves the problems related to environmental protection;
- our company has a qualified staff and possibilities for recruiting specialists from the universities in Iasi and all over the country.

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

As a result of the continuous development in the automation of equipment for technological processes of manufacturing the active substances and the increase of the regulated requirements included in the new guides issued by the national and international authorities, it is necessary to upgrade the manufacturing flow of Nystatin by investing in performing and automated equipment, leading to lower operating costs and increased operational safety. We also want to invest in the manufacturing flow in order to diversify the range of Nystatin aiming at increasing the turnover and expanding the market.

The feasibility study for this investment will be elaborated in 2019. If the feasibility study shows that this investment is cost-effective, the design stage will start in 2020 while the acquisitions and construction works will be carried out in the period 2021-2024.

2. Equipment for refurbishing the manufacturing flows

In the period 2019-2021 the purchase of equipment, installations, various equipment was proposed for refurbishing the production flows. The manufacturing equipment and installations to be purchased are of the latest generation, with high productivity, low energy consumption, high degree of safety in operation. The manufacturing equipment is designed to replace equipment with significant physical wear, which generates high maintenance costs and low productivity. It is also necessary to acquire equipment to ensure environmental protection measures, reduce energy consumption and increase the work safety.

IV. Investments in Product Quality Control

1. Laboratory equipment

In view of the continuous review of the pharmacopoeial monographs and an increased precision of the analysis methods in laboratories of the pharmaceutical industry, it has become imperative for us to acquire the latest generation equipment for maintaining the quality control of the products produced in Antibiotice at international standards. Quality Control Laboratories have a decisive role in demonstrating the quality and conformity of products manufactured in our company, which is why they need to be permanently equipped with the most modern and performing laboratory equipment.

V. Investments in Environmental Protection

1. Construction of a new sewage system for technological waste water and rainwater

The existing wastewater system has a long service life (there are sewerage sections over 60 years of age) with significant physical wear. Over time there were numerous damages, in important points such as: Biosynthesis Plant, Operculated Capsule Plant, Tablet Plant, Waste Water Treatment Plant, Thermal Power Plant etc. Considering the long service life and high physical wear of most sewerage sections, we consider that a new sewerage system is required to be designed and built on the entire site of the company. The design of the new sewerage system takes into account certain aspects that lead to an optimal sewerage system, easy to be used and maintained:

- the construction of a main collector that collects wastewater from all generating points (the current system consists of three collectors, which implies heavy maintenance);
- the new sewer system is positioned at a significantly lower depth than the existing collector, making the maintenance and intervention in the event of an accident much easier;
- the new system will take rainwater off the entire surface of Antibiotice site (the current system does not take rainwater from the northwest of the company);

Considering the size, importance and estimated value (about 2.4 million EUR) of this investment objective, the works will be carried out over several years depending on the financing possibilities. Also, the sewerage system will be zoned so that functional sewerage sections will be created, which will be linked together as the works are carried out until the whole system is completed.

2. Laboratory equipment for the Environmental Protection Laboratory

- In order to ensure the proper functioning of the wastewater treatment plant, in compliance with the legal requirements regarding the quality of the wastewater discharged in accordance with the provisions of the environmental and water management permits, the company has to purchase new an high performing equipment ;

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

VI. Investments in Occupational Health and Safety

Investments include all the company's structures and aim at:

1. meeting the legal requirements on occupational health and safety and general prevention principles by purchasing equipment that complies with the European Directives on Occupational Health and Safety;

2.improving the health and safety by:

- reducing the physical effort through endowing all the departments with equipment for handling the packages of raw materials, finished products and / or packaging (e.g. lifting/handling equipment, etc.)
- improving the microclimate by purchasing HVAC equipment suitable for the workplaces refurbished in the Tablet Plant, following the introduction of serialization equipment;
- secondary packaging equipment;
- equipment for labour protection and for improving the labour conditions (air conditioners, lifting and transport equipment, etc.)

VII. Rehabilitation of the industrial site to reduce the costs

A. The land released by the old buildings will be used for other future production facilities

The unused, highly-depreciated buildings which can not be adapted to other industrial applications will be decommissioned and demolished for releasing the land for building other production facilities.

B. Rehabilitation of existing buildings

The company also invests in rehabilitating the existent buildings: consolidations, rehabilitation of facades, modernization of the buildings' installations (utility, sewerage installations).

C.Transport and storage infrastructure

The investments are mainly focused on developing the car fleet, building a modern warehouse for acids and bases, providing the warehouses with equipment that improves the storage conditions. Also, by certain acquisitions, the old, highly-depreciated equipment which is no longer safe in operation, will be replaced.

D. Utility production and distribution infrastrucure

Another component of the investment program carried out between 2019 – 2021 is represented by investments for modernizing the infrastructure for producing, transporting and distributing the utilities.

The investments are mainly focused on upgrading the systems, equipment and facilities for producing the utilities (steam, compressed air, cooling agent, hot water, demineralized water, methane gas, electricity, drinking water, sewage, waste water treatement etc.) on the entire company site, for sizing and adapting the utility routes to

the current consumption of the production flows, so as to save energy by reducing consumption and eliminating losses.

These investments will lead to the following benefits:

- safety in operation;
- an increased labour productivity;
- energy and resource savings and, implicitly, a better environmental protection;
- equipment easy to be used by the human operator

E. IT network and system infrastructure
Modernization of the Information System (ERP)
Project objective

To modernize the business processes by introducing a highly-performing Integrated Information System (IIS) for managing our company's activities and resources. The system will ensure:

- efficiency;
- low risk;
- national / international recognition verified through local and / or global implementations that provide standardized and optimized solutions for the pharmaceutical industry processes at the current level of information technology.

The system will start from the (relatively) standardized financial and accounting nucleus and will gradually include modeling and automation of business processes, both the financial ones and much of the technical-operative ones, by:

- correlating the re-engineering consultancy with a view to aligning with best practices and optimized procedures / scenarios, integrated management, mid-term and forward-looking objectives, immediate management preoccupations and internal decision-making needs;
- providing a logical succession in defining and loading unique portfolios, in defining organizational structures, system objects and rules, as well as in implementing various functionalities for technical-operative activities/ logistics specific to the company's field of activity, but also necessary for "opening" the system to distribution channels and final consumers;
- ensuring the strict adherence to norms and industry standards, ensuring a correlation with the procedures and quality management in force and their dynamics as well as with the obligation to align with the selection, verification / validation/implementation procedures in line with company practices.

We estimate that this approach will ensure the proposed implementation speed, alignment of the internal reorganization to the new approaches proposed by the specific application, while maintaining the risk at minimum.

Thus, the new integrated IT system will provide both the functions for managing the company's resources specifically required for formalization, standardization of processes and structures, management and control levers, transparency, traceability and compliance, as well as the information support for analysis and decision-making.

Overall objective of the project

The overall objective of this project is to increase the efficiency of the company by reorganizing all processes based on the implementation of an integrated IT system with three main components:

1. the specific ERP functions required for formalization, standardization of processes and structures, management and control levers, transparency, traceability and compliance;
2. unified management of unstructured documents, documentation specific to each activity through the management component of documents and workflows designed to meet the requirements of electronically recording, storing, finding and using real, accurate, complete and integrated information from the current activity of the company's structures;
3. information support for analysis and decision-making through the Business Intelligence component.

Specific objective of the project

The specific objective of the project is to provide the organization with a complete IT tool for:

1. increasing the company's operational performance through extensive control over its processes;
2. increasing the efficiency of activity through a better resource management,
3. supporting the various certification processes (including those conducted by the international pharmaceutical industry bodies).

VIII. Investment for upgrading the company's internal and external environment

Part of the company's strategic development plan for 2019 - 2025, increasing the attractiveness of the employer brand implies, among other things, the creation of a modern and pleasant working environment for the company's employees. To achieve this goal, we intend to conduct a series of investment projects to modernize the company's interior and exterior environment.

1. Rehabilitation of the Sports Hall

Antibiotice sustains the development of a healthy lifestyle among its employees and thus aims to make available to its employees and their children - through the Sports Hall - the logistics and resources needed to carry out physical activities, including for performance sports.

Through this project, our company wants to encourage its employees to adopt an active lifestyle because the sporting activities contribute to the harmonious physical development for maintaining a robust health. Our company aims also to promote the team sports and associated values such as fair play, team spirit, determination, commitment and tolerance.

In order for the employees and their children to be able to practice sports activities (volleyball, basketball, handball, tennis and other activities such as aerobics or fitness), the building hosting the company's sports hall needs rehabilitation of infrastructure, refurbishment of changing rooms, sauna room and dining room.

2. Establishment of Friendship Park

The architectural and landscape rehabilitation of the area between DN 28 and the enclosure of the Antibiotice site, with the following components (estimated duration of the project: 2019-2023):

- transforming the current forested area into a public park;
- refurbishing the non-modernized car parks;
- refurbishing the access roads;
- redesinging the area which includes the Artesian fountain in front of Gate 1

The financing sources for the 2019 investments:

- depreciation of fixed assets in the amount of 27,528 thousand LEI;
- tax facilities according to art. 20 and art. 22 of Law no. 227/2015 regarding the Fiscal Code in the amount of 26,000 thousand LEI ;
- the remaining amount to be used in 2019 from the investment loan, in value of 38,766 thousand LEI, for the Ointment & Suppository Plant.

In September 2019, our shareholders will take into consideration the prioritization of the activities carried out up to that moment in the operational, investment and financial fields and will reanalyze the Income & Expenditure Budget for 2019 in order to rectify it.

The Income & Expenditure budget for 2019 was based and subject to the financial management control according to GD no. 1151/2012 for approving the Methodological Norms on the organization and exercise of the financial management control.

GENERAL MANAGER
IOAN NANI

FINANCIAL DIRECTOR
PAULA COMAN