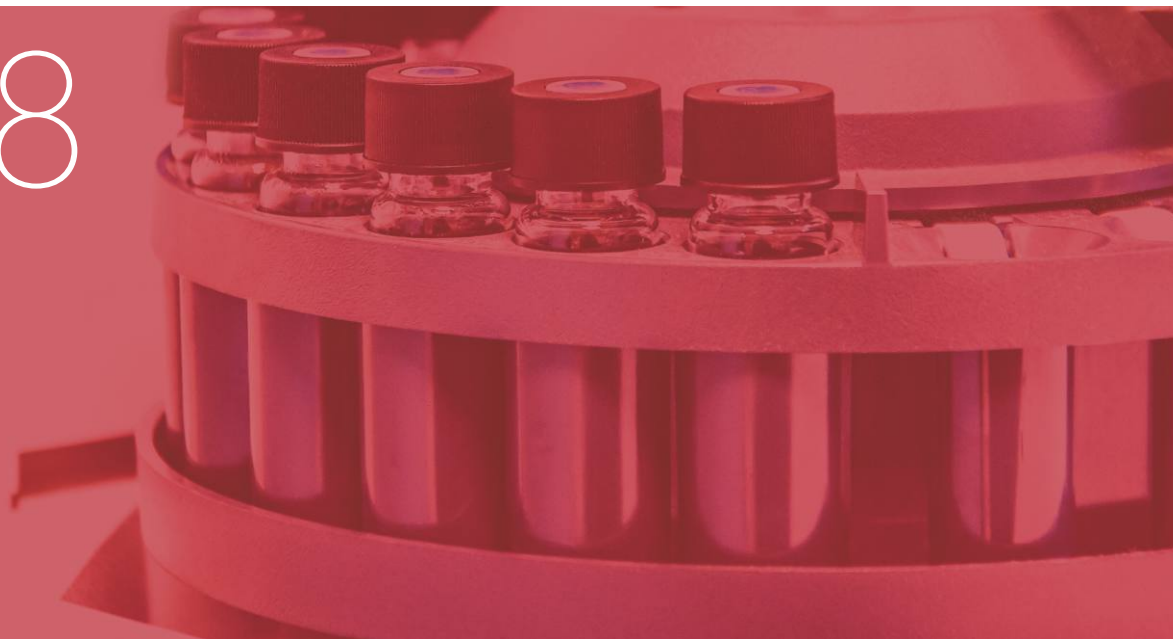




ANNUAL REPORT

2018



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A message from our CEO

At the end of an exciting year 2018, interspersed with success, challenges and a lot of changes, we are still under the sign of “plus”. A plus of value, knowledge, trust and future prospectives. In an extremely competitive internal market and in a global context with ever-dynamic geopolitical axes, we have been forced to maintain the quality at high levels in all the activity areas.

The changes in the national pharmaceutical industry – changes in shareholding ownership of some partner distributors, pharmacy chain mergers, changes in bidding practices in the auction system – basically, all of them have forced us to adapt during the “game”. On the other hand, international developments have brought us new challenges, but, through a sustained effort, we have achieved our business goals, even exceeding some indicators.

We are therefore proud to inform our shareholders and investors that we ended 2018, bringing an added value, recording a 8% increase in the sales income compared to 2017, while pursuing our strategic objectives with a special focus on internationalizing our business. The net profit grew by 2% compared to the previous year, reaching 34.1 million LEI.

The financial results are the expression of an activity management program designed to ensure business profitability and reduce the high impact of the clawback tax, which increased by 25% compared to 2017, reaching 36 million LEI.

In order to make our business more efficient and maintain competitiveness, we developed in 2018 an ample process of reorganizing our activities, the effects of which will be felt in the years to come. We also adapted the marketing and promotion strategies to address our product market as a whole, nationally and internationally, to define in 2019 clear objectives to increase the company's and product's reputation, simultaneously with tailoring the portfolio specific to each major market.

If, at the end of 2018, export revenues reached 35% of total sales, we aim to accelerate our international development in mature and emerging markets, both in cooperation with local partners and by opening our own representative offices, so exports will provide 50% of the Antibiotice revenues in 2025.

Our core investment is the new plant for topical products, which we want to be the most modern in the South-East Europe. In 2018, this project went forward, entering the design stage and then the construction of clean rooms and related facilities, so that commissioning – in the first part of the year – to propel exports of topical products in the key markets in Europe, USA and Canada.

Our compliance with the European and American legislation on combating counterfeiting in the pharmaceutical industry also involved investments. The total amount of resources allocated over the last 2 years for serialization and software equipment to ensure the traceability of medicines throughout the distribution chain (manufacturer – distributor – pharmacy or hospital – patient) amounted to 4.4 million EUR.

“Together for a better life” is not just one of our company’s messages but the concept under which we launched in 2018 our first Non-financial Report for the period January 1 – December 31, 2017. The report brings together relevant data to understand the Antibiotice’s non-financial performance in the economic, social and environmental spheres. The document represents a transparency approach, being elaborated in compliance with the national legislation and international sustainability requirements – the Global Reporting Initiative (GRI) standards – reflecting the importance our company gives to the stakeholders’ satisfaction, employees’ health and safety, care for our community and environment.

Our employees have been and will always remain the number one resource of our company and we preserve our tradition, by transferring knowledge and authentic values from one generation to the next. In recent years, many young, enthusiastic colleagues have joined us to develop production, engineering and research activities. We have the duty to receive them among us, embrace their ideas and enthusiasm because they represent the tomorrow’s generation of specialists.

In 2018, we created a unitary and modern motivation system, able to increase the employer brand attractiveness and support the vision of developing and increasing the company’s competitiveness for the coming years. The new system, whose first stage took place in 2019, aims to stimulate the performance, ensuring the conditions for increasing our employees’ loyalty and attractiveness of our company in the recruiting process.

2019 will be under the sign of paradigm changings as regards the marketing vision, product research and human resource motivation. Given that, we do not see legislative measures to reduce the clawback tax which affects the long-term development potential of the company, we have been constantly working on updating our plans, throwing anchors in the perspective of the next three, five, seven years, being permanently focused on the possible reconfigurations of the path we have to follow, loyal to our mission of doing more and better for the health and life of the people.

“Working together as a team, we build our future” this is what I stated on the Antibiotice’s 63-year anniversary under the sign of Romanian continuity and performance. Today I wish as my words to reach our shareholders, partners and investors, along with my warm thanks expressed on behalf of the whole Antibiotice team, for their trust in over 20 years of presence in the Romanian capital market.

Ioan Nani

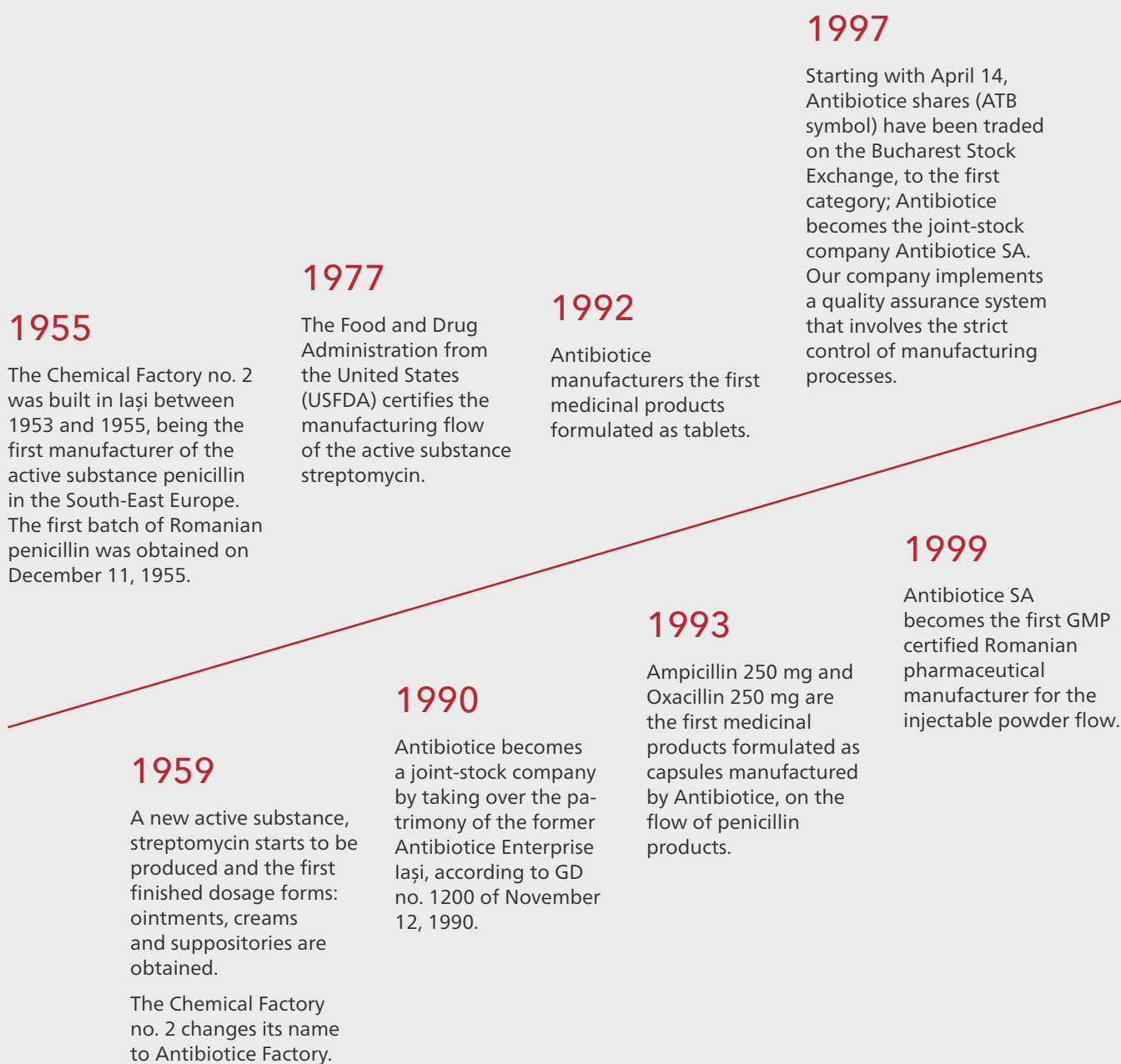
Chief Executive Officer

Vice President of Management Board

02

Company profile

Brief history



Brief history

2002

The manufacturing flow of Nystatin obtains the FDA approval, which allows the export of this active substance to the United States. Antibiotice is ranked as the world's leading manufacturer of Nystatin, its most important product for export.

2006

Antibiotice establishes its own Center for Drug Evaluation (CDE) that conducts phase I clinical studies and bioequivalence studies. CDE is Good Laboratory Practice (GLP) certified and authorized by the Romanian Ministry of Health.

The Quality Management System implemented by Antibiotice is ISO 9001: 2000 certified by Lloyd's Register Quality Assurance (LRQA).

2010

Antibiotice delivers the first finished products in the US market; up to 2010 our company exported to the U.S. only active substances.

2012

Antibiotice enters the oncological market and becomes the first WHO prequalified company in Europe for its range of antituberculosis medicines.

2011

The manufacturing flow of penicillins formulated as sterile powders for injection gets the FDA approval, which allows expanding the export of these products in the US market.

Antibiotice launches its first central nervous system (CNS) medicines.

2007

Antibiotice earns recognition for implementing the Integrated Quality, Environment, Health and Safety Management System in accordance with the requirements of EN ISO 9001: 2008, EN ISO 14001: 2004 and OHSAS 18001: 2007.

By launching four new products, Antibiotice enriches its cardiovascular portfolio with medicinal products covering the treatment of major cardiovascular diseases.

2005

On the occasion of its fiftieth anniversary on December 11, 2005, Antibiotice launches a new brand identity: the "Antibiotice a+" logo and "Science and Soul" slogan.

2013

Antibiotice is FDA recertified, being also GMP reauthorized by NAMMD for the manufacturing flows of sterile powders for injection and for the manufacturing flow of Nystatin.

Antibiotice becomes the leading worldwide producer of the active substance Nystatin.

The first export of Nafcillin is made in the North American market.

Antibiotice opens an international branch office in Chişinău, Republic of Moldova.

2015

Antibiotice gets the USFDA reapproval for the sterile injectable finished products and for the active substance Nystatin.

Antibiotice celebrates 60 years of Romanian continuity and performance.

Antibiotice wins two gold medals and the First Prize of the Medicine Section at EUROINVENT 2015, the largest exhibition of inventions, projects and researches in South East Europe.

Antibiotice joins the awareness campaign on antibiotics "Antibiotics – use them with care!"

2017

Antibiotice Iaşi imposes worldwide the quality standard for Nystatin by obtaining the title of international reference standard for the active substance Nystatin granted by the United States Pharmacopeia (USP).

Antibiotice participates for the 15th time at the world largest pharmaceutical exhibition, CPhI Worldwide.

2014

Antibiotice extends its business in the Republic of Serbia through its partner Pharma which represents our company in the commercial relations.

Antibiotice starts investing in a new Ointment & Suppository Plant.

2016

A record delivery of injectable products in the US market (Nafcillin 1g and 2 g, Ampicillin 500 mg, 1g and 2g).

Antibiotice opens an international commercial office in Hanoi, Vietnam.

Antibiotice gets the "Strongest in Romania" certification: a financially responsible, credible and solvent company with partners in the country and abroad.

Antibiotice launches the "Perform a+", a project for attracting specialized staff and new collaborators in the research-development area. The project is dedicated to the young students and residents of the Faculty of Pharmacy of the Grigore T. Popa University of Medicine and Pharmacy Iaşi.

2018

Antibiotice wins the third place at the "Romanian CSR Awards 2018", in the Intersectoral Partnership category, for the project "Science and Soul" scholarships.

Antibiotice publishes its first non-financial report 2017.

Antibiotice launches the "Antibiotics of the Millennium III", a social responsibility program which supports the judicious use of antibiotics in the human and veterinary medicine.

Antibiotice today

The main manufacturer
of antiinfective generic
medicines in Romania

Its portfolio consists of 158
products in 12 therapeutic
classes, containing 100 active
substances (International
Nonproprietary Names [INN])

37 medicines from our
company's portfolio are
considered essential by the
World Health Organization

A major manufacturer of
anti-inflammatory,
dermatological, digestive,
cardiovascular and central
nervous system medicines

8 manufacturing flows for:
sterile powders for injection,
penicillin capsules, non-peni-
cillin capsules, cephalosporin
capsules, tablets, ointments,
creams, gels, suppositories,
pessaries, active substances
obtained by biosynthesis

Sales income worth
27,671,799 LEI in 2018
higher by 8% compared
to 2017

Internationally recognized
certifications and
authorizations:

- > US Food and Drug
Administration authorizations
for Nystatin and injectable
products
- > International recognition –
USP Reference Standard
for Nystatin
- > Certificate of Suitability with
the European Pharmacopoeia
(CoS) for Nystatin
- > Good Manufacturing Practice
(GMP) certificate for all the
manufacturing flows
- > Integrated Management
System

Antibiotice has a modern
Research & Development
Center

The first company in Europe
prequalified by the World
Health Organization for
the range of essential
antituberculosis medicines

A significant employer –
1,415 employees

03

Corporate governance

10

Antibiotice



Corporate Governance is defined as a set of rules and regulatory norms by which a Management Board demonstrates its responsibility, fairness and transparency in relation to all stakeholders, impacting upon the management and control of a company.

Transparency and efficiency of activities and processes are ensured by applying the principles transposed in the Corporate Governance Code, thus providing the framework to maximize the value of the company's shares for a long term and increase the company's attractiveness for investors.

Antibiotice adopted the principles and recommendations of the Corporate Governance Code of the Bucharest Stock Exchange, principles that underpin the fulfillment of our company's good corporate governance standards.

The Antibiotice management considers the Corporate Governance Code an important tool for achieving sustainable performance, ensuring the accuracy and transparency of the decision-making process through equal access of all the shareholders to relevant information about the company.

The corporate governance system of Antibiotice SA is based on:

- > **Management Board**
- > **Advisory Committees**
- > **Executive Management**
- > **General Meeting of Shareholders**

Management Board

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

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

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

In 2018, the Management Board met in 10 sessions, registering a 100% presence each time, and adopted decisions that enabled it to carry out its tasks in an effective and efficient manner. Thus, at the monthly meetings, the Board analyzed in detail the financial results obtained during the reporting and cumulative period from the beginning of the year as well as the economic performance in relation to the budget and compared to the similar period of the previous year. The Board requested, depending on the situation, detailed explanations from the executive management related to the plans for increasing the production efficiency, investment plans, constituted provisions, liquidity management, operational and overall profitability. Following the detailed analysis of the 2018 results, the Board decided to approve them for publication and for sending them to the Bucharest Stock Exchange and the Financial Supervisory Authority, each time meeting the deadline included in the Financial Communication Calendar.

The 5 members of the Management Board guarantee the efficiency of the capacity to supervise, analyze and evaluate the activity of directors, as well as the fair treatment of the shareholders.

Management Board of Antibiotice SA on December 31, 2018

Legal adviser, Ionuț Sebastian Iavor,
43 years old

**President of the Management Board and
representative of the Ministry of Health**

At the Ordinary General Meeting of Shareholders held on April 30, 2015, Mr. Iavor was elected as a member of the Management Board and then appointed by the Board's members as President.

Mr. Ionuț Sebastian Iavor is currently General Manager of the General Directorate for Human Resources, Legal Issues and Litigation of the Ministry of Health.

*Number of Antibiotice SA shares held – 0**

Economist, Ioan Nani, 59 years old
**Vice President of the Management
Board and CEO**

At the Ordinary General Meeting of Shareholders held on April 19, 2016, Mr. Nani was reconfirmed as a member of Management Board, for a 4-year period, the members of the Management Board electing him as the Board's Vice President. Mr. Nani is an economist specialized in management and chartered accountant, member of the Management Board since 2009 and Chief Executive Officer (1998–2008 and 2009 – present).

*Number of Antibiotice SA shares held –
1,513**

Physician, Dan Octavian Alexandrescu, 44 years old

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 the Management Board, for a 4-year period.

Mr. Dan Octavian Alexandrescu is a primary physician with competence in laparoscopic surgery and a State Secretary in the Ministry of Health as well as the Coordinator of the Policy Directorate for Medicines and Medical Devices since March 2017.

*Number of Antibiotice SA shares held – 0**

Economist, Nicolae STOIAN, 62 years old

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

At the Ordinary General Meeting of Shareholders held on April 19, 2016,

Mr. Stoian was reelected as a member of the Management Board for a 4-year period.

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

*Number of Antibiotice SA shares held – 0**

Engineer, Elena CALITOIU, 55 years old

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

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

Ms. Calitoiu is a mechanical engineer and Director of Placements & Risk Management Department, SIF Oltenia

*Number of Antibiotice SA shares held – 0**

* Number of Antibiotice (ATB) shares held on December 31, 2018 according to the latest database owned by Antibiotice for 2018.

Advisory committees

The specialized advisory committees in 2018:

- > **Audit Committee:** Mr. Ionut Sebastian Iavor – President, Mr. Nicolae Stoian and Ms. Elena Calitoiu;
- > **Nomination and Remuneration Committee:** Mr. Ionut Sebastian Iavor – President and Ms. Elena Calitoiu;
- > **Trade Policy Committee:** Mr. Dan Octavian Alexandrescu – President 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 is represented by the Chief Executive Officer, 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 Chief Executive Officer who is also the Vice-President of the Management Board and nine specialty executives.

Antibiotice's Executive Management on December 31, 2018

Ec. Ioan Nani, 59 years old

Chief Executive Officer and Vice President of the Management Board

Graduated from the Faculty of Economic Sciences of Alexandru Ioan Cuza University of Iași, Mr. Nani is an economist specialized in management and a chartered accountant.

He started his career as an economist at Antibiotice in 1987. Between 1991 and 1993 he worked as a financial inspector with the General Directorate of Public Finance Iași and then with the Court of Auditors of Romania. In 1994, Mr. Nani returned to Antibiotice as a Financial Executive Director and became Chief Executive Officer in 1998. In February 2009, he was appointed Vice President of the Authority for State Assets Recovery (AVAS), and in June, same year, he was appointed General Manager of Antibiotice. Mr. Nani has been Chief Executive Officer since 2009.

*Number of Antibiotice SA shares held – 1,513**

Engineer, Cornelia Moraru, 53 years old

Technical & Production Director

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

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

*Number of Antibiotice SA shares held – 1,513**

Economist, Paula Luminița Coman, 51 years old

Financial Director

Graduated from the Faculty of Economics and Business Administration of Alexandru Ioan Cuza University of Iași, Mrs. Coman has been an expert accountant since 2006 and tax consultant since 2007.

After graduation, Mrs. Coman worked as an economist at the County Iași Tourism Office.

Mrs. Coman has been working with Antibiotice SA since 1991. Firstly she worked as an economist in the Pricing Efficiency Office. In 1998 Mrs. Coman became the Head of Economic Analysis Department and then Head of Financial-Accounting Department in 2003.

Mrs. Coman has been Financial Director since 2011.

*Number of Antibiotice SA shares held – 0**

Economist, Vasile Chebac, 64 years old
Commercial & Logistics Director

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

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

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

*Number of Antibiotice SA shares held – 0**

Economist, Gica Rusu, 55 years old
Human Resource Director

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

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

Mrs. Rusu has been Human Resources Director since 2004.

*Number of Antibiotice SA shares held – 1,510**

Economist, Ovidiu Bătagă, 41 years old

Marketing & Domestic Sales Director

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

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

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

*Number of Antibiotice SA shares held – 0**

Physician, Mihaela Moșneguțu, 49 years old

Medical Director

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

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

Mrs. Moșneguțu has been Medical Director since 2011.

*Number of Antibiotice SA shares held – 0**

Economist, Mihai Stoian, 43 years old

International Business Director

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

He has been working with Antibiotice SA since May 2005, initially as Area Sales Manager – Active Substances.

In July 2008, Mr. Stoian was appointed the Head of the Intra-Community Deliveries & Export Department within the Marketing & International Relations Unit.

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

Mr. Stoian has been International Business Director since 2012.

*Number of Antibiotice SA shares held – 0**

Engineer, Mihaiela Stoenescu, 51 years old

Communication Director

A graduate of the Faculty of Chemical Technology of the Gheorghe Asachi Technical University of Iași, in 1999 Mrs. Stoenescu obtained the title of Master in Business Management from the Faculty of Economics and Business Administration of the Alexandru Ioan Cuza University of Iași.

In 2010 Mrs. Stoenescu became an Expert in Public Relations, following the international certification in Public Relations of the Chartered Institute of Public Relations UK. Mrs Stoenescu currently holds the position of Communication Director.

*Number of Antibiotice SA shares held – 0**

Engineer, Cristina Diaconescu, 51 years old

Research & Development Director

A graduate of the Faculty of Industrial Chemistry of the Gheorghe Asachi Technical University of Iași, Mrs Diaconescu holds two master's degrees, one of them in business management granted by the Faculty of Economics and Business Administration of Gheorghe Asachi University of Iași and the other one in Pharmaceutical Management and Marketing granted by Grigore T. Popa University of Medicine and Pharmacy of Iași – the Faculty of Pharmacy.

Mrs Diaconescu has been working with Antibiotice since 1994. In 2005 she was appointed Domestic Marketing Deputy Director. In January 2008 Mrs. Diaconescu became Promotion & Retail Sales Manager and as of February 2015 she was appointed Quality Control Manager.

Mrs Diaconescu currently holds the position of Research & Development Director.

*Number of Antibiotice SA shares owned – 1,514**

** Number of Antibiotice (ATB) shares held on December 31, 2018 according to the latest database owned by Antibiotice for 2018.*

General Meeting of Shareholders

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

During 2018, the Board convened three Ordinary General Meetings and three Extraordinary General Meetings of Shareholders, on March 5, 2018, April 26, 2018 and September 25, 2018.

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

The general meetings of **March 5, 2018** approved:

Ordinary General Meeting of Shareholders:

- > Income & Expenditure Budget for 2018;
- > increase of the monthly gross fixed and variable indemnities for the Management Board members and CEO as well as the conclusion of the additional acts according to this approval, in view of the application of GEO no. 79/2017 for amending and supplementing the Law no. 227/2015 regarding the Fiscal Code and GEO no. 90/2017 regarding some fiscal-budgetary measures, amending and supplementing some normative acts and extending some deadlines.

During the Extraordinary General Meeting of Shareholders the establishment of two representative offices of the company, one in the Republic of Moldova and the other in Ukraine was approved.

On **April 26, 2018**, the Antibiotice Management Board convened two General Meetings of Shareholders, one Ordinary Meeting and one Extraordinary Meeting.

The Ordinary General Meeting of Shareholders approved:

- > financial statements for the financial year 2017, based upon the Management Report and Financial Auditor's Report;

- > registration of the unclaimed dividends for the financial year 2013 as income;
- > the degree of achievement of the objectives and performance criteria for 2017 for the Management Board members;
- > the release of administration for the activity carried out during the financial year 2017, based on the reports submitted;
- > the objectives included in the management plan for the members of the Management Board for 2018;
- > remuneration for the Management Board members according to the provisions of Law no. 111/2016 for the approval of the Government Emergency Ordinance no. 109/2011 on corporate governance of public enterprises;
- > the election of Mr. Dan-Octavian Alexandrescu as interim member of the Management Board, according to the provisions of art. 641 of GEO no. 109/2011, following the termination of the mandate contract of Ms. Adela-Petrinia Neagoe;

The Extraordinary General Meeting of Shareholders approved:

- > to extend with a 12-month period the validity of the multi-product multi-currency credit of 30 million LEI borrowed by Antibiotice SA from the Export Import Bank of Romania – EximBank SA;
- > to maintain the guarantees related to the multi-product multi-currency credit of 30 million LEI for the entire validity period resulting from the extension under item 1 of the agenda;

- > to issue a decision-commitment of Antibiotice SA not to divide itself, not to merge and not to decide on the early dissolution during the entire validity of the multi-product multi-currency credit without the prior consent of the Export Bank of Romania – EximBank SA;
- > to empower the CEO, Ioan Nani and Financial Director, Paula Luminița Coman to sign on behalf of the company all the documents related to the extension, according to the agenda items 1 and 2, as well as the documents related to the obligations assumed by the company according to item 3 of the agenda;
- > to contract a long-term investment credit facility (10 years) in the amount of 15,406,300 EUR from UniCredit Bank;
- > to guarantee the investment credit facility in the amount of 15,406,300 EUR which are to be contracted from UniCredit Bank;
- > to empower the CEO, Mr. Ioan Nani and Financial Director, Mrs. Paula Luminița Coman to sign on behalf of the company all the documents/credit agreements and their accessories, necessary and related to contracting and implementing the investment credit facility, according to the items 1 and 2;
- > to establish the headquarters of the Antibiotice Representative Office in the Republic of Moldova at the following address: City of Chișinău, Grenoble Street, 259/2, 259/3, Republic of Moldova.

The General Meetings of **September 25, 2018** approved the following items on the agenda:

The Ordinary General Meeting of Shareholders approved:

- > the company's financial statements for the first half of 2018, based upon the Management Report and the Financial Auditor's Report;
- > the change in the membership of the Management Board by appointing Mr. Dan-Octavian Alexandrescu as a non-executive administrator for a 4-year term, starting with 25.09.2018;
- > the form of the mandate contract to be concluded by the company with

the non-executive administrator appointed on 25.09.2018, as well as the annexes to the contract including the objectives and performance criteria, the fixed and variable indemnity.

The Extraordinary General Meeting of Shareholders approved:

- > to increase the cash-non cash multi-currency credit borrowed from UniCredit Bank from 30,000,000 LEI to 50,000,000 LEI;
- > to guarantee the credit amounting to 50,000,000 LEI borrowed from UniCredit Bank;
- > to empower Mr. Ioan Nani, CEO and Mrs. Paula Luminița Coman, Financial Director to sign on behalf of the company all the documents/credit agreements and their accessories, necessary and related to contracting and implementing the credit facility of 50.000.000 LEI from UniCredit Bank;
- > to confirm, ratify and assume the mortgage and real estate mortgage contracts under the Credit Agreement no. IAS3-42-2016 dated 17.08.2016, signed with UniCredit Bank SA;
- > to ratify the access to the credit facility of 4.000.000 EUR borrowed by the company under the article 44 of the Articles of Association, by the additional act no. 8 of 26.03.2018 to the Credit Facility Contract no. 12239 / May 22, 2012, as well as by the Additional Act no. 4 of 26.03.2018 to the Mortgage Contract no. 12239 / G1 / May 22, 2012 concluded with ING Bank N.V., a facility that was fully reimbursed on 29.06.2018;
- > to establish the headquarters of the Antibiotice Representative Office in Ukraine at the following address: Kiev, 6 Mikhaila Dontsa Street, Ukraine;
- > to register the date of 10.10.2018 for identifying the shareholders on whom the effects of the adopted decisions are reflected, according to the provisions of art. 86, paragraph 1 of the Law 24/2017 regarding the issuers of financial instruments and market operations; the established ex-date: 09.10.2018.

Code of Ethics

The Code of Ethics of Antibiotice SA presents the ethical standards of conduct that establish and regulate the corporate values, the company's business responsibilities and obligations and how the company operates.

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

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

The Code of Ethics is a fundamental commitment of our company to do its best in order to comply with the high ethical standards and applicable legal requirements wherever it operates.

The Code of Ethics is presented in detail on the website of the company ([www.antibiotice.ro/Investors/Corporate Governance/Reference documents/Code of Ethics](http://www.antibiotice.ro/Investors/Corporate%20Governance/Reference%20documents/Code%20of%20Ethics)).

Rights of financial instrument holders

The adopted and applied corporate governance framework:

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

On the website address [www.antibiotice.ro/investors/information for shareholders](http://www.antibiotice.ro/investors/information%20for%20shareholders), there is a section dedicated to shareholders for accessing and downloading documents related to the General Meetings of Shareholders: procedures relating to the access to and participation in the meetings, convening notice, additions to the agenda, informative materials, special proxies,

correspondence voting forms, draft decisions, resolutions, results of votes etc.

Our company provides all the stakeholders with periodic and annual financial statements drafted in accordance with the legislation in force. The company meets also all the publishing requirements in accordance with the legislation on the trading companies and capital market.

The company has a specialized department called Capital Market responsible for developing a good communication with the company's current and potential shareholders. The persons responsible for keeping in touch with the investors treats with maximum efficiency the shareholders' requests and facilitates the dialogue with the company's management team. The company creates and develops an adequate policy to promote the effective communication with the shareholders and investors.

Code of Corporate Governance

The Code of Corporate Governance of Antibiotice SA embraced the principles and recommendations of the Bucharest Stock Exchange and represents the tool through which Antibiotice implements these principles and recommendations by observing the rules of corporate governance.

The Corporate Governance Code creates the necessary framework for establishing strong relationships with the shareholders and stakeholders, as well as for an effective and transparent, trust-based communication.

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

Chapter I – Responsibilities of the Management Board

Chapter II – Risk Management and Internal Control System

Chapter III – Fair reward and motivation

Chapter IV – Investor relations

It also has two annexes:

Annex I – Management Board's Rules of Procedure

Annex II – Rules for evaluating the Antibiotice's administrators

Chapter I – Responsibilities of the Management Board defines the role of this body while setting the guidelines in terms of competence, experience, knowledge and independence of its members,

enabling them to effectively perform their specific duties and responsibilities.

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

Chapter III – Fair reward and motivation establishes the general principles and conditions that are the foundation of the method for setting the level of remuneration for the Board members and company's management team.

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

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

Internal control

The specialized internal control provided by the legislation in force is carried out by our own internal audit activity complemented by the financial inventory control and the inventory control. The way of setting and achieving the objectives of the internal audit activity, the findings and recommendations resulting from all the internal control actions are presented quarterly to the Audit Committee within the Management Board, for the assessing the activity and internal control exercised in the company.

In 2018, our specialized department conducted 9 missions having the following general objectives specific for each area:

- > to examine the compliance of the audited activity with all the principles, specific procedural and methodological rules, internal notes and decisions;
- > to examine the way in which the audited activity is organized;
- > to evaluate the management and control system of the audited activity;
- > other specific objectives.

The missions were carried out in compliance with the procedural audit procedures, and internal audit reports were submitted. The conclusions and recommendations of the audit reports for each audit mission were acknowledged by the audited structures.

The recommendations made during the internal audit missions were pursued for their implementation. Thus, out of the 48 recommendations from the audit reports drawn up in 2018, 30 recommendations having as deadline 31.12.2018 were fully implemented.

As part of the inventory and control activity, 15 inventory actions were carried out in 2018 and included the following structures:

- > central warehouses for raw materials and consumables;
- > places of consumption of raw materials and consumables where stock management is organized.

The inventory activity aimed at observing the legal framework established by the following normative acts:

- > Accounting Law no. 82/1991, republished and updated;
- > Law no. 22/1969 on the employment of warehouse operatives, the provision of guarantees and the liability for the management of goods;
- > O.M.F. 2861 / 09.10.2009 for the approval of the Norms on organizing and performing the inventory of assets, debts and equity;
- > Operating procedures, notes and internal decisions issued by the company's management.

The control actions found that the legal regulations and internal decisions regarding the stock management as well as the correspondence between the factual and the scriptic stocks as a result of the periodical check during the year between the quantitative and the quantitative-value evidence are properly observed.

The Financial inventory control actions in compliance with the provisions of G.D. 1151/2012, had the following objectives:

- > to verify the compliance of the accounting registration of the economic-financial operations with the legal provisions;
- > to verify if the Income & Expenditure Budget for 2017 was executed in compliance with the legal provisions;
- > to verify if, in substantiating the draft of the Income & Expenditure Budget the legal requirements are met;
- > to verify if the annual inventory of assets, liabilities and equity for the year 2017 was made in compliance with the legal provisions and internal regulations;
- > to verify if the receipts and payments in LEI and foreign currency, of any kind, in cash or by transfer were made in compliance with the legal provisions and internal regulations;

- > to verify if the elaboration, circulation, preservation and archiving of primary, accounting and technical-operative documents were made in compliance with the legal provisions and internal regulations;

The financial inventory control actions were completed by drawing up control reports, in which findings and improvement measures were presented.

Risk management

Identifying, monitoring, and continually assessing the risks to which our company is or may be exposed and which may affect the achievement of objectives represent the risk management. They aim to achieve the indicators, ensuring both the continuity of the activity and the protection of the interests of our shareholders and clients.

Our company complies with applicable legal and regulatory requirements for identifying, assessing, managing and reporting the risks:

- > Government Secretary General Order (OSGG) no. 400/2015 modified and completed by OSGG no. 200/2016 and OSGG no. 600/2018;
- > Requirements of the Corporate Governance Code of the Bucharest Stock Exchange.

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

Risk management processes ensures the identification, analysis, assessment and management of risks to keep them at acceptable levels based on the risk tolerance of the company and its ability to cover (absorb) those risks.

In 2018, the General Risk Register was prepared and approved in order to minimize the significant risks to which Antibiotice is exposed.

Our Risk Management Department analyzes and prioritises the significant annual risks that may affect the achievement of the company's overall goals.

14 significant risks which could affect achieving the general objectives of our company were identified and hierarchized in 2018.

Specific risks identified for the organizational structures within Antibiotice SA were submitted to the Audit Committee:

Antibiotice objectives on risk management:

- > to understand the risks to which our company is exposed as well as their general and specific causes;
- > to improve the risk profile of our company by managing the process of identifying, evaluating and managing risks and by implementing the control measures needed to maintain exposure to risk in the tolerable area.

The main categories of risks:

Financial risks

In terms of financial risk management, the risks to which our company is exposed are: currency risk, liquidity risk and commercial (non-payment) risk.

Currency risk

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

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

During 2018 there were periods with higher volatility, with depreciation periods of our currency, LEU.

At the end of 2018, the exchange rate earnings were 7,373,362 LEI, expenditures amounted to 7,109,232 LEI, resulting in a net gain from the exchange rate difference of 264.130 LEI.

Liquidity risk

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

Liquidity risk may occur in the following circumstances: lack of cash-flow generated by the gap between receipts and payments collection of receivables at maturities exceeding 300 days, unpredictability and lack of transparency in calculating the clawback tax, increased prices for utilities, raw materials and services.

In 2018, our company's cash demand was higher than in 2017 for paying clawback tax, dividends to shareholders, and for supporting acquisitions in the investment plan, which led to greater use of credit lines.

Our company implements its liquidity risk policy through maintaining, as far as possible, sufficient liquidity to make the outstanding payments, as well as through making funding available through financing lines.

Commercial risk

Commercial risk is the risk of incurring losses or not-reaching the estimated profits due to lack of financial liquidity of the borrowers and their failure to pay upon maturity.

Circumstances of non-payment risk are the large exposures of the company to the major national distributors, long payment

periods largely owing to delays of the payments made by the National Health Insurance House for health services.

The measures used by our company to control and reduce the commercial risk include: monitoring the customer credit-worthiness, diversifying the customer portfolio and requesting guaranties.

Legislative risk

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

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

Conformation to the legislative requirements is reflected in additional costs for updating the documentation of compliance with the latest quality standards which in turn have an impact on sales prices and delays in placing products on the market.

Our company's strategy of managing these risks involves a permanent concern for obtaining international certifications for the manufacturing flows, updating the authorization documentation for the products in the portfolio, conducting bioequivalence and stability studies, continuously monitoring legislative changes at international level, constantly adapting our policies, rules and procedures to changes.

Human resource risk

The main human resource risk is the lack on the labor market of candidates properly trained in fields specific for the pharmaceutical industry. The measures taken to control and reduce this risk were the "Summer School + a" and "Performa +" programs, promotion of our company in

faculties, study visits for students in our company and partnerships concluded with the pre-university education units.

Reputational risk

Reputational risk refers to the possibility of occurring negative events as well as unfavorable opinions or perceptions that may negatively impact the company's revenue, brand and public image.

In order to effectively identify and manage the events that could lead to a reputational risk, the following measures are envisaged: monitoring the company's image in the mass media, periodical press releases with positive information about the company's performance and prospects.

The company also continuously monitors the operational risks in order to take action to maintain them at an acceptable level that does not threaten the financial stability, interests of creditors, shareholders, employees and partners.

In the risk assessment process, a number of external risks were also identified, namely:

- > risk of natural disasters (earthquakes, floods, fires, etc.);
- > risk of wars or interethnic conflicts;
- > risk of national and international economic instability
- > risk of legislative instability

04

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Company Performance in 2018

A woman with curly hair, wearing a white lab coat with a red collar and cuffs, and blue gloves, is working in a laboratory. She is holding a small vial and looking at it. In the background, other people in lab coats are visible, and there is laboratory equipment on the counter.

Strategic evolution

Renewing our portfolio

In 2018, our company obtained:

- > Marketing Authorizations (MAs) for the following medicines:
 - **Perasin Atb**® 2.25 g and 4.5 g, powder for solution for infusion, Antiinfectives for systemic use class
 - **Nolet**® 50 mg and 70 mg, tablets, Cardiovascular class
- > Notifications for 2 new cosmetic products: **Tinero**® and **Fluxiv**® cream.
- > 39 new Marketing Authorizations for medicines and notifications for dietary supplements, Antibiotice brands in 8 countries in Asia, Africa, CIS area and Europe.

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new Marketing
Authorizations
and Notifications

Perasin Atb®

Nolet®

Tinero®

Fluxiv® cream

3

Ranked third
among the 279
manufacturers
of generic
medicines
with medical
prescription

8.58%

market share in
the production of
generic medicines

44.55%

market share
in the hospital
antiinfectives
segment

Antibiotice's internal market performance in 2018

- > Leader in the field of prescription generic medicines for hospitals;
- > Ranks third among the 279 manufacturers of prescription generic medicines and medicines without prescription (OTCs) in Romania, with a 5.06% market share;
- > Ranks thirteenth among the OTC companies in Romania (from a total of 222 companies), higher by one position compared to 2017;
- > Has a consolidated fourth position among the 128 prescription generic manufacturers in the Romanian market (a 8.58% market share);
- > The Romanian manufacturer of the full range of essential antituberculosis medicines;
- > Consolidated its leading position in the market of generics and OTCs sold in the Romanian hospitals, with a 18.01% market share;
- > Increased its sales of OTC medicines by 14.36%;
- > Consolidated its leading position in the antiinfectives segment sold in hospitals (injectables), with a market share of 44.55% in 2018 (higher by 1.72% compared to 2017);
- > Maintained its leading position in the market of suppositories both in quantitative terms (a 42.08% market share) and in value terms (a 24.75% market share). Our company maintained also its leading position in the market of ointments in quantitative terms (a 26.29% market share).

31.5

million USD –
export turnover
in 2018

Active presence in the external market

- > Export turnover in value of 31.5 million USD;
- > Worldwide leader in the production of Nystatin;
- > Export represented 34% of the turnover;
- > 105 finished products sold in various external markets;
- > 120 business partners in 76 countries around the world.

20 best sold Antibiotice brands

Top 20 brands (by value of sales) marketed by Antibiotice in 2018 recorded sales amounting to 198.54 million LEI.

	Brand name	International Nonproprietary Name	Therapeutic class + Dosage form	Main competitors
1	Cefort® 250 mg, 1 g and 2 g	ceftriaxonum	Antiinfectives for systemic use, other antibacterial beta-lactam antibiotics, injectables	Seftrion® (E.I.P.I.CO.), Medaxone® (Medochemie)
2	Eficet® 100 mg and 200 mg	cefiximum	Antiinfectives for systemic use, other antibacterial beta-lactam antibiotics, capsules	Xifia® (Alkaloid AD)
3	Ampiplus® 1000 mg + 500 mg	ampicillinum + enzyme inhibitor	Antiinfectives for systemic use, antibacterial beta-lactam antibiotics – penicillins, injectables	Sole product
4	Amoxicilina® 250 mg and 500 mg	amoxicillinum	Antiinfectives for systemic use, antibacterial beta-lactam antibiotics – penicillins, capsules	Amoxicilina® (Novartis), Ospamox® (Novartis), Amoxicilina® (Farmex Company)
5	Colistina Atb® 1.000.000 U.I.	colistini sulfas	Antiinfectives for systemic use, other antibacterial, injectables	Sole product
6	Fluxiv®	food supplement	Cardiovascular system, varicose therapy, tablets	Detralex® (Servier), Devaricid® (Biofarm), Endorex® (Sun Wave Pharma)
7	Nidoflor® 15 g	nystatinum + neomycini sulfas + triamcinoloni acetamidum	Dermatological preparations, corticosteroids in combination with antibiotics, ointments	Triderm® (Merck & Co)
8	Amoxiplus® 1.2 g	amoxicillinum + acidum clavulanicum	Antiinfectives for systemic use, antibacterial beta-lactam antibiotics – penicillins, capsules	Sole product
9	Meropenem Atb® 500 mg and 1 g	meropenemum	Antiinfectives for systemic use, other antibacterial beta-lactam antibiotics, injectables	Archifar® (Medochemie), Meropenem Kabi (Fresenius)
10	Glycerin suppositories for adults and Glycerin suppositories for children	glycerolum	Digestive tract and metabolism, laxatives, suppositories	Dulcolax® (Sanofi), 4Lax® (Solacium Pharma), Supozitoare cu glicerină (Sintofarm)
11	Nolet® 5 mg	nebivololum	Cardiovascular system, beta blockers, tablets	Nebilet® (Menarini), Nevivolol Actavis (Teva), Nebinorm (Genmark Pharma)
12	Silithor®	food supplement	Digestive tract and metabolism, hepatoprotectives, capsules	Essentiale Forte® (Sanofi), Hepatoprotect® (Biofarm), Fortifikat® (Sun Pharma)
13	Ranitidina Atb® 150 mg	ranitidinum	Digestive tract and metabolism, antilulcerous medicines, tablets	Ranitidina (Laropharm), Ranitidina (Lab. Magistra), Ranitidina LPH (Alvogen)
14	Ampicilina® 250 mg, 500 mg and 1g	ampicillinum	Antiinfectives for systemic use, antibacterial beta-lactam antibiotics – penicillins, capsules și injectables	Ampicilina® (Novartis), Pamecil® (Medochemie), Epicocillin (E.I.P.I.CO.)

	Brand name	International Nonproprietary Name	Therapeutic class + Dosage form	Main competitors
15	Oxacilina® 250 mg and 500 mg	oxacillinum	Antiinfectives for systemic use, antibacterial beta-lactam antibiotics, penicillins, capsules and injectables	Oxacilina® (Novartis), Oxacilina® (Farmex Company)
16	Fluocinolone N® 18 g	fluocinoloni cetoniidum + aneomycinum	Dermatological preparations, corticosteroids in combination with antibiotics, ointments	Fluocinolone Acetonid® (Laropharm), Fluocinolone G MK® (Fiterman)
17	Cefuroxima Antibiotic® 750 mg and 1.5 g	cefuroximum	Antiinfectives for systemic use, other antibacterial beta-lactam antibiotics, injectables	Axetine® (Medochemie)
18	Indapamida® 1.5 mg	indapamidum	Cardiovascular system, diuretics, tablets	Indapamida Terapia (Sun Pharma), Indapamida TEVA (TEVA)
19	Clotrimazol®	clotrimazolum	Dermatological preparations, antifungals, ointments	Canesten (Bayer Healthcare), Clotrimazol MK (Fiterman)
20	Memantina Atb®	memantinum	Central Nervous System, Anti-Alzheimer medicines, tablets	Memantina Terapia (Sun Pharma), Ebixa (Lundbeck)

Data source: Cegedim Romania 2018

The top of products for which Antibiotic is the only manufacturer

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	Brand name	International Nonproprietary Name	Therapeutic class + Dosage form
1	Aceclofen® 500 mg/50 mg	diclofenacum + paracetamolum	Musculoskeletal system Suppositories
2	Amoxiplus® 1000 mg/200 mg	amoxicillinum + acidum clavulanicum	Antiinfectives for systemic use Powder for injection
3	Ampiplus® 1000 mg/500 mg	ampicillinum + sulbactamum	Antiinfectives for systemic use Powder for injection
4	Clo-Ekarzin® 15 g	bethametasonum + clotrimazolum	Dermatological preparations Cream
5	Colistina Atb® 1.000.000 UI	sodium colistimethate	Antiinfectives for systemic use Powder for injection
6	Cutaben Bebe®	zinc oxide + titanium dioxide + ichthammol + Vital ET®	Dermatological preparations Emollient and protective cream
7	Cutaden®	ichthammol + hamamelis virginiana extract + sodium borate + zinc oxide + titanium dioxide	Dermatological preparations Emollient and protective cream
8	Fluocinolone N®	fluocinoloni acetoniidum + neomycini sulfas	Dermatological preparations Ointments

	Brand name	International Nonproprietary Name	Therapeutic class + Dosage form
9	Fluxiv®	diosminum + hesperidinum + troxerutin + acidum ascorbicum	Cardiovascular system Food supplement playing a role in the normal functioning of blood vessels Film-coated tablets
10	Hemorzon® ointments	tetracyclinum + hydrocortisonum + benzocainum	Cardiovascular system Antihemorrhoidal for topical use Ointments
11	Hemorzon® Suppositories	tetracyclinum + hydrocortisonum + benzocainum	Cardiovascular system Antihemorrhoidal for topical use Suppositories
12	Hidrocortizon Atb® 10 mg/g	hydrocortisonum	Dermatological preparations Ointments
13	Lisinopril Atb® 40 mg	lisinoprilum	Cardiovascular system Tablets
14	Nidoflor®	nystatinum + neomycini sulfas + triamcinoloni acetonidum	Dermatological preparations Cream
15	Nistatina Atb® 500.000 UI	nystatinum	Intestinal antiinfective drugs Film-coated tablets
16	Nistatina Atb® Pessaries 100.000 UI	nystatinum	Gynecological antiinfective drugs Pessaries
17	Oxacilina Atb® 500 mg and 1 g	oxacillinum	Antiinfectives for systemic use Powder for injection
18	Penicillin G potassium 1.000.000 UI and Penicillin G sodium 400.000 UI and 1.000.000 UI	benzylpenicillinum	Antiinfectives for systemic use Powder for injection
19	Piafen®	metamizolum natricum + pitofenonum + fempipramidum	Digestive tract and metabolism Tablets
20	Saliform Forte®	methylis salicylas + levomentholum	Musculoskeletal system Cream
21	Silithor®	silimarinum + L-methioninum + L-cisteinum	Digestive tract and metabolism Supplement alimentary hepatoprotector Capsule
22	Soriso®	rhodiola rosea + ocimum basilicum	Central Nervous System, Adaptive food supplement Film-coated tablets
23	Tetracilină Atb® 30 mg/g	tetracyclinum	Dermatological preparations Ointments
24	Triamcinolon S Atb® 1 mg/30 mg/g	triamcinolonum + chlorquinaldolum	Dermatological preparations Cream
25	Zifex Complex® Pessaries	metronidazolum + nystatinum + neomycini sulfas + hydrocortisonum	Gynecological antiinfective drugs Pessaries
Antituberculous drugs (Izoniazida Atb® 100 mg and 300 mg, Pirazinamida Atb® 500 mg, Cicloserina Atb® 250 mg, Sinerdol® (rifampicinum) 300 mg, Sinerdol® ISO (rifampicinum+izoniazidum))			

Financial evolution

Sales revenue in 2018 recorded the value of 364,576,466 LEI, higher by 8% compared to 2017 when the value was 336,904,666 LEI, this increase being the result of our sustained effort to strengthen our business.

Operating profit amounted to 39,312,791 LEI, higher by 5 % than the value of 37,325,063 LEI recorded in 2017.

After-tax profit recorded the value of 34,303,788 LEI, higher by 2% compared to 2017.

Evolution of main economic and financial indicators

(LEI)

	31.12.2017	31.12.2018	2018 / 2017
Sales revenue	336,904,666	364,576,466	1.08
Operating profit	37,325,063	39,312,791	1.05
Gross profit	35,361,430	35,088,611	0.99
Net profit	33,558,354	34,303,788	1.02
Fixed assets	236,350,512	325,669,381	1.38
Current assets, of which:	336,585,032	380,435,802	1.13
— receivables	264,212,743	313,094,458	1.19
— stocks	67,264,546	64,964,661	0.97
Total liabilities, of which:	156,057,704	233,377,868	1.49
— commercial debt	55,535,974	67,171,084	1.21
— bank loans	69,731,310	100,729,229	1.44
Total Assets	572,935,544	706,105,183	1.23
TOTAL CAPITALS	416,877,840	472,727,315	1.13
Average employee number	1,420	1,415	0.99
Labour productivity	237,257	257,651	1.09

(LEI)

		31.12.2017	31.12.2018
ROE (Return on equity)	= Net income / Shareholders' equity	8.0%	7.3%
ROA (Return on assets)	= Net profit / Total assets	5.9%	4.9%
EPS (LEI/Share)	= Net profit / Share	0.050	0.051
Net profit rate	= Profit / Sales revenue	10%	9,4%
General Liquidity	= Current assets / Current liabilities	2.5	2.1
Rapid liquidity rate	= (Current assets – Stocks) / Current liabilities	2.0	1.8
Degree of indebtedness	= Debt / Total Assets	26%	33%
No. of shares		671,338,040	671,338,040

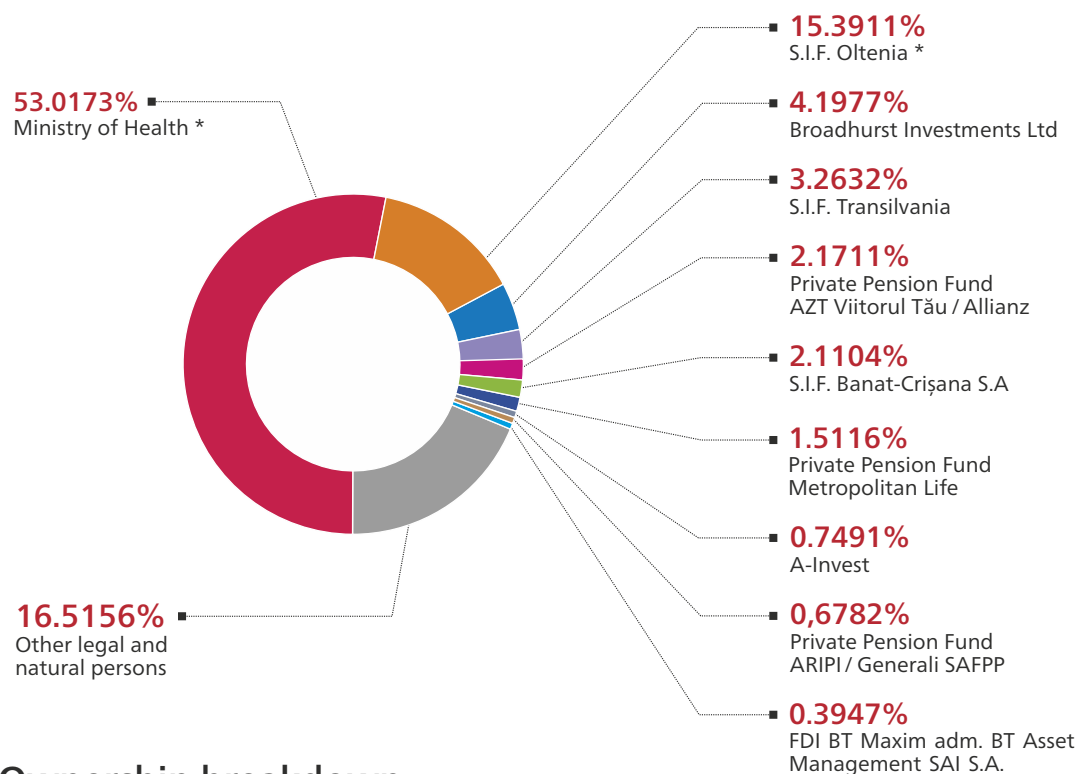
The company's main diagnostic indicators highlight the financial balance and continued concern of our company for its business efficiency and for adapting itself to changes in the business climate. So, the liquidity ratios were slightly higher than in 2017, the degree of indebtedness rising from 26% to 33%.

Evolution in the stock market

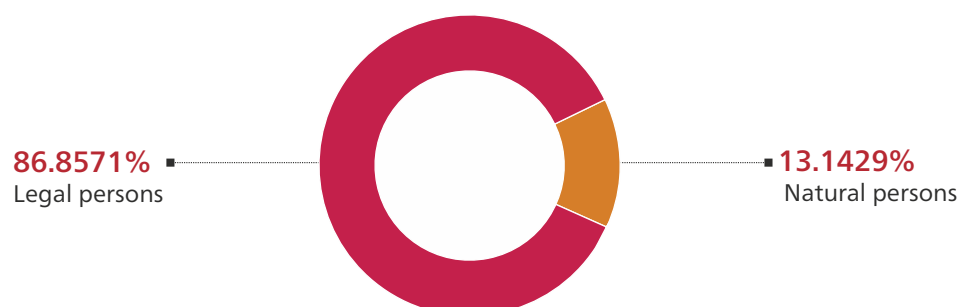
I. Investors (according to the Shareholders' Registry on 31.12.2018)

- > Ministry of Health (*) – 53.0173%,
- > S.I.F. Oltenia (*) – 15.3911%
- > Broadhurst Investments Limited – 4.1977%
- > S.I.F. Transilvania – 3.2632%
- > Private Pension Fund AZT Viitorul Tău/Allianz – 2.1711%
- > S.I.F. Banat-Crișana S.A – 2.1104%
- > Private Pension Fund Metropolitan Life – 1.5116%
- > A-Invest – 0.7491%
- > Private Pension Fund ARIPI/Generali SAFPP – 0.6782%
- > FDI BT Maxim adm. BT Asset Management SAI S.A. – 0.3947%
- > Other legal and natural persons – 16.5156%.

NOTE: (*) – Significant shareholders, according to Law no. 297 of 28.06.2004, Art. 2, Para. 1



II. Ownership breakdown



Dividend history (2014–2015–2016–2017)

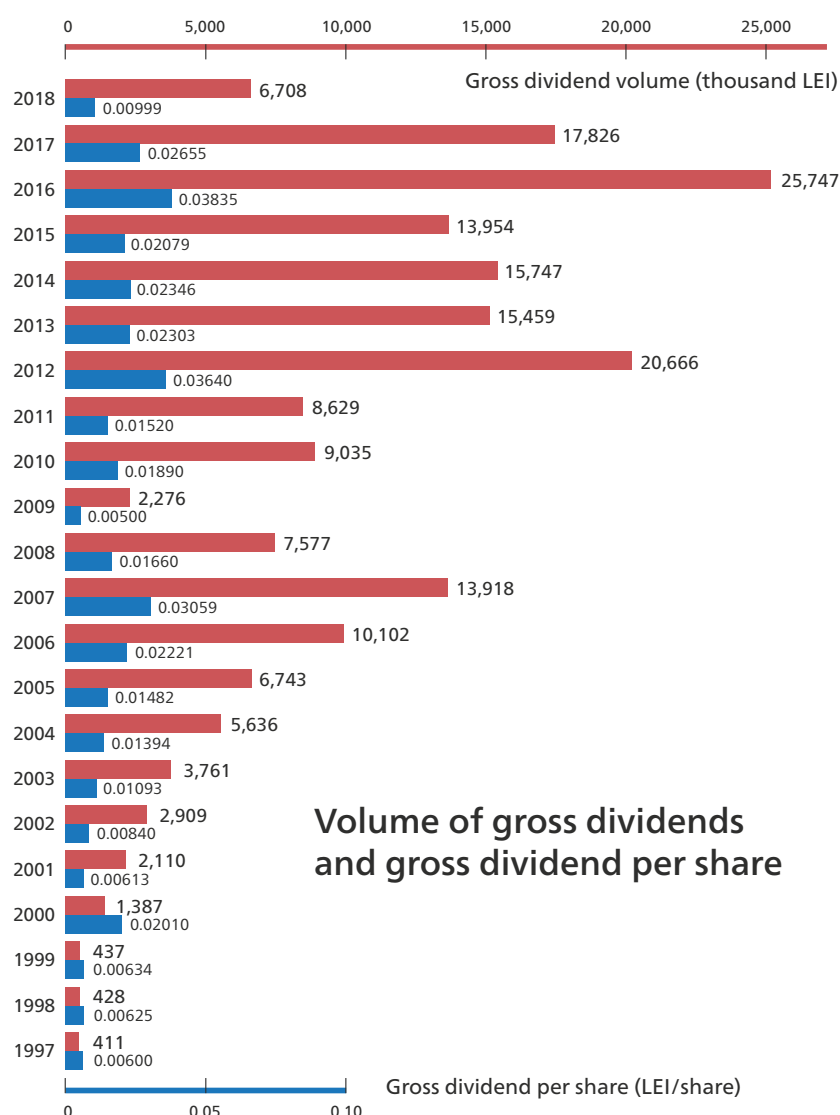
Period	Net dividends							Date on which the payment of dividends ceases
	Due	Paid (LEI)				Unclaimed dividends on 31.12.2018		
		Until 31.12.2017	01.01÷31.12 2018	Total	Total, %	LEI	%	
2014	15,061,293	13,939,429.39	26,266.58	13,965,695.97	92.73	1,095,597.03	7.27	22.10.2018
2015	13,753,343	12,620,174.10	33,033.48	12,653,207.58	92.00	1,100,135.42	8.00	in progress
2016	25,401,595	23,260,934.12	80,042.72	23,340,976.84	91.89	2,060,618.16	8.11	in progress
2017	17,588,679.97	–	16,093,548.70	16,093,548.70	91.50	1,495,131.27	8.50	in progress

In 2018, our company paid dividends for the fiscal years 2014, 2015, 2016 and 2017 amounting to 63,783.54 LEI.

Payment of dividends for the fiscal years 2014, 2015, 2016 and 2017 has been made through the Central Depository Bucharest and, implicitly, through the CEC Bank.

Antibiotice in the securities market

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

The first transaction was recorded 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 company's business plans and financial results represent a solid guarantee that Antibiotice has consolidated its position in the national pharmaceutical market.

The Antibiotice (ATB) shares traded on the Bucharest Stock Exchange are included in the BET-Plus index which comprises the Romanian companies listed on the BVB market that meet the minimum selection criteria. The financial investment companies are excepted.

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

In 2018, the minimum price of the ATB share had the value of 0.4550 LEI. The share price rose to the maximum value of 0.5780 LEI/share.

Stock market capitalization of Antibiotice on December 31, 2018 (the last trading day of the year) was 326,942 thousand LEI.

Antibiotice shares – ATB / Regular market

	2014	2015	2016	2017	2018
Number of shares	671,338,040	671,338,040	671,338,040	671,338,040	671,338,040
Stock market capitalization (thousand LEI)*	390,719	357,152	349,096	361,180	326,942
Stock market capitalization (thousand EUR)*	87,173	78,868	76,875	77,511	70,100
Stock market capitalization (thousand \$)*	105,978	86,167	81,123	92,813	80,259
Total traded value (million LEI)	16	11	6	12	9
No. of traded shares	27,467,454	18,844,935	12,555,866	21,113,565	17,109,263
Opening price (LEI/share)	0.5520	0.5850	0.5320	0.5200	0.5780
Maximum price (LEI/share)	0.6170	0.6170	0.5420	0.5920	0.5780
Minimum price (LEI/share)	0.5410	0.5240	0.4200	0.5200	0.4550
Price at the end of the period (LEI/share)	0.5850	0.5320	0.5270	0.5380	0.4870
Average price (LEI/share)	0.5845	0.5836	0.5032	0.5585	0.5028
Earnings/share (LEI/share)**	0.0464	0.0405	0.0452	0.0500	0.0511
Gross dividend/share (LEI/share)***	0.0235	0.0197	0.0384	0.026552598	0.009991506
Dividend yield****	4.03%	3.69%	4.05%	4.59%	2.05%
Dividend distribution rate*****	51%	49%	52%	53%	20%

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

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

*** Proposed dividend

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

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

In 2018, a number of 17,109,263 shares were traded, amounting to 8.6 million LEI (1.8 million EUR, 2.2 million \$), with an average price of 0.5028 LEI/shares.

In accordance with the Chapter VI, Section 2, Art. 92 – the BVB Code, our company's financial communication schedule for 2018 was:

Events	Date
> Presentation of preliminary annual financial results – 2017	14.02.2018
> General Meeting of Shareholders for approving the annual financial results – 2017	26/27.04.2018
> Presentation of the Annual Report – 2017	27.04.2018
> Presentation of Quarterly Reports:	
Quarter I 2018	14.05.2018
Quarter III 2018	14.11.2018
> Meeting with the investors and analysts – Presentation of Q I Report 2018	17.05.2018
> Presentation of the Half-Year Report 2018	14.08.2018
> Meeting with the investors and analysts – Presentation of H I Report 2018	27.09.2018

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Actions and Results in 2018

Developing our business internationally

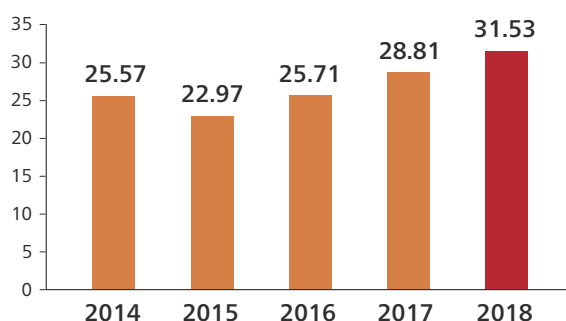
Our sales in foreign markets maintained the upward trend of recent years, recording a value of **31.5 million USD in 2018.**

The active substance Nystatin represents 52% of the export value, higher by 10% compared to 2017. The product is sold as standard and micronized Nystatin, being used by manufacturers from over 50 countries as raw material for the manufacture of tablets, oral suspensions, topical preparations (creams, ointments) and pessaries.

The compliance with the requirements of pharmacopoeia, international quality certifications (FDA and CoS – Certificates of Suitability issued by EDQM) as well as the solid partnerships developed over time have enabled the company to become the world's leading manufacturer of Nystatin. Starting with 2017, Nystatin manufactured by Antibiotice has become a USP reference standard.

In a medium term, the Antibiotice's objective is to strengthen its worldwide leading position by continuously improving the product and increasing its market share in the regulated territories from America, Europe and Australia.

Export evolution 2014–2018
(million USD)



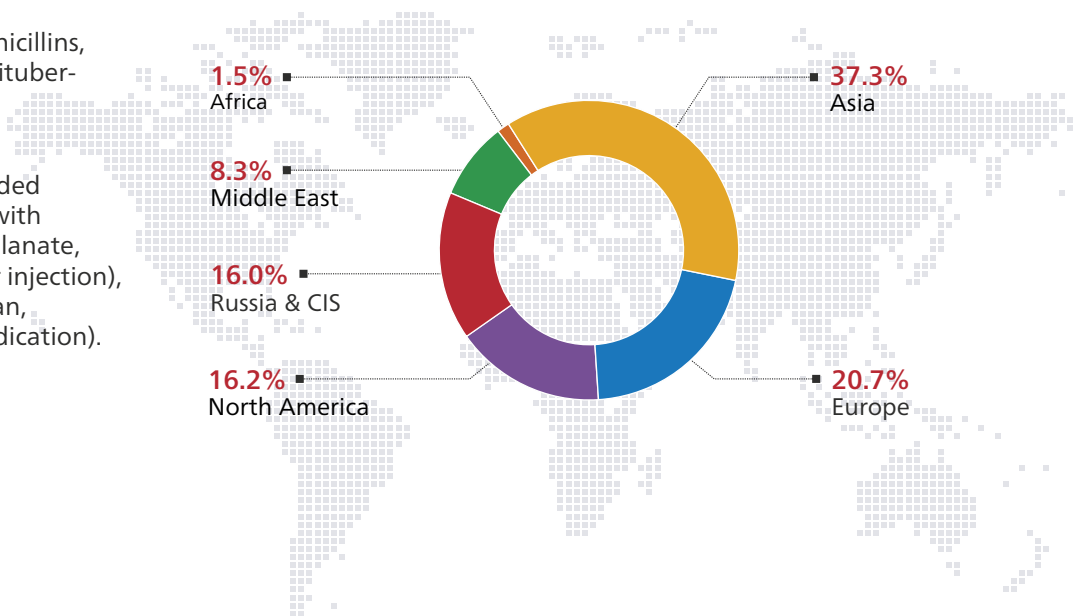
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Market expansion strategy

Through the EU-GMP and FDA certifications, Antibiotice has imposed itself in the international market as a manufacturer of beta-lactam penicillins, sterile powders for injection, antituberculous, cardiovascular and dermatological medicines.

The following products are included in the top selling list: Ampicillin with Sulbactam, Ampicillin with Clavulanate, Nafcillin, Ampicillin (powders for injection), Bisoprolol, Nebivolol, Candesartan, Rosuvastatin (cardiovascular medication).

**Finished product portfolio –
Market expansion policy**



31.5
million USD –
export turnover

In 2018, Antibiotice inaugurated its third international representative office in Ukraine, an emerging market with an annual growth rate of over 15%.

Through this territorial expansion strategy, the company expands its area of development in Russia – CIS area for the finished product portfolio. Starting with 2020, the first brand products will be launched within the partnerships with distributors and local pharmacy chains.

This representative office joins the ones opened in the previous years in Vietnam and Republic of Moldova which are successful models of implementing an organic growth strategy in a territory, taking advantage of the market opportunities through product, promotion and distribution policies.

In parallel, our company has established some collaborations in new African markets such as: Tunisia, South Africa, Ethiopia and Southeast Asia – the Philippines and Hong Kong -prerequisites for developing our business starting with 2020.

In the long run, the development of our business in international markets is a strategic priority of the company.

Business internationalization is characterized by a high degree of complexity that requires adapting the approaches, trade policies and product portfolios to the target markets to maximize the benefits and opportunities of foreign markets.

Market expansion strategy for the finished products is built around the following targets:

- > to strength our presence in the current markets;
- > to be included in the top 10 world producers of beta-lactam penicillins and dermatological preparations;
- > to pursue a vertical integration strategy by registering our new products in the current markets in the US, South-East Asia and Russia-CIS;
- > to pursue also a horizontal integration strategy by accessing new territories, especially the regulated markets in Europe or emerging markets in Asia and Middle East;
- > to initiate partnerships for developing products in co-operation, co-marketing, promotion, in-licensing and out-licensing.

International promotion

In 2018 Antibiotice participated for the sixteenth time at the Cphl Worldwide Fair held in Frankfurt. The fair brought together 2,500 exhibitors from 150 countries and was visited by 36,000 visitors, specialists in the pharmacy industry. The purpose of our attendance was to negotiate and develop existing partnerships as well as new business projects for both the export of finished pharmaceutical dosage forms and the active substance Nystatin.

Towards a sustainable and marketable portfolio through an increased product innovation

Evolution of pharmaceutical market in Romania

In 2018, the value of medicines released to patients was 16.07 billion LEI, higher by 13.8% compared to 2017. In terms of quantity, the market grew by 5.9% compared to the previous year.

In terms of prescribing, the pharmaceutical market is dominated by prescription medicines (RX), accounting for 78% of total value sales and 66% of total consumption of medicines in Romania. This product category recorded a 13.6% increase, from 11 billion LEI in 2017 to 12.5 billion LEI in 2018.

Isolating the impact of cost-volume-result (CVR) and cost-volume (CV) programs, the value of prescription medicines released from pharmacies increased by 8.2% compared to 2017.

The population's increased interest in prevention, health care and maintaining quality of life has led to a higher consumption of OTCs and dietary supplements, this segment reaching in the last year an average rate of 14.4%. The value of OTC medicines released from pharmacies was 3.55 billion LEI, representing 22.1% of the total market value.

The main selling segment in the Romanian pharmaceutical market is represented by the open-circuit pharmacies which represent 88% of total sales and which grew by 14% in 2018 compared to 2017. The segment of closed-circuit pharmacies increased by 11.4% compared to the previous year.

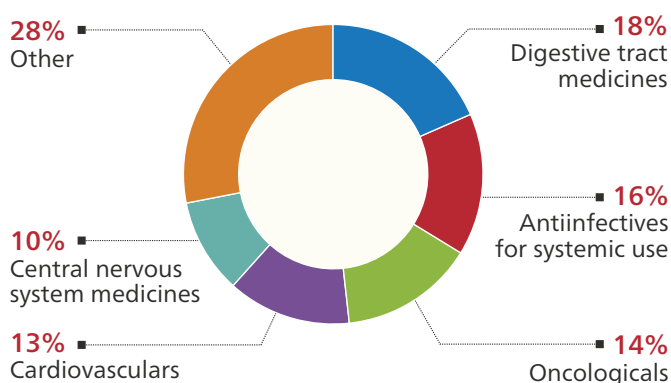
In the Romanian pharmaceutical market, original medicines have a significant share in terms of value (58.3% of total sales),

but in terms of volume, most medicines consumed are generics and OTCs (74.9%).

The first five therapeutic classes in the Romanian market, taking into account the share of value sales are: digestive tract medicines, antiinfectives for systemic use, oncologicals, cardiovasculars and central nervous system medicines.

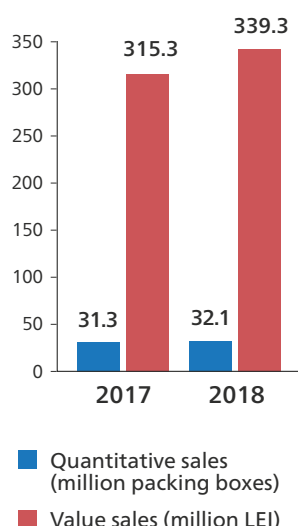
Cumulatively, the first classes accounts for 72% of total value sales in Romania.

Share of sales in Romania by pharmaceutical classes



Antibiotice in the Romanian pharmaceutical market

Evolution of Antibiotic sales in 2017–2018



Antibiotice recorded a 7.4% increase in the sales in pharmacies and hospitals compared to 2017, amounting to 339.3 million LEI.

The retail pharmacy segment grew by 7.3% compared to the previous year, from 236.3 million LEI to 253.5 million LEI while the hospital segment recorded a 7.9% increase, from 79.5 million LEI in 2017 to 85.8 million LEI in 2018.

The main therapeutic classes with significant increases in value compared to 2017 are: Antiinfectives (+5.5 million LEI), Cardiovasculars (+7.5 million LEI), Digestive tract medicines (+1 million LEI), Dermatologicals (+2.1 million LEI), Central Nervous System medicines (+4.3 million LEI) and Muskuloskeletal System medicines (+2.1 million LEI). These increases were generated both by the contribution of new products and by the positive evolution of the company's top products.

The products from our company portfolio that generated more than 1 million LEI in 2018 were: Fluxiv® range (+4.3 million LEI), Meropenem® for injection, range (+2.4 million LEI), Ampiplus® (+1.9 million LEI),

Nolet® (+1.9 million LEI), Glicerina Atb® range (+1.9 million LEI), Colistina Atb® (1.8 million LEI), Sprinten® (+1.7 million LEI), Memantina Atb® range (+1.6 million LEI).

In 2018, Antibiotice maintained its leading position in the segment of generics and OTCs traded in hospitals, with a 18.01% market share, slightly higher than in the previous year.

In the generics and OTCs segment, Antibiotice ranked third, with a 5.1% market share, while in terms of total pharmaceutical market, it ranked 16th, with a 2.11% market share.

Through its portfolio sold in 2018, Antibiotice maintained its leading position in terms of indivisible units sold on the segment of ointments (26.3% market share), suppositories (42.1% market share), injectable powders (71.9% market share).

In the top of non-prescription medicines (OTCs) and dietary supplements, Antibiotice ranked 13th in a total of 221 companies, higher by one position compared to 2017. In 2018, the percentage of growth recorded by Antibiotice in this segment was 14.4%.

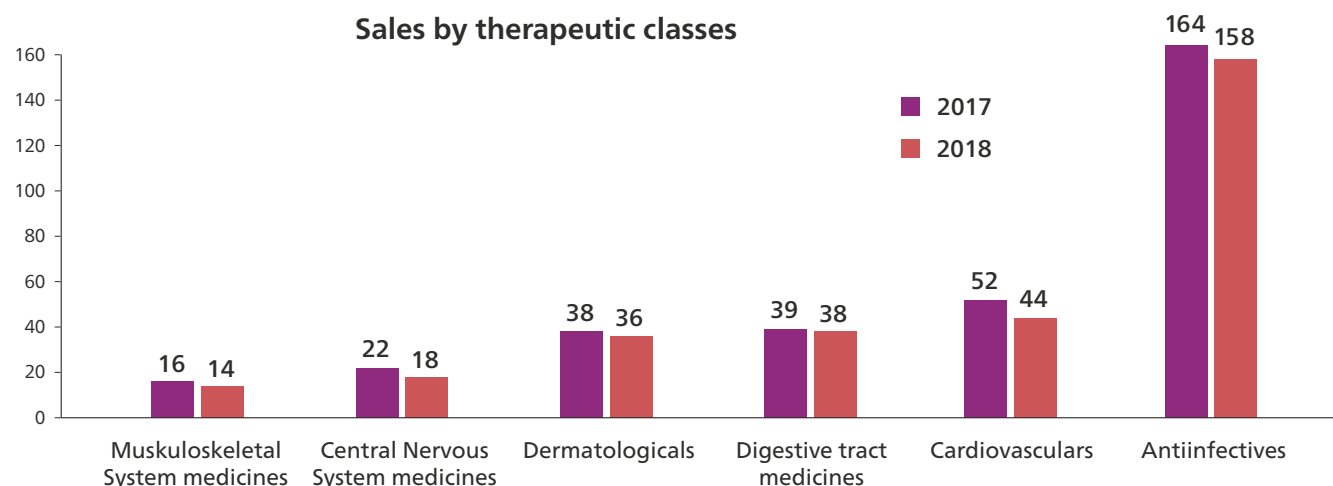
The share of OTC medicines in the sales in pharmacies and hospitals grew in 2018 to 20.3% (19% in 2017, 16% in 2016, 13% in 2015), the high performing products being the range Fluxiv®, Sprinten®, range Glicerina Atb®.

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Sales channel	Value in distribution price		Δ2018 / 2017	Value share	
	2017	2018		2017	2018
Hospital pharmacies	79.5	85.8	7.9%	25.2%	25.3%
Retail pharmacies	236.3	253.5	7.3%	74.8%	74.7%
Total	315.9	339.3	7.4%	100.0%	100.0%

Data source: Cegedim 2018

Sales by therapeutic classes



In 2018, the Antibiotic product portfolio was enriched as follows:

- > extension of some ointment ranges with high volume packaging of 50 g and 100 g for the antirheumatics Clafen® and Saliform Forte® and 100 g for the brand Cutaden Bebe®;
- > a line extension for the brands Fluxiv® cream and Clobetazol Atb® cream;
- > **Tinero® gel**, anti-acne cosmetic product, Dermatological preparations class;
- > **Betahistină Atb®**, anti-vertigo product, Central Nervous System Class.

The distribution and sales activity is complemented by the medical promotion of the products in the portfolio. Our company's promotion actions aimed at increasing the company brand awareness, product brands, loyalty of the target audience and an increased market share. Among them we mention:

- > Participation in the most important national and regional scientific events;
- > Organizing working meetings with independent pharmacies and mini-chain pharmacies;
- > Launching the social responsibility program "Antibiotics of the 3rd Millennium" by bringing together local and interna-

Share of sales of OTC and Rx medicines to pharmacies and hospitals

- million LEI - Type of prescription	Value in distribution price		Δ2018 / 2017	Value share	
	2017	2018		2017	2018
OTC medicines	60.4	69.0	14.4%	19.1%	20.3%
Rx medicines	255.5	270.3	5.8%	80.9%	79.7%
Total	315.9	339.3	7.4%	100.0%	100.0%

Data source: Cegedim 2018

tional experts as well as professionals who consistently support the judicious use of antibiotics;

- > Social media campaigns for Cutaden Bebe®, Sprinten®, Fezivit C® for the general public;
- > National radio campaigns for Spaverin®, Sprinten®, Fezivit C® which aimed at increasing the reputation of our product brands;
- > Risk awareness campaign run in the pharmacies for the chronic venous insufficiency – for promoting the product Fluxiv;
- > Merchandising campaigns for our products on the shelves of open circuit pharmacies.

Research & Development for adapting and consolidating, in the long run, our portfolio

In 2018, the anti-infectives and cardiovascular portfolios, representative both nationally and internationally for Antibiotics were enriched with a new product from the beta-lactam antibiotic class in combination with beta-lactamase inhibitors (in two concentrations) – Perasin® 2.25 g and 4.5 g and a selective beta blocker Nolet®, for which the decentralized authorization procedures were initiated in 2016 (Romania and EU member countries). Two new cosmetic products, Tinero® and Fluxiv cream were notified in 2018.

The international expansion took shape in 2018 by obtaining 39 new Marketing Authorizations for medicines and notifications for dietary supplements in 8 countries in Asia, Africa, CIS area and Europe.

We maintained our current portfolio by updating the authorization documentation for both the internal and external markets (7 national re-authorization procedures were completed and 21 products were internationally reauthorized).

The Research & Development activity have had as main objectives the development

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MAAs and
Notifications
in 8 countries
from Asia,
Africa, CIS
and Europe

of new products and optimization of the existing ones (topicals, tablets, capsules, injectables and new pharmaceutical dosage forms), products included in the the company's strategic development directions and in line with the sales plan by 2025.

The products included in the future portfolio are developed by a multidisciplinary, professional team, with a high expertise, made up of specialists from various fields such as pharmacy, chemistry, biology, chemical and physical engineering.

The research pipeline in 2018 included 33 projects, of which: solid oral dosage forms (18 projects), medicines for injections (5 projects) and topical dosage forms (10 projects) in different stages of development, covering the therapeutic classes that define our company's portfolio: oral anti-infectives, injectable anti-infectives, dermatologicals, cardiovasculars, non-steroidal anti-inflammatory medicines, medicines for digestive system and for women's health. One of our goals is to strengthen the portfolios of dietary supplements, cosmetics and prophylaxis products.

As an integral part of the Research & Development activity, Biotechnology Research was geared towards identifying the stability conditions of the product Nystatin, in parallel with works for maintaining the strains in the company's industrial culture collection laboratory.

In order to maintain the current portfolio, we have aligned ourselves to the changes in pharmacopoeias in force for a number of 11 products from our portfolio and we updated the authorization documentation for an injectable product with a view to launching it in the international markets.

Center for Clinical Studies

Clinical studies

In 2018, our Center for Clinical Studies conducted two clinical bioequivalence studies, one of them for an Antibiotice product, the other one for an external sponsor. Our specialists also initiated the procedures for other clinical studies (they elaborated Study Protocols, submitted the documentation to the National Agency for Medicines and Medical Devices and National Bioethics Commission for Medicines and Medical Devices in order to obtain approvals for conducting studies) for another two products, a product from our own portfolio and one for an external sponsor.

Inspections and certifications

The Center for Clinical Studies was ISO recertified in 2018.

Farmacovigilance and portfolio management

Continuous monitoring of efficacy and safety in administration of Antibiotice medicinal products, proactive activities and management of risks throughout the lifecycle of each medicine are conducted by the Pharmacovigilance Department which is connected to the European data processing network for monitoring the safety of medicines – EudraVigilance.

In 2018, Antibiotice established the Portfolio Management Department aiming at creating a solid and systematic process of designing and planning new products for expansion markets.

Upgrading and streamlining the manufacturing flows

The 2018 production amounted to 525 million pharmaceutical units formulated as tablets, capsules, parenterals, topicals (ointments, creams, gels), suppositories and pessaries, higher by 3 million pharmaceutical units compared to 2017.

Our company produced also the active substance Nystatin, exceeding the 2017 production by 4 %.

The total production value in 2018 was 326.2 million LEI, higher by 12.7% compared to the previous year.

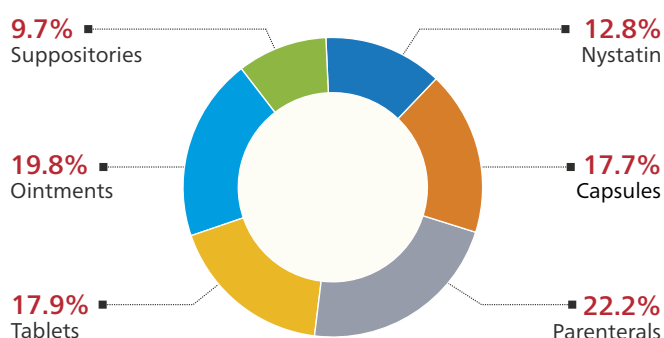
The value of production for export (Nystatin and finished products) was higher by 13% in 2018 compared to 2017, representing 28% of the total value of products manufactured by our company. Parenteral products for export represented 36% of the total value of products for foreign markets, higher by 5% compared to 2017.

Through the environmental protection program, actions have been taken to reduce emissions of volatile organic substances during the extraction phase of Nystatin and the specific consumptions of solvents in the technological process.

New filling and packaging equipment were introduced in the manufacturing plants, leading to a 22% increase in the work productivity.

Our permanent concern in 2018 was to introduce in the manufacturing flows the equipment for the serialization of the prescription finished products, in accordance with the Directive 2011/62/EU and start the serialization process.

Value distribution of production made in 2018
(% of the total production value)



New products in 2018

- > Antiinfectives for systemic use: **Perasin®** 2.25g and 4.5 g (Piperacillin with tazobactam);
- > Topical preparations for joint and muscle pains, in high doses: **Saliform® forte**, cream, 50 g and 100 g (Methyl salicylate);
- > Cosmetics: **Fluxiv® tonic cream**, 20 g, 40 g and 100 g (Troloxerutin), **Tinero®** (Nicotinamide) gel, 15 g and 40 g.

Sustainable development through investments

We invest in the future and we also anchor ourselves firmly in the areas that have always defined us. Our vision for the future aims to maintain our status as a partner of the Romanian health system and our recognition as the leading manufacturer of antiinfective and dermatological products. To this end, we continue to invest in new production facilities, endow laboratories and streamline processes.

In concrete terms, in 2018, our objectives included in the investment program took into consideration:

- > construction of a greenfield production unit for manufacturing topicals and suppositories, which can be EU-GMP and FDA certified (project in progress);
- > upgrading the existing manufacturing flows;
- > implementing the serialization system to combat counterfeit medicines, in accordance with the norms of the Directive 2011/62 EU and Regulation 161/2016;

- > optimizing the consumptions of energy and other utilities

The contracted value of investment objectives in 2018 amounted to 103,261 thousand LEI, from which 75,295 thousand LEI represent objectives achieved in full and the rest of 27,966 thousand LEI represent investments in progress, estimated to be completed by the end of 2019. As regards the investments under execution, the highest share (22,607 thousand LEI) represents equipment, clean rooms and utility installations for the new Ointment & Suppository Plant.

The main investments in 2018

A new manufacturing capacity for ointments and suppositories

The greenfield investment in a new, modern capacity for manufacturing topicals and suppositories is part of the company's long-term strategic development plan. Being a producer with a rich tradition, ranking on the top positions in Romania in this segment (leader in quantitative terms in the segment of ointments, creams and suppositories), Antibiotice aims at extending its presence both in the European markets and those in North America, Africa and Asia.

The future manufacturing plant (estimated to be completed in 2020) will cover 2,500 square meters and will have a double production capacity compared to the current plant. To ensure the manufacturing of medicines to internationally recognized standards, the production process will have to be carried out on state-of-the-art facilities equipped with high performing equipment and critical utilities to meet the current Good Manufacturing Practice (GMP) standards applicable in Europe and North America.

The first stage of this investment completed in 2017 consisted of the construction of the manufacturing plant and technical-administrative building.

In 2018, we developed the second stage of this important investment, which involved the contracting of international companies, highly skilled in performing the following:

- > design and construction of clean rooms and related installations;
- > design and construction of utility installations: compressed air system, industrial cold system, electricity supply, purified water system, cold water supply system (industrial cold), demineralized water supply, steam supply, technological hot water, drinking water, thermal station;
- > assembly of technological equipment correlated with the assembly of the clean rooms and all the installations.

New equipment for the manufacturing plants, quality control and research laboratories

State-of-the-art manufacturing and laboratory equipment was purchased, with increased productivity and high operational safety for upgrading manufacturing flows, research and quality control laboratories.

The new manufacturing equipment replaced the equipment with significant physical wear which generated high maintenance costs and low productivity. The purchase of modern laboratory equipment was required by the continuous revisions of pharmacopoeial monographs and increased accuracy of analysis methods in the pharmaceutical laboratories.

Acquisition of serialization equipment to combat counterfeiting

Starting with 2019, all manufacturers that release prescription pharmaceutical products (Rx) in the domestic and European markets have to comply with the provisions of the Directive 2011/62/EU designed to prevent the entry into the legal supply chain of falsified medicinal products.

In order to align with the new rules and having export interests also in the North American market which is subject to similar laws, Antibiotice invested significantly in serialization equipment and software for the finished product warehouse and all the existing manufacturing flows – sterile injectable powders, tablets, capsules, topicals. The serialization equipment ensures application of the safety features and individualization of each box of medicines so that it can be identified on the distribution chain, from the manufacturer to pharmacies and hospitals.

The total amount invested in this project, conducted in the period 2016-2018 was about 4.4 million EUR, including the acquisition of equipment, software, internal computer networks, serialization services and space planning.

Intelligent Energy Monitoring System

The implementation of the project Monitoring Energy Consumption of Industrial Consumers, co-financed by European funds through the Large Infrastructure Operational Program 2014-2020, was finalized in 2018.

Specifically, the project consisted of installing 160 counters, linked through optical fiber to a central computer for measuring and monitoring the consumption of electricity, natural gas and compressed air.

The project had a total value of 238,000 EUR, from which 84% represented financing from European non-reimbursable funds. The overall objective of this project is to reduce by 1 %, on average the specific energy consumption (kgep/1000 EUR) in our company, in a 5-year period after implementing the project.

By monitoring the consumption through the new smart metering system we will be able to propose strategies to decrease the energy, gas and compressed air consumption.

Optimizing the operating costs and increasing the operating efficiency

Economic and financial analysis

In 2018, following its strategic objectives with a special emphasis on the business internationalization, Antibiotice marked an 8% increase in the sales revenue (27,671,799 LEI) compared to 2017. This increase is mainly due to sales in the international market, which recorded values higher by 6 %. Our company recorded also a net profit higher by 2% compared to 2017, reaching the value of 34,303,788 LEI.

The 2018 financial results reflect a wide-ranging activity management program meant to reduce the considerable impact generated by the clawback tax which increased by 25% compared to 2017, reaching the value of 36,484,667 LEI.

The production made in 2018 was higher by 13% compared to the previous year and determined expenditures with raw materials and consumables higher by 9%, an increase caused also by the increase in import prices for acquisitions.

In 2018, faithful to a responsible employer policy, our staff expenses were higher by 6% compared to 2017 as a result of wage increases made in 2017 with effect in 2018.

Amortization and depreciation expenses increased by 18% as a result of the commissioning of the equipment purchased according to the investment plan, for modernizing the company's activity.

Other operating expenses recorded a 8% increase due to the increase in the clawback tax up to 36,484,667 LEI and due to the increased utility tariffs in 2018 (electricity 29%, methane gas 7%, water 6%).

Operating profit recorded the value of 39,312,791 LEI, higher by 5% compared to 2017 and the after-tax profit was 34,303,788 LEI, higher by 2% compared to the previous year.

8%

Sales revenue
in 2018
higher by 8%
comparative
with 2017

(LEI)

	Financial year		2018/ 2017
	31.12.2017	31.12.2018	
Sales income	336,904,666	364,576,466	1.08
Other operating income	37,796,667	45,405,000	1.20
Income related to the cost of product stocks	4,235,363	-1,259,715	-0.30
Income generated by the entity and capitalized	1,850,831	3,489,144	1.89
Expenditure on raw materials and consumables	127,072,000	138,844,375	1.09
Staff costs	85,897,194	90,864,735	1.06
Amortization and depreciation expenses	17,098,098	20,237,870	1.18
Other operating expenses	113,395,172	122,951,124	1.08
Operating profit	37,325,063	39,312,791	1.05
Net financial income	-1,963,633	-4,224,180	2.15
Pre-tax profit	35,361,430	35,088,611	0.99
Income tax expenses	1,803,076	784,823	0.43
Profit	33,558,354	34,303,788	1.02

Assets

The 2018 current assets were higher than the short-term liabilities while the permanent capital (equity + long-term liabilities) exceeded the fixed assets, this proving that our company met the principle of aligning the maturity of assets and liabilities.

- > **Fixed assets** recorded a 38% increase compared to the previous year as a result of both the investment process in 2018 and the reevaluation of the buildings (according to the Fiscal Code Art. 460 and Company's Accounting Policy).
- > **Inventory** value slightly decreased by 3%; the stocks are managed according to the regulations established within our company.
- > **Receivables** increased by 18%, of which the trade receivables related to the turnover increased by 14%, the difference representing advance payments for the acquisition of fixed assets according to the investment plan.

Liabilities

The financing policy for the investments made within our company in 2018 led to a 32% growth in the current liabilities, from 135,386,417 LEI to 178,917,540 LEI, influencing the economic indicators as follows:

- > an increase in indebtedness degree (amounts owed to credit institutions/equity) from 17% to 27%, up to the level budgeted at the beginning of the year;
- > a 13% increase in equity compared to 2017;
- > a supraunitary current liquidity (2.12), which falls within the recommended limits.

(LEI)

	31.12.2017	31.12.2018	2018/ 2017
ASSETS			
FIXED ASSETS			
Tangible assets	223,242,890	310,640,665	1.39
Intangible assets	13,107,622	15,028,716	1.15
TOTAL FIXED ASSETS	236,350,512	325,669,381	1.38
CURRENT ASSETS			
Stocks	67,264,546	64,964,661	0.97
Trade and other receivables	264,212,743	313,094,458	1.18
Cash and cash equivalents	5,107,743	2,376,682	0.47
TOTAL CURRENT ASSETS	336,585,032	380,435,802	1.13
TOTAL ASSETS	572,935,544	706,105,183	1.23
LIABILITIES			
CURRENT LIABILITIES			
Trade and similar liabilities	55,535,974	67,181,084	1.21
Amounts owed to credit institutions	69,731,310	100,729,229	1.44
Tax and current tax liabilities	9,792,887	10,421,393	1.06
Investment subsidies	326,246	637,008	1.95
TOTAL CURRENT LIABILITIES	135,386,417	178,958,714	1.32
LONG-TERM LIABILITIES			
Investment subsidies	2,498,889	2,489,791	1.00
Deferred tax	18,172,398	25,266,930	1.39
Amounts owed to credit institutions		26,662,433	
TOTAL LONG-TERM LIABILITIES	20,671,287	54,419,154	2.63
TOTAL LIABILITIES	156,057,704	233,377,868	1.50
SHARE CAPITAL AND RESERVES			
SHARE CAPITAL	264,835,156	264,835,156	1.00
Revaluation reserves	14,556,141	53,459,596	3.67
Legal reserves	13,426,761	13,426,761	1.00
Other reserves	162,134,513	190,422,002	1.17
Reported result	-71,633,085	-83,719,989	1.16
Current result	33,558,354	34,303,788	1.02
TOTAL EQUITY	416,877,840	472,727,315	1.13
TOTAL ASSETS AND LIABILITIES	572,935,544	706,105,183	1.23

		31.12.2017	31.12.2018
ROE (Return on Equity)	= Net profit/Equity	8.05%	7.26%
ROA (Return on assets)	= Net profit/Total Assets	5.86%	4.86%
EPS (LEI/shares)	= Net profit/share	0.050	0.051
Net Turnover Rate	= Profit/Sales income	9.96%	9.41%
General Liquidity	= Current assets/Current liabilities	2.54	2.12
Fast Liquidity Rate	= (Current assets-Stocks)/Current liabilities	2.02	1.76
Degree of indebtedness	= Liabilities/Total assets	25.94%	33.05%
No. of shares		671,338,040	671,338,040

Amounts owed to credit institutions

Amounts owed to credit institutions at 31.12.2018

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 at December 31, 2018	40,398,127 LEI
Guaranties	Mortgage contract for buildings, land / Contract for assignment of receivables

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

Objective	Investment loan
Amount	15,406,300 EUR
Maturity	02.05.2028
Balance at December 31, 2018	5,709,266.17 EUR (26,627,446.49 LEI)
Guaranties	Mortgage contract for buildings, land / Contract for assignment of receivables

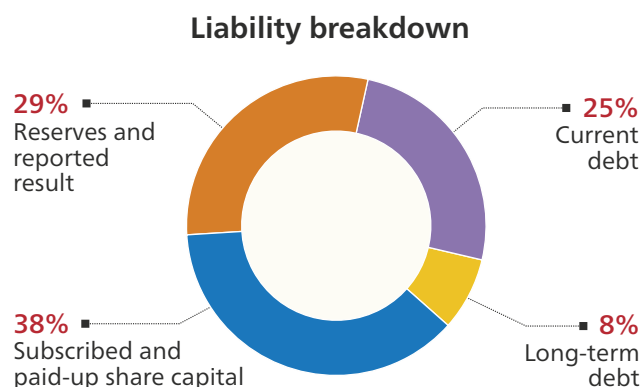
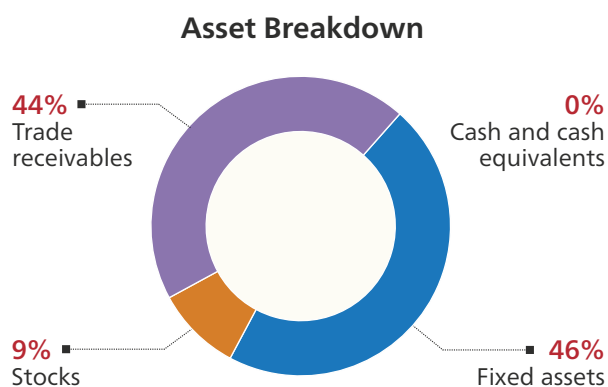
Short-term contract no. 12/01.07.2013 concluded with Export-Import Bank of Romania – EXIMBANK S.A.

Objective	Credit line – working capital
Amount	30,000,000 LEI
Maturity	26.06.2019
Balance at December 31, 2018	24,158,985.50 LEI
Guaranties	Mortgage contract for buildings, land / Contract for assignment of receivables

Short-term contract no. 12239/22.05.2012 concluded with ING BANK N.V. Amsterdam – Romania Branch

Objective	Credit line – working capital
Amount	9,500,000 EUR
Maturity	22.05.2019
Balance at 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)
Guaranties	Mortgage contract for buildings, land / Contract for assignment of receivables

Antibiotice SA did not lodge guarantees and did not pledge or mortgage its own assets to guarantee certain obligations in favor of a third party.



Cash flow

Cash and cash equivalents at the beginning of the period were -64.62 million LEI, representing credit lines amounting to 69.73 million LEI, of which 5.1 million LEI remained available in the bank accounts from the same credit lines. Cash receipts from operating activities were 342.16 million LEI. Cash payments to suppliers of goods and services were 196.18 million LEI, and those to and on behalf of employees were 82.49 million LEI.

Payments of 64.6 million LEI were made for purchasing fixed assets. Our company also paid 6.73 million LEI, representing income tax, VAT, local taxes and bank interest and 35.89 million LEI representing contributions to the Ministry of Health (clawback tax).

Our company paid dividends under financing activities amounting to 16.23 million LEI.

At the end of the period, the cash and cash equivalents were -98.35 million LEI representing credit lines for the current activity (100.72 million LEI) of which 2.37 million LEI remained available in the bank accounts from the same credit lines. Our company did not record obligations not paid on time to the state and local budget.

Cash flows

(LEI)

	31.12.2018	31.12.2017
I. Cash flows from operating activities		
Cash receipts from the sale of goods and the provision of services	342,163,055	313,461,633
Cash receipts from royalties, fees, commissions and other income	507,166	(9,827,652)
Cash payments to suppliers of goods and services	(196,684,926)	(169,526,601)
Cash payments to and on behalf of employees, payments made by the employer in connection with the staff	(82,487,294)	(77,395,419)
Value Added Tax Paid	–	(2,667,613)
Contributions to the Ministry of Health and Ministry of Environment	(35,898,778)	(28,427,073)
Other taxes, fees and assimilated payments	(865,883)	(1,635,017)
Operating cash flow	26,733,341	23,982,258
Interest received	4,991	4,287
Interest paid	(3,474,486)	(1,252,021)
Profit tax paid	(2,400,279)	(3,328,251)
Net cash flows from operating activities	20,863,568	19,406,273
II. Cash flows from investment activities		
Cash payments for the acquisition of land and fixed assets, intangible assets and other long-term assets	(64,596,506)	(43,312,921)
Net cash from investing activities	(64,596,506)	(43,312,921)
III. Cash flows from financing activities		
Proceeds from long-term loans / repayments	26,627,446	–
Dividends paid	(16,235,156)	(13,660,457)
Net cash flows from financing activities	10,392,291	(13,660,457)
Gains / losses from exchange rate differences	(388,333)	(253,181)
Net increase / (decrease) in cash	(33,728,980)	(37,820,285)
Cash and cash equivalents at the beginning of the period	(64,623,567)	(26,803,281)
Cash and cash equivalents at the end of the period	(98,352,547)	(64,623,567)
Cash and cash equivalents at the end of the period, include:		
Bank accounts and cash	2,376,682	5,107,743
Credit lines	(100,729,229)	(69,731,310)
	(98,352,547)	(64,623,567)

Imports of raw materials

Acquisitions of raw materials, packaging and finished products are a support activity on the value chain of our company, with specific objectives. These include monitoring the procurement structures and negotiating the prices on raw materials and goods, managing relationships with suppliers of raw materials and goods by negotiating contracts (supply contracts based on quality specifications), identifying and managing alternative sources of active substances, with the objectives of securing the supply or obtaining lower prices, as well as meeting the deadlines set for the research development projects.

We correlated the program for procuring raw materials, secondary packaging, reference substances/ medicines, finished products with the sales structure generated both by the domestic market and by various international markets, so as to achieve the objectives proposed at the beginning of the year. We also sought to keep the existing partnerships and develop new strategic partnerships, a mandatory condition in the context of an increased complexity and competitiveness of the pharmaceutical market worldwide.

Motivating the human resources and providing them with the necessary skills to achieve the strategic directions

Together, as a team, we create our future. That is why we continue help our employees expand their knowledge, we value constructive collaboration, recognizing each other's mission and value.

The human resources policy applied in Antibiotice promotes the diversity and equal opportunities in recruiting, selecting and integrating the employees. Our staff benefits from all the rights deriving from the law, our company offering fair and equitable conditions of work and professional development.

At the end of 2018, our 1415 employees were distributed by level of education, as follows:

In order to achieve the strategic objectives of the business plan for 2018-2020, the human resource management activities pursued the fulfillment of the specific objectives, structured within the strategies and action measures..



Attracting and developing employees with the right skills for reaching the company's objectives and increasing their involvement

The concrete actions taken to implement this strategy were:

to identify the staff needed in each structure

A properly qualified staff is needed to put into practice an integrated vision of all the company's units for achieving the strategic objectives. The Human Resources Commission operates within the company, being responsible for establishing the necessary staffing to ensure an optimal operating structure, but also to maintain the balance

of the indicators assumed and approved in the Income and Expense Budget.

During the meetings of the Commission held in 2018, the results of the analyzes regarding the personnel needs for each organizational structure were presented, taking into account the following: the need to fill vacancies, creating teams in the priority areas (quality assurance, production, research & development, medical unit, automation and investment).

4

graduates of the Perform a+ program were hired

40

Our company hired 40 participants in the 9 editions of the Summer School a+

to attract highly-specialized employees and provide them with the right skills

Our company hired 102 persons in 2018, as follows:

- > 46 employees with higher education, of which 25 jobs for developing the teams and 21 to fill the vacancies;
- > 56 with secondary education, of which 5 for developing the teams and 51 to fill the vacancies;

Some of the new employees were hired after they completed the specific recruitment and selection phases, the other ones after their involvement in our company's projects, meant to attract new valuable employees

Perform a+ project, the 3rd edition

The Perform a+ project, part of the continuous education and communication platform developed by Antibiotice in cooperation with the education institutions in the fields of research and pharmaceutical marketing as well as for increasing the employer brand awareness, run its third edition in 2018.

The 16 participants, students, residents and pharmacist PhD students who showed interest in a career in the pharmaceutical industry were able to complete their knowledge acquired during the academic years with theoretical and practical sessions on developing and manufacturing a medicinal product. The training sessions were coached by the mentors appointed from the company's specialists.

Following the evaluation results and employment opportunities, four graduates of the Performa + program were hired, joining the other six young people previously hired after their participation in the sixth and seventh editions of the program.

Summer School a+, the ninth edition

The external component of this project seeks to identify and train specialists in pharmacy, biology, chemistry, chemical engineering and select them to fill the vacancies in Pharmaceutical Research & Development, Quality Assurance, Quality Control, Production. The candidates become familiar with the working environment, concepts and regulations in the pharmaceutical industry.

30 participants, final year students of the Iasi universities, were selected. In 2018 in this project well-known in the academic environment to receive training from our company's specialists. The topics covered by the Summer School a+ courses held in the period July – August 2018 included information in the fields of quality assurance, pharmacovigilance, Regulatory Affairs, specific laboratory techniques in quality control, pharmaceutical research and formulation.

Partnerships with pre-university education institutions

Within the partnerships established with Petru Poni Technological High School and Technological High School of Mechatronics and Automation Iasi, 70 pupils from the grades XI and XII practiced their internships in our company. Antibiotice was also a partner of the above-mentioned high schools which initiated projects and events developed to encourage the pupils to practise the chosen profession.

The objective of these partnerships aims at building the pupils' practical skills and enhancing their knowledge in order to attract them as future employees for replacing our retired employees.

Under the "Școala Altfel" (Doing School Differently) program, Antibiotice opened its gates to more than 350 pupils from pre-university education institutions in Iasi presenting itself as one of the most famous landmarks in the industry from Iasi, presenting its history and future development perspectives.

Running of professional skills training programs

In order to achieve the professional objectives and performances necessary to increase the business competitiveness, Antibiotice conducts human resources development projects on a yearly basis. The training programs are tailored to the needs of each organizational structure and are in close correlation with the EC and national legislation.

Training programs with internal lecturers, established for each structure according to the specifics of the activity, are complemented by the continuous professional training by accessing professional training programs with external lecturers. These programs are included in our company's Annual Training Plan.

In 2018, a number of 665 employees attended the training sessions covering various specialization fields, resulting in an average of 17.2 hours of training per employee.

Also in 2018, to its 9th edition, through its internal component, Summer School a+ offered our employees, the opportunity to benefit from training courses aiming at

developing specialized competencies in quality assurance, regulatory affairs, serialization and for approaching new requirements in validating the manufacturing processes. These courses also covered topics aiming at a sound organizational development such as the employer's brand, current legislation on health and safety at work.

Raising our employees' awareness and their involvement at all levels of the organizational structure

Setting the 2018 objectives for the staff included in the Management by Objectives (MBO)

Based on the indicators approved in the Income & Expenditure Budget 2018 and starting from the company's Business Plan 2018-2020, our company established the annual general objectives which generated the specific objectives for each activity for the employees included in the Management by Objectives (MBO) system.

The objectives set and validated by a specialized commission were included as performance indicators in additional acts to the individual labor contracts of those 340 employees included in the MBO system.

Following the analysis, the average level of achieving the company-level targets for the first half of 2018 was 102.20%

Strategies and measures for increasing our employees' motivation

Taking into account the increased focus on new professions and shortage of some specialists in the labor market, the Antibiotice management created a new, unitary and modern wage system for attracting new employees able to support the company's vision. This system aims to align the revenues to each employee's level of performance, having as a consequence an increased motivation and loyalty of our employees and a higher attractiveness of the employer brand.

Started in 2018 and bearing its first fruits at the beginning of 2019, the new system is a perfectible one and will be harmonized to support our future business goals.

Job hierarchy process

The ample project started in 2018 with a study for establishing the hierarchy of higher education and secondary education jobs, which underpin the new wage system. The study had as a reference the analysis of the current wage system compared to the similar positions in the labor market and the hierarchy of existing positions based on their complexity.

In order to develop the new system, the following steps were taken:

- > Analysis of the higher and secondary education jobs, taking into account:
 - monthly net income;
 - calculation of the existing coefficients for the analyzed jobs in relation to the minimum wage in the Romanian economy.
- > Setting the maximum coefficients of the net revenues by job groups, taking into account the following factors:
 - level of professional training and experience required to fill the job;
 - the holders' responsibilities;
 - complexity and importance of the activity ;
 - availability in the labor market;
 - labour conditions;
 - other specific factors (working with confidential data, etc.).
- > Sizing the maximum coefficients by groups of jobs with higher/ secondary education
- > Calculation of the financial implications of implementing the new coefficients
- > Validation of the job hierarchy process within a team made up of directors, managers, consultants and employee representatives (trade union).

Diversity aspects

Ensuring a favorable working climate and an organizational culture geared towards innovation and performance.

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

At the end of 2019, the questionnaire for analyzing the organizational climate within Antibiotice was applied with a view to identify solutions to ensure a performance oriented and highly satisfied staff. Based on the conclusions of this analysis, our company will elaborate plans of measures to be implemented from 2019 onwards.

In its activity, Antibiotice applies ethical standards based on principles of honesty, integrity, fairness and transparency and equally focuses on all shareholders, employees, business partners, authorities and community.

Antibiotice hired more and more women every year, providing equal opportunities for personal development. 57% of all our employees and 61.5% of the management staff are women.

negotiations at the company level, thus guaranteeing our employees' work and social protection and providing additional facilities for their training and professional development.

Labour health and safety

At the end of 2018, LRQA monitored the compliance of the Occupational Health & Safety Management System with the International Standard 18001, integrated with quality and environmental management systems.

In order to reduce professional risks and continuously improve the labour conditions, our company implemented a series of measures for:

- > reducing the physical effort by complementing the Biosynthesis Plant with electrical equipment for transport and lifting the raw materials and finished products;
- > reducing the exposure to chemical agents by ensuring the storage of chemical reagents within the Medical Unit's laboratories in cabinets with a vapor filtration system and purchasing a chemical niche for granulometric determinations.

In order to help our staff become aware of our current concerns in the field of health and safety at work:

- > we promote a healthy and safety work environment from the very beginning of the professional life;
- > we take measures for preventing the health problems during professional life.

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

- > creating a unique and coherent framework to eliminate the dangers and risks related to work;
- > a more effective control of risk factors for injury and / or occupational disease;
- > improving the work environment and interpersonal relationships at the workplace;
- > higher performances obtained by our employees;
- > helping our staff become aware about the value our company gives to its human capital.

A balanced distribution of employees by gender and age

Age range	20-30	30-40	40-50	50-55	Over 55	Total (%)
Women (%)	5.13	12.89	21.65	8.19	7.19	55.05
Men (%)	3.56	9.05	18.45	5.34	8.55	44.95
Total (%)	8.69	21.94	40.10	13.53	15.74	100

From a confessional point of view, 96% of our employees belong to the Orthodox confession and 4% to the Catholic confession. This proportion is in line with the confessional structure at national level. This criterion as well as gender, age, nationality or the presence of disabilities are not limiting criteria for employment.

11 of our employees are people with disabilities and benefit from the legal provisions, our company treating them in a fair and non-discriminatory manner.

The clauses of the Collective Labour Agreement are established through collective

Quality management for complying with legal, national and international requirements, specific to the pharmaceutical industry

Certified quality

The increase of confidence in the quality, efficiency and safety of our company's products, achieved by keeping under control and improving the Integrated Management System is attested by the results of the following inspections / audits throughout 2018.

Inspections conducted by authorities

In the period 13–14.02.2018 the National Agency for Medicines and Medical Devices conducted the inspection for evaluating the GMP compliance of the Quality Management System of Antibiotice S.A. and of the manufacturing flows for ointments and ophtalmic ointments. Our company obtained the GMP certificate for the above-mentioned manufacturing flows and the updated Manufacturing Authorization.

Audits conducted by the certifying bodies

In the period 29-30.09.2018, SRAC conducted the surveillance audit for aluminum tubes, polyethylene caps and metal caps manufactured by the Microproduction Plant. The audit did not reveal any non-conformities.

In the period 12-15.11.2018, Lloyd's Register Quality Assurance conducted the ISO surveillance audit in accordance with ISO 9001:2015 and ISO 14001:2015 (new standards) and in accordance with OHSAS 18001:2007. The audit report was transmitted without critical non-conformities.

Audits conducted by our customers

During 2018, specialized firms or external customers conducted audits for qualifying Antibiotice as a finished product supplier – an audit for parenteral products and

2 audits for the manufacturing flow of the active substance Nystatin, for requalifying the company as an API supplier.

A pre-audit was also conducted before the audit of the Agency from Russia for certifying the manufacturing flow of suppositories to support the reauthorization of our products in Russia. The audit was completed without critical non-conformities and the Corrective and Prevention Action (CAPA) Plan was submitted.

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

In accordance with the annual Audit Plan 2018, 5 external audit missions were conducted to the producers of raw materials and primary packaging materials from Germany, Spain, France and Italy (suppliers of primary packaging – foils, non-sterile active substances, suppliers of glass vials).

Also, within the Audit Campaign in India, missions to verify the compliance of Quality Management Systems with the EU GMP requirements were conducted in 9 companies, to determine whether these companies can be our suppliers of various active substances necessary for the manufacturing process.

Auditing the suppliers of active substances, primary packaging materials, finished products manufactured under contract is a mandatory requirement at European level for marketing authorization holders of pharmaceuticals. The current legislation obliges all the Marketing Authorization Holders to periodically verify (a period not exceeding 3 years) the compliance of manufacturers /distributors of active substances with the EU GMP requirements.

06

Social Responsibility

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Antibiotice – a responsible brand that supports community development

Antibiotice takes responsibility for contributing as a “good citizen” to the community life, being directly involved in developing a better society and a cleaner environment.

The corporate responsibility strategy fundamentally supports our company’s mission and vision. We produce medicinal products with science but we also put our hearts in what we do to stay always close to people.

We underline our mission as a company that acts sustainably and we are committed to creating value in the long run for our company and our stakeholders, respecting the environment and supporting the communities in which we operate.

We are involved in the community’s life through social responsibility programs based on four strategic pillars: health, education, social matters and environmental protection.

Health

We develop social responsibility programs to improve the health of our employees, but also the health of the community in which we operate. These programs have been developed to educate and inform the population about health prevention.

“Antibiotics of the 3rd Millennium”

Antibiotice launched on November 9, 2018 the social responsibility program “Antibiotics of the 3rd Millennium” by bringing together international and local experts as well as professionals who consistently advocate the judicious use of antibiotics in human and veterinary

medicine. The event took place in the week ahead of the World Health Organization’s World Antibiotic Awareness Week. The debate brought together different perspectives on antibiotic use and resistance, a theme with a wide social addressability.

Antimicrobial resistance is a priority for many European countries, but also worldwide, being considered a threat to public health. Antibiotice's involvement in limiting the antibiotic resistance phenomenon is a responsible approach, natural to a pharmaceutical producer in a continuous international development, because this is a global crisis that can not be ignored.

"The Antibiotics of the 3rd Millennium" program aims at drawing attention to the phenomenon, supporting the development and dissemination of good practices in the use of antibiotics, addressing a community of patients and general public, doctors, nurses, pharmacists, manufacturers, environmental experts, academic and entrepreneurial representatives.

"Donate blood! Put your soul to life!"

The acute blood crisis in the Romanian hospitals determined our company's employees to involve themselves, starting with 2010, in the blood donation campaigns initiated by the "Antibiotice – Science and Soul" Foundation, in partnership with the Regional Blood Transfusion Center (CRTS) Iași.

On the occasion of the World Health Day, 60 employees donated 30 liters of blood to save more than 150 lives. The second round of the campaign took place on October 11, 2018, when 50 Antibiotice employees donated 25 liters of blood, saving 130 lives.

Education

We invest, with science and soul, in the education of young people who, like our employees, can be highly performant in their career and become responsible behavior 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

For 18 years, Antibiotice has been sustaining the "Pro Ruralis" Association and supports the scholarship program for rural students with a higher intelligence coefficient from disadvantaged families. Since November 2010, the project has been taken over and run through the "Antibiotice – Science and Soul" Foundation.

Initiated in 2001, this project provides the chance for intelligent children without material opportunities in the countryside to complete their education according to their potential at the elite high-schools in Iași.

In 2018, this social responsibility project won the third place at the Romanian CSR Awards Gala 2018, in the Inter-sectoral Partnership category.

Also in the school year 2017–2018, 5 new students studying at the Pedagogical High School in Iași and completing their educational base according to their potential, were integrated into the project.

The second generation of young pupils who benefited of financial support from Antibiotice have currently been attending the courses of various university education institutions.

100 Antibiotice employees were trained to provide the first aid

Antibiotice SA is constantly preoccupied with the safety of its employees and organized for them first aid courses on the occasion of the World Heart Day.

In the period 16–17.10.2018, 100 Antibiotice employees participated in first aid courses organized by our company in

partnership with UPU-SMURD Iași and Emergency Medicine specialists from the Grigore T. Popa University of Medicine and Pharmacy Iași. The project titled "Everyone Can Save a Life!" aimed at promoting basic first-aid measures among the company's employees but also raising their awareness in emergency situations.

The course was supported by doctors from SMURD Iași and consisted in the theoretical and practical presentation of first aid notions. All employees of the company were provided with flyers containing important first aid information.

Antibiotice employees support 70 pupils with a high risk of school dropout

For the second year in a row, our company's employees supported the programme "Home in the community – after school at Valea Lupului School".

The After School Program includes orphaned children, children in grand-parents' care or children with sick parents but talented and intelligent who benefit from personal development programs with the support of a psychologist and volunteer teachers.

On May 30, 2018, in the company's festive hall, our employees watched a charity theater show "Poem in clay" put into the stage by the Cantalup theater troupe from the Valea Lupului School.

The amount collected from the employees' donations was doubled by the "Antibiotice – Science and Soul" Foundation. So, 12,000 LEI were donated for this project supporting 70 students enrolled in this program in order not to drop out of school.

After a year of running this program, the learning results of the children included in the project improved significantly, and that's why we decided to extend this project.

70
Antibiotice employees support 70 students at risk of dropping out of school

Environment

Antibiotice develops a sustainable partnership with the community by carrying out activities meant to protect the environment, being permanently concerned with the improvement of its environmental performance.

"Orchard at school" gets roots in three schools from the Iași County

In the second year of the "Orchard at school" project, the Antibiotice volunteers together with their families planted in two stages, 300 fruit trees at schools in the neighboring localities.

The first stage of planting took place on April 21, 2018. 70 volunteers got involved and planted 200 fruit trees at the schools in Lețcani and Cogeasca localities.

The second stage of planting took place on November 3, 2018 when over 50 volunteers from Antibiotice got involved in this project run by the "Science and Soul" Foundation. They planted 100 fruit trees at the school from the Reditu locality.

The management of the Gymnasium School Reditu decided that in the centennial year, the 100 trees planted to be named after 100 heroes of the First World War. The trees will be cared for by the pupils until the end of the gymnasium studies and then handed over to the future generations.

The "Orchard at school" project is run by the "Science and Soul" Foundation through which the Antibiotice employees voluntarily engage and try to inspire the younger generation for protecting the environment, maintaining a healthy lifestyle and cultivating the civic spirit in the community.

Over 600 fruit trees were planted from the start of the "Orchard at school" project

Through the power of the example offered by Antibiotice employees, this project grew and got roots in eight schools in Iași County, contributing to the health and a better life of the community.

Antibiotice supports Earth Hour

Our company participated in the **Earth Hour** action, the largest environmental event of all times, which draws attention to the effects of global warming. On March 24, 2018, between 20:30 and 21:30, our company symbolically switched off the lights in areas where this was possible (e.g. the administrative buildings) in the tenth consecutive participation of the company in this action.

Such actions are meant to demonstrate the importance of rational consumption of natural resources and our commitment to protecting the environment both for our employees and the communities in which we operate.

Doors Open Day at Antibiotice

Antibiotice uses the resources responsibly, meets the highest quality standards for manufacturing medicines and protects the environment.

Responsibility for the environment is a constant concern of our company and, in this respect, it opened its doors to facilitate a dialogue with the communities in its neighborhood on environmental issues.

On July, 2018, in collaboration with the Valea Lupului City Hall, Antibiotice organized the Doors Open Day for the inhabitants of this community.

The company's specialists presented to all the participants how Antibiotice protects the environment. They had the opportunity to learn about the investments exceeding 5 million EUR made in the recent years in modern manufacturing technologies to protect the environment:

- > Antibiotice's **Wastewater Treatment Plant** that transforms technologically wastewater from production areas into pre-cleaned, odorless and non-environmentally harmful water that is then transported to the city's wastewater treatment plant;
- > **Waste incineration plant** – storage, recycling and incineration of waste resulting from the company's activity with minimal impact on the environment.

Through such actions, Antibiotice aims to convey to the community, through the power of example, responsibility for the environment.

Social matters

Antibiotice, through the "Science and Soul" Foundation engages itself in the community life by supporting disadvantaged groups through social programs, some of which have become traditional.

“Be generous, Be Santa Claus!”

For the sixth consecutive year, the “Science and Soul” Foundation organized “Be generous, Be Santa Claus!” campaign in partnership with Pro Vita Department of the Iasi Archdiocese Mission Sector.

In the centennial year, the campaign was organized for a number of 100 children from families with reduced material opportunities in rural areas from Iași and Botoșani Counties.

The little children aged between 1 and 13 laid their dreams in enthusiastic letters. Their emotional, clumsy or elaborate, precise or idealistic lines animated this year also our colleagues who became the Santa Claus’s elves.

On December 14, 2018 Santa Claus rushed to appear at a festivity organized in our company. The kids enjoyed meeting him, many of them for the first time. As a sign of thanks, the little ones played short artistic moments, singing Christmas carols.

Responsibility for environment

Our company’s activity on the environmental protection is regulated by the Integrated Environmental Authorization no. 1/10.01.2011 issued by the Regional Environmental Protection Agency Bacău, revised in March 2018 (valid until 10.01.2021) and by the Water Management Permit no. 303/20.12.2010 issued by the National Administration of Romanian Waters, Prut – Barlad Water Basin Administration (valid until 31.12.2020).

In order to comply with the environmental protection legislation, Antibiotice provided the necessary equipment and qualified personnel for the entire activity that is regulated by specific procedures of the environmental management system, as well as by operating procedures and working instructions.

Environmental factors were monitored in accordance with 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 consumptions and energy use

The activity of the Biosynthesis Plant which produces Nystatin, active substance is covered by the European Integrated Pollution Prevention and Control (IPPC) Directive. In 2018, the Biosynthesis Plant fell into the planned specific consumptions, with respect to the quantities of used solvents, the legal condition for fugitive solvents emissions being observed (less than 15% of the amount of solvents used during the year).

Air quality

In 2018, air pollutant emissions/immisions analyzes were conducted by our own laboratory for the indicators: nitrogen oxides, ammonia, suspended particulates and sedimentable powders for air quality monitoring. There were no exceedances of the maximum admissible concentrations stipulated in the Integrated Environmental Authorization. Also, the determinations made by third laboratories showed that the values of the pollutants

emitted in the air complied with the legal requirements established by the Integrated Environmental Authorization obtained by Antibiotice SA.

Water quality

Water quality monitoring required analyses on the quality of the water entering our own water treatment plant and discharged into the municipal sewage system, 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 were recorded.

Soil and groundwater protection

Out of the total area of the land owned by Antibiotice, about 40% is covered by green spaces.

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

Waste management

Antibiotice SA implemented a selective waste collection system, each manufacturing plant and auxiliary workplace being equipped with suitable containers for collection. Recyclable waste was sold to authorized economic operators on the basis of contracts. Unusable waste was incinerated in our own facility or stored at the municipal waste disposal site.

Our company complies with the packaging waste management requirements (corresponding to the quantity of products that our company introduced in the Romanian market). The overall objective set for 2018, as well as the minimum objectives of recovery through recycling, by each type of material, (according to Law No. 249/2015, with subsequent amendments and completions) were achieved.

07

Independent Auditor's Report on the Individual Financial Statements drawn up by ANTIBIOTICE SA for the fiscal year ended on December 31, 2018

To the Antibiotice shareholders

Report on the Audit of Financial Statements

Our opinion

We audited the attached individual financial statements of Antibiotice SA ("The Company") with its registered office in Iași, Valea Lupului St., tax identification number RO1973096, comprising the financial position statement as of December 31, 2018, statement of comprehensive income, statement of changes in equity and cash flow statement for the financial year ended on the above-mentioned date and a summary of the significant accounting policies and other explanatory notes.

The individual financial statements as of December 31, 2018 are identified as such:

- > Net assets / total equity:
472,727,315 LEI
- > Net profit of the fiscal year:
34,303,788 LEI

In our opinion, the attached individual financial statements give a true and fair view, in all significant aspects, on the financial position of Antibiotice company on December 31, 2018, as well as on the financial performance and cash flows for the fiscal year ended on the above – mentioned date in accordance with the Order of the Minister of Public Finance no. 2844/2016 (OMPF no. 2844/2016) for approving the accounting regulations compliant with the International Financial Reporting Standards adopted by the European Union ("IFRS-UE").

We conducted our audit in accordance with the International Standards on Auditing ("ISAs"), Regulation (EU) no. 537 of the European Parliament and of the European Council ("The Regulation") and Law no. 162/2017. Our responsibilities are described in detail in the section Auditor's responsibilities in an audit of financial statements in our report. We are independent of the Company, in accordance with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA code), according to the relevant ethical requirements for the audit of financial

statements in Romania, including the Regulation and Law no. 162/2017 and we fulfilled our ethical responsibilities according to these requirements and IESBA code. We believe that our audit evidence is sufficient and appropriate to provide a basis for our audit opinion.

Key issues

Key audit issues are those issues that, based on our professional judgement, had the greatest importance for auditing the financial statements of the current period. The following key issue was approached in the context of the audit of the financial statements as a whole and in forming our opinion on them and we do not offer a separate opinion on this key issue.

Key issue – Value of trade receivables

Presentation value of trade receivables according to IFRS depends significantly on the calculation and estimation process of the trade discounts as well as on the process of estimating their recoverability. The company presented in the financial statements in the explanatory note no. 4 – "Sales Income" the value of the granted trade discounts and, in the explanatory note no. 15 – "Trade and other receivables" the company presented the trade receivables in net value of 292 million LEI, adjusted with the estimated depreciation.

During our mission, we conducted the following audit procedures that included, but were not limited to these:

- > assessment of the compliance of the policies for recognizing the income and trade receivables;
- > analytical review procedures and detail tests for verifying the amount of granted discounts, including through extending the verifications on the discounts granted in the next fiscal year related to the sales in the audited fiscal year;
- > procedures for direct confirmation of trade receivable balances;

- > evaluation of internal procedures and methods used by the management team for estimating the probable amount to be collected;
- > verifying the consistency of applying the accounting policies related to the adjustment of trade receivables.

Key issue – Revaluation of constructions

Presentation value of the constructions according to IFRS depends significantly on the calculation and estimation process of their fair value, useful life and recoverable amount. The company submitted the financial statements, in the explanatory note no. 12 “Tangible assets”, net assets amounting to 310.6 million LEI.

During our mission, we conducted the following audit procedures that included, but were not limited to these:

- > assessment of the compliance of policies for the presentation of tangible fixed assets as constructions;
- > analytical review procedures and detail tests for verifying the amount of revaluation surpluses and decreases, including through expanding the checks on the annexes to the evaluation report;
- > evaluation of internal procedures and methods used by the management team for estimating the recoverable amount of fixed assets;
- > verifying the consistency of applying the accounting policies related to registering therevaluation reserve.

Other information – Management Report

The administrators are responsible for drafting and submitting other information. This other information includes the Management Report but it does not include the financial statements and auditor’s report related to these statements. The Management team is responsible for this information.

Our audit opinion on the financial statements does not cover other information and we do not express any conclusion with regard to these.

In connection with our audit on the financial statements, our responsibility is to read this other information and, in this approach, to evaluate whether this information is significantly inconsistent with the financial statements or with the knowledge we gained from the audit or if it appears to include significant errors. If, based on the performed activity, we come to the conclusion that there are significant errors in this information, we must report this. We have nothing to report on this matter.

Additionally, in accordance with the provisions of OMPF no. 2844/2016, we read the Management Report and report the following:

- > in the Management Report we did not identify information that is not consistent in all significant aspects with the information presented in the financial statements on December 31, 2018.
- > The above-identified Management Report includes, in all the significant aspects, the information requested by OMPF no. 2844/2016 to the para 15–19 of the Annex no. 1;
- > The Management Report does not include the non-financial declaration specified to the paragraphs 39–42 from OMPF no. 2844/2016 which will be presented later in a separate report.
- > Based on our knowledge and our understanding gained during the audit of the financial statements drafted on December 31, 2018 about the company and its environment, we did not identify significant erroneous information presented in the Management Report.

Responsibility of the management team and other persons responsible for the governance of the financial statements

The Management team is responsible for drafting and fair presentation of these financial statements in accordance with OMPF no. 2844/2016 and for the internal control which is considered relevant by the management for elaborating the financial statements without significant misstatements due to fraud or error.

When drafting the financial statements, the management is responsible for

assessing the company's ability to continue its activity, presenting, if needed, the aspects related to continuation of the activity and using the accounting based on the continuity of activity unless the management plans to either liquidate the company, stop operations or it has no realistic alternative, except for these.

The persons responsible for administering the company are also responsible for supervising the financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance that the financial statements as a whole do not include material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. The reasonable assurance represents a high level of assurance but it is not a guarantee that an audit conducted in accordance with ISAs will always detect a significant misstatement, if it exists. Misstatements can arise from either fraud or error and are considered material if, they reasonably can be expected, individually or cumulatively, to influence the users' economic decisions based on these financial statements.

As part of an audit in accordance with the ISA standards, we exercise our professional judgement and maintain our professional skepticism during the audit. Moreover:

- > We identify and evaluate the risks of significant misstatements in the financial statements caused either by fraud or by error, establish and perform audit procedures to respond to these risks and we get enough and appropriate audit evidence to form a basis for our opinion. The risk of not detecting a material misstatement caused by fraud is greater than the risk of not detecting a material misstatement caused by error, as fraud may include complicity, forgery, intentional omissions, false statements, or avoidance of internal control.
- > We consider the internal audit as relevant to the audit to establish the audit procedures appropriate in the given circumstances, but not to express

an opinion on the effectiveness of internal control of the company.

- > We assess the appropriateness of the used accounting policies and reasonableness of accounting estimates and related information disclosures made by Management.
- > We formulate a conclusion on the appropriateness of using the going-concern principle by the company and determine, based on the obtained audit evidence whether there is significant uncertainty about events or conditions that could raise significant doubts about the Company's ability to continue its activity. If we conclude that there is a significant uncertainty, we need to draw attention in the audit report on the presentations related to the financial statements or, if these presentations are inappropriate, we must change our opinion. Our conclusions are based on the audit evidence obtained by the date of our audit report. However, future events or conditions may cause the Company not to continue operating on the going-concern principle.
- > We evaluate the presentation, structure and overall content of the financial statements, including the information submissions and the extent to which the financial statements reflect the transactions and basic events in a manner that lead to the accurate presentation.

We communicate to those responsible for managing, among other things, the planned objectives and timing of the audit, as well as the significant audit findings, including any significant internal control deficiencies that we identify during our audit.

Report on other legal and regulatory requests

We were appointed by the General Meeting of Shareholders held on June 28, 2017 to audit the financial statements of ANTIBIOTICE S.A. Iași for the fiscal year ended at December 31, 2018. The uninterrupted total duration of our commitment is 3 years, covering the

financial exercises ended at 31.12.2017, 31.12.2018 and 31.12.2019.

We confirm that:

- > Our audit opinion is in accordance with the additional report submitted to the Audit Committee of the Company which we issued on the same date to which we issued this report. Also, in conducting our audit, we remained independent of the audited entity.
- > We did not provide non-audit services for the company that are prohibited according to the article 5, para. (1) from the UE Regulation no. 537/2014.

In the name of,

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

*headquartered in Bucharest, registered in
the Electronic Public Register with the no. 227*

*through Zegrea Laurențiu, registered in the
Electronic Public Register with the no. 2666*

Bucharest, March 12, 2019

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