

ANNUAL REPORT
of the Nomination and Remuneration Committee
of Antibiotice SA Iasi
2018

The Nomination and Remuneration Committee of Antibiotice S.A. was established by the Management Board' decision no. 6 of 19.04.2016 and consists of two members who are non-executive and independent administrators: Mr. Ionuț IAVOR, a representative of the majority shareholder - the Ministry of Health, appointed by the MB's decision of 11.05.2018 and Ms. Elena CALITOIU, a representative of the shareholder SIF Oltenia, appointed by the MB's decision no. 6 of 19.04.2016.

During the exercise of the mandate, the members of the Nomination and Remuneration Committee do not hold any positions or qualities that might be considered incompatible with its mission.

The duties and responsibilities of the Nomination and Remuneration Committee included in its own operational regulations are mainly the following:

- a. it establishes together with an independent expert the criteria and the selection plan for the administrators and directors of the Company,
- b. it makes proposals for the Management Boards' profile, according to GD no. 722/2016,
- c. it makes proposals and recommendations for the positions of administrators and directors,
- d. it develops and proposes to the Management Board the procedure for the selection of candidates for the positions of Director,
- e. it formulates recommendations for the term renewal of the administrators in office,
- f. it records in its annual report the remuneration and other benefits granted by the Company to administrators and directors, according to the law or mandate contracts,
- g. it evaluates, at least once a year, the independence of the Management Board members,
- h. it verifies, at least once a year, whether the administrators are part of more than three management boards of public enterprises,
- i. it fulfills, under the provisions of Government Emergency Ordinance no. 109/2011 and of GD no. 722/2016 also other duties related to the remuneration, appointment or revocation of the Management Board members, according to its instructions.

In accordance with the provisions of Art.55 Paragraph (2) of the Emergency Ordinance no.109/2011 on the corporate governance of public enterprises, as amended and supplemented, *„the Management Boards' Nomination and Remuneration Committee shall draw up an annual report on remuneration and other benefits granted to administrators and directors during the financial year. The report is presented to the General Meeting of Shareholders which approves the annual financial statements. The report is made available to shareholders according to Art. 39 Par. (1) and shall include at least information on:*

a) the remuneration structure, explaining the share of the variable component and the share of the fixed component;

b) the performance criteria underpinning the variable remuneration component, the ratio between the performance achieved and remuneration;

c) the considerations justifying any scheme of annual bonuses or non-monetary benefits;

d) any additional or anticipated pension schemes;

e) the information on the duration of the contract, the period of notice negotiated, the amount of damages for unjust revocation."

1. The remuneration and other benefits granted to the administrators and directors of Antibiotice S.A.

a. The Management Board of Antibiotice S.A. consists of 5 members with four-year mandates, one of which is an Executive Manager and also a General Manager and 4 non-executive administrators.

b. The administrators' remuneration is established in accordance with Article 38 of GEO No. 109/2011 on the corporate governance of public enterprises. „Art. 38 (1) The remuneration of the members of the Management Board or, as the case may be, of the Supervisory Board members shall be established by the General Meeting of the Shareholders in the structure and within the limits stipulated in paragraphs (2) and (4). (2) *The remuneration of the non-executive members of the Management Board or the Supervisory Board shall consist of a monthly fixed allowance and a variable component. The fixed allowance cannot exceed twice the average monthly gross wage for the past 12 months for the activity carried out according to the main object of activity registered by the company at class level according to the classification of the activities in the national economy communicated by the National Institute of Statistics prior to the appointment. The variable component is determined upon the basis of financial and non-financial performance indicators negotiated and approved by the General Meeting of Shareholders, different from those approved for the executive administrators, determined in accordance with the methodology provided in Art. 31 Par. (5), including the long-term sustainability of the company and ensuring the observance for the principles of good governance. The amount of the variable component of the non-executive members may not exceed a maximum of 12 monthly fixed allowances.*

(3) The remuneration of the executive members of the Management Board or of the Supervisory Board consists of a monthly fixed allowance which cannot exceed 6 times the average monthly gross wage for the past 12 months for the activity carried out according to the main object of activity of the company, at the class level according to the classification of activities in the national economy, communicated by the National Institute of Statistics prior to the appointment, and from a variable component. The variable component shall be based upon the financial and non-financial performance indicators, negotiated and approved by the General Meeting of Shareholders, different from those approved for the non-executive administrators, determined in accordance with the methodology provided in Art. 31 Par. (5).

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

c. The remuneration structure of the Antibiotice administrators granted for 2018 is the following:

- for the non-executive administrators, a monthly fixed allowance (the same amount over the entire term of office) was paid up in gross amount equal to 2 times the average monthly gross wage for the past 12 months for the activity carried out according to the main activity object registered by the company, communicated by the National Institute of Statistics prior to the appointment.
- for the Executive Administrator, a monthly fixed allowance (the same amount over the entire term of office) was paid up in gross amount equal to 6 times the average monthly gross wage over the last 12 months for the activity carried out according to the main activity object registered by the company, communicated by the National Institute of Statistics prior to the appointment.
- for the non-executive administrators, a variable component of the remuneration was established based upon financial and non-financial performance indicators negotiated and approved by the GMS (General Meeting of Shareholders), different from those approved for the Executive Administrator, determined in accordance with the observance of the methodology provided in Art. 31 Par. 5 of GEO no. 109/2011 on the corporate governance of public enterprises, including the long-term sustainability of the company and ensuring the principles of good governance. The payment of the variable component is made once a year and is conditioned by the fulfillment of the financial and non-financial performance indicators.
- for the Executive Administrator a variable component of the remuneration was established according to Art. 38 Paragraph 3 of the Government Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, payable

once a year, based upon the financial and non-financial indicators negotiated and approved by the General Meeting of Shareholders, different from those approved for non-executive administrators, determined according to the methodology established in accordance with Art. 31 Par. 5 of GEO no. 109/2011.

The variable allowances will be paid at the end of the financial year within 15 days of the approval date for the financial statements by the General Meeting of Shareholders if the Objectives and Performance Criteria are met.

The members of the Management Board, which are part of an Advisory Committee set up at board level, benefit from a fixed monthly allowance of 1133 LEI.

d. According to GD no. 722/2016 on the Methodological Norms for the establishment of financial and non-financial performance indicators and the variable component of the remuneration of the Management Board members or, as the case may be, of the Supervisory Board, as well as of directors, the members of the executive team of 28.09.2016, the general principles for establishing remuneration policies for administrators are as follows:

- attracting, retaining and motivating the best administrators;
- ensuring the long-term sustainability of the public enterprise profits and activity and generating a long-term value;
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- rewarding the achievement of objectives;
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- maintaining competitiveness in the remuneration market;
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- the alignment of the remuneration with recommendations related to the good governance;
- promoting transparency regarding the remuneration and the criteria for setting it up;
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- maintaining a fair balance between the fixed allowance and the variable remuneration component.

e. The performance criteria underpinning the variable component of remuneration, the ratio between performance achieved and remuneration:

- for the non-executive administrators

No.	Performance indicators for the year 2018	MU	Degree of weighting	Planned
1	Sales income	thousand LEI	5%	360.048
2	Gross profit	thousand LEI	5%	35.957
3	Arrears	thousand LEI	5%	0
4	Total expenses per 1000 LEI revenue	LEI	5%	900
5	Governmental social policies (gender equality, work, health)	%	20%	100%
6	Establishing risk management policies and risk monitoring	%	20%	100%
7	Monitoring of the transparency and communication processes	%	20%	100%
8	The review, evaluation and reporting on the performance of the administrator and the manager	%	20%	100%

- for the executive administrator

No.	Performance indicators for the year 2018	MU	Degree of weighting	Planned
1	Sales income	thousand LEI	10%	360.048
2	Gross profit	thousand LEI	15%	35.957
3	Arrears	thousand LEI	15%	0
4	Total expenses per 1000 LEI revenue	LEI	10%	900
5	Governmental social policies (gender equality, work, health)	%	10 %	100%
6	Degree of use of the production capacity not less than 60%	%	10%	60%
7	Achieving a degree of customer satisfaction on the internal market of at least 80%	%	10 %	80%
8	The average number of hours of continuous training per employee	%	10%	35
9	Monitoring of the transparency and communication processes	%	10 %	100%

f. Considerations that justify any scheme of annual bonuses or non-cash benefits

- n/a

g. Any additional or anticipated pension schemes

- n/a

e) Information regarding the duration of the contract, the negotiated notice period, the amount of damages for the unjust revocation.

- The contracts of non-executive directors may cease in one of the following situations:

The Administrator renouncing to his/her term of office; The Administrator may at any time renounce his/her position by submitting the resignation during the General Meeting of Shareholders, subject to the observance of a 30-day notice period;

The expiry of the Administrator's term of office; The contract will be terminated ipso jure at the ending of the Administrator's term of office if the General Meeting of Shareholders decides not to renew the term until the expiration date, in which case the Parties may conclude an additional act in this respect;

Any other reasons qualified by law as grounds for the termination of the Administrator's mandate.

If the Administrator is revoked or the Mandate Contract ceases independently of his will, before the expiry of the term stipulated by Art. 5.2 above, he/she shall be entitled to receive the fixed allowance until the date of conclusion of the Contract plus the variable allowance in proportion to the actual duration in which the Contract has produced its effects, with the proper application of the provisions of Art. 7.1, (b) of the Contract.

If the Administrator is unjustly revoked, he or she shall be entitled to damages, which shall consist in the payment of all amounts representing the fixed allowance and the variable allowance which are due until the expiration date set in Art. 5.2 of this Contract.

These amounts will be paid within 5 (five) days from the termination of the Contract under the above conditions; in case of delay, the amounts increase by 0.1% for each day of delay.

- The Executive Administrator's (the General Manager) contract may terminate in one of the following situations:

The General Manager's dismissal of his mandate; The General Manager may dismiss his position if he considers that the decision is appropriate, for any reason and even without reason, by submitting his resignation to the Management Board, with the observance of a 30-day notice;

The expiry of the General Manager's term of office; this Contract shall terminate ipso jure at the expiration time of the General Manager's term of office, unless the Management Board decides to renew the term of office until the expiry date, in which case the Parties will conclude an additional act in this respect;

By the written agreement of both Parties;

Any other reasons qualified in accordance with the law or the provisions of this Contract, as grounds for the termination of the General Manager's term of office.

If the General Manager is unjustly revoked, as this notion is defined in Chap. II, or the Mandate Contract ceases independently of his will, before the expiry of the term stipulated in art. 5.2, he shall be entitled to receive in net amount the fixed allowance due until the date of conclusion of the Contract plus the net amount of the variable allowance, calculated in proportion to the effective duration in which the Contract has produced its effects and the proper application of the provisions of Art. 7.1, (b) of the Contract, as well as an indemnity amounting to 0.2% of the company's turnover during the last financial year.

These amounts, calculated at a net value, will be paid within 10 (ten) days of the Contract termination; in case of delay, a penalty of 0.1% for each day of delay will be applied. By contract, the General Manager is being held to answer for the non-fulfillment or the inadequate fulfillment of his obligations; the General Manager is also subject to a series of prohibitions (incompatibility and conflict of interests), loyalty and confidentiality, including for a period of 5 years after the conclusion of the contract.

The Nomination and Remuneration Committee,

Legal adviser Ionuț-Sebastian IAVOR

Eng. Elena CALITOIU,