

THE ADMINISTRATOR'S REPORT FOR THE FIRST SEMESTER OF 2019

The administrator's report

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

Corporate governance

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

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

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

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

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

General Meeting of Shareholders

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

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

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

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

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

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

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

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

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

The Extraordinary General Meeting of Shareholders approved the following:

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

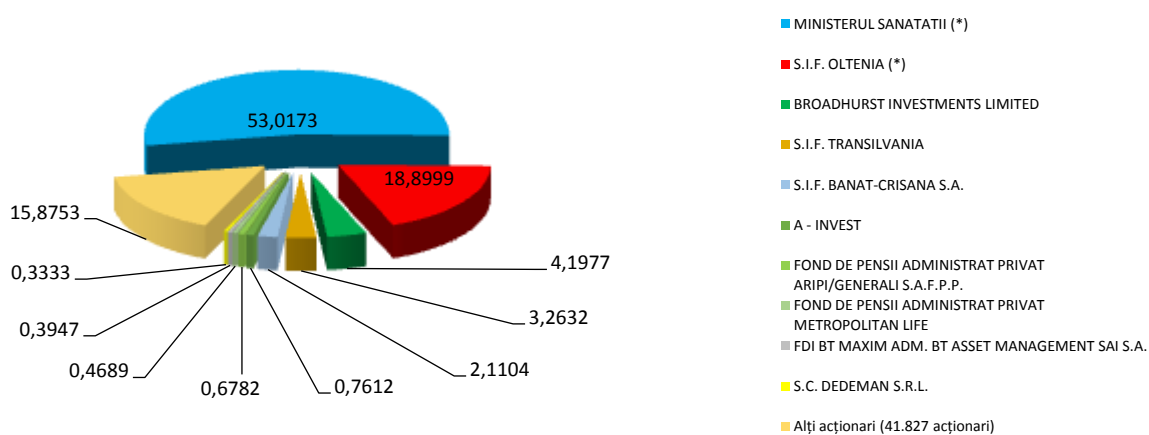
Antibiotice SA on the capital market

Investors (according to the Register of Shareholders on 30.06.2019)

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

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



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

Classes of shareholders

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

Evolution of the price per share

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

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

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

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

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

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

Antibiotice - ATB shares / REGULAR MARKET

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

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

The rights of the holders of financial instruments

The corporate governance framework adopted and applied:

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

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

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

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

Management Board

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

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

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

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

Ec. Ioan NANI, 59 years old

Chairman of the Board and General Director

Executive Administrator

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

Number of Antibiotice SA shares owned - 1.513*

Dr. Cristian-Vasile GRASU, 59 years old

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

Interim Non-Executive Administrator

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

Number of Antibiotice SA shares owned - 0 *

Dr. Dan Octavian ALEXANDRESCU, 43 years old

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

Definitive Non-Executive Administrator

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

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

Number of Antibiotice SA shares owned - 0*

Ec. Nicolae STOIAN, 61 years old

Member of the Board and representative of the SIF Oltenia shareholding

Non-Executive Administrator

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

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

Number of Antibiotice SA shares owned - 0*

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Eng. Elena CALIȚOIU, 55 years old

Member of the Board and representative of SIF the Oltenia shareholding

Non-Executive Administrator

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

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

Number of Antibiotice SA shares owned - 0*

The advisory committees

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

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

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

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

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

Internal control

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

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

Risk management

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

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

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

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

The Antibiotice SA objectives regarding risk management are:

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

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

Executive management

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

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

Ec. Ioan NANI, 59 years old

General Director and Chairman of the Management Board

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

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

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

Mr. NANI has been General Director since 2009.

Number of Antibiotice SA shares owned - 1.513*.

Eng. Cornelia MORARU, 53 years old

Technical and Production Director

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

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

Number of Antibiotice SA shares owned - 1.513*.

Ec. Paula Luminița COMAN, 51 years old

Financial Director

Mrs. Coman has graduated from the Faculty of Economics and Business Administration of the "Alexandru Ioan Cuza" University of Iași and has been a Chartered Accountant since 2006 and a tax consultant since 2007.

After graduation, Mrs. Coman has worked as an economist at the County Iași Tourism Office. Mrs. Coman has been working at Antibiotice SA since 1991 as an economist in the Rates Efficiency Office. In 1998 Mrs. Coman has become Head of the Economic Analysis Compartment and in 2003, Head of the Financial-Accounting Department.

Mrs. Coman has been Financial Director since 2011.

Number of Antibiotice SA shares owned - 0*.

Ec. Vasile CHEBAC, 63 years old

Commercial and Logistics Director

Mr. Chebac has graduated from the Faculty of Economics of the "Alexandru Ioan Cuza" University of Iași and has been an active member of the Body of Chartered Accountants, Iași Branch since 1993, a financial auditor and a member of the Chamber of Auditors of Romania since 2008.

Mr. Chebac has started working at Antibiotice SA in 1972. In 1987 Mr. Chebac became an economist at the Planning and Development Department within the Investment Compartment. In February 1991 Mr. Chebac has worked as a financial controller at the Directorate General of Public Finance and in July 1993 Mr. Chebac has worked as a financial controller at the Chamber of Accounts of Iași. In January 1998 Mr. Chebac was appointed Chief Commissioner at the Fraud Squad of Iași. In September 2001 Mr. Chebac returned to Antibiotice SA to the position of Chief Commercial Officer and General Services.

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

Number of Antibiotice SA shares owned - 0*.

Ec. Ovidiu BĂȚAGA, 40 years old

Specialty Director - Marketing and Domestic Sales Unit

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

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

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

Number of Antibiotice SA shares owned - 0*.

Dr. Mihaela MOȘNEGUȚU, 48 years old

Specialty Director - Medical Unit

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

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

Dr. Moșneguțu has been the Medical Director since 2011.

Number of Antibiotice SA shares owned - 0*.

Ec. Mihai STOIAN, 43 years old

Specialty Director - International Business Unit

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

Mr. Stoian has been working at Antibiotice SA since May 2005 as Export Area Sales Manager for active substances.

In July 2008 Mr. Stoian was appointed Head of Intracommunity Deliveries and Export, within the Marketing and International Relations.

Since August 2009 Mr. Stoian was appointed Export Manager and June 2011 he was appointed Business Development Manager.

Mr. Stoian has been International Business Director since 2012.

Number of Antibiotice SA shares owned - 0*.

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

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

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

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

Number of Antibiotice SA shares owned - 1514 *.

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

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

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

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

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

Number of Antibiotice SA shares owned - 0 *.

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

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

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

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

Number of Antibiotice SA shares owned - 0 *.

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

Activity analysis

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

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

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

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

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

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

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

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

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

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

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

Nystatin

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

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

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

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

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

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

The evolution of the pharmaceutical market in Romania

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

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

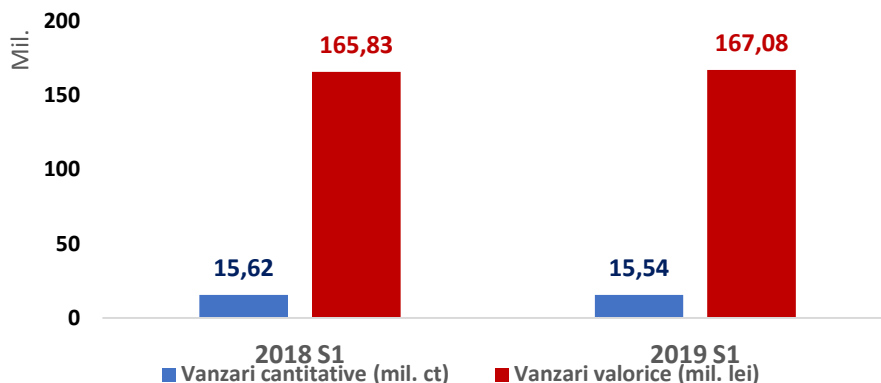
Antibiotice SA on the pharmaceutical market in Romania

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

¹ Data source: Cegedim Romania 2019 6 months market study

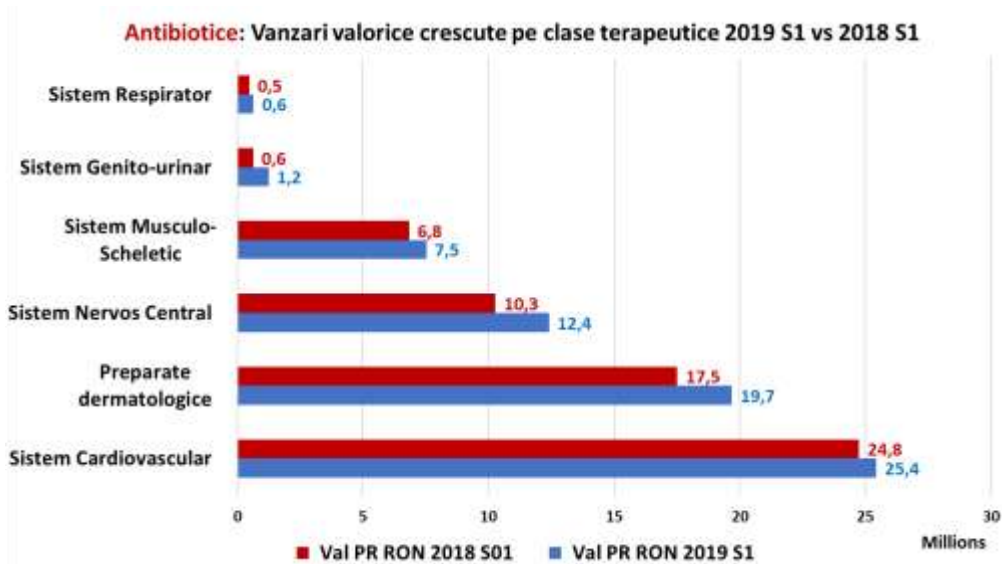
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Antibiotice: Evolutia vanzarilor in perioada S1 2018 - S1 2019



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

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



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

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

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

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

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

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

Of these we mention:

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

Research and development

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

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

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

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

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

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

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

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

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

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

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Medical Unit

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

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

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

Production activity

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

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

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

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

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

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

New products introduced in manufacture during the first semester of 2019

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

Medium and long-term development through investments in new facilities

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

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

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

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

I. Investments in the Research & development activity

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

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

The new product development program considers the following objectives:

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

II. Investments in new manufacturing sites

Developing a production capacity of Ointments and Suppositories

The objectives of this investment are:

- The appropriate construction and equipment of an EU-GMP and FDA authorized Ointment and Suppositories plant.
- the GMP certification of the newly built Ointment and Suppositories Plant, by the national regulatory authority in the field (National Agency for Medicines and Medical Devices).
- Ensuring the conditions for the manufacture of medicines in compliance with the legislative and pharmacopoeial requirements, for their registration and marketing in all the regulated markets, especially in Europe, U.S. and Canada.

The investment justification:

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

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

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

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

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

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

III. Investments in the modernization of the existing manufacturing sites

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

IV. Investments in the Quality Control of Products

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

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

V. Investments in the Environmental Protection

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

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

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

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

-

VI. Investments in Occupational Safety and Health

The investments are oriented towards:

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

VII. The rehabilitation of the industrial platform

This chapter has the following components:

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

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

Optimizing the operating costs and increasing the operating efficiency

The situation of the overall result

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

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

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

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

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

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

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

The statement of financial position

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

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

Assets

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

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

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

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

Liabilities

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

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

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

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

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

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

AMOUNTS OWED TO CREDIT INSTITUTIONS

Amounts owed to credit institutions on 30.06.2019

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

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

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

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

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

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

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

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

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

Cash flow

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

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

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

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

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

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

Imports of raw materials

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

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

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

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

Human Resources

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

On 30.06.2019 the average number of staff was 1415.

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

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

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

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

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

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

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

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

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

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

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

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

2. Carrying out professional training programs of competences

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

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

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

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

Functional trainings - technical and non-technical.

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

Training for obtaining compulsory professional certificates

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

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

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

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

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

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

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

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

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

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

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

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

Ethical standards in the Human Resources activity

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

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

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

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

Quality policy Certified quality

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

Inspections carried out by authorities

During:

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

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Audits of certification bodies

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

Audits from clients

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

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

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

Occupational health and safety

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

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

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

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

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

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

The responsibility towards the environment

The activity of the company in the field of environmental protection is regulated by the Integrated Environmental Authorization no. 1/10.01.2011 issued by the Bacau Regional Environmental Protection Agency, revised in 03.2018 (valid until 10.01.2021) and by the Water Management Authorization no. 303/20.12.2010 issued by the National Administration of Romanian Waters, Basin Water Administration Prut - Barlad (valid until 31.12.2020).

In order to comply with the legislation in the field of environmental protection, Antibiotice provided the necessary endowments and qualified staff. The entire activity is regulated by specific procedures of the environmental management system, as well as by operating procedures and working instructions.

The monitoring of the environmental factors has been carried out according to the requirements of the Integrated Environmental Authorization, both through its own laboratories and through third-party laboratories, authorized by the Romanian Accreditation Association (RENAR).

Specific consumption and energy use

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

Air quality

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

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Water quality

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

No exceedances of the maximum admissible concentrations established by the Integrated Environmental Authorization, Water Management Permit, and by NTPA 001 and NTPA 002 - 2005 have been recorded.

Soil and groundwater protection

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

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

Waste management

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

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

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

The company observes the packaging waste management requirements (corresponding to the quantity of products that Antibiotice has introduced on the Romanian market). The overall objective, as well as the minimum recycling value targets, by type of material, set for 2019 (in accordance with Law No. 249 of 2015, subsequently amended and supplemented), have been achieved.

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

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

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

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

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

Health

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

The antibiotics of the Third Millennium

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

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

"Donate blood! Put your soul to life!"

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

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

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

Education

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

"Science and Soul" scholarships

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

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

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

Environment

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

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

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

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

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

Antibiotice has been supporting "Earth Hour" for 11 years

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

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

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

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

Social

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

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"The power of deed is in our power"

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

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

Conclusions:

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

Chairman of the Management Board,
Ec. Ioan Nani

Financial Director,
Ec. Paula - Luminita Coman