Antibiotice
Science and soul

ANNUAL REPORT 2016

www.antibiotice.ro

Antibiotice SA
Valea Lupului nr.1
707410 Iași, România
Tel: +40 232 209 000
Fax: +40 232 065 033
office@antibiotice.ro
www.antibiotice.ro

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CEO's message

Maturity, competence, recognition are only some attributes that make Antibiotice renowned on the pharmaceutical market. This is the foundation on which I, together with my colleagues and our entire team have continued to develop this company.

The market evolution for our products has meant a shift to a higher level in relation to the retail market in Romania. At the same time, in collaboration with our international partners Antibiotice continues to develop the market for its injectable products in the US, Europe and Asia.

Following the market trend in Romania, as seen in this report, Antibiotice consolidated OTC sales reporting a 25.3% increase, above the market growth rate (+11.6 %). At the same time, we have maintained our leading position on the domestic market in the Hospital segment, in terms of therapeutic units sold (powders for injection), with a market share of 78.5%.

We have been consistent in renewing our product portfolio, therefore in 2016 we produced 13 new medicines from various therapeutic classes and we obtained seven new marketing authorizations. One of the major challenges in this respect is organizing and streamlining the research center, and I personally believe our efforts should never stop.

The synergy of these activities is represented by the international relations which are consolidated by in-depth market studies, continuous development of business partnerships, development of the specialized HR team and, not least, adapting registration files to the regulatory requirements of the countries where we are present.

Antibiotice exports accounted for 31% of the turnover in 2016, mainly generated by sales of finished products to foreign markets, as a result of successful projects in US and southeast Asia.

We are well-aware that well-trained employees are the future of our company. Therefore we pay great attention to the recruitment and selection processes, promoting diversity, equality of chances, integration and ongoing professional development.

By partnerships with Iasi academia we conducted projects such as "Summer School a +" and "Perform a+", since we recognize and support the role of local communities in developing a company's human resources. 150 students with a background in Pharmacy, Medical Bioengineering, Chemical Engineering and Biology benefitted from internships and visits on our site. In 2016, a total of 325 colleagues with managing or execution positions were drawn by the system of management by objectives (MBO) in developing and implementing a systematic business plan.

In 2016 we conducted a survey among our employees, which offered insight into how they perceive the value system of the company, but also on how to involve all managers in dealing with subordinates. Improving the working environment to achieve greater satisfaction at work facilitates better performance and eliminates work conflicts.

Developing risk management activities (currency, liquidity or economic risk) enhances our shareholders' trust and is a pillar of corporate governance. We believe corporate governance is an important tool for increasing the degree of transparence in the decision-making process.

The business plan for 2016-2020 is continuously adapted to the pharmaceutical market realities, an instrument for reaching the objectives of the Management Board's the administrative plan.

In 2016 works started on the new factory for topical products, suppositories and ovules. We also took steps to carry out our own technical and technological conditions for the introduction of the "serialization" concept required by regulators authorities. The modernization of research laboratories, quality control laboratories, production lines, storage infrastructure, utilities transport and production infrastructure are some of the concerns of the management team.

Antibiotice believes in the necessity to support social responsibility projects and is constantly concerned to contribute to protecting the environment, improving people's lives and health, creating a climate of confidence for shareholders. In the following pages I invite you to read the chapter dedicated to social responsibility to find out about our responsible behavior, our care for the environment, human health and the professional development of employees.

Sustainability in business equals transparency, ethics which are essential components that guarantee the company's success. Our goal is to maintain business profitability and increase the satisfaction of customers, shareholders and staff.

Ec. Ioan Nani
CEO
Vice President of the Management Board

THE COMPANY PROFILE

Antibiotice today

- The main manufacturer of generic anti-infective drugs in Romania;
- A portfolio made of 140 products in 12 therapeutic classes;
- A major manufacturer of anti-inflammatory medicines, skin, digestive tract, cardiovascular and central nervous system medicinal products;
- 8 manufacture flows for: sterile powders for injection, penicillin capsules, non-penicillin capsules, cephalosporin capsules, tablets, ointments, creams and gels, suppositories, ovules and active substances obtained through biosynthesis;
- Sale revenues in the amount of 332.4 million lei in 2016 up by 1% compared to the year 2015;
- Certifications and authorizations internationally recognized: authorization from the regulatory body of the drug in the US (FDA) for Nystatin and injectable products, the Certificate of Suitability for Nystatin (CoS), the Certificate of Good Manufacturing Practice (GMP) for all the manufacturing flows, the Integrated Management System;
- Has a modern Research and Development Center;
- It is the first company in Europe prequalified by the World Health Organization for the range of essential anti-TB drugs;
- A major employer of 1449 employers.

Brief history

1955	The Chemical Factory no. 2 was built in Iaşi between 1953 and 1955, being the first manufacturer of penicillin active ingredient in the South-East Europe. The first batch of penicillin was obtained on December 11 ,1955.
1959	This year marks the start of the production of Streptomycin (API) and of the first finished dosage forms: ointments, creams, suppositories. The Chemical Factory no. 2 changes its name into The Factory of Antibiotics.
1977	The Food and Drug Administration from the United States (USFDA) authorizes the manufacturing flow for Streptomycin active ingredient.
1990	Antibiotice becomes a joint-stock company by taking over the assets of the former plant Antibiotice Enterprise Iaşi according to GD no. 1200/12.11.1990.
1992	Antibiotice manufactures the first medicinal products formulated as tablets.
1993	Ampicillin 250 mg and Oxacillin 250 mg are the first products formulated as capsules manufactured by Antibiotice on the penicillin manufacturing line.
1997	Starting with April 14, 1997 Antibiotice shares (ATB symbol) have been listed on the first tier of the Bucharest Stock Exchange. The company implements an efficient, state-of-the art quality assurance system that implies a strict control of the manufacturing processes.
1999	Antibiotice becomes the first Romanian producer to obtain the GMP certification for its injectable powder line.

2002

The company's plant producing Nystatin obtains the FDA approval, which allows exports to the United States. As a result, Nystatin becomes the most important product exported, securing Antibiotice's position as a top world-wide producer of Nystatin.

2005

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

2006

Antibiotice establishes its own Center for Drug Evaluation that conducts phase I clinical studies and bioequivalence studies. The Center for Drug Evaluation is GLP certified and authorized by the Romanian Ministry of Health.
The quality management system implemented by Antibiotice is ISO 9001:2000 certified by Lloyd's Register Quality Assurance (LRQA).

2007

Antibiotice earned the recognition for implementing the Integrated Management System on quality, environment, occupational health and safety as per standards EN ISO 9001:2008, EN ISO 14001:2004 and OHSAS 18001:2007.

By launching four new products Antibiotice completes its cardiovascular portfolio with medicines covering the treatment of the main cardiovascular diseases.

2010

Antibiotice delivers the first finished products on the US market; up to 2010 the company exported to the US active pharmaceutical ingredients only.

2011

The line manufacturing penicillins formulated as sterile powders for injection obtains the FDA's approval which allows Antibiotice to launch these products on the US market.
Antibiotice launches the first CNS medicines.

2012

Antibiotice enters the market of oncological medicines and becomes the first WHO prequalified company in Europe for the range of anti-tuberculosis drugs.

2013

Antibiotice is FDA, GMP and NAMMD reauthorized for the lines producing sterile powders for injection and Nystatin.
Antibiotice becomes the leading worldwide producer of Nystatin.
The first export of Nafcillin is made on the North American market.
Antibiotice opens an international area office in Chişinau, the Republic of Moldova.

2014

Antibiotice extends its business in the Republic of Serbia through its partner, Pharma which represents the company in the commercial relations.
Antibiotice starts investing in a new Ointment & Suppository Plant.

2015

Antibiotice gets the USFDA reapproval for the sterile injectable finished products and Nystatin (API).

Antibiotice celebrates 60 years of Romanian continuity and performance.

THE STRATEGIC ORIENTATION OF THE COMPANY

Development perspectives at Antibiotice

In 2016 we continued our portfolio development policies through research and the development of prescription or OTC drugs covering an extensive array of dosage forms: tablets, capsules, sterile powders for injection, ointments, creams, ovules.

The strategic adaptation of the portfolio as a driver of sustainable growth of the business is based, from the perspective of the years 2015-2020 on the following elements:

- The company's own research to supplement the yearly portfolios that define the company, with generics to identify us as a viable alternative for patients with:
  - various chronic diseases (cardiovascular, central nervous system),
  - infectious pathologies,
  - various dermatological or musculoskeletal disorders,
  - disorders of the digestive tract.

2016 was also the year we supported a product line designed to increase the quality of life as well as products for child care or women's health by authorizing new products.

- The development of clinical research (Phase I clinical trials, bioequivalence and therapeutic efficacy trials) and pharmacovigilance activities which provide patients worldwide trust in the Antibiotice medicinal products;

- A proper Regulatory Affairs strategy, which is predictable and adapted to the pharmaceutical markets our company wants to be part of, with the conduct of national authorization procedures and European procedures (DCP) or the application to the Food and Drug Administration (FDA) for generic drugs;

- Effective marketing of products newly introduced to the portfolio with the achievement from the earliest years of significant market shares.

Consolidation of the research and development activity

The integrated development on the Antibiotice platform of the pharmaceutical development stages, the analytical testing, adaptation of technologies specific to products researched on production flows within the company, bioequivalence and then the conduct of national or European authorization proceedings of prescription medicinal products or of products without a prescription, dietary supplements and dermato-cosmetics was achieved with the help of the multidisciplinary team of specialists in various fields (pharmacists, chemists, biologists, physicians).

In 2016 special attention was paid to capabilities that can support research in the field of biotechnology, a traditional company field as a development opportunity in the coming years.

Quality management

To achieve the strategic objectives until the year 2020 an important role is to provide the legal framework for maintaining the Manufacturing and Import Authorization that allow the company operation, the continuous updating and maintaining under control of the Quality Management System in accordance with the legal requirements specific to the pharmaceutical industry.

The obtaining and maintaining of the Manufacturing and Import Authorization by obtaining EU GMP re-certifications for all of the company manufacturing flows

The contribution of this strategy to achieving the objectives until the year 2020 consists of the obtaining and maintaining of the manufacturing authorization conferring the right to manufacture and sale of pharmaceutical products through:

- The identification of specific legislative trends and the implementation thereof before the official entry into force deadline;
- The implementation of new legislative requirements specific to the pharmaceutical industry;
- The continuous training of staff on the legislative requirements in force or the specific legislative trends;
- The development and update of the documentation specific to the Quality Management System at all levels;
- The performance of internal inspections;
- The making of all types of specified monitoring and the continuous improvement of the Quality Management System documentation, the establishing of preventive actions to prevent the occurrence of nonconformities, the investigation of the cause of nonconformities reported and the investigation of corrective actions to prevent their recurrence

Supporting business partnerships

The implementation of this strategy will be achieved through:

- The provision of the legislative framework for the manufacture and sale of Antibiotice products on the regulated foreign markets;
- The provision of the conduct of the production under contract, in order to allow the business to grow;
- The conducting of EU GMP conformity assessment audits with the providers of pharmaceutical active substances and primary packaging materials.

The maintaining of the compliance with the integrated management system

The ensuring of the compliance with the standards and applicable legislation is achieved by:

- The implementing the up-to-date requirements of international standards: ISO 9001: 2008; ISO 14001: 2004 and OHSAS 18001: 2007;
- The development and updating of the documentation specific to the Integrated Management System in all the Antibiotice processes;
- The performance of internal inspections;
- The performance of all the monitoring types of specified in the Integrated Management System documentation, in order to continuously improve, investigate the causes of the reported nonconformities and the establishment of corrective actions;
- The assessment of the satisfaction degree of the domestic and foreign customers concerning the quality of the Antibiotice products.

Capitalization of the portfolio

The Antibiotice Company provides to patients in Romania an extensive portfolio of 140 products: generic prescription drugs, drugs without a prescription (OTC) and dietary supplements that can prevent diseases and soothe the health of the population.

The Antibiotice portfolio effectively combines traditional products which continue to successfully meet the needs of patients and products improving the quality of life, due to the trend of the population to focus more on preventive therapies in the detriment of the disease treatment

The products that make up the core of the business have maintained its leadership:

- fist place for powders for injection (3 of 4 patients are treated with Antibiotice products);
- first place for suppositories (1 of 2 patients utilize Antibiotice products);
- first place for ointments, creams, gels (1 of 3 patients utilize Antibiotice products).

The recognition of the reputation the Antibiotice Company enjoys is also confirmed by the leadership position on the generics market in hospitals, as Antibiotice is the most stable provider of medication for this segment.

With a growth rate of 25.3% in 2016, the performance of the over the counter drugs segment places Antibiotice on the 15th place in the ranking of companies that sell OTC medicines, up by three positions compared to the previous year.

At the end of last year, 31.1 million boxes of drugs were sold on the domestic market, by 5.1% more than during the previous year, positioning the Antibiotice Company as the third supplier of antibiotic drugs in Romania. Thus, by reporting the total consumption of generic drugs by prescription, 1 in 9 Romanian patients are treated with an Antibiotice drug.

In 2016 the Antibiotice Company remains the only Romanian company ranking among the top 20 companies in the pharmaceutical market, with a market share of 2.32%.

Expanding the company’s presence on international markets

The internationalization strategy of business aimed at both the optimization and growth of sales on the markets where Antibiotice is present as well as the identification of new foreign markets that provide long-term business opportunities. The criteria considered are the market attractiveness, the health systems, the product registration conditions and similarities between the company’s product portfolio and the consumer habits in those markets. Based on these criteria the export portfolio, the target markets, the market entry strategy, the product record strategy and the selection of local partners are established. The enlargement strategy on international markets envisages the focus on export markets with relatively similar characteristics to maximize results in optimum conditions related to costs.

The main directions of export promotion are:

- The maximizing of the presence of Antibiotice on the current markets;
- The identifying of new markets among both the developed markets and the emerging markets;
- The initiation of development partnerships for in cooperation product, co-marketing and promotion;
- The adaptation of the product portfolio to the requirements of international markets.
- The development of the company's portfolio by attracting products from foreign partners based on license agreements.

The Nystatin active substance product market is a mature market on which Antibiotice maintains its position as worldwide leader. The company's strategy is to continue the growth trend on the regulated markets and in particular on the US market given the price of existing authorizations and product recovery: U.S. FDA and the CoS certificate (Certificate of Suitability issued by the EDQM – the European Regulatory Authority in the field of pharmaceuticals).

The global market for generic pharmaceutical products is characterized by an increase in the degree of regulation simultaneously by the national regulatory authorities while a more pronounced tendency to reduce prices through government policies. The company's strategy aimed at both increasing its presence on developed markets (US, Europe) as well as the emerging markets (South East Asia, the former C.I.S. countries). The EuGMP authorizations of manufacturing flows of finished products and the U.S. FDA authorization for injectable products are significant advantages of the company in terms of access to foreign markets.

Given the growing complexity of international pharmaceutical markets and the importance of strengthening the long-term business, the Antibiotice strategy is to pass from the classical export to distributors to more complex forms of intensive promotion by opening representative offices with their own sales force. After the offices from Moldova and Serbia have been opened a representative office was also opened in Vietnam, given the Antibiotice development prospects and presence on this market. Currently there is an ongoing assessment of other territories where the export growth is based on this business model.

The management of operating costs and the increasing of efficiency in operating, financial and investment activities

The strategic pillar which considers the economic and financial activity involved the management of activities based on income and expenditure budgets (cost centers and profit centers) applying corrective action programs in activities where there were variations from the planned figures.

It also was aimed at ensuring the financial balance by continuous assessment of needs and prioritization, the creation and tracking of cash flow so that all activities unfold smoothly.

Adapting human resources to the strategic orientation of the company

The ensuring of the optimal staff number and structure to achieve the strategic objectives of the company, as determined through the business plan has involved during 2016 the reorganizing and adapting of this structure on some key organizational components of the company.

The priority was to increase the awareness and involvement for all the employees at all levels of the organizational structure or by involving the approximately 325 employees in management by objectives, either by their inclusion in teams which manage the company's strategic projects.

Orientation of the organizational culture towards innovation and performance

To improve processes and the organizational culture orientation towards innovation and performance, in 2016 analysis and activity improvement projects of the two company strategic structures were started, were research and pharmaceutical formulation, quality assurance and management activities are conducted.

COMPANY PERFORMANCE

The strategic evolution

The renewal of the portfolio with 13 new products

In 2016 the portfolio was completed with 13 new products in the therapeutic class on which the Antibiotice Company that wants to consolidate its position in the coming years:

Candesartan Atb® 8 mg și 16 mg	Tablets, Cardiovascular System Class
Ramipril Atb® 2,5 mg, 5 mg şi 10 mg	Tablets, Cardiovascular System Class
Indapamidă Atb® 1,5 mg	Tablets, Cardiovascular System Class
Zatinex® 30 mg şi 60 mg	Capsules Central Nervous System Class
Escitalopram Atb® 10 mg	Tablets, Central Nervous System Class
Norfloxacină Atb® 400 mg	Tablets, anti-infective drugs for systemic use class
Cicatrol® 20 gr	Cutaneous paste, Dermatological class
Fluxiv®	Tablets, Cardiovascular System class, dietary supplement
Soriso®	Tablets, Central Nervous System class, dietary supplement

The assimilation of new products in the portfolio

In 2016 the following were obtained:

- Market Authorization Applications (MAP) for seven medicinal drugs:
  - **Candesartan Atb®** 8 mg și 16 mg, tablets, Cardiovascular System;
  - **Ramipril Atb®** 2,5 mg, 5 mg şi 10 mg, tablets, Cardiovascular System;
  - **Norfloxacină Atb®** 500 mg, tablets, Anti-infective drugs for systemic use class;
  - **Zifex® Complex** ovules, Genitourinary apparatus class.
- The authorization of 2 new veterinary products: **Sulfadiazină Argentică Vet Atb®** 10 mg/g gel and **Zoodermin Vet Atb®** ointment.
- 25 new marketing authorizations for Antibiotice Company products in 6 countries in Europe, Asia and Africa as well as through the initiation of 2 European decentralized simultaneous authorization procedure in the EU Member States for **Perasin®** 2,25 mg and 4,5 mg powder for solution for infusion and **Nebivolol Atb®** 5 mg and 10 mg tablets.

Performances on the domestic market

- A leader in the field of generic prescription medicines, intended for hospitals;

- Ranks 4th among the 126 producers of prescription generic drugs on the Romanian market (9.4% market share);

- The Romanian manufacturer of a full range of essential anti-tuberculosis medicinal products;

- The strengthening of the market leader position on the generics and OTC drugs market sold to hospitals in Romania with a market share of 18.3%;

- The strengthening of the 4th position among the generic drug and drugs without prescription (OTC) manufacturers in Romania, with the most important increase in top 10;

- The increase by 6.5% of sales in hospitals while the hospital market (hospitals) had an overall increase by 2.0%;

- The superior and balanced capitalization of the drugs portfolio with significant increases concerning the drugs without a prescription (+25.3% compared to 2015);

- The strengthening of the leadership position on the Hospital anti-infective drugs segment (injectable) – the increase of the value market share from 34.2% in 2015 to 41.9% in 2016;

- The strengthening of the position of market leader in powder for injectable drugs – the hospital segment, both in terms of consumption (market share 78.5%) and in terms of the value achieved, with a market share of 29.8 %;

- The maintaining of the leading position on the suppositories market both in terms of quantity (market share of 42.6%) and value (market share 25.5%) and the maintaining of the leading position on the ointments market in terms of quantity (28.5% of market share) and value (market share of 13.5%).

Active presence in the foreign market:

- Turnover from export worth 25.60 million dollars;
- **World leading position in the manufacture of Nystatin active substance;**
- 46 products exported to 76 countries (significant countries with export worth over 100.000 dollars - 43);
- The share of exports in the total turnover is 31%.

Top 20 cele mai recunoscute mărci ale companiei Antibiotice în România

Primele 20 de brand-uri (după valoarea vânzărilor) comercializate de compania Antibiotice în anul 2016 au înregistrat vânzări în piață de 194 milioane lei.

Marcă	Denumire comună internațională	Clasă terapeutică + Formă de administrare	Principalii competitori
Amoxicilină® 250 mg şi 500 mg	amoxicillinum	Antiinfecţioase de uz sistemic -antibacteriene beta-lactamice, peniciline- capsule	Amoxicilină® (Novartis) Ospamox® (Novartis) Duomox® (Astellas Pharma)
Amoxiplus® 1,2 g şi 875 / 125 mg	amoxicillinum + acidum clavulanicum	Antiinfecţioase de uz sistemic -antibacteriene beta-lactamice, peniciline- injectabile şi comprimate	Augumentin® (GlaxoSmithKline) Amoksiklav® (Novartis)
Ampicilină® 250 mg, 500mg şi 1 g	ampicillinum	Antiinfecţioase de uz sistemic -antibacteriene beta-lactamice, peniciline- capsule şi injectabile	Ampicilină® (Novartis) Pamecil® (Medochemie) Ampicilină® (Farmex Company)
Ampiplus® 1000 mg + 500 mg	ampicillinum + inhibitor de enzimă	Antiinfecţioase de uz sistemic -antibacteriene beta-lactamice, peniciline- injectabile	Produs unic*
Cefort® 250 mg, 1 g şi 2 g	ceftriaxonum	Antiinfecţioase de uz sistemic -alte antibacteriene beta-lactamice- injectabile	Oframax® (Sun Pharma) Rocephin® (Hoffmann La Roche) Medaxone® (Medochemie)
Cefuroximă Antibiotice® 750mg şi 1,5g	cefuroximum	Antiinfecţioase de uz sistemic -alte antibacteriene beta-lactamice- injectabile	Zinnat® (GlaxoSmithKline) Axetine® (Medochemie)
Gama Clafen® 10 mg/g, 50 mg/g, 100 mg	diclofenacum	Sistem musculo-scheletic -antiinflamatoare/antireumatice nesteroidiene- unguent şi supozitoare	Diclac®/Voltaren® (Novartis) Diclofenac MK®/Diflex® (Fiterman) Diclofenac Terapia® (Sun Pharma)
Colistină Atb® 1.000.000 U.I.	colistini sulfas	Antiinfecţioase de uz sistemic -alte antibacteriene- injectabile	Produs unic*
Eficef® 100 mg şi 200 mg	cefiximum	Antiinfecţioase de uz sistemic -alte antibacteriene beta-lactamice- capsule	Xifia® (Alkaloid AD)
Fluocinolon N® 18 g	fluocinoloni acetonidum + neomycinum	Preparate dermatologice -corticosteroizi în combinaţie cu antibiotice- unguent	Fluocinolon Acetonid® (Laropharm) Fluocinolon MK® (Fiterman)
Hemorzon®	tetracyclinum + hydrocortisonum + benzocainum	Sistem cardiovascular -antihemoroidale topice- unguent şi supozitoare	Procto Glyvenol® (Recordati) Ultraproct® (Bayer) Proctolog® (Pfizer)
Meropenem Atb® 500 mg şi 1 g	meropenemum	Antiinfecţioase de uz sistemic -alte antibacteriene beta-lactamice - injectabile	Meropenem Kabi (Fresenius) Loditer® (Sun Pharma) Meropenem Hospira (Hospira)
Nidoflor® 15 g	nystatinum + neomycini sulfas + triamcinoloni acetonidum	Preparate dermatologice -corticosteroizi în combinaţie cu antibiotice- unguent	Triderm® (Merck & Co)
Novocalmin® 300 mg şi 500 mg	metamizolum natricum	Sistem nervos central -analgezice şi antipiretice- comprimate şi supozitoare	Algocalmin® (Sanofi) Algozone® (Labormed)
Omeprazol Atb® 20 mg	omeprazolum	Tract digestiv şi metabolism -antiulceroase- capsule	Omez® (Dr.Reddy's) Omeprazol (Sun Pharma) Omeran® (GlaxoSmithKline)
Oxacilină® 250 mg, 500 mg si 1 g	oxacillinum	Antiinfecţioase de uz sistemic -antibacteriene beta-lactamice, peniciline- capsule şi injectabile	Oxacilină® (Novartis) Oxacilină® (Farmex Company)
Piafen® 500 mg	metamizolum natricum + clorhidrat de pitofenonă + bromometilat de fenpipramidă	Tract digestiv şi metabolism - antispastice în combinaţie cu analgezice- comprimat	Quarelin® (Sanofi) Algifen® (Sanofi)
Penicilina GK 1.000.000 U.I. **Penicilina GNa** 400.000 U.I. şi 1.000.000 U.I	benzylpenicillinum	Antiinfecţioase de uz sistemic -antibacteriene beta-lactamice, peniciline- injectabile	Produs unic*
Ranitidină Atb® 150 mg	ranitidinum	Tract digestiv şi metabolism -antiulceroase- comprimate	Ranitidină (Laropharm) Ranitidină LPH® (Alvogen) Zantac® (GlaxoSmithKline)
Supozitoare Glicerină adulţi **Supozitoare Glicerină** copii	glycerolum	Tract digestiv şi metabolism -laxative- supozitoare	4Lax® (Solacium Pharma) Supozitoare Glicerină® (Solacium Pharma)

** Produs unic pe piaţa din România (Sursa datelor: Cegedim România 2016)*

Topul medicamentelor pentru care compania Antibiotice este unic producător

Produsele pentru care Antibiotice este unic producător pe piață au înregistrat vânzări în piață de 66 milioane lei, în creştere cu 3,3% față de anul precedent.

Marcă	Denumire comună internațională	Clasă terapeutică + Formă de administrare
Aceclofen®	diclofenacum+paracetamolum	Sistem musculo-scheletic Supozitoare
Amoxiplus® 1000mg/200mg	amoxicillinum + acidum clavulanicum	Antiinfecțioase de uz sistemic Pulbere injectabilă
Ampicilină® 250 mg	ampicillinum	Antiinfecțioase de uz sistemic Pulbere injectabilă
Ampiplus® 1000 mg / 500 mg	ampicillinum + sulbactamum	Antiinfecțioase de uz sistemic Pulbere injectabilă
Cefort® 250 mg	ceftriaxonum	Antiinfecțioase de uz sistemic Pulbere injectabilă
Cicloserină Atb® 250 mg	cycloserinum	Antiinfecțioase de uz sistemic Capsule
Colistină Atb® 1.000.000 U.I.	colistini sulfas	Antiinfecțioase de uz sistemic Pulbere injectabilă
Eficef® 100 mg	cefiximum	Antiinfecțioase de uz sistemic Capsule
Hidrocortizon Acetat 1.200.000 U.I.	hydrocortisonum	Preparate dermatologice Unguente
Izoniazidă Atb® 100 mg şi 300 mg	isoniazidum	Antiinfecțioase de uz sistemic Comprimate
Lisinopril Atb® 40 mg	lisinoprilum	Sistem cardiovascular Comprimate
Nidoflor® 15 g	nystatinum + neomycini sulfas + triamcinoloni acetonidum	Preparate dermatologice Cremă
Nistatină Atb® 500.000 U.I.	nystatinum	Antiinfecțioase de uz sistemic Comprimate
Oxacilină Atb® 500 mg şi 1 g	oxacillinum	Antiinfecțioase de uz sistemic Pulbere injectabilă
Penicilină G potasică 1.000.000 U.I. şi Penicilină G sodică 400.000 U.I. şi 1.000.000 U.I.	benzylpenicillinum	Antiinfecțioase de uz sistemic Pulbere injectabilă
Pirazinamidă 500 mg	pyrazinamidum	Antiinfecțioase de uz sistemic Comprimate
Sinerdol® 300 mg	rifampicinum	Antiinfecțioase de uz sistemic Comprimate
Sinerdol® ISO	rifampicinum+isoniazidum	Antiinfecțioase de uz sistemic Capsule
Tetraciclină Atb® HCL 12 g	tetracyclinum	Preparate dermatologice Unguente
Kanamicină S® 6 g	kanamycinum	Organe senzitive Unguente

Sursa datelor: Cegedim România 2016

Financial evolution

In 2016 the sales revenues amounted to LEI 332.4 million, higher by 1% as compared to 2015 when the figure recorded was LEI 330 million, a result of all our employees' sustained effort to strengthen the business.

Profit before tax was LEI 34.9 million, higher by 9 % than the figure recorded in 2015 and higher by 2% than the profit estimated in the Income and Expenditure Budget (IEB), the company applying a a prudential policy regarding the adjustments at the retail market customers (Antibiotice sells products in about 5000 pharmacies).

Profit after tax was LEI 30.4 million, higher by 12% than in 2015 and by 9 % than the budget estimation.

Evolution of main economic & financial indicators

	31.12.2016	31.12.2015	2016/2015
Sales income	332,435,059	330,087,508	1.01
Operating profit	39,529,669	36,936,839	1.07
Gross profit	34,881,646	32,047,535	1.09
Net profit	30,370,811	27,178,823	1.12
Fixed assets	216,841,805	215,675,376	1.01
Current assets, of which:	316,553,852	328,987,215	0.96
- receivables	242,456,065	231,314,744	1.05
- stocks	60,195,101	60,290,277	1.00
Total debts, of which:	124,329,298	152,012,707	0.82
- trade payables	49,045,370	71,391,757	0.69
- bank loans	40,705,967	41,778,509	0.97
Total Assets	533,395,657	544,662,591	0.98
TOTAL EQUITY	409,066,359	392,649,884	1.04
Average no. of personnel	1449	1458	0.99
Labour productivity	229,424	226,397	1.01

Lei

		31.12.2015	31.12.2016
ROE (return on equity)	=Profit before interest and taxes/Equity	**3.8%**	**4.6%**
ROA (return on assets)	=Net profit/Total assets	**0.9%**	**0.8%**
EPS (Lei/share)	=Net profit /share	**0.040**	**0.045**
Net Profit Rate	=Profit/Sales income	**8%**	**9%**
General Liquidity Rate	=Current assets/Current liabilities	**2.5**	**3.1**
Quick Liquidity Rate	=(Current assets-Stocks) /Current liabiliies	**2.1**	**2.5**
Level of indebtedness	=Debts/total assets	**28%**	**23%**
No. of shares		**671,338,040**	

The main diagnostic indicators of the company highlights the financial stability and our continuing concern for streamlining the business. Therefore liquidity indicators are higher compared to 2015, the indebtedness degree decreasing from 28% la 23%.

The stock exchange evolution

In 2016, the subscribed and paid capital of the company, was 67.133.804 lei accounted for 671.338.040 shares with a nominal value of 0.1000 lei.

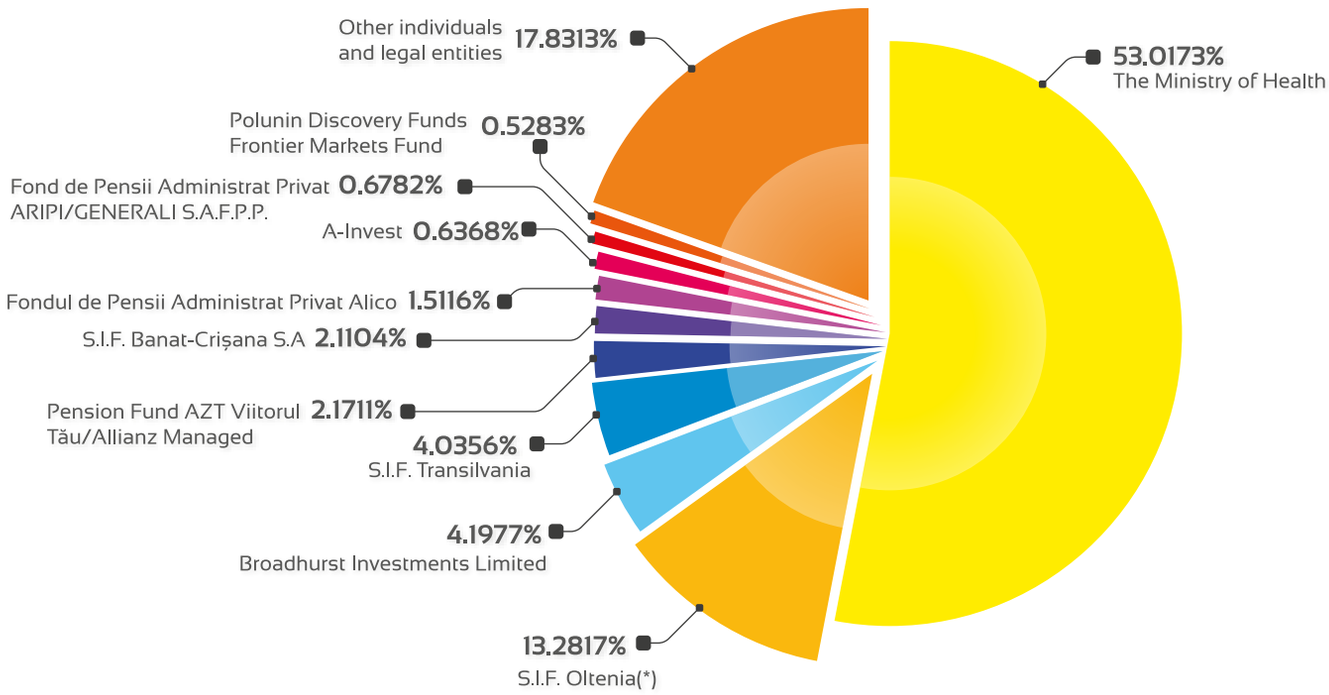
The Antibiotice Company has a strong shareholding structure; the major shareholder is the Ministry of Health.

The Antibiotice Company ownership structure *(according to the Register of Shareholders on 01.09.2016)* is as follows:

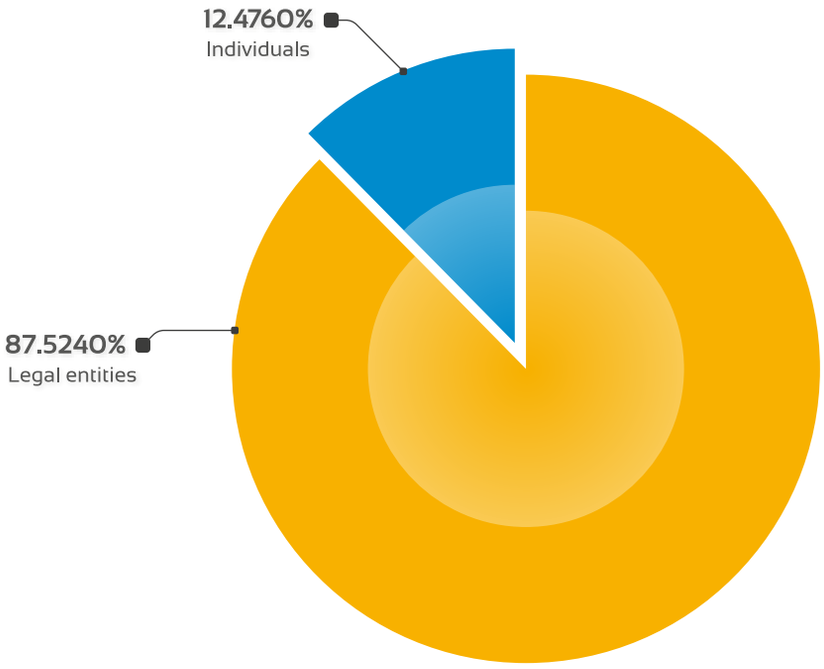
Investors

- The Ministry of Health (*) - 53.0173%
- S.I.F. Oltenia(*) - 13.2817%
- Broadhurst Investments Limited - 4.1977%
- S.I.F. Transilvania – 4.0356%
- Fondul de Pensii Administrat AZT Viitorul Tău/Allianz – 2.1711%
- S.I.F. Banat-Crișana S.A – 2.1104%
- Fondul de Pensii Administrat Privat Alico – 1.5116%
- Fond de Pensii Administrat Privat ARIPI/GENERALI S.A.F.P.P. – 0.6782%
- A-Invest – 0.6368%
- Polunin Discovery Funds – Frontier Markets Fund – 0.5283%
- Other individuals and legal entities – 17.8313%

NOTE: (*) - Significant shareholders, according to Law no. 297 from 28.06.2004, Art. 2, Paragraph 1



The ownership structure of investors



The ownership structure per classes of shareholders

During the year 2016 dividends were paid for the financial years 2012, 2013, 2014 and 2015 amounting to 48.967.531.30 lei, as follows:

Dividend history (2012 – 2015)

Period	Net dividends							Dividend payment suspending date
	Due	Paid				Not collected on 31.12.2016		
		Until 31.12.2015	01.01÷31.12 2016	Total	% (total paid)	lei	%	
2012	9,834,108	8,986,709	9,996	8,996,705	91.48	847,403	8.52	01.11.2016
2013	14,753,415	13,456,573.64	28,648	13,485,221.64	91.40	1,268,193.36	8.60	Payment in progress
2014	15,061,293	13,870,071.74	36,465.91	13,906,537.65	92.33	1,154,755.35	7.67	Payment in progress
2015	13,753,343	-	12,579,067.01	12,579,067.01	91.46	1,174,275.99	8.54	Payment in progress

For 2013, the dividends are distributed directly, from the Company's headquarters, by bank transfer and postal order, and for the years 2014 and 2015, through the Central Depository Bucharest and implicitly, through the CEC Bank.

The Antibiotice Company on the securities market

The securities issued by the Antibiotice Company are listed on the PREMIUM category on the Bucharest Stock Exchange under the symbol ATB since 1997.

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

Both the business plans and the financial results of the company represented a solid guarantee that the Antibiotice Company and has consolidated its position on the drugs national market.

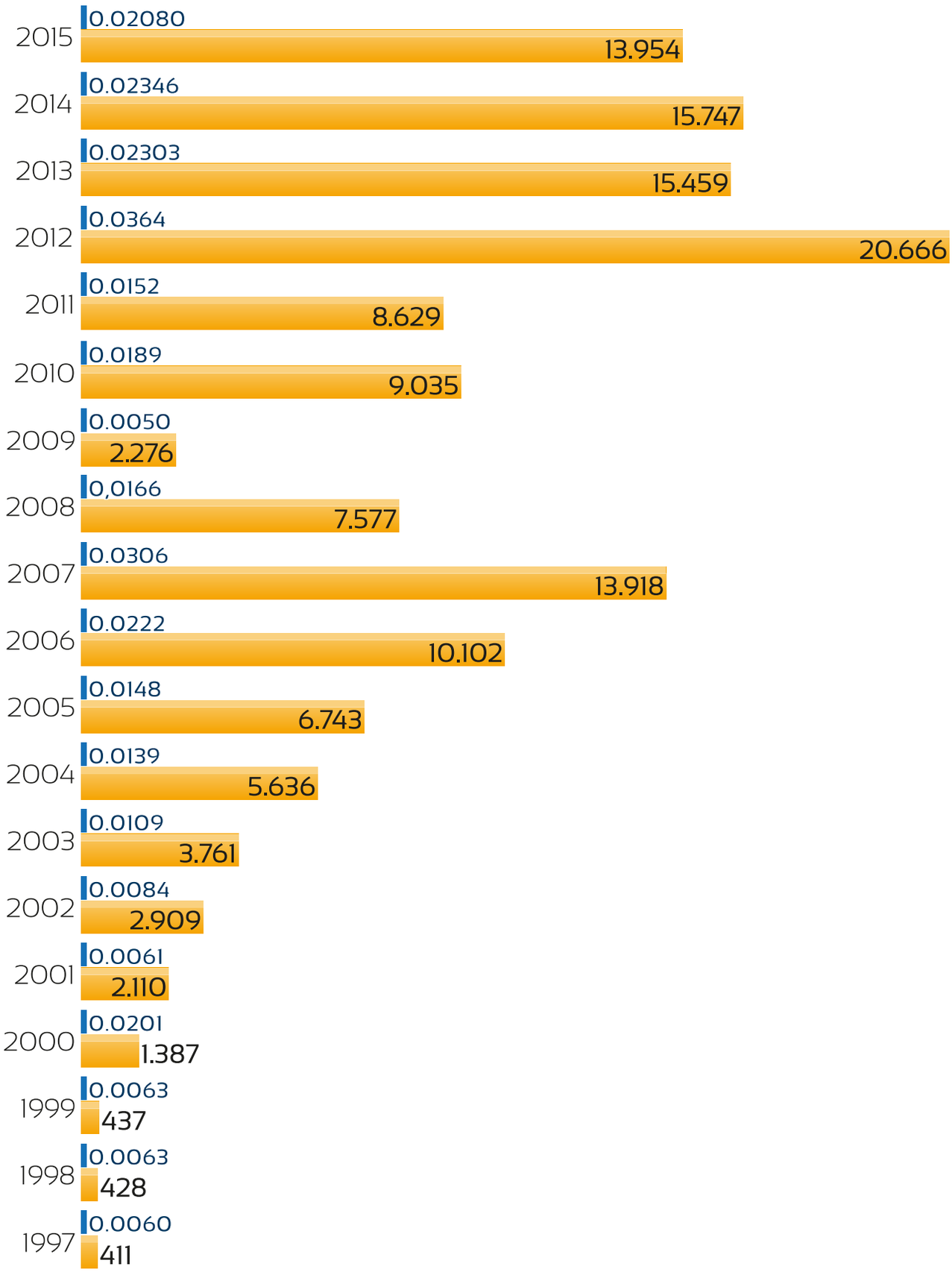
The Antibiotice Company shares (ATB), traded on the Bucharest Stock Exchange:

- Are included in the BET-Plus index, which includes Romanian companies listed on the BSE market that meet the minimum selection criteria excluding the financial investment companies.
- Are included in the BET-BK index, the index which reflects the evolution of prices of shares issued by domestic and foreign companies admitted to trading on the regulated market administered by BSE.

In 2016, the minimum price per ATB action value was worth 0.4200 lei. The share price rose to a peak of 0.5420 lei / share.

The market capitalization of the Antibiotice Company on December 31 2016 (the last trading day of the year) was 349,096 lei.

Volume of gross dividends and the gross dividend per share



The Antibiotice Company – ATB shares / The regular market

Valoare totală tranzacționată (milioane lei)	2013	2014	2015	2016
Number of shares	671.338.040	671.338.040	671.338.040	671.338.040
Market capitalization (thousand lei)*	374.607	390.719	357.152	349.096
Market capitalization (thousand euros)*	83.919	87.173	78.868	76.875
Market capitalization (thousand $)*	115.413	105.978	86.167	81.123
Total value traded (million lei)	23	16	11	6
No. of traded shares	48.439.486	27.467.454	18.844.935	12.555.866
Opening price (lei/share)	0,3774	0,5520	0,5850	0,5320
Maximum price (lei/share)	0,5680	0,6170	0,6170	0,5420
Minimum price (lei/share)	0,3700	0,5410	0,5240	0,4200
Price at the end of the year (lei/share)	0,5580	0,5850	0,5320	0,5200
Average price (lei/share)	0,4692	0,5845	0,5836	0,5032
Earnings/share (lei/share)***	0,0467	0,0467	0,0405	0,0452
Gross dividend/share (lei/share)**	0,0230	0,0235	0,0197	0,0235
Dividend yield****	4,12%	4,03%	3,69%	4,05%
Dividend distribution rate*****	49%	51%	49%	52%

* Calculated based on the share price on the last trading day of the year,
** Proposed dividend,
*** The calculation of earnings per share is based on the net profits of each year
**** Dividend per share / share price on the first trading day of each year
***** The dividend distribution rate = (number of shares x gross dividend per share) / total net profit.

During 2016 12.555.866 shares were traded, worth 6.3 million lei (1.4 million euros, $ 1.5 million), with an average price of 0.5032 lei / share.

The Antibiotice Company is present, on average, among the first 12 companies in the BET-PLUS index and among the 20 top companies in the BET-BK index.

In accordance with Chapter VI, Section 2, Art. 92 – the B.V.B. Code, *the financial communication calendar for the year 2016* was:

Events	Date
Presentation of preliminary annual financial results - 2015	15.02.2016
The General Meeting of Shareholders for approving the annual financial results - 2015	18-19.04.2016
The presentation of the Annual Report - 2015	19.04.2016
Submission of quarterly reports: **Quarter I 2016** **Quarter III 2016**	13.05.2016 11.11.2016
Meeting with investors and analysts	20.05.2016
Presentation of Half-yearly 2016	12.08.2016
Meeting with investors and analysts	21.10.2016

ACTIONS AND RESULTS

Research - Development

Given the current market requirements, the Antibiotice Company continued to invest in research and development of products covering a wide range of therapeutic indications prevailing in the anti-infective products, dermatology and cardiovascular class products and products for prophylaxis and the improvement of the quality of living.

The Research & Development activity performed in 2016 has included documentation stages, the selection of the raw materials manufacturers, pharmaceutical formulation and development, scale-up and validation, stability studies and preparation of the documentation for authorization.

Various formulations have been targeted, such as: immediate-release tablets, extended release /gastro-resistant tablets, ovules and suppositories, topical medicinal products and powders for injection.

A constant concern was the training on important issues in the development of a pharmaceutical product according to the latest European and American guidelines.

As in other years, in 2016 and the upgrading of the documentation and the optimization of drugs in the portfolio of the Company were performed by documentation updates and alignment with the monographs of the European Pharmacopoeia (Ph EUR).

Thus, in the future product pipeline there are currently 26 projects in various stages of development, in the therapeutic classes that define the strategic development directions of the company. These are as follows: oral anti-infective products (3 products), anti-infective products for injection (3 products), dermatological products (6 products), ovules and suppositories (3 products), cardiovascular drugs (3 products), drugs for the central nervous system (1 product) and anti-inflammatory drugs (1 product).

Another direction of research has been focused on products for the prophylaxis of diseases and the improvement of the quality of life. These categories include food supplements and OTC medicines (6 products).

25 new international Marketing Authorizations and 7 new products on the Romanian market

The results of the research and development stages have led to new marketing authorizations and the reauthorization of already known drugs on the national and international market.

In Romania, 7 new Marketing Authorizations were obtained through national procedure (MA) for drugs in the following classes: cardiovascular (Atb® Ramipril 2.5 mg, 5 mg and 10 mg tablets, Candesartan 8 mg and 24 mg Atb® film-coated tablets), anti-infectives (Norfloxacină Atb® 400 mg

film-coated tablets) and genitourinary apparatus (Zifex® Complex ovules).

However, 18 authorization procedures for products already on the market were ended.

The veterinary products portfolio has been improved by the completion of the licensing procedures for 2 new products, Sulfadiazină Argentică Vet Atb® 10 mg/g gel and Zoodermin Vet Atb® ointment.

The international business development was supported in 2016 by the obtainingof a total of 25 new marketing authorizations for the Antibiotice Company products in 6 countries in Europe, Asia and Africa.

In 2016 2 European decentralized procedure (DCP) for simultaneous authorizing in EU countries were started for Perasin® (piperacillin/tazobactam) 2.25 mg and 4.5 mg powder for solution for infusion and Nebivolol Atb® 5 mg and 10 mg tablets.

The Center for Drug Evaluation

Clinical trials

During 2016, within the Clinical Unit of the Center for Drug Evaluation six clinical bioequivalence studies were conducted either for products in the portfolio of the Antibiotice Company, or for external sponsors in Europe.

The development of protocols

Bioequivalence assessment procedures were initiated for two products in the research plan of the Anitbiotice Company as the bioequivalence study protocols were approved by the National Medicines Agency and the National Commission of Bioethics.

Also, the procedures for two types of clinical trials for topical products were started:

- phase I trials for dermatological products containing corticosteroids;
- extensive phase III clinical trials (efficacy) for dermatological antifungal products.

Qualified Person

Increased confidence in the quality, effectiveness and safety of our products is done every day by maintaining the Integrated Management System under control and constantly improving it, which is certified by the results obtained following inspections / audits in 2016.

Inspections conducted by authorities

- During 25-26.01.2016 Antibiotice was audited by the National Sanitary Veterinary and Food Safety Agency (ANSVSA) for the GMP recertification of the manufacturing lines for veterinary products - aseptically prepared products (products for injection, ointments) and non-sterile products (ointments). Following the inspection, the manufacturing authorization was maintained and the GMP certificate was issued for veterinary products (44/2016/RO on 11.02.2016).

- On 28.03.2016 the Sanitary Veterinary Agency inspection conducted an audit in order to reauthorize the Pharmacodynamical Analysis Lab as an lab animals user for scientific purposes. The lab was reathorized following the inspection.

- During 19-23.09.2016 the **GMP recertification inspection of NAMMD** was held, for:
  - the manufacturing line of products for injection;
  - the Nystatin manufacturing line;
  - secondary packaging of cephalosporin vials;
  - reception, sampling and storage of raw materials and packaging materials in the new warehouse.

Following the reception, the manufacturing and import Authorization and the GMP certificates for the respective manufacturing lines were obtained.

Audits of the certification bodies

- During 10-11.06.2016, the SRAC CERTSERV surveilllance audit took place, in order to verify compliance with the conditions leading to releasing the certificates of conformity with the specifications in force (aluminum tubes, alumininum caps, screw-top lids). There were no non-conformities and it was recommended to maintain the certifications.

- During 21-25.11.2016 there was an audit on the Integrated Management System conducted by Lloyd's Register Quality Assurance. The audit was conducted on all three systems:
  - quality (as per standard ISO 9001);
  - environment (as per ISO 14001);
  - occupational health and safety (conform OHSAS 18001).

There were no non-conformities and it was recommended to maintain the certifications.

Audits from clients for the active ingredient Nystatin

During 2016 there were eight audits held by specialized firms or external customers (Fagron Czech Republic, Amneal India, Audit Associates Ltd. (third party auditor) for Sandoz Ireland, Pfizer Pakistan, Prati Donaduzzi Brazil, SGS (third party auditor) for Par/Endo USA, Innothera, France, Blue Inspection Body/DiaPharma), beneficiaries or potential beneficiaries of Nystatin API manufactured by Antibiotice. The audits were completed without identifying nonconformities, Antibiotice being proposed for qualification as a provider of Nystatin.

Audits from clients for parenteral products

In order to assess the line manufacturing parenteral products and verify compliance with cGMP norms of sterile products manufacturing in 2016, three audits were conducted by American and Canadian companies (Teva Sagent, WorldGen) the results being favorable. Therefore Antibiotice is proposed for qualification as a provider of parenteral products.

Audits of raw material/primary packaging materials/finished product suppliers

In view of respecting European requirements regarding the import of active ingredients in the European Union, several audits were conducted in 2016 on-site at active ingrediens suppliers used in the manufacturing process.

Auditing the active ingredient supplier has been since 2013 a compulsory requirement at European level for pharmaceutical products MA holders. The legislation in force binds the marketing authorization holder to check periodically the compliance with EU GMP of the manufacturers / distributors of active substances at an interval no longer than three years.

According to the program of external audits, Antibiotice audited the manufacturing lines of active substances suppliers / manufacturers finished products for contract manufacturing in Turkey, Austria, USA, China, India and Taiwan.

The modernization and streamlining of manufacturing flows

The development strategy for the year 2016 of the Antibiotice Company required as a priority direction the development and modernization of the product portfolio and the manufacturing flows.

The Antibiotice Company manufactures both for domestic and foreign partners, more than 140 drugs in six pharmaceutical formulations:

- Powders for injection;
- Capsules;
- Tablets;
- Topical Products (ointments, creams, gels);
- Suppositories;
- Ovules.

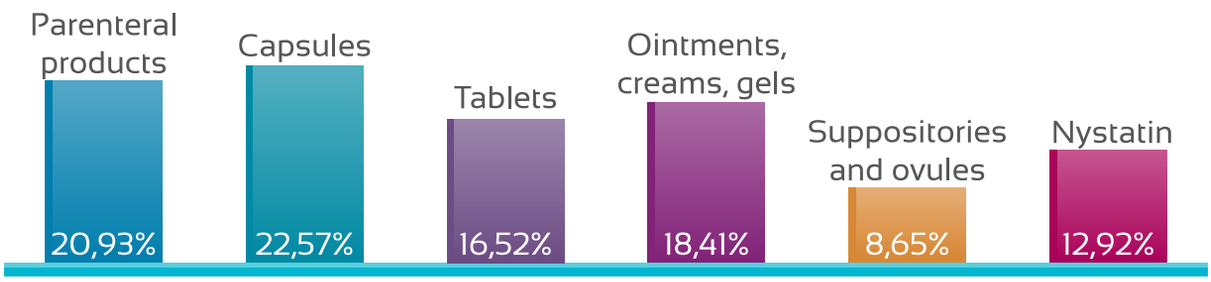
The product quality is assured by processes that comply with the latest requirements in the field of good manufacturing practice; all of the eight manufacturing flows of the Company are EU-GMP certified. The manufacturing flows of the sterile injectable products and Nystatin active substance are approved by the American authority in the field of drug and food safety, the Food and Drug Administration.

The implementing of all the regulatory requirements and the assessment of the quality management system by the regulators authorities and customers from all over the world result in the maintaining of the quality, effectiveness and safety of the medicinal products manufactured by the Antibiotice Company.

In 2016 the Antibiotice Company has manufactured as follows:

- 468 million of pharmaceutical units in the form of tablets, capsules, parenteral products, ointments, creams, gels, suppositories and ovules;
- bulk active substance (Nystatin) in an amount comparable to the previous year.

The value of the products manufactured for export (Nystatin and packaged products) represents 25.2% of the total production achieved during the year 2016.



The production of the year 2016

The goals of the Antibiotice Company achieved in 2016 in the manufacture of pharmaceutical products were:

- The manufacture of parenteral products under manufacturing and control contract for foreign companies. Production for export parenteral products accounted for 26.6% of the total value of the goods intended for foreign markets;
- The reduction of raw material costs by optimizing the manufacturing formulas and the identification of new sources for the excipients utilized in the technology of packaged products;
- The reduction of the consumption of utilities by careful management in all production facilities;
- The doubling of the homogenizing capacity of the Nystatin active substance, which resulted in reduced analytical costs. The efforts for the application of the environmental protection program concerning the emissions of volatile organic substances during the extraction stage of Nystatin have

been continued.

- The launch into manufacturing of new products in the following therapeutic classes:
  - The cardiovascular system: **Indapamidă Atb®** 1.5 mg, **Candesartan Atb®** 8 mg and 16 mg, **Ramipril Atb®** 2,5 mg, 5 mg and 10 mg.
  - Anti-infective products for systemic use: Norfloxacin Atb® 400 mg
  - CNS dietary supplement: **Soriso®**.

The investment activity

Consistent with overall business goals of the company, in 2016 significant investments for the organizational development were made. Thus, activities were carried out for the modernization and refurbishment in order to increase the labor productivity, the decrease of energy loss and the increase of the operational safety degree and to comply with the specific legal requirements of the pharmaceutical industry.

The building a new plant for the manufacture of topical products

In 2016 the timetable for contracting procedure for the first stage of the construction and installation works development of new manufacturing plant began. This stage consists in building the manufacturing area jacket (without clean rooms spaces and the partitioning of the conventional clean and related facilities) as well as the construction of the technical-administrative building.

However, 2016 the analysis of the technical aspects related to the technological facilities and their correlation with the construction and manufacturing flows in their entirety was performed. This process is in an advanced stage of development and at its completion the preparation equipment design to finalize for their execution could be carried out. The second stage of the investment project foresees the building of clean rooms, of conventional clean areas and related facilities.

Since the long-term development strategy envisages the export of topical products, including markets in areas heavily regulated like the United States of America (FDA authorization), the endowment of the plant, the systematization method will therefore be planned so as to allow the subsequent authorization of the flow for the foreign markets.

According to estimates, the deadline for the commissioning of this investment is 2019.

The refurbishment of the manufacturing flows and the equipping with new equipment of existing laboratories

However, due to the expansion of the product portfolio, the change in Pharmacopoeias and to comply with the requirements of the regulatory bodies the need to purchase new technical laboratory appeared in order to be used in the field of research, quality control and also in the production facilities. Thus, dissolution testers, HPLCs, a spectrophotometer and climatic chambers were purchased.

Investments were also made to support the smooth running of activities in the company:

- The establishment of a refrigerated warehouse for the Nystatin finished product;
- The establishment of a warehouse for raw materials for Nystatin (an ongoing investment which will be finalized in 2017);
- The rehabilitation of the system to support and transport utilities;
- The rehabilitation of the power supply installations (rehabilitation of medium voltage stations).

The development of marketing activities in 2016

The pharmaceutical market in Romania has recorded in 2016 an increase in value of 10.6% to 12.95 billion lei, compared to the value of 11.7 billion, achieved in 2015 . The positive development was recorded at the physical consumption of drugs that rose by 471 million physical units from 11.2 billion units in 2015 to 11.27 billion in 2016.

The increase of the pharmaceutical market can be explained by reference to the value of 2015 affected by the consequent reduction of prices for prescription drugs, as well as introduction of new molecules in the list of subsidized and free drugs, including those for treatment without interferon of chronic viral C hepatitis and liver cirrhosis C treatment. Without taking into account the introduction of the hepatitis treatment, the increase of the pharmaceutical market in 2016 would have been of approximately 1%.

In the context of the pharmaceutical market in Romania, the activity on the domestic market was conducted taking into account the following risks:

- the increase of the claw back tax value, compared to the year 2015 to a level of 18.9 in the value of medicines reimbursed by the National Health Insurance House;
- the increase of the manufacturing costs due to the increase in the prices of utilities and raw materials;
- the relocation of clients by categories of pharmacies (pharmacy chains and mini chains and independent pharmacies), which drew the allocation of more important budgets by the pharmacy chains and mini chains segments. The sales policies of the mini chain and independent pharmacies have been adapted to the policies implemented by the pharmacy chains (molecules negotiation, negotiation of portfolios, the promotion of products on conditions to ensure a standard of zero copayment for the patient);
- the introduction of new molecules in the list of compensated and free medicines, including those for the treatment of chronic hepatitis and liver cirrhosis;
- the premise of the decrease of prices of original drugs that are no longer under patent protection affecting, on the one hand, the drug manufacturers tightening competitive environment, and on the other hand the patients who will face the lack of products on the market, thus limiting their access to medicines;
- the starting at the end of 2016 by the Ministry of Health of an open tender procedure for the purchase of antibiotics aimed at rationalizing the use of resources in the health budget;
- the settlement of amounts owed by the National Health Insurance House at terms which exceed the terms agreed upon in the framework contract.

The development of the Romanian pharmaceutical market

During the last 5 years, the pharmaceutical market in Romania has seen an upward trend both in value and quantity, only the years of decline were 2013 and 2015. Thus, after the sales in 2015 have amounted to 11.70 billion lei (down by 4.7% compared to 2014, an impact due to the lowering of prices for prescription drugs), in 2016 a historical maximum was reached both in terms of value of 12.95 billion lei (up by 10.6% compared to 2015), and in quantity 11 66 billion units (up by 4.2%).

Accounting for 88.3% of the total sales value of the pharma market and 97.9% of total drug consumption, the retail channel (pharmacy) is the main segment of retail on the pharmaceutical market in Romania. The hospital channel (hospital) is only 11.7% of the total sales value and 2.1% of the quantity sales.

[1] *the values are calculated based upon the price of entry in pharmacies according to the market research and analysis company Cegedim*

On the pharma market in Romania, the original drugs are supreme in terms of value (59% of total sales, up by 10.6% compared to 2015) but in terms of volume, the most consumed drugs are generic drugs and OTCs (73.1%).

In terms of the prescribing method, the pharma market is dominated by drugs with a prescription (RX) representing 79.8% of the total sales in value and 71.6% of the total drug consumption in Romania.

Amid the application of claw back tax on the prescription drugs, the drugs without a prescription (OTC) experience a tendency to increase the value share of the total sales reaching a share of 13.6% in 2010 to 20.2% in 2016.

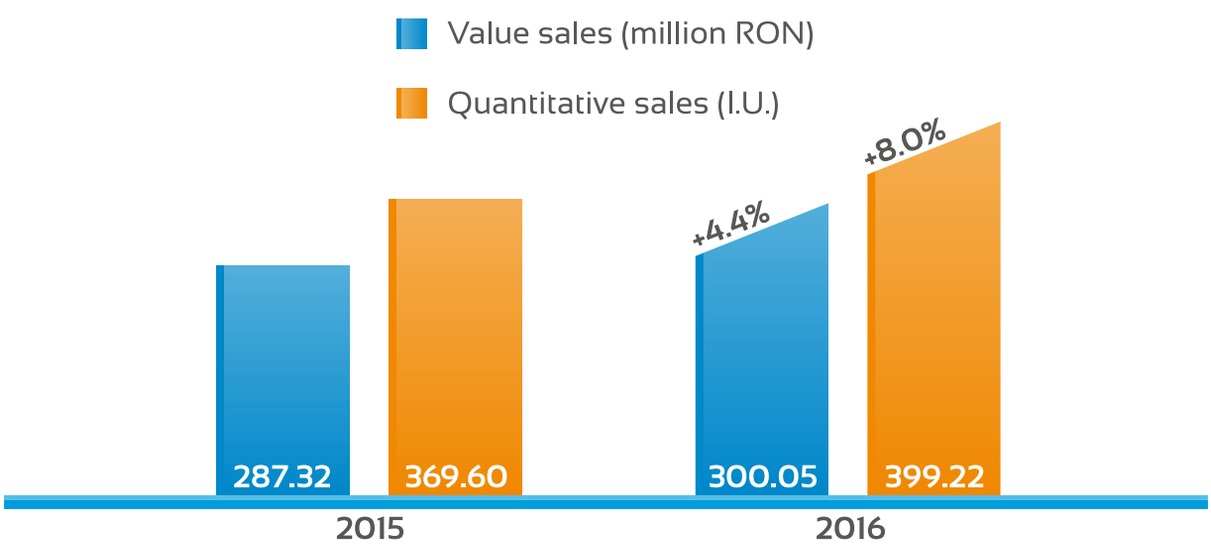
The first 5 therapeutic classes on the pharma market in Romania in terms of the share in sales value are:

- Anti-infective drugs (17,1%),
- Digestive tract drugs (17%),
- Cardiovascular system drugs (14,5%),
- Oncology drugs (14,3%),
- Central Nervous System drugs (10,4%).

Cumulatively, the first 5 classes account cumulate 73.3% of the total sales value in Romania, down by nearly 2% over the share occupied in 2015. The other 11 classes cumulate 26.7% of the total sales.

The Antibiotice Company in the market context

In the context of the pharmaceutical market in Romania, the Antibiotice Company recorded an increase in the sales in pharmacies and hospitals by 4.4% compared to 2015, faster than the pace registered on the pharmaceutical market for generic drugs with prescription and OTC in Romania. Also, the physical sales have increased by 8%, due to an advance of 4.2% in the consumption of drugs at the total market level.



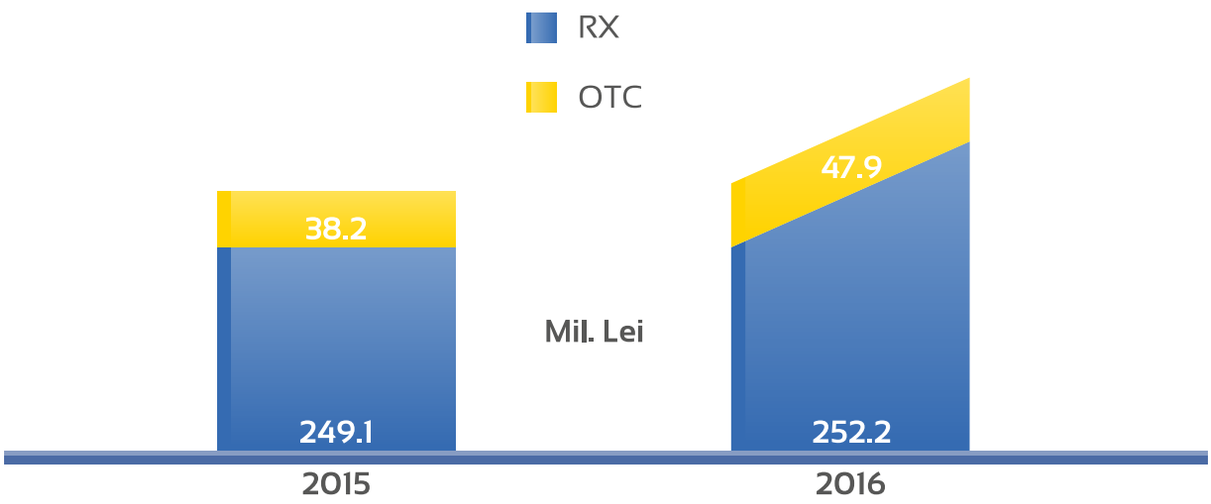
Evolution of Antibiotice sales

With a sales value of 300 million lei, our company maintains its 4th place among the manufacturers of generic prescription drugs and medicinal products without a prescription (OTC) and records the highest increase in the top 10.

The retail pharmacy segment is increasing by 3.7% compared to the year 2015 from 215.5 million lei to 223.6 million lei, while the Hospital segment experiences an increase of 6.5% from 71.8 million lei

in 2015 to 76.5 million lei in 2016.

Following the general trend of the market determined by the increased interest in prevention, the health maintenance and maintaining the quality of life, the portfolio of the drugs without prescription of the Antibiotice Company registered in 2016 an increase of 25.3% over the level of growth achieved by the total OTC (+ 11.6%).



Evolution of Rx and OTC sales

The Antibiotice Company - a leader on the segment of generic drugs sales to hospitals

The Antibiotice Company maintained and in 2016 the segment hospital leadership, harnessing the best portfolio of anti-infective drugs for which is recognized in the market.

With sales of 76.5 million lei and a market share of 18.3%, *the Antibiotice Company is the leader on the generic drugs and drugs without prescription (OTC) sold to hospitals in Romania, with an advance value of 21.5 million lei compared to the company which ranks second.*

Also, the Antibiotice Company enjoys a leading position in terms of valued therapeutic units - powder for injection, with a market share of 75.3%.

Antibiotice, a leader on the ointments and suppositories segment

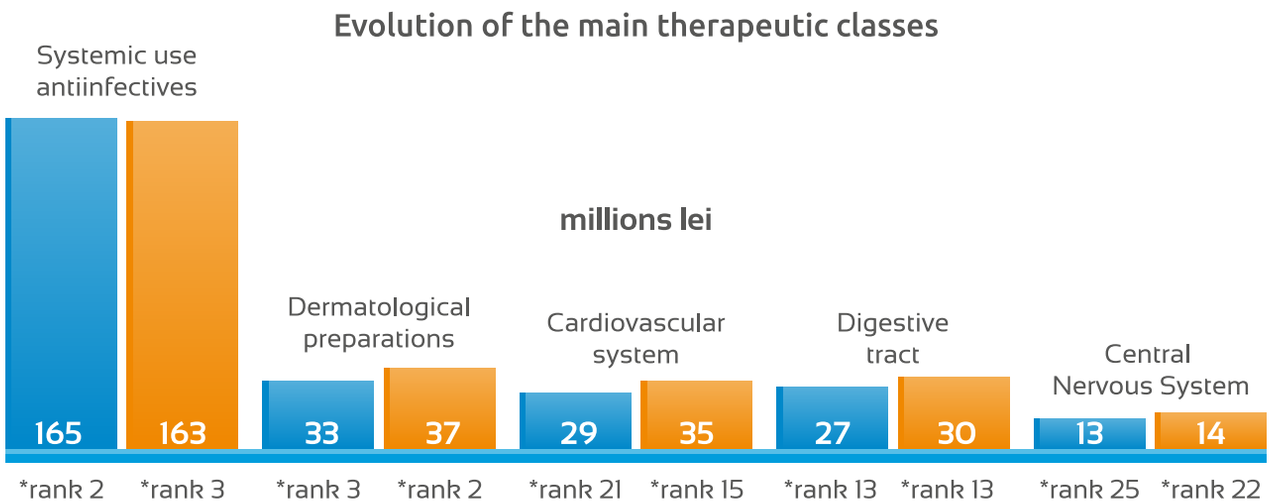
In 2016 the Antibiotice Company maintained its leading position in terms of quantitative sales on the whole range of ointments (market share of 28.5%) and suppositories (market share of 42.6%).

Through the continuous and sustained effort of the sales teams and of the promotional team for dermatological and inflammatory products, the ointments portfolio of the Antibiotice Company recorded in 2016 an increase in consumption of 11.2% compared to 2015, above the rate recorded by the market (+ 8%).

Growth higher that the market's growth for the following therapeutic classes: Digestive tract, Central Nervous System, Dermatological Preparations, Sensory Organs, Cardiovascular System and Musculoskeletal System

At the level of therapeutic areas, the Antibiotice Company has recorded in 2016, compared to 2015, a growth higher than the market's growth as follows:

- ***The Digestive Tract*** class grew by 20.2%. A significant value contribution to the achievement of this class of indicators had the following products: **Omeprazol Atb®** 20 mg, up by 145%, from 2.3 million lei in 2015 to 5.7 million lei in 2016, **Silithor®** capsules, hepatoprotective supplement released in 2014 and reaching sales of 3.6 million lei in 2016 and **Equilibra®** capsules, up by 58.3%, from 1.4 million lei in 2015 to 2.2 million lei in 2016;
- ***The Central Nervous System*** class grew by 12.4%, while at the market level, this class had a decrease of 3.9%. The products with a significant contribution to sales in 2016 are: the **Memantină Atb®** range, launched in 2014 and which in 2016 had a value intake of 1.8 million lei as well as the assimilated products in the portfolio in 2016: the **Zatinex®** capsules range and **Escitalopram Atb®** tablets with a cumulative intake value of 0.77 million lei.
- ***The Dermatological Preparations*** class had an increase in value of 12.1%. The products with significant growth value in 2016 are: **Nidoflor®** ointment (nystatin + neomycin + triamcinolone) up by 12.2%, the **Clotrimazol Atb®** range, up by 20.2%, **Clobetazol Atb®** ointment with a value intake of 0.56 million tubes during the first year of sale, Cicatrol®, up by 45.3% and **Cutaden® Bebe** up by 37.4%;
- ***The Cardiovascular System*** class has registered a positive value evolution, with a growth rate of 9.5% in 2016 compared to 2015, while at the market level, this class had a decrease of 3.5%. An important contribution to the increase of the ***Cardiovascular System*** class 2016 class had the following drugs: **Rosuvastatină Atb®,** with an intake value of 1.38 million lei during the second year of sale and **Fluxiv®** tablets, a food supplement launched in 2016 with a contribution value of 3.2 million lei;
- ***The Musculoskeletal System*** class has recorded an increased value of 4.2%. The products with significant growth values in 2016 are: ***Ibufen®*** tablets with 50.4% the ***Clafen®*** range with 8.2%, Indometacin suppositories with 7.7% and ***Aceclofen®*** suppositories with an increase of 15.4%.



*the rank of the Antibiotice Company in the top of manufacturers for each therapeutic class

Cefort® - The Antibiotice Company bestselling product

The most valuable product marketed by the Antibiotice Company is Cefort® powder for injection 1g (ceftriaxonum) with a share in the total turnover of 7.34% and a contribution value of 0.96 million lei. The rise in the drug Cefort® 1g was recorded on the hospital segment, with an increase in value by 10.6% from 12.3 million lei in 2016 to 13.6 million lei in 2016.

Top products

Amongst the Antibiotice brand drugs, Eficef® enjoys the best performance in terms of notoriety.[2]

On the second place in the sales of the Antibiotice Company during the year, there is Eficef® capsule 200 mg (5.75% share of sales), followed by Amoxicillin capsules 500 mg (4.31%), Nidoflor® ointment (3.74%) and AmpiPlus® 1.5 g product for injection (3.67% share of sales).

[2] *Notoriety Research Report Company Brand, ISRA Center, February 2016*

In the portfolio of medicinal products without prescription, the brands which have stood out both in value and quantity during the year 2016 are: Fluxiv®, a dietary supplement launched in 2016 with a contribution value of 3.2 million lei, Silithor®, a hepato-protective supplement released in 2014 with a contribution value of 1.98 million lei, Rompirin® tablets 100 mg with a contribution value of 0.8 million, the Clotrimazol cream range 15 g and 35 g (value increase of 20.2% and an quantitative value of 21.7%), Equilibra® capsules (value increase up to 58.3% and quantitative growth of 56.6%) and Ibufen® 200 mg tablets (value increase of 50.4% and quantitative increase of 45.6%).

13 new products launched on the market in 2016

The portfolio dedicated to the human use encompassing 140 medicines covering 12 therapeutic classes certify that the strategy of the Antibiotice Company is the permanent orientation towards renewing the product portfolio and manufacturing of generic drugs therapeutically bioequivalent to the original drugs while maintaining high quality standards.

In the year 2016, the portfolio of pharmaceutical products was completed with 13 new products in the following therapeutic classes: Cardiovascular System, Anti-infective products, Central Nervous System and Dermatological Preparations.

In the category of the cardiovascular system drugs, the Antibiotice Company has completed its portfolio by creating its own range of Candesartanum molecules (angiotensin II receptor antagonist), Ramiprilum (angiotensin converting enzyme inhibitor) and indapamidum (diuretics): **Candesartan Atb**® tablets 8 mg and 16 mg, **Ramipril Atb**® tablets 2,5 mg, 5 mg and 10 mg and **Indapamidă Atb**® tablets 1.5 mg.

Within the main therapeutic class of anti-infective products marketed, the Antibiotice Company has strengthened its position in the fluoroquinolone group, by bringing alongside the **CiproQuin**® tablets 500 mg of the product **Norfloxacină Atb**® tablets 400 mg.

The Antibiotice Company decided to further the development of the product portfolio of the Central Nervous System class, so that in 2016 3 new drugs used to treat depression and anxiety disorders were launched: Escitalopram Atb® tablets 10 mg and the **Zatinex**® range (duloxetinum) tablets 30 mg and 60 mg.

In the category of the Dermatological Preparations in 2016 **Cicatrol**® paste 20 grams was introduced into the product portfolio, as a complement to the existing packaging form (50 grams).

Following the general population tend to focus more on preventive therapies, thus consuming products from the dietary supplements category in 2016, two products were added to the portfolio: **Fluxiv**® tablets, a combination intended for the vascular and circulation health and **Soriso**® tablets, a combination of extracts with adaptogenic role against various stress factors, in maintaining the physical and psychological balance of the human body.

In the first year of launch, the contribution of these 13 new products to the turnover was 7 million lei, calculated according to the time of entry to sale of each product during 2016.

The Antibiotice Company has promoted the portfolio to major national conferences

The marketing and distribution activities are completed by the marketing and promotion structure organized at local level according to the main therapeutic areas (Anti-infective products, Cardiovascular System, Central Nervous System and Dermatology, OTC and dietary supplements) for the ethical and professional promotion of drugs among the specialists in the medical area.

The activity of the Promotion Division and Commercial Division was supported in 2016 by the ethical promotion by health professionals, the general public and by organizing and participating in the most important national events that occurred during the year. Among them there are: National Congress of Family Medicine, The Cardiology Working Groups Conference, National Congress of Family Medicine and the National Congress of Pharmacy. The topics of these conferences have addressed health professionals and made reference to the scientific expertise with the molecules present in our company's portfolio, but also to new products entering the portfolio as food supplements. The collateral themes were: the population's access to medication and the economic impact of generic drug use, the adherence to treatment, the use and recommending of supplements in the

context of prevention and the maintaining of a healthy lifestyle.

A series of promotion programs and actions were also carried out:

- The pharmaceutical education program continues within the " Antibiotice a+ partner" project.;

- The organization workshops with independent pharmacies and the mini chain pharmacies;

- The promotion of the company brand and the product brands through the campaign intended for the general public for health monitoring: "Health for my patients" conducted in the offices of family doctors, which aimed at monitoring the risk of hypertension in patients living in rural areas; the project enjoyed the support of cardiology specialists. The project was also extended for the patients with gynecological conditions following the introduction in the portfolio of a new pharmaceutical form, ovules, intended for the treatment of these diseases;

- A campaign dedicated to the general public for the Cutaden Bebe® cosmetic product freely granted to mothers, when giving birth, under the project "Reveal the world to me", carried out in maternity hospitals in the southern region of the country;

- The campaign entitled "Romanian products from sea to summit" dedicated to the general public aimed at promoting food supplements such as Fluxiv®, Equilibra®, Silithor®, Soriso® and the cosmetic product Cutaden® Bebe in the context of an increasing interest in maintaining the quality of life;

- The social media campaigns for the products Cutaden Bebe®, Fluxiv® and Soriso® were intended for the public adapted to the promotion of this communication channel and contributed to the integrated project to educate the general public concerning the need to maintain and improve the quality of life;

- The national radio campaigns for Cutaden Bebe® and Equilibra® intended to increase the awareness of the Antibiotice Company brands;

- "Mystery Shopper" marketing campaigns to promote product brand names in pharmacy chains;

- Campaigns to market products on the shelves in open circuit pharmacies;

- The joining of the Antibiotice Company of the campaign for celebrating the European Antibiotic Awareness Day (November 18th), conducted in 2016 under the slogan "Antibiotics - use them responsibly." During the campaign, leaflets were distributed and information was provided to the general public about what bacterial resistance means and how to use antibiotics properly so that the future generations can also benefit from the therapeutic efficacy of this precious resource.

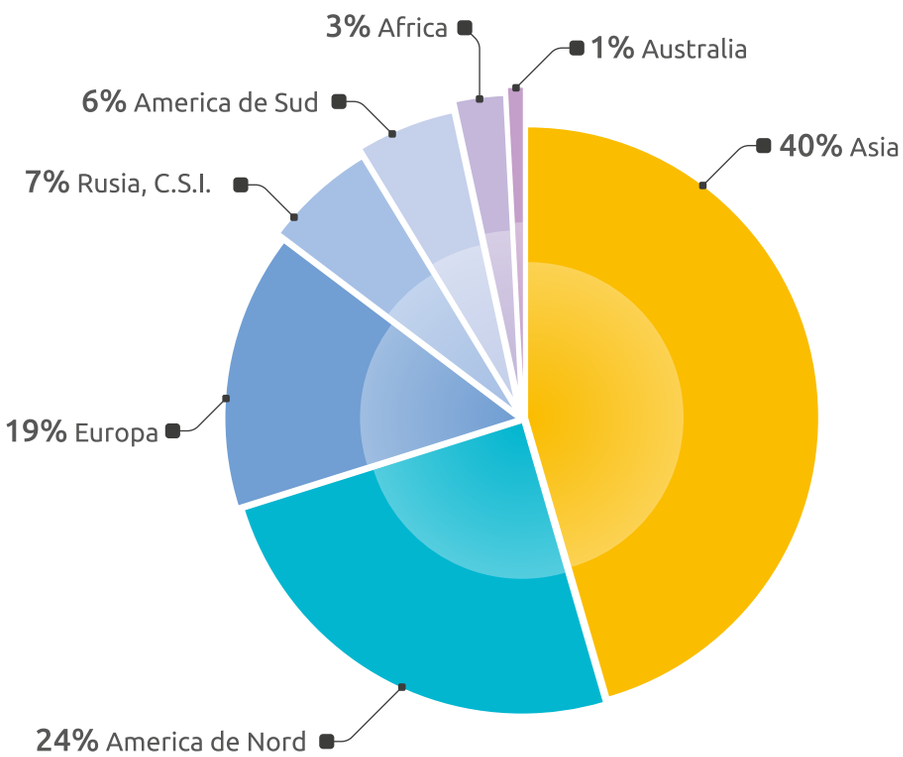
Among the major national events attended by the Antibiotice Company 2016 there are:

- The National Congress of Internal Medicine, in April at Căciulata;
- The National Conference of Working Groups of the Romanian Society of Cardiology, in May in Sibiu;
- Iași Dermatology Spring, in Iași;
- Primăvara Dermatologică Ieșeană, mai, Iași;
- Pharma and Medical Forum Conferences organized at national level;
- The interdisciplinary symposium "The Antibiotice Company - 60 years of Romanian continuity and performance" in March in Timișoara and in May, in Bucharest;
- The National Congress of Family Medicine, in October, in Iași;
- The National Congress of Pharmacy, in September, in Bucharest.

Business development on foreign markets

Antibiotice's exports recorded 25.60 million USD in 2016, up by 11.60% compared to 2015, rising steadily in recent years from 17.90 million USD in 2010.

The increase in export turnover was mainly generated by developing finished products exports as a result of completing the projects launched in previous years on several foreign external markets, after obtaining the marketing authorisations and implicitely the transition to the commercial stage of the project.



Geographic breakdown of exports in 2016

Asia continues to be the main geographical area of the company's exports due to the important consumption of Nystatin active ingredient and increasing the export of finished products especially in Vietnam. North America reported the largest growth rate in 2016 compared to 2015, an increase generated by a higher volume of sterile penicilin products, finished forms, as well as Nystatin API.

Europe became the third geographical area where we export Nystatin, followed by Russia and the CIS, South America and Africa.

Nystatin active ingredient – Antibiotice maintains world leader position

Nystatin active substance is a strategic product of our company. Thanks to the continuous improvement of product quality, obtaining international certifications for access on regulated markets and flexibility in dealing with external partners, Antibiotice has become the world market leader in Nystatin manufacture. The highest percentage growth in 2016 was registered on the US market where deliveries increased by 25% compared to 2015. Nystatin market share growth has been a strategic goal and remains the main direction of exports intensification in the medium and long term.

In 2016, the main markets for Nystatin were: Asia (China, India, Vietnam), the United States, Middle East (Irak, Iran, UAE) and Europe (Germany, Netherlands).

The geographic distribution of Nystatin API coincides with areas with the largest worldwide consumption.

The company's strategy for Nystatin has two main objectives:

- Maintaining world leader position in the production of Nystatin;
- Increasing market share in regulated markets, notably in the US.

The company's strategy for this product is supported by international certifications: FDA authorization for the biosynthesis Plant and CoS (Certificate of Suitability) issued by EDQM allowing access to regulated markets.

Finished product exports

Developing exports of finished dosage forms is the main way to increase sales in foreign markets for Antibiotice. This is another important strategy, providing the most important growth potential in foreign markets.

In 2016, the main destinations for finished products export were North America (US, Canada), Asia (Vietnam), Europe (Holland, Baltic States, Denmark, Serbia), Russia & the CIS (Moldova, Russian Federation, Ukraine) and Middle East (Iraq, Yemen). The largest share in exports of finished products was accounted for by anti-infectives, followed by the digestive tract and metabolism, cardiovascular, dermatological and musculoskeletal drugs.

In the medium and long term Antibiotice intends to develop its presence in international markets with the traditional, renowned products (anti-infectives and dermatologicals) without neglecting attractive products from other therapeutic areas (cardiovascular products, dietary supplements, etc.). Export development of dermatologicals is a strategic priority, given Antibiotice's tradition in this area. Antibiotice plans to develop partnerships with companies that are active on the international market in order to prepare registration documents and market these products.

Development strategies adapted to the international pharmaceutical market

The global generics market is dynamic, constantly changing and increasingly competitive. Developed markets are becoming more competitive given the governmental policies to limit health expenditure budgets by carefully controlling prices. Emerging markets represent an opportunity given the large population of these areas, per capita expenditure on medicines and the increasing living standards and life expectancy.

Antibiotice strategy is to address both types of market to generate exports growth in terms of profitability. The increasing regulatory demands in the pharmaceutical industry is a competitive advantage of Antibiotice given the EuGMP authorizations for all manufacturing flows and the FDA approval for injectable products and biosynthesis products.

In 2016 we developed new collaborative projects for regulated markets in Europe and North America for injectables and dermatologicals. We also promoted exports of penicillin for injection on the U.S. market where the market share of Antibiotice products increased significantly compared to 2015.

Regarding emerging markets, the most important project developed in 2016 was opening a representative office in Vietnam, a market with significant potential for Antibiotice. Also, we have intensified efforts to promote Antibiotice in Russia and the CIS.

Main directions for developmment are:

- ***Developing our company's presence on current markets;***
- ***Identifying new promising outlets for Antibiotice;***
- ***Focusing efforts to boost exports on strategic markets;***
- ***Developing the product portfolio based on the potential offered by strategic market;***
- ***Developing complex partnerships on new products, marketing and distribution abroad.***

At the moment Antibiotice has opened local offices in the Republic of Moldova, Serbia and the Vietnam office will be operational starting with 2017. This growth strategy of opening local representative offices will continue in the upcoming period, as we are presently intending to approach new markets.

International promotion

2016 Antibiotice participated for the fifteenth time in CPHI Worldwide, the main pharmaceutical networking event held in Barcelona. The fair brought together 2,500 exhibitors from 150 countries and was visited by 36,000 professionals. This event gave the company the opportunity to meet business partners for Nystatin to establish future strategies of action and contact new partners to develop export projects, licensing and out licensing projects.

Antibiotice also attended EuroPLX held in Barcelona in March 2016. EuroPLX is one of the most important events in pharmaceutical development in providing collaborative business to business prospects in the most varied forms: in and out licensing, product development partnerships, co-marketing, etc.

Strenghtening trust in sustainable and efficient partnerships

Procurement partnerships on the foreign market

A proactive management of the procurement process involves knowing the risks and anticipating potential problems before they occur. In the context of the internationalization of the company's business, the mission of the team responsible for procurement extends from optimizing costs to identifying eligible sources that provide safety and align to the quality and manufacturing standards imposed by the law.

We are trying thus to anticipate the occurrence of risks in the acquisition process by a cross-departmental assessing of potential suppliers in the (pre)selection stage, encouraging strategic partnerships with international suppliers, direct communication and transparent monitoring of the procurement process from order placement to the reception of goods in the company's warehouses.

In the continuous research and development process of the product portfolio in various therapeutic areas or involving complex formulations and manufacturing stages, the business procurement's role is to identify and acquire the best option in terms of raw material quality, costs and source security. Antibiotice has an exhaustive process of identifying suppliers, gradually applying the selection criteria so that it ultimately has at least two sustainable and safe sources for each raw material.

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Top 5 rules to observe in acquisitions:

- Compliance with regulations and legislation in force;
- Impartial selection process by offering all potential suppliers equal contracting opportunities;
- Implementation of a fair, ethical and transparent assessment of suppliers, to promote long-term stable partnerships, in terms of technology and manufacturing capabilities, quality, price, delivery capacity and corporate stability etc.;
- A fair cost-volume ratio, allowing companies to achieve scale economies of related to manufacturing campaigns;
- Continuous communication with the supplier so that any risks associated with the production and acquisition can be known, evaluated and resolved in due time.

Procurement partnerships in the internal market

The acquisition process on the domestic market is the result of interdepartmental efforts, starting from from planning and production to ensuring the transportation of raw materials and materials necessary to carry out the manufacturing process.

Aligning trading conditions imposed by the pharmaceutical industry with trends on the domestic market gives the main direction of Antibiotice's trading policy.

A continuing concern is to reduce operating costs in order to increase efficiency of operating activities. In this respect a plan of reorganization and resizing work was launched, aiming at the most competitive prices, the largest loan correlated with the financing capacity and the recovery of claims from the market without compromising quality standards

Parternerships for the distribution of products in the domestic market

The wide-ranging portfolio held by Antibiotice which is addressing both medical facilities and pharmacies (retail) requires approaching partnerships developed through distributors with national coverage. Strengthening partnerships with these wide coverage distributors, which made it possible to plan significant increases in sales in 2016 is one of the important goals of the year.

Distributors represent Antibiotice both in auctions or tenders organized by healthcare facilities with beds and open circuit pharmacies, through specialized sales and tele-sales teams.

The main purpose of their work is to ensure, by business and competitive practices, the continuous and active presence of Antibiotice products both in independent (community) pharmacies and in pharmaceutical groups (national chains and mini-chains).

The partnership between Antibiotice and distributors follows the common goal of presence in the domestic pharmaceutical market, the interests of the parties being to identify the best means of support the promotion and sales and optimize delivery/payment dates.

Partnership for active ingredients export

In the active ingredients segment (Nystatin) Antibiotice aims to strengthen global leadership based on establishing long-term partnerships with end users of the product. Considering the company's tradition with this product, existing partnerships have a long history and have generated the desired results since at the moment we are the main worldwide supplier of this product.

Partnerships for finished products exports

With regard to finished products export, Antibiotice has developed both distribution partnerships, as well as out licensing and contract manufacturing. Partnerships aimed at developing complex products and putting them in foreign markets are particularly important (research, formulation, clinical trials, bioequivalence studies, obtaining marketing authorizations in applicable countries).

Exports to different foreign markets require distribution agreements through which the company must ensure that the local distributor has the ability to register and commercialize Antibiotice products, to maximize all sales channels and develop long-term strategies.

Moreover, for foreign markets with high complexity (especially developed markets) Antibiotice is considering out licensing partnerships which offer Antibiotice products under license to be subsequently marketed in other countries under the partners' brand names. License agreements allow quick access to foreign markets since partner companies have the reputation and experience required in relation to marketing and selling products in those markets.

An increasingly greater importance has been given to complex arrangements on product development and marketing in collaboration with external partners. This type of projects aims at developing formulas, bioequivalence / clinical studies, drafting files and submitting them to the authorities for registration and subsequently launching products on the market. These long-term partnerships suppose the participation of both partners to the financial efforts of development and maximizing the benefits of each partner: the research and manufacturing capacities of the company and partners' capacity to launch effective products in international markets thanks to experience and sales force.

The human resources policy

As it is what puts everything in motion by thought and action, the Antibiotice Company employees are its living soul.

For this very reason, the Antibiotice Company pays full attention to always have employees well trained professionally, for whom the future of the Company is part of their personal future.

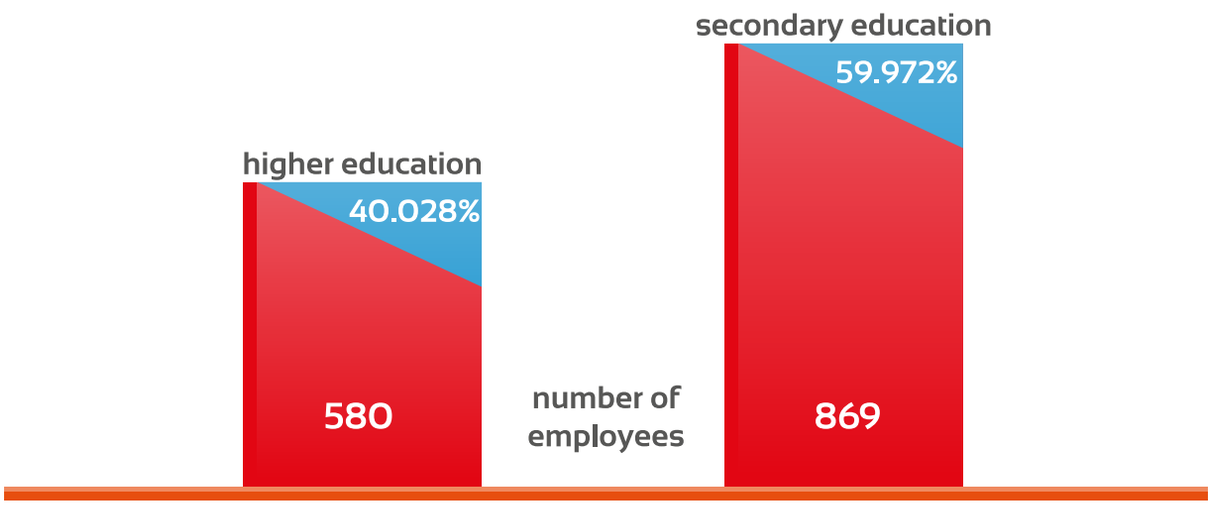
We promote the diversity and equal opportunities in the processes of recruitment, selection and integration of employees. We provide all the rights under the law, granting good conditions for work and professional development.

To achieve the objectives set out in the business plan across the company, during 2016 higher education employees were drawn and integrated into our team to fill vacancies and to develop activities in close correlation with the medium and long term development strategy of the company: pharmaceutical research and development, promotion and marketing, domestic and international sales, quality assurance and control, production and engineering.

The structure of the staff on 31.12.2016:

The average number of employees is 1449, of which:

- Higher education staff = 580 employees representing 40.72% of the total staff,
- Secondary education staff = 869 employees representing 59.23% of the total staff.



Personnel structure in 2016

Employee skills development programs

The training programs taught by internal lecturers and those taught by external lecturers that take place both at home and abroad, ensures continuous improvement of professional level of specialists of the company. This ongoing effort enables antibiotics to maintain its position in a market with a fast pace of development.

The trainings conducted in 2016 for the employees of the Antibiotice Company covered topics of quality assurance and control, compulsory regulatory requirements in the pharmaceutical industry (serialization, data integrity, intellectual property), Pharmacovigilance and Regulatory Affairs, Good

Laboratory Practices, Maintenance Management, legislation concerning various activities.

The colleagues in the promotion, marketing and sales team have improved their coaching, entrepreneurship and negotiation skills, the portfolio and territory management skills and planning through workshops and teambuilding programs.

The domestic component of the Summer School a+ dedicated to the employees offered this year the opportunity to junior managers to undergo an extended mode during 8 training sessions called "The initial training of managers" who provided them with the main concepts about the organization and coordination of the team, the achievement of results, the behavior and communication within the team of young colleagues who did not receive management training in their academic training.

Partnerships with the academia

We invest with science and soul in the education of young people, who, like our employees can build a career and can thus become models of responsible behavior. We recognize and support the role of local communities in the formation and development of the company's main source of value – well trained people.

The Antibiotice Company supports the increased performance of the education system through social programs to support education and culture (Summer School a+, Performa+).

Summer school a+, a "nursery" for future employees

In 2016 the "Summer School a+" project reached its 7th edition!

Its purpose is to initiate the young graduates into the fascinating world of the pharmaceutical industry and to attract young professionals in the fields of pharmacy, biology, chemistry and chemical engineering.

Through the project – which became well known in the academia and among the junior and senior students in the city of Iaşi - a number of 32 participants received training from the specialized trainers of the company. The topics of the Summer School a+ were the areas of Quality Assurance in a pharmaceutical company, Pharmacovigilance, Regulatory Affairs activities, laboratory techniques in quality control, research and pharmaceutical formulation, technology and equipment in the pharmaceutical industry, and so on.

The Performa+ project

The project aims to create a platform for communication and long-term cooperation with the University of Medicine and Pharmacy „Gr.T.Popa" within the "Al.I.Cuza" University of Iaşi and the "Gh. Asachi" Technical University of Iaşi for training and attracting qualified personnel for the pharmaceutical industry.

The Performa+ project started in collaboration with the Faculty of Pharmacy of Iași and included a program of theoretical and practical activities through assigned mentors selected among our company employees.

15 students have completed internships completed by the support of projects through which the students have shown how they have acquired knowledge related to the formulation of a pharmaceutical product.

The next phase of the program was open to students of the Faculty of Biology of the "Alexandru Ioan Cuza" University of Iași with a practical program for six candidates selected among the master's program students recommended by the Faculty professors based upon their results. During the internship, according to the academic programs, they were involved in research projects in the laboratories of the company, alongside the employees acting as mentors.

The project will continue according to the curricula of higher education institutions.

5 of the participants in these projects are already our colleagues!

150 students specialized in pharmacy, medical bioengineering, chemical engineering and biology have undergone internships and study visits during the year 2016 within the collaborative partnerships concluded with "Al. I. Cuza" University of Iaşi and the "Gr.T.Popa" University of Medicine and Pharmacy and the „Gh. Asachi" Iaşi UniversityTechnical University.

Also within the partnership "Internships and career guidance for a successful career" completed with the „Petru Poni" Iaşi Technology High a total of 25 students in XIth and XIIth grades have held internships in our company, in the specialization of chemical laboratory technician/chemist operator in the pharmaceutical and cosmetics industry.

Within the program "Learning is fun week" the Antibiotice Company has opened the doors to more than 500 students from schools and high schools in Iaşi in order to make them familiar to the history and work methods of one of the most famous landmarks in the local industry.

The involvement of employees in achieving strategic objectives

The management by objectives system (MBO) in 2016

For the year 2016, a number of 325 employees of all company structures who were responsible for management and execution were included in the MBO system.

The formulating of individual goals has intended it to be consistent with the mission and vision of the company, to derive from the strategic orientation of the company and boost the opportunities, control and reduce the negative impact of environmental risks and limitations specific to the dynamic pharmaceutical market.

A favorable working climate of an organizational culture focused on innovation and performance

The employee representatives frequently participate in meetings with the company management to identify the best solutions in order to maintain a climate beneficial to professional activities.

During the year 2016, an opinion survey was carried out based upon questionnaires applied to all employees who had to provide reference points for a better understanding of their perception of the value system of the company and the involvement of managers, the degree of satisfaction with the positions and expectations concerning the workplace. The results of this research, compared with those obtained in the previous years will underpin the climate improvement programs to facilitate getting the most performance possible and employee satisfaction.

Risk management

Risk management aims at securing the medium and long-term sustainability and at reducing the uncertainty associated with the company's financial and strategic objectives.

The risk management process is achieved by passing through the following steps:

- identifying the risks in close connection with activities within the specific objectives whose achievement could be affected by the materialization of risks;
- assessing the risks by measuring their probability of occurrence and their impact on the activities within the specific objectives if these risks materialize;
- ranking and prioritizing the risks depending on risk tolerance;
- setting the risk management strategy by identifying the most appropriate way to deal with the risks, so as these to be within the risk tolerance;
- monitoring the implementation and effectiveness of the control measures;
- periodically reviewing and reporting on the risk situation.

The main categories of risk that may arise in the company's activity are:

- **financial**
- **economical**
- **technological**
- **marketing**
- **image**
- **legislative**

The Company is exposed through its operations to the following financial risks:

- Foreign Exchange Risk
- Liquidity risk
- Commercial risk/ default risk

Foreign Exchange Risk

The foreign exchange risk, a component of the financial risks, occurs frequently in the current market economy where monetary rates fluctuate under the supply and demand rule. Another factor also causing the occurence of currency risk is the national and international political context.

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

In order to minimise the risk, the following measures were considered:

- synchronizing the import with the export, by correlating the payment and collection terms as well as by correlating the share of foreign exchange, so that the moments in which the payments are to be done to be as close as possible, or even simultaneous with the export receipts;

- anticipating or delaying the payment or collection by fixing the appropriate maturity and introducing some protective price margins in conjunction with the forecasts on the evolution of the payment currency;
- bridging the gap between cash proceeds and payments from loans in the currency of the transaction.

Liquidity risk

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

Liquidity risk may occur in the following circumstances:
- collection of receivables at maturities exceeding 300 days;
- increase in taxation/ lack of predictability (clawback tax);
- insolvency of some customers;
- increase in the price of raw materials, utilities, and services.

In order to mitigate the risk, the company took into consideration the following:
- internationalization of business;
- assessment of the creditworthiness of trading partners;
- monitoring of the receivables through permanent control and evaluation;
- estimation, as accurate as possible, of and correlation of the payments with the receipts
- bridging of the gap between receipts and payments from loans
- negotiations with suppliers on extending payment deadlines.

Commercial risk

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

Default risk can arise in a number of circumstances:
- large exposures to the main distributors;
- long payment terms and the granted rescheduling;
- insolvency of some pharmacies and distributors.

The following measures were taken for mitigating the commercial (default) risk:
- assessment of the trading partners' creditworthiness by checking them, before the conclusion of the contract;
- monitoring of the receivables through a permanent control and evaluation;
- development of a relationship of loyalty with the customers by organizing periodical meetings for constructive approaches;
- conclusion of protocols for rescheduling the payments;
- request for guarantees (insurance policies, securities collateral agreements, checks, promissory notes, letters of banking guarantee);
- cease of deliveries until the outstanding amounts are paid;
- diversification of the customers portfolio to reduce the exposure to large customers;
- provisions for expenses to cover the risk of default.

Economic risk

In the category of economic risks, a risk faced by our company refers to the loss of raw material sources.

Circumstances in which the economic risk occurs:
- obligation of the Chinese manufacturers to meet the EU GMP requirements;

- existence of a single supplier who does not meet the GMP requirements;
- implementation of the environmental policy;
- tougher inspections conducted by the EU and US authorities.

To limit the economic risks, the following measures have been taken:
- conclusion of Supply Agreements to secure the sources;
- buffer stocks for emergencies;
- annual meetings/visits for strengthening relations and mutual information;
- identification of stable sources of raw materials;
- purchases secured by authorizing minimum two sources for each raw material;
- market research and identification of new suppliers.

This category comprises also, the loss of some markets (contracts) or reduced access possibilities in the future, affecting the strategic forecasts related to the export of finished products.

Circumstances in which this risk occurs:
- changing of the legislative conditions in the local market;
- lowering of the price of competing products in the market which lead to a noncompetitive position;
- losing of the partner's interest in the Antibiotice products, following the entry of new products on the market;
- protectionist legislation on the access of the medicines in the market, conflict areas (Syria, Egypt, Afganistan), the difficult situation in Ukraine and Russia.

In order to mitigate this risk, our company has taken the following measures:
- to continuously monitor the trends in the international commercial policy;
- to adopt a diversified export strategy;
- to differentially approach the developed and developing markets; to conclude strategic partnerships with strong companies in the international markets;
- to build a trust and loyalty-based relationship with the local partners;
- to ensure the quality requirements and maintain the international certifications in accordance with the latest standards;
- to anticipate the legislative changes in order to approach other markets;
- to focus towards partnerships with local pharmaceutical companies selling the products manufactured by Antibiotice under their own brands;
- to open new branches abroad;
- to negotiate for developing new products.

Legislative risk

Legislative changes aiming the pharmaceutical market lead to the occurence of the legislative risk, which must be continuously monitored.

Pharmaceutical market is a regulated market, with clear legislative provisions developed in order to control the quality and therapeutic efficiency of drugs in the market and to avoid counterfeiting.

Conformation to these requirements is reflected both in extra costs for updating the documentation for meeting the quality standards, in the influences on maximum sale prices and and in the delays in launching the products in the market.

Our company's strategy to mitigate these risks involve a permanent concern for obtaining the international certifications for all the manufacturing flows, for updating the authorization documentation for its products and for conducting the bioequivalence and stability studies. It also involves a continuous monitoring of the international legislative changes.

Reaching with difficulty the turnover is another risk our company has faced.

Among the causes generating this risk we include:
- initiation of the national tender for purchasing antibiotics for hospital consumption over a two year period;

- decrease of the hospital budgets; rationalization of consumption of medicines;
- reduction of sales of certain products in the pharmacy chains;
- new direct and indirect competitors in the market affecting our product portfolio; delays in introducing new products in the portfolio;
- aligning of the price of generics to 65% of the original product.

In order to mitigate this risk, our company has taken the following measures:
- an adequate commercial and promoting policy;
- continuously monitoring of the distributors;
- shifting of the focus towards other customers;
- a commercial and promotion policy for maintaining the profitability of products;
- monitoring of the competitors' commercial policy; shifting of the focus towards strategic and traditional products unaffected by price decreases;
- partnerships with independent and mini-chain pharmacies for promoting the entire product portfolio.

Image risk

This is defined as the current of future risk which negatively affects the profits and capital because of the unfavorable perception of the company's image.

In order to effectively manage the events that could lead to the risk of image, the following measures are envisaged:
- monitoring of the company's image in the mass media in order to identify any rumors which could generate image risks;
- periodical press releases with positive information;
- a good and transparent relation with the mass media;
- control of risks which could affect the company's image.

Within the risk assessment process, the company identified a number of risks that can not be controlled, namely:
- Risk of natural disasters (earthquake, flood, fire, etc.)
- Rsk of wars or ethnic conflicts;
- Risk of economic, social and legislative instability.

Antibiotice will apply all the necessary measures to mitigate these risks, by developing the specific plans:
- Emergency evacuation plan;
- Plan of intervention in case of natural disasters (earthquake, flood);
- Fire intervention plan;
- Accident prevention policy involving dangerous substances (acetone, methanol).

All these plans are aimed at protecting our employees, property and environment.

Corporate Governance

In order to build a strong relationship with shareholders and potential investors, our company observes the principles and recommendations of the Corporate Governance Code of the Bucharest Stock Exchange (BVB-CGC), principles that underlie the good corporate governance standards.

The Antibiotice SA Company believes that the corporate governance is an important tool for achieving performance in terms of sustainable development ensuring the accuracy and transparency in the company's decision making process through the equal access for all shareholders to relevant information about the company. The system of governance is in accordance with Law no. 297/2004 amended and supplemented by Law no. 10/2015 and GEO no. 90/2014 as well as the CNVM regulations issued in its application of Law no. 31/1990, republished, with all subsequent amendments, the Regulation no. 6/2009, of the Law no. 111/2016for approving the Government Emergency Ordinance no. 109/2011 concerning the corporate governance of public enterprises of the BVB Code, the BVB Corporate Governance Code and the company's Articles of Association.

The strength of the Antibiotice Company team is demonstrated by the company's strategic guidance and readiness with which it is able to react by developing responsible and transparent business practices. This applies to both the management team, the operational teams and the entire staff of the company who manage to achieve a balance between compliance and performance.

In2016 consistency was proved regarding the strategic directions, accompanied by adequate investment programs. This was achieved by applying the principles of good corporate governance, which has allowed to mobilize the full potential of employees to implement and maintain high standards in all of the company's activities.

Structures underlying the governance system at the Antibiotice Company:

- the Board of Directors
- the Advisory Boards
- the Executive Management
- the Code of Ethics

The Board of Directors

The Antibiotice SA Company is administered by a Board of Directors responsible for fulfilling all the tasks necessary to achieve the object of the company, except as provided by law for the General Meeting of Shareholders. There is a clear division of responsibilities between the Board of Directors and the Executive Management.

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

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

During the year 2016, the Board has met in 12 sessions and adopted decisions which have allowed to perform their duties in an effective and efficient manner.

Thus, on the monthly meetings the Board has discussed in detail about the financial results in the reporting period and cumulatively since the beginning of the year as well as the economic performance relative to the budget and the same period last year. The Council requested, as appropriate, detailed explanations of the executive management in connection with the plans to increase production efficiency, the investment plans, the provisions made, the liquidity management, the operational profitability and of the overall activity. After the detailed analysis of the results for the period, the Council decided the approval thereof for the publication and submission to the Bucharest Stock Exchange and the Financial Supervision Authority falling each time in the Financial Communication Calendar.

The 5 members of the Council shall ensure the effectiveness of the ability to monitor, analyze and assess the work of directors as well as the fair treatment of the shareholders.

The structure of the Board of Directors of the Antibiotice SA Company on 31 December 2016

Legal adviser, Ionuț-Sebastian Iavor, 41 years old
Chairman of the Board and representative of the Ministry of Health

At the Ordinary General Meeting of Shareholders of April 30 2015 Mr. Iavor was elected a member to the Board of Directors of the company and then appointed by the Board members as Chairman.

Mr. Ionut Sebastian Iavor is currently General Manager of the General Directorate of Human Resources and Legal Department within the Ministry of Health.
Number of Antibiotice SA shares owned - 0*

Ec. Ioan Nani, 57 years old
Vice Chairman of the Board and CEO

At the Ordinary General Meeting of Shareholders of April 19 2016, Mr. Nani was reconfirmed as a member of the Board of Directors, for a period of four years; Mr. Nani was appointed then by the members of the Board as Vice-President. Mr. Nani is an economist specialized in management, a chartered accountant and 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. Adela-Petrinia Neagoe, 58 years old
Member of the Board and representative of the Ministry of Health

At the Ordinary General Meeting of Shareholders of March 20 2014 Mrs. Neagoe was appointed a member of the Board of Directors for a period of four years.

Mrs. Neagoe is a Doctor of medical sciences, a primary doctor in the specialty of pediatrics, a primary doctor in the specialty of Public Health and Health Management. Mrs. Neagoe is a member of the Board since March 20 2014 and a Deputy Secretary General in the Ministry of Health.
Number of Antibiotice SA shares owned - 0*

Ec. Nicolae Stoian, 60 years old
Member of the Board and representative of the SIF Oltenia shareholding and other corporate shareholders

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

Mr. Stoian is a chartered accountant, a tax consultant and financial auditor, as well as a representative of the Internal Control Department with SIF Oltenia.
Number of Antibiotice SA shares owned - 0*

Eng. Elena Caliţoiu, 54 years old
Member of the Board and representative of SIF the Oltenia and other corporate shareholders

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

Mrs. Caliţoiu is a mechanical engineer and Director of Investments and Risk Management with SIF Oltenia; Mrs. Caliţoiu has been a member of the Board since 2016.
Number of Antibiotice SA shares owned - 0*

*The number of Antibiotice shares (ATB) held on September 1 2016 according to the latest database held by Antibiotice for the year 2016.

The advisory committees

During the year 2016, the specialized advisory committees had the following membership:
- the Audit Committee: Mr. Ionut Sebastian Iavor and Mr. Nicolae Stoian and Mrs. Elena Caliţoiu;
- the Nomination and Remuneration Committee: Elena Caliţoiu and Mrs. Adela-Petrina Neagoe
- the Trade Policies Committee: Mr. Ionuţ Sebastian Iavor and Mr. Nicolae Stoian.

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

The executive management

The Antibiotice Company is represented by the General Manager, according to powers provided by law and company charter. The Board of Directors retains the duty of representing the company in relationship with the directors whom they have appointed.

The executive management of the Antibiotice Company is ensured by ten directors, one of whom is the CEO and also the Vice Chairman of the Board and nine specialty executives.

Membership of the Executive Management of the Antibiotice SA Company on December 31 2016

Ec. Ioan Nani, 57 years old
CEO and Vice Chairman of the Board
Mr. Nani has graduated from the Faculty of Economics, the "Alexandru Ioan Cuza" University of Iaşi. Mr. Nani is an economist specialized in management and a chartered accountant.
Mr. Nani began working as an economist at the Antibiotice Company in 1987. Between 1991 and 1993 he worked as a financial control inspector with the General Directorate of Public Finance Iaşi and then with the Court of Auditors of Romania. In 1994 Mr. Nani returned to the Antibiotice Company as a financial executive and in 1998, Mr. Nani became CEO. In February 2009 Mr. Nani was appointed Deputy Chairman of the Authority for State Assets Recovery (AVAS), and in the month of June of the same year he became CEO of the Antibiotice Company.
Mr. Nani has been CEO since 2009.
Number of Antibiotice SA shares owned – 1.513*

Eng. Cornelia Moraru, 51 years old
Technical and Production Director
Mrs. Moraru graduated from the Faculty of Chemical Technology, the Technical University "Gheorghe Asachi" Iaşi. 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 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 January2001 she 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, 49 years old
Economic Director
Mrs. Coman has graduated from the Faculty of Economics and Business Administration, the "Alexandru Ioan Cuza" University of Iaşi 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 Iaşi Tourism Office. Mrs. Coman has been working at the Antibiotice SA Company 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 the Economic Manager since 2011.
Deține funcția de Director economic din anul 2011.
Number of Antibiotice SA shares owned - 0*

Ec. Vasile Chebac, 62 years old
Commercial and Logistics Director
Mr. Chebac has graduated from the Faculty of Economics, the "Alexandru Ioan Cuza" University of Iaşi, has been an active member of the Body of Chartered Accountants, Iaşi Branch since 1993 and 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 Iaşi, and in July 1993 the Chamber of Auditors financial controller Iasi. In January 1998 Mr. Chebac was appointed Chief Commissioner at the Financial Guard of Iaşi. In September 2001 Mr. Chebac returns to Antibiotice SA to the position of Chief Commercial Officer and General Services.
Mr. Chebac has been the Commercial and Logistics Director since 2005.
Number of Antibiotice SA shares owned - 0*

Eng. Eugen Florin Osadeț, 61 years old
Engineering and Investment Director
Mr. Osadeț is a graduate of the "Gheorghe Asachi" Technical University of Iaşi, the Faculty of Mechanical Engineering. In 2000 Mr. Osadeț is granted the Master's Degree in Management and Business Administration at the same university.
Mr.Osadeț has been working at Antibiotice SA since 1980 as a mechanical engineer in the industrial refrigeration team, and then as a thermal power dispatcher. In 1997 Mr. Osadeț became the Head of the Thermal Power workshop.
Mr. Osadeț has been the Engineering and Investment Director since 2000.
Number of Antibiotice SA shares owned – 1.511*

Eng. Cristina Lavinia Dimitriu, 58 years old
Quality Director
Mrs. Dimitriu, a graduate of the "Gheorghe Asachi" Technical University of Iaşi, the Faculty of Chemical Technology, is granted in 2000 a Master's Degree in Management and Business Administration by the same university. Mrs. Dimitriu has been the holder of a Master's Degree Diploma in Management and Marketing granted by the Faculty of Pharmacy, the "Grigore T. Popa" University of Medicine and Pharmacy since 2007. During the same year, Mrs. Dimitriu became a PhD student of the Faculty of Pharmacy of Iaşi.
After graduation Mrs. Dimitriu worked as a chemical engineer at the Făgăraş Chemical Plant. Mrs. Dimitriu has been working at Antibiotice SA since 1987, at the Lysine -Biosynthesis Plant. In 1990 Mrs. Dimitriu has become a Production Manager at the Parenteral Plant and in 2000 she has held the position of Quality Control Manager for Physico-chemical and Microbiological Analysis. Since 2007 Mrs. Dimitriu has become a qualified person for the manufacture / import of medicinal products for human use and a Management Representative for the Integrated Management System.
Mrs. Dimitriu has been the Quality Manager since 2003.
Number of Antibiotice SA shares owned – 0*

Ec. Gica Rusu, 53 years old
Human Resources Director
Mrs. Rusu, a graduate of the "Alexandru Ioan Cuza" University of Iaşi, the Faculty of Economics, was granted in 2003 a master's degree in management and business administration by the same university.

Mrs. Rusu has been working at Antibiotice since 1981. In 1986 Mrs. Rusu was an economist at the Penicillin Plant and in 1996 was working in the Financial Department. In 1999 Mrs. Rusu has become the Head of the Human Resources Department.

Mrs. Rusu has been the Human Resources Director since 2004.

Number of Antibiotice SA shares owned - 1.510*

Ec. Ovidiu Băţaga, 39 years old
Domestic Sales and Marketing Director

Mr. Băţaga, a graduate of the Faculty of Economics and Business Administration (FEAA), the "Alexandru Ioan Cuza" University of Iaşi 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. Băţaga worked as a junior in the Currency and Credit Chair, Finance specialty, within the FEAA. Mr. Băţaga has been working at Antibiotice SA since February 2001 as an economist in the Economic Analysis, Accounting and Marketing Department. In January 2006 Mr. Băţaga was appointed Head of Market Analysis and Strategic Planning Department.

Mr. Băţaga has been the Domestic Sales and Marketing Director since 2010.

Number of Antibiotice SA shares owned – 0*

Dr. Mihaela Moşneguţu, 47 years old
Medical Director

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

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

Dr. Moşneguţu has been Medical Director since 2011.

Number of Antibiotice SA shares owned – 0*

Ec. Mihai Stoian, 41 years old
International Business Director

A Graduate of the Faculty of Economic Sciences at the "Alexandru Ioan Cuza" University of Iaşi, the International Economic Relations specialization.

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 an International Business Director since 2012.

Number of Antibiotice SA shares owned – 0*

**Number of Antibiotice Company shares (ATB) owned on September 1 2016 according to the latest database held by the Antibiotice Company on the year 2016.*

The Code of Ethics

The Code of Ethics of the Antibiotice SA Company presents the ethical standards of conduct that establish and regulate the corporate values, the business responsibilities and obligations of the organization and how it works.

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

The Code is a set of rules under which the company was developed, rules of ethical behavior in

business and how to prevent illegal actions that might arise during the course of affairs within the company. The Code is binding and applies to all structures and activities of the company.

The Code of Ethics is a fundamental commitment to endeavor to comply with high ethical standards working to high ethical standards and the applicable legal requirements wherever Antibiotics operates.

The Code of Ethics is presented in detail on the website of the company (www.antibiotice.ro/Investitori/Guvernanta Corporativa/Documente de referinta /Cod de etica).

The Code of Corporate Governance

The Code of Corporate Governance of the Antibiotice SA Company retrieved the principles and recommendations of the BSE and represents the tool through which the Antibiotice Company implements these principles and recommendations by observing the rules of corporate governance.

The aim of the Corporate Governance Code is to create the framework for establishing strong relationships with shareholders and other holders of interests, as well as an effective and transparent communication, based on trust.

The Corporate Governance Code of the Antibiotice SA Company is divided into four chapters:
Chapter I - Responsibilities of the Board
Chapter II - The Risk Management and Internal Control System
Chapter III - Fair reward and motivation
Chapter IV - Investor relations
It also has two annexes, namely:
Annex I - Operating Rules of the Board
Annex II - Rules for assessing the Antibiotice SA Company management

In **Chapter I - Responsibilities of the Board,** the role of this body is defined alongside the guidelines in terms of competence, experience, knowledge and independence of its members, enabling them to effectively perform their specific duties and responsibilities.

In **Chapter II - The risk management and internal control system** shows that the activity of the company is subject to the supervision exercised by certain risk management and internal control systems set up for this purpose. Also, internal audits are organized in order to assess independently and periodically the safety and effectiveness of the risk and internal management control.

The **Chapter III - Fair reward and motivation** establishes the general principles and conditions that are the foundation of the method for setting the level of remuneration of Board members and the company management.

The **Chapter IV - Investor Relations** establishes that the Antibiotice Company should make constant efforts in order to provide shareholders with updated information on events of interest to them (ex.: general meeting of shareholders, payment of dividends, etc.).

In conclusion, the Corporate Governance Code of the Antibiotice SA Company and its annexes outline the general framework under which the Board operates, complying with the rules and principles of corporate governance set by the BSE in order to create an attractive capital market, based upon the best practices, transparency and trust.

The rights of the holders of financial instruments

The corporate governance framework adopted and partially implemented:

- protects the rights of shareholders;
- ensures the fair treatment of all shareholders;
- acknowledges the role of third parties with interests in the company;
- ensures information and transparency;
- ensures the accountability of the Board to the company and shareholders

On our company's website at www.antibiotice.ro/investitori/informatii actionari, there is a section dedicated to shareholders, where one can access and download documents related to the General Meetings of Shareholders: procedures for the access and participation in meetings, the

convener, additions to the agenda, informational materials, presentation procures, voting forms by correspondence, resolution drafts, resolutions, voting results etc.

The company provides all those concerned periodic and annual financial statements, prepared in accordance with the law. Also, the company complies with all disclosure requirements under the company law and the capital market.

Within the company there is a structure specialized in the relation to existing and potential investors called Investor Relations, whose main role is to ensure a good communication with the shareholders of the company. The people appointed to liaise with investors treat with maximum efficiency the requests of shareholders and facilitate the dialogue with the company management. The company designs and develops an appropriate policy to promote effective communication with both investors and shareholders.

The remuneration paid to the Board and the Executive Management is shown in the following table:

Description	For the year ending on	
	31.12.2016	31.12.2015
Salaries	2,827,250	2,495,330
Taxes and social contributions	648,984	571,974
Total	**3,476,234**	**3,067,304**

Lei

The administrators and managers with mandate contract (general manager) are entitled to receive, for the work done, a monthly fixed allowance and a variable compensation.

The variable allowance is payable depending on the performance indicators and the performance criteria set out in the management contracts and the mandate contract.

The fixed monthly allowance complies with the law or the provisions of Article 37 OUG nr.109/2011 on the corporate governance of public enterprises, as amended and supplemented. The fixed and variable allowance for the Board members is approved by the General Assembly of Shareholders. The general limits concerning the remuneration of directors with mandate contract is approved by the General Assembly of Shareholders. Based upon these overall limits, the Board sets the amount of the remuneration of directors (with mandate contract.

The General Meeting of Shareholders

The General Meeting of Shareholders (GMS) is the highest decision-making body of the company, where shareholders participate directly and make decisions. Among other duties, the GMS decide upon the distribution of the profit, elect the Board of Directors, appoint auditors and establish the remuneration of the Board of Directors.

During the year 2016, the Board convened two Ordinary General Meetings of Shareholders and two Extraordinary General Meetings of Shareholders, on **April 19 2016,** and on **August 11 2016.**

All necessary documents relating to the smooth conduct of the General Meetings were published on due time and as required by the law. Within the Ordinary General Meeting of Shareholders on April 19 2016 the changing of the composition of the Board was approved, by the dismissal of Mrs. Gabriela Ilie as a result of his retirement and the election of Mrs. Elena Caliţoiu, as well as by the re-election of Mr. Ioan Nani and Mr. Nicolae Stoian, according to the provisions of the GEO no. 109/2011, amended by the Law no. 111/2016 regarding the corporate governance of public enterprises.

Also the company's financial results for 2015 were approved; these results were drafted in accordance with the Order of the Minister of Public Finance no. 881 / 25.06.2012, the Order of the Minister of Public Finance No.1286 / 2012 for the approval of accounting regulations in accordance with the international financial reporting standards applicable to companies whose securities are admitted to trading on a regulated market, the Order of the Minister of Public Finance no.1690 / 2012 on the amending and supplementing of certain accounting regulations, the Order of the Minister of Public Finance no.123/2016 on the main aspects of preparing and submitting the annual financial statements and the annual accounting reports of economic operators to the local offices of the Ministry of Public Finance.

During the same meeting the following decisions were taken:

- The approval of the allocation of net profit for the year 2015 worth 27.178.823 lei, the setting of the fixing gross dividend per share of 0,020785865 lei and the payment of dividends as of 15.09.2016;
- The approval of the discharge from administration for the activity during the financial year 2015, based upon the reports submitted;
- The approval of the Revenues and Expenditures Budget for the year 2016;
- The approval of the degree of achievement of the objectives and the performance criteria for the year 2015 for members of the Board of Directors;
- The approval of the objectives of the management plan for the Board members for the year 2016;
- The approval of the remuneration of the Board members in accordance with the Government Emergency Ordinance no. 51/2013 on amending and supplementing the Government Emergency Ordinance no. 109/2011 regarding the corporate governance of public enterprises;
- The approval of the Antibiotice SA Company's affiliation to the National Committee of I.C.C. (International Chamber of Commerce) - Romania as well as to the Romanian-American Chamber of Commerce.

During the Extraordinary General Meeting of Shareholders, the following were approved:

- the extension for a period of 12 months with of the multi-product credit validity in the amount of 60 million lei contracted by SC Antibiotice SA from the Export Import Bank of Romania - EximBank SA;
- the extension for a period of 12 months of the multi-product credit validity in the amount of 10 million lei related to the multi-currency limit in the amount of 60 million lei contracted by SC Antibiotice SA from the Export Import Bank of Romania - EximBank SA.
- the maintaining of the multi-product credit limit related guarantees in the amount of 60 million lei for the entire period of validity resulting from the extension according to the points 1 and 2 on the Agenda.
- the making of a decision - a commitment of SC Antibiotice SA not to divide, not to merge and not to decide the anticipated dissolution throughout the life of the multi-product multi-currency credit and the guarantee on behalf of the state issued by Eximbank without the prior consent of the Export Import Bank of Romania - EximBank SA.
- the empowering of Mr. Ioan Nani, CEO and Mrs. Paula Coman, Economic Director to sign on behalf of the Company all the papers/documents related to the extension and conversion of the credit facility, according to the paragraphs 1 and 2 of the Agenda and the papers/documents related to the obligations assumed by the Company in accordance with the paragraphs 3 and 4 of the Agenda.
- the appropriate amendment of the Annex 1 – The administrators of SC Antibiotice SA – Iasi;
- the modifying, updating and renumbering of the Articles of Association.

In the Ordinary General Meeting, dated August 11 2016 the financial statements of the first semester of 2016 were approved, based upon the Directors' report and the Auditor's report and during the General Extraordinary Meeting of Shareholders the contracting a multi-currency credit facility, cash-noncash, in the amount of 30.000.000 RON from UniCredit Bank S.A was approved and its guarantee with:

- mortgages and prohibitions of alienation, encumbrance, dismantling, rental, demolition, construction, building, restructuring and joining of the real estate property of SC Antibiotice SA;
- rank security mortgage on claims arising from contracts/orders/invoices concluded or to be concluded and issued / to be issued by SC Antibiotice S.A. in relation to FARMEXPERT DCI SRL, FARMEXIM SA, ROMFARMACHIM S.A. and Azelis UK Life Sciences LTD;
- movable mortgage on current accounts opened by SC Antibiotice S.A. at UniCredit Bank S.A.

Also, during the same meeting approved the empowerment of Mr Ioan Nani as CEO and Ms. Paula Luminița Coman as Financial Manager to sign on behalf of the company all papers/documents/credit agreements and the accessories thereof necessary and related to the contracting and implementation of the credit facility, under paragraphs 1 and 2.

Social responsibility

Antibiotice believes in the need to support social projects and is constantly concerned that all its activities contribute to protecting the environment, improving the lives and health of people, creating a climate of confidence in its relations with shareholders.

Sustainability in business equals transparency, ethics and care for the environment. Moreover, sustainability is one of the essential components ensuring the success of a company and Antibiotice's goal is to maintain a profitable business contributing with sustainable solutions to support the needs of the society, becoming a model of sustainable development.

Therefore, company activities are the consequence of responsible behavior and care for the environment, human health, employee development, education, community involvement through social programs.

Antibiotice social responsibility strategy focuses on the following pillars:

- Health
- Education
- Social Projects
- Environment

Social projects

"Antibiotice – Science and Soul" Foundation

Antibiotice - Science and Soul Foundation carries out charitable events, humanitarian, educational and cultural projects aimed at improving the health of the population and solving social problems.

On the other hand, the Foundation supports scientific activities intended for doctors - by organizing training seminars, ongoing medical education - and the general public, by increasing medical awareness on the role of generic medicines or drugs for various pathologies or by organizing events for educational and preventive purposes.

Throughout 2016, Antibiotice - Science and Soul Foundation carried out humanitarian campaigns that supported underprivileged families, children with a serious health condition or in foster care, elderly or sick people. The campaigns entitled "Power of deed "," Give blood! Put soul for life"," With science and soul close to the people" and " Be Santa Claus!" brought joy and hope in the hearts of those who needed humanitarian aid.

Donate Blood! Put soul for Life!

Under the urge "Donate blood! Put soul for life", Antibiotice - Science and Soul foundation organized two blood donation campaigns in 2016, for the sixth consecutive year. 115 employees donated blood for the two campaigns held on April 7th and October 6th 2016, intended to compensate the scarce reserves of the Center for Blood Transfusions. In 2016 we reached the 565th blood donation, which, according to statistics, means that from the first campaign we have saved more than 1,500 lives. The donation campaigns were held at the clinical unit of the Center for Drug Evaluation.

The Power of Deed is in our Power!

On April 26, 2016, for Easter, Antibiotice Science and Soul Foundation offered support to 25 disadvantaged families and elderly people from Ipatele, Iaşi, providing them with food and necessities to prepare for the holidays. The packages with various foods, cleaning products and supplies reached the needy families with low income and many children, and lonely elderly people. The aid reached 120 people, including 75 children who have health problems or live in poor conditions.

Moreover, on the International Children's Day we offered sweets to underprivileged children from nearby schools in Valea Lupului village

1st June, International Children's Day

150 children of our employees celebrated the International Children's Day at the cinema watching the 3D animation movie Zootropolis, a story set in Zootopia, a town populated with all sorts of animals. During the movie the children were offered a sweet treat.

Be Santa Claus!

For the fourth consecutive year, 70 children from the foster care centers CCS Bogdana in Bogdănești, Veniamin Costache Complex, Bucium and Ion Holban centers have met Santa and his elves at Antibiotice, in a festive atmosphere.

With the help of teachers or on their own, children between 5 and 14 years old put their wishes in letters addressed to Santa. Their touching letters reached several employees who enthusiastically embraced the role of Santa's "elves", fulfilling their wishes. The children wished for simple things such as pencils cases, schoolbags, clothes, boots, toys fairytales books, fruits and sweets, but Santa and his elves tried to provide more than that.

During the ceremony held, the excited children have embraced Santa and put on a show with traditional dances and carols and enjoyed getting to know some of the elves who fulfilled their wishes. The event was held in partnership with the General Directorate of Social Assistance and Child Protection Iaşi.

Health

European Antibiotics Awareness Day

On the occasion of the European Antibiotics Awareness Day, Antibiotice was a partner in the social awareness campaign initiated by the Medical Students Association in Iasi.

The campaign was held under the slogan "Antibiotics - use them carefully! Everyone is responsible!" and debuted on the European Antibiotics Awareness Day, November 18, 2016 with a street event carried out in the center of Iasi that aimed to inform and educate the public on the proper use of antibiotics, in order to maintain effectiveness for future generations.

The campaign continued on November 24, 2016, with the workshop entitled "Antibiotics: use them carefully! Everyone is responsible!" The event, attended by medical students, pharmacists and dentists from the University of Medicine and Pharmacy was organized by the Medical Students Association from the same University in partnership with Antibiotice. During the workshop Antibiotice launched a design contest for the students entitled "Antibiotics save lives! Use them responsibly." Students were invited to highlight their creativity and realize an integrated communication campaign, whose message would promote the rational use of antibiotics.

Education

"Science and Soul" scholarships

For over 14 years, Antibiotice has joined the "Pro Ruralis" Association supporting a program of scholarships for students from rural areas with a high IQ, who come from underprivileged families. As of November 2010 the project is run by the Antibiotice Science and Soul Foundation.

Initiated in 2001, this project offers the underprivileged intelligent children the chance to complete their education according to their potential, in prestigious high schools in Iaşi. Antibiotice participated to this generous program in the academic year 2016 by offering 5 "Science and Soul" scholarships.

The first 5 students who benefited from our financial support in recent years graduated high school in the summer of 2009, and attended the courses of different universities. In addition, on the occasion of different events and holidays, the company offered gifts consisting of school supplies, clothes and footwear, invitations to various shows.

Antibiotice supports the Former Employees

Antibiotice supports the Former Employees Association by providing medicines and house calls to those in need, by providing legal assistance in disputes with the local and national authorities. The Association is a bridge between the company's management and the former employees of Antibiotice. The Association of Antibiotice Former Employees was set up in 2005 and its objective is to monitor and solve different issues of the retired former staff of Antibiotice.

All these actions show the concern Antibiotice has for those who contributed along the years to developing and strengthening our business on the pharmaceutical market.

Environmental protection

Thanks to the Environmental Management System, the environmental protection activities within the company manage the prevention of pollution and the ongoing improvement of environmental performances, in line with the legislation in force.

By obtaining, in January 2011, the Integrated Environmental Authorization, valid for a period of 10 years, Antibiotice demonstrates it is a company observing the environmental requirements, the emissions of air, water and soil pollutants falling under the maximum acceptance limits set by the European standards in the field.

Within the program ***"Be Pro Nature. Put soul in it!"*** Antibiotice participated in for the sixth year in a row to the largest environment campaign of all times, ***Earth Hour 2016.*** Earth Hour was celebrated on March 19, 2016, by turning off the exterior lights between 20:30 and 21:30, where it was possible. The action of raising awareness on environmental issues is part of our company's strategy for responsible resource management.

Environmental Responsibility

The company's business in the field of environment protection is regulated by the Integrated Environmental Authorization no. 1/10.01.2011 issued by the Regional Agency of Environment Protection Bacău (valid until 10 January 2021) and the Authorization for water management no. 303/20.12.2010 issued by the Romanian National Administration of Waters, the Administration of Water Prut - Bârlad (valid until 31 December 2020).

In order to observe the legislation in the field of environmental protection, Antibiotice ensured the necessary equipment and the qualified personnel. The entire activity is regulated by operational procedures of the environmental management system and specific operation instructions.

Monitoring the environmental factors was performed according to the Integrated Environmental Authorization, both by our own laboratories and by a laboratory authorized by the Romanian Accreditation Association - RENAR.

Specific consumption and energy use

The activity of the Biosynthesis Plant where Nystatin active ingredient is produced is subject to the European Directive on integrated pollution prevention and control (IPPC). In 2016 the Biosynthesis Plant observed the planned specific consumption.

Air quality

In 2016, in order to monitor air quality we conducted tests in our labs in order to determine pollutant emissions for nitrogen oxide, ammonia, suspension powders and sediment powders. The maximum acceptance limits provided by the Integrated Environmental Authorization were not exceeded.

Water quality

Monitoring water quality involved tests on the quality of water entering our waste water treatment plant that is evacuated into the city sewage system, of the conventionally clean waters evacuated into the natural emissary as well as underground waters.

The maximum acceptance limits set were not exceeded in the Integrated Environmental Authorization, in the Authorization for water management and Government Resolution no. 352/2005 (NTPA 001 and NTPA 002) were exceeded.

Soil protection and underground water

40% of the total land owned by Antibiotice is construction-free, arranged as green spaces.

Groundwater quality was monitored by collecting and analyzing on a monthly basis samples from the observation wells and the drill located downstream of the landfill.

No accidental pollution or environmental incident was reported that would lead to a degradation of the soil quality in the area influenced by the company's activity.

Waste management

Antibiotice implemented a system of selective collection of waste, each manufacturing plant and auxiliary activity having proper containers for recycling.

Recyclable waste is salvaged based on agreements with authorized economic operators. The waste that cannot be recycled was incinerated in our incinerator or discarded in the municipal waste landfill.

The company observes the requirements of packaging waste management (as per the amount of products Antibiotice put on the market). The main objective as well as the minimum objectives to recycle type of materials were achieved (as per Law no. 249 din 2015, with subsequent amendments and additions).

Environmental plans and programs

On 2016, environmental objectives were aimed at:

- Purchasing vehicles equipped with EURO 6, a goal transferred to 2017 due to lack of funds, being proposed for the 2017 investment plan;
- improving the aesthetic appearance and safety of facilities/ constructions by the rehabilitation of 10% of the total length of the system of trestles existing in the company in 2015 - the goal achieved;
- Reduction by 2% of the electrical power specific consumption (kw/Gcal) for the supply of thermal energy in the heating circuit, compared with 2015 - goal achieved, Antibiotice acquired two low power consumption pumps;
- Improving the recovery of waste from dismantling the decommissioned fixed assets by reusing 80% of the total amount of waste after the demolition of the penicillin plant- goal achieved, Antibiotice exploited 90.75% of the total of waste generated by demolition by authorized operators.

Emergency situations prevention and management

In Antibiotice the prevention of emergency situations and the intervention capability in case of accidents are provided by the following services: Emergency situations, Environmental protection, Prevention and protection.

To this effect, the plan of accidental pollution prevention and control, the policy of accident prevention in case of handling dangerous substances (solvents), the plan of protection against fire (fire prevention and control), the fire safety scenario, the hypotheses of intervention in case of fire, the procedure on preparing for emergency situations and reaction capability, the authorizations/documents required for all the teams subject to the regulations of the State Inspection for the Control of Boilers, Pressure Vessels and Hoisting Units (ISCIR) have been drafted.

Five internal drills were carried out In 2016, to test and assess the response capability of the emergency situations intervention team.

Financial & Economic Activity

Net profit of the period increased by 12% as compared with 2015

Antibiotice developed its activity in 2016 in line with its objectives and indicators set in the Income and Expenditure Budget.

The International Financial Reporting Standards (IFRS) were adopted starting with the financial year 2012, this requiring the restatement of financial statements in conformity with the Orders 881/2012, Order 1286/2012 and Order 2844/2016 of the Minister of Public Finance. Starting with January 1, 2013 our company applies IFRS as the basis of accounting.

Overall financial result

In 2016 the sales revenues amounted to LEI 332.4 million, higher by 1% as compared to 2015 when the figure recorded was LEI 330 million, a result of all our employees' sustained effort to strengthen the business.

Sales income	31.12.2015	IEB 2016	31.12.2016	2016/ 2015	2016/ IEB
Venituri din vânzări	**330,087,508**	**339,085,000**	**332,435.059**	1,01	0,98
Other operating revenues	14,631,018	7,970,000	20,262,937	1.38	2.54
Income relative to the cost of product stocks	6,546,669	932,000	-900,215	-0.14	-0.97
Income generated by the work carried out and capitalized	2,505,214	2,020,000	2,177,574	0.87	1.08
Raw materials and consumables expenses	118,818,573	129,322,000	126,867,849	1.07	0.98
Personnel expenses, of which:	73,466,734	72,117,000	76,846,812	1.05	1.07
- current personnel expenses	71,266,735	72,117,000	71,800,968	1.01	1.00
- provisions on personnel	2,199,999	0	5,045,844	2.29	-
Depreciation and impairment expenses	15,099,989	16,930,000	18,948,912	1.25	1.12
Other operating expenses	109,448,274	94,767,000	91,782,114	0.84	0.97
Operating Profit	**36,936,839**	**36,871,000**	**39,529,669**	**1.07**	**1.07**
Net financial income	-4,889,304	-2,710,000	-4,648,023	0.95	1.72
Profit before tax	**32,047,535**	**34,161,000**	**34,881,646**	**1.09**	**1.02**
Income tax expenses	4,868,712	6,300,000	4,510,835	0.93	0.72
Profit	**31,138,739**	**27,178,823**	**21,262,000**	**0.87**	**1.28**

Lei

Sales income	31.12.2015	31.12.2016	2016/2015
Sales of finished products	316,441,808	324,688,566	1.03
Sales of goods	78,422,624	90,439,957	1.15
Trade discounts	-64,776,925	-82,693,464	1.28
Total	**330,087,508**	**332,435,059**	**1.01**

Lei

Net financial income was mainly influenced by the following expenses:

- Bank's interest expenses worth LEI 1 million, lower by 30% (the figure amounted to LEI 1,485,438 in 2015 and LEI 1,035,710 in 2016);
- Expenses on granted discounts worth LEI 3.62 million, at the same level with 2015.

Description	31.12.2016	31.12.2015
Utilities	8,044,768	8,535,786
Repairs	1,887,931	2,146,827
Rent	160,316	154,412
Insurance	1,234,159	1,418,291
Bank fees	1,274,874	1,247,955
Product advertising and promotion	3,457,023	3,276,474
Travel and transport	3,254,451	2,904,673
Postal and telecommunications services	477,758	546,418
Other services provided by third parties	22,366,833	28,154,921
Other taxes and fees	26,571,101	27,844,178
Environmental protection	612,846	410,679
Expenses generated by assignment of assets	-	137,607
Losses and adjustments to uncertain receivables	13,899,824	19,790,098
Other provisions	5,574,610	4.758.793
Foreign exchange differences	6,154,789	8,592,541
Miscellaneous	2,341,094	2,126,968
Total	**97,312,377**	**112,046,621**

Lei

In 2016, the profit before tax was LEI 34.9 million, higher by 9 % than the figure recorded in 2015 and higher by 2% than the profit estimated in the IEB, Antibiotice applying a a prudential policy regarding the adjustments at the retail market customers (Antibiotice sells products in about 5000 pharmacies).

Profit after tax was LEI 30.4 million, higher by 12% than in 2015 and by 9 % than the budget estimation.

Repartizarea profitului aferent exercițiului 2016 traducerea?

Destination	Amount
Profit to be distributed	**27,178,823**
Legal reserve	0
Self-financing sources and other profit distribution provided by law	4,623,938
Dividends, of which:	25,746,873
Dividends due to the majority shareholder	13,650,290
Dividends due to other legal entities and individuals	12,096,583

Lei

Statement of financial position

On 31.12.2016, our company's fixed assets recorded a similar value with that one recorded at the beginning of the year. Accounting depreciation is calculated using the straight-line method in accordance with IFRS standards.

Our company restructured its debts in order to reduce the bank exposure and attract stable liabilities that do not involve additional risks or costs, reducing in this way the financing cost of the core activity, so the degree of indebtedness decreased from 28% in 2015 to 23% in 2016.

ASSETS	31.12.2015	31.12.2016	2016/ 2015
FIXED ASSETS			
Tangible assets	205,945,190	206,702,347	1.09
Intangible assets	7,916,842	9,730,186	1.23
TOTAL FIXED ASSETS	**215,675,376**	**216,841,805**	**1.01**
CURRENT ASSETS			
Stocks	60,290,277	60,195,101	1.00
Trade and similar receivables	231,314,744	242,456,065	1.05
Financial assets intended for sale	220	0	0.00
Cash and cash equivalents	37,381,974	13,902,686	0.37
TOTAL CURRENT ASSETS	**328,987,215**	**316,553,852**	**0.96**
TOTAL ASSETS	**544,662,591**	**533,395,657**	**0.98**
LIABILITIES **CURRENT LIABILITIES**			
Trade and similar payables	74,141,352	49,045,370	0.66
Amounts owed to credit institutions	41,778,509	40,705,967	0.97
Liabilities from current taxes	8,989,373	11,486,302	1.28
Short-term provisions	4,430,343	1,418,895	0.32
TOTAL CURRENT LIABILITIES	**129,339,577**	**102,656,534**	**0.79**
LONG TERM LIABILITIES			
Subventions for investments	3,193,972	2,914,396	0.91
Deferred tax	19,479,158	18,758,368	0.96
Long-term provisions	0	0	-
TOTAL LONG-TERM LIABILITIES	**22,673,130**	**21,672,764**	**0.96**
TOTAL LIABILITIES	**152,012,707**	**124,329,298**	**0.82**
Share capital and reserves			
Share capital	**264,835,156**	**264,835,156**	**1.00**
Revaluation reserves	19,909,157	16,925,870	0.85
Legal reserves	13,426,761	13,426,761	1.00
Other reserves	133,303,701	146,528,189	1.10
Reported result	-66,003,714	-63,020,428	0.95
Current result	27,178,823	30,370,811	1.12
TOTAL EQUITY	**392,649,884**	**409,066,359**	**1.04**
TOTAL EQUITY AND LIABILITIES	**544,662,591**	**533,395,657**	**0.98**

Lei

Current assets:

- stocks recorded the same level as in 2015;
- total receivables grew by 5% as compared to 2015

In 2016 the average receivables collection period in foreign market was 90 days versus 376 days in the domestic market resulting in an average collection period of 286 days.

Cash and cash equivalents at the end of 2016 reached a value of LEI 13.9 million.

The main diagnostic indicators of the company highlights its financial stability and our continuing concern for streamlining our business. Liquidity indicators recorded higher values compared to 2015 while the level of indebtedness dropped from 28% to 23%.

Evoluția principalilor indicatori economico-financiari

		31.12.2015	31.12.2016
ROE (return on equity)	=Profit before interest and taxes/Equity	3.8%	4.6%
ROA (return on assets)	=Net profit/Total assets	0.9%	0.8%
EPS (Lei/share)	=Net profit /share	0.040	0.045
RATE OF NET PROFIT	=Profit/Sales revenue	8%	9%
GENERAL LIQUIDITY	=Current assets/ Current liabilities	2.5	3.1
QUICK LIQUIDITY RATE	=(Current assets-Stocks)/ Current liabiliies	2.1	2.5
Level of indebtedness	=Debts/total assets	28%	23%
No. of shares		671,338,040	671,338,040

A 12% growth in the net profit rate resulted in a higher value of the net profit / share.

Balance sheet liabilities

On December 31, 2016, our company recorded current liabilities amounting to LEI 102.6 million, a 21% drop compared to 2015. Antibiotice restructured its liabilities to reduce its credit exposure and debts to the suppliers.

Amounts owed to credit institutions on 31.12.2016

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

Objective	**Credit line – working capital**
Amount	Lei 30,000,000
Maturity	16.08.2017
Balance account on December 31, 2016	**Lei 22,919,001**
Guarantees	Mortgage contract for buildings, land/ Receivables assignment agreement

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

Objective	**Credit line – working capital**
Amount	LEI 30,000,000
Maturity	27.06.2017
Balance account on December 31, 2016	**LEI 0**
Guarantees	Mortgage contract for buildings, land/ Receivables assignment agreement

Short-term contract no. 12239/22.05.2012 concluded with ING BANK N.V. AMSTERDAM - România Branch Office

Objective	**Credit line – working capital**
Amount	EUR 9,500,000
Maturity	22.05.2017
Sold la 31 Decembrie 2016	**EUR 3,916,884.93 EUR (LEI 17,786,966.16)**
Guarantees	Mortgage contract for buildings, land/ Receivables assignment agreement

Amounts owed to credit institutions on 31.12.2015

Short-term contract no. 28/18.04.2005 concluded with Alpha Bank - Iași Branch Office

Objective	**Credit line – working capital**
Amount	LEI 8,000,000 EUR 100,000
Maturity	28.05.2016
Sold la 31 Decembrie 2015	**LEI 0**
Guarantees	Receivables assignment agreement

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

Objective	**Credit line – working capital**
Amount	LEI 60,000,000
Maturity	28.06.2016
Sold la 31 Decembrie 2015	**LEI 16,999,999.75**
Guarantees	Mortgage contract for buildings, land, receivables

Short-term contract no. 12239/22.05.2012 concluded with ING BANK N.V. AMSTERDAM - România Branch Office

Objective	**Credit line – working capital**
Amount	EUR 9,500,000
Maturity	22.05.2016
Sold la 31 Decembrie 2015	**EUR 5,476,518.79(LEI 24,778,509.27)**
Guarantees	Receivables assignment agreement/ Mortgage contract for buildings, land

SC Antibiotice SA neither submitted guarantees nor pledged or mortgaged its own assets to guarantee obligations in favor of a third party.

ASSETS	533.395.657	Pasiv	533,395,657
Fixed assets	216.841.805	Capital social subscris vărsat	264,835,156
Stocuri	60.195.101	Rezerve și rezultat reportat	144,231,203
Creanțe comerciale	242.456.065	Datorii curente	102,931,581
Numerar și echivalente de numerar	13.902.686	Datorii pe termen lung	21,397,717

Cash flow

Cash and cash equivalents at the beginning of the period amounted to LEI 37.4 million. Cash receipts from operating activity were LEI 295.9 million. Cash payments to suppliers of goods and services were LEI 189.3 million and those to and on behalf of employees, personnel-related payments amounted to LEI 68.3 million.

The company also paid LEI 11.3 million representing income tax, VAT, local taxes,bank interests and LEI 17.7 million for purchasing fixed assets. There were made payments amounting to LEI 20.2 million (the difference up to LEI 22.4 million being paid in February 2017) representing contributions to the Ministry of Health (clawback tax)

As regards the financing activity, payments of LEI 1.2 million representing short-term loans were recorded. Our company also paid dividends amounting to LEI 7.4 million.

At the end of the year, cash and cash equivalents amounted to LEI 13.9 million

I. Cash flows from operating activities	**31.12.2015**	**31.12.2016**
Cash receipts from the sale of goods and services	308,841,604	295,903,157
Cash receipts from royalties, fees, commissions and other income	5,661,481	(3,985,726)
Cash payments to suppliers of goods and services	(146,884,502)	(189,347,963)
Cash payments to and on behalf of employees, personnel-related payments made by the employer	(68,237,135)	(68,264,144)
VAT paid	(5,472,945)	(1,937,385)
Contributions to the Ministry of Health and Ministry of Environment	(25,274,718)	(20,192,307)
Other taxes and similar payments paid	(1,273,606)	(2,165,765)
Generated by operating activities	67,360,179	10,009,867
Interest received	5,865	8,134
Interest paid	(1,519,772)	(1,014,156)
Dividend tax paid	(973,936)	(200,992)
Income tax paid	(5,286,209)	(5,982,931)
Net cash flows from operating activities	59,586,127	2,819,922

Lei

II. Cash flows from investing activities	**31.12.2015**	**31.12.2016**
Cash receipts from the sale of land and buildings, installations and equipment, intangible assets and other long-term assets	-	-
Cash receipts and payments from other investing activities	-	-
Cash receipts from reimbursement of advances and loans made to other parties	-	-
Cash receipts for purchase of land and fixed assets, intangible assets and other long-term assets	(12,192,014)	(17,681,181)
Interest received	-	-
Dividends received	-	-
Net cash flows from investing activities	(12,192,014)	(17,681,181)

Lei

III. Cash flows from financing activities	31.12.2015	31.12.2016
Receipts from long-term loans / reimbursement	-	-
Receipts from short-term loans / reimbursement	(13,593,559)	(1,184,571)
Payments for financial leasing operations	-	-
Purchase of shares	-	220
Dividends paid	(14,263,440)	(7,433,677)
Net cash flows from financing activities	(27,818,373)	(8,618,029)
Effects of exchange rate on cash and cash equivalents	0	-
Cash flows - TOTAL	19,575,740	(23,479,288)
Cash and cash equivalents at the beginning of the period	17,806,234	37,381,974
Cash and cash equivalents at the end of the period	37,381,974	13,902,686

Lei

Independent Auditor's Report

to Antibiotice shareholders

Report on financial statements

Opinion

1. We audited the enclosed financial statements of the trading company **Antibiotice S.A.** (hereby referred to as the Company) comprising the financial position statement as of December 31, 2016, statement of comprehensive income, statement of changes in equity and cash flow statement for the financial year ended at the above-mentioned date and a summary of the significant accounting policies and other explanatory notes.

2. In our opinion, the financial statements give a true and fair view, in all significant aspects, of the financial position of Antibiotice on December 31, 2016 and of its financial performance and cash flows for the financial year ended on that date in accordance with the International Financial Reporting Standards adopted by the European Union.

Basis for opinion

3. We conducted our audit in accordance with the auditing standards adopted by the Chamber of Financial Auditors of Romania, which are based on International Standards on Auditing. Our responsibilities under these standards are described in detail in the section Auditor's Responsibilities in an audit of financial statements from our report. We are independent from the Company according to ethical requirements relevant to the audit of financial statements in Romania and we fulfill the other responsibilities, according to these require ments. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

Key aspects of audit

4. The key audit issues are those issues that, in our professional reasoning, had the greatest importance to audit the financial statements of the current period. These issues were addressed in the context of the audit of the financial statements as a whole and in forming our opinion, and we do not offer a separate opinion on these issues.

1. Revenue recognition

Revenues represent a significant amount of LEI 332 million generated by a high volume of transactions.

The types of identified transactions, relating to the revenue recognition, result in the following risks:

• completeness and existence of recorded revenues as a result of reliance on the billing system;

• correctness of revenues recognized for the transactions relating to trade discounts granted that are outside the normal billing process and by their nature require a high level of management judgment;

Revenue recognition policy is presented in the note 2 "Accounting policies".

Tests conducted:

Our audit procedures included, inter alia:

• evaluation of revenue recognition principles according to IAS 18 "Revenues" and in relation to the company's accounting policies;

• testing the existence and effectiveness

of internal controls as well as the conducting of detail tests in order to check the correct recording of transactions;

• analytical procedures on the gross margin through monthly comparison for the main partners;

• examination of the accuracy of the adjustments made by the company in order to respect the exercise independence principle, taking into account the delivery terms and contractual provisions concerning commercial discounts.

2. Capitalization of development expenses

D evelopment costs include mainly the development of medicines/ manufacturing licenses.

As shown in the note 13 "Intangible assets" the capitalized development expenses amounts to the net value of LEI 10 million on December 31, 2016, of which capitalization during the year amounting to LEI 2 million.

The Company capitalizes the development costs of eligible products in accordance with the recognition criteria described in IAS 38 „"Intangible fixed assets"

Capitalization of the development costs according to the recognition criteria described in IAS 38 requires significant estimates of the management on the achievement degree of the project to determine the eligibility of costs capitalized.

Performed tests:

Our audit procedures included, inter alia, assessment of the eligibility of development costs capitalized in intangible fixed assets, according to IAS 38 and evaluation of the assumptions and methodologies used by the company to test the impairment of these intangible assets.

We also examined the recognition procedures of the development costs, controls implemented by the management and we conducted detail tests on the capitalized development costs.

These procedures involved verifying the status of works, permits obtained, estimates on the lifetime and future cash flows.

3. Analysis of depreciation of tangible assets

As shown in the Note 12 "Tangible fixed assets", on December 31, 2016, the company owned tangible fixed assets amounting to LEI 337 million for whom it recorded depreciation and impairment in the value of LEI 131 million. The net book value of tangible fixed assets represents a significant percentage of total assets.

Identification made by management of some depreciation indices, such as the decline in the market value or a moral depreciation of assets may result in the need to record some depreciations (additional adjustments) on the book value of tangible fixed assets.

If such indices are identified, management must estimate the recoverable amount of the asset which is compared with the net book value.

Tests performed:

We analyzed the process conducted by the management on identifying and evaluating the depreciation indices. This analysis, carried out with the assistance of an independent evaluator led to the conclusion that there were no depreciation indices of tangible fixed assets during the period in question requiring an assessment of the recoverable amount of assets.

Our audit examined the reasonableness of the results of the identification and evaluation process conducted by management with the support of the independent evaluator. Specifically, our work included but not limited to the following procedures:

benchmarking and analysis of the relevant assumptions, which formed the basis of the calculations for determining the recoverable value of assets;

• analysis for a sample of the production capacities of the tangible fixed assets and their usability;

• analysis for a sample of the periods of use and the cost calculation on the depreciation of tangible fixed assets;

• verification of the estimated future cost established by the investment budget.

4. Existence and evaluation of stocks

In accordance with those presented in note 14 "Stocks", the total stocks amount to LEI 60 million, representing a significant percent of the company's total assets, their evaluation involving a high degree of management judg

ment. These stocks consist mainly of raw materials, finished products and goods.

Evaluation of stocks is made, in principle, at the lower value between the cost and net achievable value.

Cost measurement includes different components such as the production or acquisition cost, including the commercial discounts received.

As regards the finished products and goods, the net achievable value is estimated in relation to the sale price, including the trade discounts granted.

Tests performed:

Our audit procedure for testing the existence of stocks consisted mainly but not limited to our participation in the end of year inventory, including the reconciliation of the counting performed by the auditor with that one performed by the company representatives, identification of some possible physically/ morally depreciated stocks.

In order to validate the evaluation of the acquisition/production cost of stocks, we conducted detail tests regarding the evaluation based on the IAS 2 requirements "Stocks".

We verified the estimations regarding the net achievable value in relation to the sale price, including the trade discounts granted and we analyzed the recent invoices for the sales made in January and February to see if there were stocks sold with a negative margin.

5. Recoverability of trade receivables

As shown in Note 15 "Receivables" on December 31, 2016, the net receivables were LEI 242 million(2015: LEI 231 million).

Recoverability of trade receivables and the value adjustments for the doubtful receivables are considered to be a significant risk due to global nature of these balance accounts in the financial statements as well as the importance of collecting cash with reference to the management of the company's working capital.

Policies relating to the recoverability of trade receivables are set out in Note 2 "Accounting policies".

Tests performed:

Our audit procedures included, but were not limited to, inter alia:

• assessing the effectiveness of controls on monitoring recoverability of receivables;

• evaluation of management estimates regarding the value adjustments made in relation to the level, maturity and collectability of receivables; checking the consistency of applying the accounting policies relating to the adjustment of receivables;

• evaluation of recoverability of outstanding receivables with reference to historical levels of expenditure on doubtful receivables and risk profile of the partners;

• testing these balance accounts, based on sampling, for which we requested the direct confirmation on December 31, 2016;

• examination of the consistency of decisions regarding the recovery of trade receivables and the revenues earned, through discussions with the management for justifying these decisions and for obtaining the necessary audit evidence to support the management decisions.

Other information

5. This report of the independent auditor is solely to the company's shareholders. Our audit was conducted in order to be able to report to the shareholders of the company those aspects which are required to report in a financial audit, and not for other purposes. To the fullest extent permitted by law, we do not accept and we do not accept and assume responsibility except in relation to the company and its shareholders, for our audit, for our report on the financial statements and the report on conformity or for the opinion formed.

Responsibilities of management and of the persons responsible for the governance for the financial statements

6. Management of the company is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union and for the internal control the management considers necessary to enable the preparation of the set of financial statements that are free from significant distortions, whether caused by fraud or error.

7. In preparing its financial statements, the management is responsible for assessing the company's ability to continue its operation, setting out, where appropriate, the matters relating to the continuity of activity and using the accounting based on the continuity of the activity unless management either intends to liquidate the Company or cease the operations, or has no other realistic alternative.

8. The persons responsible for the governance are also responsible for monitoring the financial reporting process of the company.

Auditor's responsibilities in an audit of financial statements

9. Our goals are to obtain reasonable assurance regarding the extent to which the financial statements, taken as a whole, are free of significant distortion, caused either by fraud, or by error, as well as to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but there is no guarantee that an audit conducted in accordance with the auditing standards adopted by the Chamber of Financial Auditors of Romania, which are based on International Standards on Auditing, will always detect a material misstatement, if any. The material misstatements can be caused either by fraud or by error and are considered significant if it can be reasonably expected that, individually or in aggregate, they will influence the economic decisions of users taken on the basis of these financial statements.

10. As part of an audit in accordance with the auditing standards adopted by the Chamber of Financial Auditors of Romania, which are based on International Audit Standards, we exercise the professional judgment and maintain the professional skepticism throughout the audit. Also:

- We identify and assess the risks of the financial statements caused either by fraud or by error, and design and execute audit procedures in response to such risks and obtain sufficient appropriate audit evidence to provide a basis for our opinion. The risk of non-detecting a material misstatement due to fraud is higher than the risk of non-detecting of a material misstatement due to error because fraud may involve collusion, forgery, deliberate omissions, misrepresentations and avoiding internal control;
- We consider the internal control relevant to the audit, in order to design audit procedures appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Company;
- We assess the adequacy of the accounting policies used and the reasonableness of accounting estimates and related presentations made by management;
- We formulate a conclusion regarding the suitability of the accounting used by the management based on the business continuity and we determine, based on the audit evidence obtained, if there is a significant uncertainty relating to events or conditions that could generate significant doubts regarding the company's ability to continue its activity. If we conclude that there is significant uncertainty, we must draw the attention in the auditor's report on the presentations related to the financial statements or, if these presentations are inadequate, we must change our opinion. Our conclusions are based on the audit evidence obtained until the date of the auditor's report. However, future events or circumstances may cause the company to no longer operate on the basis of the principle of the continuity of the business;
- We evaluate the overall presentation, structure and content of the financial statements, including disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate to the persons responsible for governance, among other things, the planned scope and timing of the audit, as well as the main audit findings, including any internal control weaknesses that we identified during the audit.

We are also required to provide the persons responsible for governance, with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all the relationships and other matters that may reasonably be thought to bear our independence, and where applicable, the related safeguards.

From the matters communicated with the persons responsible for governance, we are required to determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We are required to describe these matters in our auditor's report unless law or regulation preclude public disclosure about the matter and when, in extremely rare circumstances , we determine that a matter that has not otherwise been publicly disclose should not be communicated in our report in view of the significance of the adverse consequences that can reasonably be expected to arise as a result of such communication.

Report on conformity of the management report with the financial statements

11. 11. The administrators are responsible for the preparation and presentation of the management report in accordance with the requirements of OMFP nr. 2844/2016 for approving the Accounting Regulations in accordance with International Financial Reporting

Standards, Annex 1, Chapter 3, paragraphs 15-19. The Management Report must not contain any significant distortions. The administrators are also responsible for that internal control that the management considers it necessary to enable the preparation of the management report which must not contain significant distortions due to fraud or error.

The Management Report is presented from the page 1 to 51 and is not part of the financial statements.

Our opinion on the individual financial statements does not cover the management report.

In connection with our audit of the individual financial statements, we read the management report attached to the individual financial statements and presented to the pages 1 - 51 and we report that:

a) we did not identify information in the management report that is not consistent in all significant aspects, with the information presented in the attached individual financial statements;

b) the above-mentioned management report includes, in all significant aspects, the information required by OPFM no. 2844/2016 for approving the Accounting Regulations in accordance with the International Financial Reporting Standards, Annex 1, Section 3, paragraphs 15-19;

c) based on our understanding and knowledge acquired during the audit of the individual financial statements for the financial year ended at December 31, 2016 with respect to the company and its environment, we did not identify the significantly flawed information included in the management report.

In the name of,

BDO AUDIT SRL
Registered at the Chamber of financial Auditors of România
With the no. 18/02.08.2001

Signatory's name: Silviu Manolescu
Registered at the Chamber of financial Auditors of România
With the no. 1481/14.11.2002
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