ACETO CORP
Form 10-K
September 28, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

**FORM 10-K**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d)

OF THE SECURITIES EXCHANGE ACT OF 1934

**For the fiscal year ended June 30, 2018**

Commission file number 000-04217

**ACETO CORPORATION**
(Exact name of registrant as specified in its charter)

| New York | 11-1720520 |
| --- | --- |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |

4 Tri Harbor Court, Port Washington, NY 11050

(Address of principal executive offices)

(516) 627-6000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12 (b) of the Act:

| Common Stock, par value $.01 per share | The NASDAQ Global Select Market |
|---|---|
| (Title of Class) | (Name of each exchange on which registered) |

Securities registered pursuant to Section 12 (g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 of Section 15(d) of the Act.

Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically every interactive data file required to be submitted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨ Accelerated filer x

Non-accelerated filer ¨ Smaller reporting company ¨

Emerging growth company ¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No x

The aggregate market value of the voting stock of the Company held by non-affiliates of the Company based on the closing price of the common stock on December 29, 2017 as reported on the NASDAQ Global Select Market was approximately $267,428,195.

The Registrant has 30,787,241 shares of common stock outstanding as of September 13, 2018.

Documents incorporated by reference: The information required in response to Part III of this Annual Report on Form 10-K is hereby incorporated by reference to the specified portions of the Registrant’s definitive proxy statement for the annual meeting of shareholders.

ACETO CORPORATION AND SUBSIDIARIES

FORM 10-K

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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PART I

CAUTIONARY STATEMENT RELATING TO THE SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This Annual Report on Form 10-K contains forward-looking statements as that term is defined in the federal securities laws. The events described in forward-looking statements contained in this Annual Report on Form 10-K may not occur. Generally, these statements relate to our business plans or strategies, projected or anticipated benefits or other consequences of our plans or strategies, financing plans, projected or anticipated benefits from acquisitions that we may make, or projections involving anticipated revenues, earnings or other aspects of our operating results or financial position, and the outcome of any contingencies. Any such forward-looking statements are based on current expectations, estimates and projections of management. We intend for these forward-looking statements to be covered by the safe-harbor provisions for forward-looking statements. Words such as “may,” “will,” “expect,” “believe,” “anticipate,” “project,” “plan,” “intend,” “estimate,” and “continue,” and their opposites and similar expressions are intended to identify forward-looking statements. We caution you that these statements are not guarantees of future performance or events and are subject to a number of uncertainties, risks and other influences, many of which are beyond our control, that may influence the accuracy of the statements and the projections upon which the statements are based. Factors that may affect our results include, but are not limited to, the risks and uncertainties discussed in Item 1A of this Annual Report on Form 10-K.

Any one or more of these uncertainties, risks and other influences could materially affect our results of operations and whether forward-looking statements made by us ultimately prove to be accurate. Our actual results, performance and achievements could differ materially from those expressed or implied in these forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether from new information, future events or otherwise.

NOTE REGARDING DOLLAR AMOUNTS

In this Annual Report on Form 10-K, all dollar amounts are expressed in thousands, except share prices and per-share amounts.

**Item 1. Business**

General

Aceto Corporation, together with its consolidated subsidiaries, are referred to herein collectively as “Aceto”, “the Company”, “we”, “us”, and “our”, unless the context indicates otherwise. Aceto was incorporated in 1947 in the State of New York. We are an international company engaged in the development, marketing, sales and distribution of finished dosage form generic pharmaceuticals, nutraceutical products, pharmaceutical active ingredients and intermediates, specialty performance chemicals inclusive of agricultural intermediates and agricultural protection products. Our business is organized along product lines into three principal segments: Human Health, Pharmaceutical Ingredients and Performance Chemicals.

We believe our main business strengths are sourcing, regulatory support, quality assurance and marketing and distribution. Aceto functions as a virtual manufacturing company, distributing more than 1,100 chemical compounds used principally as finished products or raw materials in the pharmaceutical, nutraceutical, agricultural, coatings and industrial chemical industries. With business operations in ten countries, we believe that our global reach is distinctive in the industry, enabling us to source and supply quality products on a worldwide basis. Leveraging local professionals, we source more than two-thirds of our products from Asia, buying from approximately 500 companies in China and 200 in India. One supplier accounted for 39% of purchases in fiscal 2018 and 16% in 2017.

Strategic relationships with manufacturers of pharmaceutical, nutraceutical, agricultural and specialty chemical products in the United States and internationally serve as a valuable resource to Aceto customers, enabling them to procure vital chemical based products necessary for their diverse and complex applications. A strong global technical network differentiates Aceto from commodity distribution companies. With regional managers in the United States, Europe and Asia, we provide regulatory support and quality assurance for customers and suppliers worldwide. Our regulatory network ensures that all products we distribute are produced to applicable required standards and conform to customer specifications for their intended end use.

Our presence in China, Germany, France, The Netherlands, Singapore, India, Hong Kong, Philippines, the United Kingdom and the United States, along with strategically located warehouses worldwide, enable us to respond quickly to demands from customers worldwide, assuring that a consistent, high-quality supply of pharmaceutical, nutraceutical, specialty chemicals and agricultural protection products are readily accessible. We are able to offer our customers competitive pricing, continuity of supply, and quality control. Highly experienced staff, approximately one-third of whom are technically trained, enable Aceto to meet individual customer needs. Our marketing, sales, regulatory and technical professionals possess an intimate knowledge of worldwide sources of supply and product applications, as well as statutory and technical requirements. Many of our professionals are respected leaders in their industry, bringing 25 or more years of experience to customer applications. This longevity has fostered confidence and loyalty among customers and suppliers.

Aceto partners with customers during the product development process, creating new applications for existing products, as well as new product sourcing opportunities. We offer solutions for product and production challenges, while assisting with quality assurance, government approvals and compliance. All of these value-added services allow Aceto's customers to be more responsive to their end use customers and more competitive in the global marketplace. We believe our 70 years of experience, our reputation for reliability and stability, and our long-term relationships with suppliers have fostered loyalty among our customers.

Other than product rights and license agreements for certain of our finished dosage form generic products which are part of our Human Health business and U.S. Environmental Protection Agency (EPA) registrations for our Performance Chemicals, we hold no patents, franchises or concessions that we consider material to our operations.

Information concerning revenue and gross profit attributable to each of our reportable segments and geographic information is found in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations", and in Note 19 to the Consolidated Financial Statements, Part II, Item 8, "Financial Statements and Supplementary Data."

**Developments**

As previously disclosed:

- During the third quarter of fiscal 2018, the Company's Rising Pharmaceuticals reporting unit had a decline in actual and forecasted revenue and earnings due to the persistent adverse conditions in the generics market, including continued pricing pressure, intense competition, related consolidation of customers and softer than expected contributions from new product launches. In addition, in February 2018, the Company was notified by the U.S. government that 11 generic drug products it acquired in its December 2016 purchase of assets from Citron Pharma LLC and Lucid Pharma LLC were not in compliance with the federal Trade Agreement Act country-of-origin provisions of a clause contained in government supply contracts acquired as part of that transaction. While the government's determination was subsequently reversed on appeal, in order to avoid certain financial penalties, the Company entered into agreements with the government that provided for a no-cost termination of 11 supply contracts. Based on the afore-mentioned indicators, the Company determined that it was necessary to perform an interim goodwill impairment analysis at March 31, 2018 for its Rising reporting unit. Accordingly, during the third quarter of fiscal 2018, the Company recognized pre-tax non-cash impairment charges of $256,266 consisting of $235,110 of a goodwill impairment charge and a $21,156 write-down of other identifiable intangible assets.

- As of March 31, 2018, the Company was not in compliance with two of its financial covenants under its credit facility, the maximum total net leverage ratio and the minimum debt service coverage ratio. On May 3, 2018, the

Company entered into a Second Amendment and Waiver to the Second Amended and Restated Credit Agreement (the "May 2018 Amendment"). The May 2018 Amendment, among other things, contained a waiver of any event of default under the Company's credit agreement arising as a result of the non-compliance by the Company with the total net leverage ratio and debt service coverage ratio financial covenants, in each case, solely for the fiscal quarter ended March 31, 2018. The May 2018 Amendment also contained several amendments to the Company's credit agreement including, among other things, (a) reducing the available revolving commitment thereunder, (b) restricting the payment of dividends and (c) restricting the incurrence of certain indebtedness, limiting acquisitions and other investments and imposing certain other restrictions.

- The Company has incurred substantial expenses to address the issues that led to the impairment charges taken as of March 31, 2018. The Company has retained financial and legal advisors to assist it in dealing with the various challenges that the Company is currently facing, including legal advisors retained in connection with various ongoing legal proceedings. The Company is also paying a flat monthly fee of $250 for the services of its interim chief financial officer, Rebecca Roof.

- As referenced in the Company's press release issued April 18, 2018, the Board of Directors has initiated a process to identify and evaluate a range of strategic alternatives. Strategic alternatives that have been or are being considered include the sale of a key business segment(s), a merger or other business combination with another party, continuing as a standalone entity or other potential alternatives. That process is ongoing. However, there can be no assurance that the strategic review process will result in any transaction.

While the Company has taken substantial steps to address the challenges confronting its business, the persistent adverse conditions in the generics market have continued. As a result, as of June 30, 2018, the Company was not in compliance with the total net leverage ratio, senior secured net leverage ratio and debt service coverage ratio financial covenants in its credit facility. With the assistance of its financial and legal advisors and through active negotiations with its secured lenders, the Company has entered into a Third Amendment and Limited Waiver, dated as of September 11, 2018 (the "September 2018 Amendment"), to the Second Amended and Restated Credit Agreement (the "A&R Credit Agreement"). The September 2018 Amendment provides for a waiver of any event of default under the A&R Credit Agreement arising as a result of the non-compliance by the Company with the total net leverage ratio, senior secured net leverage ratio and debt service coverage ratio financial covenants, in each case, solely for the fiscal quarters ended or ending June 30, 2018, September 30, 2018, December 31, 2018, March 31, 2019 and June 30, 2019. The September 2018 Amendment also contains several amendments to the A&R Credit Agreement including, among other things, (a) a limitation on dividends for the fiscal quarters ending September 30, 2018, December 31, 2018, March 31, 2019 and June 30, 2019, to an amount not to exceed $325 for any fiscal quarter, (b) increasing the applicable margin with respect to the interest rates on all loans under the A&R Credit Agreement by 450 basis points and fixing (during the September 2018 Amendment Limitation Period (as hereinafter defined)) the applicable margin with respect to the interest rate on all loans under the A&R Credit Agreement to the highest level provided under the A&R Credit Agreement, which is currently 6.00% in the case of ABR Loans (as defined in the A&R Credit Agreement) and 7.00% in the case of Eurodollar Loans (as defined in the A&R Credit Agreement), (c) during the period commencing on the closing of the September 2018 Amendment and ending on the date the Company demonstrates compliance with each financial covenant set forth in the A&R Credit Agreement for the fiscal quarter ending September 30, 2019 (the "September 2018 Amendment Limitation Period"; provided that if the Company is not in compliance with any of the financial covenants set forth in the A&R Credit Agreement for the fiscal quarter ending September 30, 2019, then the September 2018 Amendment Limitation Period shall continue indefinitely), requiring the Company to maintain the sum of Domestic Liquidity (as defined in the A&R Credit Agreement) plus Foreign Liquidity (as defined in the A&R Credit Agreement) and the undrawn portion of the Revolving Commitment (as defined in the A&R Credit Agreement) ("Covenant Liquidity") to an amount of at least $55,000 (the "Covenant Liquidity Amount") as of the last business day of each week following the effectiveness of the September 2018 Amendment; provided that the Company shall not be in breach of the minimum liquidity covenant unless the Covenant Liquidity is less than the Covenant Liquidity Amount as of the last business day of two consecutive weeks, (d) requiring the prior written consent of the Required Lenders (as defined in the A&R Credit Agreement) as a condition precedent to the lenders extending any Loans (as defined in the A&R Credit Agreement) or the issuing banks issuing, amending, renewing or extending any Letter of Credit (as defined in the A&R Credit Agreement), (e) permitting the purchase, during fiscal year 2019, of assets for an aggregate consideration not to exceed $12,300, consisting of intangible assets relating to strategic product acquisitions and certain capital expenditures, and (f) restricting the incurrence of certain indebtedness, limiting acquisitions and other investments and imposing certain other restrictions.

As more fully described in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Estimates and Policies – Taxes and in Notes 12 and 20 to the Company's Consolidated Financial Statements, the Company (i) has recorded in its year-end financial statements a $76,500 valuation allowance against its U.S. net deferred tax assets for the year ended June 30, 2018, (ii) has determined that $71,350 of this non-cash charge should have been recognized in the third quarter of fiscal 2018, rather than in the fourth quarter of fiscal 2018 and (iii) accordingly will amend its most recently filed Quarterly Report on Form 10-Q to restate its third quarter and nine month consolidated financial statements to reflect this charge as a third quarter event.

We remain confident in our underlying businesses. Our business units are positioned for organic growth through the introduction of new products for finished dosage form generic drugs, the further globalization of our nutraceutical business, the continued globalization of our Performance Chemicals business, the expansion of our agricultural protection products, the continued enhancement of our sourcing operations in China and India, our demonstrated ability to form alliances with product development partners and the continuing improvement of our quality assurance and regulatory capabilities. Our business has been impacted by the extent of our debt load relative to our operating results. If we are able to reduce the extent of the leverage meaningfully, our overall performance could improve. If we are not able to reduce that leverage meaningfully, there can be no assurance that we will be able to comply with the financial covenants under our credit facility for quarters (beginning with the quarter ending September 30, 2019) after the quarters covered by the covenant waiver included in the September 2018 Amendment.

**Human Health**

Products that fall within the Human Health segment include finished dosage form generic drugs and nutraceutical products. Aceto sells generic prescription products and over-the-counter pharmaceutical products to leading wholesalers, chain drug stores, distributors and mass merchandisers. On December 21, 2016, wholly owned subsidiaries of Rising Pharmaceuticals, Inc. (“Rising”), a wholly owned subsidiary of Aceto, completed the acquisition of certain generic products and related assets of entities formerly known as Citron Pharma LLC (“Citron”) and its affiliate Lucid Pharma LLC (“Lucid”). Citron was a privately-held New Jersey-based pharmaceutical company focused on developing and marketing generic pharmaceutical products in partnership with leading generic pharmaceutical manufacturers based in India and the United States. Lucid was a privately-held New Jersey-based generic pharmaceutical distributor specializing in providing cost-effective products to various agencies of the U.S. Federal Government including the Veterans Administration and the Defense Logistics Agency. Lucid serviced 18 national contracts with the Federal Government.

Rising formed two subsidiaries to consummate the product acquisition – Rising Health, LLC (which acquired certain products and related assets of Citron) and Acetris Health, LLC (which acquired certain products and related assets of Lucid).

The assets acquired in the product purchase transaction expanded, complemented, and strengthened our existing and future product offerings. In what has become a competitive generic drug business environment, one key for long-term success is having an ever-growing commercial portfolio of generic products, a strong internal drug development pipeline and capable, reliable manufacturing partners. We believe that this transaction added significantly to the Rising business platform in all three crucial areas. We further believe that, consistent with our strategy of expanding our portfolio of finished dosage form generic products through product development partnerships and acquisitions of late stage assets, abbreviated new drug applications ("ANDAs") and complementary generic drug businesses, this product acquisition significantly expanded our roster of commercialized products and pipeline of products under development.

Based on a report issued by IQVIA Institute on April 19, 2018, "Spending on medicines grew by 0.6% in 2017 after off-invoice discounts and rebates. This spending includes all types of medicines, including institutional use for inpatients and outpatients. Focusing only on retail and mail-order pharmacy distribution, net spending declined by 2.1%."

As noted above, during the third quarter of fiscal 2018, the Company's Rising Pharmaceuticals reporting unit had a decline in actual and forecasted revenue and earnings due to the persistent adverse conditions in the generics market. As a result of this decline and the actions taken by the government resulting in the no-cost termination of 11 government supply contracts, the Company determined that it was necessary to perform an interim goodwill impairment analysis at March 31, 2018 for its Rising reporting unit. Accordingly, the Company recognized pre-tax non-cash impairment charges of $256,266 consisting of $235,110 of a goodwill impairment charge and a $21,156 write-down of other identifiable intangible assets.

Aceto supplies the raw materials used in the production of nutritional and packaged dietary supplements, including vitamins, amino acids, iron compounds and biochemicals used in pharmaceutical and nutritional preparations.

**Pharmaceutical Ingredients**

The Pharmaceutical Ingredients segment has two product groups: Active Pharmaceutical Ingredients (APIs) and Pharmaceutical Intermediates.

We supply APIs to many of the major generic drug companies, who we believe view Aceto as a valued partner in their effort to develop and market generic drugs. The process of introducing a new API from pipeline to market spans a number of years and begins with Aceto partnering with a generic pharmaceutical manufacturer and jointly selecting an API, several years before the expiration of a composition of matter patent, for future genericizing. We then identify

the appropriate supplier, and concurrently utilizing our global technical network, work to ensure they meet standards of quality to comply with regulations. Our client, the generic pharmaceutical company, will submit the ANDA for U.S. Food and Drug Administration ("FDA") approval or European-equivalent approval. The introduction of the API to market occurs after all the development testing has been completed and the ANDA or European-equivalent is approved and the patent expires or is deemed invalid. Aceto, at all times, has a pipeline of APIs at various stages of development both in the United States and Europe. Additionally, as the pressure to lower the overall cost of healthcare increases, Aceto has focused on, and works very closely with our customers to develop new API opportunities to provide alternative, more economical, second-source options for existing generic drugs. By leveraging our worldwide sourcing, regulatory and quality assurance capabilities, we provide to generic drug manufacturers an alternative, economical source for existing API products.

Aceto has long been a supplier of pharmaceutical intermediates, the complex chemical compounds that are the building blocks used in producing APIs. These are the critical components of all drugs, whether they are already on the market or currently undergoing clinical trials. Faced with significant economic pressures as well as ever-increasing regulatory barriers, the innovative drug companies look to Aceto as a source for high quality intermediates.

Aceto employs, on occasion, the same second source strategy for our pharmaceutical intermediates business that we use in our API business. Historically, pharmaceutical manufacturers have had one source for the intermediates needed to produce their products. Utilizing our global sourcing, regulatory support and quality assurance network, Aceto works with the large, global pharmaceutical companies, sourcing lower cost, quality pharmaceutical intermediates that will meet the same high level standards that their current commercial products adhere to.

Based on a report issued by IQVIA Institute on March 13, 2018, "real net per capita spending on medicines in the United States will decline in 2018 and continue almost unchanged at almost $800 per person through 2022."

**Performance Chemicals**

The Performance Chemicals segment includes specialty chemicals and agricultural protection products.

Aceto is a major supplier to many different industrial segments providing chemicals used in the manufacture of plastics, surface coatings, cosmetics and personal care, textiles, fuels and lubricants. The paint and coatings industry produces products that bring color, texture, and protection to houses, furniture, packaging, paper, and durable goods. Many of today's coatings are eco-friendly, by allowing inks and coatings to be cured by ultraviolet light instead of solvents, or allowing power coatings to be cured without solvents. These growing technologies are critical in protecting and enhancing the world's ecology and Aceto is focused on supplying the specialty additives that make modern coating techniques possible.

The chemistry that makes much of the modern world possible is often done by building up simple molecules to sophisticated compounds in step-by-step chemical processes. The products that are incorporated in each step are known as intermediates and they can be as varied as the end uses they serve, such as crop protection products, dyes and pigments, textiles, fuel additives, electronics - essentially all things chemical.

Aceto provides various specialty chemicals for the food, flavor, fragrance, paper and film industries. Aceto’s raw materials are also used in sophisticated technology products, such as high-end electronic parts used for photo tooling, circuit boards, production of computer chips, and in the production of many of today's modern gadgets.

According to a July 17, 2018 Federal Reserve Statistical Release, in the second quarter of calendar year 2018, the index for consumer durables, which impacts the Specialty Chemicals business of the Performance Chemicals segment, is expected to decrease at an annual rate of 4.0%.

Aceto’s agricultural protection products include herbicides, fungicides and insecticides used on various crops including sugarcane and nuts, which control weed growth as well as the spread of insects and microorganisms that can severely damage plant growth. One of Aceto's most widely used agricultural protection products is a sprout inhibitor that extends the storage life of potatoes. Utilizing our global sourcing and regulatory capabilities, we identify and qualify manufacturers either producing the product or with knowledge of the chemistry necessary to produce the product, and then file an application with the U.S. EPA for a product registration. Aceto has an ongoing working relationship with manufacturers in China and India to determine which of the non-patented or generic, agricultural protection products they produce can be effectively marketed in the Western world. We have successfully brought numerous products to market. We have a strong pipeline, which includes future additions to our product portfolio. The combination of our global sourcing and regulatory capabilities makes the generic agricultural market a niche for us and we will continue

to offer new product additions in this market. In the USDA, National Agricultural Statistics Service release dated June 29, 2018, the total crop acreage planted in the United States in 2018 increased by .9% to 322 million acres from 319 million acres in 2017. The number of peanut acres planted in 2018 decreased 19.7% from 2017 levels while sugarcane acreage harvested decreased 2.1% from 2017. In addition, the potato acreage harvested in 2018 decreased approximately 1.0% from the 2017 level.

**Research and Development Expenses**

Research and development expenses (R&D) represent investment in our generic finished dosage form product pipeline. R&D expenses during fiscal years 2018, 2017 and 2016 were $7,933, $7,898 and $7,937 respectively.

**Long-lived Assets**

Long-lived assets, excluding property held for sale, by geographic region as of June 30, 2018, 2017 and 2016 were as follows:

| | **Long-lived assets** | | |
|---|---|---|---|
| | **2018** | **2017** | **2016** |
| United States | $246,073 | $528,359 | $152,701 |
| Europe | 3,192 | 2,538 | 2,504 |
| Asia-Pacific | 1,400 | 1,582 | 1,781 |
| Total | $250,665 | $532,479 | $156,986 |

**Suppliers and Customers**

We will only purchase products from specifically approved plants that meet strict guidelines for quality. We regularly visit our suppliers to evaluate them not only on the basis of ability to deliver satisfactory products on a timely and cost efficient basis, but also on quality system, facilities and equipment system, materials system, production system, packaging and labeling system, and laboratory control system. During the fiscal years ended June 30, 2018 and 2017 approximately 61% and 62%, respectively, of our purchases were from Asia and approximately 15% and 17%, respectively, were from Europe.

Our customers are primarily located throughout the United States, Europe and Asia. We will continue our program of regular visits to our suppliers' plants, and will continue to educate them on the quality of product and service required by our customers. Aceto is uniquely able to do this, as many of our sales representatives are technically trained (chemists, chemical engineers, biologists, pharmacologists, etc.) most with in-plant or industrial laboratory experience that allows them to effectively communicate customer requirements to sourcing teams. Our customers include a wide range of companies in the industrial chemical, agricultural, and human health and pharmaceutical industries, and range from small trading companies to Fortune 500 companies. During fiscal years 2018, 2017 and 2016, sales made to customers in the United States totaled $512,800, $465,879 and $380,533, respectively. Sales made to customers outside the United States during fiscal years 2018, 2017 and 2016 totaled $198,559, $172,439 and $177,991, respectively, of which, approximately 59%, 56% and 56%, respectively, were to customers located in Europe. One customer (AmerisourceBergen Corporation) accounted for 16% of net sales in fiscal 2018, 12% of net sales in 2017 and 14% of net sales in fiscal 2016. Another customer (McKesson Corporation) accounted for 11% of net sales in fiscal 2018, 11% of net sales in 2017 and 7% of net sales in 2016. No single product accounted for as much as 10% of net sales in fiscal 2018, 2017 or 2016.

**Competition**

The Company operates in a highly competitive business environment. We compete by offering high-quality products produced around the world by both large and small manufacturers at attractive prices. Because of our long standing relationships with many suppliers as well as our sourcing operations in both China and India, we are able to ensure that any given product is manufactured at a facility that can meet the regulatory requirements for that product. For the most part, we store our inventory of chemical-based products in public warehouses strategically located throughout the United States, Europe, and Asia, and we can therefore fill our customer orders on a timely basis. We have developed ready access to key purchasing, research, and technical executives of our customers and suppliers. This allows us to ensure that when necessary, sourcing decisions can be made quickly. We will also continue to search for new products, as well as for new sources for products where we feel our existing sources have lapsed in either product or delivery quality, and/or have failed to meet the needs of our customers or markets.

**Environmental and Regulatory**

We are subject to extensive regulation by federal, state and local agencies in the countries in which we do business. Of particular importance is the FDA in the U.S. It has jurisdiction over testing, safety, effectiveness, manufacturing, labeling, marketing, advertising and post-marketing surveillance of our Human Health products.

Certain of our products involve the use, storage and transportation of toxic and hazardous materials. The Company's operations are subject to extensive laws and regulations relating to the storage, handling, transportation and discharge of materials into the environment and the maintenance of safe working conditions. We have designed safety

procedures to comply with the standards prescribed by federal, state and local regulations. We promote the use of environmentally friendly recyclable packaging by our suppliers. We endeavor to meet our customers' packaging requirements. We only use warehouses and carriers approved to handle chemicals and that have appropriate permits and licenses. We will endeavor to ensure that each package of each shipment has correct labels and supplier lot numbers, and is in compliance with safety and environmental laws.

Our global quality assurance network, with regional managers in the U.S., Europe and Asia, seeks to ensure that the quality of a product meets both its specifications and intended use. Our technical network performs a service that allows Aceto to source and qualify APIs, pharmaceutical intermediates, finished dosage form generics, agricultural products, specialty chemicals, and nutraceutical products from around the world. It also provides substantial regulatory support and technical assistance to manufacturers worldwide, enabling them to meet the stringent regulatory guidelines that govern the pharmaceutical, nutraceutical, specialty chemicals and agricultural protection industries.

In connection with our generics business, the Drug Quality and Security Act (DQSA), which was enacted by Congress on November 27, 2013, outlines steps to build an electronic, interoperable system to identify and trace certain prescription drugs as they are distributed in the United States. This will enhance the FDA’s ability to help protect consumers from exposure to drugs that may be counterfeit, stolen, contaminated, or otherwise harmful. The system will also improve the detection and removal of potentially dangerous drugs from the drug supply chain to protect U.S. consumers. The deadline for us to be compliant with this new system is November 27, 2018 and we expect to be compliant by then.

A subsidiary of the Company markets certain agricultural protection products which are subject to the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA). FIFRA requires that test data be provided to the EPA to register, obtain and maintain approved labels for pesticide products. The EPA requires that follow-on registrants of these products compensate the initial registrant for the cost of producing the necessary test data on a basis prescribed in the FIFRA regulations. Follow-on registrants do not themselves generate or contract for the data. However, when FIFRA requirements mandate that new test data be generated to enable all registrants to continue marketing a pesticide product, often both the initial and follow-on registrants establish a task force to jointly undertake the testing effort. The Company is presently a member of several such task force groups, which requires payments for such memberships.

In connection with the 2016 acquisition of certain products and related assets by Aceto from Lucid, the government contracting business of Citron, Aceto acquired through the government's novation process Lucid's government contracts.

In February 2018, we were notified by the U.S. government that 11 generic drug products we acquired through our Acetris Health subsidiary in a product purchase agreement with Lucid are not in compliance with the federal Trade Agreement Act ("TAA") country-of-origin provisions of a clause (referred to below as the "Trade Agreements Clause") contained in the government supply contracts acquired from Lucid (the "TAA Notification"). The 11 finished dosage form products purchased by the U.S. government are manufactured by Aurolife Pharma LLC which is located in Dayton, New Jersey using APIs sourced from India. In conjunction with this finding, the U.S. Department of Veterans Affairs ("VA") requested that the Company's Acetris Health subsidiary supply new TAA-compliant sources for the referenced products by March 9, 2018 and supply new TAA-compliant drugs to the government purchasers under the contracts by March 26, 2018. Acetris knew that it would be unable to meet these short deadlines. To avoid the government's imposition of penalties for failure to meet these deadlines while Acetris appealed the above-mentioned findings, Acetris requested that the government defer imposition of these deadlines pending resolution of Acetris' appeal. The Government declined this request and thereafter Acetris and the government entered into agreements that provided for a no-cost termination of each of the 11 supply contracts.

On July 10, 2018, the Company was informed that Acetris received a favorable ruling from the United States Court of Federal Claims (the "Court"), in Acetris Health, LLC v. United States, invalidating the VA's interpretation of the Trade Agreements Clause, which had resulted in the termination of the 11 Acetris contracts with the VA. Finding in favor of Acetris, the Court granted a declaratory judgment establishing that under the federal Buy America Act, the agencies are permitted to buy domestic end products, including commercial off-the-shelf products like generic drugs, that are manufactured in the United States when the Trade Agreements Clause is incorporated in government supply contracts, even if their components are not all manufactured in the United States. Although Department of Defense (the "DoD") contracts were not at issue in the case, the decision also impacts Acetris' ability to supply the DoD with its products. The government has appealed the Court's decision. Even if the Court's ruling is affirmed on appeal, the Court's ruling did not have the effect of reinstating the 11 terminated government supply agreements. While Acetris may seek new contracts with these agencies, no assurance can be given that any such contracts will be awarded.

**Employees**

At June 30, 2018, we had 315 employees, none of whom were covered by a collective bargaining agreement.

**Available information**

We file annual, quarterly, and current reports, proxy statements, and other information with the U.S. Securities and Exchange Commission ("SEC"). You may read and copy any document we file at the SEC's public reference room at 100 F Street, NE, Washington, D.C. 20549.

You may call the SEC at 1-800-SEC-0330 for information on the public reference room. The SEC maintains a website that contains annual, quarterly, and current reports, proxy statements, and other information that issuers (including Aceto) file electronically with the SEC. The SEC's website is www.sec.gov.

Our website is www.aceto.com. We make available free of charge through our Internet site, via a link to the SEC's website at www.sec.gov, our annual reports on Form 10-K; quarterly reports on Form 10-Q; current reports on Form 8-K; Forms 3, 4 and 5 filed on behalf of our directors and executive officers; and any amendments to those reports and forms. We make these filings available as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. The information on our website is not incorporated by reference into this Annual Report on Form 10-K.

**Item 1A. Risk Factors**

You should carefully consider the following risk factors and other information included in this Annual Report on Form 10-K. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not currently known to us or that we currently deem immaterial could also impair our business operations. If any of the following risk factors occur, our reputation, business, financial condition, operating results and cash flows could be materially adversely affected.

*Our credit facility, as amended by the September 2018 Amendment, contains several restrictive covenants that limit our corporate activities.*

At June 30, 2018, we had $62,000 of revolving bank loans outstanding and $127,500 outstanding in a bank term loan, all subject to a secured credit facility. As was the case at March 31, 2018, we did not satisfy certain financial covenants under this facility as of June 30, 2018. In response, as discussed under Part II, Item 7 - *Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources*", we entered into an amendment (referred to herein as the September 2018 Amendment) to our credit facility to respond to and resolve our covenant non-compliance. The terms of our credit facility, as amended by the September 2018 Amendment, require us to meet certain financial covenants, contain other affirmative covenants and reference multiple potential events of default, including payment defaults and covenant defaults. The credit facility, as amended by the September 2018 Amendment, also contains certain negative covenants, including covenants that restrict our ability, and that of our subsidiaries, to engage in certain transactions and may impair our ability to respond to changing business and economic conditions. Among the restrictions imposed by the September 2018 Amendment, we have agreed to: (a) a restriction on dividends for the fiscal quarters ending September 30, 2018, December 31, 2018, March 31, 2019 and June 30, 2019 to an amount not to exceed $325 for any fiscal quarter, (b) increasing the applicable margin with respect to the interest rates on all loans under the A&R Credit Agreement by 450 basis points and fixing (during the September 2018 Amendment Limitation Period) the applicable margin with respect to the interest rate on all loans under the A&R Credit Agreement to the highest level provided under the A&R Credit Agreement, which is currently 6.00% in the case of ABR Loans and 7.00% in the case of Eurodollar Loans, (c) during the September 2018 Amendment Limitation Period, requiring the Company to maintain the sum of Domestic Liquidity plus Foreign Liquidity and the undrawn portion of the Revolving Commitment (referred to herein as "Covenant Liquidity") to an amount of at least $55,000 (referred to herein as the "Covenant Liquidity Amount") as of the last business day of each week following the effectiveness of the September 2018 Amendment; provided that the Company shall not be in breach of the minimum liquidity covenant unless the Covenant Liquidity is less than the Covenant Liquidity Amount as of the last business day of two consecutive weeks, (d) requiring the prior written consent of the Required Lenders as a condition precedent to the lenders extending any Loans or the issuing banks issuing, amending, renewing or extending any Letter of Credit and (e) restricting the incurrence of certain indebtedness, limiting acquisitions and other investments and imposing certain other restrictions. The September 2018 Amendment does permit the purchase, during fiscal year 2019, of assets for an aggregate consideration not to exceed $12,300, consisting of intangible assets relating to strategic product acquisitions and certain capital expenditures.

Even if we are able to meet our enhanced obligations, the amount of debt we have could adversely affect us by limiting our ability to obtain any necessary financing in the future for working capital, dividend payments, capital expenditures, debt service requirements, or other purposes. It also places us at a disadvantage relative to our competitors who have lower levels of debt, while making us more vulnerable to a downturn in our business or the economy in general. It also requires us to use a substantial portion of our cash to pay principal and interest on our debt, instead of investing those funds in the business.

*The material impairment charge that we recorded in fiscal 2018 was based on several adverse factors, certain of which could materially adversely impact the Company in subsequent fiscal quarters.*

In the third quarter of fiscal 2018, we recorded impairment charges for goodwill and intangible assets of $256,266, all of which related to the Rising Pharmaceuticals reporting unit which is part of the Human Health segment. During the third quarter of fiscal 2018, our Rising Pharmaceuticals reporting unit had a decline in actual and forecasted revenue and earnings due to the persistent adverse conditions in the generics market. In addition, the U.S. government made a determination (which was subsequently reversed) that 11 generic drug products we acquired through our Acetris Health subsidiary (part of the Rising Pharmaceuticals reporting unit) in a product purchase agreement with Lucid were not in compliance with the country-of-origin provisions of a clause contained in the government supply contracts acquired from Lucid. As a result of the foregoing, we conducted an impairment test and recognized a significant goodwill and intangible asset impairment charge.

Many of the market and industry factors that led to the March 31, 2018 impairment charges could continue to impact us in future fiscal periods. Such factors could materially and adversely impact our business, financial condition, results of operations, liquidity and cash flows and could lead to additional impairment charges in the future.

*If we are unable to compete effectively with our competitors, many of which have greater market presence and resources than us, our reputation, business, financial condition, operating results, cash flows and liquidity could be materially adversely affected.*

Our financial condition and operating results are directly related to our ability to compete in the intensely competitive global pharmaceutical and chemical markets. We face intense competition from global and regional distributors of pharmaceutical and chemical products, many of which are large pharmaceutical and chemical manufacturers as well as distributors. Many of these companies have substantially greater resources than us, including, among other things, greater financial, marketing and distribution resources. We cannot assure you that we will be able to compete successfully with any of these companies. In addition, increased competition could result in price reductions, reduced margins and loss of market share for our products, all of which could materially adversely affect our reputation, business, financial condition, operating results and cash flows.

*Our distribution operations of finished dosage form generic drugs and APIs are subject to the risks of the generic pharmaceutical industry.*

The ability of our business to generate consistent growth is affected, in large part, by our participation in the launch of new products by generic manufacturers and the subsequent advent and extent of competition encountered by these products. Revenues and gross profit derived from the sales of generic pharmaceutical products tend to follow a pattern based on certain regulatory and competitive factors. This competition can result in significant and rapid declines in pricing with a corresponding decrease in net sales. Net selling prices of generic drugs typically decline over time, sometimes dramatically, as additional generic pharmaceutical companies receive approvals and enter the market for a given generic product and competition intensifies. When additional versions of one of our generic products enter the market, we generally lose market share and our selling prices and margins on that product decline. The generic pharmaceutical industry has experienced continued pricing pressure, intense competition and customer consolidation that may continue to materially adversely affect our business, financial condition, operating results, cash flows and liquidity.

The approval process for generic pharmaceutical products often results in the FDA granting final approval simultaneously or within close proximity to a number of generic pharmaceutical products at the time a patent claim for a corresponding branded product or other market exclusivity expires. This often forces a generic firm to face immediate competition when it introduces a generic product into the market. Additionally, further generic approvals often continue to be granted for a given product subsequent to the initial launch of the generic product. These circumstances generally result in significantly lower prices, as well as reduced margins, for generic products compared to branded products. New generic market entrants generally cause continued price and margin erosion over the generic product life cycle. As a result, we could be unable to grow or maintain market share with respect to our generic pharmaceutical products, which could materially adversely affect our reputation, business, financial condition, operating results, cash flows and liquidity.

*We may experience declines in sales volumes or prices of certain of our products as the result of the concentration of sales to wholesalers and the continuing trend towards consolidation of such wholesalers and other customer groups which could have a material adverse impact on our business, financial condition, operating results, cash flows and liquidity.*

Wholesalers and retail drug chains have in recent years seen increased consolidation, resulting in larger competitors and placing further pressure on prices, development activities and customer retention. This consolidation may result in these groups gaining additional purchasing leverage and consequently increasing the product pricing pressures facing our finished dosage form generic business. The result of these developments could have a material adverse effect on our business, financial condition, operating results, cash flows and liquidity.

*Our pipeline of products in development may be subject to regulatory delays at the FDA. Delays in key products could have material adverse effects on our reputation, business, financial condition, operating results, cash flows and liquidity.*

Our future revenue growth and profitability are partially dependent upon our ability to introduce new products on a timely basis in relation to our competitors' product introductions. Our failure to do so successfully could materially adversely affect our reputation, business, financial condition, operating results, cash flows and liquidity. Many products require FDA approval or the equivalent regulatory approvals in our overseas markets prior to being marketed. The process of obtaining FDA/regulatory approval to market new and generic pharmaceutical products is rigorous, time-consuming, costly and often unpredictable. We may be unable to obtain requisite FDA approvals on a timely basis for new generic products.

*Pharmaceutical product quality standards are steadily increasing and all products, including those already approved, may need to meet current standards. If our products are not able to meet these standards, we may be required to discontinue marketing and/or recall such products from the market.*

Steadily increasing quality standards are applicable to pharmaceutical products still under development and those already approved and on the market. These standards result from product quality initiatives implemented by the FDA, and updated U.S. Pharmacopeial Convention ("USP") Reference Standards. The USP is a scientific nonprofit organization that sets standards for the identity, strength, quality, and purity of medicines, food ingredients, and dietary supplements manufactured, distributed, and consumed worldwide. Pharmaceutical products approved prior to the implementation of new quality standards may not meet these standards, which could require us to discontinue marketing and/or recall such products from the market, either of which could have a material adverse effect on our business, financial position, results of operations and cash flows.

*If brand pharmaceutical companies are successful in limiting the use of generics through their legislative and regulatory efforts, our sales of generic products may suffer.*

Many brand pharmaceutical companies increasingly have used state and federal legislative and regulatory means to delay generic competition. These efforts have included:

- pursuing new patents for existing products which may be granted just before the expiration of one patent which could extend patent protection for additional years or otherwise delay the launch of generics;
- using the Citizen Petition process to request amendments to FDA standards;
- seeking changes to U.S. Pharmacopoeia, an organization which publishes industry recognized compendia of drug standards;
- attaching patent extension amendments to non-related federal legislation;
- engaging in state-by-state initiatives to enact legislation that restricts the substitution of some generic drugs, which could have an impact on products that we are developing;
- persuading regulatory bodies to withdraw the approval of brand name drugs for which the patents are about to expire and converting the market to another product of the brand company on which longer patent protection exists;
- entering into agreements whereby other generic companies will begin to market an authorized generic, a generic equivalent of a branded product, at the same time or after generic competition initially enters the market;
- filing suits for patent infringement and other claims that may delay or prevent regulatory approval, manufacture, and/or sale of generic products; and,
- introducing "next-generation" products prior to the expiration of market exclusivity for the reference product, which often materially reduces the demand for the generic or the reference product for which we seek regulatory approval.

In the U.S., some companies have lobbied Congress for amendments to the Hatch-Waxman Act that would give them additional advantages over generic competitors. For example, although the term of a company's drug patent can be

extended to reflect a portion of the time an NDA is under regulatory review, some companies have proposed extending the patent term by a full year for each year spent in clinical trials rather than the one-half year that is currently permitted.

If proposals like these were to become effective, or if any other actions by our competitors and other third parties to prevent or delay activities necessary to the approval, manufacture, or distribution of our products are successful, our entry into the market and our ability to generate revenues associated with new products may be delayed, reduced, or eliminated, which could have material adverse effects on our reputation, business, financial condition, operating results, cash flows and liquidity.

*A proposed FDA rule allowing generic companies to distribute revised labels that differ from the corresponding reference listed drug ("RLD") could have an adverse effect on our operations because of a potential increase in litigation exposure.*

On November 13, 2013, the FDA issued a proposed rule (Docket No. FDA-2013-N-0500) titled "Supplemental Applications Proposing Labeling Changes for Approved Drugs and Biological Products." Pursuant to the rule, the FDA will change existing regulations to allow generic drug application holders, in advance of the FDA's review, to distribute revised labeling, to reflect safety-related changes based on newly acquired information. Currently, the labels of generic drugs must conform to those of the corresponding RLD and any failure-to-warn claims against generic companies are preempted under U.S. Federal law. Once this rule is released, we could be found liable under such failure-to-warn claims if we do not revise our labeling to reflect safety-related changes promptly upon receipt of applicable safety information. While we proactively conduct surveillance for reported safety issues with our products, we cannot guarantee that this will prevent us from being found liable under a failure-to-warn claim. When this proposed regulatory change is adopted, it could increase our potential liability with respect to failure-to-warn claims, which, even if successfully defended, could have material adverse effects on our reputation, business, financial condition, operating results, cash flows and liquidity.

*Our policies regarding returns, allowances, rebates and chargebacks, and marketing programs adopted by wholesalers may reduce our revenues in future fiscal periods.*

Based on industry practice, generic drug manufacturers have liberal return policies and have been willing to give customers post-sale inventory allowances. We, like other generic companies, have agreements with customers allowing chargebacks, product returns, administrative fees, and other rebates. Under these arrangements, from time to time we give our customers credits on our generic products that our customers already hold in inventory after we have decreased the market prices of the same generic products due to competitive pricing. Therefore, if new competitors enter the marketplace and significantly lower the prices of any of their competing products, we would likely reduce the price of our product. As a result, we would be obligated to provide credits to our customers who are then holding inventories of such products, which could reduce sales revenue and gross margin for the period the credit is provided. Like our competitors, we also give credits for chargebacks to wholesalers that have contracts with us for their sales to hospitals, group purchasing organizations, pharmacies or other customers.

A chargeback is the difference between the price the wholesaler pays and the price that the wholesaler's end-customer pays for a product. Although we establish reserves based on our prior experience and our best estimates of the impact that these policies may have in subsequent periods, we cannot ensure that our reserves are adequate or that actual product returns, allowances, rebates, chargebacks and partnered product liabilities will not exceed our estimates.

*The regulatory approval process outside the U.S. varies depending on foreign regulatory requirements, and failure to obtain regulatory approval in foreign jurisdictions would prevent the marketing of our products in those jurisdictions.*

We have certain worldwide intellectual property rights to market some of our products and product candidates. We intend to seek approval to market certain of our products outside of the U.S. To market our products in the European Union and other foreign jurisdictions, we must obtain separate regulatory authorization and comply with numerous and varying regulatory requirements. Approval of a product by the comparable regulatory authorities of foreign countries must be obtained prior to marketing that product in those countries. The approval procedure varies among countries and can involve additional testing, and the time required to obtain approval may differ from that required to obtain FDA approval. The foreign regulatory approval process includes all of the risks associated with obtaining FDA approval set forth herein and approval by the FDA does not ensure approval by the regulatory authorities of any other country, nor does the approval by foreign regulatory authorities in one country ensure approval by regulatory authorities in other foreign countries or the FDA. If we fail to comply with these regulatory requirements or obtain and maintain required approvals, our target market will be reduced and our ability to generate revenue from abroad will be adversely affected.

*We have entered into collaborative arrangements that may not result in marketable products.*

We regularly enter into collaborative arrangements to develop generic products for us to market in the U.S. We can offer no assurances that these arrangements will result in additional approved products, or that we will be able to market the products at a profit. In addition, any expenses related to trials, or additional studies required by the FDA, that we may incur in connection with these collaborative arrangements may negatively affect our business, financial condition, operating results, cash flows and liquidity. Specifically:

- trials could be more costly than we anticipate;
- formulation development could take longer and be more costly than we expect; and
- we may be required to obtain specialized equipment in order to manufacture products on a commercial scale.

Any of these events could have a material adverse effect on our business, financial condition, operating results, cash flows and liquidity.

*Our growth and development will depend on developing, commercializing and marketing new products, including both our own products and those developed with our collaboration partners. If we do not do so successfully, our growth and development will be impaired.*

Our future revenues and profitability will depend, to a significant extent, upon our ability to successfully commercialize new generic pharmaceutical products in a timely manner. As a result, we must continually develop and test new products, and these new products must meet regulatory standards and receive requisite regulatory approvals. Products we are currently developing may or may not achieve the technology success or receive the regulatory approvals or clearances necessary for us to market them. Furthermore, the development and commercialization process is time-consuming and costly, and we cannot assure you that any of our products, if and when developed and approved, can be successfully commercialized. Some of our collaboration partners may decide to make substantial changes to a product's formulation or design, may experience financial difficulties or have limited financial resources, any of which may delay the development, commercialization and/or marketing of new products. In addition, if a co-developer on a new product terminates our collaboration agreement or does not perform under the agreement, we may experience delays and, possibly, additional costs in developing and marketing that product.

*The time necessary to develop generic drugs may adversely affect whether, and the extent to which, we receive a return on our capital.*

We generally begin our development activities for a new generic drug product several years in advance of the patent expiration date of the brand-name drug equivalent. The development process, including drug formulation, testing, and FDA review and approval, often takes three or more years. This process requires that we expend considerable capital to pursue activities that do not yield an immediate or near-term return. Also, because of the significant time necessary to develop a product, the actual market for a product at the time it is available for sale may be significantly less than the originally projected market for the product, including the possibility that the product has become eligible for OTC sales. If this were to occur, our potential return on our investment in developing the product, if approved for marketing by the FDA, would be adversely affected and we may never receive a return on our investment in the product.

*If we experience product recalls, we may incur significant and unexpected costs, and our business reputation could be adversely affected.*

We may be exposed to product recalls and adverse public relations if our products are alleged to cause injury or illness, or if we are alleged to have violated governmental regulations. A product recall could result in substantial and unexpected expenditures, which would reduce operating profit and cash flow. In addition, a product recall may require significant management attention. Product recalls may hurt the value of our brands and lead to decreased demand for our products. Product recalls also may lead to increased scrutiny by federal, state or international regulatory agencies of our operations and increased litigation and could have a material adverse effect on our reputation, business,

financial condition, operating results and cash flows.

*Dependence on a limited number of suppliers of Human Health and Pharmaceutical Ingredients products could lead to delays, lost revenue or increased costs.*

Our future operating results may depend substantially on our suppliers' ability to timely provide Human Health and Pharmaceutical Ingredients products in connection with ANDAs and such suppliers' ability to supply us with these ingredients or materials in sufficient volumes to meet our production requirements. A number of the ingredients or materials that we use are available from only a single or limited number of qualified suppliers, and may be used across multiple product lines. If there is a significant increase in demand for an ingredient or other material resulting in an inability to meet demand, if an ingredient or material is otherwise in short supply or becomes wholly unavailable, if a supplier fails to supply the ingredients or materials, or if a supplier has a quality issue, we may experience delays or increased costs in obtaining that ingredient or material. If we are unable to obtain sufficient quantities of ingredients or other necessary materials, we may experience production delays in our supply. We may also incur substantial liability to our customers for failing to supply the product to them. (See *"We may be subject to significant level service penalties in our generics business."*).

Each of the following could also interrupt the supply of, or increase the cost of, ingredients or other materials:

- an unwillingness of a supplier to supply ingredients or other materials to us;
- consolidation of key suppliers;
- failure of a key supplier's business process;
- a key supplier's inability to access credit necessary to operate its business; or
- failure of a key supplier to remain in business, to remain an independent supplier, or to adjust to market conditions.

Any interruption in the supply or increase in the cost of ingredients or other materials provided by single or limited source suppliers could have a material adverse effect on our reputation, business, financial condition, operating results, cash flows and liquidity.

*We may be subject to significant service level penalties in our generics business.*

Certain of our distribution agreements in our finished dosage form generics business contain service level penalties ("failure to supply") or similar provisions that may subject us to charges and penalties in the event we do not meet our supply obligations thereunder. Such charges and penalties may be substantial and may not be adequately reimbursed by our suppliers or at all. We incurred approximately $27,778 in gross failure to supply penalties during the year ended June 30, 2018 of which we anticipate approximately $9,445 will be reimbursed to us by our suppliers responsible for our inability to supply product. Additionally, we are disputing many of these charges and working with our customers to reverse some of these charges. The level of failure to supply penalties is difficult for us to predict and thus we can provide no assurance with respect to the level of these penalties in future periods. A continuation of these supply challenges could have a material adverse effect on our reputation, business, financial condition, operating results, cash flows and liquidity.

*Our success in our Human Health segment is linked to the size and growth rate of the generic pharmaceutical, vitamin, mineral and supplement markets and an adverse change in the size or growth rate of these markets could have a material adverse effect on us.*

An adverse change in size or growth rate of the generic pharmaceutical, vitamin, mineral and supplement markets could have a material adverse effect on us. Underlying market conditions are subject to change based on economic conditions, consumer preferences and other factors that are beyond our control, including media attention and scientific research, which may be positive or negative.

*Healthcare reform and a reduction in the reimbursement levels by governmental authorities, HMOs, MCOs or other third-party payors could materially adversely affect our business, financial condition, operating results, cash flows and liquidity.*

In recent years, there have been numerous initiatives on the federal and state levels for comprehensive reforms affecting the payment for, the availability of and reimbursement for, healthcare services in the United States, and it is likely that Congress and state legislatures and health agencies will continue to focus on healthcare reform in the future. Third party payors increasingly challenge pricing of pharmaceutical products. The trend toward managed healthcare, the growth of organizations such as HMOs and MCOs and legislative proposals to reform healthcare and government insurance programs could significantly influence the purchase of pharmaceutical products, resulting in lower prices and a reduction in product demand. We are unable to predict the future course of federal or state healthcare legislation. If significant additional reforms are made to the United States healthcare system, those reforms could have a material adverse effect on our business, financial condition, operating results, cash flows and liquidity.

*Any failure to comply with the complex reporting and payment obligations under Medicare, Medicaid and other government programs may result in litigation or sanctions.*

We are subject to various federal and state laws pertaining to healthcare fraud and abuse, including anti-kickback, false claims, marketing and pricing laws. We are also subject to Medicaid and other government reporting and payment obligations that are highly complex and somewhat ambiguous. Violations of these laws and reporting obligations are punishable by criminal and/or civil sanctions and exclusion from participation in federal and state healthcare programs such as Medicare and Medicaid. The recent healthcare reform legislation made several changes to the federal anti-kickback statute, false claims laws, and health care fraud statute such as increasing penalties and making it easier for the government to bring sanctions against pharmaceutical companies. If our past, present or future operations are found to be in violation of any of the laws described above or other similar governmental regulations, we may be subject to the applicable penalty associated with the violation which could adversely affect our ability to operate our business and negatively impact our financial results. Further, if there is a change in laws, regulations or administrative or judicial interpretations, we may have to change our business practices or our existing business practices could be challenged as unlawful, which could have a material adverse effect on our business, results of operations, financial condition, cash flows and liquidity.

*Our future results could be materially adversely affected by a number of public health issues whether occurring in the United States or abroad.*

Public health issues, whether occurring in the United States or abroad, could disrupt our operations, disrupt the operations of suppliers or customers, or have a broader adverse impact on consumer spending and confidence levels that would negatively affect our suppliers and customers. We may be required to suspend operations in some or all of our locations, which could have a material adverse effect on our business, results of operations, financial condition, cash flows and liquidity.

*Our revenue stream and related gross profit is difficult to predict.*

Our revenue stream is difficult to predict because it is primarily generated as customers place orders and customers can change their requirements or cancel orders. Many of our sales orders are short-term and could be cancelled at any time. As a result, much of our revenue is not recurring from period to period, which contributes to the variability of our results from period to period. In addition, certain of our products carry a higher gross margin than other products, particularly in the Human Health and Pharmaceutical Ingredients segments. Reduced sales of these higher margin products could have a material adverse effect on our operating results. We believe that quarter-to-quarter comparisons of our operating results are not a good indication of our future performance.

*From time to time we may need to rely on licenses to proprietary technologies, which may be difficult or expensive to obtain.*

We may need to obtain licenses to patents and other proprietary rights held by third parties to develop, manufacture and market products. If we are unable to timely obtain these licenses on commercially reasonable terms, our ability to commercially market our products may be inhibited or prevented, which could have a material adverse effect on our business, financial condition, operating results, cash flows and liquidity.

*Changes to the industries and markets that Aceto serves could have a material adverse effect on our business, financial condition, operating results, cash flows and liquidity.*

The business environment in which we operate remains challenging. Portions of our operations are subject to the same business cycles as those experienced by automobile, housing, and durable goods manufacturers. Our demand is largely derived from the demand for our customers' products, which subjects us to uncertainties related to downturns in our customers' business and unanticipated customer production shutdowns or curtailments. A material downturn in sales or gross profit due to weak end-user markets and loss of customers could have a material adverse effect on our business, financial condition, operating results, cash flows and liquidity.

*Our operating results could fluctuate in future quarters, which could adversely affect the trading price of our common stock.*

Our operating results could fluctuate on a quarterly basis as a result of a number of factors, including, among other things, the timing of contracts, orders, the delay or cancellation of a contract, and changes in government regulations.

Any one of these factors could have a significant impact on our quarterly results. In some quarters, our revenue and operating results could fall below the expectations of securities analysts and investors, which would likely cause the trading price of our common stock to decline.

*We have significant inventories on hand.*

The Company maintains significant inventories. Any significant unanticipated changes in future product demand or market conditions, including, among other things, the current uncertainty in the global market, could materially adversely affect the value of inventory and our business, financial condition, operating results, cash flows and liquidity.

*Failure to obtain products from outside manufacturers could adversely affect our ability to fulfill sales orders to our customers.*

We rely on outside manufacturers to supply products for resale to our customers. Manufacturing problems, including, among other things, manufacturing delays caused by plant shutdowns, regulatory issues, damage or disruption to raw material supplies due to weather, including, among other things, any potential effects of climate change, natural disaster or fire, could occur. If such problems occur, we cannot assure you that we will be able to deliver our products to our customers profitably or on time. Such factors could exacerbate our exposure to failure to supply penalties. See "*We may be subject to significant service level penalties in our generics business.*"

*Increases in the cost of shipping with our third-party shippers could have a material adverse effect on our business, financial condition, operating results, cash flows and liquidity.*

Shipping is a significant expense in the operation of our business. Accordingly, any significant increase in shipping rates could have an adverse effect on our operating results. Similarly, strikes or other service interruptions by those shippers could cause our operating expenses to rise and adversely affect our ability to deliver products on a timely basis.

*We could incur significant uninsured environmental and other liabilities inherent in the chemical/pharmaceutical distribution industry that could materially adversely affect our business, financial condition, operating results, cash flows and liquidity.*

The business of distributing chemicals and pharmaceuticals is subject to regulation by numerous federal, state, local, and foreign governmental authorities. These regulations impose liability for loss of life, damage to property and equipment, pollution and other environmental damage that could occur in our business. Many of these regulations provide for substantial fines and remediation costs in the event of chemical spills, explosions and pollution. While we believe that we are in substantial compliance with all current laws and regulations, we can give no assurance that we will not incur material liabilities that are not covered by insurance or exceed our insurance coverage or that such insurance will remain available on terms and at rates acceptable to us. Additionally, if existing environmental and other regulations are changed, or additional laws or regulations are passed, the cost of complying with those laws could be substantial, thereby materially adversely affecting our business, financial condition, operating results, cash flows and liquidity.

In fiscal years 2011, 2009, 2008 and 2007, the Company received letters from the Pulvair Site Group, a group of potentially responsible parties (PRP Group) who are working with the State of Tennessee (the State) to remediate a contaminated property in Tennessee called the Pulvair site. The PRP Group has alleged that Aceto shipped hazardous substances to the site which were released into the environment. The State had begun administrative proceedings against the members of the PRP Group and Aceto with respect to the cleanup of the Pulvair site and the PRP Group has begun to undertake cleanup. The PRP Group is seeking a settlement of approximately $1,700 from the Company for its share to remediate the site contamination. Although the Company acknowledges that it shipped materials to the site for formulation over twenty years ago, the Company believes that the evidence does not show that the hazardous materials sent by Aceto to the site have significantly contributed to the contamination of the environment and thus believes that, at most, it is a de minimis contributor to the site contamination. Accordingly, the Company believes that the settlement offer is unreasonable. Management believes that the ultimate outcome of this matter will not have a material adverse effect on the Company's financial condition or liquidity.

Our subsidiary, Arsynco, has environmental remediation obligations in connection with its former manufacturing facility in Carlstadt, New Jersey. Estimates of how much it would cost to remediate environmental contamination at this site have increased since the facility was closed in 1993. If the actual costs are significantly greater than estimated, it could have a material adverse effect on our financial condition, operating results, cash flows and liquidity.

In March 2006, Arsynco received notice from the EPA of its status as a PRP under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) for a site described as the Berry’s Creek Study Area (“BCSA”). Arsynco is one of over 150 PRPs which have potential liability for the required investigation and remediation of the site. The estimate of the potential liability is not quantifiable for a number of reasons, including the difficulty in determining the extent of contamination and the length of time remediation may require. In addition, any estimate of

liability must also consider the number of other PRPs and their financial strength. In July 2014, Arsynco received notice from the U.S. Department of Interior (“USDOI”) regarding the USDOI’s intent to perform a Natural Resource Damage (NRD) Assessment at the BCSA. Arsynco has to date declined to participate in the development and performance of the NRD assessment process. Based on prior practice in similar situations, it is possible that the State may assert a claim for natural resource damages with respect to the Arsynco site itself, and either the federal government or the State (or both) may assert claims against Arsynco for natural resource damages in connection with Berry's Creek; any such claim with respect to Berry's Creek could also be asserted against the approximately 150 PRPs which the EPA has identified in connection with that site. Any claim for natural resource damages with respect to the Arsynco site itself may also be asserted against BASF, the former owners of the Arsynco property. In September 2012, Arsynco entered into an agreement with three of the other PRPs that had previously been impleaded into New Jersey Department of Environmental Protection, et al. v. Occidental Chemical Corporation, et al., Docket No. ESX-L-9868-05 (the "NJDEP Litigation") and were considering impleading Arsynco into the same proceeding. Arsynco entered into an agreement to avoid impleader. Pursuant to the agreement, Arsynco agreed to (1) a tolling period that would not be included when computing the running of any statute of limitations that might provide a defense to the NJDEP Litigation; (2) the waiver of certain issue preclusion defenses in the NJDEP Litigation; and (3) arbitration of certain potential future liability allocation claims if the other parties to the agreement are barred by a court of competent jurisdiction from proceeding against Arsynco. In July 2015, Arsynco was contacted by an allocation consultant retained by a group of the named PRPs, inviting Arsynco to participate in the allocation among the PRPs’ investigation and remediation costs relating to the BCSA. Arsynco declined that invitation. Since an amount of the liability cannot be reasonably estimated at this time, no accrual is recorded for these potential future costs. The impact of the resolution of this matter on the Company’s results of operations in a particular reporting period is not currently known.

*Our business, products or product pricing could be subject to negative publicity arising from the subpoena we recently received, which could have a material adverse effect on our reputation, business, financial position, results of operations, liquidity and cash flows.*

In recent years, the generic pharmaceutical industry has been the subject of significant publicity regarding the pricing of pharmaceutical products, including publicity and pressure resulting from prices charged by competitors and peer companies for new products as well as price increases by competitors and peer companies on older products that the public has deemed excessive. Any downward pricing pressure on the price of our products arising from social or political pressure to lower the cost of pharmaceutical products could have a material adverse impact on our business, financial position, results of operations, liquidity and cash flows.

Accompanying the press and media coverage of pharmaceutical pricing practices and public complaints about the same, there has been increasing U.S. federal and state legislative and enforcement interest with respect to drug pricing. For instance, the United States Department of Justice has issued subpoenas to pharmaceutical companies seeking information about the sales, marketing and pricing of certain generic drugs. In connection with the DOJ's ongoing investigation into marketing and pricing practices throughout the generic pharmaceutical industry, we received a subpoena from the Antitrust Division of the DOJ in April 2018. In addition to the substantial defense costs typically incurred in responding to a governmental subpoena and the effects of any investigations or claims brought against us as a result of this subpoena, our business, financial position, results of operations, liquidity and cash flows could also be materially adversely affected if any such inquiries, of us or of other pharmaceutical companies or the industry more generally, were to result in legislative or regulatory proposals that limit our ability to increase the prices of our products.

*We are engaged in various civil suits which could be expensive to defend, which could divert our management's attention and which, if determined adversely, could harm our reputation and have a material and negative affect on our business, financial condition, results of operations, cash flows and liquidity.*

As described in Part I, Item 3 – Legal Proceedings," we are engaged in a number of civil suits that may occupy a substantial amount of our time, attention and resources. We and certain of our former and current executive officers have been named as defendants in securities actions filed in the United States District Court for the Eastern District of New York. We have also been named as a defendant in an action by a supplier seeking damages and the termination of an existing supply agreement. While we plan to vigorously defend these actions, we may be unable to defend or settle these claims on favorable terms or at all, and there can be no assurance that additional claims will not be made by other shareholders, or shareholders as a class, and by other suppliers. We expect to incur significant expenses associated with the defense of the pending and any future securities laws claims or derivative suits (including, without limitation, substantial attorneys' fees and other fees of professional advisors and potential obligations to indemnify individuals who are or may become parties to such actions) as well as in the defense of the pending and any future legal proceedings with suppliers. An adverse determination, if one were to occur, could harm our reputation and have a material and negative affect on our business, financial condition, results of operations, cash flows and liquidity. We

currently maintain “directors and officers” insurance policies with respect to the securities actions; however, our insurance coverage may not be adequate or available for us to avoid or limit our exposure in the pending actions or in future claims and adequate insurance coverage may not be available in sufficient amounts or at a reasonable cost in the future. Additionally, securities and derivative claims, as well as legal proceedings with suppliers and business partners, may divert our management’s attention from other business concerns, which could seriously harm our business, financial condition, results of operations, liquidity and cash flows.

*The distribution and sale of some of our products are subject to prior governmental approvals and thereafter ongoing governmental regulation.*

Our products are subject to laws administered by federal, state and foreign governments, including the Toxic Substances Control Act as well as regulations requiring registration and approval of many of our products. More stringent restrictions could make our products less desirable, which would adversely affect our revenues and profitability. Some of our products are subject to the EPA registration and re-registration requirements, and are registered in accordance with FIFRA. Such registration requirements are based, among other things, on data demonstrating that the product will not cause unreasonable adverse effects on human health or the environment when used according to approved label directions. Governmental regulatory authorities have required, and may require in the future, that certain scientific data requirements be performed on our products and this may require us, on our behalf or in joint efforts with other registrants, to perform additional testing. Responding to such requirements may cause delays in or the cessation of the sales of one or more of our products which would adversely affect our profitability. We can provide no assurance that any testing approvals or registrations will be granted on a timely basis, if at all, or that our resources will be adequate to meet the costs of regulatory compliance or that the economic benefit of complying with the requirement will exceed our cost.

*Incidents related to hazardous materials could materially adversely affect our reputation, business, financial condition, operating results, cash flows and liquidity.*

Portions of our operations require the controlled use of hazardous materials. Although we are diligent in designing and implementing safety procedures to comply with the standards prescribed by federal, state, and local regulations, the risk of accidental contamination of property or injury to individuals from these materials cannot be completely eliminated. In the event of such an incident, we could be liable for any damages that result, which could materially adversely affect our reputation, business, financial condition, operating results, cash flows and liquidity.

We are also continuing to expand our business in China and India, where environmental, health and safety regulations are still early in their development. As a result, we cannot determine how these laws will be implemented and the impact of such regulation on the Company.

*Violations of cGMP and other government regulations could have a material adverse effect on our reputation, business, financial condition and results of operations.*

All facilities and manufacturing techniques used to manufacture pharmaceutical products for clinical use or for commercial sale in the United States and other Aceto markets must be operated in conformity with current Good Manufacturing Practices ("cGMP") regulations as required by the FDA and other regulatory bodies. Our suppliers' facilities are subject to scheduled periodic regulatory and customer inspections to ensure compliance with cGMP and other requirements applicable to such products. A finding that we or one or more of our suppliers had materially violated these requirements could result in one or more regulatory sanctions, loss of a customer contract, disqualification of data for client submissions to regulatory authorities and a mandated closing of our suppliers' facilities, which in turn could have a material adverse effect on our reputation, business, financial condition, operating results, cash flows and liquidity.

*Our business could give rise to product liability claims that are not covered by insurance or indemnity agreements or exceed insurance policy or indemnity agreement limitations.*

The marketing, distribution and use of pharmaceutical and chemical products involve substantial risk of product liability claims. We could be held liable if any product we or our partners develop or distribute causes injury or is found otherwise unsuitable during product testing, manufacturing, marketing or sale. A successful product liability claim that we have not insured against, that exceeds our levels of insurance or for which we are not indemnified, may require us to pay a substantial amount of damages. In the event that we are forced to pay such damages, this payment could have a material adverse effect on our reputation, business, financial condition, operating results, cash flows and liquidity.

*Rising insurance costs, as well as the inability to obtain certain insurance coverage for risks faced by us, could negatively impact profitability.*

The cost of insurance, including directors and officers insurance, workers compensation, product liability and general liability insurance, has risen in recent years and may increase in the future. In response, we may increase deductibles and/or decrease certain coverage to mitigate these costs. These increases and our increased risk due to increased deductibles and reduced coverage could materially adversely affect our business, financial condition, operating results, cash flows and liquidity. Additionally, certain insurance coverage may not be available to us for risks faced by us. Sometimes the coverage we obtain for certain risks may not be adequate to fully reimburse the amount of damage that we could possibly sustain. Should either of these events occur, the lack of insurance to cover our entire loss could materially adversely affect our business, financial condition, operating results, cash flows and liquidity.

*We source many of our products in China and changes in the political and economic policies of China's government could have a significant impact upon the business we may be able to conduct in China and our financial condition, operating results, cash flows and liquidity.*

Our business operations could be materially adversely affected by the current and future political environment in China. China has operated as a socialist state since the mid-1900s and is controlled by the Communist Party of China. The Chinese government exerts substantial influence and control over the manner in which companies, such as ours, must conduct business activities in China. China has only permitted provincial and local economic autonomy and private economic activities since 1988. The government of China has exercised and continues to exercise substantial control over virtually every sector of the Chinese economy, through regulation and state ownership. Our ability to conduct business in China could be adversely affected by changes in Chinese laws and regulations, including, among others, those relating to taxation, import and export tariffs, raw materials, environmental regulations, land use rights, property and other matters. Under its current leadership, the government of China has been pursuing economic reform policies that encourage private economic activity and greater economic decentralization. There is no assurance, however, that the government of China will continue to pursue these policies, or that it will not significantly alter these policies from time to time without notice.

*China's laws and regulations governing our current business operations in China are sometimes vague and uncertain. Any changes in such laws and regulations could materially adversely affect our business, financial condition, operating results, cash flows and liquidity.*

China's legal system is a civil law system based on written statutes, in which system decided legal cases have little value as precedents unlike the common law system prevalent in the United States. There are substantial uncertainties regarding the interpretation and application of China's laws and regulations, including among others, the laws and regulations governing the conduct of business in China, or the enforcement and performance of arrangements with customers and suppliers in the event of the imposition of statutory liens, death, bankruptcy and criminal proceedings. The Chinese government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, because these laws and regulations are relatively new, and because of the limited volume of published cases and judicial interpretation and their lack of force as precedents, interpretation and enforcement of these laws and regulations involve significant uncertainties. New laws and regulations that affect existing and proposed future businesses may also be applied retroactively. We cannot predict what effect the interpretation of existing or new laws or regulations may have on our business in China. If the relevant authorities find that we are in violation of China's laws or regulations, they would have broad discretion in dealing with such a violation, including, among other things: (i) levying fines and (ii) requiring that we discontinue any portion or all of our business in China.

The promulgation of new laws, changes to existing laws and the pre-emption of local regulations by national laws may adversely affect foreign businesses conducting business in China. While the trend of legislation over the last 20 plus years has significantly enhanced the protection of foreign businesses in China, there can be no assurance that a change in leadership, social or political disruption, or unforeseen circumstances affecting China's political, economic or social life, will not affect China's government's ability to continue to support and pursue these reforms. Such a shift could have a material adverse effect on our business and prospects.

*Our ability to compete in certain markets we serve is dependent on our ability to continue to expand our capacity in certain offshore locations. However, as our presence in these locations increases, we are exposed to risks inherent to these locations which could materially adversely affect our business, financial condition, operating results, cash flows and liquidity.*

A significant portion of our outsourcing has been shifted to India. As such, we are exposed to the risks inherent to operating in India including, among others, (1) a highly competitive labor market for skilled workers which may result in significant increases in labor costs as well as shortages of qualified workers in the future, and (2) the possibility that the U.S. federal government or the European Union may enact legislation which may disincentivize customers from producing in their local countries which would reduce the demand for the services we provide in India and could materially adversely affect our business, financial condition, operating results and cash flows.

*Fluctuations in foreign currency exchange rates could materially adversely affect our business, financial condition, operating results, cash flows and liquidity.*

A substantial portion of our revenue is denominated in currencies other than the U.S. dollar because certain of our foreign subsidiaries operate in their local currencies. Our business, financial condition, operating results, cash flows and liquidity therefore could be materially adversely affected by fluctuations in the exchange rate between foreign currencies and the U.S. dollar.

*Failure to comply with U.S. or non-U.S. laws regulating trade, such as the U.S. Foreign Corrupt Practices Act, could result in adverse consequences, including fines, criminal sanctions, or loss of access to markets.*

We are subject to the U.S. Foreign Corrupt Practices Act ("FCPA"), which, among other things, prohibits corporations and individuals from paying, offering to pay, or authorizing the payment of anything of value to any foreign government official, government staff member, political party, or political candidate in an attempt to obtain or retain business or to otherwise influence a person working in an official capacity. The FCPA also requires public companies to make and keep books and records that accurately and fairly reflect their transactions and to devise and maintain an adequate system of internal accounting controls. While our employees and agents are required to comply with these laws, we cannot assure you that our internal policies and procedures will always protect us from violations of these laws, despite our commitment to legal compliance and corporate ethics. The occurrence or allegation of these types of events could materially adversely affect our reputation, business, financial condition, operating results, cash flows and liquidity.

*Tax legislation and assessments by various tax authorities could be materially different than the amounts we have provided for in our consolidated financial statements.*

We are regularly audited by federal, state, and foreign tax authorities. From time to time, these audits could result in proposed assessments. While we believe that we have adequately provided for any such assessments, future settlements could be materially different than we have provided for and thereby materially adversely affect our earnings and cash flows.

We operate in various tax jurisdictions, and although we believe that we have provided for income and other taxes in accordance with the relevant regulations, if the applicable regulations were ultimately interpreted differently by a taxing authority, we could be exposed to additional tax liabilities. Our effective tax rate is based on our expected geographic mix of earnings, statutory rates, intercompany transfer pricing, and enacted tax rules. On December 22, 2017, the Tax Cuts and Jobs Act of 2017 ("TCJA") was signed into law, which enacted various changes to the U.S. corporate tax law. These changes include, among others, a federal statutory rate reduction from 35% to 21% effective January 1, 2018, the elimination or reduction of certain domestic deductions and credits, limitations on the deductibility of executive compensation, and a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred. Notwithstanding the reduction in the corporate income tax rate, the overall impact of this tax reform is uncertain and is subject to developing interpretations of the provisions of the legislation, changes to certain estimates and amounts related to the earnings and profits of certain subsidiaries, and the filing of our tax returns. The Company will continue to evaluate the interpretations and assumptions made, guidance that may be issued and actions the Company may take as a result of the TCJA, which could materially change the amounts recorded in fiscal 2018 as new information becomes available. The final analysis of the transition tax and the remeasurement of our deferred tax assets and liabilities will be completed as additional information becomes available, but no later than one year from the date of enactment. Significant judgment is required in determining our effective tax rate and in evaluating our tax positions on a worldwide basis. We believe our tax positions, including, among others, intercompany transfer pricing policies, are consistent with the tax laws in the jurisdictions in which we conduct our business. It is possible that these positions may be challenged by jurisdictional tax authorities and could have a significant impact on our effective tax rate. In addition, from time to time, various legislative initiatives could be proposed that could adversely affect our tax positions. There can be no assurance that our effective tax rate will not be adversely affected by these initiatives. In connection with the Organization for Economic Cooperation and Development Base Erosion and Profit Shifting (BEPS) project, starting in 2017, companies may be required to disclose more information to tax authorities on operations around the world. The Company regularly assesses the likely outcomes of its tax audits to determine the appropriateness of its tax reserves. However, any tax authority could take a position on tax treatment that is contrary to the Company's expectations, which could result in tax liabilities in excess of reserves.

*Significant changes to the U.S. federal government's trade policies, including new tariffs or the renegotiation or termination of existing trade agreements and/or treaties could materially adversely affect our business, financial condition, operating results, cash flows and liquidity.*

We derive revenue from clients in many countries, and our overall performance depends in part on worldwide economic conditions. The Trump administration has called for substantial changes to foreign trade policy and has imposed and is considering imposing additional tariffs on certain foreign goods. We also rely on various U.S. corporate tax provisions related to international commerce. If we are subject to new regulations, or if restrictions and tariffs increase our operating costs in the future, and we are not able to recapture those costs from our customers, or if such initiatives regulations, restrictions and tariffs make it more difficult for us to compete in overseas markets, our business, financial condition, operating results, cash flows and liquidity could be materially adversely impacted.

*Our business is subject to a number of global economic risks.*

From time to time, financial markets in the United States, Europe and Asia have and could experience extreme disruption, including, among other things, extreme volatility in security prices, severely diminished liquidity and credit availability, rating downgrades of certain investments and declining valuations of others. Governments have taken unprecedented actions intending to address extreme market conditions that include severely restricted credit and declines in values of certain assets.

An economic downturn in the businesses or geographic areas in which we sell our products could reduce demand for our products and result in a decrease in revenue that could have a negative impact on our results of operations. Continued volatility and disruption of financial markets in the United States, Europe and Asia could limit our customers' ability to obtain adequate financing or credit to purchase our products or to pay for outstanding invoices owed to us or to maintain operations, and result in a decrease in revenue or cash collections that could have a material adverse effect on our business, financial condition, operating results, cash flows and liquidity.

*Making interest and principal payments on our Convertible Senior Notes due 2020 (the "Notes"), which were issued in November 2015, requires and will continue to require a significant amount of cash, and we may not have sufficient cash flows from our business to make future interest and principal payments.*

Our ability to continue to make scheduled interest payments and to make future principal payments on the Notes depends on our future performance, which is subject to economic, financial, competitive, and other factors beyond our control. Our business may not continue to generate cash flows from operations sufficient to service our debt. If we are unable to generate such cash flows, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt, or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations, including the Notes, which could have a material adverse effect on our business, financial condition, operating results, cash flows and liquidity.

*We may not have the ability to raise the funds necessary to settle conversions of the Notes that we issued in November 2015 or to repurchase such Notes upon a fundamental change, and our senior secured credit facility contains, and our future debt may contain, limitations on our ability to pay cash upon conversion or repurchase of such Notes.*

Holders of our Notes have the right to require us to repurchase their notes upon the occurrence of certain fundamental events (each, a "fundamental change") at a fundamental change repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest, if any. In addition, upon conversion of the Notes, unless we elect to deliver solely shares of our common stock to settle such conversion (other than paying cash in lieu of delivering any fractional shares), we will be required to make cash payments in respect of the Notes being converted. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of notes surrendered therefor or pay cash upon conversions of notes being converted. In addition, our ability to repurchase the Notes or to pay cash upon conversions of the Notes is limited by agreements governing our existing senior secured credit facility, and may be further limited by law, by regulatory authority or by agreements governing our future indebtedness. Our failure to repurchase notes at a time when the repurchase is required by the indenture governing the Notes or to pay any cash payable on future conversions of the Notes as required by the indenture would constitute a default under the indenture. A default under the indenture or the fundamental change itself could, if not cured within applicable time periods, lead to a default under agreements governing our existing senior secured credit facility, and could also lead to a default under agreements governing our future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the Notes or make cash payments upon conversions thereof.

*Our senior secured credit facility limits our ability to pay any cash amount upon the conversion or repurchase of the Notes.*

Our existing senior secured credit facility prohibits us from making any cash payments on the conversion or repurchase of the Notes if an event of default exists under that facility or if, after giving effect to such conversion or repurchase (and any additional indebtedness incurred in connection with such conversion or a repurchase), we would not be in pro forma compliance with our financial covenants under that facility. Any new credit facility that we may enter into in the future may have similar restrictions. Our failure to make cash payments upon the conversion or repurchase of the Notes as required under the terms of the Notes would permit holders of the Notes to accelerate our obligations under the Notes.

*The conditional conversion feature of the Notes, if triggered, may adversely affect our financial condition, operating results and liquidity*.

In the event the conditional conversion feature of the Notes is triggered, holders of notes will be entitled to convert the Notes at any time during specified periods at their option. If one or more holders elect to convert their notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

*The accounting method for convertible debt securities that may be settled in cash, such as the Notes, could have a material effect on our reported financial results.*

In May 2008, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position No. APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement), which has subsequently been codified as Accounting Standards Codification 470-20, Debt with Conversion and Other Options ("ASC 470-20"). Under ASC 470-20, an entity must separately account for the liability and equity components of the convertible debt instruments (such as the Notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer's economic interest cost. The effect of ASC 470-20 on the accounting for the Notes is that the equity component is required to be included in the capital in excess of par value section of shareholders' equity on our consolidated balance sheet, and the value of the equity component would be treated as original issue discount for purposes of accounting for the debt component of the Notes. As a result, we will be required to record a greater amount of non-cash interest expense in current periods presented as a result of the amortization of the discounted carrying value of the Notes to their face amount over the term of the Notes. We will report lower net income in our financial results because ASC 470-20 will require interest to include both the current period's amortization of the debt discount and the instrument's coupon interest, which could adversely affect our reported or future financial results, the trading price of our common stock and the trading price of the Notes.

In addition, under certain circumstances, convertible debt instruments (such as the Notes) that may be settled entirely or partly in cash are currently accounted for utilizing the treasury stock method, the effect of which is that the shares issuable upon conversion of the Notes are not included in the calculation of diluted earnings per share except to the extent that the conversion value of the Notes exceeds their principal amount. Under the treasury stock method, for diluted earnings per share purposes, the transaction is accounted for as if the number of shares of common stock that would be necessary to settle such excess are issued (which is the policy we intend to follow for settling such excess). If we are unable to use the treasury stock method in the future for the shares issuable upon conversion of the Notes, then our diluted earnings per share would be adversely affected.

*We may need to raise additional capital to fund larger acquisitions and investments in the future which capital may not be available on acceptable terms or at all.*

Historically, acquisitions and investments in new products have been an important component of our growth strategy. Larger acquisitions and investments would require us to raise additional capital. Until we are able to reduce our debt obligations significantly, the September 2018 Amendment will restrict, if not eliminate, our ability to access the debt markets to fund the growth of our business. As a result, we may not be able to develop or enhance our products, execute our business plan, take advantage of future opportunities, or respond to competitive pressures or unanticipated customer requirements.

*If we are able to pursue an acquisition strategy in the future, that strategy will be subject to a number of inherent risks, including, among other things, the risk that our acquisitions may not be successful.*

Any acquisitions that we are able to pursue in the future would be subject to inherent risks, and we cannot guarantee that we will be able to identify the appropriate opportunities, successfully negotiate economically beneficial terms, successfully integrate any acquired business, retain key employees, or achieve the anticipated synergies or benefits of the strategic alternative selected. Acquisitions can require significant capital resources and divert our management's attention from our existing business. Additionally, we may issue additional shares in connection with a strategic transaction, thereby diluting the holdings of our existing common shareholders, incur debt or assume liabilities, become subject to litigation, or consume cash, thereby reducing the amount of cash available for other purposes.

*If we are unable to manage our growth, our business, financial condition, operating results, cash flows and liquidity could be materially adversely affected.*

We have experienced rapid growth in the past several years, including the acquisition of membership interests of PACK Pharmaceuticals, LLC in fiscal 2014 and the acquisition of certain generic products and related assets of entities formerly known as Citron Pharma LLC and its affiliate Lucid Pharma in fiscal 2017. This growth has required us to expand, upgrade, and improve our administrative, operational, and management systems, internal controls and resources. Failing to manage growth effectively could have a material adverse effect on our business, financial condition, operating results, cash flows and liquidity.

*Any acquisition that we make could result in a substantial charge to our earnings.*

We have previously incurred charges to our earnings in connection with acquisitions, and may continue to experience charges to our earnings for any acquisitions that we make, including, among other things, contingent consideration and impairment charges. These costs may also include substantial severance and other closure costs associated with eliminating duplicate or discontinued products, employees, operations and facilities. These charges could have a material adverse effect on our results of operations and they could have a material adverse effect on the market price of our common stock.

*Changes in estimates regarding the fair value of intangible assets may significantly impact our profitability.*

We have a significant amount of definite-lived intangible assets, In accordance with U.S. GAAP, we perform an impairment analysis when events or circumstances indicate that the carrying value of the assets may not be recoverable. An impairment loss is recognized if, based on our impairment analysis, the carrying amount of the asset is not recoverable and its carrying amount exceeds its fair value. Any significant change in market conditions, estimates or judgments used to determine expected future cash flows that indicate a reduction in carrying value may give rise to impairment in the period that the change becomes known. An impairment charge could have a material adverse effect on our business, financial condition and operating results.

*Our information technology systems could fail to perform adequately or we may fail to adequately protect such information technology systems against data corruption, cyber-based attacks, or network security breaches.*

We rely on information technology networks and systems, including the Internet, to process, transmit, and store electronic information. In particular, we depend on our information technology infrastructure to effectively manage its business data, supply chain, logistics, accounting, and other business processes and electronic communications between our personnel and our customers and suppliers. If we do not allocate and effectively manage the resources necessary to build and sustain an appropriate technology infrastructure, our business, financial condition, operating results, cash flows and liquidity therefore could be materially adversely affected. In addition, security breaches or system failures of this infrastructure can create system disruptions, shutdowns, or unauthorized disclosure of confidential information. If we are unable to prevent such breaches or failures, our operations could be disrupted, or we may suffer financial damage or loss because of lost or misappropriated information.

*Our business may be adversely affected if we encounter complications in connection with the upgrade and implementation of our enterprise resource planning ("ERP") system, our information technology systems and infrastructure. Upgrading and integrating our business systems could result in implementation issues and business disruptions.*

In recent years, we have implemented a new ERP system at all our global locations. The implementation of a new ERP system at our Rising subsidiary was completed in the fourth quarter of fiscal 2018. In general, the process of planning and preparing for these types of implementations is extremely complex and we were required to address a number of challenges, including data conversion, system cutover and user training during the Rising implementation. We encountered operational problems during implementation, including delayed shipments, delays in billing and other operational issues. In addition, in automating processes that heretofore have been undertaken manually, we were required to reassess certain of our estimates, especially with respect to our rebates, returns and chargebacks approaches. While we believe that we have corrected or mitigated these issues, our fourth quarter results were negatively impacted. We have invested significantly in the operation and protection of data and information

technology; however, there can be no assurance that our efforts will prevent service interruptions or identify breaches in our systems. Prolonged interruptions or significant breaches could materially adversely affect our business, financial condition, operating results, cash flows and liquidity.

*Our potential liability arising from our commitment to indemnify our directors, officers and employees could materially adversely affect our business, financial condition, operating results, cash flows and liquidity.*

We have committed in our bylaws to indemnify our directors, officers and employees against the reasonable expenses incurred by these persons in connection with any action brought against them in such capacity, except in matters as to which they are adjudged to have breached a duty to us. The maximum potential amount of future payments we could be required to make under this provision is unlimited. While we have ”directors and officers” insurance policies that should cover all or some of this potential exposure, we could be materially and adversely affected if we are required to pay damages or incur legal costs in connection with a claim above our insurance limits. (See Part I, Item 3, Legal Proceedings).

*Our business could be materially adversely affected by terrorist activities.*

Our business depends on the free flow of products and services through the channels of commerce worldwide. Instability due to military, terrorist, political and economic actions in other countries could materially disrupt our overseas operations and export sales. In fiscal years 2018 and 2017, approximately 28% and 27%, respectively of our revenues were attributable to operations conducted abroad and to sales generated from the United States to foreign countries. In addition, in fiscal year 2018, approximately 61% and 15% of our purchases came from Asia and Europe, respectively. In addition, in certain countries where we currently operate or export, intend to operate or export, or intend to expand our operations, we could be subject to other political, military and economic uncertainties, including, among other things, labor unrest, restrictions on transfers of funds and unexpected changes in regulatory environments.

*We have experienced turnover in our senior management, and the loss of key personnel or an ability to attract, retain and motivate qualified personnel may result in operational inefficiencies that could negatively affect our business.*

Our success depends upon the continued service of our talented management, as well as our key operational and technical employees, as well as upon our ability to continue to attract additional highly qualified personnel. We have recently experienced significant turnover in our senior management. In October 2017, William C. Kennally III replaced Salvatore Guccione as our chief executive officer. In October 2017, our chief financial officer, Douglas Roth, announced that he was retiring. He was replaced by Edward J. Borkowski, who served only briefly before accepting employment elsewhere. We have named Rebecca Roof to serve as our interim chief financial officer at a cost of two hundred fifty thousand dollars per month, payable to Ms. Roof’s employer AP Services LLC, an affiliate of AlixPartners LLP. In light of the significant challenges we are facing, we have also retained financial advisors to assist us in evaluating strategic options at considerable expense.

*Shortage of qualified and technical personnel in a competitive marketplace may prevent us from growing our business.*

We may be unable to hire or retain qualified and technical employees and there is substantial competition for highly skilled employees. If we fail to attract and retain key employees, our business could be adversely impacted.

*Litigation could harm our business and our management and financial resources.*

Substantial, complex or extended litigation could cause us to incur large expenditures and could distract our management. For example, lawsuits by employees, stockholders, collaborators, distributors, customers, or end-users of our products or services could be very costly and substantially disrupt our business. Disputes from time to time with such companies or individuals are not uncommon, and we cannot assure you that we will always be able to resolve such disputes out of court or on favorable terms.

*The market price of our stock could be volatile.*

The market price of our shares of common stock has fluctuated significantly from $15.45 to $3.35 from June 30, 2017 to June 29, 2018. The market price of our common stock has been subject to volatility and may continue to be volatile in the future, due to a variety of factors, including, among other things:

- quarterly fluctuations in our operating income and earnings per share results
- technological innovations or new product introductions by us or our competitors
- economic conditions
- tariffs, duties and other trade barriers including, among other things, anti-dumping duties
- disputes concerning patents or proprietary rights
- changes in earnings estimates and market growth rate projections by market research analysts

- any future issuances of our common stock, which may include primary offerings for cash, stock splits, issuances in connection with business acquisitions, restricted stock/units and the grant or exercise of stock options from time to time
- sales of common stock by existing security holders
- loss of key personnel
- securities class actions or other litigation

The market price for our common stock may also be affected by our ability to meet analysts' expectations. Any failure to meet such expectations, even slightly, could have an adverse effect on the market price of our common stock. In addition, the stock market is subject to extreme price and volume fluctuations. This volatility has had a significant effect on the market prices of securities issued by many companies for reasons unrelated to the operating performance of these companies.

*Our stock repurchase program could affect the price of our common stock and increase volatility. The repurchase program may be suspended or terminated at any time, which could result in a decrease in the trading price of our common stock.*

In May 2017, the Board of Directors of the Company authorized the continuation of the Company's stock repurchase program, expiring in May 2020. Under the stock repurchase program, the Company is authorized, but not obligated, to purchase up to 5,000 shares of common stock in open market or private transactions, at prices not to exceed the market value of the common stock at the time of such purchase. Repurchases pursuant to our stock repurchase program could affect our stock price and increase the volatility of our common stock. The existence of a stock repurchase program could also potentially reduce the market liquidity for our stock. Although the stock repurchase program is intended to enhance long-term stockholder value, we cannot provide assurance that this will occur. The stock repurchase program may be suspended or terminated at any time, and we have no obligation to repurchase any amount of our common stock under the program.

*There are inherent uncertainties involved in estimates, judgments and assumptions used in preparing financial statements in accordance with U.S. generally accepted accounting principles. Any changes in the estimates, judgments and assumptions we use could have a material adverse effect on our business, financial condition, operating results, cash flows and liquidity.*

The consolidated financial statements included in the periodic reports we file with the SEC are prepared in accordance with GAAP. Preparing financial statements in accordance with GAAP involves making estimates, judgments and assumptions, including accruals for chargebacks, rebates, returns, partnered products and other allowances, that affect reported amounts of assets, liabilities, revenues, expenses and income. Estimates, judgments and assumptions are inherently subject to change, and any such changes could result in corresponding changes to the reported amounts.

*Changes in accounting standards issued by the Financial Accounting Standards Board ("FASB") or other standard-setting bodies may adversely affect our financial statements.*

Our financial statements are subject to the application of U.S. GAAP, which is periodically revised and/or expanded. Accordingly, from time-to-time we are required to adopt new or revised accounting standards issued by recognized authoritative bodies, including the FASB and the SEC. It is possible that future accounting standards we are required to adopt could change the current accounting treatment that we apply to our consolidated financial statements and that such changes could have a material adverse effect on our results of operations and financial condition.

*Failure to maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have material adverse effect on our business and stock price.*

Section 404 of the Sarbanes-Oxley Act requires us to evaluate annually the effectiveness of our internal controls over financial reporting as of the end of each fiscal year and to include a management report assessing the effectiveness of our internal controls over financial reporting in our Annual Report on Form 10-K. Section 404 also requires our independent registered public accounting firm to report on our internal controls over financial reporting. If we fail to maintain the adequacy of our internal controls, we cannot assure you that we will be able to conclude in the future that we have effective internal controls over financial reporting. If we fail to maintain effective internal controls, we might be subject to sanctions or investigation by regulatory authorities, such as the Securities and Exchange Commission or NASDAQ. Any such action could adversely affect our financial results and the market price of our common stock and may also result in delayed filings with the Securities and Exchange Commission.

*Compliance with changing regulation of corporate governance and public disclosure could result in additional expenses.*

Complying with changing laws, regulations and standards relating to corporate governance and public disclosure, including, among others, the Sarbanes-Oxley Act of 2002 and new SEC regulations, will require the Company to expend additional resources. We are committed to maintaining the highest standards of corporate governance and public disclosure. As a result, we may be required to continue to invest necessary resources to comply with evolving laws, regulations and standards, and this investment could result in increased expenses and a diversion of management time and attention from revenue-generating activities.

*The expansion of social media platforms present new risks and challenges, which could have a material adverse effect on our reputation, business, financial condition, operating results, cash flows and liquidity.*

The inappropriate use of certain media vehicles could cause brand damage or information leakage or could lead to legal implications from the improper collection and/or dissemination of personally identifiable information. In addition, negative posts or comments about us on any social networking website could seriously damage our reputation. Further, the disclosure of non-public company sensitive information through external media channels could lead to information loss as there might not be structured processes in place to secure and protect information. If our non-public sensitive information is disclosed or if our reputation is seriously damaged through social media, it could have a material adverse effect on our business, financial condition, operating results, cash flows and liquidity.

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

In March 2010, we purchased a building in Port Washington, New York, which is the site of our global headquarters. Our global headquarters consists of approximately 48,000 gross square feet and is subject to a mortgage, which at June 30, 2018, had an outstanding balance of $2,582.

The Company leases approximately 30,000 square feet of office space in Saddle Brook, New Jersey. In October 2017, Rising commenced leasing approximately 125,000 gross square feet of warehouse space in Somerset, New Jersey. This building is owned by the former owners of Citron and Lucid. The lease was entered into contemporaneously with the execution of our product purchase agreement with Citron and Lucid.

In November 2007, we purchased approximately 2,300 gross square meters of land along with 12,000 gross square feet of office space in Mumbai, India.

Arsynco owns a 12-acre parcel in Carlstadt, New Jersey. In June 2018, we entered into an agreement to sell the Arsynco property to an unrelated third party for $6,340. The sale is subject to due diligence by the buyer. A closing date has not yet been set as the buyer’s due diligence has not yet been completed.

In November 2004, we purchased approximately 1,300 gross square meters of office space located in Shanghai, China for our sales offices and investment purposes.

We also lease office space in Hamburg, Germany; Düsseldorf, Germany; Heemskerk, The Netherlands; Paris, France; Lyon, France, Singapore and the Philippines. These offices are used for sales and administrative purposes.

We believe that our properties are generally well maintained, in good condition and adequate for our present needs.

**Item 3. Legal Proceedings**

We are subject to various claims that have arisen in the normal course of business. We do not know what impact the final resolution of these matters will have on our results of operations in a particular reporting period.

In fiscal years 2011, 2009, 2008 and 2007, the Company received letters from the Pulvair Site Group, a group of potentially responsible parties (PRP Group) who are working with the State of Tennessee (the State) to remediate a contaminated property in Tennessee called the Pulvair site. The PRP Group has alleged that Aceto shipped hazardous substances to the site which were released into the environment. The State had begun administrative proceedings against the members of the PRP Group and Aceto with respect to the cleanup of the Pulvair site and the PRP Group has begun to undertake cleanup. The PRP Group is seeking a settlement of approximately $1,700 from the Company for its share to remediate the site contamination. Although the Company acknowledges that it shipped materials to the site for formulation over twenty years ago, the Company believes that the evidence does not show that the hazardous materials sent by Aceto to the site have significantly contributed to the contamination of the environment and thus believes that, at most, it is a de minimis contributor to the site contamination. Accordingly, the Company believes that the settlement offer is unreasonable. Management believes that the ultimate outcome of this matter will not have a material adverse effect on the Company's financial condition or liquidity.

In March 2006, Arsynco received notice from the EPA of its status as a PRP under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) for a site described as the Berry’s Creek Study Area (“BCSA”). Arsynco is one of over 150 PRPs which have potential liability for the required investigation and remediation of the site. The estimate of the potential liability is not quantifiable for a number of reasons, including the difficulty in determining the extent of contamination and the length of time remediation may require. In addition, any estimate of liability must also consider the number of other PRPs and their financial strength. In July 2014, Arsynco received notice from the U.S. Department of Interior (“USDOI”) regarding the USDOI’s intent to perform a Natural Resource Damage (NRD) Assessment at the BCSA. Arsynco has to date declined to participate in the development and performance of the NRD assessment process. Based on prior practice in similar situations, it is possible that the State may assert a claim for natural resource damages with respect to the Arsynco site itself, and either the federal government or the State (or both) may assert claims against Arsynco for natural resource damages in connection with Berry's Creek; any such claim with respect to Berry's Creek could also be asserted against the approximately 150 PRPs which the EPA has identified in connection with that site. Any claim for natural resource damages with respect to the Arsynco site itself may also be asserted against BASF, the former owners of the Arsynco property. In September 2012, Arsynco entered into an agreement with three of the other PRPs that had previously been impleaded into New Jersey Department of Environmental Protection, et al. v. Occidental Chemical Corporation, et al., Docket No. ESX-L-9868-05 (the "NJDEP Litigation") and were considering impleading Arsynco into the same proceeding. Arsynco entered into an agreement to avoid impleader. Pursuant to the agreement, Arsynco agreed to (1) a tolling period that would not be included when computing the running of any statute of limitations that might provide a defense to the NJDEP Litigation; (2) the waiver of certain issue preclusion defenses in the NJDEP Litigation; and (3) arbitration of certain potential future liability allocation claims if the other parties to the agreement are barred by a court of competent jurisdiction from proceeding against Arsynco. In July 2015, Arsynco was contacted by an allocation consultant retained by a group of the named PRPs, inviting Arsynco to participate in the allocation among the PRPs’ investigation and remediation costs relating to the BCSA. Arsynco declined that invitation. Since a liability amount cannot be reasonably estimated at this time, no accrual is recorded for these potential future costs. The impact of the resolution of this matter on the Company’s results of operations in a particular reporting period is not currently known.

For information regarding proceedings under the federal Trade Agreement Act, see Part I, Item 1, "Business – Environmental and Regulatory."

In March 2018, SigmaPharm Laboratories, LLC ("SigmaPharm") commenced an action against Rising and the Company in the United States District Court for the Eastern District of Pennsylvania. The complaint arises out of an agreement, effective as of June 22, 2006 (the "SigmaPharm Agreement"), pursuant to which SigmaPharm agreed to supply certain generic pharmaceutical products (the "Products") to Rising, and Rising in turn agreed to market and distribute the Products in the United States and pay SigmaPharm a share of the profits pursuant to a formula specified in the Agreement. The complaint alleges that Rising and Aceto breached the Agreement by failing to pay or timely make payments due under the Agreement and to disclose certain information to SigmaPharm. The complaint seeks, among other relief, a declaration that the Agreement has been terminated and that SigmaPharm has exclusive marketing and distribution rights to the Products; injunctive relief; and an unspecified amount of damages. In May 2018, Rising and the Company filed a motion to stay the action and compel arbitration, as required by the Agreement. That motion remains pending with the district court. In addition, SigmaPharm has also filed a "motion to enforce audit rights" in the federal litigation, which motion Rising and the Company have opposed because, among other reasons, any such request for final relief must be addressed to the arbitrators, and not to the district court.

SigmaPharm has stopped supplying Products to Rising, claiming that it has validly terminated the Agreement. Accordingly, in June 2018, Rising filed an arbitration claim against SigmaPharm in New Jersey, seeking recovery from SigmaPharm of any failure-to-supply losses Rising may incur as well as lost future profits on sale of the Products, among other relief. The Company intends to vigorously protect its rights in these matters and prosecute its claim for damages against SigmaPharm.

On April 16, 2018, the Company's Rising subsidiary received a Grand Jury subpoena (the "DOJ Subpoena") from the Antitrust Division of the DOJ. Rising is one of many operating companies in the generic pharmaceutical industry to receive a subpoena from the DOJ relating to its years-long investigation into the industry. Rising is cooperating with the DOJ in response to the DOJ Subpoena.

The Company and certain of its current and former officers are named defendants in two putative securities class actions (the "Securities Class Action Lawsuits") filed in the United States District Court for the Eastern District of New York in April 2018, captioned Mulligan v. Aceto Corporation, et al, No. 2:18-cv-02425, and Yang v. Aceto Corporation, No. 1:18-cv-02437. The complaints arise from the April 19, 2018 drop in the Company's stock price following the Company's announcement on April 18, 2018 that it would recognize a substantial impairment charge for the third fiscal quarter. The complaints generally allege that the defendants violated the Securities Exchange Act of 1934 by making false and misleading statements in public filings with the SEC, and seek unspecified damages. On June 26, 2018, five motions were filed seeking to appoint lead plaintiff and approve lead plaintiff's counsel pursuant to the Private Securities Litigation Reform Act of 1995, as well as to consolidate the Mulligan or Yang actions. Three motions were subsequently withdrawn or abandoned, and the remaining two motions are pending before the Court. Following the appointment of a lead plaintiff, the Company expects that the appointed lead plaintiff will file a single

consolidated amended class action complaint to supersede the earlier complaints. The Company intends to vigorously defend itself.

**Item 4. Mine Safety Disclosures**

Not Applicable.

PART II

**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

Our common stock is traded on the NASDAQ Global Select Market using the symbol "ACET." The following table states the fiscal year 2018 and 2017 high and low sales prices of our common stock as reported by the NASDAQ Global Select Market for the periods indicated.

| | HIGH | LOW |
|---|---|---|
| FISCAL YEAR 2018 | | |
| First Quarter | $17.10 | $10.27 |
| Second Quarter | 11.94 | 8.29 |
| Third Quarter | 11.98 | 6.87 |
| Fourth Quarter | 7.59 | 2.22 |
| | | |
| FISCAL YEAR 2017 | | |
| First Quarter | $25.98 | $18.25 |
| Second Quarter | 22.46 | 15.69 |
| Third Quarter | 22.43 | 14.32 |
| Fourth Quarter | 16.30 | 13.50 |

Cash dividends of $0.065 per common share were paid in September, December and March of fiscal year 2018 and a cash dividend of $0.01 per common share was paid in June of fiscal year 2018. Cash dividends of $0.065 per common share were paid in September, December, March and June of fiscal year 2017.

As of September 13, 2018, there were 210 holders of record of our common stock.

30,041,374 shares of our common stock were held by the nominee of the Depository Trust Company, the country's principal central depository. For purposes of determining the number of owners of our common stock, those shares are considered to be owned by one holder. Additional individual holdings in street name result in a sizable number of beneficial owners being represented on our records as owned by various banks and stockbrokers.

**Performance Graph**

The following graph compares on a cumulative basis the yearly percentage change, assuming dividend reinvestment, over the last five fiscal years in (a) the total shareholder return on our common stock with (b) the total return on the Standard & Poor's 500 Index, (c) the total return of a previously utilized peer group of comparable companies (the "Prior Peer Group") and (d) total return of our Current Peer Group. The Current Peer group companies included: Akorn Inc., AMAG Pharmaceuticals Inc., American Vanguard Corporation, Amphastar Pharmaceuticals, ANI Pharmaceuticals, Cambrex Corporation, Depomed, Impax Laboratories, Inc., Innophos Holdings, Inc., Lannett Company, Inc., Lawson Products, Inc., Luminex Corp., Prestige Brand Holdings, Inc., Quaker Chemical Corporation and Usana Health Sciences, Inc. Albany Molecular Research and Sagent Pharmaceuticals which were in the Peer Group last year were acquired and were replaced by AMAG Pharmaceuticals Inc. and Luminex Corp. Going forward, we expect to include the Current Peer Group and not the Prior Peer Group.

The following graph assumes that $100 had been invested in each of the Company, the Standard & Poor's 500 Index, the Prior Peer Group and the Current Peer Group on June 30, 2013. The stock price performance included in this graph is not necessarily indicative of future stock price performance.

**ASSUMES $100 INVESTED ON JUNE 30, 2013**

**ASSUMES DIVIDEND REINVESTMENT**

**FISCAL YEAR ENDING JUNE 30, 2018**

| | Aceto Corporation | S&P 500 Index | Prior Peer Group | Current Peer Group |
|---|---|---|---|---|
| June 30, 2013 | 100 | 100 | 100 | 100 |
| June 30, 2014 | 132 | 125 | 154 | 147 |
| June 30, 2015 | 181 | 134 | 209 | 210 |
| June 30, 2016 | 162 | 139 | 166 | 163 |
| June 30, 2017 | 116 | 164 | 173 | 164 |
| June 30, 2018 | 26 | 188 | 158 | 153 |

**Item 6. Selected Financial Data**

(In thousands, except per-share amounts)

| Fiscal years ended June 30, | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Net sales | $711,359 | $638,318 | $558,524 | $542,944 | $510,179 |
| Operating (loss) income | (275,012) | 30,554 | 58,028 | 52,326 | 44,272 |
| Net (loss) income | (316,121) | 11,376 | 34,766 | 30,878 | 29,000 |
| At year end | | | | | |
| Working capital | $200,109 | $248,750 | $251,150 | $182,705 | $157,831 |
| Total assets | 767,024 | 1,054,785 | 538,173 | 487,169 | 467,984 |
| Long-term liabilities (including long-term debt) | 369,221 | 410,313 | 137,430 | 110,563 | 115,877 |
| Shareholders' equity | 95,285 | 405,067 | 301,837 | 251,606 | 233,584 |
| (Loss) income per common share | | | | | |
| Basic (loss) income per common share | $(8.98) | $0.35 | $1.19 | $1.07 | $1.04 |
| Diluted (loss) income per common share | $(8.98) | $0.35 | $1.18 | $1.06 | $1.02 |
| Cash dividends per common share | $0.205 | $0.26 | $0.24 | $0.24 | $0.24 |

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

Executive Summary

The following Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to provide the readers of our financial statements with a narrative discussion about our business. The MD&A is provided as a supplement to and should be read in conjunction with our financial statements and the accompanying notes.

We are reporting net sales of $711,359 for the year ended June 30, 2018, which represents an 11.4% increase from the $638,318 reported in the comparable prior year. Gross profit for the year ended June 30, 2018 was $111,563 and our gross margin was 15.7% as compared to gross profit of $140,792 and gross margin of 22.1% in the comparable prior year. Our selling, general and administrative costs ("SG&A") for the year ended June 30, 2018 increased to $122,376 from $102,340 which we reported in the prior year. As previously discussed, we recorded impairment charges of

$256,266 and a valuation allowance of $76,500 against our U.S. net deferred tax assets during the year ended June 30, 2018. For the year ended June 30, 2018, we are reporting a net loss of $316,121 or $8.98 per diluted share, compared to net income of $11,376, or $0.35 per diluted share for the prior year.

The Company is incurring substantial expenses to address the issues that led to the impairment charges taken during the year. The Company has retained financial and legal advisors to assist it in dealing with the various challenges that the Company is currently facing, including legal advisors retained in connection with various ongoing legal proceedings. The Company is also paying a flat monthly fee of $250 for the services of its interim chief financial officer, Rebecca Roof. Moreover, challenges impacting the generic pharmaceuticals industries have resulted in the Company incurring substantial penalties for delays in supplying products, many of which are not likely to be reimbursed by our suppliers. See Part 1, Item 1A, Risk Factor, - "*We may be subject to significant service level penalties in our generics business*". We have also incurred additional expenses and made commitments to assure that we are able to attract and retain key employees required to assist us in meeting our operational challenges.

Included in our press release issued April 18, 2018, is the announcement that the Board of Directors has initiated a process to identify and evaluate a range of strategic alternatives. Strategic alternatives to be considered may include the sale of a key business segment(s), a merger or other business combination with another party, continuing as a standalone entity or other potential alternatives. We have retained a financial advisor to assist with the evaluation of these strategic alternatives. That process is ongoing. However, there can be no assurance that the strategic review process will result in any transaction.

As more fully described in the notes to our consolidated financial statements, on December 22, 2017, the Tax Cuts and Jobs Act of 2017 (“TCJA”) was signed by the U.S. President. The TCJA significantly changes the income tax environment for U.S. multinational corporations and as such, we recorded additional income tax expense of $13,739 during the year ended June 30, 2018. In addition, as more fully described in Critical Accounting Estimates and Policies - Taxes, we recorded a valuation allowance of $76,500 against our U.S. net deferred tax assets.

Despite the difficult generic pharmaceutical industry environment, our cash, cash equivalents and short-term investments at June 30, 2018 totaled $103,904, as compared with $57,726 at June 30, 2017. Our working capital at June 30, 2018 remained strong at $200,109 (as compared with $248,750 at June 30, 2017). Our shareholders’ equity was $95,285 at June 30, 2018, as compared with $405,067 at June 30, 2017, reflecting our $316,121 net loss for fiscal 2018.

Our business is separated into three principal segments: Human Health, Pharmaceutical Ingredients and Performance Chemicals.

Products that fall within the Human Health segment include finished dosage form generic drugs and nutraceutical products. Aceto sells generic prescription products and over-the-counter pharmaceutical products to leading wholesalers, chain drug stores, distributors and mass merchandisers. On December 21, 2016, wholly owned subsidiaries of Rising Pharmaceuticals, Inc. (“Rising”), a wholly owned subsidiary of Aceto, completed the acquisition of certain generic products and related assets of entities formerly known as Citron Pharma LLC (“Citron”) and its affiliate Lucid Pharma LLC (“Lucid”). Citron was a privately-held New Jersey-based pharmaceutical company focused on developing and marketing generic pharmaceutical products in partnership with leading generic pharmaceutical manufacturers based in India and the United States. Lucid was a privately-held New Jersey-based generic pharmaceutical distributor specializing in providing cost-effective products to various agencies of the U.S. Federal Government including the Veterans Administration and the Defense Logistics Agency. Lucid serviced 18 national contracts with the Federal Government.

Rising formed two subsidiaries to consummate the product acquisition – Rising Health, LLC (which acquired certain products and related assets of Citron) and Acetris Health, LLC (which acquired certain products and related assets of Lucid).

The assets acquired in the product purchase transaction expanded, complemented, and strengthened our existing and future product offerings. In what has become a competitive generic drug business environment, one key for long-term success is having an ever-growing commercial portfolio of generic products, a strong internal drug development pipeline and capable, reliable manufacturing partners. We believe that this transaction added significantly to the Rising business platform in all three crucial areas. We also believe that, consistent with our strategy of expanding our portfolio of finished dosage form generic products through product development partnerships and acquisitions of late

stage assets, abbreviated new drug applications (“ANDAs”) and complementary generic drug businesses, this product acquisition significantly expanded our roster of commercialized products and pipeline of products under development.

Based on a report issued by IQVIA Institute on April 19, 2018, “Spending on medicines grew by 0.6% in 2017 after off-invoice discounts and rebates. This spending includes all types of medicines, including institutional use for inpatients and outpatients. Focusing only on retail and mail-order pharmacy distribution, net spending declined by 2.1%.”

During the third quarter of fiscal 2018, our Rising Pharmaceuticals reporting unit had a decline in actual and forecasted revenue and earnings due to the persistent adverse conditions in the generics market. In addition, in February 2018, we were notified by the U.S. government that 11 generic drug products we acquired through our Acetris Health subsidiary are not in compliance with the federal Trade Agreement Act country-of-origin provisions of a clause contained in the government supply contracts acquired from Lucid. Based on these indicators, we determined that it was necessary to perform an interim goodwill impairment analysis at March 31, 2018 for our Rising reporting unit. Accordingly, we recognized pre-tax non-cash impairment charges of $256,266 consisting of $235,110 of a goodwill impairment charge and a $21,156 write-down of other identifiable intangible assets.

Aceto also supplies the raw materials used in the production of nutritional and packaged dietary supplements, including vitamins, amino acids, iron compounds and biochemicals used in pharmaceutical and nutritional preparations.

The Pharmaceutical Ingredients segment has two product groups: Active Pharmaceutical Ingredients (APIs) and Pharmaceutical Intermediates.

We supply APIs to many of the major generic drug companies, who we believe view Aceto as a valued partner in their effort to develop and market generic drugs. The process of introducing a new API from pipeline to market spans a number of years and begins with Aceto partnering with a generic pharmaceutical manufacturer and jointly selecting an API, several years before the expiration of a composition of matter patent, for future genericizing. We then identify the appropriate supplier, and concurrently utilizing our global technical network, work to ensure they meet standards of quality to comply with regulations. Our client, the generic pharmaceutical company, will submit the ANDA for U.S. Food and Drug Administration ("FDA") approval or European-equivalent approval. The introduction of the API to market occurs after all the development testing has been completed and the ANDA or European-equivalent is approved and the patent expires or is deemed invalid. Aceto, at all times, has a pipeline of APIs at various stages of development both in the United States and Europe. Additionally, as the pressure to lower the overall cost of healthcare increases, Aceto has focused on, and works very closely with our customers to develop new API opportunities to provide alternative, more economical, second-source options for existing generic drugs. By leveraging our worldwide sourcing, regulatory and quality assurance capabilities, we provide to generic drug manufacturers an alternative, economical source for existing API products.

Aceto has long been a supplier of pharmaceutical intermediates, the complex chemical compounds that are the building blocks used in producing APIs. These are the critical components of all drugs, whether they are already on the market or currently undergoing clinical trials. Faced with significant economic pressures as well as ever-increasing regulatory barriers, the innovative drug companies look to Aceto as a source for high quality intermediates.

Aceto employs, on occasion, the same second source strategy for our pharmaceutical intermediates business that we use in our API business. Historically, pharmaceutical manufacturers have had one source for the intermediates needed to produce their products. Utilizing our global sourcing, regulatory support and quality assurance network, Aceto works with the large, global pharmaceutical companies, sourcing lower cost, quality pharmaceutical intermediates that will meet the same high-level standards that their current commercial products adhere to.

Based on a report issued by IQVIA Institute on March 13, 2018, "real net per capita spending on medicines in the United States will decline in 2018 and continue almost unchanged at almost $800 per person through 2022."

The Performance Chemicals segment includes specialty chemicals and agricultural protection products.

Aceto is a major supplier to many different industrial segments providing chemicals used in the manufacture of plastics, surface coatings, cosmetics and personal care, textiles, fuels and lubricants. The paint and coatings industry produces products that bring color, texture, and protection to houses, furniture, packaging, paper, and durable goods. Many of today's coatings are eco-friendly, by allowing inks and coatings to be cured by ultraviolet light instead of solvents, or allowing power coatings to be cured without solvents. These growing technologies are critical in protecting and enhancing the world's ecology and Aceto is focused on supplying the specialty additives that make

modern coating techniques possible.

The chemistry that makes much of the modern world possible is often done by building up simple molecules to sophisticated compounds in step-by-step chemical processes. The products that are incorporated in each step are known as intermediates and they can be as varied as the end uses they serve, such as crop protection products, dyes and pigments, textiles, fuel additives, electronics - essentially all things chemical.

Aceto provides various specialty chemicals for the food, flavor, fragrance, paper and film industries. Aceto’s raw materials are also used in sophisticated technology products, such as high-end electronic parts used for photo tooling, circuit boards, production of computer chips, and in the production of many of today's modern gadgets.

According to a July 17, 2018 Federal Reserve Statistical Release, in the second quarter of calendar year 2018, the index for consumer durables, which impacts the Specialty Chemicals business of the Performance Chemicals segment, is expected to decrease at an annual rate of 4.0%.

Aceto’s agricultural protection products include herbicides, fungicides and insecticides used on various crops including sugarcane and nuts, which control weed growth as well as the spread of insects and microorganisms that can severely damage plant growth. One of Aceto's most widely used agricultural protection products is a sprout inhibitor that extends the storage life of potatoes. Utilizing our global sourcing and regulatory capabilities, we identify and qualify manufacturers either producing the product or with knowledge of the chemistry necessary to produce the product, and then file an application with the U.S. EPA for a product registration. Aceto has an ongoing working relationship with manufacturers in China and India to determine which of the non-patented or generic, agricultural protection products they produce can be effectively marketed in the Western world. We have successfully brought numerous products to market. We have a strong pipeline, which includes future additions to our product portfolio. The combination of our global sourcing and regulatory capabilities makes the generic agricultural market a niche for us and we will continue to offer new product additions in this market. In the USDA, National Agricultural Statistics Service release dated June 29, 2018, the total crop acreage planted in the United States in 2018 increased by .9% to 322 million acres from 319 million acres in 2017. The number of peanut acres planted in 2018 decreased 19.7% from 2017 levels while sugarcane acreage harvested decreased 2.1% from 2017. In addition, the potato acreage harvested in 2018 decreased approximately 1.0% from the 2017 level.

We believe our main business strengths are sourcing, regulatory support, quality assurance and marketing and distribution. We distribute more than 1,100 chemical compounds used principally as finished products or raw materials in the pharmaceutical, nutraceutical, agricultural, coatings and industrial chemical industries. With business operations in ten countries, we believe that our global reach is distinctive in the industry, enabling us to source and supply quality products on a worldwide basis. Leveraging local professionals, we source more than two-thirds of our products from Asia, buying from approximately 500 companies in China and 200 in India.

In this MD&A, we explain our general financial condition and results of operations, including, among other things, the following:

- factors that affect our business
- our earnings and costs in the periods presented
- changes in earnings and costs between periods
- sources of earnings
- the impact of these factors on our overall financial condition

As you read this MD&A, refer to the accompanying consolidated statements of income, which present the results of our operations for the three years ended June 30, 2018. We analyze and explain the differences between periods in the specific line items of the consolidated statements of income.

**Critical Accounting Estimates and Policies**

This discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. In preparing these financial statements, we were required to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We regularly evaluate our estimates including those related to allowances for bad debts, partnered products, inventories, goodwill and indefinite-life intangible assets, long-lived assets, environmental and other contingencies, income taxes, stock-based compensation and purchase price allocation. We base our estimates on various factors, including historical experience, advice from outside subject-matter experts, and various assumptions that we believe to be reasonable under the circumstances, which together form the basis for our making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Since June 30, 2018, there have been no significant changes to the assumptions and estimates related to those critical accounting estimates and policies.

We implemented a new enterprise resource planning ("ERP") system at our Rising subsidiary during the fourth quarter of the year ended June 30, 2018. In automating processes that heretofore have been undertaken manually, we may be required to reassess certain of our estimates, especially with respect to our rebates, returns and chargebacks approaches.

We believe the following critical accounting policies affected our more significant judgments and estimates used in preparing these consolidated financial statements.

*Revenue Recognition*

We recognize revenue from sales of any product when it is shipped and title and risk of loss pass to the customer. We have no acceptance or other post-shipment obligations and we do not offer product warranties or services to our customers.

Sales are recorded net of estimated returns of damaged goods from customers, which historically have been immaterial, and sales incentives offered to customers. Sales incentives include volume incentive rebates. We record volume incentive rebates based on the underlying revenue transactions that result in progress by the customer in earning the rebate.

We have arrangements with various third parties, such as drug store chains and managed care organizations, establishing prices for our finished dosage form generics. While these arrangements are made between Aceto and its customers, the customers independently select a wholesaler from which they purchase the products. Alternatively, certain wholesalers may enter into agreements with the customers, with our concurrence, which establishes the pricing for certain products which the wholesalers provide. Upon each sale of finished dosage form generics, estimates of chargebacks, rebates, returns, government reimbursed rebates, sales discounts and other adjustments are made. These estimates are based on historical experience, future expectations, contractual arrangements with wholesalers and indirect customers, and other factors known to management at the time of accrual. These estimates are recorded as reductions to gross revenues, with corresponding adjustments either as a reduction of accounts receivable or as a liability for price concessions.

Under certain arrangements, we will issue a credit (referred to as a “chargeback”) to the wholesaler for the difference between the invoice price to the wholesaler and the customer’s contract price. As sales to the large wholesale customers increase or decrease, the reserve for chargebacks will also generally increase or decrease. The provision for chargebacks varies in relation to changes in sales volume, product mix, pricing and the level of inventory at the wholesalers. We continually monitor the reserve for chargebacks and make adjustments when management believes that expected chargebacks may differ from the actual chargeback reserve.

We estimate our provision for returns of finished dosage generics based on historical experience, product expiration dates, changes to business practices, credit terms and any extenuating circumstances known to management. While historical experience has allowed for reasonable estimations in the past, future returns may or may not follow historical trends. We continually monitor the reserve for returns and make adjustments when we believe that actual product returns may differ from the established reserve. Generally, the reserve for returns increases as net sales increase.

Government rebate accruals are based on estimated payments due to governmental agencies for purchases made by third parties under various governmental programs. Other rebates are offered to our key chain drug store, distributor and wholesaler customers to promote customer loyalty and increase product sales. These rebate programs provide customers with credits upon attainment of pre-established volumes or attainment of net sales milestones for a specified period. Other promotional programs are incentive programs offered to the customers. We provide a provision for government reimbursed rebates and other rebates at the time of sale based on contracted rates and historical redemption rates. Assumptions used to establish the provision include level of customer inventories, contract sales mix and average contract pricing. We regularly review the information related to these estimates and adjust the provision accordingly.

Sales discount accruals are based on payment terms extended to customers.

Credits issued during a given period represent cash payments or credit memos issued to our customers as settlement for the related reserve. We have the experience and access to relevant information that we believe is necessary to reasonably estimate the amounts of such deductions from gross revenues. We regularly review the information related to these estimates and adjust our reserves accordingly, if and when actual experience differs from previous estimates.

We have not made any material changes to our revenue recognition policies during the years ended June 30, 2018, 2017 and 2016. We adopted the FASB’s guidance for revenue recognition (Topic 606) for contracts as of July 1, 2018, using the modified retrospective method. We have concluded that the adoption of this guidance did not have a material impact on our net revenues. If actual results were not consistent with our estimates, we could be exposed to losses or gains that could be material, as any changes to these estimates could cause an increase or decrease in revenue recognized during the year.

*Allowance for Doubtful Accounts*

We maintain allowances for doubtful accounts relating to estimated losses resulting from customers being unable to make required payments. Allowances for doubtful accounts are based on historical experience and known factors regarding specific customers and the industries in which those customers operate. If the financial condition of our customers were to deteriorate, resulting in their ability to make payments being impaired, additional allowances would be required.

*Royalty Income*

We have royalty agreements on certain products where third party pharmaceutical and agricultural protection companies market such products. We earn and collect royalty income based on percentages of net profits as defined in those agreements. Royalty income is included in net sales in our Consolidated Statements of Income.

*Partnered Products*

We have various products that are subject to one of two types of collaborative arrangements with certain pharmaceutical companies. One type of arrangement relates to our finished dosage form generics business acting strictly as a distributor and purchasing products at arm's length; in that type of arrangement, there is no profit sharing element. The second type of collaborative arrangement results in a profit sharing agreement between us and a developer and/or manufacturer of a finished dosage form generic drug. Both types of collaborative arrangements are conducted in the ordinary course of business. The nature and purpose of both of these arrangements is for us to act as a distributor of finished dose products to its customers. Under these arrangements, we maintain distribution rights with respect to specific drugs within the U.S. marketplace. Generally, the distribution rights are exclusive rights in the territory. In certain arrangements, we are required to maintain service level minimums including, but not limited to, market share and purchase levels, in order to preserve the exclusive rights. Our accounting policy with respect to these collaborative arrangements calls for us to present the sales and associated costs on a gross basis, with the amounts of the shared profits earned by the partners on sales of these products, if applicable, included in cost of sales in the consolidated statements of income. The shared profits are settled on a quarterly basis. For each of the fiscal years 2018, 2017 and 2016, there was approximately $61,587, $54,454 and $41,036 respectively, of shared profits included in cost of sales, related to these types of collaborative arrangements. In the case of a collaborative arrangement where we act solely as a distributor and purchases product at arm's length, the costs of those purchases are included as a cost of sales similar to any other purchase arrangement.

*Inventories*

Inventories, which consist principally of finished goods, are stated at the lower of cost (first-in first-out method) and net realizable value. We write down our inventories for estimated excess and obsolete goods by an amount equal to the difference between the carrying cost of the inventory and the estimated net realizable value based upon assumptions about future demand and market conditions. A significant sudden increase in demand for our products could result in a short-term increase in the cost of inventory purchases, while a significant decrease in demand could result in an increase in the excess inventory quantities on-hand. Additionally, we may overestimate or underestimate the demand for our products which would result in our understating or overstating, respectively, the write-down required for excess and obsolete inventory. Although we make every effort to ensure the accuracy of our forecasts of future product demand, any significant unanticipated changes in demand could have a significant impact on the value of our inventory and reported operating results.

*Goodwill and Other Indefinite-Lived Intangible Assets*

Goodwill is calculated as the excess of the cost of purchased businesses over the value of their underlying net assets. Other indefinite-lived intangible assets principally consist of trademarks. Goodwill and other indefinite-lived

intangible assets are not amortized.

The Company accounts for goodwill and intangible assets in accordance with ASC 350, Intangibles – Goodwill and Other ("ASC 350"). ASC 350 requires that goodwill and other intangibles with indefinite lives be tested for impairment annually or on an interim basis if events or circumstances indicate that the fair value of an asset has decreased below its carrying value. During the third quarter of fiscal 2018, the Company's Rising Pharmaceuticals reporting unit (which is part of the Human Health segment) had a decline in actual and forecasted revenue and earnings due to the persistent adverse conditions in the generics market. In addition, as noted above, the Company was notified by the U.S. government that 11 generic drug products it acquired through its Acetris Health subsidiary (part of the Rising reporting unit which is part of the Human Health segment) in a product purchase agreement with an entity formerly known as Lucid Pharma LLC were not in compliance with the federal Trade Agreement Act country-of-origin provisions of a clause contained in the government supply contracts acquired from Lucid. Based on these indicators, the Company determined that it was necessary to perform an interim goodwill impairment analysis at March 31, 2018 for its Rising reporting unit. The Company elected to early adopt Accounting Standards Update ("ASU") 2017-04, *Intangibles- Goodwill and Other (Topic 350),* during the third quarter of fiscal 2018 which eliminated the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. Instead, the amount of an impairment charge is recognized if the carrying amount of a reporting unit is greater than its fair value. The fair value of the Rising reporting unit was estimated using many assumptions and estimates and a market participant approach that directly impacts the results of the testing. In making these assumptions and estimates, the Company used industry accepted valuation models and set criteria that were reviewed and approved by various levels of management. Accordingly, with respect to the third quarter of fiscal 2018, the Company recognized a pre-tax non-cash goodwill impairment charge of $235,110 related to the Rising reporting unit.

*Long-Lived Assets*

Long-lived assets and certain identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If it is determined such indicators are present and the review indicates that the assets will not be fully recoverable, based on undiscounted estimated cash flows over the remaining amortization periods, their carrying values are reduced to estimated fair value. Measurements based on undiscounted cash flows are Level 3 inputs. As noted above, during the third quarter of fiscal 2018, the Company's Rising Pharmaceuticals subsidiary had a decline in actual and forecasted revenue and earnings and therefore the Company performed an impairment test on the related intangibles. The projected undiscounted cash flows for certain intangibles were determined to be less than the carrying value, and as a result, the Company recognized an impairment charge of $5,745 in the third quarter of fiscal 2018. Additionally, as noted above, the Company was notified by the U.S. government that 11 generic drug products it acquired through its Acetris Health subsidiary in a product purchase agreement with an entity formerly known as Lucid Pharma LLC were not in compliance with the federal Trade Agreement Act country-of-origin provisions of a clause contained in the government supply contracts acquired from Lucid. Based on this, the Company performed an impairment test on the related intangible asset and recognized an impairment charge of $15,411 on the customer relationships intangible asset in the third quarter of fiscal 2018.

*Environmental and Other Contingencies*

We establish accrued liabilities for environmental matters and other contingencies when it is probable that a liability has been incurred and the amount of the liability can reasonably be estimated. If the contingency is resolved for an amount greater or less than the accrual, or our share of the contingency increases or decreases, or other assumptions relevant to the development of the estimate were to change, we would recognize an additional expense or benefit in income in the period that the determination was made.

*Taxes*

We account for income taxes in accordance with GAAP. GAAP establishes financial accounting and reporting standards for the effects of income taxes that result from an enterprise's activities during the current and preceding years. It requires an asset-and-liability approach to financial accounting and reporting of income taxes.

Deferred tax assets are recorded for net operating losses and temporary differences between the book and tax basis of assets and liabilities expected to produce tax deductions in future periods. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the tax periods in which those deferred tax assets would be deductible. A valuation allowance is taken when necessary to reduce deferred tax assets to the amount expected to be realized. When determining the amount of net deferred tax assets that are more likely than not to be realized, we assess all available positive and negative evidence. This evidence includes, but is not limited to, scheduled reversal of deferred tax liabilities, prior earnings history, projected future earnings, carry-back and carry-forward periods and the feasibility of ongoing tax strategies that could potentially enhance the likelihood of the realization of a deferred tax asset. The weight given to the positive and negative evidence is commensurate with the extent the evidence may be objectively verified. As such, it is generally difficult for positive evidence regarding projected future taxable income (exclusive of reversing taxable temporary differences and carryforwards) to outweigh objective negative evidence such as our recent financial reporting loss for the year ended June 30, 2018. Therefore, we recorded a valuation allowance of $76,500 against our net U.S. deferred tax assets during the year ended June 30, 2018.

The timing of when, and the extent to which, a valuation allowance is recognized, is subjective. Initially, due to the various factors that occurred in the fourth quarter of fiscal 2018, including substantial penalties for delays in supplying products and incurring substantial expenses to address the issues that led to the impairment charges taken during the year, as well as retaining financial and legal advisors to assist us in dealing with the various challenges that the Company is currently facing, including legal advisors retained in connection with various ongoing legal proceedings, we determined to record this valuation allowance during the fourth quarter of fiscal 2018. However, after weighing the information available to us at the time that our third quarter financial statements were issued, we have determined, with the assistance of our advisors, that it is reasonable to conclude that it was more likely than not that a substantial

portion of the valuation allowance should have been recognized in the third quarter of fiscal 2018 rather than the fourth quarter of fiscal 2018. Accordingly, we will amend our most recently filed Quarterly Report on Form 10-Q to restate our third quarter and nine month consolidated financial statements to reflect $71,350 of this non-cash charge as a third quarter event. Such restatement will have no impact on our year-end consolidated financial statements.

*Stock-based Compensation*

In accordance with GAAP, we are required to record the fair value of stock-based compensation awards as an expense. All restricted stock grants include a service requirement for vesting. We have also granted restricted stock units that include either a performance or market condition. The fair value of restricted stock units with either solely a service requirement or with the combination of service and performance requirements is based on the closing fair market value of our common stock on the date of grant. The fair value of market condition-based awards is estimated at the date of grant using a binomial lattice model or Monte Carlo Simulation. All models incorporate various assumptions such as the risk-free interest rate, expected volatility, expected dividend yield and expected life of the awards. Share-based compensation expense is recognized on a straight-line basis over the service period or over our best estimate of the period over which the performance condition will be met, as applicable.

**Results of Operations**

Fiscal Year Ended June 30, 2018 Compared to Fiscal Year Ended June 30, 2017

Net Sales by Segment
Year ended June 30,

| Segment | 2018 Net sales | % of Total | | 2017 Net sales | % of Total | | Comparison 2018 Over/(Under) 2017 $ Change | % Change | |
|---|---|---|---|---|---|---|---|---|---|
| Human Health | $374,514 | 52.7 | % | $315,395 | 49.4 | % | $ 59,119 | 18.7 | % |
| Pharmaceutical Ingredients | 158,854 | 22.3 | | 157,445 | 24.7 | | 1,409 | 0.9 | |
| Performance Chemicals | 177,991 | 25.0 | | 165,478 | 25.9 | | 12,513 | 7.6 | |
| Net sales | $711,359 | 100.0 | % | $638,318 | 100.0 | % | $ 73,041 | 11.4 | % |

Gross Profit by Segment
Year ended June 30,

| Segment | 2018 Gross Profit | % of Sales | | 2017 Gross Profit | % of Sales | | Comparison 2018 Over/(Under) 2017 $ Change | % Change | |
|---|---|---|---|---|---|---|---|---|---|
| Human Health | $48,787 | 13.0 | % | $78,109 | 24.8 | % | $ (29,322) | (37.5) | % |
| Pharmaceutical Ingredients | 24,633 | 15.5 | | 25,474 | 16.2 | | (841) | (3.3) | |
| Performance Chemicals | 38,143 | 21.4 | | 37,209 | 22.5 | | 934 | 2.5 | |
| Gross profit | $111,563 | 15.8 | % | $140,792 | 22.1 | % | $ (29,229) | (20.8) | % |

**Net Sales**

Net sales increased $73,041 or 11.4%, to $711,359 for the year ended June 30, 2018, compared with $638,318 for the prior year. We reported sales increases in all three of our business segments.

*Human Health*

Products that fall within the Human Health segment include finished dosage form generic drugs and nutraceutical products. Net sales for the Human Health segment increased by $59,119 for the year ended June 30, 2018, to $374,514, which represents a 18.7% increase over net sales of $315,395 for the prior year. The primary reason for the increase is due to the acquisition of certain products and related assets of Citron and Lucid on December 21, 2016. Sales from the product acquisition of $197,528 are included in the year ended June 30, 2018 compared to $122,118 included in the year ended June 30, 2017. In addition, there was a rise of $4,371 in sales of nutritional products, sold abroad, primarily by our German subsidiary. These increases in Human Health were offset in part, by a decline in sales of certain currently marketed and pipeline generic products as a result of continued pricing pressure, intense competition and related consolidation of customers and softer than expected contributions from new product launches. In addition, Rising incurred approximately $27,778 in failure to supply penalties charged by certain customers based upon replacement cost or contractual cost. Approximately $14,756 of the failure to supply penalties related to supply challenges with regards to products acquired from Citron. See Part I, Item 1A, Risk Factors - *We may be subject to significant service level penalties in our generics business.*

Rising accrues for what it believes is a reasonable level for Failure to Supply (“FTS”) charges as part of its revenue recognition policies. However, beginning in the third quarter of fiscal 2018, Rising was subjected to an extraordinary magnitude of FTS claims.

Rising’s asset-light business model leverages multiple drug development and manufacturing partnerships in the development of its finished dosage form generic products, placing it in an intermediate position in the product supply chain. As industry headwinds have made the supply chain more competitive, FTS charges have impacted intermediate entities such as Rising to a greater degree.

Rising becomes aware of an FTS claim when notified by a customer. Most of Rising’s customers and wholesalers can unilaterally deduct amounts claimed for FTS from product payments due Rising. If Rising believes the deduction was improper, it is in the difficult position of seeking a refund from a party that controls the flow of funds in the relationship. In addition, some customers that do not have a contractual right to an FTS claim may still take credit against the amount claimed by them for other products supplied by Rising.

On the other end of the supply chain, in order to recover FTS penalties paid, Rising must often seek full or partial reimbursement through deduction or collection from its suppliers, many of whom are also its partners. Thus, Rising is relegated to seeking payment from entities it must continue to rely on for future product supply.

FTS claim calculations vary from customer to customer – some use a replacement cost model and others use a contracted cost amount. The timing of when customer claims are made is also inconsistent; some claims are for prior periods as far back as several months.

Rising reviews all FTS claims and asserts a defense (and rebills the non-justifiable amount) to customers where appropriate. Rising is in continuing negotiations with its customers to recover amounts that Rising believes are not justified.

Rising bills its partners, who are also its suppliers, for either (i) (with the exception of one partner) the full amount of the FTS claim, if the charge was caused by non-performance on the part of the partner; (ii) the partners profit split percentage if the charge was caused by shared non-performance; or (iii) another negotiated amount. Rising was reimbursed approximately $9,000 in FTS charges by supplier partners in 2018.

In the event that the profits distributed to a partner, including the partner's share of FTS and other expenses such as returned goods are insufficient to cover such expenses, Rising typically records a receivable from such partner. These receivables are reviewed for collectability and a reserve is recorded if deemed appropriate. As of June 30, 2018, Rising recorded a reserve of $9,200 to reflect uncertainty around the collection of these amounts.

Rising has taken several steps to remediate FTS challenges, including (i) a concerted effort to improve inventory levels; (ii) the institution of enhanced tracking of supply levels to minimize future instances of FTS; (iii) the development of a robust supply and demand forecast to align customer and supplier expectations, and (iv) increased communications at senior levels with suppliers. In addition, the Company is accelerating the review and adjudication of FTS claims.

*Pharmaceutical Ingredients*

Net sales for the Pharmaceutical Ingredients segment increased by $1,409 for the year ended June 30, 2018, to $158,854, which represents a 0.9% increase from net sales of $157,445 for the prior year. In the first six months of the fiscal year, we experienced regulatory issues, price increases from suppliers, decrease in demand of several API and intermediate products, and new drug import regulations. In the second half of the fiscal year, we benefitted from an increase in demand of API products sold abroad, particularly in Germany, as well as an increase of APIs sold in the

United States. Intermediates also saw an increase of products sold in France due to consumption of consignment stock quantities.

*Performance Chemicals*

Net sales for the Performance Chemicals segment increased to $177,991 for the year ended June 30, 2018, representing an increase of $12,513 or 7.6%, from net sales of $165,478 for the prior year. The Specialty Chemicals business experienced a rise in sales of $13,901 over the prior year. The rise in sales is partially due to an increase in domestic sales of $8,121 over a broad group of industries we serve and includes increased sales of agricultural and dye intermediates as well as surface agents and coatings. In addition, sales of Specialty Chemicals sold abroad increased $5,780, primarily from increased sales of lubricant and coatings additives. Performance Chemicals sales were impacted by a $1,388 drop in sales of our agricultural protection products, predominantly from a decline in sales of a wide-range insecticide used on various crops including cereals, citrus, cotton, grapes, ornamental grasses and vegetables and an insecticide used on cotton.

**Gross Profit**

Gross profit decreased $29,229 or 20.8% to $111,563 (15.8% of net sales) for the year ended June 30, 2018, as compared to $140,792 (22.1% of net sales) for the prior year.

*Human Health*

Human Health segment's gross profit of $48,787 for the year ended June 30, 2018 decreased $29,322, or 37.5%, over the prior year. The gross margin of 13.0% was lower than the prior year's gross margin of 24.8%. The decline in gross margin is primarily driven by unfavorable product mix on certain Rising products, continued pricing pressure, intense competition and related consolidation of customers and failure to supply charges. In addition, certain of our partners have not performed in accordance with their agreements with such partners, which have caused us to incur additional costs.

*Pharmaceutical Ingredients*

Gross profit for the year ended June 30, 2018 for the Pharmaceutical Ingredients business decreased by $841 or 3.3% over the prior year. The gross margin of 15.5% for the year ended June 30, 2018 was also lower than the prior year's gross margin of 16.2%. The decrease in gross profit and gross margin was primarily due to product mix on sales of APIs globally, including a drop in reorders of a certain API which typically yields a significantly higher gross margin.

*Performance Chemicals*

Gross profit for the Performance Chemicals segment increased to $38,143 for the year ended June 30, 2018, versus $37,209 for the prior year, an increase of $934, or 2.5%. The gross margin at 21.4% for the year ended June 30, 2018 was lower than the prior year's gross margin of 22.5%. The increase in gross profit was primarily due to $1,823 rise in gross profit for the Specialty Chemicals business as a result of sales volume increases. This increase in gross profit was partially offset by a decrease of $889 in gross profit for the Agricultural Protection Products business, as a result of the sales volume decline. The drop in gross margin from the prior year is a result of an unfavorable product mix on sales of Specialty Chemical products sold domestically.

**Selling, General and Administrative Expenses**

SG&A increased $20,036, or 19.6%, to $122,376 for the year ended June 30, 2018 compared to $102,340 for the prior year. As a percentage of sales, SG&A increased to 17.2% for the year ended June 30, 2018 versus 16.0% for the prior year. The increase reflected $20,799 of amortization expense associated with the purchased intangible assets related to the product purchase compared to $11,517 in the prior year. In fiscal 2018, we recorded $4,064 of one-time costs associated with the separation of the Company's former Chief Executive Officer, including $2,017 of stock-based

compensation. The increase in SG&A is also due to an increase in consulting fees of $1,821 which includes $911 of consulting services provided by former Citron and Lucid employees in connection with the Transition Services Agreement associated with the product purchase agreement and outsourcing fees related to the accounting processes of Rising Health and Acetris Health. In addition, SG&A rose $4,530 due to an increase in professional fees and $4,221 related primarily to fees for financial advisors including our interim Chief Financial Officer. SG&A also increased due to an increase in payroll and related fringe benefits of $4,171, due primarily to annual merit increases as well as the hiring of certain key management personnel and an increase in environmental remediation charges related to Arsynco of $919. The increase in SG&A was offset in part by a reduction of $2,505 in the contingent consideration liability related to the acquisition of certain assets of Citron. SG&A for the prior year included $8,818 of transaction costs related to the product purchase agreement associated with Citron and Lucid.

**Impairment Charges**

During the year ended June 30, 2018, the Company recorded impairment charges of $256,266, all of which related to the Rising business segment. The impairment charges consisted of $235,110 of goodwill impairment charges and a $21,156 write-down of other identifiable intangible assets. For additional information regarding these impairment charges, see Note 6 to the Company’s Consolidated Financial Statements. There were no impairment charges recorded in the year ended June 30, 2017.

**Research and Development Expenses**

Research and development expenses (“R&D”) increased $35 or 0.4% to $7,933 for the year ended June 30, 2018 compared to $7,898 for the prior year. R&D expenses represent investment in our generic finished dosage form product pipeline. The majority of the R&D expenses are milestone based, which will likely cause fluctuation from quarter to quarter.

**Operating (Loss) Income**

Fiscal 2018 operating loss was $(275,012) compared to operating income of $30,554 in the prior year, a decrease of $305,566. Included in the 2018 fiscal operating loss are impairment charges discussed above.

**Interest Expense**

Interest expense was $20,855 for the year ended June 30, 2018, an increase of $5,085 from the prior year. The increase was primarily due to interest expense associated with the Second Amended and Restated Credit Agreement, which was entered into on December 21, 2016 to help fund our product acquisition, as well as additional interest associated with the $50,000 unsecured deferred payment obligation related to the product acquisition.

**Interest and Other Income, Net**

Interest and other income, net was $3,045 for the twelve months ended June 30, 2018, an increase of $468 from the prior period, primarily due to increases in foreign exchange gains.

**Provision for Income Taxes**

The effective tax rate for the year ended June 30, 2018 was (8.0)% compared to 34.5% for the prior year. During the year ended June 30, 2018, the Company recorded a valuation allowance of $76,500 against its U.S. net deferred tax assets. For additional information, see Notes 12 and 20 to the Company’s Consolidated Financial Statements and “Critical Accounting Policies – Taxes”. In accordance with the TCJA, for the year ended June 30, 2018, we recorded additional income tax expense of $13,739. In addition, we recorded $1,536 of additional income tax expense associated with net tax deficiencies under ASU 2016-09, which was adopted prospectively in the first quarter of fiscal 2018. We expect the substantially lower corporate tax rate reflected in the TCJA to benefit our financial results and cash flow in future periods.

**Results of Operations**

Fiscal Year Ended June 30, 2017 Compared to Fiscal Year Ended June 30, 2016

**Net Sales by Segment**

Year ended June 30,

| Segment | 2017 Net sales | % of Total | 2016 Net sales | % of Total | Comparison 2017 Over/(Under) 2016 $ Change | % Change |
|---|---|---|---|---|---|---|
| Human Health | $315,395 | 49.4 % | $228,035 | 40.8 % | $ 87,360 | 38.3 % |
| Pharmaceutical Ingredients | 157,445 | 24.7 | 161,011 | 28.8 | (3,566) | (2.2) |
| Performance Chemicals | 165,478 | 25.9 | 169,478 | 30.4 | (4,000) | (2.4) |
| Net sales | $638,318 | 100.0% | $558,524 | 100.0% | $ 79,794 | 14.3 % |

**Gross Profit by Segment**

Year ended June 30,

| Segment | 2017 Gross Profit | % of Sales | 2016 Gross Profit | % of Sales | Comparison 2017 Over/(Under) 2016 $ Change | % Change |
|---|---|---|---|---|---|---|
| Human Health | $78,109 | 24.8 % | $77,880 | 34.2 % | $ 229 | 0.3 % |
| Pharmaceutical Ingredients | 25,474 | 16.2 | 28,752 | 17.9 | (3,278) | (11.4) |
| Performance Chemicals | 37,209 | 22.5 | 36,153 | 21.3 | 1,056 | 2.9 |
| Gross profit | $140,792 | 22.1 % | $142,785 | 25.6 % | $ (1,993) | (1.4)% |

**Net Sales**

Net sales increased $79,794 or 14.3%, to $638,318 for the year ended June 30, 2017, compared with $558,524 for the prior year. We reported a sales increase in our Human Health segment and sales decreases in the Pharmaceutical Ingredients and Performance Chemicals segments.

*Human Health*

Products that fall within the Human Health segment include finished dosage form generic drugs and nutraceutical products. Net sales for the Human Health segment increased by $87,360 for the year ended June 30, 2017, to $315,395, which represents a 38.3% increase over net sales of $228,035 for the prior year. The primary reason for the increase is due to the acquisition of certain products and related assets of Citron and Lucid. Sales from the product acquisition of $122,118 are included in the year ended June 30, 2017. This increase was offset by a decline in sales of Rising products of $30,585 and a decline of $4,173 in sales of nutritional products. The decrease in Rising sales was primarily driven by increased competition, price erosion on certain products in our generic drugs portfolio and delays in contribution from new product launches. We believe this industry wide pricing pressure on the generic business will continue in the near term. The drop in nutraceutical sales primarily occurred abroad, specifically at our German subsidiary.

*Pharmaceutical Ingredients*

Net sales for the Pharmaceutical Ingredients segment decreased by $3,566 for the year ended June 30, 2017, to $157,445, which represents a 2.2% decrease from net sales of $161,011 for the prior year. The decrease in sales for this segment was due primarily to a decline in sales of domestic APIs of $2,750, mainly due to reduced orders of a customer-launched API.

*Performance Chemicals*

Net sales for the Performance Chemicals segment decreased to $165,478 for the year ended June 30, 2017, representing a decrease of $4,000 or 2.4%, from net sales of $169,478 for the prior year. Performance Chemicals sales were impacted by a $4,696 drop in sales of our agricultural protection products, predominantly from a decline in sales of a wide-range insecticide used on various crops including cereals, citrus, cotton, grapes, ornamental grasses and vegetables.

**Gross Profit**

Gross profit decreased $1,993 or 1.4% to $140,792 (22.1% of net sales) for the year ended June 30, 2017, as compared to $142,785 (25.6% of net sales) for the prior year.

*Human Health*

Human Health segment's gross profit of $78,109 for the year ended June 30, 2017 increased $229, or .3%, over the prior year. The gross margin of 24.8% was lower than the prior year's gross margin of 34.2%. The increase in Human Health's gross profit was partially related to gross profit of $26,373 on sales from the product acquisition, which is included in the twelve months ended June 30, 2017. This increase was offset by the decline of gross profit and gross margin on Rising sales, primarily driven by increased competition on certain products. In addition, gross profit and gross margin on Rising sales have experienced an unfavorable product mix due to price erosion on certain products, as well as an unfavorable product mix and back orders on certain other products. In addition, $4,502 of step-up in the fair value of the acquired inventory related to the product acquisition was amortized in fiscal 2017.

*Pharmaceutical Ingredients*

Gross profit for the year ended June 30, 2017 for the Pharmaceutical Ingredients business decreased by $3,278 or 11.4% over the prior year. The gross margin of 16.2% for the year ended June 30, 2017 was also lower than the prior year's gross margin of 17.9%. The decrease in gross profit and gross margin was predominantly the result of the decrease in the sales volume of APIs sold both domestically and abroad, as well as a drop in reorders of a certain API which typically yields a significantly higher gross margin.

*Performance Chemicals*

Gross profit for the Performance Chemicals segment increased to $37,209 for the year ended June 30, 2017, versus $36,153 for the prior year, an increase of $1,056, or 2.9%. The gross margin at 22.5% for the year ended June 30, 2017 was also higher than the prior year's gross margin of 21.3%. The increase in gross profit and gross margin was due to a $370 rise in gross profit for the Agricultural Protection Products business, as well as an increase of $686 of gross profit on sales of specialty chemicals. In addition, both gross profit and gross margin of the Specialty Chemicals business were favorably impacted by the overall decline in costs of products sourced from China, due to the devaluation of the Chinese Renminbi.

Selling, General and Administrative Expenses

SG&A increased $25,520, or 33.2%, to $102,340 for the year ended June 30, 2017 compared to $76,820 for the prior year. As a percentage of sales, SG&A increased from 13.8% to 16.0% for the year ended June 30, 2017 versus the prior year. SG&A for the current year included $8,818 of transaction costs related to the product purchase agreement associated with Citron and Lucid, as discussed in Note 3 of the consolidated financial statements, as well as $11,517 of amortization expense associated with the purchased intangible assets and $2,030 of consulting services provided by former Citron and Lucid employees in connection with the Transition Services Agreement entered into in connection with the product purchase agreement. The increase in SG&A is also due in part to a $1,528 rise in payroll, fringe benefits, and stock-based compensation expense, reflecting the hiring of certain key management personnel as well as annual merit increases. SG&A also increased due to $552 of separation costs related to the integration of the product acquisition and a $903 environmental remediation charge related to Arsynco. SG&A for the prior year included $1,313 environmental remediation charge related to Arsynco and $1,074 reversal of contingent consideration.

**Research and Development Expenses**

Research and development expenses ("R&D") decreased $39 or .5% to $7,898 for the year ended June 30, 2017 compared to $7,937 for the prior year. R&D expenses represent investment in our generic finished dosage form product pipeline. The majority of the R&D expenses are milestone based, which will likely cause fluctuation from quarter to quarter.

Operating Income

Fiscal 2017 operating income was $30,554 compared to $58,028 in the prior year, a decrease of $27,474 or 47.3%.

**Interest Expense**

Interest expense was $15,770 for the year ended June 30, 2017, an increase of $8,773 from the prior year. The increase was primarily due to interest expense associated with the Second Amended and Restated Credit Agreement, which was entered into on December 21, 2016 to help fund our product acquisition, as well as amortization of the debt discount and amortization of debt issuance costs associated with the offering of Convertible Senior Notes during fiscal 2016.

Provision for Income Taxes

The effective tax rate for the year ended June 30, 2017 decreased to 34.5% compared to 35.4% for the prior year. The decrease in the effective tax rate was due to the mix of profits from the lower tax rate jurisdictions of Europe and Asia compared to the Federal tax rate in the United States.

**Liquidity and Capital Resources**

*Cash Flows*

At June 30, 2018, we had $100,874 in cash, of which $21,269 was outside the United States, $3,030 in short-term investments, all of which is held outside the United States and $317,398 in debt (including the current portion), all of which is an obligation in the United States. The $21,269 of cash held outside of the United States is fully accessible to meet any liquidity needs of the countries in which we operate. The majority of the cash located outside of the United States is held by our European and Chinese operations and can be transferred into the United States. Although these amounts are fully accessible, transferring these amounts into the United States or any other countries could have certain local tax consequences. In accordance with the TCJA, we recorded $2,445 of additional income tax expense related to deferred tax liabilities for local tax authorities as we no longer assert permanent reinvestment of our undistributed non-U.S. subsidiaries' earnings. A portion of our cash is held in operating accounts that are with third party financial institutions. While we monitor daily the cash balances in our operating accounts and adjust the cash balances as appropriate, these cash balances could be impacted if the underlying financial institutions fail or are subject to other adverse conditions in the financial markets. To date, we have experienced no loss or lack of access to cash in our operating accounts.

While significant demands on our cash persist, our cash position at June 30, 2018 increased $45,194 from the amount at June 30, 2017. Operating activities for the year ended June 30, 2018 provided cash of $101,806 for this period, as compared to cash provided of $44,567 for the prior year. The $101,806 resulted from a net loss of $316,121 offset by $315,460 derived from adjustments for non-cash items plus a net $102,467 increase from changes in operating assets and liabilities. The non-cash items included $256,266 in goodwill and intangible asset impairment charges, $32,812 in depreciation and amortization expense, a $1,822 environmental remediation charge, $6,181 for amortization of debt issuance costs and debt discount, and $7,782 in non-cash stock compensation expense, offset in part by $13,643 of deferred income tax expense, $2,173 of earnings on an equity investment in a joint venture and a $2,505 reversal of contingent consideration. Trade accounts receivable decreased $30,182 during the year ended June 30, 2018, due predominantly to a decrease in days sales outstanding, particularly at our Rising subsidiary, as well as an overall decline in sales in the fourth quarter of fiscal 2018. Accounts payable increased by $16,729 due to the timing of payments processed at the end of the year. Accrued expenses and other liabilities increased $52,195 due primarily to a rise in price concessions for our Rising business as well as the timing of income tax payments, particularly as it relates to the TCJA. Other receivables decreased $2,108 due primarily to settlement of other receivables at our Rising subsidiary.

Our cash position at June 30, 2017 decreased $11,148 from the amount at June 30, 2016. Operating activities for the year ended June 30, 2017 provided cash of $44,567 for this period, as compared to cash provided of $31,831 for the prior year. The $44,567 resulted from $11,376 in net income and $39,689 derived from adjustments for non-cash items less a net $6,498 decrease from changes in operating assets and liabilities. The non-cash items included $23,754 in depreciation and amortization expense, $2,336 of earnings on an equity investment in a joint venture, $504 for

deferred income taxes, $5,847 for amortization of debt issuance costs and debt discount, $903 for an environmental remediation charge related to Arsynco, $6,956 in non-cash stock compensation expense and $4,502 in amortization of inventory step-up. Trade accounts receivable increased $34,198 during the year ended June 30, 2017, due predominantly to an increase in days sales outstanding, particularly at our Rising subsidiary, whose customers typically yield a longer payment term due to industry standards and recent consolidation of wholesalers and retail drug chains. In addition, trade accounts receivable increased due to an increase in sales from the fourth quarter of 2016. Inventories increased by $2,958 and accounts payable decreased by $3,097 due primarily to increased inventories held in stock in Europe to support the nutritional and intermediates business. Accrued expenses and other liabilities increased $30,610 due primarily to a rise in price concessions and partnered product liabilities for our Rising business.

Investing activities for the year ended June 30, 2018 used cash of $8,281. This use of cash reflects purchases of investments, intangible assets and property and equipment of $10,345, partially offset by sales of investments in time deposits of $2,064. Investing activities for the year ended June 30, 2017 used cash of $276,378. This use of cash reflects purchases of intangible assets and property and equipment of $5,252, partially offset by sales of investments in time deposits of $909 and payment for net assets acquired of $270,000. Investing activities for the year ended June 30, 2016 used cash of $9,894 for purchases of property and equipment, intangible assets and investments.

Financing activities for the year ended June 30, 2018 used cash of $48,863, primarily for repayment of bank loans of $43,181. Financing activities also included payment of cash dividends of $6,288. Financing activities for the year ended June 30, 2017 provided cash of $220,162. In November 2015, we offered $143,750 of 2% convertible senior notes due 2020 in a private offering. As a direct result of the convertible debt offering, we repaid $42,697 of bank borrowings. Financing activities also included bank borrowings of $275,000, $7,831 payment of cash dividends, payment of deferred financing costs of $5,407 and $546 of excess income tax benefits on stock option exercises and restricted stock. Financing activities for the year ended June 30, 2016 provided cash of $10,855 primarily from the proceeds of convertible senior notes of $143,750 offset by $122,697 of repayment of bank borrowings, $7,084 payment of cash dividends, $13,685 proceeds from the sale of warrants, purchased a hedge for $27,174, paid $5,153 for debt issuance costs and a $1,500 payment of contingent consideration to the former owners of Rising.

*Credit Facilities*

We have available credit facilities with certain foreign financial institutions. At June 30, 2018, the Company had available lines of credit with foreign financial institutions totaling $1,822, all of which is available for borrowing by the respective foreign territories. We are not subject to any financial covenants under these arrangements.

On December 21, 2016 the Company entered into a Second Amended and Restated Credit Agreement (the "A&R Credit Agreement"), with eleven banks, which amended and restated in its entirety the Amended and Restated Credit Agreement, dated as of October 28, 2015, as amended by Amendment No. 1 to Amended and Restated Credit Agreement, dated as of November 10, 2015, and Amendment No. 2 to Amended and Restated Credit Agreement, dated as of August 26, 2016 (collectively, the "First Amended Credit Agreement"). The A&R Credit Agreement increased the aggregate available revolving commitment under the First Amended Credit Agreement from $150,000 to an initial aggregate available revolving commitment of $225,000 (the "Initial Revolving Commitment"). Under the A&R Credit Agreement, the Company was permitted to borrow, repay and reborrow from and as of December 21, 2016, to but excluding December 21, 2021 (the "Maturity Date") provided, that if any of the Notes remain outstanding on the date that is 91 days prior to the maturity date of the Notes (the "2015 Convertible Maturity Date"), then the Maturity Date shall mean the date that is 91 days prior to the 2015 Convertible Maturity Date. The A&R Credit Agreement provides for (i) Eurodollar Loans , (ii) ABR Loans or (iii) a combination thereof. As of June 30, 2018, the Company borrowed Revolving Loans (as defined under the A&R Credit Agreement) aggregating $62,000 which loans are Eurodollar Loans at interest rates ranging from 5.00% to 5.02% at June 30, 2018. The applicable interest rate margin percentage is subject to adjustment quarterly based upon the Company's senior secured net leverage ratio.

Under the A&R Credit Agreement, the Company also borrowed $150,000 in term loans (the "Initial Term Loan). Subject to certain conditions, including obtaining commitments from existing or prospective lenders, the Company had the right to increase the amount of the Initial Revolving Commitment (each, a "Revolving Facility Increase" and, together with the Initial Revolving Commitment, the "Revolving Commitment") and/or the Initial Term Loan in an aggregate amount not to exceed $100,000 pursuant to an incremental loan feature in the A&R Credit Agreement. As of June 30, 2018, the remaining amount outstanding under the Initial Term Loan was $127,500 and was payable as a Eurodollar Loan at an interest rate of 4.83%. The proceeds of the Initial Revolving Commitment and Initial Term Loan were used to partially finance the acquisition of generic products and related assets of Citron and its affiliate Lucid, and pay fees and expenses related thereto. The applicable interest rate margin percentage is subject to adjustment quarterly based upon the Company's senior secured net leverage ratio.

The Initial Term Loan is payable as to principal in nineteen consecutive, equal quarterly installments of $3,750, which commenced on March 31, 2017 and will continue on each March 31, June 30, September 30 and December 31 thereafter. To the extent not previously paid, the final payment on the Term Loan Maturity Date (as defined in the A&R Credit Agreement) shall be in an amount equal to the then outstanding unpaid principal amount of the Initial Term Loan.

The A&R Credit Agreement provides that commercial letters of credit shall be issued to provide the primary payment mechanism in connection with the purchase of any materials, goods or services in the ordinary course of business. The Company had no open letters of credit at June 30, 2018 and June 30, 2017.

In accordance with generally accepted accounting principles, deferred financing costs associated with the Initial Term Loan are presented as a direct deduction from the carrying value of the debt liability rather than showing the deferred financing costs as a deferred charge on the balance sheet. In addition, deferred financing costs associated with the Revolving Commitment have been recorded as a deferred charge on the balance sheet.

The A&R Credit Agreement provides for a security interest in substantially all of the personal property of the Company and certain of its subsidiaries. The A&R Credit Agreement contains several financial covenants including, among other things, maintaining a minimum level of debt service and certain leverage ratios. Under the A&R Credit Agreement, the Company and its subsidiaries are also subject to certain restrictive covenants, including, among other things, covenants governing liens, limitations on indebtedness, limitations on guarantees, limitations on sales of assets and sales of receivables, and limitations on loans and investments.

On December 13, 2017, the Company entered into a First Amendment to the Second Amended and Restated Credit Agreement (the “2017 Amendment”), which amended the A&R Credit Agreement. The 2017 Amendment, among other things, contained several amendments to the financial covenants in the A&R Credit Agreement.

As of March 31, 2018, the Company was in compliance with all of its financial covenants except for the maximum total net leverage ratio and the minimum debt service coverage ratio. On May 3, 2018, the Company entered into a Second Amendment and Waiver to the Second Amended and Restated Credit Agreement (the "May 2018 Amendment"). The May 2018 Amendment, among other things, contains a waiver of any event of default under the A&R Credit Agreement arising as a result of the non-compliance by the Company with the Total Net Leverage Ratio and Debt Service Coverage Ratio financial covenants, in each case, solely for the fiscal quarter ended March 31, 2018. The May 2018 Amendment also contains several amendments to the A&R Credit Agreement including, among other things, (a) reducing the available revolving commitment thereunder to $100,000, and (b) during the period commencing on the closing of the May 2018 Amendment and ending on the date the Company demonstrates compliance with each financial covenant set forth in the A&R Credit Agreement for the fiscal quarter ending June 30, 2018 (the "May 2018 Amendment Limitation Period"; provided that if the Company is not in compliance with any of the financial covenants set forth in the A&R Credit Agreement for the fiscal quarter ending June 30, 2018, then the May 2018 Amendment Limitation Period shall continue indefinitely): (i) fixing the applicable margin with respect to all loans under the A&R Credit Agreement to the highest level provided under the A&R Credit Agreement, which is 1.50% in the case of ABR Loans and 2.50% in the case of Eurodollar Loans , (ii) fixing the commitment fee on the undrawn revolving commitments under the A&R Credit Agreement to the highest level provided under the A&R Credit Agreement which is 0.40% per annum, (iii) requiring the prior written consent of the Required Lenders (as defined in the A&R Credit Agreement) as a condition precedent to the lenders extending any Loans (as defined in the A&R Credit Agreement) or the issuing banks issuing, amending, renewing or extending any Letter of Credit (as defined in the A&R Credit Agreement), (iv) restricting the amount of dividends or distributions the Company may make to its shareholders to no more than $0.01 per share for the fiscal quarter ended June 30, 2018 and, during the May 2018 Amendment Limitation Period, restricting the Company from making any other dividends or distributions to its shareholders thereafter and (v) restricting the incurrence of certain indebtedness, limiting acquisitions and other investments and imposing certain other restrictions.

In accordance with GAAP, we had classified the indebtedness outstanding under the Company's credit facility as a current liability as of March 31, 2018. This differs from the customary treatment heretofore applicable to indebtedness outstanding under the Company's credit facility, in which only the portion of such indebtedness payable within one year from the balance sheet date has been recorded as a current liability. The May 2018 Amendment applied solely to the non-compliance with certain financial covenants as of March 31, 2018 and thus did not waive non-compliance with any financial covenants as of June 30, 2018. As of March 31, 2018, it was probable that the Company would not comply with certain financial covenants as of June 30, 2018 in the absence of a material change in the Company's operating results. That probability was the factor that caused the Company to reclassify its indebtedness as of March 31, 2018. While the Company believed at that time that if the Company cooperated with its lenders during the ensuing 90 days, it was probable that the lenders would amend the financial covenants prior to June 30, 2018 or grant comparable waivers as of June 30, 2018, that probability was not sufficient to enable the Company to avoid reclassifying its indebtedness as of March 31, 2018.

As of June 30, 2018, the Company was not in compliance with its financial covenants relating to its maximum total net leverage ratio, maximum senior secured net leverage ratio and minimum debt service coverage ratio. As the Company anticipated, the Company and its lenders were able to reach agreement upon an amendment to the A&R Credit Agreement (referred to herein as the "September 2018 Amendment"). The September 2018 Amendment provides for a waiver of any event of default under the A&R Credit Agreement arising as a result of the non-compliance by the

Company with the total net leverage ratio, senior secured net leverage ratio and debt service coverage ratio financial covenants, in each case, solely for the fiscal quarters ended or ending June 30, 2018, September 30, 2018, December 31, 2018, March 31, 2019 and June 30, 2019. The September 2018 Amendment also contains several amendments to the A&R Credit Agreement including, among other things, (a) a limitation on dividends for the fiscal quarters ending September 30, 2018, December 31, 2018, March 31, 2019 and June 30, 2019, to an amount not to exceed $325 for any fiscal quarter, (b) increasing the applicable margin with respect to the interest rates on all loans under the A&R Credit Agreement by 450 basis points and fixing (during the September 2018 Amendment Limitation Period) the applicable margin with respect to the interest rate on all loans under the A&R Credit Agreement to the highest level provided under the A&R Credit Agreement which is currently 6.00% in the case of ABR Loans and 7.00% in the case of Eurodollar Loans, (c) during the period commencing on the closing of the September 2018 Amendment and ending on the date the Company demonstrates compliance with each financial covenant set forth in the A&R Credit Agreement for the fiscal quarter ending September 30, 2019 (referred to herein as “the September 2018 Amendment Limitation Period”; provided that if the Company is not in compliance with any of the financial covenants set forth in the A&R Credit Agreement for the fiscal quarter ending September 30, 2019, then the September 2018 Amendment Limitation Period shall continue indefinitely), requiring the Company to maintain the sum of Domestic Liquidity plus Foreign Liquidity and the undrawn portion of the Revolving Commitment (referred to herein as “Covenant Liquidity”) to an amount of at least $55,000 (the “Covenant Liquidity Amount”) as of the last business day of each week following the effectiveness of the September 2018 Amendment; provided that the Company shall not be in breach of the minimum liquidity covenant unless the Covenant Liquidity is less than the Covenant Liquidity Amount as of the last business day of two consecutive weeks, (d) requiring the prior written consent of the Required Lenders as a condition precedent to the lenders extending any Loans or the issuing banks issuing, amending, renewing or extending any Letter of Credit, (e) permitting the purchase, during fiscal 2019, of assets for an aggregate consideration not to exceed $12,300, consisting of intangibles assets relating to strategic product acquisitions and certain capital expenditures, and (f) restricting the incurrence of certain indebtedness, limiting acquisitions and other investments and imposing certain other restrictions.

By virtue of the terms of the September 2018 Amendment, at June 30, 2018, the Company’s consolidated balance sheet reflects the customary treatment applicable to indebtedness outstanding under the Company’s credit facility, in which only the portion of such indebtedness payable within one year from the balance sheet date has been recorded as a current liability. See “Working Capital Outlook.”

In conjunction with the Credit Agreement, the Company entered into an interest rate swap on March 21, 2017 for an additional interest cost of 2.005% on a notional amount of $100,000, which has been designated as a cash flow hedge. The expiration date of this interest rate swap is December 21, 2021. The remaining notional balance of this derivative as of June 30, 2018 is $85,000.

*Working Capital Outlook*

Working capital was $200,109 at June 30, 2018 compared to $248,750 at June 30, 2017 and $27,419 at March 31, 2018. The decline at March 31, 2018 reflected the classification of all of the debt outstanding under our credit facility as current liabilities. Based on the terms of the September 2018 Amendment to our credit facility, our working capital at June 30, 2018 reflects the classification of the debt outstanding under our credit facility in a manner consistent with the customary treatment at June 30, 2017, in which only the portion of such indebtedness payable within one year of the balance sheet date is recorded as a current liability.

In connection with the acquisition of certain products and related assets from Citron and Lucid, Aceto committed to make a $50,000 unsecured deferred payment that will bear interest at a rate of 5% per annum to the sellers on December 21, 2021 and to issue 5,122 shares of Aceto common stock beginning on December 21, 2019. The product purchase agreement also provides for a 5-year potential earn-out of up to an additional $50,000 in cash, based on the financial performance of four pre-specified pipeline products that are currently in development. As of June 30, 2018, the Company accrued $683 related to this contingent consideration.

In October 2015, we filed a universal shelf registration statement with the SEC to allow us to potentially offer an indeterminate principal amount and number of securities in the future with a proposed maximum aggregate offering price of up to $200,000. Under the shelf registration statement, we have the flexibility to publicly offer and sell from time to time common stock, debt securities, preferred stock, warrants and units or any combination of such securities.

In November 2015, we offered $125,000 aggregate principal amount of 2% Convertible Senior Notes due 2020 in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. In addition, we granted the initial purchasers for the offering an option to purchase up to an additional $18,750 aggregate principal amount pursuant to the initial purchasers' option to purchase additional notes, which was exercised in November 2015. Therefore, the total offering was $143,750 aggregate principal amount. The remaining net proceeds received from the offering, after paying down our credit facilities and costs associated with the offering and a related hedge transaction, have been or will be used for general corporate purposes, which may include funding research, development and product manufacturing, acquisitions or investments in businesses, products or technologies that are complementary to Aceto's own, increasing working capital and funding capital expenditures.

We currently expect to spend approximately $3,825 for capital expenditures during fiscal 2019. In connection with our agricultural protection business, we plan to continue to acquire product registrations and related data filed with the United States Environmental Protection Agency as well as payments to various task force groups, which could approximate $5,701 over the next twelve months.

In connection with our environmental remediation obligation for Arsynco, we anticipate paying $5,535 towards remediation of the property in the next twelve months, which is included in accrued expenses in our Consolidated Balance Sheet as of June 30, 2018.

As noted above, in order to avoid a default with respect to certain financial covenants under its credit facilities, the Company first entered into the May 2018 Amendment and then entered into the September 2018 Amendment. The September 2018 Amendment, among other things, substantially restricts the Company's borrowing capacity, increases and fixes the pricing with respect to all loans and letters of credit issued and outstanding under the credit facilities and adds an additional financial covenant, in the form of a minimum liquidity covenant. The significant decline in the market price of the Company's common stock, and the uncertainties associated with pending legal proceedings, render it difficult for the Company to access the equity markets at the present time. As described herein, the Company is also incurring substantial expenses to address the business and financial challenges previously discussed. While the Company had over $100,000 in cash as of June 30, 2018, and while its operating businesses continue to generate substantial cash, the current demands upon the Company and its liquidity are significant. We believe that our cash, liquid assets and operating cash flows, together with liquidity that may be generated through our previously announced plans to consider strategic alternatives, will provide us with adequate resources to fund our working capital needs for the next twelve months.

Off-Balance Sheet Arrangements and Commitments and Contingencies

We have no material financial commitments other than those under bank borrowings, convertible debt, operating lease agreements, letters of credit and unconditional purchase obligations. We have certain contractual cash obligations and other commercial commitments that will affect our short and long-term liquidity. At June 30, 2018, we had no significant obligations for capital expenditures.

At June 30, 2018, contractual cash obligations and other commercial commitments were as follows:

| | **Payments Due and/or** | | | | |
|---|---|---|---|---|---|
| **Contractual Obligations** | **Amount of Commitment** | | | | |
| | **(Expiration per Period)** | | | | |
| | **Total** | **Less than 1 year** | **1-3 Years** | **3-5 Years** | **After 5 years** |
| Long-term debt obligations (a) | $317,398 | $14,482 | $156,787 | $144,549 | $1,580 |
| Interest on long term debt obligations (b) | 6,708 | 2,875 | 3,833 | - | - |
| Deferred payment (c) | 58,692 | 2,500 | 5,000 | 51,192 | - |
| Operating leases | 14,597 | 2,827 | 3,692 | 2,380 | 5,698 |
| Commercial letters of credit | 1,552 | 1,552 | - | - | - |
| Standby letters of credit | 1,737 | 1,737 | - | - | - |
| Unconditional purchase obligations | 175,136 | 175,136 | - | - | - |
| Other (d) | 8,090 | 1,352 | 6,738 | - | - |
| Total | $583,910 | $202,461 | $176,050 | $198,121 | $7,278 |

(a) Long-term debt obligations include Convertible Senior Notes due November 2020 and assumes that no notes are converted prior to the November 1, 2020 maturity date. (See Note 9, Debt, in the Notes to the Consolidated Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K.). Interest on the loans is not included in the above table as the majority of the interest on the debt is variable in nature. As of June 30, 2018, interest on these variable

loans ranged from 4.83% to 5.02%.

(b) Represents 2% interest due semi-annually on our Convertible Senior Notes due November 2020 and assumes all interest is paid and the notes are not converted prior to the November 1, 2020 due date. This amount could change if any noteholders convert their notes prior to the due date.

(c) Represents the unsecured deferred payment due to the sellers on December 21, 2021 in connection with the acquisition of certain products and related assets from Citron and Lucid, including interest at a rate of 5% per annum.

(d) Includes future obligations to certain employees in accordance with service agreements.

Other significant commitments and contingencies include the following:

1. A subsidiary of ours markets certain agricultural protection products which are subject to the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA). FIFRA requires that test data be provided to the EPA to register, obtain and maintain approved labels for pesticide products. The EPA requires that follow-on registrants of these products compensate the initial registrant for the cost of producing the necessary test data on a basis prescribed in the FIFRA regulations. Follow-on registrants do not themselves generate or contract for the data. However, when FIFRA requirements mandate that new test data be generated to enable all registrants to continue marketing a pesticide product, often both the initial and follow-on registrants establish a task force to jointly undertake the testing effort. We are presently a member of several such task force groups, which requires payments for such memberships. In addition, in connection with our agricultural protection business, we plan to acquire product registrations and related data filed with the United States Environmental Protection Agency to support such registrations and other supporting data for several products. The acquisition cost of these product registrations and related data filed with the United States Environmental Protection Agency as well as payments to various task force groups could approximate $5,701 through fiscal 2019 of which $0 has been accrued as of June 30, 2018 and June 30, 2017.

2. We, together with our subsidiaries, are subject to various claims which have arisen in the normal course of business. We provide for costs related to contingencies when a loss from such claims is probable and the amount is reasonably determinable. In determining whether it is possible to provide an estimate of loss, or range of possible loss, we review and evaluate our litigation and regulatory matters on a quarterly basis in light of potentially relevant factual and legal developments. If we determine an unfavorable outcome is not probable or reasonably estimable, we do not accrue for a potential litigation loss. While we have determined that there is a reasonable possibility that a loss has been incurred, no amounts have been recognized in the financial statements, other than what has been discussed below, because the amount of the liability cannot be reasonably estimated at this time.

3. The Company has environmental remediation obligations in connection with Arsynco, Inc. (“Arsynco”), a subsidiary formerly involved in manufacturing chemicals located in Carlstadt, New Jersey, which was closed in 1993 and is currently held for sale. Based on continued monitoring of the contamination at the site and the approved plan of remediation, Arsynco received an estimate from an environmental consultant stating that the costs of remediation could be between $22,900 and $24,700. Remediation commenced in fiscal 2010, and as of June 30, 2018 and June 30, 2017, a liability of $5,746 and $8,451, respectively, is included in the accompanying consolidated balance sheets for this matter. For the year ended June 30, 2018, the Company recorded environmental remediation charges of $1,822, which is included in selling, general and administrative expenses in the accompanying consolidated statements of income for the year ended June 30. In accordance with GAAP, management believes that the majority of costs incurred to remediate the site will be capitalized in preparing the property which is currently classified as held for sale. In June 2018, the Company entered into an agreement to sell the Arsynco property to an unrelated third party for $6,340. The sale is subject to due diligence by the buyer. A closing date has not yet been set as the buyer’s due diligence has not yet been completed. The sale price supports the assumption that the expected fair value after the remediation is in excess of the amount required to be capitalized. However, these matters, if resolved in a manner different from those assumed in current estimates, could have a material adverse effect on the Company’s financial condition, operating results, cash flows and liquidity when resolved in a future reporting period.

In connection with the environmental remediation obligation for Arsynco, in July 2009, Arsynco entered into a settlement agreement with BASF Corporation (“BASF”), the former owners of the Arsynco property. In accordance with the settlement agreement, BASF paid for a portion of the prior remediation costs and going forward, will co-remediate the property with the Company. The contract requires that BASF pay $550 related to past response costs

and pay a proportionate share of the future remediation costs. Accordingly, the Company had recorded a gain of $550 in fiscal 2009. This $550 gain relates to the partial reimbursement of costs of approximately $1,200 that the Company had previously expensed. The Company also recorded an additional receivable from BASF, with an offset against property held for sale, representing its estimated portion of the future remediation costs. The balance of this receivable for future remediation costs as of June 30, 2018 and 2017 is $2,586 and $3,803, respectively, which is included in the accompanying consolidated balance sheets.

4. In March 2006, Arsynco received notice from the EPA of its status as a PRP under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) for a site described as the Berry's Creek Study Area ("BCSA"). Arsynco is one of over 150 PRPs which have potential liability for the required investigation and remediation of the site. The estimate of the potential liability is not quantifiable for a number of reasons, including the difficulty in determining the extent of contamination and the length of time remediation may require. In addition, any estimate of liability must also consider the number of other PRPs and their financial strength. In July 2014, Arsynco received notice from the U.S. Department of Interior ("USDOI") regarding the USDOI's intent to perform a Natural Resource Damage (NRD) Assessment at the BCSA. Arsynco has to date declined to participate in the development and performance of the NRD assessment process. Based on prior practice in similar situations, it is possible that the State may assert a claim for natural resource damages with respect to the Arsynco site itself, and either the federal government or the State (or both) may assert claims against Arsynco for natural resource damages in connection with Berry's Creek; any such claim with respect to Berry's Creek could also be asserted against the approximately 150 PRPs which the EPA has identified in connection with that site. Any claim for natural resource damages with respect to the Arsynco site itself may also be asserted against BASF, the former owners of the Arsynco property. In September 2012, Arsynco entered into an agreement with three of the other PRPs that had previously been impleaded into New Jersey Department of Environmental Protection, et al. v. Occidental Chemical Corporation, et al., Docket No. ESX-L-9868-05 (the "NJDEP Litigation") and were considering impleading Arsynco into the same proceeding. Arsynco entered into an agreement to avoid impleader. Pursuant to the agreement, Arsynco agreed to (1) a tolling period that would not be included when computing the running of any statute of limitations that might provide a defense to the NJDEP Litigation; (2) the waiver of certain issue preclusion defenses in the NJDEP Litigation; and (3) arbitration of certain potential future liability allocation claims if the other parties to the agreement are barred by a court of competent jurisdiction from proceeding against Arsynco. In July 2015, Arsynco was contacted by an allocation consultant retained by a group of the named PRPs, inviting Arsynco to participate in the allocation among the PRPs' investigation and remediation costs relating to the BCSA. Arsynco declined that invitation. Since an amount of the liability cannot be reasonably estimated at this time, no accrual is recorded for these potential future costs. The impact of the resolution of this matter on the Company's results of operations in a particular reporting period is not currently known.

In fiscal years 2011, 2009, 2008 and 2007, the Company received letters from the Pulvair Site Group, a group of potentially responsible parties (PRP Group) who are working with the State of Tennessee (the State) to remediate a contaminated property in Tennessee called the Pulvair site. The PRP Group has alleged that Aceto shipped hazardous substances to the site which were released into the environment. The State had begun administrative proceedings against the members of the PRP Group and Aceto with respect to the cleanup of the Pulvair site and the PRP Group has begun to undertake cleanup. The PRP Group is seeking a settlement of approximately $1,700 from the Company for its share to remediate the site contamination. Although the Company acknowledges that it shipped materials to the site for formulation over twenty years ago, the Company believes that the evidence does not show that the hazardous materials sent by Aceto to the site have significantly contributed to the contamination of the environment and thus believes that, at most, it is a de minimis contributor to the site contamination. Accordingly, the Company believes that the settlement offer is unreasonable. Management believes that the ultimate outcome of this matter will not have a material adverse effect on the Company's financial condition or liquidity.

5. The Company and certain of its current and former officers are named defendants in two putative securities class actions (the "Securities Class Action Lawsuits") filed in the United States District Court for the Eastern District of New York in April 2018, captioned Mulligan v. Aceto Corporation, et al, No. 2:18-cv-02425, and Yang v. Aceto

Corporation, No. 1:18-cv-02437. The complaints arise from the April 19, 2018 drop in the Company's stock price following the Company's announcement on April 18, 2018 that it would recognize a substantial impairment charge for the third fiscal quarter. The complaints generally allege that the defendants violated the Securities Exchange Act of 1934 by making false and misleading statements in public filings with the SEC, and seek unspecified damages. On June 26, 2018, five motions were filed seeking to appoint lead plaintiff and approve lead plaintiff's counsel pursuant to the Private Securities Litigation Reform Act of 1995, as well as to consolidate the Mulligan or Yang actions. Three motions were subsequently withdrawn or abandoned, and the remaining two motions are pending before the Court. Following the appointment of a lead plaintiff, the Company expects that the appointed lead plaintiff will file a single consolidated amended class action complaint to supersede the earlier complaints. The Company intends to vigorously defend itself.

Impact of New Accounting Pronouncements

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-07 *Compensation – Stock Compensation (Topic 718), Improvements to Nonemployee Share-Based Payment Accounting.* This ASU is intended to simplify aspects of share-based compensation issued to non-employees by making the guidance consistent with the accounting for employee share-based compensation. It is effective for annual reporting periods, and interim periods within those years, beginning after December 15, 2018. The Company is currently in the process of evaluating the impact of the adoption of ASU 2018-07 on its consolidated financial statements.

In February 2018, the FASB issued ASU 2018-02, *Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income,* which gives entities the option to reclassify the disproportionate income tax effects ("stranded tax effects") caused by the newly-enacted U.S. Tax Cuts and Jobs Act from accumulated other comprehensive income to retained earnings. The update also requires new disclosures, some of which are applicable for all entities. The guidance in ASU 2018-02 is effective for annual reporting periods beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the impact of the provisions of ASU 2018-02.

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities,* which has the objective of improving the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. In addition to that main objective, the amendments in ASU 2017-12 make certain targeted improvements to simplify the application of the hedge accounting guidance in current GAAP. The amendments in ASU 2017-12 are effective for public business entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact of the provisions of ASU 2017-12.

In May 2017, the FASB issued ASU 2017-09, *Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting,* which provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. ASU 2017-09 is effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted. The Company does not believe this new accounting standard update will have a material impact on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04 *Intangibles - Goodwill and Other (Topic 350)* which would eliminate the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. Instead, the amount of an impairment charge would be recognized if the carrying amount of a reporting unit is greater than its fair value. ASU 2017-04 is effective for public companies for fiscal years beginning after December 15, 2019. The Company elected to early adopt this ASU in the third quarter of fiscal 2018. (See Note 2 to the Consolidated Financial Statements- Summary of Significant Accounting Policies).

In January 2017, the FASB issued ASU 2017-01 *Business Combinations (Topic 805): Clarifying the Definition of a Business* with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. ASU 2017-01 is effective for public companies for annual periods beginning after December 15, 2017, including interim periods within those periods. The Company does not believe this new accounting pronouncement will have a material impact on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments,* which addresses eight specific cash flow issues with the objective of reducing diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company is currently evaluating the impact of the provisions of ASU 2016-15.

In March 2016, the FASB issued ASU 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, which changes certain aspects of accounting for share-based payments to employees. The Company adopted ASU 2016-09 as of July 1, 2017. ASU 2016-09 requires that all tax benefits and deficiencies related to share-based payments be recognized and recorded through the statement of income for all awards settled or expiring after the adoption of ASU 2016-09. Under prior guidance, tax benefits in excess of compensation costs ("windfalls") were recorded in equity, and any tax deficiencies ("shortfalls") were recorded in equity to the extent of previous windfalls and then to the statement of income. For the year ended June 30, 2018, the Company recorded additional tax expense of $1,536, associated with net tax deficiencies. ASU 2016-09 also requires, either prospectively or retrospectively, that all tax-related cash flows resulting from share-based payments be reported as operating activities on the statement of cash flows, a change from prior guidance that required windfall tax benefits to be presented as an inflow from financing activities and an outflow from operating activities on the statement of cash flows. The Company has elected to adopt such presentation on a prospective basis. Additionally, ASU 2016-09 allows

entities to make an accounting policy election for the impact of most types of forfeitures on the recognition of expense for share-based payment awards by allowing the forfeitures to be either estimated, as was required under prior guidance, or recognized when they actually occur. Under ASU 2016-09, the Company recognizes forfeitures when they occur.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* as amended in July 2018 by ASU 2018-10, *Codification Improvements to Topic 842, Leases* and ASU 2018-11, *Leases (Topic 842), Targeted Improvements*, that replace existing lease guidance. The new standard is intended to provide enhanced transparency and comparability by requiring lessees to record right-of-use assets and corresponding lease liabilities on the balance sheet. The new guidance will continue to classify leases as either finance or operating, with classification affecting the pattern of expense recognition in the statement of income. These ASU’s are effective for fiscal years (and interim reporting periods within those years) beginning after December 15, 2018. The Company is currently evaluating the impact of the provisions of these ASU’s and anticipates recognition of additional assets and corresponding liabilities relating to these leases on its consolidated balance sheet, but does not expect the adjustment to be material assuming no changes in lease activity.

In November 2015, the FASB issued ASU 2015-17, *Income Taxes (Topic 740) Balance Sheet Classification of Deferred Assets.* This ASU is intended to simplify the presentation of deferred taxes on the balance sheet and required an entity to present all deferred tax assets and deferred tax liabilities as non-current on the balance sheet. Under the prior guidance, entities were required to separately present deferred taxes as current or non-current. Netting deferred tax assets and deferred tax liabilities by tax jurisdiction will still be required under the new guidance. The Company prospectively adopted the provisions of ASU 2015-17, as of July 1, 2017. The Company's prospective adoption of ASU 2015-17 impacts the classification of deferred tax assets and liabilities on any balance sheet that reports the Company's financial position for any date after June 30, 2017. Balance sheets for prior periods have not been adjusted. The adoption of ASU 2015-17 has no impact on the Company's results of operations or cash flows.

In July 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330) – Simplifying the Measurement of Inventory.* This ASU requires that an entity measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This guidance is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The Company adopted this standard in the first quarter of fiscal year 2018. The adoption of this standard did not have any impact on the consolidated financial statements of the Company.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606),* which is the new comprehensive revenue recognition standard that will supersede all existing revenue recognition guidance under U.S. GAAP. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to a customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In August 2015, the FASB subsequently issued ASU 2015-14, *Revenue from Contracts with Customers - Deferral of the Effective Date*, which approved a one-year deferral of ASU 2014-09 for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. In March 2016 and April 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers - Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, and ASU 2016-10, *Revenue from Contracts with Customers - Identifying Performance Obligations and Licensing,* respectively, which further clarify the guidance related to those specific topics within ASU 2014-09. In May 2016, the FASB issued ASU 2016-12, *Revenue from Contracts with Customers - Narrow Scope Improvements and Practical Expedients*, to reduce the risk of diversity in practice for certain aspects in ASU 2014-09, including collectibility, noncash consideration, presentation of sales tax and transition. Additionally, in December 2016, the FASB issued ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*. ASU 2016-20 makes minor corrections or minor improvements to the standard that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities The Company recognizes revenue from product sales at the time of shipment and passage of title and risk of loss and control of the goods is transferred to the customer. The Company has no acceptance or other post-shipment obligations and does not offer product warranties or services to its customers. The Company has completed its comprehensive evaluation of the amended guidance following the five-step model, including identification of revenue streams and determined that the timing of recognition of revenue will be substantially unchanged under the amended guidance. Further evaluation is needed to determine if additional disclosures are required to enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Company adopted this amended standard in the first quarter of fiscal 2019 on a modified retrospective basis in which we recognized the cumulative effect of adoption as an adjustment to retained earnings at the date of initial application. The adoption of Topic 606 did not have a material impact on the Company’s results of operations, cash flows or financial position.

**Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

**Market Risk Sensitive Instruments**

The market risk inherent in our market-risk-sensitive instruments and positions is the potential loss arising from adverse changes in investment market prices, foreign currency exchange-rates and interest rates.

**Investment Market Price Risk**

We had short-term investments of $3,030 at June 30, 2018 and $2,046 at June 30, 2017. Those short-term investments consisted of time deposits. Time deposits are short-term in nature and are accordingly valued at cost plus accrued interest, which approximates fair value.

**Foreign Currency Exchange Risk**

In order to reduce the risk of foreign currency exchange rate fluctuations, we hedge some of our transactions denominated in a currency other than the functional currencies applicable to each of our various entities. The instruments used for hedging are short-term foreign currency contracts (futures). The changes in market value of such contracts have a high correlation to price changes in the currency of the related hedged transactions. At June 30, 2018, we had foreign currency contracts outstanding that had a notional amount of $56,108. At June 30, 2017, our outstanding foreign currency contracts had a notional amount of $62,187. The difference between the fair market value of the foreign currency contracts and the related commitments at inception and the fair market value of the contracts and the related commitments at June 30, 2018, was not material.

We are subject to risk from changes in foreign exchange rates for our subsidiaries that use a foreign currency as their functional currency and are translated into U.S. dollars. These changes result in cumulative translation adjustments, which are included in accumulated other comprehensive income (loss). On June 30, 2018, we had translation exposure to various foreign currencies, with the most significant being the Euro. The potential loss as of June 30, 2018, resulting from a hypothetical 10% adverse change in quoted foreign currency exchange rates amounted to $6,573. On June 30, 2017, such potential loss amounted to $8,869. Actual results may differ.

**Interest Rate Risk**

Due to our financing, investing and cash-management activities, we are subject to market risk from exposure to changes in interest rates. We utilize a balanced mix of debt maturities along with both fixed-rate and variable-rate debt to manage our exposure to changes in interest rates. Our financial instrument holdings at year-end were analyzed to determine their sensitivity to interest rate changes. In this sensitivity analysis, we used the same change in interest rate for all maturities. All other factors were held constant. If there were an adverse change in interest rates of 10%, the expected effect on net income related to our financial instruments would be immaterial. However, there can be no assurances that interest rates will not significantly affect our results of operations.

In conjunction with the Credit Agreement, the Company entered into an interest rate swap on March 21, 2017 for an additional interest cost of 2.005% on a notional amount of $100,000, which has been designated as a cash flow hedge. The expiration date of this interest rate swap is December 21, 2021. The remaining balance of this derivative as of June 30, 2018 is $85,000. Aceto's interest rate swaps are classified within Level 2 as the fair value of this hedge was primarily based on observable interest rates.

**Item 8. Financial Statements and Supplementary Data**

The financial statements and supplementary data required by this Item 8 are set forth later in this report.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

Not applicable.

**Item 9A. Controls and Procedures**

Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) are designed to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Our disclosure controls and procedures are also designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officer, to allow timely decisions regarding required disclosure. Our chief executive officer and chief financial officer, with assistance from other members of our management, have reviewed the effectiveness of our disclosure controls and procedures as of June 30, 2018, the end of the period covered by this report. Due to the material weakness in internal control over financial reporting described below, our chief executive officer and chief financial officer have concluded that our disclosure controls and procedures were not effective as of June 30, 2018.

**Changes in Internal Control over Financial Reporting**

Other than the implementation of a new ERP system at our Rising subsidiary, there has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during the three months ended June 30, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Management's Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as that term is defined in Rule 13a-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including our principal executive and principal financial officers, we assessed, as of June 30, 2018, the effectiveness of our internal control over financial reporting. This assessment was based on criteria established in the framework in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment using those criteria, management identified the material weakness described below and therefore concluded that our internal control over financial reporting as of June 30, 2018 was not effective.

Internal control over financial reporting is defined as a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;

- provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles and that our receipts and expenditures are being made only in accordance with authorization of our management and directors; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the internal control system are met. Because of the inherent limitations of any internal control system, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis. In completing our work with respect to the consolidated financial statements presented in this report, we evaluated the deficiencies in our internal controls over financial reporting and determined that our internal control over financial reporting was not effective due to a material weakness in our controls over income tax accounting. Specifically, the execution of the controls over the application of the accounting literature to the measurement of deferred taxes did not operate effectively in relation to the assessment of the realizability of our deferred tax assets, and the need for a valuation allowance.

Our internal control over financial reporting as of June 30, 2018, has been audited by BDO USA, LLP, an independent registered public accounting firm, as stated in its report, which is included herein.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Shareholders and Board of Directors

Aceto Corporation

Port Washington, NY

**Opinion on Internal Control over Financial Reporting**

We have audited Aceto Corporation and subsidiaries' (the "Company's") internal control over financial reporting as of June 30, 2018, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of June 30, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of June 30, 2018 and 2017, the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for each of the three years in the period ended June 30, 2018, and the related notes and schedule (collectively referred to as "the financial statements") and our report dated September 28, 2018 expressed an unqualified opinion thereon.

**Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Item 9A, Management's Report on Internal Control over Financial Reporting." Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective

internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. A material weakness regarding the design and effectiveness of internal control over financial reporting related to the execution of the controls over the application of the accounting literature to the measurement of deferred taxes did not operate effectively in relation to the assessment of the realizability of the Company’s deferred tax assets, and the need for valuation allowances. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the consolidated financial statements as of and for the year ended June 30, 2018, and this report does not affect our report dated September 28, 2018 on those financial statements and financial statement schedule.

**Definition and Limitations of Internal Control over Financial Reporting**

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BDO USA, LLP

Melville, NY

September 28, 2018

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**Item 9B. Other Information**

None.

PART III

**Item 10. Directors, Executive Officers and Corporate Governance**

Incorporated herein by reference to our definitive proxy statement ("the Annual Meeting Proxy Statement") to be filed with the Securities and Exchange Commission with respect to our annual meeting of shareholders. In the event we do not file the Annual Meeting Proxy Statement within 120 days after the end of our fiscal year, the information will be provided instead by an amendment to this report filed not later than 120 days after the end of our fiscal year.

**Item 11. Executive Compensation**

Incorporated herein by reference to our Annual Meeting Proxy Statement to be filed with the Securities and Exchange Commission with respect to our annual meeting of shareholders. In the event we do not file the Annual Meeting Proxy Statement within 120 days after the end of our fiscal year, the information will be provided instead by an amendment to this report filed not later than 120 days after the end of our fiscal year.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information required by this Item, not already provided in the table below, is incorporated herein by reference to our Annual Meeting Proxy Statement to be filed with the Securities and Exchange Commission with respect to our annual meeting of shareholders. In the event we do not file the Annual Meeting Proxy Statement within 120 days after the end of our fiscal year, such information will be provided instead by an amendment to this report filed not later than 120 days after the end of our fiscal year.

The following table states certain information with respect to our equity compensation plans at June 30, 2018:

| Plan category | Number of securities to be issued upon exercise of outstanding options | Weighted-average exercise price of outstanding options | Number of securities remaining available for future issuance under equity compensation plans |
|---|---|---|---|
| Equity compensation plans approved by security holders | 129 | $ 7.44 | 2,059 |
| Equity compensation plans not approved by security holders | - | - | - |
| Total | 129 | $ 7.44 | 2,059 |

**Item 13. Certain Relationships and Related Transactions and Director Independence**

Incorporated herein by reference to our Annual Meeting Proxy Statement to be filed with the Securities and Exchange Commission with respect to our annual meeting of shareholders. In the event we do not file the Annual Meeting Proxy Statement within 120 days after the end of our fiscal year, the information will be provided instead by an amendment to this report filed not later than 120 days after the end of our fiscal year.

**Item 14. Principal Accounting Fees and Services**

Incorporated herein by reference to our Annual Meeting Proxy Statement to be filed with the Securities and Exchange Commission with respect to our annual meeting of shareholders. In the event we do not file the Annual Meeting Proxy Statement within 120 days after the end of our fiscal year, the information will be provided instead by an amendment to this report filed not later than 120 days after the end of our fiscal year.

PART IV

**Item 15. Exhibits and Financial Statement Schedules**

The following documents are filed as part of this Report:

(a) The financial statements listed in the Index to Consolidated Financial Statements are filed as part of this Annual Report on Form 10-K. All financial statement schedules have been included in the Consolidated Financial Statements or Notes thereto.

(b) Exhibits

| Exhibit Number | Description |
|---|---|
| 2.1 | Membership Interest Purchase Agreement, dated March 26, 2014, by and among PACK Pharmaceuticals, LLC, the Aschenbrand and O'Brien Family Trust, dated March 2001, Bryan Aschenbrand – Trustee, Dushyant Chipalkattty, Chris Dungan, Aceto Corporation, Rising Pharmaceuticals, Inc. and Chris Dungan, solely in his capacity as the representative of the Sellers (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K dated March 28, 2014). |
| 2.2 | Form of Lock-up Agreement (incorporated by reference to Exhibit 2.2 to our Current Report on Form 8-K dated March 28, 2014). |
| 2.3 | Product Purchase Agreement, by and among Aceto Corporation, Cedar Pharma LLC (f/k/a Citron Pharma LLC and referred to herein as "Citron"), Aster Pharma LLC (f/k/a Lucid Pharma LLC and together with Citron, the "Sellers"), the direct and indirect equity owners of the Sellers (the Members), Rising Health, LLC ("Purchaser I"), Acetris Health, LLC (together with Purchaser I, the "Purchasers") and an agent for the Sellers and the Members (the "Agent"), dated as of November 2, 2016 (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K dated November 2, 2016). |
| 2.4 | Amendment No. 1 to the Product Purchase Agreement, by and among the Purchasers and the Agent, dated as of December 2, 2016 (incorporated by reference to Exhibit 2.2 to our Current Report on Form 8-K dated December 21, 2016). |
| 2.5 | Transaction Agreement Amendment and Waiver, dated as of December 21, 2016, by and among the Purchasers, the Agent, Rising Pharmaceuticals, Inc. and Vimal Kavuru (incorporated by reference to Exhibit 2.3 to our Current Report on Form 8-K dated December 21, 2016). |
| 3.1 | Amended and Restated Certificate of Incorporation filed with the Department of State of the State of New York on November 9, 2015 (incorporated by reference to Exhibit 3.1 to the Company's quarterly report on Form 10-Q for the quarter ended December 31, 2016). |
| 3.2 | Amendment to the Amended and Restated Certificate of Incorporation filed with the Department of State of the State of New York on December 15, 2015 (incorporated by reference to Exhibit 3.2 to the Company's quarterly report on Form 10-Q for the quarter ended December 31, 2016). |
| 3.3 | Amendment to the Amended and Restated Certificate of Incorporation filed with the Department of State of the State of New York on December 9, 2016 (incorporated by reference to Exhibit 3.3 to the Company's quarterly report on Form 10-Q for the quarter ended December 31, 2016). |

| | |
|---|---|
| 3.4 | Aceto Corporation By-Laws, amended July 28, 2014 (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K dated July 31, 2014). |
| 4.1 | Indenture, dated November 16, 2015 between Aceto Corporation and Citibank, N.A. (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K dated November 16, 2015). |
| 4.2 | Form of Global 2.00% Convertible Senior Note due 2020 (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K dated November 16, 2015). |
| 10.1 | Aceto Corporation 401(k) Retirement Plan, as amended and restated as of July 1, 2002 (incorporated by reference to Exhibit 10.1 to the Company's annual report on Form 10-K for the fiscal year ended June 30, 2004 (File Number: 000-04217, Film Number: 041025874)). |
| 10.2 | Supplemental Executive Retirement Plan, as amended and restated effective June 30, 2004 and frozen as of December 31, 2004 (incorporated by reference to Exhibit 10.2 to the Company's annual report on Form 10-K for the fiscal year ended June 30, 2004 (File Number: 000-04217, Film Number: 041025874)). |

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| 10.3 | 1998 Omnibus Equity Award Plan (incorporated by reference to Exhibit 10(v) (c) to the Company's annual report on Form 10-K for the fiscal year ended June 30, 1999 (File Number: 000-04217, Film Number: 99718824)). |
| 10.4 | Supplemental Executive Deferred Compensation Plan, effective March 14, 2005 (incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K filed with the Securities and Exchange Commission on March 17, 2005 (File Number: 000-04217, Film Number: 05688328)). |
| 10.5 | 2007 Long-Term Performance Incentive Plan (incorporated by reference to Exhibit 4.1 to Registration Statement No. 333-149586 on Form S-8). |
| 10.6 | Supplemental Executive Deferred Compensation Plan, amended and restated effective December 8, 2008 (incorporated by reference to Exhibit 10.22 to the Company's annual report on Form 10-K for the year ended June 30, 2009). |
| 10.7 | Purchase and Sale Agreement among Schweizerhall Holding AG, Chemische Fabrik Schweizerhall, Schweizerhall, Inc., Aceto Corporation and Aceto Holding B.V., I.O., dated as of January 28, 2001 (incorporated by reference to Exhibit 2.1 to the Company's current report on Form 8-K filed with the Securities and Exchange Commission on April 4, 2001 (File Number: 000-04217, Film Number: 1595350)). |
| 10.8 | Form of purchase agreement between Shanghai Zhongjin Real Estate Development Company Limited and Aceto (Hong Kong) Limited, dated November 10, 2004 (incorporated by reference to Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended December 31, 2004 (File Number: 000-04217, Film Number: 05588472)). |
| 10.9 | Guarantee by Aceto Corporation and subsidiaries in favor of Deutsche Bank, AG, dated March 22, 2001 (incorporated by reference to Exhibit 10.13 to the Company's annual report on Form 10-K for the year ended June 30, 2001 (File Number: 000-04217, Film Number: 1748270)). |
| 10.10 | Reaffirmation Agreement by Aceto Corporation, Aceto Agricultural Chemicals Corporation, CDC Products Corporation, Aceto Pharma Corp., Aceto Realty LLC, Acci Realty Corp. and Arsynco Inc., dated as of April 23, 2010 (incorporated by reference to Exhibit 10.3 to the Company's current report on Form 8-K filed with the Securities and Exchange Commission on April 28, 2010). |
| 10.11 | Aceto Corporation 2010 Equity Participation Plan (incorporated by reference to Appendix A to our Definitive Proxy Statement on Schedule 14A filed on October 13, 2010). |
| 10.12 | Aceto Corporation Severance Policy (incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K dated January 17, 2012). |

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| 10.13 | Aceto Corporation Executive Performance Award Plan (incorporated by reference to Appendix A to our Definitive Proxy Statement on Schedule 14A filed on October 18, 2012). |
| 10.14 | Amended and Restated Aceto Corporation 2010 Equity Participation Plan (incorporated by reference to Appendix B to our Definitive Proxy Statement on Schedule 14A filed on October 18, 2012). |
| 10.15 | Enhanced Severance Protection Letter Agreement, dated April 3, 2013 between Aceto Corporation and Douglas Roth (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated April 5, 2013). |
| 10.16 | Aceto Corporation 2013 Senior Executive Retirement Plan (incorporated by reference to Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2013). |
| 10.17 | Note Modification Agreement, dated October 21, 2013, between Aceto Realty LLC and JPMorgan Chase Bank, N.A. (incorporated by reference to Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended December 31, 2013). |

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| 10.18 | Amendment No. 1, dated as of December 26, 2013 to the Change in Control Agreement, dated as of July 2, 2012, by and between the Company and Salvatore J. Guccione (incorporated by reference to Exhibit 10.2 to the Company's quarterly report on Form 10-Q for the quarter ended December 31, 2013). |
| 10.19 | Commitment Letter dated March 26, 2014, by and among, Aceto Corporation and the Lead Arrangers and Commitment Lenders (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated March 28, 2014). |
| 10.20 | Credit Agreement, dated as of April 30, 2014, by and among Aceto Corporation, JPMorgan Chase Bank, N.A. as Administrative Agent, Wells Fargo, as Syndication Agent, and the Lenders (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated May 2, 2014). |
| 10.21 | Employment Agreement, effective as of January 1, 2015, between Aceto Corporation and Salvatore Guccione (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated December 18, 2014). |
| 10.22 | Change in Control Agreement by and between Aceto Corporation and Terry Kippley, dated as of November 5, 2014 (incorporated by reference to Exhibit 10.2 to the Company's quarterly report on Form 10-Q for the quarter ended December 31, 2014). |
| 10.23 | Change in Control Agreement by and between Aceto Corporation and Salvatore Guccione (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated February 18, 2015). |
| 10.24 | Change in Control Agreement by and between Aceto Corporation and Albert L. Eilender (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K dated February 18, 2015). |
| 10.25 | Change in Control Agreement by and between Aceto Corporation and Douglas Roth (incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K dated February 18, 2015). |
| 10.26 | Change in Control Agreement by and between Aceto Corporation and Frank DeBenedittis (incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K dated February 18, 2015). |
| 10.27 | Change in Control Agreement by and between Aceto Corporation and Satish Srinivasan (incorporated by reference to Exhibit 10.5 to our Current Report on Form 8-K dated February 18, 2015). |
| 10.28 | Change in Control Agreement by and between Aceto Corporation and Charles J. Alaimo, dated as of February 13, 2015 (incorporated by reference to Exhibit 10.6 to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2015). |

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| 10.29 | Change in Control Agreement by and between Aceto Corporation and Raymond B. Bartone, dated as of February 13, 2015 (incorporated by reference to Exhibit 10.7 to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2015). |
| 10.30 | Change in Control Agreement by and between Aceto Corporation and Terry Kippley, dated as of February 13, 2015 (incorporated by reference to Exhibit 10.8 to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2015). |
| 10.31 | Change in Control Agreement by and between Aceto Corporation and Steven S. Rogers, dated as of February 13, 2015 (incorporated by reference to Exhibit 10.10 to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2015). |
| 10.32 | Change in Control Agreement by and between Aceto Corporation and Nicholas I. Shackley, dated as of February 13, 2015 (incorporated by reference to Exhibit 10.11 to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2015). |

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| 10.33 | Amendment No. 1, dated as of June 25, 2015, to the Credit Agreement, dated as of April 30, 2014, by and among Aceto Corporation, JPMorgan Chase Bank, N.A. as Administrative Agent and the Lenders (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated June 25, 2015). |
| 10.34 | Aceto Corporation 2015 Equity Participation Plan (incorporated by reference to Appendix B to our Definitive Proxy Statement on Schedule 14A filed on October 26, 2015). |
| 10.35 | Amended and Restated Credit Agreement, dated as of October 28, 2015, by and among Aceto Corporation, the other loan parties thereto, JPMorgan Chase Bank N.A., as administrative agent, Wells Fargo Bank, National Association, as syndication agent, and the lenders party thereto (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated October 28, 2015). |
| 10.36 | Purchase Agreement, dated November 10, 2015, by and among Aceto Corporation and Wells Fargo Securities, LLC and J.P. Morgan Securities LLC, as representatives of the initial purchasers named therein (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated November 12, 2015). |
| 10.37 | Convertible Note Hedge Confirmation, dated November 10, 2015, between Aceto Corporation and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K dated November 12, 2015). |
| 10.38 | Convertible Note Hedge Confirmation, dated November 10, 2015, between Aceto Corporation and JPMorgan Chase Bank, National Association (incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K dated November 12, 2015). |
| 10.39 | Warrant Confirmation, dated November 10, 2015, between ACETO Corporation and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K dated November 12, 2015). |
| 10.40 | Warrant Confirmation, dated November 10, 2015, between ACETO Corporation and JPMorgan Chase Bank, National Association (incorporated by reference to Exhibit 10.5 to our Current Report on Form 8-K dated November 12, 2015). |
| 10.41 | Amendment No. 1 to the Amended and Restated Credit Agreement, dated as of October 28, 2015, by and among Aceto Corporation, the other loan parties thereto, JPMorgan Chase Bank, N.A., as administrative agent, Wells Fargo Bank, National Association, as syndication agent, and the lenders party thereto (incorporated by reference to Exhibit 10.6 to our Current Report on Form 8-K dated November 12, 2015). |
| 10.42 | Additional Convertible Note Hedge Confirmation, dated November 18, 2015, between Aceto Corporation and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.1 to our Current Report on |

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| | Form 8-K dated November 23, 2015). |
| 10.43 | Additional Convertible Note Hedge Confirmation, dated November 18, 2015, between Aceto Corporation and JPMorgan Chase Bank, National Association (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K dated November 23, 2015). |
| 10.44 | Additional Warrant Confirmation, dated November 18, 2015, between Aceto Corporation and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K dated November 23, 2015). |
| 10.45 | Additional Warrant Confirmation, dated November 18, 2015, between Aceto Corporation and JPMorgan Chase Bank, National Association (incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K dated November 23, 2015). |
| 10.46 | Letter Agreement between Aceto Corporation and Walter J. Kaczmarek III (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated July 18, 2016). |
| 10.47 | Change in Control Agreement by and between Aceto Corporation and Walter J. Kaczmarek III (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K dated July 18, 2016). |

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| 10.48 | Amendment No. 2 to the Amended and Restated Credit Agreement, dated as of October 28, 2015, by and among Aceto Corporation, the other loan parties thereto, JPMorgan Chase Bank, N.A., as administrative agent, Wells Fargo Bank, National Association, as syndication agent, and the lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2016). |
| 10.49 | Form of Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated July 28, 2016). |
| 10.50 | Form of Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K dated July 28, 2016). |
| 10.51 | Second Amended and Restated Credit Agreement, dated as of December 21, 2016, by and among the Company, the other loan parties thereto, JPMorgan Chase Bank, N.A., as administrative agent, Wells Fargo Bank, National Association, as syndication agent, and the lenders party thereto (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated December 21, 2016). |
| 10.52 | Stockholders' Rights Agreement, by and among the Company and the Sellers, dated as of November 2, 2016 (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated November 2, 2016). |
| 10.53 | Voting Agreement, by and among the Company, the Sellers and the Members, dated as of November 2, 2016 (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K dated November 2, 2016). |
| 10.54 | Employment Agreement, by and between Rising and Vimal Kavuru, dated as of November 2, 2016 (incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K dated November 2, 2016). |
| 10.55 | Separation Agreement by and between Aceto Corporation and Salvatore Guccione (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated September 27, 2017). |
| 10.56 | Employment Letter Agreement by and between Aceto Corporation and William C. Kennally, III (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K/A dated October 17, 2017). |
| 10.57 | Change in Control Agreement by and between Aceto Corporation and William C. Kennally, III (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K/A dated October 17, 2017). |
| 10.58 | First Amendment to Second Amended and Restated Credit Agreement, dated as of December 13, 2017 by and among the Company, certain other loan parties party thereto, the lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated December 18, 2017). |
| 10.59 | Agreement between Aceto Corporation and Edward J. Borkowski (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated February 16, 2018). |
| 10.60 | Change in Control Agreement between Aceto Corporation and Edward J. Borkowski (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K dated February 16, 2018). |
| 10.61 | |

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|---|---|
| | Second Amendment and Waiver to Second Amended and Restated Credit Agreement, dated as of May 3, 2018 (incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q dated May 7, 2018). |
| 10.62 | Third Amendment and Limited Waiver to Second Amended and Restated Credit Agreement, dated as of September 11, 2018 (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated September 12, 2018). |
| 21* | Subsidiaries of the Company. |
| 23* | Consent of BDO USA, LLP. |

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|---|---|
| 31.1* | Certifications of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certifications of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1** | Certifications of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2** | Certifications of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

*Filed herewith

**Furnished herewith

**Item 16. Form 10-K Summary**

None

**ACETO CORPORATION AND SUBSIDIARIES**

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**



All other schedules are omitted because they are not required or the information required is given in the consolidated financial statements or notes thereto.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Shareholders and Board of Directors

Aceto Corporation

Port Washington, NY

**Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheets of Aceto Corporation (the "Company") and subsidiaries as of June 30, 2018 and 2017, the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for each of the three years in the period ended June 30, 2018, and the related notes and schedule presented in Item 15 (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and subsidiaries at June 30, 2018 and 2017, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2018**,** in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of June 30, 2018, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and our report dated September 28, 2018 expressed an adverse opinion thereon.

**Basis for Opinion**

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ BDO USA, LLP

We have served as the Company’s auditor since 2005

Melville, NY

September 28, 2018

**ACETO CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**AS OF JUNE 30, 2018 AND 2017**

(in thousands, except per-share amounts)

| | 2018 | 2017 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $100,874 | $55,680 |
| Investments | 3,030 | 2,046 |
| Trade receivables: less allowance for doubtful accounts (2018, $987; 2017, $485) | 247,246 | 277,489 |
| Other receivables | 9,664 | 12,066 |
| Inventory | 137,076 | 136,387 |
| Prepaid expenses and other current assets | 4,737 | 3,941 |
| Deferred income tax asset, net | - | 546 |
| Total current assets | 502,627 | 488,155 |
| | | |
| Property and equipment, net | 14,180 | 10,428 |
| Property held for sale | 6,113 | 7,152 |
| Goodwill | 1,883 | 236,970 |
| Intangible assets, net | 234,602 | 285,081 |
| Deferred income tax asset, net | - | 19,453 |
| Other assets | 7,619 | 7,546 |
| | | |
| TOTAL ASSETS | $767,024 | $1,054,785 |
| | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Current portion of long-term debt | $14,482 | $14,466 |
| Accounts payable | 106,790 | 90,011 |
| Accrued expenses | 181,246 | 134,928 |
| Total current liabilities | 302,518 | 239,405 |
| | | |
| Long-term debt | 302,916 | 339,200 |
| Long-term liabilities | 64,558 | 61,449 |
| Environmental remediation liability | 211 | 2,339 |
| Deferred income tax liability | 1,536 | 7,325 |
| Total liabilities | 671,739 | 649,718 |
| | | |
| Commitments and contingencies (Note 16) | | |
| | | |
| Shareholders' equity: | | |

| | | |
|---|---|---|
| Preferred stock, 2,000 shares authorized; no shares issued and outstanding | - | - |
| Common stock, $.01 par value, 75,000 shares authorized at June 30, 2018 and June 30, 2017; 30,787 and 30,094 shares issued and outstanding at June 30, 2018 and 2017, respectively | 308 | 301 |
| Capital in excess of par value | 222,599 | 214,198 |
| (Accumulated deficit) retained earnings | (126,737) | 195,680 |
| Accumulated other comprehensive loss | (885) | (5,112) |
| Total shareholders' equity | 95,285 | 405,067 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | $767,024 | $1,054,785 |

See accompanying notes to consolidated financial statements.

**ACETO CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

**FOR THE YEARS ENDED JUNE 30, 2018, 2017 AND 2016**

(in thousands, except per-share amounts)

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Net sales | $711,359 | $638,318 | $558,524 |
| Cost of sales | 599,796 | 497,526 | 415,739 |
| Gross profit | 111,563 | 140,792 | 142,785 |
| | | | |
| Selling, general and administrative expenses | 122,376 | 102,340 | 76,820 |
| Impairment charges | 256,266 | - | - |
| Research and development expenses | 7,933 | 7,898 | 7,937 |
| Operating (loss) income | (275,012) | 30,554 | 58,028 |
| | | | |
| Other (expense) income: | | | |
| Interest expense | (20,855) | (15,770) | (6,997) |
| Interest and other income, net | 3,045 | 2,577 | 2,823 |
| | (17,810) | (13,193) | (4,174) |
| | | | |
| (Loss) income before income taxes | (292,822) | 17,361 | 53,854 |
| Income tax provision | 23,299 | 5,985 | 19,088 |
| Net (loss) income | $(316,121) | $11,376 | $34,766 |
| | | | |
| Basic (loss) income per common share | $(8.98) | $0.35 | $1.19 |
| | | | |
| Diluted (loss) income per common share | $(8.98) | $0.35 | $1.18 |
| | | | |
| Weighted average shares outstanding: | | | |
| Basic | 35,216 | 32,283 | 29,110 |
| Diluted | 35,216 | 32,632 | 29,581 |

See accompanying notes to consolidated financial statements.

**ACETO CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

**FOR THE YEARS ENDED JUNE 30, 2018, 2017 AND 2016**

(in thousands)

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Net (loss) income | $(316,121) | $11,376 | $34,766 |
| Other comprehensive income (loss): | | | |
| Foreign currency translation adjustments | 1,857 | 1,780 | 368 |
| Change in fair value of interest rate swaps | 2,420 | (581) | (149) |
| Reclassification for realized loss on interest rate swap included in interest expense | - | - | 487 |
| Defined benefit plans, net of tax of $(24), $7 and $31, respectively | (50) | 14 | 65 |
| Total other comprehensive income | 4,227 | 1,213 | 771 |
| Comprehensive (loss) income | $(311,894) | $12,589 | $35,537 |

See accompanying notes to consolidated financial statements.

**ACETO CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED JUNE 30, 2018, 2017 AND 2016**

(in thousands)

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Operating activities: | | | |
| Net (loss) income | $(316,121) | $11,376 | $34,766 |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 32,812 | 23,754 | 12,698 |
| Amortization of debt issuance costs and debt discount | 6,181 | 5,847 | 3,496 |
| Amortization of deferred financing costs | 1,116 | 570 | - |
| Provision for doubtful accounts | 516 | (3) | 76 |
| Non-cash stock compensation | 7,782 | 6,956 | 6,719 |
| Deferred income taxes | 13,643 | (504) | (18) |
| Earnings on equity investment in joint venture | (2,173) | (2,336) | (2,060) |
| Contingent consideration | (2,505) | - | (1,074) |
| Amortization of inventory step-up | - | 4,502 | - |
| Environmental remediation charge | 1,822 | 903 | 1,313 |
| Impairment charges | 256,266 | - | - |
| Changes in assets and liabilities: | | | |
| Trade accounts receivable | 30,182 | (34,198) | (6,149) |
| Other receivables | 2,108 | 185 | 136 |
| Inventory | (22) | (2,958) | (2,489) |
| Prepaid expenses and other current assets | (774) | 1,209 | (243) |
| Other assets | (443) | (157) | (557) |
| Accounts payable | 16,729 | (3,097) | (8,937) |
| Accrued expenses and other liabilities | 52,195 | 30,610 | (7,689) |
| Distributions from joint venture | 2,492 | 1,908 | 1,843 |
| Net cash provided by operating activities | 101,806 | 44,567 | 31,831 |
| | | | |
| Investing activities: | | | |
| Payment for net assets acquired | - | (270,000) | - |
| Purchases of investments | (3,103) | (2,035) | (34) |
| Sales of investments | 2,064 | 909 | 2,517 |
| Payments for intangible assets | (1,471) | (3,359) | (11,249) |
| Purchases of property and equipment, net | (5,771) | (1,893) | (1,128) |
| Net cash used in investing activities | (8,281) | (276,378) | (9,894) |
| | | | |
| Financing activities: | | | |

| | | | |
|---|---|---|---|
| Proceeds from exercise of stock options | 606 | 551 | 729 |
| Excess income tax benefit on stock option exercises and restricted stock | - | 546 | 1,219 |
| Payment of cash dividends | (6,288) | (7,831) | (7,084) |
| Payment of contingent consideration | - | - | (1,500) |
| Proceeds from convertible senior notes | - | - | 143,750 |
| Payment for debt issuance costs | - | - | (5,153) |
| Proceeds from sold warrants | - | - | 13,685 |
| Purchase of call option (hedge) | - | - | (27,174) |
| Termination payment for interest rate swap | - | - | (420) |
| Borrowings of bank loans | - | 275,000 | 15,500 |
| Payment for deferred financing costs | - | (5,407) | - |
| Repayment of bank loans | (43,181) | (42,697) | (122,697) |
| Net cash (used in) provided by financing activities | (48,863) | 220,162 | 10,855 |
| | | | |
| Effect of foreign exchange rate changes on cash | 532 | 501 | 16 |
| | | | |
| Net increase (decrease) in cash and cash equivalents | 45,194 | (11,148) | 32,808 |
| Cash and cash equivalents at beginning of period | 55,680 | 66,828 | 34,020 |
| Cash and cash equivalents at end of period | $100,874 | $55,680 | $66,828 |

See accompanying notes to consolidated financial statements.

**ACETO CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

**FOR THE YEARS ENDED JUNE 30, 2018, 2017 AND 2016**

(in thousands, except per-share amounts)

| | Common Stock | | Capital in Excess of | (Accumulated Deficit) Retained | Accumulated Other Comprehensive | |
|---|---|---|---|---|---|---|
| | Shares | Amount | Par Value | Earnings | Income (Loss) | Total |
| Balance at June 30, 2015 | 29,147 | $ 292 | $93,807 | $ 164,603 | $ (7,096) | $251,606 |
| Net income | - | - | - | 34,766 | - | 34,766 |
| Other comprehensive income | - | - | - | - | 771 | 771 |
| Stock issued pursuant to employee stock incentive plans | 7 | - | 113 | - | - | 113 |
| Issuance of restricted stock, net of forfeitures | 346 | 3 | (3) | - | - | - |
| Sale of warrants | - | - | 13,685 | - | - | 13,685 |
| Purchase of call option (hedge) | - | - | (27,174) | - | - | (27,174) |
| Allocation of proceeds from convertible senior notes | - | - | 27,241 | - | - | 27,241 |
| Equity component of debt issuance costs | - | - | (976) | - | - | (976) |
| Deferred taxes related to convertible senior notes | - | - | 330 | - | - | 330 |
| Dividends declared ($0.24 per share) | - | - | - | (7,170) | - | (7,170) |
| Share-based compensation | - | - | 6,697 | - | - | 6,697 |
| Exercise of stock options | 95 | 1 | 728 | - | - | 729 |
| Tax benefit from employee stock incentive plans | - | - | 1,219 | - | - | 1,219 |
| Balance at June 30, 2016 | 29,595 | $ 296 | $115,667 | $ 192,199 | $ (6,325) | $301,837 |
| Net income | - | - | - | 11,376 | - | 11,376 |
| Other comprehensive income | - | - | - | - | 1,213 | 1,213 |
| Stock issued pursuant to employee stock incentive plans | 5 | - | 109 | - | - | 109 |
| Issuance of restricted stock, net of forfeitures | 424 | 4 | (4) | - | - | - |
| Stock to be issued in connection with acquisition of assets of Citron and Lucid | - | - | 90,400 | - | - | 90,400 |
| Dividends declared ($0.26 per share) | - | - | - | (7,895) | - | (7,895) |
| Share-based compensation | - | - | 6,930 | - | - | 6,930 |
| Exercise of stock options | 70 | 1 | 550 | - | - | 551 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Tax benefit from employee stock incentive plans | - | - | 546 | - | - | 546 |
| Balance at June 30, 2017 | 30,094 | $ 301 | $214,198 | $ 195,680 | $ (5,112) | $405,067 |
| Net loss | - | - | - | (316,121) | - | (316,121) |
| Other comprehensive income | - | - | - | - | 4,227 | 4,227 |
| Stock issued pursuant to employee stock incentive plans | 2 | - | 40 | - | - | 40 |
| Issuance of restricted stock, net of forfeitures | 595 | 6 | (6) | - | - | - |
| Dividends declared ($0.205 per share) | - | - | - | (6,296) | - | (6,296) |
| Share-based compensation | - | - | 7,762 | - | - | 7,762 |
| Exercise of stock options | 96 | 1 | 605 | - | - | 606 |
| Balance at June 30, 2018 | 30,787 | $ 308 | $222,599 | $ (126,737) | $ (885) | $95,285 |

See accompanying notes to consolidated financial statements.

**ACETO CORPORATION AND SUBSIDIARIES**

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**(1) Description of Business**

Aceto Corporation and subsidiaries ("Aceto" or the "Company") is primarily engaged in the sourcing, regulatory support, quality assurance, development, marketing, sales and distribution of finished dosage form generic pharmaceuticals, nutraceutical products, pharmaceutical intermediates and active ingredients, agricultural protection products and specialty chemicals used principally as finished products or raw materials in the pharmaceutical, nutraceutical, agricultural, coatings and industrial chemical consuming industries.

**(2) Summary of Significant Accounting Policies**

**Principles of Consolidation**

The consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries. All significant inter-company balances and transactions are eliminated in consolidation.

**Reclassifications**

Certain reclassifications between trade receivables and accrued expenses have been made to the prior period consolidated balance sheet to conform to the current year presentation.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in those financial statements and the disclosure of contingent assets and liabilities at the date of the financial statements. These judgments can be subjective and complex, and consequently actual results could differ from those estimates and assumptions. The Company's most critical accounting estimates relate to revenue recognition; allowance for doubtful accounts; inventory; goodwill and other indefinite-life intangible assets; long-lived assets; environmental matters and other contingencies; income taxes; stock-based compensation; and purchase price allocation.

**Cash and Cash Equivalents**

The Company considers all highly liquid debt instruments with original maturities at the time of purchase of three months or less to be cash equivalents. Included in cash equivalents as of June 30, 2018 and June 30, 2017 is $343 and $220, respectively, of restricted cash.

**Investments**

The Company classifies investments in marketable securities as trading, available-for-sale or held-to-maturity at the time of purchase and periodically re-evaluates such classifications. Trading securities are carried at fair value, with unrealized holding gains and losses included in earnings. Held-to-maturity securities are recorded at cost and are adjusted for the amortization or accretion of premiums or discounts over the life of the related security. Unrealized holding gains and losses on available-for-sale securities are excluded from earnings and are reported as a separate component of accumulated other comprehensive income (loss) until realized. In determining realized gains and losses, the cost of securities sold is based on the specific identification method. Interest and dividends on the investments are accrued at the balance sheet date.

**Inventory**

Inventory, which consists principally of finished goods, are stated at the lower of cost (first-in first-out method) and net realizable value. The Company writes down its inventory for estimated excess and obsolete goods by an amount equal to the difference between the carrying cost of the inventory and net realizable value based upon assumptions about future demand and market conditions.

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**Environmental and Other Contingencies**

The Company establishes accrued liabilities for environmental matters and other contingencies when it is probable that a liability has been incurred and the amount of the liability is reasonably estimable. If the contingency is resolved for an amount greater or less than the accrual, or the Company's share of the contingency increases or decreases, or other assumptions relevant to the development of the estimate were to change, the Company would recognize an additional expense or benefit in the consolidated statements of income in the period such determination was made.

**Pension Benefits**

In connection with certain historical acquisitions in Germany, the Company assumed defined benefit pension plans covering certain employees who meet certain eligibility requirements. The net pension benefit obligations recorded and the related periodic costs are based on, among other things, assumptions of the discount rate, estimated return on plan assets, salary increases and the mortality of participants. The obligation for these claims and the related periodic costs are measured using actuarial techniques and assumptions. Actuarial gains and losses are deferred and amortized over future periods. The Company's plans are funded in conformity with the funding requirements of applicable government regulations.

**Accumulated Other Comprehensive Loss**

The components of accumulated other comprehensive loss as of June 30, 2018 and 2017 are as follows:

| | 2018 | 2017 |
|---|---|---|
| Cumulative foreign currency translation adjustments | $(2,483) | $(4,340) |
| Fair value of interest rate swaps | 1,839 | (581) |

| | | |
|---|---|---|
| Defined benefit plans, net of tax | (241 ) | (191 ) |
| Total | $(885 ) | $(5,112) |

The foreign currency translation adjustments for the years ended June 30, 2018 and 2017 primarily relate to the fluctuation of the conversion rate of the Euro. The currency translation adjustments are not adjusted for income taxes as they relate to indefinite investments in non-US subsidiaries.

**Common Stock**

At the annual meeting of shareholders of the Company, held on December 15, 2015, the Company’s shareholders approved the proposal to amend Aceto’s Certificate of Incorporation to increase the total number of authorized shares of common stock from 40,000 shares to 75,000 shares.

Cash dividends of $0.065 per common share were paid in September, December, March of fiscal year 2018 and a cash dividend of $0.01 per common share was paid in June of fiscal year 2018. Cash dividends of $0.065 per common share were paid in September, December, March and June of fiscal year 2017. Cash dividends of $0.06 per common share were paid in September, December, March and June of fiscal year 2016. On September 6, 2018, the Company's board of directors declared a regular quarterly dividend of $.01 per share to be distributed on October 9, 2018 to shareholders of record as of September 24, 2018.

On May 4, 2017, the Board of Directors of the Company authorized the continuation of the Company’s stock repurchase program, expiring in May 2020. Under the stock repurchase program, the Company is authorized to purchase up to 5,000 shares of common stock in open market or private transactions, at prices not to exceed the market value of the common stock at the time of such purchase. The Company did not repurchase shares in fiscal 2018 or fiscal 2017.

The Board of Directors has authority under the Company’s Restated Certificate of Incorporation to issue shares of preferred stock with voting and other relative rights to be determined by the Board of Directors.

**ACETO CORPORATION AND SUBSIDIARIES**

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Stock-based Compensation

GAAP requires that all stock-based compensation be recognized as an expense in the financial statements and that such costs be measured at the fair value of the award. GAAP also requires that excess tax benefits related to stock option exercises be reflected as operating cash inflows.

All restricted stock grants include a service requirement for vesting. The Company has also granted restricted stock units that include either a performance or market condition. The fair value of restricted stock unit with either solely a service requirement or with the combination of service and performance requirements is based on the closing fair market value of Aceto's common stock on the date of grant. The fair value of market condition-based awards is estimated at the date of grant using a binomial lattice model or Monte Carlo Simulation. All models incorporate various assumptions such as the risk-free interest rate, expected volatility, expected dividend yield and expected life of the awards. Stock-based compensation expense is recognized on a straight-line basis over the service period or over our best estimate of the period over which the performance condition will be met, as applicable.

**Revenue Recognition**

The Company recognizes revenue from product sales at the time of shipment and passage of title and risk of loss to the customer. The Company has no acceptance or other post-shipment obligations and does not offer product warranties or services to its customers.

Sales are recorded net of estimated returns of damaged goods from customers, which historically have been immaterial, and sales incentives offered to customers. Sales incentives include volume incentive rebates. The Company records volume incentive rebates based on the underlying revenue transactions that result in progress by the customer in earning the rebate.

The Company has arrangements with various third parties, such as drug store chains and managed care organizations, establishing prices for its finished dosage form generics. While these arrangements are made between Aceto and its customers, the customers independently select a wholesaler from which they purchase the products. Alternatively, certain wholesalers may enter into agreements with the customers, with the Company's concurrence, which establishes the pricing for certain products which the wholesalers provide. Upon each sale of finished dosage form generics, estimates of chargebacks, rebates, returns, government reimbursed rebates, sales discounts and other adjustments are made. These estimates are based on historical experience, future expectations, contractual arrangements with wholesalers and indirect customers, and other factors known to management at the time of accrual. These estimates are recorded as reductions to gross revenues, with corresponding adjustments either as a reduction of accounts receivable or as a liability for price concessions.

Under certain arrangements, Rising will issue a credit (referred to as a "chargeback") to the wholesaler for the difference between the invoice price to the wholesaler and the customer's contract price. As sales to the large wholesale customers increase or decrease, the reserve for chargebacks will also generally increase or decrease. The provision for chargebacks varies in relation to changes in sales volume, product mix, pricing and the level of inventory at the wholesalers. The Company continually monitors the reserve for chargebacks and makes adjustments when management believes that expected chargebacks may differ from the actual chargeback reserve.

The Company estimates its provision for returns of finished dosage generics based on historical experience, product expiration dates, changes to business practices, credit terms and any extenuating circumstances known to management. While historical experience has allowed for reasonable estimations in the past, future returns may or may not follow historical trends. The Company continually monitors the reserve for returns and makes adjustments when management believes that actual product returns may differ from the established reserve. Generally, the reserve for returns increases as net sales increase.

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Government rebate accruals are based on estimated payments due to governmental agencies for purchases made by third parties under various governmental programs. Other rebates are offered to the Company's key chain drug store, distributor and wholesaler customers to promote customer loyalty and increase product sales. These rebate programs provide customers with credits upon attainment of pre-established volumes or attainment of net sales milestones for a specified period. Other promotional programs are incentive programs offered to the customers. The Company provides a provision for government reimbursed rebates and other rebates at the time of sale based on contracted rates and historical redemption rates. Assumptions used to establish the provision include level of customer inventories, contract sales mix and average contract pricing. Aceto regularly reviews the information related to these estimates and adjusts the provision accordingly.

Sales discount accruals are based on payment terms extended to customers.

The following table summarizes activity in the consolidated balance sheet for contra assets and liability for price concessions for the years ended June 30, 2018, 2017 and 2016:

| | Accruals for Chargebacks, Rebates, Returns and Other Allowances | | | | |
|---|---|---|---|---|---|
| | Chargebacks | Returns | Government Reimbursed Rebates | Non-Governmental Rebates & Other | Sales Discounts |
| Balance at June 30, 2015 | $ 32,167 | $ 30,692 | $ 938 | $ 4,335 | $ 2,682 |
| Current year provision | 247,186 | 7,618 | 5,124 | 90,915 | 10,267 |
| Credits issued during the year | (256,638) | (15,482) | (4,750) | (88,048) | (10,526) |
| Balance at June 30, 2016 | $ 22,715 | $ 22,828 | $ 1,312 | $ 7,202 | $ 2,423 |
| Acquisitions | 23,526 | 1,496 | 4,500 | 28,944 | 2,360 |
| Current year provision | 431,606 | 19,666 | 7,694 | 178,623 | 20,129 |
| Credits issued during the year | (417,928) | (11,631) | (4,642) | (158,836) | (18,875) |
| Balance at June 30, 2017 | $ 59,919 | $ 32,359 | $ 8,864 | $ 55,933 | $ 6,037 |
| Current year provision | 594,258 | 26,228 | 21,258 | 229,453 | 21,573 |
| Credits issued during the year | (587,490) | (17,076) | (20,464) | (199,127) | (21,202) |

| | | | | | |
|---|---|---|---|---|---|
| Balance at June 30, 2018 | $ 66,687 | $ 41,511 | $ 9,658 | $ 86,259 | $ 6,408 |

Credits issued during a given period represent cash payments or credit memos issued to the Company's customers as settlement for the related reserve. Management has the experience and access to relevant information that it believes is necessary to reasonably estimate the amounts of such deductions from gross revenues. The Company regularly reviews the information related to these estimates and adjusts its reserves accordingly, if and when actual experience differs from previous estimates. The Company has not experienced any significant changes in its estimates as it relates to its chargebacks, rebates, sales discounts or product returns in each of the years in the three year period ended June 30, 2018.

**Partnered Products**

The Company has various products that are subject to one of two types of collaborative arrangements with certain pharmaceutical companies. One type of arrangement relates to the Company's finished dosage form generics business acting strictly as a distributor and purchasing products at arm's length; in that type of arrangement, there is no profit sharing element. The second type of collaborative arrangement results in a profit sharing agreement between the Company and a developer and/or manufacturer of a finished dosage form generic drug. Both types of collaborative arrangements are conducted in the ordinary course of Rising's business. The nature and purpose of both of these arrangements is for the Company to act as a distributor of finished dose products to its customers. Under these arrangements, the Company maintains distribution rights with respect to specific drugs within the U.S. marketplace. Generally, the distribution rights are exclusive rights in the territory. In certain arrangements, the Company is required to maintain service level minimums including, but not limited to, market share and purchase levels, in order to preserve the exclusive rights. The Company's accounting policy with respect to these collaborative arrangements calls for the Company to present the sales and associated costs on a gross basis, with the amounts of the shared profits earned by the pharmaceutical companies on sales of these products, if applicable, included in cost of sales in the consolidated statements of income. The shared profits are settled on a quarterly basis. For each of the fiscal years 2018, 2017 and 2016, there was approximately $61,587, $54,454 and $41,036 respectively, of shared profits included in cost of sales, related to these types of collaborative arrangements. In the case of a collaborative arrangement where the Company solely acts as a distributor and purchases product at arm's length, the costs of those purchases are included as a cost of sales similar to any other purchase arrangement.

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Shipping and Handling Fees and Costs

All amounts billed to a customer in a sales transaction related to shipping and handling represent revenues earned and are included in net sales. The costs incurred by the Company for shipping and handling are reported as a component of cost of sales. Cost of sales also includes inbound freight, receiving, inspection, warehousing, distribution network, and customs and duty costs.

**Net (Loss) Income Per Common Share**

Basic (loss) income per common share is based on the weighted average number of common shares outstanding during the period. Diluted income per common share includes the dilutive effect of potential common shares outstanding. The following table sets forth the reconciliation of weighted average shares outstanding and diluted weighted average shares outstanding for the fiscal years ended June 30, 2018, 2017 and 2016:

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Weighted average shares outstanding | 35,216 | 32,283 | 29,110 |
| Dilutive effect of stock options and restricted stock awards and units | - | 349 | 471 |
| Diluted weighted average shares outstanding | 35,216 | 32,632 | 29,581 |

The effect of approximately 149 common equivalent shares for the year ended June 30, 2018 was excluded from the diluted weighted average shares outstanding due to a net loss for the year. There were 386 common equivalent shares outstanding for the year ended June 30, 2018 that were not included in the calculation of diluted net income per common share because their effect would have been anti-dilutive.

The Convertible Senior Notes (see Note 9) will only be included in the dilutive net (loss) income per share calculations using the treasury stock method during periods in which the average market price of Aceto's common stock is above the applicable conversion price of the Convertible Senior Notes, or $33.215 per share, and the impact would not be anti-dilutive.

**Income Taxes**

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company assesses the need to record a valuation allowance against its deferred tax assets based on the consideration of all available positive and negative evidence, using a more likely than not standard. This assessment considers, among other matters, recent losses; a forecast of future income or losses; the ability to carryback and carryforward losses; the Company's experience with tax attributes expiring unused; and tax planning strategies.

For a tax position that meets the more-likely-than-not recognition threshold, the tax benefit is measured as the largest amount that is judged to have a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority. Interest and penalties recognized on the liability for unrecognized tax benefits is recorded as income tax expense.

**Property and Equipment**

Property and equipment are stated at cost and are depreciated using the straight line method over the estimated useful lives of the related asset. The Company allocates depreciation and amortization to cost of sales. Expenditures for improvements that extend the useful life of an asset are capitalized. Ordinary repairs and maintenance are expensed as incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any related gains or losses are included in income.

**ACETO CORPORATION AND SUBSIDIARIES**

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The components of property and equipment were as follows:

| | June 30, 2018 | June 30, 2017 | Estimated useful life (years) |
|---|---|---|---|
| Machinery and equipment | $ 1,198 | $ 398 | 3-7 |
| Leasehold improvements | 2,641 | 979 | Shorter of asset life or lease term |
| Computer equipment and software | 9,589 | 7,255 | 3-5 |
| Furniture and fixtures | 2,638 | 2,094 | 5-10 |
| Automobiles | 194 | 184 | 3 |
| Building | 8,652 | 8,678 | 20 |
| Land | 1,958 | 1,967 | - |
| | 26,870 | 21,555 | |
| Accumulated depreciation and amortization | 12,690 | 11,127 | |
| | $ 14,180 | $ 10,428 | |

Property held for sale represents land and land improvements of $6,113 and $7,152 at June 30, 2018 and 2017, respectively. See Note 8, “Environmental Remediation” for further discussion on property held for sale.

Depreciation and amortization of property and equipment amounted to $2,006, $1,520 and $1,522 for the years ended June 30, 2018, 2017, and 2016 respectively.

**Goodwill and Other Intangibles**

Goodwill is calculated as the excess of the cost of purchased businesses over the fair value of their underlying net assets. Other intangible assets principally consist of customer relationships, license agreements, technology-based intangibles, EPA registrations and related data, trademarks and product rights and related intangibles. Goodwill and other intangible assets that have an indefinite life are not amortized.

The Company accounts for goodwill and intangible assets in accordance with ASC 350, Intangibles – Goodwill and Other ("ASC 350"). ASC 350 requires that goodwill and other intangibles with indefinite lives be tested for impairment annually or on an interim basis if events or circumstances indicate that the fair value of an asset has decreased below its carrying value. During the third quarter of fiscal 2018, the Company's Rising Pharmaceuticals reporting unit (which is part of the Human Health segment) had a decline in actual and forecasted revenue and earnings due to the persistent adverse conditions in the generics market. In addition, as previously discussed, the Company was notified by the U.S. government that 11 generic drug products it acquired through its Acetris Health subsidiary (part of the Rising reporting unit which is part of the Human Health segment) in a product purchase agreement with an entity formerly known as Lucid Pharma LLC were not in compliance with the federal Trade Agreement Act country-of-origin provisions of a clause contained in the government supply contracts acquired from Lucid. Based on these indicators, the Company determined that it was necessary to perform an interim goodwill impairment analysis at March 31, 2018 for its Rising reporting unit. The Company elected to early adopt Accounting Standards Update ("ASU") 2017-04, *Intangibles- Goodwill and Other (Topic 350),* during the third quarter of fiscal 2018 which eliminated the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. Instead, the amount of an impairment charge is recognized if the carrying amount of a reporting unit is greater than its fair value. The fair value of the Rising reporting unit was estimated using many assumptions and estimates and a market participant approach that directly impacts the results of the testing. In making these assumptions and estimates, the Company used industry accepted valuation models and set criteria that were reviewed and approved by various levels of management. Accordingly, with respect to the third quarter of fiscal 2018, the Company recognized a pre-tax non-cash goodwill impairment charge of $235,110 related to the Rising reporting unit.

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In accordance with GAAP, the Company tests goodwill and other indefinite life intangible assets for impairment on at least an annual basis. Goodwill impairment exists if the net book value of a reporting unit exceeds its estimated fair value. Initially, an assessment of qualitative factors is conducted in order to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. To determine the fair value of these intangible assets, the Company uses many assumptions and estimates using a market participant approach that directly impact the results of the testing. In making these assumptions and estimates, the Company uses industry accepted valuation models and set criteria that are reviewed and approved by various levels of management. There was no impairment of goodwill and other intangible assets in fiscal 2017 and fiscal 2016.

**Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of**

Long-lived assets and certain identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If it is determined such indicators are present and the review indicates that the assets will not be fully recoverable, based on undiscounted estimated cash flows over the remaining amortization periods, their carrying values are reduced to estimated fair value. Measurements based on undiscounted cash flows are Level 3 inputs. As noted above, during the third quarter of fiscal 2018, the Company's Rising Pharmaceuticals subsidiary had a decline in actual and forecasted revenue and earnings and therefore the Company performed an impairment test on the related intangibles. The projected undiscounted cash flows for certain intangibles were determined to be less than the carrying value, and as a result, the Company recognized an impairment charge of $5,745 in the third quarter of fiscal 2018. Additionally, as previously noted, the Company was notified by the U.S. government that 11 generic drug products it acquired through its Acetris Health subsidiary in a product purchase agreement with an entity formerly known as Lucid Pharma LLC are not in compliance with the federal Trade Agreement Act country-of-origin provisions of a clause contained in the government supply contracts acquired from Lucid. Based on this, the Company performed an impairment test on the related intangible asset and recognized an impairment charge of $15,411 on the customer relationships intangible asset in the third quarter of fiscal 2018. There were no impairment charges in fiscal 2017 and 2016.

Recoverability of assets held for sale is measured by comparing the carrying amount of the assets to their estimated fair value. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

**Accounting for Derivatives and Hedging Activities**

The Company accounts for derivatives and hedging activities under the provisions of GAAP which establishes accounting and reporting guidelines for derivative instruments and hedging activities. GAAP requires the recognition of all derivative financial instruments as either assets or liabilities in the statement of financial condition and measurement of those instruments at fair value. Changes in the fair values of those derivatives are reported in earnings or other comprehensive income depending on the designation of the derivative and whether it qualifies for hedge accounting. The accounting for gains and losses associated with changes in the fair value of a derivative and the effect on the consolidated financial statements depends on its hedge designation and whether the hedge is highly effective in achieving offsetting changes in the fair value or cash flows of the asset or liability hedged. The method that is used for assessing the effectiveness of a hedging derivative, as well as the measurement approach for determining the ineffective aspects of the hedge, is established at the inception of the hedged instrument.

The Company operates internationally, therefore its earnings, cash flows and financial positions are exposed to foreign currency risk from foreign-currency-denominated receivables and payables, which, in the U.S., have been denominated in various foreign currencies, including, among others, Euros, British Pounds, Japanese Yen, Singapore Dollars and Chinese Renminbi and at certain foreign subsidiaries in U.S. dollars and other non-local currencies.

Management believes it is prudent to minimize the risk caused by foreign currency fluctuation. Management minimizes the currency risk on its foreign currency receivables and payables by purchasing foreign currency contracts (futures) with one of its financial institutions. Futures are traded on regulated U.S. and international exchanges and represent commitments to purchase or sell a particular foreign currency at a future date and at a specific price. Since futures are purchased for the amount of the foreign currency receivable or for the amount of foreign currency needed to pay for specific purchase orders, and the futures mature on the due date of the related foreign currency vendor invoices or customer receivables, the Company believes that it eliminates risks relating to foreign currency fluctuation. The Company takes delivery of all futures to pay suppliers in the appropriate currency. The gains or losses for the changes in the fair value of the foreign currency contracts are recorded in cost of sales (sales) and offset the gains or losses associated with the impact of changes in foreign exchange rates on trade payables (receivables) denominated in foreign currencies. Senior management and members of the financial department continually monitor foreign currency risks and the use of this derivative instrument.

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In conjunction with its existing credit agreement (see Note 9), the Company entered into an interest rate swap on March 21, 2017 for an additional interest cost of 2.005% on a notional amount of $100,000, which has been designated as a cash flow hedge. The expiration date of this interest rate swap is December 21, 2021.

**Foreign Currency**

The financial statements of the Company's foreign subsidiaries are translated into U.S. dollars in accordance with GAAP. Where the functional currency of a foreign subsidiary is its local currency, balance sheet accounts are translated at the current exchange rate and income statement items are translated at the average exchange rate for the period. Exchange gains or losses resulting from the translation of financial statements of foreign operations are accumulated in other comprehensive income. Where the local currency of a foreign subsidiary is not its functional currency, financial statements are translated at either current or historical exchange rates, as appropriate.

**(3) Business Combinations**

On December 21, 2016, wholly owned subsidiaries of Rising Pharmaceuticals, Inc. ("Rising"), a wholly owned subsidiary of Aceto, completed the acquisition of certain generic products and related assets of entities formerly known as Citron Pharma LLC ("Citron") and its affiliate Lucid Pharma LLC ("Lucid"). Citron was a privately-held New Jersey-based pharmaceutical company focused on developing and marketing generic pharmaceutical products in partnership with leading generic pharmaceutical manufacturers based in India and the United States. Lucid was a privately-held New Jersey-based generic pharmaceutical distributor specializing in providing cost-effective products to various agencies of the U.S. Federal Government including the Veterans Administration and the Defense Logistics Agency. Lucid serviced 18 national contracts with the Federal Government.

Aceto and Citron possess complementary asset-light business models, drug development and manufacturing partnerships and product portfolios. The Company believes consistent with its strategy of expanding Rising's portfolio of finished dosage form generic products through product development partnerships and acquisitions of late stage

assets, abbreviated new drug applications (“ANDAs”) and complementary generic drug businesses, this transaction significantly expanded its roster of commercialized products and pipeline of products under development. In addition, the Company believes that this product acquisition greatly enhanced its size and stature within the generic pharmaceutical industry, expanded its partnership network and offers the Company opportunities to realize meaningful cost and tax efficiencies.

At closing, Aceto paid the sellers $270,000 in cash, committed to make a $50,000 unsecured deferred payment that bears interest at a rate of 5% per annum to the sellers on December 21, 2021 and agreed to issue 5,122 shares of Aceto common stock beginning on December 21, 2019. The product purchase agreement also provides the sellers with a 5-year potential earn-out of up to an additional $50,000 in cash, based on the financial performance of four pre-specified pipeline products that are currently in development. In the third quarter of fiscal 2018, the Company reversed $2,505 of contingent consideration due to management’s evaluation and assessment of the financial performance of these products. As of June 30, 2018, the Company accrued $683 related to this contingent consideration.

The product acquisition was accounted for using the purchase method of accounting. The following table summarizes the allocation of the purchase price to the estimated fair values of the assets acquired and liabilities assumed on the closing date of December 21, 2016:

| | |
|---|---|
| Trade receivables | $78,937 |
| Inventory | 38,995 |
| Prepaid expenses and other current assets | 1,425 |
| Goodwill | 169,071 |
| Intangible assets | 224,850 |
| Total assets acquired | 513,278 |
| | |
| Accounts payable | 46,840 |
| Accrued expenses | 53,458 |
| Deferred payment | 50,000 |
| Contingent consideration | 2,580 |
| | |
| Net assets acquired | $360,400 |

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The fair values of the net assets acquired were determined using discounted cash flow analyses and estimates made by management. The preliminary purchase price was allocated to intangible assets as follows: approximately $169,071 to goodwill, which is nonamortizable under generally accepted accounting principles and is deductible for income tax purposes; approximately $135,700 of product rights, amortizable over a period of approximately ten years; approximately $88,800 of customer relationships, amortizable over approximately eleven years; and approximately $350 of trademarks, amortizable over a period of approximately six months. Amortization of the acquired intangible assets is deductible for income tax purposes. Goodwill represents the excess of the preliminary purchase price paid over the fair value of the underlying net assets acquired and was allocated to the Human Health Segment. The Company recorded $250,521 of impairment charges on goodwill and intangible assets during the year ended June 30, 2018 related to this product acquisition (see Note 2).

As part of the product acquisition, the Company entered into an Administrative Services Agreement with the sellers in which excess cash payments may be made by either of the parties in connection with certain liabilities assumed upon the closing of the transaction related to rebates, chargebacks, commercial rebates and Medicaid and other government rebates. As of the closing date, the Company is responsible for the processing and administration of these related adjustments to sales completed prior to the closing date. In general, (i) if the amounts reserved for these liabilities underestimate the amounts that the Company is required to pay with respect to these items, the sellers will be required to reimburse the Company for the difference and (ii) if the amounts reserved for these liabilities overestimate the amounts that the Company is required to pay, the Company will be required to reimburse the sellers for the difference. Settlement is to be made two years after the closing date of December 21, 2016.

For the period from December 22, 2016 to June 30, 2017, net sales and income before income taxes from the product acquisition was approximately $122,118 and $7,437, respectively, which have been included in the Consolidated Statement of Operations for the year ended June 30, 2017. The following represents unaudited pro forma operating results as if the operations of Rising Health and Acetris Health had been included in the Company’s consolidated statements of operations as of July 1, 2015.

| | Year ended June 30, | |
|---|---|---|
| | 2017 | 2016 |

| | | |
|---|---|---|
| Net sales | $739,318 | $731,100 |
| Net income | 24,166 | 30,469 |
| Basic net income per common share | $0.70 | $0.89 |
| Diluted net income per common share | $0.69 | $0.88 |

The pro forma financial information includes business combination accounting effects from the product acquisition including amortization charges from acquired intangible assets of approximately $21,000 for both periods presented, increase in interest expense of approximately $13,200 for both periods presented associated with bank borrowings to fund the product acquisition and interest expense associated with the deferred payment to the sellers, $4,502 step-up in the fair value of the acquired inventory in the year ended June 30, 2016, reversal of acquisition related transaction costs of $8,818 and tax related effects in both periods. The unaudited pro forma information as presented above is for informational purposes only and is not indicative of the results of operations that would have been achieved if the product acquisition had taken place at the beginning of fiscal 2016.

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**(4) Investments**

A summary of short-term investments was as follows:

| | June 30, 2018 | June 30, 2017 |
|---|---|---|
| Held to Maturity Investments | | |
| Time deposits | $ 3,030 | $ 2,046 |

Short-term investments consist of time deposits that the Company classifies as held-to-maturity and are recorded at cost plus accumulated interest. The Company has classified all investments with maturity dates of greater than three months as current since it has the ability to redeem them within the year and amounts are available for current operations.

**(5) Fair Value Measurements**

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly fashion between market participants at the measurement date. GAAP establishes a fair value hierarchy for those instruments measured at fair value that distinguishes between assumptions based on market data (observable inputs) and the Company’s assumptions (unobservable inputs). The hierarchy consists of three levels:

Level 1 – Quoted market prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than Level 1 inputs that are either directly or indirectly observable; and

Level 3 – Unobservable inputs that are not corroborated by market data.

On a recurring basis, Aceto measures at fair value certain financial assets and liabilities, which consist of cash equivalents, investments and foreign currency contracts. The Company classifies cash equivalents and investments within Level 1 if quoted prices are available in active markets. Level 1 assets include instruments valued based on quoted market prices in active markets which generally include corporate equity securities publicly traded on major exchanges. Time deposits are very short-term in nature and are accordingly valued at cost plus accrued interest, which approximates fair value, and are classified within Level 2 of the valuation hierarchy. The Company uses foreign currency futures contracts to minimize the risk caused by foreign currency fluctuation on its foreign currency receivables and payables by purchasing futures with one of its financial institutions. Futures are traded on regulated U.S. and international exchanges and represent commitments to purchase or sell a particular foreign currency at a future date and at a specific price. Aceto’s foreign currency derivative contracts are classified within Level 2 as the fair value of these hedges is primarily based on observable futures foreign exchange rates. At June 30, 2018, the Company had foreign currency contracts outstanding that had a notional amount of $56,108. Unrealized gains (losses) on hedging activities for the years ended June 30, 2018, 2017, and 2016, amounted to $244, $(515) and $(10), respectively, and are included in interest and other income, net, in the consolidated statements of income. The contracts have varying maturities of less than one year.

In conjunction with its existing credit agreement (see Note 9), the Company entered into an interest rate swap on March 21, 2017 for an additional interest cost of 2.005% on a notional amount of $100,000, which has been designated as a cash flow hedge. The expiration date of this interest rate swap is December 21, 2021. The remaining balance of this derivative as of June 30, 2018 is $85,000. The unrealized gain to date associated with this derivative, which is recorded in accumulated other comprehensive loss in the consolidated balance sheet at June 30, 2018, is $1,839. Aceto’s interest rate swaps are classified within Level 2 as the fair value of this hedge is primarily based on observable interest rates.

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At June 30, 2018, the Company had $683 of contingent consideration, all of which related to the acquisition of certain products and related assets of Citron and Lucid, which was completed in December 2016 (see Note 3). The contingent consideration related to a previously acquired company in France was settled in fiscal 2018. At June 30, 2017, the Company had $2,952 of contingent consideration, $2,807 of which related to the acquisition of certain products and related assets of Citron and Lucid and $145 of contingent consideration related to a previously acquired company in France. The contingent consideration was calculated using the present value of a probability weighted income approach.

Changes in contingent consideration during 2018 and 2017 are as follows:

| | |
|---|---|
| Balance as of June 30, 2016 | $132 |
| Acquisitions | 2,580 |
| Accrued interest expense | 237 |
| Change in foreign currency exchange rate | 3 |
| Balance as of June 30, 2017 | $2,952 |
| Reversal of fair value of liability | (2,505) |
| Accrued interest expense | 386 |
| Settlement | (145) |
| Change in foreign currency exchange rate | (5) |
| Balance as of June 30, 2018 | $683 |

During the fourth quarter of each year or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, the Company evaluates goodwill for impairment at the reporting unit level using a market participant approach using Level 3 inputs. Additionally, on a nonrecurring basis, the Company uses fair value measures when analyzing asset impairment. The Company recorded $235,110 of impairment charges on goodwill during the year ended June 30, 2018 (see Note 2). No impairment charges were recorded during the years ended June 30, 2017 or 2016.

Long-lived assets and certain identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If it is determined such indicators

are present and the review indicates that the assets will not be fully recoverable, based on undiscounted estimated cash flows over the remaining amortization periods, their carrying values are reduced to estimated fair value. Measurements based on undiscounted cash flows are considered to be Level 3 inputs. The Company recorded $21,156 of impairment charges on intangible assets during the year ended June 30, 2018 (see Note 2). No impairment charges were recorded during the years ended June 30, 2017 or 2016.

In November 2015, the Company issued $143,750 aggregate principal amount of Notes (see Note 9). Since Aceto has the option to settle the potential conversion of the Notes in cash, the Company separated the embedded conversion option feature from the debt feature and accounts for each component separately, based on the fair value of the debt component assuming no conversion option. The calculation of the fair value of the debt component required the use of Level 3 inputs and was determined by calculating the fair value of similar non-convertible debt, using a theoretical borrowing rate of 6.5%. The value of the embedded conversion option was determined using an expected present value technique (income approach) to estimate the fair value of similar non-convertible debt and included utilization of convertible investors' credit assumptions and high yield bond indices. The carrying amount of the Notes approximate a fair value of $112,000 at June 30, 2018 and $133,000 at June 30, 2017 giving effect for certain factors, including the term of the Notes, current stock price of Aceto stock and effective interest rate. A portion of the offering proceeds was used to simultaneously enter into privately negotiated convertible note hedge transactions with option counterparties, which are affiliates of certain of the initial purchasers in the offering of the Notes and privately negotiated warrant transactions with the option counterparties (see Note 9). The Company calculated the fair value of the bond hedge based on the price that was paid to purchase the call. The Company also calculated the fair value of the warrant based on the price at which the affiliate purchased the warrants from the Company. Since the convertible note hedge and warrant are both indexed to the Company's common stock and otherwise would be classified as equity, Aceto recorded both elements as equity, resulting in a net reduction to capital in excess of par value of $13,489.

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The carrying values of all financial instruments classified as a current asset or current liability are deemed to approximate fair value because of the short maturity of these instruments. The fair values of the Company's notes receivable and short-term and long-term bank loans were based upon current rates offered for similar financial instruments to the Company.

The following tables summarize the valuation of the Company's financial assets and liabilities which were determined by using the following inputs at June 30, 2018 and 2017:

| | Fair Value Measurements at June 30, 2018 Using | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| Cash equivalents: | | | | |
| Time deposits | - | $ 3,218 | - | $ 3,218 |
| Investments: | | | | |
| Time deposits | - | 3,030 | - | 3,030 |
| Foreign currency contracts-assets (1) | - | 362 | - | 362 |
| Foreign currency contracts-liabilities (2) | - | 304 | - | 304 |
| Derivative asset for interest rate swap (3) | | 1,839 | | 1,839 |
| Contingent consideration (4) | - | - | $ 683 | 683 |

(1) Included in "Other receivables" in the accompanying Consolidated Balance Sheet as of June 30, 2018.
(2) Included in "Accrued expenses" in the accompanying Consolidated Balance Sheet as of June 30, 2018.
(3) Included in "Other Assets" in the accompanying Consolidated Balance Sheet as of June 30, 2018.
(4) Included in "Long-term liabilities" in the accompanying Consolidated Balance Sheet as of June 30, 2018.

| | Fair Value Measurements at June 30, 2017 Using | |
|---|---|---|
| | | Total |

| | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | |
|---|---|---|---|---|
| Cash equivalents: | | | | |
| Time deposits | - | $ 5,781 | - | $ 5,781 |
| Investments: | | | | |
| Time deposits | - | 2,046 | - | 2,046 |
| Foreign currency contracts-assets (5) | - | 486 | - | 486 |
| Foreign currency contracts-liabilities (6) | - | 137 | - | 137 |
| Derivative liability for interest rate swap (7) | | 581 | | 581 |
| Contingent consideration (8) | - | - | $ 2,952 | 2,952 |

(5) Included in “Other receivables” in the accompanying Consolidated Balance Sheet as of June 30, 2017.

(6) Included in “Accrued expenses” in the accompanying Consolidated Balance Sheet as of June 30, 2017.

(7) Included in “Long-term liabilities” in the accompanying Consolidated Balance Sheet as of June 30, 2017.

(8) $145 included in “Accrued expenses” and $2,807 included in “Long-term liabilities” in the accompanying Consolidated Balance Sheet as of June 30, 2017.

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**(6) Goodwill and Other Intangible Assets**

As of June 30, 2018, and June 30, 2017, there was goodwill of $1,883 and $236,970 respectively.

Changes in the Company's goodwill during 2018 and 2017 are as follows:

| | Human Health Segment | Pharmaceutical Ingredients Segment | Performance Chemicals Segment | Total Goodwill |
|---|---|---|---|---|
| Balance as of June 30, 2016 | $66,039 | $ 1,651 | $ 181 | $67,871 |
| Acquisitions | 169,071 | - | - | 169,071 |
| Changes in foreign currency exchange rates | - | 23 | 5 | 28 |
| Balance as of June 30, 2017 | $235,110 | $ 1,674 | $ 186 | $236,970 |
| Impairment | (235,110) | - | - | (235,110) |
| Changes in foreign currency exchange rates | - | 18 | 5 | 23 |
| Balance as of June 30, 2018 | $- | $ 1,692 | $ 191 | $1,883 |

The Company recorded $235,110 of impairment charges on goodwill during the year ended June 30, 2018 (see Note 2). No impairment charges were recorded during the years ended June 30, 2017 or 2016.

Intangible assets subject to amortization as of June 30, 2018 and 2017 were as follows:

| | Gross Carrying Value | Accumulated Amortization | Net Book Value |
|---|---|---|---|

| June 30, 2018 | | | |
|---|---|---|---|
| Customer relationships | $ 94,287 | $ 21,615 | $ 72,672 |
| Trademarks | 82 | 74 | 8 |
| Product rights and related intangibles | 212,749 | 54,094 | 158,655 |
| License agreements | 937 | 866 | 71 |
| EPA registrations and related data | 14,527 | 12,131 | 2,396 |
| | $ 322,582 | $ 88,780 | $ 233,802 |

| | **Gross Carrying Value** | **Accumulated Amortization** | **Net Book Value** |
|---|---|---|---|
| June 30, 2017 | | | |
| Customer relationships | $ 110,787 | $ 13,968 | $ 96,819 |
| Trademarks | 2,218 | 2,195 | 23 |
| Product rights and related intangibles | 221,335 | 37,677 | 183,658 |
| License agreements | 6,537 | 6,035 | 502 |
| EPA registrations and related data | 14,307 | 11,011 | 3,296 |
| | $ 355,184 | $ 70,886 | $ 284,298 |

Intangible assets with definitive useful lives are amortized using the straight-line method over their estimated useful lives. The straight-line method is utilized as it best reflects the use of the asset. The estimated useful lives of customer relationships, trademarks, product rights and related intangibles, license agreements and EPA registrations are 7-11 years, 3-4 years, 3-14 years, 6-11 years and 10 years respectively.

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As of June 30, 2018 and June 30, 2017, the Company also had $800 and $783, respectively, of intangible assets pertaining to trademarks which have indefinite lives and are not subject to amortization. The change in trademarks with indefinite lives is attributable to foreign currency exchange rates used to translate the financial statements of foreign subsidiaries.

The Company recorded $21,156 of impairment charges on intangible assets during the year ended June 30, 2018 (see Note 2). No impairment charges were recorded during the years ended June 30, 2017 or 2016.

Amortization expense for intangible assets subject to amortization amounted to $30,806, $22,234 and $11,176 for the years ended June 30, 2018, 2017 and 2016, respectively. The estimated aggregate amortization expense for intangible assets subject to amortization for each of the succeeding years ending June 30, 2019 through June 30, 2024 are as follows: 2019: $29,046; 2020: $28,556; 2021: $28,474; 2022: $28,409; 2023: $28,246 and 2024 and thereafter: $91,071.

**(7) Accrued Expenses**

The components of accrued expenses as of June 30, 2018 and 2017 were as follows:

| | 2018 | 2017 |
|---|---|---|
| Accrued compensation | $5,563 | $5,793 |
| Accrued environmental remediation costs-current portion | 5,535 | 6,112 |
| Reserve for price concessions | 137,428 | 97,156 |
| Partnered product liabilities | 14,880 | 16,068 |
| Other accrued expenses | 17,840 | 9,799 |
| | $181,246 | $134,928 |

**(8) Environmental Remediation**

In fiscal years 2011, 2009, 2008 and 2007, the Company received letters from the Pulvair Site Group, a group of potentially responsible parties (PRP Group) who are working with the State of Tennessee (the State) to remediate a contaminated property in Tennessee called the Pulvair site. The PRP Group has alleged that Aceto shipped hazardous substances to the site which were released into the environment. The State had begun administrative proceedings against the members of the PRP Group and Aceto with respect to the cleanup of the Pulvair site and the PRP Group has begun to undertake cleanup. The PRP Group is seeking a settlement of approximately $1,700 from the Company for its share to remediate the site contamination. Although the Company acknowledges that it shipped materials to the site for formulation over twenty years ago, the Company believes that the evidence does not show that the hazardous materials sent by Aceto to the site have significantly contributed to the contamination of the environment and thus believes that, at most, it is a de minimis contributor to the site contamination. Accordingly, the Company believes that the settlement offer is unreasonable. Management believes that the ultimate outcome of this matter will not have a material adverse effect on the Company's financial condition or liquidity.

The Company has environmental remediation obligations in connection with Arsynco, Inc. (“Arsynco”), a subsidiary formerly involved in manufacturing chemicals located in Carlstadt, New Jersey, which was closed in 1993 and is currently held for sale. Based on continued monitoring of the contamination at the site and the approved plan of remediation, Arsynco received an estimate from an environmental consultant stating that the costs of remediation could be between $22,900 and $24,700. Remediation commenced in fiscal 2010, and as of June 30, 2018 and June 30, 2017, a liability of $5,746 and $8,451, respectively, is included in the accompanying consolidated balance sheets for this matter. For the year ended June 30, 2018, the Company recorded environmental remediation charges of $1,822, which is included in selling, general and administrative expenses in the accompanying consolidated statements of income for the year ended June 30, 2018. In accordance with GAAP, management believes that the majority of costs incurred to remediate the site will be capitalized in preparing the property which is currently classified as held for sale. In June 2018, the Company entered into an agreement to sell the Arsynco property to an unrelated third party for $6,340. The sale is subject to due diligence by the buyer and the Company is not sure when or if the sale will close. The sale price supports the assumption that the expected fair value after the remediation is in excess of the amount required to be capitalized. However, these matters, if resolved in a manner different from those assumed in current estimates, could have a material adverse effect on the Company’s financial condition, operating results and cash flows when resolved in a future reporting period.

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In connection with the environmental remediation obligation for Arsynco, in July 2009, Arsynco entered into a settlement agreement with BASF Corporation (“BASF”), the former owners of the Arsynco property. In accordance with the settlement agreement, BASF paid for a portion of the prior remediation costs and going forward, will co-remediate the property with the Company. The contract requires that BASF pay $550 related to past response costs and pay a proportionate share of the future remediation costs. Accordingly, the Company had recorded a gain of $550 in fiscal 2009. This $550 gain relates to the partial reimbursement of costs of approximately $1,200 that the Company had previously expensed. The Company also recorded an additional receivable from BASF, with an offset against property held for sale, representing its estimated portion of the future remediation costs. The balance of this receivable for future remediation costs as of June 30, 2018 and June 30, 2017 is $2,586 and $3,803, respectively, which is included in the accompanying consolidated balance sheets.

In March 2006, Arsynco received notice from the EPA of its status as a PRP under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) for a site described as the Berry’s Creek Study Area (“BCSA”). Arsynco is one of over 150 PRPs which have potential liability for the required investigation and remediation of the site. The estimate of the potential liability is not quantifiable for a number of reasons, including the difficulty in determining the extent of contamination and the length of time remediation may require. In addition, any estimate of liability must also consider the number of other PRPs and their financial strength. In July 2014, Arsynco received notice from the U.S. Department of Interior (“USDOI”) regarding the USDOI’s intent to perform a Natural Resource Damage (NRD) Assessment at the BCSA. Arsynco has to date declined to participate in the development and performance of the NRD assessment process. Based on prior practice in similar situations, it is possible that the State may assert a claim for natural resource damages with respect to the Arsynco site itself, and either the federal government or the State (or both) may assert claims against Arsynco for natural resource damages in connection with Berry's Creek; any such claim with respect to Berry's Creek could also be asserted against the approximately 150 PRPs which the EPA has identified in connection with that site. Any claim for natural resource damages with respect to the Arsynco site itself may also be asserted against BASF, the former owners of the Arsynco property. In September 2012, Arsynco entered into an agreement with three of the other PRPs that had previously been impleaded into New Jersey Department of Environmental Protection, et al. v. Occidental Chemical Corporation, et al., Docket No. ESX-L-9868-05 (the "NJDEP Litigation") and were considering impleading Arsynco into the same proceeding. Arsynco entered into an agreement to avoid impleader. Pursuant to the agreement, Arsynco agreed to (1) a tolling period that would not be included when computing the running of any statute of limitations that might provide a defense to the NJDEP Litigation; (2) the waiver of certain issue preclusion defenses in the NJDEP Litigation; and (3) arbitration of certain potential future liability allocation claims if the other parties to the agreement are barred by a court of competent jurisdiction from proceeding against Arsynco. In July 2015, Arsynco was contacted by an allocation consultant retained by a group of the named PRPs, inviting Arsynco to participate in the allocation among the PRPs’ investigation and remediation costs relating to the BCSA. Arsynco declined that invitation. Since an amount

of the liability cannot be reasonably estimated at this time, no accrual is recorded for these potential future costs. The impact of the resolution of this matter on the Company's results of operations in a particular reporting period is not currently known.

**(9) Debt**

*Long-term debt*

| | June 30, 2018 | 2017 |
|---|---|---|
| Convertible Senior Notes, net | $127,857 | $121,676 |
| Revolving bank loans | 62,000 | 90,000 |
| Term bank loans | 124,959 | 139,227 |
| Mortgage | 2,582 | 2,763 |
| | 317,398 | 353,666 |
| Less current portion | 14,482 | 14,466 |
| | $302,916 | $339,200 |

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*Convertible Senior Notes*

In November 2015, Aceto offered $125,000 aggregate principal amount of Convertible Senior Notes due 2020 (the "Notes") in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. In addition, Aceto granted the initial purchasers for the offering an option to purchase up to an additional $18,750 aggregate principal amount pursuant to the initial purchasers' option to purchase additional Notes, which was exercised in November 2015. Therefore the total offering was $143,750 aggregate principal amount. The Notes are unsecured obligations of Aceto and rank senior in right of payment to any of Aceto's subordinated indebtedness, equal in right of payment to all of Aceto's unsecured indebtedness that is not subordinated, effectively junior in right of payment to any of Aceto's secured indebtedness to the extent of the value of the assets securing such indebtedness and structurally junior in right of payment to all indebtedness and other liabilities (including trade payables) of Aceto's subsidiaries. The Notes will be convertible into cash, shares of Aceto common stock or a combination thereof, at Aceto's election, upon the satisfaction of specified conditions and during certain periods. The Notes will mature in November 2020. The Notes pay 2.0% interest semi-annually in arrears on May 1 and November 1 of each year, which commenced on May 1, 2016. The Notes are convertible into 4,328 shares of common stock, based on an initial conversion price of $33.215 per share.

Holders may convert all or any portion of their notes, in multiples of one thousand dollar principal amount, at their option at any time prior to the close of business on the business day immediately preceding May 1, 2020 only under the following circumstances: (i) during any calendar quarter (and only during such calendar quarter), if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day, (ii) during the five consecutive business day period after any five consecutive trading day period (which is referred to as the "measurement period") in which the trading price per one thousand dollar principal amount of Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of Aceto's common stock and the conversion rate on each such trading day; or (iii) upon the occurrence of specified corporate events.

Upon conversion by the holders, the Company may elect to settle such conversion in shares of its common stock, cash, or a combination thereof. As a result of its cash conversion option, the Company separately accounted for the value of the embedded conversion option as a debt discount (with an offset to capital in excess of par value). The debt

discount is being amortized as additional non-cash interest expense using the effective interest method over the term of the Notes. Debt issuance costs are being amortized as additional non-cash interest expense. The Company presents debt issuance costs as a direct deduction from the carrying value of the debt liability rather than showing the debt issuance costs as a deferred charge on the balance sheet.

In connection with the offering of the Notes, Aceto entered into privately negotiated convertible note hedge transactions with option counterparties, which are affiliates of certain of the initial purchasers. The convertible note hedge transactions are expected generally to reduce the potential dilution to Aceto's common stock and/or offset any cash payments Aceto is required to make in excess of the principal amount of converted Notes upon any conversion of Notes. Aceto also entered into privately negotiated warrant transactions with the option counterparties. The warrant transactions could separately have a dilutive effect to the extent that the market price per share of Aceto's common stock as measured over the applicable valuation period at the maturity of the warrants exceeds the applicable strike price of the warrants. By entering into these transactions with the option counterparties, the Company issued convertible debt and a freestanding "call-spread."

The carrying value of the Notes is as follows:

| | **June 30, 2018** | **June 30, 2017** |
|---|---|---|
| Principal amount | $143,750 | $143,750 |
| Unamortized debt discount | (13,909) | (19,255) |
| Unamortized debt issuance costs | (1,984) | (2,819) |
| Net carrying value | $127,857 | $121,676 |

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The following table sets forth the components of total "interest expense" related to the Notes recognized in the accompanying consolidated statements of income for the year ended June 30:

| | 2018 | 2017 |
|---|---|---|
| Contractual coupon | $2,875 | $2,867 |
| Amortization of debt discount | 5,346 | 5,012 |
| Amortization of debt issuance costs | 835 | 835 |
| | $9,056 | $8,714 |

*Credit Facilities*

On December 21, 2016 the Company entered into a Second Amended and Restated Credit Agreement (the "A&R Credit Agreement"), with eleven banks, which amended and restated in its entirety the Amended and Restated Credit Agreement, dated as of October 28, 2015, as amended by Amendment No. 1 to Amended and Restated Credit Agreement, dated as of November 10, 2015, and Amendment No. 2 to Amended and Restated Credit Agreement, dated as of August 26, 2016 (collectively, the "First Amended Credit Agreement"). The A&R Credit Agreement increases the aggregate available revolving commitment under the First Amended Credit Agreement from $150,000 to an initial aggregate available revolving commitment of $225,000 (the "Initial Revolving Commitment"). Under the A&R Credit Agreement, the Company may borrow, repay and reborrow from and as of December 21, 2016, to but excluding December 21, 2021 (the "Maturity Date") provided, that if any of the Notes remain outstanding on the date that is 91 days prior to the maturity date of the Notes (the "2015 Convertible Maturity Date"), then the Maturity Date shall mean the date that is 91 days prior to the 2015 Convertible Maturity Date. The A&R Credit Agreement provides for (i) Eurodollar Loans (as such terms are defined in the A&R Credit Agreement), (ii) ABR Loans (as such terms are defined in the A&R Credit Agreement) or (iii) a combination thereof. As of June 30, 2018, the Company borrowed Revolving Loans aggregating $62,000 which loans are Eurodollar Loans at interest rates ranging from 5.00% to 5.02% at June 30, 2018. The applicable interest rate margin percentage is subject to adjustment quarterly based upon the Company's senior secured net leverage ratio.

Under the A&R Credit Agreement, the Company also borrowed $150,000 in term loans (the “Initial Term Loan). Subject to certain conditions, including obtaining commitments from existing or prospective lenders, the Company will have the right to increase the amount of the Initial Revolving Commitment (each, a “Revolving Facility Increase” and, together with the Initial Revolving Commitment, the “Revolving Commitment”) and/or the Initial Term Loan in an aggregate amount not to exceed $100,000 pursuant to an incremental loan feature in the A&R Credit Agreement. As of June 30, 2018, the remaining amount outstanding under the Initial Term Loan is $127,500 and is payable as a Eurodollar Loan at an interest rate of 4.83%. The proceeds of the Initial Revolving Commitment and Initial Term Loan have been used to partially finance the acquisition of generic products and related assets of Citron and its affiliate Lucid, and pay fees and expenses related thereto. The applicable interest rate margin percentage is subject to adjustment quarterly based upon the Company’s senior secured net leverage ratio.

The Initial Term Loan is payable as to principal in nineteen consecutive, equal quarterly installments of $3,750, which commenced on March 31, 2017 and will continue on each March 31, June 30, September 30 and December 31 thereafter. To the extent not previously paid, the final payment on the Term Loan Maturity Date (as defined in the A&R Credit Agreement) shall be in an amount equal to the then outstanding unpaid principal amount of the Initial Term Loan.

The A&R Credit Agreement provides that commercial letters of credit shall be issued to provide the primary payment mechanism in connection with the purchase of any materials, goods or services in the ordinary course of business. The Company had no open letters of credit at June 30, 2018 and June 30, 2017.

In accordance with generally accepted accounting principles, $3,659 of deferred financing costs associated with the Initial Term Loan are presented as a direct deduction from the carrying value of the debt liability rather than showing the deferred financing costs as a deferred charge on the balance sheet. In addition, deferred financing costs of $1,748 associated with the Revolving Commitment have been recorded as a deferred charge on the balance sheet.

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The A&R Credit Agreement provides for a security interest in substantially all of the personal property of the Company and certain of its subsidiaries. The A&R Credit Agreement contains several financial covenants including, among other things, maintaining a minimum level of debt service and certain leverage ratios. Under the A&R Credit Agreement, the Company and its subsidiaries are also subject to certain restrictive covenants, including, among other things, covenants governing liens, limitations on indebtedness, limitations on guarantees, limitations on sales of assets and sales of receivables, and limitations on loans and investments.

On December 13, 2017, the Company entered into a First Amendment to the Second Amended and Restated Credit Agreement (the "2017 Amendment"), which amended the A&R Credit Agreement. The 2017 Amendment, among other things, contained several amendments to the financial covenants in the A&R Credit Agreement.

As of March 31, 2018, the Company was in compliance with all of its financial covenants except for the maximum total net leverage ratio and the minimum debt service coverage ratio. On May 3, 2018, the Company entered into a Second Amendment and Waiver to the Second Amended and Restated Credit Agreement (the "May 2018 Amendment"). The May 2018 Amendment, among other things, contains a waiver of any event of default under the A&R Credit Agreement arising as a result of the non-compliance by the Company with the Total Net Leverage Ratio and Debt Service Coverage Ratio financial covenants, in each case, solely for the fiscal quarter ended March 31, 2018. The May 2018 Amendment also contains several amendments to the A&R Credit Agreement including, among other things, (a) reducing the available revolving commitment thereunder to $100,000, and (b) during the period commencing on the closing of the May 2018 Amendment and ending on the date the Company demonstrates compliance with each financial covenant set forth in the A&R Credit Agreement for the fiscal quarter ending June 30, 2018 (the "May 2018 Amendment Limitation Period"; provided that if the Company is not in compliance with any of the financial covenants set forth in the A&R Credit Agreement for the fiscal quarter ending June 30, 2018, then the May 2018 Amendment Limitation Period shall continue indefinitely): (i) fixing the applicable margin with respect to all loans under the A&R Credit Agreement to the highest level provided under the A&R Credit Agreement, which is 1.50% in the case of ABR Loans (as defined in the A&R Credit Agreement) and 2.50% in the case of Eurodollar Loans (as defined in the A&R Credit Agreement), (ii) fixing the commitment fee on the undrawn revolving commitments under the A&R Credit Agreement to the highest level provided under the A&R Credit Agreement which is 0.40% per annum, (iii) requiring the prior written consent of the Required Lenders (as defined in the A&R Credit Agreement) as a condition precedent to the lenders extending any Loans (as defined in the A&R Credit Agreement) or the issuing banks issuing, amending, renewing or extending any Letter of Credit (as defined in the A&R Credit Agreement), (iv) restricting the amount of dividends or distributions the Company may make to its shareholders to no more than $0.01 per share for the fiscal quarter ending on June 30, 2018 and, during the May 2018 Amendment

Limitation Period, restricting the Company from making any other dividends or distributions to its shareholders thereafter and (v) restricting the incurrence of certain indebtedness, limiting acquisitions and other investments and imposing certain other restrictions.

On September 11, 2018, the Company entered into a Third Amendment and Limited Waiver, dated as of September 11, 2018 (the "September 2018 Amendment"), to the A&R Credit Agreement. As of June 30, 2018, the Company was not in compliance with its total net leverage ratio, senior secured net leverage ratio and debt service coverage ratio financial covenants. The September 2018 Amendment provides for a waiver of any event of default under the A&R Credit Agreement arising as a result of the non-compliance by the Company with the total net leverage ratio, senior secured net leverage ratio and debt service coverage ratio financial covenants, in each case, solely for the fiscal quarters ended or ending June 30, 2018, September 30, 2018, December 31, 2018, March 31, 2019 and June 30, 2019. The September 2018 Amendment also contains several amendments to the A&R Credit Agreement including, among other things, (a) a limitation on dividends for the fiscal quarters ending September 30, 2018, December 31, 2018, March 31, 2019 and June 30, 2019, to an amount not to exceed $325 for any fiscal quarter, (b) increasing the applicable margin with respect to the interest rates on all loans under the A&R Credit Agreement by 450 basis points and fixing (during the September 2018 Amendment Limitation Period (as hereinafter defined)) the applicable margin with respect to the interest rate on all loans under the A&R Credit Agreement to the highest level provided under the A&R Credit Agreement which is currently 6.00% in the case of ABR Loans (as defined in the A&R Credit Agreement) and 7.00% in the case of Eurodollar Loans (as defined in the A&R Credit Agreement), (c) during the period commencing on the closing of the September 2018 Amendment and ending on the date the Company demonstrates compliance with each financial covenant set forth in the A&R Credit Agreement for the fiscal quarter ending September 30, 2019 (the "September 2018 Amendment Limitation Period"; provided that if the Company is not in compliance with any of the financial covenants set forth in the A&R Credit Agreement for the fiscal quarter ending September 30, 2019, then the September 2018 Amendment Limitation Period shall continue indefinitely), requiring the Company to maintain the sum of Domestic Liquidity (as defined in the A&R Credit Agreement) plus Foreign Liquidity (as defined in the A&R Credit Agreement) and the undrawn portion of the Revolving Commitment (as defined in the A&R Credit Agreement) ("Covenant Liquidity") to an amount of at least $55,000 (the "Covenant Liquidity Amount") as of the last business day of each week following the effectiveness of the September 2018 Amendment; provided that the Company shall not be in breach of the minimum liquidity covenant unless the Covenant Liquidity is less than the Covenant Liquidity Amount as of the last business day of two consecutive weeks, (d) requiring the prior written consent of the Required Lenders (as defined in the A&R Credit Agreement) as a condition precedent to the lenders extending any Loans (as defined in the A&R Credit Agreement) or the issuing banks issuing, amending, renewing or extending any Letter of Credit (as defined in the A&R Credit Agreement), and (e) permitting the purchase, during fiscal year 2019, of assets for an aggregate consideration not to exceed $12,300, consisting of intangible assets relating to strategic product acquisitions and certain capital expenditures, and (f) restricting the incurrence of certain indebtedness, limiting acquisitions and other investments and imposing certain other restrictions.

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The Company has available lines of credit with foreign financial institutions. At June 30, 2018, the Company had available lines of credit with foreign financial institutions totaling $1,822. At June 30, 2017, the Company had available lines of credit with foreign financial institutions totaling $7,351. The Company has issued a cross corporate guarantee to the foreign banks. Short term loans under these agreements bear interest at a fixed rate of 4.5% at June 30, 2018, June 30, 2017 and June 30, 2016. The Company is not subject to any financial covenants under these arrangements. The Company's foreign subsidiaries had $1,552 in commercial letters of credit as of June 30, 2018. There were no outstanding balances on commercial letters of credit as of June 30, 2017.

Under the above financing arrangements, the Company had $189,500 in bank loans and $1,737 in standby letters of credit at June 30, 2018. At June 30, 2017 the Company had $232,500 in bank loans and $1,737 in standby letters of credit leaving an unused facility of $140,613.

*Mortgage*

On June 30, 2011, the Company entered into a mortgage payable for $3,947 on its corporate headquarters, in Port Washington, New York. This mortgage payable is secured by the land and building and is being amortized over a period of 20 years. The mortgage payable, which was modified in October 2013, bears interest at 4.92% as of June 30, 2018 and matures on June 30, 2021.

*Maturity of Long-term Debt*

Long-term debt matures by fiscal year as follows:

| | |
|---|---|
| 2019 | 14,482 |
| 2020 | 14,465 |

| | |
|---|---|
| 2021 | 142,322 |
| 2022 | 144,352 |
| 2023 | 197 |
| Thereafter | 1,580 |
| | $317,398 |

**(10) Stock Based Compensation Plans**

At the annual meeting of shareholders of the Company, held on December 15, 2015, the Company's shareholders approved the Aceto Corporation 2015 Equity Participation Plan (the "2015 Plan"). Under the 2015 Plan, grants of stock options, stock appreciation rights, restricted stock, restricted stock units and other stock-based awards ("Stock Awards") may be offered to employees, non-employee directors, consultants and advisors of the Company, including the chief executive officer, chief financial officer and other named executive officers. The maximum number of shares of common stock of the Company that may be issued pursuant to Stock Awards granted under the 2015 Plan will not exceed, in the aggregate, 4,250 shares. Stock Awards that are intended to qualify as "performance-based compensation" for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended, may be granted. Performance-based awards may be granted, vested and paid based on the attainment of specified performance goals.

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At the annual meeting of shareholders of the Company, held on December 6, 2012, the Company's shareholders approved the amended and restated Aceto Corporation 2010 Equity Participation Plan (the "2010 Plan"). Under the 2010 Plan, grants of stock options, restricted stock, restricted stock units, stock appreciation rights, and stock bonuses may be made to employees, non-employee directors and consultants of the Company. The maximum number of shares of common stock of the Company that may be issued pursuant to awards granted under the 2010 Plan will not exceed, in the aggregate, 5,250 shares. In addition, restricted stock may be granted to an eligible participant in lieu of a portion of any annual cash bonus earned by such participant. Such award may include additional shares of restricted stock (premium shares) greater than the portion of bonus paid in restricted stock. The restricted stock award is vested at issuance and the restrictions lapse ratably over a period of years as determined by the Board of Directors, generally three years. The premium shares vest when all the restrictions lapse, provided that the participant remains employed by the Company at that time.

At the annual meeting of shareholders of the Company held December 6, 2007, the shareholders approved the Aceto Corporation 2007 Long-Term Performance Incentive Plan (the "2007 Plan"). The Company has reserved 700 shares of common stock for issuance under the 2007 Plan to the Company's employees and non-employee directors. There are five types of awards that may be granted under the 2007 Plan-options to purchase common stock, stock appreciation rights, restricted stock, restricted stock units and performance incentive units.

In September 2016, the Company granted 28 performance stock options to an executive officer at an exercise price of $20.03 per share. The performance options vest if the closing stock price meets or exceeds the target price of $40 for 20 consecutive trading days prior to June 30, 2021 and the explicit service period of 1 year has been met. The options will expire June 30, 2021, if the stock price target is not achieved. If it is achieved, the options will expire ten years from the date of grant. There were no stock options granted in fiscal years 2018 or 2016.

As of June 30, 2018, there were 1,571, 488 and 0 shares of common stock available for grant under the 2015, 2010 and 2007 Plans, respectively.

In December 1998, the Company adopted the Aceto Corporation 1998 Omnibus Equity Award Plan (1998 Plan). The 1998 Plan expired in December 2008. Outstanding options survive the expiration of the 1998 Plan.

The following summarizes the shares of common stock under options for all plans at June 30, 2018, 2017 and 2016, and the activity with respect to options for the respective years then ended:

| | Shares subject to option | Weighted average exercise price per share | Aggregate Intrinsic Value |
|---|---|---|---|
| Balance at June 30, 2015 | 397 | $ 7.28 | |
| Granted | - | - | |
| Exercised | (95) | 7.56 | |
| Forfeited (including cancelled options) | - | - | |
| Balance at June 30, 2016 | 302 | $ 7.19 | |
| Granted | 28 | 20.03 | |
| Exercised | (70) | 7.90 | |
| Forfeited (including cancelled options) | - | - | |
| Balance at June 30, 2017 | 260 | $ 8.36 | |
| Granted | - | - | |
| Exercised | (96) | 6.29 | |
| Forfeited (including cancelled options) | (35) | 17.61 | |
| Balance at June 30, 2018 | 129 | $ 7.44 | $ - |
| Options exercisable at June 30, 2018 | 129 | $ 7.44 | $ - |

The total intrinsic value of stock options exercised during the years ended June 30, 2018, 2017 and 2016 was approximately $430, $865 and $1,700, respectively. The weighted average remaining contractual life of options outstanding at June 30, 2018 was approximately 2 years. At June 30, 2018, outstanding options had expiration dates ranging from December 2018 to August 2021.

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Under the 2015 Plan, 2010 Plan, 2002 Plan and the 1998 Plan, compensation expense is recorded for the fair value of the restricted stock awards in the year the related bonus is earned and over the vesting period for the market value at the date of grant of the premium shares granted. In fiscal 2018, 2017 and 2016, restricted stock awarded and premium shares vested of 2, 5 and 7 common shares, respectively, were issued under employee incentive plans, which increased stockholders' equity by $40, $109 and $113, respectively. The related non-cash compensation expense related to the vesting of premium shares during the year was $20, $26 and $22 in fiscal 2018, 2017 and 2016, respectively. Additionally, non-cash compensation expense of $0, $55 and $0 was recorded in fiscal 2018, 2017 and 2016, respectively, relating to stock option grants, which is included in selling, general and administrative expenses.

The following summarizes the non-vested stock options at June 30, 2018 and the activity with respect to non-vested options for the year ended June 30, 2018:

| | **Shares subject to option** | **Weighted average grant date fair value** |
|---|---|---|
| Non-vested at June 30, 2017 | 28 | $ 5.44 |
| Granted | - | - |
| Vested | - | - |
| Forfeited | (28) | (5.44) |
| Non-vested at June 30, 2018 | - | $ - |

During the year ended June 30, 2018, the Company granted 497 shares of restricted common stock to its employees that vest over three years and 27 shares of restricted common stock to its non-employee directors, which vest over approximately one year. In addition, the Company also issued a target grant of 203 performance-vested restricted stock units, which grant could be as much as 355 restricted stock units if certain performance criteria and market conditions are met. Performance-vested restricted stock units will cliff vest 100% at the end of the third year following grant in accordance with the performance metrics set forth in the applicable employee performance-vested restricted stock unit grant.

During the year ended June 30, 2017, the Company granted 277 shares of restricted common stock to its employees that vest over three years and 22 shares of restricted common stock to its non-employee directors, which vest over approximately one year. In addition, the Company also issued a target grant of 160 performance-vested restricted stock units, which grant could be as much as 280 if certain performance criteria and market conditions are met. Performance-vested restricted stock units will cliff vest 100% at the end of the third year following grant in accordance with the performance metrics set forth in the applicable employee performance-vested restricted stock unit grant.

During the year ended June 30, 2016, the Company granted 221 shares of restricted common stock to its employees that vest over three years and 14 shares of restricted common stock to its non-employee directors, which vest over approximately one year as well as 46 restricted stock units that have varying vest dates through July 2017. In addition, the Company also issued a target grant of 142 performance-vested restricted stock units, which grant could be as much as 248 if certain performance criteria and market conditions are met. Performance-vested restricted stock units will cliff vest 100% at the end of the third year following grant in accordance with the performance metrics set forth in the applicable employee performance-vested restricted stock unit grant.

For the years ended June 30, 2018, 2017 and 2016, the Company recorded stock-based compensation expense of approximately $7,762, $6,875, and $6,697, respectively, which is included in selling, general and administrative expenses, Included in the stock-based compensation expense is $431 associated with the retirement of a Chief Financial Officer in March 2018 and $2,017 in stock-based compensation expense associated with the separation of the Company’s former Chief Executive Officer in September 2017.

The remaining stock-based compensation expense for restricted stock awards and units is approximately $6,119 at June 30, 2018 and the related weighted average period over which it is expected that such unrecognized compensation cost will be recognized is approximately 1.8 years.

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A summary of restricted stock awards including restricted stock units as of June 30, 2018, is presented below:

| | Shares | Weighted average grant date fair value |
|---|---|---|
| Non-vested at beginning of year | 797 | $ 21.24 |
| Granted | 727 | 10.27 |
| Vested | (498) | 18.52 |
| Forfeited | (200) | 14.33 |
| Non-vested at June 30, 2018 | 826 | $ 14.90 |

**(11) Interest and Other Income**

Interest and other income during fiscal 2018, 2017 and 2016 was comprised of the following:

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Dividends | $199 | $277 | $222 |
| Interest | 278 | 264 | 313 |
| Foreign government subsidies received | 53 | 64 | 25 |
| Joint venture equity earnings | 2,173 | 2,336 | 2,060 |
| Foreign currency gains (losses) | 136 | (298) | 56 |
| Deferred compensation plan losses | (13) | (257) | (35) |
| Rental income | 163 | 158 | 154 |
| Miscellaneous income | 56 | 33 | 28 |
| | $3,045 | $2,577 | $2,823 |

The Company’s joint venture earnings represent the Company’s investment in a corporate joint venture established for the purpose of selling a particular agricultural protection product. The Company’s initial investment was $6 in fiscal 2009, representing a 30% ownership and the Company accounts for this joint venture using the equity method of

accounting.

**(12) Income Taxes**

The components of (loss) income before the provision for income taxes are as follows:

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Domestic operations | $(303,329) | $9,555 | $43,906 |
| Foreign operations | 10,507 | 7,806 | 9,948 |
| | $(292,822) | $17,361 | $53,854 |

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The components of the provision for income taxes are as follows:

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Federal: | | | |
| Current | $6,635 | $3,713 | $15,129 |
| Deferred | 10,239 | (585) | (204) |
| State and local: | | | |
| Current | 197 | 555 | 755 |
| Deferred | 802 | (110) | 173 |
| Foreign: | | | |
| Current | 2,824 | 2,221 | 3,222 |
| Deferred | 2,602 | 191 | 13 |
| | $23,299 | $5,985 | $19,088 |

The tax effects of temporary differences that give rise to the deferred tax assets and liabilities at June 30, 2018 and 2017 are presented below:

| | 2018 | 2017 |
|---|---|---|
| Deferred tax assets: | | |
| Accrued deferred compensation | $1,885 | $4,229 |
| Accrual for sales deductions not currently deductible | 8,387 | 5,796 |
| Additional inventoried costs for tax purposes | 439 | 697 |
| Allowance for doubtful accounts receivable | 182 | 106 |
| Depreciation and amortization | 12,663 | 11,957 |
| Debt issuance costs | 3,506 | 7,611 |
| Foreign deferred tax assets | 858 | 983 |
| Deferred rent | 145 | - |
| Domestic net operating loss carryforwards | 7,486 | 81 |
| Foreign net operating loss carryforwards | 916 | 692 |
| Goodwill | 45,504 | - |
| Total gross deferred tax assets | 81,971 | 32,152 |
| Valuation allowances | (77,416) | (773) |

| | | |
|---|---|---|
| | 4,555 | 31,379 |
| Deferred tax liabilities: | | |
| Foreign deferred tax liabilities | (2,495 ) | (65 ) |
| Goodwill | - | (10,244) |
| Original issue discount – convertible senior notes | (3,310 ) | (7,260 ) |
| Other | (286 ) | (1,136 ) |
| Total gross deferred tax liabilities | (6,091 ) | (18,705) |
| Net deferred tax assets (liabilities) | $(1,536 ) | $12,674 |

The following table shows the current and non-current deferred tax assets (liabilities) at June 30, 2018 and 2017:

| | **2018** | **2017** |
|---|---|---|
| Current deferred tax assets, net | $- | $546 |
| Non-current deferred tax assets, net | - | 19,453 |
| Non-current deferred tax liabilities | (1,536) | (7,325 ) |
| Net deferred tax assets | $(1,536) | $12,674 |

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On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (“the TCJA”) was signed into law, which enacted various changes to the U.S. corporate tax law. Some of the most significant provisions impacting corporations include a reduced U.S. corporate income tax rate from 35% to 21% effective in 2018, a one-time "deemed repatriation" tax on unremitted earnings accumulated in non-U.S. jurisdictions, limitation on deductibility of interest, the transition of U.S. international taxation from a worldwide tax system to a territorial tax system and other provisions. U.S. GAAP accounting for income taxes requires that Aceto record the impacts of any tax law change on the Company’s deferred income taxes in the quarter that the tax law change is enacted. Due to the complexities involved in accounting for the enactment of the TCJA, SEC Staff Accounting Bulletin (“SAB”) 118 allows Aceto to provide a provisional estimate of the impacts of the TCJA in its earnings for the fiscal year ended June 30, 2018. Accordingly, based on currently available information, the Company recorded additional income tax expense of $13,739 for the year ended June 30, 2018. This charge is comprised of $5,075 related to the remeasurement of Aceto’s deferred tax assets arising from a lower U.S. corporate tax rate, $6,219 related to the deemed repatriation of unremitted earnings of foreign subsidiaries (the “transition tax”) and $2,445 related to deferred tax liabilities for local tax authorities as the Company no longer asserts permanent reinvestment of its undistributed non-U.S. subsidiaries' earnings. Additional impacts from the enactment of the TCJA will be recorded as they are identified during the measurement period ending no later than December 22, 2018 as provided for in SAB 118. The charge recorded in the year ended June 30, 2018 represents the Company’s best estimate of the impact of the TCJA. The Company will continue to evaluate the interpretations and assumptions made, guidance that may be issued and actions the Company may take as a result of the TCJA, which could materially change this estimate in 2018 as new information becomes available. With respect to finalizing the estimated transition tax, the Company is currently working to complete various earnings and profits studies and awaiting related final guidance from state tax authorities.

Deferred tax assets are recorded for net operating losses and temporary differences between the book and tax basis of assets and liabilities expected to produce tax deductions in future periods. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the tax periods in which those deferred tax assets would be deductible. A valuation allowance is taken when necessary to reduce deferred tax assets to the amount expected to be realized. When determining the amount of net deferred tax assets that are more likely than not to be realized, the Company assesses all available positive and negative evidence. This evidence includes, but is not limited to, scheduled reversal of deferred tax liabilities, prior earnings history, projected future earnings, carry-back and carry-forward periods and the feasibility of ongoing tax strategies that could potentially enhance the likelihood of the realization of a deferred tax asset. The weight given to the positive and negative evidence is commensurate with the extent the evidence may be objectively verified. As such, it is generally difficult for positive evidence regarding projected future taxable income (exclusive of reversing taxable temporary differences and carryforwards) to outweigh objective negative evidence such as the Company’s recent financial reporting loss for the year ended June 30, 2018 that created a cumulative loss. Therefore, the Company recorded a valuation allowance of $76,500 against its net U.S.

deferred tax assets during the year ended June 30, 2018. The net change in the total valuation allowance for the years ended June 30, 2018 and June 30, 2017 was an increase of $76,643 and a decrease of $21, respectively. The Company has federal net operating loss carryforwards of $32,515 which have an indefinite life and no carryback. The Company has state net operating loss carryforwards of $9,047 which will expire in 12-20 years. The Company has foreign net operating loss carryforwards of $18,896 which have an indefinite life.

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A reconciliation of the statutory federal income tax rate and the effective tax rate for continuing operations for the fiscal years ended June 30, 2018, 2017 and 2016 follows:

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Federal statutory tax rate | 28.1 % | 35.0% | 35.0% |
| State and local taxes, net of federal income tax benefit | 2.0 | 1.2 | 1.7 |
| Change in valuation allowance | (26.2) | 0.1 | - |
| Foreign withholding taxes | (0.8 ) | - | - |
| Foreign tax rate differential | - | (1.8 ) | (0.4 ) |
| Rate differential between fiscal year 2018 statutory rate and enacted rate for subsequent period | (6.0 ) | - | - |
| Revaluation of the deferred tax asset and liabilities due to the tax law change | (1.8 ) | - | - |
| Transition tax | (2.1 ) | - | - |
| Other | (1.2 ) | - | (0.9 ) |
| Effective tax rate | (8.0 )% | 34.5% | 35.4% |

The Company operates in various tax jurisdictions, and although it believes that it has provided for income and other taxes in accordance with the relevant regulations, if the applicable regulations were ultimately interpreted differently by a taxing authority, the Company may be exposed to additional tax liabilities.

There are no material unrecognized tax benefits included in the consolidated balance sheet that would, if recognized, have a material effect on the Company's effective tax rate. The Company is continuing its practice of recognizing interest and penalties related to income tax matters in income tax expense. The Company did not recognize interest and penalties during the years ended June 30, 2018 and June 30, 2017. The Company files U.S. federal, U.S. state, and foreign tax returns, and is generally no longer subject to tax examinations for fiscal years prior to 2013 (in the case of certain foreign tax returns, fiscal year 2012).

**(13) Supplemental Cash Flow Information**

Cash paid for interest and income taxes during fiscal 2018, 2017 and 2016 was as follows:

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Interest | $13,085 | $7,794 | $2,970 |
| Income taxes, net of refunds | $5,272 | $7,912 | $16,076 |

In connection with the acquisition of certain products and related assets of Citron and Lucid, approximately 5,122 shares of Aceto common stock with a fair value of $90,400, to be issued beginning on December 21, 2019, a $50,000 unsecured deferred payment payable on December 21, 2021 and a contingent earn out liability of $2,580 are non-cash items and are excluded from the Consolidated Statement of Cash Flows during the year ended June 30, 2017. In addition, the Company had non-cash items excluded from the Consolidated Statements of Cash Flows during the years ended June 30, 2017 and 2016 of $284 and $294, respectively related to capitalized environmental remediation costs and property held for sale.

**(14) Retirement Plans**

**Defined Contribution Plans**

The Company has defined contribution retirement plans in which certain employees are eligible to participate, including deferred compensation plans (see below). The Company's annual contribution per employee, which is at management's discretion, is based on a percentage of the employee’s compensation. The Company's provision for these defined contribution plans amounted to $1,990, $1,794 and $1,957 in fiscal 2018, 2017 and 2016, respectively.

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**Defined Benefit Plans**

The Company sponsors certain defined benefit pension plans covering certain employees of its German subsidiaries who meet the plan's eligibility requirements. The accrued pension liability as of June 30, 2018 was $1,002. The accrued pension liability as of June 30, 2017 was $883. Net periodic pension costs, which consists principally of interest cost and service cost was $32 in fiscal 2018, $30 in fiscal 2017 and $28 in fiscal 2016. The Company's plans are funded in conformity with the funding requirements of the applicable government regulations. An assumed weighted average discount rate of 1.5%, 2.0% and 1.9% and a compensation increase rate of 0.0% were used in determining the actuarial present value of benefit obligations as of June 30, 2018, 2017 and 2016, respectively.

**Deferred Compensation Plans**

To comply with the requirements of the American Jobs Creation Act of 2004, as of December 2004, the Company froze its non-qualified Supplemental Executive Retirement Plan (the Frozen Plan) and has not allowed any further deferrals or contributions to the Frozen Plan after December 31, 2004. All of the earned benefits of the participants in the Frozen Plan as of December 31, 2004, will be preserved under the existing plan provisions.

On March 14, 2005, the Company's Board of Directors adopted the Aceto Corporation Supplemental Executive Deferred Compensation Plan (the Plan). The Plan is a non-qualified deferred compensation plan intended to provide certain qualified executives with supplemental benefits beyond the Company's 401(k) plan, as well as to permit additional deferrals of a portion of their compensation. The Plan is intended to comply with the provisions of section 409A of the Internal Revenue Code of 1986, as amended, and is designed to provide comparable benefits to those under the Frozen Plan. Substantially all compensation deferred under the Plan, as well as Company contributions, is held by the Company in a grantor trust, which is considered an asset of the Company. The assets held by the grantor trust are in mutual fund investments. Effective July 1, 2013, the Plan was frozen and a new plan, entitled "Aceto Corporation 2013 Senior Executive Retirement Plan" was adopted by the Company's Board of Directors.

As of June 30, 2018, the Company recorded a liability under the Plans of $3,342 (of which $3,194 is included in long-term liabilities and $148 is included in accrued expenses) and an asset (included in other assets) of $3,642, primarily representing mutual fund investments owned by the Company. As of June 30, 2017, the Company recorded a liability under the Plans of $3,551 (of which $3,337 is included in long-term liabilities and $214 is included in accrued expenses) and an asset (included in other assets) of $3,087, primarily representing mutual fund investments owned by the Company.

**(15) Financial Instruments**

**Derivative Financial Instruments**

The Company is exposed to credit losses in the event of non-performance by the financial institutions, who are the counterparties, on its future foreign currency contracts. The Company anticipates, however, that the financial institutions will be able to fully satisfy their obligations under the contracts. The Company does not obtain collateral to support financial instruments, but monitors the credit standing of the financial institutions.

**Fair Value of Financial Instruments**

The carrying values of all financial instruments classified as a current asset or current liability are deemed to approximate fair value because of the short maturity of these instruments. The fair value of the Company’s notes receivable and accrued expenses was based upon current rates offered for similar financial instruments to the Company. The Company believes that borrowings outstanding under its long-term bank loans and mortgage approximate fair value because such borrowings bear interest at current variable market rates.

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**Business and Credit Concentration**

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of trade receivables. The Company's customers are dispersed across many industries and are located throughout the United States as well as in Canada, France, Germany, Malaysia, The Netherlands, Switzerland, the United Kingdom, and other countries. The Company estimates an allowance for doubtful accounts based upon the creditworthiness of its customers as well as general economic conditions. Consequently, an adverse change in those factors could affect the Company's estimate of this allowance. At June 30, 2018, three customers approximated 28%, 19% and 13%, respectively, of net trade accounts receivable. At June 30, 2017, three customers approximated 32%, 20% and 15%, respectively, of net trade accounts receivable.

One customer accounted for 16% of net sales in fiscal 2018, 12% of net sales in fiscal 2017 and 14% of net sales in fiscal 2016. Another customer accounted for 11% of net sales in fiscal 2018, 11% of net sales in 2017 and 7% of net sales in 2016. No single product accounted for as much as 10% of net sales in fiscal 2018, 2017 or 2016.

During the fiscal years ended June 30, 2018, 2017 and 2016, approximately 61%, 62% and 56%, respectively, of the Company's purchases came from Asia and approximately 15%, 17% and 22%, respectively, came from Europe.

The Company maintains operations located outside of the United States. Net assets located in Europe and Asia approximated $68,149 and $36,633, respectively at June 30, 2018. Net assets located in Europe and Asia approximated $68,235 and $50,641, respectively at June 30, 2017.

**(16) Commitments, Contingencies and Other Matters**

As of June 30, 2018, the Company has outstanding purchase obligations totaling $175,136 with suppliers to the Company’s domestic and foreign operations to acquire certain products for resale to third party customers.

The Company and its subsidiaries are subject to various claims which have arisen in the normal course of business. The Company provides for costs related to contingencies when a loss from such claims is probable and the amount is reasonably determinable. In determining whether it is possible to provide an estimate of loss, or range of possible loss, the Company reviews and evaluates its litigation and regulatory matters on a quarterly basis in light of potentially relevant factual and legal developments. If the Company determines an unfavorable outcome is not probable or reasonably estimable, the Company does not accrue for a potential litigation loss. While the Company has determined that there is a reasonable possibility that a loss has been incurred, no amounts have been recognized in the financial statements, other than what has been discussed below, because the amount of the liability cannot be reasonably estimated at this time.

In fiscal years 2011, 2009, 2008 and 2007, the Company received letters from the Pulvair Site Group, a group of potentially responsible parties (PRP Group) who are working with the State of Tennessee (the State) to remediate a contaminated property in Tennessee called the Pulvair site. The PRP Group has alleged that Aceto shipped hazardous substances to the site which were released into the environment. The State had begun administrative proceedings against the members of the PRP Group and Aceto with respect to the cleanup of the Pulvair site and the PRP Group has begun to undertake cleanup. The PRP Group is seeking a settlement of approximately $1,700 from the Company for its share to remediate the site contamination. Although the Company acknowledges that it shipped materials to the site for formulation over twenty years ago, the Company believes that the evidence does not show that the hazardous materials sent by Aceto to the site have significantly contributed to the contamination of the environment and thus believes that, at most, it is a de minimis contributor to the site contamination. Accordingly, the Company believes that the settlement offer is unreasonable. Management believes that the ultimate outcome of this matter will not have a material adverse effect on the Company's financial condition or liquidity.

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The Company has environmental remediation obligations in connection with Arsynco, Inc. ("Arsynco"), a subsidiary formerly involved in manufacturing chemicals located in Carlstadt, New Jersey, which was closed in 1993 and is currently held for sale. Based on continued monitoring of the contamination at the site and the approved plan of remediation, Arsynco received an estimate from an environmental consultant stating that the costs of remediation could be between $22,900 and $24,700. Remediation commenced in fiscal 2010, and as of June 30, 2018 and June 30, 2017, a liability of $5,746 and $8,451, respectively, is included in the accompanying consolidated balance sheets for this matter. For the year ended June 30, 2018, the Company recorded environmental remediation charges of $1,822 which is included in selling, general and administrative expenses in the accompanying consolidated statements of income for the year ended June 30, 2018. In accordance with GAAP, management believes that the majority of costs incurred to remediate the site will be capitalized in preparing the property which is currently classified as held for sale. In June 2018, the Company entered into an agreement to sell the Arsynco property to an unrelated third party for $6,340. The sale is subject to due diligence by the buyer and the Company is not sure when or if the sale will close. The sale price supports the assumption that the expected fair value after the remediation is in excess of the amount required to be capitalized. However, these matters, if resolved in a manner different from those assumed in current estimates, could have a material adverse effect on the Company's financial condition, operating results and cash flows when resolved in a future reporting period.

In connection with the environmental remediation obligation for Arsynco, in July 2009, Arsynco entered into a settlement agreement with BASF Corporation ("BASF"), the former owners of the Arsynco property. In accordance with the settlement agreement, BASF paid for a portion of the prior remediation costs and going forward, will co-remediate the property with the Company. The contract requires that BASF pay $550 related to past response costs and pay a proportionate share of the future remediation costs. Accordingly, the Company had recorded a gain of $550 in fiscal 2009. This $550 gain relates to the partial reimbursement of costs of approximately $1,200 that the Company had previously expensed. The Company also recorded an additional receivable from BASF, with an offset against property held for sale, representing its estimated portion of the future remediation costs. The balance of this receivable for future remediation costs as of June 30, 2018 and June 30, 2017 is $2,586 and $3,803, respectively, which is included in the accompanying consolidated balance sheets.

In March 2006, Arsynco received notice from the EPA of its status as a PRP under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) for a site described as the Berry's Creek Study Area ("BCSA"). Arsynco is one of over 150 PRPs which have potential liability for the required investigation and remediation of the site. The estimate of the potential liability is not quantifiable for a number of reasons, including the difficulty in determining the extent of contamination and the length of time remediation may require. In addition, any estimate of

liability must also consider the number of other PRPs and their financial strength. In July 2014, Arsynco received notice from the U.S. Department of Interior (“USDOI”) regarding the USDOI’s intent to perform a Natural Resource Damage (NRD) Assessment at the BCSA. Arsynco has to date declined to participate in the development and performance of the NRD assessment process. Based on prior practice in similar situations, it is possible that the State may assert a claim for natural resource damages with respect to the Arsynco site itself, and either the federal government or the State (or both) may assert claims against Arsynco for natural resource damages in connection with Berry's Creek; any such claim with respect to Berry's Creek could also be asserted against the approximately 150 PRPs which the EPA has identified in connection with that site. Any claim for natural resource damages with respect to the Arsynco site itself may also be asserted against BASF, the former owners of the Arsynco property. In September 2012, Arsynco entered into an agreement with three of the other PRPs that had previously been impleaded into New Jersey Department of Environmental Protection, et al. v. Occidental Chemical Corporation, et al., Docket No. ESX-L-9868-05 (the "NJDEP Litigation") and were considering impleading Arsynco into the same proceeding. Arsynco entered into an agreement to avoid impleader. Pursuant to the agreement, Arsynco agreed to (1) a tolling period that would not be included when computing the running of any statute of limitations that might provide a defense to the NJDEP Litigation; (2) the waiver of certain issue preclusion defenses in the NJDEP Litigation; and (3) arbitration of certain potential future liability allocation claims if the other parties to the agreement are barred by a court of competent jurisdiction from proceeding against Arsynco. In July 2015, Arsynco was contacted by an allocation consultant retained by a group of the named PRPs, inviting Arsynco to participate in the allocation among the PRPs’ investigation and remediation costs relating to the BCSA. Arsynco declined that invitation. Since an amount of the liability cannot be reasonably estimated at this time, no accrual is recorded for these potential future costs. The impact of the resolution of this matter on the Company’s results of operations in a particular reporting period is not currently known.

A subsidiary of the Company markets certain agricultural protection products which are subject to the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA). FIFRA requires that test data be provided to the EPA to register, obtain and maintain approved labels for pesticide products. The EPA requires that follow-on registrants of these products compensate the initial registrant for the cost of producing the necessary test data on a basis prescribed in the FIFRA regulations. Follow-on registrants do not themselves generate or contract for the data. However, when FIFRA requirements mandate that new test data be generated to enable all registrants to continue marketing a pesticide product, often both the initial and follow-on registrants establish a task force to jointly undertake the testing effort. The Company is presently a member of several such task force groups, which requires payments for such memberships. In addition, in connection with our agricultural protection business, the Company plans to acquire product registrations and related data filed with the United States Environmental Protection Agency to support such registrations and other supporting data for several products. The acquisition of these product registrations and related data filed with the United States Environmental Protection Agency as well as payments to various task force groups could approximate $5,701 through fiscal 2019, of which $0 has been accrued as of June 30, 2018 and June 30, 2017.

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In February 2018, the Company was notified by the U.S. government that 11 generic drug products it acquired through its Acetris Health subsidiary in a product purchase agreement with Lucid were not in compliance with the federal Trade Agreement Act ("TAA") country-of-origin provisions of a clause (the "Trade Agreements Clause") contained in the government supply contracts acquired from Lucid (the "TAA Notification"). The 11 finished dosage form products purchased by the U.S. government are manufactured by Aurolife Pharma LLC which is located in Dayton, New Jersey using APIs sourced from India. In conjunction with this finding, the U.S. Department of Veterans Affairs ("VA") requested that Acetris supply new TAA-compliant sources for the referenced products by March 9, 2018 and supply new TAA-compliant drugs to the government purchasers under the contracts by March 26, 2018. Acetris knew that it would be unable to meet these short deadlines. To avoid the government's imposition of penalties for failure to meet these deadlines while Acetris appealed the above-mentioned findings, Acetris requested that the government defer imposition of these deadlines pending resolution of Acetris' appeal. The Government declined this request and thereafter Acetris and the government entered into agreements that provided for a no-cost termination of each of the 11 supply contracts.

On July 10, 2018, the Company was informed that Acetris received a favorable ruling from the United States Court of Federal Claims (the "Court"), in Acetris Health, LLC v. United States, invalidating the VA interpretation of the Trade Agreements Clause, which had resulted in the termination of 11 Acetris contracts with the VA. Finding in favor of Acetris, the Court granted a declaratory judgment establishing that under the federal Buy America Act the agencies are permitted to buy domestic end products, including commercial off-the-shelf products like generic drugs, that are manufactured in the United States when the Trade Agreements Clause is incorporated in government supply contracts, even if their components are not all manufactured in the United States. Although Department of Defense (the "DoD") contracts were not at issue in the case, the decision also impacts Acetris' ability to supply DoD with its products. The government has appealed the Court's decision. Even if the Court's ruling is affirmed on appeal, the Court's ruling did not have the effect of reinstating the 11 terminated government supply agreements. Acetris may seek new contracts with these agencies, but no assurance can be given that any such contracts will be awarded.

In March 2018, Sigmapharm Laboratories, LLC ("SigmaPharm") commenced an action against Rising and the Company in the United States District Court for the Eastern District of Pennsylvania. The complaint arises out of an agreement, effective as of June 22, 2006 (the "SigmaPharm Agreement"), pursuant to which SigmaPharm agreed to supply certain generic pharmaceutical products (the "Products") to Rising, and Rising in turn agreed to market and distribute the Products in the United States and pay SigmaPharm a share of the profits pursuant to a formula specified in the Agreement. The complaint alleges that Rising and Aceto breached the Agreement by failing to pay or timely make payments due under the Agreement and to disclose certain information to SigmaPharm. The complaint seeks,

among other relief, a declaration that the Agreement has been terminated and that SigmaPharm has exclusive marketing and distribution rights to the Products; injunctive relief; and an unspecified amount of damages. In May 2018, Rising and the Company filed a motion to stay the action and compel arbitration, as required by the Agreement. That motion remains pending with the district court. In addition, SigmaPharm has also filed a "motion to enforce audit rights" in the federal litigation, which motion Rising and the Company have opposed because, among other reasons, any such request for final relief must be addressed to the arbitrators, and not to the district court.

SigmaPharm has stopped supplying Products to Rising, claiming that it has validly terminated the Agreement. Accordingly, in June 2018, Rising filed an arbitration claim against SigmaPharm in New Jersey, seeking recovery from SigmaPharm of any failure-to-supply losses Rising may incur as well as lost future profits on sale of the Products, among other relief. The Company intends to vigorously protect its rights in these matters and prosecute its claim for damages against SigmaPharm. The impact of the resolution of this matter on the Company's results of operations in a particular reporting period is not currently known.

On April 16, 2018, the Company's Rising subsidiary received a Grand Jury subpoena (the "DOJ Subpoena") from the Antitrust Division of the DOJ. Rising is cooperating with the DOJ in response to the DOJ Subpoena.

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The Company and certain of its current and former officers are named defendants in two putative securities class actions (the "Securities Class Action Lawsuits") filed in the United States District Court for the Eastern District of New York in April 2018, captioned Mulligan v. Aceto Corporation, et al, No. 2:18-cv-02425, and Yang v. Aceto Corporation, No. 1:18-cv-02437. The complaints arise from the April 19, 2018 drop in the Company's stock price following the Company's announcement on April 18, 2018 that it would recognize a substantial impairment charge for the third fiscal quarter. The complaints generally allege that the defendants violated the Securities Exchange Act of 1934 by making false and misleading statements in public filings with the SEC, and seek unspecified damages. On June 26, 2018, five motions were filed seeking to appoint lead plaintiff and approve lead plaintiff's counsel pursuant to the Private Securities Litigation Reform Act of 1995, as well as to consolidate the Mulligan or Yang actions. Three motions were subsequently withdrawn or abandoned, and the remaining two motions are pending before the Court. Following the appointment of a lead plaintiff, the Company expects that the appointed lead plaintiff will file a single consolidated amended class action complaint to supersede the earlier complaints. The Company intends to vigorously defend itself. The impact of the resolution of this matter on the Company's results of operations in a particular reporting period is not currently known.

The Company leases office facilities in the United States, The Netherlands, Germany, France, Singapore and the Philippines expiring at various dates between October 2018 and October 2028.

At June 30, 2018, the future minimum lease payments for office facilities and equipment for each of the five succeeding years and in the aggregate are as follows:

| **Fiscal year** | **Amount** |
|---|---|
| 2019 | $2,827 |
| 2020 | 2,159 |
| 2021 | 1,533 |
| 2022 | 1,216 |
| 2023 | 1,164 |
| Thereafter | 5,698 |
| | $14,597 |

Total rental expense amounted to $1,864, $1,301 and $1,265 for fiscal 2018, 2017 and 2016, respectively.

**(17) Related Party Transactions**

During fiscal 2018, 2017 and 2016, the Company purchased inventory from its corporate joint venture in the amount of $3,556, $3,236 and $2,831, respectively.

Rising Health and Acetris Health incurred costs of $2,636 and $305 in fiscal 2018 and $1,865 and $165 in fiscal 2017, respectively, related to consulting services provided by former Citron and Lucid employees, in connection with a transition services agreement entered into at the time of the Company's 2016 product purchase agreement. Citron and Lucid are affiliates of Vimal Kavuru, a member of the Company's Board of Directors.

In October 2017, Rising commenced leasing approximately 125,000 gross square feet of warehouse space in Somerset, New Jersey. This building is owned by an affiliate of Mr. Kavuru.

During fiscal 2018, Rising Health purchased inventory from Casper Pharma, LLC, which is an affiliate of Vimal Kavuru, a member of the Company's Board of Directors, in the amount of $290.

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On November 2, 2016, the Company, Citron and Cronus Research Labs Private Limited, a research and development company headquartered in India that is affiliated with Vimal Kavuru (“Cronus”), entered into two amended and restated joint development agreements pursuant to which Cronus has been engaged to develop a portfolio of nine pipeline products (“Development Agreement I”) and certain other products (“Development Agreement II” and together with Development Agreement I, the “Development Agreements”) on behalf of Citron. Under the terms of Development Agreement I, Cronus has agreed to pay the first $3,500 of the development costs incurred after December 21, 2016, and 50% of any development costs incurred above that threshold in exchange for obtaining reimbursement for its costs funded out of the profits earned, if any, from the pipeline products that are commercially launched, and a specified portion of the profits from those products thereafter. Under the terms of Development Agreement II, Cronus has agreed to pay the development costs for the products covered thereby in exchange for obtaining reimbursement for its costs funded out of the profits earned, if any, from such products that are commercially launched (subject to a $1,445 maximum), and a specified portion of the profits from those products thereafter.

Mr. Kavuru was not a member of the Company’s Board at the time that the above-mentioned transition services agreement, lease or Development Agreements were executed.

**(18) Recent Accounting Pronouncements**

In June 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2018-07 *Compensation – Stock Compensation (Topic 718), Improvements to Nonemployee Share-Based Payment Accounting.* This ASU is intended to simplify aspects of share-based compensation issued to non-employees by making the guidance consistent with the accounting for employee share-based compensation. It is effective for annual reporting periods, and interim periods within those years, beginning after December 15, 2018. The Company is currently in the process of evaluating the impact of the adoption of ASU 2018-07 on its consolidated financial statements.

In February 2018, the FASB issued ASU 2018-02, *Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income,* which gives entities the option to reclassify the disproportionate income tax effects ("stranded tax effects") caused by the newly-enacted U.S.

Tax Cuts and Jobs Act from accumulated other comprehensive income to retained earnings. The update also requires new disclosures, some of which are applicable for all entities. The guidance in ASU 2018-02 is effective for annual reporting periods beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the impact of the provisions of ASU 2018-02.

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities,* which has the objective of improving the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. In addition to that main objective, the amendments in ASU 2017-12 make certain targeted improvements to simplify the application of the hedge accounting guidance in current GAAP. The amendments in ASU 2017-12 are effective for public business entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact of the provisions of ASU 2017-12.

In May 2017, the FASB issued ASU 2017-09, *Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting,* which provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. ASU 2017-09 is effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted. The Company does not believe this new accounting standard update will have a material impact on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04 *Intangibles - Goodwill and Other (Topic 350)* which would eliminate the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. Instead, the amount of an impairment charge would be recognized if the carrying amount of a reporting unit is greater than its fair value. ASU 2017-04 is effective for public companies for fiscal years beginning after December 15, 2019. The Company elected to early adopt this ASU in the third quarter of fiscal 2018. (See Note 2 to the Consolidated Financial Statements- Summary of Significant Accounting Policies).

In January 2017, the FASB issued ASU 2017-01 *Business Combinations (Topic 805): Clarifying the Definition of a Business,* with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. ASU 2017-01 is effective for public companies for annual periods beginning after December 15, 2017, including interim periods within those periods. The Company does not believe this new accounting pronouncement will have a material impact on its consolidated financial statements.

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In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments,* which addresses eight specific cash flow issues with the objective of reducing diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company is currently evaluating the impact of the provisions of ASU 2016-15.

In March 2016, the FASB issued ASU 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, which changes certain aspects of accounting for share-based payments to employees. The Company adopted ASU 2016-09 as of July 1, 2017. ASU 2016-09 requires that all tax benefits and deficiencies related to share-based payments be recognized and recorded through the statement of income for all awards settled or expiring after the adoption of ASU 2016-09. Under prior guidance, tax benefits in excess of compensation costs ("windfalls") were recorded in equity, and any tax deficiencies ("shortfalls") were recorded in equity to the extent of previous windfalls and then to the statement of income. For the year ended June 30, 2018, the Company recorded additional tax expense of $1,536, associated with net tax deficiencies. ASU 2016-09 also requires, either prospectively or retrospectively, that all tax-related cash flows resulting from share-based payments be reported as operating activities on the statement of cash flows, a change from prior guidance that required windfall tax benefits to be presented as an inflow from financing activities and an outflow from operating activities on the statement of cash flows. The Company has elected to adopt such presentation on a prospective basis. Additionally, ASU 2016-09 allows entities to make an accounting policy election for the impact of most types of forfeitures on the recognition of expense for share-based payment awards by allowing the forfeitures to be either estimated, as was required under prior guidance, or recognized when they actually occur. Under ASU 2016-09, the Company recognizes forfeitures when they occur.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* as amended in July 2018 by ASU 2018-10, *Codification Improvements to Topic 842, Leases* and ASU 2018-11, *Leases (Topic 842), Targeted Improvements*, that replace existing lease guidance. The new standard is intended to provide enhanced transparency and comparability by requiring lessees to record right-of-use assets and corresponding lease liabilities on the balance sheet. The new guidance will continue to classify leases as either finance or operating, with classification affecting the pattern of expense recognition in the statement of income. These ASU’s are effective for fiscal years (and interim reporting periods within those years) beginning after December 15, 2018. The Company is currently evaluating the impact of the provisions of these ASU’s and anticipates recognition of additional assets and corresponding liabilities relating to these leases on its consolidated balance sheet, but does not expect the adjustment to be material assuming no changes in lease activity.

In November 2015, the FASB issued ASU 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Assets.* This ASU is intended to simplify the presentation of deferred taxes on the balance sheet and requires an entity to present all deferred tax assets and deferred tax liabilities as non-current on the balance sheet. Under the prior guidance, entities were required to separately present deferred taxes as current or non-current. Netting deferred tax assets and deferred tax liabilities by tax jurisdiction will still be required under the new guidance. The Company prospectively adopted the provisions of ASU 2015-17, as of July 1, 2017. The Company's prospective adoption of ASU 2015-17 impacts the classification of deferred tax assets and liabilities on any balance sheet that reports the Company's financial position for any date after June 30, 2017. Balance sheets for prior periods have not been adjusted. The adoption of ASU 2015-17 had no impact on the Company's results of operations or cash flows.

In July 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330)*: *Simplifying the Measurement of Inventory.* This ASU requires that an entity measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This guidance is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The Company adopted this standard in the first quarter of fiscal year 2018. The adoption of this standard did not have any impact on the consolidated financial statements of the Company.

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In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606),* which is the new comprehensive revenue recognition standard that will supersede all existing revenue recognition guidance under U.S. GAAP. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to a customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In August 2015, the FASB subsequently issued ASU 2015-14, *Revenue from Contracts with Customers - Deferral of the Effective Date*, which approved a one-year deferral of ASU 2014-09 for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. In March 2016 and April 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers - Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, and ASU 2016-10, *Revenue from Contracts with Customers - Identifying Performance Obligations and Licensing,* respectively, which further clarify the guidance related to those specific topics within ASU 2014-09. In May 2016, the FASB issued ASU 2016-12, *Revenue from Contracts with Customers - Narrow Scope Improvements and Practical Expedients*, to reduce the risk of diversity in practice for certain aspects in ASU 2014-09, including collectibility, noncash consideration, presentation of sales tax and transition. Additionally, in December 2016, the FASB issued ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*. ASU 2016-20 makes minor corrections or minor improvements to the standard that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities The Company recognizes revenue from product sales at the time of shipment and passage of title and risk of loss and control of the goods is transferred to the customer. The Company has no acceptance or other post-shipment obligations and does not offer product warranties or services to its customers. The Company has completed its comprehensive evaluation of the amended guidance following the five-step model, including identification of revenue streams and determined that the timing of recognition of revenue will be substantially unchanged under the amended guidance. Further evaluation is needed to determine if additional disclosures are required to enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Company adopted this amended standard in the first quarter of fiscal 2019 on a modified retrospective basis in which we recognized the cumulative effect of adoption as an adjustment to retained earnings at the date of initial adoption. The adoption of Topic 606 did not have a material impact on the Company’s results of operations, cash flows or financial position.

**(19) Segment Information**

The Company's business is organized along product lines into three principal segments: Human Health, Pharmaceutical Ingredients and Performance Chemicals.

**Human Health** - includes finished dosage form generic drugs and nutraceutical products.

**Pharmaceutical Ingredients –** includes pharmaceutical intermediates and active pharmaceutical ingredients (“APIs”).

**Performance Chemicals** - The Performance Chemicals segment is made up of two product groups: Specialty Chemicals and Agricultural Protection Products. Specialty Chemicals include a variety of chemicals used in the manufacture of plastics, surface coatings, cosmetics and personal care, textiles, fuels and lubricants, perform to their designed capabilities. Dye and pigment intermediates are used in the color-producing industries such as textiles, inks, paper, and coatings. Organic intermediates are used in the production of agrochemicals.

Agricultural Protection Products include herbicides, fungicides and insecticides that control weed growth as well as control the spread of insects and other microorganisms that can severely damage plant growth.

The Company's chief operating decision maker evaluates performance of the segments based on net sales, gross profit and income before income taxes. Unallocated corporate amounts are deemed by the Company as administrative, oversight costs, not managed by the segment managers. The Company does not allocate assets by segment because the chief operating decision maker does not review the assets by segment to assess the segments' performance, as the assets are managed on an entity-wide basis. During all periods presented, our chief operating decision maker has been the Chief Executive Officer of the Company. In accordance with GAAP, the Company has aggregated certain operating segments into reportable segments because they have similar economic characteristics, and the operating segments are similar in all of the following areas: (a) the nature of the products and services; (b) the nature of the production processes; (c) the type or class of customer for their products and services; (d) the methods used to distribute their products or provide their services; and (e) the nature of the regulatory environment.

**ACETO CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2018, 2017 AND 2016**

*(in thousands, except per-share amounts)*

| | Human Health | Pharmaceutical Ingredients | Performance Chemicals | Unallocated Corporate | Consolidated Totals |
|---|---|---|---|---|---|
| 2018 | | | | | |
| Net sales | $374,514 | $ 158,854 | $ 177,991 | $ - | $ 711,359 |
| Gross profit | 48,787 | 24,633 | 38,143 | - | 111,563 |
| Income (loss) before income taxes | (289,219) | 7,654 | 18,935 | (30,192) | (292,822) |
| 2017 | | | | | |
| Net sales | $315,395 | $ 157,445 | $ 165,478 | $ - | $ 638,318 |
| Gross profit | 78,109 | 25,474 | 37,209 | - | 140,792 |
| Income before income taxes | 15,434 | 9,322 | 18,829 | (26,224) | 17,361 |
| 2016 | | | | | |
| Net sales | $228,035 | $ 161,011 | $ 169,478 | $ - | $ 558,524 |
| Gross profit | 77,880 | 28,752 | 36,153 | - | 142,785 |
| Income before income taxes | 36,362 | 11,856 | 17,799 | (12,163) | 53,854 |

Net sales and gross profit by source country for the years ended June 30, 2018, 2017 and 2016 were as follows:

| | Net Sales | | | Gross Profit | | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| United States | $535,698 | $483,678 | $400,883 | $84,133 | $116,792 | $117,180 |
| Germany | 96,708 | 79,105 | 76,666 | 17,148 | 13,609 | 15,154 |
| Netherlands | 11,980 | 9,949 | 16,217 | 1,296 | 1,231 | 1,598 |
| France | 36,644 | 35,796 | 30,177 | 4,436 | 4,651 | 4,043 |
| Asia-Pacific | 30,329 | 29,790 | 34,581 | 4,550 | 4,509 | 4,810 |
| Total | $711,359 | $638,318 | $558,524 | $111,563 | $140,792 | $142,785 |

Sales generated from the United States to foreign countries amounted to $24,950, $21,750 and $23,810 for the fiscal years ended June 30, 2018, 2017 and 2016, respectively.

Long-lived assets by geographic region as of June 30, 2018 and June 30, 2017 were as follows:

| | Long-lived assets | |
|---|---|---|
| | **2018** | **2017** |
| United States | $246,073 | $528,359 |
| Europe | 3,192 | 2,538 |
| Asia-Pacific | 1,400 | 1,582 |
| Total | $250,665 | $532,479 |

**ACETO CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2018, 2017 AND 2016**

*(in thousands, except per-share amounts)*

**(20) Unaudited Quarterly Financial Data**

The following is a summary of the unaudited quarterly results of operations for the years ended June 30, 2018 and 2017.

| | For the quarter ended | | | |
|---|---|---|---|---|
| **Fiscal year ended June 30, 2018** | **September 30, 2017 (1)** | **December 31, 2017** | **Restated March 31, 2018(2) (3)** | **June 30, 2018 (3) (4)** |
| Net sales | $185,255 | $ 171,229 | $ 185,998 | $ 168,877 |
| Gross profit | 39,983 | 33,970 | 27,696 | 9,914 |
| Net income (loss) | 454 | (13,864) | (267,985) | (34,726) |
| Net income (loss) per diluted share | $0.01 | $ (0.39) | $ (7.59) | $ (0.98) |

| | For the quarter ended | | | |
|---|---|---|---|---|
| **Fiscal year ended June 30, 2017** | **September 30, 2016 (5)** | **December 31, 2016(6)** | **March 31, 2017(6)(7)** | **June 30, 2017 (6)(8)** |
| Net sales | $128,018 | $ 125,552 | $ 190,128 | $ 194,620 |
| Gross profit | 30,839 | 30,805 | 42,319 | 36,829 |
| Net income (loss) | 4,385 | (564) | 5,588 | 1,967 |
| Net income (loss) per diluted share | $0.15 | $ (0.02) | $ 0.16 | $ 0.06 |

The net income (loss) per common share calculation for each of the quarters is based on the weighted average number of shares outstanding in each period. Therefore, the sum of the quarters in a year does not necessarily equal the year's net income (loss) per common share.

(1) Includes pretax item of $902 environmental remediation charge in connection with Arsynco.

(2) Includes impairment charges on goodwill and intangibles of $256,266 related to the Rising reporting unit.

(3) The Company (i) has recorded in its 2018 year-end financial statements a $76,500 valuation allowance against its U.S. net deferred tax assets for the year ended June 30, 2018, (ii) has determined that $71,350 of this non-cash charge should have been recognized in the third quarter of fiscal 2018, rather than in the fourth quarter of fiscal 2018, and (iii) accordingly will amend its most recently filed Quarterly Report on Form 10-Q to restate its third quarter and nine month consolidated financial statements to reflect $71,350 of the charge as a third quarter event. A reconciliation of the amounts previously reported for the quarter ended March 31, 2018 with the amounts to be set forth in such restated financial statements, is set forth below:

| | As reported | Adjustment | As restated |
|---|---|---|---|
| **For the quarter ended March 31, 2018** | | | |
| Net loss | $(196,635) | $ (71,350) | $(267,985) |
| Net loss per diluted share | $(5.57) | $ (2.02) | $(7.59) |

(4) Includes pretax item of $920 environmental remediation charge in connection with Arsynco.

(5) Includes pretax item of $170 environmental remediation charge in connection with Arsynco.

(6) Results for the last nine days of the quarter ended December 31, 2016 and for the subsequent two quarters reflect the acquisition of certain generic products and related assets from Citron and Lucid on December 21, 2016.

(7) Includes pretax item of $733 environmental remediation charge in connection with Arsynco.

(8) Includes pretax item of $3,139 representing immaterial correction of an error associated with certain accrued expenses.

Schedule II

ACETO CORPORATION AND SUBSIDIARIES

**Valuation and Qualifying Accounts**

For the years ended June 30, 2018, 2017 and 2016

(dollars in thousands)

| Description | **Balance at beginning of year** | **Charged to costs and expenses** | **Charged to other accounts** | Deductions | **Balance at end of year** |
|---|---|---|---|---|---|
| Year ended June 30, 2018 | | | | | |
| Allowance for doubtful accounts | $ 485 | $ 516 | - | $ 14 (a) | $ 987 |
| Deferred tax valuation allowance | 773 | 76,643 | - | - | 77,416 |
| Total | $ 1,258 | $ 77,159 | - | $ 14 | $ 78,403 |
| Year ended June 30, 2017 | | | | | |
| Allowance for doubtful accounts | $ 513 | $ (3) | - | $ 25 (a) | $ 485 |
| Deferred tax valuation allowance | 794 | - | - | 21 | 773 |
| Total | $ 1,307 | $ (3) | - | $ 46 | $ 1,258 |
| Year ended June 30, 2016 | | | | | |
| Allowance for doubtful accounts | $ 691 | $ 76 | - | $ 254 (a) | $ 513 |
| Deferred tax valuation allowance | 810 | - | - | 16 | 794 |
| Total | $ 1,501 | $ 76 | - | $ 270 | $ 1,307 |

(a) Specific accounts written off as uncollectible.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ACETO CORPORATION

By /s/ William C. Kennally, III
William C. Kennally, President
and Chief Executive Officer
(Principal Executive Officer)

Date: September 28, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

| **Signatures** | **Title** | **Date** |
|---|---|---|
| /s/William C. Kennally, III<br>William C. Kennally, III | President and Chief Executive Officer<br>(Principal Executive Officer) | 09-28-18 |
| /s/Rebecca Roof<br>Rebecca Roof | Interim Chief Financial Officer<br>(Principal Financial Officer) | 09-28-18 |
| /s/ Frances P. Scally<br>Frances P. Scally | Senior Vice President<br>& Chief Accounting Officer<br>(Principal Accounting Officer) | 09-28-18 |
| /s/ Alan G. Levin<br>Alan G. Levin | Chairman | 09-28-18 |
| /s/ Albert L. Eilender<br>Albert L. Eilender | Director | 09-28-18 |
| /s/ Vimal Kavuru<br>Vimal Kavuru | Director | 09-28-18 |
| /s/ William N. Britton<br>William Britton | Director | 09-28-18 |

| | | |
|---|---|---|
| /s/ Natasha Giordano<br>Natasha Giordano | Director | 09-28-18 |
| /s/ Daniel Yarosh<br>Daniel Yarosh | Director | 09-28-18 |

EXHIBIT INDEX

| Exhibit Number | Description |
|---|---|
| 2.1 | Membership Interest Purchase Agreement, dated March 26, 2014, by and among PACK Pharmaceuticals, LLC, the Aschenbrand and O'Brien Family Trust, dated March 2001, Bryan Aschenbrand – Trustee, Dushyant Chipalkattty, Chris Dungan, Aceto Corporation, Rising Pharmaceuticals, Inc. and Chris Dungan, solely in his capacity as the representative of the Sellers (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K dated March 28, 2014). |
| 2.2 | Form of Lock-up Agreement (incorporated by reference to Exhibit 2.2 to our Current Report on Form 8-K dated March 28, 2014). |
| 2.3 | Product Purchase Agreement, by and among Aceto Corporation, Cedar Pharma LLC (f/k/a Citron Pharma LLC and referred to herein as "Citron"), Aster Pharma LLC (f/k/a Lucid Pharma LLC and together with Citron, the "Sellers"), the direct and indirect equity owners of the Sellers (the Members), Rising Health, LLC ("Purchaser I"), Acetris Health, LLC (together with Purchaser I, the "Purchasers") and an agent for the Sellers and the Members (the "Agent"), dated as of November 2, 2016 (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K dated November 2, 2016). |
| 2.4 | Amendment No. 1 to the Product Purchase Agreement, by and among the Purchasers and the Agent, dated as of December 2, 2016 (incorporated by reference to Exhibit 2.2 to our Current Report on Form 8-K dated December 21, 2016). |
| 2.5 | Transaction Agreement Amendment and Waiver, dated as of December 21, 2016, by and among the Purchasers, the Agent, Rising Pharmaceuticals, Inc. and Vimal Kavuru (incorporated by reference to Exhibit 2.3 to our Current Report on Form 8-K dated December 21, 2016). |
| 3.1 | Amended and Restated Certificate of Incorporation filed with the Department of State of the State of New York on November 9, 2015 (incorporated by reference to Exhibit 3.1 to the Company's quarterly report on Form 10-Q for the quarter ended December 31, 2016). |
| 3.2 | Amendment to the Amended and Restated Certificate of Incorporation filed with the Department of State of the State of New York on December 15, 2015 (incorporated by reference to Exhibit 3.2 to the Company's quarterly report on Form 10-Q for the quarter ended December 31, 2016). |
| 3.3 | |

| | |
|---|---|
| | Amendment to the Amended and Restated Certificate of Incorporation filed with the Department of State of the State of New York on December 9, 2016 (incorporated by reference to Exhibit 3.3 to the Company's quarterly report on Form 10-Q for the quarter ended December 31, 2016). |
| 3.4 | Aceto Corporation By-Laws, amended July 28, 2014 (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K dated July 31, 2014). |
| 4.1 | Indenture, dated November 16, 2015 between Aceto Corporation and Citibank, N.A. (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K dated November 16, 2015). |
| 4.2 | Form of Global 2.00% Convertible Senior Note due 2020 (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K dated November 16, 2015). |
| 10.1 | Aceto Corporation 401(k) Retirement Plan, as amended and restated as of July 1, 2002 (incorporated by reference to Exhibit 10.1 to the Company's annual report on Form 10-K for the fiscal year ended June 30, 2004 (File Number: 000-04217, Film Number: 041025874)). |
| 10.2 | Supplemental Executive Retirement Plan, as amended and restated effective June 30, 2004 and frozen as of December 31, 2004 (incorporated by reference to Exhibit 10.2 to the Company's annual report on Form 10-K for the fiscal year ended June 30, 2004 (File Number: 000-04217, Film Number: 041025874)). |

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|---|---|
| 10.3 | 1998 Omnibus Equity Award Plan (incorporated by reference to Exhibit 10(v) (c) to the Company's annual report on Form 10-K for the fiscal year ended June 30, 1999 (File Number: 000-04217, Film Number: 99718824)). |
| 10.4 | Supplemental Executive Deferred Compensation Plan, effective March 14, 2005 (incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K filed with the Securities and Exchange Commission on March 17, 2005 (File Number: 000-04217, Film Number: 05688328)). |
| 10.5 | 2007 Long-Term Performance Incentive Plan (incorporated by reference to Exhibit 4.1 to Registration Statement No. 333-149586 on Form S-8). |
| 10.6 | Supplemental Executive Deferred Compensation Plan, amended and restated effective December 8, 2008 (incorporated by reference to Exhibit 10.22 to the Company's annual report on Form 10-K for the year ended June 30, 2009). |
| 10.7 | Purchase and Sale Agreement among Schweizerhall Holding AG, Chemische Fabrik Schweizerhall, Schweizerhall, Inc., Aceto Corporation and Aceto Holding B.V., I.O., dated as of January 28, 2001 (incorporated by reference to Exhibit 2.1 to the Company's current report on Form 8-K filed with the Securities and Exchange Commission on April 4, 2001 (File Number: 000-04217, Film Number: 1595350)). |
| 10.8 | Form of purchase agreement between Shanghai Zhongjin Real Estate Development Company Limited and Aceto (Hong Kong) Limited, dated November 10, 2004 (incorporated by reference to Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended December 31, 2004 (File Number: 000-04217, Film Number: 05588472)). |
| 10.9 | Guarantee by Aceto Corporation and subsidiaries in favor of Deutsche Bank, AG, dated March 22, 2001 (incorporated by reference to Exhibit 10.13 to the Company's annual report on Form 10-K for the year ended June 30, 2001 (File Number: 000-04217, Film Number: 1748270)). |
| 10.10 | Reaffirmation Agreement by Aceto Corporation, Aceto Agricultural Chemicals Corporation, CDC Products Corporation, Aceto Pharma Corp., Aceto Realty LLC, Acci Realty Corp. and Arsynco Inc., dated as of April 23, 2010 (incorporated by reference to Exhibit 10.3 to the Company's current report on Form 8-K filed with the Securities and Exchange Commission on April 28, 2010). |
| 10.11 | Aceto Corporation 2010 Equity Participation Plan (incorporated by reference to Appendix A to our Definitive Proxy Statement on Schedule 14A filed on October 13, 2010). |
| 10.12 | Aceto Corporation Severance Policy (incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K dated January 17, 2012). |

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| 10.13 | Aceto Corporation Executive Performance Award Plan (incorporated by reference to Appendix A to our Definitive Proxy Statement on Schedule 14A filed on October 18, 2012). |
| 10.14 | Amended and Restated Aceto Corporation 2010 Equity Participation Plan (incorporated by reference to Appendix B to our Definitive Proxy Statement on Schedule 14A filed on October 18, 2012). |
| 10.15 | Enhanced Severance Protection Letter Agreement, dated April 3, 2013 between Aceto Corporation and Douglas Roth (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated April 5, 2013). |
| 10.16 | Aceto Corporation 2013 Senior Executive Retirement Plan (incorporated by reference to Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2013). |
| 10.17 | Note Modification Agreement, dated October 21, 2013, between Aceto Realty LLC and JPMorgan Chase Bank, N.A. (incorporated by reference to Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended December 31, 2013). |

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|---|---|
| 10.18 | Amendment No. 1, dated as of December 26, 2013 to the Change in Control Agreement, dated as of July 2, 2012, by and between the Company and Salvatore J. Guccione (incorporated by reference to Exhibit 10.2 to the Company's quarterly report on Form 10-Q for the quarter ended December 31, 2013). |
| 10.19 | Commitment Letter dated March 26, 2014, by and among, Aceto Corporation and the Lead Arrangers and Commitment Lenders (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated March 28, 2014). |
| 10.20 | Credit Agreement, dated as of April 30, 2014, by and among Aceto Corporation, JPMorgan Chase Bank, N.A. as Administrative Agent, Wells Fargo, as Syndication Agent, and the Lenders (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated May 2, 2014). |
| 10.21 | Employment Agreement, effective as of January 1, 2015, between Aceto Corporation and Salvatore Guccione (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated December 18, 2014). |
| 10.22 | Change in Control Agreement by and between Aceto Corporation and Terry Kippley, dated as of November 5, 2014 (incorporated by reference to Exhibit 10.2 to the Company's quarterly report on Form 10-Q for the quarter ended December 31, 2014). |
| 10.23 | Change in Control Agreement by and between Aceto Corporation and Salvatore Guccione (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated February 18, 2015). |
| 10.24 | Change in Control Agreement by and between Aceto Corporation and Albert L. Eilender (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K dated February 18, 2015). |
| 10.25 | Change in Control Agreement by and between Aceto Corporation and Douglas Roth (incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K dated February 18, 2015). |
| 10.26 | Change in Control Agreement by and between Aceto Corporation and Frank DeBenedittis (incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K dated February 18, 2015). |
| 10.27 | Change in Control Agreement by and between Aceto Corporation and Satish Srinivasan (incorporated by reference to Exhibit 10.5 to our Current Report on Form 8-K dated February 18, 2015). |
| 10.28 | Change in Control Agreement by and between Aceto Corporation and Charles J. Alaimo, dated as of February 13, 2015 (incorporated by reference to Exhibit 10.6 to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2015). |

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|---|---|
| 10.29 | Change in Control Agreement by and between Aceto Corporation and Raymond B. Bartone, dated as of February 13, 2015 (incorporated by reference to Exhibit 10.7 to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2015). |
| 10.30 | Change in Control Agreement by and between Aceto Corporation and Terry Kippley, dated as of February 13, 2015 (incorporated by reference to Exhibit 10.8 to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2015). |
| 10.31 | Change in Control Agreement by and between Aceto Corporation and Steven S. Rogers, dated as of February 13, 2015 (incorporated by reference to Exhibit 10.10 to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2015). |
| 10.32 | Change in Control Agreement by and between Aceto Corporation and Nicholas I. Shackley, dated as of February 13, 2015 (incorporated by reference to Exhibit 10.11 to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2015). |

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|---|---|
| 10.33 | Amendment No. 1, dated as of June 25, 2015, to the Credit Agreement, dated as of April 30, 2014, by and among Aceto Corporation, JPMorgan Chase Bank, N.A. as Administrative Agent and the Lenders (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated June 25, 2015). |
| 10.34 | Aceto Corporation 2015 Equity Participation Plan (incorporated by reference to Appendix B to our Definitive Proxy Statement on Schedule 14A filed on October 26, 2015). |
| 10.35 | Amended and Restated Credit Agreement, dated as of October 28, 2015, by and among Aceto Corporation, the other loan parties thereto, JPMorgan Chase Bank N.A., as administrative agent, Wells Fargo Bank, National Association, as syndication agent, and the lenders party thereto (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated October 28, 2015). |
| 10.36 | Purchase Agreement, dated November 10, 2015, by and among Aceto Corporation and Wells Fargo Securities, LLC and J.P. Morgan Securities LLC, as representatives of the initial purchasers named therein (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated November 12, 2015). |
| 10.37 | Convertible Note Hedge Confirmation, dated November 10, 2015, between Aceto Corporation and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K dated November 12, 2015). |
| 10.38 | Convertible Note Hedge Confirmation, dated November 10, 2015, between Aceto Corporation and JPMorgan Chase Bank, National Association (incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K dated November 12, 2015). |
| 10.39 | Warrant Confirmation, dated November 10, 2015, between ACETO Corporation and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K dated November 12, 2015). |
| 10.40 | Warrant Confirmation, dated November 10, 2015, between ACETO Corporation and JPMorgan Chase Bank, National Association (incorporated by reference to Exhibit 10.5 to our Current Report on Form 8-K dated November 12, 2015). |
| 10.41 | Amendment No. 1 to the Amended and Restated Credit Agreement, dated as of October 28, 2015, by and among Aceto Corporation, the other loan parties thereto, JPMorgan Chase Bank, N.A., as administrative agent, Wells Fargo Bank, National Association, as syndication agent, and the lenders party thereto (incorporated by reference to Exhibit 10.6 to our Current Report on Form 8-K dated November 12, 2015). |
| 10.42 | Additional Convertible Note Hedge Confirmation, dated November 18, 2015, between Aceto Corporation and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.1 to our Current Report on |

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|---|---|
| | Form 8-K dated November 23, 2015). |
| 10.43 | Additional Convertible Note Hedge Confirmation, dated November 18, 2015, between Aceto Corporation and JPMorgan Chase Bank, National Association (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K dated November 23, 2015). |
| 10.44 | Additional Warrant Confirmation, dated November 18, 2015, between Aceto Corporation and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K dated November 23, 2015). |
| 10.45 | Additional Warrant Confirmation, dated November 18, 2015, between Aceto Corporation and JPMorgan Chase Bank, National Association (incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K dated November 23, 2015). |
| 10.46 | Letter Agreement between Aceto Corporation and Walter J. Kaczmarek III (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated July 18, 2016). |
| 10.47 | Change in Control Agreement by and between Aceto Corporation and Walter J. Kaczmarek III (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K dated July 18, 2016). |

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|---|---|
| 10.48 | Amendment No. 2 to the Amended and Restated Credit Agreement, dated as of October 28, 2015, by and among Aceto Corporation, the other loan parties thereto, JPMorgan Chase Bank, N.A., as administrative agent, Wells Fargo Bank, National Association, as syndication agent, and the lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2016). |
| 10.49 | Form of Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated July 28, 2016). |
| 10.50 | Form of Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K dated July 28, 2016). |
| 10.51 | Second Amended and Restated Credit Agreement, dated as of December 21, 2016, by and among the Company, the other loan parties thereto, JPMorgan Chase Bank, N.A., as administrative agent, Wells Fargo Bank, National Association, as syndication agent, and the lenders party thereto (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated December 21, 2016). |
| 10.52 | Stockholders' Rights Agreement, by and among the Company and the Sellers, dated as of November 2, 2016 (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated November 2, 2016). |
| 10.53 | Voting Agreement, by and among the Company, the Sellers and the Members, dated as of November 2, 2016 (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K dated November 2, 2016). |
| 10.54 | Employment Agreement, by and between Rising and Vimal Kavuru, dated as of November 2, 2016 (incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K dated November 2, 2016). |
| 10.55 | Separation Agreement by and between Aceto Corporation and Salvatore Guccione (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated September 27, 2017). |
| 10.56 | Employment Letter Agreement by and between Aceto Corporation and William C. Kennally, III (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K/A dated October 17, 2017). |
| 10.57 | Change in Control Agreement by and between Aceto Corporation and William C. Kennally, III (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K/A dated October 17, 2017). |
| 10.58 | First Amendment to Second Amended and Restated Credit Agreement, dated as of December 13, 2017 by and among the Company, certain other loan parties party thereto, the lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated December 18, 2017). |
| 10.59 | Agreement between Aceto Corporation and Edward J. Borkowski (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated February 16, 2018). |
| 10.60 | Change in Control Agreement between Aceto Corporation and Edward J. Borkowski (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K dated February 16, 2018). |
| 10.61 | |

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| | Second Amendment and Waiver to Second Amended and Restated Credit Agreement, dated as of May 3, 2018 (incorporated by reference to Exbibit 10.3 to our Quarterly Report on Form 10-Q, dated May 7, 2018). |
| 10.62 | Third Amendment and Limited Waiver to Second Amended and Restated Credit Agreement, dated as of September 11, 2018 (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated September 12, 2018). |
| 21* | Subsidiaries of the Company. |
| 23* | Consent of BDO USA, LLP. |

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| 31.1* | Certifications of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certifications of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1** | Certifications of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2** | Certifications of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

*Filed herewith

**Furnished herewith