

ANTIBIOTICE S.A.

The financial statements below were drafted
on June 30th, 2016
in accordance with the IFRS* adopted by the European
Union.

ANTIBIOTICE S.A.
Financial statements as per June 30th, 2016

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ANTIBIOTICE SA
STATEMENT OF THE GLOBAL RESULT

On June 30th, 2016

(all amounts are expressed in RON, if not mentioned otherwise)

	NOTE	30-June-16	30-June-15
Sales revenue	4	143.801.779	132.392.535
Other operating revenue		9.012.759	11.311.735
Revenue relative to costs for stocks of products		25.882.519	24.931.175
Revenue generated by capitalized activities		921.955	1.258.242
Expenses with raw materials and consumables	5	(71.711.431)	(57.705.151)
Staff related expenses cu personalul	6	(34.711.035)	(34.339.435)
Expenditure on amortization and depreciation		(8.859.850)	(7.397.991)
Other operating expenses	7	(43.279.318)	(51.383.596)
Operating profit		21.057.378	19.067.514
Net financial income	8	(2.206.628)	(2.429.214)
Profit before tax		18.850.750	16.638.300
Expenditure with tax on current profit and deferred tax	9	(2.409.131)	(1.379.351)
Profit		16.441.619	15.258.949
Total global result		16.441.619	15.258.949
Result per share	10	0.024491	0.022729

Notes 1 to 25 are an integrating part of the financial statements.

Drafted by:

CEO
Ec. Ioan NANI

Economic Director
Ec. Paula COMAN

ANTIBIOTICE SA
FINANCIAL STATEMENTS

on June 30th, 2016

(all amounts are expressed in RON, if not mentioned otherwise)

	NOTES	30-June-16	31-Dec-15
ASSETS			
FIXED ASSETS			
Tangible assets	11	202.346.453	205.945.190
Intangible fixed assets	12	10.476.924	9.730.186
Investments in instruments for shareholders' equity			
TOTAL FIXED ASSETS		212.823.377	215.675.376
CURRENT ASSETS			
Stocks	13	89.279.421	60.290.277
Trade and similar receivables	14	235.536.211	231.314.744
Financial assets for sale		-	220
Cash and cash equivalents	15	3.120.845	37.381.974
TOTAL CURRENT ASSETS		327.936.477	328.987.215
TOTAL ASSETS		540.759.854	544.662.591
 DEBT			
CURRENT DEBT			
Commercial and similar debt	16	52.175.309	71.391.757
Amounts owed to banks	17	54.491.038	41.778.509
Debt generaed by tax and current charges		8.009.352	8.989.373
Short-term provisions	18	8.723.809	7.179.938
TOTAL CURRENT DEBT		123.399.509	129.339.577
 LONG-TERM DEBT			
Subventions for investment	19	3.054.184	3.193.972
Deferred tax	20	19.168.994	19.479.158
TOTAL LONG-TERM DEBT		22.223.178	22.673.130
TOTAL DEBT		145.622.686	152.012.707

Notes 1 to 25 are an integrating part of the financial statements.

Drafted by:

CEO
Ec. Ioan NANI

Economic Director
Ec. Paula COMAN

ANTIBIOTICE S.A.
FINANCIAL STATEMENTS (follow-up)
on December 31st, 2015
(all amounts are expressed in RON, if not mentioned otherwise)

	NOTES	30-June-16	31-Dec-15
Share capital and reserves			
Share capital	21	264.835.156	264.835.156
Revaluation reserves	22	18.407.830	19.909.156
Legal reserves	22	13.426.761	13.426.761
Other reserves	22	146.528.189	133.303.701
Reported result	23	(64.502.388)	(66.003.714)
Current result		16.441.619	27.178.823
TOTAL SHAREHOLDERS' EQUITY		395.137.167	392.649.884
TOTAL EQUITY AND DEBT		540.759.854	544.662.591

Notes 1 to 25 are an integrating part of the financial statements.

CEO
Ec. Ioan NANI

Drafted by:

Economic Director
Ec. Paula COMAN

ANTIBIOTICE S.A.
CASH FLOW STATEMENTS

on June 30th, 2016

(all amounts are expressed in LEI, if not mentioned otherwise)

	1st semester 2016	1st semester 2015
I. Operating cash flow		
Cash collection from sales of goods and provision of services	125.081.601	112.826.232
Cash collection from royalties, fees, charges and other type of income	206.779	2.522.412
Cash payments to suppliers of goods and services	(107.990.429)	(81.185.236)
Cash payments to and on behalf of employees and payroll expenses	(33.625.832)	(33.236.343)
VAT paid	(1.842.814)	(1.456.272)
Contributions to the Ministry of Health and Environment	(10.042.378)	(13.427.954)
Other taxes, fees and similar charges paid	(1.387.866)	(621.204)
Operating cash flow	(29.600.939)	(14.578.364)
Interest charged	6.972	3.651
Interest paid	(437.111)	(648.771)
Tax on dividend paid	-	(288.520)
Income tax paid	(3.236.224)	(2.988.795)
Net operating cash flows	(33.267.301)	(18.500.799)
II. INVESTMENT CASH FLOW		
Cash payments for purchasing land and fixed assets, intangible assets and long-term assets	(6.276.529)	(5.990.318)
Net investment cash flow	(6.276.529)	(5.990.318)
III. FINANCING CASH FLOW		
Proceeds/reimbursement generated by long-term loans	12.701.298	18.692.213
Purchasing shares	220	-
Paid dividends	(7.418.817)	(8.503.463)
Net financing cash flows	5.282.701	10.188.850
Net cash increase/decrease	(34.261.129)	(14.302.268)
Cash and cash equivalents at the beginning of the interval	37.381.974	17.806.234
Cash and cash equivalents at the end of the interval	3.120.845	3.503.966

Notes 1 to 25 are an integrating part of the financial statements.

Drafted by:

CEO
Ec. Ioan NANI

Economic Director
Ec. Paula COMAN

ANTIBIOTICE S.A.
STATEMENT OF CHANGES IN THE SHAREHODERS' EQUITY

on June 30th, 2016

(All amounts are expressed in LEI, if not mentioned otherwise)

	Sub- scribed capital	Adjust- ments on capital	Reserves	Other reserves	Reported current result	Result given by revaluati on reserves	Result further to error adjust- ments	Revaluati on reserves	Result further to first enforce- ment of IAS/IFRS	Result further to first enforce- ment of IAS 29	TOTAL
31-Dec-14	67.133.804	197.701.352	13.189.007	118.149.425	31.138.739	3.782.087	961.436	4.158.470	125.818.032	(197.701.352)	364.331.001
Current global result					27.178.823						27.178.823
Legal reserves			237.754		(237.754)						
Other reserves				15.154.276	(15.154.276)						
Dividends					(15.746.709)						(15.746.710)
Result further to error adjustments							(961.436)		961.436		-
Fixed assets increase by a revaluation balance						1.136.083		(1.136.083)			
Deffered tax further to revaluation reserve								(3.216.528)			(3.216.528)
Reserve/provisions further to revaluation								20.103.297			20.103.297
31-Dec-15	67.133.804	197.701.352	13.426.76	133.303.7	27.178.823	4.918.170	0	19.909.156	126.779.469	(197.701.352)	392.649.87

Notes 1 to 25 are an integrating part of the financial statements.

ANTIBIOTICE S.A.
STATEMENT OF CHANGES IN THE SHAREHODERS' EQUITY

on June 30th, 2016

(All amounts are expressed in LEI, if not mentioned otherwise)

Sub- scribed capital	Adjust- ments on capital	Reserves	Other reserves	Reported current result	Result given by revaluati on reserves	Result further to error adjust- ments	Revaluati on reserves	Result further to first enforce- ment of IAS/IFRS	Result further to first enforce- ment of IAS 29	TOTAL
04	2	1	01					2)	84	

Notes 1 to 25 are an integrating part of the financial statements.

ANTIBIOTICE S.A.
STATEMENT OF CHANGES IN THE SHAREHODERS' EQUITY

on June 30th, 2016

(All amounts are expressed in LEI, if not mentioned otherwise)

	Sub- scribed capital	Adjust- ments on capital	Reserves	Other reserves	Reported current result	Result given by revaluati on reserves	Result further to error adjust- ments	Revaluati on reserves	Result further to first enforce- ment of IAS/IFRS	Result further to first enforce- ment of IAS 29	TOTAL
31-Dec-15	67.133.8	197.701.35	13.426.76	133.303.7	27.178.823	4.918.170	0	19.909.156	126.779.469	(197.701.35	392.649.8
	04	2	1	01						2)	84
Current global result					16.441.619						16.441.61
Legal reserves											9
Other reserves				13.224.48	(13.224.48						
				8	8)						
Dividends					(13.954.33						(13.954.3
					5)						35)
IFRS adjustments											
Result further to error adjustments											
Fixed assets increase by a revaluation balance											
Reserve following transfer revaluation						1.787.923	0	(1.787.923)			
Deffered tax further to						(285.967)	0	285.967			

Notes 1 to 25 are an integrating part of the financial statements.

ANTIBIOTICE S.A.
STATEMENT OF CHANGES IN THE SHAREHODERS' EQUITY

on June 30th, 2016

(All amounts are expressed in LEI, if not mentioned otherwise)

	Sub- scribed capital	Adjust- ments on capital	Reserves	Other reserves	Reported current result	Result given by revaluati on reserves	Result further to error adjust- ments	Revaluati on reserves	Result further to first enforce- ment of IAS/IFRS	Result further to first enforce- ment of IAS 29	TOTAL
revaluation reserve											
30-June-16	67.133.8 04	197.701.35 2	13.426.76 1	146.528.1 89	16.441.619	6.419.496	0	18.407.830	126.779.469	(197.701.35 2)	395.137.1 67

Notes 1 to 25 are an integrating part of the financial statements.

ANTIBIOTICE S.A.
NOTES TO FINANCIAL STATEMENTS

on June 30th, 2016

(all amounts are expressed in RON, if not mentioned otherwise)

1. GENERAL INFORMATION

1.1 Brief company profile

Antibiotice is a joint-stock company based in Iasi, Valea Lupului street no. 1, tax registration code RO 1973096. Antibiotice was founded in 1955 under Law 15 / 1990 and Government Decision no. 1200/ 12.11.1990 and is traded on the regulated market of the Bucharest Stock Exchange.

Our company's 8 manufacturing lines, upgraded and certified according to Good Manufacturing Practice (GMP) standards produce medicinal products in 5 dosage forms: powders for injectable solutions and suspensions (penicillins), capsules, tablets, suppositories and topical preparations (ointments, gels, creams). Together they form a comprehensive portfolio of more than 144 drugs for human use, designed to treat a wide range of infectious, dermatological, cardiovascular, digestive tract diseases or diseases related to the musculoskeletal system.

All production capacities are located on the premises of Antibiotice, which is also the company's HQ.

The company has ownership rights on all assets recorded in the accountant system.

1.2 Corporate Governance structures

Structures underlying the governance system at Antibiotice:

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

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

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

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

On semester 1 2016 we proved to be consistent regarding the strategic directions, accompanied by adequate investment programs. This was achieved by applying the principles

ANTIBIOTICE S.A.
NOTES TO FINANCIAL STATEMENTS

on June 30th, 2016

(all amounts are expressed in RON, if not mentioned otherwise)

of good corporate governance, which has helped to harness the full potential of employees to implement and maintain high standards in all company activities.

Management Board

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

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

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

During the first semester of 2016, the Management Board gathered in 6 meetings, recording 100% attendance and adopted decisions which allowed to perform their duties in an effective and efficient manner.

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

The 5 members of the Board shall ensure the effectiveness of the ability to monitor, analyze and evaluate the work of directors and the fair treatment of shareholders.

Structure of Antibiotice Management Board on June 30th, 2016

1. Legal counselor Iavor Ionut Sebastian

Chairman of the Board and representative of the Ministry of Health

At the Ordinary General Meeting of Shareholders (OGMS) of April 30th, 2015 Mr. Iavor was elected on the Board of Directors and then appointed Chairman of the Board.

2. Ec. Nani Ioan

Vice Chairman of the Management Board and CEO

At the OGMS on April 19th, 2016, he was appointed on the Management Board for four years. Mr. Nani was later appointed Vice-President by the members of the Board.

ANTIBIOTICE S.A.
NOTES TO FINANCIAL STATEMENTS

on June 30th, 2016

(all amounts are expressed in RON, if not mentioned otherwise)

3. Dr. Neagoe Adela-Petrinia

Member of the Board and representative of the Ministry of Health

At the OGMS of March 20th 2014, she was appointed on the Management Board for four years

4. Ec. Stoian Nicolae

Member of the Board and representative of SIF Oltenia

At the OGMS on April 19th, 2016, he was appointed on the Management Board for four years.

5. Eng. Calitoiu Elena

Member of the Board and representative of SIF Oltenia

At the OGMS on April 19th, 2016, she was appointed on the Management Board for four years

Advisory committees

During 2016, the specialized advisory committees had the following membership:

- Audit Committee: Mr. Ionut Sebastian Iavor, Mr. Nicolae Stoian and Ms Elena Calitoiu;
- Nomination and Remuneration Committee: Ms. Adela Neagoe and Ms Elena Calitoiu
- Trade policies Committee: Mr. Ionut Sebastian Iavor and Mr. Nicolae Stoian.

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

Antibiotice executive management

The Antibiotice Company is represented by the General Manager. The Management Board of Directors retains the duty of representing the company in the relationship with the directors whom they have appointed.

The executive management of the company is ensured by ten managing directors, one of whom is the CEO and Vice Chairman of the Board, at the same time.

Structure of the Executive Management of Antibiotice on 30th June 2016

1. Ec. Nani Ioan

- CEO and Vice Chairman of the Board
- elected by the Ordinary General Meeting of Shareholders (OGMS) on April 19, 2016 to be part of the Management on the Board for a term of four years; he was later appointed Chairman of the Board. He has been a CEO since 2009.

2. eng. Moraru Cornelia

- Director of the Technical and Production Unit since 2005

(a) ec. Coman Paula-Luminita

- Financial Director (Economic Unit) since 2011

(b) ec. Chebac Vasile

- (c) Commercial and Logistics Director since 2005

(d) eng. Osadet Eugen-Florin

- Engineering and Investment Director since 2000

(e) eng. Dimitriu Cristina-Lavinia

- Quality Director since 2004

(f) ec. Rusu Gica

Human Resources Director since 2006

ANTIBIOTICE S.A.
NOTES TO FINANCIAL STATEMENTS

on June 30th, 2016

(all amounts are expressed in RON, if not mentioned otherwise)

(g) ec. Bataga Ovidiu

- Marketing and Domestic Sales Director since 2011,

9. physician Mosnegutu Mihaela

- Medical Director since 2011

10. ec. Stoian Mihai

- International Business Development Director since 2016

The Code of Ethics

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

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

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

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

The Code of Ethics is presented in detail on our company's website, www.antibiotice.ro, under the subsection

Investitori/ Guvernanta Corporativa / Documente de referinta /Cod de etica (see ENGLISH version)

The rights of shareholders

The corporate governance framework partially adopted and applied:

- protects the rights of shareholders,
- ensure the fair treatment of all shareholders
- recognizes the role of third parties with interests in the company
- ensure information and transparency,
- ensures the Board's accountability to the company and the shareholders.

The company makes available the quarterly and annual financial statements, in accordance with law, to anyone interested. Also, the company complies with all the disclosure requirements under the trading companies' law and the capital market.

On the company's website, <http://www.antibiotice.ro/investitori/informatiiactionari>, there is a section dedicated to shareholders, Investor Relations, whose main role is ensuring a good communication with the company's shareholders. The persons designated for this job maintain the relationship with investors, treat shareholders' requests with maximum efficiency and facilitate the dialogue with the management of the company.

The company creates and develops an appropriate policy to promote an effective communication with investors and shareholders.

ANTIBIOTICE S.A.
NOTES TO FINANCIAL STATEMENTS

on June 30th, 2016

(all amounts are expressed in RON, if not mentioned otherwise)

The General Meeting of Shareholders

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

During semester I, 2016, the Board convened an Ordinary General Meeting of Shareholders and an Extraordinary General Meeting of Shareholders, on April 19 2016. All necessary documents relating to the smooth conduct of the General Meetings were published on due time and as required by the law.

Within the Ordinary General Meeting of Shareholders changes in the composition of the Board were approved; by electing three new members in the Management Board, as per procedures of GEO 109/2011 on corporate governance of companies: Mr. Ioan NANI, Ms.Elena CALITOIU and Mr Nicolae STOIAN on behalf of SIF Oltenia, respectively.

Also the company's financial results for 2015 were approved; these results were drafted in accordance with the Order of the Minister of Public Finance no. 881 /25.06.2012, the Order of the Minister of Public Finance no.1286/2012 for the approval of accounting regulations in accordance with the international financial reporting standards applicable to companies whose securities are traded on a regulated market, the Order of the Minister of Public Finance no.1690/2012 on amending and supplementing certain accounting regulations, the Order of the Minister of Public Finance no. 65/2015 on the main aspects of preparing and submitting the annual financial statements and the annual accounting reports of economic operators to the local offices of the Ministry of Public Finance.

During the same meeting the following decisions were taken:

- The approval of the allocation of net profit for the year 2015 worth of 27,178,823 lei, setting of the fixing gross dividend per share worth of 0.020785855 lei and the payment of dividends as of 15.09.2016;
- The approval of discharge from administration for the activity during the financial year 2015, based upon the reports submitted
- The approval of the Revenues and Expenditures Budget for 2016;
- The approval of the degree of achievement of the objectives and the performance criteria for the year 2014 for members of the Board of Directors;
- The approval of the objectives set in the management plan for the Board members for the 2016;
- The approval of the remuneration of the Board members in accordance with Government Emergency Ordinance no. 51/2013 on amending and supplementing the Government Emergency Ordinance no. 109/2011 regarding the corporate governance of public enterprises;
- Approval to affiliate Antibiotice S.A. to the Committee attached to the International Chamber of Commerce - Romania, as well as to the Romanian- American Commerce Chamber;

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

- The extension by 12 months of the multi-product multi-currency credit validity relative to the amount of 60 million lei contracted by Antibiotice SA from the Export Import Bank of Romania - EximBank SA.

ANTIBIOTICE S.A.
NOTES TO FINANCIAL STATEMENTS

on June 30th, 2016

(all amounts are expressed in RON, if not mentioned otherwise)

- Maintaining the multi-product credit related guarantees (multi-currency, USD and Lei) in the amount of 60 million lei for the entire period of validity resulting from the extension according to the points 1 and 2 on the Agenda.
- The making of a decision - commitment of Antibiotice not to divide itself, not to merge and not to decide the anticipated dissolution throughout the life of the multi-product credit agreement and the guarantee on behalf of the state issued by Eximbank without the prior consent of EximBank SA.
- Empowering Mr. Ioan Nani, CEO and Mrs. Paula Coman, Economic Director to sign on behalf of the Company all papers / documents related to the extension and conversion of the credit facility, according to paragraphs 1 and 2 of the Agenda and the papers / documents related to the obligations assumed by the Company in accordance with the paragraphs 3 and 4 of the Agenda.
- The appropriate amendment of Annex 1 from the Articles of Association - according to the convening notice.

The Antibiotice ownership breakdown on April 5th, 2016 (as per the latest data base):

I. Investors

- Ministry of Health(*) - 53.0173%,
- S.I.F. Oltenia (*) - 13.5229%
- Broadhurst Investments Limited - 4.1977%
- S.I.F. Transilvania – 4.0356%
- Private pension fund “AZT Viitorul Tău/Allianz” – 2.1711%
- S.I.F. Banat-Crișana S.A – 2.1104%
- Alico Privately Managed Pension Fund – 1.5116%
- ARIPI/GENERALI S.A.F.P.P. Privately Managed Pension Fund – 0.6782%
- A-Invest – 0.6595%
- Polunin Discovery Funds – Frontier Markets Fund – 0.5283%
- Other legal entities and individuals – 17.8313%.

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

II. Types of shareholders

- Legal entities – 87.5240 %
- Individuals – 12.4760%.

Throughout the first semester 2016, we paid dividends for the financial years 2011, 2012, 2013 and 2014, as follows:

ANTIBIOTICE S.A.
NOTES TO FINANCIAL STATEMENTS

on June 30th, 2016

(all amounts are expressed in RON, if not mentioned otherwise)

Dividend payment overview (2012 – 2013 – 2014)

Period	Net dividends							Cessation to pay dividends
	Due	paid				Unclaimed on 31.12.2015		
		RON			% (total paid)	lei	%	
		by 31.12.2015	01.01 ÷ 30.06.2016	Total				
0	1	2	3	4	5	6	7	8
2012	9.834.108	8.986.709	5.209	8.991.918	91.44	842.190	8.56	Payment in progress
2013	14.753.415	13.456.573,2	18.568	13.475.141,2	91.34	1.278.273,80	8.66	Payment in progress
2014	15.061.293	13.870.071,68	17.250,95	13.887.322,63	92.21	1.173.970,37	7.79	Payment in progress

For 2012 and 2013 dividends can be obtained in the following ways: at the company's headquarters, by bank transfer and postal order and for 2014 through the Bucharest Central Depository and implicitly, through CEC Bank.

Antibiotice on the securities market

Atb shares are listed on the PREMIUM category on the Bucharest Stock Exchange under the ATB symbol since 1997.

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

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

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

- are included in the BET-XT index, reflecting the price evolution of the 25 most liquid companies.
- are included in the BET-XT-TR index reflecting the price performance of the 25 most liquid companies as well as the gross dividends and other cash distributions to shareholders.
- are included in the BET- Plus index which includes the Romanian companies listed in the BSE market which meet the minimum selection criteria excluding the financial investment companies.
- are included in the BET-BK index reflecting the evolution of the prices of shares issued by domestic and foreign companies admitted to trading on the regulated market administered by BSE.

Throughout the first semester 2016, the minimum price per ATB share was 0.4200 lei. The share price rose to a maximum value of **0.5320 lei**/share.

Antibiotice market capitalization on June 30,2015 was 306,801.000 thousand lei.

ANTIBIOTICE S.A.
NOTES TO FINANCIAL STATEMENTS

on June 30th, 2016

(all amounts are expressed in RON, if not mentioned otherwise)

Antibiotice – ATB shares / Regular market

	2013	2014	2015	Sem. I 2016
Number of shares	671.338.040	671.338.040	671.338.040	671.338.040
Market capitalization (thousand RON)*	374.607	390.719	357.152	306.801
Market capitalization (thousand EUR)*	83.919	87.173	78.868	67.861
Market capitalization (thousand \$)*	115.413	105.978	86.167	75.522
Total value traded (million RON)	23	16	11	2
No. of shares traded	48.439.486	27.467.454	18.844.935	3.554.145
Opening price (RON/share)	0.3774	0.5520	0.5850	0.5320
Maximum price (RON/share)	0.5680	0.6170	0.6170	0.5320
Minimum price (RON/share)	0.3700	0.5410	0.5240	0.4200
Price at the end of the year (RON/share)	0.5580	0.5850	0.5320	0.4570
Average price (RON/share)	0.4692	0.5845	0.5836	0.4694

* Calculated based on the price per share on the last trading day of the interval

2. ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively named "IFRS") issued by the International Accounting Standards Board (IASB) as adopted by the EU.

Separate financial statements have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS). This set of financial statements represents the company's first IFRS financial statements issued for publication.

The Company's accounting records are expressed in RON in accordance with Romanian Accounting Regulations. These accounts have been restated to reflect the differences between the accounts according to Romanian accounting regulations and those under IFRS. Correspondingly, according to RCR accounts were adjusted, where necessary, to harmonize the separate financial statements in all material respects with IFRS as adopted by the European Union.

The most significant changes to the financial statements prepared in accordance with RCR to align to the IFRS requirements adopted by the European Union are:

- Adjustments of share capital in 2012 in accordance with IAS 29 - "Financial reporting in hyperinflationary economies", Romanian economy being hyperinflationary until 31 December 2003.
- According to International Financial Reporting Standards 1 "First-time Adoption of International Financial Reporting Standards", Antibiotice chose to evaluate its fixed assets, plant and equipment at the date of transition to IFRS at their fair value and use this fair value as deemed cost at that date
- Accounts adjustments for recognizing assets and liabilities regarding the deferred income tax in accordance with IAS 12 "Income Taxes". SC Antibiotice SA calculated and recorded in its accounting records a provision for "other taxes and charges".

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- **Grouping items into categories according to disclosure requirements under IFRS;**
The principal accounting policies applied in preparing the financial statements are set out below. Policies have been applied consistently to all years presented, unless otherwise noted. The principal accounting policies applied in preparing the financial statements are set out below. Policies have been applied consistently to all years presented, unless otherwise noted. Preparation of financial statements in accordance with IFRS as adopted require the use of certain critical accounting estimates. It is also necessary, for the company's management to take decisions related to the application of accounting policies. Areas where decisions were taken and significant estimates were made in preparing the financial statements and their effect are shown in the following:

2.2 Bases of assessment

Separate financial statements are prepared using the historical cost convention, amortized except for property and equipment at cost revalued, by using fair value as deemed cost and the items presented at fair value, i.e. financial assets and liabilities at fair value through profit and loss, and financial assets available for sale, except those for which fair value can not be determined reliably.

2.3 Functional currency

The Company's management considers that the functional currency, as defined by IAS 21 "Effects of exchange rate variation" is the Romanian leu (RON). Separate financial statements are presented in USD.

Transactions made by the company in a currency other than the functional currency are recorded at the rates in force at the time the transactions occur. Monetary assets and liabilities in foreign currencies are exchanged at rates in effect at the reporting date.

2.4 Critical accounting judgments and estimates

As a result of the uncertainties inherent in business activities, many items in financial statements cannot be measured with precision but can only be estimated. Estimation involves judgments based on the latest available reliable information.

the use of reasonable estimates is an essential part of the financial statements and does not undermine their reliability.

An estimate may need revision if changes occur regarding the circumstances on which the estimate was based or as a result of new information or subsequent experiences. By its nature, the revision of an estimate does not relate to prior periods and is not the correction of an error in the current period. If any, effect on future periods is recognized as income or expense in those future periods.T.

An estimate may need revision if changes occur regarding the circumstances on which the estimate was based or as a result of new information or subsequent experiences. By its nature, the revision of an estimate does not relate to prior periods and is not the correction of an error in the current period. If any, effect on future periods is recognized as income or expense in those future periods.

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The company performs certain estimates and assumptions about the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including forecasting future events that are believed to be reasonable under the circumstances. In the future, concrete experience may differ from these estimates and assumptions. The following are examples of assessment, estimation, assumptions applied in our company:

(a) *Evaluation of investments in land and buildings owned*

The company obtained evaluations conducted by external evaluators to determine the fair value of its investment property and buildings owned. These assessments are based on assumptions which include future rental income, maintenance costs, anticipated future costs of development and the appropriate discount rate. Evaluators refer to market information related to property transactions with similar prices.

(b) *Impairment of receivables*

Assessment for impairment of receivables is performed individually and is based on the management's best estimate of the present value of cash flows that are expected to be received. To estimate these flows, management makes certain estimates on the financial situation of the partners. Each impaired asset is analyzed individually. Precision in adjustments depends on estimates of future cash flows.

(c) **Legal proceedings**

The company reviews its backlog of unsettled legal cases following developments in legal proceedings and the existing situation at each reporting date, to assess the provisions and disclosures in its financial statements. Among the factors considered in decisions related to provisions we mention: the nature of litigation or claims and the potential of damage in the jurisdiction which settles the dispute, the progress of the case (including progress after the date of financial statements but before those statements are issued), opinions of legal advisors, experience in similar cases and any decision by the Company's management related to how you respond to the dispute, claim or assessment.

(d) *Estimates of expenditure accounting*

There are situations in which goals until the closing of tax years or up to the closing date of a financial year does not know the exact values of certain expenses incurred by the company (eg, marketing campaigns, sales promotion and incentive product sales). For this category of spending will make preliminary expenses, which will be corrected in future periods when it will produce and output of cash flows. Estimates of expenditure for each category of expense will be made by someone with experience in the type of activity that generated the expense.

(e) *Taxation*

The taxation system in Romania is in a phase of consolidation and harmonization with European legislation. However, there are still different interpretations of tax legislation. In some cases, the tax authorities may have different approaches to certain issues, the calculation of additional taxes and penalties for late payment. In Romania, fiscal years remain open for tax f verification for 5/7 years. The company's management believes that tax liabilities included in the financial statements are appropriate.

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2.5 Presentation of separate Financial Statements

The Company has adopted a presentation based on liquidity in the statement of financial position and a statement of income and expenses according to their nature, in the statement of comprehensive income, considering that these methods of presentation provide information that is reliable and more relevant than those that would have presented other methods permitted under IAS 1 "Presentation of financial statements".

2.6 Intangible assets acquired

Evidence of intangible assets is done in accordance with IAS 38 "Intangible assets" and IAS 36 "Impairment of Assets". Externally acquired intangible assets are initially recognized at cost and subsequently amortized linearly over their useful economic usage/usability. Expenses related to the acquisition of patents, copyrights, licenses, trademarks, or plant and other intangible assets recognized in accounting terms, except set-up expenses, goodwill, intangible assets with an indefinite shelf-life framed according to accounting regulations, is recovered through depreciation deductions linear over the contract period or duration of use, respectively. Expenses related to the purchase or production software is recovered through linear depreciation deductions over a period of 3 years.

Intangible assets generated by the company (development costs)

Costs of research (or from the research phase of an internal project) are recognized as expenses of the fiscal year to which it relates.

Development costs related to projects for new products are recognized as intangible assets. They consist of: consumption of raw materials, labor costs related to hours worked for each project, other fees associated with the NAMMD as amounts necessary for authorization.

Tangible assets

Tangible assets are tangible items that:

- a) are held for use in the production or supply of goods or services, for rental to other parties or for administrative purposes; and
- b) are expected to be used over several financial years.

Recognition:

The cost of an item of property and equipment should be recognized as an asset if and only if: it generates future economic benefits associated with the asset; the cost of the asset can be measured reliably.

Evaluation after recognition

After recognition as an asset, an item of property and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

After recognition as an asset, an item of tangible assets whose fair value can be measured reliably is carried at a revalued amount, being its fair value at the date of the revaluation. Revaluations are made with sufficient regularity to ensure that the carrying amount does not

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differ materially from that which would be determined using the fair value at the end of the reporting period.

The fair value of land and buildings is generally determined based on the evidence from the market through an evaluation normally performed by professionally qualified evaluators. The fair value of tangible assets is generally their value following evaluation.

When an item of tangible Category I is revalued, any accumulated depreciation at the date of revaluation is eliminated from the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

If an item of property and equipment is revalued, the entire class of tangible assets which that asset belongs to is revalued.

If the carrying value of intangible assets is increased as a result of revaluation, the increase is recognized in other elements of comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

If the carrying amount of an asset is impaired as a result of a revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be recognized in the other comprehensive income to the extent that the revaluation surplus shows a credit balance for the asset. The reduction recognized in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

The revaluation surplus included in equity in respect to an item of property and equipment is transferred directly to retained earnings when the asset is derecognised. Transfers from revaluation surplus to retained earnings is not made through profit or loss.

If this is the case, the effects of taxes on income from the revaluation of tangible assets are recognized and presented in accordance with IAS 12 Income Taxes.

Amortization

The depreciable amount of an asset is allocated on a systematic basis over its useful life. Depreciation of an asset begins when it is available for use, ie when it is in the location and condition necessary for it to function in the manner intended by management.

The depreciation method used reflects the expected pattern of consumption of future economic benefits of the asset by the entity. The land owned property is not amortized.

For the depreciable fixed assets used, the company utilizes, in accounting terms, the straight line method of depreciation. The depreciable periods are determined by an internal specialty committee according to the internal procedures of the Company. Below there is a brief presentation of the lifetimes of fixed the fixed assets on major categories of goods:

Category	Lifetime
Buildings and constructions	24-40 years
Equipments and installations	7-24 years
Means of transport	4-6 years
Computing	2-15 years
Furniture and office equipment	3-15 years

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Depreciation

To determine whether a tangible item is impaired, an entity applies IAS 36 the Depreciation of Assets. At the end of each reporting period, the entity estimates if there are indications of asset depreciation. If such evidence is identified, the entity estimates the recoverable amount of the asset.

If and only if the recoverable amount of an asset is lower than its book value, the book value of the asset will be reduced to be equal to the recoverable amount. Such a reduction represents a depreciation loss. A depreciation loss is recognized immediately in profit or the loss for the period, except for the situations where the asset is reported to the revalued amount, in accordance with another Standard (for example, in accordance with the revaluation model in IAS 16 Tangible assets). Any depreciation loss concerning a revalued asset is considered to be an overall decrease in revaluation.

2.7 Financial assets - IAS 39 Financial instruments: recognition and assessment

The initial assessment of the financial assets and financial liabilities

When a financial asset or financial liability is recognized (a) initially, an entity assesses it at its fair value plus, in the case of a financial asset or a financial liability which is not at the fair value through profit or loss, the transaction costs directly attributable to the acquisition or issue of the financial asset or financial liability.

The subsequent assessment of financial assets

In terms of assessing a financial asset after initial recognition, the company classifies its financial assets in the following categories:

I. A financial asset or a financial liability assessed (a) at its fair value through profit or loss is a financial asset or financial liability that meets any of the following conditions:

(a) is classified as owned for trading. A financial asset or financial liability is classified as owned for trading if it is:

- (i) acquired or incurred principally for the purpose of selling or requisition on short-term;
- (ii) on the initial recognition is part of a portfolio of identified financial instruments managed together and for which there is evidence of a recent actual pattern of short-term pursuit of profit; or
- (iii) a derivative instrument (except for a derivative instrument that is a financial guarantee contract or instrument designated and effective against risk).

The loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- a) those that the entity intends to sell immediately or soon, that need to be classified as held for trading and those that the entity at initial recognition designates at fair value through profit or loss;
- b) those that the entity at initial recognition, designates as available for sale; or
- c) those for which the holder may not recover substantially all of the initial investment of another cause than the credit deterioration, which must be classified as available for sale. This category includes trade receivables and other receivables.

The financial assets available for sale are those financial non-derivative assets that are

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designated as available for sale or which are not classified as loans and receivables or investments held to maturity or financial assets at fair value through profit or loss. This category includes investments in listed shares.

The Company has no investments held to maturity and does not own or has not classified financial assets or financial liabilities at fair value through profit or loss.

The loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

a) those that the entity intends to sell immediately or soon, that need to be classified as held for trading and those that the entity at initial recognition, designates at fair value through profit or loss;

b) those that the entity at initial recognition, designates as available for sale; or

c) those for which the holder may not recover substantially all of the initial investment of another cause than the credit deterioration, which must be classified as available for sale.

This category includes trade receivables and other receivables.

The financial assets available for sale are those financial non-derivative assets that are designated as available for sale or which are not classified as loans and receivables or investments held to maturity or financial assets at fair value through profit or loss. This category includes investments in listed shares.

The Company has no investments held to maturity and does not own or has no classified financial assets or financial liabilities at fair value through profit or loss.

Gains and losses

A gain or loss of a financial asset available for sale is recognized in other comprehensive income, except for the losses. The dividends for an equity instrument available for sale are recognized in profit or loss when the entity's right to receive payment is established.

When a decline in fair value of a financial asset available for sale was recognized in other comprehensive income elements and there is objective evidence that the asset is depreciated, the cumulative loss that has been recognized in other comprehensive income elements must be reclassified from equity in profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

The amount of the cumulative loss is removed from equity and recognized in profit or loss shall be the difference between the acquisition cost (net of any payment of the principal and amortization) and the current fair value, less any depreciation loss on that financial asset previously recognized in profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be related objectively to an event occurring after the depreciation loss was recognized in profit or loss, the depreciation loss is resumed and the amount recognized in profit or loss.

Cash and cash equivalents

The cash and cash equivalents includes the cash account, deposits held at call with banks, other short-term highly liquid investments with original maturity dates of three months or less than three months and – for the purpose of cash flow statements - overdrafts.

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2.8. Stocks

According to IAS 2, the stocks are active:

- a) Held for sale in the ordinary course of business;
- b) Under production for such sale; or
- c) As raw materials, materials and other supplies to be used in the manufacturing or services.

The stock assessment:

The stocks are assessed at the lower value between the cost and the net achievable value.

The cost of the stocks

The cost of stocks includes all the purchase costs, conversion costs as well as other costs incurred in bringing the inventories to the state and location where they are now.

The stocks of raw materials and materials are stated at the cost of acquisition. The exit from inventory is performed using the Weighted Average Price method.

The stocks of the products in progress are stated at the raw materials cost and materials embedded in them.

The stock of finished goods is recorded at production cost on the completion of the manufacture.

Adjustments for the depreciation of stocks

The assessment for the depreciation of stocks is performed individually and is based on management's best estimate of the present value of cash flows that are expected to be received. To estimate these flows, the management makes certain estimates on the utility value of the stock, taking into account the expiration date, the possibility of use in the current activity of the Company and other specific factors to each category of stock. Each impaired asset is analyzed individually. The precision of the adjustments depends on the estimate future cash flows.

2.9 Receivables

The receivables arise primarily through the provision of goods and services to customers (eg. trade receivables), but also incorporate other types of contractual monetary assets. They are recognized initially at the fair value plus the transaction costs that are directly attributable to the acquisition or their release and are subsequently recorded at amortized cost by using the effective interest rate method, minus the adjustments for depreciation.

The receivables are presented in the balance sheet at the historical value minus the adjustments made for the depreciation in cases in which one noticed that the achievable value is lower than the historical value.

The adjustments for the depreciation are recognized when there is objective evidence (such as significant financial difficulties from partners or the non-fulfillment of payment obligations or the significant delay of the payment) that the Company will not collect all the amounts due according to the terms of receivables, the amount of that adjustment is the difference between the net book value and the present value of expected future cash flows associated with the

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impaired receivable.

The assessment for the depreciation of receivables is performed individually and is based on the management's best estimate of the present value of the cash flows that are expected to be received. To estimate these flows, the management makes certain estimates on the financial situation of the partners. Each impaired asset is individually analyzed.

2.10 Financial liabilities

The financial liabilities mainly include the trade payables and other short-term financial liabilities, which are recognized initially at their fair value and subsequently at amortized cost using the effective interest method.

2.11 The recognition of income and expenses

2.11.1. The recognition of income

The revenue represent, according to IAS 18 "Revenues", the gross inflows of economic benefits during the period, arising in the course of the normal activities of an entity when those entries result in increases in equity, other than the increases relating to the contributions of participants to their own equities.

The revenue represents the recorded increases in economic benefits recorded during the accounting period in the form of inputs or increases in assets or debt relief, which materializes in increases in equity other than those resulting from the contributions of shareholders.

The fair value is the value for which an asset could be exchanged or a liability could be settled, between knowledgeable willing parties because, within a transaction carried out in objective conditions.

The income assessment

The revenue is measured at the fair value of the counterperformance received or receivable after reducing rebates or discounts.

The revenue from the sale of goods is recognized when all the following conditions were met:

- (a) The entity has transferred to the buyer the significant risks and benefits of ownership of the goods;
- (b) The entity no longer manages the goods sold at levels that would normally have done in the case of the ownership of their property and no longer has effective control over them;
- (c) The amount of revenue can be measured reliably;
- (d) It is probable that the economic benefits associated with the transaction to be generated by the entity; and
- (e) The costs incurred or to be incurred in respect of the transaction can be assessed reliably.

The revenue from the sale of goods is recognized when the Company has transferred the significant risks and benefits of ownership to the buyer and it is likely that the Company receives the things previously agreed upon payment. The transfer of risks and benefits of ownership is deemed realized once the transfer of legal title of ownership or the passing of possession to the buyer. If the entity retains significant risks of ownership, the transaction does not represent a sale and revenue are not recognized.

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In accordance with the Framework contract on the conditions for granting medical assistance within the health social insurance system for the years 2011-2013 dated 28.12.2010 the payment term for the drugs sold in the offset system is 210 days.

The Company uses the term shown above as reference for the collection terms in contracts with the distributors.

The Company believes that the cashing deadlines do not generate a financial component of the revenues invoiced to the distributors.

Special cases: In case it is found that the revenues associated with a period of the current year are encumbered by fundamental errors, their correction will be performed during the period which the error is discovered. If the error is discovered in the years ahead, its correction will not affect the income accounts, but the result account of retained earnings from the corrections of fundamental errors if the error value will be considered significant.

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2.11.2 The recognition of expenses

The expenses are decreases in the economic benefits during the accounting period as outflows or decreases in the value of assets or increases in debt, which is materialized through reductions in equity other than those arising from their distribution to shareholders.

2.12 The depreciation of the non-financial assets (excluding stocks, real estate investments and the deferred tax assets) - IAS 36 "Depreciation of Assets"

The assets held by the company, as stated in IAS 36 "Depreciation of assets", are subject to depreciation tests whenever events or changes in circumstances indicate that their book value may not be recovered completely. When the book value of an asset exceeds the recoverable amount (ie the highest amount of value in use and the fair value minus the sell costs), the asset is adjusted accordingly.

Whenever it is not possible to estimate the recoverable amount of an individual asset, the depreciation test is performed on the smallest group of assets to which it belongs and for which there are separately identifiable cash flows; its cash-generating units ('UGNs').

The depreciation charges are included in profit or loss unless it reduces gains previously recognized in other comprehensive income.

2.13 Provisions – IAS37 "Provisions, contingent liabilities and contingent assets"

The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date, changed to a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

Under IAS 37 "Provisions, contingent liabilities and contingent assets", a provision must be recognized if:

- a) The Company has a present obligation (legal or constructive) as a result of a past event;
- b) it is likely that in order to settle the obligation an outflow of resources embodying economic benefits to be required; and
- c) a reliable estimate of the amount of the obligation can be made.

If these conditions are not met, a provision must not be recognized.

Provisions are recorded in the accounting using the accountancy with the help of the groups 15 "Provisions" and are based upon the expenses, except those related to decommissioning of tangible assets and other similar actions related thereto, for which the provisions of IFRIC 1 will be taken into account.

The recognition, assessment and updating of provisions are made in compliance with IAS 37 "Provisions, contingent liabilities and contingent assets".

The provisions are grouped in accountancy in categories and are considered for:

- a) litigation;
- b) guarantees to customers;
- c) decommissioning of tangible assets and other similar actions related thereto;
- d) restructuring;
- e) employee benefits;
- f) other provisions.

The previously established provisions are periodically analyzed and are regulated.

2.14 Benefits of employees –IAS 19 Benefits of employees

The current benefits granted to employees

The short-term benefits granted to employees include wages, salaries and social security contributions. These benefits are recognized as expenses with services.

Benefits after termination of the employment contract

Both the Company and its employees have a legal obligation to contribute to the social security established with the National Pension Fund administered by the National House of Pensions (contribution plan founded on the principle of "pay on the way").

Therefore the Company has no other legal or constructive obligation to pay further contributions. Its only obligation is to pay the contributions when they are due. If the Company ceases to employ people who are contributors to the financing plan of the National House of Pensions, the Company will have no obligation to pay the benefits earned by its own employees in previous years. The Company's contributions to the contributions plan are reported as expense in the year to which they relate.

Pensions and other further retirement benefits

The Company has stipulated in the Collective labor agreement at company level a wage benefit for the employees who retire due to disability. They receive an allowance equal to six average gross salaries at company level starting the month prior to the retirement. The Company must take a portion of the cost of benefits in favor of the employee during the term of employment of the employee in the company.

2.15 The deferred tax - IAS 12

In the deferred tax calculation, the Company will take into account the provisions of IAS 12.

The deferred tax assets and liabilities are recognized when the book value of an asset or liability in the statement of the financial position differs from the tax base.

The recognition of deferred income tax assets is limited to those moments in which the taxable profit is likely to be available for the next period.

The amount of the asset or liability is determined using tax rates that have been enacted or adopted largely up to the reporting date and are expected to apply when the liabilities / (assets) concerning the deferred tax are settled / (recovered).

The Company compensates for receivables and liabilities concerning the deferred tax if and only if:

- a) It has the legal right to offset the current tax receivables with the current tax liabilities; and
- b) The deferred tax receivables and liabilities relate to the income taxes charged by the same fiscal authority.

2.16 Dividends

The share of profits that is to be paid according to the law, to each shareholder is a dividend. The dividends distributed to shareholders, proposed or declared after the reporting period, as well as the other similar distributions made from the profit determined under the IFRS and included in the annual financial statements are not recognized as a liability at the end of the reporting period. To the accounting for dividends the provisions of IAS 10 are taken into consideration.

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2.17 Capital and reserves

The capital and reserves (equity) represents the right of shareholders over the assets of an entity after deducting all liabilities. The equity includes: the capital contributions, the reserves, the retained earnings and the result of the financial year.

The entity was established under Law no. 31/1990 on companies.

In the first set of financial statements prepared in accordance with IFRS, the Company has applied IAS 29 - "Financial reporting in hyperinflationary economies" for the shareholders gains obtained before January 1, 2004, ie, they were properly adjusted with the inflation index.

2.18 Financing costs

An entity shall capitalize the borrowing costs that are directly attributable to the acquisition, the construction or production of a qualifying asset as part of the production cost of that asset. An entity shall recognize other borrowing costs as an expense in the period during which the entity incurs them. The Company has not financed the construction of long-term assets from loans.

2.19 The result per share

The Company shows the earnings per share basic and diluted for the common shares. The basic earning per share is calculated by dividing the profit or loss attributable to ordinary equity holders of the Company to the weighted average number of ordinary shares over the reporting period. The diluted earning per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares with dilution effects arising from potential ordinary shares.

2.20 The segment reporting

A segment is a distinct component of the Company that provides products or services (business segment) or provides products and services in a particular geographical environment (geographical segment) and which is subject to risks and rewards that are different from those of other segments. In terms of business segments, the Company does not identify separate components in terms of associated risks and benefits.

2.21 The related parties

A person or a close family member of that person is considered to be affiliated with the Company if that person:

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of key management staff

The key management staff are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of that entity. The transactions with key staff include salary benefits granted to them exclusively as presented in Note 6. Staff costs.

An entity is affiliated with the Company if it meets any of the following conditions:

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- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and subsidiary of the same group is linked to the other).
- (ii) An entity is an associated entity or joint venture of the other entity (or associate or joint venture of a member of the group other entity is a part of).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third party, and the other is an associate of the third party entity.
- (v) The entity is a post-employment benefit plan in the benefit of the employees of the reporting entity or an entity affiliated to the reporting entity. In the event the reporting entity is itself such a plan, the sponsoring employers are also affiliates of the reporting entity.
- (vi) The entity is controlled or jointly controlled by an affiliated person.
- (vii) An affiliated person having control significantly influences the entity or is a member of the key management staff of the entity (or the parent of the entity).

The Company does not undertake transactions with the entity described in the above (i) - (vii).

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

- Credit risk
- Foreign exchange risk
- Liquidity risk

Like all other activities, the Company is exposed to risks arising from the use of financial instruments. This note describes the objectives, policies and processes of the Company for the management of those risks and the methods used to assess them. Further quantitative information about these risks is presented in these financial statements.

There were no major changes in the Company's exposure to risks relating to financial instruments, its objectives, policies and processes for the management of these risks or the methods used to assess them in comparison to prior periods except where otherwise stated in this note.

The main financial instruments

The main financial instruments used by the Company, of which there is a risk concerning the financial instruments are as follows:

- Trade receivables and other receivables
- Cash and cash equivalents
- Investments in equity securities listed
- Trade liabilities and other liabilities

ANTIBIOTICE S.A.
NOTES TO FINANCIAL STATEMENTS
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A breakdown of financial instruments by category is provided below:

ASSETS	Loans and receivables	
	30-June-16	31-Dec-15
Trade and related receivables	235.536.211	231.315.720
Cash and cash equivalents	3.120.845	37.381.974
Total	238.657.056	268.697.694

ASSETS	Available for sale	
	30-June-16	31-Dec-15
Investments in equity securities listed	-	220
Total	-	220

LIABILITIES	At depreciated cost	
	30-June-16	31-Dec-15
Trade and related liabilities	52.175.309	71.391.757
Short-term loans	54.491.038	41.778.509
Liabilities from current taxes	8.009.352	8.989.373
Short-term provisions	8.723.809	7.179.938
Total	123.399.509	129.339.577

The overall objective of the Board is to establish policies that seek to reduce the risk as much as possible without unduly affecting the competitiveness and flexibility of the Company.

Further details on these policies are set out below:

The credit risk

The credit risk is the risk of financial loss for the Company, which occurs if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is primarily exposed to credit risk which comes from sales to customers.

At the level of the Company there is a Trade Policy approved by the Board of Directors of SC Antibiotice SA. In it the commercial conditions of sale are clearly presented and there are conditions imposed in the selection of clients.

Antibiotice SA only works with large distributors in the national pharmaceutical market. In the case of the export sales, in all situations where possible, advance payment sales are contracted.

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The calculation and analysis of the net situation (equity)

Indicators (RON)	30-June-16	31-Dec-15
Credits and loans	54.491.038	41.778.509
Cash and cash equivalents	(3.120.845)	(37.381.974)
Net debt	51.370.193	4.396.535
Total equity	395.137.167	394.501.819
Net debt in equity (%)	13.00%	1.12%

The Foreign Exchange Risk

The Company is mainly exposed to the currency risk on the purchases made from the suppliers of raw materials, packaging and other materials from abroad. The suppliers from which the Company purchases these items necessary for the production of drugs must have quality documents stipulated in the EU rules for drug registration. The Company can not thus greatly limit the purchases from third party countries. The tracking of payment deadlines and ensuring the available funds for payment, so that the effect of foreign exchange risk is minimized fall in the responsibility of the Financial Accounting Department.

On June 30 2016, the net exposure by types of currency of the Company to the foreign currency risk was as follows:

Assets/liabilities in EURO equivalent in LEI	30-June-16	31-Dec-15
Monetary financial assets	3.206.606	2.413.256
Monetary financial liabilities	(14.071.979)	(28.145.842)
Net financial assets	<u>(10.865.373)</u>	<u>(25.732.586)</u>

Variation RON/EUR	Gain/Loss	
RON appreciation against the EUR by 5%	(543.269)	(1.286.629)
RON depreciation against the EUR by 5%	543.269	1.286.629
Impact on result	<u>-</u>	<u>-</u>

Assets and liabilities in EURO	30-June-16	31-Dec-15
Monetary financial assets	709.269	533.375
Monetary financial liabilities	(3.112.581)	(6.220.763)
Net financial assets	<u>(2.403.312)</u>	<u>(5.687.388)</u>

Assets/liabilities in USD equivalent in LEI	30-June-16	31-Dec-15
Monetary financial assets	29.177.312	26.060.382
Monetary financial liabilities	(9.571.598)	(11.980.775)

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Net financial assets	19.605.714	14.079.607
Variation RON/USD		
RON appreciation against the USD by 5%	980.286	703.980
RON depreciation against the USD by 5%	(980.286)	(703.980)
Impact on result		
Assets and liabilities in USD		
	30-June-16	31-Dec-15
Monetary financial assets	7.182.284	6.283.092
Monetary financial liabilities	(2.356.144)	(2.888.535)
Net financial assets	4.826.141	(3.394.558)

The company's net exposure to the foreign exchange risk, equivalent in RON, is shown in the table below:

Assets / Liabilities	30-June-16	31-Dec-15
LEI	185.245.335	171.582.359
EUR	(10.865.373)	(25.732.586)
USD	19.605.714	14.079.607
Other currencies (CAD,GBP)	-	(6.392)
Net exposure	193.985.675	159.922.987

Given the low exposure to the currency fluctuations, it is not expected that reasonable fluctuations in exchange rates produce significant effects in the future financial statements. relatively

The liquidity risk

The liquidity risk arises from the management of the Company of the working capital, the financing costs and the repayments of principal sum for its cutting tools.

The Company policy is to ensure that it will always have enough cash to allow it to meet its obligations when they become due. To achieve this objective, the Company seeks to maintain cash balances (or facilities agreed upon) to satisfy the payment needs.

The Board of Directors receives cash flow forecasts regularly as well as information on the company's available cash. At the end of the financial year, the Company has sufficient cash resources to meet its obligations in all reasonably expected circumstances.

The following tables show the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

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	Up to 3 months	Between 3 and 12 months	Total Total	
June 30 2016				
December 31 2015				
Trade and related liabilities	19.403.763	40.780.898	60.184.661	Bank liqui dity
Trade and related liabilities	24.385.589	52.082.811	80.201.030	
Credits and loans	41.778.509	41.778.509	41.778.509	
Total	19.403.763	85.771.836	114.935.838	The

banks where the Company holds bank accounts are reviewed periodically by the Company's management.

The operational risk

The operational risk is the risk of direct or indirect loss arising from a wide range of causes associated to processes, staff, technology and infrastructure of the Company as well as from external factors other than the credit, market and liquidity risk, such as those originating in the legal and regulatory requirements and the generally accepted standards of behavior concerning the organizational behavior. The operational risks come from all the Company's operations.

The main responsibility of the development of the operational risk controls rests on the unit's management. The responsibility is supported by the Company's development of general standards of operational risk management in the following areas:

- Requirements for the separation of duties, including the independent authorization of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and legal requirements
- Documentation of controls and procedures
- Requirements for periodic review of operational risk that the Company faces and the adequacy of controls and procedures to address the identified risks
- Requirements for reporting the operational losses and remedial proposals of the causes that generated them
- Development of business continuity plans
- Professional development and training
- Establishment of standards of ethics
- Prevention of the risk of litigation, including insurance, where applicable
- Mitigation of risks, including the efficient use of insurance, where applicable

Capital adequacy

The management's policy regarding the capital adequacy is focused on maintaining a sound capital base, in order to support the ongoing development of the Company and reaching the investment objectives.

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NOTES TO FINANCIAL STATEMENTS
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4. SALES REVENUES

The revenues from sales include the following elements:

**STATEMENT OF COMPREHENSIVE
INCOME**

Description	30-June-16	30-June-15
Sales of finished products	138.229.023	124.352.668
Sales of goods	43.149.006	30.512.012
Commercial discounts	(37.576.250)	(22.472.145)
Total	<u>143.801.779</u>	<u>132.392.535</u>

The revenues from sales are made primarily of the sales of finished products directly to the pharmaceutical distributors. The export sales were worth 54.372.690 lei on 30/06/2016.

5. RAW MATERIALS, CONSUMABLE MATERIALS AND COMMODITIES

The expenditure on the raw materials, consumable materials have the following composition:

Description	30-June-16	30-June-15
Raw materials	39.300.525	32.653.928
Auxiliary materials	2.385.217	2.500.656
Commodities	27.529.648	20.093.540
Expenditure on fuel and spare parts	1.893.641	2.045.197
Inventory items	371.927	211.670
Other consumables	230.473	200.160
Total	<u>71.711.431</u>	<u>57.705.151</u>

6. STAFF COSTS

The staff costs have the following composition:

Description	30-June-16	30-June-15
Salaries	26.521.045	26.194.455
Civil contracts	174.340	214.672
Taxes and social contributions	6.518.772	6.451.195
Other benefits (food vouchers)	1.496.878	1.479.113
Total	<u>34.711.035</u>	<u>34.339.435</u>

The Company is led in a unified system, according to the Law 31/1990; the Company's management is provided by the Board of Directors of Antibiotice. The structure of the Board of Directors and Executive Management is presented in Note 1.General Information.

The remuneration paid to the Board and the Executive Management is presented in the table below:

ANTIBIOTICE S.A.
NOTES TO FINANCIAL STATEMENTS
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Description	30-June-16	30-June-15
Salaries	1.231.873	1.077.621
Civil contracts	174.340	214.672
Taxes and social contributions	282.982	247.554
Total	1.689.195	1.539.847

7. OTHER OPERATING EXPENSES

Other operating expenses include the following:

Description	30-June-16	30-June-15
Utilities	4.678.380	5.021.333
Repairs	481.590	633.779
Rent	81.247	75.212
Insurance	784.385	822.537
Banking fees	810.546	898.687
Advertising and promotional products	1.070.829	1.297.994
Travel and transport	1.582.869	1.357.323
Postal services and telecommunications	239.524	275.597
Other services provided by third parties	9.521.675	14.719.360
Other taxes	12.432.402	19.672.523
Environment protection	354.470	263.506
Expenses on disposal of assets	-	137.607
Losses and adjustments doubtful debts	4.907.719	530.029
Other provisions	2.093.466	-
Exchange rate differences	3.116.066	4.717.634
Miscellaneous	1.124.150	960.475
Total	43.279.318	51.383.596

8. NET FINANCIAL INCOME

The net financial income has the following structure:

Description	30-June-16	30-June-15
Income from participations	-	-
Interest income	6.972	3.651
Expense interest	(453.558)	(642.707)
Other incomes	-	15
Other financial expenses	(1.760.042)	(1.790.172)
Total	(2.206.628)	(2.429.214)

9. INCOME TAX EXPENSES

Description	30-June-16	30-June-15
Current tax	2.719.296	1.569.264
Deferred tax expense / (income)	(310.165)	(189.913)

ANTIBIOTICE S.A.
NOTES TO FINANCIAL STATEMENTS
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Total	2.409.131	1.379.351
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The income tax payment was calculated considering the influence of the non-deductible expenses or the non-taxable income, the tax incentives and the provision effects for the income tax. A reconciliation between the accounting profit and the taxation profit that led to the calculation of the income taxes is shown in the table below:

Description	30-June-16	30-June-15
Total income	176.333.752	170.268.285
Total expenses (excluding tax)	157.172.837	153.440.072
The resulting accounting profit	19.160.915	16.828.213
Deductions	(5.026.466)	(5.596.972)
Non-deductible expenses	10.772.572	3.751.196
The resulting tax	24.907.021	14.982.437
Corporate tax (tax result x 16%)	3.985.123	2.397.190
Tax reduction	(1.265.827)	(827.926)
Current income tax	2.719.296	1.569.264
Deferred income tax	(310.165)	(189.913)
Total current tax	2.409.131	1.379.351

10. EARNINGS PER SHARE

Description	30-June-16	30-June-15
Net income (A)	16.441.619	15.258.949
Number of ordinary shares (B)	671.338.040	671.338.040
Earnings per share (A/B)	0.024491	0.022729