

MANAGEMENT REPORT H1 2016

Half-yearly report according to:	IFRS
For the financial year:	30.06.2016
Report date:	28.07. 2016
Name of trading company:	Antibiotice SA
Registered office:	Iasi, 1 V.Lupului St.
Phone no.:	0232/209000; fax: 0232/209633
Fiscal registration code:	RO1973096
Order number in the Trade Register:	J22/285/1991
Regulated market on which the issued securities are traded:	Bucharest Stock Exchange
Subscribed and paid-up capital:	LEI 67,133,804
Main characteristics of the securities issued by the company:	nominative shares, nominal value: LEI 0.10

Pharmaceutical market in Romania continues its decline started to the end of 2015 (-4.7% compared to the end of 2014), according to the data released by the market research company, Cegedim Romania. In the period June 2015 - May 2016, these data show that, at the value level, the market decreased by 6.12%. The market value decrease is determined by the effect of price reductions at the prescription medicines (by applying the Order no. 75/2009 in July and November 2015), legislative changes concerning the compensation of medicines, although the need for treatment remains significant and is only partially uncovered.

After the first semester of this year, Cegedim data reveal also a significant change in the top of producers present in the local pharmaceutical market. Sanofi, the French multinational pharmaceutical company, the market leader in the last two years loses this position in the favour of the American company ABBVIE which, in 2015, was ranked eleventh, with a 2.57% market share. The increase recorded in the first semester by ABBVIE to a 12.4% market share (first ranked in the Romanian pharmaceutical market) was generated by the medication settlement of chronic viral hepatitis. The *Viekirax brand* (*ombitasvirum +paritaprevirum+ritonavirum*), whose marketing began in May 2015, in the period January - June 2016 recorded sales of over LEI 580 million, surpassing in the top of brands marketed on the domestic market, the last year's leading brand Humira produced by the same company (LEI 175 million in 2015).

Between June 2015 - May 2016, the market of generic prescription medicines recorded a value decrease of 13.7% and a quantitative decrease of 1.8%. This trend will continue in the next period, amid the extension of the revaluation term of prices in CANAMED until November 1, 2016 and declining prices impact in the previous year.

At the end of H1 2016, Antibiotice is part of the 5 companies' elite in Top 20 whose portfolio records increases, compared to the similar period in 2015: Abbvie (+440%), Menarini (+6.1%), Antibiotice (+3.3%), Sun Pharma (+1.2%) si Bayer AG (+1%).

Continuing the strategy of recent years, focused on strengthening its position as the main manufacturer of medicines intended for consumption in hospitals and leader in the market of ointments and suppositories, the policies applied in H1 2016 were geared towards efficiently exploiting the traditional portfolio and the valuable therapeutic medicines new assimilated in the portfolio. Thus, after the first six months of the year, with a value of LEI 146.5 million, our company ranks 12th in the top of pharmaceutical companies in Romania, one position higher compared to 2015.

At the same time Antibiotice maintains its fourth ranking among the producers of generic prescription medicines and over-the-counter medicines (OTCs).

In the context of pharmaceutical market in Romania, within the analyzed period, Antibiotice Iași earned net income in the domestic market amounting to LEI 89.4 million, while our distributors made sales worth LEI 142.6 million and the sales in pharmacies and hospitals amounted to LEI 146.5 million (data source: Cegedim Romania).

(million Lei)

Name of indicator	H I 2015	H I 2016	Δ H I 2016/2015
Antibiotice sales (gross)*	111.4	132.5	+18.9%
Antibiotice sales (net)*	86.3	89.4	+3.51%
Pharmacy+Hospital Outputs**	141.8	146.5	+3.3%

* Values reported to the manufacturer's price

** Values reported to the pharmacy entry price

The *Pharmacy chains* segment records a value increase of 10% compared to the similar period in 2015, from LEI 30.6 million in the H1 2015 to LEI 33.6 million in the H1 2016. The *Hospital* segment also records a value increase of 4.1% from LEI 36.1 million in the first 6 months of 2015 to LEI 37.6 million in 2016.

In order to achieve the objectives proposed for 2016, the following strategies were put into practice in the H1 2016:

PRODUCT STRATEGY

The product strategy aims to increase the presence of Antibiotice medicines in pharmacies, by orienting both the sales structure and the promotion policy towards valuable therapeutic medicines.

The entire activity of the company - starting from research, production to sales - is structured on a of generic medicine portfolio varied in terms of pharmaceutical forms and therapeutic classes.

The 136-product portfolio, covering 12 therapeutic classes attests that the Antibiotice strategy is the permanent orientation towards the product portfolio renewal and towards manufacturing generic medicines therapeutically bioequivalent to the original products while maintaining high quality standards.

Developing new products, especially in such a dynamic and specialized industry as the pharmaceutical industry has as main objective the gradual replacement of products in the medical therapy in parallel with maintaining or increasing the volume of the future sales.

Actions taken in the first semester of 2016:

→ New products assimilated in the company's portfolio

- Soriso ® tablets - launched in April 2016, a product with an adaptogenic role against various stressors, for maintaining the physical and mental balance of the human body
- Fluxiv® tablets - launched in January 2016, a product for vascular circulation health;
- Escitalopram ATB® tablets 10 mg - launched in February, a product used for treating depression and anxiety disorders;

In the next period, our company will continue developing the traditional portfolio (antiinfectives, dermatologicals) as well as the portfolio for improving the life quality (cardiovasculars, food supplements).

PRICING STRATEGY

Average price of the Antibiotice portfolio in the first part of 2016 was LEI 0.923/ therapeutic unit, representing 69% of the average market price (LEI 1.332/ therapeutic unit), according to Cegedim Romania.

In the Hospital Segment, the average price of products in the Antibiotice portofolio was LEI 2.189/ therapeutic unit, representing 32% of the average market price (LEI 6.94/ therapeutic unit); in the Retail Segment, Antibiotice recorded an average price of LEI 0.772/ therapeutic unit, representing 64% of the average market price (LEI 1.21/ therapeutic unit), according to the reporting source, Cegedim Romania).

Pricing strategies both for the current and future product portfolio will permanently aim at correlating the maximum level imposed by law with increasing profitability and ensuring competitiveness (positioning as the first generic, positioning as a reference medicine, best price / quality ratio).

DISTRIBUTION STRATEGY

In the first semester, our company strengthened partnerships with the market partners, distributors, pharmacies and hospitals, exploiting an at least 10-year history of win-win commercial relationships.

Our product portfolio was sustained in the first semester by both distribution (monthly offer, periodic campaigns, promotion and merchandising project for OTCs) and by our commercial team and Call Center team.

A monthly offer calendar was drawn up, sustaining the profitable products with significant shares in the planned figures as well as the products representing a significant share in the distributors' stocks.

In order to secure its financial indicators, the company's strategy was particularly focused on increasing the presence on the pharmacy chains and minichains segment which has significant shares in the total value of retail pharmaceutical market.

PROMOTION STRATEGY

Promotion actions carried out in the first semester of 2016:

- implementation of a continuing pharmaceutical education program for pharmacists;
- Open Door Policy, involving visits made by collaborators, physicians and pharmacists, to our company;
- participation in events organized by student societies to promote the company brand among future specialists;
- promotion of the company brand and Antibiotice brands through the health monitoring campaign for the general public: The "Medical specialist in rural areas" campaign - for family physicians, which aims to monitor the risk of hypertension in the patients from countryside, a project developed with the support of cardiologists;
- a campaign dedicated to the general public on the cosmetic product Cutaden® Bebe, offered for free to mothers after childbirth, within the project "Discover my world" developed in 100 public & private maternity hospitals from all over the country. A kit and an informative leaflet about the newborn skin care and the benefits the new formula offers were inserted next to Cutaden® Bebe;
- the "Mysterious Customer" marketing campaigns for promoting the product brands in pharmacies;
- shelf products marketing campaigns in the open-circuit pharmacies;
- organizing interdisciplinary events in university centers - the "60 years of continuity and Romanian performance" interdisciplinary symposium;

The objectives pursued by participating in these events were: increasing the company's and promoted products' reputation, training of healthcare specialists for identifying the patient profile, therapeutic options and associated recommendations.

The continuous implementation of these strategies will allow Antibiotice to consolidate its current position - leader among the generic antiinfectives manufacturers, generic medicine leader on the Hospital segment, quantitative leader for the following pharmaceutical forms: ointments, suppositories and powders for injection.

In a so highly performing, dynamic and regulated market as the pharmaceutical market, the Antibiotice portfolio has become remarkable through the sustained efforts for promoting the company's brands and its reputation.

Thus, 11 products recorded a share higher than 1 million LEI / year, each of them: AmoxiPlus® tablets 875mg/125mg (amoxicillin+clavulanic acid), Silithor® capsules (hepatoprotective supplement), Colistina ATB® for injection 1,000,000 I.U., Imipenem Cilastatin ATB® for injection 500mg/500mg, Nolet® tablets 5mg (nebivolol), Cefort® for injection 1g (ceftriaxon), Ampiplus® for injection 1.5 mg (ampicillin +sulbactam), Nidoflor® ointment (triamcinolon+nystatin+neomycin), range of the product Cefuroxima ATB® for injection, and Meropenem ATB® for injection 1g.

External market

Sales in external markets in the first half of 2016 were LEI 54.5 million, higher by about 18% compared to the same period of 2015.

Nystatin API still represents the main Antibiotice product in the external markets. Our company's strategy is to consolidate its presence in the regulated markets. Following the authorizations obtained by the end-users in the US market, the exports of Nystatin increased by 35% in the H1 2016 compared to the last year. Increased exposure on the US market has a positive impact on the profitability of this product, considering the much higher prices on this market compared to other foreign markets. At the same time, in the first 6 months of 2016 our company maintained its deliveries in the traditional markets in Asia, Latin America and Europe.

The first source of export growth is represented by the finished pharmaceutical forms. In 2016, the main increase was recorded also in the US market, where our deliveries doubled compared to the reference period of 2015. Antibiotice exports injectable antiinfectives - penicillins in the US market. Our company recorded also doubled its exports in Europe while in other areas such as Russia, CIS, Middle East and South-East Asia our exports remained relatively at the level of 2015 due to the geo political situation in some markets.

The strategy on the finished product export is based on a strong promotion of the proper Antibiotice products and brands. In this regard, our company will open its representative office in Vietnam in the month of July. The Vietnamese market is an emergent one, with significant medium-term growth prospects. Antibiotice will also open representative offices in other markets for securing and consolidating the company's businesses.

HUMAN RESOURCES STRATEGY

Orientation towards performance, as a human resources strategy, required the completion of structures with the necessary staff by attracting and hiring a number of 9 persons with higher education for developing and completing the teams of specialists in production, pharmaceutical research & development, quality control.

Staff structure on 30.06.2016:

Total employees: 1454, of which:

- staff with higher education - 590 (40.53 % of the total staff)
- staff with secondary education - 864 (59.47 % of the total staff)

In order to achieve its objectives, increase the degree of competitiveness and quality of business, our company carried out career development projects, with training programs differentiated on structures, according to the needs identified for each field of activity and in close correlation with the applicable legislative changes.

1. Conducting the training sessions according to the topics included in the budget and in the "Annual training plan with external lecturers" approved for 2016
2. Continuation of the "Summer School a+" project, the 7th edition, with the following objectives:

- Training the graduates from pharmacy, medicine, chemistry, biology, chemical engineering and their acquaintance with the work environment, concepts and regulations in the pharmaceutical industry for filling the vacancies in Pharmaceutical Development, Quality Control, Quality Assurance, Regulatory Affairs, Production.

- Continuous professional improvement of the management staff, execution staff with higher education and staff with secondary education. This year, an important module of the Summer School a+ was designed for training the young front-line managers to develop the skills of organizing, coordinating and motivating the subordinate staff.

3. „Perform a+" - development of a new project for attracting and training persons for employment through collaborations with higher education institutions from Iași and through organizing internships for the students in the final years from the Faculties of Pharmacy and Biology. Starting with the second semester, this project will be also extended within the Faculties of Chemistry and Chemical Engineering.

Certified quality

Maintaining under control the processes that take place on the company's territory, in compliance with the applicable legal provisions, while continuously improving the Integrated Management System (quality, environment, occupational health and safety) guarantee and lead to increased confidence in quality, safety and efficiency of the Antibiotice products.

The results of inspections/ audits conducted by the relevant regulatory authority, certification bodies and/or clients during the first semester of 2016 support the above-mentioned statements.

1. Inspections / Audits conducted by the relevant authorities

In the period 26-29.01.2016, ANSVSA conducted an inspection for the GMP recertification of the manufacturing lines for veterinary products: parenteral products (vials filled with powders for injectable suspensions) and ointments.

The inspection conducted by two ANSVA inspectors monitored the compliance with the GMP requirements applicable for the manufacturing flows. Because no critical or major non-conformities were identified, our company obtained the GMP certification.

2. Audits conducted by the beneficiaries of active ingredient/ finished products, suppliers - potential contractors (contract manufacturing)

The following audits were conducted by various clients for reevaluating Antibiotice SA as a supplier of Nystatin API:

- In the period 21-22.03.2016 a supplier of contract for the US market conducted an audit for Nafcillin 1/2 g, vials with powder for injection.
- In the period 20-21.04.2016, the Canadian company TEVA conducted an audit within the Parenteral Product Plant for evaluating Antibiotice SA as a beneficiary of contract for the Canadian market.

Because no critical or major non-conformities were identified within these audits, our company was able to continue or develop new business partnerships.

3. Audits conducted to suppliers of raw materials/ primary packaging materials/ materials

Because no critical or major non-conformities were identified within these audits, our company maintained the cooperation with these suppliers.

Risk Management

Risk management continuously evaluates the risks to which the company's activity is or may be exposed and may prevent the achievement of goals. Our company aims at reaching the estimated indicators under controlled risk conditions, thus ensuring continuity of activity and protecting the interests of shareholders and clients.

The main purpose of the risk management is to help understand and identify risks to which the company is exposed so that they can be anticipated and managed without adversely affecting the achievement of the company's goals.

Our company's strategy on managing the significant risks ensures the frame for identifying, evaluating, monitoring and control these risks in order to keep them at acceptable levels, depending on its risk tolerance and capacity to cover (absorb) these risks.

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

- *Foreign exchange risk*
- *Liquidity risk*
- *Commercial (default) risk*

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

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

The net impact on the company's profit in case of a change of $\pm 15\%$ of the exchange rate RON/EUR/USD at 30.06.2016, all other variables remaining constant, is $\pm 18,005$ Lei. A negative value shows a potential reduction in profit, while a positive value reflects an increase. Impact on profit is $\pm 0.10\%$.

On 30.06.2016, net earnings from the foreign exchange difference is LEI 120,034.00.

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

- synchronizing the import with the export, by correlating the payment and collection terms as well as by correlating the share of foreign exchange;
- anticipating or delaying the payment or collection by fixing the appropriate maturity and introducing some protective price margins in conjunction with the forecasts on the evolution of the payment currency;
- bridging the gap between cash proceeds and payments from loans in the currency of the transaction

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

Liquidity risk may occur in the following circumstances:

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

Strategy adopted for managing the liquidity risk:

- defining some liquidity indicators (general, rapid and immediate liquidity):

- using an early warning system that supports the identification process of liquidity risk.

The used early warning indicators are: increased debt costs; declining the prices of the company's stock, significant profit deterioration, significant deterioration in asset quality and general financial status, negative advertising, increasing financing costs; difficulties in extending the payment term to suppliers; increasing the collection time of receivables, stock evolution, evolution of current debts.

The following measures were taken in order to mitigate the risk:

- business internationalization;
- assessing the creditworthiness of commercial partners;
- monitoring receivables through permanent control and evaluation of risks;
- estimating as accurately as possible and correlating payments with earnings;
- covering the gap between receipts and payments from credits;
- negotiations with suppliers on the extension of payment terms.

On 30.06.2016, general liquidity and rapid liquidity fell within the normal limits (Lg=2.83 ; Lr=2.05), which means that the company was able to fully cover its short-term liabilities on current assets, the company being insured against short-term payment incapacity.

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

Commercial (default) risk may occur in the following circumstances: large exposures to major distributors, long payment periods, plus the rescheduling, lipsa garantiilor, lack of guarantees, insolvency of some pharmacies and distributors.

The following measures were taken to reduce the risk of non-payment on the domestic market:

- assessment of the trading partners' creditworthiness by checking them, in multiple ways, before the conclusion of the contract;
- monitoring of the receivables through a permanent control and evaluation of risks;
- development of a relationship of loyalty with the customers by organizing periodical meetings for constructive approaches;
- conclusion of protocols for reschedulling the payments;
- request of guarantees (insurance policies, collateral security agreements, checks, guaranteed promissory notes, bank guarantee letters);
- provisioning of expenses to cover the risk of non-payment.

Economic & financial results in H1 2016

Development of our company in 2016 was based on the annual indicators in the Income and Expenditure Budget approved in the General Meeting of Shareholders held on April 19, 2016. In the period January - June 2017, the financial balance was maintained through a continuous correlation between receivables and debts, ensuring the stability for the achievement the current activities.

Statement of comprehensive income

For the first semester of 2016, Antibiotice established in the Income and Expenditure Budget a sales value by 5% higher than the figure made in 2015. So all our efforts were geared towards destocking pharmacies and sales channels (distributions, hospitals, retail), towards selling from distribution to pharmacies and hospitals given that the market stagnated or even declined in consumption.

Sales revenues in the first half of 2016 recorded a value of LEI 143.8 million, up 4% compared to the values planned in the Income & Expenditure Budget an up 9% compared to the values recorded in 2015.

- Lei -

	Fiscal year		
	Approved IEB - H I	30.06.2016	30.06.2015
Revenues from sales	138,705,000	143,801,779	132,392,535
Other operating revenues	11,147,000	9,012,759	11,311,734
Income associated with product stock costs	24,149,000	25,882,519	24,931,175
Revenues from the capitalized activity of the entity	1,000,000	921,955	1,258,242
Expenditure on raw materials and consumables	66,891,000	71,711,431	57,705,151
Staff costs	35,041,000	34,711,035	34,339,435
Expenses with depreciation and amortization	8,130,000	8,859,850	7,397,991
Other operating expenses	46,177,000	43,279,318	51,383,596
Operating profit	18,762,000	21,057,378	19,067,513
Net financial income	-945,000	-2,206,628	-2,429,214
Pre-tax profit	17,817,000	18,850,750	16,638,300
Profit tax expenses	2,837,000	2,409,131	1,379,351
Profit	14,980,000	16,441,619	15,258,949

The main expenditures evolved as follows:

- expenditure on raw materials and materials increased both due to the manufacturing and sales structure;
- staff costs decreased by 1% compared to the values estimated in the Income & Expenditure Budget
- other operating expenses recorded a value of LEI 43.3 million, lower by 16% compared to the same period last year and by 6% compared to the budgeted values due to changing the trading policies.

Gross profit of the mentioned period amounted to LEI 18.85 million, higher by 6% compared to the values planned in the Income & Expenditure Budget and up 13% compared to the previous year.

Net profit of the mentioned period amounted to LEI 16.4 million, higher by 10% compared to the Income & Expenditure Budget and 8% higher than in the H1 2015.

Statement of financial position

On 30.06.2016, our company's fixed assets decreased by 1% compared to the beginning of the year.

	30.06.2016	31.12.2015	2016/ 2015
ASSETS			
FIXED ASSETS			
Tangible assets	202,346,453	205,945,190	0.98
Intangible assets	10,476,924	9,730,186	1.08
Investments in equity instruments			
TOTAL FIXED ASSETS	212,823,377	215,675,376	0.99
CURRENT ASSETS			
Stocks	89,279,421	60,290,277	1.48
Trade and similar receivables	235,536,211	231,314,744	1.02
Financial assets held for sale	0	220	0.00
Cash and cash equivalents	3,120,845	37,381,974	0.08
TOTAL CURRENT ASSETS	327,936,477	328,987,215	1.00
TOTAL ASSETS	540,759,854	544,662,591	0.99
LIABILITIES			
CURRENT LIABILITIES			

Trade and similar payables	52,175,309	71,391,757	0.73
Amounts owed to credit institutions	54,491,038	41,778,509	1.30
Liabilities from current taxes	8,009,352	8,989,373	0.89
Short-term provisions	8,723,809	7,179,938	1.22
TOTAL CURRENT LIABILITIES	123,399,508	129,339,577	0.95
LONG-TERM LIABILITIES			
Subsidies for investments	3,054,184	3,193,972	0.96
Deferred tax	19,168,994	19,479,158	0.98
Long-term provisions		0	
TOTAL LONG-TERM LIABILITIES	22,223,178	22,673,130	0.98
TOTAL LIABILITIES	145,622,686	152,012,707	0.96
Share capital and reserves			
Share capital	264,835,156	264,835,156	1.00
Revaluation reserves	18,407,830	19,909,157	0.92
Legal reserves	13,426,761	13,426,761	1.00
Other reserves	146,528,189	133,303,701	1.10
Reported result	-64,502,388	-66,003,714	0.98
Current result	16,441,619	27,178,823	0.60
TOTAL EQUITY	395,137,167	392,649,884	1.01
TOTAL EQUITY AND LIABILITIES	540,759,854	544,662,591	0.99

Current assets:

- stocks at the end of the first semester recorded an increase of 48% (as provided in the Income and Expenditure Budget for 2016) compared to the value recorded to the beginning of the year amid ensuring the quantity of finished products for the major overhaul period;
- total receivables record values higher by 2%, from LEI 231.3 million at the beginning of the year to LEI 235.5 million at the end of H1 2016.

Our company's main diagnostic indicators highlight the financial balance and our continued concern for the efficiency of the business. Thus, current liquidity increased from 2.23 in the H1 2015 to 2.65 in 2016, the degree of indebtedness decreased from 20% to 13.8% in the first semester of the current year.

Indicator name	Calculation method	30.06.2016	30.06.2015
Current liquidity	Current assets/current liabilities	2.65	2.23
Degree of indebtedness	Borrowed capital/ Equity x 100	13.8%	20%
Turnover speed for client debit items	Average customer balance / Sales income x Time	314 days	327 days
Rotation speed of fixed assets	Sales income /Fixed assets	0.68	0.67

Balance sheet liabilities

On June 30, 2016, our company recorded current liabilities amounting to LEI 123.4 million, lower by 5% compared to the beginning of the year. Commercial debt decreased by 27% compared to the beginning of the year amid an increase by 30 % in bank debt.

Cash flow

Cash and cash equivalents at the beginning of the period were LEI 37.3 million. Cash receipts from operating activities were LEI 125.3 million. Cash payments to suppliers of goods and services were LEI 108 million, and those to and on behalf of employees were LEI 33.6 million.

At the same time our company paid LEI 16.9 million representing corporate tax, VAT, local taxes and bank interest and we also paid LEI 6.3 million for purchasing fixed assets. We paid the contributions to the Ministry of Health (clawback tax) worth LEI 10 million.

As regards the financing activity we recorded receipts worth LEI 12.7 million representing short-term loans and we paid dividends worth LEI 7.4 million.

Cash and cash equivalents at the end of the period were LEI 3.1 million.

Our company paid its obligations to the state and local budget until June 30, 2016 amounting to LEI 33.3 million.

Financial statements were approved by the Management Board and are to be approved in the GMS.

Management of the trading company

Executive management coordinates the company's strategic development, in close cooperation with the Management Board. Periodically, the two bodies analyze the results of implementing the strategy according to the business plan, performance criteria and revenue & expenditure budget. In this respect, the Management of the company informed the Management Board in six sessions in the first semester of 2016 on all significant aspects of the activity carried out and its evolution in relation to the previous forecast, submitting reports according to the agendas of the meetings. These reports were analyzed by the members of the Management Board and, based on them and other information, they made decisions with effects in the conduct of the company's activities.

Management Board represents the Company in relation to the appointed directors.

The president coordinates the Management Board's activity and reports about it to the General Meeting of Shareholders. The President oversees the proper functioning of the company.

The President represents the Management Board in the relations with third parties. Management Board may also delegate other powers to the President.

The Vice-President replaces lawfully the President of the Management Board when the latter is missing. (according to the Article 37, Chapter V, Article of Association of the trading company Antibiotice Iași).

The executive management of Antibiotice Iasi is ensured by executive directors, one of whom is General Director and Vice-President of the Management Board.

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

During the first semester of 2016, our Management Board convoked an Ordinary and an Extraordinary General Meeting of Shareholders on **April 19, 2016**.

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

The ordinary General Meeting of Shareholders approved the amendment of the Management Board, by electing three new members, in accordance with the provisions of GEO nr. 109/2011 on corporate governance of the public enterprises: Mr. Ioan NANI, Ms. Elena CALITOIU and Mr. Nicolae STOIAN from S.I.F. Oltenia.

OGMS also approved the company's financial statements for 2015, drafted in accordance with the Order of the Minister of Public Finance no. 881/25.06.2012, Order of the Minister of Public Finance no. 1286/2012 for approving the accounting regulations that comply with international financial reporting standards applicable to the trading companies whose securities are admitted to trading on a regulated market, Order of the Minister of Public Finance no. 1690/2012 regarding the modification and completion of some accounting regulations, Order of the Minister of Public Finance no. 123/2016 on the

main aspects related to the preparation and submission of the annual financial statements and annual accounting reports of the economic operators to the territorial units of the Ministry of Public Finance.

The Ordinary General Meeting of Shareholders also approved :

- net profit distribution on 2015 amounting to LEI 27,178,823, setting the gross dividend per share worth LEI 0.020785855 and setting the date for starting the payment of dividends on 15.09.2016;
- discharge of administration for the activity conducted in the fiscal year 2015, based on reports submitted;
- income and expenditure budget for 2016;
- degree of achieving the objectives and performance criteria on 2016 for the members of the Management Board;
- objectives set in the administration plan for the members of the Management Board for 2016;
- remuneration for the members of the Management Board according to the provisions of Government Emergency Ordinance no. 51/2013 regarding the amendment and completion of GEO no. 109/2011 on corporate governance of public enterprises;
- affiliation of Antibiotice at the National Committee of the International Chamber of Commerce Romania and Romanian-American Chamber of Commerce;

The Extraordinary General Meeting of Shareholders approved :

- extending, by a 12-month period, the validity period of the multicurrency multiproduct credit amounting to LEI 60 million borrowed by Antibiotice S.A. from the Export Import Bank of Romania - Eximbank S.A..
- extending, by a 12-month period, the state guarantee worth LEI 10 million relative to the multiproduct multicurrency credit amounting to LEI 60 million borrowed by Antibiotice S.A. from Eximbank.
- maintaining the guarantees relative to the multicurrency multiproduct credit amounting to LEI 60 million throughout the entire term of validity resulting from the paragraphs 1 and 2 on the Agenda.
- issuing a decision-commitment of Antibiotice not to divide itself, not to merge and decide the anticipated dissolution throughout the entire validity period of the multicurrency multi-product credit in the name and account of the state issued by Eximbank without prior consent of Eximbank SA.
- empowering the General Director, Mr. Ioan NANI and Financial Director Ms. Paula COMAN to sign on behalf of the company all documents related to the credit facility extension and changes, under paragraphs 1 and 2 of the Agenda, as well as the documents related to the obligations assumed by our company in accordance with paragraphs 3 and 4 of the Agenda.
- the corresponding amendment of the Annex 1 of the Articles of Association - Administrators of Antibiotice SA - Iasi - according to the convocation.

Antibiotice shares - ATB / REGULAR MARKET

	2013	2014	2015	H I 2016
Number of shares	671,338,040	671,338,040	671,338,040	671,338,040
Stock Market Capitalization (Thousand Lei) *	374,607	390,719	357,152	306,801
Stock Market Capitalization (Thousand Euros) *	83,919	87,173	78,868	67,861
Stock Market Capitalization (Thousand USD) *	115,413	105,978	86,167	75,522
Total amount traded (million Lei)	23	16	11	2
No. of traded shares	48,439,486	27,467,454	18,844,935	3,554,145
Opening price (Lei/share)	0,3774	0,5520	0,5850	0,5320
Maximum price (Lei/share)	0,5680	0,6170	0,6170	0,5320
Minimum price (Lei/share)	0,3700	0,5410	0,5240	0,4200
Price at the end of the period (Lei/share)	0,5580	0,5850	0,5320	0,4570
Average price (Lei/share)	0,4692	0,5845	0,5836	0,4694

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

“B.D.O, Audit” SRL audited the financial statements for the first semester of 2016 and revised the compliance between the half-yearly report and the financial statements.

Conclusions:

- Antibiotice S.A. is part of the 5 companies' elite in Top 20 whose portofolio records increases (+3,3%);
- Income from sales higher by 9% compared to H1 2015;
- A 13% increase in the gross profit compared to 2015;
- Antibiotice ranks 12th, gaining a higher position among the pharmaceutical companies in Romania amid a declining pharmaceutical market;
- Antibiotice maintains its fourth ranking among the producers of generic prescription medicines and over-the-counter medicines (OTCs);
- Antibiotice invests in the continuous improvement of human capital.

VicePresident of Management Board

**General Director
Ioan NANI**

**Financial Director
Paula COMAN**