

**ANTIBIOTICE S.A.**

The financial statements below were drafted  
on December 31<sup>st</sup>, 2016

in accordance with the International Financial  
adopted by the European Union.

## ANTIBIOTICE S.A.

Financial statements as per year ending on December 31<sup>st</sup>, 2016

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**ANTIBIOTICE**  
**STATEMENT OF THE GLOBAL RESULT**

for year ending December 31, 2016  
(all amounts expressed in RON, if not mentioned otherwise)

		<b>Year ending on</b>	
	<b>NOTE</b>	<b>31-Dec-16</b>	<b>31-Dec-15</b>
<b>Sales revenue</b>	<b>4</b>	<b>332.435.059</b>	<b>330.087.508</b>
Other operating revenue	<b>5</b>	20.262.937	14.631.018
Revenue relative to costs for stocks of products		(900.215)	6.546.669
Revenue generated by capitalized activities		<b>2.177.574</b>	<b>2.505.214</b>
Expenses with raw materials and consumables	<b>6</b>	(126.867.849)	(118.818.573)
Staff related expenses cu personalul	<b>7</b>	(76.846.812)	(73.466.734)
Expenditure on amortization and depreciation		(18.948.912)	(15.099.989)
Other operating expenses	<b>8</b>	(91.782.114)	(109.448.274)
<b>Operating profit</b>		<b>39.529.669</b>	<b>36.936.839</b>
Financial income	<b>9</b>	(2.206.134)	(2.429.318)
Financial expenses	<b>9</b>	(4.656.157)	(4.895.184)
<b>Profit before tax</b>		<b>34.881.646</b>	<b>32.047.535</b>
Expenditure with tax on current profit and deferred tax	<b>10</b>	(4.510.835)	(4.868.712)
<b>Profit</b>		<b>30.370.811</b>	<b>27.178.823</b>
<b>Other elements of the global result</b>			
Elements that are not reclassified:			
Earnings/losses from the revaluation of tangible assets		-	20.103.297
Income tax on other elements of the global result		-	(3.216.528)
<b>Other elements of the global result, excluding taxes</b>		-	<b>16.886.769</b>
<b>Total global result</b>		-	<b>44.065.592</b>
<b>Result per share</b>	<b>11</b>	0,0452	0,0405

*Explanatory notes 1 to 28 are an integrating part of the financial statements*

Approved by the Management Board on 15.03.2017

And signed on its behalf by:

Drafted by:

CEO  
Ec. Ioan NANI

Economic Director  
Ec. Paula COMAN

**ANTIBIOTICE**  
**STATEMENT OF THE FINANCIAL POSITION**  
for the year ending December 31, 2016  
(all amounts expressed in RON, if not mentioned otherwise)

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	NOTE	31-Dec-16	31-Dec-15
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
Tangible assets	12	206.702.347	205.945.190
Intangible fixed assets	13	10.139.458	9.730.186
<b>TOTAL ASSETS</b>		<b>216.841.805</b>	<b>215.675.376</b>
<b>CURRENT ASSETS</b>			
Stocks	14	60.195.101	60.290.277
Trade and similar receivables	15	242.456.065	231.314.744
Financial assets for sale		0	220
Cash and cash equivalents	16	13.902.686	37.381.974
<b>TOTAL CURRENT ASSETS</b>		<b>316.553.852</b>	<b>328.987.215</b>
<b>TOTAL ASSETS</b>		<b>533.395.657</b>	<b>544.662.591</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Commercial and similar debt	17	49.045.370	74.141.352
Amounts owed to banks	18	40.705.967	41.778.509
Debt from taxes and charges		11.486.302	8.989.373
Short-term provisions	19	1.418.895	4.430.343
Subventions for investment	20	275.047	279.576
<b>TOTAL CURRENT LIABILITIES</b>		<b>102.931.581</b>	<b>129.619.153</b>
<b>LONG-TERM INVESTMENTS</b>			
Subventions for investment	20	2.639.349	2.914.396
Deferred tax	21	18.758.368	19.479.158
<b>TOTAL LONG-TERM DEBT</b>		<b>21.397.717</b>	<b>22.393.554</b>
<b>TOTAL DEBT</b>		<b>124.329.298</b>	<b>152.012.707</b>

*Explanatory notes 1 to 28 are an integrating part of the financial statements*

Approved by the Management Board on 15.03.2017

And signed on its behalf by:

Drafted by:

CEO  
Ec. Ioan NANI

Economic Director  
Ec. Paula COMAN

**ANTIBIOTICE**  
**FINANCIAL STATEMENTS** (follow-up)  
for year ending December 31, 2016  
(all amounts expressed in RON, if not mentioned otherwise)

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	NOTE	31-Dec-16	31-Dec-15
<b>Share capital and reserves</b>			
<b>Share capital</b>	<b>22</b>	<b>264.835.156</b>	<b>264.835.156</b>
Revaluation reserves	23	16.925.870	19.909.156
Legal reserves	23	13.426.761	13.426.761
Other reserves	23	146.528.189	133.303.701
Reported result	24	(63.020.428)	(66.003.714)
Current result		30.370.811	27.178.823
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>409.066.359</b>	<b>392.649.884</b>
<b>TOTAL EQUITY AND DEBT</b>		<b>533.395.657</b>	<b>544.662.591</b>

*Explanatory notes 1 to 28 are an integrating part of the financial statements*

Approved by the Management Board on 15.03.2017

And signed on its behalf by:

Drafted by:

CEO  
Ec. Ioan NANI

Economic Director  
Ec. Paula COMAN

**ANTIBIOTICE**  
**CASH FLOW STATEMENTS**

for year ending December 31, 2016  
(all amounts expressed in RON, if not mentioned otherwise)

	<b>Year ending on</b>	
	<b>31-Dec-16</b>	<b>31-Dec-15</b>
<b>I. Operating cash flow</b>		
Cash collection from sales of goods and provision of services	295.903.157	308.841.604
Cash collection from royalties, fees, charges and other type of income	(3.985.726)	5.661.481
Cash payments to suppliers of goods and services	(189.347.963)	(146.884.502)
Cash payments to and on behalf of employees and payroll expenses	(68.264.144)	(68.237.135)
VAT paid	(1.937.385)	(5.472.945)
Contributions to the Ministry of Health and Ministry of the Environment	(20.192.307)	(25.274.718)
Other taxes, fees and assimilated charges	(2.366.757)	(2.247.542)
<b>Operating cash flow</b>	<b>9.808.875</b>	<b>66.386.243</b>
Interest charged	8.134	5.865
Interest paid	(1.014.156)	(1.519.772)
Tax on dividend paid	(5.982.931)	(5.286.209)
<b>Net cash flows generated by operations</b>	<b>2.819.922</b>	<b>59.586.127</b>
<b>II. Cash flow generated by investments</b>		
Cash payments for purchasing land and fixed assets, intangible assets and long-term assets	(17.681.181)	(12.192.014)
<b>Net investment cash flow</b>	<b>(17.681.181)</b>	<b>(12.192.014)</b>
<b>III. FINANCING CASH FLOW</b>		
Proceeds/reimbursement generated by long-term loans	(112.030)	(550.101)
	220	-
Purchasing shares	(7.433.677)	(14.263.440)
<b>Net financing cash flows</b>	<b>(7.545.487)</b>	<b>(14.813.541)</b>
<b>Net cash increase/decrease</b>	<b>(22.406.746)</b>	<b>32.580.572</b>
<b>Cash and cash equivalents at the beginning of the interval</b>	<b>(4.396.535)</b>	<b>(36.977.107)</b>
<b>Cash and cash equivalents at the end of the interval</b>	<b>(26.803.281)</b>	<b>(4.396.535)</b>
<b>Cash and cash equivalents at the end of the interval include:</b>		
Accounts in banks and cash	13.902.686	37.381.974
Credit lines	(40.705.967)	(41.778.508)
	<b>(26.803.281)</b>	<b>(4.396.535)</b>

*Explanatory notes 1 to 28 are an integrating part of the financial statements*

Approved by the Management Board on 15.03.2017

And signed on its behalf by:

Drafted by:

CEO  
Ec. Ioan NANI

Economic Director  
Ec. Paula COMAN

**ANTIBIOTICE**  
**STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY**  
for year ending December 31, 2016  
(all amounts expressed in RON, if not mentioned otherwise)

	Subscribed capital	Adjustments regarding capital	Reserves	Other reserves	Current and reported result	Result from revaluation reserves	Result following adjustment correction	Reserves from revaluation	Result following applying IAS/IFRS for the first time	Result following applying IAS 29 for the second time	TOTAL
<b>31-Dec-15</b>	<b>67.133.804</b>	<b>197.701.352</b>	<b>13.426.761</b>	<b>133.303.701</b>	<b>27.178.823</b>	<b>4.918.170</b>	<b>0</b>	<b>19.909.156</b>	<b>126.779.469</b>	<b>(197.701.352)</b>	<b>392.649.884</b>
Current global result	-	-	-	-	30.370.811	-	-	-	-	-	<b>30.370.811</b>
Deferred tax relative to the revaluation difference	-	-	-	-	-	-	-	-	-	-	-
Revaluation reserves	-	-	-	-	-	-	-	-	-	-	-
Transfer at reported result following revaluation reserves	-	-	-	-	-	2.983.286		(2.983.286)	-	-	-
<b>Total other elements of the global result</b>	-	-	-	-	-	<b>7.901.456</b>	-	<b>16.925.870</b>	-	-	-
Distribution of legal reserves	-	-	-	-	-	-	-	-	-	-	-
Distribution of other reserves	-	-	-	13.224.488	(13.224.488)	-	-	-	-	-	-
Dividends	-	-	-	-	(13.954.335)	-	-	-	-	-	<b>(13.954.335)</b>
Result following adjustment corrections	-	-	-	-	-	-	-	-	-	-	-
<b>31-Dec-16</b>	<b>67.133.804</b>	<b>197.701.352</b>	<b>13.426.761</b>	<b>146.528.189</b>	<b>30.370.811</b>	<b>7.901.456</b>	<b>0</b>	<b>16.925.870</b>	<b>126.779.469</b>	<b>(197.701.352)</b>	<b>409.066.360</b>

*Notele explicative numerotate de la 1 la 28 sunt parte integranta din situatiile financiare*

**ANTIBIOTICE**  
**STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY**  
for year ending December 31, 2016  
(all amounts expressed in RON, if not mentioned otherwise)

	Subscribed capital	Adjustments regarding capital	Reserves	Other reserves	Current and reported result	Result from revaluation reserves	Result following adjustment correction	Reserves from revaluation	Result following applying IAS/IFRS for the first time	Result following applying IAS 29 for the second time	TOTAL
<b>31-Dec-14</b>	<b>67.133.804</b>	<b>197.701.352</b>	<b>13.189.007</b>	<b>118.149.425</b>	<b>31.138.739</b>	<b>3.782.087</b>	<b>961.436</b>	<b>4.158.470</b>	<b>125.818.032</b>	<b>(197.701.352)</b>	<b>364.331.001</b>
Current global result					27.178.823						<b>27.178.823</b>
Deferred tax relative to the revaluation								(3.216.528)			(3.216.528)
Revaluation reserves								20.103.297			20.103.297
Transfer at reported result following revaluation reserves						1.136.083		(1.136.083)			-
<b>Total other elements of the global result</b>						<b>4.918.170</b>		<b>19.909.156</b>			<b>16.886.769</b>
Distribution of legal reserves			237.754		(237.754)						
Distribution of other reserves				15.154.276	(15.154.276)						
Dividends					(15.746.709)						<b>(15.746.710)</b>
Result following adjustment corrections							(961.436)		961.436		-
<b>31-Dec-15</b>	<b>67.133.804</b>	<b>197.701.352</b>	<b>13.426.761</b>	<b>133.303.701</b>	<b>27.178.823</b>	<b>4.918.170</b>	<b>0</b>	<b>19.909.156</b>	<b>126.779.469</b>	<b>(197.701.352)</b>	<b>392.649.884</b>

*Notele explicative numerotate de la 1 la 28 sunt parte integranta din situatiile financiare*



**ANTIBIOTICE**  
**STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY**  
for year ending December 31, 2016  
(all amounts expressed in RON, if not mentioned otherwise)

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*Notele explicative numerotate de la 1 la 28 sunt parte integranta din situatiile financiare*

**ANTIBIOTICE**  
**NOTES TO FINANCIAL STATEMENTS**

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for year ending December 31, 2016  
(all amounts expressed in RON, if not mentioned otherwise)

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## **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 as per 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. 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

### **Management Board**

Antibiotice is administered by a Board of Directors responsible for fulfilling all the tasks necessary to achieve the objective 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 2016, the Management Board gathered in 12 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

**ANTIBIOTICE**  
**NOTES TO FINANCIAL STATEMENTS**

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for year ending December 31, 2016  
(all amounts expressed in RON, if not mentioned otherwise)

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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.

**The structure of the Management Board of Antibiotice SA on December 31, 2016**

**1. Legal counselor Iavor Ionut Sebastian, 41**

**Chairman of the Board and representative of the Ministry of Health**

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

Currently Mr Iavor Ionut Sebastian is General Manager within the Ministry of Health

**Antibiotice shares - 0\***

**Ec. Ioan Nani, 57**

**Vice Chairman of the Management Board and CEO, 57**

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

Mr. Nani was later appointed Vice-President by the members of the Board (2009) and CEO (1998 - 2008 and 2009 - present).

**Antibiotice shares - 1.513\***

**Dr. Neagoe Adela-Petrinia, 58**

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

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

Mrs. Neagoe is a Doctor of medical sciences, a primary doctor in the specialty of pediatrics, a primary doctor in the specialty of Public Health and Health Management. Mrs. Neagoe is a member of the Board since March 20 2014 and a Deputy Secretary General in the Ministry of Health.

**Antibiotice shares - 0\***

**4. Ec. Stoian Nicolae**

**Member of the Board and representative of SIF Oltenia and other legal persons**

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

Chartered accountant, tax consultant and auditor, representative of the Internal Control Dept. of SIF Oltenia.

**Actiuni Antibiotice SA - 0\***

**Eng. Elena CALIȚOIU, 54 years old**

**Member of the Board and representative of SIF the Oltenia and other corporate shareholders**

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

Mrs. Calîțoiu is a mechanical engineer and Director of Investments and Risk Management with SIF Oltenia; Mrs. Calîțoiu has been a member of the Board since 2016.

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

**ANTIBIOTICE**  
**NOTES TO FINANCIAL STATEMENTS**

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for year ending December 31, 2016  
(all amounts expressed in RON, if not mentioned otherwise)

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**Advisory committees**

Comitetele consultative au desfasurat investigatii, analize si au elaborat recomandari pentru Consiliu de Administratie, in domeniile specifice si au inaintat acestuia periodic, rapoarte asupra activitatii lor.

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

- *the Audit Committee*: Mr. Ionuț Sebastian IAVOR and Mr. Nicolae STOIAN and Mrs. Elena CALIȚOIU;
- *the Nomination and Remuneration Committee*: Mrs. Elena CALIȚOIU and Mrs. Adela-Petria NEAGOE
- *the Trade Policies Committee*: Mr. Ionuț 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**

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

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

**Ec. Ioan NANI, 57 years old**

**CEO and Vice Chairman of the Board**

Mr. Nani has graduated from the Faculty of Economics, the "Alexandru Ioan Cuza" University of Iași. Mr. Nani is an economist specialized in management and a chartered accountant.

Mr. Nani began working as an economist at Antibiotice in 1987. Between 1991 and 1993 he worked as a financial control inspector with the General Directorate of Public Finance Iași and then with the Court of Auditors of Romania. In 1994 Mr. Nani returned to Antibiotice as a financial executive and in 1998, Mr. Nani became CEO. In February 2009 Mr. Nani was appointed Deputy Chairman of the Authority for State Assets Recovery (AVAS), and in the month of June of the same year he became CEO of the Antibiotice Company.

Mr. Nani has been CEO since 2009.

**Number of Antibiotice SA shares owned – 1.513\***

**Eng. Cornelia MORARU, 51 years old**

**Technical and Production Director**

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

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

**Number of Antibiotice SA shares owned - 1.513\***

**ANTIBIOTICE**  
**NOTES TO FINANCIAL STATEMENTS**

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for year ending December 31, 2016  
(all amounts expressed in RON, if not mentioned otherwise)

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**Ec. Paula Luminița COMAN, 49 years old**

**Economic Director**

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

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

Mrs. Coman has been the Economic Manager since 2011.

**Number of Antibiotice SA shares owned - 0\***

**Ec. Vasile CHEBAC, 62 years old**

**Commercial and Logistics Director**

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

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

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

**Number of Antibiotice SA shares owned - 0\***

**Eng. Eugen Florin OSADEȚ, 61 years old**

**Engineering and Investment Director**

Mr. Osadeț is a graduate of the "Gheorghe Asachi" Technical University of Iași, the Faculty of Mechanical Engineering. In 2000 Mr. Osadeț is granted the Master's Degree in Management and Business Administration at the same university.

Mr. Osadeț has been working at Antibiotice SA since 1980 as a mechanical engineer in the industrial refrigeration team, and then as a thermal power dispatcher. In 1997 Mr. Osadeț became the Head of the Thermal Power workshop.

Mr. Osadeț has been the Engineering and Investment Director since 2000.

**Number of Antibiotice SA shares owned – 1.511\***

**Eng. Cristina Lavinia DIMITRIU, 58 years old**

**Quality Director**

Mrs. Dimitriu, a graduate of the "Gheorghe Asachi" Technical University of Iași, the Faculty of Chemical Technology, is granted in 2000 a Master's Degree in Management and Business Administration by the same university. Mrs. Dimitriu has been the holder of a Master's Degree Diploma in Management and Marketing granted by the Faculty of Pharmacy, the "Grigore T. Popa" University of Medicine and Pharmacy since 2007. During the same year, Mrs. Dimitriu became a PhD student of the Faculty of Pharmacy of Iași.

**ANTIBIOTICE**  
**NOTES TO FINANCIAL STATEMENTS**

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for year ending December 31, 2016  
(all amounts expressed in RON, if not mentioned otherwise)

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After graduation Mrs. Dimitriu worked as a chemical engineer at the Făgăraș Chemical Plant. Mrs. Dimitriu has been working at Antibiotice SA since 1987, at the Lysine -Biosynthesis Plant. In 1990 Mrs. Dimitriu has become a Production Manager at the Parenteral Plant and in 2000 she has held the position of Quality Control Manager for Physico-chemical and Microbiological Analysis. Since 2007 Mrs. Dimitriu has become a qualified person for the manufacture / import of medicinal products for human use and a Management Representative for the Integrated Management System.

Mrs. Dimitriu has been the Quality Manager since 2003.

**Number of Antibiotice SA shares owned – 0\***

**Ec. Gica RUSU, 53 years old**

**Human Resources Director**

Mrs. Rusu, a graduate of the "Alexandru Ioan Cuza" University of Iași, the Faculty of Economics, was granted in 2003 a master's degree in management and business administration by the same university.

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

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

**Number of Antibiotice SA shares owned - 1.510\***

**Ec. Ovidiu BĂȚAGA, 39 years old**

**Domestic Sales and Marketing Director**

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

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

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

**Number of Antibiotice SA shares owned – 0\***

**Dr. Mihaela MOȘNEGUȚU, 47 years old**

**Medical Director**

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

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

Dr. Moșneguțu has been Medical Director since 2011.

**Number of Antibiotice SA shares owned – 0\***

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**Ec. Mihai STOIAN, 41 years old**

**International Business Director**

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

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

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

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

Mr. Stoian has been an International Business Director since 2012.

**Number of Antibiotice SA shares owned – 0\***

**The Code of Ethics**

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

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

The Code is a set of rules under which the company was developed, rules of ethical behavior in business and how to prevent illegal actions that might arise during the course of affairs within the company. The Code is binding and applies to all structures and activities of the company. The Code of Ethics is a fundamental commitment to endeavor to comply with high ethical standards working to high ethical standards and the applicable legal requirements wherever Antibiotics operates.

The Code of Ethics is presented in detail on the website of the company

([www.antibiotice.ro/Investitori/Guvernanta Corporativa/Documente de referinta /Cod de etica](http://www.antibiotice.ro/Investitori/Guvernanta_Corporativa/Documente_de_referinta_/Cod_de_etica)).

**The rights of the holders of financial instruments**

The corporate governance framework adopted and partially implemented:

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

On our company's website at [www.antibiotice.ro/investitori/informatii actionari](http://www.antibiotice.ro/investitori/informatii_actionari), there is a section dedicated to shareholders, where one can access and download documents related to the General Meetings of Shareholders: procedures for the access and participation in meetings, the convener, additions to the agenda, informational materials, presentation procures, voting forms by correspondence, resolution drafts, resolutions, voting results etc.

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The company provides all those concerned periodic and annual financial statements, prepared in accordance with the law. Also, the company complies with all disclosure requirements under the company law and the capital market. Within the company there is a structure specialized in the relation to existing and potential investors called Investor Relations, whose main role is to ensure a good communication with the shareholders of the company. The people appointed to liaise with investors treat with maximum efficiency the requests of shareholders and facilitate the dialogue with the company management. The company designs and develops an appropriate policy to promote effective communication with both investors and shareholders.

### **The General Meeting of Shareholders**

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

During the year 2016, the Board convened two Ordinary General Meetings of Shareholders and two Extraordinary General Meetings of Shareholders, on **April 19 2016**, and on **August 11 2016**. Toate documentele necesare, legate de buna desfasurare a Adunarilor Generale au fost publicate la timp si conform legislatiei in vigoare.

The Ordinary Shareholders' General Assembly dated April 19, 2016, approved the modification of the Board of Directors by revoking Mrs. Gabriela ILIE as a result of the retirement and election of Mrs. CALITOIU Elena, as well as re-election of Ioan NANI and Nicolae STOIAN, according to the procedures Provided by Government Emergency Ordinance no. 109/2011, modified by Law no. 111/2016 on Corporate Governance of Public Enterprises. At the same time, the financial results of the company for the year 2015 were approved, results that 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 complying with the international financial reporting standards applicable to 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 certain accounting regulations, the Order of the Minister of Public Finances no.123/ 2016 on the main aspects regarding the drawing up and filing of the annual financial statements and of the annual accounting reports of the economic operators to the territorial units of the Ministry of Public Finance.

Within the same meeting the following decisions were taken:

- Approval to distribute the net profit for the year 2015 in the amount of 27,178,823 lei, fixing of the gross dividend per share of 0,020785865 lei and the payment of dividends starting with 15.09.2016;
- Approval of the discharge of the administrators for the activity carried out in the financial year 2015 on the basis of the submitted reports;
- Approval of the Income and Expense Budget for 2016;
- Approval of the achievement of the objectives and performance criteria for the year 2015 for the members of the Board of Directors;
- Approval of the objectives included in the management plan for the members of the Board of Directors for 2016;



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- Approving the remuneration of the members of the Board of Directors in accordance with the provisions of the Government Emergency Ordinance no. 51/2013, regarding the modification and completion of the Government Emergency Ordinance no. 109/2011 on Corporate Governance of Public Enterprises;
- Approval of the affiliation of Antibiotice S.A. At the National Committee of the I.C.C. (International Chamber of Commerce) - Romania, and the Romanian-American Chamber of Commerce.

The Extraordinary General Meeting of Shareholders approved:

- the extension by 12 months of the validity period of the multicurrency multiproduct loan amounting to 60 million RON borrowed by Antibiotice from the Export Import Bank of Romania-Eximbank is approved.
- the extension by 12 months of the 10 million lei guarantees relative to the multicurrency multiproduct loan amounting to 60 million RON borrowed by Antibiotice from the Export Import Bank of Romania-Eximbank.
- to issue a decision-commitment of Antibiotice not to divide itself, not to merge and not to decide the anticipated dissolution throughout the entire validity period of the multicurrency multi-product loan and guarantee without prior consent of Eximbank SA.
- the empowering the General Manager Mr. Ioan NANI and Financial Director Ms. Paula COMAN to sign on behalf of the company all documents related to the credit facility extension, under items 1 and 2 of the agenda, as well as documents related to obligations assumed by the company in accordance with item 3 and 4 on the agenda is approved.
- the change according to Annex 1 in the Article of Association – administrators of Antibiotice SA
- amending, updating and numbering the article of Association.

The Ordinary General Meeting of 11 August 2016 approved the financial statements of the company for the first half of 2016 on the basis of the Directors' Report and the Financial Auditor's Report and at the Extraordinary General Meeting of Shareholders was approved the contracting of a multivalued credit facility, cash-noncash, amounting to RON 30,000,000 from UniCredit Bank SA and its guarantee with:

- Real estate mortgage and prohibition of alienation, striking, dismantling, renting, demolition, construction, landscaping, restructuring and adjoining property Antibiotice S.A .
- I-grade mortgage on receivables arising from the contracts / orders / invoices / that will be issued by Antibiotice SA in the relationship with FARMEXPERT DCI SRL, FARMEXIM SA, Romfarmachim S.A and Azelis UK Life Sciences LTD.
- The mortgage on current accounts opened by Antibiotice S.A. at UniCredit Bank S.A. Also, at the same meeting approved to empower of Mr. Ioan NANI as General Manager and Mrs. Paula Luminita COMAN as Economic Director to sign on behalf of the company all the documents / documents / credit agreements and their accessories, necessary and relative to the contracting and implementation of the credit facility, according to points 1 and 2.

**Investors** (as per the Shareholder's Register on 1.09.2016)

- The Ministry of Health (\*) – 53.0173%
- S.I.F. Oltenia (\*) - 13.5527%
- Broadhurst Investments Limited – 4.1977%
- S.I.F. Transilvania – 4.0258%
- Pension Fund AZT Viitorul Tau/Allianz – 2.1711%

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- S.I.F. Banat-Crisana S.A – 2.1104%
- Privately managed pension Fund Alico – 1.5116%
- Privately managed pension Fund ARIPI/GENERALI S.A.F.P.P. – 0.6782%
- A-Invest – 0.6740%
- Polunin Discovery Funds – Frontier Markets Fund – 0.5283%
- Other individuals and legal entities – 17.5329%.

During the year 2016 dividends were paid for the financial years 2012, 2013, 2014 and 2015 amounting to 48,967,531.30 lei, as follows:

***Dividend payment (2012 – 2013 – 2014 -2015)***

year	Net dividends							Date when payment stops
	Due	Paid				Unclaimed at 31.12.2016		
		lei			% (total paid)			
		Until 31.12.2015	01.01÷31.12 2016	Total		lei	%	
0	1	2	3	4	5	6	7	8
2012	9.834.108	8.986.709	9.996	8.996.705	91,48	847.403	8,52	01.11.2016
2013	14.753.415	13.456.573,64	28.648	13.485.221,64	91,40	1.268.193,36	8,60	Payment in progress
2014	15.061.293	13.870.071,74	36.465,91	13.906.537,65	92,33	1.154.755,35	7,67	Payment in progress
2015	13.753.343	-	12.579.067,01	12.579.067,01	91,46	1.174.275,99	8,54	Payment in progress

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

**Antibiotice on the securities market**

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

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

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

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

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

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This reflects the fact that Antibiotice is a stable company, developed on a durable economic foundation. In 2016, the minimum price per ATB action value was worth 0.4200 lei. The share price rose to a peak of 0.5420 lei / share.

The market capitalization of Antibiotice on December 31, 2016 (the last trading day of the year) was 349.096 lei.

**Antibiotice shares– ATB / Regular Market**

\* Calculated based on pe baza pretului actiunii in ultima zi de tranzactionare din anul respectiv.

	2013	2014	2015	2016
Number of shares	671.338.040	671.338.040	671.338.040	671.338.040
Market capitalization (thousand lei)*	374.607	390.719	357.152	349.096
Market capitalization (thousand euros)*	83.919	87.173	78.868	76.875
Market capitalization (thousand \$)*	115.413	105.978	86.167	81.123
Total value traded (million lei)	23	16	11	6
No. of traded shares	48.439.486	27.467.454	18.844.935	12.555.866
Opening price (lei/share)	0,3774	0,5520	0,5850	0,5320
Maximum price (lei/share)	0,5680	0,6170	0,6170	0,5420
Minimum price (lei/share)	0,3700	0,5410	0,5240	0,4200
Price at the end of the year (lei/share)	0,5580	0,5850	0,5320	0,5200
Average price (lei/share)	0,4692	0,5845	0,5836	0,5032
Earnings/share (lei/share)***	0,0467	0,0464	0,0405	0,0452
Gross dividend/share (lei/share)**	0,0230	0,0235	0,0197	0,0384
Dividend yield****	4,12%	4,03%	3,69%	4,05%
Dividend distribution rate*****	49%	51%	49%	52%

\*\* Proposed dividend,

\*\*\* The calculation of earnings per share is based on the net profits of each year

\*\*\*\* Dividend per share / share price on the first trading day of each year

\*\*\*\*\* The dividend distribution rate = (number of shares x gross dividend per share) / total net profit.

During 2016, 12.555.866 shares were traded, worth 6.3 million lei (1.4 million euros, \$ 1.5 million), with an average price of 0.5032 lei / share. Antibiotice is present, on average, among the first 12 companies in the BET-PLUS index and among the 20 top companies in the BET-BK index.

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

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

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## **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. This set of financial statements represents the company's first IFRS financial statements issued for publication.

Separate financial statements have been approved by the Management Board in the meeting on 15.03.2017.

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".

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.

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.

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**2.4 Critical evaluations and estimations**

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

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 do 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.

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(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 verification for 5/7 years. The company's management believes that tax liabilities included in the financial statements are appropriate.

**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 purchased***

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.

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*Evaluation post-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 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:

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<b>Category</b>	<b>Lifetime</b>
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

*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:

- 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 not classified financial assets or financial liabilities at fair value through profit or loss.



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***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.

**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

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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 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:

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- (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.

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.

### ***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"***

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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

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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.

**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

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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:

- (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).

### **2.22 Changes in accounting policies**

#### ***a) New Standards, interpretations and amendments, effective from 1 January 2016***

There were no new standards or interpretations that came into force in January 2016, with a material effect on the Company's financial statements.

IFRS 14 *Deferral accounts for regulated activities* is the only new standard that has been in force since January 1, 2016.

None of the amendments or improvements to the standards that came into force have had a material effect on the Company's financial statements.

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*b) Standards issued but not yet in force and not adopted in advance*

The following new standards, interpretations and amendments, which are not yet in force and have not been adopted in advance in these financial statements, may have an effect on the Company's future financial statements. The list below presents IFRSs (and amendments to IFRSs) that have been issued but are not mandatory for the financial statements prepared on 31 December 2016:

- IFRS 9 *Financial Instruments* - replaces IAS 39 *Financial Instruments: Recognition and Measurement*. It includes the latest requirements for all three phases of the financial instruments project - classification and evaluation, depreciation and accounting against risks that were issued between 2009 and 2013.
- IFRS 15 *Revenue from Customer Contracts* and related amendments - replaces IAS 18 Revenue, IAS 11 *Construction Contracts* and Related Interpretations (IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements on the Construction of Real Estate, IFRIC 18 Transfers of Assets from Clients and SIC 31 Income - barter transactions involving advertising services). The objective of IFRS 15 is to clarify the principles of revenue recognition. This includes eliminating inconsistencies and weaknesses perceived, and improving the comparability of revenue recognition practices generated by companies, industries and capital markets. In this respect, IFRS 15 establishes a unique income recognition framework.
- IFRS 16 *Leasing Agreements* - replaces IAS 17 Leases, IFRIC 4 Determining the extent to which a Commitment contains a Lease Agreement, SIC 15 Leasing Operational - Incentives and SIC 27 Assessment of the Transactions Economic Fund that implies the legal form of a leasing. Major changes to IFRS 16 establish a unique model that eliminates the distinction between operating and financial leases as well as results in the statement of financial position that reflect an active "right of use" and a corresponding liability for the majority of lease contracts.

Effects of IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments are still under evaluation but are not expected to have significant effects on the Company's future financial statements.

No significant effects on the company's financial statements are expected, following changes to standards or annual improvements that will be effective after January 1, 2017.

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## 2. 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

A breakdown of financial instruments by category is provided below:

	<b>Loans and payables</b>	
	<b>31-Dec-16</b>	<b>31-Dec-15</b>
<b>ASSETS</b>		
Trade and related receivables	239.990.385	228.239.794
Cash and cash equivalents	13.902.686	37.381.974
<b>Total</b>	<b>253.893.071</b>	<b>265.621.768</b>
	<b>Available for sale</b>	
	<b>31-Dec-16</b>	<b>31-Dec-15</b>
<b>ASSETS</b>		
Investments in equity securities listed	0	220
<b>Total</b>	<b>0</b>	<b>220</b>
	<b>Per amortized cost</b>	
	<b>31-Dec-16</b>	<b>31-Dec-15</b>
<b>LIABILITIES</b>		
Trade and related liabilities	41.659.939	68.184.777
Short-term loans	40.705.967	41.778.509
Liabilities from current taxes	1.418.895	4.430.343
<b>Total</b>	<b>83.784.801</b>	<b>114.393.629</b>



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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)**

<b>Indicators (RON)</b>	<b>31-Dec-16</b>	<b>31-Dec-15</b>
Credits and loans	40.705.967	41.778.509
Cash and cash equivalents	(13.902.686)	(37.381.974)
<b>Net debt</b>	<b>26.803.280</b>	<b>4.396.535</b>
<b>Total equity</b>	<b>409.066.359</b>	<b>394.501.819</b>
<b>Net debt in equity (%)</b>	<b>6.55%</b>	<b>1.12%</b>

***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.

La 31 decembrie 2016 the net exposure by types of currency of the Company to the foreign currency risk was as follows:

	<b>For the year ending on</b>	
<b>Assets/liabilities in EURO equivalent in LEI</b>	<b>31-Dec-16</b>	<b>31-Dec-15</b>
Monetary financial assets	3.379.590	2.413.256
Monetary financial liabilities	(8.260.983)	(28.145.842)
Net financial assets	<u>(4.881.393)</u>	<u>(25.732.586)</u>
<b>Variation RON/EUR</b>	<b>Earning/ Loss</b>	
RON rise against the EUR by 5%	(244.070)	(1.286.629)
RON decrease against the EUR by 5%	244.070	1.286.629
<b>Impact on result</b>	<u>-</u>	<u>-</u>

	<b>31-Dec-16</b>	<b>31-Dec-15</b>
<b>Assets and liabilities in EURO</b>		
Monetary financial assets	744.223	533.375
Monetary financial liabilities	(1.819.159)	(6.220.763)
Net financial assets	<u><b>(1.074.936)</b></u>	<u><b>(5.687.388)</b></u>

<b>Assets/liabilities in USD equivalent in LEI</b>	<b>31-Dec-16</b>	<b>31-Dec-15</b>
Monetary financial assets	24.216.177	26.060.382
Monetary financial liabilities	(6.179.814)	(11.980.775)

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Net financial assets	<b>18.036.363</b>	<b>14.079.607</b>
<b>RON/USD variation</b>		
RON rise against the USD by 5%	901.818	703.980
RON decrease against the USD by 5%	(901.818)	(703.980)
<b>Impact on result</b>		
<b>Assets and liabilities in USD</b>		
	<b>31-Dec-16</b>	<b>31-Dec-15</b>
Monetary financial assets	5.627.350	6.283.092
Monetary financial liabilities	(1.436.064)	(2.888.535)
Net financial assets	<b>(4.191.287)</b>	<b>(3.394.558)</b>

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

<b>Assets / Liabilities</b>	<b>31-Dec-16</b>	<b>31-Dec-15</b>
LEI	156.953.300	162.887.510
EUR	(4.881.393)	(25.732.586)
USD	18.036.363	14.079.607
Other currencies (CAD,GBP)	-	(6.392)
<b>Net exposure</b>	<b>170.108.270</b>	<b>151.228.139</b>

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

***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:

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

	<b>up to 3 months</b>	<b>between 3-12 months</b>	<b>Total</b>
<b>31 decembrie 2016</b>			
Datorii comerciale si similare	18.111.488	36.889.921	55.001.409
Credite si imprumuturi		40.705.967	40.705.967
<b>Total</b>	<b>18.111.488</b>	<b>77.595.888</b>	<b>95.707.376</b>

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	<b>up to 3 months</b>	<b>between 3 -12 months</b>	<b>Total</b>
<b>31 decembrie 2015</b>			
Datorii comerciale si similare	24.385.589	55.995.541	80.381.130
Credite si imprumuturi		41.778.509	41.778.509
<b>Total</b>	<b>24.385.589</b>	<b>97.774.050</b>	<b>122.159.639</b>

***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.

**4. SALES REVENUES**

The revenues from sales include the following elements:

<b>Description</b>	<b>Year ending on</b>	
	<b>31-Dec-16</b>	<b>31-Dec-15</b>

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Finished product sales	324.688.567	316.441.808
Sales of goods	90.439.956	78.422.624
Trade discounts	(82.693.464)	(64.776.925)
<b>Total</b>	<b>332.435.059</b>	<b>330.087.508</b>

Sales

revenues are mainly made from sales of finished products directly to pharmaceutical distributors. Intra and extra-community sales in 2016 amounted to 103,415,958 lei (91,519,344 lei in 2015). The company earns sales in individual values greater than 10% of total sales with a total of 5 clients

### 3. OTHER OPERATING EXPENSES

Description	Year ending on	
	31-Dec-16	31-Dec-15
Income from rent	83.592	89.920
Income generated by studies and research	1.010.281	20.071
Income from various activities	1.461.801	1.542.707
Income from subventions	165.643	52.829
Income from sale of fixed assets	-	13.018
Income from compensation, fines and penalties	1.307.450	61.142
Other operating revenue	92.503	823.792
Income generated by adjustments for the depreciation of current assets	3.377.726	1.601.870
Income from provisions for risk and expenses	5.805.390	2.600.188
Foreign exchange differences	6.958.551	7.825.481
<b>Total</b>	<b>20.262.937</b>	<b>14.631.018</b>

### 4. RAW MATERIALS, CONSUMABLES AND GOODS

Expenses with raw materials and consumables have the following structure:

Description	Year ending on	
	31-Dec-16	31-Dec-15
Raw materials	59.382.959	54.877.126
Auxiliary	4.667.266	4.642.573
Goods	57.380.318	54.004.972
Expenditure on fuel and spare parts	4.304.578	4.312.880
Inventory items	726.675	595.694
Other consumables	406.053	385.328
<b>Total</b>	<b>126.867.849</b>	<b>118.818.573</b>

### 5. STAFF RELATED EXPENSES

Description	Year ending on	
	31-Dec-16	31-Dec-15
Salaries	52.971.303	52.607.571
Civil contracts	295.936	331.624
Taxes and social contributions	13.490.563	13.422.823

**ANTIBIOTICE S.A.**  
**NOTES TO FINANCIAL STATEMENTS**

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

Participation to profit and annual leave not performed	5.045.844	2.199.999
Variable indemnity of the Management Board	484.419	398.347
Other benefits (lunch vouchers and participation to profit on 2015)	4.558.747	4.506.370
<b>Total</b>	<b>76.846.812</b>	<b>73.466.734</b>

For the year 2016 there were provisions in the amount of 5,045,844 lei, representing the provision for the participation of the employees in the profit of 2016 and the provision for annual leave not taken in 2016.

The company is managed in a unitary system, within the meaning of Law 31/1990 on commercial companies, the management of the company being ensured by the Board of Directors of SC Antibiotice SA. The structure of the Board of Directors and the Executive Management are presented in Note 1. General Information. The remuneration granted to the Board of Directors and Executive Management is presented in the following table:

<b>Description</b>	<b>Year ending on</b>	
	<b>31-Dec-16</b>	<b>31-Dec-15</b>
Salaries	2.484.743	2.150.981
Civil contracts	240.096	275.784
Taxes and social contributions	648.984	571.974
Variable indemnities	398.347	400.189
<b>Total</b>	<b>3.772.170</b>	<b>3.398.928</b>

For the year 2016 there were provisions in the amount of 484,419 lei representing the provision for the variable indemnity given to the members of the Management Board and relative to term contract when fulfilling the objectives of year 2016.

## 6. OTHER OPERATING EXPENSES

<b>Description</b>	<b>Year ending on</b>	
	<b>31-Dec-16</b>	<b>31-Dec-15</b>
Utilities	8.044.768	8.535.786
Repairs	1.887.931	2.146.827
Rent	160.316	154.412
Insurance	1.234.159	1.418.291
Banking fees	1.274.874	1.247.955
Advertising and promotional products	3.457.023	3.276.474
Travel and transport	3.254.451	2.904.673
Postal services and telecommunications	477.758	546.418
Other services provided by third parties	22.366.833	28.154.921
Other taxes	26.571.101	27.844.178
Environment protection	612.846	410.679
Expenses on transfer of assets	-	137.607
Losses and adjustments of doubtful debts	13.899.824	19.790.098
Other provisions	5.574.610	4.758.793
Exchange rate differences	6.154.789	8.592.541
Miscellaneous	2.341.094	2.126.968

**ANTIBIOTICE S.A.**  
**NOTES TO FINANCIAL STATEMENTS**  
(all amounts are expressed in RON, if not mentioned otherwise)

<b>Total</b>	<b>97.312.377</b>	<b>112.046.621</b>
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## 7. FINANCIAL EXPENSES

Net financial revenues:

<b>Description</b>	<b>Year ending on</b>	
	<b>31-Dec-16</b>	<b>31-Dec-15</b>
Income from participations	-	-
Income from interest	8.134	5.865
Expenses with interest	(1.035.710)	(1.485.438)
Other financial revenue	-	15
Other financial expenses	(3.620.447)	(3.409.746)
<b>Total</b>	<b>(4.648.023)</b>	<b>(4.889.304)</b>

Other financial expenses are settlement discounts on receivables settled before maturity materialized in bonuses granted to the company's clients for the anticipated payment of the amounts owed by them.

## 8. INCOME TAX EXPENSES

<b>Description</b>	<b>Year ending on</b>	
	<b>31-Dec-16</b>	<b>31-Dec-15</b>
Current taxes	5.231.626	5.242.763
Deffered tax / (income)	(720.791)	(374.051)
<b>Total</b>	<b>4.510.835</b>	<b>4.868.712</b>

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:

<b>Description</b>	<b>Year ending on</b>	
	<b>31-Dec-16</b>	<b>31-Dec-15</b>
Total income	345.800.740	350.276.070
Total expenses (excluding tax)	(310.198.303)	(317.854.484)
<b>The resulting accounting profit</b>	<b>35.602.437</b>	<b>32.421.586</b>
Deductions	(12.250.167)	(6.251.624)
Non-deductible expenses	28.167.244	19.221.025
<b>The resulting tax</b>	<b>51.519.514</b>	<b>45.390.987</b>
<b>Corporate tax (tax result x 16%)</b>	<b>8.243.122</b>	<b>7.262.558</b>
Tax reduction	(3.011.496)	(2.019.795)
<b>Current income tax</b>	<b>5.231.626</b>	<b>5.242.763</b>
<b>Deferred income tax</b>	<b>(720.791)</b>	<b>(374.051)</b>
<b>Total current tax</b>	<b>4.510.835</b>	<b>4.868.712</b>

**ANTIBIOTICE S.A.**  
**NOTES TO FINANCIAL STATEMENTS**  
(all amounts are expressed in RON, if not mentioned otherwise)

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**9. RESULT PER SHARE**

<b>Description</b>	<b>Year ending on</b>	
	<b>31-Dec-16</b>	<b>31-Dec-15</b>
Net profit (A)	30.370.811	27.178.823
Number of ordinary shares (B)	671.338.040	671.338.040
<b>Earnings per share (A/B)</b>	<u>0,0452</u>	<u>0,0405</u>



**ANTIBIOTICE S.A.**  
**NOTES TO FINANCIAL STATEMENTS**  
(all amounts are expressed in RON, if not mentioned otherwise)

**10. FIXED ASSETS**

	Land	Buildings	Technical equipment	Alte installation, equipment and furniture	Tangible assets pending	Total
<b>COST</b>						
<b>31 December 2014</b>	96.731.400	96.491.356	121.000.639	5.587.751	446.432	320.257.577
Purchasing		1.110.213	9.289.245	123.210	11.744.183	22.266.851
Output		179.076	715.986	105.612	10.522.669	11.523.343
Discarding the amortization		-29.252.990				-29.252.990
Reevaluation	11.574.600	8.528.696				20.103.296
<b>31 December 2015</b>	108.306.000	76.698.199	129.573.898	5.605.349	1.667.946	321.851.392
Achizitii	-	2.976.278	9.873.286	330.878	17.835.045	31.015.487
Iesiri	-	21.985	2.223.757	56.742	13.180.442	15.482.927
<b>31 December 2016</b>	108.306.000	79.652.492	137.223.426	5.879.485	6.322.549	337.383.953
<b>AMORTIZATION</b>						
<b>31 December 2014</b>	-	22.009.747	104.621.227	4.604.063	-	131.235.037
Cost of the interval	-	9.417.790	4.824.193	229.793	-	14.471.776
Output	-	45.158	712.298	105.612	-	863.068
Eliminare amortizare	-	-29.252.990			-	-29.252.990
<b>31 December 2015</b>	-	2.129.389	108.733.123	4.728.244	-	115.590.756
Costul perioadei	-	11.721.475	5.168.849	191.053	-	17.081.377
Iesiri	-	13.880	2.223.757	56.742	-	2.294.379
<b>31 December 2016</b>	-	13.836.985	111.678.213	4.862.555	-	130.377.753
<b>PROVIZION</b>						
<b>31 December 2014</b>	-	200.894	244.652	-	-	445.546
<b>Iesiri 2015</b>	-	130.100				130.100
<b>31 December 2015</b>	-	70.794	244.652			315.446
<b>Iesiri 2016</b>	-	11.594				11.594
<b>31 December 2016</b>	-	59.200	244.652			303.852
<b>NET VALUES</b>						
<b>31 December 2016</b>	108.306.000	65.756.308	25.300.561	1.016.931	6.322.549	206.702.347
<b>31 December 2015</b>	108.306.000	74.498.016	250.596.124	877.105	1.667.946	205.945.190

**ANTIBIOTICE S.A.**  
**NOTES TO FINANCIAL STATEMENTS**  
(all amounts are expressed in RON, if not mentioned otherwise)

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*Depreciation of fixed assets*

Accounting depreciation is calculated using the straight line method. For new fixed assets entered in 2016 such as installations, machines and measuring and control devices, shelf lives have been established taking into account:

- the estimated use level based on the use of the asset's capacity;
- repair and maintenance program on the installations and equipment; moral wear and tear determined by possible changes in the production process according to the structure of the product portfolio provided by the company.

## 11. INTANGIBLE ASSETS

Intangible assets include development projects, legal documentation (for licenses and patents) as well as software licenses. Own development projects account for 95% of the net value for 2016 and 85% for 2015.

Changes in the cost of acquisition and amortization related to intangible assets are presented in the following table:

	<b>31-Dec-16</b>	<b>31-Dec-15</b>
Initial balance	16.042.866	13.273.520
Input	2.932.732	3.641.330
Output	1.658.065	871.984
Final balance	17.317.531	16.042.866
<b>Amortization</b>		
Initial balance	6.312.680	5.356.678
Cost of the interval	865.393	956.002
Output		
Final balance	7.178.073	6.312.680
<b>Net value</b>	<b>10.139.458</b>	<b>9.730.186</b>

## 12. STOCKS

<b>Description</b>	<b>31-Dec-16</b>	<b>31-Dec-15</b>
Raw materials and consumables	20.567.516	15.093.101
Ongoing production	1.895.609	1.623.009
Semi-manufacture and finished product	30.482.412	38.595.690
Goods	7.249.563	4.978.477
<b>Total</b>	<b>60.195.101</b>	<b>60.290.277</b>

The value of stocks taken as guarantees is 25,300,000 lei.

**ANTIBIOTICE S.A.**  
**NOTES TO FINANCIAL STATEMENTS**  
(all amounts are expressed in RON, if not mentioned otherwise)

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**13. TRADE RECEIVABLES AND OF A DIFFERENT NATURE**

<b>Description</b>	<b>31-Dec-16</b>	<b>31-Dec-15</b>
Trade	290.997.945	275.088.803
Adjustments	(51.694.956)	(55.824.260)
Various debtors and other receivables	8.499.935	8.975.251
Adjustments for various debtors	(7.812.539)	-
<b>Total financial assets other than cash, classified as loans and receivables</b>	<b>239.990.385</b>	<b>228.239.794</b>
Receivables related to staff	2.898	162
Other receivables to state budget	602.087	1.241.375
Advance payments	1.860.695	1.833.412
<b>Total</b>	<b>242.456.065</b>	<b>231.314.744</b>

The fair values of trade and other receivables classified as loans and receivables do not differ significantly from their carrying amounts.

On December 31, 2016, the company recorded adjustments for trade receivables representing customers' balance that is unlikely to be earned by the company. The receivables of the company were analyzed and evaluated according to criteria established according to the risks per customer categories

<b>Date analysis</b>	<b>31-Dec-16</b>	<b>31-Dec-15</b>
Receivables - clients	290.997.945	275.088.803
Uo to 3 months	112.360.721	122.895.070
b/w 3 and 6 months	69.167.479	60.580.971
b/w 6 and 12 months	62.680.927	50.127.731
over 12 months	46.788.818	41.485.030
Value adjustments	(51.694.956)	(55.824.260)

The provisions for depreciating trade receivables are presented below:

<b>Adjustment of receivables</b>	<b>31-Dec-16</b>	<b>31-Dec-15</b>
<b>Start of the period</b>	55.824.260	37.824.844
Made during the year	7.049.367	30.045.288
Canceling adjustments	(3.366.132)	(12.045.872)
<b>End of the interval</b>	<b>59.507.495</b>	<b>55.824.260</b>

The values of receivables turned into guarantees is 235,129,585 lei.

**14. CASH AND CASH EQUIVALENTS**

<b>Description</b>	<b>31-Dec-16</b>	<b>31-Dec-15</b>
Available at the bank	13.880.865	37.369.989

**ANTIBIOTICE S.A.**  
**NOTES TO FINANCIAL STATEMENTS**

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

Cash and cash equivalents	21.821	11.985
<b>Total</b>	<b>13.902.686</b>	<b>37.381.974</b>

**15. TRADE DEBT AND DEBT OF A DIFFERENT NATURE**

Description	31-Dec-16	31-Dec-15
Trade debt	27.979.046	60.145.469
Suppliers of assets	6.087.815	3.162.094
Debt relative to staff	7.033.894	4.164.084
Other debt	481.186	656.686
Outstanding interest	77.998	56.444
<b>Total debt minus loans, classified as measured per amortized cost</b>	<b>41.659.939</b>	<b>68.184.777</b>
Txes and social contributions	2.542.074	2.428.042
Dividends	4.434.628	3.335.171
Advances from clients	408.729	193.362
<b>Total</b>	<b>49.045.370</b>	<b>74.141.352</b>

**16. AMOUNTS OWED TO BANKS**

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

Short-term contract no. 12/01.07.2013 concluded with EXIMBANK

Objective	Loan – current capital
Amount	30,000,000 lei
Outstanding amount	27.06.2017
<b>Balance on December 31 2016</b>	0 LEI
Guarantees	Mortgage on buildings, land/ Receivables assignment agreement

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

Objective	Loan – current capital
Amount	9,500,000 EUR
Outstanding amount	22.05.2017
<b>Balance on December 31 2016</b>	3,916,884.93 EUR (17,786,966.16 LEI )
Guarantees	Mortgage on buildings, land/ Receivables assignment agreement

**Amounts owed to banks on 31.12.2015**

Short-term contract no. 28/18.04.2005 concluded with Alpha Bank-Sucursala Iasi

Objective	Loan – current capital
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**ANTIBIOTICE S.A.**  
**NOTES TO FINANCIAL STATEMENTS**

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

Amount	8,000,000 LEI
	100,000 EUR
Outstanding amount	28.05.2016
<b>Balance on December 31 2016</b>	0 LEI
Guarantees	Receivables assignment agreement

Short-term contract no. 12/01.07.2013 concluded with Unicredit Bank S.A.

Objective	Loan – current capital
Amount	60,000,000 lei
Outstanding amount	28.06.2016
<b>Balance on December 31 2016</b>	16,999,999.75 LEI
Guarantees	Mortgage on buildings, land, receivables

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

Objective	Loan – current capital
Amount	9,500,000 EUR
Outstanding amount	22.05.2016
<b>Balance on December 31 2016</b>	5,476,518.79 EUR ( 24,778,509.27 LEI )
Guarantees	Receivables assignment agreement /Mortgage on building, land

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

## 17. SHORT TERM PROVISIONS

The variation of provisions is presented in the following table:

<b>Provisions for risks and expenses</b>	<b>Miscari in perioada</b>
<b>31 December 2015</b>	<b>4.430.343</b>
Made during the interval	0
Use during the interval	3.011.448
<b>31 decembrie 2016</b>	<b>1.418.895</b>

The amount of 1,418,895 lei is the value of provisions for law suits at the end of 2016.

**ANTIBIOTICE S.A.**  
**NOTES TO FINANCIAL STATEMENTS**  
(all amounts are expressed in RON, if not mentioned otherwise)

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## 18. SUBVENTIONS FOR INVESTMENTS

<b>Subventions for investments</b>	<b>31-Dec-16</b>	<b>31-Dec-15</b>
Waste water treatment plant	2.914.052	3.188.755
Equipping research labs	-	-
Analytical lab	344	5.217
<b>Total</b>	<b>2.914.396</b>	<b>3.193.972</b>

The amounts reflected in the account subventions for investments received as subsidies in the last 10 years for investments in environmental protection as well as increasing the competitiveness of industrial products from the Ministry of Economy.

## 19. DEFERRED INCOME TAX

The variation of debt regarding deferred income tax is presented in the table below:

<b>Description</b>	<b>31-Dec-16</b>	<b>31-Dec-15</b>
Initial balance	19.479.158	16.636.682
Cost / (income) deferred tax	(720.791)	2.842.476
<b>Final balance</b>	<b>18.758.368</b>	<b>19.479.158</b>

The main components of the deferred tax are: deferred tax related to the revaluation of fixed assets during the period 2004-2009 and deferred tax related to revaluations in 2012 and 2015.

## 20. SHARE CAPITAL

The subscribed share capital of the company as of 31 December 2016 is 67,133,804 lei, the nominal value of one share being of lei 0.1000 per share. The company has 671,338,040 shares that give equal rights to the shareholders of the company. Antibiotice did not issue shares that would give preferential rights to the shareholders holding it.

In accordance with the provisions of IAS 29 - Hyperinflationary Savings, the share capital was restated taking into account the inflation index communicated by the National Statistics Commission. It was applied starting with the balance determined according to GD 500/1994, from the date of submission until 31.12.2003, the date when it was considered that the national economy ceased to be a hyperinflationary one.

Subsequent to 31.12.2003 the share capital increased according to the historical amounts registered with the Trade Register. On 31.12.2012, there is a reported loss on the balance sheet of the company arising from the application for the first time of IAS 29 "Financial Reporting in Hyperinflationary Economies" which is proposed to cover the amount resulting from the application of IAS 29 "Financial Reporting in Economies Hyperinflationist "as follows:

Retained earnings from application for the first time IAS 29 197.701.352  
Social Capital Adjustment - First-time Adoption of IFRS 197.701.352

Reported result to loss arising from first application of IAS 29	197.701.352
Share capital adjustment - first application of IFRS	197.701.352

**ANTIBIOTICE S.A.**  
**NOTES TO FINANCIAL STATEMENTS**  
(all amounts are expressed in RON, if not mentioned otherwise)

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According to Order 1690/2012 on the modification and completion of accounting regulations, the carried forward accounting loss resulting from the transition to the application of IFRS, from the adoption of IAS 29 for the first time, and from the use, at the date of transition to IFRSs, of the fair value The assumed cost is covered by equity (including the amounts reflected in the credit of account 1028 "Adjustments of the share capital"), according to the GMS decision, in compliance with the legal provisions.

## 21. RESERVES

Reserves include the following

<b>Description</b>	<b>31-Dec-16</b>	<b>31-Dec-15</b>
Revaluation reserves fixed assets	20.345.564	23.897.095
Legal reserves	13.426.761	13.426.761
Deferred tax recognized on equity	(3.419.694)	(3.987.938)
Other reserves	146.528.189	133.303.701
<b>TOTAL</b>	<b>176.880.820</b>	<b>166.639.619</b>

The following describes the nature and purpose of each reserve within the equity:

<b>Reserve</b>	<b>Description and purpose</b>
Fixed assets revaluation reserves	If the carrying amount of a tangible asset is increased as a result of the revaluation, then the increase should be recognized in other comprehensive income and accrued in equity as a revaluation surplus. Revaluation reserves can not be distributed and can not be used to increase the share capital.
Legal reserves	According to Law 31/1990, at least 5% of the profit for the formation of the reserve fund is taken each year until it reaches at least a fifth of the share capital.
Other reserves	Other reserves include reserves that represent tax incentives that can not be distributed with implications for the recalculation of the tax on profit. The difference represents reserves made up of profits.

## 22. REPORTED RESULT

Reported result includes the following:

<b>Description</b>	<b>31-Dec-16</b>	<b>31-Dec-15</b>
Retained earnings - surplus from revaluation reserves	(7.901.456)	(4.918.169)
Retained earnings from the use of fair value as deemed cost at the date of transition to IFRS	(126.779.469)	(126.779.469)
Retained earnings arising from the adoption for the first time of IAS 29	197.701.352	197.701.352
<b>Total</b>	<b>63.020.428</b>	<b>66.003.714</b>

**ANTIBIOTICE S.A.**  
**NOTES TO FINANCIAL STATEMENTS**  
(all amounts are expressed in RON, if not mentioned otherwise)

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### **23. PROFIT DISTRIBUTION**

On 31.12.2016 Antibiotice recorded a net profit of RON 30,370,811, which is proposed for distribution as follows:

<b>Description</b>	<b>31-Dec-16</b>	<b>31-Dec-15</b>
Dividends	25.746.873	13.954.335
Other reserves	4.623.938	13.224.488
<b>Total</b>	<b>30.370.811</b>	<b>27.178.823</b>

The gross dividend per share for the year 2016 was set at 0.0384 lei, which represents a distribution rate of 84.8% of the net profit for the financial year 2016.

### **24. CONTINGENT LIABILITIES**

Antibiotice has the following litigations, as prosecutor:

File no. 14638/193/2016, contestation of enforcement, applicant Ungureanu Romeo. The file has a deadline at the Botosani Court on 03.03.2017, the litigation amounting to 531,299.86 lei. File no. 27664/245/2016, contesting the enforcement, the applicant Rom Pharma Export SRL, the value of the dispute 531,299.86 lei. The file had a deadline at the Iasi Court on 08.12.2016, the application was rejected.

### **25. EVENTS AFTER THE REPORTING PERIOD**

There are no significant subsequent events that are not disclosed in these financial statements.

### **INFORMATION ABOUT THE AUDIT OF FINANCIAL STATEMENTS**

The financial audit for the financial year 2016 was carried out by SC BDO Audit SRL. The auditor provided only financial audit services.