

ANTIBIOTICE S.A.

The financial statements below were drafted on June 30th, 2017 in accordance with the International Financial Standards adopted by the European Union.

ANTIBIOTICE S.A.
Financial statements on June 30th 2017

Table of contents

STATEMENT OF THE GLOBAL RESULT	Error! Bookmark not defined.
STATEMENT OF THE FINANCIAL POSITION	Error! Bookmark not defined.
CASH FLOW STATEMENTS	Error! Bookmark not defined.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS:	9
1. GENERAL INFORMATION	9
2. ACCOUNTANT POLICIES	16
3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT	Error! Bookmark not defined.
4. SALES INCOME	31
5. RAW MATERIALS, CONSUMABLES AND GOODS	32
6. STAFF-RELATED EXPENSES	32
7. OTHER OPERATING EXPENSES	33
8. NET FINANCIAL INCOME	33
9. INCOME TAX EXPENSES	33
10. RESULT PER SHARE	34
11. FIXED ASSETS	35
12. INTANGIBLE ASSETS	36
13. STOCKS	36
14. TRADE RECEIVABLES AND SIMILAR RECEIVABLES	37
15. CASH AND CASH EQUIVALENTS	38
16. TRADE AND OTHER DEBT	38
17. AMOUNTS OWED TO CREDIT INSTITUTIONS	38
18. SHORT-TERM PROVISIONS	40
19. SUBVENTIONS FOR INVESTMENTS	40
20. DEFERRED INCOME TAX	40
21. SHARE CAPITAL	40
22. RESERVES	41
23. REPORTED RESULT	42
24. CONTINGENT LIABILITIES	42
25. INFORMATION ON AUDITING FINANCIAL STATEMENTS	42

ANTIBIOTICE SA
STATEMENT OF GLOBAL RESULT
on June 30, 2017
(all amounts expressed in LEI, if not mentioned otherwise)

	NOTE	June 30, 2017	June 30, 2016
Sales revenues	4	147,200,095	143,801,779
Other operating revenues		13,517,588	9,012,759
Revenues relative to costs for stocks of products		19,038,444	25,882,519
Revenues generated by capitalized activities		800,167	921,955
Expenses with raw materials and consumables	5	(65,349,770)	(71,711,431)
Staff-related expenses	6	(38,235,362)	(34,711,035)
Expenditure on amortization and depreciation		(8,574,285)	(8,859,850)
Other operating expenses	7	(47,749,054)	(43,279,318)
Operating profit		20,647,822	21,057,378
Net financial income	8	(590,220)	(2,206,628)
Profit before tax		20,057,602	18,850,750
Expenditure with tax on current and deferred income tax	9	(861,407)	(2,409,131)
Profit		19,196,195	16,441,619
Total global result		19,196,195	16,441,619
Result per share	10	0,028594	0,024491

Explanatory notes from 1 to 25 are an integrating part of the financial statements

Drafted by:

General Director
Ec. Ioan NANI

Financial Director
Ec. Paula COMAN

ANTIBIOTICE SA
STATEMENT OF THE FINANCIAL POSITION
on June 30, 2017
(all amounts expressed in LEI, if not mentioned otherwise)

	NOTE	June 30, 2017	June 30, 2016
ASSETS			
FIXED ASSETS			
Tangible fixed assets	11	209,657,759	206,702,347
Intangible fixed assets	12	10,334,115	10,139,458
Investments in equity instruments		-	-
TOTAL FIXED ASSETS		219,991,874	216,841,805
CURRENT ASSETS			
Stocks	13	84,772,630	60,195,101
Trade and similar receivables	14	259,294,824	242,456,065
Financial assets for sale		-	-
Cash and cash equivalents	15	8,141,408	13,902,686
TOTAL CURRENT ASSETS		352,208,862	316,553,852
TOTAL ASSETS		572,200,736	533,395,657
LIABILITIES			
CURRENT LIABILITIES			
Commercial and similar liabilities	16	69,811,870	49,045,370
Amounts owed to credit institutions	17	71,218,719	40,705,967
Tax and current tax liabilities		7,382,227	11,486,302
Short-term provisions	18	-	1,418,895
Subventions for investments	19	275,116	275,047
TOTAL CURRENT LIABILITIES		148,687,932	102,931,581
LONG-TERM LIABILITIES			
Subventions for investments	19	2,562,158	2,639,349
Deferred tax	20	18,434,965	18,758,368
TOTAL LONG-TERM LIABILITIES		20,997,123	21,397,717
TOTAL LIABILITIES		169,685,055	124,329,298

Explanatory notes from 1 to 25 are an integrating part of the financial statements

Drafted by:

General Director
Ec. Ioan NANI

Financial Director
Ec. Paula COMAN

ANTIBIOTICE S.A.
STATEMENT OF THE FINANCIAL POSITION
on June 30, 2017
(all amounts expressed in LEI, if not mentioned otherwise)

	NOTE	June 30, 2017	June 30, 2016
Share capital and reserves			
Share capital	21	264,835,156	264,835,156
Reevaluation reserves	22	15,581,312	16,925,870
Legal reserves	22	13,426,761	13,426,761
Other reserves	22	151,152,127	146,528,189
Reported result	23	(61,675,870)	(63,020,428)
Current result		19,196,195	30,370,811
TOTAL EQUITY		402,515,681	409,066,359
TOTAL EQUITY AND LIABILITIES		572,200,736	533,395,657

Explanatory notes from 1 to 25 are an integrating part of the financial statements
Drafted by:

General Director
Ec. Ioan NANI

Financial Director
Ec. Paula COMAN

ANTIBIOTICE S.A.
CASH FLOW STATEMENTS

On June 30, 2017

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

	H I 2017	H I 2016
I. Cash flows from operating activities		
Cash collection from sales of goods and provision of services	135,605,697	124,668,402
Cash collection from royalties, fees, charges and other type of revenues	159,601	206,779
Cash payment to suppliers of goods and services	(84,955,865)	(107,370,459)
Cash payments to and on behalf of employees, payments made by the employer for its employees	(36,447,176)	(33,625,832)
VAT paid	(2,667,613)	(1,842,814)
Contributions to the Ministry of Health and Ministry of the EnviLEIment	(15,229,402)	(10,042,378)
Other duties, taxes, and similar levies	(989,576)	(1,387,866)
Operating cash flow	(4,524,334)	(29,394,169)
Interest charged	2,835	6,972
Interest paid	(489,868)	(437,111)
Tax on dividend paid	-	-
Tax on profit paid	(2,275,319)	(3,236,224)
Effects of change in the exchange rate related to cash and cash equivalents	(537,875)	(206,770)
Net cash flows from operating activities	(7,824,560)	(33,267,301)
II. Cash flows generated by investments		
Cash payments for purchasing land and fixed assets, intangible assets and long-term assets	(14,758,855)	(6,276,529)
Net investment cash flow	(14,758,855)	(6,276,529)
Net cash flow from investing activities		
III. Cash flows from financing activities		
Acquisition of shares		220
Effects of change in the exchange rate related to cash and cash equivalents	(37,026)	(11,231)
Dividends paid	(13,653,588)	(7,418,817)
Net cash flows from financing activities	(13,690,614)	(7,429,828)
Net cash increase/decrease	(36,274,030)	(46,973,658)
Cash and cash equivalents at the beginning of the period	(26,803,281)	(4,396,535)
Cash and cash equivalents at the end of the period	(63,077,311)	(51,370,193)
Cash and cash equivalents at the end of the period include:	(63,077,311)	(51,370,193)
Accounts in banks and cash	8,141,408	3,120,845
Credit lines	(71,218,719)	(54,491,038)

Explanatory notes from 1 to 25 are an integrating part of the financial statements

Drafted by:

General Director
Ec. Ioan NANI

Financial Director
Ec. Paula COMAN

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

On June 30, 2017

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

	Subscribed capital	Adjustments regarding capital	Reserves	Other reserves	Current and reported result	Result from revaluation reserves	Error correction result	Reserves from revaluation	Result following applying IAS/IFRS for the first time	Result following applying IAS 29 for the first time	TOTAL
December 31, 2015	67,133,804	197,701,352	13,426,761	133,303,701	27,178,823	4,918,170	0	19,909,156	126,779,469	(197,701,352)	392,649,884
Current global result	-	-	-	-	30,370,811	-	-	-	-	-	30,370,811
Deferred tax relative to the revaluation difference	-	-	-	-	-	-	-	-	-	-	-
Revaluation reserves	-	-	-	-	-	-	-	-	-	-	-
Transfer at reported result from revaluation reserves	-	-	-	-	-	2,983,286	-	(2,983,286)	-	-	-
Total other elements of the global result	-	-	-	-	-	7,901,456	-	16,925,870	-	-	-
Distribution of global reserve	-	-	-	-	-	-	-	-	-	-	-
Distribution of other reserves	-	-	-	13,224,488	(13,224,488)	-	-	-	-	-	-
Dividends	-	-	-	-	(13,954,335)	-	-	-	-	-	(13,954,335)
Error correction result	-	-	-	-	-	-	-	-	-	-	-
December 31, 2016	67,133,804	197,701,352	13,426,761	146,528,189	30,370,811	7,901,456	0	16,925,870	126,779,469	(197,701,352)	409,066,360

Explanatory notes from 1 to 25 are an integrating part of the financial statements.

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

On June 30, 2017

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

	Subscribed capital	Adjustments regarding capital	Reserves	Other reserves	Current and reported result	Result from revaluation reserves	Error correction result	Reserves from revaluation	Result following applying IAS/IFRS for the first time	Result following applying IAS 29 for the first time	TOTAL
31-Dec-16	67.133.804	197.701.352	13.426.761	146.528.189	30.370.811	7.901,456	0	16,925,870	126,779,469	(197,701,352)	409,066,360
Current global result					19.196.195						19,196,195
Deferred tax relative to the revaluation difference											
Revaluation reserves											
Transfer at reported result from revaluation reserves						1,344,558		(1,344,558)			
Total other elements of the global result						9,246,014		15,581,312			
Distribution of global reserve											
Distribution of other reserves				4,623,938	(4,623,938)						
Dividends					(25,746,874)						(25,746,874)
Error correction result											
June 30, 2017	67,133,804	197,701,352	13,426,761	151,152,127	19,196,195	9,246,014		15,581,312	126,779,469	(197,701,352)	402,515,681

Explanatory notes from 1 to 25 are an integrating part of the financial statements.

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

On June 30th, 2017

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

1. GENERAL INFORMATION

1.1 Brief company profile

Antibiotice is a joint-stock company based in Iasi, Valea Lupului street no. 1, tax registration code RO 1973096. Antibiotice was founded in 1955 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 on which the governance system at Antibiotice is based:

- the Management Board
- Advisory Committees
- the Executive Management
- the Code of Ethics

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

Antibiotice considers that corporate governance is an important tool for achieving performance, under sustainable development conditions, ensuring accuracy and transparency in the decision-making process through equal access for all shareholders to relevant company information. The governance system is in compliance with the provisions of Law no. 297/2004, modified and completed with the provisions of Law no. 10/2015 and of Government Emergency Ordinance 90/2014 and the CNVM regulations in its application of Law no. 31/1990 republished, with all subsequent amendments, of CNVM Regulation no. 6/2009, the Bucharest Stock Exchange Code (BSE), the Corporate Governance Code of the BSE and those of the company's Articles of Incorporation.

The system of governance is in accordance with the provisions of Law no. 297/2004 modified and completed with the provisions of Law no. 10/2015 and GEO 90/2014 and CNVM regulations in connection with its application, Law no. 31/1990 republished, with all subsequent modifications, the CNVM Regulation no. 6/2009, Law no. 111/2016 approving the Government Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, the BSE Code, Corporate Governance Code of BSE and the company's Articles of Association.

The solidity of Antibiotice team is demonstrated by its strategic guidance and promptitude with which it is able to react, developing responsible and transparent business practices. This is true both for the management team and for the operational teams and the

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

On June 30th, 2017

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

entire team of the company, who manage to achieve a balance between compliance and performance.

In the first half of 2017, there was consistent evidence of a strategic direction in our company, accompanied by appropriate investment programs. This was done by applying the principles of good corporate governance, which enabled the mobilization of the full potential of employees to implement and maintain high standards in all company activities.

Management Board

Antibiotice is administered by a Board 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 Management Board and the Executive Management.

The Management Board 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 Management Board 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.

Throughout the first quarter of 2017, Management Board gathered in 7 meetings adopted decisions which allowed to perform their duties in an effective and efficient manner. Thus, on the monthly meetings the Board has discussed in detail the financial results in the reporting period and cumulatively since the beginning of the year, as well as the economic performance relative to the budget and the same period last year. The Council requested, as appropriate, detailed explanations of the executive management in connection with the plans to increase production efficiency, the investment plans, the provisions made, the liquidity management, the operational profitability and of the overall activity. After the detailed analysis of the results for the period, the Council decided the approval thereof for publication and submission to the Bucharest Stock Exchange and the Financial Supervision Authority falling each time in the Financial Communication Calendar.

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

The structure of the Management Board of Antibiotice SA on June 30th, 2017

1. Iavor Ionut Sebastian, Legal counselor

President of the Management Board and representative of the Ministry of Health

At the Ordinary General Meeting of Shareholders (OGMS) of April 30, 2015 Mr. Iavor was elected as a member of the Management Board and then appointed as President by the members of the Management Board.

2. Nani Ioan, Economist

Vice-President of the Board and General Director

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

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

On June 30th, 2017

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

3. Neagoe Adela-Petrinia, Physician

Member of the Board and representative of the Ministry of Health

At the OGMS of March 20, 2014, she was appointed as a member in the Management Board for four years.

4. Stoian Nicolae, Economist

Member of the Board and representative of SIF Oltenia

At the OGMS on April 19, 2016, he was appointed as a member in the Management Board for four years.

5. Calitoiu Elena, Engineer

Member of the Board and representative of SIF the Oltenia

Ms. Calitoiu was elected as a member in the Management Board during the Ordinary General Meeting of Shareholders on April 19, 2016, for a period of four years.

Advisory committees

Throughout the 1st semester 2017, the specialized advisory committees had the following structure:

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

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

Antibiotice executive management

Antibiotice is represented by the General Director, According to the prerogatives established by the law and the company's Articles of Association. The Management Board has the duty of representing the company in relation with the appointed directors.

Antibiotice executive management is ensured by a General Director who is also the Vicepresident of the Management Board and nine executive directors.

Executive Management of the Antibiotice on June 30th 2017

1. Nani Ioan, Economist
 - General Director and Vice-President of the Management Board – elected in the Management Board by the Ordinary General Meeting of Shareholders held on April 19, 2016 for a four- year period; elected by the Mangement Board as its Vice-President and as General Director of the company on April 19, 2016
2. Moraru Cornelia, Engineer
 - Technical and Production Director, since 2005,
3. Coman Paula-Luminita, Economist
 - Financial Director since 2011,

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

On June 30th, 2017

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

4. Chebac Vasile, Economist
 - Commercial & Logistics Director since 2005,
5. Osadet Eugen-Florin, Engineer
 - Engineering & Investment Director since 2000,
6. Dimitriu Cristina-Lavinia, Engineer
 - Quality Director since 2004,
7. Rusu Gica, Economist
 - Human Resources Director since 2006,
8. Bataga Ovidiu, Economist
 - Marketing & Domestic Sales Director since 2011,
9. Mosnegutu Mihaela, Physician
 - Medical Director since 2011.
10. Stoian Mihai, Economist
 - International Affairs Director since 2016

The Code of Ethics

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

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

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

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

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.

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

On June 30th, 2017

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

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 Management Board, appoint auditors and establish the remuneration of the Board.

Throughout the 1st semester 2017, the Board convened two Ordinary General Meetings of Shareholders and one Extraordinary General Meeting of Shareholders, on April 6, 2017 and June 28, 2017 respectively (OGMS).

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

In the OGMS dated April 6, 2017 the financial statements on 2016 were approved, based on the Administrators' report and the Financial auditor report. The GMS also approved the distribution of the net profit for 2016, setting the gross dividend worth 0.03835158 lei per share and the payment of dividends starting with 15.09.2017.

Within the same meeting the following decisions were taken:

- Approval to record the unsolicited and non-claimed dividends, related to 2012 as income;
- Approval of the discharge of the administrators for the activity carried out in the financial year 2016 on the basis of the submitted reports;
- Approval of the Income and Expense Budget for 2017;
- Approval of the achievement of the objectives and performance criteria for the year 2017 for the members of the Management Board;
- Approval of the registration date 01.09.2017, in order to identify the shareholders whose results are reflected in the decisions taken, according to the provisions of art. 238, para. 1 of the Law no. 297/2004 regarding the capital market, modified and completed by the provisions of L10 / 2015 and setting the ex-date for 31.08.2017.

The Extraordinary General Meeting of Shareholders held on April 6, 2017 approved:

- the extension by 12 months of the validity period of the multicurrency multiproduct loan amounting to LEI 30 million borrowed by Antibiotice from the Export Import Bank of Romania-Eximbank SA, is approved.
- to maintain the guarantees relative to the multicurrency multiproduct loan amounting to LEI 30 million throughout the entire validity;

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

On June 30th, 2017

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

-
- 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.;
 - to empower the General Director Mr. Ioan NANI and Financial Director Ms. Paula COMAN to sign on behalf of the company all documents related to the credit facility extension, under items 1 and 2 of the agenda, as well as documents related to obligations assumed by the company in accordance with item 3 on the agenda;
 - to establish the Antibiotice area office in Vietnam, in the Sannam building located on Duy Tan St. 78, Dich Vong Hau Ward, sector Cau Giay, Hanoi;
 - to approve the registration date 01.09.2017, in order to identify the shareholders whose results are reflected in the decisions taken, according to the provisions of art. 238, par. 1 of the Law no. 297/2004 regarding the capital market, modified and completed by the provisions of L10 / 2015 and to set the ex-date for 31.08.2017
 - to amend and update certain clauses from the Articles of Incorporation.

The Ordinary General Meeting dated 28 June 2017, the following decisions were taken:

- to approve the financial audit contract with SOCECC S.R.L. Bucuresti, an accounting, expertise and accounting consultancy firm for a 3-year period;
- to approve the remuneration of the members of the Management Board in accordance with the provisions of Government Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises.
 - to approve the Antibiotice's membership to the Romanian Association of Prescription Drugs, Food Supplements and Medical Devices Manufacturers – RASCI;
 - to approve the participation of Antibiotice as a founding member in the establishment of the PATLEIATE OF INDUSTRIAL MEDICINES PRODUCERS IN ROMANIA – PRIMER ;
 - to approve the registration date 14.07.2017, in order to identify the shareholders who are affected by the decisions taken taken, according L24 / 2017 and to set the ex-date for 13.07.2017.

Shareholders' breakdown on June 28th 2017 (last database on 2017)

I. Investors

- The Ministry of Health (*) – 53.0173%,
- S.I.F. Oltenia (*) - 14.2524%
- Broadhurst Investments Limited – 4.1977%
- S.I.F. Transilvania – 3.3846%
- Pension Fund AZT Your Future/Allianz – 2.1711%
- S.I.F. Banat-Crisana S.A – 2.1104%
- Privately managed pension Fund Metropolitan Life – 1.5116%
- Polunin Discovery Funds – FLEItier Markets Fund – 0.8377%
- A-Invest – 0.6874%
- Privately managed pension Fund ARIPI/GENERALI S.A.F.P.P. – 0.6782%
- Other individuals and legal entities – 17.1516%.

NOTE: (*) – Significant shareholders, as per Law 297 of 28.06.2004, Art. 2, Paragraph 1

II. Types of shareholders

- Legal persons – 87.1582%,

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

On June 30th, 2017

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

- Physical persons – 12.8418%.

During the first semester of 2017 dividends were paid for the financial years 2013, 2014 and 2015 as follows:

Dividend payment (2013 – 2014 -2015)

Year	Net dividends							Date when payment ends
	Due	Paid				Unclaimed on 30.06.2017		
		lei			% (total paid)	lei	%	
		Until 31.12.2016	01.01÷30.06.2017	Total				
0	1	2	3	4	5	6	7	8
2013	14.753.415	13.485.221,64	3.996	13.489.217,64	91,43	1.264.197,36	8,57	Payment in progress
2014	15.061.293	13.906.537,65	9.367,26	13.915.904,91	92,40	1.145.388,09	7,60	Payment in progress
2015	13.753.343	12.579.067,01	14.864,37	12.593.931,38	91,57	1.159.411,62	8,43	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 historical 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 national drug 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.

This reflects the fact that Antibiotice is a stable company, developed on a durable economic foundation.

Antibiotice shares– ATB / Regular Market

	2014	2015	2016	Sem. I 2017
Number of shares	671.338.040	671.338.040	671.338.040	671.338.040
Market capitalization (thousand lei)*	390.719	357.152	349.096	363.865
Market capitalization (thousand euros)*	87.173	78.868	76.875	79.902
Market capitalization (thousand \$)*	105.978	86.167	81.123	91.160

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

On June 30th, 2017

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

Total value traded (million lei)	16	11	6	7
No. of traded shares	27.467.454	18.844.935	12.555.866	13.741.898
Opening price (lei/share)	0.5520	0.5850	0.5320	0.5200
Maximum price (lei/share)	0.6170	0.6170	0.5420	0.5820
Minimum price (lei/share)	0.5410	0.5240	0.4200	0.5200
Price at the end of the period (lei/share)	0.5850	0.5320	0.5200	0.5420
Average price (lei/share)	0.5845	0.5836	0.5032	0.5598

* The calculation is based on the price per share of the last trading day of the year

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 "IFRSs") issued by the International Accounting Standards Board (IASB) as adopted by the EU .

The separate financial statements have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union ("IFRS"). This set of financial statements represents the Company's first IFRS financial statements to be published and IFRS 1 "First-time adoption of IFRS" has been applied.

The Company's accounting records are expressed in LEI 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

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

On June 30th, 2017

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

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 and presentation currency

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

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

2.4 Critical accounting estimates and judgements

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) *Adjustments for 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*

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

On June 30th, 2017

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

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) *Expenditure estimates*

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.

(e) *Taxation*

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

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.

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

On June 30th, 2017

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

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

Tangible assets

Tangible assets are tangible items that:

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

Recognition:

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

Evaluation 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.

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

On June 30th, 2017

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

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

AMORTIZATION

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

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

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

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

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.

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

On June 30th, 2017

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

The subsequent assessment of financial assets

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

- I. A financial asset or financial liability measured at (a) fair value through profit or loss is a financial asset or financial liability that meets any of the following conditions:
 - (a) is classified as held for trading. A financial asset or financial liability is classified as held for trading if:
 - (I) acquired or supported mainly for the purpose of selling or reaching out to the nearest term;
 - (II) initial recognition is part of a portfolio of identified financial instruments managed together and for which there is evidence of a recent realistic pattern of short-term profit tracking; or
 - (III) a derivative (except for a derivative that is a financial collateral arrangement or a designated and effective hedging instrument).

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market other than:

- A) those that the entity intends to sell immediately or shortly to be classified as held for trading, and those that the entity, at its initial recognition, designates at fair value through profit or loss;
- B) those that the entity, at its initial recognition, designates as available for sale;
- C) those for which the holder may not substantially recover all of the initial investment, for any other reason than the credit deterioration, to be classified as available for sale. This category includes commercial 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.

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.

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

On June 30th, 2017

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

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 depreciation of stocks

The stock depreciation assessment is performed individually and is based on the best estimate of the management of the present value of the cash flows that are expected to be received. For estimating these flows, the management makes certain estimates on the usefulness of the stock, taking into account the expiration date, the possibility of using it in the current activity of the company and other factors specific to each stock category. Each depreciated asset is analyzed individually. The precision of adjustments depends on the estimation of 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.

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

On June 30th, 2017

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

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 Recognition of income and expenses

2.11.1. 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.

Income assessment

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

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

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

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

On June 30th, 2017

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

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 (i.e. the highest amount of value in use and the fair value minus the sell costs), the asset is adjusted accordingly.

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

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

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

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

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

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

On June 30th, 2017

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

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

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

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

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

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

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

The previously established provisions are periodically analyzed and are regulated.

2.14 Benefits of employees –IAS 19 Benefits of employees

The current benefits granted to employees

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

Benefits after termination of the employment contract

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

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

Pensions and other further retirement benefits

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

2.15 Deferred tax - IAS 12

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

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

On June 30th, 2017

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

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 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.

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

On June 30th, 2017

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

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 Affiliated 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. 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

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

On June 30th, 2017

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

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 is provided below:

	Loans and receivables	
ASSETS	30-Iun-17	31-Dec-16
Trade and related receivables	250.139.219	239.990.385
Cash and cash equivalents	8.141.408	13.902.686
Total	258.280.627	253.893.071
	Per amortized cost	
LIABILITIES	30-Iun-17	31-Dec-16
Trade and related liabilities	51.341.139	41.659.939
Short-term loans	71.218.719	40.705.967
Short term provisions	-	1.418.895
Total	122.559.858	83.784.801

The overall objective of the Management 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 Management Board 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.

Calculation and analysis of the net statement (equity)

Indicators (LEI)	30-Iun-17	31-Dec-16
Credits and loans	71,218,719	40,705,967
Cash and cash equivalents	(8,141,408)	(13,902,686)

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

On June 30th, 2017

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

Net debt	63,077,311	26,803,280
Total equity	402,515,681	409,066,359
Net debt in equity (%)	15.67%	6.55%

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 Unit.

On June 30th, 2017 the company's net exposure by types of currency to the foreign currency risk was as follows:

Assets/liabilities in EURO equivalent in LEI	For the year ending on	
	30-Jun-17	31-Dec-16
Monetary financial assets	4.022.045	3.379.590
Monetary financial liabilities	(16.133.250)	(8.260.983)
Net financial assets	(12.111.205)	(4.881.393)
Variation LEI/EUR	Earning/ Loss	
LEI rise against the EUR by 5%	(605.560)	(244.070)
LEI decrease against the EUR by 5%	605.560	244.070
Impact on result	-	-
	30-Jun-17	31-Dec-16
Assets and liabilities in EURO		
Monetary financial assets	883.209	744.223
Monetary financial liabilities	(3.542.733)	(1.819.159)
Net financial assets	(2.659.524)	(1.074.936)
	30-Jun-17	31-Dec-16
Assets/liabilities in USD equivalent in LEI		
Monetary financial assets	29.112.286	24.216.177
Monetary financial liabilities	(9.076.834)	(6.179.814)
Net financial assets	20.035.451	18.036.363
LEI/USD variation		
LEI rise against the USD by 5%	1.001.773	901.818
LEI decrease against the USD by 5%	(1.001.773)	(901.818)
Impact on result	-	-
	30-Jun-17	31-Dec-16
Assets and liabilities in USD		

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

On June 30th, 2017

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

Monetary financial assets	7.293.570	5.627.350
Monetary financial liabilities	(2.274.041)	(1.436.064)
Net financial assets	5.019.529	(4.191.287)

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

Assets / Liabilities	30-Jun-17	31-Dec-16
LEI	127.800.214	156.953.300
EUR	(12.111.205)	(4.881.393)
USD	20.035.452	18.036.363
Other currencies (CAD,GBP)	(3.692)	-
Net exposure	135.720.769	170.108.270

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.

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 Management Board 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:

June 30, 2017	Up to 3 months	Between 3 and 12 months	Total
Commercial debt and similar debt	21,374,611	55,819,486	77,194,097
Credits and loans		71,218,719	71,218,719
Total	21,374,611	127,038,208	148,412,816

December 31, 2016	Up to 3 month	Between 3 and 12 months	Total
Commercial debt and similar debt	18,111,488	36,889,921	55,001,409

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

On June 30th, 2017

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

Credits and loans	40,705,967	40,705,967
Total	18,111,488	77,595,888
	95,707,376	95,707,376

Bank liquidity

The banks where the company has bank accounts are reviewed periodically by the company's management.

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:

Description	30-Jun-17	30-Jun-16
Finished product sales	142,123,765	138,229,023

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

On June 30th, 2017

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

Sales of goods	35,478,367	43,149,006
Commercial discounts	(30,402,037)	(37,576,250)
Total	147,200,095	143,801,779

Sales revenues are mainly made from sales of finished products directly to pharmaceutical distributors. Intra and extra-community sales on 30.06.2017 amounted to LEI 67,635,402.

The company earns sales in individual value greater than 10% of total sales with a total of 5 clients.

5. RAW MATERIALS, CONSUMABLES AND GOODS

Expenses with raw materials and consumables have the following structure:

Description	June 30, 2017	June 30, 2016
Raw materials	38,158,361	39,300,525
Auxiliary materials	2,528,850	2,385,217
Goods	22,237,629	27,529,648
Expenditure on fuel and spare parts	1,900,497	1,893,641
Inventory items	353,316	371,927
Other consumables	171,117	230,473
Total	65,349,770	71,711,431

6. STAFF-RELATED EXPENSES

Staff-related expenses have the following structure:

Description	June 30, 2017	June 30, 2016
Salaries	29,253,528	26,521,045
Civil contracts	245,674	174,340
Taxes and social contributions	7,187,992	6,518,772
Other benefits (lunch vouchers)	1,548,168	1,496,878
Total	38,235,362	34,711,035

The company is managed in a unitary system, within the meaning of Law 31/1990 on trading companies, the management of the company being ensured by the Management Board of Antibiotice SA. The structures of the Management Board and Executive Management are presented in the Note 1. General Information.

The remuneration granted to the Management Board and Executive Management is presented in the following table:

Description	June 30, 2017	June 30, 2016
Salaries	1,507,738	1,231,873
Civil contracts	245,674	174,340
Taxes and social contributions	339,473	282,982
Total	2,092,885	1,689,195

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

On June 30th, 2017

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

7. OTHER OPERATING EXPENSES

Other operating expenses include the followings:

Description	June 30, 2017	June 30, 2016
Utilities	4,696,756	4,678,380
Repairs	681,807	481,590
Rent	77,749	81,247
Insurance	663,012	784,385
Banking fees	688,498	810,546
Advertising and promotion of products	3,472,615	1,070,829
Travel and transport	1,759,469	1,582,869
Postal services and telecommunications	241,854	239,524
Other services provided by third parties	10,478,798	9,521,675
Other taxes and fees	16,293,142	12,432,402
EnviLEImental protection	363,898	354,470
Expenses on disposal of assets	-	-
Losses and adjustments of uncertainty receivables	1,501,702	4,907,719
Other provisions	-	2,093,466
Exchange rate differences	4,937,960	3,116,066
Miscellaneous	1,891,794	1,124,150
Total	<u>47,749,054</u>	<u>43,279,318</u>

8. NET FINANCIAL INCOME

Net financial income has the following structure:

Description	June 30, 2017	June 30, 2016
Income from participations	-	-
Income from interest	2,835	6,972
Expenses with interest	(498,246)	(453,558)
Other financial revenue	-	-
Other financial expenses	(94,809)	(1,760,042)
Total	<u>(590,220)</u>	<u>(2,206,628)</u>

9. INCOME TAX EXPENSES

Description	June 30, 2017	June 30, 2016
Current taxes	1,184,810	2,719,296
Deferred tax expense / (income)	(323,403)	(310,165)
Total	<u>861,407</u>	<u>2,409,131</u>

The income tax payment was calculated considering the influence of the non-deductible expenses or the non-taxable income, tax incentives and effects of the provision for the income tax.

A reconciliation between the accounting profit and taxation profit which was the basis of the profit tax calculation is shown in the table below:

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

On June 30th, 2017

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

Description	June 30, 2017	June 30, 2016
Total income	171,277,314	176,333,752
Total expenses (excluding income tax)	150,775,946	157,172,837
Gross accounting result	20,501,368	19,160,915
Deductions	(11,443,492)	(5,026,466)
Non-deductible expenses	5,629,203	10,772,572
Fiscal result	14,687,079	24,907,021
Income tax (fiscal result x 16%)	2,349,933	3,985,123
Tax reduction	(1,165,123)	(1,265,827)
Current income tax	1,184,810	2,719,296
Deferred income tax	(323,403)	(310,165)
Total current income tax	861,407	2,409,131

10. RESULT PER SHARE

Description	June 30, 2017	June 30, 2016
Net profit (A)	19,196,195	16,441,619
Number of ordinary shares (B)	671,338,040	671,338,040
Earnings per share (A/B)	0,028594	0,024491

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

On June 30th, 2017

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

11. FIXED ASSETS

	Land	Buildings	Plant and machinery	Other installations, machinery and furniture	Tangible assets in progress	Total
COST						
December 31, 2015	108,306,000	76,698,199	129,573,898	5,605,349	1,667,946	321,851,392
Procurement	-	2,976,278	9,873,286	330,878	17,835,045	31,015,487
Outputs	-	21,985	2,223,757	56,742	13,180,442	15,482,927
December 31, 2016	108,306,000	79,652,492	137,223,426	5,879,485	6,322,549	337,383,953
Procurement	-	467,360	7,551,171	227,882	11,820,036	20,066,449
Outputs	-	64,344	658,325	24,420	8,246,412	8,993,501
June 30, 2017	108,306,000	80,055,508	144,116,272	6,082,947	9,896,173	348,456,901
DEPRECIATION						
December 31, 2015	-	2,129,389	108,733,123	4,728,244	-	115,590,756
Cost of the period	-	11,721,475	5,168,849	191,053	-	17,081,377
Outputs	-	13,880	2,223,757	56,742	-	2,294,379
December 31, 2016	-	13,836,985	111,678,213	4,862,555	-	130,377,753
Cost of the period	-	5,834,029	2,902,147	128,450	-	8,864,626
Outputs	-	64,344	658,325	24,419	-	747,088
June 30, 2017	-	19,606,670	113,922,035	4,966,586	-	138,495,291
PROVISION						
December 31, 2015	-	70,794	244,652	-	-	315,446
Outputs 2016	-	11,594	-	-	-	11,594
December 31, 2016	-	59,200	244,652	-	-	303,852
December 31, 2015	-	-	-	-	-	-
Outputs 2016	-	59,200	244,652	-	-	303,852
NET VALUES						
June 30, 2017	108,306,000	60,389,638	29,949,585	1,116,362	9,896,173	209,657,759
December 31, 2016	108,306,000	65,756,308	25,300,561	1,016,931	6,322,549	206,702,347
December 31, 2015	108,306,000	74,498,016	250,596,124	877,105	1,667,946	205,945,190

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

On June 30th, 2017

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

Depreciation of fixed assets

Accounting depreciation is calculated using the straight line method. For new fixed assets entered in 2017 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.

The inventory value of tangible assets constituted as pledges or guarantees is LEI 46,071,358.

12. INTANGIBLE ASSETS

Intangible assets include own development projects, legal documentation (for licenses and patents) as well as software licenses. Our own development projects account for 96% of the net value for 2017 and 95% for 2016.

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

	June 30, 2017	June 30, 2016
Initial balance	17,317,531	16,042,866
Inputs	3,568,399	2,932,732
Outputs	2,822,481	1,658,065
Final balance	18,063,448	17,317,531
Amortization		
Initial balance	7,178,073	6,312,680
Cost of the period	551,260	865,393
Outputs		
Final balance	7,729,333	7,178,073
Net value	10,334,115	10,139,458

13. STOCKS

Description	June 30, 2017	June 30, 2016
Raw materials and consumables	17,951,329	20,567,516
Production in progress	1,041,347	1,895,609
Semi-products and finished products	52,901,714	30,482,412
Goods	12,878,240	7,249,563
Total	84,772,630	60,195,101

The value of stocks constituted as guarantees is LEI 25,300,000.

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

On June 30th, 2017

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

14. COMMERCIAL AND OTHER RECEIVABLES

Description	June 30, 2017	June 30, 2016
Commercial receivables	300,725,219	290,997,945
Adjustments for commercial receivables	(51,114,678)	(51,694,956)
Various debtors and other receivables	8,231,621	8,499,935
Adjustments for various debtors	(7,702,943)	(7,812,539)
Total financial assets, other than cash, classified as loans and receivables	250,139,219	239,990,385
Receivables related to employees	15,273	2,898
Other receivables from the State budget	3,478,027	602,087
Advance payments	5,662,305	1,860,695
Total	259,294,824	242,456,065

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

Affiliated parties

The company does not have share capital to the other companies.

The remuneration granted to the Management Board and Executive Management is presented in the following table:

Description	June 30, 2017	June 30, 2016
Salaries	1,507,738	1,231,873
Taxes and social contributions	339,473	282,982
Total	1,847,211	1,514,855

On June 30, 2017 the company has recorded adjustments for trade receivables representing customer balance that are unlikely to be collected by the company. The receivables of the company were analyzed and evaluated according to criteria established according to the risks per customer categories.

Analysis of seniority	June 30, 2017	June 30, 2016
Receivables - customers	300,725,219	290,997,945
up to 3 months	99,629,906	112,360,721
between 3 and 6 months	36,369,892	69,167,479
between 6 and 12 months	117,407,916	62,680,927
more than 12 months	47,317,505	46,788,818
Value adjustments for receivables- customers	(51,114,678)	(51,694,956)

The fluctuations in the company's provisions for the impairment of trade receivables are presented in the following table:

Adjustment of receivables	June 30, 2017	June 30, 2016
At the beginning of the period	59,507,495	55,824,260
Established during the year	2,918,515	7,049,367
Canceling the adjustments	(3,608,389)	(3,366,132)

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

On June 30th, 2017

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

At the end of the period	58,817,621	59,507,495
---------------------------------	-------------------	-------------------

The value of receivables established as guaranties on 30.06.2017 is LEI 240,592,140

15. CASH AND CASH EQUIVALENTS

Description	June 30, 2017	June 30, 2016
Available at the bank	8,108,197	13,880,865
Cash and cash equivalents	33,211	21,821
Total	8,141,408	13,902,686

16. TRADE DEBT AND DEBT OF A DIFFERENT NATURE

Description	June 30, 2017	June 30, 2016
Commercial debt	38,653,160	27,979,046
Suppliers of fixed assets	7,881,755	6,087,815
Debt relative to the employees	4,487,905	7,033,894
Other debt	231,943	481,186
Outstanding interest	86,376	77,998
Total debt less borrowings, classified as measured at amortized cost	51,341,139	41,659,939
Taxes and social contributions	2,583,773	2,542,074
Dividends	15,665,580	4,434,628
Advance money from customers	221,378	408,729
Total	69,811,870	49,045,370

On June 30, 2017, the total debts in respect of employees include also the provision for employee participation in the profit of 2016, amounting to LEI 2,900,000.

17. AMOUNTS OWED TO CREDIT INSTITUTIONS

Amounts owed to the credit institutions at 30.06.2017

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

Objective	Credit line-working capital
Amount	LEI 30,000,000
Due date	16.08.2018
Balance on June 30, 2017	LEI 27,719,000
Guarantees	Mortgage contract for buildings, land/ Receivable assignment contract

The short-term contract no. 12/01.07.2013 concluded with the Export Import Bank of Romania.

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

On June 30th, 2017

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

EXIMBANK S.A.

Objective	Credit line-working capital
Amount	LEI 30,000,000
Due date	26.06.2018
Balance on June 30, 2017	LEI 24.834.420,87
Guarantees	Mortgage contract for buildings, land, receivables

The short-term contract no. 12239/22.05.2012 concluded with ING BANK N.V. AMSTERDAM - Romanian Branch

Objective	Credit line-working capital
Suma	EUR 9,500,000
Due date	22.05.2018
Balance on June 30, 2017	EUR 2,329,613.98 (LEI 10,608,829.10) LEI 8,056,469.19
Guarantees	Receivable assignment contract / Mortgage contract for buildings, land

Amounts owed to the credit institutions at 31.12.2016

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

Objective	Credit line-working capital
Amount	LEI 30,000,000
Due date	16.08.2017
Balance on December 31, 2016	LEI 22,919,001
Guarantees	Mortgage contract for buildings, land/ Receivable assignment contract

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

Objective	Credit line-working capital
Amount	LEI 30,000,000
Due date	27.06.2017
Balance on December 31, 2016	0 LEI
Guarantees	Mortgage contract for buildings, land/ Receivable assignment contract

The short-term contract no. 12239/22.05.2012 concluded with ING BANK N.V. AMSTERDAM - Romanian Branch

Objective	Credit line-working capital
Amount	EUR 9.500.000
Due date	22.05.2017
Balance on December 31, 2016	EUR 3,916,884.93 (LEI 17,786,966.16 LEI)
Guarantees	Mortgage contract for buildings, land/ Receivable assignment

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

On June 30th, 2017

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

contract

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

18. SHORT TERM PROVISIONS

The variation of provisions is presented in the following table:

Provisions for risks and expenses	Motions in the period
December 31, 2016	1,418,895
Provisioning in the period	-
Uses in the period	1,418,895
June 30, 2017	<u><u>-</u></u>

19. SUBVENTIONS FOR INVESTMENTS

The subventions for investments have the following components:

Subventions for investment	June 30, 2017	June 30, 2016
Waste water treatment plant	2,776,700	2,914,052
Analytical laboratory equipment	138	344
Research project-UMF Iasi	60,436	-
Total	<u><u>2,837,274</u></u>	<u><u>2,914,396</u></u>

The amounts reflected in the account subventions for investments represent values received by the company in the form of subsidies for investments in environmental protection and in increasing the competitiveness of industrial products through financing from the Ministry of Economy, Trade and Business Environment Relations and UEFISCDI Bucharest.

20. DEFERRED INCOME TAX

Variation in debts on deferred tax is presented in the following table:

Description	June 30, 2017	June 30, 2016
Initial balance	18,758,368	19,479,158
Cost / (income) deferred tax	(323,403)	(720,791)
Final balance	<u><u>18,434,965</u></u>	<u><u>18,758,368</u></u>

21. SHARE CAPITAL

The subscribed share capital of the company as of June 30, 2017 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.

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

On June 30th, 2017

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

In accordance with the provisions of IAS 29 - Hyperinflationary economies, the share capital was restated taking into account the inflation index communicated by the National Statistics Commission. This index was applied starting with the balance determined according to GD 500/1994, from the reporting date 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 was 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*" proposed to be covered from the amount resulting from the application of IAS 29 "*Financial Reporting in Economies Hyperinflationist*" as follows:

Reported loss result from the first application of the IAS 29	197.701.352
Adjustments of the share capital - the first application of the IFRS	197.701.352

According to Order 1690/2012 on the modification and completion of accounting regulations, the reported 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 as the supposed cost which is covered from 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.

22. RESERVES

Reserves include the following components:

Description	June 30, 2017	June 30, 2016
Reserves from revaluation of fixed assets	18,744,899	20,345,564
Legal reserves	13,426,761	13,426,761
Deferred tax recognized on equity	(3,163,587)	(3,419,694)
Other reserves	151,152,127	146,528,189
TOTAL	180,160,200	176,880,820

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

Reserve	Description and purpose
Reserves from revaluation of fixed assets	If the accounting value of a tangible asset is increased as a result of the revaluation, then the increase should be recognized in other items of global result and cumulated 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 is taken each year for the formation of the reserve fund 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 on the

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

On June 30th, 2017

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

recalculation of the profit tax. The difference represents reserves made up of profits.

23. REPORTED RESULT

Reported result includes the following:

Description	June 30, 2017	June 30, 2016
Retained earnings – surplus from revaluation reserves	(9,246,013)	(7,901,456)
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
Total	<u>61,675,870</u>	<u>63,020,428</u>

24. CONTINGENT LIABILITIES

SC Antibiotice SA has the following litigation, as a defendant:

File no. 14638/193/2016, appeal against enforcement, claimer Ungureanu Romeo. The case has a time limit before the Botosani Court on 12.09.2017, the value of the litigation amounting to LEI 531,299.86.

25. INFORMATION ABOUT THE AUDIT OF FINANCIAL STATEMENTS

The financial audit for the first semester 2017 was carried out by the Accounting, Expertise and Accounting Consultancy - SOCECC SRL. The auditor provided only financial audit services.