ANTIBIOTICE S.A.

Financial statements, June 30, 2018 drafted in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union

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ANTIBIOTICE SA
STATEMENT OF COMPREHENSIVE PROFIT
on June 30, 2018
(all amounts expressed in LEI, if not mentioned otherwise)

	NOTE	30.06. 2018	30.06. 2017
Sales revenues	**4**	**157,700,486**	**147,200,095**
Other operating revenues	**5**	14,810,614	13,517,588
Revenues relative to costs of product stocks		23,440,792	19,038,444
Capitalized income generated by the entity's activity		1,549,525	800,167
Expenses with raw materials and consumables	**6**	(73,332,578)	(65,349,770)
Staff-related expenses	**7**	(41,996,215)	(38,235,362)
Expenditure on amortization and depreciation		(9,800,119)	(8,574,286)
Other operating expenses	**8**	(50,067,426)	(47,749,054)
Operating profit		**22,305,079**	**20,647,822**
Financial income	9	2,856	2,835
Financial expenses	9	1,463,766	593,055
Pre-Tax Profit		**20,844,169**	**20,057,602**
Current and deferred income tax expense	**10**	741,122	861,407
Profit		**20,103,047**	**19,196,195**
Other items of comprehensive income			
Items not to be reclassified:		-	-
Gains/losses from revaluation of tangible fixed assets		-	-
Profit tax on other items of comprehensive income		-	-
Result reported after correcting the errors		(272,574)	-
Total other items of comprehensive income, excluding taxes		**(272,574)**	**-**
Total comprehensive income		**19,830,473**	**19,196,195**
Earnings per share	**11**	0,029945	0,028594

Explanatory notes from 1 to 26 are an integrating part of the financial statements

Drafted by:

General Manager
Ioan NANI

Financial Director
Paula COMAN

ANTIBIOTICE SA
STATEMENT OF THE FINANCIAL POSITION
on June 30, 2018
(all amounts expressed in LEI, if not mentioned otherwise)

	NOTE	30.06. 2018	31.12. 2017
ASSETS			
FIXED ASSETS			
Tangible fixed assets	**12**	229,561,070	223,242,890
Intangible fixed assets	**13**	13,412,260	13,107,622
TOTAL FIXED ASSETS		**242,973,330**	**236,350,512**
CURRENT ASSETS			
Stocks	**14**	103,634,791	67,264,546
Trade and similar receivables	**15**	294,715,288	264,212,743
Cash and cash equivalents	**16**	1,767,891	5,107,743
TOTAL CURRENT ASSETS		**400,117,970**	**336,585,032**
TOTAL ASSETS		**643,091,300**	**572,935,544**
LIABILITIES			
CURRENT LIABILITIES			
Commercial and similar liabilities	**17**	72,933,264	55,535,974
Amounts owed to credit institutions	**18**	114,081,765	69,731,310
Tax and current tax liabilities		9,064,331	9,792,887
Subventions for investments	**19**	403,229	326,246
TOTAL CURRENT LIABILITIES		**196,482,589**	**135,386,417**
LONG-TERM LIABILITIES			
Amounts owed to credit institutions	**18**	7,182,635	-
Subventions for investments	**19**	2,619,070	2,498,889
Deferred tax	**20**	17,924,462	18,172,398
TOTAL LONG-TERM LIABILITIES		**27,726,167**	**20,671,287**
TOTAL LIABILITIES		**224,208,756**	**156,057,704**

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ANTIBIOTICE S.A.
STATEMENT OF THE FINANCIAL POSITION
on June 30, 2018
(all amounts expressed in LEI, if not mentioned otherwise)

	NOTE	June 30, 2018	Dec 31, 2017
Share capital and reserves			
Share capital	**21**	**264,835,156**	**264,835,156**
Reevaluation reserves	22	13,569,294	14,556,141
Legal reserves	22	13,426,761	13,426,761
Other reserves	22	166,884,712	162,134,513
Reported result	23	(59,936,426)	(60,650,699)
Distribution of profit		-	10,982,386
Current profit		20,103,047	33,558,354
TOTAL EQUITY		**418,882,544**	**416,877,840**
TOTAL EQUITY AND LIABILITIES		**643,091,300**	**572,935,544**

Explanatory notes from 1 to 26 are an integrating part of the financial statements

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Ioan NANI

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Paula COMAN

ANTIBIOTICE S.A.
CASH FLOW STATEMENTS
On June 30, 2018
(all amounts expressed in LEI, if not mentioned otherwise)

	H I 2018	H I 2017
I.Cash flows from operating activities		
Cash collection from sales of goods and provision of services	150,552,755	136,483,579
Cash collection from royalties, fees, charges and other revenue	406,512	159,601
Cash payment to suppliers of goods and services	(106,266,915)	(86,371,622)
Cash payments to and on behalf of employees, payments made by the employer for its employees	(40,544,077)	(36,447,176)
VAT paid	0	(2,667,613)
Contributions to the Ministry of Health and Ministry of the Environment	(19,113,215)	(15,229,402)
Other duties, taxes, and similar levies	(485,069)	(989,576)
Operating cash flow	**(15,450,010)**	**(5,062,208)**
Interest charged	1,129	2,835
Interest paid	(1,276,903)	(489,868)
Tax on profit paid	(1,393,506)	(2,275,319)
Net cash flows from operating activities	**(18,119,291)**	**(7,824,560)**
II. Cash flows generated by investments		
Cash payments for purchasing land and fixed assets, intangible assets and long-term assets	(26,926,194)	(14,758,855)
Net investment cash flow	**(26,926,194)**	**(14,758,855)**
III. Cash flows from financing activities		
Acquisition of shares		
Dividends paid	(9,516,898)	(13,653,588)
Long-term bank credits	7,182,635	
Net cash flows from financing activities	(2,334,263)	(13,653,588)
Gains / losses from exchange rate differences	(310,559)	(37,027)
Net increase / (decrease) in cash	(47,690,307)	(36,274,030)
Cash and cash equivalents at the beginning of the period	(64,623,567)	(26,803,281)
Cash and cash equivalents at the end of the period	(112,313,874)	(63,077,311)
Cash and cash equivalents at the end of the period include:	**(112,313,874)**	**(63,077,311)**
Accounts in banks and cash	1,767,891	8,141,408
Credit lines	(114,081,765)	(71,218,719)

Explanatory notes from 1 to 26 are an integrating part of the financial statements

Drafted by:

General Manager
Ioan NANI

Financial Director
Paula COMAN

	Subscribed capital	Adjustments regarding capital	Reserves	Other reserves	Current and reported result	Result from revaluation reserves	Distribution of profit	Reserves from revaluation	Result following applying IAS/IFRS for the first time	Result following applying IAS 29 for the first time	Error correction profit	TOTAL
31.12. 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**
Current comprehensive profit	-	-	-	-	33,558,354		-	-	-	-		**33,558,354**
Deferred tax relative to the revaluation difference	-	-	-	-	-		-	-	-	-		-
Revaluation reserves	-	-	-	-	-		-	-	-	-		-
Transfer at the reported result from revaluation reserves	-	-	-	-	-	3,800,866		(2,369,729)	-	-		**1,431,137**
Total other items of the comprehensive profit	-	-	-	-	-	11,702,322	-	**14,556,141**	-	-		-
Distribution of legal reserve	-	-	-	-			-	-	-	-		-
Distribution of other reserves	-	-	-	4,623,938	(4,623,938)		-	-	(1,431,137)	-		**(1,431,137)**
Dividends	-	-	-	-	(25,746,873)		-	-	-	-		**(25,746,873)**
Error correction profit	-	-	-	-	-		-	-	-	-		-
Distribution of profit				10,982,386			(10,982,386)					
31.12. 2017	**67,133,804**	**197,701,352**	**13,426,761**	**162,134,513**	**33,558,354**	**11,702,322**	**(10,982,386)**	**14,556,141**	**125,348,331**	**(197,701,352)**	-	**416,877,840**

	Subscribed capital	Adjustments regarding capital	Reserves	Other reserves	Current and reported result	Result from revaluation reserves	Distribution of profit	Reserves from revaluation	Result following applying IAS/IFRS for the first time	Result following applying IAS 29 for the first time	Error correction profit	TOTAL
December 31, 2017	**67,133,804**	**197,701,352**	**13,426,761**	**162,134,513**	**33,558,354**	**11,702,322**	**(10,982,386)**	**14,556,141**	**125,348,331**	**(197,701,352)**	**-**	**416,877,840**
Current comprehensive profit	-	-	-	-	20,103,047	-	-	-	-	-		**20,103,047**
Deferred tax relative to the revaluation difference	-	-	-	-	-	-	-	-	-	-		-
Revaluation reserves	-	-	-	-	-	-	-	-	-	-		-
Transfer at the reported result from revaluation reserves	-	-	-	-	-	986,847	-	(986,847)	-	-		-
Total other items of the comprehensive profit	-	-	-	-	-	12,689,169	-	13,569,294	-	-		-
Distribution of legal reserve	-	-	-	-		-	-	-	-	-		-
Distribution of other reserves	-	-	-	4,750,199	(15,732,585)	-	10,982,386	-	-	-		-
Dividends	-	-	-	-	(17,825,769)	-	-	-	-	-		**(17,825,769)**
Error correction profit	-	-	-	-	-	-	-	-	-	-	**(272,574)**	**(272,574)**
June 30, 2018	**67,133,804**	**197,701,352**	**13,426,761**	**166,884,712**	**20,103,047**	**12,689,169**	**-**	**13,569,294**	**125,348,331**	**(197,701,352)**	**(272,574)**	**418,882,544**

1. GENERAL INFORMATION

1.1 Brief company profile

Antibiotice SA is a joint-stock company based in Iasi, Valea Lupului street no. 1, tax registration code RO 1973096. Antibiotice was founded in 1955 and defined as a trading company 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). Altogether they form a complex portfolio of more than 153 drugs for human use and 4 for veterinary use, designed to treat a wide range of infectious, dermatological, cardiovascular, digestive tract or musculoskeletal system diseases.

All production capacities are owned by the company and are located in the territory where the registered office is situated.

Our company has the right to ownership of all fixed assets registered in the company's accounts.

1.2 Corporate Governance structures

Structuri pe care se bazeaza sistemul de guvernanta din cadrul Antibiotice: Antibiotice's governance system is based on:

- Management Board
- Advisory Committees
- Executive Management
- Code of Ethics
- Corporate Governance Code
- Internal audit, Managerial control

Management Board

Antibiotice is administered by a Board responsible for fulfilling all the tasks necessary to achieve the objective of the company, with the exception of those which fall into the task of the General Meeting of Shareholders, as provided by law. 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, 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 in the relevant internal regulations available on the company's website under the Corporate Governance section.

Management Board of Antibiotice SA on June 30th, 2018

Legal adviser, Ionuț -Sebastian IAVOR, 42 years old
President of the Management Board and representative of the Ministry of Health
At the Ordinary General Meeting of Shareholders held on April 30, 2015 Mr. Iavor was elected as a member of the Management Board and then appointed by the Board's members as a President.
Mr. Ionut Sebastian Iavor is currently General Manager of the General Directorate for Human Resources, Legal Issues and Litigation of the Ministry of Health.
Number of Antibiotice SA shares held - 0*

Economist, Ioan NANI, 58 years old
Vice President of the Management Board and General Manager
At the Ordinary General Meeting of Shareholders held on April 19, 2016, Mr. Nani was reconfirmed as a member of Management Board, for a 4-year period, the members of the Management Board electing him as the Board's Vice President. Mr. Nani is an economist specialized in management and accountant expert, member of the Management Board since 2009 and General Manager (1998 - 2008 and 2009 - present).
Number of Antibiotice SA shares held – 1,513*

Physician, Dan Octavian Alexandrescu, 44 years old
Interim Member of the Management Board and Representative of the Ministry of Health
At the Ordinary General Meeting of Shareholders held on April 26, 2018, Mr. Alexandrescu was elected as a member of the Management Board, in accordance with the provisions of art.64^1 of GEO no. 109/2011.
Mr. Dan-Octavian Alexandrescu is a State Secretary in the Ministry of Health, Coordinator of the Medicines and Medical Devices Policy Division.
Number of Antibiotice SA shares held - 0*

Economist Nicolae STOIAN, 61 years old
Member of the Management Board and representative of the shareholder SIF Oltenia and of other shareholders - legal entities
At the Ordinary General Meeting of Shareholders held on April 19, 2016, Mr. Stoian was elected as a member of the Management Board for a 4-year period.
Accounting expert, tax consultant and financial auditor.
Number of Antibiotice SA shares held - 0*

Engineer, Elena CALITOIU, 55 years old
Member of the Management Board and representative of the shareholder SIF Oltenia and of other shareholders - legal entities
Confirmed as a member by the OGMS held on April 19, 2016, for a 4-year period.
Mechanic engineer and Director of Placements & Risk Management Department, S.I.F. Oltenia, member of the Management Board since 2016.
Number of Antibiotice SA shares held - 0*

Advisory committees

The specialized advisory committees in 2018:
- *Audit Committee:* Mr. Ionut Sebastian Iavor, Mr. Nicolae Stoian and Ms. Elena Calitoiu;
- *Nomination and Remuneration Committee:* Ms. Elena Calitoiu and Mr. Ionut Sebastian Iavor;
- *Trade Policy Committee:* Mr. Dan Octavian Alexandrescu and Mr. Nicolae STOIAN.

The Advisory Committees conducted investigations, analyses, made recommendations for the Management Board in specific fields and submitted periodic reports on their activities.

Risk management

Within Antibiotice S. A., risk management is a continuous process that involves identifying significant risks that may affect the company as a whole or one or more of the component structures, assessment, ranking and prioritization of these risks, while taking measures to mitigate exposure within the limits of risk tolerance in order to provide a reasonable assurance regarding the achievement of the established objectives and activities.

The main categories of risks which may occur in the company's activity are: financial, reputational and legislative.

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

- Exchange-rate risk
- Liquidity risk
- Commercial risk

Exchange-rate risk, a component of the financial risk, occurs frequently in the current market economy where monetary rates fluctuate under the supply and demand rule. A factor that determines the occurrence of currency risk is also the national and international political context.

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

Our company's risk management strategy implies: synchronizing the import with the export, by correlating the payment and collection terms as well as by correlating the share of foreign exchange, so that the moments in which the payments are to be done to be as close as possible, or even simultaneous with the export receipts; anticipating or delaying the payment or collection by fixing the appropriate maturity and introducing some protective price margins in conjunction with the forecasts on the evolution of the payment currency; covering the gap between earnings and payments of credits in the transaction currency.

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

Liquidity risk may occur in the following circumstances: collection of receivables at maturities exceeding 300 days; increased taxation/ lack of predictability (clawback tax); insolvency of some customers; increasing the price of utilities, raw materials and services.

The following measures were proposed for managing the liquidity risk: the correct estimation of payments and receipts, business internationalization, assessing the customers’ creditworthiness, monitoring the receivables, reducing the receivable collection period in the domestic market, extending the payment terms for suppliers, covering the gap between receipts and payments of short-term credits.

Commercial (default) risk **is** the risk of incurring losses or not-reaching the estimated profits due to lack of financial liquidity of the borrower and the failure to pay upon maturity.
Default risk can arise in a number of circumstances: large exposures to the major distributors, long payment deadlines, plus the rescheduling, insolvency of some pharmacies and distributors, withdrawal of the distribution authorization.
In order to manage the commercial (default) risk, the company took the following steps: assessing the trading partners' creditworthiness by checking them before the conclusion of the contract, in multiple ways, monitoring the receivables through a permanent control and risk assessment, building a loyal relationship with the customers by organizing periodical meetings for constructive approaches; requesting for waranties (insurance policies, securities collateral agreements, guaranteed cheque notes and promissory notes, bank guarantee letters); ceasing the deliveries until the outstanding amounts are paid; provisioning of expenses for covering the risk of default.

Legislative changes regarding the pharmaceutical market lead to the occurence of ***legislative risk***, which must be continuously managed.

Pharmaceutical market is a regulated market, with clear legislative requirements elaborated for controlling the quality and therapeutic efficiency of the medicines present in the market and for avoiding counterfeiting.
Conformation to these requirements is reflected both in additional costs related to updating the documentation of compliance with the latest quality standards, in influences on the maximum sales prices as well as in delays in placing the products in the market.
The company's strategy of managing these risks involves a permanent concern for obtaining international certifications for the manufacturing flows, updating the authorization documentation for the products in the portfolio, conducting bioequivalence and stability studies, continuously pursuing legislative changes at international level.

Image risk is defined as the current of future risk which negatively affects the profits and capital because of the unfavorable perception on the company's image.
In order to effectively manage the events that could lead to the risk of image, the following measures are envisaged: monitoring of the company's image in the mass media in order to identify any information which could generate image risks; periodical press releases with positive information; a good and transparent relation with the mass media; control of risks which could affect the company's image.

Executive management

Antibiotice is represented by the General Manager, according to the powers provided by law and by the company's Articles of Association. The Management Board represents the company in relationship with the appointed directors.
The executive management of Antibiotice is ensured by nine directors, one of whom is the General Manager of the company and the Vice President of the Board and eight specialty executives.

Antibiotice's Executive Management on June 30, 2018

Ec. Ioan Nani, 58 years old
General Manager and VicePresident of the Management Board
Graduated from the Faculty of Economic Sciences of Alexandru Ioan Cuza University of Iaşi, Mr. Nani is an economist specialized in management and an expert accountant.
He started his career as an economist at Antibiotice in 1987. Between 1991 and 1993 he worked as a financial inspector with the General Directorate of Public Finance Iaşi and then with the Court of Auditors of Romania. In 1994, Mr. Nani returned to Antibiotice as a Financial Executive Director and became General Manager in 1998. In February 2009, he was appointed Vice President of the Authority for State Assets Recovery (AVAS), and in June, same year, he was appointed General Manager of Antibiotice. Mr. Nani has been General Manager since 2009.
Number of Antibiotice SA shares held – 1,513*

Engineer, Cornelia Moraru, 52 years old
Technical & Production Director
Mrs. Moraru graduated from the Faculty of Chemical Technology of Gheorghe Asachi Technical University Iaşi. After graduation, she worked as a chemical engineer at the Fălticeni Chemical Factory. Mrs. Moraru has been working with Antibiotice since 1990, firstly in the Penicillin Plant II until 1998 and then in the Biosynthesis Department for a year. Starting July 1999 she worked as a biosynthesis technologist in the Penicillin Plant II. In January 2001 she was appointed as the Head of the Tablet Plant. In May 2003 she was appointed Director of the Pharmaceutical Division.
Mrs. Moraru has been Technical & Production Director since 2005.
Number of Antibiotice SA shares held – 1,513*

Economist, Paula Luminita Coman, 50 years old
Financial Director
Graduated from the Faculty of Economics and Business Administration of Alexandru Ioan Cuza University of Iaşi, Mrs. Coman has been an expert accountant since 2006 and tax consultant since 2007.
After graduation, Mrs. Coman worked as an economist at the County Iaşi Tourism Office. Mrs. Coman has been working with Antibiotice SA since 1991. Firstly she worked as an economist in the Pricing Efficiency Office. In 1998 Mrs. Coman became the Head of Economic Analysis Department and then Head of Financial-Accounting Department in 2003.
Mrs. Coman has been Financial Director since 2011.
Number of Antibiotice SA shares held - 0*

Economist, Vasile Chebac, 63 years old
Commercial & Logistics Director
Graduated from the Faculty of Economic Sciences of Alexandru Ioan Cuza University of Iaşi, Mr. Chebac has been an active member of the Body of Expert and Licensed Accountants of Romania, Iaşi Branch since 1993 and a financial auditor, member of the Chamber of Auditors of Romania since 2008.

He started working with Antibiotice in 1972. In 1987 he worked as an economist in the Planning-Development Office within the Investment Department. As from February 1991 he worked as a financial inspector at the General Directorate of Public Finance Iasi and, from July 1993, he worked as a financial inspector at the Chamber of Auditors Iaşi. In January 1998, Mr. Chebac was appointed Chief Commissioner at the Financial Guard Iaşi. In September 2001, he returned to Antibiotice SA as a Commercial & General Services Director.
Mr. Chebac has been Commercial & Logistics Director since 2005.
Number of Antibiotice SA shares held - 0*

Engineer, Cristina Lavinia Dimitriu, 60 years old
Strategic Development Director
Graduated from the Faculty of Chemical Technology of Gheorghe Asachi Technical University of Iaşi, Mrs. Dimitriu obtained in 2000 the Master's Degree in Management and Business Administration at the same university. In 2007, she obtained the degree of Master in Management and Marketing granted by the Faculty of Pharmacy of the Grigore T. Popa University of Medicine and Pharmacy Iasi. Starting with the same year, he has become a PhD student of the Pharmacy Faculty Iasi .
After graduating from the faculty, she worked as a chemist engineer at the Fagaras Chemical Plant. She has been working with Antibiotice SA since 1987, initially in the Biosynthesis-Lysine Plant. In 1990, she became the Production Manager of the Parenteral Product Plant and, in 2000, she became Quality Control Manager for physico-chemical and microbiological analyzes. In 2007 she has become the qualified person in the manufacturing/import units of the medicines for human use and the representative of the management team for the integrated management system.
Ms. Lavinia Dimitriu was Quality Director between 2003- 2018.
Number of Antibiotice SA shares held – 0*

Economist, Gica RUSU, 54 years old
Human Resource Director
Graduated from the Faculty of Economic Sciences of Alexandru Ioan Cuza University of Iasi, Mrs. Rusu obtained in 2003 the Master's Degree in Management and Business Administration at the same university.
She has been working with Antibiotice since 1981, initially as an economist in the Penicillin Plant and then, starting with 1996, in the Financial Department. In 1999, she became the Head of Human Resources Department.
Mrs. Rusu has been Human Resources Director since 2004.
Number of Antibiotice SA shares held – 1,510*

Economist, Ovidiu BATAGA, 40 years old
Marketing & Domestic Sales Director
Graduated from the Faculty of Economics and Business Administration (FEAA) of Alexandru Ioan Cuza University of Iasi, Mr. Băț agă holds three master's degrees in financial management (granted by the same university in 2001), pharmaceutical marketing (granted by the Grigore T. Popa University of Medicine and Pharmacy Iasi in 2003) and project management (granted by the Gheorghe Asachi Technical University in 2007).
After graduating from the faculty, he was a junior teaching assistant at the Currency and Credit Department, Finance specialty within FEAA. He has been working with Antibiotice SA since February 2001, initially as an economist in the Economic Analysis Department then in the

Accountancy Department and Marketing Department. In January 2006 he was appointed as the Head of Market Analysis & Strategic Planning Department.
Mr. Băţ agă has been Marketing & Domestic Sales Director since 2010.
Number of Antibiotice SA shares held – 0*

Physician, Mihaela MOSNEGUTU, 48 years old
Medical Director
Graduated from the Faculty of General Medicine of Grigore T. Popa University of Medicine and Pharmacy Iasi, Mrs. Moş neguţ u is a specialist in family medicine.
She started her professional activity as a physician in the Iaş i County. She has been working with Antibiotice since 2000, initially in the Promotion Office, becoming the Head of this office in 2001. In 2005, she became the Head of Pharmacovigilance and Medical Consultancy Department and then, in 2009, she was appointed as the Medical & Retail Promotion Manager.
Mrs. Moş neguţ u has been Medical Director since 2011.
Number of Antibiotice SA shares held – 0*

Economist, Mihai STOIAN, 43 years old
International Business Director
Graduated from the Faculty of Economic Sciences of Alexandru Ioan Cuza University Iasi, in the International Economic Relations section.
In July 2008, Mr. Stoian was appointed the Head of the Intra-Community Deliveries & Export Department within the Marketing & International Relations Unit.
In August 2009, he became Export Manager and then, in June 2011, Business Development Manager.
Mr. Stoian has been International Business Director since 2012.
Number of Antibiotice SA shares held – 0*

**Number of Antibiotice (ATB) shares held on September 11, 2017, according to the latest database owned by Antibiotice for 2017.*

General Meeting of Shareholders

The company's executive management coordinates the strategic development of the company, in close cooperation with the Management Board. Periodically, the two bodies analyze the results obtained in implementing the strategy according to the business plan, performance criteria and Income & Expenditure Budget. In this respect, in the first half of 2018, the executive management informed the Management Board in five sessions, on all significant aspects of the activity carried out and its evolution in relation to the previous forecast, submitting reports according to the agenda of the meetings. These reports were analyzed by the members of the Management Board and based on them, as well as based on other information, decisions were made with effects on the company's activities.

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

The President coordinates the Management Board's activity and submits reports to the General Meeting of Shareholders. He ensures that the company operates properly.

The President represents the Management Board in relationships with third parties. The Vice-President replaces the President of the Management Board if the latter is temporarily absent (according to the article 29, Chapter V of Article of Association of Antibiotice SA.).

The General Meeting of Shareholders (GMS) represents the highest decision-making body of the company, where the shareholders participate directly and make decisions. Among other attributions, GMS decides the distribution of profit, elects the Management Board, appoints the auditors and set the remuneration for the members of the Management Board.

During the first half of 2018, the Management Board convoked on March 5, 2018 one Ordinary General Meeting of Shareholders and one Extraordinary General Meeting of Shareholders.

All the documents necessary for the proper conduct of the General Meetings were published in due time and according to the legislation in force.

Ordinary General Meeting of Shareholders approved:

- Income & Expenditure Budget for 2018; and
- increase of the fixed and variable allowances for the members of the Management Board and for the General Manager and the conclusion of additional acts under this approval, in view of the application of GEO no. 79/2017 for amending and completing the Law no. 227/2015 of Fiscal Code and GEO no. 90/2017 on some fiscal-budgetary measures, amendment and completion of some normative acts and prorogation of some deadlines.

Extraordinary General Meeting of Shareholders approved the establishment of two representative offices of the company, in the Republic of Moldova and Ukraine and the date for identifying the shareholders influenced by the effects of the decisions taken, in accordance with the provisions of the art. 238, para. 1 of Law no. 297/2004 on the capital market, amended and completed by the provisions of Law no. 10/2015.

On April 26, 2018, the company's Management Board convened an Ordinary and an Extraordinary General Meeting.

Ordinary General Meeting of Shareholders approved:

- company's financial statements for the fiscal year 2017, based on the Management Report and Financial Auditor Report;
- distribution of net profit for 2017, setting the gross dividend per share amounting to 0.026552598 lei and setting the payment date on 14.09.2018;
- registering the unsolicited and unclaimed dividends for the financial year 2013 as revenues;
- the degree of achieving the objectives and performance criteria for 2017 for the members of the Management Board;
- discharge of administration for the activity conducted in the fiscal year 2017, based on reports submitted;
- objectives set in the Management Plan 2018 for the members of the Management Board;
- remuneration for the members of the Management Board as per Law no. 111/2016 for the approval of the GEO no. 109/2011 on corporate governance of public enterprises;
- election of Mr. Dan-Octavian Alexandrescu as a temporary administrator of the Management Board, in accordance with the art. 64^1 of GEO no. 109/2011, following the termination of the mandate contract of Ms. Adela-Petrinia Neagoe;
- registration date 31.08.2018 in order to identify the shareholders subject to the effects of the decisions adopted, as per the provisions of art. 86, paragraph 1 of Law no. 24/2017 on issuers of financial instruments and market operations, and setting the ex-date for 30.08.2018.

Extraordinary General Meeting of Shareholders approved:

- to extend by 12 months the validity period of the multicurrency multiproduct credit amounting to 30 million LEI borrowed by Antibiotice from the Export Import Bank of Romania- Eximbank;
- to maintain the guarantees relative to the multicurrency multiproduct credit amounting to 30 million LEI throughout the entire term of validity resulting from the above-mention extension, in accordance with the article 1 on the Agenda;
- to issue a decision-commitment of Antibiotice SA not to divide itself, not to merge and decide the anticipated dissolution throughout the entire validity period of the multicurrency multi-product credit without the prior consent of Eximbank SA;
- to empower Mr. Ioan Nani, General Manager and Ms. Paula Coman, Financial Director to sign on behalf of the company all documents related to the credit facility extension, under the articles 1 and 2 of the Agenda, as well as documents related to the obligations assumed by the company in accordance with article 3 of the Agenda;
- to contract a long-term investment credit facility (10 years) amounting to EUR 15,406,300 from UniCredit Bank;
- to guarantee the investment credit facility amounting to EUR 15,406,300 EUR;
- to empower Mr. Ioan NANI, General Manager and Mrs. Paula-Luminita COMAN, Financial Director to sign on behalf of the company all the documents/credit agreements and their accessories necessary and related to the contracting and implementation of the investment credit facility, according to the articles 1 and 2;
- to establish the company's representative office in the Republic of Moldova, to the following address: Chişinău, 252/2, 259/3 Grenoble Street, Republic of Moldova.

S.O.C.E.C.C. SRL Bucharest audited the financial statements for the first half of 2018 and reviewed the compliance of the half-yearly report with the financial statements.

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 its operation procedure.
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 and applicable legal requirements, wherever Antibiotice operates.
The Code of Ethics is presented in detail on the website of the company:
(www.antibiotice.ro/Investors/Corporate Guvernance/Reference documents /Code of Ethics).

Code of Corporate Governance

The Code of Corporate Governance of Antibiotice SA embraced the principles and recommendations of the Bucharest Stock Exchange and represents the tool through which

Antibiotice implements these principles and recommendations by observing the rules of corporate governance.
The aim of the Corporate Governance Code is to create the framework for establishing strong relationships with the company's shareholders and other holders of interests, as well as for an effective and transparent, trust-based communication.

The Corporate Governance Code of Antibiotice SA is divided into four chapters:

Chapter I – Responsibilities of the Management Board
Chapter II - Risk Management and Internal Control System
Chapter III - Fair reward and motivation
Chapter IV - Investor relations

It also has two annexes:

Annex I - Management Board's Rules of Procedure
Annex II - Rules for evaluating the Antibiotice's administrators

Chapter I - Responsibilities of the Management Board, defines the role of this body, setting the guidelines in terms of competence, experience, knowledge and independence of its members, enabling them to effectively perform their specific duties and responsibilities.

Chapter II - Risk Management and Internal Control System demonstrates that the company's activity is supervised through certain risk management and internal control systems set up for this purpose. Also, internal audits are conducted in order to independently and periodically assess the safety and effectiveness of the risk management and internal control systems.

Chapter III - Fair reward and motivation, establishes the general principles and conditions that are the foundation of the method for setting the remuneration level for the Management Board members and for the executive management team.

Chapter IV- Investor relations states the fact that Antibiotice must make constant efforts to provide the shareholders with updated information on events of interest to them (e.g. general meetings of shareholders, payment of dividends, etc)

In conclusion, the Corporate Governance Code of Antibiotice SA and its annexes draws the general framework under which the Management Board develops its activity in accordance with the rules and principles of corporate governance established by the Bucharest Stock Exchange, in order to create an attractive capital market, based on the best practices, transparency and trust.

Rights of the holders of financial instruments holders

The corporate governance framework adopted and 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/investors/informationforshareholders, 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, informative materials, special powers of attorney, correspondence voting forms, resolution drafts, resolutions, voting results etc.

The company provides all those concerned with periodic and annual financial statements, prepared in accordance with the legislation in force. Also, the company complies with all disclosure requirements according to the legislation on the companies and the capital market.

Within the company there is a structure specialized in the relation to the existing and potential investors called Investor Relations, whose main role is to ensure a good communication with the company's shareholders. 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.

Investors (*according to the Shareholders' Registry on 17.04.2018*)

I. Investors

- Ministry of Health (*) – 53.0173%,
- S.I.F. Oltenia (*) - 14.4136%
- Broadhurst Investments Limited – 4.1977%
- S.I.F. Transilvania – 3.2632%
- Pension Fund AZT Your Viitorul Tau/Allianz – 2.1711%
- S.I.F. Banat-Crisana S.A – 2.1104%
- Privately managed pension Fund Metropolitan Life – 1.5116%
- Polunin Discovery Funds – Frontier Markets Fund – 0.8377%
- A-Invest – 0.7476%
- Privately managed pension Fund ARIPI/GENERALI S.A.F.P.P. – 0.6782%
- Other individuals and legal entities – 17.0516%.

During the first semester of 2018, dividends were paid for the financial years 2014, 2015 and 2016 amounting to 63,783.54 LEI, as follows:

Dividend history (2014 – 2015 -2016)

Year	Net dividends							Suspension date of dividend payment
	Due	Paid				Unclaimed on 30.06.2018		
		lei			% (paid in full)			
		Until 31.12.2017	01.01÷30.06 2018	Total		lei	%	
0	1	2	3	4	5	6	7	8
2014	15.061.293	13,939,458.65	11,669,81	13,951,128.20	92.62	1,110,164.80	7,38	Payment in progress
2015	13.753.343	12,620,204.10	13,832,21	12,634,036.31	91.86	1,119,306.69	8,14	Payment in progress
2016	25.401.595	23,260,989.12	38,281,52	23,299.270.64	91.72	2,102,324.36	8,28	Payment in progress

For the financial years 2014, 2015 si 2016, the dividends are distributed directly through the Central Depository Bucharest and implicitly, through CEC Bank.

Antibiotice in 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 represent a solid guarantee that the company has consolidated its position on the national pharmaceutical market**.**

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

- are included in the BET-Plus index, which includes Romanian companies listed on the BVB 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 the shares issued by domestic and foreign companies admitted to trading on the regulated market administered by BVB.

This reflects the fact that Antibiotice is a sound company, developed on a durable economic foundation.
In the first half of 2018, the minimum price of an ATB share had the value of 0.4790 LEI. Share price rose to the maximum 0.5780 LEI/share.
On June 30, 2018 (the last trading day of the first semester), stock market capitalization of Antibiotice was 345, 068 thousand LEI.

Antibiotice shares – ATB / REGULAR MARKET

	2014	2015	2016	2017	H I 2018
Number of shares	671,338,040	671,338,040	671,338,040	671,338,040	671,338,040
Stock capitalization (thousand LEI)*	390,719	357,152	349,096	361,180	345,068
Stock capitalization (thousand EUR)*	87,173	78,868	76,875	77,511	74,031
Stock capitalization (thousand $)*	105,978	86,167	81,123	92,813	86,196
Total transaction value (million LEI)	16	11	6	12	4
No. of traded shares	27,467,454	18,844,935	12,555,866	21,113,565	6,977,863
Opening price (LEI/share)	0.5520	0.5850	0.5320	0,5200	0,5780
Maximum price (LEI/share)	0.6170	0.6170	0.5420	0,5920	0,5780
Minimum price (LEI/share)	0.5410	0.5240	0.4200	0,5200	0,4790
Price at the end of the period (LEI/share)	0.5850	0.5320	0.5270	0,5380	0,5140
Average price (LEI/share)	0.5845	0.5836	0.5032	0,5585	0,5226

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

2. ACCOUNTING POLICIES

2.1 Declaration of conformity

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 issued to be published under IFRS 1 "First-time Adoption of IFRS".

The Company's accounting records are expressed in LEI in accordance with the Order no. 2844/2016 for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards.

The principal accounting policies applied in preparing the financial statements are set out below.

Policies have been consistently applied to all the years presented, unless otherwise stated.

Preparation of financial statements in accordance with IFRS as adopted requires 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, depreciated except for the fixed tangible assets at revalued cost by using the fair value as deemed cost and the items presented at the fair value, i.e. financial assets and liabilities at fair value through profit and loss account, and financial assets available for sale, except for those for which the fair value can not be reliably determined.

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 LEI.

Transactions made by the company in a currency other than the functional currency are recorded at the rates in force at the date when the transactions take place. Monetary assets and liabilities in foreign currencies are converted at rates in effect at the reporting date.

2.4 Critical accounting assessments and estimates

As a result of the uncertainties inherent in business activities, many items in financial statements cannot be precisely assessed, but only estimated. Estimation involves judgements based on the latest available reliable information.

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

An estimate may need review 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 review of an estimate does not relate to prior periods and is not the correction of an error in the current period. Any effect, if any, on future periods is recognized as income or expense in those future periods.
The company makes 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 existing circumstances. In the future, concrete experience may differ from these estimates and assumptions. The following are examples of assessments, estimations, assumptions applied in our company:

(a) *Evaluation of investments in land and buildings owned*
The company obtains evaluations conducted by external evaluators to determine the fair value of its real-estate investments. The current assessments are based on assumptions which include future rental income, anticipated maintenance costs, future development costs and the appropriate discount rate.Evaluators also refer to market information related to the prices of transactions with similar properties.

(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, the management makes certain estimates on the financial situation of the partners. Each impaired asset is individually . Precision in adjustments depends on estimates of future cash flows.

(a) *Legal proceedings*
The company reviews the unsettled legal cases in compliance with the legal proceedings and the existing situation at each reporting date, in order to assess the provisions and disclosures in its financial statements. Among the factors considered in decisions related to the provisions we mention: the nature of litigation or claims and the potential level of damage in the jurisdiction which settles the dispute, the progress of the case (including the progress after the date of financial statements but before those statements are issued), opinions of legal advisors, experience in similar cases and any decision taken by the company’s management related to how it will respond to the litigation, complaint, or assessment.

(b) *Expenditure estimates*
There are situations in which, until the closing of some fiscal periods or up to the closing date of a financial year, the exact values of certain expenses incurred by the company are not known (e.g. marketing and promotion campaigns, campaigns for boosting the sales). For this category of expenditure, preliminary spending will be made, which will be corrected in the following periods when cash outflows will occur. 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.

(c) *Taxation*
The taxation system in Romania is in a phase of consolidation and harmonization with the European legislation. However, there are still different interpretations of tax legislation. In

some cases, the tax authorities may have different approaches to certain issues, calculating additional taxes and penalties for their late payment. In Romania, the fiscal year has been remaining open for tax verification for a 5/7-year period. The company's management believes that tax liabilities included in the financial statements are appropriate.

2.5. Presentation of separate financial statements

The company adopted a liquidity-based presentation in its financial position statement and a presentation of its revenue and expense according to their nature in the overall result statement, considering that these disclosures provide information that is more credible and relevant than what would be were presented under other permitted methods IAS 1 "Presentation of Financial Statements".

2.6 Intangible assets purchased

Inventory 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 on a straight-line basis over their useful economic life.
Expenses related to the acquisition of patents, copyrights, licenses, trademarks or factory brands and other intangible assets recognized from an accounting point of view, with the exception of formation expenses, goodwill, intangible assets with indefinite useful life, according to the accounting regulations shall be recovered by means of linear depreciation deductions for the duration of the contract or for the period of use, as the case may be.

Intangible assets generated by the company (development costs)

Research expenditure (or related to the research phase of an internal project) is recognized as an expense for the year to which it relates.
Development costs related to projects for new products are recognized as intangible assets. They consist of: consumption of raw materials and consumables, labor costs related to the hours worked for each project, other authorization fees charged by NAMMD.

Tangible assets

Tangible assets are tangible items that:
a) are held for use in the production of goods or provision of 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 tangible asset should be recognized as an asset if and only if: it is probable that the entity will generate future economic benefits related to the asset; the cost of the asset can be reliably measured.

Evaluation after recognition

After recognition as an asset, an item of property, plant and equipment is accounted for at its cost or minus the accumulated depreciation and accumulated impairment losses.

After recognition as an asset, an item of tangible assets whose fair value can be reliably measured is accounted for at a revalued amount, this being its fair value at the revaluation date. Revaluations are made regularly enough to ensure that the accounting amount does not significantly differ from what would have been determined by using fair value at the end of the reporting period.The fair value of land and buildings is generally determined based on the prices in the market through an evaluation normally performed by qualified professional assessors. The fair value of the items of tangible assets is generally their value in the market after evaluation.

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

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

If the carrying value of an intangible asset is increased as a result of the revaluation, then the increase is recognized in other items of the comprehensive income and accrued in equity as a revaluation surplus. However, the increase should be recognized in profit or loss to the extent that it compensates for a decrease in the revaluation of the same asset previously recognized in profit or loss.

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

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

If any, the effects of taxes on income from the revaluation of tangible assets are recognized and presented in accordance with IAS 12 Income Tax.

Depreciation

The depreciable amount of an asset is systematically allocated over its useful life. Depreciation of an asset begins when it is available for use, ie when it is in the location and condition required to operate in the desired manner.
The land owned is not depreciated.
For the depreciable fixed assets, the company utilizes, in accounting terms, the straight line depreciation method. The depreciation periods are determined by an internal specialized committee according to the company’s internal procedures . Below there is a brief presentation of the lifetimes of the fixed assets by major categories of goods:

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

Impairment

To determine whether an item of tangible assets is impaired, an entity applies IAS 36 the Impairment of assets. At the end of each reporting period, the entity estimates if there are indications of impairment of assets. 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 an impairment loss. A impairment loss is immediately recognized in profit or loss of the period in question, except when 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 impairment loss concerning a revalued asset is considered to be a decrease generated by revaluation.

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

Initial assessment of the financial assets and financial liabilities

When a financial asset or financial liability is initially recognized, an entity assesses it at its fair value and, 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.

Subsequent assessment of financial assets

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

I. A financial asset or financial liability measured at the 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) is acquired or borne mainly for the purpose of selling or repurchasing to the nearest term;
- (II) at the initial recognition is part of a portfolio of identified financial instruments managed together and for which there is evidence of a recent real tracking pattern of short-term profit; or
- (III) a derivative instrument (except for a derivative instrument that is a financial guarantee contract or an instrument designated and effective hedging instrument).

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

- a.) those that the entity intends to sell immediately or in a short time, which have to be classified as held for trading, and those that the entity, at their initial recognition, designates at the fair value through profit or loss;
- b.) those that the entity, at their initial recognition, designates them as available for sale;

c.) those for which the holder might not substantially recover all of the initial investment, for any other reason than the credit deterioration, which have to be classified as available for sale.

This category includes the trade and other receivables.

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

Gains and losses

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

When a decline in the fair value of a financial asset available for sale was recognized in other items of the comprehensive income and there is objective evidence that the asset is depreciated, the cumulative loss that has been recognized in other items of the 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 that is unrecognized in equity and recognized in profit or loss must be the difference between the acquisition cost (net of any payment of the principal and of depreciation) and the current fair value, less any impairment loss for that financial asset previously recognized in profit or loss.

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

Cash and cash equivalents

Cash and cash equivalents include the cash account, sight deposits with banks, other short-term highly liquid investments with original maturity dates of three 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 consumables to be used in the production process or in the provision of services.

Stock assessment:
The stocks are assessed at the lowest value between the cost and the net achievable value.

Cost of 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.
Stocks of raw materials and consumables are stated at the cost of acquisition. The inventory outflow is performed using the Weighted Average Price method.
Stocks of products in progress are stated at the value of the raw materials and consumables included 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 on the current value of the cash flows that are expected to be received.
Each depreciated asset is individually analyzed. The accuracy of the adjustments depends on the estimation of future cash flows.
Stock adjustments are based on the end-of-year calculation for adjusting the specific value of stocks of raw materials, consumables and finished products and finished products which no longer correspond from quality viewpoint. The calculation of the general adjustment for depreciation of inventories is based on the life of existing items in stock.

2.9 Receivables

Receivables mainly arise through the supply of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary assets. Receivables are presented in the balance sheet at historical value less the adjustments for impairment in cases where it was found that the realizable value is less than the historical value.
Impairment adjustments are recognized when there is objective evidence (such as significant financial difficulty of the partners or non-fulfillment of payment obligations or significant payment delay) that the company will not be able to collect all amounts due under the terms regarding the receivables, the amount of that adjustment being the difference between the net book value and the current value of expected future cash flows associated with the impaired receivable.
The assessment for impairment of receivables is performed on an individual basis and is based on a risk analysis based on customer categories, being the best estimate of the management regarding the current value of the cash flows expected to be received.
The Company assesses at each balance sheet date the extent in which there is any objective evidence that a financial asset (receivable) is impaired. If there is any evidence of this kind, the Company treats it differently to determine the amount of any impairment loss, depending on the type of asset: financial assets accounted for at amortized cost, financial assets accounted for at cost and available-for-sale financial assets.
The carrying amount of the asset should be reduced either directly or by using a depreciation adjustment account. The amount of the loss should be recognized in profit or loss.

If, in a subsequent period, value of the related impairment loss decreases, and the decrease can be objectively correlated with an event occurring after the impairment has been recognized (such as an improvement in the debtor's credit rating), the loss from the previously recognized impairment should be resumed either directly or by adjusting a provision account for impairment. Resumption should not result in a carrying amount of the financial asset greater than the amount that would have been the amortized cost if the impairment would not have been recognized at the date when the impairment is resumed. The value of the rebound must be recognized in profit or loss.
Adjustments for impairment of trade receivables consist of the specific provision, entirely constituted for litigation, based on which the general provision is calculated.
The general provision for impairment of client receivables is calculated based on the maturity of the outstanding receivables in the balance. Calculated depreciation adjustments may not exceed from value viewpoint the amounts that are required to settle the trade receivable. When analyzing receivables to be cashed, based on commercial effects, in situations where there are identified events that indicate the occurrence of payment incidents or the deterioration of the debtor's financial situation, adjustments may be calculated, the amount of the provision for impairment being at most equal to the value of the effect.

2.10 Value added tax

Value Added Tax must be paid to the tax authorities on the basis of the monthly VAT return until the 25th of the following month, regardless of the level of recovery of receivables from customers. Tax authorities allow VAT to be settled on a net basis. If the deductible VAT is higher than the VAT collected, the difference is refundable at the request of the company. That VAT may be reimbursed after a tax audit, or even in the absence thereof, if certain conditions are met. VAT on sales and purchases that were not settled at the end of the reporting period is recognized in the statement of financial position at net cost and presented separately as a current asset or liability. In cases where adjustments for impairment of receivables have been recorded, the impairment loss is recorded for the debtor's gross value, including VAT. The related VAT must be paid to the state budget and can be recovered only in case of the debtor's prescription as a result of the bankruptcy decision.

2.11 Financial liabilities

Financial liabilities include primarily trade payables and other short-term financial liabilities (payables related to staff, tax and duty liabilities, short-term bank debt, debt in relation to various creditors) that are initially recognized at fair value and subsequently recorded at amortized cost using the effective interest method.

2.12 Recognition of income and expenses

2.12.1.Recognition of income

Income represent, according to IAS 18 "Revenues", the gross inflows of economic benefits during the period, generated 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 the equity.

Income represents the recorded increases in economic benefits recorded during the accounting period in the form of inputs or increases of assets or debt reductions, which materializes in increases in equity other than those resulting from the contributions of shareholders.
The fair value is the value at which an assets can be traded or a debt settled between interested and knowledgeable parties, in a transaction conducted under objective conditions.

Income assessment
Income is values at the fair value of the received counterperformance or which is to be received after reducing rebates and discounts.
The revenues are measured at the fair value of the counterperformance received or receivable after reducing rebates or discounts.
Income from the sale of goods is recognized when all the following requirements were met:

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

The revenue from the sale of goods is recognized when the Company transfers the significant risks and benefits of ownership to the buyer and it is likely that the Company receives those previously agreed upon payment. The transfer of risks and benefits related to the ownership is considered to be achieved after the transfer of legal title of ownership or after passing its goods to the buyer. If the entity retains significant risks of ownership, the transaction does not represent a sale and revenue are not recognized.
The Company considers that the collection times do not generate a financial component of the revenues invoiced to the distributors.

Special cases: In the 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 in which the error is discovered. If the error is discovered in the following years, its correction will no longer affect the income accounts, but the account of retained earnings from corrections of fundamental errors, if the error value will be considered significant.

2.12.2 Recognition of expenses

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 are materialized through reductions in equity, other than those arising from their distribution to shareholders.

2.13 Impairment of non-financial assets (excluding the stocks, real estate investments and deferred tax assets) - IAS 36 "Impairment of assets"

The assets owned by the company, as stated in IAS 36 *"Impairment of assets"*, are subject to the impairment tests whenever events or changes in circumstances indicate that their accounting

value may not be fully recovered. When accounting value of an asset exceeds the recoverable amount (i.e. the highest amount between the value of use and fair value minus the selling costs) the assets is adjusted accordingly.
When it is not possible to estimate the recoverable amount of an individual asset, the impaiment test is performed on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash-generating units.
Impairment costs are included in the profit and loss account unless they reduce the earnings previously recognized in other items of the comprehensive income.

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

The provision is measured at the best estimate of the expenses required for settlement of the liability at the reporting date, updated at a pre-tax rate reflecting the current market assessments of the value of money over time and debt specific risks.

Under IAS 37 "Provisions, contingent liabilities and contingent assets", a provision must be recognized if:
a) the Company has a current (legal or implicit) obligation generated by a past event;
b) it is likely that outflow of resources year incorporating economic benefits will be required to settle the obligation; 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 accounts from the group 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.
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 by 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 regulated.

2.15 Benefits of employees – IAS 19 Benefits of employees

Current benefits granted to employees
The short-term benefits granted to employees include allowances, salaries, and social security contributions These benefits are recognized as expenses when providing the 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 implicit 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 for 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.

2.16 Deferred tax - IAS 12

In the deferred tax calculation, the Company will take into account the provisions of IAS 12.
The deferred tax assets and liabilities are recognized when the book value of an asset or liability in the statement of the financial position differs from the tax base.
The recognition of deferred income tax assets is limited to those moments in which the taxable profit of the next period is likely to be available.
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 be applied 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.

2.17 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.
When accounting for the dividends, the provisions of IAS 10 are taken into consideration.

2.18 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: capital shares, reserves, reported result, result of the financial year.
The entity was established under Law no. 31/1990 on trading companies.
In the first set of financial statements prepared under IFRS, the Company applied IAS 29 - "Financial reporting in hyperinflationary economies" for the contributions of shareholders obtained before January 1, 2004, i.e. they were properly adjusted with the inflation index.

2.19 Financing costs

An entity shall capitalize the borrowing costs that are directly attributable to the acquisition, construction or production of an asset with a long production cycle as part of the cost of that asset. An entity must recognize other borrowing costs as expenses during the period in which it bears them.
The Company din not finance the construction of long-term assets from loans.

2.20 Earnings per share

The Company shows the basic earnings per share basic for the ordinary shares shares. The basic earning per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company to the weighted average number of ordinary shares over the reporting period.

2.21 Reporting on segments

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

2.22 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 the control or a joint control over the Company;
(ii) has a significant influence over the Company; or
(iii) is a member of key management staff
The key management staff includes those persons having authority and responsibility for planning, managing and controlling the activities of the Company, directly or indirectly, including any director (executive or non-executive) of that entity.
Transactions with key personnel include exclusively the salary benefits granted to them as shown in Note 7. Staff Expenses.

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 company, subsidiary and subsidiary of the same group is linked to the other);

(ii) An entity is the associate or joint venture of the other entity (or associate or joint venture of a member of the group to which the other entity belongs;

(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 sposoring 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 company of the entity).

The Company does not carry out transactions with entities described in points (i) to (vii) above.

2.23 Changing in accounting policies

Standards issued but not yet in force and not adopted in advance

The following new standards, interpretations and amendments, which are not yet in force and have not been adopted in advance in these financial statements, may have an effect on the Company's future financial statements. The list below presents IFRSs (and amendments to IFRSs) that have been issued but are not mandatory for the financial statements prepared on June 30, 2017:

- IFRS 9 *Financial Instruments* - replaces IAS 39 *Financial Instruments: Recognition and Measurement.* It includes the latest requirements for all three phases of the financial instruments project - classification and valuation, depreciation and hedge accounting that were issued between 2009 and 2013.

- IFRS 15 *Revenue from Customer Contracts* and related amendments - replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and Related Interpretations (IFRIC 13 *Customer Loyalty Programs*, IFRIC 15 *Agreements on Property Construction*, IFRIC 18 *Transfers of Assets from Customers* and SIC 31 *Income - Barter transactions involving advertising services*). The objective of IFRS 15 is to clarify the principles of revenue recognition. This includes eliminating inconsistencies and weaknesses perceived, and improving the comparability of revenue recognition practices generated by companies, industries and capital markets. In this respect, IFRS 15 establishes a unique income recognition framework. The underlying principle of the framework is that an entity must recognize revenue to describe the transfer of goods or services promised to clients in an amount that reflects the consideration the entity expects to have the right in exchange for those goods or services.

- IFRS 16 *Leasing Contracts* - Replaces IAS 17 *Lease Contracts*, IFRIC 4 *Determining the extent to which a Commitment contains a Lease Agreement*, SIC 15 *Operating Leasing - Incentives* and SIC 27 *Assessment of the Transactions Economic Fund that Implies the Legal Form of a Lease Agreement*. Major changes to IFRS 16 establish a unique model that eliminates the distinction between operating and financial leasing contracts, as well as results in the statement of financial position that reflect an active "right of use" and a corresponding liability for the majority of lease contracts.

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

There will be no significant effects on the company's financial statements, as a result of changes to standards or annual improvements that will be in effect after January 1, 2018.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

- Credit risk
- Foreign exchange risk
- Liquidity risk
-

Like all the other activities, the Company is exposed to risks arising from the use of financial instruments. This note describes the company’s objectives, policies and processes for managing

these risks and methods used to assess them. Additional quantitative information on these risks is presented in these financial statements.
There were no major changes in the Company's exposure to financial instruments related risks in its objectives, policies and processes for managing these risks or in the methods used to assess them in comparison to the prior periods except where otherwise stated in this note.

Main financial instruments

The main financial instruments used by the Company, of which the risk concerning the financial instruments may occur are as follows:

- Trade and other receivables
- Cash and cash equivalents
- Investments in quoted participation titles
- Trade and other liabilities

A summary of the financial instruments held by category is provided below:

	Loans and receivables	
ASSETS	**30.06. 2018**	**31.12 2017**
Trade and similar receivables	270,757,518	256,590,180
Cash and cash equivalents	1,767,891	5,107,743
Total	**272,525,409**	**261,697,923**

	Amortized cost	
LIABILITIES	**30.06. 2018**	**31.12 2017**
Trade and similar receivables	57,045,906	46,276,195
Short-term loans	114,081,765	69,731,310
Long-term loans	7,182,635	-
Total	**178,310,306**	**116,007,505**

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.

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 the credit risk arising from sales to customers.
Antibiotice SA has developed a Commercial Policy approved by its Management Board which includes the sales conditions and the selection conditions of the clients.
Antibiotice SA cooperates only with large distributors in the national pharmaceutical market. In all situations where possible, export sales are paid in advance.

Calculation and analysis of the net statement (equity)

Indicators (LEI)	**30.06. 2018**	**31.12 2017**
Credits and loans	121,264,400	69,731,310
Cash and cash equivalents	(1,767,891)	(5,107,743)

Net debt	**119,496,509**	**64,623,567**
Total equity	**418,882,544**	**416,877,840**
Net debt in equity (%)	**28.53%**	**15.50%**

Foreign Exchange Risk

The Company is mainly exposed to currency risk in the purchases made from the suppliers of raw materials, packaging and other materials outside Romania. Suppliers from whom the company purchases these items for production of medicines must have documents attesting the quality of their goods, as required by the European medicine registration rules. Financial Unit is responsible for tracking the payment deadlines and for ensuring the available funds for payment, so that the effect of foreign exchange risk to be minimized.
On June 30, 2018 the company's net exposure by types of currency to the foreign currency risk was as follows:

Assets/liabilities in EURO equivalent in LEI	**30.06. 2018**	**31.12 2017**
Monetary financial assets	5,916,192	3,902,185
Monetary financial liabilities	(24,215,959)	(12,895,388)
Net financial assets	(18,299,766)	(8,993,202)

RON/EUR variation		Gain/ Loss
Appreciation of the LEU against EUR by 5%	(914,988)	(449,660)
Depreciation of the LEU against EUR by 5%	914,988	449,660
Impact on result	-	-

Assets and liabilities in EUR	**30.06. 2018**	**31.12 2017**
Monetary financial assets	1,269,270	837,433
Monetary financial liabilities	(5,195,331)	(2,767,429)
Net financial assets	**(3,926,062)**	**(1,929,996)**

Assets/liabilities in USD equivalent in LEI	**30.06. 2018**	**31.12 2017**
Monetary financial assets	25,450,370	15,609,753
Monetary financial liabilities	(7,600,621)	(9,099,908)
Net financial assets	**17,849,749**	**6,509,845**

LEI/USD variation		
Appreciation of the LEU against USD by 5%	892,487	325,492
Depreciation of the LEU against USD by 5%	(892,487)	(325,492)
Impact on result	-	-

Assets and liabilities in USD	**30.06. 2018**	**31.12 2017**
Monetary financial assets	6,357,348	4,011,243

Monetary financial liabilities	(1,898,589)	(2,338,406)
Net financial assets	**4,458,759**	**1,672,837**

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

Assets / Liabilities	**30-Iun-18**	**31-Dec-17**
LEI	101,847,757	148,173,777
EUR	(18,299,766)	(8,993,202)
USD	17,849,749	6,509,845
Alte valute (CAD,GBP)	-	(62)
Net exposure	**101,397,740**	**145,690,355**

Given the relatively low exposure to exchange rate fluctuations, reasonable fluctuations in exchange rates are not expected to have significant effects in future financial statements.

Liquidity risk

Liquidity risk arises from the company’s management of the current assets, financing costs and reimbursement of the principal amount for its debit instruments.

The Company’s policy is to provide the necessary cash for the payment of outstanding debts. To achieve this objective, the Company seeks to maintain cash balances (or facilities agreed upon) to satisfy the payment needs.

Management Board regularly receives cash flow forecasts 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 reasonable foreseeable circumstances.

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

30.06.2018	**Up to 3 months**	**Between 3 and 12 months**	**Over 12 months**	**Total**
Commercial and similar debt	46,461,459	35,536,136	-	81,997,595
Credits and loans		114,081,765	7,182,635	121,264,400
Total	**46,461,459**	**149,617,901**	**7,182,635**	**203,261,995**

31.12.2017	**Up to 3 months**	**Between 3 and 12 months**	**Over 12 months**	**Total**
Commercial and similar debt	17,325,401	48,003,461	-	65,328,862
Credits and loans		69,731,310	-	69,731,310
Total	**17,325,401**	**117,734,771**	**-**	**135,060,172**

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

Operational risk
Operational risk is the risk of some direct or indirect losses arising from a wide range of reasons associated to processes, staff, technology and infrastructure of the Company as weel as from external factors, others than the credit, market and liquidity risk, such as those arising from legal and regulatory requirements and from the generally accepted standards on the organizational behavior. Operational risks arise from all the Company's operations.
Management is responsible for conducting operational risk related-controls. Management is supported in its mission through the development of the company’s general operational risk standards in the following fields:

- Requirements for separation of responsibilities, including independent transaction authorization;
- Requirements for reconciliating and monitoring the transactions;
- Compliance with regulatory and legal requirements;
- Documenting controls and procedures;
- Requirements for periodic review of operational risk to which the Company is exposed and the adequacy of controls and procedures to prevent the identified risks;
- Requirements for reporting the operational losses and proposals to remedy the causes that generated them;
- Development of business continuity plans;
- Professional development and training;
- Establishing ethical standards;
- Preventing litigation risk, including insurance, where applicable;
- Mitigation of risks, including the efficient use of insurance, where applicable.

Adequacy of capital

The management’s policy regarding the capital adequacy is focused on maintaining a sound capital base, in order to support the company’s ongoing development of and reach its the investment objectives.

4. SALES INCOME

Sales income includes the following items:

Description	**30.06.18**	**30.06.17**
Finished product sales	163,227,620	142,123,765
Sales of goods	32,699,203	35,478,367
Trade discounts	(38,226,337)	(30,402,037)
Total	**157,700,486**	**147,200,095**

Sales revenue is mainly driven by sales of finished products directly to pharmaceutical distributors. On June 30, 2018, intra and extra-community sales amounted to 67,961,579 LEI as compared to 67,635,402 LEI on June 30, 2017.

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

5. OTHER OPERATING INCOME

Other operating income includes the following:

Description	**30.06.18**	**30.06.17**
Rental income	35,095	47,188
Income from research studies	173,398	135,632
Income from various activities	159,974	24,595
Income from indemnities, fines and penalties	29,462	19,233
Other operating income	1,322,041	956,506
Income from adjustments for depreciation of current assets	8,412,312	5,355,344
Income from provisions for risks and expenses	1,686,271	4,049,156
Exchange rate differences	2,992,061	2,929,934
Total	**14,810,614**	**13,517,588**

6. RAW MATERIALS, CONSUMABLES AND GOODS

Expenditure on raw materials and consumables consists of:

Description	**30.06.2018**	**30.06.2017**
Raw materials	43,475,560	38,158,361
Auxiliary materials	2,691,040	2,528,850
Goods	24,543,132	22,237,629
Expenditure on fuel and spare parts	2,125,682	1,900,497
Inventory items	299,044	353,316
Other consumables	198,121	171,117
Total	**73,332,578**	**65,349,770**

7. STAFF EXPENSES

Staff expenses consist of:

Description	**30.06. 2018**	**30.06. 2017**
Wages	38,199,336	29,253,528
Civil contracts	673,119	245,674
Taxes and social contributions	1,296,847	7,187,992
Other benefits (meal tickets)	1,826,913	1,548,168
Total	**41,996,215**	**38,235,362**

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

Remuneration granted to the members of the Management Board and to the Executive Team is presented in the following table:

Description	**30.06.2018**	**30.07. 2017**
Wages	2,089,629	1,507,738
Civil contracts	673,119	245,674
Taxes and social contributions	64,267	339,473
Total	**2,827,015**	**2,092,885**

8. OTHER OPERATING EXPENSES

Other operating expenses include the following:

Description	**June 30, 2018**	**June 30, 2017**
Utilities	5,347,690	4,696,756
Repairs	580,268	681,807
Rent	87,826	77,749
Insurances	620,116	663,012
Bank fees	985,572	688,498
Advertising & promotion of products	3,324,462	3,472,615
Travel & transport	1,797,146	1,759,469
Post & telecommunications	277,650	241,854
Other services provided by third parties	7,669,587	10,478,798
Other taxes	19,561,028	16,293,142
Environment protection	318,030	363,898
Loses and adjustments of uncertain receivables	5,561,145	1,501,702
Exchange rate differences	2,818,135	4,937,960
Sundries	1,118,771	1,891,794
Total	**50,067,426**	**47,749,054**

9. FINANCIAL INCOME AND EXPENSES

Net financial income consists of:

Description	**June 30, 2018**	**June 30, 2017**
Interest income	1,129	2,835
Other financial income	1,727	-
Interest expenses	(1,389,097)	(498,246)
Other financial expenses	(74,669)	(94,809)
Total	**(1,460,910)**	**(590,220)**

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

10. CURRENT AND DEFERRED PROFIT TAX EXPENSES AND OTHER TAXES

Description	**June 30, 2018**	**June 30, 2017**
Current tax	960,550	**1,184,810**

Deferred tax expense/ income	(247,936)	(323,403)
Taxes specific to certain activities	28,508	-
Total	**741,122**	**861,407**

Profit tax to be paid was calculated taking into account the influences of non-deductible expenses and taxable income, tax incentives, effects of income tax provisions as well as the effects of applying Law 170/2016 on the tax specific for some activities. A reconciliation between the accounting and fiscal profit which was the basis for the calculation of corporation tax and other taxes is presented in the following table:

Description	**June 30, 2018**	**June 30, 2017**
Total income	187,454,629	171,277,314
Total expenses (without profit tax)	166,270,944	150,775,946
Gross book value	**21,183,685**	**20,501,368**
Deductions	(11,783,345)	(11,443,492)
Non-deductible expenses	8,522,775	5,629,203
Fiscal result	17,923,115	14,687,079
Profit tax (fiscal result x 16%)	2,867,698	2,349,933
Tax reductions	(1,907,148)	(1,165,123)
Current profit tax	**960,550**	**1,184,810**
Deferred profit tax	(247,936)	(323,403)
Taxes specific to certain activities	28,508	-
Total profit tax and other taxes	**741,122**	**861,407**

11. EARNINGS PER SHARE

Description	**30-Iun-18**	**30-Iun-17**
Net profit(A)	20,103,047	19,196,195
Number of ordinary shares (B)	671,338,040	671,338,040
Earning per share (A/B)	0,029945	0,028594

12. FIXED ASSETS

	Land	Buildings	Technical installations & equipment	Other installations, equipment & furniture	Tangible assets in progress	Total
COST						
December 31, 2016	108,306,000	79,652,492	137,223,427	5,879,485	6,322,549	337,383,953
Acquisitions	-	3,738,017	16,819,970	337,980	33,762,998	54,658,965
Inputs	-	64,344	2,441,544	24,419	20,895,966	23,426,273
December 31, 2017	108,306,000	83,326,165	151,601,853	6,193,046	19,189,581	368,616,645
Acquisitions	-	-	14,924,673	97,888	15,010,409	30,032,970
Outputs	-	51,666	5,262,337	75,784	15,022,561	20,412,348
June 30, 2018	108,306,000	83,274,499	161,264,189	6,215,150	19,177,429	378,237,267
AMORTIZATION						
December 31, 2016	-	13,836,985	111,678,213	4,862,555	-	130,377,753
Cost of the period	-	10,689,599	6,268,486	266,571	-	17,224,656
Outputs	-	64,344	2,441,544	24,419	-	2,530,307
December 31, 2017	-	24,462,240	115,505,156	5,104,707	-	145,072,102
Cost of the period	-	4,661,117	3,917,492	113,619	-	8,692,228
Outputs	-	51,666	5,262,337	75,784	-	5,389,787
June 30, 2018	-	29,071,691	114,160,311	5,142,542	-	148,374,544
PROVISION						
December 31, 2016	-	59,200	244,652	-	-	303,852
Outputs 2016	-	2,200	-			2,200
December 31, 2017	-	57,000	244,652	-	-	301,652
Outputs 2018	-	-	-	-	-	-
June 30, 2018	-	57,000	244,652	-	-	301,652
NET VALUES						
June 30, 2018	108,306,000	54,145,808	46,859,226	1,072,608	19,177,429	229,561,070
December 31, 2017	108,306,000	58,806,925	35,852,045	1,088,339	19,189,581	223,242,890
December 31, 2016	108,306,000	65,756,308	25,300,561	1,016,931	6,322,549	206,702,347

Depreciation of fixed assets

Accounting depreciation is calculated using the straight line method. For the fixed assets, new entries in 2018 such as installations, machines and measuring and control devices, the useful lives have been established taking into account:

- estimated level of use based on the use of the asset' capacity;
- repair and maintenance program performed by ANTIBIOTICE SA for 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 held as collateral or guarantees is 46,674,266 LEI.

13. INTANGIBLE ASSETS

Intangible assets include in-house development projects, legal documentations (for licenses and patents) as well as software licenses.

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

	June 30, 2018	**Dec. 31, 17**
Initial balance	21,718,103	17,317,531
Inputs	2,575,479	11,330,798
Outputs	1008,982	6,930,226
Final balance	23,284,598	21,718,103
Amortization		
Initial balance	8,610,480	7,178,073
Cost of the period	1,261,858	1,432,407
Final balance	9,872,338	8,610,480
Net value	**13,412,260**	**13,107,622**

14. STOCKS

Description	**June 30, 2018**	**Dec. 31, 17**
Raw materials and consumables	19,509,424	21,618,301
Production in progress	1,571,981	2,430,978
Semi-finished and finished products	61,794,095	35,603,581
Goods	20,759,291	7,611,686
Total	**103,634,791**	**67,264,546**

The value of inventories held as collateral is 34,823,504 LEI.

15. TRADE AND OTHER RECEIVABLES

Description	**30-Iun-18**	**31-Dec-17**
Trade receivables	316,776,794	299,570,239

Ajustments for trade receivables	(46,848,774)	(43,879,851)
Various debtors and other receivables	4,322,692	8,477,982
Adjustments for various debtors	(3,493,194)	(7,578,190)
Total financial assets, other than cash, classified as loans and receivables	**270,757,518**	**256,590,180**
Receivables related to employees	4,894	106
Other receivables from the State Budget	4,587,298	1,983,468
Advance payments	19,365,578	5,638,989
Total	**294,715,288**	**264,212,743**

On June 30, 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.

Analysis of seniority	**June 30,2018**	**Dec 31, 2017**
Receivables - customers	316,776,794	299,570,239
up to 3 months	107,792,037	110,759,313
between 3 and 6 months	50,371,019	78,790,458
between 6 and 12 months	113,202,840	61,437,090
over 12 months	45,410,898	48,583,380
value adjustments related to receivables- customers	(46,848,774)	(43,879,851)

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

Adjustments of receivables	**June 30, 2018**	**Dec 31, 2017**
At the beginning of the period	51,458,041	59,507,495
Established during the year	9,348,452	13,293,189
Cancelling the adjustments	(10,464,524)	(21,342,643)
At the end of the period	**50,341,969**	**51,458,041**

Value of receivables established as guaranties is 263,277,535 LEI.

16. CASH AND CASH EQUIVALENTS

Description	**June 30, 2018**	**Dec. 31, 2017**
Available at the bank	1,738,731	5,096,113
Cash and cash equivalents	29,160	11,630
Total	**1,767,891**	**5,107,743**

17. TRADE AND OTHER PAYABLES

Description	**June 30, 2018**	**December 31,2017**
Trade payables	44,176,425	34,385,826
Suppliers of fixed assets	7,825,982	5,287,438
Employee-related liabilities	1,723,406	1,676,678
Wage provisions	2,900,000	4,586,271
Other debts	134,093	166,176
Outstanding interest	286,000	173,806

Total debt less loans, classified as measured at depreciated cost	**57,045,906**	**46,276,195**
Taxes and social contributions	2,659,333	2,872,453
Dividends	12,706,827	5,670,739
Advance money from customers	521,200	716,587
Total	**72,933,266**	**55,535,974**

18. AMOUNTS OWED TO CREDIT INSTITUTIONS

Amounts owed to the credit institutions at 30.06.2018

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

Objective	Credit line-working capital
Amount	50,000,000 LEI
Maturity	16.08.2018
Balance on June 30, 2018	46,623,059 LEI
Warranties	Mortgage contract for buildings, land/ Receivable assignment contract

Long-term investment credit agreement no. IAS3-20-2018/03.05.2018 concluded with Unicredit Bank S.A.

Objective	Long-term investment credit
Amount	15,406,300 EUR
Maturity	02.05.2028
Balance on June 30, 2018	1,540,974.33 EUR (7,182,635.45 LEI)
Warranties	Mortgage contract for buildings, land, equipment purchased under the investment project / Receivable assignment contract

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

Objective	Credit line-working capital
Amount	30,000,000 LEI
Maturity	25.06.2019
Balance on June 30, 2018	29,339,449.08 LEI
Warranties	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	9,500,000 EUR

Maturity	22.05.2019
Balance on June 30, 2018	14,513,695.84 LEI 5,064,375.49 EUR (23,605,560.60 LEI)
Warranties	Mortgage contract for buildings, land/ Receivable assignment contract

Amounts owed to the credit institutions at 31.12.2017
The short-term contract no. IAS3-42-2016/ 17.08.2016 concluded with Unicredit Bank S.A.

Objective	Credit line-working capital
Amount	30,000,000 LEI
Maturity	16.08.2018
Balance on December 31, 2017	28,769,000 LEI
Warranties	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	30,000,000 LEI
Maturity	26.06.2018
Balance on December 31, 2017	25,905,001.42 LEI
Warranties	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	9,500,000 EUR
Maturity	22.05.2018
Balance on December 31, 2017	8,739,544.83 LEI 1,355,830.54 EUR (6,317,763.57 LEI)
Warranties	Mortgage contract for buildings, land/ Receivable assignment contract

SC Antibiotice SA has not lodged guarantees and has not pledged or mortgaged its own assets to guarantee obligations in favor of a third party.

19. SUBVENTIONS FOR INVESTMENTS

The subventions for investments have the following structure:

Subventions for investments	**30-Iun-18**	**31-Dec-17**
Waste water treatment plant	2,501,998	2,639,349
Research project-UMF Iasi	38,799	16,786
Other amounts received in the form of subsidies	481,501	169,000
Total	**3,022,298**	**2,825,135**

The amounts reflected in the account subventions for investments represent values received by the company in the form of subsidies in the lsat 10 years for investments in environmental protection and in increasing the competitiveness of industrial products through financing from the Ministry of Economy and UEFISCDI Bucharest.

20. DEFERRED INCOME TAX

The variation of debts on the deferred income tax is presented in the following table:

Description	**June 30, 2018**	**December 31, 2017**
Initial balance	18,172,398	18,758,368
Cost / (income) deferred tax	(247,936)	(585,970)
Final balance	17,924,462	18,172,398

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

21. SHARE CAPITAL

Subscribed share capital of the company on June 30, 2018 is 67,133,804 lei, the nominal value of an share being of 0,1000 lei/share. Our company has 671,338,040 shares which confer equal rights to the company’s shareholders. SC Antibiotice SA has not issued preference shares.
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. It was applied starting with the balance determined according to GD 500/ 1994, from the reporting date to 31.12.2003, the date when it was considered that the national economy has ceased to be hyperinflationary.
Subsequent to 31.12.2003, the share capital increased according to the historical amounts registered with the Trade Registry.
On 31.12.2012, in the balance sheet of the Company there was a retained earnings result from the application for the first time of IAS 29 *"Financial Reporting in Hyperinflationary Economies*" proposed to cover the amount resulting from the application of IAS 29 *"Financial Reporting in Hyperinflationary Economies"* 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

21. RESERVES

Reserves include the following components:

Description	30-Iun-18	31-Dec-17
Reserves from revaluation of fixed assets	16,349,638	17,524,457
Legal reserves	13,426,761	13,426,761
Deferred tax recognized on equity	(2,780,345)	(2,968,316)
Other reserves	166,884,712	162,134,513
TOTAL	**193,880,766**	**190,117,415**

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

Reserve	Description and purpose
Reserves from revaluation of fixed assets	If the carrying 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 recalculation of the profit tax. The difference represents reserves made up of profits.

22. REPORTED RESULT

Reported result includes the following:

Description	June 30, 2018	December 31, 2017
Reported result - surplus from revaluation reserves	12,689,169	11,702,322
Result reported from error correction	(272,574)	-
Retained earnings arising from the use of fair value as deemed cost at the date of transition to IFRSs	125,348,331	125,348,331
Retained earnings from the adoption of IAS 29 for the first time	(197,701,352)	(197,701,352)
Total	**(59,936,426)**	**(60,650,699)**

The result from the correction of errors is the result of the documentary verification of the deduction of expenses in the annual income tax return D101 for the year 2016 and the rectification of the fiscal statement.

24. CONTINGENT LIABILITIES

SC Antibiotice SA has no contingent debts on June 30, 2018.

25. EVENTS AFTER THE REPORTING PERIOD

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

26. INFORMATION ABOUT THE AUDIT OF FINANCIAL STATEMENTS

The financial audit for the first semester 2018 was carried out by SOCECC SRL. The auditor provided only financial audit services.