

MANAGEMENT REPORT

January-December 2020

Annual Report according to IFRS

For the fiscal year: 2020

Report Date: 15.03.2021

Name of the trading company:

ANTIBIOTICE S.A.

Head Office: Iasi, 1 Valea Lupului St.

Phone number: 0232/209000, Fax 0232/209633

Fiscal registration code: RO 1973096

Order number in the Trade Register: J22/285/1991

Regulated market on which the issued securities are traded: Bucharest Stock Exchange

Subscribed and paid up capital: 67,133,804 LEI

Main characteristics of the securities issued by the company: Nominative shares, nominal value: 0.10 LEI

Background

In December 2020, Antibiotice marked its 65th anniversary, 65 years of Romanian continuity and tradition starting with the manufacture of Penicillin for the first time in Romania in 1955, **in the City of Iași. Antibiotice** had the chance to be among the world's leading producers of this substance that revolutionized medicine only 11 years after it was synthesized on a manufacturing flow in the United States of America in 1944 and 27 years after it was discovered by Alexander Fleming in 1928.

2020 was an atypical year, a year with many obstacles and challenges caused by the SARS-CoV-2 virus pandemic. A year in which the main concerns of our company were the health of the employees, continuation of the production, adaptation to the market requirements, solidarity with the national health system and consolidation of our presence in the international territories.

This year determined us to rethink the company's long-term strategies, two objectives being a priority for a continuous and high-performing activity:

- to maximize the profitability of our business;
- to ensure a sustainable, consolidated growth of our business in the period 2020-2028.

In the first stage, 2020-2023, our company's **Management Plan** envisages a 25% consolidated growth rate of both turnover and profit.

In the second stage, 2024-2028, the Management Plan will anticipate a growth rate of 40% in turnover and 70% in profit, according to the Strategic Organization and Development Plan (P.O.D.S.) of our company.

In 2020, Antibiotice placed a major emphasis on the strategic planning of management systems for improving the organizational functionality and efficiency both by decentralizing activities into three divisions (Topical Products Division, Oral Solid Products Division and Sterile Products & APIs Division), and by setting the objectives.

Achievement of our long-term goals is based on the following strategies:

- Managerial measures for strategic development and adaptation to the realities of the domestic and international market:
 - Pillar 1: Strategic adaptation of human resources to the realities of the stage 2021 - 2028;
 - Pillar 2: Strategic adaptation of the product portfolio;
 - Pillar 3: Continuous improvement of the Integrated Management System (Occupational Quality, Environment, Health and Safety);
 - Pillar 4: Strategic planning and performance management;
 - Pillar 5: Corporate Governance
- Investments and related activities for the strategic development of the site
 - o Development of production, research, utilities, transport storage infrastructures;
 - o Investments for environmental protection;
 - o Development of the training and preparation infrastructure of human resources and its adaptation to the concept of strategic development.
- Digitization and computerization of the company's activities and processes.

These strategies are based on applying certain principles to support the company's activities:

- the strategic planning principle;

- the principle of identifying the activities by operating divisions (sterile products and active substances, oral solid products, topical products);
- principle of accountability through the performance management;
- the principle of decentralization of budgets and activities down to portfolios, product groups and products.

The 2020 objectives and performance criteria of the Management Board members are presented below:

Indicators - Administrators	31.12.2020	
	Planned	Achieved
SALES INCOME (thousand LEI)	376,961	340,424
GROSS PROFIT (thousand LEI)	24,500	28,329
ARREARS (thousand LEI)	0	0
TOTAL EXPENSES PER 1,000 LEI INCOME (lei)	939	926
Government social policies	100%	100%
Establishing risk management policies and risk monitoring	100%	100%
Monitoring the transparency and communication processes	100%	100%
Reviewing, evaluating and reporting the performance of the administrator and director	100%	100%
Degree of use of production capacity not less than 60%	60%	63%
Achieving a degree of customer satisfaction in the domestic market of at least 80%	80%	89%
Average number of continuous professional training hours per employee	32	32

In the stage 2020-2028, Antibiotice will turn into a sustainable company in all its functionalities, a sustainable business with responsibility towards people and environment.

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I Antibiotic's presentation

Antibiotice SA is the most important Romanian manufacturer of generic medicines, a national and international reference brand which has been continuing its mission of producing quality, safe and efficient medicines to give people the hope of a healthy life.

Antibiotice SA:

- The main manufacturer of anti-infectives in Romania, a leader in the production of injectable beta-lactam antibiotics;
- Leader in the production of topicals (ointments, creams, gels) in the Romanian market;
- Its exports account for 46.5 % of the turnover;
- Ranks first globally in the production of the active substance Nystatin, our product being the USP Reference Standard - an international quality standard;
- Has a portfolio comprising over 150 products from 11 therapeutic classes: cardiovasculars, dermatologicals for topical use and inflammatories, digestive tract and genitourinary medicines, food supplements, to which biocidal products are added;
- Has 8 manufacturing flows organized into three divisions: Sterile Products Division (penicillin powders for injection and active substances obtained by biosynthesis, biocidal solutions), Oral Solid Products Division (penicillin capsules, non-beta-lactam capsules, cephalosporin capsules and tablets), Topical Products Division (ointments, creams, gels, suppositories, pessaries).
- Holds internationally recognized certifications and authorizations:
 - Authorization for Nystatin and injectable penicillin products granted by the Food and Drug Administration (FDA) , the US drug regulatory body;
 - Certificate of Suitability (COS) with the European Pharmacopoeia for Nystatin;
 - Good Manufacturing Practice (GMP) certificate for all the manufacturing flows, Integrated Management System (Quality, Environment , Occupational Health and Safety);
 - Has a modern Research-Development Center and a Clinical Studies Center;
 - The first European company prequalified by the World Health Organization (WHO) for the range of essential first-line antituberculosis medicines.

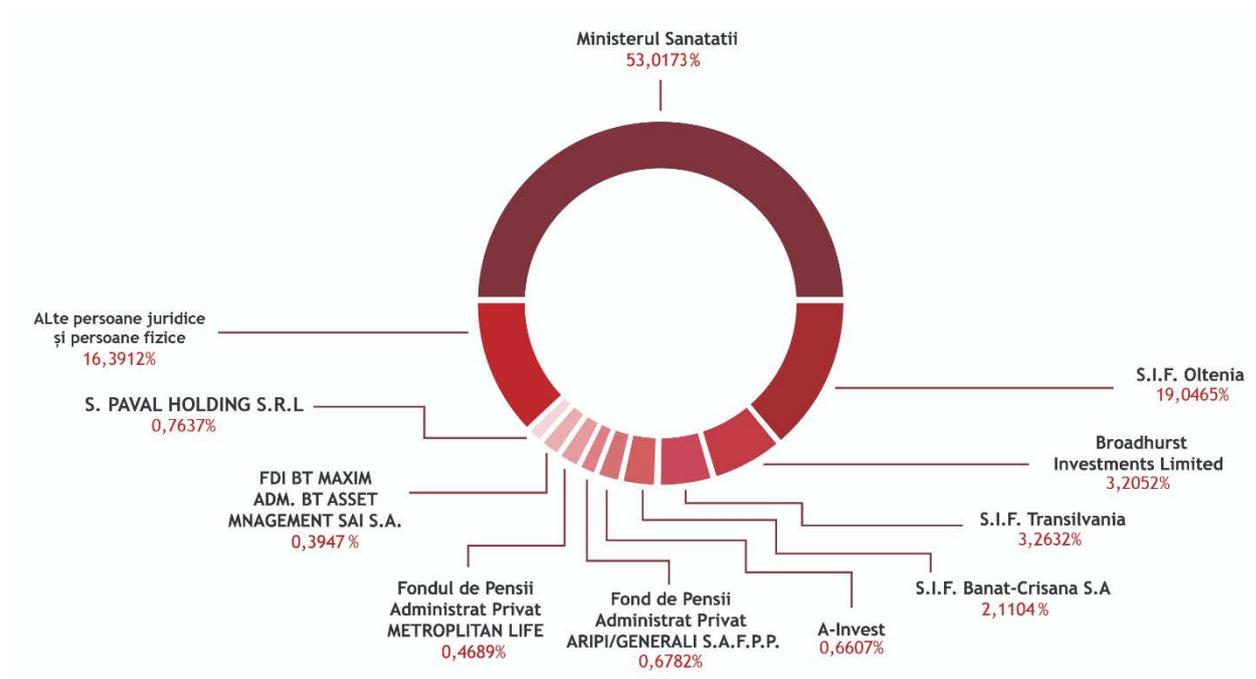
II Shareholding

Antibiotice SA is a trading company in which the majority shareholder is the Ministry of Health with 53.0173% of the subscribed and paid-up capital. Bucharest Stock Exchange (BVB) is the regulated market in which the securities issued by Antibiotice SA are traded in the PREMIUM category.

The main Antibiotice shareholders on 31.12.2020 (extracted from the Shareholders' Registry):

MINISTRY OF HEALTH (*)	53.0173%
S.I.F. OLTENIA (*)	19.0465%
S.I.F. TRANSILVANIA	3.2632%
BROADHURST INVESTMENTS LIMITED	3.2052%
S.I.F. BANAT-CRISANA S.A.	2.1104%
S. PAVAL HOLDING S.R.L.	0.7637%
PRIVATE PENSION FUND ARIPI	0.6782%
A - INVEST	0.6607%
PRIVATE PENSION FUND METROPOLITAN LIFE	0.4689%
FDI BT MAXIM ADM. BT ASSET MANAGEMENT SAI SA	0.3947%
Other shareholders (42,285 shareholders)	16.3912%

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



Ownership breakdown:

- Legal persons - 86.0834%
- Natural persons - 13.9166%

Antibiotice in the capital market

Since 1997, the shares issued by Antibiotice have been listed in the PREMIUM category of the Bucharest Stock Exchange, under the ATB symbol.

The first transaction was recorded 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.

The Antibiotice (ATB) shares traded on the Bucharest Stock Exchange are included in the BET-Plus index which comprises the Romanian companies listed on the BVB market that meet the minimum selection criteria, except for financial investment companies.

In 2020, the minimum price of the ATB share had the value of 0.4130 LEI. The share price increased to maximum value of 0.5550 LEI/share.

Stock market capitalization of Antibiotice on December 31, 2020 (the last trading day of the year) was 326,270 thousand LEI.

Antibiotice shares - ATB / Regular market

	2016	2017	2018	2019	2020
Number of shares	671,338,040	671,338,040	671,338,040	671,338,040	671,338,040
Stock market capitalization (thousand LEI)*	349,096	361,180	326,942	341,040	326,270
Stock market capitalization (thousand EUR)*	76,875	77,511	70,100	71,370	66,935
Stock market capitalization (thousand \$)*	81,123	92,813	80,259	79,873	82,163
Total traded value (million LEI)	6	12	9	15	14
No. of traded shares	12,555,866	21,113,565	17,109,263	30,364,292	27,085,005
Opening price (LEI/share)	0.5320	0.5200	0.5780	0.4800	0.5120
Maximum price (LEI/share)	0.5420	0.5920	0.5780	0.5260	0.5550
Minimum price (LEI/share)	0.4200	0.5200	0.4550	0.4500	0.4130
Price at the end of the period (LEI/share)	0.5270	0.5380	0.4870	0.5080	0.4860
Average price (LEI/share)	0.5032	0.5585	0.5028	0.4851	0.5079
Earnings/share (LEI/share)***	0.0452	0.0500	0.0511	0.0459	0.0418
Gros dividend/share (LEI/share)**	0.0384	0.026552598	0.009991506	0.029879738	0.00330631
Dividend yield****	4.05%	4.59%	2.05	6.2%	6.5%
Dividend distribution rate*****	52%	53%	20%	65%	8.4%

* Calculation based on the share price in the last trading day of that year

** Proposed dividend

*** Calculation of the earnings per share is based on the net profit of each year

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

***** Dividend distribution rate = (total number of shares x gross dividend per share/total net profit

In 2020, a number of 27,085,005 shares were traded, amounting to 13.76 million LEI (2.8 million EUR, 3.3 million USD), with an average price of 0.5079 LEI/share.

In 2020, our company paid dividends for the financial years 2016, 2017, 2018 and 2019, amounting to 18,166,715.83 LEI, as follows:

Dividend history (2016 - 2017 - 2018- 2019)

Period	Net dividends							Date on which the payment of dividends ceases
	Due	Paid				Unclaimed dividends 31.12.2020		
		lei			% (total paid)	lei	%	
		Until 31.12.2019	01.01÷31.12.2020	Total				
0	1	2	3	4	5	6	7	8
2016	25,401,595	23,379,791.77	17,169.33	23,396,961.10	92.11	2,004,633.90	7.89	14.09.2020
2017	17,588,680	16,138,163.54	22,007.82	16,160,717.36	91.88	1,428,508.64	8.12	Payment in progress
2018	6,612,624.05	6,055,864.22	13,318.65	6,069,182.87	91.78	543,441.18	8.22	Payment in progress
2019	19,811,039.75	-	18,114,220.03	18,114,220.03	91.43	1,696,819.72	8.57	Payment in progress

Payment of the dividends for the fiscal years 2016, 2017, 2018 and 2019 has been made through the Central Depository Bucharest and, implicitly, through the CEC Bank - the Paying Agent.

Rights of the financial instrument holders

The corporate governance framework adopted and applied:

- protects the shareholders' rights;
- ensures the fair treatment of all shareholders;
- recognizes the role of third parties with interests in the company;
- guarantees the provision of information and its transparency;
- assures the responsibility of the Management Board towards company and shareholders.

On our company's website at

www.antibiotice.ro/investors/informationforshareholders, there is a section dedicated to our shareholders, where they can access and download documents related to the General Meetings of Shareholders: procedures regarding the access and participation in the meetings, the notice to attend, agenda, informative materials, special representation proxies, correspondence voting forms, decision drafts, decisions, voting results, etc.

Investor Relations

The investor relations activity supports the constant communication between our company and investors, the simplest form of respect towards our shareholders and investors. This process allows the shareholders and investors to learn about the operational activity, strategy and prospects of the business, in order to wittingly make a fair evaluation of the company. Being a listed company, we make available to the public and send to the Financial Supervisory Authority (ASF) and Bucharest Stock Exchange (BVB), annual, half-yearly, quarterly and current reports, as well as documents related to the smooth conduct of general meetings. Being oriented towards developing and increasing the transparency towards our shareholders, immediately after the periodic financial reports (at 6 months and annually), we organize our own meetings and presentation events. These events are attended by interested investors

and analysts who have the opportunity to convey their questions, opinions and suggestions. This way a dialogue is established with the representatives of the Romanian capital market, so that they gain a sufficient basis for making their investment decisions.

In 2020, our company organized 3 teleconferences (25.02.2020, 15.05.2020 and **13.08.2020**) and a conference entitled "**Antibiotice** - a company worth investing in" - that took place on 29.10.2020.

All the documents regarding the good development of the above mentioned events were published in accordance with the legislation in force - Law no. 31/1990 republished, with the amendments and completions up to date, the Government Emergency Ordinance no. 109/2011 on corporate governance of public enterprises, Law no. 24/2017 on the issuers of financial instruments and market operations, Regulation no. 5/2018 regarding the issuers of financial instruments and market operations.

Organization of the General Meetings of Shareholders, changes in the company's structure, decisions of the general meetings, as well as the actions related to guaranteeing the shareholders' rights - distribution of dividends related to the financial year 2019, were made in accordance with the legal regulations.

The distinctions obtained during the year brought the recognition of the active and constant communication of Antibiotice with the investors. Thus, the maximum grade obtained in the evaluation of the VEKTOR indicator based on 15 criteria of good practices in the relationship with investors, proved once again that Antibiotice SA is a company worth investing in.

Antibiotice SA also ranked third in the category *Best Company IR - retail choice*, being taken into account the communication, openness, transparency and quality of information received at the ARIR Gala.

III Presentation of our company's activity in 2020, the first stage of the 2020-2023 Management Plan

Domestically, the sales of medicines were affected, the pharmaceutical market being influenced by the limited access of patients to hospitals and medical services.

In this context, characterized by a change in the structure of medicine consumption focused on products used in the treatment of COVID-19 (anti-infectives, antivirals, antipyretics, immune booster product), Antibiotice supported the need for such medicines by urgently reintroducing into production two products (Paracetamol and Novocalmin - molecules for treating COVID-19). Our company adapted itself to the demand, responding to the treatment needs with back-up injectable antibiotics. Also, to meet the specific needs of this period, Antibiotice adapted its manufacturing structure, producing biocides for surfaces.

Externally, the company was identified by international partners as a major manufacturer of sterile anti-infectives for injection, these medicines being required by most health systems for the associative treatment of complicated infections caused by the SARS-CoV-2 virus.

III.1. Managerial measures for strategic development and adaptation to the realities of the domestic and international market

III.1.1. Strategic adaptation of human resources to the realities of the stage 2021 - 2028

As regards the the human resource field, 2020 challenged us to continuously adapt while meeting the safety measures in the pandemic context.

The actions taken ensured both the achievement of performance indicators in compliance with the Business Plan of Antibiotice SA, as well as maintaining an organizational climate that pursues the retention and satisfaction of employees towards the position held, job security and a correct remuneration.

Performance indicators	Planned 2020	Achieved 2020
Average number of employees	1,415	1,415
Staff costs	105,100 thous. LEI	104,173 thous. LEI
Average number of hours of continuous professional training / employee	32	32

These actions were aimed at:

- Increasing the efficiency of staff costs
Fitting into the approved salary budget was monitored monthly.
- Non-discriminatory staffing, development of our employees' skills necessary to achieve the objectives and increasing their degree of involvement
 - Reorganization and adaptation of the personnel structure on key organizational components was made by substantiating and implementing the decisions to restructure the activities to meet with the needs of the divisions.
 - Identification of the necessary personnel, by each organizational structure, in order to achieve the objectives, was made in compliance with the organizational charts established through a detailed analysis of the personnel, possibilities of cessation of activity according to the applicable legal provisions and necessities of attracting personnel for replacement or development of activities. During 2020, the recruitment and selection methods were made online.

To ensure the necessary staff, the Human Resources Unit conducted the following projects in 2020:

- Perform a+, the 5th edition, a project for practical training and personnel selection, through partnership with the universities. Initially the project was addressed to the students of the Faculty of Pharmacy. Starting with this year, the addressability of this project has been extended, in order to attract chemistry students (master students, doctoral students) of the Faculties of Chemistry within the "Al. I. Cuza" University of Iasi and "Gheorghe Asachi" Technical University of Iasi, due to the need for specialists within the Analytical Research activity. The project took place during September-November 2020, involving 22 students (versus 12 students the previous year). 3 of them have already found their place and vocation in our research team.
- Partnerships with pre-university educational institutions, Petru Poni Technological High School and Technological High School of Mechatronics and Automation **Iași**. The collaboration in this project implies the practical training but also the material support of the students through scholarships granted according to the performance criteria included in the contracts and their encouragement to avoid school dropout. The project materialized in a 3-year

training of 15 pupils for the profession of chemical operator for medicines and cosmetics and 10 pupils for the profession of electrician specialized in low voltage networks.

➤ Training programs for professional and personal development of employees

The training plan with external lecturers had as priority objectives the specialized professional development, acquisition of knowledge and skills specific to each field of activity in our company. Online professional training allowed the participation of a larger number of employees, i.e. 935 employees compared to 500 employees in the previous year.

➤ **Strategies and measures to increase our employees' motivation**

Adapting the reward system and creating a policy of consistent financial and non-financial motivation of employees has the role of increasing our employees' satisfaction and improving staff retention. From 2019, the job ranking project, based on the analysis of their complexity and requirements but also based on the analysis similar positions in the labor market was followed by the program for aligning salary levels in several stages.

Although it was a year with special conditions, the company managed in 2020 not only to maintain the jobs for all its employees but to continue the project of ranking jobs with the second stage, consisting of salary increases starting with the date of June 1, 2020.

The compensation and benefits system is analyzed and adapted annually to include both the fixed component, based on hierarchy and the variable component, in direct correlation with the performances for certain categories of employees (top management, staff involved in domestic and international sales).

The contractual clauses were renegotiated and the Collective Labor Agreement was signed, the provisions of which entered into force starting with October 20, 2020, valid during 2020 - 2022.

During the state of emergency period, our company took additional measures to protect its employees:

- Bonus and free meal, granted to those who worked on the platform, during the emergency period;
- Shifting the work schedule and the adequate organization of the employees' transport;
- Permanent communication with employees and providing information on scenarios experienced by the company during the pandemic;
- The possibility to continue the activity through telework.

Given the above, **the indicator "staff turnover rate due to voluntary resignations"** was 3% compared to the 4.6% recorded in the previous year.

➤ Improving the organizational climate and focusing the organizational culture towards innovation and performance

Monitoring of climate and satisfaction indicators showed that the employee satisfaction level increased since 7.51 in 2018 to 8.5 in 2020.

III.1.2. Strategic adaptation of the product portfolio

Performance indicators	Planned 2020	Achieved 2020
Portfolio development projects	13 projects	14 projects
Marketing authorizations - in the internal and external market	17 authorizations	17 authorizations
New product research projects	18 projects	24 projects

- Ensuring a sustainable and marketable portfolio by increasing the degree of innovation
Product portfolio renewal

One of the strategic objectives of Antibiotice SA is to ensure a sustainable and marketable portfolio by renewing it with anti-infectives, topical products, by developing the Nutriensa® umbrella brand and the brands composing the "Quality of life" and "Women's health" **portfolios**.

In identifying the new products, the analysis of the global pharmaceutical market trends was taken into account, with a focus on the main sales markets of the company (ATB territories), identification of the main pathologies for which an increasing epidemiological trend has been expected in the next 10 years, in accordance with the structure by therapeutic classes of the current portfolio and strategic development directions of the Antibiotice portfolio.

In 2020 **an number of 13 projects were planned for defining our company's** future portfolio. We succeeded in conducting 14 projects, including dermatologicals, products for gastrointestinal disorders and diabetes, medicines for cardiovascular, genito-urinary, rheumatic or nervous system diseases as well as anti-infectives. Both prescription and non-prescription products (OTCs, food supplements, medical or cosmetic devices) were selected. In this group of products there are also first-generic medicines.

Considering that Antibiotice is the world 's leading manufacturer of the active substance Nystatin, our company carried out a vertical development project.

Authorization/re-authorization of our products and their registration in new markets

In 2020, our Regulatory Affairs Department managed to obtain marketing authorizations or re-authorizations, both for the internal market and external market, for a number of 34 products (17 authorizations and 18 re-authorizations).

In the reporting period, one topical product was authorized for the domestic market and another 14 products were re-authorized (5 topicals and 9 solid oral products).

In parallel, 16 authorizations and 4 re-authorizations were obtained for the external market:

Authorizations:

- 8 topicals: 7 of them in the ATB territories (4 products in Kosovo and 3 products in Vietnam) and 1 product authorized in Irak;
- 5 solid oral products: 4 of them in the ATB territories (1 product in the Republic of Moldova and 3 food supplements in Ukraine) and 1 product in Irak;
- 3 products for injection: 1 product in the ATB territories (Republic of Moldova) and 2 products in Yemen.

Re-authorizations:

- 3 topicals in the ATB territories (Republic of Moldova);
- 1 product for injection in Hong Kong.

➤ Research-Development for adapting and durably consolidating our company portfolio

The main objective of the Research-Development Unit is to develop new generic medicines (topicals, tablets, capsules, sterile products and other new pharmaceutical dosage forms), biocidal products, medical devices, deramto cosmetics and cosmetics **in line with the company's development strategic directions.**

In 2020, the research activities continued for 16 products in the pipeline, as follows:

- three projects for the Sterile Products & APIs Division;
- seven new projects for the Topical Products Division;
- six new projects, including a food supplement, for the Oral Solid Products Division.

Four more research projects for oral solid products (3 RX products and 1 OTC) and 9 projects for topical products were added.

The research activity continued to support the strategy of the current portfolio internationalization. So, our company has 18 products which will be authorized on various foreign markets (10 oral solids, 4 products for injection and 4 topicals).

In March 2020, the American authority Food and Drugs Administration approved the ASMF (Active substance master file) for the active substance Nystatin. This document recognizes the quality of our Nystatin.

Authorized surface disinfectants, hand sanitizer in the process of authorization

In the context of the increased need for protective materials, Antibiotice started researching and testing disinfectants that can be manufactured on its own manufacturing flows: a hand sanitizer gel formula and two surface disinfectant formulas.

In 2020, Antibiotice produced two disinfectant solutions for surfaces (1 and 5 liter bottles) according to the marketing authorization issued by the Cantacuzino Institute.

Center for Clinical Studies

The Clinical Unit within the Center for Clinical Studies has been re-authorized to conduct phase I / bioequivalent clinical studies. GLP certification of the laboratory of the Center was extended until December 2021.

During 2020, the following took place:

- the preliminary stage of a phase IV clinical study for a topical product at which NAMMDR and the National Bioethics Commission authorized the development protocol;
- two clinical bioequivalence studies in order to register some products in the ATB territories.

III.1.3. Continuous improvement of the Integrated Management System (Occupational Quality, Environment, Health and Safety);

Performance indicators	Planned 2020	Achieved 2020
GMP certifications of the manufacturing flows	3	3
Authorizations for the operation of the company	2	2

➤ Certified quality

Confidence in the quality, efficiency and safety of the company's products increases by keeping under control and improving the Integrated Management System.

Inspections conducted by authorities

Given the specifics of 2020 due to the COVID-19 pandemic, Antibiotice has adapted to the regulations and requirements of national and European authorities, in accordance with *Notice To Stakeholders-Question and Answers, on Regulatory Expectations for Medicinal Products for Human Use During Covid 19 Pandemic*, issued by the European authority.

Thus, the GMP certificates for the manufacturing flows for non-sterile products - capsules, tablets, coated tablets, suppositories, non-sterile semi-solid products were extended until December 2021. The Good Laboratory Practice (GLP) Certificate for the Bioanalytical Laboratory within the Center for Clinical Studies was also extended until the end of 2021.

In 2020, the following audits were carried out by environmental protection regulatory authorities, as follows:

- June 2020 - The Commissariat of the National Environmental Guard verified the compliance of the activity with the requirements established by the Integrated Environmental Authorization held by the company; no non-conformities were found;
- June 2020 - the audit carried out by Apele Romane also took place, in order to verify the condition of the waste storage platform, prior to the issuance of the operation agreement / authorization;
- November 2020 - The Environmental Protection Agency carried out the verification pre-audit of the site completed with the conclusion that the next stage should take place, followed by the analysis and audit conducted by Apele Romane prior to the issuance of the Water Management Authorization.

Audits conducted by certification bodies

At the beginning of 2020, TUV Rheiland issued the ISO 9001:2015, ISO 14001:2015 si ISO 45001:2018 certificates following the certification audit conducted between 02.12.2019-05.12.2019.

In November 2020, the first surveillance audit took place, carried out online, for the three systems: Quality, Environment, Occupational Health and Safety. The audit was concluded without any remarks.

Audits conducted by customers

Given the COVID-19 pandemic that influenced the way audits were conducted during 2020, four audits took place.

The manufacturing and control flow of the active substance Nystatin was on-site audited. Following this audit, Antibiotice has been requalified as an API supplier.

The other three audits focused on the manufacturing and control flow of the parenteral products, paper-based audits (remote audits, based on the information requested by customers in the questionnaires sent). Based on these audits, Antibiotice has been requalified as a manufacturer of parenteral products.

➤ Occupational Health and Safety

Maintaining and developing an effective occupational health and safety management system within our company is the guarantee for creating an optimal framework for managing and eliminating work-related risks, as well as for improving the environment and relations between our employees.

Additional occupational health and safety measures to prevent the spread of the SARS-CoV-2 virus

Our company created a Crisis Cell, which managed through organizational and technical measures the activity on the site and the state of health of the staff, so that the company's activity took place continuously and safely.

➤ Environmental responsibility

The Environmental Protection Department manages the prevention of pollution and the continuous improvement of the environmental performances, acting in compliance with the requirements of the environmental legislation.

In 2020, the documents regulating the functioning of the company were maintained, and actions were carried out for the reauthorization regarding the water management, as well as for the integrated environmental authorization.

Environmental factors were monitored in 2020 according to the requirements of the Integrated Environmental Authorization, through our own laboratories, as well as through the RENAR accredited laboratory, in order to determine the values of pollutant emissions into the atmosphere. The determinations proved that the requirements of the Integrated Environmental Authorization were met and the maximum permitted concentrations were not exceeded. Determinations on the quality of the underground waters and soil in the area of influence of our company were also made for establishing the reference situation, as a necessary stage for the issuance of the renewed Integrated Environmental permit.

Specific consumption and energy use

The activity developed in the Biosynthesis Plant that produces the active substance Nystatin falls within the scope of the European Directive for Integrated Pollution Prevention and Control (IPPC). 2020, the Biosynthesis Plant was within the planned specific consumptions.

Air quality

In 2020, our own laboratory monitored the air quality, conducting analyzes regarding emissions / imissions of air pollutants for nitrogen oxides, ammonia, suspended powders and sedimentable powders.

There were no exceedances of the maximum allowed concentrations specified in the Integrated Environmental Authorization.

Water quality

Water quality was monitored through analyzes regarding the quality of the water entered the own wastewater treatment plant and discharged into the municipal sewage system, quality of the conventional clean water discharged into the natural stream, as well as the quality of groundwater.

There were no exceedances of the maximum allowed concentrations established by the Integrated Environmental Authorization, the Water Management Authorization and H.G.R. no. 352 of 2005 (NTPA 001 and NTPA 002).

Soil protection and groundwater

From the total area of the land in the property of Antibiotice, about 40% is covered with green spaces.

Quality of the groundwater was monitored by monthly collecting and analyzing the samples obtained from the perimeter observation wells. There was no accidental pollution or environmental incident leading to the degradation of soil quality in the area of influence of the company's activity.

Waste management

Antibiotice implemented a selective waste collection system, each production plant and auxiliary activity being equipped with containers suitable for collection.

The recyclable waste was sold to the authorized economic operators. The non-recoverable waste was incinerated in our own installation, disposed of at the municipal waste landfill, or taken over by authorized operators.

Our company complies with the requirements for the packaging waste management (corresponding to the quantity of packaging introduced in the market) established by the specific legislation, namely the recovery / recycling of 60% of the quantity of packaging placed in the national market.

III.1.4. Strategic planning and performance management

Strategic planning establishes the business strategies, implementation measures and methods for evaluating their impact on organizational objectives, determining the efficient use and management of resources.

The measures for implementing these strategies are described below:

- Internationalization of our business and its consolidation in the domestic market

Performance indicators	Planned 2020	Achieved 2020
International sales	158.4 million LEI	158.3 million LEI

Domestic sales	218.6 million LEI	181.6 million LEI
Degree of customer satisfaction	minimum 80%	89%

➤ Development of the international component of our business

The exponential spread of the Covid-19 coronavirus worldwide has profoundly affected the global economic system. In parallel, there was a change in the structure of medicine consumption: an increased demand for medicines used in hospitals for treating Covid-19 and its complications (antivirals, antiinfectives, antipyretics, immune boosters), and a declining demand for medicines and nutritional supplements from the private pharmacy sector.

In the first 3 months of 2020, the exports of medicines decreased considerably compared to the trend of recent months, caused by:

- the Emergency Ordinance on the prohibition of exports of medicines made in Romania (Covid-19 restrictions);
- exponential increase in transport tariffs, narrowing of access roads in Europe (with long waiting times);
- delays in the supply of raw materials, active substances from Asia.

However, we were able to rebalance the export sales of Nystatin through an active communication with our clients, supplementing our sales in this portfolio segment.

Strengthening and maintaining the position of world leader in the production of the active substance Nystatin

The proposed sales target for 2020 for Nystatin was achieved through the management of strategic partnerships with the main customers. So, in the reporting year, the export of Nystatin recorded a value of 68 mil. LEI, constant in evolution compared to the previous year.

To mitigate the effect of the Covid-19 pandemic on its production and revenues, the Antibiotice strategy focused on optimizing a quantitative structure for ensuring the best price. Thus, the year-end figures indicated an increase in the average price in parallel with a securitization of sales volumes in the main markets in the North America, South America, Europe and Asia.

4% increase in export

Quality of the medicinal products produced by Antibiotice Iași boosted demand in foreign markets, determining a 46.5% export share in our company' s turnover.

Antibiotice Iasi managed to win several international tenders in the US, Great Britain, and the tender organized by the European Commission for about 2,750,000 vials of Amoxicillin/Clavulanic Acid for injection, an essential anti-infective medicine included in the World Health Organization (WHO) list for the treatment of Covid-19 patients. Our company has been identified by international partners as a major manufacturer of sterile injectable anti-infective medicines (simple penicillins and penicillins in combination with inhibitors), which are required by most healthcare systems.

In 2020, the value of sales in international markets was 158.3 million LEI, higher by 4% compared to the previous year.

Tripling the sales of sterile powders for injection in highly regulated and competed markets in Europe

An important sales dynamics was recorded in Europe, by tripling the quantities sold in markets such as: Denmark, Great Britain, Holland, Lithuania, Latvia, Hungary. These markets are difficult to access due to the high quality standards imposed by health systems.

In this context, the total sales of finished products recorded in 2020 an 8% increase compared to 2019, reaching to about 90 million LEI. This result was determined by an increase in the number of vials sold and in the price.

Top sales are driven by the following products: AmpiPlus, AmoxiPlus, Nafcillin, Sodium Penicillin, Oxacillin, injectable anti-infective medicines consumed especially in hospitals.

From the first months of 2020, Antibiotice intensified its efforts to respond favorably to requests received from international health systems for anti-infective medicines associated with Covid-19 treatment. These came both from the territories where the company has representatives offices - Vietnam, Republic of Moldova, as well as from the markets of developed economies in the European Union. Antibiotice SA mobilized its resources to met the needs of the population from developing countries for medicines used in hospitals.

For the sustainability of the expansion plan, product registration procedures are initiated in the territories of interest.

➤ Evolution of pharmaceutical market in Romania¹

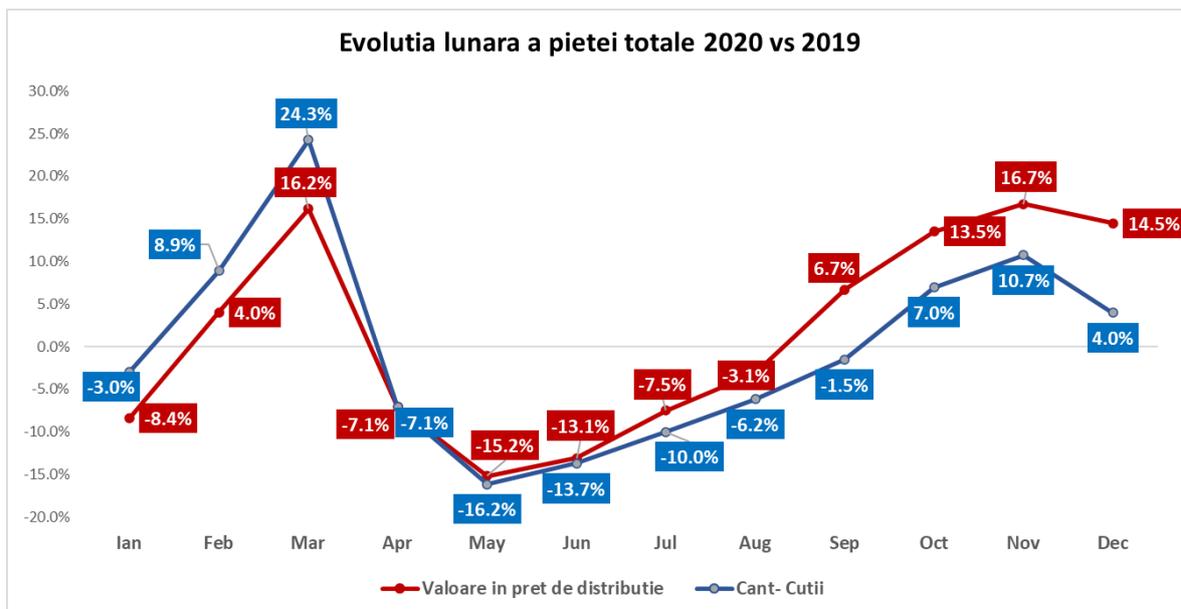
In 2020, the value of medicines released to the patients in Romania amounted to 18.05 billion LEI (distribution price), by 1.3% higher compared to 2019. Consumption as a number of boxes was relatively constant, i.e. 625.6 million boxes.

The peak of sales was recorded in March; in April and May, a major contraction in consumption occurred on all the sales channels, as a result of the restrictions applied with the entry into force of the state of emergency and subsequently the state of alert. These restrictions led to the sharp decline in the number of consumers in the open-circuit pharmacies but also in the number of hospitalizations (also some hospitals with different profiles and specialties were turned into hospitals for patients infected with the new coronavirus).

Starting with September, **our company's** sales reestablished its pace , recording an increase of 6.7%, compared to the similar period of the previous year. November distinguished with the most significant increases in sales after the state of emergency, compared to the similar period of the previous year: 16.7% in terms of value and 10.7% in terms of quantity (no. of boxes).

Monthly evolution of the total market 2020 vs 2019

¹ According to the data source CEGEDIM Sell Out Romania December 2020



The Romanian pharmaceutical market was dominated in 2020 by prescription medicines (RX). These represent 74.4% of the total value sales and 61.5% of total medicine consumption (reported as number of boxes).

Prescription medicines recorded in the analyzed period a 2.4% decrease in value, from 13.8 billion LEI in 2019 to 13.4 billion LEI in 2020. As regards the number of boxes released from pharmacies, there was a 5.1% decrease, from 405.7 million boxes in 2019 to 384.9 million boxes in 2020.

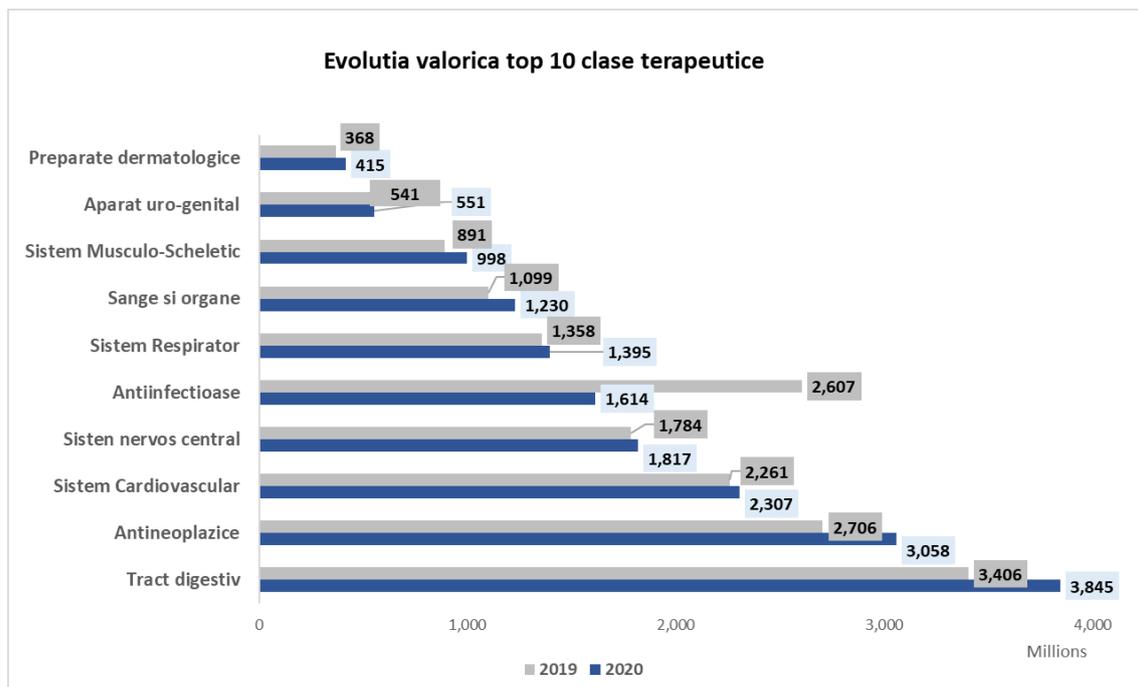
Non-prescription medicines recorded in the analyzed period a 13.8% increase in value, from 4.1 billion LEI in 2019 to 4.6 billion LEI in 2020. As regards the number of boxes released from pharmacies, there was a 9.5% increase, from 219.8 million boxes in 2019 to 240.7 million boxes in 2020.

Compared to 2019, in terms of value sales, the hospital segment recorded an increase of 4.9% from 2.3 in 2019 to 2.4 billion LEI in 2020. Consumption declined by 21.1% from 30.3 to 23.9 million boxes.

The segment of independent pharmacies and mini-chains registered a slight increase in value, of 3.1%, from 8.9 billion LEI in 2019 to 9.2 billion LEI in 2020. In terms of quantity, a 1.3% decline was recorded compared to the previous year, from 371.9 to 367 million boxes.

The national chains segment recorded a decrease in value of 2.3% from 6.6 to 6.4 billion LEI and 5.1% increase in consumption (number of boxes), from 223.3 in 2019 to 234.6 million boxes in 2020.

The first 5 therapeutic classes in the Romanian pharmaceutical market, by share in value sales in 2020, were: Digestive tract, Oncology, Cardiovascular system, Central Nervous System and Anti-infectives for systemic use. These represent 70% of the total sales in the market.



➤ Evolution of the relevant pharmaceutical market of Antibiotice SA

The relevant market of the products from the Antibiotice portfolio (data relate exclusively to sales of products included in the 2020 plan) recorded in the analyzed period an increase of 5.7% (from 2.3 to 2.4 billion LEI). Consumption grew by 4%, a number of 161.8 million boxes being released by pharmacies in 2020, compared to 155.6 million boxes in 2019.

Due to the restrictions implemented during the emergency and then the alert state, the relevant market on the Hospital segment registered a quantitative decrease of 21.4% from 2.6 to 2 million boxes, while in terms of value the decrease was 8.7% from 93.4 to 85.3 million LEI in 2020.

Prescription medicines (RX) had in 2020 a share of 50.1% of the total value sales and 54.6% of the total consumption of medicines (reported as number of boxes). They recorded in the analyzed period a decrease in value of 1.3%, from 1.23 billion LEI in 2019 to 1.21 billion LEI in 2020 and a quantitative decrease of 4% from 92 to 88 million boxes.

Over-the-counter (OTC) medicines recorded an increase in value of 13.7% (from 1.06 in 2019 to 1.21 billion LEI in 2020) and an increased consumption by 15.6% (from 63.5 in 2019 to 73,4 million boxes in 2020).

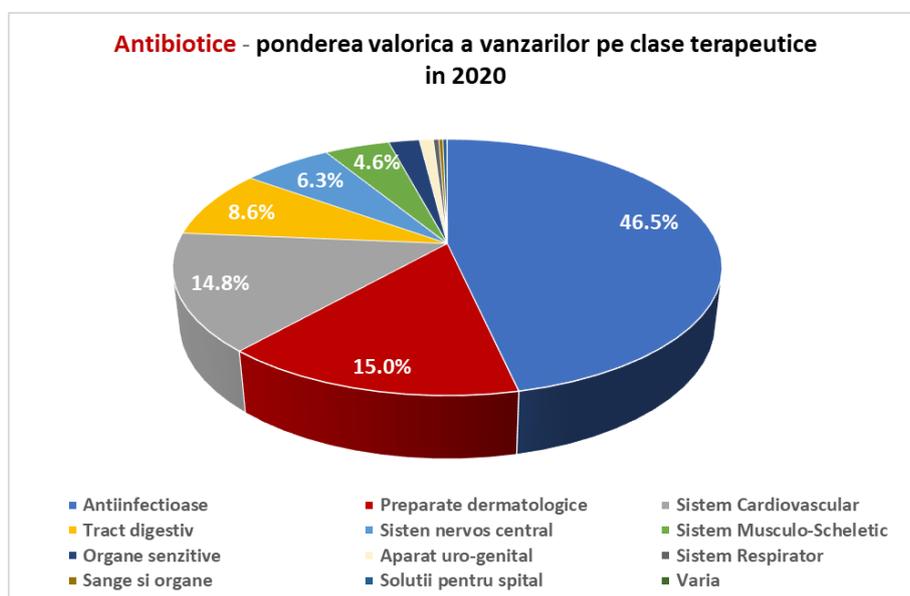
Antibiotice in the Romanian pharmaceutical market

In 2020, in the domestic market, Antibiotice SA:

- ✓ ranked 1st in the relevant market, with a 13.1% value market share;
- ✓ was the leader in terms of quantity for the following pharmaceutical dosage forms: ointments (22.5%), suppositories and pessaries (37.5%) and powders for injection (65.3%);
- ✓ ranked 7th in the segment of generic prescription medicines and OTCs (3.97% market share);
- ✓ was the leader in the segment of generic prescription medicines and OTCs sold in hospitals, with a 14.8% market share.

Antibiotice consolidated its core business - anti-infectives for systemic use - developing also the therapeutic classes that highly rank our company in the domestic market: dermatological preparations and cardiovascular medicines.

Antibiotice - the value share of sales by therapeutic classes in 2020



In solidarity with the Romanian health system and in the context SARS-COV 2 pandemic, Antibiotice SA kept in constant contact with distributors for removing the gaps in the supply of medicines to hospitals and pharmacies and for creating optimal stocks to allow the fulfillment of orders in the shortest time.

Also, in order to meet the specific needs of the health system in this period, Antibiotice adapted its manufacturing structure and produced biocides for surfaces: *a+Oxy* Solution, and *a+ Complex* Solution, as well as Paracetamol tb 500 mg and Novocalmin tb 500 mg, molecules for COVID-19 associated treatment.

The value of sales to distributors (sell in) was 346 million LEI, a value similar to that achieved in 2019.

In terms of value, the Hospital segment was most affected in the context of the pandemic, recording a decrease of 10.3%, from 84.7 million LEI in 2019 to 75.9 million LEI in 2020. This evolution was similar to that of the relevant market. The number of units sold by Antibiotice in hospitals decreased by 26.4% from 1.7 million of boxes in 2019 to 1.3 million of boxes in 2020.

Value sales on the channel of independent pharmacies and mini-chains increased by 1.6% compared to the previous year and quantitative sales decreased by 11.2% (number of boxes released from pharmacies), Antibiotice orienting itself towards a more favorable structure for sale and taking advantage of the unit price as a strategic element.

Value sales recorded in the chain pharmacies decreased by 11.1% in 2020 compared to 2019 (from 100 to 88.9 million LEI), while the number of boxes released from the pharmacies decreased by 21.2% (from 11.6 to 9.1 million of boxes).

The products that registered significant value increases compared to the previous year are: Meropenem inj. range, Bisotens® range, Nidoflor® cream 15 gr, Hemorzon® range, Cicloserina Atb, Moldamin®, Paracetamol tb. 500 mg, Nistatina Atb® tb. 500,000 I.U.

Our company has adapted to the demand, fully covering the need for treatment with antibiotics for injection such as carbapenems, cephalosporins and penicillins.

Strategies for promoting the products from the Antibiotice portfolio

Our company's strategy for promotion, in the pandemic context, was adapted and involved the orientation towards the use of multiple information channels, especially online, selection of platforms that facilitate the transmission of information to health professionals. Through online communication platforms, webinars dedicated to health professionals and national scientific events (Congresses, Conferences held by Professional Associations) were organized.

In the second half of the year, our Medical Representatives team resumed its promotion activity, being focused on medical promotion visits in pharmacies and medical specialties accessible during this period. The visit planning was optimized by increasing the number of visited pharmacies, with the aim of presenting the non-RX Antibiotice portfolio and helping the pharmacists identify the patient profiles.

In the pandemic context, the recommendation and consumption of medicines for chronic non-communicable diseases has seen an upward trend. Thus, starting with June 2020, the products from the cardiovascular portfolio started being promoted again to cardiologists, internal medicine and family doctors.

Considering the consumption trends determined by the pandemic, our company launched in the fourth quarter the food supplement Imunofix® having as indication the support of immunity.

From the range of products manufactured by Antibiotice, our team promoted brands from the following portfolios: Hospital&Partners, dermatology portfolio, the portfolio destined to the prevention but also to the treatment of the different diseases reunited under the *Quality of life* concept. Scientific communication was adapted to the new context, the company organizing a series of webinars attended by over 4,500 specialist doctors and 4,000 pharmacists.

- Complex manufacturing structure adapted to international quality standards (GMP and FDA)

Performance indicators	Planned 2020	Achieved 2020
Manufacturing capacity utilization	minimum 60 %	63 %

Amid the increase of competitiveness and need to make the manufacturing plants more profitable, **the company's activity was organized to operate in three** production divisions:

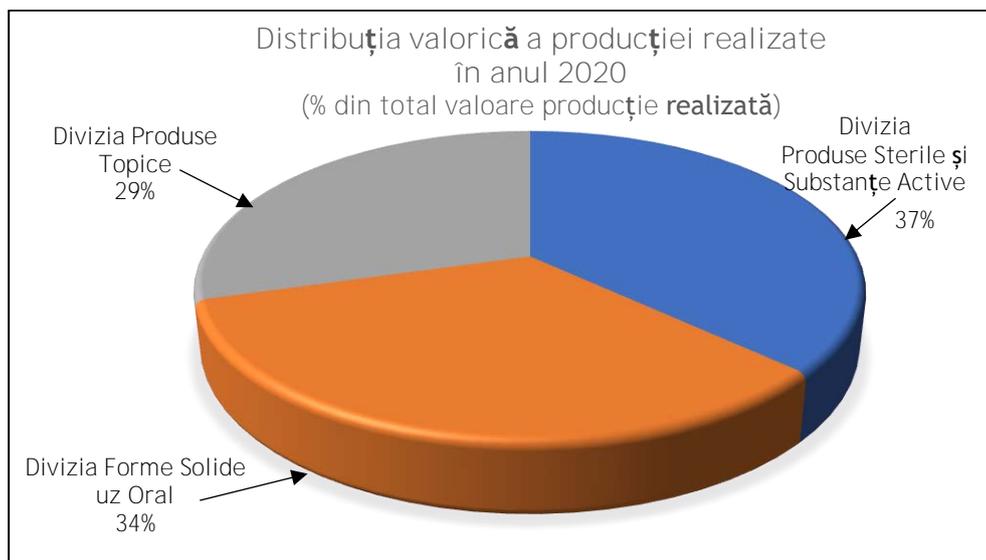
1. Oral Solid Products Division, which integrates the activities of the Capsule Plant and Tablet Plant;
2. Topical Products Division, integrating the Ointment & Suppository Plant;
3. Sterile Products and APIs Division, which integrates the activities of the Parenteral Plant and Biosynthesis Plant.

The divisions are organized and coordinated independently in terms of production activities, investments in technology, product portfolio, so as to become autonomous profit centers, which adapt their manufacturing and product portfolio to the needs and characteristics of the markets where their products are sold.

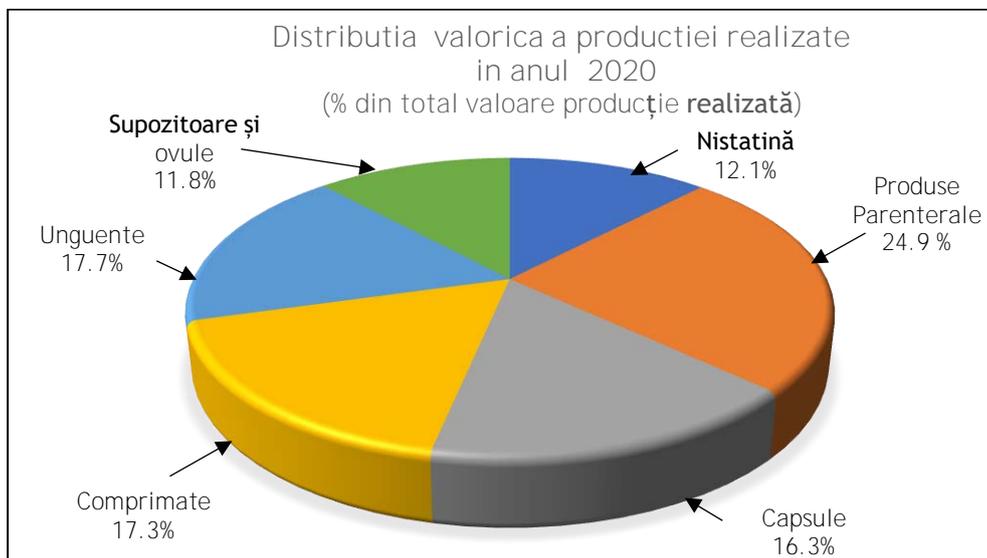
The 2020 production amounted to 453.3 million pharmaceutical units in the form of tablets, capsules, parenterals, topicals (ointments, creams, gels), suppositories, pessaries. The quantity of active substance Nystatin produced in 2020 was by 10.66% higher compared to the previous year.

The total value of the production in the reporting period was 360.8 million LEI. The three divisions breakdown is presented below:

Value distribution of the production made in 2020
(% of the total production value)



Value distribution of the production made in 2020
(% of the total production value)



- Economic and financial performance of the company

The company's activities are reflected in the economic-financial indicators of 2020 as follows:

No.	Indicators	UM	Budgeted 2020	Achieved 2020	Degree of achievement
1	Sales income	Mil LEI	377	340	90%
1.1	<i>Domestic market</i>	Mil LEI	218,6	181.6	83%
1.2	<i>Export</i>	Mil LEI	158.4	158.3	100%
1.3	Export share in turnover	%	42%	46.5%	111%
2	Total income	Mil LEI	400	380.4	95%
3	Total expenses	Mil LEI	375.5	352	94%
4	Gross profit	Mil LEI	24.5	28.3	116%
5	Net profit	Mil LEI	23	26.4	115%
6	Equity (Net accounting assets)	Mil LEI	541	577.3	107%
7	Total liabilities	Mil LEI	300	269.3	90%
8	Total assets	Mil LEI	820	862.9	105%
9	Level of indebtedness (Datorii totale /Total Activ)	%	37%	31%	119%
10	Solvability (Total Assets/Total liabilities)		2.7	3.2	119%
11	Total expenses per 1000 lei income	Thous. LEI	939	925.5	101,5%
12.1	Work productivity (Operating Income/no. of employees)	Thous. LEI /employee	279	264	94.6%
12.2	Work productivity (Sales Income/no. of employees)	Thous. LEI /employee	266	240	90.2%
13	Average number of employees	No. of employees	1,415	1,415	100%
14	Taxes and fees, of which:	Mil LEI	99	97	98%
14.1	- claw back tax	Mil LEI	30	27,8	93%
15	EBITDA (Earnings before interest+Taxes+Depreciation+ Amortization)	Mil LEI	54	55,4	103%
16	Added value	Mil LEI	198	200,2	101%
17	Profitability of Gross Profit (Gross Profit / Sales Income)	%	6.5%	8.3%	128%

The financial balance indicators are at the optimal level recommended in the literature.

Indicators	Calculation formula	Reference value	31.12.2019	31.12.2020
Current liquidity	Current assets / Current liabilities	>2	1.94	2.01
Level of indebtedness	Borrowed capital / Equity x 100	<50%	36%	28%
Turnover speed for client debit items	Average customer balance / Sales revenue * 360	depends on the field of activity	297 days	273 days
Fixed assets turnover	Sales revenue / Fixed assets	depends on the field of activity	1.03	0.70
Rata of financial autonomy	Equity/Total debts	>1	1.72	2.02

The indicators from the Comprehensive Income Statement on 31.12.2020 are presented as follows:

INDICATORS	31.12.2019	BVC 2020	31.12.2020	31.12.2020/ IEB 2020	31.12.2020/ 31.12.2019
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5=4/3</i>	<i>6=4/2</i>
Sales income	389,710,740	376,961,000	340,424,276	0.90	0.87
Other operating revenues	33,008,685	39,222,000	36,062,333	0.92	1.09
Income related to the cost of product stocks	4,564,960	8,900,000	23,676,949	2.66	5.19
Income generated by the entity and capitalized	4,660,869	5,000,000	6,351,872	1.27	1.36
Expenditure on raw materials and consumables consumable	146,016,104	145,900,000	131,864,599	0.90	0.90
Employee benefit expenses	102,852,132	109,105,366	111,822,960	1.02	1.09
Amortization and depreciation expenses	21,416,603	23,500,000	21,794,224	0.93	1.02
Other operating expenses, of which:	121,652,509	120,471,204	107,332,654	0.89	0.88
- energy and water expenses	11,124,204	12,370,000	11,090,428	0.90	1.00
- transportation expenses (goods and personnel)	2,393,805	2,687,897	2,572,766	0.96	1.07
- expenses with services performed by third parties	14,150,360	16,779,707	10,856,883	0.65	0.77
- expenses with taxes and fees, of which:	46,266,487	37,400,000	32,677,686	0.87	0.71
- claw-back tax	42,210,924	32,443,888	27,767,041	0.86	0.66
Operating profit	40,007,906	31,106,430	33,700,993	1.08	0.84
Net financial income	-4,828,013	-6,606,000	-5,371,536	0.81	1.11
Pre-tax profit	35,179,893	24,500,430	28,329,456	1.16	0.81
Income tax and other taxes	4,356,615	1,500,430	1,941,407	1.29	0.45
Profit	30,823,278	23,000,000	26,388,049	1.15	0.86

Total income included:

- Sales income amounted to 340.42 million LEI, of which 46.6% (158.27 million LEI) represents export sales income.
- Other operating income amounted to 36.06 million LEI, by 9% higher than the value recorded on 31.12.2019.
- Income related to the costs of product stocks was 23.68 million LEI, higher than the value recorded on 31.12.2019. The increase was determined by the revaluation of the stocks of finished products existing in the company, taking into account the prices of the medicines updated through the price correction procedure, according to the legal provisions.
- Income generated by the entity and capitalized amounting to 6.35 million LEI were by 36% higher compared to the value achieved in 2019.

Total expenses included:

- Expenditures on raw materials and consumables recorded the value of 131.86 million LEI, by 10% lower than the value recorded in the similar period of 2019, as a result of adapting the production activity to meet the needs of the medical system during the pandemic. The special measures implemented to protect the health of employees resulted in higher expenditures on consumables compared to expenditures made in the previous year. Among the measures taken we mention: providing employees with special protective equipment, constant sanitation and disinfection of spaces, supplementation of means of transport and modification of work schedule, work at home, adaptation of workspaces to social distance, preventive testing of employees to limit a possible contamination in the company.
- Staff costs on 31.12.2020 were by 9% higher compared to the value recorded in the previous year, as a result of the continuation of the project initiated in 2019 for implementing a modern ranking and salary system, in order to align the package of salary benefits to the performance level of each employee;
- Depreciation and amortization expenses increased by 2% compared to 2019, as a result of the investments made in modern technological equipment necessary for the production, research, quality control activities;
- Other operating expenses were reduced by 12% compared to 2019 and by 11% compared to the value provided in the Income & Expenditure Budget, as a result of the measures taken to reduce the expenses. Other significant operating expenses:
 - energy and water costs in the amount of 11.09 million LEI were at the level of 2019;
 - expenses with claw-back tax amounting to 27.77 million LEI were lower by 34% compared to the value recorded in 2019, as a result of the amendment of the legislation regarding the establishment of certain contributions for the financing of health expenditures and introduction of the differentiated contribution by three types of medicines, starting with the second quarter of 2020.
- The value of financial expenses, higher than the value of financial income determined negative net financial income.
 - Value of income tax and other taxes was lower in 2020 compared to the value recorded in 2019 as a result of the higher value of profit invested in the acquisition of technological equipment, electronic computers and peripheral equipment.

Statement of Financial Position

INDICATORS	31.12.2019	31.12.2020	31.12.2020/ 31.12.2019
ASSETS			
FIXES ASSETS			
Tangible fixed assets	363,616,611	467,880,778	1.29
Intangible fixed assets	16,385,709	19,709,606	1.20
TOTAL FIXED ASSETS	380,002,320	487,590,384	1.28
CURRENT ASSETS			
Stocks	73,975,988	108,691,209	1.47
Trade and other receivables	338,159,774	260,301,297	0.77
Financial assets held for sale	0	0	
Cash and cash equivalents	1,877,409	6,329,458	3.37
TOTAL CURRENT ASSETS	414,013,171	375,321,964	0.91
TOTAL ASSETS	794,015,491	862,912,348	1.09
LIABILITIES			
CURRENT LIABILITIES			
Trade and similar debts	72,337,840	80,559,346	1.11
Amounts owed to credit institutions	125,875,879	87,521,637	0.70
Debts from current taxes and fees	13,267,396	11,187,118	0.84
Short-term provisions	0		
Investment grants	0		
TOTAL CURRENT LIABILITIES	211,481,115	179,268,101	0.85
LONG-TERM LIABILITIES			
Investment grants	3,079,169	2,772,880	0.90
Deferred tax	25,531,938	26,123,535	1.02
Long-term provisions	0		
Amounts owed to credit institutions	57,080,354	73,387,686	1.29
TOTAL LONG-TERM LIABILITIES	85,691,461	102,284,101	1.19
TOTAL LIABILITIES	297,172,576	281,552,201	0.95
Share capital and reserves			
Share capital	264,835,156	264,835,156	1.00
Revaluation reserves	50,804,319	129,696,870	2.55
Legal reserves	13,426,761	13,426,761	1.00
Other reserves	200,655,367	224,116,120	1.12
Retained earnings	-56,432,683	-68,346,396	1.21
Distribution of profit	-7,269,283	-7,432,071	1.02
Current result	30,823,278	25,063,707	0.81
TOTAL EQUITY	496,842,915	581,360,147	1.17
TOTAL EQUITY AND LIABILITIES	794,015,491	862,912,348	1.09

Patrimonial assets

The value of fixed assets on 31.12.2020 recorded an increase by 28% compared to the value recorded on 31.12.2019. In their structure, the value of tangible fixed

assets was higher by 29% as a result of the revaluation of the lands at the market price and the commissioning of some assets from the investment plan, and the value of the intangible fixed assets was higher by 20% compared to the same period of the previous year.

The value of stocks was higher compared to the value recorded on 31.12.2019, as a result of the change in drug prices through the price correction procedure, starting with the date of 01.07.2020.

Receivables amounted to 260.30 million LEI, a value lower by 23% than that recorded on 31.12.2019, being correlated both with the level of sales income and with the result of continuous measures to optimize the trade relations with our customers.

Patrimonial liabilities

Current liabilities amounted to 186.7 million LEI on 31.12.2020, lower by 13% compared to the value at the beginning of 2020. They include:

- short-term loans were worth 95.57 million LEI, lower 24 30% compared to the value recorded in the previous year;
- trade payables were higher by 1%;
- debts representing current taxes and fees decreased by 27%.

In the value of long-term debts, the important share was held by the bank loan contracted for financing the investments in the new Ointment & Suppository Plant, whose value increased by 15% compared to the value at the beginning of the year.

Equity, which represents the residual interest of the owners in the company's assets after deducting all its debts, recorded a 15% increase compared to the value recorded on 31.12.2019.

On 31.12.2020, our company did not record outstanding obligations to the state budget. The amounts due to credit institutions are presented in the following table:

Amounts owed to credit institutions	Value on 31.12.2020
Short-term debt	95,568,514 LEI
Long-term debt (interest included)	65,444,478 LEI

Antibiotice SA did not submit guarantees and did not pledge, respectively did not mortgage its own assets in order to guarantee some obligations in favor of a third party..

Cash flow

- a) Cash flow from the operational activity recorded receipts from sales of goods worth 427.6 million LEI and generated payments:
- to suppliers of goods and services worth 190.9 million LEI
 - related to staff worth 101.3 million LEI,
 - of taxes, fees and assimilated payments in value of 36.3 million LEI,
 - of bank interests amounting to 5.06 million LEI.

Net flow from operational activity was worth 94.05 million LEI.

- b) Cash flow from the investment activity recorded payments amounting to 47.99 million LEI, both from the liquid assets from the operational activity and from

the amounts available from the long-term bank credit, for the payment of the fixed assets suppliers.

- c) Cash flow from the financing activity registered receipts from the long-term bank loan in value of 16.31 million LEI and generated dividend payments in the amount of 18.17 million LEI.

➤ Procurement - an important link in the value chain

Procurement represents an important link in the value chain that generates favorable conditions for the long term development of our business, bringing its contribution to the profitability of the company. The activity is organized to meet the needs of the company, developing business relationships both with the suppliers from Romania and from the intra- and extra-community areas.

In the context of an increased complexity and competitiveness in the world pharmaceutical market, Antibiotice has demonstrated its ability to build and maintain stable, ethical and trustworthy business partnerships with its suppliers for its own benefit and for the benefit of its employees, partners and not least of the Romanian economy in general.

In the current economical, technological and Regulatory Affairs context, the efficient management of the purchasing chain is a permanent preoccupation of our company.

The staff involved in the procurement activity has:

- to comply with the regulations and legislation in force on the procurement procedures;
- to treat impartially the suppliers in the selection process, offering them competitive contracting opportunities;
- to meet the efficiency and efficacy criteria in the supplier selection process;
- to secure the purchasing sources, by making the medium and long-term partnerships transparent and predictable;
- to diminish the risks throughout the acquisition chain, in order to ensure the continuity of the company's operations;
- to generate competitive advantages, by identifying and optimal use of suppliers' capabilities (technology, production facilities, know-how, staff experience and professionalism).

Net profit distribution

Distribution of the 2020 allowed the continuation of the investment process materialized in new manufacturing sites, research projects for the development of the portfolio as well as the replenishment of the reserve fund for the investments made in 2015-2016.

On 31.12.2020 Antibiotice SA recorded a net profit net of 26,388,049 LEI, proposed to be distributed as follows:

Indicator	31.12.2019	31.12.2020
Dividends (LEI)	20,059,405	2,219,652
Other reserves (LEI)	10,763,873	24,168,397
Total	30,823,278	26,388,049

The amount of 24,168,397 LEI, representing other reserves provided by law, included:

- Fiscal facilities for the profit invested in technological equipment and IT infrastructure, according to art. 22 of the Fiscal Code in the amount of 14,452,190 LEI;
- Fiscal facilities for research-development according to art. 20 of the Fiscal Code in the amount of 2,715,797 LEI;
- Other allocations provided by law, according to art. 1, letter c) of GO no. 64/2001, the sum of 7,000,410 LEI representing losses from the distribution of the profit for which an exemption was granted.

The total dividends were in the amount of 2,219,652 LEI.

The gross dividend per share for 2020 was set at 0.00330631 LEI, representing a distribution rate of 8.4% of the net profit of the fiscal year 2020.

III.1.5. Corporate Governance

Performance indicators	Planned 2020	Achieved 2020
Monitoring the transparency and communication processes	100%	100%
Reviewing, evaluating and reporting the performance of administrators	100%	100%

Antibiotice S.A. is organized on the principles of corporate governance, which regulates the selection and appointment procedure of administrators and directors, as well as the functioning of the management system, seeking to strengthen the independence, accountability and professionalism of management structures, transparency and quality of publicly presented information and protection of shareholders, including the minority ones.

Management of the company is organized to meet the expectations of shareholders in terms of competitiveness, profitability and long-term value generation. A well-defined, traceable decision-making system is ensured and the delegations of attributions and competences are made in proportion to the prerogatives granted and the existing control system.

The application of the principles of good corporate governance practices in strict compliance with the recommendations of the Corporate Governance Code of the Bucharest Stock Exchange (CGC-BVB), ensures transparency and efficiency of the company's activities and processes, thus providing the framework for maximizing in the long run the value of Antibiotice shares protecting the interests of stakeholders and increasing trust in Antibiotice SA.

Our company's management considers the Corporate Governance Code an important tool for obtaining a sustainable performance, ensuring the accuracy and transparency of the company's decision-making process, through equal access of all shareholders to relevant information about the company.

The basic pillars of the corporate governance system of Antibiotice SA can be found on the company's website at <https://www.antibiotice.ro/investitori.php/corporate-governance/>. These are the following:

- Corporate Governance Code
- Code of Ethics
- General Meeting of Shareholders
- Management Board
- Advisory Committees

- Executive Management
- Internal audit, Inventory Financial Control and Risk Management

General Meeting of Shareholders

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

During 2020, the Board convened five Ordinary General Meetings and three Extraordinary General Meetings of Shareholders. The decisions of these sessions can be found on the company's website at the following address: <https://www.antibiotice.ro/investitori-php/financial-information/adunari-generale-ale-actionarilor/?raport=2020#>

Management Board

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

Management Board aims as its own decisions, those of the company's management and of the General Meeting of Shareholders as well as the internal regulations be compliant with the legal requirements and properly implemented. The Board is responsible for monitoring the company's management on behalf of the shareholders.

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

In 2020, the Management Board met in 15 sessions, registering a 100% presence each time, and adopted decisions that enabled it to carry out its tasks in an effective and efficient manner.

Management Board of Antibiotice SA on December 31, 2020

Ioan Nani, Economist, 61 years old

Vice-President of the Management Board and General Director

Definitive Executive Administrator

At the Ordinary General Meeting of Shareholders held on May 20, 2020, Mr. Nani was reconfirmed as a member of the Management Board, for a 4-year period, the other **members of the Management Board electing him as the Board's Vice President on 20.05.2020.**

Mr. Nani is an economist specialized in management and chartered accountant, member of the Management Board since 2009 and General Director (1998 - 2008 and 2009 - present).

Number of Antibiotice SA shares held - 1,513*

Elena Calitoiu, Engineer, 57 years old

Member of the Management Board and representative of the shareholder SIF Oltenia and other shareholders - legal entities

Definitive Non-Executive Administrator

At the Ordinary General Meeting of Shareholders held on April 9, 2020, Ms. Calitoiu was confirmed as a member of the Management Board, for a 4-year period.

Number of Antibiotice SA shares held - 0*

Nicolae Stoian, Economist, 64 years old

Member of the Management Board and representative of the shareholder SIF Oltenia and other shareholders - legal entities

Definitive Non-Executive Administrator

At the Ordinary General Meeting of Shareholders held on April 9, 2020, Ms. Stoian was elected as a member of the Management Board, for a 4-year period.

Chartered accountant, tax consultant.

Number of Antibiotice SA shares held - 0*

Lucian Timofticiuc, Physicist, 46 years old

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

Definitive Non-Executive Administrator

At the Ordinary General Meeting of Shareholders held on September 16, 2020, Mr. Timofticiuc was elected as a member of the Management Board, for a 4-year period. Currently, Mr. Lucian Timofticiuc holds the position of Administrator and General Director at Vremea Noua.

Number of Antibiotice SA shares held - 0*

Ionel Damian, Legal Adviser, 49 years old

Member of the Management Board

Interim Non-Executive Administrator

At the Ordinary General Meeting of Shareholders held on September 16, 2020, Mr. Damian was elected as an interim member of the Management Board, in accordance with the provisions of art. 641 of GEO no. 109/2011.

Executive Director of Fiscal Inspection - General Regional Directorate for Public Finances of Iasi

Number of Antibiotice SA shares held - 0*

** Number of Antibiotice (ATB) shares held on December 31, 2020 according to the latest database owned by Antibiotice for 2020.*

Advisory Committees

The specialized advisory committees in 2020:

- Audit Committee: Mr. Ionel Damian, Mr. Nicolae Stoian and Ms. Elena Calitoiu;
- Nomination and Remuneration Committee: Ms. Elena Calitoiu, Mr. Lucian Timofticiuc and Mr. Nicolae Stoian;
- Trade Policy Committee: Mr. Lucian Timofticiuc, Mr. Ionel Damian and Mr. Nicolae Stoian.

The Advisory Committees carried out investigations, analyzes and elaborated recommendations for the Management Board in the specific fields and submitted periodically reports on their activity to the Management Board.

The Audit Committee, consisting of three independent non-executive administrators, held seven sessions in 2020, attended by all members of the Committee.

Among the responsibilities of the Audit Committee, we mention the following:

- performs an annual evaluation of the internal control system. The evaluation must consider the effectiveness and comprehension of the internal audit function, adequacy of the risk management and internal control reports submitted to the Audit Committee, promptness and effectiveness with which the executive management solves the deficiencies or weaknesses identified following the internal control and submission of relevant reports to the Management Board. The Audit Committee manages the conflicts of interest in connection with the transactions of the company and its subsidiaries with the affiliated parties within the meaning of the Fiscal Code;
- monitors the application of legal standards and generally accepted internal audit standards;
- receives and evaluates the reports prepared by the Internal Audit team. In exercising its main attributions and responsibilities, the Audit Committee performed the following activities:
- examines and verifies **the correctness of the company's annual and interim consolidated financial statements and any other financial reports**, before their submission to the Board for approval;
- analyzes the appointment, renaming or revocation of external auditors;
- periodically evaluates the efficiency, independence and objectivity of the external auditor and the way in which they provided additional services;
- monitors the activity of the Internal Audit Office to be ensured that it acts objectively and independently.

The Nomination and Remuneration Committee consists of three independent non-executive administrators. Its attributions and responsibilities are mainly the following:

- formulates proposals for the positions of administrator, elaborates and proposes the selection criteria of the candidates for the positions of administrator and director, recommends to the Management Board the candidates for the listed positions, formulates proposals regarding the remuneration of the administrators and directors;
- evaluates, at least once a year, the independence of the members of the Management Board;
- makes sure that the persons applying for the position of administrator have the necessary training and experience to fulfill their obligations;
- draws up an annual report on the remuneration of the administrators and directors appointed by the Board, as well as the incentives granted to them, a report that will be presented to the General Meeting of Shareholders.

In 2020, the Nomination and Remuneration Committee met in eight meetings for evaluating the activity of the administrators, remuneration policy and for selecting three members of the Management Board.

The Trade Policy Committee, consisting of three independent non-executive administrators, supports the Management Board in implementing the Management Plan by transposing it into appropriate trade policies.

The Trade Policy Committee analyzes trade policies, including the marketing and promotion policies, through which the company's Management Plan and the management component of the Management Plan (Business Plan) are implemented.

Executive management

Antibiotice is represented by the General Director, according to the prerogatives established by the law and company's Articles of Association.

Internal audit, Financial inventory control, Risk management

Internal audit

In 2020, our specialized department conducted 7 internal evaluation audit missions, according to the annual plan approved in the following fields of activity: budgetary, procurement, legal, sales and asset management, internal control system and financial-accounting system, which had general objectives adapted to each field, such as:

- to examine the compliance of the audited activity with all the principles, specific procedural and methodological rules, internal notes and decisions;
- to examine the way in which the audited activity is organized;
- to evaluate the management and control system of the audited activity.

The recommendations formulated in the internal audit missions represent completions of the operating procedures and measures to intensify the control and are followed until the implementation. Thus, out of the 67 recommendations, 36 were implemented, the others being within the implementation term.

Financial inventory control

The financial inventory control developed in compliance with the legal provisions, had the following objectives:

- substantiation of the draft Income & Expenditure Budget for 2020;
- execution of the 2019 Income & Expenditure Budget;
- the method of carrying out the annual inventory of the elements of the nature of assets, liabilities and equity for 2019;
- receipts and payments in lei and foreign currency, of any nature, in cash or by bank transfer;
- rectification of the Income & Expenditure Budget for 2020;
- preparation, circulation, storage and archiving of primary, accounting and technical-operational documents;
- registration in the accounting records of the financial operations in the first semester of 2020.

The inventory financial control actions were finalized by drawing up control reports, in which the findings and the measures for improving the verified activities were presented.

Following the inventory control actions, it was found that the regulations regarding the management of stocks and the concordance between the factual and written stocks are observed, as a result of the periodic verification during the year between the quantitative and the quantitative-value records. The results of the inventory are used by the central commission designated for this purpose.

Risk management

Our company complies with applicable legal and regulatory requirements for identifying, assessing, managing and reporting the risks.

The main purpose of risk management is to help people understand and identify the risks to which the organization is exposed so that they can anticipate and manage these risks without compromising the organization's effectiveness.

Antibiotice objectives on risk management:

- to understand the risks to which our company is exposed as well as their general and specific causes;
- to improve the risk profile of our company by managing the process of identifying, evaluating and managing risks and by implementing the control measures needed to maintain exposure to risk within the tolerable area.

In 2020, our company elaborated the Plan for implementing the control **measures for significant risks related to our company's business** and the General Risk Register, with the aim of minimizing the significant risks to which the company is exposed with impact on the objectives.

Specific risks identified for the organizational structures within Antibiotice SA were submitted to the Audit Committee:

Financial risks

In terms of financial risk management, the risks to which our company is exposed are:

- Commercial (non-payment) risk is generated by the debtor's lack of financial liquidity and by the non-fulfillment of the payment obligation at the fulfillment of its maturity. Circumstances of non-payment risk: the large exposures of the company to the major national distributors, long collection periods caused mainly by delays with which the invoices for health services are settled by the National Health Insurance House.

The measures taken by our company to control and reduce the commercial risk include: monitoring the customer creditworthiness, diversifying the customer portfolio and requesting guaranties.

- 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: lack of cash-flow generated by the gap between receipts and payments determined by the collection of receivables at maturities exceeding 300 days, fluctuations in interest rates and currency rates, volume of investments, level of taxation price of raw materials.

Our company's policy on liquidity risk is to maintain, as far as possible, sufficient liquid resources to meet the payment obligations as they reach maturity, to correlate the payment terms with the collection ones and obtain necessary financing through credit lines.

- Currency risk, a component of the financial risk, occurs frequently in the current market economy where monetary rates fluctuate under the supply and demand rule.

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

In order to reduce the exposure to the currency risk, our company took a series of measures such as: synchronization of import and export activities by correlating payment and collection terms, as well as correlating the weight of currencies so that the payment for the imported goods be made as close to or even simultaneous with the collection of money for the exported products.

Legislative risk

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.

Our effort for complying with these provisions is reflected in additional costs related to updating the documentation, in line with the latest quality standards.

Our **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, continuous monitoring of legislative changes at international level, constantly adapting our policies, rules and procedures to the occurred changes.

Human resource risk

- The lack on the labor market of candidates properly trained in the pharmaceutical field

To ensure the necessary staff, the Human Resources Department continued the Perform a+, project intended to identify young talents. Now in its fifth edition, the program aims to provide practical training and selection of employees through partnerships with the Iasi universities.

Reputational risk is defined as the current or future risk of negatively affecting **the company's profits and equity determined by the unfavorable perception on the company's image.**

The company's strategy is to limit the reputational risk through procedures, rules and flows specially created in this respect and through a sustained, transparent and efficient proactive communication.

Operational risk is the risk of loss that results either from the use of some inadequate processes, persons or internal systems that did not perform their function properly, or from external events.

Operational risks can materialize in equipment failures, human errors, faulty operational processes which can lead to unplanned shutdowns.

Our company constantly monitors the operational risks in order to take measures to maintain them at an acceptable level that does not threaten its financial stability, interests of creditors, shareholders, employees, partners.

In addition to the specific risks, in the context of 2020, under the influence of the SARS-Cov 2 virus pandemic, the following risks were identified:

- Risks related to the health and safety of employees

In order to minimize these risks, organizational and technical measures have been implemented, intended to protect the health of employees and, implicitly, ensure the continuity of the company's activity.

- Difficulties in achieving the performance indicators generated by: :

- o decrease of productive activities in areas where the physical distance of employees was not possible;
- o reduction of the number of consumers in open circuit pharmacies and of the number of hospitalizations (hospitalizations were registered only in hospitals for patients infected with Sars-CoV virus 2);
- o a limited access of the promotion team to doctors and pharmacists.

To minimize these risks, a number of measures have been taken, such as:

- o focus on the sales in the international market;
- o a proactive connection with our distributors;
- o online promotion: e-mail marketing campaigns, webinars, video conferences;
- o an intensified communication with the general public: launching and managing social media pages for the range of food supplements and cosmetics;
- o a careful monitoring of expenditures.

III.2. Investments and assimilated activities for the strategic development of the platform

Performance indicators	Planned 2020	Achieved 2020
Investment program	71.75 million LEI	48.06 million LEI*

* the difference is represented by the projects in different stages of development

According to the annual program, the investment structure in 2020 was as follows:

III.2.1. Development of production, research, utilities, transport and storage infrastructures

Investments in new manufacturing sites

The planned investment for the continuation of the works at the new manufacturing plant for ointments and suppositories has the value of 19.64 million LEI. An amount of 15.51 million LEI were used in 2020. The works for performing the clean rooms and the related installations continued, correlated with the installation of the equipment and technological installations for the production and transport of the utilities. During March - June, the works were stopped due to the traffic restrictions imposed by the coronavirus pandemic. The degree of achievement of this important investment objective is 92.52%.

Investments for modernizing the existent manufacturing sites

In order to refurbish the manufacturing flows from the three divisions, our company invested 1.02 million LEI in 2020 for purchasing equipment, installations and laboratory equipment (out of the total of 2.28 million LEI allocated for 2020).

Research & Development investments

In 2020, our company invested in research-development 8.57 million LEI (out of the total amount of 11.90 million LEI, planned for 2020). Antibiotice invested in equipment and software for supporting and improving the research activities, in order to obtain new, quality, safe, efficient and competitive products.

Investments for rehabilitating the industrial site

In the reporting period, Antibiotice invested 14.58 million LEI (of the total annual sum of 29.13 million LEI) in the rehabilitation of auxiliary buildings and constructions, transport and storage infrastructure and logistics, maintenance infrastructure, production and distribution of utilities, as well as for the rehabilitation of land released after demolition and decommissioning.

III.2.2. Investments to strengthen the integrated management system and ensure continuity in environmental protection

Investments in product quality control, environmental protection, occupational health and safety

Increasing the accuracy of laboratory analysis methods and reviewing monographs in pharmacopoeias required investments in state-of-the-art equipment to maintain the quality standards of manufactured products and comply with legal requirements to protect the environment and employees. The amount invested in 2020 was 1.95 million LEI (of the annual total of 2.97 million LEI).

III.2.3. Investments in social responsibility projects

In 2020, 6.43 million LEI were invested in projects on the employee motivation and retention system: “Friendly Brand” which consists in arranging common spaces (locker rooms, social groups, dining rooms, training rooms) and “We live healthy in a healthy company”, a project in which the following were made: modernization of the “**Penicilina**” Sports Hall and the project for employees and community, named “Friendship Park” (arrangement, in the form of a park, of the area with the forest curtain in front of the factory, bordering the DN28 national road).

➤ Digitization and computerization of the company's activities and processes

Our company adapted itself to the challenges of this period, making the most of the possibilities of work, training and communication in the online environment.

Within the digitization and computerization plan, Antibiotice, considered as a priority to access software to streamline human resources activities but also to secure data and information in all the company.

IV Antibiotice, a responsible company involved in sustainable development

Antibiotice SA undertakes to publish the Non-Financial Report for 2020 which will be made available to the public on the company's website (www.antibiotice.ro), according to the legal requirements in force.

In 2020 also, the year of the Covid-19 pandemic outbreak, Antibiotice SA focused its social responsibility activities on the development of a sustainable, ethical and transparent business. Acting sustainably, our company creates long-term value for both their employees and their stakeholders, respecting the environment, being concerned about the health and safety of employees and supporting the communities.

Involvement of Antibiotice SA in community life is done by carrying out social responsibility programs, which are based on four pillars: health, education, environment and social matters.

➤ Health

Antibiotice SA developed social responsibility programs on improving the health of its employees and the communities in which it operates. Within these programs, education and information campaigns on health prevention were developed.

Supporting our employees' health

Since the beginning of the pandemic, Antibiotice SA set up a Health and Safety Committee, responsible for taking the necessary measures to prevent the spread of new coronavirus infections among employees, and conducted employee training and awareness campaigns.

Supporting the health system

As a gesture of solidarity with the medical system, Antibiotice SA offered financial aid and donations in medicines totaling 600,000 LEI to 11 hospitals in Romania, in the first months of the pandemic. Thus, along with the hospitals in Pascani, Onesti and Brasov, **8 hospitals in Iasi** including the Regional Institute of Oncology and the Infectious Diseases Hospital, received sponsorships. Also, an important pole for treating people with Covid-19, "Prof. Dr. Matei Bals" National Institute of Infectious Diseases in Bucharest, received also help from our company, both in money and medicines. The total value of these donations was 125,000 EUR.

Donate blood! Put your soul to life!

Despite all the difficulties imposed by the new coronavirus pandemic, on June 16, 2020, around World Blood Donor Day (June 14, 2020), Antibiotice SA managed in 2020 also **to organize the "Donate blood! Put your soul to life!"** campaign, the 19th edition, attended by 70 employees. Together, the volunteers donated 32 liters of blood, which helped save more than 150 lives. Considering the permanent need for life-saving blood in hospitals, since 2010, the "Antibiotice - Science and Soul" Foundation, in partnership with the Regional Blood Transfusion Center Iasi, organizes biannually, blood donation campaigns.

➤ Education

Antibiotice SA has been investing, with science and soul, in the education of young people, future models of responsible behavior. Our company recognizes the role of the local community in forming and developing the company's main source of value - the well trained people - and supports the community in fulfilling this role.

Bookster books on the Bookcase a+ shelves

Starting with October 30, 2020, our company offered as a free benefit to its employees passionate about reading the opportunity to access the Bookster.ro platform. The goal of the **"Bookster books on the Bookcase a+ shelves"** project is to encourage our employees to read and gain new knowledge by facilitating their and their families' access to materials such as books, articles, podcasts, etc., covering areas from personal and professional development to hobbies and fiction. Bookster is a public library that lends books to company employees through its online platform. The borrowed books are then delivered to employees, free of charge, at the office. At the end of the year, 211 employees had an account opened on Bookster.ro.

„Science and Soul” Scholarships

Every year, starting from 2001, **the "Antibiotice - Science and Soul" Foundation together with the "Pro Ruralis" Association** offer five scholarships to students without material possibilities in rural areas, but with special skills and higher IQ. As in the year of the pandemic, 2020, school courses were held mainly online, Antibiotice SA donated a tablet to each of the five high school students from the Pedagogical High School from Iasi, with the help of which they were able to access the resources necessary in the educational process.

➤ Environment

Antibiotice SA develops a sustainable partnership with the community by carrying out activities meant to protect the environment, being permanently concerned with improving its environmental performance.

Friendship Park

On December 1, 2020, on the occasion of the National Day of Romania, our company inaugurated the **"Friendship Park"**, a social responsibility project within the

”Antibiotice, a friendly brand” program. The project involved the arrangement of the forest curtain area, adjacent to the DN28 national road near the Valea Lupului commune. With a total area of 25,000 square meters, the park arranged in front of our company has over 1,000 trees and shrubs, lawn, pedestrian alleys, a sports field and a playground for children. The initial forest curtain raised on the site of the current Friendship Park was planted by the first Antibiotice employees, in 1955.

➤ Social

Antibiotice SA is involved in the community life, supporting disadvantaged groups through social programs, which in time have become traditional.

Respect for the forerunners

Since April 2020, in the midst of the pandemic, Antibiotice SA started taking care of 31 of its former employees. Through the **”Antibiotice - Science and Soul”** Foundation, 31 Antibiotice retirees in difficulty, with health problems, who cannot move, have become the beneficiaries of the **”Respect for the forerunners”** project, receiving basic foodstuffs delivered to their homes every two weeks.

”Be generous! Be Santa Claus!

Although 2020 was full of restrictions due to the pandemic, on December 17 and 18, 2020, Antibiotice SA managed, for the eighth consecutive year, to be Santa Claus for 78 children coming from needy families, with reduced material possibilities, from the counties of Iasi and Neamt. The children's letters (aged between a few months and 15 years) sent to Santa, reached several "elves", employees of Antibiotice SA who managed to fulfill their every wish. How, due to the pandemic, the children could not reach the tree organized at Antibiotice, Santa Claus and his elves went from house to house to share their gifts. The **”Antibiotice - Science and Soul”** Foundation has been organizing annually this campaign starting from 2013, in collaboration with the Metropolitan Church of Moldova and Bucovina, Pro Vita Department, Mission Sector of the **Iași Archdiocese**.

The Management Report was prepared based on audited financial data according to legal requirements.

V Conclusions

In 2020, Antibiotice SA:

- achieved a gross profit of 28.33 million LEI, 16% higher compared to the value planned in the Income & Expenditure Budget;
- is the main Romanian exporter in the Vietnam market, with a traded value of approximately 10 million USD in 2020;
- tripled its sales of sterile powders for injection in the European markets;
- leader in the segment of prescription and OTC generics traded in hospitals, with a 14.8% market share;
- ranks 1st in the relevant market in Romania, with a 13.1% value market share.

General Director
Ioan Nani, Economist

Financial Director
Paula Coman, Economist

Annex 1

The state of compliance with the provisions of the new Corporate Governance Code of BVB ¹ on December 31 2020	Compliance YES / NO
Section A - Responsibilities	
A.1. All the companies must have an internal regulation of the Council that includes terms of reference/responsibilities of the Council and the key management functions of the company, and which applies, among other things, the General Principles of this Section.	YES
A.2. The provisions for managing conflicts of interest should be included in the Council Regulation.	YES
A.3. The Council must consist of at least five members.	YES
A.4. Most members of the Council must not have executive functions. In the case of Premium Category companies, not less than two non-executive members of the Council must be independent. Each independent member of the Council shall make a declaration at the time of his nomination for election or re-election and when any change of his status occurs, indicating the elements on the basis of which he is considered to be independent in terms of his character and judgment.	YES
A.5. Other relatively permanent commitments and professional obligations of a member of the Board, including executive and non-executive positions in the Board of Nonprofit Companies should be disclosed to shareholders and potential investors prior to the nomination and during their term of office.	YES
A.6. Any member of the Council must provide to the Council information on any report with a shareholder directly or indirectly owning shares representing more than 5% of all voting rights.	YES

¹ The annex contains the main provisions of the Code. For the full text of the Code, please visit the Bucharest Stock Exchange website.

The state of compliance with the provisions of the new Corporate Governance Code of BVB ¹ on December 31 2020		Compliance YES / NO
	A.7. The company must designate a secretary of the Council responsible for supporting the work of the Council.	YES
	A.8. The statement concerning the Corporate Governance provides information whether an evaluation of the Council has taken place under the chairmanship of the President or the nomination committee and, if so, will summarize the key measures and the resulting changes. The society must have a policy/guidance on the Council's assessment of the scope, criteria and frequency of the assessment process.	YES
	A.9. The statement concerning the Corporate Governance should contain information on the number of the Council and committee meetings over the past year, the administrators' participation (in person and in their absence) and a report by the Council and committees upon their activities.	YES
	A.10. The corporate governance statement should include information on the exact number of independent members of the Council.	YES
	A.11. The Board of the Premium Companies must establish a nomination committee made up of non-executive members, who will direct the nomination procedure of new members to the Council and will make recommendations to the Council. Most members of the nomination committee must be independent.	YES
Section B - The Risk management and internal control system		
	B.1. The Council should set up an audit committee in which at least one member should be a non-executive and independent. In the case of Premium Category companies, the audit committee must be composed of at least three members and the majority of the members of the audit committee must be independent.	YES
	B.2. The chairman of the audit committee must be an independent non-executive member.	YES

Annex 1

The state of compliance with the provisions of the new Corporate Governance Code of BVB 1 on December 31 2020		Compliance YES / NO
	B.3. Within its responsibilities, the audit committee must carry out an annual assessment of the internal control system.	YES
	B.4. The assessment should take into account the effectiveness and coverage of the internal audit function, the degree of adequacy of the risk management and internal control reports submitted to the Council's audit committee, the promptness and effectiveness with which the executive management addresses the deficiencies or weaknesses identified in the audit Internal and the submission of relevant reports to the Council.	YES
	B.5. The Audit committee should assess the conflicts of interest in relation to the transactions of the company and its subsidiaries with the affiliated parties.	YES
	B.6. The audit committee must assess the effectiveness of the internal control system and the risk management system.	YES
	B.7. The Audit Committee should monitor the application of the general standards and the generally accepted legal standards and internal audit standards. The audit committee must receive and assess the internal audit team reports.	YES
	B.8. Whenever the Code mentions reports or analyzes initiated by the Audit Committee, they must be followed by periodic reports (at least annually) or ad hoc reports to be submitted to the Council.	YES
	B.9. No shareholder may be granted preferential treatment over other shareholders in connection with transactions and agreements concluded between the company and shareholders and their affiliates.	YES
	B.10. The Council should adopt a policy to ensure that any company transaction with any of the companies with which it has close relationships with a value equal to or greater than 5% of the company's net assets (according to the latest financial report) is approved by the Council following a mandatory opinion of the audit committee.	YES

Annex 1

The state of compliance with the provisions of the new Corporate Governance Code of BVB ¹ on December 31 2020		Compliance YES / NO
	B.11. The internal audits should be performed by a separate structural division (internal audit department) within the company or by hiring an independent third party.	YES
	B.12. In order to ensure the main functions of the internal audit department, it must report functionally to the Council through the audit committee. For administrative purposes and within the management's responsibility to monitor and mitigate risks, it must report directly to the General Director.	YES
Section C - Fair reward and motivation		
	<p>C.1. The company must publish the remuneration policy on its website and include a statement on the implementation of the remuneration policy in the annual report during the annual period which is subject of the analysis.</p> <p>Any essential change occurred in the remuneration policy must be published in a timely manner on the company's website.</p>	YES
Section D - Adding value through investor relations		
	<p>D.1. The company must organize an Investor Relations Service - indicating to the general public the responsible person(s) or the organizational unit. In addition to the information required by the law, the company must include on its website a section dedicated to Investor Relations, in Romanian and English, with all the relevant information of interest to investors, including:</p> <p>D.1.1. The main corporate regulations: the constitutive act, the procedures regarding the general meetings of shareholders;</p> <p>D.1.2. The professional CVs of members of the company's management bodies, other professional commitments of the Board members, including the executive and non-executive positions in boards of directors in companies or non-profit institutions;</p> <p>D.1.3. The current reports and periodic reports (quarterly, half-yearly and annual);</p> <p>D.1.4. Information concerning the general meetings of shareholders;</p>	YES

Annex 1

The state of compliance with the provisions of the new Corporate Governance Code of BVB ¹ on December 31 2020	Compliance YES / NO
<p>D.1.5. Information concerning corporate events; D.1.6. The names and contact details of a person who will be able to provide relevant information upon request; D.1.7. The company presentations (e.g., investor presentations, quarterly results presentations, etc.), the financial situations (quarterly, half-yearly, annual), audit reports and annual reports.</p>	
<p>D.2. The company will have a policy on the annual distribution of dividends or other benefits to shareholders. The principles of the annual distribution policy to shareholders will be published on the company's website.</p>	YES
<p>D.3. The company will adopt a policy regarding the forecasts, whether they are made public or not. The forecasting policy will be published on the company's website.</p>	YES
<p>D.4. The rules of general shareholders' meetings should not limit the participation of shareholders to general meetings and the exercise of their rights. The changes to the rules will enter into force at the earliest, starting with the following shareholders meeting.</p>	YES
<p>D.5. The external auditors will be present at the general shareholders' meeting when their reports are presented at these meetings.</p>	YES
<p>D.6. The Board will provide the annual general meeting of shareholders with a brief assessment of the internal control and risk management systems as well as opinions on matters subject to the decision of the general meeting.</p>	
<p>D.7. Any specialist, consultant, expert, or financial analyst may attend the shareholders' meeting on the basis of a prior invitation from the Board. The accredited journalists may also participate in the general meeting of shareholders, unless the President of the Council decides otherwise.</p>	YES

Annex 1

The state of compliance with the provisions of the new Corporate Governance Code of BVB ¹ on December 31 2020		Compliance YES / NO
	D.8. The quarterly and half-yearly financial reports will include both Romanian and English information concerning the key factors that affect the changes in sales, the operating profit, the net profit and other relevant financial indicators from quarter to quarter, and from one year to another.	YES
	D.9. A company will hold at least two meetings/teleconferences with analysts and investors each year. The information presented on these occasions will be published in the Investor Relations section of the company's website at the dates of the meetings/teleconferences.	YES
	D.10. If a company supports different forms of artistic and cultural expression, sporting activities, educational or scientific activities and considers that their impact upon the innovative character and the competitiveness of the company is part of its mission and development strategy, it will publish the policy on the activity in this area.	YES

ANTIBIOTICE S.A.

Individual financial statements for the
year ended on December 31, 2020

drafted in accordance with the
International Financial Reporting
Standards (IFRS) adopted by the
European Union

ANTIBIOTICE SA
STATEMENT OF THE COMPREHENSIVE INCOME

For the year ended on December 31, 2020

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

STATEMENT OF THE COMPREHENSIVE INCOME	NOTE	For the year ended on	
		31-12-20	31-12-19
Sales revenues	4	340,424,276	389,710,740
Other operating revenues	5	36,062,333	33,008,685
Revenues relative to costs of product stocks		23,676,949	4,564,960
Capitalized income generated by the entity's activity		6,351,872	4,660,869
Expenses with raw materials and consumables	6	(131,864,599)	(146,016,104)
Staff-related expenses	7	(111,822,960)	(102,852,132)
Expenditure on amortization and depreciation		(21,794,224)	(21,416,603)
Other operating expenses	8	(107,332,654)	(121,652,509)
Operating profit		33,700,993	40,007,906
Financial income	9	2,358	8,313
Financial expenses	9	(5,373,894)	(4,836,326)
Pre-Tax Profit		28,329,456	35,179,893
Chelt. cu impozitul pe profit curent si amanat alte impozite	10	(1,941,407)	(4,356,615)
Profit		26,388,049	30,823,278
Other items of comprehensive income			
Items not to be reclassified:			
Gains/losses from revaluation of tangible fixed assets		81,627,152	-
Profit tax on other items of comprehensive income		13,060,344	-
Total other items of comprehensive income, excluding taxes		94,687,496	-
Total comprehensive income		121,075,545	30,823,278
Earnings per share	11	0.0393	0.0459

The explanatory notes from 1 to 27 are an integrating part of the financial statements

Approved by the Management Board on 17.03.2021
and signed on behalf of:

Drafted by:

General Manager
Ec. Ioan NANI

Financial Director
Ec. Paula COMAN

ANTIBIOTICE SA
STATEMENT OF THE FINANCIAL POSITION

For the year ended on December 31, 2020

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

STATEMENT OF THE FINANCIAL POSITION	NOTE	31-12-20	31-12-19 restated
ASSETS			
FIXED ASSETS			
Tangible fixed assets	12	467,880,779	363,616,611
Intangible fixed assets	13	19,709,606	16,385,709
TOTAL FIXED ASSETS		487,590,385	380,002,320
CURRENT ASSETS			
Stocks	14	108,691,209	73,975,988
Trade and similar receivables	15	260,388,767	338,159,774
Cash and cash equivalents	16	6,329,458	1,877,409
TOTAL CURRENT ASSETS		375,409,434	414,013,171
TOTAL ASSETS		862,999,818	794,015,491
 LIABILITIES			
CURRENT LIABILITIES			
Commercial and similar liabilities	17	66,103,990	65,198,391
Amounts due to credit institutions	18	95,568,514	125,951,291
Tax and current tax liabilities	20	11,189,134	15,296,254
Short-term provisions	17	13,528,900	7,149,401
Subsidies for investments	19	306,289	306,289
TOTAL CURRENT LIABILITIES		186,696,827	213,901,625
 LONG -TERM LIABILITIES			
Subsidies for investments	19	2,466,591	2,772,880
Deferred income tax	10	31,119,874	17,884,035
Amounts due to credit institutions	18	65,444,478	57,080,354
TOTAL LONG-TERM LIABILITIES		99,030,943	77,737,269
TOTAL LIABILITIES		285,727,770	291,638,894

The explanatory notes from 1 to 27 are an integrating part of the financial statements

Approved by the Management Board on 17.03.2021
and signed on behalf of:

Drafted by:

General Manager
Ec. Ioan NANI

Financial Director
Ec. Paula COMAN

ANTIBIOTICE S.A.
STATEMENT OF THE FINANCIAL POSITION (continued)
on December 31, 2020
(all amounts are expressed in LEI, if not mentioned otherwise)

	NOTE	31-12-20	31-12-19
Share capital and reserves			
Share capital	21	264,835,156	264,835,156
Reevaluation reserves	22	116,636,526	50,804,319
Legal reserves	22	13,426,761	13,426,761
Other reserves	22	231,136,239	213,189,459
Reported result	23	(60,698,493)	(63,433,093)
Distribution of profit	24	(14,452,190)	(7,269,283)
Current result	24	26,388,049	30,823,278
TOTAL EQUITY		577,272,048	502,376,596
TOTAL EQUITY AND LIABILITIES		862,999,818	794,015,491

The explanatory notes from 1 to 27 are an integrating part of the financial statements

Approved by the Management Board on 17.03.2021
and signed on behalf of:

Drafted by:

General Manager
Ec. Ioan NANI

Financial Director
Ec. Paula COMAN

ANTIBIOTICE S.A.
CASH FLOW STATEMENTS

For the year ended on December 31, 2020

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

CASH FLOW STATEMENTS	For the year ended on	
	31-12-20	31-12-19
I. Cash flows from operating activities		
Cash collection from the sales of goods and provision of services	427,579,788	363,059,643
Cash collection from royalties, fees, charges and other revenue	82	425,296
Cash payment to suppliers of goods and services	(190,865,262)	(203,130,502)
Cash payments to and on behalf of employees, payments made by the employer for its employees	(101,298,761)	(89,954,560)
VAT paid	-	-
Contributions to the Ministry of Health and the Ministry of the Environment	(32,449,097)	(41,908,808)
Other duties, taxes, and similar levies	(1,572,909)	(666,289)
Operating cash flow	101,393,842	27,824,781
Interest charged	2,358	8,313
Interest paid	(5,062,713)	(4,538,522)
Income tax / dividends paid	(2,281,617)	(2,669,237)
Net cash flows from operating activities	94,051,870	20,625,335
II. Cash flows generated by investments		
Platile in numerar pentru achizitionarea de terenuri si mijloace fixe, active necorporale si alte active pe termen lung / Cash payments for purchasing land and fixed assets, intangible assets and other long-term assets	(47,987,016)	(69,180,345)
Net investment cash flow	(47,987,016)	(69,180,345)
III. Cash flows from financing activities		
Receipts from long-term loans/reimbursements	16,307,333	29,595,638
Dividends paid	(18,167,733)	(6,150,225)
Net cash flows from financing activities	-1,860,401	23,445,413
Gains/losses from exchange rate differences	(1,398,162)	(536,326)
Net increase/(decrease) in cash	42,806,291	(25,645,923)
Cash and cash equivalents at the beginning of the period	(123,998,470)	(98,352,547)
Cash and cash equivalents at the end of the period	(81,192,179)	(123,998,470)

The cash and cash equivalents at the end of the period include:

Accounts in banks and cash	6,329,458	1,877,409
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The explanatory notes from 1 to 27 are an integrating part of the financial statements

Approved by the Management Board on 17.03.2021
and signed on behalf of:

Drafted by:

General Manager
Ec. Ioan NANI

Financial Director
Ec. Paula COMAN

ANTIBIOTICE S.A.
CASH FLOW STATEMENTS

For the year ended on December 31, 2020

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

Credit lines	(87,521,637)	(125,875,879)
	<u>(81,192,179)</u>	<u>(123,998,470)</u>

The explanatory notes from 1 to 27 are an integrating part of the financial statements

Approved by the Management Board on 17.03.2021
and signed on behalf of:

Drafted by:

General Manager
Ec. Ioan NANI

Financial Director
Ec. Paula COMAN

ANTIBIOTICE S.A.
MODIFICATIONS OF EQUITY
For the year ended on December 31 2020
(all the amounts are expressed in LEI, if not mentioned otherwise)

	Subscribed capital	Capital adjustments	Reserves	Other reserves	Revaluation reserves	Current result	Profit distribution	Revaluation reserve Resulted	Reported result from the correction of errors	Result following applying IAS/IFRS for the first time	Result following applying IAS 29 for the first time	TOTAL
Balance on December 31 18 Initial presentation	67.133.804	197.701.352	13.426.761	190.422.002	53.459.596	34.303.788	-23.537.290	14.205.380	-1.094.738	124.408.011	-197.701.352	472.727.315
Correction of the reinvested profit distribution	-	-	-	12.534.092	-	-	-	-	12.534.092	-	-	0
Correction of tax differences	-	-	-	-	-	-	-	-	-2.114.221	-	-	-2.114.221
Correction of the deferred tax calculation	-	-	-	-	-	-	-	-	6.725.845	-	-	6.725.845
Restated balance on December 31, 2018	67.133.804	197.701.352	13.426.761	202.956.094	53.459.596	34.303.788	-23.537.290	14.205.380	-9.017.206	124.408.011	-197.701.352	477.338.938
Current result	-	-	-	-	-	30.823.278	-	-	-	-	-	30.823.278
Other elements of the overall result:												
Revaluation reserve												0
Deferred tax related to the revaluation difference	-	-	-	-		-	-			-	-	0
Total other elements of the overall result	0	0	0	0	0	30.823.278	0	0	0	0	0	30.823.278
Transfer revaluation surplus					-2.655.277			3.216.934		-561.656		0
Allocation of other reserves *	-	-	-	2.964.082		-27.596.110	23.537.290		1.094.738		-	0
Mandatory distributions				7.269.283			-7.269.283					0
Transactions with shareholders:												
Dividends	-	-	-		-	-6.707.678	-			-	-	-6.707.678
Restated balance on December 31, 2019	67.133.804	197.701.352	13.426.761	213.189.459	50.804.319	30.823.278	-7.269.283	17.422.314	-7.922.468	123.846.355	-197.701.352	501.454.538

The explanatory notes numbered 1 to 27 are an integral part of the financial statements.

ANTIBIOTICE S.A.
MODIFICATIONS OF EQUITY
For the year ended on December 31 2020
(all the amounts are expressed in LEI, if not mentioned otherwise)

Deferred tax calculation correction on January 1, 2020									922.058			922.058
Restated balance on January 1, 2020	67.133.804	197.701.352	13.426.761	213.189.459	50.804.319	30.823.278	-7.269.283	17.422.314	-7.000.410	123.846.355	-197.701.352	502.376.597
Current result						26.388.049						26.388.049
Other elements of the overall result:												
Revaluation reserve					81.627.152							81.627.152
Deferred tax related to the revaluation difference					-13.060.344							-13.060.344
Total other elements of the overall result	0	0	0	0	68.566.808	26.388.049	0	0	0	0	0	94.954.857
Transfer revaluation surplus					-2.734.601			3.307.470		-572.869		0
Allocation of other reserves *				3.494.590		-10.763.873	7.269.283					0
Mandatory distributions				14.452.190			-14.452.190					0
Transactions with shareholders:												
Dividends						-20.059.405	-					-20.059.405
Balance on December 31, 2020	67.133.804	197.701.352	13.426.761	231.136.239	116.636.526	26.388.049	-14.452.190	20.729.784	-7.000.410	123.273.485	-197.701.352	577.272.048

The explanatory notes numbered 1 to 27 are an integral part of the financial statements.

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

For the year end on December 31, 2020
(all the amounts are expressed in LEI, if not mentioned otherwise)

1. GENERAL INFORMATION

1.1 Brief company profile

Antibiotice SA, based in Iasi, Valea Lupului street no. 1, tax registration code RO 1973096 was founded in 1955 and was defined as a trading company as per Law 15/1990 and the Government Decision no. 1200/12.11.1990. Its shares are traded on the regulated capital market of the Bucharest Stock Exchange (BVB).

Our company's 8 manufacturing lines, upgraded and certified according to the 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 and creams). Altogether they form a complex portfolio of more than 150 medicinal products for human use designed to treat a wide range of infectious, dermatological, cardiovascular, digestive tract or musculoskeletal system diseases.

All production capacities owned by our company are located to the headquarters. The Company owns the right to ownership of all the fixed assets registered in the company's accounts.

1.2 Corporate Governance

The Antibiotice's governance system is based on:

- General Meeting of Shareholders;
- Management Board;
- Advisory Committees;
- Executive Management.

General Meeting of Shareholders

The General Meeting of Shareholders (GMS) is the company's highest decision-making body, the place where shareholders participate directly and make decisions. Among other duties, the GMS decides upon the distribution of the profit, appoints the Management Board and the auditors and it establishes the remuneration of the Management Board.

Throughout 2020, the Management Board convened five Ordinary General Meetings and three Extraordinary General Meetings.

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

At the Ordinary General Meeting of March 6, the company's Income and Expenditure Budget for 2020 was approved.

The Ordinary General Meetings of Shareholders approved the following:

- The Income and Expenditure Budget for 2020 – The Ordinary General Meeting of Shareholders of March 5, 2020.

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

For the year end on December 31, 2020

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

- The financial statements of the company for the financial year 2019, based on the Management Report and the Financial Auditor's Report - OGMS of April 9, 2020;
- The distribution of the net profit for 2019, the fixing of the gross dividend per share in the amount of 0.029879738 lei/share and establishing the date of its payment as 21.09.2020 – OGMS of April 9, 2020;
- The registration as income of unclaimed dividends for the financial year 2015 - OGMS of April 9, 2020;
- The degree in which the Management Board members achieved their objectives and performance criteria for 2019 - OGMS of April 9, 2020;
- The appointment of SOCECC as an external audit firm, for a period of 3 years - OGMS of April 9, 2020.
- The discharge of the administrators of any liability for the activity carried out during the financial year 2019, based on the submitted reports - OGMS of April 9, 2020;
- The objectives included in the management plan for the Management Board members for the year 2020 - OGMS of April 9, 2020;
- Establishes the remuneration of the members of the Management Board according to the provisions of GEO no. 109/2011 on the corporate governance of public enterprises and GD no. 722/2016 for the approving of the Methodological norms for applying some provisions of GEO no. 109/2011 on the corporate governance of public enterprises - OGMS of April 9, 2020;
- The modification of the Management Board membership by appointing Mr. Nicolae STOIAN and Mrs. Elena CALITOIU as non-executive administrators for a term of 4 (four) years starting with April 18, 2020, in accordance with the procedures established by Art. 29 of the GEO no. 109/2011 regarding the corporate governance of public enterprises and the renewal of the mandate of executive administrator of Mr. Ioan Nani based on the Article 27, paragraph 7 of GEO no. 109/2011 on the corporate governance of public enterprises, until 31.05.2020 - OGMS of April 9, 2020;
- The Registration date 31.08.2020, for the identification of the shareholders affected by the effects of the decisions adopted, in accordance with the provisions of art. 86, paragraph 1 of Law 24/2017 on the issuers of financial instruments and market operations, and the establishment of ex-dates for 28.08.2020 - OGMS of 9 April 2020.
- The renewal of the term of office of the executive administrator of Mr. Ioan Nani for the period 01.06.2020 – 18.04.2024 - OGMS of May 20, 2020;
- The appointment of Mr. Lucian Timofticiuc as a temporary administrator for a period of 4 months, with the possibility of extension up to 6 months - OGMS of May 20, 2020;
- The financial statements of the company for the first semester of 2020, based on the Management Report and the Financial Auditor's Report – OGMS of 16.09.2020;
- The Income and Expenditure Budget for 2020 rectified, in accordance with the provisions of G.O. no. 26/2013, regarding the strengthening of financial discipline at the level of economic operators in which the state or administrative-territorial units are sole or majority shareholders or directly or indirectly hold a majority stake, the modification of performance indicators for the company administrators, in correlation with Income and Expenditure Budget for the year 2020 rectified – OGMS 16.09.2020;
- The appointment of an administrator of the company, in the person of Mr. Lucian TIMOFTICIUC for a mandate valid until 18.04.2024, in accordance with the procedures established by Art. 29 of the G.E.O. no.109/2011 regarding the corporate governance of public enterprises – OGMS of 16.09.2020;

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

For the year end on December 31, 2020

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

- The evaluation report of the company's administrators and the replacement of Mr. Dan-Octavian ALEXANDRESCU from the position of administrator is decided. The Management Board will initiate the procedures established by GEO 109/2011 on the corporate governance of public enterprises so that the General Meeting of Shareholders can appoint a provisional director during its first meeting – OGMS of 16.09.2020;
- The designation of Mr. Ionel DAMIAN as a temporary administrator for a period of 4 months, with the possibility of extension up to 6 months, pursuant to Art. 64¹, paragraph 4 and paragraph 5 of GEO no. 109/2011 on the corporate governance of public enterprises – OGMS of 16.09.2020;

The Extraordinary General Meeting of Shareholders approved the following:

- the extension of the validity of the multi-product multi-currency credit facility of 30 million LEI contracted by SC Antibiotice SA from the Export Import Bank of Romania - EximBank SA for a period of 12 months – EGMS of 09.04.2020;
- maintaining the guarantees for the multi-product multi-currency credit facility in the amount of 30 million LEI for the entire validity period (a calendar year starting with 25.06.2019) – EGMS of 09.04.2020;
- the issuance of a decision-commitment of SC Antibiotice SA not to divide, not to merge and not to decide on the early dissolution during the entire validity period of the multi-product multi-currency credit facility without the prior consent of the Export Export Bank of Romania - EximBank SA – EGMS of 09.04.2020;

the ratification of the Addendum no. 9 of 19.11.2019 on the Special Credit Terms to the Credit Agreement no. IAS3-42-2016 dated 17.08.2016, signed between UniCredit Bank S.A and Antibiotice SA. – EGMS of 09.04.2020;

- the ratification of the Real Estate Mortgage Contract authenticated under Nr. 4174/2019 of 20.12.2019 for the guarantee of the Credit Agreement no. IAS3-42-2016 dated 17.08.2016, signed with UniCredit Bank S.A. by Antibiotice SA. – EGMS of 09.04.2020;
 - the ratification of the Real Estate Mortgage Contract dated 19.11.2019 signed between UniCredit Bank S.A si Antibiotice SA. – EGMS of 09.04.2020;
 - the ratification of the Real Estate Mortgage Contract dated 20.12.2019 signed between UniCredit Bank S.A si Antibiotice SA. – EGMS of 09.04.2020;
 - the amendment of the Articles of Association of the company by completing the object of activity of the company with a new secondary activity, the one provided by the NACE code 2020 “*Manufacture of pesticides and other agrochemical products*” – EGMS of 20.05.2020;
 - the change of the location of the Antibiotice Representative Office in Vietnam at the following address: Room 807, 8th floor, Tower 3A, Lane 82, Duy Tan Street, Dich Vong Hau Ward, District Cau Giay, Hanoi, Vietnam – EGMS of 16.09.2020.
 - The modification of the Articles of Association of the company by eliminating the secondary objects of activity that are not performed by the company: 6612 – Activities of intermediation of financial transactions; 6630 – Fund management activities; 7500 – Veterinary activities; 8690 – Other human health activities; 8710 – Activities of health care centers; 8720 – Activities of mental recovery and detoxification centers, excluding hospitals; 8730 – Activities of care homes and homes for people unable to take care of themselves – EGMS of 16.09.2020.
 - refinancing the credit line from EximBank to CEC Bank – EGMS of 16.09.2020;
 - Refinancing the credit facility from Exim Bank worth 30 mil lei, to CEC Bank – EGMS of 16.09.2020;
-

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

For the year end don December 31, 2020

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

- Approval of the credit facility guarantee worth 30 mil lei, to CEC Bank – EGMS of 16.09.2020;
- the establishment of the Senior Clubs Association, in which Antibiotice SA will have the quality of founding member – EGMS of 16.09.2020;

Antibiotice SA in the capital market

Investors

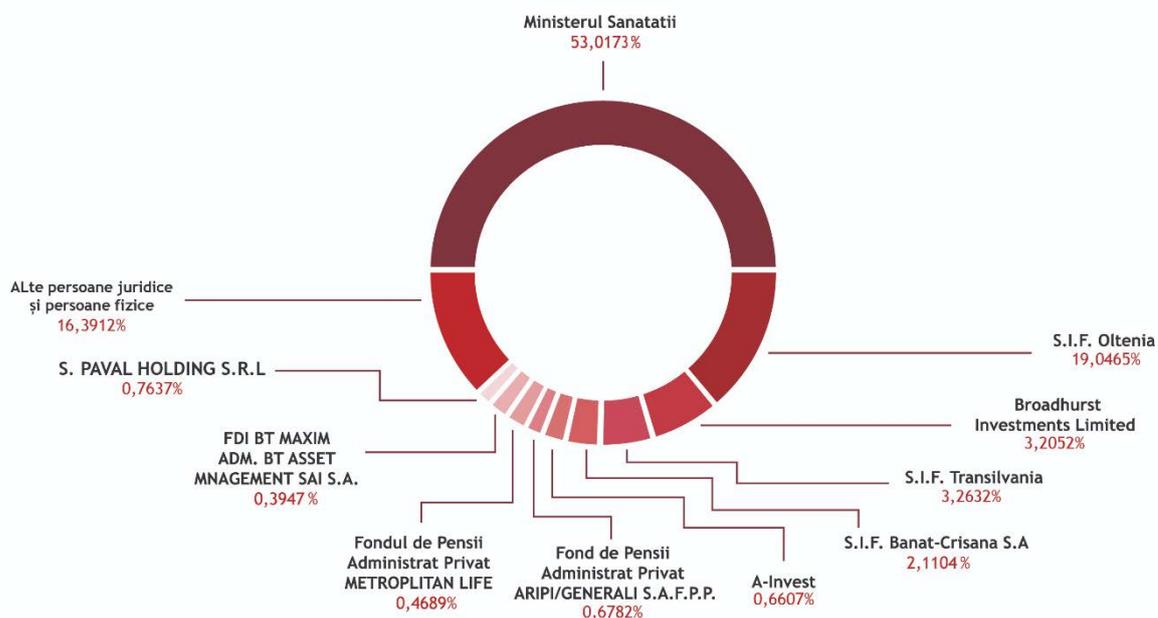
(according to the Shareholders' Register on 31.12.2021)

THE MINISTRY OF HEALTH (*)	53,0173%
S.I.F. OLTENIA (*)	19,0465%
S.I.F. TRANSILVANIA	3,2632%
BROADHURST INVESTMENTS LIMITED	3,2052%
S.I.F. BANAT-CRISANA S.A.	2,1104%
S. PAVAL HOLDING S.R.L.	0,7637%
THE PRIVATELY MANAGED PENSION FUND ARIPI A - INVEST	0,6782%
THE PRIVATELY MANAGED PENSION FUND METROPLITAN LIFE	0,6607%
FDI BT MAXIM ADM. BT ASSET MANAGEMENT SAI SA	0,3947%
Other shareholders (42.285 shareholders)	16,3912%

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

II. Classes of shareholders:

- Legal entities – 86,0834%
- Natural persons – 13,9166%



ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

For the year end don December 31, 2020
(all the amounts are expressed in LEI, if not mentioned otherwise)

Dividends

During 2020, dividends were paid for the financial years 2016, 2017, 2018 and 2019, amounting to 18,166,715.83 lei, as follows:

Dividend history (2016 – 2017 - 2018- 2019)

Year	Net dividends							Suspension date of dividend payment
	Due	Paid				Unclaimed on 31.12.2020		
		Until 31.12.2019	01.01÷31.12.2020	Total	% (total paid)	lei	%	
0	1	2	3	4	5	6	7	8
2016	25,401,595	23,379,791.77	17,169.33	23,396,961.10	92.11	2,004,633.90	7.89	14.09.2020
2017	17,588,680	16,138,163.54	22,007.82	16,160,717.36	91.88	1,428,508.64	8.12	Payment in progress
2018	6,612,624.05	6,055,864.22	13,318.65	6,069,182.87	91.78	543,441.18	8.22	Payment in progress
2019	19,811,039.75	-	18,114,220.03	18,114,220.03	91.43	1,696,819.72	8.57	Payment in progress

For the years 2016, 2017, 2018 and 2019, the payment of the dividends is made through the Bucharest Central Depository and implicitly, through the Payment Agent - CEC Bank.

Price per share evolution

The titles issued by Antibiotice have been listed in the PREMIUM category of the Bucharest Stock Exchange under the ATB symbol 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, with the price of 2.1700 LEI/share, and the historical minimum of 0.0650 LEI/share was registered on June 8, 2000.

Both the company's business plans and financial results have been a solid guarantee that Antibiotice has strengthened its position on the national pharmaceutical market.

The Antibiotice shares are included in the **BET-Plus** index, (which includes the Romanian companies listed on the BSE market that meet the minimum selection criteria, except for the financial investment companies).

In 2020, the minimum price of the ATB share had the value of 0.4130 lei. The share price increased to the maximum value of 0.5550 lei / share.

The stock market capitalization of Antibiotice as of December 31, 2020 was of 334,326 thousand lei. During this period, 27,085,005 shares were traded, amounting to 13,756,742 lei (2,838,001 euros, 3,265,982 US dollars), with an average price of 0.5079 lei / share.

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

For the year end don December 31, 2020
(all the amounts are expressed in LEI, if not mentioned otherwise)

Antibiotice shares – ATB / Regular Market

	2016	2017	2018	2019	2020
Number of shares	671,338,040	671,338,040	671,338,040	671,338,040	671,338,040
Market capitalization (thousand lei)*	349,096	361,180	326,942	341,040	326,270
Market capitalization (thousand euro)*	76,875	77,511	70,100	71,370	66,935
Market capitalization (thousand \$)*	81,123	92,813	80,259	79,873	82,163
Total traded value (million lei)	6	12	9	15	14
No. of traded shares	12,555,866	21,113,565	17,109,263	30,364,292	27,085,005
Opening price (lei/share)	0.5320	0.5200	0.5780	0.4800	0.5120
Maximum price (lei/share)	0.5420	0.5920	0.5780	0.5260	0.5550
Minimum price (lei/share)	0.4200	0.5200	0.4550	0.4500	0.4130
Price ar the end of the period (lei/share)	0.5270	0.5380	0.4870	0.5080	0.4860
Average price (lei/share)	0.5032	0.5585	0.5028	0.4851	0.5079
Earnings/share (lei/share)***	0.0452	0.0500	0.0511	0.0459	0.0418
Gross dividend/share (lei/share)**	0.0384	0.026552598	0.009991506	0.029879738	0.00330631
Dividend yield****	4.05%	4.59%	2.05	6.2%	6.5%
Dividend distribution rate *****	52%	53%	20%	65%	8,4%

* Calculated based upon the share price in the last trading day of that year,

** Proposed dividend,

*** Calculation of the earnings per share is based upon the net profit of each year

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

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

Rights of financial instruments holders

The corporate governance framework adopted and applied:

- protects the shareholders' rights,
- ensures the fair treatment of all shareholders,
- recognizes the role of third parties with interests in the company,
- guarantees the information and transparency,
- guarantees the responsibility of the Management Board towards the company and the shareholders

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On the company's website at www.antibiotice.ro/investitori/informatii *actionari*, there is a section in which each shareholder can access and download documents related to the General Shareholders' Meetings: procedures regarding the access and participation in the meetings, the convocation, additions to the agenda, informative materials, special representation proxies, correspondence voting forms, draft decisions, decisions, voting results, etc.

Antibiotice makes available to all interested persons the periodical and annual financial statements prepared according to the legislation in force. The company also complies with all disclosure requirements under the legislation of commercial companies and capital market.

Investor relations

Within the company there is a structure specialized in the relationship with the existing and potential investors, called Investor relations, with the main role of implementing and monitoring the standards of corporate governance within the company, informing the shareholders and investors in accordance with the legal provisions and providing a proactive communication focused on the information needs of investors.

The persons appointed to keep in touch with the investors deal with the shareholders' requests with maximum efficiency and facilitate their dialogue with the management of the company. The company creates and develops an appropriate policy to promote an effective communication with investors and shareholders.

The Investor Relations activity is the communication between the company and investors and it is the simplest form of respect for our shareholders and investors.

The main role is the implementation and monitoring of corporate governance standards at the level of the Company, informing shareholders and investors in accordance with the legal provisions and the proactive communication focused on the information needs of investors.

As it is always oriented towards the development and the increase of the transparency towards the shareholders, in completing the strategy of improving the quality of the relationship with the investors and of the desire to create value for the shareholders, in order to increase the company's visibility and to be able to have a feedback immediately after the periodic financial reports (yearly and every 6 months), during 2020, we organized our own annual meetings and events to present the company's activity, with investors and analysts interested in the company's activity and strategy.

In 2020, 3 teleconferences (on 25.02.2020, 15.05.2020 and 13.08.2020) were organized and a conference entitled *Round table with the ATB management – Antibiotice – a company worth investing in*. This event took place on 29.10.2020.

All the documents regarding the good development of the above mentioned events were published in accordance with the legislation in force - Law no. 31/1990 republished, with the amendments and completions up to date, the Government Emergency Ordinance no. 109/2011 concerning the corporate governance of public enterprises, the Law no. 24/2017 regarding the issuers of financial instruments and market operations, the Regulation no. 5/2018 regarding the issuers of financial instruments and market operations.

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As it is a company listing on the Stock Exchange, the annual, half-yearly, quarterly and current reports, as well as any other event considered to be important for the holders of securities were made available to the public and sent to the Financial Supervisory Authority and to the market operator (the Bucharest Stock Exchange).

The organization of the General Meetings of Shareholders, the changes in the structure of the company, the decisions of the general meetings, as well as the actions related to guaranteeing the shareholders' rights – the distribution of dividends related to the financial year 2019 were made in accordance with the legal regulations.

During 2020, the Investor Relations Activity also included:

- The continuous updating of the ATB website with information to ensure the improvement of the relationship with shareholders and investors in order for them to understand and acquire the quality of shareholder.
- The dissemination of presentations, audio recordings and transcripts of teleconferences with the company's investors and shareholders on the ATB website.
- The prompt transmission of information at the request of shareholders, potential investors and participants in the capital market.
- Participating in conferences organized by third parties concerning the Romanian capital market and presenting the financial results and growth opportunities of the company (BSE);
- The participation of the Company's representatives in informative seminars organized by the authorities in the field in order to improve the corporate governance and increase the transparency towards the shareholders;
- The participation in discussion sessions regarding the corporate governance standards, investor communication platforms and other tools provided by the capital market authorities.

The awards obtained during the year brought the recognition of the Investor Relations Office. Thus, the maximum mark obtained in the evaluation of the VEKTOR indicator, which represents a set of 15 criteria of good practices in relation to investors based on which the IR activity of companies listed on the Romanian stock exchange is evaluated, proved once again that Antibiotice is a company scoring 10 on a scale of 1 to 10, a company worth investing in.

The ARIR gala organized on October 19, brought Antibiotice on the podium, as our company ranked 3rd place in the *Best Company IR - retail choice* category, noting the communication, openness, transparency and quality of the information received. The prize awarded is based on a voting period organized together with institutional investors.

The Management Board

Antibiotice SA is managed by a Management Board responsible for carrying out all the tasks necessary to achieve the object of the company's activity, except for those provided by the law for the General Meeting of Shareholders. There is a clear division of responsibilities between the Management Board and the Executive Board.

The Management Board seeks that its own decisions, the decisions of the Company's management and those of the General Meeting of Shareholders, as well as the internal regulations, be lawful and properly implemented. The Board is responsible for monitoring the company management on behalf of the shareholders.

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The tasks 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.

During 2020, the Management Board met in 15 meetings. Each time, it registered a 100% presence and it adopted decisions that allowed it to perform its duties in an effective and efficient manner. Thus, at the monthly meetings, the Management Board analyzed in detail the financial results obtained by the company during the reporting period and also cumulated from the beginning of the year, as well as the economic performance in relation to the budget and the similar period last year.

The Board requested, depending upon the situation, detailed explanations to the executive management about the plans to increase the production efficiency, about investment plans, constituted provisions, liquidity management, operational and the overall profitability. Following the detailed analysis of the period's results, the Board decided to approve them in order to publish and send them to the Bucharest Stock Exchange and the Financial Supervisory Authority, observing each time the Financial Communication Calendar.

The 5 members of the Management Board guarantee the efficiency of the capacity to supervise, analyze and evaluate the activity of the managers, as well as the fair treatment of the shareholders.

The advisory committees

During the year 2020, the specialized advisory committees had the following membership:

- ***the Audit Committee:*** Mr. Ionel Damian, Mr. Nicolae Stoian and Mrs. Elena Calitoiu;
- ***the Nomination and Remuneration Committee:*** Mrs. Elena Calitoiu, Mr. Lucian Timofticiuc and Mr. Nicolae Stoian;
- ***the Trade Policies Committee :*** Mr. Lucian Timofticiuc, Mr. Ionel Damian and Mr. Nicolae Stoian.

The Advisory Committees conducted investigations, analyzes and developed recommendations for the Management Board in specific areas and submitted periodic reports on their work.

The 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 managers.

The executive management of Antibiotice is ensured by ten directors, one of whom is the General Director who is also the Vice President of the Board and three speciality directors.

2. THE ACCOUNTING POLICIES

2.1 Declaration of conformity

The financial statements are prepared by the company in accordance with:

- the Accounting Law no. 82 from 1991, republished and updated;

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- the provisions of the Order of the Minister of Public Finance no. 2844/2016, for the approval of the Accounting Regulations conforming to the International Financial Reporting Standards, applicable to the commercial companies whose securities are admitted to trading on a regulated market, with the subsequent modifications and clarifications.

The current individual financial reports have been prepared in accordance with the criteria for recognition, measurement and evaluation according to the International Financial Reporting Standards, the Interpretations and International Accounting Standards (collectively referred to as “IFRS”) issued by the International Accounting Standards Board (“IASB”) as adopted by the European Union (“IFRSs adopted”);

The financial statements for the financial year ended on December 31, 2020 include the statement of financial position, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and the explanatory notes.

The main accounting policies applied to the preparation of the financial statements are set out below. The policies have been applied consistently to all the years presented, unless stated otherwise.

The preparation of the financial statements in accordance with the adopted IFRS requires the use of certain crucial accounting estimates. It also asks the management to use the reasoning in the process of applying the Company's accounting policies. The areas in which decisions have been made and significant estimates have been made in the preparation of the financial statements and their effect are shown below.

2.2 The bases of assessment

The separate financial statements are prepared using the historical convention / depreciated cost 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 the financial assets available for sale, except for those for which the fair value can not be reliably determined.

These financial statements have been prepared for general purposes, for the use of persons who know the provisions of International Financial Reporting Standards, applicable to trading companies whose securities are admitted to trading on a regulated market. Consequently, these financial statements should not be considered as the only source of information by a potential investor or any other user.

2.3 The 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 (“RON” or “LEU”). The separate financial statements are presented in lei, the values are rounded to the nearest leu, the currency that the Company chose as the presentation currency.

The 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. The monetary assets and liabilities in foreign currencies are converted at rates in effect at the reporting date.

The profit and loss arising from the exchange rate differences following the conclusion of these transactions and from the conversion to the exchange rate at the end of the reporting period of the monetary assets and obligations denominated in foreign currency is reflected in the statement of

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the comprehensive income. The exchange rates of the main foreign currencies as reported by the NBR (National Bank of Romania) are as follows:

	31-12-20	31-12-19
EUR	4.8694	4.7793
USD	3.9660	4.2608

2.4 Critical accounting assessments and estimates

As a result of the uncertainties inherent in business activities, many items in the financial statements cannot be precisely assessed, but only estimated. The estimation involves judgements based upon 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. The estimates and judgments are continually evaluated based upon the historical experience and other factors, including forecasting future events that are believed to be reasonable under the existing circumstances. In the future, the concrete experience may differ from these estimates and assumptions. The following are examples of assessments, estimations, assumptions applied within our company:

(a) *The 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 and its buildings owned. The current assessments are based upon 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 the impairment of receivables*

The assessment for the impairment of receivables is performed individually and is based upon 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 analyzed individually. The precision in adjustments depends upon the estimates of future cash flows.

(c) *Legal proceedings*

The company reviews the unsettled legal cases following the evolutions in 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), the opinions of legal advisors, the 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.

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(d) *Cost accounting 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/sales campaigns of products, 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 preliminary expenses will be made, which will be corrected in future periods when an output of cash flows will occur. The estimates of expenditure for each category of expense will be made by someone with experience in the type of activity that generated the expense.

(e) *Taxation*

The taxation system in Romania is in a phase of consolidation and harmonization with the European legislation. However, there are still different interpretations of the 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 the tax liabilities included in the financial statements are appropriate.

2.5 Presentation of separate financial statements

The financial statements are presented in accordance with the requirements of IAS 1 "Presentation of the 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 have been presented under other methods permitted allowed by IAS 1.

2.6 Intangible assets purchased

The inventory of the intangible assets is done in accordance with IAS 38 "Intangible assets" and IAS 36 "The impairment of assets". The externally acquired intangible assets are initially recognized at cost and subsequently amortized on a straight-line basis over their useful economic life. The expenses related to the acquisition of patents, copyrights, licenses, trademarks or factory brands and other intangible assets recognized from an accounting viewpoint, with the exception of formation expenses, goodwill, intangible assets with indefinite useful life, fitted 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 internally (development costs)

The research expenditure (or related to the research stage of an internal project) is recognized as an expense for the year to which it relates.

The development costs related to projects for new products are recognized as intangible assets. They consist of: the consumption of raw materials and consumables, labor costs related to the hours worked for each project, other authorization fees charged by NAMMD.

2.7. Tangible assets

The tangible assets are tangible items that:

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- a) are held for use in the production of goods or the 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 a tangible asset item should be recognized as an asset if and only if:

- a) the entity is likely to generate future economic benefits related to the asset; and
- b) the cost of the asset can be reliably measured.

The evaluation after recognition

After the 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 the 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.

The revaluations are made regularly enough to ensure that the accounting amount does not significantly differ from what would have been determined by using the fair value at the end of the reporting period.

The fair value of land and buildings is generally determined based upon 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 determined 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. The 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.

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Depreciation

The depreciable amount of an asset is systematically allocated over its useful life. The depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition required to operate in the manner desired by the management.

The land owned is not depreciated.

For the depreciable fixed assets, the company utilizes, in accounting terms, the straightline 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 technology	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. An impairment loss is immediately recognized in the 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.

2.8 Financial assets - IFRS 9 Financial instruments (replaces IAS 39 Financial instruments: recognition and valuation)

Initial valuation of financial assets and financial liabilities

IFRS 9 replaces IAS 39, Financial Instruments - recognition and valuation. The IASB developed IFRS 9 in three stages, which deals separately with the IFRS classification and evaluation of financial assets, impairment and risk coverage. Other aspects of IAS 39, such as scope, recognition and derecognition of financial assets, have survived with only a few changes to IAS 39.

The classification on IFRS 9 is determined by the characteristics of the cash flows and the business model within which an asset is held.

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Subsequent assessment of financial assets

IFRS 9 has a single model with fewer exceptions than IAS 39 which had a complex pattern. The new standard is based upon the concept that financial assets should be classified and evaluated at fair value, with changes in the fair value recognized in the profit and loss account where they appear (“FVPL”), unless the restrictive criteria are met when the classification and the valuation of the asset is made at depreciated cost or at fair value through other “FVOCI” revenues.

Depreciation of financial assets

IFRS 9 eliminates the assessment of impairment for investments in equity instruments because they can now be measured only at FVPL or FVOCI without resuming changes in fair value in the profit and loss account.

Additionally, IFRS 9 establishes a new approach for loans and receivables, including commercial receivables with an “early loss” model that focuses primarily on risk.

Cash and cash equivalents / Hedging

The third major change that IFRS 9 is introducing is related to hedging; IFRS 9 allows the coverage of several exposures and the establishment of new risk coverage criteria.

2.9 Stocks

According to IAS 2, the stocks are active:

- a) held for sale in the ordinary course of the 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.

Costs 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. The stocks of raw materials and consumables are stated at the cost of acquisition. The inventory outflow is performed using the Weighted Average Price method. The stocks of products in progress are stated at the value of the raw materials and consumables included in them. The stock of finished products is recorded at production cost upon the completion of the manufacture.

Adjustments for depreciation of stocks

The stock depreciation assessment is performed individually and is based upon 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 upon the estimation of future cash flows.

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The 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 a quality viewpoint. The calculation of the general adjustment for the depreciation of inventories is based upon the validity period of existing items in stock.

2.10 Receivables

The receivables arise mainly from the provision of goods and services to customers (e.g. trade receivables), but they also incorporate other types of contractual monetary assets.

The 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 lower than the historical value. The impairment adjustments are recognized when there is objective evidence (such as significant financial difficulty of the partners or the non-fulfillment of payment obligations or significant payment delay) that the company will not be able to collect all the amounts due under the terms regarding the receivables, as the amount of that adjustment is the difference between the net book value and the current value of expected future cash flows associated with the impaired receivable. The assessment for the impairment of receivables is performed on an individual basis and is based upon a risk analysis based on customer categories, as it is 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 to 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 upon 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, the 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. The resumption should not result in a carrying amount of the financial asset higher than the amount that would have been the amortized cost if the impairment had been recognized at the date when the impairment is resumed. The value of the resumption must be recognized in profit or loss.

The adjustments for the impairment of trade receivables consist of the specific provision, entirely constituted for litigation, based upon which the general provision is calculated. The general provision for the impairment of client receivables is calculated based upon the maturity of the outstanding receivables in the balance. The calculated depreciation adjustments may not exceed from a value viewpoint the amounts that are required to settle the trade receivable. When analyzing receivables to be cashed, based upon commercial effects, in situations where events are identified that indicate the occurrence of payment incidents or the deterioration of the debtor's financial situation, adjustments may be calculated and the amount of the provision for impairment is at most equal to the value of the effect.

2.11 Value added tax

The Value Added Tax must be paid to the tax authorities upon the basis of the monthly VAT return until the 25th of the following month, regardless of the level of receivables recovery from customers. The tax authorities allow the VAT to be settled on a net basis. If the deductible VAT

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is higher than the VAT collected, the difference is refundable at the request of the company. That particular VAT may be reimbursed after a tax audit, or even in the absence thereof, if certain conditions are met. The VAT on sales and purchases that were not settled at the end of the reporting period is recognized in the statement of the 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.

2.12 Financial liabilities

The 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.

2.13 Recognition of income and expenses

2.13.1 The recognition of revenues IFRS 15 - Revenues from customer contracts (replaces IAS 18 Revenues)

The income represents the gross inflow of economic benefits during the period, generated in the course of the normal activities of an entity, when these inputs result in increases in equity, other than increases related to participants' contributions to equity.

The income constitutes increases in economic benefits recorded during the accounting period, in the form of inflows or increases in assets or debt reductions, which result in increases in equity, other than those resulting from shareholder contributions.

The fair value is the value at which an asset can be traded or a debt settled between interested and knowledgeable parties, in a transaction conducted under objective conditions.

Starting with January 1, 2018, the IFRS 15 standard regarding the contracts concluded with the clients has entered into force. In some cases, IFRS 15 may require changes to current systems and this may affect some aspects related to operations.

IFRS 15 is a complex standard that introduces far more prescriptive requirements than previously included in IAS 18 Revenues, IAS 11 Construction Contracts and can therefore lead to changes in revenue recognition policies.

The income assessment

According to IAS 18, revenues were measured at the fair value of the counterperformance received or to be received, after deducting rebates or discounts. The revenues from the sale of the goods were recognized when all the following conditions were met:

- (a) the entity transferred to the buyer the significant risks and benefits related to the ownership of the goods;
- (b) the entity no longer manages the goods sold at the level at which it would normally have done in the case of their ownership and no longer has the effective control over them;

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- (c) the value of the revenues can be reliably evaluated;
- (d) the economic benefits associated with the transaction are likely to be generated for the entity;
- (e) the costs incurred or to be incurred in relation to the respective transaction can be reliably evaluated.

Instead, the new standard focuses upon identifying obligations and makes a clear distinction between obligations that are satisfied “at one point in time” and those that are satisfied “over a period of time”; this is determined by the manner according to which the control of goods or services is transferred to the client. The new income model according to IFRS 15 means that we may have income recognized over a period for some results that have been accounted for as assets in accordance with IAS 18.

IFRS 15 establishes a general framework that will be applied for the recognition of revenues from a contract concluded with a client (with limited exceptions), regardless of the type of transaction or industry; The standard sets out five steps for revenue recognition:

- the identification of the contract (s) with a client;
- the identification of the execution clauses from a contract;
- the determination of the transaction price;
- the allocation of the transaction price for the execution obligations;
- the revenue recognition when (or as) the entity fulfills an obligation of execution.

Revenue is measured at the fair value of the amounts received or receivable net of VAT. Revenues are reduced by the value of returns, commercial discounts and other similar costs. The revenues from the sale of the goods are recognized when there is an obligation to register a contract or when all the following conditions have been fulfilled:

- (a) the parties to the contract have approved the contract (in writing, verbally or according to other common business practices) and undertake to fulfill their obligations;
- (b) the company may identify the rights of each party with regard to the goods or services to be transferred;
- (c) the company can identify the payment terms for the goods or services to be transferred;
- (d) the contract has commercial content; and
- (e) it is likely that the company will collect the counterperformance to which it will be entitled in exchange for the goods or services that will be transferred to the client.

The income from the sale of the goods is recognized when the company has transferred the significant risks and benefits related to the property right to the buyer and it is likely that the company will receive those previously agreed upon after the payment. The transfer of the risks and benefits related to the property right is considered to have been accomplished once with the transfer of the legal title of ownership or with the passing of the goods in the possession of the buyer. If the entity keeps significant risks related to the property, the transaction is not a sale and the income is not recognized.

The company considers that the collection terms do not generate a financial component of the revenues invoiced to distributors.

Special cases: If it is found that the incomes associated with a period of the current year are free of fundamental errors, they will be corrected, during the period when the error is discovered. If the error is discovered in the following years, the correction thereof will no longer affect the income accounts, but the returned earnings account carried over from the corrections of fundamental errors, if the value of the error is considered significant.

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2.13.2 Recognition of expenses

The expenses are decreases in the economic benefits recorded 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.

2.14 The 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 the accounting value of an asset exceeds the recoverable amount (i.e. the highest amount between the value of use and the fair value minus the selling costs) the asset is adjusted accordingly.

When it is not possible to estimate the recoverable amount of an individual asset, the impairment 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 (“CGUs”). The impairment costs are included in the profit and loss account unless they reduce the earnings previously recognized in other items of the comprehensive income.

2.15 Provisions – IAS37 “Provisions, contingent liabilities and contingent assets”

The provision is measured at the best estimate of the expenses required for the 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.

According to 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 an outflow of resources 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. The provisions are recorded in accountancy using the accounts from the group 15 “*Provisions*” and are based upon the expenses, except those related to the decommissioning of tangible assets and other similar actions related thereto, for which the provisions of IFRIC 1 will be taken into account.

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

The provisions are grouped in accountancy 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.

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2.16 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 services.

Benefits after the 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 Public 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 Public 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.

2.17 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 the 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 by 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.

2.18 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.

2.19 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 and the result of the financial year.

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

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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.

2.20 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 during which it bears them.

The Company did not finance the construction of long-term assets from loans.

2.21 Earnings per share

The Company shows the basic earnings per share for the ordinary shares. The basic earnings 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.

2.22 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 benefits 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.

2.23 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 the 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. The transactions with the 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 others);
- (ii) An entity is the associate or joint venture of the other entity (or associate or joint venture of a member of the group the other entity belongs to);
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third party, and the other is an associate of the third-party entity.
- (v) The entity is a post-employment benefit plan in the benefit of the employees of the reporting entity or an entity affiliated to the reporting entity. In the event the reporting entity is itself such a plan, the sponsoring employers are also affiliates of the reporting entity.

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- (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) – (vii) above.

2.24 Issued standards that entered into force in 2020

Amendments to IFRS 3 *Business Combinations* on changing definitions;

Amendments to IAS 1 and IAS 8 regarding the definition of significant information and significance threshold.

Amendments to IFRS 9 *Financial Instruments* and IFRS 17 “Insurance Contracts” regarding the reform of reference interest rates.

Amendment to the General Conceptual Framework.

Issued standards, which are not yet in force and have not been 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 the IFRSs (and amendments to the IFRSs) that were issued, but are not mandatory for the financial statements prepared on December 31, 2020:

The IFRS 17 standard “*Insurance Contracts*” which will replace IFRS 4 and will enter into force after 2021. The Company does not estimate a significant impact on the situations.

The amendments to IAS 1 “*Presentation of Financial Statements*” regarding the classification of debts will enter into force after January 1, 2022.

There will be no significant effects upon the financial statements of the Company, following the changes made to the standards or the annual improvements that will be in force after January 1, 2020.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

- The credit risk;
- The foreign exchange risk;
- The 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. The 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.

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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	31-12-20	31-12-19
Trade and similar receivables	260,388,767	338,159,774
Cash and cash equivalents	6,329,458	1,877,409
Total	266,718,225	340,037,183
	Amortized cost	
LIABILITIES	31-12-20	31-12-19
Trade and similar receivables	66,103,990	65,198,391
Short-term loans	95,568,514	125,951,291
Long-term loans	65,444,478	57,080,354
Total	227,116,981	248,230,036

The overall objective of the Management Board is to establish policies that seek to reduce the risk as much as possible without affecting the competitiveness and flexibility of the Company. Further details on these policies are set out below:

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. This policy clearly states the commercial conditions for sale and there are conditions imposed in the selection of the clients.

Antibiotice SA cooperates solely with large distributors in the national pharmaceutical market. In all situations where possible, the export sales are paid in advance.

Calculation and analysis of the net statement (equity)

Indicators (LEI)	31-12-20	31-12-19
Short-term credits and loans	95,568,514	125,951,291
Long-term credits and loans	65,444,478	57,080,354
Cash and cash equivalents	(6,329,458)	(1,877,409)
Net debt	154,683,533	181,154,236
Total equity	577,272,048	496,842,915
Net debt in equity (%)	26.79%	36.46%

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Foreign exchange risk

The Company is mainly exposed to the currency risk in the purchases made from the suppliers of raw materials, packaging and other materials outside Romania. The suppliers from whom the company purchases these items for the production of medicines must have documents attesting the quality of their goods, as required by the European medicine registration rules. The Company cannot limit the acquisitions in third countries so much. The 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 December 31, 2020 the company's net exposure by types of currency to the foreign currency risk was as follows:

	For the year ended on	
Assets/liabilities in EURO equivalent in LEI	31-Dec-20	31-Dec-19
Monetary financial assets	6,898,201	8,707,724
Monetary financial liabilities	(14,156,097)	(18,661,953)
Net financial assets	<u>(7,257,893)</u>	<u>(9,954,228)</u>
		Gain/Loss
RON/EUR variation		
Appreciation of the RON against EUR by 5%	(362,895)	(497,711)
Depreciation of the RON against EUR by 5%	362,895	497,711
Impact upon result	<u>-</u>	<u>-</u>
	31-12-20	31-12-19
Assets and liabilities in EUR		
Monetary financial assets	1,416,644	1,821,966
Monetary financial liabilities	(2,907,154)	(3,904,746)
Net financial assets	<u>(1,490,511)</u>	<u>(2,082,780)</u>
	31-12-20	31-12-19
Assets/liabilities in USD equivalent in LEI		
Monetary financial assets	26,022,147	28,245,314
Monetary financial liabilities	(9,938,895)	(7,200,008)
Net financial assets	<u>16,083,252</u>	<u>21,045,307</u>
RON/USD variation		
Appreciation of the RON against USD by 5%	804,163	1,052,265
Depreciation of the RON against USD by 5%	(804,163)	(1,052,265)
Impact upon result	<u>-</u>	<u>-</u>
	31-12-20	31-12-19
Assets and liabilities in USD		
Monetary financial assets	6,561,308	6,629,111
Monetary financial liabilities	(2,506,025)	(1,689,825)

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Net financial assets	4,055,283	4,939,285
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The company's net exposure to the foreign exchange risk, equivalent in LEI, is shown in the table below:

Assets / Liabilities	31-12-20	31-12-19
LEI	97,356,613	132,333,068
EUR	(7,257,893)	(9,954,228)
USD	16,083,252	21,045,307
Other currency (CAD,GBP)	(1,648)	(1,178)
Net exposure	106,180,324	143,422,968

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

Liquidity risk

The 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 obligations when they become due. To achieve this objective, the Company seeks to maintain cash balances (or facilities agreed upon) to satisfy the payment needs.

The Management Board 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 reasonably foreseeable circumstances.

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

	Up to 3 months	Between 3 and 12 months	Over 12 months	Total
December 31, 2020				
Commercial and similar debt	45,494,930	20,609,060	-	66,103,990
Debts from taxes and current taxes	11,189,134	-	-	11,189,134
Short-term loans	-	95,568,514	-	95,568,514
Long-term loans	-	-	65,444,478	65,444,478
Total	56,684,064	116,177,574	65,444,478	238,306,115

	Up to 3 months	Between 3 and 12 months	Over 12 months	Total
December 31, 2019-restated				
Commercial and similar debt	13,570,219	51,628,172		65,198,391
Debts from taxes and current taxes	15,296,254			15,296,254
Short-term loans		125,951,291		125,951,291
Long-term loans			57,080,354	26,662,433
Total	28,866,473	177,579,463	57,080,354	233,108,369

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Bank liquidity

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

Operational risk

The 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 well 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. The operational risks arise from all the Company's operations. The management is responsible for conducting operational risk related-controls. The management is supported in its mission through the development of the company's general operational risk standards in the following fields:

- The requirements for the separation of responsibilities, including the independent transaction authorization;
- The requirements for reconciling and monitoring the transactions;
- The compliance with regulatory and legal requirements;
- Documenting controls and procedures;
- Requirements for the periodic review of operational risk the Company is exposed to 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;
- The development of business continuity plans;
- Professional development and training;
- Establishing ethical standards;
- Preventing the litigation risk, including insurance, where applicable;
- The mitigation of risks, including the efficient use of insurance, where applicable.

Adequacy of capital

The management's policy regarding the capital adequacy is focused upon maintaining a sound capital base, in order to support the company's ongoing development and achieve its investment objectives.

4. SALES INCOME

The sales income includes the following items:

DESCRIPTION	STATEMENT OF COMPREHENSIVE INCOME	
	For the year ended on	
	31-12-20	31-12-19
Finished product sales	357,203,118	409,047,291
Sales of goods	82,571,517	82,423,115
Trade discounts	(99,350,359)	(101,759,666)
Total	340,424,276	389,710,740

The sales revenues are mainly driven by the sales of finished products directly to pharmaceutical distributors. In 2020, the intra and extra-community sales amounted to 158,274,644 lei (152,127,799 lei in 2019).

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5. OTHER OPERATING INCOME

The other operating income includes the following:

Description	31-12-20	31-12-19
Rental income	176,888	159,883
Income from research and studies	48,564	331,006
Income from the revaluation of fixed assets	0	0
Income from various activities	397,940	444,914
Subsidies income	0	0
Income from the sale of fixed assets	0	0
Income from indemnities, fines and penalties	48	165,078
Other operating income	2,660,982	1,594,815
Income from adjustments for depreciation of current assets	18,975,120	19,594,833
Income from provisions for risks and expenses	7,527,157	4,998,241
Exchange rate differences	6,275,633	7,373,803
Total	36,062,333	33,008,685

6. RAW MATERIALS, CONSUMABLES AND GOODS

The expenditure on raw materials and consumables consists of:

Description	For the year ended on	
	31-12-20	31-12-19
Raw materials	73,514,802	79,699,130
Auxiliary materials	9,707,693	6,056,044
Goods	43,137,517	54,621,830
Expenditure on fuel and spare parts	4,213,712	4,533,492
Inventory items	741,868	696,960
Other consumables	549,007	408,648
Total	131,864,599	146,016,104

7. STAFF COSTS

The staff costs are as follows:

Description	For the year ended on	
	31-12-20	31-12-19
Wages	92,763,780	85,320,279
Civil contracts	1,704,955	1,297,919
Tax and social contributions	2,939,553	2,839,598
Employee participation in profit	2,000,000	2,900,000
Variable allowance for the Management Board members	5,649,713	4,249,400
Other benefits (meal vouchers and employee participation in 2020 profit, prescriptions granted to employees)	6,764,959	6,244,935
Total	111,822,960	102,852,132

For the year 2020, provisions were made in the amount of 7,649,713 lei, representing the provision for the participation of the employees in the variable allowances of the Management Board and of the mandate contract as well as the provision for unused vacation leave.

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The company is managed in a unitary system within the meaning of Law 31/1990 on commercial companies; the management of the company is provided by the Management Board of SC Antibiotice SA. The membership of the Management Board and Executive Management are presented in Note 1. General Information.

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

Description	For the year ended on	
	31-12-20	31-12-19
Wages	5,944,782	4,123,733
Civil constructs	771,879	689,540
Taxes and social contributions	193,649	167,459
Variable allowances	2,438,764	3,116,088
Total	9,349,074	8,096,820

For the year 2020, provisions were made in the amount of 5,649,713 lei representing the provision for the variable allowances of the Management Board and one provision for the variable allowance pertaining to the mandate contract to achieving the 2020 objectives as well as the provision for unused vacation leave.

8. OTHER OPERATING EXPENDITURE

Other operating expenditure include the following:

Description	For the year ended on:	
	31-12-20	31-12-19
Utilities	11,090,428	11,124,204
Repairs	1,374,073	1,606,580
Rent	437,091	631,806
Insurances	1,676,194	1,591,720
Bank fees	851,149	1,218,042
Advertising & promotion of products	8,693,952	7,741,206
Travel & transport	2,572,766	3,661,822
Postal & telecommunications	535,721	487,481
Other services provided by third parties	10,856,885	14,150,360
Other taxes and fees	32,677,687	46,266,487
Environmental protection	995,550	902,607
Losses and adjustments of uncertain receivables	17,087,365	23,313,041
Revaluation of fixed assets		0
Exchange rate differences	9,996,825	7,267,805
Sundries	8,337,898	1,689,348
Total	107,332,654	121,652,509

9. FINANCIAL INCOME AND EXPENSES

The net financial income consists of:

Description	For the year ended on:	
	31-12-20	31-12-19
Interest income	2,358	8,313
Interest charges	(4,932,057)	(4,686,718)
Other financial expenses	(441,837)	(149,608)
Total	(5,371,536)	(4,828,013)

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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 the amounts they owe.

10. CURRENT AND DEFERRED PROFIT TAX EXPENSES AND OTHER TAXES

Description	For the year ended on	
	31-12-20	31-12-19
Current tax	1,765,912	4,034,592
Deferred tax - expense/(income)	175,495	265,008
Taxes specific to certain activities	0	57,015
Total	1,941,407	4,356,615

To determine the current and deferred tax, the Company considers the impact of uncertain tax positions and the possibility of additional taxes and interest. This assessment is based upon estimates and assumptions and may involve a series of professional judgments regarding future events. The company considers that the accounting records for taxes due are appropriate for all the fiscal years opened, based on the assessment carried out by the management taking into account various factors, including the interpretation of the tax legislation and the previous experience. New information may become available that may cause the Company to modify its reasoning regarding the adequacy of the existing tax liabilities; such modifications of the tax liabilities will have an impact upon the income tax expense during the period for which this determination is made.

10.1 – Current profit tax

The current profit tax was calculated taking into account the influences of the non-deductible expenses, that is the taxable income, the fiscal facilities and the effects of the provisions for the profit tax.

A reconciliation between the accounting and fiscal profit which was the basis for the calculation of the income tax is presented in the following table:

Description	For the year ended on	
	31-12-20	31-12-19
Total income	381,389,749	407,782,656
Total expenses (without profit tax)	352,063,764	(371,682,874)
Gross book value	29,325,985	36,099,782
Deductions	(30,511,124)	(27,600,149)
Non-deductible expenses	29,636,688	30,289,901
Fiscal result	28,451,549	38,789,534
Profit tax (fiscal result x 16%)	4,552,248	6,206,325
Tax reductions	(2,786,336)	(2,171,733)
Current profit tax	1,765,912	4,034,592
Deferred profit tax	175,495	265,008
Taxes specific to certain activities	0	57,015
Total profit tax and other taxes	1,941,407	4,356,615

10.2 – Deferred profit tax

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The change in deferred income tax liabilities is presented in the following table, after restating the comparative data in accordance with IAS 1 and IAS 8:

Description	31-12-20	31-12-19
Initial balance	17,884,035	18,541,085
Recognized directly in capital	13,060,344	(922,058)
Costs /(income) deferred tax	175,495	265,008
Final balance	31,119,874	17,884,035
Description	31-12-20	31-12-19
- Deferred tax - assets		
Initial balance	7,647,903	6,725,845
Costs /(income) deferred tax	416,102	922,058
Final balance (a)	8,064,005	7,647,903
- Deferred tax - debt		
Initial balance	25,531,938	25,266,930
Costs /(income) deferred tax	13,651,941	265,008
Final balance (b)	39,183,879	25,531,938
Net deferred tax (b)-(a)	31.119.874	25.531.938
	31,119,874	17,884,035

The main components of the deferred tax are:

- the deferred tax related to the revaluation of fixed assets from 2004-2009,
- the deferred tax related to the revaluations from 2012 and 2015, as well as the deferred tax related to the land revaluation on 31.12.2020.
- Provisions related to debts to employees and assimilated;
- Provisions related to disputes with suppliers;
- Stock depreciation adjustments;
- Customer impairment adjustments.

11. EARNINGS PER SHARE

Description	For the year ended on	
	31-12-20	31-12-19
Net profit (A)	26,388,049	30,823,278
Number of ordinary shares (B)	671,338,040	671,338,040
Earning per share (A/B)	0,0393	0,0459

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

For the year end on December 31, 2020

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

12. TANGIBLE ASSETS

	Land	Buildings	Technical installations & equipment	Other installations, equipment & furniture	Tangible assets in progress	Total
COST						
December 31, 2018	108,306,000	108,332,084	184,961,323	7,544,355	26,453,168	435,596,930
Procurement	-	14,778,786	11,944,316	220,134	71,530,159	98,473,395
Outputs	-	10,160	3,129,954	65,985	26,943,237	30,149,336
December 31, 2019	108,306,000	123,100,710	193,775,685	7,698,504	71,040,090	503,920,989
Procurement	-	13,266,229	17,239,576	412,698	41,695,608	72,614,111
Reappraisal	81,627,152					81,627,152
Outputs	-	434,193	14,042,420	67,402	30,918,503	45,462,518
December 31, 2020	189,933,152	135,932,746	196,972,841	8,043,800	81,817,195	612,699,734
DEPRECIATION						
December 31, 2018	-	1,726,725	117,626,773	5,306,514	-	124,660,012
Cost of the period	-	6,320,323	11,827,657	406,234	-	18,554,214
Outputs	-	10,160	3,129,954	65,984	-	3,206,098
December 31, 2019	-	8,036,888	126,324,476	5,646,763	-	140,008,126
Cost of the period	-	7,286,677	11,359,983	411,930	-	19,058,590
Outputs	-	434,192	14,042,420	67,401	-	14,544,013
December 31, 2020	-	14,889,373	123,642,039	5,991,292	-	144,522,704
PROVISION						
December 31, 2018	-	51,600	244,652	-	-	296,252
Outputs 2019	-	-	-	-	-	-
December 31, 2019	-	51,600	244,652	-	-	296,252
Outputs 2020	-	-	-	-	-	-
December 31, 2020	-	51,600	244,652	-	-	296,252
NET VALUE						
December 31, 2020	189,933,152	120,991,773	73,086,150	2,052,508	81,817,195	467,880,779
December 31, 2019	108,306,000	115,012,222	67,206,557	2,051,741	71,040,090	363,616,611
December 31, 2018	108,306,000	106,553,759	67,089,898	2,237,841	26,453,168	310,640,665

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

For the year end on December 31, 2020

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

Depreciation of fixed assets

The accounting depreciation is calculated using the straight line method. For the new fixed assets, entered in 2020 such as installations, machines and measuring and control devices, the useful life times have been established taking into account:

- the estimated level of use based on the use of the asset' capacity;
- the repair and maintenance program performed by ANTIBIOTICE SA for installations and equipment;
- the obsolescence determined by possible changes in the production process according to the structure of the product portfolio provided by the company.

The inventory value of the tangible assets constituted as pledges or guarantees is 49,355,704 lei.

13. INTANGIBLE ASSETS

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

The changes in the acquisition cost and amortization related to the intangible assets are presented in the table below:

	31-12-20	31-12-19
Inputs	8,380,448	5,836,186
Outputs	2,014,628	1,310,438
Final balance	37,142,435	30,776,615
Depreciation		
Initial balance	14,390,906	11,222,150
Cost of the period	3,041,923	3,168,756
Final balance	17,432,829	14,390,906
Net value	19,709,606	16,385,709

14. STOCKS

Descriere	31-12-20	31-12-19
Raw materials and consumables	43,543,406	29,314,160
Production in progress	2,411,294	3,146,451
Semi-finished and finished products	48,516,680	33,849,505
Goods	14,219,829	7,665,872
Total	108,691,209	73,975,988

The value of stocks held as collateral is 48,178,301 lei.

15. TRADE AND OTHER RECEIVABLES

Description	31-12-20	31-12-19 restated
Trade receivables	260,388,767	338,159,774
Adjustments for trade receivables	(29,157,464)	(34,066,666)
Various debtors and other receivables	6,300,228	5,069,347
Adjustments for various debtors	(3,432,707)	(3,432,707)
Receivables related to employees	58	155
Other receivables from the State Budget	1,369,072	3,159,069
Advance payments (advances)	3,166,591	5,244,308

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

For the year end don December 31, 2020
(all the amounts are expressed in LEI, if not mentioned otherwise)

Total	<u>238,634,545</u>	<u>314,133,280</u>
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On December 31, 2020 the Company recorded adjustments for trade receivables representing customer balance that are unlikely to be collected by the company. The receivables of the company were analysed and evaluated according to criteria established according to the risks per categories of costumers.

Analysis of seniority	31-12-20	31-12-19
Receivables - customers	260,388,767	338,159,774
Up to 3 months	132,533,597	150,900,438
between 3 and 6 months	47,251,182	68,347,022
Between 6 and 12 months	53,373,313	91,877,624
Over 12 months	48,897,427	51,061,183
Value adjustments related to receivables- customers	(29,157,464)	(34,066,666)

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

Adjustments of receivables	31-12-20	31-12-19
At the beginning of the period	37,499,373	37,002,158
Established during the year	8,472,434	19,117,314
Cancelling the adjustments	(13,381,636)	(18,620,099)
At the end of the period	<u>32,590,171</u>	<u>37,499,373</u>

The value of receivables established as guaranties is 182,118,679 lei.

16. CASH AND CASH EQUIVALENTS

Description	31-12-20	31-12-19
Available in the bank	6,312,210	1,868,312
Cash and cash equivalents	17,238	9,097
Total	<u>6,329,458</u>	<u>1,877,409</u>

17. TRADE AND OTHER LIABILITIES

17.1 Trade and similar levies

Description	31-12-20	31-12-19 Restated
Trade liabilities	28,914,996	39,314,006
Suppliers of assets	8,386,582	11,940,928
Employee-related liabilities	3,558,591	3,614,177
Other liabilities	183,630	180,029
Interest to be paid	364,428	495,084
Tax and social contributions	3,754,408	3,424,018
Dividends	5,673,403	5,118,284
Advances from customers	1,739,052	1,111,865
Total	<u>66,103,990</u>	<u>65,198,391</u>
Adjustment of provision classification		7,139,449
Total balance initially presented		<u>72,337,840</u>

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

For the year end don December 31, 2020

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

17.2 Provisions

The established provisions include obligations of the nature of salary and assimilated expenses in the amount of 7,271,957 lei, a provision related to litigations 4,365,836 lei and 1,891,107, a provision related to litigation with NAFA (National Agency of Fiscal Administration).

18. AMOUNTS DUE TO CREDIT INSTITUTIONS

The amounts due to the credit institutions on 31.12.2020 are shown in the table below:

Amounts due to credit institutions	Value on 31.12.2020
Amounts due in the short term	95,568,514 LEI
Amounts due in the long term (including interest)	65,444,478 LEI

The short-term contract number IAS3-42-2016/ 17.08.2016 concluded with Unicredit Bank S.A.

Objective	Credit line – working capital
Amount	55,000,000 LEI
Maturity	16.08.2021
Balance on December 31, 2020	52,730,807.68 LEI
Warranties	Mortgage contract for buildings, land/ Receivable assignment contract

Credit contract no. IAS3-20-2018/03.05.2018 concluded with Unicredit Bank S.A.

Objective	Investment credit
Amount	15,406,300 EUR
Maturity	02.05.2028
Balance on December 31, 2020	15,071,196.96 EUR (73,387,686.47 LEI)
Warranties	Mortgage contract for buildings, land /Receivable assignment contract

The short-term contract number 12239/22.05.2012 concluded with ING BANK N.V. AMSTERDAM – Romanian Branch

Objective	Credit line – working capital
Amount	9,500,000 EUR
Maturity	22.05.2021
Balance on December 31, 2020	34,790,829.06 LEI (7,144,787.67 EUR)
Warranties	Mortgage contract for buildings, land /Receivable assignment contract

Amounts due to credit institutions on 31.12.2019

The short-term contract number IAS3-42-2016/17.08.2016 concluded with Unicredit Bank S.A.

Objective	Credit line – working capital
Amount	55,000,000 LEI

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

For the year end don December 31, 2020
(all the amounts are expressed in LEI, if not mentioned otherwise)

Maturity	16.08.2020
Balance on December 31, 2019	54,330,807.68 LEI
Warranties	Mortgage contract for buildings, land /Receivable assignment contract

The short-term contract number IAS3-20-2018/03.05.2018 concluded with Unicredit Bank S.A.

Objective	Investment credit
Amount	15,406,300 EUR
Maturity	02.05.2028
Balance on December 31, 2019	11,943,245.63 EUR (57,080,353.84 LEI)
Warranties	Mortgage contract for buildings, land /Receivable assignment contract

The short-term contract number 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	24.06.2020
Balance on December 31, 2019	29,592,915.74 LEI
Warranties	Mortgage contract for buildings, land /Receivable assignment contract

The short-term contract number 12239/22.05.2012 concluded with ING BANK N.V. AMSTERDAM – Romanian Branch

Objective	Credit line – working capital
Amount	9,500,000 EUR
Maturity	22.05.2020
Balance on December 31, 2019	24,021,730.10 LEI 3,251,946.88 EUR (15,542,029.72 LEI) 560,551.01 USD (2,388,395.74 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 favour of a third party.

19. INVESTMENTS SUBSIDIES

The subsidies for investments have the following structure:

Subsidies for investments	31-12-20	31-12-19
Wastewater treatment plant	2,061,443	2,220,345
Research project-UMP Iasi	24,503	24,503
Other grants from European funds	519,489	615,426
Other grants from state budget funds	101,283	118,213

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

For the year end don December 31, 2020
(all the amounts are expressed in LEI, if not mentioned otherwise)

Other amounts received in the form of grants	66,162	100,682
Total	2,772,880	3,079,169

The amounts reflected in the account subventions for investments represent values received by the company in the form of grants during the last 10 years for investments in the environmental protection and in increasing the competitiveness of industrial products through financing from the Ministry of Economy, Trade and Business Relations and UEFISCDI Bucharest.

20. LIABILITIES FROM CURRENT TAXES AND FEES

Description	31-12-20	31-12-19 restated
Liabilities from current taxes and fees	11,189,134	15,296,254
Tax adjustments according to NAFA		2,028,858
Total balance initially presented		13,267,396

21. SHARE CAPITAL

The subscribed share capital of the company on December 31,2020 is 67,133,804 lei lei, the nominal value of a share is 0,1000 lei/share. Our company has a number of 671,338,040 shares which confer equal rights to the company’s shareholders. SC Antibiotice SA has not issued preference shares to shareholders.

According to 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 loss result from the application for the first time of IAS 29 “*Financial Reporting in Hyperinflationary Economies*” proposed to be covered from the amount resulting from the application of IAS 29 “*Financial Reporting in Hyperinflationary Economies*” as follows:

Reported loss result from the first application of IAS 29	197,701,352
Adjustments of the share capital-the first application of the IFRS	197,701,352

According to the Order 1690/2012 regarding the modifying and filling out of some accounting regulations, the accountable loss reported, coming from the transition to IFRS, from following for the first time of IAS 29, as well as the one resulting from the use, at the date of transition to the application of IFRS, of the fair value as deemed cost is covered from equity (including the amounts reflected in the account credit 1028 “Adjustments of the share capital”), according to the GMS decision, with compliance of the legal provisions.

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

For the year end don December 31, 2020
(all the amounts are expressed in LEI, if not mentioned otherwise)

22. RESERVES

The reserves include the following components:

Description	31-12-20	31-12-19
Reserves from revaluation of fixed assets	139,000,941	60,481,330
Legal reserves	13,426,761	13,426,761
Deferred income tax recognized on equity	(22,364,415)	(9,677,011)
Other reserves	216,684,049	193,386,084
Reserves from current profit	14,452,190	7,269,283
TOTAL	<u>361,199,526</u>	<u>264,886,447</u>

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 book value of a tangible asset is increased as a result of the re-evaluation, then the increase should be recognized in other items of the global result and cumulated in equity, as a re-evaluation surplus. The revaluation reserves cannot be distributed and cannot 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 cannot be distributed because they have implications on the recalculation of the corporate tax. The difference represents reserves made up of profits.

23. REPORTED RESULT

The reported result includes the following components:

Description	31-12-20	31-12-19	
The reported result – a surplus from revaluation reserves	20,729,784	17,422,314	result
Result reported from error correction	(7,000,410)	-	
The retained earnings arising from the use of fair value as deemed cost at the date of transition to IFRSs	123,273,485	123,846,355	
The retained earnings from the adoption of IAS 29 for the first time	(197,701,352)	(197,701,352)	
Total	<u>(60,698,493)</u>	<u>(56,432,683)</u>	

forward from fundamental errors was affected as a result of the ANAF control carried out during

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

For the year end don December 31, 2020

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

2020 which established tax differences due to the error of non-allocation to reserves of the reinvested profit for which the exemption was granted from the payment of profit tax. The Company corrected both the distribution of the reserve and the difference in taxes established by the NAFA's Decision. The company is in dispute with NAFA to challenge the differences established by the control team.

The result carried forward from fundamental errors was affected for the presentation of the impact of the registration of the deferred tax receivable generated by the temporary differences generated by provisions and adjustments of current assets (inventories and customer receivables).

The reported result from fundamental errors impacts the comparative data as follows:

Financial position	31-12-20	31-12-19	1-01-2019
Fiscal reserve	12,534,092	12,534,092	12,534,092
Current tax liabilities	2,114,221	2,114,221	2,114,221
Deferred tax receivable	7,647,903	7,647,903	6,725,845
Total error	7,000,410	7,000,410	7,922,468

24. DISTRIBUTION OF PROFIT

On December 31, 2020, S.C.Antibiotice S.A registered a net profit in amount of 26,388,049 lei, proposed for distribution as follows:

Description	31-12-20	31-12-19
Dividends	2,219,652	20,059,405
Other reserves	24,168,397	10,763,873
Total	26,388,049	30,823,278

The amount of 24.168.397 lei, representing other reserves provided by the law, is composed of:

- The fiscal facilities for the profit invested in technological equipment, electronic computers and peripheral equipment, cash registers, control and billing machines, as well as in software programs produced and/or purchased according to Art. 22 of the Fiscal Code in the amount of 14,452,190 lei;
- Fiscal facilities for research and development activities according to Art. 20 of the Fiscal Code in the amount of 2,715,797 lei;
- Other allocations provided by law, according to Article 1, letter c) of GO no. 64/2001, the amount of 7,000,410 lei representing losses from the distribution of the profit for which an exemption was granted.

The total dividends are in amount of 2,219,652 lei.

The gross dividend per share related to the financial year 2020 was established at 0.00330631 lei and it represents a rate of distribution of 8.4% from the net profit of the financial year 2020.

25. CONTINGENT LIABILITIES

SC Antibiotice SA does not have contingent liabilities at December 31, 2020.

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

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

26. ELEMENTS FOLLOWING THE REPORTING PERIOD

There are no further significant elements that were not presented in the present financial situations.

27. INFORMATION ABOUT THE AUDIT OF FINANCIAL STATEMENTS

The financial audit for the financial year 2020 was carried out by SC SOCECC SRL. The auditor provided only financial audit services.

Accounting, Expertise & Accounting Consultancy Company
SOCECC Ltd.

INDEPENDENT AUDITOR'S REPORT
on
the INDIVIDUAL FINANCIAL STATEMENTS
drawn up by ANTIBIOTICE S.A.
for the FISCAL YEAR ended on
DECEMBER 31, 2020

*Emblem of
the company*

Accounting, Expertise & Accounting Consultancy Company - SOCECC Ltd.
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**- IAȘI –
- 2020 -**

INDEPENDENT AUDITOR’S REPORT TO THE ANTIBIOTICE SHAREHOLDERS

Report on the Audit of Financial Statements

We audited the attached individual financial statements of ANTIBIOTICE S.A. (“The Company”) with its registered office in Iași, 1 Valea Lupului St., tax identification number RO1973096, comprising the financial position statement as of December 31, 2020, statement of comprehensive income, statement of changes in equity and cash flow statement for the financial year ended on the above-mentioned date as well as a summary of the significant accounting policies and other explanatory notes.

The individual financial statements as of December 31, 2020 are identified as follows:

- Net assets/ total equity: 577,272,048 LEI
- Net profit of the fiscal year 26,388,049 LEI

In our opinion, the attached individual financial statements give a true and fair view, in all significant aspects, on the financial position of Antibiotice company on December 31, 2020, as well as on the financial performance and cash flows for the fiscal year ended on the above-mentioned date in accordance with the Order of the Minister of Public Finance no. 2844/2016 (OMPF no. 2844/2016) for approving the accounting regulations compliant with the International Financial Reporting Standards adopted by the European Union (“IFRS-UE”).

We conducted our audit in accordance with the International Standards on Auditing (“ISAs”), Regulation (EU) no. 537 of the European Parliament and of the European Council (“The Regulation”) and Law no. 162/2017. Our responsibilities are described in detail in the section *Auditor's responsibilities in an audit of financial statements* in our report. We are independent of the Company, in accordance with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA code), according to the relevant ethical requirements for the audit of financial statements in Romania, including the Regulation and Law no. 162/2017 and we fulfilled our ethical responsibilities according to these requirements and to the IESBA code. We believe that our audit evidence is sufficient and appropriate to provide a basis for our audit opinion.

Key issues

Key audit issues are those issues that, based on our professional judgement, had the greatest importance for auditing the financial statements of the current period. The following key issue was approached in the context of the audit of the financial statements as a whole and in forming our opinion on them and we do not offer a separate opinion on this key issue.

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Key issue – Value of trade receivables

Presentation value of trade receivables according to IFRS depends significantly on the calculation and estimation process of the trade discounts as well as on the process of estimating their recoverability. The company presented in the financial statements in the explanatory note no.4 - "Sales Income" the value of the granted trade discounts and, in the explanatory note no. 15 – "Trade and other receivables" the company presented the trade receivables in net value of 260 million LEI, adjusted with the estimated depreciation.

During our mission, we conducted the following audit procedures that included, but were not limited to these:

- We assessed the compliance of the policies for recognizing the income and trade receivables;
- We conducted analytical review procedures and detail tests for verifying the amount of granted discounts, including through extending the verifications on the discounts granted in the next fiscal year related to the sales in the audited fiscal year;
- We conducted procedures for direct confirmation of trade receivable balances;
- We evaluated the internal procedures and methods used by the management team for estimating the probable amount to be collected;
- We verified the consistency of applying the accounting policies related to the adjustment of trade receivables.

Other information – Management Report

The administrators are responsible for drafting and submitting other information. This other information includes the Management Report but it does not include the financial statements and auditor's report related to these statements. The Management team is responsible for this other information. Our audit opinion on the financial statements does not cover other information and we do not express any form of assurance conclusion thereon.

In connection with our audit on the financial statements, our responsibility is to read this other information and, in this approach, to evaluate whether this information is significantly inconsistent with the financial statements or with the knowledge we gained from the audit or if it appears to include significant errors. If, based on the performed activity, we come to the conclusion that there are significant errors in this information, we must report this. We have nothing to report on this matter.

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Additionally, in accordance with the provisions of OMPF no. 2844/2016, we read the Management Report and report the following:

- In the Management Report we did not identify information that is not consistent in all significant aspects with the information presented in the financial statements on December 31, 2020;
- The above-identified Management Report includes, in all the significant aspects, the information requested by OMPF no. 2844/2016 to the para 15-19 of the Annex no. 1;
- The Management Report does not include the non-financial declaration specified to the paragraphs 39-42 from OMPF no. 2844/2016 which will be presented later in a separate report;
- Based on our knowledge and our understanding gained during the audit of the financial statements drafted on December 31, 2020 about the Company and its environment, we did not identify significant erroneous information presented in the Management Report.

Responsibility of the management team and other persons responsible for the governance related to the financial statements

The Management team is responsible for drafting and fair presentation of these financial statements in accordance with OMPF no. 2844/2016 and for the internal control which is considered relevant by the management for elaborating the financial statements without significant misstatements due to fraud or error.

When drafting the financial statements, the management is responsible for assessing the company's ability to continue its activity, presenting, if needed, the aspects related to continuation of the activity and using the accounting based on the going concern principle unless the management plans to either liquidate the company, stop operations or has no realistic alternative, except for these.

The persons responsible for administering the company are also responsible for supervising the financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance that the financial statements as a whole do not include material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. The reasonable assurance represents a high level of assurance but it is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement, if it exists. Misstatements can arise from either fraud or error and are considered material if, they reasonably can be expected, individually or cumulatively, to influence the users' economic decisions based on these financial statements.

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As part of an audit in accordance with the ISA standards, we exercise our professional judgement and maintain our professional skepticism during the audit. Moreover:

- We identify and evaluate the risks of material misstatements in the financial statements caused either by fraud or by error, establish and perform audit procedures to respond to these risks and we get enough and appropriate audit evidence to form a basis for our opinion. The risk of not detecting a material misstatement caused by fraud is greater than the risk of not detecting a material misstatement caused by error, as fraud may include complicity, forgery, intentional omissions, false statements, or avoidance of internal control.
- We consider the internal control as relevant to the audit to establish the audit procedures appropriate in the given circumstances, but not to express an opinion on the effectiveness of the Company's internal control.
- We assess the appropriateness of the used accounting policies and reasonableness of accounting estimates and of the related information presented by the management team.
- We formulate a conclusion on the appropriateness of using the going-concern principle by the company and determine, based on the obtained audit evidence whether there is a significant uncertainty related to events or conditions that could raise significant doubts about the Company's ability to continue its activity. If we conclude that there is a significant uncertainty, we need to draw attention in the audit report on the related presentations from the financial statements or, if these presentations are inappropriate, we must change our opinion. Our conclusions are based on the audit evidence obtained by the date of our audit report. However, future events or conditions may cause the Company not to continue operating on the going-concern principle.
- We evaluate the presentation, structure and overall content of the financial statements, including the information submissions and the extent to which the financial statements reflect the transactions and basic events in a manner that lead to the accurate presentation.

We communicate to those responsible for the administration, among other things, the planned objectives and timing of the audit, as well as the significant audit findings, including any significant internal control deficiencies that we identify during our audit.

Report on other legal and regulatory requirements

We were appointed by the General Meeting of Shareholders held on April 9, 2020 to audit the financial statements of ANTIBIOTICE S.A. Iași for the fiscal years 2020 - 2022. The uninterrupted total duration of our commitment is 4 years, covering the financial exercises 2017-2020.

*Emblem of
the company*

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We confirm that:

- Our audit opinion is in accordance with the additional report submitted to the Audit Committee of the Company which we issued on the same date to which we issued this report. Also, in conducting our audit, we remained independent of the audited entity.
- We did not provide for the company the non-audit services that are prohibited according to the article 5, para. (1) from the Regulation (EU) no. 537/2014.

In the name of,

Accounting, Expertise & Accounting Consultancy Company - SOCECC Ltd.
headquartered in Bucharest, registered in the Electronic Public Register with the no. FA227
through Zegrea Laurențiu, registered in the Electronic Public Register with the no. AF2666

Bucharest, March 14, 2020