

ANTIBIOTICE S.A.

Unaudited Financial Statements
September 30, 2019

ANTIBIOTICE S.A.
Unaudited Financial Statement
for the period ended September 30, 2019

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ANTIBIOTICE SA
STATEMENT OF COMPREHENSIVE PROFIT
September 39, 2019
(all amounts expressed in LEI, if not mentioned otherwise)

	NOTE	30-09-19 (unaudited)	30-09-18 (unaudited)
Sales revenues	4	242,409,623	241,251,421
Other operating revenues	5	31,210,309	24,491,926
Revenues relative to costs of product stocks		22,948,136	4,449,274
Capitalized income generated by the entity's activity		3,464,736	2,381,088
Expenses with raw materials and consumables	6	(105,565,481)	(94,208,926)
Staff-related expenses	7	(70,937,450)	(64,763,769)
Expenditure on amortization and depreciation		(15,809,493)	(14,863,487)
Other operating expenses	8	(80,136,736)	(73,955,331)
Operating profit		27,583,645	24,782,196
Financial income	9	82,747	4,029
Financial expenses	9	(3,519,987)	(2,911,982)
Pre-Tax Profit		24,146,404	21,874,244
Current and deferred income tax expense	10	(2,585,244)	(700,700)
Profit		21,561,160	21,173,544
Total comprehensive profit		21,561,160	21,173,544
Earnings per share	11	0,032117	0,031539

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

Drafted by:

General Director
Ioan NANI

Financial Director
Paula COMAN

ANTIBIOTICE SA
STATEMENT OF FINANCIAL POSITION

September 30, 2019

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

	NOTE	30-09-19 (unaudited)	31-12-18 (audited)
ASSETS			
FIXED ASSETS			
Tangible fixed assets	12	341,528,406	310,640,665
Intangible fixed assets	13	16,176,054	15,028,716
TOTAL FIXED ASSETS		357,704,460	325,669,381
CURRENT ASSETS			
Stocks	14	99,569,442	64,964,661
Trade and similar receivables	15	284,484,616	313,094,458
Cash and cash equivalents	16	4,415,589	2,376,682
TOTAL CURRENT ASSETS		388,469,647	380,435,802
TOTAL ASSETS		746,174,107	706,105,183
LIABILITIES			
CURRENT LIABILITIES			
Trade and similar liabilities	17	73,118,221	67,171,084
Amounts due to credit institutions	18	102,116,929	100,729,229
Tax and current tax liabilities		9,141,315	10,421,393
Subsidies for investments	19	0	637,008
TOTAL CURRENT LIABILITIES		184,376,465	178,958,714
LONG -TERM LIABILITIES			
Amounts due to credit institutions	18	45,582,257	26,662,433
Subsidies for investments	19	3,155,741	2,489,791
Deferred tax	20	25,478,847	25,266,930
TOTAL LONG -TERM LIABILITIES		74,216,845	54,419,154
TOTAL LIABILITIES		258,593,310	233,377,868

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Financial Director
Paula COMAN

ANTIBIOTICE S.A.
STATEMENT OF FINANCIAL POSITION

September 30, 2019

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

	NOTE	30-09-19 (unaudited)	31-12-18 (audited)
Share capital and reserves			
Share capital	21	264,835,156	264,835,156
Revaluation reserves	22	51,457,132	53,459,597
Legal reserves	22	13,426,761	13,426,761
Other reserves	22	193,386,084	190,422,002
Reported result	23	(57,085,497)	(60,182,699)
Distribution of profit		-	(23,537,290)
Current profit		21,561,160	34,303,788
TOTAL EQUITY		487,580,797	472,727,315
TOTAL EQUITY AND LIABILITIES		746,174,107	706,105,183

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

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Financial Director
Paula COMAN

ANTIBIOTICE S.A.
CASH FLOW STATEMENT

September 30, 2019

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

	30-09-19	30-09-18
	(unaudited)	(unaudited)
I. Cash flows from operating activities		
Cash collection from sales of goods and provision of services	283,884,946	230,134,358
Cash collection from royalties, fees, charges and other revenue	(958,837)	330,747
Cash payments to suppliers of goods and services	(143,860,755)	(142,774,585)
Cash payments to and on behalf of employees, payments made by the employer in connection with the staff	(67,056,163)	(61,434,181)
VAT paid	0	0
Contributions to the Ministry of Health and Ministry of Environment	(31,727,769)	(27,293,844)
Other paid duties, taxes, and similar levies	(604,278)	(506,521)
Operating cash flow	39,677,145	(1,544,026)
Interest charged	7,010	2,302
Interest paid	(3,339,073)	(2,385,814)
Tax on profit paid	(2,612,315)	(2,389,375)
Net cash flows from operating activities	33,732,766	(6,316,914)
II. Cash flows generated by investments		
Cash payments for purchasing land and fixed assets, intangible assets and long-term assets	(44,862,868)	(42,016,765)
Net investment cash flow	(44,862,868)	(42,016,765)
III. Cash flows from financing activities		
Acquisition of shares	-	-
Dividends paid	(6,115,592)	(16,139,023)
Receipts from long-term loans	18,343,944	14,967,185
Net cash flows from financing activities	12,228,352	(1,171,838)
Gains / losses from exchange rate differences	(447,043)	(223,988)
Net increase / (decrease) in cash	651,208	(49,729,505)
Cash and cash equivalents at the beginning of the period	(98,352,547)	(64,623,567)
Cash and cash equivalents at the end of the period	(97,701,339)	(114,353,072)
Cash and cash equivalents at the end of the period include:	(97,701,340)	(114,353,072)
Accounts in banks and cash	4,415,589	1,883,061
Credit lines	(102,116,929)	(116,236,132)

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

Drafted by:

General Director
Ioan NANI

Financial Director
Paula COMAN

ANTIBIOTICE S.A.
STATEMENT OF CHANGES IN EQUITY
September 30, 2019
(all amounts expressed in LEI, if not mentioned otherwise)

	Subscribed capital	Adjustments on capital	Reserves	Other reserves	Current result	Result from revaluation reserves	Distribution of profit	Revaluation reserves	Result reported from correcting the errors	Result after applying IAS/IFRS for the first time	Result after applying IAS 29 for the first time	TOTAL
31-12-17 (audited)	67.133.804	197.701.352	13.426.761	162.134.513	33.558.354	11.702.322	(10.982.386)	14.556.141	-	125.348.331	(197.701.352)	416.877.840
Current comprehensive profit	-	-	-	-	34,303,788	-	-	-	-	-	-	34,303,788
Revaluation reserve	-	-	-	-	-	-	-	47,199,499	-	-	-	47,199,499
Deferred tax relative to the revaluation difference	-	-	-	-	-	-	-	(7,523,018)	-	-	-	(7,523,018)
Result from correcting the errors	-	-	-	-	-	-	-	789,712	(1,094,738)	-	-	(305,026)
Total other items of the comprehensive profit					34,303,788			40,466,193	(1,094,738)			73,675,244
Transfer of surplus from revaluation	-	-	-	-	-	2,503,058	-	(1,562,738)	-	(940,320)	-	-
Allocation of other reserves	-	-	-	4,750,199	(4,750,199)	-	-	-	-	-	-	-
Dividends	-	-	-	-	(17,825,769)	-	-	-	-	-	-	(17,825,769)
Mandatory distributions	-	-	-	23,537,290	-	-	(23,537,290)	-	-	-	-	-
30-09-18 (neauditat)	67.133.804	197.701.352	13.426.761	190.422.002	45.286.174	14.205.380	(34.519.676)	53.459.596	(1.094.738)	124.408.011	(197.701.352)	472.727.315

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

ANTIBIOTICE S.A.
STATEMENT OF CHANGES IN EQUITY
September 30, 2019
(all amounts expressed in LEI, if not mentioned otherwise)

	Subscribed capital	Adjustments on capital	Reserves	Other reserves	Current result	Result from revaluation reserves	Distribution of profit	Revaluation reserves	Result reported from correcting the errors	Result after applying IAS/IFRS for the first time	Result after applying IAS 29 for the first time	TOTAL
31-12-18 (audited)	67,133,804	197,701,352	13,426,761	190,422,002	45,286,174	14,205,380	(34,519,676)	53,459,596	(1,094,738)	124,408,011	(197,701,352)	472,727,315
Current comprehensive profit	-	-	-	-	21,561,160	-	-	-	-	-	-	21,561,160
Deferred tax relative to the revaluation difference	-	-	-	-	-	-	-	-	-	-	-	-
Result from correcting the errors	-	-	-	-	-	-	-	-	-	-	-	-
Total other items of the comprehensive profit	-	-	-	-	21,561,160	-	-	-	-	-	-	21,561,160
Transfer of surplus from revaluation	-	-	-	-	-	2,002,464	-	(2,002,464)	-	-	-	-
Allocation of other reserves	-	-	-	2,964,082	(4,058,820)	-	-	-	1,094,738	-	-	-
Dividends	-	-	-	-	(6,707,678)	-	-	-	-	-	-	(6,707,678)
Mandatory distributions	-	-	-	-	(34,519,676)	-	34,519,676	-	-	-	-	-
30-09-19 (unaudited)	67,133,804	197,701,352	13,426,761	193,386,084	21,561,160	16,207,844	-	51,457,132	-	124,408,011	(197,701,352)	487,580,797

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

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

September 30, 2019

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

1. GENERAL INFORMATION

1.1 Our company's presentation

Antibiotice SA is a joint-stock company based in Iasi, 1 Valea Lupului Street, tax registration code RO 1973096. Antibiotice was founded in 1955 and defined as a trading company as per Law 15 / 1990 and Government Decision no. 1200/ 12.11.1990 and is traded on the regulated market of the Bucharest Stock Exchange.

Our company's 8 manufacturing flows, upgraded and certified according to Good Manufacturing Practice (GMP) standards produce medicinal products in 5 dosage forms: powders for injectable solutions and suspensions (penicillins), capsules, tablets, suppositories and topical preparations (ointments, gels, creams). Altogether they form a complex portfolio of more than 150 medicines for human use, designed to treat a wide range of infectious, dermatological, cardiovascular, digestive tract or musculoskeletal system diseases.

All production facilities are owned by the company and are located within the territory of the head office.

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

1.2 Corporate Governance structures

Antibiotice's governance system is based on:

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

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

Antibiotice SA considers that corporate governance is an important tool for achieving performance, under conditions of sustainable development, ensuring the accuracy and transparency of the decision-making process, through equal access for all shareholders to the relevant information about the company.

The governance system is compliant with the provisions of the Law no. 297/2004 amended and supplemented with the provisions of Law no. 10/2015 and GEO 90/2014 and CNVM regulations issued for its application, Law no. 31/1990 republished, with all subsequent amendments, CNVM Regulation no. 6/2009, Law no. 111/2016 for the approval of the Government Emergency Ordinance no. 109/2011 regarding the corporate governance of public enterprises, BVB Code, BVB Corporate Governance Code and the company's Articles of Association.

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

September 30, 2019

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

The solidity of the Antibiotice team is demonstrated through the strategic guidance and promptness with which it is able to react, developing responsible and transparent business practices. This applies both to the management team, as well as to operational teams and entire staff of the company, which manage to strike a balance between compliance and performance.

In the third quarter of 2019, our company consistently followed its strategic directions, accompanied by appropriate investment programs. We achieved this by applying the principles of good corporate governance, which mobilized our employees' full potential for implementing and maintaining high standards in all the company's activities.

Management Board

Antibiotice SA is administered by a Management Board responsible for fulfilling all the tasks necessary to achieve the objective of the company, with the exception of those which fall into the responsibility of the General Meeting of Shareholders, as provided by law. There is a clear division of responsibilities between the Management Board and the Executive Management.

The Management Board seeks to ensure that its own decisions, those of the company's management, of the General Meeting of Shareholders as well as the internal regulations comply with the legal requirements and are properly implemented. The Board is responsible for monitoring our company's management on behalf of shareholders.

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

During the first 9 months of 2019, the Management Board met in 9 sessions and adopted decisions that allowed it to fulfill its duties in an effective and efficient manner. Thus, during the meetings, the Management Board analyzed in detail the financial results obtained in the reporting period and cumulated from the beginning of the year, as well as the economic performance in relation to the budget and the similar period of last year. Depending on the situation, the Management Board requested detailed explanations to the executive management regarding the plans for increasing the efficiency of the production, investment plans, established provisions, liquidity management, operational and general profitability of the activity. Following a detailed analysis, the Management Board decided to approve the results of the period in order to be published and sent to the Bucharest Stock Exchange and the Financial Supervisory Authority, our company observing each time the Financial Communication Calendar.

The five members of the Management Board guarantees the efficiency of supervising, analyzing and evaluating the activity of the executive directors, as well as the fair treatment of the shareholders.

Code of ethics

The Code of Ethics of the Antibiotice SA presents the ethical norms of conduct that establish and regulate the corporate values, the business responsibilities and obligations of the organization and its operation procedure.

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

September 30, 2019

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

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

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

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

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

[www.antibiotice.ro/Investors/Corporate Governance/Reference documents /Code of Ethics](http://www.antibiotice.ro/Investors/Corporate%20Governance/Reference%20documents/Code%20of%20Ethics).

Rights of financial instrument holders

The adopted and partially implemented corporate governance framework:

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

On our company's website at www.antibiotice.ro/investors/informationforshareholders, there is a section dedicated to shareholders, where one can access and download documents related to the General Meetings of Shareholders: procedures for the access and participation in meetings, the notice to attend, additions to the agenda, informative materials, special powers of attorney, correspondence voting forms, draft decisions, decisions, voting results etc.

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

Within the company there is a structure specialized in the relation to the existing and potential investors called Investor Relations, whose main role is to ensure a good communication with the company's shareholders. The people appointed to liaise with investors treat with maximum efficiency the requests of shareholders and facilitate the dialogue with the company management. The company designs and develops an appropriate policy to promote effective communication with both investors and shareholders.

General Meeting of Shareholders

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

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

September 30, 2019

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

In the third quarter of 2019, the Management Board convened 4 general meetings - two Ordinary General Meetings and two Extraordinary General Meetings of Shareholders on *April 18, 2019* and *September 10, 2019*.

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

The **Ordinary General Meeting of Shareholders** held on April 18, approved:

- The company's financial statements for the financial year 2018, based on the Management Report and Financial Auditor's Report.

Profit to be distributed:

	<u>34,303,788</u>
• legal reserve	0
• other profit reserves provided by law	27,596,110
• dividends, of which:	6,707,678
• dividends due to the majority shareholder	3,556,228
• dividends due to other legal entities and natural persons	3,151,450
• Value of the gross dividend per share for the financial year 2018 is 0.009991506 LEI. The dividends for 2018 will be paid starting with the date of 20.09.2019, in accordance with the legal provisions in force;	
• Registration as income of the unsolicited and unpaid dividends, related to the financial year 2014;	
• Income & Expenditure Budget for 2019;	
• The degree in which the members of the Management Board achieved their objectives and performance criteria in 2018;	
• Discharging the members of the Board from administration for their activity developed in the financial year 2018, based on the submitted reports.	
• The objectives included in the 2019 Management Plan for the Management Board's members.	
• Remunerations of the Board members and addenda amending the Annexes to the mandate contracts of the administrators, according to the provisions of GEO no. 109/2011 on the corporate governance of public enterprises and Annex no. 1 to the GD no. 722/2016 for the approval of the Methodological Norms for applying some provisions of the Government Emergency Ordinance no.109 / 2011 regarding the corporate governance of public enterprises;	
• Appointment of Mr. Cristian-Vasile GRASU as interim administrator, starting with 30.04.2019, according to the provisions of art. 641 from GEO no. 109/2011 on corporate governance of public enterprises, for a 4-month period, which can be extended until the date on which the procedure for selecting a new administrator will be completed without exceeding a maximum term of 6 months and the form of the mandate contract to be concluded by the company with the interim administrator Cristian -Vasile GRASU, as well as the annexes A and B to the contract, including the financial and	

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

September 30, 2019

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

non-financial performance indicators and remuneration of the administrator, as a result of the termination of the mandate contract of Mr. Ionut-Sebastian IAVOR;

- Starting the procedure for selecting a member of the Management Board, according to the provisions of art. 64⁴ of GEO no.109 / 2011 on the corporate governance of public enterprises and art.4, paragraph 3 of Annex no. 1 to the GD no.722 / 2016 for the approval of the Methodological Norms for applying some provisions of GEO no. 109/2011 regarding the corporate governance of public enterprises, as well as the empowering of the Board to carry out the selection and propose the administrator according to the provisions of art. 29, para. 2 of GEO no.109 / 2011 on the corporate governance of public enterprises and art. 4 para. 5 of Annex no. 1 to the GD no. 722/2016 for the approval of the Methodological Norms for applying some provisions of GEO no. 109/2011 on the corporate governance of public enterprises.
- The date of 03.09.2019 as a registration date for identifying the shareholders affected by the effects of the adopted decisions, in accordance with the provisions of art. 86, para. 1 of Law 24/2017 on issuers of financial instruments and market operations, and the establishment of ex-dates for 02.09.2019.

The **Extraordinary General Meeting of Shareholders** approved:

- a 12-month extension of validity of the multi-currency, multi-product credit amounting to 30 million LEI borrowed by SC ANTIBIOTICE SA from the Export-Import Bank of Romania - EximBank SA;
- to maintain the guaranties related to the multi-currency, multi-product credit in the amount of 30 million LEI throughout the validity period (one calendar year starting with 26.06.2019) resulting from the extension under point 1 of the Agenda;
- the issuance by Antibiotice SA of a decision-commitment not to divide itself, not to merge and not to decide on the early dissolution throughout the validity period of the multi-product multi-currency credit without the prior consent of the Export-Import Bank of Romania - EximBank SA.;
- to empower the General Director, Mr. Ioan NANI and Financial Director, Ms. Paula COMAN to sign on behalf of the company all documents related to the credit facility extension, according to the items 1 and 2 of the Agenda, as well as the documents related to obligations assumed by the company in accordance with item 3 of the Agenda.

The **Ordinary General Meeting of Shareholders** held on September 10 approved:

- the financial statements of the company for the first semester of 2019 based on the Management Report and the Financial Auditor's Report;
- the appointment of a non-executive administrator in the person of Mr. Cristian Vasile GRASU, for a 4-year term, in accordance with the procedures established through the art. 29 of GEO no. 109/2011 on corporate governance of public enterprises;
- the mandate contract concluded with the designated non-executive administrator in the person of Mr. Cristian Vasile GRASU, in accordance with the provisions of G.D. no. 722/2016 for the approval of the Methodological Norms for applying certain provisions of the Government

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

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

Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises - Annex no. 1b.

The **Extraordinary General Meeting of Shareholders** approved:

- the extension of the grace period and period of use of the investment loan related to the IAS3-20-2018/03.05.2018 contract, concluded with Unicredit Bank until 30.06.2020;
- the establishment of the Antibiotice representative office headquarters in the Republic of Moldova at the following address: Office 705, 7th floor, with a total area of 62.20 sqm., in the building located on 5/4 Dimitrie Cantemir Blvd., Chişinău, Republic of Moldova;
- the establishment of the Antibiotice representative office headquarters in Vietnam, at the following address: Room 807, 8th floor, Building 3A, 3 Lane 82 Day Tan, Can Giay District, City of Hanoi, Vietnam.

Our company's shareholding on September 3, 2019 (the latest database in 2019 owned by Antibiotice Iasi)

I. Investors

- Ministry of Health (*) – 53.0173%,
- S.I.F. Oltenia(*) - 18.8999%
- Broadhurst Investments Limited – 4.1977%
- S.I.F. Transilvania – 3.2632%
- S.I.F. Banat-Crisana S.A – 2.1104%
- A-Invest – 0.7597%
- Privately managed pension fund ARIPI/GENERALI S.A.F.P.P. – 0.6782%
- Privately managed pension fund Metropolitan Life – 0.4689%
- FDI BT MAXIM Adm. BT ASSET MANAGEMENT SAI S.A. – 0.3947%
- S.C. DEDEMAN S.R.L. – 0.3333%
- Other individuals and legal entities – 15.8768%

NOTE: (*) - Significant shareholders, according to Law no. 24/2017, Art. 2, Paragraph 2.

II. Types of shareholders

- Legal entities – 86.9339%,
- Natural persons – 13.0661%.

During the first nine months of 2019, dividends were paid for the financial years 2015, 2016, 2017 and 2018 as follows:

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO FINANCIAL STATEMENTS

September 30, 2019

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

Dividend history (2015 – 2016 – 2017- 2018)

Year	Net dividends							Suspension date of dividend payment
	Due	Paid				Unclaimed on 30.09.2019		
		LEI			% (total paid)	LEI	%	
		Until 31.12.2018	01.01-30.09.2019	Total				
0	1	2	3	4	5	6	7	8
2015	13,753,343	12,653,207.76	11,948.01	12,665,155.77	92.09	1,088,187.23	7.91	Payment stopped
2016	25,401,595	23,325,012.26	43,946.77	23,368,959.03	92	2,032,635.97	8.00	Payment in progress
2017	17,588,679.97	16,093,548.70	32,964.95	16,126,513.65	91.69	1,462,166.45	8.31	Payment in progress
2018	6,612,624.05	-	6,042,696.67	6,042,696.67	34.36	569,927.38	3.24	Payment in progress

The dividends are paid through the Central Depository Bucharest, through the participants in the clearing-settlement and register system (the intermediaries according to Law 24/2017 on issuers of financial instruments and market operations, art. 86, point 5, which concluded a contract for participating in the system of the Central Depository) and through CEC Bank - the payment agent..

Antibiotice in the securities market

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

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

Both our company's business plans and financial results represent a solid guarantee that the company has consolidated its position in the national pharmaceutical market.

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

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

Antibiotice shares – ATB / REGULAR MARKET

	2015	2016	2017	2018	Trim. III 2019
Number of shares	671,338,040	671,338,040	671,338,040	671,338,040	671,338,040
Stock capitalization (thousand LEI)*	357,152	349,096	361,180	326,942	342,382
Stock capitalization (thousand EUR)*	78,868	76,875	77,511	70,100	72,064
Stock capitalization (thousand \$)*	86,167	81,123	92,813	80,259	78,730
Total transaction value (million LEI)	11	6	12	9	14
No. of traded shares	18,844,935	12,555,866	21,113,565	17,109,263	27,763,436
Opening price (LEI/share)	0.5850	0.5320	0.5200	0.5780	0.4800

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Maximum price (LEI/share)	0.6170	0.5420	0.5920	0.5780	0.5260
Minimum price (LEI/share)	0.5240	0.4200	0.5200	0.4550	0.4500
Price at the end of the period (LEI/share)	0.5320	0.5270	0.5380	0.4870	0.5100
Average price (LEI/share)	0.5836	0.5032	0.5585	0.5028	0.4933

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

2. ACCOUNTING POLICIES

2.1 Declaration of conformity

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

- criteria for recognition, measurement and evaluation in accordance with the International Financial Reporting Standards, 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");
- law 82 of 1991, of the accounting republished and updated;
- provisions of the Order of the Minister of Public Finance no. 2844/2016, for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards, applicable to trading companies whose securities are admitted to trading on a regulated market, with subsequent amendments and clarifications.

The financial statements for the financial year ended September 30, 2019 include the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity and explanatory notes.

The comparative financial information is presented on January 1, 2019 for the statement of financial position, individual statement of changes in equity and on September 30, 2018 for the statement of cash flows and statement of comprehensive income.

The financial statements were authorized for issuance by the Management Board on November 14, 2019.

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 otherwise stated.

Preparation of financial statements in accordance with IFRS as adopted requires the use of certain critical accounting estimates. The management is also asked to use the reasoning in the process of applying the Company's accounting policies. Areas where decisions were taken and significant estimates were made in preparing the financial statements and their effect are shown below.

2.2 Bases of assessment

Separate financial statements are prepared using the historical/ depreciated cost convention, except for the tangible fixed assets presented at revalued cost by using the fair value as assumed cost and the items presented at the fair value, i.e. financial assets and liabilities at fair value through the profit and loss account, and financial assets available for sale, except for those for which the fair value can not be reliably established.

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

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financial statements should not be considered as the only source of information by a potential investor or another user.

2.3 Functional and presentation currency

The company's management considers that the functional currency, as defined by IAS 21 "Effects of exchange rate variation" is the Romanian LEU („RON” or „LEU”). Separate financial statements are presented in LEI, the values being rounded to the nearest leu, the currency that the Company chose as the presentation currency.

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

The exchange rates of the main foreign currencies according to BNR reporting are as follows:

	30-09-19	31-12-18
EUR	4.7511	4.6639
USD	4.3488	4.0736

2.4 Critical accounting assessments and estimates

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

The use of reasonable estimates is an essential part of preparing 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 continuously evaluated based on historical experience and other factors, including forecasting future events that are believed to be reasonable under the existing circumstances. In the future, concrete experience may differ from these estimates and assumptions. The following are examples of assessments, estimations, assumptions applied in our company:

(a) Evaluation of investments in land and buildings

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

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(b) Adjustments for impairment of receivables

Assessment for impairment of receivables is performed individually and is based on the management's best estimate of the present value of cash flows that are expected to be received. To estimate these flows, the management makes certain estimates on the financial situation of the partners. Each impaired asset is individually analyzed. Precision in adjustments depends on the estimate of future cash flows.

(c) Legal proceedings

The company reviews the unsettled legal cases, monitoring the evolution of the legal proceedings and existing situation at each reporting date, in order to assess the provisions and disclosures in its financial statements. Among the factors taken into account when making provisions are the nature of the dispute or claims and the potential level of damages in the jurisdiction in which the litigation is judged, the progress of the case (including the progress after the date of the financial statements but before the respective statements are issued), the opinions of the legal advisers, experience in similar cases and any decision of the company's management related to how it will respond to the dispute, complaint or evaluation.

(d) Cost accounting estimates

There are objective situations in which until the closing of fiscal periods or until the closing of a financial year, the exact values of some expenses incurred by the company are not known (eg: marketing, promotion and sales stimulation campaigns). For this category of expenses, preliminary expenses will be made, which will be corrected in the following periods when cash flows will also be released. Estimates of expenditures, for each category of expenditure, will be made by people with experience in the type of activity that generated that 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 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 remains open for tax verification for a 5/7-year period. The company's management believes that tax liabilities included in the financial statements are appropriate.

2.5 Presentation of separate financial statements

The financial statements are presented in accordance with the requirements of IAS 1 "Presentation of the financial statements". The company has adopted a liquidity-based presentation in its financial position statement and a presentation of its revenue and expense according to their nature in the comprehensive income statement, considering that these disclosures provide information that is credible and more relevant than those that would have been presented based on other methods permitted by IAS 1.

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2.6 Purchased intangible assets

Inventory of intangible assets is done in accordance with IAS 38 "Intangible assets" and IAS 36 "Impairment of Assets". Externally acquired intangible assets are initially recognized at cost and subsequently amortized on a straight-line basis over their useful economic life.

Expenses related to the acquisition of patents, copyrights, licenses, trademarks or factory brands and other intangible assets recognized from an accounting point of view, with the exception of formation expenses, goodwill, intangible assets with indefinite useful life, according to the accounting regulations shall be recovered by means of linear depreciation deductions during the contract period or during the use period, as the case may be.

Intangible assets generated by the company (development costs)

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

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

2.7 Tangible assets

Tangible assets are tangible items that:

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

Recognition:

The cost of an item of tangible asset should be recognized as an asset if and only if:

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

Evaluation after recognition

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

After recognition as an asset, an item of tangible assets whose fair value can be reliably measured is accounted for at a revalued amount, this being its fair value at the revaluation date.

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

The fair value of land and buildings is generally determined based on the prices in the market through an evaluation normally performed by qualified professional assessors. The fair value of the items of tangible assets is generally their value in the market determined through evaluation.

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

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

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

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

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

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

Amortization

The depreciable amount of an asset is systematically allocated over its useful life. 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 desired manner.

Land and fixed assets in progress are not depreciated.

For the depreciable fixed assets, our company utilizes, in accounting terms, the straight line depreciation method. The depreciation periods are determined by a specialized internal committee according to the company's internal procedures. Below there is a brief presentation of the life cycle of the fixed assets by major categories of goods:

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

Depreciation

To determine whether an item of property, plant and equipment is impaired, an entity applies IAS 36 Impairment of assets. At the end of each reporting period, the entity estimates whether there are indications of impairment of assets. If such indications are identified, the entity estimates the recoverable amount of the asset.

If and only if the recoverable amount of an asset is lower than its book value, the book value of the asset will be reduced to be equal to the recoverable amount. Such a reduction represents a

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loss from impairment. A loss from impairment is immediately recognized in profit or loss of the period in question, except when the asset is reported to the revalued amount, in accordance with another standard (for example, in accordance with the revaluation model from IAS 16 Tangible assets). Any loss from impairment 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 assessment)

Initial assessment of the financial assets and financial liabilities

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

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

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 on the concept that financial assets should be classified and assessed at their fair value, with changes in the fair value recognized in the profit and loss account when they appear ("FVPL"), unless the restrictive criteria are met when the classification and the assessment of the asset is made at amortized cost or at fair value through other "FVOCI" revenues).

Impairment 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 the commercial receivables with an "early loss" model that focuses primarily on risk.

Cash and cash equivalents/Hedging

The third major change introduced by IFRS 9 is related to hedging; IFRS 9 allows the coverage of several exposures and establishment of new criteria for hedging against risks.

2.9 Stocks

According to IAS 2, the stocks are active:

- a) held for sale in the ordinary course of business;
- b) under production for such sale; or
- c) as raw materials, materials and other consumables to be used in the production process or in the provision of services.

Stock assessment:

Stocks are assessed at the lowest value between the cost and the net achievable value.

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Cost of stocks

The cost of stocks includes all the purchase costs, conversion costs as well as other costs incurred in bringing the inventories to the state and location where they currently are.

Stocks of raw materials and consumables are stated at the cost of acquisition. The inventory outflow is performed using the Weighted Average Price method.

Stocks of products in progress are stated at the value of the raw materials and consumables included in them.

The stock of finished goods is recorded at production cost when the manufacture is completed.

Adjustments for depreciation of stocks

The stock depreciation assessment is performed individually and is based on the best estimate of the management on the current value of the cash flows that are expected to be received. Each depreciated asset is individually analyzed. The accuracy of the adjustments depends on the estimation of future cash flows.

Stock adjustments are based on the end-of-year calculation for adjusting the specific value of stocks of raw materials, consumables and finished products and finished products which no longer correspond from quality viewpoint. The calculation of the general adjustment for depreciation of stocks is based on the shelf life of existing items in stock.

2.10 Receivables

Receivables mainly arise through the supply of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary assets.

Receivables are presented in the balance sheet at historical value less the adjustments for impairment in cases where it was found that the realizable value is less than the historical value.

Impairment adjustments are recognized when there is objective evidence (such as significant financial difficulties generated by the partners or 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, the amount of that adjustment being the difference between the net book value and the current value of expected future cash flows associated with the impaired receivable.

The assessment for impairment of receivables is performed on an individual basis and is based on a risk analysis by customer categories, being the best estimate of the management regarding the current value of the cash flows expected to be received.

The Company assesses at each balance sheet date the extent in which there is any objective evidence that a financial asset (receivable) is impaired. If there is any evidence of this kind, the Company treats it differently to determine the amount of any impairment loss, depending on the type of asset: financial assets accounted for at amortized cost, financial assets accounted for at cost and available-for-sale financial assets.

The carrying amount of the asset should be reduced either directly or by using a depreciation adjustment account. The amount of the loss should be recognized in profit or loss.

If, in a subsequent period, value of the related impairment loss decreases, and the decrease can be objectively correlated with an event occurring after the impairment has been recognized (such as an improvement in the debtor's credit rating), the loss from the previously recognized impairment should be resumed either directly or by adjusting a provision account for impairment. Resumption should not result in a carrying amount of the financial asset greater than the amount that would have been the amortized cost if the impairment would not have

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been recognized at the date when the impairment is resumed. The value of the resumption must be recognized in profit or loss.

Adjustments for impairment of trade receivables consist of the specific provision, entirely constituted for litigation, based on which the general provision is calculated.

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

2.11 Value added tax

Value Added Tax must be paid to the tax authorities on the basis of the monthly VAT return until the 25th of the following month, regardless of the recovery level of receivables from customers. Tax authorities allow VAT to be settled on a net basis. If the deductible VAT is higher than the VAT collected, the difference is refundable at the request of the company. That VAT may be reimbursed after a tax audit, or even in the absence thereof, if certain conditions are met. VAT on sales and purchases that were not settled at the end of the reporting period is recognized in the financial position statement at the net value 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

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. Recognition of income IFRS 15 - Revenue from customer contracts (replaces IAS 18 Revenues).

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

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 shareholders' contributions.

Fair value is the value at which an asset can be traded or a debt settled between interested parties and fully aware of the facts, in a transaction carried out under objective conditions.

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

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

Income assessment

According to IAS 18, revenues were measured at the fair value of the received or receivable counterperformance, 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 goods;
- (b) the entity no longer manages the goods sold to the extent that it would have done it normally in the case of the ownership of their property and no longer has effective control over them;
- (c) value of income can be reliably measured;
- (d) it is likely that the economic benefits associated with the transaction to be generated for the entity; and
- (e) the costs incurred or to be incurred in respect of the transaction can be reliably assessed.

Instead, the new standard focuses on identifying the obligations and makes a clear distinction between the obligations that are satisfied "at one point in time" and those that are satisfied "over a period of time", this being determined by the way in which the control of the goods or services is transferred to the client. The new income model according to IFRS 15 means that we can 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 to follow for revenue recognition:

- identification of the contract (s) with a client;
- identification of execution contract (s) in a contract;
- determining the transaction price;
- allocation of the transaction price for the execution obligations;
- revenue recognition when (or to the extent that) the entity fulfills an enforcement obligation.

Revenues are measured at the fair value of the net VAT collected or receivable amounts. 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, respectively all the following conditions have been fulfilled:

- (a) the parties to the contract have approved the contract (in writing, verbally or in accordance with other common business practices) and undertake to fulfill their obligations;
- (b) the company can identify the rights of each party regarding the goods or services to be transferred;
- (c) the company can identify the payments terms for the goods and services to be transferred;
- (d) the contract has a 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 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 the ones previously agreed upon following the payment. The transfer of

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risks and benefits related to the property right is considered to be accomplished once the transfer of the legal title of ownership is completed or the goods are in the possession of the buyer. If the entity holds 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 income associated with a period of the current year are burdened with fundamental errors, they will be corrected, during the period when the error is discovered. If the error is discovered in the following years, its correction will no longer affect the income accounts, but the result account deferred from corrections of fundamental errors, if the value of the error will be considered significant.

2.13.2 Recognition of expenses

Expenses are decreases in the economic benefits during the accounting period as outflows or decreases in the value of assets or increases in debt, which are materialized as reductions in equity, other than those arising from their distribution to shareholders.

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

The assets owned by the company, as stated in IAS 36 "*Impairment of assets*", are subject to the impairment tests whenever events or changes in circumstances indicate that their accounting value may not be fully recovered. When accounting value of an asset exceeds the recoverable amount (i.e. the highest amount between the value of use and fair value minus the selling costs) the assets is adjusted accordingly.

When it is not possible to estimate the recoverable amount of an individual asset, the 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.

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 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 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.

Provisions are recorded in the accounting using the accounts from the group 15 "*Provisions*" and are based upon the expenses, except those related to decommissioning of tangible assets

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and other similar actions related thereto, for which the provisions of IFRIC 1 will be taken into account.

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

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

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

The previously established provisions are periodically analyzed and regulated.

2.16 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 the services.

Benefits after termination of the employment contract

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

Therefore, the Company has no other legal or implicit obligation to pay further contributions. Its only obligation is to pay the contributions when they are due. If the Company ceases to employ people who are contributors to the financing plan of the National House of Pensions, the Company will have no obligation to pay for the benefits earned by its own employees in previous years. The Company's contributions to the contributions plan are presented in the chapter Expenses 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 financial position statement differs from the tax base.

The recognition of deferred income tax assets is limited to those moments in which the taxable profit of the next period is likely to be available.

The amount of the asset or liability is determined using tax rates that have been adopted or largely adopted 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 profit 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

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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 the liabilities. The equity includes: capital contributions, reserves, reported result, result of the financial year.

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

In the first set of financial statements prepared under IFRS, the Company applied IAS 29 - "Financial reporting in hyperinflationary economies" for the contributions of shareholders obtained before January 1, 2004, i.e. they were properly adjusted with the inflation index.

2.20 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 in which it bears them.

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

2.21 Earnings per share

The Company presents 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 Segment reporting

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 key management staff.

The key management staff includes those persons having the authority and responsibility for planning, managing and controlling the company's activities, directly or indirectly, including any (executive or non-executive) director of that entity. Transactions with the key staff 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:

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-
- (i) The entity and the Company are members of the same group (which means that each parent company, subsidiary and subsidiary of the same group is linked to the other ones);
 - (ii) An entity is an associated entity or joint venture of the other entity (or an associated entity or joint venture of a member of the group to which the other entity belongs);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third party, and the other is an associated entity of the a third-party entity;
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the reporting entity or of an entity affiliated with the reporting entity. If the reporting entity itself represents such a plan, the sponsoring employers are also affiliated with the reporting entity;
 - (vi) The entity is controlled or jointly controlled by an affiliated person;
 - (vii) An affiliated person in control significantly influences the entity or is a member of the key management staff of the entity (or the parent company of the entity).

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

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

- Credit risk
- Foreign exchange risk
- Liquidity risk

Like all the other activities, the Company is exposed to risks arising from the use of financial instruments. This note describes the company's objectives, policies and processes for managing these risks and methods used to assess them. Additional quantitative information on these risks is presented in these financial statements.

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

Main financial instruments

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

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

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

	Loans and receivables	
	30-09-19	31-12-18
ASSETS	(unaudited)	(audited)
Trade and similar receivables	267,869,466	292,458,773
Cash and cash equivalents	4,415,589	2,376,682
Total	272,285,055	294,835,455

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LIABILITIES	Amortized cost	
	30-09-19	31-12-18
	(unaudited)	(audited)
Commercial and similar liabilities	64,280,581	57,937,927
Short-term loans	102,116,928	100,729,229
Long-term loans	45,582,257	26,662,433
Total	211,979,766	185,329,589

The overall objective of the Management Board is to establish policies that seek to reduce the risk as much as possible without unduly affecting the competitiveness and flexibility of the Company.

Further details regarding these policies are set out below:

Credit risk

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 the sales to customers.

Antibiotice SA has developed a Commercial Policy approved by its Management Board which includes commercial sales conditions and conditions imposed in the selection of clients.

Antibiotice SA cooperates only with large distributors in the national pharmaceutical market. When selling for export, in all situations where possible, the sale is contracted with advance payment.

Calculation and analysis of the net statement (equity)

Indicators (LEI)	30-09-19	31-12-18
	(unaudited)	(audited)
Short-term credits and loans	102,116,928	100,729,229
Long-term credits and loans	45,582,257	26,662,433
Cash and cash equivalents	(4,415,589)	(2,376,682)
Net debt	143,283,596	125,014,980
Total equity	487,580,797	472,727,315
Net debt in equity (%)	29.39%	26.45%

Foreign Exchange Risk

The Company is mainly exposed to currency risk in the purchases made from the suppliers of raw materials, packaging and other materials outside Romania. Suppliers from whom the company purchases these items for production of medicines must have documents attesting the quality of their goods, as required by the European medicine registration rules. The company cannot limit so much the acquisitions of third countries. 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 be minimized.

On September 30, 2019 the company's net exposure by types of currency to the foreign currency risk was as follows:

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Assets/liabilities in EURO equivalent in LEI	30-09-19 (unaudited)	31-12-18 (audited)
Monetary financial assets	3,609,007	3,237,508
Monetary financial liabilities	(24,027,720)	(16,926,430)
Net financial assets	<u>(20,418,713)</u>	<u>(13,688,922)</u>

LEU/EUR variation	Gain/ Loss	
Appreciation of the LEU against EUR by 5%	(1,020,936)	(684,446)
Depreciation of the LEU against EUR by 5%	1,020,936	684,446
Impact on result	<u>-</u>	<u>-</u>

Assets and liabilities in EUR	30 -09-19 (unaudited)	31-12-18 (audited)
Monetary financial assets	759,615	694,163
Monetary financial liabilities	(5,057,296)	(3,629,244)
Net financial assets	<u>(4,297,681)</u>	<u>(2,935,081)</u>

Assets/liabilities in USD equivalent in LEI	30-09-19 (unaudited)	31-12-18 (audited)
Monetary financial assets	22,672,224	22,064,544
Monetary financial liabilities	(13,214,869)	(7,287,274)
Net financial assets	<u>9,457,355</u>	<u>14,777,270</u>

LEU/USD variation		
Appreciation of the LEU against USD by 5%	472,868	738,864
Depreciation of the LEU against USD by 5%	(472,868)	(738,864)
Impact on result	<u>-</u>	<u>-</u>

Assets and liabilities in USD	30-09-19 (unaudited)	31-12-18 (audited)
Monetary financial assets	5,213,444	5,416,473
Monetary financial liabilities	(3,038,739)	(1,788,903)
Net financial assets	<u>2,174,705</u>	<u>3,627,570</u>

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

Assets / Liabilities	30-09-19 (unaudited)	31-12-18 (audited)
LEI	118,305,150	135,045,374

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EUR	(20,418,713)	(13,688,922)
USD	9,457,355	14,777,270
Other currencies (CAD,GBP)	-	(876)
Net exposure	107,343,792	136,132,846

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

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

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

Management Board regularly receives cash flow forecasts as well as information on the company's available cash. At the end of the financial year, the Company has sufficient cash resources to meet its obligations in all reasonable foreseeable circumstances.

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

September 30, 2019 (unaudited)	Up to 3 months	Between 3 and 12 months	Over 12 months	Total
Commercial and similar debt	25,774,939	56,484,597		82,259,536
Credits and loans		102,116,929		102,116,929
Long-term credits			45,582,257	45,582,257
Total	25,774,939	158,601,526	45,582,257	229,958,722

December 31, 2018 (audited)	Up to 3 months	Between 3 and 12 months	Over 12 months	Total
Commercial and similar debt	23,293,439	54,299,038		77,592,477
Credits and loans		100,729,226		100,729,229
Long-term credits				26,662,430
Total	23,293,439	155,028,267	26,662,433	204,984,139

Bank liquidity

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

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Operational risk

Operational risk is the risk of some direct or indirect losses arising from a wide range of reasons associated to processes, staff, technology and infrastructure of the Company as 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. Operational risks arise from all the Company's operations.

Management is responsible for conducting operational risk related-controls. Management is supported in its mission through the development of the company's general operational risk standards in the following fields:

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

Adequacy of capital

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

4. SALES INCOME

Sales income includes the following items:

Description	30-09-19	30-09-18
	(unaudited)	(unaudited)
Finished product sales	255,353,144	249,228,724
Sales of goods	57,600,538	52,318,182
Trade discounts	(70,544,059)	(60,295,485)
Total	242,409,623	241,251,421

Sales revenues were mainly driven by sales of finished products directly to pharmaceutical distributors. On 30.09.2019, the Intra and Extra-Community sales amounted to 97,151,070 LEI compared to the value of 91,080, 786 LEI recorded on 30.09.2018.

Our company earns sales revenues in individual values greater than 10% of total sales from 5 clients.

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5. OTHER OPERATING INCOME

Other operating income includes the following:

Description	30-09-19 (unaudited)	30-09-18 (unaudited)
Rental income	57,223	88,598
Income from research & studies	331,006	276,429
Income from various activities	236,299	273,731
Income from indemnities, fines and penalties	165,078	32,205
Other operating income	1,456,899	1,338,899
Income from adjustments for depreciation of current assets	19,594,740	11,867,474
Income from provisions for risks and expenses	4,998,241	4,586,271
Exchange rate differences	4,370,822	6,028,319
Total	31,210,309	24,491,926

6. RAW MATERIALS, CONSUMABLES AND GOODS

Expenditure on raw materials and consumables consists of:

Description	30-09-19 (unaudited)	30-09-18 (unaudited)
Raw materials	58,124,772	47,821,430
Auxiliary materials	4,840,393	3,782,249
Goods	38,232,284	38,307,998
Expenditure on fuel and spare parts	3,601,430	3,662,768
Inventory items	491,169	399,752
Other consumables	275,433	234,729
Total	105,565,481	94,208,926

7. STSTAFF EXPENSES

Staff expenses consist of:

Description	30-09-19 (unaudited)	30-09-18 (unaudited)
Wages	62,478,713	56,566,724
Civil contracts	1,118,666	1,040,999
Taxes and social contributions	2,010,381	1,810,199
Other benefits (meal tickets)	5,329,690	5,345,847
Total	70,937,450	64,763,769

The company is managed in a unitary system, in accordance with the Law 31/1990 on trading companies, the management of the company being ensured by the Management Board of Antibiotice SA.

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

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Description	30-09-19 (unaudited)	30-09-18 (unaudited)
Wages	4,557,225	3,478,483
Civil contracts	1,118,666	1,040,999
Taxes and social contributions	130,111	103,793
Total	5,806,002	4,623,275

8. OTHER OPERATING EXPENSES

Other operating expenses include the following:

Description	30-09-19 (unaudited)	30-09-18 (unaudited)
Utilities	7,811,120	6,400,491
Repairs	1,372,967	1,186,546
Rent	259,058	145,150
Insurances	1,305,113	992,374
Bank fees	936,975	828,712
Advertising & promotion of products	4,679,454	5,053,303
Travel & transport	2,424,955	2,432,931
Post & telecommunications	343,640	422,235
Other services provided by third parties	9,913,544	10,923,123
Other taxes	32,912,851	27,466,677
Environment protection	673,796	423,338
Loses and adjustments of uncertain receivables	11,380,400	9,834,589
Exchange rate differences	5,069,700	5,897,143
Sundries	1,053,163	1,948,719
Total	80,136,736	73,955,331

9. FINANCIAL INCOME AND EXPENSES

Net financial income consists of:

Description	30-09-19 (unaudited)	30-09-18 (unaudited)
Interest income	7,010	2,302
Other financial income	75,737	1,727
Interest expenses	(3,379,740)	(2,514,652)
Other financial expenses	(140,247)	(397,330)
Total	(3,437,237)	(2,907,953)

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

10. CURRENT AND DEFERRED PROFIT TAX EXPENSES AND OTHER TAXES

Description	30-09-19 (unaudited)	30-09-18 (unaudited)
Current tax	2,344,819	967,361
Deferred tax expense/ income	211,917	(309,423)
Taxes specific to certain activities	28,508	42,762
Total	2,585,244	700,700

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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 on estimates and assumptions and may involve a series of professional judgments regarding the future events. The company considers that the accounting records for taxes due are appropriate for all the open fiscal years, based on the assessment made by 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 existing tax liabilities; such modifications of the tax liabilities will have an impact on the income tax expense in the period during which this determination is made.

The tax on the payment profit was calculated taking into account the influences of the non-deductible expenses, respectively the taxable income, tax facilities, effects of the provisions for the profit tax as well as the effects of the application of Law 170/2016 on the tax specific for certain activities.

11. EARNINGS PER SHARE

Description	30-09-19	30-09-18
	(unaudited)	(unaudited)
Net profit (A)	21,561,160	21,173,544
Number of ordinary shares (B)	671,338,040	671,338,040
Earning per share (A/B)	0.032117	0.031539

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12. FIXED ASSETS

	Land	Buildings	Technical installations & equipment	Other installations, equipment & furniture	Tangible assets in progress	Total
COST						
December 31, 2017 (audited)	108,306,000	83,326,165	151,601,853	6,193,046	19,189,581	368,616,645
Acquisitions	-	9,678,817	39,680,112	1,427,093	58,049,608	108,835,631
Revaluation	-	48,743,396	-	-	-	48,743,396
Reversal amortization	-	31,911,246	-	-	-	31,911,246
Outputs	-	1,505,048	6,320,642	75,784	50,786,021	58,687,495
December 31, 2018 (audited)	108,306,000	108,332,084	184,961,323	7,544,355	26,453,168	435,596,931
Acquisitions	-	6,236,665	7,208,858	192,454	44,619,186	58,257,163
Outputs	-	10,160	3,121,292	65,985	13,637,978	16,835,415
September 30, 2019 (unaudited)	108,306,000	114,558,589	189,048,889	7,670,824	57,434,376	477,018,678
AMORTIZATION						
December 31, 2017 (audited)	-	24,462,240	115,505,156	5,104,707	-	145,072,103
Cost of the period	-	9,227,396	8,442,259	277,591	-	17,947,246
Reversal amortization	-	31,911,246	-	-	-	31,911,246
Outputs	-	51,665	6,320,642	75,784	-	6,448,091
December 31, 2018 (audited)	-	1,726,725	117,626,773	5,306,514	-	124,660,012
Cost of the period	-	4,666,324	8,762,776	302,345	-	13,731,445
Outputs	-	10,160	3,121,292	65,985	-	3,197,437
September 30, 2019 (unaudited)	-	6,382,889	123,268,257	5,542,874	-	135,194,020
PROVISION						
December 31, 2017 (audited)	-	57,000	244,652	-	-	301,652
2017 Outputs	-	5,400	-	-	-	5,400
December 31, 2018 (audited)	-	51,600	244,652	-	-	296,252
2018 Outputs	-	-	-	-	-	-
June 30, 2019 (audited)	-	51,600	244,652	-	-	296,252
NET VALUES						
September 30, 2019 (unaudited)	108,306,000	108,124,100	65,535,980	2,127,950	57,434,376	341,528,406
December 31, 2018 (audited)	108,306,000	106,553,759	67,089,898	2,237,841	26,453,168	310,640,665
December 31, 2017 (audited)	108,306,000	58,806,925	35,852,045	1,088,339	19,189,581	223,242,890

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Depreciation of fixed assets

Accounting depreciation is calculated using the straight line method. For the fixed assets, new entries in 2019 such as installations, machines and measuring and control devices, the useful lives were established taking into account:

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

The inventory value of tangible assets held as collateral or guarantees is 69,643,814 LEI.

13. INTANGIBLE ASSETS

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

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

	30-09-19	31-12-18
	(unaudited)	(audited)
Initial balance	26,250,866	21,718,103
Inputs	4,763,772	7,570,149
Outputs	1,308,593	3,037,386
Final balance	29,706,045	26,250,866
Amortization		
Initial balance	11,222,150	8,610,480
Cost of the period	2,307,841	2,611,670
Final balance	13,529,991	11,222,150
Net value	16,176,054	15,028,716

14. STOCKS

	30-09-19	31-12-18
Description	(unaudited)	(audited)
Raw materials and consumables	31,707,023	20,915,669
Production in progress	6,374,458	3,036,478
Semi-finished and finished products	50,478,573	33,358,323
Goods	11,009,387	7,654,192
Total	99,569,441	64,964,662

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

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15. TRADE AND OTHER RECEIVABLES

Description	30-09-19 (unaudited)	31-12-18 (audited)
Trade receivables	289,438,622	325,033,175
Ajustments for trade receivables	(23,741,602)	(33,548,330)
Various debtors and other receivables	5,605,153	4,427,757
Adjustments for various debtors	(3,432,707)	(3,453,829)
Total financial assets, other than cash, classified as loans and receivables	267,869,466	292,458,773
Receivables related to employees	552	209
Other receivables from the State Budget	6,284,470	880,939
Advance payments	10,330,128	19,754,537
Total	284,484,616	313,094,458

On September 30, 2019 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 analyzed and evaluated according to criteria established according to the risks per customer categories.

Analysis of seniority	30-09-19 (unaudited)	31-12-18 (audited)
Receivables - customers	289,438,622	325,033,175
up to 3 months	75,960,164	129,963,030
between 3 and 6 months	97,166,172	76,193,641
between 6 and 12 months	73,611,421	77,280,125
over 12 months	42,700,865	41,596,378
Value adjustments related to receivables- customers	(23,741,602)	(33,548,330)

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

Adjustments of receivables	30-09-19 (unaudited)	31-12-18 (audited)
At the beginning of the period	37,002,158	51,458,041
Established during the year	8,792,157	18,349,355
Cancelling the adjustments	(18,620,006)	(32,805,238)
At the end of the period	27,174,309	37,002,158

Value of receivables established as guaranties is 245,618,549 LEI.

16. CASH AND CASH EQUIVALENTS

Description	30-09-19 (unaudited)	31-12-18 (audited)
Available at the bank	4,365,193	2,346,212
Cash and cash equivalents	50,396	30,470
Total	4,415,589	2,376,682

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17. TRADE AND OTHER PAYABLES

Description	30-09-19 (unaudited)	31-12-18 (audited)
Trade payables	49,444,576	34,179,575
Suppliers of fixed assets	9,518,695	16,607,089
Employee-related liabilities	1,856,629	1,699,591
Wage provisions	2,900,000	4,998,241
Other debts	226,554	141,529
Outstanding interest	334,127	311,902
Total debt less loans, classified as measured at depreciated cost	64,280,581	57,937,927
Taxes and social contributions	2,944,310	2,980,512
Dividends	7,752,823	5,751,482
Advance money from customers	1,149,709	501,163
Total	76,127,423	67,171,084

18. AMOUNTS DUE TO CREDIT INSTITUTIONS

The amounts due to the credit institutions at 30.09.2019 are presented in the following table:

Amounts due to the credit institutions	Value at 30.09.2019
Amounts due in the short term	102,116,929 LEI
Amounts due in the long term (including interest)	45,582,257 LEI

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

Objective	Credit line-working capital
Amount	50,000,000 LEI
Maturity	16.08.2020
Balance on September 30, 2019	46,630,808 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 September 30, 2019	9,582,668.54 EUR (45,582,257 LEI)
Warranties	Mortgage contract for buildings, land/ Receivable assignment contract

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

Objective	Credit line-working capital
Amount	30,000,000 LEI
Maturity	24.06.2020
Balance on September 30, 2019	22,853,648 LEI
Warranties	Mortgage contract for buildings, land/ Receivable assignment contract

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

Objective	Credit line-working capital
Amount	9,500,000 EUR
Maturity	22.05.2020
Balance on September 30, 2019	15,012,835 LEI 3,577,215 EUR (16,995,704 LEI) 143,473 USD (623,934 LEI)
Warranties	Mortgage contract for buildings, land/ Receivable assignment contract

The amounts due to the credit institutions at 31.12.2018 are presented in the following table:

Amounts due to the credit institutions	Value at 31.12.2018
Amounts due in the short term	100,729,229 LEI
Amounts due in the long term (including interest)	26,662,433 LEI

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

Objective	Credit line-working capital
Amount	50,000,000 LEI
Maturity	16.08.2019
Balance on December 31, 2018	40,398,127 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, 2018	5,709,266.17 EUR (26,627,446.49 LEI)
Warranties	Mortgage contract for buildings, land/ Receivable assignment contract

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

Objective	Credit line-working capital
Amount	30,000,000 LEI
Maturity	26.06.2019
Balance on December 31, 2018	24,158,985.50 LEI
Warranties	Mortgage contract for buildings, land/ Receivable assignment contract

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

Objective	Credit line-working capital
Amount	9,500,000 EUR
Maturity	22.05.2019
Balance on December 31, 2018	11,711,390.09 LEI 5,132,454.91 EUR (23,937,256.45 LEI) 128,503.05 USD (523,470.02 LEI)
Warranties	Mortgage contract for buildings, land/ Receivable assignment contract

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

19. SUBSIDIES FOR INVESTMENTS

The subsidies for investments have the following structure:

	30-09-19	31-12-18
	(unaudited)	(audited)
Subsidies for investments		
Waste water treatment plant	2,260,071	2,379,324
Research project-UMF Iasi	24,503	24,503
Other subsidies - European funds	639,410	495,489
Other subsidies - state budget funds	122,446	92,282
Other amounts received as subsidies	109,311	135,201
Total	3,155,741	3,126,799

The amounts reflected in the account *Subsidies for investments* represent values received in the last 10 years by the company as subsidies for investments in protecting the environment and increasing the competitiveness of industrial products through financing from the Ministry of Economy and UEFISCDI Bucharest.

20. DEFERRED INCOME TAX

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

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Description	30-09-19 (unaudited)	31-12-18 (audited)
Initial balance	25,266,930	18,172,398
Cost / (income) deferred tax	211,917	7,094,532
Final balance	25,478,847	25,266,930

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

21. SHARE CAPITAL

The subscribed share capital of the company on September 30, 2019 is 67,133,804 LEI, the nominal value of an share being of 0,1000 LEI/share. Our company has 671,338,040 shares which confer equal rights to the company's shareholders. SC Antibiotice SA has not issued preference shares.

In accordance with the provisions of IAS 29 - hyperinflationary economies, the share capital was restated taking into account the inflation index communicated by the National Statistics Commission. It was applied starting with the balance determined according to GD 500/ 1994, from the reporting date to 31.12.2003, the date when it was considered that the national economy 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 loss carry forward 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:

Retained earnings – loss from the first application of IAS 29	197,701,352
Adjustments of the share capital - the first application of the IFRS	197,701,352

22. RESERVES

The reserves include the following components:

Description	30-09-19 (unaudited)	31-12-18 (audited)
Reserves from revaluation of fixed assets	61,258,488	63,642,374
Legal reserves	13,426,761	13,426,761
Deferred income tax recognized on equity	(9,801,356)	(10,182,778)
Other reserves	193,386,084	166,884,712
Reserves from current profit	0	23,537,290
TOTAL	267,091,198	257,308,360

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

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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 revaluation, then the increase should be recognized in other items of global result and cumulated in equity, as a revaluation surplus. Revaluation reserves can not be distributed and can not be used to increase the share capital.
Legal reserves	According to the Law 31/1990, at least 5% of the profit is taken each year for the formation of the reserve fund until it reaches at least a fifth of the share capital.
Other reserves	Other reserves include reserves that represent tax incentives that can not be distributed with implications on the recalculation of the profit tax. The difference represents reserves made up of profits.

23. RETAINED EARNINGS

The retained earnings include the following:

Description	30-09-19 (unaudited)	31-12-18 (audited)
Retained earnings – surplus from revaluation reserves	16,207,844	14,205,380
Retained earnings from error correction	-	(1,094,738)
Retained earnings arising from the use, at the date of transition to the application of IFRS, of the fair value as an assumed cost	124,408,011	124,408,011
Retained earnings from the first adoption of IAS 29	(197,701,352)	(197,701,352)
Total	(57,085,497)	(60,182,699)

24. CONTINGENT LIABILITIES

SC Antibiotice SA has no contingent liabilities on September 30, 2019.

25. EVENTS AFTER THE REPORTING PERIOD

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

26. INFORMATION ABOUT THE AUDIT OF FINANCIAL STATEMENTS

The financial statements as of 30.09.2019 are not audited or reviewed by an independent auditor.