

# MANAGEMENT REPORT

January-March 2020

For **65 years** we have been taking care of the health of our loved ones

Q1 Report according to IFRS

Report date: 12.05.2020

Name of the trading company: Antibiotice S.A.

- Registered office: **Iași, 1 Valea Lupului St.**
- Phone: **0232 209 000** ; Fax: **0232 209 633**
- Unique Registration Code: **RO1973096**
- Order number in the Trade Register **J22/285/1991**
- The regulated market on which the issued securities are traded: **Bucharest Stock Exchange**
- Subscribed and paid-up capital: **67,133,804 LEI**
- Main characteristics of the securities issued by the company: **nominative shares, nominal value: 0.10 lei**

The beginning of 2020 was marked by major challenges in all our areas of life, due to the COVID-19 pandemic. People's lives and implicitly the business world will certainly no longer be the same and the governments, medical authorities, manufacturers, pharmaceutical manufacturers and consumers alike will have to learn a lot because the world has never gone through a public health crisis of such magnitude in the modern era.

In the context of this pandemic, Antibiotice has shown once again its solidarity with the Romanian health system, continuing the production and delivery of generic medicines used to treat many diseases, including the covid-19 symptoms, and having the ability to produce other medicines on its own manufacturing flows, which at such times as this coronavirus pandemic, should be available to medical professionals to treat vulnerable patients. Our company has been maintaining a permanent connection with its business partners in the country and abroad, its suppliers and customers.

Thus, in the first three months of 2020 we can proudly say that Antibiotice conducted its business in accordance with the expectations of stakeholders. In order to increase their confidence and meet their expectations, as well as maximize its market capitalization, our company adopted strategies to strengthen its business on a long-term basis. These strategies are focused on developing partnerships in the major foreign markets, including those territories where it has its own representative offices, on developing scientific activities, as well as on expanding the portfolio by assimilating new products.

Antibiotice is a Romanian business with 65 years of tradition willing to make durable things for the future.

### Comprehensive income statement

Comprehensive income statement (LEI)	31.03.2019	31.03.2020	2020/2019
1	2	3	4=3/2
Sales income	65,066,014	73,631,604	1.13
Other operating revenues	8,952,087	6,716,382	0.75
Income related to the cost of product stocks	16,661,315	14,301,700	0.86
Income generated by the entity and capitalized	1,035,011	891,777	0.86
Expenditure on raw materials and consumables	33,120,317	35,483,832	1.07
Staff costs	23,718,951	23,225,551	0.98
Amortization and depreciation expenses	5,159,090	5,519,475	1.07
Other operating expenses	24,549,531	25,861,137	1.05
<b>Operating profit</b>	<b>5,166,539</b>	<b>5,451,468</b>	<b>1.06</b>
Financing costs	-1,032,744	-1,259,835	1.22
<b>Pre-tax profit</b>	<b>4,133,795</b>	<b>4,191,633</b>	<b>1.01</b>
Current and deferred income tax expenses	864,384	111,024	0.13
<b>Profit</b>	<b>3,269,411</b>	<b>4,080,609</b>	<b>1.25</b>

**Sales income**, recorded by our company on 31.03.2020 were worth 73.63 million lei, by 13% higher than the value recorded at the end of the first quarter of the previous year. This increase was due to the 48.7% advance of the sales revenue in the Romanian market.

Domestic sales revenue:

(million LEI)

Name of indicator*	31.03.2019	31.03.2020	Δ 01 - 03 2020/2019
Net sales (domestic market)	34.8	51.7	48.7%
Sell IN distribution	82.4	95.3	15.6%
Sell OUT (Pharmacies + Hospitals)	85.4	88.1	3.2%

### Expenses recorded at 31.03.2020

- **Expenditure on raw materials and consumables** (35.48 million LEI), was 7% higher compared to the value recorded in the similar period of 2019, the increase being determined by the manufacturing structure.
- **Staff costs** (23.23 million LEI) were 2% lower compared to the value recorded in the first quarter of 2019 (23.72 million LEI).
- **Amortization and depreciation expenses** (5.5 million LEI) are 7% higher compared to the value recorded in the same period of the previous year, as a result of the commissioning of the new facilities from the Investment Plan.
- **Other operating costs**, amounting to 25.86 million LEI, by 5% higher than the value recorded in the same period of 2019. 10.00 million LEI of this amount represented the claw-back tax, whose value at the date of preparation of this report is estimated, because the National House of Social Health Insurance has not communicated yet the final value. As a result, the value of profit in the second quarter of 2020 will be influenced by the actual level of the claw-back tax in the first quarter.
- **Operating profit**, one of the most important performance indicators as it expresses the extent to which the company generates profit from the core business, increased by 6 percent in the first quarter of 2020 compared to the same period of 2019, from 5.17 million lei la 5.45 million LEI.
- As a result of revenues and expenses incurred, **gross profit** amounted to 4.19 million LEI in the first quarter of 2020, higher by 1% compared to the value recorded in the same period of the previous year.
- **Net profit** amounted to 4.08 million LEI, 25% higher than the value recorded in the first quarter of 2019 (3.27 million LEI) and was due to the tax exemption facility for the profit invested in technological equipment.

## I. Statement of financial position

**Patrimonial assets** amounted to 802,2 million LEI on 31.03.2020, 1% higher than at the beginning of 2020.

Our investments performed according to the approved investment plans, determined the increase of **fixed assets** by 3.8%, from 380 million LEI la 394.53 million LEI.

**Current assets** were worth 407.67 million LEI, by 2% lower compared to the value recorded on 01.01.2020. In their structure, the statement of current assets were as follows:

- Stocks increased by 17%;
- trade and similar receivables decreased by 5.7%, as an effect of continuous measures to optimize the trade relations with our customers;
- cash and cash equivalents were higher by 12,55%.

Similar to the value of total assets, the **value of equity and total liabilities** (patrimonial liabilities) increased on 31.03.2020, compared to 01.01.2020, by 1%.

**Current liabilities** were worth 205.65 million LEI, by 2,7% lower compared to the value recorded at the beginning of 2020, determined mainly by the improvement of the cash flow of the period, by collecting the receivables and implicitly the decrease of the balance on the short-term bank credit. At the end of Q1 2020, our company did not register overdue obligations to the state and local budget.

The further development of investments in the new Ointment & Suppository Plant, part of the Topical Products Division led to a 17% increase in the amount used for long-term bank credit, from 57.08 million LEI, to 66.98 million LEI.

At the end of the analyzed period, the equity increased by 1% compared to the value at the beginning of the year.

Patrimonial elements (LEI)	01.01.2020	31.03.2020	31.03.2020/ 01.01.2020
1	2	3	4 = 3/2
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
Tangible assets	363,616,611	378,105,379	1.04
Intangible assets	16,385,709	16,426,775	1.00
<b>TOTAL FIXED ASSETS</b>	<b>380,002,320</b>	<b>394,532,154</b>	<b>1.04</b>
<b>CURRENT ASSETS</b>			
Stocks	73,975,988	86,687,280	1.17
Trade and similar receivables	338,159,774	318,870,854	0.94
Cash and cash equivalents	1,877,409	2,113,181	1.13
<b>TOTAL CURRENT ASSETS</b>	<b>414,013,171</b>	<b>407,671,315</b>	<b>0.98</b>
<b>TOTAL ASSETS</b>	<b>794,015,491</b>	<b>802,203,469</b>	<b>1.01</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Commercial and similar debts	72,337,840	74,066,736	1.02
Amounts owed to credit institutions	125,875,879	121,473,192	0.97
Debts from current taxes	13,267,396	10,112,983	0.76
<b>TOTAL CURRENT LIABILITIES</b>	<b>211,481,115</b>	<b>205,652,911</b>	<b>0.97</b>
<b>LONG -TERM LIABILITIES</b>			
Subventions for investments	3,079,169	3,002,597	0.98
Deferred tax	25,531,938	25,642,962	1.00
Amounts owed to credit institutions	57,080,354	66,981,476	1.17
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>85,691,461</b>	<b>95,627,035</b>	<b>1.12</b>
<b>TOTAL LIABILITIES</b>	<b>297,172,576</b>	<b>301,279,946</b>	<b>1.01</b>
<b>Share capital and reserves</b>			
<b>Share capital</b>	<b>264,835,156</b>	<b>264,835,156</b>	<b>1.00</b>
Revaluation reserves	50,804,319	50,151,664	0.99
Legal reserves	13,426,761	13,426,761	1.00
Other reserves	200,655,367	200,655,367	1.00
Retained earnings	-56,432,683	-32,226,034	0.57
Distribution of profit	-7,269,283	0	0.00
Current result	30,823,278	4,080,609	0.13
<b>TOTAL EQUITY</b>	<b>496,842,915</b>	<b>500,923,523</b>	<b>1.01</b>

<b>TOTAL CAPITALS AND LIABILITIES</b>	<b>794,015,491</b>	<b>802,203,469</b>	<b>1.01</b>
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Summarizing the financial statements, we present the effects of the activities carried out, through the following indicators:

<b>Name of indicator</b>	<b>Calculation formula</b>	<b>31.03.2019</b>	<b>31.03.2020</b>
Current liquidity	Current assets / Current liabilities	2.12	1.98
Level of indebtedness	Borrowed capital / Equity x 100	27.81%	37.62%
Turnover speed for client debit items	Average customer balance / Sales revenue x Time	371 days	371 days
Fixed assets turnover	Sales revenue / Fixed assets	0.20	0.19

The analysis of the indicators shows a balanced financial situation:

- **Current liquidity** was 1.98 on 31.03.2020, above the minimum recommended level of 1.8.
- **Degree of indebtedness** increased as a result of the increase in the amounts used from the long-term bank loan contracted to finance the investment in the Topical Products Division.
- **Turnover speed for client debit items** was 371 days; it recorded the same level as the level of the previous year.
- **Fixed assets turnover** decreased compared to the same period of the previous year, due to the increase in fixed assets to a greater degree than the increase in sales revenues.

### **Cash flow statement**

Cash and cash equivalents as of **01.01.2020** were -123,99 million LEI, representing lines of credit worth 125.87 million LEI, of which 1.88 million LEI remained unused from the same credit lines.

In the period 01.01-31.03.2020, the **cash receipts** from the operating activity were in the amount of 96.32 million LEI.

Cash payments made to suppliers of goods and services amounted to 45.84 million LEI, wages, contributions and related taxes were 22.3 million LEI, taxes, fees and bank interest amounted to 15.32 million LEI while the payments made between 01.01.2020-31.03.2020 for the investment activity were 17.5 million LEI.

As a result of the level of cash and cash equivalents at the beginning of the year, of payments and receipts made in the first quarter, on 31.03.2020 the cash level was -119.36 million LEI represented by the difference between the value of short-term credit lines of 121.47 million LEI and the amount available in bank accounts of 2,11 million LEI.

*Situațiile financiare la 31 martie 2020 nu au fost supuse auditului financiar.*

***The financial statements as of 31 March 2020 have not been audited.***

## **II. Relevant events during the reporting period**

In order to achieve the strategic objectives set out in the Management Plan for 2020-2025, our company's actions and approaches have been grouped into five **strategic directions of development**:

1. Our business expands internationally and consolidates domestically;
2. Strategic adaptation of the portfolio;
3. Accelerated sustainable development through efficient investments and efficient asset management;
4. Adapting the human resource to the strategic directions of the company;
5. Integrated quality management.

### **1. Our business expands internationally and consolidates domestically**

The directions followed by our company for developing our business internationally in 2020 are:

- to consolidate and maintain the world leading position as a manufacturer of the active substance Nystatin;

- to increase its sales in the territories where it opened representative offices;
- to expand in new territories, a major long-term growth pillar.

As every year, the first quarter of 2020 was the period in which, based on the annual sales and profit objectives assumed by the Income & Expenditure Budget, negotiations were started with external partners in order to conclude the contracts and place the orders for the first half of 2020. This way, we aim to correlate the manufacture schedule with the acquisition of raw materials, to secure the collection of receivables and meet the requested delivery terms.

In parallel, market prospecting discussions and trade negotiations were initiated within the new projects, contracts were signed with external partners within the strategic plan for international expansion.

Against the background of the global crisis of SARS-CoV 2 virus spread, the international trade activity was strongly impacted during this period. The export restriction measures imposed by the Military Ordinances, the additional documentation required by the Ministry of Health to approve the export operations, the disruption of the traditional transport channels, limitation or cessation of production activities of some suppliers in the affected areas (China, Italy, France, India) resulted in a lower performance of the export of finished products (medicinal products) compared to the planned level and to the same period of 2019.

- Consolidating and maintaining the world leading position as a manufacturer of the active substance Nystatin

In the Q1 2020, the export of Nystatin, the active substance which has been ranking Antibiotice for 5 years in a row as a world leading manufacturer was not negatively affected by the Covid - 19 pandemic. Being an active substance and not a medicine, legislative restrictions have not limited deliveries to international partners.

The sales of Nystatin **grew by 13% compared to the planned level and by 27% compared to the Q1 2019**, reaching a value of about 18 million LEI.

This growth has been generated by the following areas: Asia and Middle East, South America and Europe.

Consolidation of our position as the world market leader is built on a multi-annual strategy, with three main components:

- to keep meeting a high quality standard (our Nystatin is the international reference standard);
- to improve the manufacturing process;
- to get closer to the end-users through our traditional partners from various markets.

This way, our company aims at adapting our product to the requirements of our clients depending on the pharmaceutical dosage forms of the active substance and addressability of the consumer market.

- Increasing the sales in the territories where our company opened representative offices

Although the Antibiotice's sales in the first quarter of 2020 did not reach the planned level, the contracts signed with our traditional partners for 2020 confirm export values higher than in 2019, especially in the category of antiinfectives used in hospitals (sterile powders for injection).

Thus, when the legislative limitations imposed by the pandemic situation on deliveries outside Romania will end, the gaps will be progressively reduced, and the results of the first semester will fall within the schedule planned for this year. The first results will be visible as early as April 2020, a month in which approximately 60% of the unachieved value will be recovered in the first quarter, by resuming the deliveries in the territories where Antibiotice has representative offices (Vietnam, Serbia, Republic of Moldova, Ukraine) and in other traditional markets (USA, Irak, Russia).

The next period will be characterized by a **significant increase in the quantities of antiinfectives manufactured and delivered for export** (especially the penicillin range, combinations of penicillin, paracetamol). Production is correlated with the governments'

need for medication associated with SARS-CoV2 infections both for immediate needs as well as for ensuring a safety stocks on a medium term.

- Our business expansion in new territories, a major long-term growth pillar

The Antibiotice business expands internationally following two main directions:

- to develop the product portofolio in the current territories;
- to access new markets in the ASEAN region, EU and Middle East, markets with a recognized potential for the anti-infectives, dermatologicals and cardiovasculars, traditional medicinal products in the Antibiotice portfolio.

Thus, in the Q1 2020 we finalized the following actions:

- we launched in the Vietnamese market a new antinfective product: Clarithromycin tablets 500 g and a new product will be launched in the second half of the year to complete the range;
- our specialists conducted a market study and completed negotiations for accessing the Vietnamese market with **3 new dermatological products**, through a new long-term partnership with a highly experienced local distributor and a rich tradition in the retail segment;
- we accessed the hospital segment in the Republic of Moldova by winning the tender for **3 antiinfective medicines**;
- we won the tender in Hungary for Amoxicillin/Clavulanate 1,2 g sterile powder for injection in the project to access new European markets with antiinfective products;
- we started the procedures for upgrading the records and manufacturing for accessing the US market starting with June 2020 with 2 new antiinfectives for injection (Ampicillin/Sulbactam 1.5 g and 3 g);

- we started the registration of 2 products (Meropenem sterile powder for injection and Lisinopril tablets) in the project related to the **Scandinavian countries**;
- our specialists conducted a market study and negotiated for accessing the Slovak market with 4 **antiinfective products - sterile powders for injection**.
- our specialists conducted a market study and negotiated for accessing the German market with 7 **antiinfective products - sterile powders for injection**.

### Evolution of the Romanian pharmaceutical market<sup>1</sup>

In Q1 2020, the value of medicines that reached the patients in Romania amounted to 4.8 billion LEI (distribution price), higher by 3.5% compared to the similar period of 2019. In terms of quantity, the medicine consumption increased by 9.7%, a number of 179.1 million boxes being released by pharmacies.i

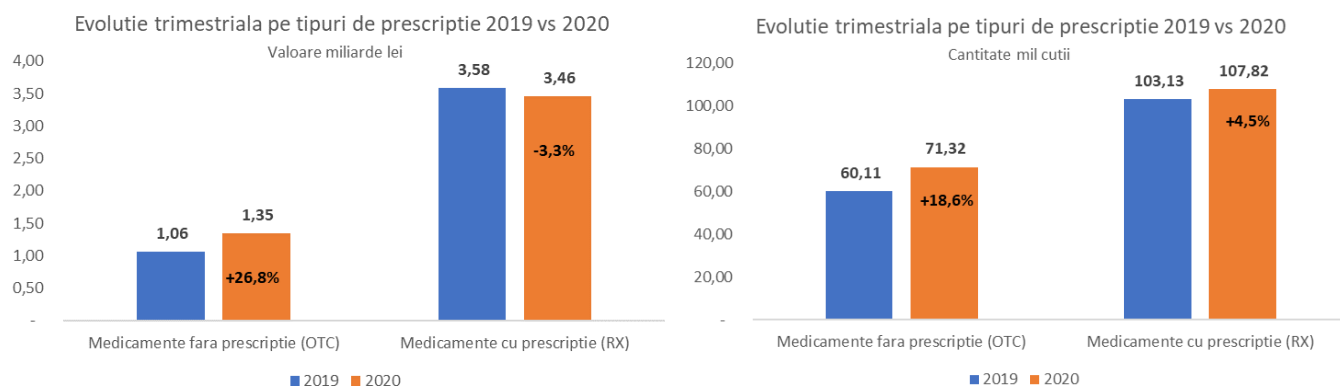
The cost-volume contracts represented 6.5% of the total pharmaceutical market in Romania and recorded in the first quarter a 42 % decrease, from 540 million LEI to 313 million LEI.

The Romanian pharmaceutical market is dominated by the medical prescription medicines (RX). These represent 72% of the value sales and 60.2% of the total medicine consumption (reported as number of boxes).

The medical prescription medicines recorded in the analyzed period a value decrease of 3.3%, from 3.58 billion LEI in 2019 to 3.46 billion LEI in 2020, while the non-prescription medicines (non-RX: OTCs, food supplements, medical devices) recorded a 26.8% increase in terms of value, from 1.06 billion LEI in the Q1 2019 to 1.35 billion LEI at the end of Q1 2020.

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<sup>1</sup> As per CEGEDIM Romania 03.2020



## Evolution of the pharmaceutical market relevant for Antibiotice SA<sup>2</sup>

In the analyzed period, the relevant market of the products for the Antibiotice portfolio recorded a **12.2% increase in terms of value**, from 568 million LEI to 638 milioane lei and a **4.5% increase in terms of quantity**, a number of 40 million of boxes being released from pharmacies.

This segment is also dominated by the prescription medicines (RX) which account for 53.4% of sales value and 63.1% of the amount of medicines consumed (reported as number of boxes). The prescription medicines recorded in the analyzed period a **7.4% increase in terms of value**, from 316.8 million LEI in Q1 2019 to 340.3 million LEI in Q I 2020.

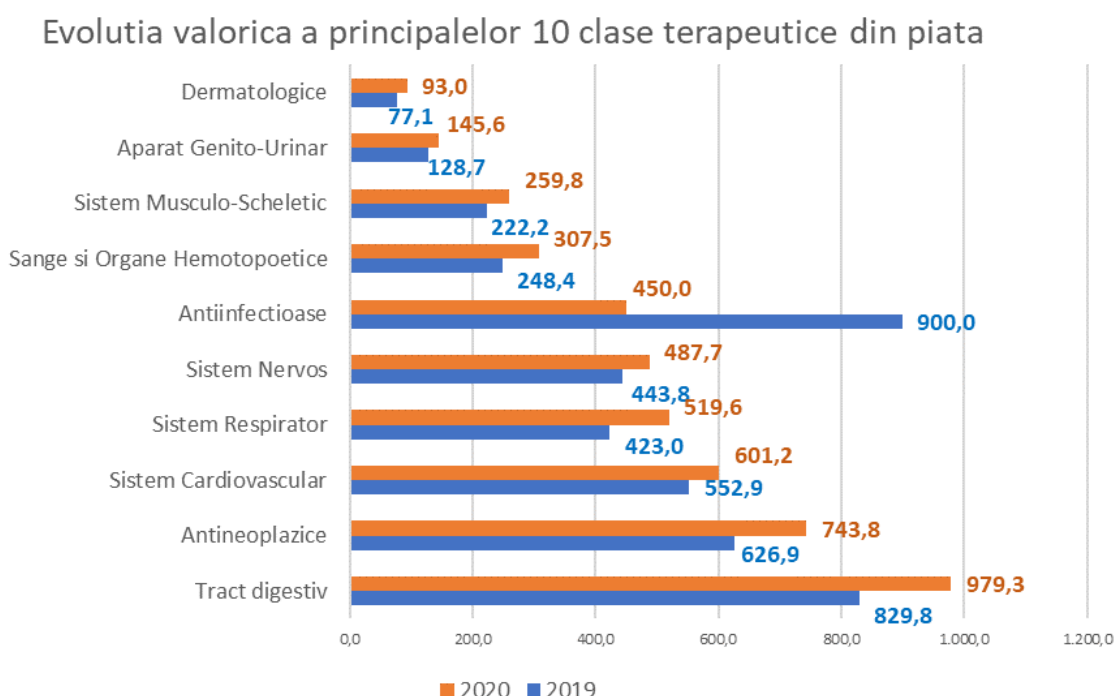
Non-prescription medicines (OTCs) recorded a **18.4% increase in terms of value**, from 251 million LEI to 297.3 million LEI in Q I 2020.

The first therapeutic classes in the Romanian pharmaceutical market by share in value sales: digestive tract, antiinfectives for systemic use, oncologicals cardiovasculars, central nervous system.

<sup>2</sup> The relevant market is represented by the market to which the Antibiotice portfolio is related, taking into consideration the therapeutic indication of the product (molecule, dosage form, concentration).

Evolution in terms of value of the first 10 therapeutic classes in the market

Dermatologicals, Genitourinary system, Musculoskeletal System, Blood and Hematopoietic Organs, Antiinfectives, Nervous System, Respiratory System, Cardiovascular System, Antineoplastics, Digestive Tract



### Antibiotice in the Romanian pharmaceutical market

In the context of the coronavirus pandemic, the company's representatives kept in constant contact with the distributors, in order not to have syncope in the supply of medicines and create stocks to honor the orders as soon as possible. At the same time, we constantly contacted the hospital pharmacies to identify the need for medicines and quickly honors the orders launched by hospitals.

This close communication was achieved both through a permanent call center and through teams of medical representatives and key accounts, which had constant contact with our distributors, hospitals, pharmacy chains and independent pharmacies.

As a gesture of solidarity with the hospital medical staff who are making special efforts for human health and preventing the spread of the pandemic of Coronavirus (COVID-19), Antibiotice offered both financial support and drug donations to ten hospitals in Romania.

In the first quarter of 2020, our company recorded a sales level (from pharmacies and hospitals) higher by 3.2% compared to Q1 2019.

Two thirds of the company's sales are made by the Anti-Infectives, Cardiovasculars and Dermatologicals portfolios.

The Anti-Infective and Genitourinary system classes recorded increases higher than the market pace..

The products which recorded sales higher than 1 million LEI in the Q1 2020 compared to the similar period of the last year were: Moldamin®, Meropenem range for injection, Amoxiplus® for injection.

#### **Antibiotice' domestic performance in the first quarter of 2020:**

- ranks 1<sup>st</sup> in the relevant market, with a 13.8% value market share at the end of the first quarter 2020;
- leader in terms of quantity for the following dosage forms: ointments (23.3%), suppositories and pessaries (44.2%) and injectable powders (71.1%);
- leader in the segment of generics and OTCs sold in hospitals, with a 16.5% market share;
- ranks 8<sup>th</sup> in the segment of generics and OTCs (3.91% market share);
- ranks 21<sup>st</sup> in the total pharmaceutical market (1.83% market share).

#### **Strategies for promoting the products from the Antibiotice portfolio**

In the Q1 2020, the Antibiotice portfolio was mainly promoted through medical visits to various medical specialists and pharmacists, as well as through scientific events organized

in hospitals, outpatient clinics and pharmacies. Promotional actions aimed to increase the good reputation of our company brand as well as the product brands from the following classes: anti-infectives for systemic use, dermatological preparations, medicines for genito-urinary system, musculoskeletal system and the Nutriensa® range of food supplements.

From the wide range of products manufactured by Antibiotice, our representatives promoted products belonging to the following portfolios: Hospital & Partners, dermatologicals as well as the Quality of Life.

**Hospital&Partners** is the portfolio for hospitals, the promotion focusing on the development of good practices in the use of antibiotics, supported through the "Antibiotics of the Third Millennium" concept, with messages related to the "Judicious / responsible consumption of antibiotics".

Colistina® Atb, AmpiPlus®, Amoxiplus® are the products promoted through direct visits to the customer group hospital. Moldamin®, benzathyn benzylpenicillin, was the novelty among the promoted products. During this period, the foundations were laid for the implementation of the "Test! Evaluate! Treat! program", a multidisciplinary public health education program. This integrates the promotion of the benefits of product reformulation by informing health professionals about the recurrence of the product and encourages the population of health professionals, in the context of current infectious disease, to properly assess, test and treat patients.

**"Quality of Life"** is the concept defined in medicine as being the physical, mental and social well-being as well as the ability of individuals to perform their usual tasks. Assessing personal health by referring to an ideal model is a criterion that determines the quality of life.

The therapeutic solutions brought together under the **Quality of Life** concept for the treatment of various diseases are from the following therapeutic areas: cardiovascular, genitourinary, musculoskeletal, dermatology, digestive tract.

The concept also brings together OTC products as well as complementary alternatives for maintaining the body's homeostasis such as food supplements - grouped under the Nutriensa® brand.

**”Women's Health”** - by this concept, Antibiotice aims to strengthen the identity of the portfolio intended for the prevention and treatment of diseases in obstetrics - gynecology. As a communication platform for the ”Women's Health” concept, regional scientific events were held at which gynecologists and family doctors were invited. The products promoted by both the promo and the commercial teams were: range of Zifex pessaries, Nystatin pessaries.

Maintaining the status of leader in the segment of topical products imposed the need to reposition the brands grouped under the concept of communication ”We are where we need to be - Antibiotice, leader in the production of topicals”. The current context determines the consolidation and creation of strong brands, which is why the action plans included the brands: Cutaden® range, Tinero® gel, Nidoflor® cream.

Antibiotice develops internal and internationally through a strong, sustainable portfolio, through investments for developing new products on its own research-development facilities in line with the current therapeutic trends.

The company's promotion strategy in the current pandemic context involves an adaptation to the use of multiple information channels, especially online, the selection of platforms that facilitate the transmission of synthesized information to health professionals, as well as possible direct visits.

## 2. Strategic adaptation of our portofolio

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

The main objective of the Research-Development Unit is to develop new medicines (topicals, tablets, capsules, sterile products and other new pharmaceutical dosage forms) in line with the company's development strategic directions until 2025.

The products under research will complete the following classes of the Antibiotice portfolio: antiinfectives (sterile oral and injectable powders), dermatological, cardiovascular, non-steroidal anti-inflammatory products, medicines for the digestive system and for women's health.

Of the products under research in 2020, number of 12 projects went through different stages of research in the first quarter:

- three projects for the Sterile Products & Nystatin Division;
- five projects for the Topical Products Division;
- four new projects, of which two food supplements for the Oral Solid Dosage Forms Division.

In March 2020, Food and Drug Administration evaluated and approved the Active Substance Master File (ASMF) for the active substance Nystatin.

An interdisciplinary team (specialists in biosynthesis production, regulatory affairs, quality assurance, quality control, research & development) prepared the documentation regarding the manufacturing process, the structural and analytical characterization of the active substance Nystatin in accordance with the requirements of the certification authorities.

**Sustained activities to re-authorize products and registrate them in new markets**

In the Q1 2020, our company obtained the reauthorization of three products (2 pessaries and 1 ointment) from the portfolio of the Topical Products Division and applied to the competent authorities in order to obtain a notification for a new food supplement for immunity.

Taking into consideration our plan to strengthen our presence in the international markets, we also started the European procedures to register two products from the anti-infective and cardiovascular classes.

Our Center for Clinical Studies started in the first quarter of 2020 a clinical study for a topical product already approved by the National Bioethics Committee of Medicines and Medical Devices (CNBMDM). This clinical study is part of the Antibiotice's strategy to expand its business in the international markets.

In accordance with the company's development plan, discussions were initiated with partner companies to conduct a second clinical study for a topical product.

In order to meet the legislative requirements issued by the European Medicines Agency, the Center for Clinical Studies also developed and validated analytical methods for determining the level of nitrosamine impurities (N - nitrosamines) from the finished products and active substances. An interdisciplinary team evaluates the presence of nitrosamines for each medicinal product from the Antibiotice portfolio. The first risk analyses were performed for Candestartan Atb® and Ranitidină Atb®. This approach certifies the compliance of our company with the latest legislation on human health protection.

### **Resumption of production of Paracetamol and Novocalmin® to support the Romanian medical system**

Being a pharmaceutical manufacturer that has been supporting the Romanian medical system for 65 years, Antibiotice decided, in the context of the outbreak of the SARS-CoV-2 coronavirus pandemic, to resume the production of Paracetamol tablets and Novocalmin® (metamizole sodium). Antibiotice has the necessary resources such as

marketing authorizations (MAs), raw materials, manufacturing know-how and production facilities in order to be able to produce and deliver in the market a whole range of medicines, including those for the symptomatic treatment of COVID19.

Both Paracetamol and Metamizole sodium (prescription medicine) have been included in most of the national treatment guidelines in the EU as a first option when initiating treatment for fever or pain caused by COVID -19 infection.

### **Successfully completed steps for the manufacture of hydroxychloroquine-based medicinal product**

To meet the demands of the medical system, Antibiotice contacted all the worldwide suppliers of hydroxychloroquine through its own network of business partners, in order to manufacture the finished product on its own capabilities. Hydroxychloroquine (an antiviral medicine used to treat malaria, autoimmune diseases, lupus erythematosus, rheumatoid arthritis, juvenile arthritis) has been shown in several clinical trials to be an effective medicine for patients with SARS-CoV virus -2.

After conducting demanding negotiations, with the support of the competent authorities, Antibiotice succeeded in concluding contracts for the active substance hydroxychloroquine who will arrive in the company in record time at the end of April. After completing the formulation stage, the production process of this medicine highly expected in the market will start and will be firstly delivered in May.

### **Three types of disinfectants, under authorization**

In the context of the increased need for protective materials, Antibiotice started researching and testing disinfectants that can be manufactured on its own manufacturing flows.

These products will be used both to protect our employees and to support the current needs of the Romanian health system.

Following the tests, our specialists selected a formula of hand sanitizing gel and two formulas of surface disinfectant solutions.

Currently, Antibiotice awaits the response of the competent authorities to the applications submitted to the The Ministry of Economy and Cantacuzino Institute for authorizing the hand sanitizing gel and surface disinfectant solutions.

➤ **Complex manufacturing structure adapted to international GMP and FDA quality standards**

The total value of production manufactured in the first quarter is 101.2 million LEI, comparable to that achieved in the same period of 2019. The value of the production of the active substance Nystatin and finished products to be sold in other territories, excluding Romania (which represents 27.45% of the total production value) increased by 14.2% compared to the value reached in Q1 2019.

In terms of quantity, the production made in Q1 2020 materialized in 135 million pharmaceutical units (tablets, capsules, parenterals, topicals, suppositoris, pessaries) and 139 thousand MUI (Millions of International Units) of Nystatin, active substance.

The Antibiotice's product portfolio is produced on the most complex manufacturing structure in Romania which comprises eight distinct manufacturing flows for various pharmaceutical dosage forms: sterile powders for injection, capsules, tablets, topicals (ointments, creams, gels), suppositories, pessaries and the active substance Nystatin.

**3. Accelerated sustainable development through efficient investments and efficient asset management**

In the first quarter of 2020, our company completed investment objectives amounting to 17.68 million LEI out of the total amount of 78.91 million LEI approved for the whole year 2020 through the investment plan (according to the contracts concluded with the partner companies and with the agreed work schedules).

According to the annual program, the structure of investments in the first quarter of 2020 was as follows:

**I. Research-Development investments**

In the first three months of the year, our company invested in research-development 1.42 million LEI (out of the total amount of 11.53 million LEI, planned for 2020). The investments were made for equipment and software for supporting and improving the research activities, in order to obtain new quality, safe and efficient products, highly competitive in the market.

## **II. Investments in new manufacturing sites**

The planned investment for the continuation of the works at the new manufacturing plant for ointments and suppositories has the value of 19.64 million LEI. An amount of 10.28 million LEI were used in the first quarter. The works for performing the clean rooms and the related installations continued, correlated with the installation of the equipment and technological installations for the production and transport of the utilities. At the reporting date, the works were stopped due to the traffic restrictions imposed by the coronavirus pandemic. The degree of achievement of this important investment objective is 90%.

## **III. Investments for modernizing the existent manufacturing sites**

Our company invested 0.15 million LEI for revamping the eight manufacturing flows (purchase of equipment, installations, laboratory equipment). The total amount allocated for 2020 is 3.20 million LEI.

## **IV. Investments in product quality control, environmental protection, occupational safety and health**

Increasing the accuracy of laboratory analysis methods and reviewing monographs in pharmacopoeias have required investments in state-of-the-art equipment to maintain the quality standards of manufactured products and comply with legal requirements to protect the environment and employees. The amount invested in Q1 was 1.31 million LEI (of the annual total of 3.33 million LEI).

## **V. Investments for rehabilitating the industrial site**

In the first three months of the current year, Antibiotice invested 2.44 million LEI (of the annual total sum of 35.38 million LEI) in the rehabilitation of auxiliary buildings and constructions, transport and storage infrastructure and logistics, maintenance infrastructure, production and distribution of utilities, IT infrastructure, as well as for the rehabilitation of land released after demolition and decommissioning.

## **VI. Investments in social responsibility projects**

In the Q1 2020, Antibiotice invested 2.08 million LEI (of the total amount of 5.83 million LEI for 2020) in projects for its employees: “Friendly brand” which consists in arranging the common areas (locker rooms, social groups, dining rooms, training rooms) and “We live healthy in a healthy company”, which continues with the modernization of the Penicilina sports hall started in 2019. Also, we have been continuing the project for the community called “Friendship Park” started last year (arrangement of a park in the area with forest shelter-belt in front of our company, adjacent to the national road DN28).

## **4. Adapting the human resource to the strategic directions of the company**

The objectives, measures, performance indicators of the Human Resources Unit for 2020 have been established taking into account the levels planned and achieved in the previous years and the necessity for a constant improvement of our entire activity in the years to come.

These objectives were aimed at :

### **1. Making the wage expenses more efficient**

Working together with the Financial Unit and with the other departments of the company, the expenses were monthly monitored in order to fall within the approved budget.

Performance indicators	Planned in Q 2020	Achieved in Q I 2020
Average number of employees	1,415	1,415
Staff costs	23,983 thousand LEI	22.551 Thousand LEI

## 2. Non-discriminatory staffing, training of skills needed to achieve goals and increase involvement

### *Reorganization of our company for achieving the strategic objectives of the next ten years*

A significant functional reorganization took place in our company in order to align our business with the new trends in the pharmaceutical market, to streamline and re-establish the way of working in areas such as IT, marketing, business development, data security protection, logistics, medical research. This reorganization was designed to support the achievement of business objectives.

Among the changes in the organization, the most important concerns the reorganization of the production activity which was structured on three main divisions:

- **Oral Solid Dosage Forms Division** includes the Capsule Plant and the Tablet Plant;
- **Topical Products Division** includes the Ointment & Suppository Plant;
- **Sterile Products & Active Substance Division** includes The Parenteral Product Plant and Biosynthesis Plant.

The Human Resources Department provided support for these organizational changes, which will be completed in June 2020.

### ***Attracting new employees for achieving our company' development objectives***

In 2020, we have to attract 164 new employees, 60 of them for replacing the retired employees and 104 for developing the activities generated from the reorganization of the current departments.

The employment plan is quarterly monitored to meet the budget and ensure continuity and efficiency in the activity.

27 persons (12 of them with higher education) were hired. 7 new employees will develop the current teams and 20 will replace the former employees.

To ensure the necessary staff, the Human Resources Unit continued the Perform a + project, aimed at identifying young talents. The project reached the 5<sup>th</sup> edition, aims at practical training and selection of employees through partnerships with the university institutions of Iași. In 2020, the addressability of this project extended from the students and master students of the Faculty of Pharmacy, and to the chemistry students ( master students, doctoral students) from the Faculties of Chemistry of the University "Al. I. Cuza" Iași and the Technical University "Gheorghe Asachi" Iași. This approach has been implemented due to the need to attract chemical engineers in specific activities. After the project promotion stage, 51 applications were registered from which the participants in this project are to be selected.

### ***Establishing the employee training strategy***

The 2020 Training Plan with external speakers has as objectives both the continuous professional development and the acquisition of knowledge and managerial skills. This way, our HR specialists identified the main directions of the training program:

- **Strategic management and management by activity areas;**
- **Training on specific professional topics: marketing, sales, economic, legislative, quality assurance;**
- **Trainings for obtaining professional certificates.**

Monthly trainings and attestations take place for the personnel with responsibilities regarding the technical equipment and installations: ISCIR, ANRE, INSEMEX.

In the first quarter of 2020, an average of 11 hours of training per employee was conducted - with a focus on internal training in the field of quality assurance and compliance with GDPR and information confidentiality rules.

Starting with the month of March, in the socio-economic context of the state of emergency in Romania, online trainings were accessed free of charge by training providers, programs that will continue in the second quarter of the current year.

### **3. Measures to improve the employee compensation system**

Following the project of ranking the positions held by our employees with higher education and secondary education based on their complexity and depending on their availability on the labor market, a program was established to align wage levels for the period 2019-2022.

The program was authorized through an Addendum to the Collective Labour Contract , the first stage being applied in January 2019.

The second stage of this program will be implemented starting with the second quarter and will be based on a model including a fixed component, based on hierarchy as well as a variable component, in direct correlation with our employees' performances.

Our company also established the mandatory endowments provided by the employer for the good development of the activity at the workplace, as well as the additional endowments for motivating and stimulating the employees' performance.

Adapting the reward system and creating a consistent policy of financial and non-financial motivation has the role of increasing our employees' satisfaction and improving the staff retention.

#### **4. Improving the organizational climate and focusing the organizational culture towards innovation and performance**

The measures provided in the 2019 - 2020 Action Plan for improving the organizational climate continued to be implemented in the first quarter of 2020.

So far, the plan has been focused on developing new communication tools in all the common areas of the company, organization of internal events for a better interpersonal communication, action plans for improving the conditions in common social areas.

In order to monitor the evolution of the climate and satisfaction indicators and evaluate the results of the measures in the Action Plan, the indicator “the degree of satisfaction of employees related to their job” will be evaluated annually through a diagnostic study.

#### **Measures to prevent the spread of the SARS-CoV-2 virus among our employees**

In mid-February, as the coronavirus epidemic has spread from China to the rest of the world, the Antibiotice's management nominated a Crisis Cell. This organizational structure has continuously monitored, step by step, the impact and evolution of the epidemic worldwide, activated the links with the competent medical and governmental authorities so that they can anticipate and take the most appropriate measures, in line with the evolution of the epidemic nationwide.

Thus, simultaneously with the appearance of the first case of coronavirus in Romania on February 26, 2020, our company has initiated an information campaign for our employees on the rules to be followed to prevent the spread of the virus, followed by the first concrete measures to protect the health of our company employees:

#### ***The first measures taken to protect the health of employees:***

- disinfectant dispensers and disinfectant rubber mats were installed at each workplace and at all the main entrances;
- all our employees were provided with the necessary sanitary and protective equipment on a daily basis: masks, gloves, hand and surface disinfectants, etc.;

- our medical staff (3 doctors and 5 nurses) made daily medical checkups and employees with respiratory illnesses were isolated at home;
- the traffic contact surfaces (doors, handles, taps, railings, etc.) and the company's buses were periodically disinfected;
- the internal events and business trips in the country and abroad were cancelled;
- the access in the company for the persons who do not have the quality of employee was limited to the maximum;
- freight transports coming from the country and abroad were rigorously monitored, their access being allowed only after disinfection of the vehicles and after checking the clinical condition of drivers according to established procedures;
- our employees were constantly informed (by e-mail, social media, job / bus display) on increasing the hygiene measures and the daily situation in the company.

On March 15, a few days after the announcement of the World Health Organization on the spread of the pandemic with the new coronavirus, the Crisis Cell decided to create three work scenarios, with gradual plans of measures to ensure employee safety, production necessary for the delivery of medicines to Romanian distributors and hospitals and the fulfillment of contracts with international partners.

Thus, new measures were implemented during the following weeks:

- work at home for employees who were able to do so;
- the buses transporting our employees and common area were daily disinfected by nebulization;
- increasing medical examinations among employees, imposing distances at the entrance in the factory and at the workplaces (1.5 meters-2 meters);
- wearing a mask and gloves, from the moment of boarding the transport buses and later, at work, has become mandatory for our employees.

With the rigorous application of safety measures in the entire company, we were able to safely continue the strictly necessary production activities, without being registered, until the date of writing this report, any case of infection with the new coronavirus in among our employees.

### ***Isolation Center a+ for our own employees and collaborators***

The Crisis Cell of Antibiotice took the initiative to set up an inpatient center within the Clinical Unit of the Center for Clinical Studies. Called the Isolation Center a+, this inpatient center has 4 wards with 8 beds, is properly equipped (with disinfectants and cleaning materials, first-line medicines to treat respiratory diseases, personal protective equipment, as well as hygiene materials), and it can treat light forms of the current disease.

The inpatient center is intended for all the Antibiotice employees who may at some point need a space for isolation in conditions of comfort and safety, so as to protect themselves, their families and thus reduce the risk of spreading the infection with the new coronavirus. Also, in case our employees or partners / delegates are identified on the Antibiotice site with different manifestations of COVID-19, and the Public Health Authority or Single Emergency Service 112 cannot intervene immediately, they can be isolated in this center, until taken over by the competent medical authorities.

The activity within the a Isolation Center+ will be supported by the approximately 50 volunteers who joined the staff that ensures the current activity of the Clinical Studies Center.

## 5. Integrated quality management



### Quality management

**EU-GMP** for all the 8 manufacturing flows

**US FDA** for sterile injectable powders and the active substance Nystatin

Nystatin - **USP reference standard**

**Certificate of suitability (CoS)** for micronized Nystatin issued by EDQM

**Integrated Quality Management System** (quality, environment, occupational health and safety)

**WHO prequalification** for antituberculosis medicines

In the first quarter of 2020, Antibiotice maintained the implementation of regulatory requirements and the integrated management system, through the production of quality, safe and effective medicines.

All the Antibiotice manufacturing flows are EU-GMP certified by the regulatory authorities. Our company has also implemented an integrated quality management system (ISO 9001: 2015), environment (ISO 14001: 2015), occupational health and safety (OHSAS 18001: 2017), certified by TUV Rheinland Romania.

## **Conclusions**

### **Antibiotice in the first quarter of 2020:**

- Sales revenue higher by 13% compared to the same period of the previous year;
- Operating profit, higher by 6%, compared to the value recorded in the similar period of the previous year;
- A real support for the public health system by adapting the product portfolio and manufacturing programs, as well as by ensuring the continuity of deliveries;
- Efficient measures taken for protecting the health and safety of employees against the SARS-CoV-2 virus.

**VicePresident of the Management Board**

**Ioan NANI, Economist**

**Financial Director**

**Paula COMAN, Economist**

**ANTIBIOTICE S.A.**

Unaudited financial statements  
on March 31, 2020

**ANTIBIOTICE S.A.**  
Unaudited financial statements  
on March 31, 2020

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**ANTIBIOTICE SA**  
**STATEMENT OF COMPREHENSIVE INCOME**

on March 31, 2020

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

	NOTE	31-03-2020 (unaudited)	31-03-2019 (unaudited)
<b>Sales revenues</b>	<b>4</b>	<b>73,631,604</b>	<b>65,066,014</b>
Other operating revenues	<b>5</b>	6,716,382	8,952,087
Revenues relative to costs of product stocks		14,301,700	16,661,315
Capitalized income generated by the entity's activity		891,777	1,035,011
Expenses with raw materials and consumables	<b>6</b>	(35,483,832)	(33,120,317)
Staff-related expenses	<b>7</b>	(23,225,551)	(23,718,951)
Expenditure on amortization and depreciation		(5,519,475)	(5,159,090)
Other operating expenses	<b>8</b>	(25,861,137)	(24,549,531)
<b>Operating profit</b>		<b>5,451,468</b>	<b>5,166,539</b>
Net financial income	9	(1,259,835)	(1,032,744)
<b>Pre-tax profit</b>		<b>4,191,633</b>	<b>4,133,795</b>
Current and deferred income tax expense	<b>10</b>	(111,024)	(864,384)
<b>Profit</b>		<b>4,080,609</b>	<b>3,269,411</b>
<b>Total comprehensive income</b>		<b>4,080,609</b>	<b>3,269,411</b>
<b>Earnings per share</b>	<b>11</b>	0,006078	0,004870

*The explanatory notes from 1 to 26 are an integrating part of the financial statements*

Drafted by:

General Manager,  
Ec. Ioan NANI

Financial Director,  
Ec. Paula COMAN

**ANTIBIOTICE SA**  
**STATEMENT OF THE FINANCIAL POSITION**

On March 31, 2020

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

	NOTE	31-03-2020 (unaudited)	31-12-2019 (unaudited)
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
Tangible fixed assets	12	378,105,379	363,616,611
Intangible fixed assets	13	16,426,775	16,385,709
<b>TOTAL FIXED ASSETS</b>		<b>394,532,154</b>	<b>380,002,320</b>
<b>CURRENT ASSETS</b>			
Stocks	14	86,687,280	73,975,988
Trade and similar receivables	15	318,870,854	338,159,774
Cash and cash equivalents	16	2,113,181	1,877,409
<b>TOTAL CURRENT ASSETS</b>		<b>407,671,315</b>	<b>414,013,171</b>
<b>TOTAL ASSETS</b>		<b>802,203,469</b>	<b>794,015,491</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Commercial and similar liabilities	17	74,066,736	72,337,840
Amounts due to credit institutions	18	121,473,192	125,875,879
Tax and current tax liabilities		10,112,983	13,267,396
Subsidies for investments	19	0	0
<b>TOTAL CURRENT LIABILITIES</b>		<b>205,652,911</b>	<b>211,481,115</b>
<b>LONG -TERM LIABILITIES</b>			
Amounts due to credit institutions	18	66,981,476	57,080,354
Subsidies for investments	19	3,002,597	3,079,169
Deferred tax	20	25,642,962	25,531,938
<b>TOTAL LONG-TERM LIABILITIES</b>		<b>95,627,035</b>	<b>85,691,461</b>
<b>TOTAL LIABILITIES</b>		<b>301,279,946</b>	<b>297,172,576</b>

*The explanatory notes from 1 to 26 are an integrating part of the financial statements*

Drafted by:

General Manager,  
Ec. Ioan NANI

Financial Director,  
Ec. Paula COMAN

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

	NOTE	31-03-2020 (unaudited)	31-12-2019 (unaudited)
<b>Share capital and reserves</b>			
<b>Share capital</b>	<b>21</b>	<b>264,835,156</b>	<b>264,835,156</b>
Reevaluation reserves	22	50,151,664	50,804,319
Legal reserves	22	13,426,761	13,426,761
Other reserves	22	200,655,367	200,655,367
Reported result	23	(32,226,034)	(56,432,683)
Distribution of profit		-	(7,269,283)
Current result		4,080,609	30,823,278
<b>TOTAL EQUITY</b>		<b>500,923,523</b>	<b>496,842,915</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>802,203,469</b>	<b>794,015,491</b>

*The explanatory notes from 1 to 26 are an integrating part of the financial statements*

Drafted by:

General Manager,  
Ec. Ioan NANI

Financial Director,  
Ec. Paula COMAN

**ANTIBIOTICE S.A.**  
**CASH FLOW STATEMENTS**

On March 31, 2020

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

	<b>31-03-2020</b> <b>(unaudited)</b>	<b>31-03-2019</b> <b>(unaudited)</b>
<b>I. Cash flows from operating activities</b>		
Cash collection from the sales of goods and provision of services	96,318,903	95,488,977
Cash collection from royalties, fees, charges and other revenue	132,060	347,372
Cash payment to suppliers of goods and services	(45,843,787)	(47,170,496)
Cash payments to and on behalf of employees, payments made by the employer for its employees	(22,297,868)	(22,057,981)
VAT paid	0	0
Contributions to the Ministry of Health and the Ministry of the Environment	(11,685,911)	(10,354,920)
Other duties, taxes, and similar levies	(461,789)	(392,840)
<b>Operating cash flow</b>	<b>16,161,608</b>	<b>15,860,112</b>
Interest charged	804	1,840
Interest paid	(1,413,712)	(988,877)
Dividend tax paid	(38,132)	0
Profit tax paid	(1,718,280)	(238,988)
<b>Net cash flows from operating activities</b>	<b>12,992,288</b>	<b>14,634,087</b>
<b>II. Cash flows generated by investments</b>		
Cash payments for purchasing land and fixed assets, intangible assets and other long-term assets	(17,503,573)	(14,365,222)
<b>Net investment cash flow</b>	<b>(17,503,573)</b>	<b>(14,365,222)</b>
<b>III. Cash flows from financing activities</b>		
Acquisition of shares	-	-
Dividends paid	(15,177)	(32,561)
Receipts from long-term loans	9,286,428	2,404,211
<b>Net cash flows from financing activities</b>	<b>9,271,252</b>	<b>2,371,650</b>
<b>Gains/losses from exchange rate differences</b>	<b>(118,862)</b>	<b>(946,654)</b>
<b>Net increase/(decrease) in cash</b>	<b>4,641,104</b>	<b>1,693,861</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>(123,998,470)</b>	<b>(98,352,547)</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>(119,357,366)</b>	<b>(99,658,685)</b>
<b>The cash and cash equivalents at the end of the period include:</b>	<b>(119,357,366)</b>	<b>(99,658,685)</b>
Accounts in banks and cash	2,115,826	6,629,907
Credit lines	(121,473,192)	(103,288,592)

*The explanatory notes from 1 to 26 are an integrating part of the financial statements*

Drafted by:

General Manager,  
Ec. Ioan NANI

Financial Director,  
Ec. Paula COMAN

**ANTIBIOTICE S.A.**  
**MODIFICATIONS OF EQUITY**

on March 31, 2020

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

	Subscribed capital	Capital adjustments	Reserves	Other reserves	Current result	Result from revaluation reserves	Profit distribution	Revaluation reserves	Reported result from the correction of errors	Result following applying IAS/IFRS for the first time	Result following applying IAS 29 for the first time	TOTAL
<b>31-12-18 (audited)</b>	<b>67,133,804</b>	<b>197,701,352</b>	<b>13,426,761</b>	<b>190,422,002</b>	<b>34,303,788</b>	<b>14,205,380</b>	<b>(23,537,290)</b>	<b>53,459,596</b>	<b>(1,094,738)</b>	<b>124,408,011</b>	<b>(197,701,352)</b>	<b>472,727,315</b>
Current global result	-	-	-	-	30,823,278		-	-		-	-	30,823,278
Reserve from revaluation												
Deferred tax relative to the revaluation difference	-	-	-	-	-		-					
Result of error correction							(1,094,738)		1,094,738			-
<b>Total other items of the global result</b>					<b>30,823,278</b>		<b>(1,094,738)</b>		<b>1,094,738</b>			<b>30,823,278</b>
Transfer of reevaluation surplus						3,216,934		(2,655,277)		(561,656)		-
Allotment of other reserves	-	-	-	2,964,082	(27,596,110)		24,632,028	-			-	-
Dividends	-	-	-	-	(6,707,678)		-	-		-	-	(6,707,678)
Mandatory distributions				7,269,283	-		(7,269,283)					-
<b>31-12-19 (audited)</b>	<b>67,133,804</b>	<b>197,701,352</b>	<b>13,426,761</b>	<b>200,655,367</b>	<b>30,823,278</b>	<b>17,422,314</b>	<b>(7,269,283)</b>	<b>50,804,319</b>	<b>-</b>	<b>123,846,355</b>	<b>(197,701,352)</b>	<b>496,842,915</b>

*The explanatory notes from 1 to 26 are an integrating part of the financial statements*

**ANTIBIOTICE S.A.**  
**MODIFICATIONS OF EQUITY**

on March 31, 2020

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

	Subscribed capital	Capital adjustments	Reserves	Other reserves	Current result	Result from revaluation reserves	Profit distribution	Revaluation reserves	Reported result from the correction of errors	Result following applying IAS/IFRS for the first time	Result following applying IAS 29 for the first time	TOTAL
<b>31-12-19 (audited)</b>	<b>67,133,804</b>	<b>197,701,352</b>	<b>13,426,761</b>	<b>200,655,367</b>	<b>30,823,278</b>	<b>17,422,314</b>	<b>(7,269,283)</b>	<b>50,804,319</b>	<b>0</b>	<b>123,846,355</b>	<b>(197,701,352)</b>	<b>496,842,915</b>
Current global result	-	-	-	-	4,080,608		-	-		-	-	4,080,608
Reserve from revaluation						-						
Deferred tax relative to the revaluation difference	-	-	-	-	-	(124,315)	-		124,315			
Result of error correction							-					-
<b>Total other items of the global result</b>					<b>4,080,608</b>		-					<b>4,080,608</b>
Transfer of reevaluation surplus						776,969		(776,969)		-		-
Allotment of other reserves	-	-	-	-	(23,553,994)		-	-	23,533,994		-	-
Dividends	-	-	-	-	-		-	-		-	-	-
Mandatory distributions					(7,269,283)		7,269,283					
<b>31-03-2020 (unaudited)</b>	<b>67,133,804</b>	<b>197,701,352</b>	<b>13,426,761</b>	<b>200,655,367</b>	<b>4,080,608</b>	<b>18,074,969</b>	<b>0</b>	<b>50,151,664</b>	<b>23,553,994</b>	<b>123,846,355</b>	<b>(197,701,352)</b>	<b>500,923,523</b>

*The explanatory notes from 1 to 26 are an integrating part of the financial statements*

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## **1. GENERAL INFORMATION**

### ***1.1 Brief company profile***

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

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

All the production capacities owned by our company are located to the headquarters.

The Company owns the right to ownership of all the fixed assets registered in the company's accounts.

### ***1.2 Corporate Governance***

The Antibiotice's governance system is based on:

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

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

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

The governance system is in accordance with the provisions of Law no. 297/2004 amended and supplemented with the provisions of Law no. 10/2015 and of GEO 90/2014 and the Financial Supervisory Authority (ASF) regulations given in its application, of Law no. 31/1990 republished, with all subsequent amendments, of the Financial Supervisory Authority (ASF) Regulation no. 5/2018, of Law no. 111/2016 for the approval of the Government Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises of the BVB Code, of the Code of Corporate Governance of the BSE and those of the Articles of Incorporation of the company.

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The solidity of the Antibiotice team is demonstrated by the strategic guidance and promptness with which it is able to react, developing responsible and transparent business practices. This is true both for the management team, the operational teams and the entire team of the company, which manage to achieve a balance between compliance and performance.

During the first quarter of 2020, our company was consistent concerning its strategic directions, together with appropriate investment programs. This was achieved by applying the principles of good corporate governance, which allowed for the mobilization of the full potential of the employees in order to implement and maintain high standards in all company activities.

### **The Management Board**

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

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

The attributions of the Management Board are described in the Company's Statute and in the relevant internal regulations, available on the company's website, in the Corporate Governance section.

During the first 3 months of 2020, the Management Board met in 3 meetings and adopted decisions that allowed it to fulfill its responsibilities in an effective and efficient manner. Thus, during the meetings, the Management Board analyzed in detail the financial results obtained during 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.

The Board requested, depending upon the situation, detailed explanations to the executive management in connection with the plans for increasing the production efficiency, the investment plans, the established provisions, the liquidity administration, the operational and general profitability of the activity. Following the detailed analysis of the period results, the Board decided to approve them in order to publish and send them to the Bucharest Stock Exchange and the Financial Supervisory Authority, observing each time the Financial Communication Calendar.

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

### **The Code of Ethics**

The Code of Ethics of Antibiotice SA presents the ethical norms of conduct that establish and regulate the corporate values, responsibilities and business obligations of the organization and the way in which it operates.

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

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The code presents the set of rules based on which the company was developed; there are rules of ethical behavior in business and how to prevent illegal actions, which could occur during the conduct of business within the company. The code is mandatory and applies to all structures and activities of the company.

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

The Code of Ethics is presented in detail on the company's website [www.antibiotice.ro](http://www.antibiotice.ro) in the sections Investors / Corporate Governance / Reference documents / Code of ethics. (Investitori/ Guvernanta Corporativa / Documente de referinta /Cod de etica.)

### **The rights of holders of financial instruments**

The corporate governance framework adopted and partially applied:

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

On the company's website at [www.antibiotice.ro](http://www.antibiotice.ro) at the investor/shareholder information sections, there is a section dedicated to shareholders, where one can access and download documents related to the General Meetings of Shareholders: procedures regarding the access to and participation in meetings, the notices to attend, the completion of the day's agenda, the informative materials, the special proxies for representation, the postal voting forms, the draft decisions, the decisions, the results of the votes, etc.

The company makes available to all interested parties the periodic and annual financial statements, prepared according to the legislation in force. Also, the company complies with all publication requirements according to the legislation of trading companies and the capital market.

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

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

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

During the first quarter of 2020, the Management Board convened an Ordinary General Meeting on *March 5, 2020*.

All the necessary documents related to the good conduct of the General Meeting were published in due time and according to the legislation in force.

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Considering the fact that this General Meeting of Shareholders convened for deliberation on 05.03.2020 as an Ordinary meeting, was non-statutory at the first convocation due to the non-meeting of the attendance quorum, the items on the day's agenda were analyzed and submitted for approval in Ordinary meeting dated 06.03.2020. Thus, the Revenues and Expenditure Budget for 2020 was approved.

The shareholding structure of the company on March 27, 2020 (the latest database from 2020, owned by Antibiotice Iasi) is as follows:

**I. Investors**

- The Ministry of Health (\*) – 53.0173%,
- S.I.F. Oltenia (\*) - 18.9645%
- Broadhurst Investments Limited – 4.1977%
- S.I.F. Transilvania – 3.2632%
- S.I.F. Banat-Crisana S.A – 2.1104%
- A-Invest – 0.8211%
- The Privately Managed Pension Fund ARIPI/GENERALI S.A.F.P.P. – 0.6782%
- The 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. – 0.3407%
- Other individuals and legal entities – 15,7432%

REMARK: (\*) - Significant shareholders, according to Law no. 24/2017, Article 2, Paragraph 2.

**II. Classes of shareholders**

- Legal entities – 87.0263%,
- Natural persons – 12.9737%.

During the first three months of 2020, dividends were paid for the financial years 2016, 2017 and 2018, as follows:

***Dividend history (2016 – 2017 – 2018)***

Year	Net dividends							Suspensi on date of dividend payment
	Due	Paid				Unclaimed on 31.03.2020		
		lei			% (total paid)			
		Until 31.12.2019	01.01-31.03.2020	Total		lei	%	
0	1	2	3	4	5	6	7	8
2016	25,401,595	23,378,774.43	6,287.65	23,385,062.08	92%	2,016,532.92	8%	Payment in progress
2017	17,588,679.97	16,138,163.30	5,624.74	16,143,788.04	92%	1,444,892.06	8%	Payment in progress
2018	6,612,624.05	6,055,864.22	3,264.53	6,059,128.75	92%	553,495.30	8%	Payment in progress

The payment of dividends is made through the Central Depository of Bucharest, of the Participants in the clearing-settlement and registry system (intermediaries in accordance with Law 24/2017 on issuers of financial instruments and market operations, Art. 86, Point 5, which

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concluded a contract for participation in the Central Depository system) and of CEC Bank - the paying agent.

**Antibiotice on the securities market**

The titles issued by Antibiotice have been listed in the category I (PREMIUM) of the Bucharest Stock Exchange under the ATB symbol since 1997.

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

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

The Antibiotice shares (ATB) traded on the Bucharest Stock Exchange are included in the BET-Plus index, which includes the Romanian companies listed on the BVB market that meet the minimum selection criteria, except for the financial investment companies and which are also part of the stock market indices BET-XT® (BUCHAREST EXCHANGE TRADING EXTENDED INDEX), which reflects the evolution of prices of the 25 most traded companies on the Regulated Market of BVB, including financial investment companies (SIFs); BET-XT - TR is the total return variant of the BET-XT index, which includes the 25 most traded Romanian companies listed on BVB.

The BET-XT-TR index reflects both the evolution of the prices of the component companies and the dividends provided by them.

This reflects the fact that Antibiotice is a solid company, developed on a strong economic basis.

**Antibiotice shares – ATB / REGULAR MARKET**

	2016	2017	2018	2019	Quarter I 2020
Number of shares	671,338,040	671,338,040	671,338,040	671,338,040	671,338,040
Stock market capitalization (thousand lei)*	349,096	361,180	326,942	341,040	331,641
Stock market capitalization (thousand euro)*	76,875	77,511	70,100	71,370	68,728
Stock market capitalization (thousand \$)*	81,123	92,813	80,259	79,873	75,402
No. of traded shares	12,555,866	21,113,565	17,109,263	30,364,292	1,848,861
Opening price (lei/share)	0.5320	0.5200	0.5780	0.4800	0.4770
Maximum price (lei/share)	0.5420	0.5920	0.5780	0.5260	0.5160
Minimum price (lei/share)	0.4200	0.5200	0.4550	0.4500	0.4130
Price at the end of the period (lei/share)	0.5270	0.5380	0.4870	0.5080	0.4940
Average price (lei/share)	0.5032	0.5585	0.5028	0.4851	0.4711

\* Calculated based upon the share price in 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:

- The accounting law no. 82 of 1991, republished and updated;

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

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

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

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

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

## ***2.2 The basics of evaluation***

The separate financial statements are prepared based upon the historical / depreciated cost agreement except for the tangible assets presented at revalued cost using fair value as assumed cost and the items presented at fair value, that is the financial assets and liabilities at fair value through profit or loss account and the available-for-sale financial assets, except those for which fair value cannot be reliably determined.

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

## ***2.3 Moneda functională si de prezentare***

The company's management believes that the functional currency, as defined by IAS 21 “Effects of exchange rate fluctuations”, is the Romanian leu (“RON” or “LEU”). The separate financial statements are presented in lei and the values are rounded to the closer lei, the currency that the Company has chosen as the presentation currency.

The transactions made by the company in a currency other than the functional currency are recorded at the rates in force on the date on which the transactions take place. The monetary assets and liabilities denominated in foreign currencies are translated at the rates in effect at the reporting date.

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The profit and loss resulting from 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 liabilities denominated in foreign currency is reflected in the statement of the comprehensive income. The exchange rates of the main foreign currencies according to the NBR report are as follows:

	31-03-2020	31-12-2019
EUR	4.8254	4.7793
USD	4.3983	4.2608

#### ***2.4 Crucial accounting valuations and estimates***

As a result of the uncertainties inherent in commercial activities, many elements of the financial statements cannot be accurately assessed, they can only be estimated. The estimation involves reasoning based upon the latest reliable information available.

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

An estimate may require revision if changes occur in the circumstances on which that estimate was based or as a result of new information or subsequent experience. By its nature, the revision of an estimate is not related to previous periods and does not represent the correction of an error in the current period. If any, the effect 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 the historical experience and other factors, including the forecast of future events that are considered reasonable under the existing circumstances. In the future, the actual experience may differ from the present estimates and assumptions. Examples of evaluation, estimation, presumptions applied within the company are given below:

(a) *The valuation of investments in land and buildings owned*

The company obtains valuations made by external valuers to determine the fair value of its real estate investments and buildings owned. These valuations are based on assumptions that include future rental income, anticipated maintenance costs, future development costs and the appropriate discount rate. The valuers also refer to market information related to the prices of transactions with similar land and buildings.

(b) *Adjustments for impairment of receivables*

The valuation for impairment of receivables is performed at the individual level and is based upon management's best estimate of the present value of the cash flows expected to be received. To estimate these flows, the management makes certain estimates regarding the financial situation of the partners. Each depreciated asset is analyzed individually. The accuracy of the adjustments depends upon the estimation of future cash flows.

(c) *Judicial proceedings*

The Company reviews unresolved legal cases following the developments in legal proceedings and the situation existing at each reporting date, in order to evaluate the provisions and presentations in its financial statements. Among the factors taken into account in making decisions related to provisions are the nature of the dispute or claims and the potential level of damages in the jurisdiction in which the dispute is judged, the progress of the case (including the progress after the financial statements but before those statements are issued), the views or

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the opinions of legal advisers, the experience in similar cases and any decision of the company's management related to the way in which it will respond to the litigation, complaint or evaluation.

(d) *Expense accounting estimates*

There are objective situations in which until the closing date of some fiscal periods or until the closing date of a financial year the exact values of some expenses incurred by the company are not known (e.g.: marketing-sales campaigns, product promotion and sales stimulation). Preliminary expenses will be made for this category of expenses, which will be corrected in the following periods when the outflow of cash flows occur. The estimates of expenses, for each category of expense, will be made by persons with experience in the type of activity that generated that expense.

(e) *Taxation*

The taxation system in Romania experiences a stage of consolidation and harmonization with the European legislation. However, there are still different interpretations of the tax legislation. In certain situations, the tax authorities may treat certain aspects differently, proceeding to the calculation of additional taxes and fees and the related delay penalties. In Romania, the fiscal year remains open for fiscal verification for 5/7 years. The company's management believes that the fiscal obligations included in the financial statements are adequate.

**2.5 Presentation of separate financial statements**

The financial statements are presented in accordance with the requirements of IAS 1 "Presentation of Financial Statements". The Company has adopted a presentation based upon liquidity in the statement of the financial position and a presentation of income and expenses according to their nature in the statement of the comprehensive income, considering that these presentation methods provide information that is credible and more relevant than the information presented based on other methods allowed by IAS 1.

**2.6 Acquired intangible assets**

The recognition of intangible assets is performed in accordance with IAS 38 "Intangible assets" and IAS 36 "Impairment of assets". The externally acquired intangible assets are initially recognized at cost and subsequently depreciated on a straight-line basis over their useful economic lives.

The expenses related to the acquisition of patents, copyrights, licenses, trademarks, factory marks or other intangible assets recognized from an accounting viewpoint, except for the expenses of incorporation, goodwill, intangible assets with an indefinite useful life, so framed according to the accounting regulations, are recovered by means of the straight-line depreciation method during the contract period or during the use period, as the case may be.

***Internally generated intangible assets (development costs)***

The research expenses (or from the research stage of an internal project) are recognized as expenses of the financial year they refer to.

The development costs related to projects for new products are recognized as intangible assets. These consist of: the consumption of raw materials and consumables, labor costs related to the

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hours worked for each project, other taxes related to the National Agency for Medicines and Medical Devices of Romania with the amounts necessary for authorization.

### ***2.7. Tangible assets***

The tangible assets are tangible elements that:

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

#### ***Recognition:***

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

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

#### ***The valuation after recognition***

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

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

The revaluations are performed with sufficient regularity to ensure that the book value does not differ significantly 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 on the basis of market prices, through a valuation normally performed by qualified professional valuers. The fair value of items of property, plant and equipment is generally their market value determined by valuation.

When an item of property, plant and equipment in category I is revalued, any accumulated depreciation at the revaluation date is eliminated from the gross book value of the asset and the net amount is recalculated to the revalued amount of the asset.

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

If the book value of an intangible asset is increased as a result of the revaluation, then the increase is recognized in other comprehensive income and accumulated in equity as a revaluation surplus. However, the increase must be recognized in profit or loss to the extent that it offsets a decrease in the revaluation of the same asset previously recognized in profit or loss.

If the book value of an asset is impaired as a result of a revaluation, that impairment must be recognized in profit or loss. However, the reduction must be recognized in other comprehensive income to the extent that the revaluation surplus shows a credit balance for that asset. The reduction recognized in other elements of the overall result decreases the amount accumulated in equity as a revaluation surplus.

The revaluation surplus included in equity related to an item of tangible assets is transferred directly to retained earnings when the asset is derecognised. The transfers from the revaluation surplus to retained earnings are not made through profit or loss.

If any, the effects of income taxes resulting from the revaluation of property, plant and equipment are recognized and presented in accordance with IAS 12 Income Tax.

#### ***Depreciation***

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

The land owned is not depreciated.

For depreciable fixed assets, the company uses, from an accounting view, the straight-line depreciation method. The depreciation periods are determined by an internal specialized commission according to the company's internal procedures. Below there is a brief presentation of the lifespan of fixed assets by significant categories of goods:

<b>Category</b>	<b>Lifespan</b>
Buildings and constructions	24-40 years
Equipment and installations	7-24 years
Means of transport	4- 6 years
Computing equipment	2- 15 years
Office furniture and equipment	3- 15 years

*Impairment*

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

If and only if the recoverable amount of an asset is less than its book value, the book value of the asset will be reduced to be equal to the recoverable amount. Such a reduction represents an impairment loss. An impairment loss is recognized immediately in profit or loss for the period, except when the asset is measured at revalued amount in accordance with the provisions of another Standard (for example, in accordance with the revaluation model in IAS 16 Tangible Assets). Any impairment loss in the case of a revalued asset is considered to be a decrease generated by the revaluation.

***2.8 Financial Assets - IFRS 9 Financial Instruments (replaces IAS 39 Financial Instruments: Recognition and Valuation)***

*Initial valuation of financial assets and financial liabilities*

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

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

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*The subsequent valuation 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 are classified and valued at fair value, with changes in fair value recognized in profit or loss when they arise (“FVPL”) unless restrictive criteria are met when the classification and the valuation of the asset is made at amortized cost or at fair value through other income (“FVOCI”).

*The impairment of financial assets*

IFRS 9 eliminates the valuation 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 sets out a new approach to loans and receivables, including trade receivables with an “anticipated loss” model that focuses primarily on risk.

*Cash and cash equivalents/Hedging*

The third major change that IFRS 9 introduces is related to hedging; IFRS 9 allows the hedging of several exposures and the establishment of new hedging criteria 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*

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

*Costs of stocks*

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

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

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

The stock of finished products is recorded at production cost upon the completion of the manufacture.

*Adjustments for depreciation of stocks*

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

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

### ***2.10 Receivables***

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

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

The impairment adjustments are recognized when there is objective evidence (such as significant financial difficulty of the partners or the non-fulfillment of payment obligations or the significant payment delay) that the company will not be able to collect all the amounts due according to the terms regarding the receivables and the amount of that adjustment is the difference between the net book value and the current value of expected future cash flows associated with the impaired receivable.

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

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

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

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

The adjustments for the impairment of trade receivables consist of the specific provision, entirely constituted for litigation, based upon which the general provision is calculated.

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

### ***2.11 Value added tax***

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

If the deductible VAT is higher than the VAT collected, the difference is refundable at the request of the company. That particular VAT may be reimbursed after a tax audit, or even in the absence thereof, if certain conditions are met. The VAT on sales and purchases that were not settled at the end of the reporting period is recognized in the statement of the financial position at net cost and presented separately as a current asset or liability.

In cases where adjustments for impairment of receivables have been recorded, the impairment loss is recorded for the debtor's gross value, including VAT. The related VAT must be paid to the state budget and can be recovered only in case of the debtor's prescription as a result of the bankruptcy decision.

### ***2.12 Financial liabilities***

The financial liabilities include primarily trade liabilities and other short-term financial liabilities (liabilities related to staff, tax and duty liabilities, short-term bank liabilities, liabilities 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 revenues IFRS 15 - Revenues from customer contracts (replaces IAS 18 Revenues)***

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

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

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

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

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

*The income valuation*

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

- (a) the entity transferred to the buyer the significant risks and benefits related to the ownership of the goods;
- (b) the entity no longer manages the goods sold at the level at which it would normally have done in the case of their ownership and no longer has the effective control over them;
- (c) the value of the revenues can be reliably valued;
- (d) the economic benefits associated with the transaction are likely to be generated for the entity;
- (e) the costs incurred or to be incurred in relation to the respective transaction can be reliably valued.

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

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

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

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

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

The income from the sale of goods is recognized when the company has transferred the significant risks and benefits related to the property right to the buyer and it is likely that the company will receive those previously agreed upon after the payment. The transfer of the risks

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and benefits related to the property right is considered to have been accomplished once with the transfer of the legal title of ownership or with the passing of the goods in the possession of the buyer. If the entity keeps significant risks related to the property, the transaction is not a sale and the income is not recognized.

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

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

### ***2.13.2 Recognition of expenses***

The expenses are decreases in the economic benefits recorded during the accounting period as outputs or decreases in the value of assets or increases in liabilities, which are materialized through reductions in equity, other than those arising from their distribution to shareholders.

### ***2.14 The impairment of non-financial assets (excluding the stocks, real estate investments and deferred tax assets) – IAS 36 “Impairment of assets”***

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

When it is not possible to estimate the recoverable amount of an individual asset, the impairment test is performed on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash-generating units (“CGUs”). The impairment costs are included in the profit and loss account unless they reduce the earnings previously recognized in other items of the comprehensive income.

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

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

According to IAS 37 “Provisions, contingent liabilities and contingent assets”, a provision must be recognized, if:

- a) the Company has a current (legal or implicit) obligation generated by a past event;
- b) it is likely that an output 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.

Daca nu sunt indeplinite aceste conditii, nu trebuie recunoscut un provizion.

If these conditions are not met, a provision must not be recognized. The provisions are recorded in accountancy using the accounts from the group 15 “Provisions” and are based upon the

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expenses, except those related to the decommissioning of tangible assets and other similar actions related thereto, for which the provisions of IFRIC 1 will be taken into account.

The recognition, valuation 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) the 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 services.

#### ***Benefits after the termination of the employment contract***

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

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

### ***2.17 Deferred tax - IAS 12***

In the deferred tax calculation, the Company will take into account the provisions of IAS 12. The deferred tax assets and liabilities are recognized when the book value of an asset or liability in the statement of the financial position differs from the tax base.

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

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

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***2.18 Dividends***

The share of profits that is to be paid according to the law, to each shareholder is a dividend. The dividends distributed to shareholders, proposed or declared after the reporting period, as well as the other similar distributions made from the profit determined according to the IFRS and included in the annual financial statements are not recognized as a liability at the end of the reporting period.

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

***2.19 Capital and reserves***

The capital and reserves (equity) represents the right of shareholders over the assets of an entity after deducting all liabilities. The equity includes: capital contributions, reserves, reported result and the 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 according to 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 for the period during which it bears them.

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

***2.21 Earnings per share***

The Company 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 Reporting on segments***

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

***2.23 Affiliated parties***

A person or a close family member of that person is considered to be affiliated with the Company if that person:

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- (i) has the control or a joint control over the Company;
- (ii) has a significant influence over the Company; or
- (iii) is a member of the key management staff.

The key management staff includes those persons having authority and responsibility for planning, managing and controlling the activities of the Company, directly or indirectly, including any director (executive or non-executive) of that entity. The transactions with the key personnel include exclusively the salary benefits granted to them as shown in Note 7. "Staff Expenses".

An entity is affiliated with the Company if it meets any of the following conditions:

- (i) The entity and the Company are members of the same group (which means that each parent company, subsidiary and subsidiary of the same group is linked to the others);
- (ii) An entity is the associate or joint venture of the other entity (or associate or joint venture of a member of the group the other entity belongs to);
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third party, and the other is an associate of the third-party entity.
- (v) The entity is a post-employment benefit plan in the benefit of the employees of the reporting entity or an entity affiliated to the reporting entity. In the event the reporting entity is itself such a plan, the sponsoring employers are also affiliates of the reporting entity.
- (vi) The entity is controlled or jointly controlled by an affiliated person.
- (vii) An affiliated person having control significantly influences the entity or is a member of the key management staff of the entity (or the parent company of the entity). The Company does not carry out transactions with entities described in points (i) – (vii) above.

#### ***2.24 Issued standards that entered into force in 2019***

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

The amendments that did not have significant effects on the Company's financial statements:

- Amendments to IFRS 9 *Financial Instruments* regarding the classification of financial assets;
- Amendments to IAS 19 *Employee benefits* regarding the changes to defined benefit plans;
- Amendments to IFRS 3 *Business combinations* regarding the change of the group structure;
- Amendments to IAS 23 *Borrowing costs* regarding the rate used to capitalize the costs of the loans.

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*Issued standards, which are not yet in force and have not been adopted in advance*

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

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

### **3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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

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

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

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

#### ***Main financial instruments***

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

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

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

		<b>Loans and receivables</b>	
		<b>31-03-2020</b>	<b>31-12-2019</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
<b>ASSETS</b>			
Trade and similar receivables		318,870,854	338,159,774
Cash and cash equivalents		2,113,181	1,877,409
<b>Total</b>		<b>320,984,035</b>	<b>340,037,183</b>
		<b>Amortized cost</b>	
		<b>31-03-2020</b>	<b>31-12-2019</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
<b>LIABILITIES</b>			
Trade and similar receivables		74,066,736	72,337,840
Short-term loans		121,473,192	125,875,879

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Long-term loans	66,981,476	57,080,354
<b>Total</b>	<b>262,521,404</b>	<b>255,294,073</b>

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

***Credit risk***

The credit risk is the risk of financial loss for the Company, which occurs if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is primarily exposed to the credit risk arising from sales to customers.

Antibiotice SA has developed a Commercial Policy approved by its Management Board. This policy clearly states the commercial conditions for sale and there are conditions imposed in the selection of clients. Antibiotice SA cooperates solely with large distributors in the national pharmaceutical market. In all situations where possible, the export sales are paid in advance.

**Calculation and analysis of the net statement (equity)**

<b>Indicators (LEI)</b>	<b>31-03-2020 (unaudited)</b>	<b>31-12-2019 (unaudited)</b>
Short-term credits and loans	121,473,192	125,875,879
Long-term credits and loans	66,981,476	57,080,354
Cash and cash equivalents	(2,113,181)	(1,877,409)
<b>Net debt</b>	<b>186,341,487</b>	<b>181,078,824</b>
<b>Total equity</b>	<b>500,923,523</b>	<b>496,842,915</b>
<b>Net debt in equity (%)</b>	<b>37.20%</b>	<b>36.45%</b>

***Foreign exchange risk***

The Company is mainly exposed to the currency risk in the purchases made from the suppliers of raw materials, packaging and other materials outside Romania. The suppliers from whom the company purchases these items for the production of medicines must have documents attesting the quality of their goods, as required by the European medicine registration rules. The Company cannot limit the acquisitions in third countries so much. The Financial Unit is responsible for tracking the payment deadlines and for ensuring the available funds for payment, so that the effect of foreign exchange risk is minimized.

On March 31, 2020 the company's net exposure by types of currency to the foreign currency risk was as follows:

<b>Assets/liabilities in EURO equivalent in LEI</b>	<b>31-03-2020 (unaudited)</b>	<b>31-12-2019 (unaudited)</b>
Monetary financial assets	5,156,266	8,707,721
Monetary financial liabilities	(18,751,633)	(18,661,953)
<b>Net financial assets</b>	<b>(13,595,367)</b>	<b>(9,954,228)</b>

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<b>RON/EUR variation</b>	<b>Gain/ Loss</b>	
Appreciation of the RON against EUR by 5%	(679,768)	(497,711)
Depreciation of the RON against EUR by 5%	679,768	497,711
<b>Impact upon result</b>	-	-
	<b>31-03-2020</b>	<b>31-12-2019</b>
<b>Assets and liabilities in EUR</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
Monetary financial assets	1,068,568	1,821,966
Monetary financial liabilities	(3,886,027)	(3,904,746)
Net financial assets	<b>(2,817,459)</b>	<b>(2,082,780)</b>

<b>Assets/liabilities in USD equivalent in LEI</b>	<b>31-03-2020</b>	<b>31-12-2019</b>
	<b>(unaudited)</b>	<b>(audited)</b>
Monetary financial assets	19,819,364	28,245,314
Monetary financial liabilities	(9,790,356)	(7,200,008)
Net financial assets	<b>10,029,008</b>	<b>21,045,307</b>

<b>RON/USD variation</b>		
Appreciation of the RON against USD by 5%	501,450	1,052,265
Depreciation of the RON against USD by 5%	(501,450)	(1,052,265)
<b>Impact upon result</b>	-	-
	<b>31-03-2020</b>	<b>31-12-2019</b>
<b>Assets and liabilities in USD</b>	<b>(unaudited)</b>	<b>(audited)</b>
Monetary financial assets	4,506,142	6,629,111
Monetary financial liabilities	(2,225,941)	(1,689,825)
Net financial assets	<b>2,280,201</b>	<b>4,939,285</b>

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

	<b>31-03-2020</b>	<b>31-12-2019</b>
<b>Assets / Liabilities</b>	<b>(unaudited)</b>	<b>(audited)</b>
LEI	152,171,862	132,233,068
EUR	(13,595,367)	(9,954,228)
USD	10,029,008	21,045,307
Other currency (CAD,GBP)	-	(1,178)
<b>Net exposure</b>	<b>148,605,503</b>	<b>143,422,968</b>

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.

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***Liquidity risk***

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

The Company's policy is to provide the necessary cash for the payment of obligations when they become due. To achieve this objective, the Company seeks to maintain cash balances (or facilities agreed upon) to satisfy the payment needs.

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

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

	<b>Up to 3 months</b>	<b>Between 3 and 12 months</b>	<b>Over 12 months</b>	<b>Total</b>
<b>March 31, 2020 (unaudited)</b>				
Commercial and similar debt	16,021,258	58,045,478		74,066,736
Debts from taxes and current taxes	10,112,983			10,112,983
Credits and loans		121,473,192		121,473,192
Long-term loans			66,981,476	66,981,476
<b>Total</b>	<b>26,134,241</b>	<b>179,518,670</b>	<b>66,981,476</b>	<b>272,634,387</b>

	<b>Up to 3 months</b>	<b>Between 3 and 12 months</b>	<b>Over 12 months</b>	<b>Total</b>
<b>December 31, 2019 (audited)</b>				
Commercial and similar debt	13,570,219	58,767,621		72,337,840
Debts from taxes and current taxes	13,267,396			13,267,396
Credits and loans		125,875,879		125,875,879
Long-term loans			57,080,354	57,080,354
<b>Total</b>	<b>26,837,615</b>	<b>184,643,500</b>	<b>57,080,354</b>	<b>268,561,469</b>

**Bank liquidity**

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

***Operational risk***

The operational risk is the risk of some direct or indirect losses arising from a wide range of reasons associated to processes, staff, technology and infrastructure of the Company as well as from external factors, others than the credit, market and liquidity risk, such as those arising from legal and regulatory requirements and from the generally accepted standards on the organizational behavior. The operational risks arise from all the Company's operations.

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

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

***Adequacy of capital***

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

#### **4. SALES INCOME**

The sales income includes the following items:

<b>Description</b>	<b>31-03-2020 (unaudited)</b>	<b>31-03-2019 (unaudited)</b>
Finished product sales	78,361,577	71,241,834
Sales of goods	19,445,364	13,307,350
Trade discounts	(24,175,337)	(19,483,170)
<b>Total</b>	<b>73,631,604</b>	<b>65,066,014</b>

The sales revenues are mainly driven by the sales of finished products directly to pharmaceutical distributors. On 31.03.2020, the intra and extra-community sales amounted to 21,942,754 lei. The company earns from sales in individual values higher than 10% of the total sales with a total of 5 clients.

#### **5. OTHER OPERATING INCOME**

Other operating income includes the following:

<b>Description</b>	<b>31-03-2020 (unaudited)</b>	<b>31-03-2019 (unaudited)</b>
Rental income	142,920	4,798
Income from research and studies	0	331,006
Income from various activities	95,871	121,686

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

Income from indemnities, fines and penalties	0	142,860
Other operating income	12,289	63,150
Income from adjustments for depreciation of current assets	5,241,672	6,114,782
Income from provisions for risks and expenses	0	822,508
Exchange rate differences	1,223,630	1,351,298
<b>Total</b>	<b>6,716,382</b>	<b>8,952,087</b>

**6. RAW MATERIALS, CONSUMABLES AND GOODS**

The expenditure on raw materials and consumables consists of:

<b>Description</b>	<b>31-03-2020 (unaudited)</b>	<b>31-03-2019 (unaudited)</b>
Rental income	142,920	4,798
Income from research and studies	0	331,006
Income from various activities	95,871	121,686
Income from indemnities, fines and penalties	0	142,860
Other operating income	12,289	63,150
Income from adjustments for depreciation of current assets	5,241,672	6,114,782
Income from provisions for risks and expenses	0	822,508
Exchange rate differences	1,223,630	1,351,298
<b>Total</b>	<b>6,716,382</b>	<b>8,952,087</b>

**7. STAFF COSTS**

The staff costs are as follows:

<b>Description</b>	<b>31-03-2020 (unaudited)</b>	<b>31-03-2019 (unaudited)</b>
Wages	21,471,218	21,984,975
Civil contracts	180,153	161,238
Tax and social contributions	685,578	659,544
Other benefits (meal vouchers)	888,602	913,194
<b>Total</b>	<b>23,225,551</b>	<b>23,718,951</b>

The company is managed in a unitary system within the meaning of Law 31/1990 on commercial companies; the management of the company is provided by the Management Board of SC Antibiotice SA.

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

<b>Description</b>	<b>31-03-2020 (unaudited)</b>	<b>31-03-2019 (unaudited)</b>
Wages	913,096	2,522,471
Civil contracts	180,153	161,238
Taxes and social contributions	21,745	57,807
<b>Total</b>	<b>1,114,994</b>	<b>2,741,516</b>

**ANTIBIOTICE S.A.**  
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**8. OTHER OPERATING EXPENDITURE**

Other operating expenditure include the following:

	<b>31-03-2020</b>	<b>31-03-2019</b>
<b>Description</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
Utilities	3,789,265	3,737,843
Repairs	182,406	247,942
Rent	86,265	82,236
Insurances	364,048	342,672
Bank fees	196,530	129,760
Advertising & promotion of products	405,088	1,084,453
Travel & transport	384,912	542,365
Post & telecommunications	106,718	121,421
Other services provided by third parties	2,631,844	2,803,304
Other taxes	11,046,688	11,995,125
Environment protection	256,420	265,805
Losses and adjustments of uncertain receivables	4,012,280	522,705
Exchange rate differences	1,674,734	2,347,455
Sundries	723,939	326,455
<b>Total</b>	<b>25,861,137</b>	<b>24,549,531</b>

**9. FINANCIAL INCOME AND EXPENSES**

The net financial income consists of:

	<b>31-03-2020</b>	<b>31-03-2019</b>
<b>Description</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
Interest income	804	1,840
Other financial income	137,914	-
Interest expenses	(1,398,553)	(1,034,583)
<b>Total</b>	<b>(1,259,835)</b>	<b>(1,032,744)</b>

**10. CURRENT AND DEFERRED PROFIT TAX EXPENSES AND OTHER TAXES**

	<b>31-03-2020</b>	<b>31-03-2019</b>
<b>Description</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
Current tax	-	-
Deferred tax expense/(income)	111,024	864,384
<b>Total</b>	<b>111,024</b>	<b>864,384</b>

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

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

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**11. EARNINGS PER SHARE**

<b>Description</b>	<b>31-03-2020 (unaudited)</b>	<b>31-03-2019 (unaudited)</b>
Net profit (A)	4,080,609	3,269,411
Number of ordinary shares (B)	671,338,040	671,338,040
<b>Earning per share (A/B)</b>	<b>0,006078</b>	<b>0,004870</b>

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**ANTIBIOTICE S.A.**  
**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**  
on March 31, 2020  
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**12. FIXED ASSETS**

	Land	Buildings	Technical installations & equipment	Other installations, equipment & furniture	Tangible assets in progress	Total
<b>COST</b>						
<b>December 31, 2018 (audited)</b>	108,306,000	108,332,084	184,961,323	7,544,355	26,453,168	368,616,645
Aquisitions	-	9,678,817	39,680,112	1,427,093	58,049,608	108,835,631
Reappraisal	-	48,743,396	-	-	-	48,743,396
Cancel damping	-	31,911,246	-	-	-	31,911,246
Outputs	-	1,505,048	6,320,642	75,784	50,786,021	58,687,495
<b>December 31, 2019 (audited)</b>	108,306,000	108,332,084	184,961,323	7,544,355	26,453,168	435,596,931
<b>Aquisitions</b>	-	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
<b>March 31, 2019 (unaudited)</b>	108,306,000	114,558,589	189,048,889	7,670,824	57,434,376	477,018,678
<b>DEPRECIATION</b>						
<b>December 31, 2018 (audited)</b>	-	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
Cancel damping	-	31,911,246	-	-	-	31,911,246
Outputs	-	51,665	6,320,642	75,784	-	6,448,091
<b>March 31, 2019 (unaudited)</b>	-	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
<b>September 30, 2019 (unaudited)</b>	-	6,382,889	123,268,257	5,542,874	-	135,194,020
<b>PROVISION</b>						
<b>December 31, 2018 (audited)</b>	-	57,000	244,652	-	-	301,652
Outputs 2018	-	5,400	-	-	-	5,400
<b>December 31, 2019 (audited)</b>	-	51,600	244,652	-	-	296,252
Outputs 2019	-	-	-	-	-	-
<b>March 31, 2020 (unaudited)</b>	-	51,600	244,652	-	-	296,252
<b>NET VALUE</b>						
<b>March 31, 2020 (unaudited)</b>	108,306,000	108,124,100	65,535,980	2,127,950	57,434,376	341,528,406
<b>December 31, 2019 (audited)</b>	108,306,000	106,553,759	67,089,898	2,237,841	26,453,168	310,640,665
<b>December 31, 2018 (audited)</b>	108,306,000	58,806,925	35,852,045	1,088,339	19,189,581	223,242,890

**ANTIBIOTICE S.A.**  
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***Depreciation of fixed assets***

Accounting depreciation is calculated using the straight-line basis method. For the fixed assets, new entries in 2020, 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 77.567.859 LEI.

**13. INTANGIBLE ASSETS**

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

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

	<b>31-03-2020</b>	<b>31-12-2019</b>
	<b>(unaudited)</b>	<b>(audited)</b>
Initial balance	30,776,615	26,250,866
Inputs	2,495,485	5,836,186
Outputs	1,594,750	1,310,438
Final balance	31,677,350	30,776,615
<b>Amortization</b>		
Initial balance	14,390,906	11,222,150
Cost of period	859,669	3,168,756
Final balance	15,250,575	14,390,906
<b>Net value</b>	<b>16,426,775</b>	<b>16,385,709</b>

**14. STOCKS**

	<b>31-03-2020</b>	<b>31-12-2019</b>
<b>Description</b>	<b>(unaudited)</b>	<b>(audited)</b>
Raw materials and consumables	31,509,181	29,314,160
Production in progress	3,201,854	3,146,451
Semi-finished and finished products	45,693,568	33,849,505
Goods	6,282,677	7,665,872
<b>Total</b>	<b>86,687,280</b>	<b>73,975,988</b>

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

**15. TRADE AND OTHER RECEIVABLES**

	<b>31-03-2020</b>	<b>31-12-2019</b>
<b>Description</b>	<b>(unaudited)</b>	<b>(audited)</b>
Trade receivables	341,171,098	362,186,268
Adjustments for trade receivables	(30,754,383)	(34,066,666)
Sundry debtors and other receivables	5,561,230	5,069,347
Adjustments for sundry debtors	(3,432,707)	(3,432,707)

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Receivables related to employees	-	155
Other claims receivable from the State		
Budget	2,098,340	3,159,069
Advance payments	4,227,276	5,244,308
<b>Total</b>	<b>318,870,854</b>	<b>338,159,774</b>

On March 31, 2020, the company recorded adjustments for trade receivables representing customer balance that are unlikely to be collected by the company. The receivables of the company were analyzed and evaluated according to criteria established taking into account the risks per customer categories.

	<b>31-03-2020</b>	<b>31-12-2019</b>
	<b>(unaudited)</b>	<b>(audited)</b>
<b>Analysis of seniority</b>		
Receivables - customers	341,171,098	362,186,268
up to 3 months	85,056,858	150,900,438
between 3 and 6 months	118,458,413	68,347,022
between 6 and 12 months	90,866,070	91,877,624
over 12 months	46,789,757	51,061,183
Value adjustments related to receivables- customers	(30,754,383)	(34,066,666)

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

	<b>31-03-2020</b>	<b>31-12-2019</b>
	<b>(unaudited)</b>	<b>(audited)</b>
<b>Adjustment of receivables</b>		
<b>At the beginning of the period</b>	37,499,373	37,002,158
Established during the year	1,378,399	19,117,314
Cancellation of adjustments	(4,690,682)	(18,620,099)
<b>At the end of the period</b>	<b>34,187,090</b>	<b>37,499,373</b>

The value of receivables established as guarantees is 307,376,229 LEI.

## 16. CASH AND CASH EQUIVALENTS

	<b>31-03-2020</b>	<b>31-12-2019</b>
<b>Description</b>	<b>(unaudited)</b>	<b>(audited)</b>
Available at the bank	2,109,192	1,868,312
Cash and cash equivalents	3,989	9,097
<b>Total</b>	<b>2,113,181</b>	<b>1,877,409</b>

## 17. TRADE AND OTHER PAYABLES

	<b>30-Sept-19</b>	<b>31-Dec-18</b>
<b>Description</b>	<b>(unaudited)</b>	<b>(audited)</b>
Trade payables	49,444,576	34,179,575
Suppliers of fixed assets	9,518,695	16,607,089
Liabilities related to employees	1,856,629	1,699,591
Salary provisions	2,900,000	4,998,241
Other debts	226,554	141,529
Outstanding interests	334,127	311,902
<b>Total debt except loans, classified as</b>	<b>64,280,581</b>	<b>57,937,927</b>

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<b>measured at depreciated cost</b>		
Taxes and social contributions	2,944,310	2,980,512
Dividends	7,752,823	5,751,482
Advance from customers	1,149,709	501,163
<b>Total</b>	<b>76,127,423</b>	<b>67,171,084</b>

**18. AMOUNTS DUE TO CREDIT INSTITUTIONS**

**The amounts due to the credit institutions on 31.03.2020 are indicated in the following table:**

Amounts due to the credit institutions	Value on 31.03.2020
Short term liabilities	121,473,192 LEI
Long term liabilities (including interest)	66,981,476 LEI

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

Objective	Credit line – working capital
Amount	55,000,000 LEI
Maturity	16.08.2020
Balance on March 31, 2020	53,180,807.68 LEI
Warranties	Mortgage contract for buildings, land/ Accounts 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 March 31, 2020	13,881,020.53 EUR (66,981,476.47 LEI)
Warranties	Mortgage contract for buildings, land/ Accounts receivable assignment contract

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

Objective	Credit line – working capital
Amount	30,000,000 LEI
Maturity	24.06.2020
Balance on March 31, 2020	25,643,340.31 LEI
Warranties	Mortgage contract for buildings, land/ Accounts receivable assignment contract

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 March 31, 2020	34,221,707.16 LEI

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	1,746,453.46 EUR (8,427,336.53 LEI)
Warranties	Mortgage contract for buildings, land/ Accounts receivable assignment contract

**The amounts due to the credit institutions on 31.12.2019 are indicated in the following table:**

Amounts due to the credit institutions	Value on 31.12.2019
Short term liabilities	125,875,879 LEI
Long term liabilities (including interest)	57,080,354 LEI

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

Objective	Credit line – working capital
Amount	55,000,000 LEI
Maturity	16.08.2020
<b>Balance on December 31, 2019</b>	54,330,807.68 LEI
Warranties	Mortgage contract for buildings, land/ Accounts 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
<b>Balance on December 31, 2019</b>	11,943,245.63 EUR (57,080,353.84 LEI)
Warranties	Mortgage contract for buildings, land/ Accounts receivable assignment contract

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

Objective	Credit line – working capital
Amount	30,000,000 LEI
Maturity	24.06.2020
<b>Balance on December 31, 2019</b>	29,592,915.74 LEI
Warranties	Mortgage contract for buildings, land/ Accounts receivable assignment contract

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
<b>Balance on December 31, 2019</b>	24,021,730.10 LEI 3,251,946.88 EUR ( 15,542,029.72 LEI ) 560.551,01 USD ( 2.388.395,74 LEI )

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

Warranties	Mortgage contract for buildings, land/ assignment contract	Accounts receivable
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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 INVESTMENT

The subsidies for investment include the following:

	<b>31-03-2020</b>	<b>31-12-2019</b>
<b>Subsidies for investment</b>	<b>(unaudited)</b>	<b>(audited)</b>
Waste water treatment plant	2,180,620	2,220,345
Research project-UMF Iasi	24,503	
Other subsidies - European funds	591,442	
Other subsidies - state budget funds	113,981	118,213
Other amounts received as subsidies	92,051	100,682
<b>Total</b>	<b>3,002,597</b>	<b>3,079,169</b>

The amounts under the account *Subsidies for investments* represent values received in the last 10 years by the company as subsidies for investment in environmental protection and increase of industrial products competitiveness through financing from the Ministry of Economy and UEFISCDI Bucharest

## 20. DEFERRED INCOME TAX

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

	<b>31-03-2020</b>	<b>31-12-2019</b>
<b>Description</b>	<b>(unaudited)</b>	<b>(audited)</b>
Initial balance	25,531,938	25,266,930
Cost / (income) deferred tax	111,024	265,008
<b>Final balance</b>	<b>25,642,962</b>	<b>25,531,938</b>

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 2015 and 2018.

## 21. SHARE CAPITAL

The subscribed share capital of the company on March 30, 2020 is 67,133,804 LEI, and the nominal value of a share is 0,1000 LEI. Our company has 671,338,040 shares, which give equal rights to the company's shareholders. SC Antibiotice SA has not issued preference shares to the holders.

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 the GD 500/1994, from the reporting date to 31.12.2003, when it was considered that the national economy ceased to be hyperinflationary.

Subsequent to 31.12.2003, the share capital increased as per the historical amounts registered with the Trade Registry.

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On 31.12.2012, the balance sheet of the Company contains a retained earnings due to the adoption, for the first time, of the IAS 29 *"Financial Reporting in Hyperinflationary Economies"* proposed to be covered from the amount resulting from the application of IAS 29 *"Financial Reporting in Hyperinflationary Economies"* as follows:

Reported loss due to the first application of the 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:

<b>Description</b>	<b>31-03-2020 (unaudited)</b>	<b>31-12-2019 (audited)</b>
Reserves from revaluation of fixed assets	59,704,360	60,481,330
Legal reserves	13,426,761	13,426,761
Deferred income tax recognized in equity	(9,552,696)	(9,677,011)
Other reserves	200,655,367	193,386,084
Reserves from current profit	0	7,269,283
<b>TOTAL</b>	<b>264,233,792</b>	<b>264,884,447</b>

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

<b>Reserve</b>	<b>Description and purpose</b>
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 the global result and cumulated in equity, as a revaluation surplus. Revaluation reserves cannot be distributed and cannot 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 cannot be distributed with impact on the recalculation of the profit tax. The difference represents reserves made up of profits.

## 23. RETAINED EARNINGS

The retained earnings include the following elements:

<b>Descriere</b>	<b>31-03-2020 (unaudited)</b>	<b>31-12-2019 (audited)</b>
Reported result – surplus from revaluation reserves	18,074,969	17,422,314

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Retained earnings / unrecovered loss	23,553,994	-
Reported result arising from the use, at the date of transition to the application of IFRS, of the fair value as an assumed cost	123,846,355	123,846,355
Reported result from the first adoption of IAS 29	(197,701,352)	(197,701,352)
<b>Total</b>	<b>(32,226,034)</b>	<b>(56,432,683)</b>

**24. CONTINGENT LIABILITIES**

SC Antibiotice SA has no contingent liabilities on March 31, 2020.

**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 March 31, 2020 have not been audited and have not been revised by an independent auditor.

## CURRENT REPORT

### Notice of availability for the Report on 31 March 2020

*Antibiotice Iași* informs the investors that the *report on 31.03.2020* is available through the *Bucharest Stock Exchange* and *Financial Surveillance Authority* as well as on our website: [www.antibiotice.ro](http://www.antibiotice.ro) (Investors/Financial Information/Financial Reports - 2020, 3 months).

We mention that the above-mentioned report can also be obtained at our company's headquarters (Investor Relations, phone no. 0232 209570, fax 0372 065633, e-mail: [relatiicuinvestitorii@antibiotice.ro](mailto:relatiicuinvestitorii@antibiotice.ro)).

General Director,  
ec. *Ioan NANI*

Financial Director,  
ec. *Paula-Luminița COMAN*