

MANAGEMENT REPORT

January-December 2019

Annual Report according to IFRS

For the fiscal year: 2019

Report Date: 09.04.2020

Name of the trading company: ANTIBIOTICE S.A.

Head Office: Iasi, 1 Valea Lupului St.

Phone number: 0232/209000, Fax 0232/209633

Fiscal registration code: RO 1973096

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

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

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

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

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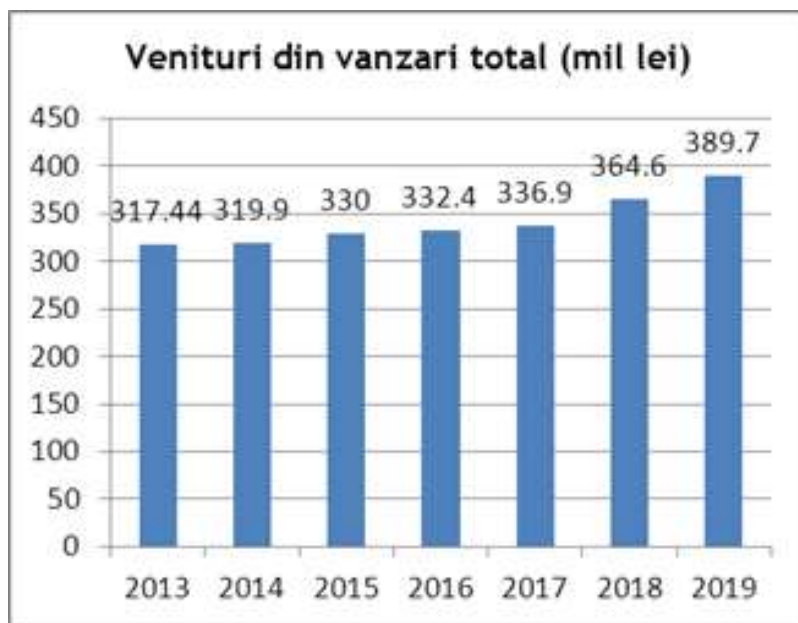
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I Antibiotice's presentation

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

Antibiotice SA :

- the main manufacturer of anti-infectives in Romania, a leader in the production of injectable beta-lactam antibiotics ;
- leader in the production of topicals (ointments, creams, gels) in the Romanian market;
- its exports account for 40% of the turnover;
- ranks first globally in the production of the active substance Nystatin, our product being the USP Reference Standard - an international quality standard;
- has a portfolio comprising 150 products from 12 therapeutic classes:



cardiovasculars, dermatologicals for topical use, inflammatory, digestive tract and genitourinary medicines, food supplements;

- has 8 manufacturing flows for the following pharmaceutical dosage forms: penicillin powders for injection, penicillin capsules, non-beta-lactam capsules, cephalosporin capsules, tablets, ointments, creams, gels; suppositories, pessaries, active

substances obtained through biosynthesis;

- holds internationally recognized certifications and authorizations:

- authorization for Nystatin and injectable penicillin products granted by the Food and Drug Administration (FDA) , the US drug regulatory body;
- Certificate of Suitability (COS) with the European Pharmacopoeia for Nystatin;
- Good Manufacturing Practice (GMP) certificate for all the manufacturing flows, Integrated Management System (quality, environment , occupational health and safety);
- has a modern Research-Development Center and a Clinical Studies Center;
- is the first European company prequalified by the World Health Organization (WHO) for the range of essential first-line antituberculosis medicines.

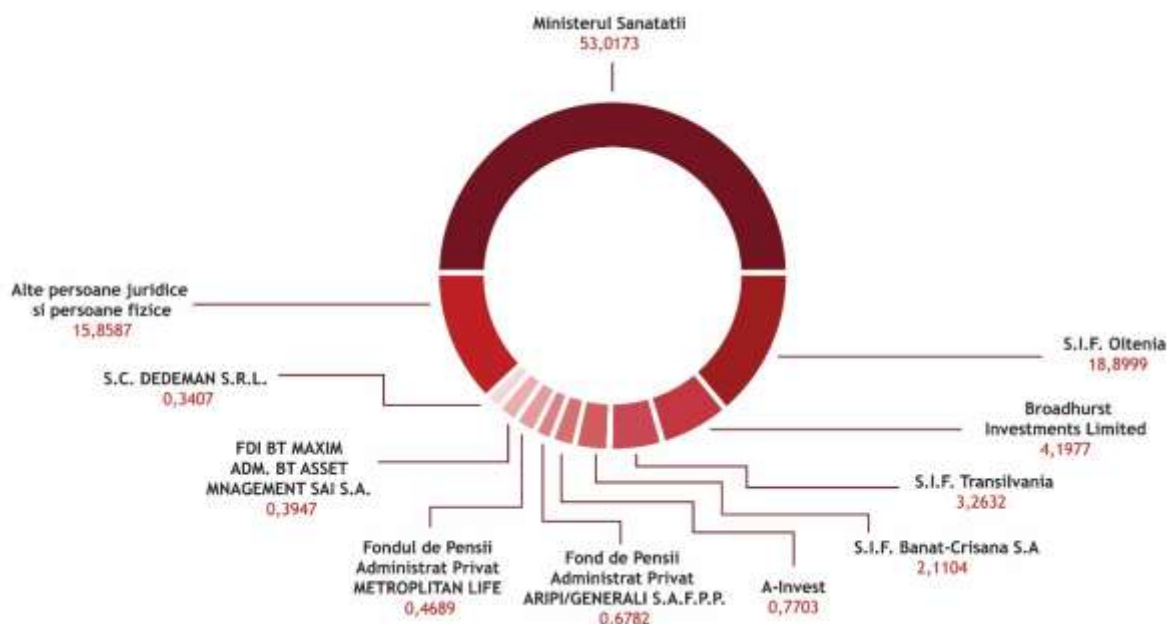
II. Shareholding

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

The main Antibiotice shareholders on 31.12.2019 (*extracted from the Shareholders' Registry*):

- Ministry of Health (*) - 53.0173%,
- S.I.F. Oltenia(*) - 18.8999%
- Broadhurst Investments Limited - 4.1977%
- S.I.F. Transilvania - 3.2632%
- S.I.F. Banat-Crisana S.A - 2.1104%
- A-Invest - 0.7703%
- Private Pension Fund ARIPI/GENERALI S.A.F.P.P. - 0.6782%
- Private Pension Fund Privat METROPLITAN LIFE - 0.4649%
- FDI BT MAXIM ADM. BT ASSET MNAGEMENT SAI S.A. - 0.3947%
- S.C. DEDEMAN S.R.L. - 0.3407%
- Other legal and natural persons - 15.3452%.

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



Ownership breakdown:

- Legal persons - 86.9922%
- Natural persons - 13.0078%

Antibiotice in the capital market

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

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

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

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

In 2019, the minimum price of the ATB share had the value of 0.4500 LEI. The share price increased to maximum value of 0.5260 LEI/share.

Stock market capitalization of Antibiotice on December 31, 2019 (the last trading day of the year) was 341,040 thousand LEI.

Antibiotice shares - ATB / Regular market

	2015	2016	2017	2018	2019
Number of shares	671,338,040	671,338,040	671,338,040	671,338,040	671,338,040
Stock market capitalization (thousand LEI)*	357,152	349,096	361,180	326,942	341,040
Stock market capitalization (thousand EUR)*	78,868	76,875	77,511	70,100	71,370
Stock market capitalization (thousand \$)*	86,167	81,123	92,813	80,259	79,873
Total traded value (million LEI)	11	6	12	9	15
No. of traded shares	18,844,935	12,555,866	21,113,565	17,109,263	30,364,292
Opening price (LEI/share)	0.5850	0.5320	0.5200	0.5780	0.4800
Maximum price (LEI/share)	0.6170	0.5420	0.5920	0.5780	0.5260
Minimum price (LEI/share)	0.5240	0.4200	0.5200	0.4550	0.4500
Price at the end of the period (LEI/share)	0.5320	0.5270	0.5380	0.4870	0.5080
Average price (LEI/share)	0.5836	0.5032	0.5585	0.5028	0.4851
Earnings/share (LEI/share)***	0.0405	0.0452	0.0500	0.0511	0.0459
Gros dividend/share (LEI/share)**	0.0197	0.0384	0.026552598	0.009991506	0.029879738
Dividend yield****	3.69%	4.05%	4.59%	2.05%	6.2
Dividend distribution rate*****	49%	52%	53%	20%	65

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

** Proposed dividend

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

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

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

In 2019, a number of 30,364,292 shares were traded, amounting to 14.73 million LEI (3.2 million EUR, 3.6 million USD), with an average price of 0.4851 LEI/share.

In 2019, our company paid dividends for the financial years 2015, 2016 2017 and 2018 amounting to 6,166,189 LEI, as follows:

*Dividend history (2015 - 2016 - 2017 - **2018**)'*

Period	Net dividends							Date on which the payment of dividends ceases
	Due	Paid				Unclaimed dividends on 31. 12. 2019		
		LEI			% (total amount paid)			
		Until 31. 12. 2018	01. 01÷31. 12. 2019	Total		lei	%	
0	1	2	3	4	5	6	7	8
2015	13.753.343	12,653,207.76	11,948.01	12,665,155.77	92.09	1,088,187.23	7.91	15.09.2019
2016	25.401.595	23,325,012.26	53,762.17	23,378,774.43	92.04	2,022,820.57	7.96	Payment in progress
2017	17.588.679,97	16,093,548.70	44,614.60	16,138,163.30	91.75	1,450,516.67	8.25	Payment in progress
2018	6.612.624,05	-	6,055,864.22	6,055,864.22	91.58	556,759.83	8.42	Payment in progress

Payment of the dividends for the fiscal years 2015, 2016, 2017 and 2018 has been made through the Central Depository Bucharest and, implicitly, through the CEC Bank - the Paying Agent.

The rights of the holders of financial instruments

The corporate governance framework adopted and applied:

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

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

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

Our company has a department specialized in the relations with the existing and potential investors, called Investor Relations, which has as main roles to implement and monitor the corporate governance standards within our company, to inform the shareholders and investors in accordance with the legal provisions, to proactively communicate with our investors focused on their information needs.

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

Being permanently focused on developing its transparency towards shareholders, in completing its strategy of improving the relations with investors and from the desire to create value for shareholders, on July 31, 2019 Antibiotice joined the Romanian Investor Relations Association (A.R.I.R.), a lively new community in the Romanian capital market.

The Romanian Investor Relations Association (A.R.I.R.) is a non-governmental and non-profit organization that was set-up to provide current and potential issuers a platform for the development of Investor Relations (IR) and contribute to the implementation of best practices in investor communication and corporate governance.

For its Investor Relations activity and for the degree of transparency, accuracy and completeness of the information and accessibility of its website, Antibiotice got the 10 score granted by the Romanian Investor Relations Association that evaluated 78 issuers in the Romanian capital market.

Antibiotice has achieved this performance by approaching new and efficient communication tools. This way, the investors, analysts, brokers, journalists have the opportunity to learn about the Antibiotice business.

III Current activity

Our company's coherent development strategy is reflected by the evolution of performance indicators, as follows:

No.	Indicators	Currency	2018	2019	2019/ 2018
1	Sales income	million LEI	364,576	389,710	1.07
2	Gross profit	million LEI	35,089	35,180	1.00
3	Arrears	million LEI	0	0	1.00
4	Total expenses related to 1000 lei total income	million LEI	907	914	1.01

These indicators were achieved by applying the actions of the five strategic development directions set out in the Administration Plan for the period 2017-2021:

1. Developing our business internationally;
2. Ensuring a sustainable and marketable portfolio by increasing the degree of renewal;
3. Optimizing the operating costs and increasing the operating efficiency;

4. Motivating the human resources and providing them with the necessary training to acquire the skills needed for implementing the strategies;
5. Quality management for meeting the legal national and international pharmaceutical requirements.

1. Developing our business internationally

Antibiotice runs its business in all the continents of the world, with a portfolio comprising 95 finished products from various therapeutic classes and Nystatin, the active substance which ranks us as the world market leader.

In 2019 Antibiotice recorded the highest growth rate of export sales in the last 5 years

In 2019, **the exports accounted for 40 % of our company's turnover, reaching 152,1 million LEI**, by about 25% higher than the value recorded in 2018. This growth has been the fastest rate in the last five years.

2019 was the first year in which the sales of finished products in the international markets significantly outpaced the sales of the active substance Nystatin. So, the main growth engine was the export of finished products in the territories where Antibiotice opened its own representative offices, the value of these exports recording an increase past 65% compared to 2018, reaching a value of 44.4 million LEI.



To reach this sales level our company followed the main development directions in international markets, assumed through the management program for 2019:

- Consolidating and maintaining the world leading position of the active substance Nystatin;
- Developing our presence in the North American finished product market;
- Increasing the sales in the territories where Antibiotice opened its representative offices;
- Initiation of new projects of territorial expansion, as the main pillar of growth in the medium and long term.

Consolidating and maintaining the world leading position of the active substance Nystatin

Strengthening the leading position of the active substance Nystatin in the international market, a direct result of the indisputable quality of this product, recognized by the USFDA as a USP reference standard is proved by the upward sales trend in the last 5 years. As a result, the number of new partners from Europe, South America, North America increased.

The 2019 selling target for Nystatin was fully achieved through a continuous management of costs, quantities manufactured and strategic partnerships with the main customers.

So, in 2019, our strategy for the product Nystatin sold in the international markets aimed at:

- consolidating our partnerships in the North and South America, leading to a 16% increase in the sales of Nystatin compared to the planned level;
- managing the markets in the Asia-Pacific area and Middle East;
- starting new projects in Europe, a long-term growth source.

These strategies aimed at adapting Nystatin for using this active substance in the formulation of high-added value finished products (powders for oral suspensions, creams, ointments, powders for topical use and pessaries).

Our company aimed also at maintaining a prudent price strategy and efficient policies regarding the partnerships with zonal agents / distributors.

- Developing our presence in the North American finished product market

Antibiotice recorded good sales of FDA certified finished products in the US market. So, at the end of 2019, Antibiotice recorded a 50 % increase in the export sales of sterile injectable powders and laid the groundwork for launching a new product in 2020, thus creating the premises for a solid and long-term development of our business in this market.

Increased sales in the territories where Antibiotice opened its own representative offices

In the territories where Antibiotice opened its own representative offices in the last 3 years: Vietnam, Republic of Moldova, Ukraine and Serbia, the sales of finished products increased by about 65% compared to 2018.

Starting from the principle that our company must apply in these territories similar strategies with those applied in the Romanian market in terms of product portfolios, business models, promotion actions, our specialists developed a multiannual strategy (2020 - 2025) based on four strategic development pillars:

- to registrate a portfolio of antiinfectives intended for the consumption in hospitals, a segment in which our company is the leader in the Romanian market;
 - a market oriented pricing policy;
 - solid partnerships with the local distributors;
 - to increase the corporate brand and product awareness.
-
- In Vietnam, Antibiotice is the main Romanian exporter of pharmaceutical products, with a traded value of about 10 million USD in 2019. In this market Antibiotice registered 17 products, mainly antiinfectives, 4 of which were launched in 2019.

Because 80% of the medicines are sold in hospitals, this destination is compatible with the Antibiotice business which has a traditional portfolio of sterile injectables. Moreover, over 90% of the requests from Vietnam are for products that participate in auctions in hospitals, where the purchases are made according to the **manufacturer's** price and quality certifications. Antibiotice is among the top pharmaceutical manufacturers selling in the Vietnamese market because of its EU GMP certifications.

- In 2019, our company registered and traded 55 products from all the developed therapeutic classes in the Republic of Moldova. Of these, 5 antiinfectives for hospitals were launched in 2019.

- In Serbia, Antibiotice sells 13 products (antiinfectives, sterile injectable powders, cardiovasculars and food supplements), one of them being launched in 2019. The Serbian market is of interest for Antibiotice because it shows similarities in consumption and therapeutic behaviors with the Romanian market.

- Through its representative office from Ukraine, in the fourth quarter of 2019 Antibiotice started the registration procedures for 8 antiinfectives, 12 cardiovascular products and 4 food supplements.

Positioning of the products in these countries is the result of a detailed analysis of the market, national legislation and competition behavior. Antibiotice has been developing ethical and competitive partnerships with the main distributors on the principle of representativeness in the market (covered market share, sales structure - their own chains of pharmacies, promotion teams), safety of the business, ability to multiply the number of sales.

In 2019, we launched in the external markets 10 new products and concluded new local partnerships for extending the finished product portfolio - antiinfectives for the outpatient therapy and topical products (dermatological creams and ointments, anti-inflammatory medicines) and suppositories.

- Initiation of new projects of territorial expansion, as the main pillar of growth in the medium and long term.

International expansion of the Antibiotice business has two many directions:

- to develop the product portfolio in the current territories;
- to access new markets in the ASEAN region, EU and Middle East, markets with a recognized potential as regards the consumption of antiinfective, dermatological and cardiovascular medicinal products.

So, in 2019, our company concluded representation contracts in the Scandianavian markets for a 14-product portfolio and started the negotiations for accessing the Saudi Arabia and Philippines markets.

In 2019, Antibiotice SA adapted its external expansion policies to the new legal regulations in the field of health, taking into account both the consumption trends, but also the specific habits of each market.

2019 key achievements in the international markets:

- A consolidated position as a world leader in the production of Nystatin;
- The value of export increased by about 25% compared to 2018;
- It is the first year in which the sales of finished products in international markets significantly outpaced the sales of the active substance Nystatin, increasing by 65% compared to the previous year;
- Antibiotice - the main Romanian exporter in the Vietnamese market, with a traded value of about 10 million USD in 2019;
- The sales of sterile injectable penicillins increased by over 50% in the US market;
- New partnerships in Europe (France, Spain, the Scandinavian countries).

2. Ensuring a sustainable and marketable portfolio through increasing the degree of renewal

➤ Evolution of the pharmaceutical market in Romania^[1]

In the Romanian pharmaceutical market, the value of medicinal products released to the patients was 17.82 billion LEI (distribution price), up 10.9% compared to 2018. Quantitative consumption rose by 2.1%, a number of 625.5 million boxes being released by pharmacies.

Cost-volume contracts represent 12% of the total pharmaceutical market in Romania and recorded an increase of 22.7% in 2019, from 1.7 billion LEI to 2.1 billion LEI.

Pharmaceutical market is dominated by the prescription medicines (RX). These represent 77.3% of the total value sales and 64.9% of the total consumption of medicines (no. of boxes) in Romania. The prescription medicines recorded in the analyzed period an increase in terms of value of 10% from 12.5 billion LEI in 2018 to 13.76 billion LEI in 2019; the non-prescription medicines (non-RX: OTCs, food, supplements, medical devices) had also a 14% increase in terms of value, from 3,55 billion LEI in 2018 to 4.05 billion LEI at the end of 2019.

Evolution of the pharmaceutical market relevant for Antibiotice SA^[2] - The market relevant for our company recorded in 2019 a value of 2.15 billion LEI, up 6.7% compared to 2018.

The quantitative consumption rose by 2.5%, a number of 141.5 million boxes being released by pharmacies. This segment also was dominated by the prescription medicines (RX) which represented 57.6% from the total value sales and 66.3% from the total consumption of medicines (reported as number of boxes). The prescription medicinal products recorded in the analyzed period an increase of 2% in terms of value, from 1.21 billion LEI at the end of 2018 to 1.24 billion LEI in 2019. The non-prescription medicinal products (OTCs) recorded an increase of 13.9% in terms of value, from 799 milioane LEI in 2018 la 909.8 million LEI in 2019.

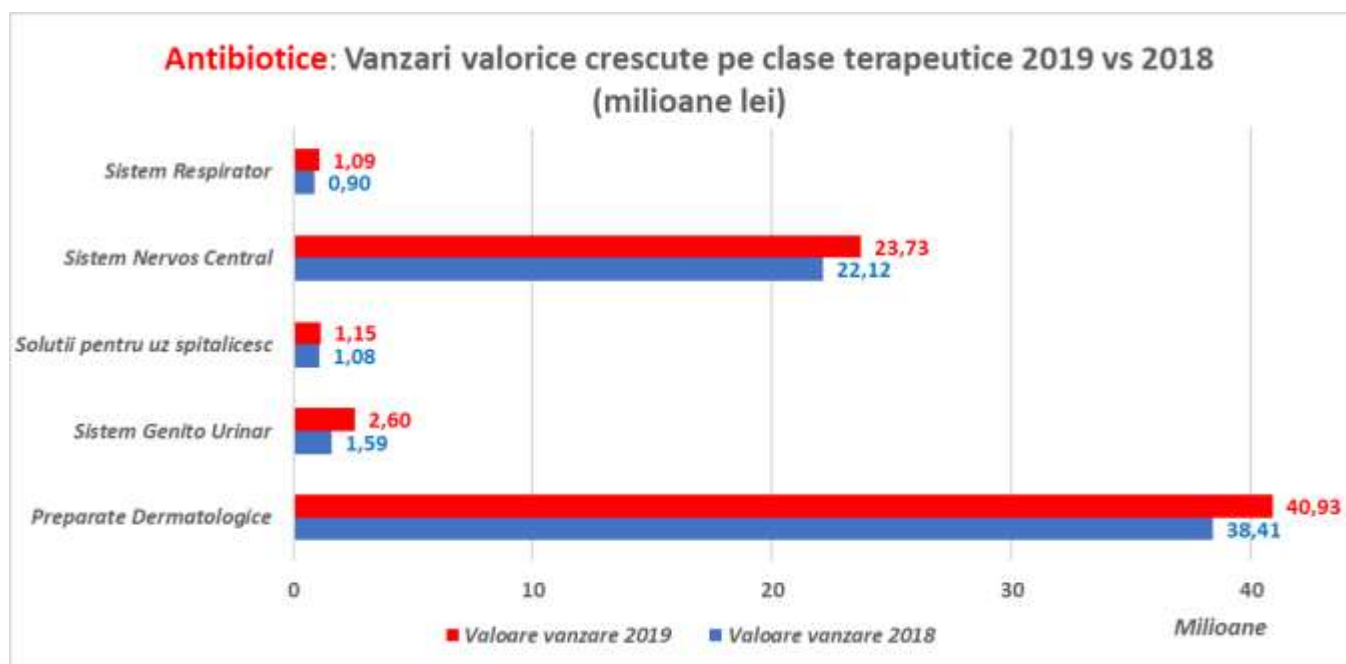
Antibiotice in the Romanian pharmaceutical market

In the domestic market, Antibiotice recorded sales comparable to the sales recorded in 2018, both in pharmacies and hospitals, amounting to 335.9 million LEI.

The main therapeutic classes that recorded in 2019 significant increases in terms of value compared to 2018 were : dermatological preparations, medicinal products for the central nervous system, genitourinary system and respiratory system.

^[1] As per CEGEDIM Romania 2019

^[2] The relevant market is the market to which the Antibiotice portfolio relates as regards the therapeutic indication of the product (molecule, form, concentration).



Antibiotice in the Romanian market:

- is the leader in the segment of generics and OTCs sold in hospitals, with a 15.6% market share;
- is the leader in terms of quantity for the following pharmaceutical dosage forms: ointments (23.9%), suppositories (42.5%) and injectable powders (72.9%). Because Antibiotice has been building the largest plant for solid and semisolid topicals from Europe, our strategy focuses on maintaining the leader status in the segment of topical products (creams, ointments, gels) intended especially for dermatological, inflammatory musculoskeletal and peripheral vascular disorders;
- ranks sixth in the segment of generics and OTCs (4.53% market share) and the 20th in the total pharmaceutical market (a 1.89% market share).
- ranks 16th (among 230 companies) as a manufacturer of non-prescription medicines (OTCs) and dietary supplements;
- ranks first in the relevant market of prescription and non-prescription medicines (OTCs, food supplements, medical devices) with a 15.7% market share.

In 2019, the Antibiotice portfolio was promoted to scientific events organized in partnership with the main medical professional bodies. Promotional actions were also carried out for health professionals, doctors and pharmacists, which 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 dietary supplements.

These events promoted our products belonging to the following portfolios: Hospital & Partners, Dermatologicals as well as the Quality of Life, the latter including the Women's Health and Nutriensa concepts.

Hospital&Partners is the portfolio for hospitals, the promotion focusing on the development of good practices in the use of antibiotics, supported by the campaign "Antibiotics of the Third Millennium".

"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. Quality of life = prevention + treatment to maintain a normal biological condition.

In this context, our company's portfolio comprise, under the "Quality of Life" concept, therapeutic solutions for different conditions in the following areas: cardiovascular, genito-urinary, musculoskeletal, dermatology, digestive tract as well as remedies designed to maintain the body's homeostasis such as dietary supplements.

"Women's Health" - by the Women's Health 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.

Nutriensa® - Nutriensa® is an umbrella brand for the dietary supplements manufactured by Antibiotice from highest quality ingredients, in unique combinations, to maintain the health of each system of the human organism: central nervous system, digestive tract,

peripheral vascular system, musculoskeletal system: Equilibra®, Fezivit C®, Fluxiv® tablets, Fluxiv® cream, Lejer®, Silithor®, Soriso®, Sprinten®.

All the dietary supplements manufactured by Antibiotice are based on the experience of our researchers being manufactured to quality standards met for the medicinal products.

Our company's **business** expands successfully in the domestic and international markets by a sustainable portfolio developed through investments in new products created on our own research-development premises, in accordance with the current therapeutic trends.

Our company's strategy regarding the product portfolio is mainly oriented to highly efficient therapies supported by medicines that proved their quality over the last 64 years, but also to products aimed at maintaining the well-being and health of the population.

- 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 2015**. The products under research will complete the following classes of the Antibiotice portfolio: anti-infectives (sterile oral and injectable powders), dermatological, cardiovascular, non-steroidal anti-inflammatory products, medicines for the digestive system and medicines for women's health.

The products under research in 2019 included a number of 15 projects that, during the past year, went through different stages of research:

- a project for a sterile injectable powder;
- four projects for topical products;
- ten projects for oral solid products.

Moldamin - injectable product, the first recommendation in the prevention of acute joint rheumatism and rheumatic carditis.

2019 meant the completion of the research project, obtaining of the Marketing Authorization and resumption of the manufacture of Moldamin®, a recognized brand lasting for almost 60 years in our company's portfolio. Moldamin® returns in the medical

practice, in a new formula, made according to modern formulation principles, containing the same active substance, benzatin benzyl penicillin, but other excipients. Moldamin® is a prolonged-action penicillin and is the first-line medicine in infections where it is necessary to provide prolonged antibiotic concentrations, such as in respiratory infections (streptococcal angina - red in the neck, otitis, sinusitis), venereal diseases (syphilis), skin infections (erysipelas). It is also the first recommendation in the prevention of acute joint rheumatism and rheumatic carditis.

The research projects for topicals focus on products for dermatological use, local anti-inflammatory/anti-infective/anesthetic products and medicines for women's health.

Of the ten research projects for oral solid products, four are food supplements that will complement the portfolio of products aimed at improving and maintaining the well-being and health of the population.

Increasing our international sales by authorizing new products

In order to extend its presence in the international market, our company obtained five new Marketing Authorizations (MA) for the Antibiotice medicinal products which are to be traded in the territories from Asia and Europe.

Several products have been also optimized in accordance with the requirements in the territories where our company has representative offices. We refer to 5 products in the form of sterile injectable powder, two topical products and four oral solid medicines which will receive the MA within the next 4 years.

Pharmacovigilance

Monitoring the effectiveness and safety in the administration of medicines for which Antibiotice holds marketing authorizations (MAs), is part of a continuous process, carried out through our internal Pharmacovigilance Department. Our pharmacovigilance system is connected to EudraVigilance (the European network for processing data on medicine safety) and permanently updated, in accordance with the European Community legislation.

In 2019, Antibiotice monitored the safety of the medicinal products for which it holds marketing authorizations through the following actions:

- maintained and updated the database with information related to the products authorized in Europe;

- collected and evaluated the reports on the medicinal products suspected by adverse reactions;
- elaborated risk management plans;
- reported periodically the updated data on the medicine safety.

Center for Clinical Studies

In 2019, our Center for Clinical Studies (a research unit authorized by the Ministry of Health) conducted bioequivalence studies but also efficiency studies, instrumental tests and several projects for developing and validating analytical methods, necessary to support the research plan.

Clinical bioequivalence studies certify that the generic medicines developed by Antibiotice SA are therapeutically equivalent to the innovative reference medicines, according to the European and national requirements on the Good Clinical Practice and Good Laboratory Practice for medicinal products of human use.

Two bioequivalence studies were completed in 2019. One of them was conducted for an external partner, the other one (carried out in four stages), was conducted for an Antibiotice product.

A first clinical study for an Antibiotice topical product was also initiated in 2019 in partnership with several clinical centers in the country. This product has a valuable potential of development in the Antibiotice territories (where the company opened its own representative offices) and in the assimilated areas.

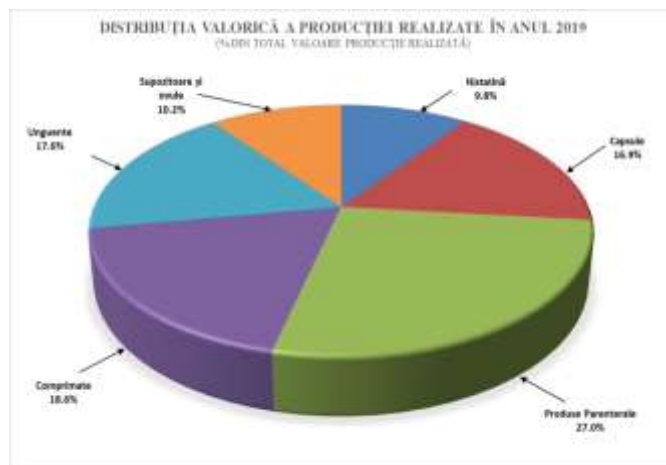
- Complex manufacturing structure adapted to international quality standards (GMP and FDA)

The Antibiotice's product portfolio is manufactured on the most complex manufacturing structure in Romania which comprises 8 distinct manufacturing sites for sterile injectable powders, capsule, tablets, topical products (ointments, creams, gels), suppositories, pessaries and the active substance Nystatin.

Our 2019 production materialized in 546 million pharmaceutical units, 21 million pharmaceutical units more than in 2018 (525 million pharmaceutical units).

The total value of the production made in 2019 was 394.4 million LEI, up 9.5% compared to the previous year.

2019 Production breakdown in terms of value:



Starting with February 2019, the manufacturing processes were harmonized with the serialization process of the prescription medicines, in accordance with the EU Directive 62/2011, a mandatory condition for the marketing of medicinal products.

New products manufactured in 2019

In 2019, our company launched in manufacturing four new products from the following therapeutic classes:

- Anti-infectives for systemic use: Moldamin 1200000 IU for injection, Levofloxacin 500 mg tablets;
- Cardiovasculars: Nolet 5 mg tablets;
- Food supplements (for digestive tract): Lejer capsules.

➤ Medium and long-term development through investments

The investments made in 2019 amounted to 65,539,962 LEI, as follows:

I. Investments in new manufacturing sites - our company continued to build a new production capacity for topical products (ointments, creams, gels) and suppositories

This investment totaling about 20 million EUR started in 2017 and consists of the construction of a fully equipped production capacity according to the EU-GMP (Good Manufacturing Practice) and FDA (Food and Drug Administration) requirements. This investment is performed according to the established schedule, so that in the latter part of 2020 it will enter into the authorization process.

The new manufacturing plant will provide modern conditions for manufacturing medicinal products in compliance with the legislative and pharmacopoeia requirements necessary for their registration and marketing in all the regulated markets. Capacity of the plant will be 540 tons/year, from which 388 tons/year ointment mass (10 million tubes with an average mass of 40 g/tube) and 152 tons/year suppository mass (76 million suppositories with an average mass of 2g/suppository).

II. R & D investments

From the total amounts invested in 2019 by our company, 8.18 % was oriented towards the research-development activity.

The research represents one of the most dynamic activities within our company, experiencing permanent changes and an upward evolution.

The research-development investment program includes 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.

III. Investments for modernizing the existent manufacturing sites consisted in the purchase of production and laboratory equipment, installations for revamping the manufacturing flows and represented 10.60% of the total amount invested in 2019.

We purchased last generation manufacturing equipment, with a higher productivity, low energy consumption and high degree of safety in operation.

IV. Investments in the Integrated Management System (1.99% of the amount invested in 2019) for the product quality control (through the acquisition of state-of-the-art equipment for ensuring the quality control of manufactured products to international standards); environmental protection (in order to comply with the legal requirements regarding the protection of the environment); occupational safety and health (aiming to continuously improve the **employees'** working conditions and the labour health and safety).

V. Investments for rehabilitating the industrial site (24.26% of the total amount invested in 2019): reintegration into the industrial circuit of land released after the demolition of the old plants; rehabilitation of the buildings (both manufacturing plants and auxiliary buildings); modernization of the transport and storage infrastructure (investments in the car fleet, storage areas); modernization of the utilities production, distribution and maintenance infrastructure (so that savings to be achieved by reducing consumption and eliminating losses).

➤ Procurement - an important link in the value chain

Procurement represents an important link in the value chain that generates favorable conditions for the long term development of our business, bringing its contribution to the profitability of the company. The activity is organized to meet the needs of the company, developing business relationships both with the suppliers from Romania and from the intra- and extra-community areas. In the context of an increased complexity and competitiveness in the world pharmaceutical market, Antibiotice has demonstrated its ability to build and maintain stable, ethical and trustworthy business partnerships with its suppliers for its own benefit and for the benefit of its employees, partners and not least of the Romanian economy in general.

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

The staff involved in the procurement activity has:

- to comply with the regulations and legislation in force on the procurement procedures;
- to treat impartially the suppliers in the selection process, offering them competitive contracting opportunities;
- to meet the efficiency and efficacy criteria in the supplier selection process;
- to secure the purchasing sources, by making the medium and long-term partnerships transparent and predictable;
- to diminish the risks throughout the acquisition chain, in order to ensure the continuity of the company's operations;

- to generate competitive advantages, by identifying and optimizing the suppliers' capabilities (technology, production facilities, know-how, staff experience and professionalism).

Professionalism, ethics, flexibility, interdisciplinarity and cost optimization are essential attributes of procurement departments for ensuring a sustainable future of their companies.

3. Optimizing the operating costs and increasing the operating efficiency

Global result statement

Indicator	31.12.2018	31.12.2019	31.12.2019/ 31.12.2018
1	2	3	4=3/2
Sales income	364,576,46	389,710,740	1.07
Other operating revenues	45,405,000	33,008,685	0.73
Income related to the cost of product	-1,259,715	4,564,960	-3.62
Income generated by the entity and capitalized	3,489,144	4,660,869	1.34
Expenditure on raw materials and consumables	138,844,375	146,016,104	1.05
Staff costs	90,864,735	102,852,132	1.13
Amortization and depreciation expenses	20,237,870	21,416,603	1.06
Other operating expenses	122,951,124	121,652,509	0.99
Operating profit	39,312,791	40,007,906	1.02
Net financial income	-4,224,180	-4,828,013	1.14
Pre-tax profit	35,088,611	35,179,893	1.00
Income tax and other taxes	784,823	4,356,615	5.55
Profit	34,303,788	30,823,278	0.90

In 2019, the value of sales income was 389.71 million LEI, by 7% higher than the value recorded in 2018. The value of other operating income amounted to 33 million LEI, by 27 % lower than the value recorded in 2018.

Income generated by the entity and capitalized amounted to 4.66 million LEI, by 33% higher than the value recorded in 2018.

These results made it possible to promote a new payroll system, which sought to correlate the benefits with each employee's performance level. This increased the staff costs to 102.85 million LEI, by 13 % higher than the value recorded in 2018 (90. 86 million LEI). This measure highlighted once again how important the human resources are for our business.

Amortization and depreciation expenses amounted to 21.42 million LEI, by 6 % higher than the value recorded in 2018. In 2019, our company highly invested in the new Ointment & Suppository Plant, but being an ongoing investment, the impact on depreciation expense will be reflected after the investment is put into service.

In the structure of other operating expenses, the value of energy and water expenses increased by 19%, from 9.3 million LEI to 11.1 million LEI, an increase due to the electricity tariffs. Our contribution to the finance of some health expenses (claw-back tax) increased by 12.9% as well.

The value of net financial income was negative, due to higher financial expenses represented by the interest paid for the contracted bank credits, in comparison with the financial income.

As a result of the revenues and expenses recorded, the gross profit registered in 2019 amounted to 35.18 million LEI, about the same level as the one recorded in 2018.

The amount of 77.39 million LEI, representing the gross profit and the claw-back tax for 2019 was by 8% higher than in 2018 (71.57 million LEI) this proving the process improvement.

The value of the expenses with the profit tax and other taxes was higher in 2019 compared to 2018 as a result of the reduction of the fiscal facilities, determined by the diminution of the non-taxable income and profit invested in the acquisition of technological equipment, electronic computers and peripheral equipment, home, control and invoicing appliances, computer programs, as well as for the right to use computer programs.

As a result of the recorded revenues and expenses, net profit in 2019 amounted to 30.8 million LEI.

Total assets recorded on 31.12.2019 amounted to 794.02 million LEI, by 12% higher compared to the value recorded on 31.12.2018, as shown by the financial position statement. In their structure, tangible assets rose significantly by 17%, as a result of the intense investment process carried out in 2019 for building the new plant for topical products.

The value of stocks recorded on 31.12.2019 was higher by 14% compared to the previous year as a result of the purchase of raw materials necessary for additional production made by the existent Ointment & Suppository Plant to ensure the continuity of sales during the period when the transition from the current flow to the new manufacturing flow will be done.

The value of commercial and similar receivables recorded on 31.12.2019 was by 8 % higher compared to the value recorded in 2018.

Consistent with the value of total assets, the value of equity and debt increased by 12% compared to the value recorded on 31.12.2018.

In their structure, a significant increase of 114% was recorded to the long-term bank credit, necessary to provide the financial resources for building the new manufacturing plant and purchasing the necessary equipment for compliance with the serialization requirements.

Financial Position Statement

INDICATORS	31.12.2018	31.12.2019	31.12.2018/ 31.12.2019
1	2	3	4=3/2
ASSETS			
FIXED ASSETS			
Tangible assets	310,640,665	363,616,611	1.17
Intangible assets	15,028,716	16,385,709	1.09
TOTAL FIXED ASSETS	325,669,381	380,002,320	1.17
CURRENT ASSETS			
Stocks	64,964,662	72,573,359	1.12
Trade and similar receivables	313,094,458	338,159,774	1.08
Cash and cash equivalents	2,376,682	1,877,409	0.79
TOTAL CURRENT ASSETS	380,435,802	412,610,542	1.08
TOTAL ASSETS	706,105,183	792,612,862	1.12
LIABILITIES			
CURRENT LIABILITIES			

Commercial and similar debts	67,171,084	63,785,810	0.95
Amounts owed to credit institutions	100,729,229	125,875,879	1.25
Debts from current taxes	10,421,393	13,267,396	1.27
Short-term provisions	0	7,149,401	
Subventions for investments	637,008	0	
TOTAL CURRENT LIABILITIES	178,958,714	210,078,486	1.17
LONG -TERM LIABILITIES			
Subventions for investments	2,489,791	3,079,169	1.24
Deferred tax	25,266,930	25,531,938	1.01
Amounts owed to credit institutions	26,662,433	57,080,354	2.14
TOTAL LONG-TERM LIABILITIES	54,419,154	85,691,461	1.57
TOTAL LIABILITIES	233,377,868	295,769,947	1.27
Share capital and reserves			
Share capital	264,835,156	264,835,156	1.00
Revaluation reserves	53,459,597	50,804,319	0.95
Legal reserves	13,426,761	13,426,761	1.00
Other reserves	190,422,002	200,655,367	1.05
Retained earnings	-60,182,699	-56,432,683	0.90
Distribution of profit	-23,537,290	-7,269,283	0.27
Current result	34,303,788	30,823,278	0.89
TOTAL EQUITY	472,727,315	496,842,915	1.05
TOTAL CAPITALS AND LIABILITIES	706,105,183	792,612,862	1.12

Subsidies for investments were included in the long-term debt, representing the amounts collected in 2019 for the project: **„Modernization of Energy Consumption in Industrial Consumers”,** co-financed from European funds, with the objective of reducing the specific energy consumption. Their value recorded on 31.12.2019 was 3.08 million LEI, by 24% higher than the one recorded in the previous year.

The amounts owed to credit institutions on 31.12.2019 amounted to 182,956,233 LEI, of which:

- amounts due in the short term: 125,875,879 LEI;
- amounts due in the long term (interest included) 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	50,000,000 LEI
Maturity	16.08.2020
Balance at December 31, 2019	54,330,807.68 LEI
Guaranties	Mortgage contract for buildings, land / Contract for assignment of receivables

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

Objective	Capital investment loan
Amount	15,406,300 EUR
Maturity	02.05.2028
Balance at December 31, 2019	11,943,245.63 EUR (57,080,353.84 LEI)
Guaranties	Mortgage contract for buildings, land / Contract for assignment of receivables

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

Objective	Credit line - working capital
Amount	30,000,000 LEI
Maturity	24.06.2020
Balance at December 31, 2019	29,592,915.74 LEI
Guaranties	Mortgage contract for buildings, land / Contract for assignment of receivables

Short-term contract no. 12239/22.05.2012 concluded with ING BANK N.V. AMSTERDAM - Romania Branch

Objective	Credit line - working capital
Amount	9,500,000 EUR
Maturity	22.05.2020
Balance at December 31, 2019	24,021,730.10 LEI 3,251,946.88 EUR (15,542,029.72 LEI) 560,551.01 USD (2,388,395.74 LEI)
Guaranties	Mortgage contract for buildings, land / Contract for assignment of receivables

Cash flow

Cash and cash equivalents at the beginning of 2019 were -98.35 million LEI, representing lines of credit worth 100.73 million LEI of which 2.38 million LEI remained available in the bank accounts from the amounts drawn from the credit lines. The cash receipts from the operating activity were 363.06 million LEI. Cash payments to suppliers of goods and services were 203.13 million LEI, and those to and on behalf of employees were 89.95 million LEI.

Our company made payments amounting to 7.88 million LEI representing income tax, local taxes, bank interests and 69.18 million LEI for the acquisition of fixed assets. The amounts paid to the state budget representing the contribution for financing some health expenses (clawback tax) were 41.91 million LEI.

As regards the financing activity, dividends of 6.15 million LEI were paid.

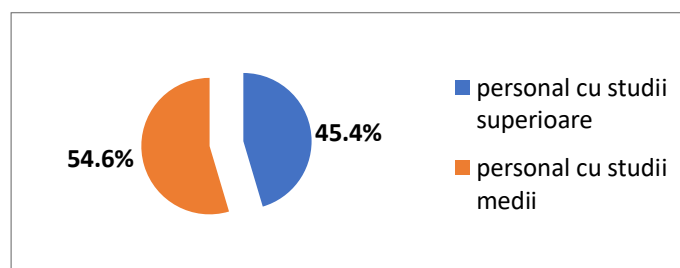
At the end of the period the cash and cash equivalents were 123,99 million LEI, representing credit lines for the current activity (125.87 million LEI) of which 1.88 million LEI remained available in banks from the amounts drawn from the credit lines.

On 31.12.2019 our company did not register overdue obligations to the state and local budgets.

4. Motivating the human resources and providing them with the necessary skills to achieve the strategic directions

The human resources policy applied in Antibiotice promotes the diversity and equal opportunities in recruiting, selecting and integrating the employees. Our staff benefits from all the rights deriving from the law, our company offering fair and equitable conditions of work and professional development.

At the end of 2019, our 1415 employees were distributed by level of education, as follows:



Higher education staff: 45.4%

Secondary education staff: 54.6%

Distribution of employees by gender and age in the Antibiotice company:

Age range	20 -30	30 - 40	40 -50	50 - 55	>55	Total
Women (%)	4.37	12.46	19.70	12.61	6.09	55.23
Men (%)	3.15	8.88	16.76	8.45	7.53	44.77
Total	7.52	21.34	36.46	21.06	13.62	100.00

Antibiotice SA ensures a fair and non-discriminatory treatment at the workplace. Proper conditions were created for a number of 11 employees with disabilities to carry out their activity, benefiting from facilities in accordance with the applicable legal provisions.

In order to achieve the objectives set in the multiannual strategic plan, the human resources management activities have pursued the fulfillment of the following specific objectives:

To identify and attract qualified staff for ensuring the optimal professional structure.

This objective was supported by continuing the projects for promoting the employer brand towards the target audience:

- Perform a+, the 4th edition, a project for practical training and personnel selection, through partnership with the University of Medicine and Pharmacy Iasi. The edition held in 2019 attracted 10 participants. To date, of the 42 students who followed Perform a+, 12 are employed in the company, in research, production and quality assurance.
- Summer school a+, the 10th edition, organized in partnership with the university centers of Iasi to identify future specialists to be selected for the recruitment sessions on the vacant positions in research - development, quality assurance, quality control and pharmaceutical production. The program, which has become a tradition, offers participants the opportunity to become familiar with the working environment, concepts and regulations of the pharmaceutical industry. About 400 students and graduates participated in the ten editions, of which 46 are employed on the vacant positions in our company.
- Partnerships established with pre-university educational institutions, Petru Poni Technological High School and Technological High School of Mechatronics and Automation

Iasi, for internships in our company. In 2019, within these partnerships, the Iasi County School Inspectorate approved the organization of a dual education project that will ensure the preparation of 15 students for the profession of chemical operator for medicines and cosmetics and 10 students for the profession of electrician in the 2020-2021 school year.

Development of professional skill training programs

The training programs focused on the continuous professional training of our staff but also on developing the necessary professional skills of our new employees. In 2019, the training courses for our employees were grouped in three main directions, as follows:

- Training courses for developing the professional competences - aimed at improving the specific professional skills: risk assessment, audit, chromatographic analyses and automation elements.
- Training courses for developing the management skills
 - The **“Time Management”** course for the staff with management and/or coordination positions in the following departments: Engineering & Service, Research - Development, Financial, Human Resources, Commercial & Logistics, Marketing & Domestic and International Sales.
 - **“Project Management”** course for our employees from various departments involved in managing the projects in our company.
- Trainings for obtaining professional certificates

Through the specific of the activities, trainings and certifications for the employees with responsibilities on technical equipment and installations, are monthly organized by ISCIR, ANRE, INSEMEX.

500 employees were included in 2019 in training programs with external lecturers. These programs followed the above-mentioned three directions, totaling 8,566 hours.

The average number of training hours with both external and internal lecturers per employee was 37.5 compared to the planned 35 hours.

Complementary, in 2019, a multidisciplinary pilot training project with internal lecturers was carried out, having as a target audience specialists from the Marketing & International Sales Unit. After identifying the training needs, internal courses on legislation and medicine authorization procedures were conducted. The program will continue in 2020 with quality assurance training courses and will evaluate the possibility of extending the pilot project to other teams.

Strategies and measures to increase our employees' motivation

Actions were initiated in 2019 to improve the employee motivation system. Currently, this system has been containing a fixed and a variable component, in direct correlation with each employee's performance.

The reward system was redesigned following the development of the analysis project based on the hierarchy of positions, depending on their complexity and the current payroll system, compared to the levels of similar positions in the labor market. Our company also established through an Addendum to the Collective Labor Agreement, a program for aligning the wage levels that have to be carried out in several stages, of which the first stage took place starting with January 2019.

Along with the actions of attracting new staff and training our employees, the staff retention and motivation is very important for Antibiotice. Adapting the reward system and creating a consistent financial and non-financial motivation policy for employees aim at increasing **our employees'** satisfaction and improving the staff retention. Employee turnover (only the employees leaving our company voluntarily) was 4.6% in 2019, lower than the estimated percentage.

Ensuring a favorable working environment and an organizational culture oriented to innovation and performance

For achieving this objective, our company elaborated the 2019-2020 Action Plan for improving the organizational climate, following the results of the study conducted in 2018 for measuring our employees's degree of satisfaction related to the positions occupied.

The Action Plan aimed at developing new communication channels, organizing internal events to ease and develop the interpersonal communication, improving the conditions in the common social areas of the production plants.

In order to monitor the evolution of the climate and satisfaction indicators, the diagnostic study will be resumed annually, the employee job satisfaction being a strategic indicator for our management.

5. Quality management in line with the legal national and international requirements specific for the pharmaceutical industry

The quality of our products is ensured by processes that comply with the latest good manufacturing practice requirements at European level, all of our eight manufacturing flows being EU GMP certified. The manufacturing flows for sterile injectable medicinal products and for the active substance Nystatin are also certified by the Food and Drug Administration (FDA), the American authority in the field of medicine and food safety.

The implementation of all the regulatory requirements and evaluation of the quality management system by the regulatory authorities and partners from all the areas of the world, result in maintaining the level of quality, efficiency and safety of the medicines produced by Antibiotice.



The trust capital in the Antibiotice products' quality increases by meeting the Good Manufacturing Practice requirements and by permanently monitoring and improving the Integrated Management System implemented in our company that was recertified by TUV Rheinland Romania (02.12-05.12.2019).

- Quality, ISO 9001:2015,
- Environment, ISO 14001:2015,
- Occupational health and safety, OHSAS 18001:2017

Certified quality

Quality of the Antibiotice products was proved by the results of the inspections and audits conducted in 2019:

- **Inspections** conducted by authorities:
 - Inspection conducted by the Russian regulatory agency (STATE INSTITUTE OF DRUGS AND GOOD PRACTICES - Ministry of Industry and Trade of the Russian Federation), for certifying the manufacturing flow of suppositories, to support the re-authorization of the medicines manufactured on this flow in Russia (29-31.01.2019);
 - Inspection conducted by the National Agency for Veterinary and Food Safety, for assessing the compliance of the Quality Management System implemented in Antibiotice and of the manufacturing flows of veterinary medicines (parenterals and ointments) with the Good Manufacturing Practice requirements. The regulatory body issued the GMP certificate for the above-mentioned manufacturing flows (01-03.04.2019);
 - NAMMD inspection for evaluating the compliance of the Quality Management System implemented by Antibiotice and of the manufacturing flows of the parenteral products and the active substance Nystatin with the Good Manufacturing Practice requirements. (07-11.10.2019).
- Audits conducted by our customers:
 - three audits for requalifying the manufacturing and control flow of Nystatin;

- Antibiotice was audited as an API supplier. All the three audits were completed without finding non-conformities, the requalification of our company as an API supplier being recommended.
 - the parenteral manufacturing and control flow was audited for requalifying Antibiotice as a supplier of finished products. The audit was completed without finding critical non-conformities, the requalification of our company as a supplier of parenteral products being recommended.
- Audits conducted by our specialists to the premises of our suppliers of raw materials/ primary packaging materials/ finished products. These audits were conducted in compliance with the 2019 Annual Audit Plan: one of them to an API manufacturer for requalifying it as a supplier of non-sterile active substances and the other one to a contract beneficiary. No non-compliances were identified.

Environmental responsibility

Antibiotice has an Environmental Protection Department in charge of the pollution prevention and continuous improvement of the environmental performance, acting in order to comply with the requirements of the environmental legislation. By obtaining the Integrated Environmental Authorization no. 1/10.01.2011, issued by the Regional Environmental Protection Agency Bacau (revised in 2018 and valid for 10-year period), Antibiotice proves that it is a company that meets the environmental requirements related to the emissions of pollutants in air, water and soil, being below the limits provided by the applicable norms in the field. Our company obtained also the Water Management Authorization no. 303/20.12.2010 issued by the National Administration of Romanian Waters, Basin Water Administration Prut- Barlad (valid until 31.12.2020).

In order to comply with the environmental protection legislation, our company provided the necessary specific equipment and qualified personnel. The entire activity is regulated by operating procedures of the environmental management system and specific working instructions.

The environmental factors were monitored according to the requirements of the Integrated

Environmental Authorization, both through our own laboratories and through a laboratory authorized by the Romanian Accreditation Association (RENAR).

- Specific consumption and use of energy

The activity developed in the Biosynthesis Plant that produces the active substance Nystatin falls within the scope of the European Directive for Integrated Pollution Prevention and Control (IPPC). In 2019, the Biosynthesis Plant was within the planned specific consumptions.

- Air quality

In 2019, our own laboratory monitored the air quality conducting analyzes regarding emissions / imissions of air pollutants for nitrogen oxides, ammonia, suspended powders and sedimentable powders.

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

Also, we express a permanent concern for reducing the effects of emissions of technological odors, by their supervision and monitoring, as well as by using different technical solutions to limit them (filter equipment).

- Water quality

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

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

- Soil protection and groundwater

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

Quality of the groundwater was monitored by monthly collecting and analyzing the samples obtained from the perimeter observation wells. There was no accidental pollution or

environmental incident leading to the degradation of soil quality in the area of influence of the company's activity.

- Waste management

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

The recyclable waste were sold to the authorized economic operators.

The non-valuable waste was incinerated in our own incineration plant or stored to the municipal landfill.

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

Occupational health and safety

By maintaining and developing an effective occupational health and safety management system within the company we create an optimal framework for managing and eliminating work-related risks, as well as for improving the environment and the relationships between employees.

The principles and measures of the occupational safety system are established and followed, through the Prevention & Protection Plan, by the Occupational Safety and Health Committee (CSSM), organized in our company.

In 2019, the Prevention & Protection Plan included several measures aimed at permanently improving the working conditions and prevention of work accidents and occupational diseases.

Thus, 3 meetings of the Safety & Health Committee were organized and the representatives of the Work Safety Committee were consulted for identifying new professional risks as well as granting / replacing the work and protection equipment and all the measures included in the Prevention & Protection Plan, as follows:

- in order to reduce the physical effort, the Parenteral Product Plant and the Storage Department were equipped with electrical equipment for transporting and lifting the raw materials and the finished product.
- in order to reduce the exposure to chemical agents, the chemical reagents from the laboratories of the Research & Development Unit were transferred in exhaust reagent cabinets (which ensure a constant aeration) and are fire-resistant.

Our company took also actions to inform and raise awareness of its employees on topics regarding the aging in health conditions and prevention of the health problems during their professional life.

Antibiotice - a responsible company involved in the sustainable development of the community

Development of a sustainable business, ethics and transparency, economic, social and environmental impact of the Antibiotice company represent strategic directions followed also in 2019. Acting sustainably, Antibiotice creates long-term value for both itself and stakeholders while respecting the environment, being concerned about the health and safety of its employees, supporting the community in which it operates.

“Responsible for a better life” is the concept through which Antibiotice elaborated in 2019 its second non-financial report (<https://bit.ly/2ttuAuT>). The document, which reflects the construction of a performing and responsible company for all the categories of stakeholders, represents a transparency step, including relevant data that contribute to the understanding of the company's environment, economic and social footprint. In this way, another dimension of the company's performance is presented, that of the value and impact it creates by assuming good practices in all its areas of activity.

Within the legal term imposed by the Order of the Minister of Public Finance 1938/2016, Antibiotice SA undertakes to publish the 2019 Non-Financial Report, which will be made available to the public on the company's website (www.antibiotice.ro).

In terms of community involvement, this is achieved through social responsibility programs based on four strategic pillars: health, education, environment and social matters.

1. Health

We develop social responsibility programs to improve the health of our employees, but also the health of the community in which we operate. These programs have been developed to educate and inform the population about health prevention

1.1. **" Donate blood! Put your soul to life! "-** a voluntary blood donation campaign

Under this urge, the Antibiotice employees have participated since 2010, in the blood **donation campaigns, organized internally, by the "Science and Soul" Foundation** in partnership with the Regional Blood Transfusion Center (CRTS) Iași. Performed biannually, this action responds both to the need to increase the blood reserves needed in hospitals and to the employees' desire to do a good deed for their fellow citizens, donating blood to solve the urgent medical cases.

Our company organized two campaigns **"Donate blood! Put your soul to life!"** on April 7, 2019, on the occasion of the World Health Day and on October 2019. A number of 120 Antibiotice employees donated 60 liters of blood, saving this way 300 lives.

The "Science and Soul" Foundation was awarded three times in 2019 for its efforts to continuously organize (9 years in a row) blood donation campaigns in which Antibiotice employees were the donors. Our Foundation received the first prize for this program within the CSR Awards Gala organized by CSR Media and the Blood Donor Gala organized by the **Voluntary Emergency Service Iași**. The Foundation was also given the "Rescue Hero" distinction granted by the National Institute of Transfusion Hematology Bucharest.

1.2. "Each of us can save a life!" - first aid courses for the Antibiotice employees

First aid courses make the difference between life and death and health education increases a person's chances of survival if those around him/her know how to intervene until the ambulance arrives.

To this end, for the second year in a row, our company organized, on the occasion of World Heart Day, a first aid course attended by 100 employees willing to learn the basic first aid measures. This action was carried out in partnership with the Emergency Receiving Unit of

SMURD Iasi and Emergency Medicine Department within Gr. T. Popa University of Medicine and Pharmacy.

The campaign entitled "Each of us can save a life!" was awarded at the Romanian CSR Award 2019 Gala in the "Support for employees" category and promotes the responsible behavior among the Antibiotice employees.

2. Education

We invest, with science and soul, in the education of young people who, like our employees, can be highly performant in their career and become responsible behavior models. We recognize and support the role of the local community in forming and developing the company's main source of value - the well trained people.

2.1. **„Science and Soul” Scholarships** - an annual scholarship program for supporting 5 pupils from the rural area

For 18 years running, through its **“Science and Soul” Foundation**, Antibiotice has been supporting together with the Pro Ruralis Association 5 pupils from the rural area by granting them annual scholarships. This way, our company contributes to the education of children with special abilities and a higher intelligence coefficient but without material possibilities, supporting them to continue their studies at the secondary and high school, thus giving them the chance for professional achievement and personal development.

3. Environment

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

3.1. Be Pro-Nature! Put your Soul! This is an environmental protection project encompassing more programs developed by our company in 2019:

- **“Orchard at school”** is a program through which, year by year, the volunteer employees from Antibiotice plant a fruit orchard around the rural schools. Thus, in the month of April, 70 volunteers from Antibiotice planted fruit trees at the Day Care Center for children at

risk in the Cornești Village, Miroslava commune as well as at the "Constantin Păunescu" Special Gymnasium School Iasi for pupils with different mental disabilities.

In 2019, in addition to its mission of instilling respect for environment in the young generation and maintaining a healthy lifestyle, the "Orchard at school" project also aimed at offering therapy activities for children with special needs such as planting and caring the young orchard.

- **"We plant oxygen in the community"** is a tree planting program for our employees that involved the greening of an area near the company. Thus, in November 2019, 60 volunteer employees from Antibiotice planted 200 saplings in the immediate vicinity of our company.
- Earth Hour - our company's participation in the Earth Hour campaign is part of the program "Be Pro-Nature! Put a soul!" and involves the symbolic turning off the non-essential electric lights in our company for one hour.

2019 was the 11th consecutive year in which Antibiotice symbolically turned off the lights inside its facilities, joining this way the Earth Hour campaign, the largest environmental manifestation of all times, which draws attention to the effects of global warming and to the measures to be taken, at any level, to stop the phenomenon.

4. Social matters

Antibiotice, through the "Science and Soul" Foundation engages itself in the community life by supporting disadvantaged groups through social programs, some of which have become traditional.

4.1. "Power of deed"- Charity in the Easter holidays

Around Easter, the **"Science and Soul" Foundation** made a humanitarian gesture for 23 **needy families, which together have 121 children, from remote localities of the Iași County (Zmău Village, Lungani Commune, Dumești and Cosițeni villages from the Dumești Commune)**. Each family received a package containing basic foods, traditional products, cleaning products and stationery for children.

4.2. We prepare the Future - Celebration of the International Children's Day at the Antibiotice headquarters

It has already become a tradition for Antibiotice to offer gifts every year to the employees' children on the occasion of the International Children's Day. In 2019, the company offered the children the opportunity to enter the traditional Moldavian world full of life and humor created by the greatest Romanian storyteller, Ion Creangă. The children were invited to the "Amintiri din copilărie" show held at the National Athenaeum in Iași.

4.3. „Be generous, Be Santa Claus!”

In 2019, for the seventh year in a row the “Science and Soul” Foundation organized the „Be generous, Be Santa Claus!” campaign in partnership with Pro Vita Department of the Iasi Archdiocese Mission Sector.

The campaign was organized for a number of 100 children from families with reduced material opportunities, from 12 rural localities of Iasi County.

The children aged between 1 and 13 expressed their wishes in letters addressed to Santa Claus. Their emotional rows animated our colleagues who became the Santa Claus's elves, fulfilling the children's wishes.

On December 18, 2019, Santa Claus rushed to appear at a festivity organized in our company. The kids enjoyed meeting him, many of them for the first time. As a sign of thanks, the little ones staged short artistic moments, singing Christmas carols.

IV Corporate governance

Antibiotice has been continuing the process of implementing the good corporate governance practices, strictly meeting the principles and recommendations of the Corporate Governance Code of the Bucharest Stock Exchange (CGC-BVB) that was adopted in 2012.

By applying these principles, our company makes its activities and processes more transparent and effective, offering this way in the long run the proper framework for maximizing the value of its shares and for increasing its attractiveness towards the investors.

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

The Antibiotice corporate governance system is based on the following pillars:

- Corporate Governance Code
- Code of Ethics
- General Meeting of Shareholders
- Management Board
- Advisory Committees
- Executive Management
- Internal audit, Inventory Financial Control and Risk Management

Corporate Governance Code

The Code of Corporate Governance of Antibiotice SA included the principles and recommendations of the Bucharest Stock Exchange and represents the tool through which Antibiotice implements these principles and recommendations.

The Corporate Governance Code creates the necessary framework for establishing strong relationships with the shareholders and stakeholders, as well as for an effective and transparent, trust-based communication.

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

Chapter I - Responsibilities of the Management Board

Chapter II - Risk Management and Internal Control System

Chapter III - Fair reward and motivation

Chapter IV - Investor relations

It also has two annexes:

Annex I - Management Board's **Rules of Procedure**

Annex II - Rules for evaluating the **Antibiotice's administrators**

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

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

Chapter III - Fair reward and motivation - establishes the general principles and conditions that are the foundation of the method for setting the level of remuneration for the Board **members and company's management team.**

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

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

The stage of compliance with the provisions of the new Corporate Governance Code of the BVB¹ 1 at December 31, 2019 is presented in Annex no.1 to this report.

Code of Ethics

The Code of Ethics of Antibiotice SA presents the ethical standards of conduct that **establish and regulate the corporate values, the company's business responsibilities and obligations** and how the company operates.

The Code of Ethics provides rules in the key areas relating to employees, human rights, environmental management, social responsibility and corporate governance.

The Code is binding and applies to all the structures and activities of the company.

The Code of Ethics is a fundamental commitment of our company to do its best in order to comply with the high ethical standards and applicable legal requirements wherever it operates.

The Code of Ethics is presented in detail on the website of our company:
<https://bit.ly/2oOfRHT>

General Meeting of Shareholders

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

During 2019, the Board convened two Ordinary General Meetings and two Extraordinary General Meetings of Shareholders, on *April 18, 2019 and September 10, 2019*.

All the necessary documents relating to the smooth conduct of the General Meetings were published in due time and as required by the law.

The Ordinary General Meeting of Shareholders of April 18, 2019 approved:

1. **the company's financial statements for the fiscal year 2018, based on the Management Report and Financial Auditor Report;**
2. distribution of the 2018 net profit, setting the gross dividend per share in value of 0.009991506 LEI/share and setting the payment date on 20.09.2019;
3. registration of the unclaimed and unpaid dividends for the financial year 2014 as revenues;
4. the 2019 Income and Expenditure Budget;
5. the degree of achieving the objectives and performance criteria for 2018 by the members of the Management Board;
6. the discharge of administration for the activity conducted in the fiscal year 2018, based on reports submitted.
7. **the objectives of the Management Board's members set in the 2019 Administration Plan;**
8. **setting the remuneration of the Management Board's members, according to the provisions of GEO no. 109/2011 on the corporate governance of public enterprises and GD no. 722/2016 for the approval of the Methodological Norms for the application of certain provisions of the Government Emergency Ordinance no.109 / 2011 on the corporate governance of public enterprises;**
9. modifying the composition of the Management Board by appointing Mr. Cristian Vasile Grasu in the position of interim administrator in accordance with the provisions of art. 641 of GEO no. 109/2011 on the corporate governance of public enterprises;
10. starting the process for selecting a new member of the Management Board, according to the provisions of the art. 64⁴ of GEO no. 109/2011 on the corporate governance of public enterprises and art. 4, para. 3 of GD no. 722/2016 for the approval of the Methodological Norms for the application of certain provisions of the GEO no.109 / 2011 on the corporate governance of public enterprises as well as the empowering of the Management Board to select the new administrator in accordance with the provisions of art. 29, para 2 of GEO no. 109/2011 on the corporate governance of public enterprises and art. 4, para. 5 of GD no. 722/2016 for the approval of the Methodological Norms for the application of certain provisions of the GEO no.109 / 2011 on the corporate governance of public enterprises.

The Extraordinary General Meeting of Shareholders of April 18, 2019 approved:

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

The Ordinary General Meeting of Shareholders of September 10, 2019 approved:

1. **the company's financial statements for the first semester of 2019, based on the Management Report and Financial Auditor Report.**
2. the appointment of Mr. Cristian Vasile Grasu as a non-executive administrator for a 4-year term, in accordance with the provisions of art. 29 of GEO no. 109/2011 on the corporate governance of public enterprises.

The Extraordinary General Meeting of Shareholders of September 10, 2019 approved:

1. the extension of the grace period and the period of use of the investment loan related to the IAS3-20-2018/03.05.2018 contract, concluded with Unicredit Bank until 30.06.2020.

2. the empowerment of Mr. Ioan Nani as General Director and Mrs. Paula Luminita Coman as Financial Director to sign on behalf of the company any additional document related to the present credit contract as well as any additional documents related to the credit contracts concluded with UniCredit Bank.
3. the empowerment of Mr. Ioan Nani as General Director - signature I and Mrs. Paula Luminita Coman as Financial Director - signature II to sign on behalf of the company the additional documents related to the facility contracts, the guarantee contracts and the related additional documents, the guaranteed promissory note, the requests for use/reimbursement, the requests for issuing letters of guarantee and opening letters of credit, in relation to ING Bank.
4. the establishment of the Antibiotice representative office headquarters in the Republic of Moldova at the following address: Office 705, 7th floor, with a total area of 62.20 **sqm., in the building located on 5/4 Dimitrie Cantemir Blvd., Chişinău, Republic of Moldova.**
5. the establishment of the Antibiotice representative office headquarters in Vietnam, at the following address: Room 807, 8th floor, Building 3A, 3 Lane 82 Day Tan, Can Giay District, City of Hanoi, Vietnam.

Management Board

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

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

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

In 2019, the Management Board met in 11 sedinte, registering a 100% presence each time, and adopted decisions that enabled it to carry out its tasks in an effective and efficient manner.

Thus, at the monthly meetings, the Board analyzed in detail the financial results obtained during the reporting and cumulative period from the beginning of the year as well as the economic performance in relation to the budget and compared to the similar period of the previous year.

The Board requested, depending on the situation, detailed explanations from the executive management related to the plans for increasing the production efficiency, investment plans, constituted provisions, liquidity management, operational and overall profitability. Following the detailed analysis of the results, the Board decided to approve them for publication and for sending them to the Bucharest Stock Exchange and the Financial Supervisory Authority, each time meeting the deadline included in the Financial Communication Calendar.

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

Management Board of Antibiotice SA on December 31, 2019

Dan Octavian Alexandrescu, Physician, 44 years old

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

At the Ordinary General Meeting of Shareholders held on September 29, 2018, Mr. Alexandrescu was elected as a member of the Management Board, for a 4-year period.

Mr. Dan-Octavian Alexandrescu is a primary physician with competence in laparoscopic surgery and the Coordinator of the Policy Directorate for Medicines and Medical Devices since March 2017.

Number of Antibiotice SA shares held - 0*

Ioan Nani, Economist, 60 years old

Executive member of the Management Board and General Director

At the Ordinary General Meeting of Shareholders held on April 19, 2016, Mr. Nani was reconfirmed as a member of the Management Board, for a 4-year period, the members of the Management Board electing him as the **Board's Vice President**.

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

Number of Antibiotice SA shares held - 1,513*

Cristian Vasile GRASU, Physiscian, 59 years old

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

At the Ordinary General Meeting of Shareholders held on September 10, 2019 Mr. Grasu was elected as a member of the Management Board, for a 4-year period.

Physician, Coordinator of the General Directorate of Public Healthcare of the Department for Monitoring and Coordination of Regional Hospitals, as well as of the priority actions of the Ministry of Health.

Number of Antibiotice SA shares held - 0*

Nicolae STOIAN, Economist, 63 years old

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

At the Ordinary General Meeting of Shareholders held on April 19, 2016, Mr. Stoian was reelected as a member of the Management Board for a 4-year period.

Mr. Stoian is a chartered accountant, tax consultant and financial auditor, representative of the Internal Control Department at SIF Oltenia.

Number of Antibiotice SA shares held - 0*

Elena CALITOIU, Engineer, 56 years old

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

At the Ordinary General Meeting of Shareholders held on April 19, 2016, Ms. Calitoiu was confirmed as a member of the Management Board, for a 4-year period.

Ms. Calitoiu is a mechanical engineer and Director of Placements & Risk Management Department, SIF Oltenia

Number of Antibiotice SA shares held - 0*

**Number of Antibiotice (ATB) shares held on December 31, 2019 according to the latest database owned by Antibiotice for 2019.*

Advisory committees

The specialized advisory committees in 2019:

- *Audit Committee:* Mr. Cristian-Vasile Grasu, Mr. Nicolae Stoian and Ms. Elena Calitoiu;
- *Nomination and Remuneration Committee:* Mr. Dan-Octavian Alexandrescu and Ms. Elena Calitoiu;
- *Trade Policy Committee:* Mr. Dan Octavian Alexandrescu and Mr. Nicolae Stoian.

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

In 2019, the Audit Committee met in three sessions in order to fulfill its responsibilities on financial reporting, external and internal audit, risk management and internal control.

Nomination and Remuneration Committee

In 2019, the Nomination and Remuneration Committee met in four sessions to evaluate **the administrators' activity and followed the procedure for selecting a Management Board member.**

The remuneration granted to the Management Board and Executive Management (General Director) in 2019 amounted to 4,233,682 LEI. This value represents the monthly fixed allowance and the variable allowance, according to the legislation in force:

- the monthly fixed allowance is established in accordance with the legal provisions, respectively the provisions of art. 37 paragraph (2) of GEO 109/2011
- the variable allowance is granted if the performance indicators and criteria included in the administration contracts and mandate contracts are properly fulfilled.

- The fixed and variable allowance for the Management Board members is approved by the General Meeting of Shareholders. The General Meeting of Shareholders also approves the general limits within which the directors with a mandate contract are remunerated; based on these general limits, the Management Board sets the remuneration of the directors with a mandate contract.

Executive management

Antibiotice is represented by the General Director, according to the powers provided by **law and by the company's Articles of Association. The Management Board represents the company** in relationship with the appointed directors.

The Executive Management of Antibiotice is ensured by the General Director who is also the Vice-President of the Management Board and nine specialty executives.

Internal audit, Financial inventory control, Risk management

The specialized internal control provided by the legislation in force is carried out by our own internal audit activity complemented by the financial inventory control and the inventory control.

The way of setting and achieving the objectives of the internal audit activity, the findings and recommendations resulting from all the internal control actions are presented quarterly to the Audit Committee within the Management Board, for assessing the activity and internal control exercised in the company.

So, in 2019, our specialized department conducted 10 audit missions having the following general objectives specific for each area:

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

The audit missions were carried out in compliance with the audit procedures, and internal audit reports were submitted to the General Director to be approved. The conclusions and recommendations of the audit reports were acknowledged by the audited structures.

The Internal Control Department monitored the implementation of the recommendations made during the internal audit missions. 50 recommendations were made in 2019. Out of 35 recommendations having as deadline 31.12.2019, 18 of them were implemented while for the remaining 17 an extension of the implementation deadline was requested.

As part of the inventory control activity, 21 inventory actions were carried out in 2019, involving the following structures:

- central warehouses for raw materials and consumables;
- places of consumption of raw materials and consumables where stock management is organized;
- departments where the inventory administrators were changed.

The inventory activity aimed at observing the legal framework established by the following normative acts:

- Accounting Law no. 82/1991, republished and updated;
- Law no. 22/1969 on the employment of warehouse operatives, the provision of guarantees and the liability for the management of goods;
- O.M.F. 2861 / 09.10.2009 for the approval of the Norms on organizing and performing the inventory of assets, debts and equity;
- Operating procedures, notes and internal decisions issued by the company's management.

The control actions found that the legal regulations and internal decisions regarding the stock management as well as the correspondence between the factual and the scriptic stocks as a result of the periodical check during the year between the quantitative and the quantitative-value evidence are properly observed.

The Financial inventory control actions in compliance with the provisions of G.D. 1151/2012, had the following objectives:

- to verify the compliance of the accounting registration of the economic-financial operations with the legal provisions;
- to verify if the Income & Expenditure Budget for 2018 was executed in compliance with the legal provisions;
- to verify if, in substantiating the draft of the Income & Expenditure Budget the legal requirements were met;
- to verify if the annual inventory of assets, liabilities and equity for the 2018 was made in compliance with the legal provisions and internal regulations;
- to verify if the receipts and payments in LEI and foreign currency, of any kind, in cash or by transfer were made in compliance with the legal provisions and internal regulations;
- to verify if the elaboration, circulation, preservation and archiving of primary, accounting and technical-operative documents were made in compliance with the legal provisions and internal regulations;

The financial inventory control actions were completed by drawing up control reports, in which findings and improvement measures were presented.

Risk management

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

- Government Secretary General Order (OSGG) no. 400/2015 modified and completed by OSGG no. 200/2016 and OSGG no. 600/2018;
- Requirements of the Corporate Governance Code of the Bucharest Stock Exchange.

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

Antibiotice objectives on risk management:

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

The responsibilities regarding the risk management are fulfilled by the Risk Management **Department together with the Antibiotice's risk managers and employees.**

Our Risk Management Department annually analyzes and prioritises the significant risks that may affect the achievement of the company's overall goals, by establishing the risk profile and tolerance limit approved by the management of the company. They also draw up the "Plan for implementing the control measures for significant risks related to our **company's business**" and submit it for approval to the **General Director.**

In 2019, the General Risk Register was prepared and approved in order to minimize the significant risks to which Antibiotice is exposed, with a high impact on its objectives.

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

The main risks identified:

1. Financial risks

In terms of financial risk management, the risks to which our company is exposed are: currency risk, liquidity risk and commercial (non-payment) risk.

1.1. Currency risk, a component of the financial risk which occurs frequently in the current market economy where monetary rates fluctuate under the supply and demand rule. Exchange rate fluctuations are reflected both in the costs of imported raw materials, as well as in the prices of finished goods for export.

During 2019 there were periods with higher volatility, with depreciation periods of our currency, LEU.

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

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

Liquidity risk may occur in the following circumstances: lack of cash-flow generated by the gap between receipts and payments determined by the collection of receivables at maturities exceeding 300 days, fluctuations in interest rates and currency rates, volume of investments, level of taxation (clawback tax), price of raw materials.

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

1.3. Commercial risk is the risk of incurring losses or not-reaching the estimated profits due to lack of financial liquidity of the borrowers and their failure to pay upon maturity.

Circumstances of non-payment risk: the large exposures of the company to the major national distributors, long payment periods caused mainly by delays with which the invoices for health services are settled by the National Health Insurance House.

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

2. Legislative risk

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

Pharmaceutical market is a regulated market, with clear legislative requirements elaborated for controlling the quality and therapeutic efficiency of the medicines present in the market and for avoiding counterfeiting.

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

Our company's strategy of managing these risks involves a permanent concern for obtaining international certifications for the manufacturing flows, updating the authorization documentation for the products in the portfolio, continuous monitoring legislative changes at international level, constantly adapting our policies, rules and procedures to changes.

3. Human resource risk

The main human resource risk is the lack on the labor market of candidates properly trained in fields specific for the pharmaceutical industry. The measures taken to control and reduce this risk: "Summer School + a" attended by the best students, promotion of our company in faculties, study visits for students in our company and partnerships concluded with the university institutions (Grigore T. Popa University of Medicine and Pharmacy (UMF) **through "Perform a+).**

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

In order to effectively manage the events that could lead to a reputational risk, the following measures are envisaged: monitoring the image of the company in the media in order to identify any rumors that could generate image risks, periodical press releases with positive information, control of risks that may affect the image of the company, continuous training of personnel, rapid adaptation to the legislative requirements in the field, compliance with procedures.

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

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

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

The Management Report was prepared based on the financial data submitted according to the legal requirements of the external financial audit.

Conclusions:

- Sales income higher by 7% compared to 2018;
- The international sales amounted to 152.1 million LEI, up 25% compared to the value recorded in 2018;
- 2019 - the first year in which the international sales of finished products significantly outperformed the sales of the active substance Nystatin, up 65% compared to the previous year;
- Operating profit amounted to 41.56 million LEI, up 6% compared to the value recorded in 2018;
- Pre-tax profit amounted to 35.2% million LEI whereas the clawback tax reached the value of 42.2 million LEI;
- The product Moldamin® returns in the medical practice in a new formula and represents the first-line medicine in infections for which prolonged antibiotic concentrations are necessary.

General Director,
Ioan Nani

Financial Director,
Paula Coman

Report date: 09.04.2020

Name of issuing company: Antibiotice SA

Headquarters: **Iași, str. Valea Lupului nr. 1, zip code 707410**

<http://www.antibiotice.ro>

E-mail: relatiicuinvestitorii@antibiotice.ro

Telephone/fax no. : 0232 209000 / 0232 209633

Unique registration code in the Trade Register Office: RO1973096

No. in the Trade Register: J22/285/1991

Subscribed and paid-up capital: 67,133,804.00 RON

The regulated market trading the securities issued: Bucharest Stock Exchange

Number of shares: 671,338,040

Number of votes: 671,338,040

Main characteristics of the securities issued by the company: nominative shares, nominal value: 0.10 lei

Declaration of conformity

The financial statements have been prepared in accordance with:

- the Accounting Law no. 82 from 1991, republished and updated;
- the provisions of the Order of the Minister of Public Finance no. 2844/2016, for the approval of the Accounting Regulations conforming to the International Financial Reporting Standards, applicable to the commercial companies whose securities are admitted to trading on a regulated market, with the subsequent modifications and clarifications.

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

The financial statements for the financial year ended on December 31, 2019 include the statement of financial position, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and the explanatory notes.

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

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

General Manager,
Ec. Ioan NANI

Annex 1

The state of compliance with the provisions of the new Corporate Governance Code of BVB ¹ on December 31 2019		Compliance YES / NO
Section A - Responsibilities		
	A.1. All the companies must have an internal regulation of the Council that includes terms of reference/responsibilities of the Council and the key management functions of the company, and which applies, among other things, the General Principles of this Section.	YES
	A.2. The provisions for managing conflicts of interest should be included in the Council Regulation.	YES
	A.3. The Council must consist of at least five members.	YES
	A.4. Most members of the Council must not have executive functions. In the case of Premium Category companies, not less than two non-executive members of the Council must be independent. Each independent member of the Council shall make a declaration at the time of his nomination for election or re-election and when any change of his status occurs, indicating the elements on the basis of which he is considered to be independent in terms of his character and judgment.	YES
	A.5. Other relatively permanent commitments and professional obligations of a member of the Board, including executive and non-executive positions in the Board of Nonprofit Companies should be disclosed to shareholders and potential investors prior to the nomination and during their term of office.	YES
	A.6. Any member of the Council must provide to the Council information on any report with a shareholder directly or indirectly owning shares representing more than 5% of all voting rights.	YES

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

Annex 1

The state of compliance with the provisions of the new Corporate Governance Code of BVB ¹ on December 31 2019		Compliance YES / NO
	A.7. The company must designate a secretary of the Council responsible for supporting the work of the Council.	YES
	A.8. The statement concerning the Corporate Governance provides information whether an evaluation of the Council has taken place under the chairmanship of the President or the nomination committee and, if so, will summarize the key measures and the resulting changes. The society must have a policy/guidance on the Council's assessment of the scope, criteria and frequency of the assessment process.	YES
	A.9. The statement concerning the Corporate Governance should contain information on the number of the Council and committee meetings over the past year, the administrators' participation (in person and in their absence) and a report by the Council and committees upon their activities.	YES
	A.10. The corporate governance statement should include information on the exact number of independent members of the Council.	YES
	A.11. The Board of the Premium Companies must establish a nomination committee made up of non-executive members, who will direct the nomination procedure of new members to the Council and will make recommendations to the Council. Most members of the nomination committee must be independent.	YES
Section B - The Risk management and internal control system		

	B.1. The Council should set up an audit committee in which at least one member should be a non-executive and independent. In the case of Premium Category companies, the audit committee must be composed of at least three members and the majority of the members of the audit committee must be independent.	YES
	B.2. The chairman of the audit committee must be an independent non-executive member.	YES

Annex 1

The state of compliance with the provisions of the new Corporate Governance Code of BVB 1 on December 31 2019		Compliance YES / NO
	B.3. Within its responsibilities, the audit committee must carry out an annual assessment of the internal control system.	YES
	B.4. The assessment should take into account the effectiveness and coverage of the internal audit function, the degree of adequacy of the risk management and internal control reports submitted to the Council's audit committee, the promptness and effectiveness with which the executive management addresses the deficiencies or weaknesses identified in the audit Internal and the submission of relevant reports to the Council.	YES
	B.5. The Audit committee should assess the conflicts of interest in relation to the transactions of the company and its subsidiaries with the affiliated parties.	We do NOT have subsidiaries
	B.6. The audit committee must assess the effectiveness of the internal control system and the risk management system.	YES
	B.7. The Audit Committee should monitor the application of the general standards and the generally accepted legal standards and internal audit standards. The audit committee must receive and assess the internal audit team reports.	YES
	B.8. Whenever the Code mentions reports or analyzes initiated by the Audit Committee, they must be followed by periodic reports (at least annually) or ad hoc reports to be submitted to the Council.	YES

	B.9. No shareholder may be granted preferential treatment over other shareholders in connection with transactions and agreements concluded between the company and shareholders and their affiliates.	YES
	B.10. The Council should adopt a policy to ensure that any company transaction with any of the companies with which it has close relationships with a value equal to or greater than 5% of the company's net assets (according to the latest financial report) is approved by the Council following a mandatory opinion of the audit committee.	YES

Annex 1

The state of compliance with the provisions of the new Corporate Governance Code of BVB ¹ on December 31 2019		Compliance YES / NO
	B.11. The internal audits should be performed by a separate structural division (internal audit department) within the company or by hiring an independent third party.	YES
	B.12. In order to ensure the main functions of the internal audit department, it must report functionally to the Council through the audit committee. For administrative purposes and within the management's responsibility to monitor and mitigate risks, it must report directly to the General Director.	YES
Section C - Fair reward and motivation		
	<p>C.1. The company must publish the remuneration policy on its website and include a statement on the implementation of the remuneration policy in the annual report during the annual period which is subject of the analysis.</p> <p>Any essential change occurred in the remuneration policy must be published in a timely manner on the company's website.</p>	YES
Section D - Adding value through investor relations		

<p>D.1. The company must organize an Investor Relations Service - indicating to the general public the responsible person(s) or the organizational unit. In addition to the information required by the law, the company must include on its website a section dedicated to Investor Relations, in Romanian and English, with all the relevant information of interest to investors, including:</p> <p>D.1.1. The main corporate regulations: the constitutive act, the procedures regarding the general meetings of shareholders;</p> <p>D.1.2. The professional CVs of members of the company's management bodies, other professional commitments of the Board members, including the executive and non-executive positions in boards of directors in companies or non-profit institutions;</p> <p>D.1.3. The current reports and periodic reports (quarterly, half-yearly and annual);</p> <p>D.1.4. Information concerning the general meetings of shareholders;</p>	<p>YES</p>
--	------------

Annex 1

The state of compliance with the provisions of the new Corporate Governance Code of BVB ¹ on December 31 2019	Compliance YES / NO
<p>D.1.5. Information concerning corporate events; D.1.6. The names and contact details of a person who will be able to provide relevant information upon request; D.1.7. The company presentations (e.g., investor presentations, quarterly results presentations, etc.), the financial situations (quarterly, half-yearly, annual), audit reports and annual reports.</p>	
<p>D.2. The company will have a policy on the annual distribution of dividends or other benefits to shareholders. The principles of the annual distribution policy to shareholders will be published on the company's website.</p>	YES
<p>D.3. The company will adopt a policy regarding the forecasts, whether they are made public or not. The forecasting policy will be published on the company's website.</p>	YES
<p>D.4. The rules of general shareholders' meetings should not limit the participation of shareholders to general meetings and the exercise of their rights. The changes to the rules will enter into force at the earliest, starting with the following shareholders meeting.</p>	YES
<p>D.5. The external auditors will be present at the general shareholders' meeting when their reports are presented at these meetings.</p>	YES

	D.6. The Board will provide the annual general meeting of shareholders with a brief assessment of the internal control and risk management systems as well as opinions on matters subject to the decision of the general meeting.	YES
	D.7. Any specialist, consultant, expert, or financial analyst may attend the shareholders' meeting on the basis of a prior invitation from the Board. The accredited journalists may also participate in the general meeting of shareholders, unless the President of the Council decides otherwise.	YES

Annex 1

The state of compliance with the provisions of the new Corporate Governance Code of BVB ¹ on December 31 2019		Compliance YES / NO
	D.8. The quarterly and half-yearly financial reports will include both Romanian and English information concerning the key factors that affect the changes in sales, the operating profit, the net profit and other relevant financial indicators from quarter to quarter, and from one year to another.	YES
	D.9. A company will hold at least two meetings/teleconferences with analysts and investors each year. The information presented on these occasions will be published in the Investor Relations section of the company's website at the dates of the meetings/teleconferences.	YES
	D.10. If a company supports different forms of artistic and cultural expression, sporting activities, educational or scientific activities and considers that their impact upon the innovative character and the competitiveness of the company is part of its mission and development strategy, it will publish the policy on the activity in this area.	YES

ANTIBIOTICE S.A.

Individual financial statements for the
year ended on December 31, 2019

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

ANTIBIOTICE S.A.
Financial statement for the year ended on
December 31 2019

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ANTIBIOTICE SA
STATEMENT OF THE COMPREHENSIVE PROFIT

For the year ended on December 31 2019

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

		For the year ended on	
	NOTE	31-12-19	31-12-18
Sales revenues	4	389,710,740	364,576,466
Other operating revenues	5	33,008,685	45,405,000
Revenues relative to costs of product stocks		4,564,960	(1,259,715)
Capitalized income generated by the entity's activity		4,660,869	3,489,144
Expenses with raw materials and consumables	6	(146,016,104)	(138,844,375)
Staff-related expenses	7	(102,852,132)	(90,864,735)
Expenditure on amortization and depreciation		(21,416,603)	(20,237,870)
Other operating expenses	8	(121,652,509)	(122,951,124)
Operating profit		40,007,906	39,312,791
Financial income	9	8,313	4,991
Financial expenses	9	(4,836,326)	(4,229,171)
Pre-Tax Profit		35,179,893	35,088,611
Current and deferred income tax expense	10	(4,356,615)	(784,823)
Profit		30,823,278	34,303,788
Other items of comprehensive income			
Items not to be reclassified:			
Gains/losses from revaluation of tangible fixed assets		-	47,199,499
Result reported after correcting the errors		-	(305,026)
Profit tax on other items of comprehensive income		-	(7,523,017)
Total other items of comprehensive income, excluding taxes		-	39,371,455
Total comprehensive income		30,823,278	73,675,244
Earnings per share	11	0.0459	0.0511

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

Approved by the Management Board on 05.03.2020
and signed on behalf of:

Drafted by:

General Manager
Ioan NANI

Financial Director
Paula COMAN

ANTIBIOTICE SA
STATEMENT OF THE FINANCIAL POSITION

For the year ended on December 31 2019

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

	NOTE	31-12-19	31-12-18
ASSETS			
FIXED ASSETS			
Tangible fixed assets	12	363,616,611	310,640,665
Intangible fixed assets	13	16,385,709	15,028,716
TOTAL FIXED ASSETS		380,002,320	325,669,381
CURRENT ASSETS			
Stocks	14	73,975,988	64,964,662
Trade and similar receivables	15	338,159,774	313,094,458
Cash and cash equivalents	16	1,877,409	2,376,682
TOTAL CURRENT ASSETS		414,013,171	380,435,802
TOTAL ASSETS		794,015,491	706,105,183
LIABILITIES			
CURRENT LIABILITIES			
	17	72,337,840	67,171,084
Amounts due to credit institutions	18	125,875,879	100,729,229
Tax and current tax liabilities		13,267,396	10,421,393
Short-term provisions		-	-
Subventions for investments	19	-	637,008
TOTAL CURRENT LIABILITIES		211,481,115	178,958,714
Commercial and similar liabilities			
LONG -TERM LIABILITIES			
Subventions for investments	19	3,079,169	2,489,791
Deferred tax	20	25,531,938	25,266,930
Amounts due to credit institutions	18	57,080,354	26,662,433
TOTAL LONG-TERM LIABILITIES		85,691,461	54,419,154
TOTAL LIABILITIES		297,172,576	233,377,868

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

Approved by the Management Board on 05.03.2020
and signed on behalf of:

Drafted by:

General Manager
Ioan NANI

Financial Director
Paula COMAN

ANTIBIOTICE S.A.
STATEMENT OF THE FINANCIAL POSITION (continued)
On December 31 2019
(all amounts are expressed in LEI, if not mentioned otherwise)

	NOTE	31-12-19	31-12-18
Share capital and reserves			
Share capital	21	264,835,156	264,835,156
Reevaluation reserves	22	50,804,319	53,459,596
Legal reserves	22	13,426,761	13,426,761
Other reserves	22	200,655,367	190,422,002
Reported result	23	(56,432,683)	(60,182,699)
Distribution of profit	24	(7,269,283)	(23,537,290)
Current result		30,823,278	34,303,788
TOTAL EQUITY		496,842,915	472,727,315
TOTAL EQUITY AND LIABILITIES		794,015,491	706,105,183

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

Approved by the Management Board on 05.03.2020
and signed on behalf of:

Drafted by:

General Manager
Ioan NANI

Financial Director
Paula COMAN

ANTIBIOTICE S.A.
CASH FLOW STATEMENTS

For the year ended on December 31 2019

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

	For the year ended on	
	31-12-19	31-12-18
I. Cash flows from operating activities		
Cash collection from the sales of goods and provision of services	363,059,643	342,163,055
Cash collection from royalties, fees, charges and other revenue	425,296	507,166
Cash payment to suppliers of goods and services	(203,130,502)	(196,684,926)
Cash payments to and on behalf of employees, payments made by the employer for its employees	(89,954,560)	(82,487,294)
VAT paid	-	-
Contributions to the Ministry of Health and the Ministry of the Environment	(41,908,808)	(35,898,778)
Other duties, taxes, and similar levies	(666,289)	(865,883)
Operating cash flow	27,824,781	26,733,341
Interest charged	8,313	4,991
Interest paid	(4,538,522)	(3,474,486)
Tax on profit paid	(2,669,237)	(2,400,279)
Net cash flows from operating activities	20,625,335	20,863,568
II. Cash flows generated by investments		
Cash payments for purchasing land and fixed assets, intangible assets and other long-term assets	(69,180,345)	(64,596,506)
Net investment cash flow	(69,180,345)	(64,596,506)
III. Cash flows from financing activities		
Receipts from long-term loans/reimbursements	29,595,638	26,627,446
Dividends paid	(6,150,225)	(16,235,156)
Net cash flows from financing activities	23,445,413	10,392,291
Gains/losses from exchange rate differences	(536,326)	(388,333)
Net increase/(decrease) in cash	(25,645,923)	(33,728,980)
Cash and cash equivalents at the beginning of the period	(98,352,547)	(64,623,567)
Cash and cash equivalents at the end of the period	(123,998,470)	(98,352,547)
The cash and cash equivalents at the end of the period include:		
Accounts in banks and cash	1,877,409	2,376,682
Credit lines	(125,875,879)	(100,729,229)
	(123,998,470)	(98,352,547)

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

Approved by the Management Board on 05.03.2020
and signed on behalf of:

Drafted by:

General Manager
Ioan NANI

Financial Director
Paula COMAN

ANTIBIOTICE S.A.
MODIFICATIONS OF EQUITY
For the year ended on December 31 2019
(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
31-12-18	67,133,804	197,701,352	13,426,761	190,422,002	34,303,788	14,205,380	(23,537,290)	53,459,596	(1,094,738)	124,408,011	(197,701,352)	472,727,315
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			-
Total other items of the global result					30,823,278		(1,094,738)		1,094,738			30,823,278
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)					-
31-12-19	67,133,804	197,701,352	13,426,761	200,655,367	30,823,278	17,422,314	(7,269,283)	50,804,319	-	123,846,355	(197,701,352)	496,842,915

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

ANTIBIOTICE S.A.
MODIFICATIONS OF EQUITY
For the year ended on December 31 2019
(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
31-12-17	67,133,804	197,701,352	13,426,761	162,134,513	33,558,354	11,702,322	(10,982,386)	14,556,141	-	125,348,331	(197,701,352)	416,877,840
Current global result	-	-	-	-	34,303,788		-	-		-	-	34,303,788
Reserve from revaluation								47,199,499				47,199,499
Deferred tax relative to the revaluation difference	-	-	-	-	-		-	(7,523,018)		-	-	(7,523,017)
Result of error correction								789,712	(1,094,738)			(305,026)
Total other items of the global result					34,303,788			40,466,193	(1,094,738)			73,675,244
Transfer of reevaluation surplus						2,503,058		(1,562,738)		(940,320)		-
Allotment of other reserves	-	-	-	4,750,199	(15,732,585)		10,982,386-	-			-	-
Dividends	-	-	-	-	(17,825,769)		-	-		-	-	(17,825,769)
Mandatory distributions				23,537,290	-		(23,537,290)					-
31-12-18	67,133,804	197,701,352	13,426,761	190,422,002	34,303,788	14,205,380	(23,537,290)	53,459,596	(1,094,738)	124,408,011	(197,701,352)	472,727,315

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

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

For the year ended on December 31 2019
(all the amounts are expressed in LEI, if not mentioned otherwise)

1. GENERAL INFORMATION

1.1 Brief company profile

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

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

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

1.2 Corporate Governance

The Antibiotice's governance system is based on:

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

General Meeting of Shareholders

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

Throughout 2019, the Management Board convened two Ordinary General Meetings and two Extraordinary General Meetings on *April 18, 2019 and September 10, 2019*.

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

The Ordinary General Meeting of April 18, 2019 approved:

1. The financial statements of the company for the financial year 2018, based upon the Management Report and Financial Auditor's Report;
2. The distribution of the net profit for the year 2018, the fixing of the gross dividend per share in the amount of 0.009991506 lei / share and establishing the date of its payment as 20.09.2019;
3. The registration as income of unclaimed dividends for the financial year 2014;
4. The revenue and expenditure budget for 2019;
5. The degree in which the Management Board members achieved their objectives and performance criteria for 2018;

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

For the year ended on December 31 2019

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

6. The discharge of the administrators of any liability for the activity carried out during the financial year 2018, based on the submitted reports;
7. The objectives included in the 2019 management plan for the Management Board members;
8. Establishes the remuneration of the members of the Management Board according to the provisions of GEO no. 109/2011 on the corporate governance of public enterprises and GD no. 722/2016 for the approving of the Methodological norms for applying some provisions of GEO no. 109/2011 on the corporate governance of public enterprises;
9. The modification of the Management Board membership by appointing Mr. Cristian Vasile Grasu as interim administrator in accordance with the provisions of art. 641 of GEO no. 109/2011 on the corporate governance of public enterprises;
10. Starting the procedure for selecting a member of the Management Board, according to the provisions of Art. 644 of GEO no.109/2011 on the corporate governance of public enterprises and Art.4 paragraph 3 of GD no.722/2016 for approving the Methodological Norms for applying certain provisions of GEO no. 109/2011 on the corporate governance of public enterprises, as well as the mandate of the Management Board to carry out the selection of the administrator according to the provisions of Art. 29 paragraph 2 of GEO no.109/2011 on the corporate governance of public enterprises and Art. 4 paragraph. 5 of the GD no. 722/2016 for the approval of the Methodological Norms for applying some provisions of GEO no. 109/2011 on the corporate governance of public enterprises.

The Extraordinary General Meeting of Shareholders of April 18, 2019 approved the following:

1. The extension of the validity of the multi-product multi-currency credit facility of 30 million LEI contracted by SC Antibiotice SA from the Export Import Bank of Romania - EximBank SA for a period of 12 months;
2. Maintaining the guarantees for the multi-product multi-currency credit facility in the amount of 30 million LEI for the entire validity period (a calendar year starting with 26.06.2019) resulting from the extension under item 1 of the Meeting's Agenda;
3. The issuance of a decision-commitment of SC Antibiotice SA not to divide, not to merge and not to decide on the early dissolution during the entire validity period of the multi-product multi-currency credit facility without the prior consent of the Export Bank of Romania - EximBank SA ;
4. The empowerment of the General Manager Mr. Ioan NANI and of the Financial Director Mrs. Paula COMAN to sign on behalf of the company all the documents related to the extension, under the items 1 and 2 on the Agenda, as well as the documents related to the obligations assumed by the company according to point 3 of the Agenda;

The Ordinary General Meeting of Shareholders of September 10, 2019 approved the following:

1. The financial statements of the company for the first semester of 2019, based upon the Management Report and Financial Auditor's Report;
2. The appointment of a non-executive director, for a term of 4 (four) years, in the person of Mr. Cristian Vasile Gasu, according to the procedures established by Art. 29 of the GEO no. 109/2011 regarding the corporate governance of public enterprises.

The Extraordinary General Meeting of Shareholders of September 10, 2019 approved the following:

1. The extension of the grace period and the period of use of the investment loan related to the contract IAS3-20-2018/03.05.2018, concluded with Unicredit Bank until 30.06.2020;

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

For the year ended on December 31 2019

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

2. The empowerment of Mr. Ioan Nani, General Manager and Mrs. Paula Luminita Coman, Financial Director to sign on behalf of the company any addendum related to the present loan and any addenda related to the credit agreements concluded with UniCredit Bank;
3. The empowerment of Mr. Ioan Nani as General Manager – signature I and Mrs. Paula Luminita Coman as Financial Director – signature II, in order for them to sign on behalf of the company the additional documents related to the facility contracts, the guarantee contracts and the related additional documents, the guaranteed promissory note, the requests for use/reimbursement, the requests for issuing letters of guarantee and opening letters of credit, in relation to ING Bank.
4. The establishment of the location of the Antibiotice Representative Office in the Republic of Moldova at the following address: Office 705, 7th floor, with a total area of 62.20 s.m., of the building located on Dimitrie Cantemir Boulevard, no. 5/4, Chisinau, Republic of Moldova
5. The establishment of the location of the Antibiotice Representative Office in Vietnam at the following address: Office 807, 8th floor, Building 3A, 3 Lane 82 day Tan, can Giay District, Hanoi, Vietnam.

Antibiotice SA in the capital market

Investors (*according to the Shareholders' Register on 31.12.2019*)

- The Ministry of Health (*) – 53.0173%,
- S.I.F. Oltenia(*) - 18.8999%
- Broadhurst Investments Limited – 4.1977%
- S.I.F. Transilvania – 3.2632%
- S.I.F. Banat-Crisana S.A – 2.1104%
- A-Invest – 0.7703%
- The Privately Managed Pension Fund ARIPI/GENERALI S.A.F.P.P. – 0.6782%
- The Privately Managed Pension Fund METROPLITAN LIFE – 0.4689%
- FDI BT MAXIM ADM. BT ASSET MNAGEMENT SAI S.A. – 0.3947%
- S.C. DEDEMAN S.R.L. – 0.3407%
- Other individuals and legal entities – 15.8587%.

Classes of shareholders:

- Legal entities – 86.9922%
- Natural persons – 13.0078%

Dividends

During 2019, 30.364.292 shares were traded, worth 14.73 million lei (3.2 million euros, \$ 3.6 million), with an average price of 0.4851 lei/share.

During 2019, dividends were paid for the financial years 2015, 2016, 2017 and 2018 amounting to 6,166,189 lei, as follows:

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

For the year ended on December 31 2019

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

Dividend history (2015-2016-2017-2018)

Year	Net dividends							Suspension date of dividend payment
	Due	Paid				Unclaimed on 31.12.2019		
		lei			% (total paid)	lei	%	
		Until 31.12.2018	01.01÷31.12.2019	Total				
0	1	2	3	4	5	6	7	8
2015	13,753,343	12,653,207.76	11,948.01	12,665,155.77	92.09	1,088,187.23	7.91	15.09.2019
2016	25,401,595	23,325,012.26	53,762.17	23,378,774.43	92.04	2,022,820.57	7.96	Payment in progress
2017	17,588,679.97	16,093,548.70	44,614.60	16,138,163.30	91.75	1,450,516.67	8.25	Payment in progress
2018	6,612,624.05	-	6,055,864.22	6,055,864.22	91.58	556,759.83	8.42	Payment in progress

For the years 2015, 2016, 2017 and 2018 the dividend payment is made through the Central Depository of Bucharest and, implicitly, through CEC Bank.

Price per share evolution

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

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

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

The Antibiotice shares (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.

In 2019, the minimum price of an ATB share was 0.4550 LEI. The share price increased to a maximum of 0.5260 LEI/share.

The stock exchange capitalization of Antibiotice as of December 31, 2019 (the last trading day of the year) was 341.040 thousand LEI.

Antibiotice shares – ATB / Regular Market

	2015	2016	2017	2018	2019
Number of shares	671,338,040	671,338,040	671,338,040	671,338,040	671,338,040
Stock market capitalization (thousand lei)*	357,152	349,096	361,180	326,942	341,040
Stock market capitalization (thousand euro)*	78,868	76,875	77,511	70,100	71,370
Stock capitalization (thousand \$)*	86,167	81,123	92,813	80,259	79,873
Total traded value (million lei)	11	6	12	9	15
No. of traded shares	18,844,935	12,555,866	21,113,565	17,109,263	30,364,292

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Opening price (lei/share)	0.5850	0.5320	0.5200	0.5780	0.4800
Maximum price (lei/share)	0.6170	0.5420	0.5920	0.5780	0.5260
Minimum price (lei/share)	0.5240	0.4200	0.5200	0.4550	0.4500
Price at the end of the period (lei/share)	0.5320	0.5270	0.5380	0.4870	0.5080
Average price (lei/share)	0.5836	0.5032	0.5585	0.5028	0.4851
Earnings/share (lei/share)***	0.0405	0.0452	0.0500	0.0511	0.0459
Gross dividend/share (lei/share)**	0,0197	0.0384	0.026552598	0.009991506	0.029879738
Dividend yield****	3.69%	4.05%	4.59%	2.05%	6.2%
Dividend distribution rate*****	49%	52%	53%	20%	65%

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

** Proposed dividend,

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

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

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

Rights of financial instruments holders

The corporate governance framework adopted and applied:

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

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

Antibiotice makes available to all interested persons the periodical and annual financial statements prepared according to the legislation in force. The company also complies with all disclosure requirements under the legislation of commercial companies and capital market. Within the company there is a structure specialized in the relationship with the existing and potential investors, called Capital Market, with the main role of implementing and monitoring the standards of corporate governance within the company, informing the shareholders and investors in accordance with the legal provisions and providing a proactive communication focused on the information needs of investors. The persons appointed to keep in touch with the investors deal with the shareholders' requests with maximum efficiency and facilitate their dialogue with the management of the company. The company creates and develops an appropriate policy to promote an effective communication with investors and shareholders.

As it is always oriented towards the development and the increase of the transparency towards the shareholders, in completing the strategy of improving the quality of the relationship with the investors and of the desire to create value for the shareholders, on July 31, 2019, Antibiotice

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joined the Romanian Investor Relations Association (ARIR), a new and lively community of the Romanian capital market.

The Romanian Investor Relations Association (ARIR) is a non-governmental and non-profit organization that was established in order to provide current and potential issuers a platform for developing professionals in the field of investor relations (IR) and to contribute when implementing the best practices in communicating with investors and corporate governance.

For the activity of investor relations as well as for the degree of transparency, accuracy and completeness of the information and accessibility of the Antibiotice website, on a scale of 1 to 10, the company was awarded 10, granted by the Association for Investor Relations on the Romanian Stock Exchange, which evaluated 78 issuers on the Romanian capital market.

The company achieved this performance by meeting the need for the knowledge of the Antibiotice business by investors, analysts, brokers, journalists with a greater openness, approaching new and efficient communication tools.

The Management Board

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

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

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

During 2019, the Management Board met in 11 sessions, each time registering a 100% presence and adopting decisions that enabled it to carry out its tasks in an effective and efficient manner.

Thus, during the monthly meetings, the Management Board analyzed in detail the financial results obtained by the company during the reporting and cumulative period since the beginning of the year, as well as the economic performance in relation to the budget and to the similar period of the previous year year.

The Board requested, depending upon the situation, detailed explanations to the executive management about the plans to increase the production efficiency, about investment plans, constituted provisions, liquidity management, operational and the overall profitability.

Following the detailed analysis of the period's results, the Board decided to approve them in order to publish and send them to the Bucharest Stock Exchange and the Financial Supervisory Authority, observing each time the Financial Communication Calendar.

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

Management Board of Antibiotice SA on December 31, 2019

Physician, Dan-Octavian Alexandrescu, 44 years old

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

At the Ordinary General Shareholders Meeting of September 29, 2018, Mr. Dan-Octavian Alexandrescu was elected as a member of the Management Board for a 4-year period.

Mr. Dan-Octavian Alexandrescu is a primary physician with competence in laparoscopic surgery and coordinator of the Medicines and Medical Devices Policy Division within the Ministry of Health since March 2017.

Number of Antibiotice SA shares owned - 0*

Economist, Ioan NANI, 60 years old

Vice President of the Management Board and General Manager

At the Ordinary General Meeting of Shareholders of April 19, 2016, Mr. Nani was reconfirmed as a member of the Management Board, for a 4-year period and the members of the Management Board elected him as the Board's Vice President. Mr. Nani is an economist specialized in management, a chartered accountant and a member of the Board since 2009 and General Manager (1998-2008 and 2009 - present).

Number of Antibiotice SA shares owned - 1.513*

Physician, Cristian Vasile GRASU, 59 years old

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

At the Ordinary General Meeting of Shareholders of September 10, 2019, Mr. Cristian Vasile GRASU was elected as a member of the Management Board for a 4-year period.

Mr. GRASU is a physician and a coordinator of the General Directorate of Medical Assistance and Public Health and of the Monitoring and Coordination Department implementing regional hospitals, as well as of the priority actions of the Ministry of Health.

Number of Antibiotice SA shares owned - 0*

Economist, Nicolae STOIAN, 63 years old

Member of the Management Board and representative of the shareholder SIF Oltenia and other corporate shareholders

At the Ordinary General Meeting of Shareholders of April 19, 2016, Mr. Stoian was reelected as a member of the Management Board for a 4-year period.

Mr. Stoian is a chartered accountant, tax consultant and financial auditor and an representative of the Internal Control Department of SIF Oltenia.

Number of Antibiotice SA shares owned - 0*

Engineer, Elena CALIȚOIU, 56 years old

Member of the Management Board and representative of shareholder SIF Oltenia and other corporate shareholders

Mrs. Calitoiu was confirmed by the Ordinary General Meeting of Shareholders on April 19,

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2016, for a 4-year period. Mrs. Calîtoiu is a mechanical engineer and Director of Investments & Risk Management Unit with SIF Oltenia. Mrs. Calîtoiu has been a member of the Board since 2016.

Number of Antibiotice SA shares owned - 0*

*The number of Antibiotice shares (ATB) held on 31 December, 2019 according to the latest database held by Antibiotice for the year 2019.

The advisory committees

During the year 2019, the specialized advisory committees had the following membership:

- the Audit Committee: Mr. Cristian-Vasile Grasu, Mr. Nicolae Stoian and Mrs. Elena Calitoiu;
- the Nomination and Remuneration Committee: Mr. Dan-Octavian Alexanrescu and Mrs. Elena Calitoiu;
- the Trade Policies Committee : Mr. Dan Octavian Alexandrescu and Mr. Nicolae Stoian.

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

In 2019, the Audit Committee met in three sessions in order to fulfill its responsibilities with regard to financial reporting, external and internal auditing, risk management and internal control.

The Nomination and Remuneration Committee

During the year 2019, the Nomination and Remuneration Committee met in four meetings in which it evaluated the activity of the administrators and performed tasks related to the selection of a member of the Management Board.

The remuneration granted to the Management Board and the Executive Management (General Manager) in 2019, was worth 4,233,682 lei. This value represents the monthly fixed allowance and the variable allowance, according to the legislation in force:

- The monthly fixed allowance is established in accordance with the legal provisions - the provisions of art. 37 paragraph (2) of GEO 109/2011
- The variable allowance is granted according to the fulfillment of the indicators and performance criteria established in the administration contracts and the mandate contract.

The fixed and variable allowance for the members of the Management Board is approved by the General Meeting of Shareholders. The general limits of the remuneration of the directors with a mandate contract are approved by the General Meeting of Shareholders; the Management Board sets the amount of the directors' remuneration (with a mandate contract) based on these general limits.

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The executive management

Antibiotice is represented by the General Manager, according to the powers provided by law and by the company's Articles of Association. The Management Board represents the company in relationship with the appointed managers.

The executive management of Antibiotice is ensured by a General Manager who is also the Vice President of the Board and nine speciality directors.

Internal audit, Financial and Accounting control, Risk management

Within Antibiotice the specialized internal control provided by the legislation in force is carried out through its own internal audit activity, supplemented by the financial accounting control and the management control.

For the evaluation of the activity and the internal audit performed in the company, the way of establishing and achieving the objectives of the internal audit activity, the findings and recommendations resulting from all the internal control actions are presented quarterly to the Audit Committee from the Management Board.

Thus, in the course of the year 2019, 10 audit missions were carried out, which had general objectives adapted to auditable areas, according to the specificity of the audited organizational structures, such as:

- examining the observance of all the principles, specific procedural and methodological rules, of the internal notes and decisions;
- examining the way of organizing the activity;
- evaluation of the management and control system of the activity;
- other specific objectives.

The audit missions were carried out in compliance with the procedural rules and resulted in internal audit reports approved by the General Manager and the conclusions and recommendations were endorsed by the audited structures.

The recommendations made within the internal audit missions are followed by the specialized internal control structure in order to implement them. Thus, out of the 50 recommendations followed, 35 recommendations had an implementation deadline until 31.12.2019, of which 18 were implemented; for 17 recommendations the extension of the implementation term was requested.

Within the activity of inventory and management control, in 2019, 21 inventory actions were carried out, which included the following inventories:

- central warehouses of raw materials and consumables;
- places of consumption of raw materials and consumables where stock management is organized;
- management in which the change of manager intervened.

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The activity of inventorying aimed at observing the legal framework established by normative acts in the following fields:

- The Accounting Law no. 82/1991, republished and updated;
- Law no. 22/1969 regarding the hiring of the managers, the establishment of guarantees and the liability in relation to the management of the assets;
- O.M.F. P. (Ordinance of the Public Finance Ministry) 2861/09.10.2009 for approving the Norms regarding the organization and carrying out of the inventory of assets, liabilities and equity;
- Operating procedures, notes and internal decisions of the company management.

As a result of the control actions, it was found that the legal regulations and internal decisions regarding the management of the stocks and the concordance between the factual and scriptural stocks as a result of the periodic verification during the year between the quantitative and the quantitative-value evidence.

The financial management control actions in accordance with the provisions of G.D. 1151/2012 had the following objectives:

- the verification of the compliance with the legal provisions regarding the recording in the accounting record of the economic-financial operations;
- the verification of the compliance with the legal provisions regarding the execution of the revenue and expenditure budget for 2017;
- the verification of the compliance with the legal provisions in substantiating the project of the income and expenditure budget for the year 2018;
- the verification of legal provisions and internal regulations regarding the way of carrying out the annual inventory of assets, liabilities and equity for 2017;
- the verification of the compliance with the legal provisions and internal regulations regarding the receipts and payments in lei and in foreign currency, of any kind, in cash or by transfer;
- the verification of the compliance with the legal provisions and internal regulations regarding the preparation, circulation, storage and archiving of the primary, accounting and technical-operative documents.

The actions of financial management control were finalized by the preparation of control reports, in which findings and improvement measures were presented.

The risk management

The risk management by the company observes the legal and regulatory requirements in force for the identification, assessment, management and reporting of risks:

- The Order of the General Secretariat of the Government (OGSG) no. 400/2015 modified and completed by OGSG no. 200/2016 and OGSG 600/2018
- The requirements of the Corporate Governance Code of the Bucharest Stock Exchange.

The main purpose of the risk management is to help understand and identify the risks to which the organization is exposed so that they can be anticipated and managed without adversely affecting the organization's efficient performance of goals.

The objectives of Antibiotice SA concerning the risk management are as follows:

- understanding the risks to which the company is exposed, their causes and the company's general and specific objectives;

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- improving the company's risk profile by managing the process of identifying, assessing and managing risks and implementing the control measures needed to maintain the exposure to risk within the tolerable area.

The responsibilities regarding the risk management are achieved / fulfilled by the Risk Management Activity together with the risk managers and the Antibiotice SA employees.

The risk management activity analyzes and prioritizes the significant risks, which can affect the achievement of the general objectives, by establishing the risk profile and the tolerance limit, approved annually by the company management. It also draws up the “Plan for the implementation of control measures for significant risks at company level”, in order to be submitted for the approval of the general manager.

In 2019, the General Register of Risks was created and approved, aiming to minimize significant risks with an impact on the objectives to which the company is exposed.

At the level of the organizational structures within Antibiotice SA, specific risks were identified that were presented to the Audit Committee.

The main identified risks are:

1. Financial risks

As regards the financial risk management, the risks to which the company is exposed are: the currency risk, the liquidity risk and the commercial (non-payment) risk.

1.1. The currency risk, a component of the financial risk, often occurs in the current market economy conditions when currency rates fluctuate under the rule of demand and supply. The exchange rate fluctuations are reflected both in the costs of the imported raw materials and in the export prices of finished products.

During 2019 there were periods with higher volatility, with depreciation rates of the LEU currency.

In order to reduce the exposure of the currency risk within the company, a series of measures were taken such as: the synchronization of import and export activities by correlating payment and collection terms, as well as by correlating the weight of currencies so that the moment the payment is to be made is as close as possible or even simultaneous to that of the export receipts.

1.2. The liquidity risk is the risk according to which the company may encounter difficulties in honoring any short-term payment obligations at any time.

The circumstances of the liquidity risk: the lack of cash-flow generated by the gap between receipts and payments, the collection of receivables over deadlines exceeding 300 days, the fluctuations in interest rates and currency rates, the volume of investments, the level of taxation (clawback tax) and the price of raw materials.

The company's **liquidity risk policy** is to maintain, to the extent possible, sufficient liquidity to meet the obligations as they mature and the availability of funding through credit lines.

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1.3. The commercial (non-payment) risk – is defined as the risk of loss or of the failure to achieve the expected profits because of the debtor's lack of financial liquidity and the failure to meet the payment obligation at the due date.

The circumstances of the occurrence of the non-payment risk: large exposures to the major distributors, the long payment periods due largely to delays in the settlement of health care bills by the National Health Insurance House (NHIH).

The measures used by the company to control and **reduce the commercial (non-payment) risk** include: the monitoring of the customer creditworthiness, diversifying of the client portfolio and the request of warranties.

2. The legislative risks

The legislative changes affecting the pharmaceutical market lead to the emergence of *the legislative risk*, which must be continuously managed.

The pharmaceutical market is a regulated market, with clear legislative provisions, designed to control the quality and therapeutical efficiency of the medicines present in the market, as well as to avoid counterfeiting.

The adaptation to these provisions is reflected both in additional costs related to updating the documentation, in aligning to the latest quality standards.

The company's strategy for managing these risks involves the permanent concern for obtaining international certifications for the manufacturing lines, the updating of the authorization documentation for portfolio products, the constant pursuing of the legislative changes at international level and the continuous adapting of policies, rules and procedures to the latest changes.

3. The human resources risk

The main risk concerning the human resources is the labor shortage of candidates trained in specific fields of the pharmaceutical industry. The measures used to control and reduce this risk are: organizing the “Summer School a+” project with the best students, promoting the company within faculties, organizing study visits of students in the company, carrying out the “Perform a+” project and partnerships with pre-university education units (the University of Medicine and Pharmacy “Grigore T. Popa” of Iași through the “Perform a+” project).

4. The reputational risk is defined as the current or future risk of a negative impact on profits and capital determined by the unfavorable perception on the company's image.

In order to effectively manage the situations that could create a reputational risk, the following measures are envisaged: the monitoring of the company's image in the media in order to identify any events that could give rise to image risk, the constant communication to the media of positive information, the control of risks that may affect the image of the company, the continuous training of the employees, the rapid adaptation to the legislative requirements in the field and the compliance with the procedures.

5. The operational risk is the risk of loss that results either from the use of inadequate processes, persons or internal systems that have not performed their function properly, or from external events.

The production of operational risks can materialize in equipment failures, human errors, the malfunctioning of the operational processes, which can ultimately lead to unplanned stops.

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

2. THE ACCOUNTING POLICIES

2.1 Declaration of conformity

The financial statements have been prepared in accordance with:

- the Accounting Law no. 82 from 1991, republished and updated;
- the provisions of the Order of the Minister of Public Finance no. 2844/2016, for the approval of the Accounting Regulations conforming to the International Financial Reporting Standards, applicable to the commercial companies whose securities are admitted to trading on a regulated market, with the subsequent modifications and clarifications.

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

The financial statements for the financial year ended on December 31, 2019 include the statement of financial position, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and the explanatory notes.

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

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

2.2 The bases of assessment

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

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

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2.3 The functional and presentation currency

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

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

The profit and loss arising from the exchange rate differences following the conclusion of these transactions and from the conversion to the exchange rate at the end of the reporting period of the monetary assets and obligations denominated in foreign currency is reflected in the statement of the comprehensive income. The exchange rates of the main foreign currencies as reported by the NBR (National Bank of Romania) are as follows:

	31-12-19	31-12-18
EUR	4.7793	4.6639
USD	4.2608	4.0736

2.4 Critical accounting assessments and estimates

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

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

An estimate may need review if changes occur regarding the circumstances on which the estimate was based or as a result of new information or subsequent experiences. By its nature, the review of an estimate does not relate to prior periods and is not the correction of an error in the current period. Any effect, if any, on future periods is recognized as income or expense in those future periods.

The company makes certain estimates and assumptions about the future. The estimates and judgments are continually evaluated based upon the historical experience and other factors, including forecasting future events that are believed to be reasonable under the existing circumstances. In the future, the concrete experience may differ from these estimates and assumptions.

The following are examples of assessments, estimations, assumptions applied within our company:

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

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

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(b) *Adjustments for the impairment of receivables*

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

(c) *Legal proceedings*

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

(d) *Cost accounting estimates*

There are situations in which, until the closing of some fiscal periods or up to the closing date of a financial year, the exact values of certain expenses incurred by the company are not known (e.g. marketing and promotion/sales campaigns of products, campaigns for boosting the sales). For this category of expenditure, preliminary spending will be made, which will be corrected in the following periods when cash outflows will occur. For this category of spending preliminary expenses will be made, which will be corrected in future periods when an output of cash flows will occur. The estimates of expenditure for each category of expense will be made by someone with experience in the type of activity that generated the expense.

(e) *Taxation*

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

2.5 Presentation of separate financial statements

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

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2.6 Intangible assets purchased

The inventory of the intangible assets is done in accordance with IAS 38 “Intangible assets” and IAS 36 “The impairment of assets”. The externally acquired intangible assets are initially recognized at cost and subsequently amortized on a straight-line basis over their useful economic life. The expenses related to the acquisition of patents, copyrights, licenses, trademarks or factory brands and other intangible assets recognized from an accounting viewpoint, with the exception of formation expenses, goodwill, intangible assets with indefinite useful life, fitted according to the accounting regulations shall be recovered by means of linear depreciation deductions for the duration of the contract or for the period of use, as the case may be.

Intangible assets generated by the company (development costs)

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

2.7. Tangible assets

The tangible assets are tangible items that:

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

Recognition:

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

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

The evaluation after recognition

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

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

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

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

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

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

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

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

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

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

Depreciation

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

The land owned is not depreciated.

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

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

Impairment

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

If and only if the recoverable amount of an asset is lower than its book value, the book value of the asset will be reduced to be equal to the recoverable amount. Such a reduction represents an impairment loss. An impairment loss is immediately recognized in the profit or loss of the period in question, except when the asset is reported to the revalued amount, in accordance with

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another standard (for example, in accordance with the revaluation model in IAS 16 Tangible assets). Any impairment loss concerning a revalued asset is considered to be a decrease generated by revaluation.

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

Initial valuation of financial assets and financial liabilities

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

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

Subsequent assessment of financial assets

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

Depreciation of financial assets

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

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

Cash and cash equivalents / Hedging

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

2.9 Stocks

According to IAS 2, the stocks are active:

- a) held for sale in the ordinary course of 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

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The cost of stocks includes all the purchase costs, conversion costs as well as other costs incurred in bringing the inventories to the state and location where they are now. The stocks of raw materials and consumables are stated at the cost of acquisition. The inventory outflow is performed using the Weighted Average Price method. The stocks of products in progress are stated at the value of the raw materials and consumables included in them. The stock of finished products is recorded at production cost upon the completion of the manufacture.

Adjustments for depreciation of stocks

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

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

2.10 Receivables

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

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

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

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

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

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

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

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

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

2.11 Value added tax

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

2.12 Financial liabilities

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

2.13 Recognition of income and expenses

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

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

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

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

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

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

The income assessment

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

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

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

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

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

Revenue is measured at the fair value of the amounts received or receivable net of VAT. Revenues are reduced by the value of returns, commercial discounts and other similar costs.

The revenues from the sale of the goods are recognized when there is an obligation to register a contract or when all the following conditions have been fulfilled:

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

The income from the sale of the goods is recognized when the company has transferred the significant risks and benefits related to the property right to the buyer and it is likely that the

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

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

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

2.13.2 Recognition of expenses

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

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

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

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

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

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

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

- a) the Company has a current (legal or implicit) obligation generated by a past event;
- b) it is likely that an outflow of resources incorporating economic benefits will be required to settle the obligation
- c) a reliable estimate of the amount of the obligation can be made.

If these conditions are not met, a provision must not be recognized. The provisions are recorded in accountancy using the accounts from the group 15 “Provisions” and are based upon the expenses, except those related to the decommissioning of tangible assets and other similar actions related thereto, for which the provisions of IFRIC 1 will be taken into account.

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

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

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

The previously established provisions are periodically analyzed and regulated.

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 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 enacted or adopted largely up to the reporting date and are expected to be applied when the liabilities/(assets) concerning the deferred tax are settled/(recovered).

The Company compensates for receivables and liabilities concerning the deferred tax if and only if:

- a) it has the legal right to offset the current tax receivables with the current tax liabilities; and
- b) the deferred tax receivables and liabilities relate to the income taxes charged by the same fiscal authority.

2.18 Dividends

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

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reporting period.

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

2.19 Capital and reserves

The capital and reserves (equity) represents the right of shareholders over the assets of an entity after deducting all liabilities. The equity includes: capital shares, reserves, reported result and the result of the financial year.

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

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

2.20 Financing costs

An entity shall capitalize the borrowing costs that are directly attributable to the acquisition, construction or production of an asset with a long production cycle as part of the cost of that asset. An entity must recognize other borrowing costs as expenses during the period during which it bears them.

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

2.21 Earnings per share

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

2.22 Reporting on segments

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

2.23 Affiliated parties

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

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

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-
- (i) The entity and the Company are members of the same group (which means that each parent company, subsidiary and subsidiary of the same group is linked to the other);
 - (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 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.

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

The following new standards, interpretations and amendments, which are not yet in force and have not been adopted in advance in these financial statements, may have an effect on the Company's future financial statements. The list below presents the IFRSs (and amendments to the IFRSs) that were issued, but are not mandatory for the financial statements prepared on December 31, 2019:

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.

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

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

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

Like all the other activities, the Company is exposed to risks arising from the use of financial instruments. This note describes the company's objectives, policies and processes for managing these risks and methods used to assess them. The additional quantitative information on these risks is presented in these financial statements. There were no major changes in the Company's exposure to financial instruments related risks in its objectives, policies and processes for managing these risks or in the methods used to assess them in comparison to the prior periods, except where otherwise stated in this note.

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:

ASSETS	Loans and receivables	
	31-12-19	31-12-18
Trade and similar receivables	338,159,774	292,458,773
Numerar si echivalente de numerar		
Cash and cash equivalents	1,877,409	2,376,682
Total	340,037,183	294,835,455
LIABILITIES	Amortized cost	
	31-12-19	31-12-18
Trade and similar receivables	72,337,840	57,937,927
Short-term loans	125,875,879	100,729,229
Long-term loans	57,080,354	26,662,433
Total	255,294,073	185,329,589

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

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Credit risk

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

Antibiotice SA has developed a Commercial Policy approved by its Management Board. This policy clearly states the commercial conditions for sale and there are conditions imposed in the selection of the clients.

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

Calculation and analysis of the net statement (equity)		
Indicators (LEI)	31-12-19	31-12-18
Short-term credits and loans	125,875,879	100,729,229
Long-term credits and loans	57,080,354	26,662,433
Cash and cash equivalents	(1,877,409)	(2,376,682)
Net debt	181,078,824	125,014,980
Total equity	496,842,915	472,727,315
Net debt in equity (%)	36.45%	26.45%

Riscul de schimb valutar Foreign exchange risk

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

On December 31, 2019 the company's net exposure by types of currency to the foreign currency risk was as follows:

Assets/liabilities in EURO equivalent in LEI	For the year ended on	
	31-Dec-19	31-Dec-18
Monetary financial assets	8,707,724	3,237,508
Monetary financial liabilities	(18,661,953)	(16,926,430)
Net financial assets	(9,954,228)	(13,688,922)
RON/EUR variation		
	Gain/Loss	
Appreciation of the RON against EUR by 5%	(497,711)	(684,446)
Depreciation of the RON against EUR by 5%	497,711	684,446
Impact upon result	-	-
	31-12-19	31-12-18

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Assets and liabilities in EUR

Monetary financial assets	1,821,966	694,163
Monetary financial liabilities	(3,904,746)	(3,629,244)
Net financial assets	(2,082,780)	(2,935,081)

Assets/liabilities in USD equivalent in LEI

	31-12-19	31-12-18
Monetary financial assets	28,245,314	22,064,544
Monetary financial liabilities	(7,200,008)	(7,287,274)
Net financial assets	21,045,307	14,777,270

RON/USD variation

Appreciation of the RON against USD by 5%	1,052,265	738,864
Depreciation of the RON against USD by 5%	(1,052,265)	(738,864)

Impact upon result

	31-12-19	31-12-18
Assets and liabilities in USD		
Monetary financial assets	6,629,111	5,416,473
Monetary financial liabilities	(1,689,825)	(1,788,903)
Net financial assets	4,939,285	3,627,570

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

Assets / Liabilities	31-12-19	31-12-18
LEI	132,333,068	134,865,618
EUR	(9,954,228)	(13,688,922)
USD	21,045,307	14,777,270
Other currency (CAD,GBP)	(1.178)	(876)
Net exposure	143,422,968	135,953,089

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

Liquidity risk

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

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

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

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

	Up to 3 months	Between 3 and 12 months	Over 12 months	Total
December 31, 2019				
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
Short-term loans		125.875.879		125.875.879
Long-term loans			57.080.354	57.080.354
Total	26,837,615	184,643,500	57,080,354	268,561,469

	Up to 3 months	Between 3 and 12 months	Over 12 months	Total
December 31, 2018				
Commercial and similar debt	12,872,046	54,299,038		67,171,084
Debts from taxes and current taxes	10,421,393			10,421,393
Short-term loans		100,729,229		100,729,229
Long-term loans			26,662,433	26,662,433
Total	23,293,439	155,028,267	26,662,433	204,984,139

Bank liquidity

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

Operational risk

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

- The requirements for the separation of responsibilities, including the independent transaction authorization;
- The requirements for reconciling and monitoring the transactions;
- The compliance with regulatory and legal requirements;
- Documenting controls and procedures;
- Requirements for the periodic review of operational risk the Company is exposed to and the adequacy of controls and procedures to prevent the identified risks;
- Requirements for reporting the operational losses and proposals to remedy the causes that generated them;

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- 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:

Description	For the year ended on	
	31-12-19	31-12-18
Finished product sales	409,047,291	364,877,286
Sales of goods	82,423,115	85,005,157
Trade discounts	(101,759,666)	(85,305,977)
Total	389,710,740	364,576,466

The sales revenues are mainly driven by the sales of finished products directly to pharmaceutical distributors. In 2019, the intra and extra-community sales amounted to 152,127,799 lei (123,957,121 lei in 2018).

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:

Description	31-12-19	31-12-18
Rental income	159,883	102,739
Income from research and studies	331,006	276,429
Income from the revaluation of fixed assets	0	242,323
Income from various activities	444,914	349,355
Subsidies income	0	2,743
Income from the sale of fixed assets	0	0
Income from indemnities, fines and penalties	165,078	29,462
Other operating income	1,594,815	1,391,830
Income from adjustments for depreciation of current assets	19,594,833	31,050,045
Income from provisions for risks and expenses	4,998,241	4,586,271
Exchange rate differences	5,719,913	7,373,803
Total	33,008,685	45,405,000

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6. RAW MATERIALS, CONSUMABLES AND GOODS

The expenditure on raw materials and consumables consists of:

Description	For the year ended on	
	31-12-19	31-12-18
Raw materials	79,699,130	68,674,434
Auxiliary materials	6,056,044	5,081,999
Goods	54,621,830	59,083,000
Expenditure on fuel and spare parts	4,533,492	5,016,781
Inventory items	696,960	645,789
Other consumables	408,648	342,372
Total	146,016,104	138,844,375

7. STAFF COSTS

The staff costs are as follows:

Description	For the year ended on	
	31-12-19	31-12-18
Wages	85,320,279	75,809,790
Civil contracts	1,297,919	1,201,988
Tax and social contributions	2,839,598	2,580,122
Employee participation in profit	2,900,000	2,900,000
Variable allowance for Management Board members	4,249,400	2,098,241
Other benefits (meal vouchers and employee participation in 2018 profit)	6,244,935	6,274,594
Total	102,852,132	90,864,735

For the year 2019, provisions were made in the amount of 7,149,401 lei, representing the provision for the participation of the employees in the variable allowances of the Board of Directors and of the mandate contract as well as the provision for unused vacation leave. 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 Component of the Management Board and Executive Management are presented in Note 1. General Information.

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

Description	For the year ended on	
	31-12-19	31-12-18
Wages	4,123,733	3,014,625
Civil constructs	689,540	775,473
Taxes and social contributions	167,459	104,789
Variable allowances	3,116,088	1,113,728
Total	8,096,820	5,008,616

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For the year 2019, provisions were made in the amount of 4.249.401 lei representing the provision for the variable allowances of the Management Board and one provision for the variable allowance pertaining to the mandate contract to achieving the 2019 objectives.

8. OTHER OPERATING EXPENDITURE

Other operating expenditure include the following

Description	For the year ended on	
	31-12-19	31-12-18
Utilities	11,124,204	9,316,468
Repairs	1,606,580	1,476,961
Rent	631,806	512,622
Insurances	1,591,720	1,291,425
Bank fees	1,218,042	1,673,618
Advertising & promotion of products	7,741,206	7,752,450
Travel & transport	3,661,822	3,454,325
Post & telecommunications	487,481	561,161
Other services provided by third parties	14,150,360	14,596,126
Other taxes	46,266,487	39,450,833
Environment protection	902,607	684,951
Loses and adjustments of uncertain receivables	23,313,041	33,180,327
Reevaluarea imobilizarilor	0	151,809
Revaluation of fixed assets	7,267,805	7,107,894
Sundries	1,689,348	1,740,154
Total	121,652,509	122,951,124

9. FINANCIAL INCOME AND EXPENSES

The net financial income consists of:

Description	For the year ended on:	
	31-12-19	31-12-18
Interest income	8,313	6,719
Interest charges	(4,686,718)	(3,647,567)
Other financial expenses	(149,608)	(583,332)
Total	(4,828,013)	(4,224,180)

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

10. CURRENT AND DEFERRED PROFIT TAX EXPENSES AND OTHER TAXES

Description	For the year ended on	
	31-12-19	31-12-18
Current tax	4,034,592	1,177,842
Deferred tax expense/(income)	265,008	(450,034)
Taxes specific to certain activities	57,015	57,015
Total	4,356,615	784,823

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To determine the current and deferred tax, the Company considers the impact of uncertain tax positions and the possibility of additional taxes and interest. This assessment is based 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.

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

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

Description	For the year ended on	
	31-12-19	31-12-18
Total income	407,782,656	376,684,759
Total expenses (without profit tax)	(371,682,874)	(340,955,837)
Gross book value	36,099,782	35,728,922
Deductions	(27,600,149)	(30,259,061)
Non-deductible expenses	30,289,901	27,269,315
Fiscal result	38,789,534	32,739,176
Profit tax (fiscal result x 16%)	6,206,325	5,238,268
Tax reductions	(2,171,733)	(4,060,426)
Current profit tax	4,034,592	1,177,842
Deferred profit tax	265,008	(450,034)
Taxes specific to certain activities	57,015	57,015
Total profit tax and other taxes	4,356,615	784,823

11. EARNINGS PER SHARE

Description	For the year ended on	
	31-12-19	31-12-18
Net profit (A)	30,823,278	34,303,788
Number of ordinary shares (B)	671,338,040	671,338,040
Earning per share (A/B)	0.0459	0.0511

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12. TANGIBLE ASSETS

	Land	Buildings	Technical installations & equipment	Other installations, equipment & furniture	Tangible assets in progress	Total
COST						
December 31, 2017	108,306,000	83,326,165	151,601,853	6,193,046	19,189,581	368,616,645
Aquisitions	-	9,678,817	39,680,112	1,427,093	58,049,609	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
December 31, 2018	108,306,000	108,332,084	184,961,323	7,544,355	26,453,168	435,596,930
Aquisitions	-	14,778,786	11,944,316	220,134	71,530,159	98,473,395
Outputs	-	10,160	3,129,954	65,985	26,943,237	30,149,336
December 31, 2019	108,306,000	123,100,710	193,775,685	7,698,504	71,040,090	503,920,989
DEPRECIATION						
December 31, 2017	-	24,462,240	115,505,156	5,104,707	-	145,072,102
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
December 31, 2018	-	1,726,725	117,626,773	5,306,514	-	124,660,012
Cost of the period	-	6,320,323	11,827,657	406,234	-	18,554,214
Outputs	-	10,160	3,129,954	65,984	-	3,206,098
December 31, 2019	-	8,036,888	126,324,476	5,646,763	-	140,008,126
PROVISION						
December 31, 2017	-	57,000	244,652	-	-	301,652
Outputs 2018	-	5,400	-	-	-	5,400
December 31, 2018	-	51,600	244,652	-	-	296,252
Outputs 2019	-	-	-	-	-	-
December 31, 2019	-	51,600	244,652	-	-	296,252
NET VALUE						
December 31, 2019	108,306,000	115,012,222	67,206,557	2,051,741	71,040,090	363,616,611
December 31, 2018	108,306,000	106,553,759	67,089,898	2,237,841	26,453,168	310,640,665
December 31, 2017	108,306,000	58,806,925	35,852,045	1,088,339	19,189,581	223,242,890

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Depreciation of fixed assets

The accounting depreciation is calculated using the straight line method. For the new fixed assets, entered in 2019 such as installations, machines and measuring and control devices, the useful life times have been established taking into account:

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

The inventory value of the tangible assets constituted as pledges or guarantees is 73,804,134 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:

	31-12-19	31-12-18
Initial balance	26,250,866	21,718,103
Inputs	5,836,186	7,570,149
Outputs	1,310,438	3,037,386
Final balance	30,776,615	26,250,866
Amortization		
Initial balance	11,222,150	8,610,480
Cost of the period	3,168,756	2,611,670
Final balance	14,390,906	11,222,150
Net value	16,385,709	15,028,716

14. STOCKS

Description	31-12-19	31-12-18
Raw materials and consumables	29,314,160	20,915,669
Production in progress	3,146,451	3,036,478
Semi-finished and finished products	33,849,505	33,358,323
Goods	7,665,872	7,654,192
Total	73,975,988	64,964,662

The value of stocks held as collateral is 34,823,504 lei.

15. TRADE AND OTHER RECEIVABLES

	31-12-19	31-12-18
Description		
Trade receivables	362,186,268	325,033,175
On Adjustments for trade receivables	(34,066,666)	(33,548,330)
Various debtors and other receivables	5,069,347	4,427,757
Adjustments for various debtors	(3,432,707)	(3,453,829)
Receivables related to employees	155	209
Other receivables from the State Budget	3,159,069	880,939
Advance payments	5,244,308	19,754,537
Total	338,159,774	313,094,458

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December 31, 2019 the Company recorded adjustments for trade receivables representing customer balance that are unlikely to be collected by the company. The receivables of the company were analysed and evaluated according to criteria established according to the risks per categories of costumers.

The		31-12-19	31-12-18
	Analysis of seniority		
	Receivables -customers	362,186,268	325,033,175
	Up to 3 months	150,900,438	129,963,030
	between 3 and 6 months	68,347,022	76,193,641
	between 6 and 12 months	91,877,624	77,280,125
	over 12 months	51,061,183	41,596,378
	Value adjustments related to receivables- customers	(34,066,666)	(33,548,330)

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

	31-12-19	31-12-18
Adjustments of receivables		
At the beginning of the period	37,002,158	51,458,041
Established during the year	19,117,314	18,349,355
Cancelling the adjustments	(18,620,099)	(32,805,238)
At the end of the period	37,499,373	37,002,158

The value of receivables established as guaranties is 308,025,177 lei.

16. CASH AND CASH EQUIVALENTS

Description	31-12-19	31-12-18
Available in the bank	1,868,312	2,346,212
Cash and cash equivalents	9,097	30,470
Total	1,877,409	2,376,682

17. TRADE AND OTHER LIABILITIES

Description	31-12-19	31-12-18
Trade liabilities	39,314,006	34,179,575
Suppliers of assets	11,940,928	16,607,089
Employee-related liabilities	3,614,177	1,699,591
Wage provisions	7,149,401	4,998,241
Other debts	180,029	141,529
Interest to be paid	495,084	311,902
Tax and social contributions	3,414,066	2,980,512
Dividends	5,118,284	5,751,482
Advances money from customers	1,111,865	501,163
Total	72,337,840	67,171,084

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18. AMOUNTS DUE TO CREDIT INSTITUTIONS

The amounts due to the credit institutions on 31.12.2019 are shown in the table below:

Amounts due to credit institutions	Value at 31.12.2019
Amounts due in the short term	125,875,879 LEI
Amounts due in the long term (including interest)	57,080,354 LEI

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

Objective	Credit line – working capital
Amount	55,000,000 LEI
Maturity	16.08.2020
Balance on December 31, 2019	54,330,807.68 LEI
Warranties	Mortgage contract for buildings, land/ Receivable assignment contract

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

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

The short-term contract number 12/01.07.2013 concluded with the Export-Import Bank of Romania - EXIMBANK S.A.

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

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

Objective	Credit line – working capital
Amount	9,500,000 EUR
Maturity	22.05.2020
Balance on December 31, 2019	24,021,730.10 LEI 3,251,946.88 EUR (15,542,029.72 LEI) 560,551.01 USD (2,388,395.74 LEI)
Warranties	Mortgage contract for buildings, land /Receivable assignment contract

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Amounts due to credit institutions on 31.12.2018

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

Objective	Credit line – working capital
Amount	50,000,000 LEI
Maturity	16.08.2019
Balance on December 31, 2018	40,398,127 LEI
Warranties	Mortgage contract for buildings, land /Receivable assignment contract

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

Objective	Investment credit
Amount	15,406,300 EUR
Maturity	02.05.2028
Balance on December 31, 2018	5,709,266.17 EUR (26,627,446.49 LEI)
Warranties	Mortgage contract for buildings, land /Receivable assignment contract

The short-term contract number 12/01.07.2013 concluded with the Export-Import Bank of Romania - EXIMBANK S.A.

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

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

Objective	Credit line – working capital
Amount	9,500,000 EUR
Maturity	22.05.2019
Balance on December 31, 2018	11,711,390.09 LEI 5,132,454.91 EUR (23,937,256.45 LEI) 128.503,05 USD (523,470.02 LEI)
Warranties	Mortgage contract for buildings, land /Receivable assignment contract

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

19. INVESTMENTS SUBSIDIES

The subsidies for investments have the following structure:

Subsidies for investments	31-12-19	31-12-18
Wastewater treatment plant	2,220,345	2,379,324
Research project-UMF Iasi		24,503
Other grants from European funds		495,489
Other grants from state budget funds	118,213	92,282
Other amounts received in the form of grants	100,682	135,201
Total	3,079,169	3,126,799

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

20. DEFERRED INCOME TAX

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

Description	31-12-19	31-12-18
Initial balance	25,266,930	18,172,398
Cost / (income) postponed tax	265,008	7,094,532
Final balance	25,531,938	25,266,930

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

21. SHARE CAPITAL

The subscribed share capital of the company on December 31,2019 is 67,133,804 lei, the nominal value of a share is 0,1000 lei/share. Our company has a number of 671,338,040 shares which confer equal rights to the company's shareholders. SC Antibiotice SA has not issued preference shares to shareholders.

According to the provisions of IAS 29 – hyperinflationary economies, the share capital was restated taking into account the inflation index communicated by the National Statistics Commission. It was applied starting with the balance determined according to GD 500/1994, from the reporting date to 31.12.2003, the date when it was considered that the national economy has ceased to be hyperinflationary.

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

On 31.12.2012, in the balance sheet of the Company there was a retained earnings loss result from the application for the first time of IAS 29 “*Financial Reporting in Hyperinflationary*

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Economies” proposed to be covered from the amount resulting from the application of IAS 29 “*Financial Reporting in Hyperinflationary Economies*” as follows:

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

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

22. RESERVES

Reserves include the following components:

Description	31-12-19	31-12-18
Reserves from revaluation of fixed assets	60,481,330	63,642,374
Legal reserves	13,426,761	13,426,761
Deferred income tax recognized on equity	(9,677,011)	(10,182,778)
Other reserves	193,386,084	166,884,712
Reserves from current profit	7,269,283	23,537,290
TOTAL	264,884,447	257,308,360

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

Reserves	Description and purpose
Reserves from revaluation of fixed assets	If the book value of a tangible asset is increased as a result of the re-evaluation, then the increase should be recognized in other items of global result and cumulated in equity, as a re-evaluation surplus. The revaluation reserves can't be distributed and can't be used to increase the share capital.
Legal reserves	According to Law 31/1990, at least 5% of the profit is taken each year for the formation of the reserve fund until it reaches at least a fifth of the share capital.
Other reserves	Other reserves include reserves that represent tax incentives that cannot be distributed because they have implications on the recalculation of the corporate tax. The difference represents reserves made up of profits.

23. REPORTED RESULT

The reported result includes the following components:

Description	31-12-19	31-12-18
Reported result – a surplus from revaluation reserves	17,422,314	14,205,380

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Result reported from error correction	-	(1,094,738)
The retained earnings arising from the use of fair value as deemed cost at the date of transition to IFRSs	123,846,355	124,408,011
The retained earnings from the adoption of IAS 29 for the first time	(197,701,352)	(197,701,352)
Total	(56,432,683)	(60,182,699)

24. DISTRIBUTION OF PROFIT

On December 31, 2019, S.C.Antibiotice S.A registered a net profit in amount of 30,823,278 lei, proposed for distribution as follows:

Description	31-12-19	31-12-18
Dividends	20,059,405	6,707,678
Other reserves	10,763,873	27,596,110
Total	30,823,278	34,303,788

The amount of 10,763,873 lei, representing other reserves given by the law, is composed of:

- Fiscal facilities for the profit invested in technological equipment, electronic computers and peripheral equipment, cash registers, machines, control and billing, as well as in software programs produced and/or purchased according to Art. 22 of the Fiscal Code in the amount of 7,269,283 lei;
- Fiscal facilities for research and development activities according to Art. 20 of the Fiscal Code in the amount of 2,398,993 lei;
- Other reserves representing unclaimed dividends in the amount of 1,095,597 lei;

The total dividends are in amount of 20,059,405 lei.

The gross dividend per share related to financial year 2019 was established at 0.029879738 lei and it represents a rate of distribution of 65% from the net profit of the financial year 2019.

25. CONTINGENT LIABILITIES

SC Antibiotice SA does not have contingent liabilities at December 31, 2019.

26. ELEMENTS FOLLOWING THE REPORTING PERIOD

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

27. INFORMATION ABOUT THE AUDIT OF FINANCIAL STATEMENTS

The financial audit for the financial year 2019 was carried out by SC SOCECC SRL. The auditor provided only financial audit services.

Accounting, Expertise & Accounting Consultancy Company
SOCECC Ltd.

INDEPENDENT AUDITOR'S REPORT
on
the INDIVIDUAL FINANCIAL STATEMENTS
drawn up by ANTIBIOTICE S.A.
for the FISCAL YEAR ended on
DECEMBER 31, 2019

-IAŞI -
- 2019 -

*Emblem of
the company*

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INDEPENDENT AUDITOR'S REPORT TO THE ANTIBIOTICE SHAREHOLDERS

Report on the Audit of Financial Statements

Our opinion

We audited the attached individual financial statements of ANTIBIOTICE S.A. ("The Company") with its registered office in Iași, Valea Lupului St., tax identification number RO1973096, comprising the financial position statement as of December 31, 2019, statement of comprehensive income, statement of changes in equity and cash flow statement for the financial year ended on the above-mentioned date as well as a summary of the significant accounting policies and other explanatory notes.

The individual financial statements as of December 31, 2019 are identified as such:

- Net assets/ total equity: 496,842,915 LEI
- Net profit of the fiscal year 30,823,278 LEI

In our opinion, the attached individual financial statements give a true and fair view, in all significant aspects, on the financial position of Antibiotice company on December 31, 2019, as well as on the financial performance and cash flows for the fiscal year ended on the above-mentioned date in accordance with the Order of the Minister of Public Finance no. 2844/2016 (OMPF no. 2844/2016) for approving the accounting regulations compliant with the International Financial Reporting Standards adopted by the European Union ("IFRS-UE").

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

Key issues

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

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Key issue - Value of trade receivables

Presentation value of trade receivables according to IFRS depends significantly on the calculation and estimation process of the trade discounts as well as on the process of estimating their recoverability. The company presented in the financial statements in the explanatory note no. 4 - **"Sales Income" the value of the granted trade discounts and, in the** explanatory note no. 15 - **"Trade and other receivables" the company** presented the trade receivables in net value of 328 million LEI, adjusted with the estimated depreciation.

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

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

Other information - Management Report

The administrators are responsible for drafting and submitting other information. This other information includes the Management Report but it does not include the financial statements **and auditor's report related to these statements**. The Management team is responsible for this information.

Our audit opinion on the financial statements does not cover other information and we do not express any conclusion with regard to these.

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

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

- In the Management Report we did not identify information that is not consistent in all significant aspects with the information presented in the financial statements on December 31, 2019.
- The above-identified Management Report includes, in all the significant aspects, the information requested by OMPF no. 2844/2016 to the para 15-19 of the Annex no. 1;
- The Management Report does not include the non-financial declaration specified to the paragraphs 39-42 from OMPF no. 2844/2016 which will be presented later in a separate report.
- Based on our knowledge and our understanding gained during the audit of the financial statements drafted on December 31, 2019 about the Company and its environment, we did not identify significant erroneous information presented in the Management Report.

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

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

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

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

Auditor's responsibility

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

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

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

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

Report on other legal and regulatory requirements

We were appointed by the General Meeting of Shareholders held on June 28, 2017 to audit the financial statements of ANTIBIOTICE S.A. **lași for the fiscal** year ended at December 31, 2019. The uninterrupted total duration of our commitment is 3 years, covering the financial exercises ended at 31.12.2017, 31.12.2018 and 31.12.2019.

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We confirm that:

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

In the name of,

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

Iași, March 4, 2020