

**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)

	NOTE	<b>For the year ended on</b>	
		<b>31-12-19</b>	<b>31-12-18</b>
<b>Sales revenues</b>	<b>4</b>	<b>389,710,740</b>	<b>364,576,466</b>
Other operating revenues	<b>5</b>	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	<b>6</b>	(146,016,104)	(138,844,375)
Staff-related expenses	<b>7</b>	(102,852,132)	(90,864,735)
Expenditure on amortization and depreciation		(21,416,603)	(20,237,870)
Other operating expenses	<b>8</b>	(121,652,509)	(122,951,124)
<b>Operating profit</b>		<b>40,007,906</b>	<b>39,312,791</b>
Financial income	9	8,313	4,991
Financial expenses	9	(4,836,326)	(4,229,171)
<b>Pre-Tax Profit</b>		<b>35,179,893</b>	<b>35,088,611</b>
Current and deferred income tax expense	<b>10</b>	(4,356,615)	(784,823)
<b>Profit</b>		<b>30,823,278</b>	<b>34,303,788</b>
<b>Other items of comprehensive income</b>			
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)
<b>Total other items of comprehensive income, excluding taxes</b>		<b>-</b>	<b>39,371,455</b>
<b>Total comprehensive income</b>		<b>30,823,278</b>	<b>73,675,244</b>
<b>Earnings per share</b>	<b>11</b>	<b>0.0459</b>	<b>0.0511</b>

*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
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
Tangible fixed assets	12	363,616,611	310,640,665
Intangible fixed assets	13	16,385,709	15,028,716
<b>TOTAL FIXED ASSETS</b>		<b>380,002,320</b>	<b>325,669,381</b>
<b>CURRENT ASSETS</b>			
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
<b>TOTAL CURRENT ASSETS</b>		<b>414,013,171</b>	<b>380,435,802</b>
<b>TOTAL ASSETS</b>		<b>794,015,491</b>	<b>706,105,183</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
	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
<b>TOTAL CURRENT LIABILITIES</b>		<b>211,481,115</b>	<b>178,958,714</b>
Commercial and similar liabilities			
<b>LONG -TERM LIABILITIES</b>			
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
<b>TOTAL LONG-TERM LIABILITIES</b>		<b>85,691,461</b>	<b>54,419,154</b>
<b>TOTAL LIABILITIES</b>		<b>297,172,576</b>	<b>233,377,868</b>

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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)

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	NOTE	31-12-19	31-12-18
<b>Share capital and reserves</b>			
<b>Share capital</b>	<b>21</b>	<b>264,835,156</b>	<b>264,835,156</b>
Reevaluation reserves	22	50,804,319	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
<b>TOTAL EQUITY</b>		<b>496,842,915</b>	<b>472,727,315</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>794,015,491</b>	<b>706,105,183</b>

*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)

	<b>For the year ended on</b>	
	<b>31-12-19</b>	<b>31-12-18</b>
<b>I. Cash flows from operating activities</b>		
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)
<b>Operating cash flow</b>	<b>27,824,781</b>	<b>26,733,341</b>
Interest charged	8,313	4,991
Interest paid	(4,538,522)	(3,474,486)
Tax on profit paid	(2,669,237)	(2,400,279)
<b>Net cash flows from operating activities</b>	<b>20,625,335</b>	<b>20,863,568</b>
<b>II. Cash flows generated by investments</b>		
Cash payments for purchasing land and fixed assets, intangible assets and other long-term assets	(69,180,345)	(64,596,506)
<b>Net investment cash flow</b>	<b>(69,180,345)</b>	<b>(64,596,506)</b>
<b>III. Cash flows from financing activities</b>		
Receipts from long-term loans/reimbursements	29,595,638	26,627,446
Dividends paid	(6,150,225)	(16,235,156)
<b>Net cash flows from financing activities</b>	<b>23,445,413</b>	<b>10,392,291</b>
Gains/losses from exchange rate differences	(536,326)	(388,333)
<b>Net increase/(decrease) in cash</b>	<b>(25,645,923)</b>	<b>(33,728,980)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>(98,352,547)</b>	<b>(64,623,567)</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>(123,998,470)</b>	<b>(98,352,547)</b>
<b>The cash and cash equivalents at the end of the period include:</b>		
Accounts in banks and cash	1,877,409	2,376,682
Credit lines	(125,875,879)	(100,729,229)
	<b>(123,998,470)</b>	<b>(98,352,547)</b>

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

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**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
<b>31-12-17</b>	<b>67,133,804</b>	<b>197,701,352</b>	<b>13,426,761</b>	<b>162,134,513</b>	<b>33,558,354</b>	<b>11,702,322</b>	<b>(10,982,386)</b>	<b>14,556,141</b>	<b>-</b>	<b>125,348,331</b>	<b>(197,701,352)</b>	<b>416,877,840</b>
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)
<b>Total other items of the global result</b>					<b>34,303,788</b>			<b>40,466,193</b>	<b>(1,094,738)</b>			<b>73,675,244</b>
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)	-	-	-	-	-
<b>31-12-18</b>	<b>67,133,804</b>	<b>197,701,352</b>	<b>13,426,761</b>	<b>190,422,002</b>	<b>34,303,788</b>	<b>14,205,380</b>	<b>(23,537,290)</b>	<b>53,459,596</b>	<b>(1,094,738)</b>	<b>124,408,011</b>	<b>(197,701,352)</b>	<b>472,727,315</b>

*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)

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## **1. GENERAL INFORMATION**

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

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

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

All 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)

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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 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)

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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, 7<sup>th</sup> 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, 8<sup>th</sup> 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 – 0.4649%
- 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 – 15.3452%.

**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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<b>Opening price (lei/share)</b>	0.5850	0.5320	0.5200	0.5780	0.4800
<b>Maximum price (lei/share)</b>	0.6170	0.5420	0.5920	0.5780	0.5260
<b>Minimum price (lei/share)</b>	0.5240	0.4200	0.5200	0.4550	0.4500
<b>Price at the end of the period (lei/share)</b>	0.5320	0.5270	0.5380	0.4870	0.5080
<b>Average price (lei/share)</b>	0.5836	0.5032	0.5585	0.5028	0.4851
<b>Earnings/share (lei/share)***</b>	0.0405	0.0452	0.0500	0.0511	0.0459
<b>Gross dividend/share (lei/share)**</b>	0,0197	0.0384	0.026552598	0.009991506	0.029879738
<b>Dividend yield****</b>	3.69%	4.05%	4.59%	2.05%	6.2%
<b>Dividend distribution rate*****</b>	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](http://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. Calițoiu was confirmed by the Ordinary General Meeting of Shareholders on April 19,

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2016, for a 4-year period. Mrs. Calițoiu is a mechanical engineer and Director of Investments & Risk Management Unit with SIF Oltenia. Mrs. Calițoiu 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 The 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 leu, the currency that the Company chose as the presentation currency.

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

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

	<b>31-12-19</b>	<b>31-12-18</b>
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:

<b>Category</b>	<b>Lifetime</b>
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:

	<b>Loans and receivables</b>	
<b>ASSETS</b>	<b>31-12-19</b>	<b>31-12-18</b>
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
<b>Total</b>	<b>340,037,183</b>	<b>294,835,455</b>
	<b>Amortized cost</b>	
<b>LIABILITIES</b>	<b>31-12-19</b>	<b>31-12-18</b>
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
<b>Total</b>	<b>255,294,073</b>	<b>185,329,589</b>

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

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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.

<b>Calculation and analysis of the net statement (equity)</b>		
<b>Indicators (LEI)</b>	<b>31-12-19</b>	<b>31-12-18</b>
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)
<b>Net debt</b>	<b>181,078,824</b>	<b>125,014,980</b>
<b>Total equity</b>	<b>496,842,915</b>	<b>472,727,315</b>
<b>Net debt in equity (%)</b>	<b>36.45%</b>	<b>26.45%</b>

***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:

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

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<b>Assets and liabilities in EUR</b>		
Monetary financial assets	1,821,966	694,163
Monetary financial liabilities	(3,904,746)	(3,629,244)
Net financial assets	<u>(2,082,780)</u>	<u>(2,935,081)</u>
<b>Assets/liabilities in USD equivalent in LEI</b>		
	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	<u>21,045,307</u>	<u>14,777,270</u>
<b>RON/USD variation</b>		
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)
<b>Impact upon result</b>	<u>-</u>	<u>-</u>
	31-12-19	31-12-18
<b>Assets and liabilities in USD</b>		
Monetary financial assets	6,629,111	5,416,473
Monetary financial liabilities	(1,689,825)	(1,788,903)
Net financial assets	<u>4,939,285</u>	<u>3,627,570</u>

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

<b>Assets / Liabilities</b>	<b>31-12-19</b>	<b>31-12-18</b>
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)
<b>Net exposure</b>	<u>143,422,968</u>	<u>135,953,089</u>

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:

	<b>Up to 3 months</b>	<b>Between 3 and 12 months</b>	<b>Over 12 months</b>	<b>Total</b>
<b>December 31, 2019</b>				
Commercial and similar debt	13.570.219	58.767.621		72.337.840
Debts from taxes and current taxes	13.267.396			13.267.396
Short-term loans		125.875.879		125.875.879
Long-term loans			57.080.354	57.080.354
<b>Total</b>	<b>26,837,615</b>	<b>184,643,500</b>	<b>57,080,354</b>	<b>268,561,469</b>

	<b>Up to 3 months</b>	<b>Between 3 and 12 months</b>	<b>Over 12 months</b>	<b>Total</b>
<b>December 31, 2018</b>				
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
<b>Total</b>	<b>23,293,439</b>	<b>155,028,267</b>	<b>26,662,433</b>	<b>204,984,139</b>

**Bank liquidity**

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

***Operational risk***

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

<b>Description</b>	<b>For the year ended on</b>	
	<b>31-12-19</b>	<b>31-12-18</b>
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)
<b>Total</b>	<b>389,710,740</b>	<b>364,576,466</b>

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:

<b>Description</b>	<b>31-12-19</b>	<b>31-12-18</b>
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
<b>Total</b>	<b>33,008,685</b>	<b>45,405,000</b>

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

The expenditure on raw materials and consumables consists of:

<b>Description</b>	<b>For the year ended on</b>	
	<b>31-12-19</b>	<b>31-12-18</b>
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
<b>Total</b>	<b>146,016,104</b>	<b>138,844,375</b>

**7. STAFF COSTS**

The staff costs are as follows:

<b>Description</b>	<b>For the year ended on</b>	
	<b>31-12-19</b>	<b>31-12-18</b>
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
<b>Total</b>	<b>102,852,132</b>	<b>90,864,735</b>

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:

<b>Description</b>	<b>For the year ended on</b>	
	<b>31-12-19</b>	<b>31-12-18</b>
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
<b>Total</b>	<b>8,096,820</b>	<b>5,008,616</b>

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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

<b>Description</b>	<b>For the year ended on</b>	
	<b>31-12-19</b>	<b>31-12-18</b>
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
Reevaluaarea imobilizarilor	0	151,809
Revaluation of fixed assets	7,267,805	7,107,894
Sundries	1,689,348	1,740,154
<b>Total</b>	<b>121,652,509</b>	<b>122,951,124</b>

**9. FINANCIAL INCOME AND EXPENSES**

The net financial income consists of:

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

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**

<b>Description</b>	<b>For the year ended on</b>	
	<b>31-12-19</b>	<b>31-12-18</b>
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
<b>Total</b>	<b>4,356,615</b>	<b>784,823</b>



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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:

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

**11. EARNINGS PER SHARE**

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

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**12. TANGIBLE ASSETS**

	Land	Buildings	Technical installations & equipment	Other installations, equipment & furniture	Tangible assets in progress	Total
<b>COST</b>						
<b>December 31, 2017</b>	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
<b>December 31, 2018</b>	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
<b>December 31, 2019</b>	108,306,000	123,100,710	193,775,685	7,698,504	71,040,090	503,920,989
<b>DEPRECIATION</b>						
<b>December 31, 2017</b>	-	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
<b>December 31, 2018</b>	-	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
<b>December 31, 2019</b>	-	8,036,888	126,324,476	5,646,763	-	140,008,126
<b>PROVISION</b>						
<b>December 31, 2017</b>	-	57,000	244,652	-	-	301,652
<b>Outputs 2018</b>	-	5,400	-	-	-	5,400
<b>December 31, 2018</b>	-	51,600	244,652	-	-	296,252
<b>Outputs 2019</b>	-	-	-	-	-	-
<b>December 31, 2019</b>	-	51,600	244,652	-	-	296,252
<b>NET VALUE</b>						
<b>December 31, 2019</b>	108,306,000	115,012,222	67,206,557	2,051,741	71,040,090	363,616,611
<b>December 31, 2018</b>	108,306,000	106,553,759	67,089,898	2,237,841	26,453,168	310,640,665
<b>December 31, 2017</b>	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:

	<b>31-12-19</b>	<b>31-12-18</b>
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
<b>Amortization</b>		
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
<b>Net value</b>	<b>16,385,709</b>	<b>15,028,716</b>

**14. STOCKS**

<b>Description</b>	<b>31-12-19</b>	<b>31-12-18</b>
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
<b>Total</b>	<b>73,975,988</b>	<b>64,964,662</b>

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

**15. TRADE AND OTHER RECEIVABLES**

	<b>31-12-19</b>	<b>31-12-18</b>
<b>Description</b>		
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
<b>Total</b>	<b>338,159,774</b>	<b>313,094,458</b>

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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	<b>31-12-19</b>	<b>31-12-18</b>
<b>Analysis of seniority</b>		
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:

<b>Adjustments of receivables</b>	<b>31-12-19</b>	<b>31-12-18</b>
<b>At the beginning of the period</b>	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)
<b>At the end of the period</b>	<b>37,499,373</b>	<b>37,002,158</b>

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

#### 16. CASH AND CASH EQUIVALENTS

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

#### 17. TRADE AND OTHER LIABILITIES

<b>Description</b>	<b>31-12-19</b>	<b>31-12-18</b>
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
<b>Total</b>	<b>72,337,840</b>	<b>67,171,084</b>

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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
<b>Balance on December 31, 2019</b>	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
<b>Balance on December 31, 2019</b>	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
<b>Balance on December 31, 2019</b>	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
<b>Balance on December 31, 2019</b>	24,021,730.10 LEI 3,251,946.88 EUR ( 15,542,029.72 LEI ) 560,551.01 USD ( 2,388,395.74 LEI )
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
<b>Balance on December 31, 2018</b>	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
<b>Balance on December 31, 2018</b>	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
<b>Balance on December 31, 2018</b>	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
<b>Balance on December 31, 2018</b>	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:

<b>Subsidies for investments</b>	<b>31-12-19</b>	<b>31-12-18</b>
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
<b>Total</b>	<b>3,079,169</b>	<b>3,126,799</b>

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:

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

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:

<b>Description</b>	<b>31-12-19</b>	<b>31-12-18</b>
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
<b>TOTAL</b>	<b>264,884,447</b>	<b>257,308,360</b>

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

<b>Reserves</b>	<b>Description and purpose</b>
Reserves from revaluation of fixed assets	If the book value of a tangible asset is increased as a result of the 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:

<b>Description</b>	<b>31-12-19</b>	<b>31-12-18</b>
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)
<b>Total</b>	<b>(56,432,683)</b>	<b>(60,182,699)</b>

**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:

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

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.