

# MANAGEMENT REPORT

Semestrial Report according to IFRS

Report Date: July 26th, 2021

Name of the commercial company: **ANTIBIOTICE S.A.**

Head Office: Iasi, 1 Valea Lupului St.

Phone number: 0232/209000, Fax 0232/209633

Fiscal registration code: RO 1973096

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

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

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

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

First semester of 2021

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## 1. Description of the activity carried out by the company

Antibiotice S.A. started its activity in 1955, being the first producer of the active substance Penicillin in Romania and South-Eastern Europe.

Currently, it is the most important Romanian manufacturer of generic drugs and a standard brand in the Romanian industry, internationally recognized, which continues the mission to manufacture quality, safe and efficient products, in order to offer people the hope of a healthy life.

On Antibiotice platform there are five production units reunited in three product divisions:

1. Products Division of Solid Forms for Oral use, which integrates the activities of the Capsules section and the Tablets section;
2. Topical Products Division, corresponding to the Ointments and Suppositories section;
3. Sterile Products and Active Substances Division, which integrates the activities of the Parenteral and Biosynthesis section.

Each division has its own portfolio reflected in the structure of each product, through its own operating budgets meant to increase the market share of each one and implicitly maximize the turnover and the profitability.

This organization aims to ensure that the portfolio has sufficient support through promotion and scientific communication to be capitalized efficiently in order to increase the size of manufacturing series and thus correlate them with the delivery series, respectively with the purchase of raw materials and consumables.

This organization ensures:

- sustainability and durability of the business;
- standardization and efficiency of processes;
- maximization of the market potential;
- optimization of the market structure on the territories of Antibiotice;
- maximization of profitability;
- reduction of operating expenses, especially of the conventionally constant ones;
- reduction of financial expenses;
- balanced sizing of the supplier credit;
- reduction of receivables collection periods.

Antibiotice S.A. X SA has the most complex manufacturing structure in Romania, with 8 distinct production flows, on which the following pharmaceutical forms are produced: penicillin injectable powders, penicillin capsules, non-beta-lactam capsules, cephalosporin capsules, tablets, ointments, creams, gels, suppositories, ovules, active substances obtained through biosynthesis processes, a unique process in the country.

Manufacturing flows are verified and certified according to the requirements of Good Manufacturing Practice, by the National Agency for Drugs and Medical Devices in Romania (NADMDR).

For the active substance Nystatin, the company has the status of international reference standard in terms of quality USP (United States Pharmacopeia), granted by the US authorities (FDA - Food and Drug Administration) and the Certificate of Compliance with the European Pharmacopoeia (CEP) issued by EDQM (European Directorate for the Quality of Medicines).

Three sterile injectable powder products are intended for the US market and are authorized (FDA - Food and Drug Administration).

The processes within the company Antibiotice are carried out according to the Integrated Management System of quality, environment, occupational health and safety. This framework governs all processes, from research, development, supply, production, control, to the distribution of medicines to patients. Certified for the first time in 2007, the Integrated Management System, Quality, Environment, Occupational Health and Safety received certification in January 2020, after the audit of TUV Rheinland Cert GmbH.

It owns a modern Research - Development center, the activity carried within it contributing to the achievement of a portfolio of over 150 finished medicines from 11 therapeutic classes (anti-infective, cardiovascular, dermatological, digestive, central nervous system). Most of them are prescription drugs, but the company also has over-the-counter (OTC) drugs, dietary supplements and medical devices in its portfolio, designed to prevent disease and increase the quality of life.

In order to carry out phase I clinical studies and bioequivalence studies, the company Antibiotice established in 2006 its own Clinical Studies Center, which is authorization to conduct clinical studies issued by the National Agency for Drugs and Medical Devices of Romania (NADMDR), authorization which is renewed every 3 years according to the legislation. Good Laboratory Practice (GLP) as well as Good Clinical Practice (GCP) is ensured by inspection every 2 years by the National Agency for Drugs and Medical Devices in Romania (NADMDR) and issuing the corresponding certificate of compliance.

On June 30<sup>th</sup>, 2021, the value of the subscribed and paid-in share capital is 67,133,804 lei, owned as follows (extract from the Register of Shareholders):

- Ministry of Health<sup>1</sup> a share of 53.0173%,
- S.I.F. Oltenia
- <sup>2</sup> a share of 22,9938%
- Other legal entities and individuals a share of 23,9889%

According to the category of shareholders, the subscribed and paid-in share capital is owned as follows:

- Legal entities - 86,4725%
- Individuals - 13,5275%

The company is listed on the Bucharest Stock Exchange, Premium category, ATB symbol, since April 1997.

In the first semester of 2021, Antibiotice S.A. continued to consistently apply the managerial plans and strategic directions established by the Strategic Organization and Development Plan for the period 2020-2028, with the following objectives:

- doubling the turnover: 140 million euros;
- achieving a gross profit of 14 million euros (10% of the turnover);
- business internationalization: 50% of the total turnover;
- strengthening the position of world leader for the active substance Nystatin;
- improving activities by digitizing and computerizing the company;
- optimizing the number of employees, with a structure adapted to the period;
- average net salary: 1,500 euros / employee;

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<sup>1</sup> Majority shareholder

<sup>2</sup> Significant shareholder

- the added value of the company: 60 million euros.

Through these objectives, we aim to improve the system of planning, correlation and operational follow-up of the activities carried out in order to ensure the sustainable growth of the business and to maximize the profitability.

The managerial measures for strategic development and adaptation to the realities of the domestic and international market are grouped on five pillars:

- Pillar 1 Strategic adaptation of human resources
- Pillar 2 Strategic adaptation of the product portfolio
- Pillar 3 Continuous improvement of the integrated management system (Quality, Environment, Occupational Health and Safety)
- Pillar 4 Strategic planning and performance management
- Pillar 5 Corporate Governance

## **2. Strategic adaptation of human resources**

In the first semester of 2021, Antibiotice S.A. had an average number of 1415 employees.

The activity carried out at the Human Resources Department level is closely related to the objectives of the Strategic Organization and Development Plan. The main directions are:

### **2.1 Increasing the degree of employee involvement and completing the organizational chart**

For the future development of the company, we organized ourselves in multidisciplinary teams on common projects so that to accelerate obtaining the expected results through the multitude and diversity of opinions.

The need to develop the activity and to replace the staff to be retired, led to the employment in the first semester of 2021 of a number of 40 employees (14 with secondary education and 26 with higher education), of which 10 people to complete the teams from the strategic development activities of the company, respectively the research and development, sales and promotion activity.

To ensure the future workforce needed in the pharmaceutical industry:

- the dual education project started in 2020 was continued, through which 15 students will be prepared for the profession of chemical operator for drugs and cosmetics and 10 students for the profession of electrician for low-voltage networks, with a duration of studies of 3 years.
- the sixth edition of the Performa+ project has been initiated, aimed to identify young talents, students from the Faculty of Pharmacy, the Faculty of Chemistry and the Faculty of Chemical Engineering and Environmental Protection being targeted;
- we participated as a partner of the „Gh. Asachi” Technical University of Iasi in the project with European funds POCU 131181 for the insertion of graduates through practical training internships (PRACTEH). In this project, one of our research employees is a mentor for the students of the Faculty of Chemical Engineering and Environmental Protection, facilitating their professional orientation and transition from school to professional life, which offers us perspectives in knowing and attracting graduates for employment in the company.
- Partner of the Faculty of Chemical Engineering and Environmental Protection in the ROSE\_StepUP project "Chemically React with the Environment from TUIASI - RCM TUIAS", which involved conducting online meetings with high school students to promote the partnership between academia and business and presenting possibilities to pursue a professional career as a chemical engineer.

## **2.2 Continuous professional training of employees**

Starting from the business and organizational objectives, implicitly the strategy of the next years, we annually identify the area of competences that must be improved in order to adapt to the needs of the market. At the same time, we are working on developing and improving behaviours in the area of soft skills. Corroborated, we consider the development of managerial skills regardless of the specifics of the activity (research-development, investments, production).

In the first semester there was an average number of 18 hours of training per employee, with topics in the fields of pharmacovigilance, rules of good manufacturing practice (GMP), the presence of nitrosamine impurities in pharmaceuticals and active substances, process management, digital skills. The training hours were completed by free webinars on professional topics (tax expert, acquisitions and sales) and personal development and soft skills (English, equal opportunities expert), attended by 36 employees.

## **2.3 Increasing employee motivation**

The need to increase employee retention and attract competitive employees to the labor market required the optimization of the system of evaluation, reward and motivation of employees. We set 4 stages for this process: in the first semester the stage of analysis of the strategic personnel took place, followed by the stages of reanalysis of the motivational package, identification of new benefits and then implementation of the updated system.

The value of the indicator Fluctuation rate due to voluntary departures at the level of the first semester is of 2.26% and the maximum value established for this objective is 5% per year.

## **2.4 Improving the organizational climate and orienting the organizational culture towards innovation and performance**

In order to measure the employees' satisfaction with the position occupied and to evaluate their perception on the organizational climate and on the interpersonal and interstructural collaboration relations, we carried out a diagnostic study of the climate and employees' satisfaction with the work took place in the first semester of 2021, whose results and measures will be communicated in the third quarter.

At the same time, 5 communication pillars of the organizational culture have been established that will contribute to the strategic orientation of human resources towards innovation, creativity, efficiency and professionalism. These are:

- Antibiotice, a company worth working for
- We live healthy in a healthy company
- We spent a lifetime working for health
- Antibiotice, a friendly and responsible brand
- Antibiotice, a company oriented towards knowledge and performance
- Antibiotice, Romanian tradition and continuity

To improve the organizational climate, there are ongoing projects such as "We live healthy in a healthy company" (Club a+ for sports and recreational activities, dedicated to both employees and their families), the Bookster project (free access to books on loan), Learning pill (a project through which we share notions and concepts of business, management and communication through posts open to all employees who can express their opinions on the proposed topics), as well as events designed to improve our relations with our employees, such as: "Women's Day in Antibiotice", "June 1st, Children's Day", Traditional sports competitions, "We proudly wear our national costume shirt" within the pillar of organizational culture, Antibiotice, friendly and responsible brand.

## **2.5 Antibiotice, a responsible brand in the community**

Antibiotice's social responsibility strategy focuses on developing campaigns and projects, highlighting the company's commitment to responsible practices to do more and better for people's health.

In the first semester of 2021, Antibiotice has involved in the development of the following social responsibility projects, which are part of the long-term strategic development direction of the company "Antibiotice, a friendly and responsible brand".

### **A+ Vaccination caravan**

In addition to the fixed vaccination center against Covid-19, Antibiotice has shown its willingness to support national immunization efforts, occasionally organizing mobile caravans in localities in Iasi County, in collaboration with local authorities,.

The a+ vaccination caravan went for six weeks, starting May 16, 2021, every Sunday, in 7 rural localities that had a low immunization rate.

Through such actions, Antibiotice has shown its availability to be fully involved in the fight to stop the pandemic and return to normality.

**„The specialist explains. The decision is yours!"**

Under this motto, the company Antibiotice carried out, in April 2021, an information campaign to encourage vaccination among employees. This action came as a continuation of the communication projects and measures taken by the company's management to stimulate vaccination among employees, considered the safest way to return to normality.

Thus, in April, a number of 50 unvaccinated employees participated (in two sessions) in workshop-type meetings with an epidemiologist, who presented the benefits and effects of anti-Covid vaccination and answered all the questions and concerns that were addressed to him by the employees. Following these meetings, approximately 50% of the participants were vaccinated.

### **Blood Donor Day**

On the World Blood Donor Day, 20 company employees donated blood to the Regional Blood Transfusion Center.

### **We plant oxygen in our community**

On the occasion of the International Earth Day, 50 Antibiotice employees voluntarily participated in the planting of 175 maples, within the social responsibility project "Planting oxygen in the community" (second edition).

The trees were planted in a free area on the company's production platform, and the action was carried out in compliance with the safety rules.

### **"The power of the deed" offered joy for 187 children from Iasi**

Through the program "The power of the deed", the Foundation "Antibiotice - Science and Soul" donated staple foods, traditional dishes, hygiene and cleaning products for 20 families with limited material possibilities and 9-11 children each, on April 28th, 2021. Thus, 187 children from Iasi and neighboring localities had a joy on the Easter holidays. The action took place in partnership with the Pro Vita Department of the Metropolitan Church of Moldova and Bucovina.

### **Club a+**

Club a+ is a social responsibility project designed to meet both Antibiotice employees and the community, with facilities and projects designed to maintain health and well-being.

Since May 24th, 2021, under the motto "Let's get moving", Antibiotice employees were able to access the Club a+ gym for free, for team sports as well as for those accompanied by aerobics and pilates trainers.

### 3. Evaluation of the product portfolio of Antibiotice S.A.

The product portfolio of the company Antibiotice includes:

- over 150 medicines for human use in 11 therapeutic areas;
- medicines for veterinary use;
- active substance (Nystatin);
- biocidal products.

**The portfolio of the Sterile Products and Active Substances Division** includes the active substance nystatin, injectable products and biocidal products.

The portfolio of injectable products includes 34 products for human use, out of which:

- 32 prescription products in the therapeutic class - Anti-infectives for systemic use (17 products in the class  $\beta$ -lactam penicillins, 9 cephalosporins, 4 carbapenems, 2 other antibacterials);
- 2 over-the-counter products (OTC).

Since 2020, this division has in its portfolio the disinfectant solution for surfaces, A+ Oxy for the non-medical field.

**The portfolio of the Topical Products Division** includes a number of 50 products marketed in 2021, of which 48 products are for human use and 2 products for veterinary use.

From the point of view of the type of prescription for products for human use, half of them are prescription products and half are OTC products. Both veterinary products need prescription.

From the point of view of the pharmaceutical form, the products from the portfolio of the Topical Division are structured as follows:

- 36 products are in the form of ointments, creams, gels covering 5 therapeutic classes:
  - ✓ Dermatological preparations - 21 products;
  - ✓ Musculoskeletal system - 9 products;
  - ✓ Cardiovascular system - 3 products;
  - ✓ Sensory organs - 2 products;
  - ✓ Genitourinary system - 1 product.
- 9 products are in the form of suppositories from 4 therapeutic classes:
  - ✓ Musculoskeletal system - 3 products;
  - ✓ Digestive tract - 2 products;
  - ✓ Central nervous system - 3 products;
  - ✓ Cardiovascular system - 1 product.
- 3 products are in the form of ovules, belonging to the Genitourinary system class.

Since 2021, Sanygel hand sanitizer, for the non-medical field, has been added to the portfolio of this division. In June, a file was sent to extend the approval for this product for the medical field.

**The portfolio of the Oral Solid Forms Division** the portfolio includes a number of 73 products for human use manufactured in two sections: Tablets Section and Capsules Section.

The portfolio of the Tablets Section includes 51 products manufactured by 3 methods: direct compression, dry granulation and wet granulation.

The portfolio of the Capsules Section includes 22 products manufactured within the three distinct flows: penicillins, cephalosporins and nonpenicillins.

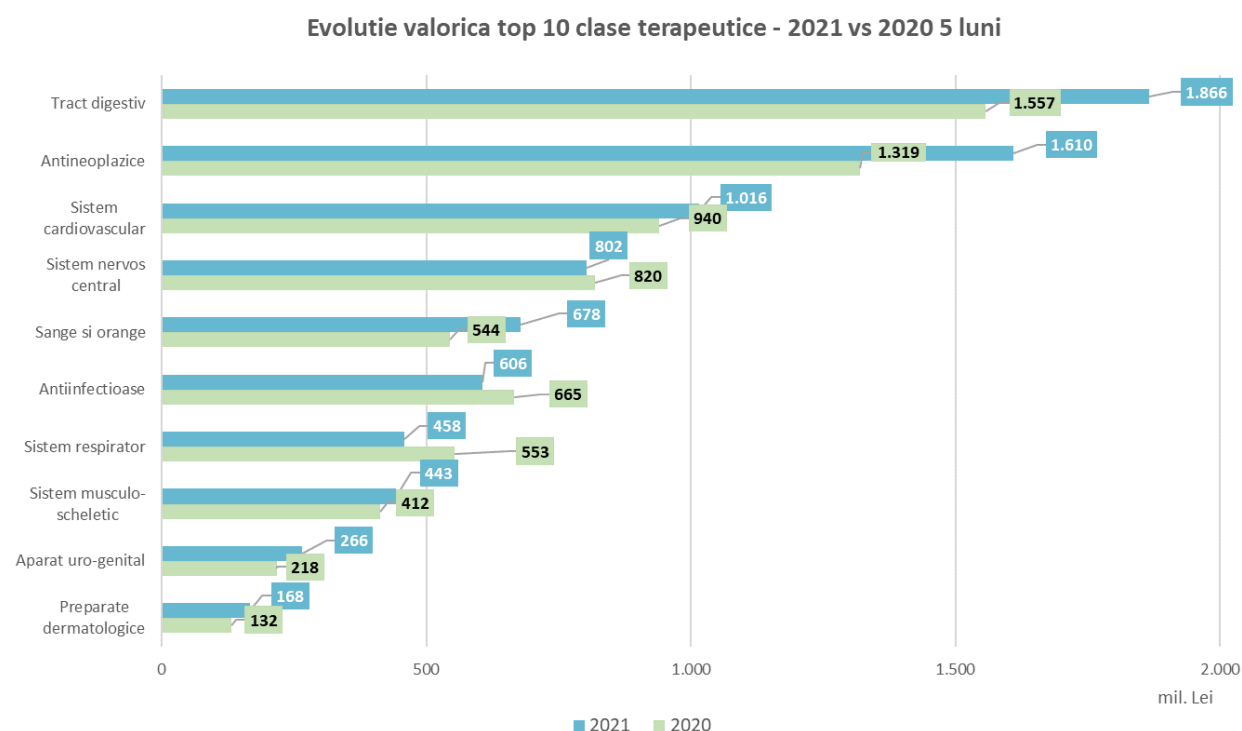
According to the therapeutic class, the portfolio of the Oral Solid Forms Products Division includes:

- ✓ Digestive tract - 5 products;
- ✓ Blood and hematopoietic organs (antithrombotic) - 1 product;
- ✓ Cardiovascular system - 21 products;
- ✓ Systemic anti-infectives - 27 products, out of which: 6 products B-lactam penicillins, 5 cephalosporins, 2 tetracyclines, 6 - quinolones and macrolides and 8 products for the treatment of tuberculosis;
- ✓ Systemic hormonal preparations - iodotherapy - 1 product;
- ✓ Musculoskeletal system - 1 product;
- ✓ Central nervous system - 8 products;
- ✓ Respiratory system - 1 product

Also, the portfolio of this division includes 8 food supplements promoted under the Nutriensa brand.

According to the information in the Cegedim Romania database for sell out (as of May 31<sup>st</sup>, 2021) the first 5 therapeutic classes on the Romanian pharma market, according to the share in the value sales planned in the first 5 months of 2021 were: Digestive tract, Oncology, Cardiovascular System, Central Nervous System and Blood and blood organs. These represent 72.3% of the total sales of the market.

The value evolution for the first 10 therapeutic classes, on May 31<sup>st</sup>, 2021 compared to May 31<sup>st</sup>, 2020 is presented below:



The promotion of the products from Antibiotic portfolio is a priority activity in the long-term development strategy of the company, being achieved through:

- strengthening the partnerships with health professionals through promotional actions on the main concepts, namely: *Antibiotics of the third millennium*, *We are where we need to be*, *Quality of life* and *Women's health*;
- identifying new consumers for the products in the portfolio through screening programs;
- identifying the prescribing habits and treatment behaviors of physicians through testing programs;
- promotion partnerships with pharmacy chains in their catalogs for the non-RX product portfolio;
- accessing alternative promotion channels: online, TV; e-commerce - partner pharmacies for non-RX products.

### **Assessment of the research and development activity**

The Research and Development activity supports the development of the company's product portfolio, on the established strategic directions, common to the three divisions, namely:

- a) developing the portfolio of anti-infective drugs to maintain the leading position on the market of generics in this class;
- b) developing the portfolio of topical products to maintain the leading position on the Romanian market;
- c) developing the product portfolio for the treatment of chronic diseases, to support the needs of the Romanian health system;
- d) developing the product portfolio to support the quality of life:
  1. with a prescription;
  2. without prescription (OTC, medical devices, food supplements, cosmetics);
- e) developing the project of vertical integration of nystatin:
  1. developing the international nystatin market;
  2. vertical integration of nystatin;
- f) developing the product portfolio of sterile solutions / pre-filled syringes;
- g) developing the portfolio of disinfectants and biocides.

Following these development directions of the portfolio, the research activity is focused on a number of 50 projects, the research plan for each division being the following:

- Solid Forms for Oral Use division: 13 products of which 11 Rx and 2 non-Rx;
- Topical Products Division: 21 products, out of which we have 7 Rx, 7 non-Rx, 6 medical devices and 1 biocidal product;
- Sterile Products and Active Substances Division: 9 products, out of which 7 Rx and two biocidal products.

7 projects for the active substance Nystatin, that come to consolidate the production of this active substance, are added to these projects.

In order to extend the product portfolio, together with its own research-development activity, Antibiotice is considering concluding out-licensing, co-development, contract manufacturing and co-marketing partnerships on European Union markets, but also on other markets with great potential growth in the offing. Business plans are being negotiated with the partners identified on these markets, and the conditions for collaboration and the initiation of product registration procedures will be agreed by the end of 2021.

#### **4. Continuous improvement of the Integrated Management System (Quality, Environment, Occupational Health and Safety)**

An integrated management system is a logical and systematic managerial approach, which allows optimal strategic and operational decisions, which take into account all the essential aspects that lead to the efficient operation of a company, both in terms of quality and environment, occupational health and safety.

Involving in environmental protection, complying with the health and safety requirements for our employees, empathizing with the society, the domestic and international community, which is support for the development of business generated by the company Antibiotice, remains an important goal that must be implemented through a rigorous plan of measures and activities.

Ensuring product quality, reducing quality incidents, incidents of any kind with repercussions on human health and the environment is the main ethical, moral and professional concern of the company's shareholders and management.

In the first semester of 2021, the documentation for planning the audit for the certification of the new Topical Products site was submitted to the National Agency for Drugs and Medical Devices.

Considering the objective of developing the company's product portfolio, the procedure regarding the ISO 13485: 2016 certification for medical devices has started (both certification on the Management System and certification on each medical device).

The accreditation body for medical devices was contacted and the technical information necessary to evaluate the request of Antibiotice S.A. In the following period we will receive the price offer, and later the service contract. The management system certification and product certification is planned until the end of 2021.

##### **Occupational health and safety**

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

In order to support its own employees and the local community, Antibiotice organized a Vaccination Center within the Clinical Studies Center, with two vaccination flows, in accordance with the Strategy for vaccination against COVID-19 in Romania. On January 18th, 2021, Iasi Public Health Directorate (DSP Iasi) issued the approval no. 1196/18.01.2021 for the temporary operation of the Vaccination Center Antibiotice S.A.

Between January and June 2021, approximately 18,000 doses were administered at the center.

In the meeting of the Occupational Health and Safety Committee, the 2021 prevention and prevention plan was adopted, which includes technical measures to ensure employees' health and safety at work, as follows: reducing employees' physical effort at work, improving medical office equipment, increasing the ability to respond in case of respiratory arrest.

##### **Environmental responsibility**

The environmental protection activity manages the prevention of pollution and the continuous improvement of the environmental performances, acting in order to comply with the requirements of the environmental legislation.

In the first semester of 2021, the Water Management Authorization issued by the Prut Barlad Water Basin Administration was obtained.

Also, in order to obtain the renewed Integrated Environmental Authorization, the collaboration with the Regional Center for Public Health Iasi was completed, by elaborating the study to evaluate the impact of the activity on the population's health, conducted in June 2021. The study was prepared according to regulations in the field, respectively the Order of the Ministry of Health no. 119/2014, with the subsequent amendments and completions, based on the documentation submitted by the beneficiary and consists of a combination of procedures, methods and tools based on which it can be established whether a plan/project can have potential effects on the health of the population in the targeted area.

The evaluation showed that the investment consisting in the construction of the new section - Topical Products determines mostly positive long-term effects from a socio-economic and administrative point of view, corresponding to the operation period, while the possible negative effects related to the construction period may be kept under control by applying appropriate measures.

The assessment study on the impact of the activity on the population's health was submitted to the Agency for Environmental Protection Iasi and is a document that will be the basis for issuing the renewed integrated environmental authorization.

#### **Quality of environmental factors (water, air, soil, groundwater)**

In order to monitor the quality of environmental factors, analyzes regarding the emissions/imissions of air pollutants were performed, in the own laboratory and through third parties, as well as determinations regarding the quality of the water entering the pre-treatment plant and discharged into the municipal sewerage system, of conventionally clean water discharged into the natural drainage tunnel, as well as of groundwater.

No exceedances of the maximum allowed concentrations established by the Integrated Environmental Authorization and the Water Management Authorization were registered.

Antibiotice is established as a company responsible for environmental protection, as well as proactively ensuring compliance with product safety requirements, so that in the first semester of 2021 determinations for traces of penicillins from groundwater samples taken from the observation wells located perimeter of the company, were performed by the Center for Clinical Studies, using advanced testing methods.

Following the results of the determinations no traces of penicillins were identified, which shows the coordination of manufacturing processes, without any possible negative influences on the soil and groundwater in the area surrounding the company.

#### **Waste management**

Antibiotice has implemented a selective waste collection system, each production and ancillary activity section being equipped with appropriate containers for collection.

Recyclable waste was recovered on the basis of contracts with authorized economic operators. The non-recoverable waste was incinerated in our own installation or disposed of by storage at the municipal waste landfill, respectively through authorized operators.

Intrucat in unele procese tehnologice se utilizeaza materii prime inflamabile, explozive sau toxice, conform legislatiei in vigoare pe platforma Antibiotice este organizat Serviciul de paza, conform Legii nr. 333/2003, H.G. nr. 1002 din 2015, cu modificarile si completarile ulterioare, care functioneaza permanent si Serviciul pentru Situatii de Urgenta avizat si autorizat de ISUJ Iasi cu respectarea criteriilor de performanta privind constituirea acestuia, avand in dotare o autospeciala de interventie de mare capacitate cu personal disponibil 24 ore din 24. Aceste

servicii monitorizeaza permanent zonele cu pericol de incendiu, explozii si emisii de substante periculoase.

Since in some technological processes flammable, explosive or toxic raw materials are used, according to the legislation in force, the Security Service is organized on the Antibiotice platform, which operates permanently, according to the Law no. 333/2003, the Government Decision (H.G.) no. 1002 of 2015, with its subsequent amendments and completions, and the Emergency Situations Service, approved and authorized by the Inspectorate for Emergency Situations of Iasi County (ISUJ Iasi), in compliance with the performance criteria for its establishment, having a high-capacity intervention vehicle with staff available 24 hours a day. These services constantly monitor areas at risk of fire, explosion and emissions of hazardous substances.

## **5. Description of the sales situation on the domestic and international market**

In the first semester of 2021, the company achieved a net turnover of 163.39 million lei, 11% higher compared to the value achieved on June 30<sup>th</sup>, 2020. The exports represent a percentage of 42% of this.

The development strategy implemented in recent years has made Antibiotice transform from a local company into an international one, with its own open offices in Vietnam, the Republic of Moldova, Ukraine and Serbia.

Antibiotice has an active global presence and exports its products to all continents, managing to make valuable medicines accessible to patients in over 70 countries around the world.

For the production of the active substance Nystatin, Antibiotice has the status of world leader, covering 55% of the international market.

### **5.1 Antibiotice on the Romanian pharmaceutical market<sup>3</sup>**

In the first 5 months of 2021, the value of sales to patients in the portfolio of Antibiotice was 149.7 million lei, increasing by 13.5%, compared to the same period of the previous year (131.8 million lei).

Antibiotice ranks 1st on the relevant market, with a value market share of 13.5%.

The Romanian pharmaceutical market is mostly represented by prescription drugs (RX). These represent 74.5% of total value sales and 62% of total drug use (reported in boxes). By type of prescription, the portfolio of Antibiotice is mostly represented by prescription drugs (RX). These represent 82% of total value sales and 83% of total drug consumption (reported in boxes).

The products with medical prescription from the Antibiotice portfolio registered, in the analyzed period, an increase in value by 13%, from 109 million lei in 2020 to 123.2 million lei in 2021, while the products without prescription (non-RX: OTC, food supplements, medical devices) registered a value increase of 11.7%, from 23.8 million lei in 2020 to 26.6 million lei in 2021.

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<sup>3</sup> According to CEGEDIM Sell Out Romania 05.2021

In terms of domestic sales, Antibiotice S.A. is the quantitative leader in the pharmaceutical form of ointments, suppositories and ovules and in injectable powders, is the leader in the segment of prescription and OTC generic drugs sold in hospitals and ranks 4th in the segment of prescription and OTC generic drugs.

## **5.2 Business internationalization**

The export value is of 68.4 million lei and the peak of sales was registered in June, both on the segment of capitalization of the active substance Nystatin, and on the segment of finished products.

### **5.2.1 Export of finished products**

Sales of finished products (medicines) represent approximately 64% of exports and amount to a value of 43.5 million lei, increasing by 10.2% compared to the budgeted level for the first semester of 2021 and by 26.5% above the value reported in the first semester of 2020. These results are thus in line with the growing trend of the presence on the international markets assumed by the company Antibiotice Iasi within the long-term Strategic Organization and Development Plan 2020-2028.

The strategic objectives for the international markets detached from the Strategic Organization and Development Plan and the actions undertaken in the first semester of 2021 are:

- Consolidation of sales in the markets where Antibiotice has its own representatives: Vietnam, the Republic of Moldova, Serbia and Ukraine. In the first semester of 2021, the following actions materialized:
  - registration of a number of 16 new products, prescription drugs (3 in the Republic of Moldova, 13 in Ukraine)
  - developing the product portfolio in the territories, by going through the stages of evaluating the potential of the reference market, positioning the price on consumption channels (auctions in hospitals, private segment - pharmacies), evaluating product files by adapting to the requirements of the local authorities, commercial negotiations with distributors, concluding new distribution contracts. To this end, the foundations were laid for 20 new projects (17 in Vietnam and 3 in Serbia),
  - strengthening solid, long-term partnerships with local distributors by: expanding the representation in the territory (2 new distributors in Vietnam, 2 distributors in Ukraine),
  - promotion projects in order to increase the notoriety of the corporate brand and product brands. These projects were addressed to health specialists (for prescription drugs) as well as to patients (in the case of medical devices and OTC products).
- Development of the company's presence on the North American market - USA and Canada.
- Expansion of the company's presence on EU markets on the component of sterile injectable anti-infective drugs (Denmark, UK, Netherlands, Czech Republic, Hungary, Lithuania).

In order to support the internationalization process in the European Union, in the first semester of 2021 a DCP authorization procedure was completed in 4 countries for an injectable drug of the anti-infective class.

Internationalization in Vietnam, Ukraine, Moldova, Serbia is supported by obtaining a number of 19 new marketing authorizations (APP), with an estimated contribution to turnover starting with 2022 of approximately 1 million USD/year.

### 5.2.2 Export of Nystatin

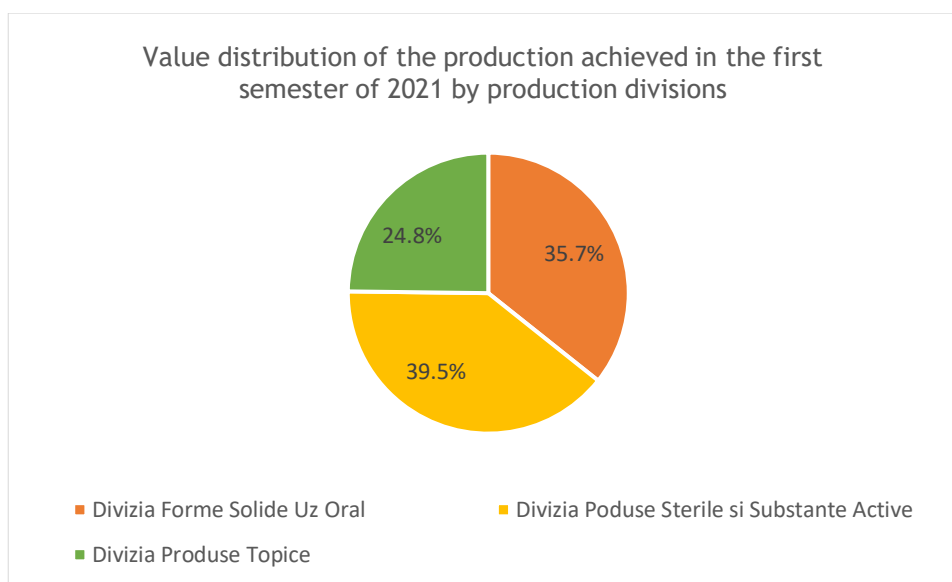
As a result of the SARS-Cov 2 pandemic, the demand and production of drugs containing the active substance Nystatin decreased, which led to the rethinking of the sales strategy based on the optimization of a quantitative sales structure that would return the best price/degree of market demand coverage ratio.

## 6. Production activity analysis

The **production activity** carried out in the first semester of 2021 materialized in 235.8 million pharmaceutical units in the form of tablets, capsules, parenteral products, topical products (ointments, creams, gels), suppositories, ovules. In this semester, Sanygel hand sanitizer was manufactured for the first time, in six packaging forms, respectively: 50 ml, 100 ml, 200 ml, 500 ml, 1 l and 5 l.

In terms of value, the total production achieved in the first semester is of 218.6 million lei.

By production divisions, the share of production achieved in the first semester of 2021 is presented in the graph below:



## 7. Analysis of the supply activity, on the domestic and international market

The following objectives are pursued through the activity of acquisitions of raw materials and consumables on the domestic and international market:

- identifying new suppliers in order to increase flexibility in negotiation and secure supply of raw materials to ensure the sustainability of projects that the company aims to develop in the future;
- permanent analysis of the evolution of raw material prices;
- permanent analysis of the need for raw materials and consumables, to avoid the creation of stocks without movement and with slow movement.

## 8. Economic and financial indicators

Based on the data from the financial statements prepared for June 30th, 2021, the main economic and financial indicators were calculated, which showed efficient economic management, thus fulfilling the main objective of the financial management, to optimize the establishment and use of economic and financial resources.

INDICATORS REGARDING THE PROFITABILITY AND RENTABILITY OF THE CAPITAL	U.M.	30.06.2021	30.06.2020	Revenue and expenditure budget BVC 30.06.2021	30.06.2021 /30.06.2020	30.06.2021 /BVC 30.06.2021
1	2	3	4	5	6=3/4	7=3/5
<b>Return on equity (a/b)</b>	%	3,25%	3,86%	3,30%	<b>0,84</b>	<b>0,99</b>
Net income (a)	lei	19.330.692	19.145.254	19.106.000	1,01	1,01
Own capital (b)	lei	594.383.088	495.928.763	579.739.527	1,20	1,03
<b>Efficiency of available capital (a/b)</b>	%	3,29%	3,91%	3,29%	<b>0,84</b>	<b>1,00</b>
Profit before interest and tax (a)	lei	21.602.431	22.090.594	21.147.000	0,98	1,02
Available capital (b)	lei	657.046.550	564.335.238	643.739.527	1,16	1,02
<b>Return on operating assets (a/b)</b>	lei	11,60%	12,32%	11,06%	<b>0,94</b>	<b>1,05</b>
Profit before interest and tax (a)	lei	21.602.431	22.090.594	21.147.000	0,98	1,02
Operating income (b)	lei	186.227.822	179.245.450	191.118.000	1,04	0,97
<b>Net profitability ratio (a/b)</b>	%	10,20%	10,53%	9,82%	<b>0,97</b>	<b>1,04</b>
Net profit (a)	lei	19.330.692	19.145.254	19.106.000	1,01	1,01
Total income (b)	lei	189.433.495	181.792.975	194.543.000	1,04	0,97
<b>Gross profitability ratio (a/b)</b>	%	12,13%	13,18%	12,10%	<b>0,92</b>	<b>1,00</b>
Gross profit (a)	lei	19.827.689	19.351.388	19.356.000	1,02	1,02
Turnover (b)	lei	163.397.752	146.769.588	159.908.000	1,11	1,02
EBITDA (earnings before interest, tax, depreciation, and amortization)	lei	33.261.156	33.203.697	32.682.000	1,00	1,02
<b>Total asset rate (a/b)</b>	%	2,47%	2,80%	2,45%	<b>0,88</b>	<b>1,01</b>
<b>Earnings Before Interest and Taxes (a)</b>	lei	21.602.431	22.090.594	21.147.000	0,98	1,02
Total assets (b)	lei	873.240.609	788.126.315	864.100.000	1,11	1,01

On June 30<sup>th</sup>, 2021, the values of the profitability and profitability indicators express the fact that the company carries out an efficient activity, these being close to both the planned values and the registered values.

The development strategy of the company until the end of the year and in the following years is to increase the profitability, from 30.2 million lei to 70 million lei in 2028, and the activity from the first semester of 2021 is supporting this goal.

SOLVABILITY INDICATORS	U.M.	6/30/2021	6/30/2020	Revenue and expenditure budget BVC 30.06.2021	30.06.2021/ 30.06.2020	30.06.2021/ BVC 30.06.2021
1	2	3	4	5	6=3/4	7=3/5
<b>General solvency ratio (a/b)</b>	%	3,13	2,70	3,21	1,16	0,98
Total assets (b)	lei	873.240.609	788.126.315	864.100.000	1,11	1,01
Total debt (a)	lei	278.857.521	292.197.552	269.360.473	0,95	1,04
<b>Financial autonomy ratio (a/b)</b>	%	68%	63%	69%	<b>1,08</b>	<b>0,99</b>
<b>Equity capital (a)</b>	lei	594.383.088	495.928.763	594.739.527	1,20	1,00
<b>Total liabilities (b)</b>	lei	873.240.609	788.126.315	864.100.000	1,11	1,01

The solvency indicators reflect a good financial situation, the company has the capacity to cover the medium and long term maturity debts.

One of the company's medium and long term objectives is to maintain and improve the financial balance, based on the principle of aligning the maturity of assets and liabilities, ensuring that the value of circulating assets is higher than the value of current liabilities and the value of permanent capital (equity + long-term debt) exceeds the value of fixed assets.

LIQUIDITY AND WORKING CAPITAL INDICATORS	U.M.	6/30/2021	6/30/2020	Revenue and expenditure budget BVC 30.06.2021	30.06.2021/ 30.06.2020	30.06.2021 / BVC 30.06.2021
1	2	3	4	5	6=3/4	7=3/5
<b>General liquidity ratio (a/b)</b>	nr. ori	2,07	2,00	2,13	1,04	0,97
Current assets (a)	lei	377.313.629	390.820.766	356.300.000	0,97	1,06
Current liabilities (b)	lei	181.957.453	195.126.981	167.000.000	0,93	1,09
<b>Quick liquidity ratio (a-b)/c</b>	nr. ori	1,41	1,42	1,45	<b>0,99</b>	<b>0,97</b>
Current assets (a)	lei	377.313.629	390.820.766	356.300.000	0,97	1,06
Stocks (b)	lei	121.478.662	114.080.189	114.200.000	1,06	1,06
Current liabilities (c)	lei	181.957.453	195.126.981	167.000.000	0,93	1,09
<b>Customer collection period (a/b)*180 days</b>	days	248	352	268	<b>0,70</b>	<b>0,93</b>
Average customer balance (a)	lei	225.125.794	287.016.083	238.085.244	0,78	0,95
Net turnover (b)	lei	163.397.752	146.769.588	159.908.000	1,11	1,02
<b>Stock immobilization period (a/b)*180 days</b>	days	134	140	129	<b>0,96</b>	<b>1,04</b>
Stocks (a)	lei	121.478.662	114.080.189	114.200.000	1,06	1,06
Net turnover (b)	lei	163.397.752	146.769.588	159.908.000	1,11	1,02
<b>The period of payment of commercial debts (a/b)*180 zile</b>	zile	83	64	81	<b>1,30</b>	<b>1,03</b>
Average supplier balance (a)	lei	75.696.943	52.184.742	71.958.600	1,45	1,05
Net turnover (b)	lei	163.397.752	146.769.588	159.908.000	1,11	1,02

The general liquidity ratio indicator, which reflects the company's ability to pay short-term obligations on current assets, is at an optimal level (according to international usage, current liquidity should be around 2).

On June 30<sup>th</sup>, 2021, the indicators of the customer collection period, of the stock immobilization period and of the period of payment of commercial debts, which reflect the company's ability to control working capital, have improved values. These results contribute to the fulfillment of the objective of diminishing the credit for financing the operational activity.

SYNTHESIS INDICATORS	U.M.	6/30/2021	6/30/2020	Revenue and expenditure budget BVC 30.06.2021	30.06.2021/30.06.2020	30.06.2021/BVC 30.06.2021
1	2	3	4	5	6=3/4	7=3/5
Turnover	lei	163.397.752	146.769.588	159.908.000	1,11	1,02
Gross profit	lei	19.827.689	19.351.390	19.356.000	1,02	1,02
Total expenses per 1,000 lei total income	lei	895	894	901	1,00	1,01
Arrears	lei	0	0	0	1,00	1,00

On June 30<sup>th</sup>, 2021, the company registered a turnover from the sale of products on the domestic and international market amounting 163.39 million lei, 11% higher compared to the value registered in the similar period of the previous year.

The value of the gross profit on June 30<sup>th</sup>, 2021 is of 19.82 million lei, 2% higher compared to the value on June 30<sup>th</sup>, 2020.

## 9. Financial situation analysis

### Analysis of fixed assets

Indicators	30.06.2021	31.12.2020	30.06.2021/31.12.2020
1	2	3	4=2/3
<b>FIXED ASSETS (lei), of which:</b>	<b>495.926.980</b>	487.590.385	1,02
Tangible fixed assets (lei)	470.034.917	467.880.779	1,00
Intangible assets (lei)	25.892.063	19.709.606	1,31

On June 30<sup>th</sup>, 2021 Antibiotice owns fixed assets in the patrimony amounting to 495.92 million lei, a value 2% higher compared to the beginning of 2021.

The value of fixed assets is closely correlated with carrying out the investment program, which aims both to maintain the existing assets in good working order, but also to develop new assets to contribute to business growth. It is also imperative to make investments in research and product portfolio development. The investments in the ancillary fields, which ensure the support of the productive activities, such as: investments in the production of utilities, investments in the structure of roads and storage, investments in digitalization and automation, are also of great importance. Another component of investment is that of meeting the legal requirements in the field of quality assurance, environmental protection, emergency situations.

According to the annual program, the investment structure is as follows:

**a. Investments in research and development**

Research and development is one of the most dynamic activities of the company, with an upward evolution that contributes to the sustainable consolidation of the future portfolio. In the first semester of 2021, investments in research and development projects continued in order to obtain new, quality, safe, efficient and competitive products on the market.

**b. Investments in new production sites - Achieving production capacity for ointments and suppositories**

In the first semester of 2021, the works on the clean rooms and on the corresponding installations were carried out, correlated with the installation of the technological equipments and of the technological installations for the production and distribution of utilities. During the next stage, the activities of clean rooms qualification are scheduled by their supplier, followed by technological tests and the authorization of the manufacturing site by the National Agency for Drugs and Medical Devices.

**c. Investments in the modernization of existing manufacturing sites**

In order to refurbish the drug manufacturing flows of the three divisions, it was planned to purchase equipment, installations, amenities and laboratory equipment for the year 2021. An important number of these investments were made this semester.

**d. Adaptation of service infrastructures, utility supply and distribution, transport and connection to the national road system, storage of raw materials and finished products to the development trend of the industrial platform**

In 2021, investments were planned for the rehabilitation of auxiliary buildings and constructions, transport and storage infrastructure and logistics, maintenance infrastructure, production and distribution of utilities, rehabilitation of lands released following demolition and decommissioning.

**e. Integrated Management System (Quality, Environment, Occupational Health and Safety)**

The increasing precision of the laboratory analysis methods and the revision of the pharmacopoeia monographs required investments in equipment, which would allow maintaining the quality standards of the manufactured products and complying with the legal requirements for the protection of the environment and the employees.

**f. Investments in information technology, telecommunications and process digitalization**

The company has adapted to this period, making the most of the possibilities of work, training and communication in the online environment.

Antibiotice, within the digitalization and computerization plan, considered it a priority to access software to improve human resources, quality, research but also to secure data and information at all levels of the company.

**g. Investments in human resources - Training platform, development of mentoring components, investments for social responsibility projects**

In 2021, to support social responsibility projects, investments were scheduled consisting of: design for the creation of the Center for personal development and professional training a+, fitting the Club a+ at the Penicilina gym, landscaping of green spaces inside the company.

**Analysis of circulating assets**

Indicators	30.06.2021	31.12.2020	30.06.2021/ 31.12.2020
1	2	3	4=2/3
CIRCULATING ASSETS (lei), of which:	377.313.630	375.409.434	1,00
Stocks (lei)	121.478.663	108.691.209	1,12
Trade receivables (lei)	254.889.685	260.388.767	0,98

Cash and cash equivalents (lei)	945.282	6.329.458	0,15
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The value of stocks at the end of the first semester of 2021 increased by 12% compared to the value at the beginning of the year, as a result of the implementation of measures to optimize the manufacturing structure with a focus on products with higher profitability and actions taken to reduce stocks in the market.

For June 30<sup>th</sup>, 2021, a factorial analysis (influence of the registration price and quantity) was performed for the stocks of finished products and goods compared to June 30<sup>th</sup>, 2020, which showed that the higher value of these stocks is from the price of registration, which was increased starting with July 1<sup>st</sup>, 2020, through the price correction procedure, according to the Order of the Ministry of Health.

On June 30<sup>th</sup>, 2021 the value of receivables is 2% lower compared to the value on December 31<sup>st</sup>, 2020. At the end of the first semester, the receivables are collected in proportion of 99% of the planned total, and a provision was established for the depreciation of the client receivables, for the value not collected in time.

### Analysis of current and long-term debts

Indicators	30.06.2021	31.12.2020	30.06.2021/ 31.12.2020
1	2	3	4=2/3
<b>Current liabilities (lei), of which:</b>	<b>181.957.454</b>	186.696.827	0,97
Trade and similar debts (lei)	75.696.944	66.103.990	1,14
Amounts owed to credit institutions (lei)	96.421.923	95.568.514	1,01
Debts from current taxes and fees (lei)	7.838.586	11.189.134	0,70
<b>Long-term debts (lei), of which:</b>	<b>96.900.068</b>	99.030.942	0,98
Amounts owed to credit institutions (lei)	62.663.462	65.444.478	0,96

**Current liabilities** at the end of the first semester of 2021 have a value 3% lower compared to the value at the beginning of the year.

The amounts owed on short term to credit institutions include the rates related to the loan for financing investments with maturity in a period of up to 12 months.

Debts to suppliers increased by 14%, as a result of renegotiating contracts with some suppliers by extending payment terms.

The value of debts represented by long-term bank credit decreased by 4% compared to the value at the beginning of the year. Since April 2021 this loan is reimbursed according to the payment schedule.

On June 30<sup>th</sup>, 2021, the company does not register outstanding obligations to the state budget.

### Cash flow

From the current activity, the receipts and payments generated an excess of 10.42 million lei, the receipts from the clients were made according to the planning, depending on the receivables maturities. The cash flow from the investment activity registered payments amounting 11.76 million lei, represented by the amounts paid to the suppliers of fixed assets, both from the cash from the operational activity and from the amounts available from the

long-term bank loan, contracted for financing investments in the new ointment and suppository section.

## 10. The securities market issued by Antibiotice S.A.

Antibiotice SA is a company in which the majority shareholder is the Ministry of Health, holding 53.0173% of the subscribed and paid-in capital. The regulated market on which the securities issued by Antibiotice S.A. are traded is the Bucharest Stock Exchange, Premium category.

The main shareholders of the company on June 30th, 2021 (extract from the Register of Shareholders):

- The Ministry of Health<sup>4</sup> - 53,0173%,
- S.I.F. Oltenia<sup>5</sup> - 22,9938%
- Other legal entities and individuals - 23,9889%

### Classes of shareholders:

- Legal entities - 86,4725%
- Individuals - 13,5275%

## Antibiotice on the capital market

Antibiotice S.A. Iasi, issuer of securities under the symbol ATB, is listed in the PREMIUM category of the Bucharest Stock Exchange since 1997.

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

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

In the first semester of 2021, the minimum price of the ATB share was 0.4800 lei. The share price increased to the maximum value of 0.5880 lei/share.

The stock market capitalization of Antibiotice on June 30th, 2021 was of 385,348 thousand lei. During this period, 44,668,214 shares were traded, amounting to 23,036,930 lei (4,689,734 euros, \$ 5,616,761), with an average price of 0.5157 lei/share.

Antibiotice shares - ATB / Regular Market					
	2017	2018	2019	2020	Sem. I 2021
Number of shares	671.338.040	671.338.040	671.338.040	671.338.040	671.338.040
Stock market capitalization (thousands lei)*	361.180	326.942	341.040	326.270	385.348
Stock market capitalization (thousands euros)*	77.511	70.100	71.370	66.935	78.216
Market capitalization (thousands \$) *	92.813	80.259	79.873	82.163	93.023
Total value traded (millions of lei)	12	9	15	14	23
No. traded shares	21.113.565	17.109.263	30.364.292	27.085.005	44.668.214
Opening price (lei/share)	0.5320	0,5200	0,5780	0,5120	0,4940
Maximum price (lei/share)	0.5420	0,5920	0,5780	0,5550	0,5880
Minimum price (lei/share)	0.4200	0,5200	0,4550	0,4130	0,4800

<sup>4</sup> Majority shareholder

<sup>5</sup> Significant shareholder

Price at the end of the period (lei/share)	0.5270	0,5380	0,4870	0,4860	0,5740
Average price (lei/share)	0.5032	0,5585	0,5028	0,5079	0,5157

\* Calculated based on the share price on the last trading day of the respective year,

The corporate governance framework adopted and applied:

- protects the rights of shareholders;
- ensure fair treatment of all shareholders;
- recognizes the role of third parties with interests in society;
- guarantees information and transparency;
- ensures the responsibility of the Board of Directors towards the company and the shareholders.

On the website of the company Antibiotice there is a section dedicated to shareholders ([www.antibiotice.ro/investitori/informatiiactionari](http://www.antibiotice.ro/investitori/informatiiactionari)), where one can access and download documents related to the General Meetings of Shareholders: procedures for access to and participation in meetings, the convocation, agenda additions, information materials, special representative powers, voting by correspondence forms, draft decisions, decisions, voting results.

Antibiotice makes available to all interested parties the periodic and annual financial statements, prepared according to the legislation in force. Also, the company complies with all publication requirements according to the legislation of companies and the capital market. There is a structure within the company, specialized in dealing with existing and potential investors, called Investor Relations, which has as main role implementing and monitoring of corporate governance standards at the Company level, informing shareholders and investors in accordance with the legal provisions and proactive communication focused on the investors' information needs.

The persons appointed to maintain the relation with the investors treat with maximum efficiency the shareholders' requests and facilitate the dialogue with the management of the company. The company creates and develops an appropriate policy to promote effective communication with investors and shareholders.

### The Board of Directors

Antibiotice S.A. is administered by a Board of Directors consisting of 5 members appointed by the General Meeting of Shareholders. According to GEO no. 109/2011 regarding the corporate governance of public enterprises, the administrators appointed at the proposal of the majority shareholder, the Ministry of Health are selected in advance according to a public procedure performed by an independent expert in human resources recruitment. The Board is responsible for fulfilling all the strategies necessary to achieve the object of activity of the company, except for those provided by law for the General Meeting of Shareholders. There is a clear division of responsibilities between the Board of Directors and the Executive Management.

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

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

During the first semester of 2021, the Board of Directors convened 10 meetings, during which the results obtained in the implementation of the strategy according to the business plan and the performance criteria and the revenue and expenditure budget were analyzed. In this sense, the company's management informed the Board of Directors about all the significant aspects

of the activity carried out and its evolution in relation to the previous forecast, presenting reports according to the agendas of the meetings. These reports were analyzed by the members of the Board of Directors and, based on them, as well as other information, decisions were adopted with effects in the development of the company's activities.

The composition of the Board of Directors of S.C. ANTIBIOTICE S.A. can be consulted by accesing: <https://www.antibiotice.ro/investitori-php/corporate-governance/structuri-de-guvernanta/>

### **The executive management**

Antibiotice S.A. is represented by the General Director, according to the prerogatives offered by the Board of Directors through the mandate contract based on the Law no. 31/1990 regarding the commercial companies, of GEO no. 109/2011 on the corporate governance of public enterprises and the Articles of Incorporation of the company. The Board of Directors retains the power to represent the company in its relations with the directors it has appointed.

The composition of the management team of Antibiotice S.A., on June 30th, 2021 can be consulted by accesing: <https://www.antibiotice.ro/investitori-php/corporate-governance/structuri-de-guvernanta/>

## **11. Corporate Governance**

Corporate governance is one of the key elements for improving economic efficiency and growth as well as maintaining the confidence of the investors. Corporate governance involves a set of relationships between the company's management, the board of directors and shareholders. Corporate Governance also provides a structure through which the company's objectives are set, and the means of achieving and monitoring them are established. The aim is to:

- sufficiently motivate the management and the board of directors to achieve the objectives of interest for the company and its shareholders
- monitor the effective achievement
- create the efficient intervention mechanism for the necessary corrections in the actions of the management and of the board of directors,
- to make the company's activity more transparent by providing all shareholders and stakeholders with the relevant information

The organizational framework for the corporate governance system in Antibiotice consists of:

- General Meeting of Shareholders
- Board of Directors
- General Director
- Legal and Corporate Governance Department
- Audit Committee within the Board of Directors
- Internal Audit Office, directly reporting to the Board of Directors

The regulatory framework for the corporate governance system in Antibiotice consists of:

- Law no. 31/1990 regarding the commercial companies,
- GEO no. 109/2011 on the corporate governance of public enterprises,
- Law no. 24/2017 regarding the issuers of financial instruments and market operations,
- ASF Regulation no. 5/2018 regarding the issuers of financial instruments and market operations
- The Articles of Incorporation of Antibiotice S.A.

- The Corporate Governance Code of Antibiotice S.A.
- The Code of Ethics of Antibiotice S.A.

### 11.1 Evaluation of the risk management activity

The main purpose of 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 affecting the efficient fulfillment of the organization's objectives.

The goals of Antibiotice S.A. regarding risk management are:

- understanding the risks to which the company is exposed, the causes, as well as the general and specific objectives;
- improving the company's risk profile, by managing the process of identifying, evaluating and managing risks and implementing control measures, necessary to maintain risk exposure in the tolerable area.

Antibiotice S.A. continuously re-evaluates its existing risk portfolio, identifying new exposures and adding value to the company by properly applying the best and most effective risk strategies.

Through its operations, the company is exposed to the following financial risks:

- ✓ commercial risk (non-payment);
- ✓ currency risk;
- ✓ liquidity risk.

**Commercial (non-payment) risk** is the risk of financial loss for the company that arises if a client or a counterparty to a financial instrument does not fulfill its contractual obligations. Antibiotice S.A. it is mainly exposed to the commercial (non-payment) risk arising from sales to customers.

To reduce the commercial risk of non-payment, a series of measures have been taken which include: monitoring the creditworthiness of customers, requesting guarantees, securing receivables.

**Currency risk**, a component of financial risk, frequently occurs in the current conditions of the market economy in which exchange rates fluctuate under the rule of law of supply and demand.

The fluctuations of the exchange rate are reflected both in the costs of imported raw materials and in the prices of capitalization of the finished products for export.

In order to reduce the exposure to currency risk within the company, a series of measures have been taken such as: synchronizing import and export activities by correlating payment and collection terms, as well as correlating the weight of currencies so that the time of payment is as close as possible or even simultaneous with that of export earnings.

**Liquidity risk** is the risk that results from the company encountering difficulties in meeting at any time short-term payment obligations.

The company's policy regarding liquidity risk is to maintain, as much as possible, sufficient liquid resources to meet obligations as they fall due as well as the availability of financing through credit lines.

### Antibiotice S.A. in the first semester of 2021:

- Achieved a net turnover of 163.39 million lei, 11% higher compared to the value achieved on June 30<sup>th</sup>, 2020;
- The value of exports of medicines (finished products) is approximately 27% higher, compared to the same period in 2020;
- Registered 19 new products in Vietnam, Serbia, the Republic of Moldova and Ukraine;
- First produced the Sanygel hand sanitizer, the product being currently available for sale.

The management report was prepared on the basis of financial data that was audited in accordance with the legal requirements by the external financial auditor S.O.C.E.C.C. S.R.L. Bucharest.

The present management report is accompanied by the Independent Auditor's Report on the interim financial statements prepared by ANTIBIOTICE S.A. for the first semester of 2021 and by the Individual Financial Statements for the year ended June 30th, 2021 prepared in accordance with IFRS adopted by the European Union.

General Director,  
Econ. Ioan Nani

Financial Director,  
Econ. Paula Coman

**ANTIBIOTICE S.A.**

Financial statements on June 30, 2021  
drafted in accordance with the  
International Financial Reporting  
Standards (IFRS) adopted by the  
European Union

**ANTIBIOTICE S.A.**  
Situatii financiare pentru anul incheiat la  
30 iunie 2021

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

For the year ended on June 30, 2021

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

		<b>For the year ended on</b>	
<b>STATEMENT OF THE COMPREHENSIVE INCOME</b>	<b>NOTE</b>	<b>30-06-21</b>	<b>30-06-20</b>
<b>Sales revenues</b>	<b>4</b>	<b>161,400,649</b>	<b>146,377,930</b>
Other operating revenues	<b>5</b>	24,951,976	22,243,720
Revenues relative to costs of product stocks		15,474,230	26,727,927
Capitalized income generated by the entity's activity		4,920,755	3,295,615
Expenses with raw materials and consumables	<b>6</b>	(75,711,638)	(66,398,931)
Staff-related expenses	<b>7</b>	(54,784,430)	(50,146,132)
Expenditure on amortization and depreciation		(11,505,581)	(10,959,958)
Other operating expenses	<b>8</b>	(43,013,249)	(48,771,227)
<b>Operating profit</b>		<b>21,732,711</b>	<b>22,368,945</b>
Financial income	9	901	72,563
Financial expenses	9	(1,905,923)	(3,090,120)
<b>Pre-Tax Profit</b>		<b>19,827,689</b>	<b>19,351,388</b>
Current income tax expense and other expenses	<b>10</b>	(496,997)	(206,134)
<b>Profit</b>		<b>19,330,692</b>	<b>19,145,254</b>
<b>Total overall result</b>		<b>19,330,692</b>	<b>19,145,254</b>
<b>Earnings per share</b>	<b>11</b>	0.0288	0.0285

*The explanatory notes from 1 to 25 are an integrating part of the financial statements*

Approved by the Management Board on 23.07.2021  
and signed on behalf of:

Drafted by:

General Director  
Ec. Ioan NANI

Financial Director  
Ec. Paula COMAN

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

For the year ended on June 30, 2021

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

<b>STATEMENT OF THE FINANCIAL POSITION</b>	<b>NOTE</b>	<b>30-06-21</b>	<b>31-12-20</b>
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
Tangible fixed assets	12	470,034,917	467,880,779
Intangible fixed assets	13	25,892,063	19,709,606
<b>TOTAL FIXED ASSETS</b>		<b>495,926,980</b>	<b>487,590,385</b>
<b>CURRENT ASSETS</b>			
Stocks	14	121,478,662	108,691,209
Trade and similar receivables	15	254,889,685	260,388,767
Cash and cash equivalents	16	945,282	6,329,458
<b>TOTAL CURRENT ASSETS</b>		<b>377,313,629</b>	<b>375,409,434</b>
<b>TOTAL ASSETS</b>		<b>873,240,609</b>	<b>862,999,818</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and similar liabilities	17	75,696,943	66,103,990
Amounts due to credit institutions	18	96,421,923	95,568,514
Liabilities from current taxes and fees	10	7,838,586	11,189,134
Short-term provisions		2,000,000	13,528,900
Subsidies for investments		0	306,289
<b>TOTAL CURRENT LIABILITIES</b>		<b>181,957,453</b>	<b>186,696,827</b>
<b>LONG-TERM LIABILITIES</b>			
Subsidies for investments	19	2,619,735	2,466,591
Deferred tax	10	31,616,871	31,119,874
Amounts due to credit institutions	18	62,663,462	65,444,478
<b>TOTAL LONG-TERM LIABILITIES</b>		<b>96,900,068</b>	<b>99,030,943</b>
<b>TOTAL LIABILITIES</b>		<b>278,857,521</b>	<b>285,727,770</b>

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Drafted by:

General Director  
Ec. Ioan NANI

Financial Director  
Ec. Paula COMAN

**ANTIBIOTICE S.A.**  
**STATEMENT OF THE FINANCIAL POSITION** (continued)  
on June 30, 2021  
(all amounts are expressed in LEI, if not mentioned otherwise)

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	NOTE	30-06-21	31-12-20
<b>Share capital and reserves</b>			
<b>Share capital</b>	<b>20</b>	<b>264,835,156</b>	<b>264,835,156</b>
Reevaluation reserves	<b>21</b>	115,455,779	116,636,526
Legal reserves	<b>21</b>	13,426,761	13,426,761
Other reserves	<b>21</b>	233,852,036	231,136,239
Reported result	<b>22</b>	(52,517,336)	(60,698,493)
Distribution of profit		0	(14,452,190)
Current result		19,330,692	26,388,049
<b>TOTAL EQUITY</b>		<b>594,383,088</b>	<b>577,272,048</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>873,240,609</b>	<b>862,999,818</b>

*The explanatory notes from 1 to 25 are an integrating part of the financial statements*

Approved by the Management Board on 23.07.2021  
and signed on behalf of:

Drafted by:

General Director  
Ec. Ioan NANI

Financial Director  
Ec. Paula COMAN

**ANTIBIOTICE S.A.**  
**CASH FLOW STATEMENTS**  
for the year ended on June, 30 2021  
(all amounts are expressed in LEI, if not mentioned otherwise)

<b>CASH FLOW STATEMENTS</b>	<b>For the year ended on</b>	
	<b>30-06-21</b>	<b>30-06-20</b>
<b>I. Cash flows from operating activities</b>		
Cash collection from the sales of goods and provision of services	179,986,837	223,981,296
Cash collection from royalties, fees, charges and other revenue	2,033,938	294,112
Cash payment to suppliers of goods and services	(96,251,999)	(103,159,929)
Cash payments to and on behalf of employees, payments made by the employer for its employees	(53,181,792)	(48,661,103)
VAT paid	(913,593)	-
Contributions to the Ministry of Health and the Ministry of the Environment	(14,039,895)	(22,649,854)
Other duties, taxes, and similar levies	(1,761,500)	(1,201,993)
<b>Operating cash flow</b>	<b>15,871,995</b>	<b>48,602,530</b>
Interest charged	901	1,143
Interest paid	(1,850,674)	(2,816,936)
Income tax/dividends paid	(3,600,692)	(1,756,412)
<b>Net cash flows from operating activities</b>	<b>10,421,531</b>	<b>44,030,325</b>
<b>II. Cash flows generated by investments</b>		
Cash payments for purchasing land and fixed assets, intangible assets and other long-term assets	(11,766,809)	(25,805,915)
<b>Net investment cash flow</b>	<b>(11,766,809)</b>	<b>(25,805,915)</b>
<b>III. Cash flows from financing activities</b>		
Receipts from long-term loans/reimbursement	(1,008,301)	10,476,967
Dividends paid	(1,232,618)	(10,659,734)
<b>Net cash flows from financing activities</b>	<b>(2,240,919)</b>	<b>(182,766)</b>
Gains/losses from exchange rate differences	(15,793)	(167,750)
<b>Net increase/(decrease) in cash</b>	<b>(3,601,990)</b>	<b>17,873,893</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>(81,192,179)</b>	<b>(123,998,470)</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>(84,794,169)</b>	<b>(106,124,577)</b>
<b>The cash and cash equivalents at the end of the period include:</b>		
Accounts in banks and cash	945,282	3,861,622
Credit lines	(85,739,451)	(109,986,199)

*The explanatory notes from 1 to 25 are an integrating part of the financial statements*

Approved by the Management Board on 23.07.2021  
and signed on behalf of:

Drafted by:

General Director  
Ec. Ioan NANI

Financial Director  
Ec. Paula COMAN

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

for the year ended on June 30, 2021

(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>31-12-20</b>	<b>67,133,804</b>	<b>197,701,352</b>	<b>13,426,761</b>	<b>231,136,239</b>	<b>26,388,049</b>	<b>20,729,784</b>	<b>(14,452,190)</b>	<b>116,636,526</b>	<b>-</b>	<b>123,273,485</b>	<b>(197,701,352)</b>	<b>577,272,048</b>
Current global result	-	-	-	-	19,330,692		-	-		-	-	19,330,692
Reserve from revaluation												-
Deferred tax relative to the revaluation difference	-	-	-	-	-		-			-	-	-
Result of error correction												-
<b>Total other items of the global result</b>					<b>19,330,692</b>							<b>19,330,692</b>
Transfer of reevaluation surplus						1,180,747		(1,180,747)				
Allotment of other reserves*	-	-	-	2,715,797	(3,494,590)						-	
Dividends	-	-	-		(27,328,688)		-	-		-	-	(27,328,688)
												-
Mandatory distributions					-		14,452,190					14,452,190
<b>30-06-21</b>	<b>67,133,804</b>	<b>197,701,352</b>	<b>13,426,761</b>	<b>233,852,036</b>	<b>19,330,692</b>	<b>21,910,531</b>	<b>-</b>	<b>115,455,779</b>	<b>-</b>	<b>123,273,485</b>	<b>(197,701,352)</b>	<b>594,383,088</b>

*The explanatory notes from 1 to 25 are an integrating part of the financial statements*

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

for the year ended on June 30, 2021

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

	Subscribed capital	Capital adjustments	Reserves	Other reserves	Current result	Result from revaluation reserves	Profit distribution	Revaluation reserves	Reported result from the correction of errors	Result following applying IAS/IFRS for the first time	Result following applying IAS 29 for the first time	TOTAL
<b>31-12-19</b>	<b>67,133,804</b>	<b>197,701,352</b>	<b>13,426,761</b>	<b>213,189,459</b>	<b>30,823,278</b>	<b>17,422,314</b>	<b>(7,269,283)</b>	<b>50,804,319</b>	<b>(7,000,410)</b>	<b>123,846,355</b>	<b>(197,701,352)</b>	<b>502,376,597</b>
Current global result	-	-	-	-	26,388,049		-	81,627,152		-	-	26,388,049
Reserve from revaluation												81,627,152
Deferred tax relative to the revaluation difference	-	-	-	-	-		-	(13,060,344)		-	-	(13,060,344)
Result of error correction							-		-			-
<b>Total other items of the global result</b>					<b>26,388,049</b>		-	<b>68,566,808</b>	-			<b>94,954,857</b>
Transfer of reevaluation surplus						3,307,470		(2,734,601)		(572,869)		-
Allotment of other reserves	-	-	-	3,494,590	(10,763,873)		7,269,283	-			-	-
Dividends	-	-	-	-	(20,059,405)		-	-		-	-	(20,059,405)
Mandatory distributions				14,452,190	-		(14,452,190)					-
<b>31-12-20</b>	<b>67,133,804</b>	<b>197,701,352</b>	<b>13,426,761</b>	<b>231,136,239</b>	<b>26,388,049</b>	<b>20,729,784</b>	<b>(14,452,190)</b>	<b>116,636,526</b>	<b>(7,000,410)</b>	<b>123,273,485</b>	<b>(197,701,352)</b>	<b>577,272,048</b>

*The explanatory notes from 1 to 25 are an integrating part of the financial statements*

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

For the year ended on June 30, 2021

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

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**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**

## **1. GENERAL INFORMATION**

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

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

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

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

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

The Antibiotice's governance system is based on:

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

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

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

During the first semester of 2021, the Management Board convened one Ordinary General Meeting of Shareholders.

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

#### **Antibiotice in the capital market**

**Investors** (*according to the Shareholders' Register on 30.06.2021*)

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

For the year ended on June 30, 2021  
(all the amounts are expressed in LEI, if not mentioned otherwise)

The main shareholders of the company on 30.06.2021 (excerpt from the Register of Shareholders):

- Ministry of Health (\*) – 53.0173%,
- S.I.F. Oltenia (\*) - 22.9938%,
- Other individuals and legal entities – 23.9889%.

**Classes of shareholders:**

- Legal entities – 86,4725%.
- Natural persons – 13,5275%.

**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.

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

During the first semester of 2021, the minimum price of the ATB share was worth 0.4800 lei. The share price increased to the maximum value of 0.5880 lei / share.

The stock market capitalization of Antibiotice on June 30, 2021 was 385,348 thousand lei. During this period, 44,668,214 shares were traded, amounting to 23,036,930 lei (4.689.734 euros, 5.616.761 \$), with an average price of 0.5157 lei / share.

Antibiotice shares - ATB / Regular Market					
	2017	2018	2019	2020	Sem. I 2021
Number of shares	671,338,040	671,338,040	671,338,040	671,338,040	671,338,040
Stock market capitalization (thousand lei)*	361,180	326,942	341,040	326,270	385,348
Stock market capitalization (thousand euro)*	77,511	70,100	71,370	66,935	78,216
Stock capitalization (thousand \$)*	92,813	80,259	79,873	82,163	93,023
Total traded value (million lei)	12	9	15	14	23
No. of traded shares	21,113,565	17,109,263	30,364,292	27,085,005	44,668,214
Opening price (lei/share)	0,5320	0,5200	0,5780	0,5120	0,4940
Maximum price (lei/share)	0,5420	0,5920	0,5780	0,5550	0,5880
Minimum price (lei/share)	0,4200	0,5200	0,4550	0,4130	0,4800
Price at the end of the period (lei/share)	0,5270	0,5380	0,4870	0,4860	0,5740
Average price (lei/share)	0,5032	0,5585	0,5028	0,5079	0,5157

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

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

For the year ended on June 30, 2021  
(all the amounts are expressed in LEI, if not mentioned otherwise)

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**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 there is a section dedicated to shareholders ([www.antibiotice.ro/investitori/informatiiactionari](http://www.antibiotice.ro/investitori/informatiiactionari)) where 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, and so on.

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

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

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

**The Investor Relations activity**

The investor relations activity supports the constant communication between the company and the investors and it is the simplest form of respect towards our shareholders and investors. This process allows for the knowledge of the operational activity, of the strategy and perspectives of the business, in order to knowingly achieve a fair evaluation of the company. As it is a listed company, we make available to the public and send to the Financial Supervisory Authority (ASF) and the Bucharest Stock Exchange (BVB), annual, half-yearly, quarterly and current reports, as well as documents related to the smooth conduct of the general meetings.

As we are oriented towards the development and increase of transparency towards our shareholders, immediately after the periodic (annual and half-yearly) financial reports, we organize our own meetings and presentation events. These events are attended by interested investors and analysts, who have the opportunity to convey their questions, opinions and

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

For the year ended on June 30, 2021

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

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suggestions, thus ensuring a dialogue with the representatives of the Romanian capital market, so that they gain a proper basis for investment decision-making.

During the first semester of 2021, a teleconference was organized on 13.05.2021.

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

The maximum mark obtained for the second consecutive year in the evaluation of the VEKTOR indicator, based upon 15 criteria of good practices in the relationship with investors, proved once again that Antibiotice SA is an A-plus company in which it is worth investing.

### **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 the first semester of 2021, the Chairman of the Management Board convened 10 meetings of the Management Board, during which the results obtained in the implementation of the strategy according to the business plan, the pre-performance criteria and the revenue and expenditure budget were analyzed.

In this regard, the company's management informed the Management Board about all the significant aspects of the activity carried out and its evolution in relation to the previous forecast, by presenting reports according to the agendas of the meetings. These reports were analyzed by the members of the Management Board and, based on them, as well as on other information, decisions were adopted with effects in the development of the company's activities.

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

For the year ended on June 30, 2021  
(all the amounts are expressed in LEI, if not mentioned otherwise)

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**The executive management**

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

The executive management of Antibiotice on 30.06.2021 can be accessed at <https://www.antibiotice.ro/investitori-php/corporate-governance/structuri-de-guvernanta/>

## **2. ACCOUNTING POLICIES**

### ***2.1 Declaration of conformity***

The financial statements have been prepared by the company 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 June 30, 2021 include the statement of the financial position, the statement of the 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 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

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

For the year ended on June 30, 2021

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

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 the 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 by another user.

### ***2.3 Functional and presentation currency***

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

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

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

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

	<b>30-06-21</b>	<b>31-06-20</b>
EUR	4.9267	4.8694
USD	4.1425	3.9660

### ***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

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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. The evaluators also refer to market information related to the prices of transactions with similar properties.

(b) *Adjustments for the impairment of receivables*

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

(c) *Legal proceedings*

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

(d) *Cost accounting estimates*

There are objective 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 expenditure, 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.

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(e) *Taxation*

The taxation system in Romania experiences a stage of consolidation and harmonization with the European legislation. However, there are still different interpretations of the tax legislation. In 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 allowed by IAS 1.

***2.6 Intangible assets purchased***

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

*Intangible assets generated by the company internally (development costs)*

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

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

***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.

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***Recognition:***

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

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

***The evaluation after recognition***

After the recognition as an asset, an item of property, plant and equipment is accounted for at its cost or minus the accumulated depreciation and accumulated impairment losses. After the recognition as an asset, an item of tangible assets whose fair value can be reliably measured is accounted for at a revalued amount, this being its fair value at the revaluation date.

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

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

When an item of Category I tangible asset is revalued, any accumulated depreciation at the date of revaluation is eliminated from the gross carrying value of the asset and the net value is recalculated to the revalued value of the asset. If an item of tangible assets is revalued, then the entire class of property, plant and equipment to which that item belongs is revalued.

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

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

The revaluation surplus included in equity related to an item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised. The transfers from the revaluation surplus to the retained earnings are not made through profit or loss. If any, the effects of taxes on income from the revaluation of tangible assets are recognized and presented in accordance with IAS 12 Income Tax.

***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:

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<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 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).

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*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
- a) as raw materials, materials and other consumables to be used in the production process or in the provision of services.

*Stock assessment*

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

*Costs of stocks*

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

*Adjustments for depreciation of stocks*

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

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.

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***2.10 Receivables***

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

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

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

The assessment for the impairment of receivables is performed on an individual 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 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

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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 Recunoasterea veniturilor si cheltuielilor***

#### ***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.

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.

#### ***Income assessment***

According to IAS 18, the 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;

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

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

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

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

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

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

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

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

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**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 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; and
- c) a reliable estimate of the amount of the obligation can be made.

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

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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***

***Beneficii curente acordate salariatilor***

Beneficiile pe termen scurt acordate salariatilor includ indemnizatii, salarii si contributiile la asigurarile sociale. Aceste beneficii sunt recunoscute drept cheltuieli odata cu prestarea serviciilor.

***Current benefits granted to employees***

The short-term benefits granted to employees include allowances, salaries, and social security contributions. These benefits are recognized as expenses when providing services.

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

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

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

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

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

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

The amount of the asset or liability is determined by using tax rates that have been 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:

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

### ***2.18 Dividends***

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

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

### ***2.19 Capital si rezerve***

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.

### ***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***

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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:

- (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.

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

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

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

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

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***Main financial instruments***

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

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

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

<b>ASSETS</b>	<b>Loans and receivables</b>	
	<b>30-06-21</b>	<b>31-12-20</b>
Trade and similar receivables	254,889,685	260,388,767
Cash and cash equivalents	945,282	6,329,458
<b>Total</b>	<b>255,834,967</b>	<b>266,718,225</b>

<b>LIABILITIES</b>	<b>Amortized cost</b>	
	<b>30-06-21</b>	<b>31-12-20</b>
Trade and similar receivables	75,696,943	66,103,990
Short-term loans	96,330,457	95,568,514
Long-term loans	62,754,928	65,444,478
<b>Total</b>	<b>234,782,328</b>	<b>227,116,981</b>

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

***Credit risk***

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

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

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

<b>Indicators (LEI)</b>	<b>30-06-21</b>	<b>31-12-20</b>
Short-term credits and loans	96,330,457	95,568,514
Long-term credits and loans	62,754,928	65,444,478
Cash and cash equivalents	(945,282)	(6,329,458)
<b>Net debt</b>	<b>158,140,103</b>	<b>154,683,533</b>
<b>Total equity</b>	<b>594,383,088</b>	<b>577,272,048</b>
<b>Net debt in equity (%)</b>	<b>26,61%</b>	<b>26,79%</b>

***Foreign exchange risk***

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

On June 30, 2021 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>30-06-21</b>	<b>31-12-20</b>
Monetary financial assets	3,130,022	6,898,201
Monetary financial liabilities	(23,388,193)	(14,156,097)
Net financial assets	<u>(20,258,171)</u>	<u>(7,257,893)</u>

<b>RON/EUR variation</b>	<b>Gain/ Loss</b>	
Appreciation of the RON against EUR by 5%	(1,012,909)	(362,895)
Depreciation of the RON against EUR by 5%	1,012,909	362,895
<b>Impact upon result</b>	<u>-</u>	<u>-</u>

<b>Assets and liabilities in EUR</b>	<b>30-06-21</b>	<b>31-12-20</b>
Monetary financial assets	635,318	1,416,644
Monetary financial liabilities	(4,747,233)	(2,907,154)
Net financial assets	<u>(4,111,915)</u>	<u>(1,490,511)</u>

<b>Assets/liabilities in USD equivalent in LEI</b>	<b>30-06-21</b>	<b>31-12-20</b>
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Monetary financial assets	28,499,511	26,022,147
Monetary financial liabilities	(13,623,888)	(9,938,895)
Net financial assets	<b>14,875,623</b>	<b>16,083,252</b>
<b>RON/USD variation</b>		
Appreciation of the RON against USD by 5%	743,781	804,163
Depreciation of the RON against USD by 5%	(743,781)	(804,163)
<b>Impact upon result</b>	<b>-</b>	<b>-</b>
<b>Assets and liabilities in USD</b>		
	<b>30-06-21</b>	<b>31-12-20</b>
Monetary financial assets	6,879,785	6,561,308
Monetary financial liabilities	(3,288,808)	(2,506,025)
Net financial assets	<b>3,590,977</b>	<b>4,055,283</b>

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

<b>Assets / Liabilities</b>	<b>30-06-21</b>	<b>31-12-20</b>
LEI	101,997,870	97,356,613
EUR	(20,258,171)	(7,257,893)
USD	14,875,623	16,083,252
Other currency (CAD,GBP)	(74)	(1,648)
<b>Net exposure</b>	<b>96,615,247</b>	<b>106,180,324</b>

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

***Liquidity risk***

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

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

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

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

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	<b>Up to 3 months</b>	<b>Between 3 and 12 months</b>	<b>Over 12 months</b>	<b>Total</b>
<b>June 30, 2021</b>				
Commercial and similar debt	48,593,159	27,103,784	-	75,696,943
Debts from taxes and current fees	7,838,586			7,838,586
Short-term loans		96,330,457		96,330,457
Long-term loans			62,754,928	62,754,928
<b>Total</b>	<b>56,431,745</b>	<b>123,434,241</b>	<b>62,754,928</b>	<b>242,620,914</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, 2020</b>				
Commercial and similar debt	45,494,930	20,609,060	-	66,103,990
Debts from taxes and current fees	11,189,134			11,189,134
Short-term loans		95,568,514		95,568,514
Long-term loans			65,444,478	65,444,478
<b>Total</b>	<b>56,684,064</b>	<b>116,177,574</b>	<b>65,444,478</b>	<b>238,306,115</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 company's 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 the operational risk the Company is exposed to and the adequacy of controls and procedures to prevent the identified risks;
- Requirements for reporting the operational losses and proposals to remedy the causes that generated them;
- The development of business continuity plans;

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**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**

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- 
- 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>30-06-21</b>	<b>30-06-20</b>
Finished product sales	165,628,472	158,438,010
Sales of goods	51,167,961	27,467,695
Trade discounts	(55,395,785)	(39,527,775)
<b>Total</b>	<b>161,400,649</b>	<b>146,377,930</b>

The sales revenues are mainly driven by the sales of finished products directly to pharmaceutical distributors. The intra and extra-community sales amounted to 66,638,353 lei. The company earns from sales in individual values higher than 10% of the total sales with a total of 5 clients.

**5 OTHER OPERATING INCOME**

Other operating income includes the following:

<b>Description</b>	<b>30-06-21</b>	<b>30-06-20</b>
Rental income	143,321	176,574
Income from research and studies	0	0
Income from various activities	1,853,783	215,084
Income from indemnities, fines and penalties	0	0
Other operating income	2,281,941	2,299,174
Income from adjustments for depreciation of current assets	5,939,260	13,615,284
Income from provisions for risks and expenses	11,528,900	3,462,643
Exchange rate differences	3,204,771	2,474,961
<b>Total</b>	<b>24,951,976</b>	<b>22,243,720</b>

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

The expenditure on raw materials and consumables consists of:

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<b>Description</b>	<b>For the year ended on</b>	
	<b>30-06-21</b>	<b>30-06-20</b>
Raw materials	41,949,284	40,691,253
Auxiliary materials	3,367,597	5,372,862
Goods	27,779,803	17,746,135
Expenditure on fuel and spare parts	2,010,307	1,835,857
Inventory items	323,370	473,329
Other consumables	281,277	279,495
<b>Total</b>	<b>75,711,638</b>	<b>66,398,931</b>

## 7. STAFF COSTS

The staff costs are as follows:

<b>Description</b>	<b>30-06-21</b>	<b>30-06-20</b>
Wages	49,953,460	44,941,574
Civil contracts	972,986	1,318,591
Tax and social contributions	1,576,304	1,490,763
Other benefits	2,281,680	1,720,927
<b>Total</b>	<b>54,784,430</b>	<b>49,471,855</b>

The company is managed in a unitary system within the meaning of Law 31/1990 on commercial companies; the management of the company is provided by the Management Board of SC Antibiotice SA. The 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>30-06-21</b>	<b>30-06-20</b>
Wages	2,690,850	3,247,072
Civil constracts	972,986	1,318,591
Taxes and social contributions	84,571	102,727
<b>Total</b>	<b>3,748,407</b>	<b>4,668,390</b>

## 8. OTHER OPERATING EXPENDITURE

Other operating expenditure include the following:

<b>Description</b>	<b>For the year ended on</b>	
	<b>30-06-21</b>	<b>30-06-20</b>
Utilities	5,056,586	6,864,499
Repairs	831,230	279,407
Rent	416,523	233,944
Insurances	740,816	818,936
Bank fees	747,589	811,795
Advertising & promotion of products	4,505,798	2,169,141
Travel & transport	1,055,637	1,325,834
Post & telecommunications	263,883	215,299
Other services provided by third parties	5,182,700	4,898,389
Other taxes and fees	16,897,646	20,153,643
Environment protection	468,457	563,501

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	1,486,273	6,137,279
Loses and adjustments of uncertain receivables		
Exchange rate differences	2,689,723	3,888,084
Sundries	2,670,388	411,476
<b>Total</b>	<b>43,013,249</b>	<b>48,771,227</b>

**9. FINANCIAL INCOME AND EXPENSES**

The net financial income consists of:

<b>Description</b>	<b>For the year ended on</b>	
	<b>30-06-21</b>	<b>30-06-20</b>
Interest income	901	1,143
Interest charges	(1,774,742)	(2,739,206)
Other financial expenses	(131,181)	(350,915)
Other financial income	0	71,421
<b>Total</b>	<b>(1,905,022)</b>	<b>(3,017,557)</b>

Other financial expenses represent settlement discounts on receivables settled before maturity materialized in bonuses granted to the company's clients for the advance 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>30-06-21</b>	<b>30-06-20</b>
Current tax	0	0
Deferred tax expense/(income)	496,997	206,134
<b>Total</b>	<b>496,997</b>	<b>206,134</b>

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

<b>Description</b>	<b>30-06-21</b>	<b>31-12-20</b>
Initial balance	31,119,874	17,884,035
Recognized directly in capital	0	13,060,344
Deferred tax costs / (income)	496,997	175,495
<b>Final balance</b>	<b>31,616,871</b>	<b>31,119,874</b>

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>30-06-21</b>	<b>30-06-20</b>
Total income	189,745,267	182,094,845
Total expenses (without profit tax)	169,605,806	162,441,587
<b>Gross book value</b>	<b>20,139,461</b>	<b>19,653,258</b>
Deductions	(39,500,371)	(36,972,554)
Non-deductible expenses	20,342,996	24,367,065
<b>Fiscal result</b>	<b>982,086</b>	<b>7,047,769</b>

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<b>Profit tax (fiscal result x 16%)</b>	157,134	1,127,643
Tax reductions	(157,134)	(1,127,643)
<b>Current profit tax</b>	<b>0</b>	<b>0</b>
<b>Deferred profit tax</b>	496,997	206,134
<b>Taxes specific to certain activities</b>	0	0
<b>Total profit tax and other taxes</b>	496,997	206,134

**11. EARNINGS PER SHARE**

<b>Description</b>	<b>For the year ended on</b>	
	<b>30-06-21</b>	<b>30-06-20</b>
Net profit (A)	19,330,692	19,145,254
Number of ordinary shares (B)	671,338,040	671,338,040
<b>Earnings per share (A/B)</b>	0.0288	0.0285

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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, 2019</b>	108,306,000	123,100,710	193,775,685	7,698,504	71,040,090	503,920,989
Procurement	-	13,266,229	17,239,576	412,698	41,695,608	72,614,111
Outputs	-	434,193	14,042,420	67,402	30,918,503	45,462,518
Revaluation	81,627,152					81,627,152
<b>December 31, 2020</b>	189,933,152	135,932,746	196,972,841	8,043,800	81,817,195	612,699,734
Procurement	-	18,124,839	23,657,854	451,563	12,759,543	54,993,799
Outputs	-	275	823,725	31,238	42,234,255	43,089,493
<b>June 30, 2021</b>	189,933,152	154,057,310	219,806,970	8,464,125	52,342,483	624,604,040
<b>DEPRECIATION</b>						
<b>31 decembrie 2019</b>	-	8,036,888	126,324,476	5,646,763	-	140,008,126
Cost of the period	-	7,286,677	11,359,983	411,930	-	19,058,590
Outputs	-	434,192	14,042,420	67,401	-	14,544,013
<b>December 31, 2020</b>	-	14,889,373	123,642,039	5,991,292	-	144,522,704
Cost of the period	-	4,205,844	6,167,842	228,561	-	10,602,247
Outputs	-	275	820,568	31,237	-	852,080
<b>30 iunie 2021</b>	-	19,094,941	128,989,313	6,188,615	-	155,124,949
<b>PROVISION</b>						
<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>Outputs 2020</b>	-	-	-	-	-	-
<b>June 30, 2020</b>	-	51,600	244,652	-	-	296,252
<b>NET VALUE</b>						
<b>June 30, 2021</b>	189,933,152	134,910,769	90,573,005	2,275,510	52,342,483	470,034,919
<b>December 31, 2020</b>	189,933,152	120,991,773	73,086,150	5,052,508	81,817,195	467,880,779
<b>December 31, 2019</b>	108,306,000	115,012,222	67,206,557	2,051,741	71,040,090	363,616,611

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***Depreciation of fixed assets***

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

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

The inventory value of the tangible assets constituted as pledges or guarantees is 49,983,834 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 procurement cost and amortization related to the intangible assets are presented in the table below:

	<b>30-06-21</b>	<b>31-12-20</b>
Initial balance	37,142,435	30,776,615
Inputs	7,650,895	8,380,448
Outputs	411,960	2,014,628
Final balance	44,381,370	37,142,435
<b>Amortization</b>		
Initial balance	17,432,829	14,390,906
Cost of the period	1,056,478	3,041,923
Final balance	18,489,307	17,432,829
<b>Net value</b>	<b>25,892,063</b>	<b>19,709,606</b>

**14. STOCKS**

<b>Description</b>	<b>30-06-21</b>	<b>31-12-20</b>
Raw materials and consumables	40,347,434	43,543,406
Production in progress	2,325,768	2,411,294
Semi-finished and finished products	57,208,548	48,516,680
Goods	21,596,913	14,219,829
<b>Total</b>	<b>121,478,663</b>	<b>108,691,209</b>

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

**15. TRADE AND OTHER RECEIVABLES**

<b>Description</b>	<b>30-06-21</b>	<b>31-12-20</b>
Trade receivables	272,968,730	282,142,989
Adjustments for trade receivables	(24,765,270)	(29,157,464)
Various debtors and other receivables	4,448,367	6,300,228
Adjustments for various debtors	(3,432,707)	(3,432,707)
Receivables related to employees	6	58

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Other receivables from the State Budget	1,350,489	1,369,072
Advance payments	4,320,070	3,166,591
<b>Total</b>	<b>254,889,685</b>	<b>260,388,767</b>

On June 30, 2021 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.

<b>Analysis of seniority</b>	<b>30-06-21</b>	<b>31-12-20</b>
Receivables – customers	272,835,661	282,055,519
Up to 3 months	104,098,595	132,533,597
between 3 and 6 months	50,026,840	47,251,182
between 6 and 12 months	83,361,712	53,373,313
over 12 months	35,348,514	48,897,427
Value adjustments related to receivables- customers	(24,765,270)	(29,157,464)

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

<b>Adjustments of receivables</b>	<b>30-iun-21</b>	<b>31-Dec-20</b>
<b>At the beginning of the period</b>	32,590,171	37,499,373
Established during the year	1,155,717	8,472,434
Cancelling the adjustments	(5,547,911)	(13,381,636)
<b>At the end of the period</b>	<b>28,197,977</b>	<b>32,590,171</b>

The value of receivables established as guaranties is 172,975,818 lei.

## 16. CASH AND CASH EQUIVALENTS

<b>Description</b>	<b>30-06-21</b>	<b>31-06-20</b>
Available in the bank	929,367	6,312,210
Cash and cash equivalents	15,915	17,238
<b>Total</b>	<b>945,282</b>	<b>6,329,458</b>

## 17. TRADE AND OTHER LIABILITIES

<b>Description</b>	<b>30-06-21</b>	<b>31-12-20</b>
Trade liabilities	53,304,483	42,443,896
Suppliers of assets	8,894,697	8,386,582
Employee-related liabilities	3,357,651	3,558,591
Other liabilities	347,330	183,630
Interest to be paid	197,030	364,428
Taxes and social contributions	3,584,785	3,754,408
Dividends	4,655,803	5,673,403
Advance payments from customers	1,354,764	1,739,052

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

For the year ended on June 30, 2021  
(all the amounts are expressed in LEI, if not mentioned otherwise)

<b>Total</b>	<b>75,696,943</b>	<b>66,103,990</b>
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**18. AMOUNTS DUE TO CREDIT INSTITUTIONS**

**The amounts due to the credit institutions on 30.06.2021 are shown in the table below:**

Amounts due to credit institutions	Value on 30.06.2021
Amounts due in the short term	96,421,923 LEI
Amounts due in the long term (including interest)	62,663,462 LEI

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

Objective	Credit line – working capital
Amount	55,000,000 LEI
Maturity	16.08.2021
<b>Balance on June 30, 2021</b>	48,620,807.68 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 June 30, 2021</b>	73,254,467.65 LEI (14,686,871.18 EUR)
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	22.05.2022
<b>Balance on June 30, 2021</b>	37,118,643.51 LEI ( 7,534,179.78 EUR )
Warranties	Mortgage contract for buildings, land /Receivable assignment contract

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

For the year ended on June 30, 2021  
(all the amounts are expressed in LEI, if not mentioned otherwise)

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

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

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

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

The credit 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 2020</b>	15,071,196.96 EUR (73,387,686.47 LEI )
Warranties	Contract ipoteca cladiri, teren /Contract de cesiune de creante

Contractul pe termen scurt nr. 12239/22.05.2012 incheiat cu ING BANK N.V. AMSTERDAM -Sucursala Romania

Obiectiv	Linie de credit – capital circulant
Suma	9.500.000 EUR
Scadenta	22.05.2021
<b>Sold la 31 Decembrie 2020</b>	34.790.829,06 LEI ( 7.144.787,67 EUR )
Garantii	Mortgage contract for buildings, land/Receivable assignment contract

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

## **19. INVESTMENT SUBSIDIES**

The subsidies for investments have the following structure:

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

For the year ended on June 30, 2021  
(all the amounts are expressed in LEI, if not mentioned otherwise)

<b>Subsidies for investments</b>	<b>30-06-21</b>	<b>31-12-20</b>
Wastewater treatment plant	1,981,992	2,061,443
Research project-UMF Iasi	24,503	24,503
Other grants from European funds	471,520	519,489
Other grants from state budget funds	92,818	101,283
Other amounts received in the form of grants	48,902	66,162
<b>Total</b>	<b>2,619,735</b>	<b>2,772,880</b>

The amounts reflected in the account subsidies 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. SHARE CAPITAL**

The subscribed share capital of the company on June 30, 2021 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 Economies*” proposed to be covered from the amount resulting from the application of IAS 29 “*Financial Reporting in Hyperinflationary Economies*” as follows:

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

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

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

For the year ended on June 30, 2021  
(all the amounts are expressed in LEI, if not mentioned otherwise)

## **21. RESERVES**

The reserves include the following components:

<b>Description</b>	<b>30-06-21</b>	<b>31-12-20</b>
Reserves from revaluation of fixed assets	137,447,353	139,000,941
Legal reserves	13,426,761	13,426,761
Deferred income tax recognized on equity	(21,991,574)	(22,364,415)
Other reserves	233,852,036	216,684,049
Reserves from current profit		14,452,190
<b>TOTAL</b>	<b>362,734,576</b>	<b>361,199,526</b>

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

<b>Reserve</b>	<b>Description and purpose</b>
Reserves from revaluation of fixed assets	If the book value of a tangible asset is increased as a result of the 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 cannot be distributed and cannot be used to increase the share capital.
Legal reserves	According to Law 31/1990, at least 5% of the profit is taken each year for the formation of the reserve fund until it reaches at least a fifth of the share capital.
Other reserves	Other reserves include reserves that represent tax incentives that cannot be distributed because they have implications on the recalculation of the corporate tax. The difference represents reserves made up of profits.

## **22. REPORTED RESULT**

The reported result includes the following components:

<b>Description</b>	<b>30-06-21</b>	<b>31-12-20</b>
Reported result – a surplus from revaluation reserves	21,910,531	20,729,784
Result reported from error correction	-	(7,000,410)
The retained earnings arising from the use of fair value as deemed cost at the date of transition to IFRSs	123,273,485	123,273,485
The retained earnings from the adoption of IAS 29 for the first time	(197,701,352)	(197,701,352)
<b>Total</b>	<b>(52,517,336)</b>	<b>(60,698,493)</b>

## **23. CONTINGENT LIABILITIES**

SC Antibiotice SA does not have contingent liabilities on June 30, 2021.

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

For the year ended on June 30, 2021  
(all the amounts are expressed in LEI, if not mentioned otherwise)

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**24. ELEMENTS FOLLOWING THE REPORTING PERIOD**

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

**25. INFORMATION ABOUT THE AUDIT OF FINANCIAL STATEMENTS**

The financial audit on 30.06.2021 was carried out by SC SOCECC SRL. The auditor provided only financial audit services.

Accounting, Expertise & Accounting Consultancy Company  
SOCECC S.R.L.

INDEPENDENT AUDITOR'S REPORT

ON

THE INTERIM FINANCIAL STATEMENTS  
PREPARED BY ANTIBIOTICE S.A.  
FOR THE FIRST SEMESTER OF 2021

BUCHAREST

2021

**Accounting, Expertise & Accounting Consultancy Company - SOCECC SRL**  
Trade Register no.: J40/23240/1994; CIF: RO6636954  
[Company logo] Registered office: Bucharest, Sos. Mihai Bravu no. 90-96, sc. C, ap. 114, sector 2  
Commercial office: Bucharest, Calea Șerban Vodă no. 140, etaj 3, Sector 4  
Phone : 021.315.54.64; Fax: 021.315.54.65  
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## **INDEPENDENT AUDITOR'S REPORT**

### **TO SHAREHOLDERS OF ANTIBIOTICE SA**

#### **Review report on interim financial information**

We reviewed the interim financial statements of ANTIBIOTICE S.A. ("The Company"), which include the financial position statement as of June 30th, 2021, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the six-month period ended on June 30th, 2021, and a summary of significant accounting policies and other explanatory notes.

The management is responsible for the preparation and accurate presentation of these interim financial statements in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS). It is our responsibility to express a conclusion regarding this interim financial information, based on our review.

#### **Review area**

We performed the review in accordance with International Standard on Review Assignments 2410 "Review of Interim Financial Information, Performed by an Independent Auditor of the Entity." A review of interim financial information consists of conducting interviews, in particular of persons responsible for financial and accounting matters and applying analytical and other review procedures. The area of a review is substantially smaller than the area of an audit conducted in accordance with International Standards on Auditing, and we are not allowed to obtain assurance that we have identified all the significant aspects that could have been identified in an audit. Therefore, we do not express an audit opinion.

#### **Conclusion**

Based on our review, we have not identified any issues that would lead us to believe that the interim financial statements prepared by ANTIBIOTICE S.A. as of June 30th, 2021 are not prepared in all significant aspects in accordance with IFRS.

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Bucharest, July 20th, 2021

Authority for Public Supervision of Statutory Audit Activity (ASPAAS) Audit company: SOCECC S.R.L. Electronic Public Register: FA227
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Authority for Public Supervision of Statutory Audit Activity (ASPAAS) Financial auditor: ZEGREA LAURENȚIU Electronic Public Register: AF2666
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**Accounting, Expertise & Accounting Consultancy Company - SOCECC SRL**  
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**Accounting, Expertise & Accounting Consultancy Company - SOCECC S.R.L.**  
with the headquarters in Bucharest, registered in the Electronic Public Register under the no. FA227  
through Zegrea Laurențiu, registered in the Electronic Public Register with the no. AF2666