

ANTIBIOTICE S.A.

Individual financial statements for the
year ended on December 31, 2020

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

ANTIBIOTICE S.A.
Financial statement for the year ended on
December 31 2020

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ANTIBIOTICE SA
STATEMENT OF THE COMPREHENSIVE INCOME

For the year ended on December 31, 2020

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

STATEMENT OF THE COMPREHENSIVE INCOME	NOTE	For the year ended on	
		31-12-20	31-12-19
Sales revenues	4	340,424,276	389,710,740
Other operating revenues	5	36,062,333	33,008,685
Revenues relative to costs of product stocks		23,676,949	4,564,960
Capitalized income generated by the entity's activity		6,351,872	4,660,869
Expenses with raw materials and consumables	6	(131,864,599)	(146,016,104)
Staff-related expenses	7	(111,822,960)	(102,852,132)
Expenditure on amortization and depreciation		(21,794,224)	(21,416,603)
Other operating expenses	8	(107,332,654)	(121,652,509)
Operating profit		33,700,993	40,007,906
Financial income	9	2,358	8,313
Financial expenses	9	(5,373,894)	(4,836,326)
Pre-Tax Profit		28,329,456	35,179,893
Chelt. cu impozitul pe profit curent si amanat alte impozite	10	(1,941,407)	(4,356,615)
Profit		26,388,049	30,823,278
Other items of comprehensive income			
Items not to be reclassified:			
Gains/losses from revaluation of tangible fixed assets		81,627,152	-
Profit tax on other items of comprehensive income		13,060,344	-
Total other items of comprehensive income, excluding taxes		94,687,496	-
Total comprehensive income		121,075,545	30,823,278
Earnings per share	11	0.0393	0.0459

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

Approved by the Management Board on 17.03.2021
and signed on behalf of:

Drafted by:

General Manager
Ec. Ioan NANI

Financial Director
Ec. Paula COMAN

ANTIBIOTICE SA
STATEMENT OF THE FINANCIAL POSITION

For the year ended on December 31, 2020

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

STATEMENT OF THE FINANCIAL POSITION	NOTE	31-12-20	31-12-19 restated
ASSETS			
FIXED ASSETS			
Tangible fixed assets	12	467,880,779	363,616,611
Intangible fixed assets	13	19,709,606	16,385,709
TOTAL FIXED ASSETS		487,590,385	380,002,320
CURRENT ASSETS			
Stocks	14	108,691,209	73,975,988
Trade and similar receivables	15	260,388,767	338,159,774
Cash and cash equivalents	16	6,329,458	1,877,409
TOTAL CURRENT ASSETS		375,409,434	414,013,171
TOTAL ASSETS		862,999,818	794,015,491
LIABILITIES			
CURRENT LIABILITIES			
Commercial and similar liabilities	17	66,103,990	65,198,391
Amounts due to credit institutions	18	95,568,514	125,951,291
Tax and current tax liabilities	20	11,189,134	15,296,254
Short-term provisions	17	13,528,900	7,149,401
Subsidies for investments	19	306,289	306,289
TOTAL CURRENT LIABILITIES		186,696,827	213,901,625
LONG -TERM LIABILITIES			
Subsidies for investments	19	2,466,591	2,772,880
Deferred income tax	10	31,119,874	17,884,035
Amounts due to credit institutions	18	65,444,478	57,080,354
TOTAL LONG-TERM LIABILITIES		99,030,943	77,737,269
TOTAL LIABILITIES		285,727,770	291,638,894

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Drafted by:

General Manager
Ec. Ioan NANI

Financial Director
Ec. Paula COMAN

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

	NOTE	31-12-20	31-12-19
Share capital and reserves			
Share capital	21	264,835,156	264,835,156
Reevaluation reserves	22	116,636,526	50,804,319
Legal reserves	22	13,426,761	13,426,761
Other reserves	22	231,136,239	213,189,459
Reported result	23	(60,698,493)	(63,433,093)
Distribution of profit	24	(14,452,190)	(7,269,283)
Current result	24	26,388,049	30,823,278
TOTAL EQUITY		577,272,048	502,376,596
TOTAL EQUITY AND LIABILITIES		862,999,818	794,015,491

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

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and signed on behalf of:

Drafted by:

General Manager
Ec. Ioan NANI

Financial Director
Ec. Paula COMAN

ANTIBIOTICE S.A.
CASH FLOW STATEMENTS

For the year ended on December 31, 2020

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

CASH FLOW STATEMENTS	For the year ended on	
	31-12-20	31-12-19
I. Cash flows from operating activities		
Cash collection from the sales of goods and provision of services	427,579,788	363,059,643
Cash collection from royalties, fees, charges and other revenue	82	425,296
Cash payment to suppliers of goods and services	(190,865,262)	(203,130,502)
Cash payments to and on behalf of employees, payments made by the employer for its employees	(101,298,761)	(89,954,560)
VAT paid	-	-
Contributions to the Ministry of Health and the Ministry of the Environment	(32,449,097)	(41,908,808)
Other duties, taxes, and similar levies	(1,572,909)	(666,289)
Operating cash flow	101,393,842	27,824,781
Interest charged	2,358	8,313
Interest paid	(5,062,713)	(4,538,522)
Income tax / dividends paid	(2,281,617)	(2,669,237)
Net cash flows from operating activities	94,051,870	20,625,335
II. Cash flows generated by investments		
Platile in numerar pentru achizitionarea de terenuri si mijloace fixe, active necorporale si alte active pe termen lung / Cash payments for purchasing land and fixed assets, intangible assets and other long-term assets	(47,987,016)	(69,180,345)
Net investment cash flow	(47,987,016)	(69,180,345)
III. Cash flows from financing activities		
Receipts from long-term loans/reimbursements	16,307,333	29,595,638
Dividends paid	(18,167,733)	(6,150,225)
Net cash flows from financing activities	-1,860,401	23,445,413
Gains/losses from exchange rate differences	(1,398,162)	(536,326)
Net increase/(decrease) in cash	42,806,291	(25,645,923)
Cash and cash equivalents at the beginning of the period	(123,998,470)	(98,352,547)
Cash and cash equivalents at the end of the period	(81,192,179)	(123,998,470)
The cash and cash equivalents at the end of the period include:		
Accounts in banks and cash	6,329,458	1,877,409
Credit lines	(87,521,637)	(125,875,879)
	(81,192,179)	(123,998,470)

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

Approved by the Management Board on 17.03.2021
and signed on behalf of:

Drafted by:

General Manager
Ec. Ioan NANI

Financial Director
Ec. Paula COMAN

ANTIBIOTICE S.A.
MODIFICATIONS OF EQUITY
For the year ended on December 31 2020
(all the amounts are expressed in LEI, if not mentioned otherwise)

	Subscribed capital	Capital adjustments	Reserves	Other reserves	Revaluation reserves	Current result	Profit distribution	Revaluation reserve Resulted	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
Balance on December 31 18 Initial presentation	67.133.804	197.701.352	13.426.761	190.422.002	53.459.596	34.303.788	-23.537.290	14.205.380	-1.094.738	124.408.011	-197.701.352	472.727.315
Correction of the reinvested profit distribution	-	-	-	12.534.092	-	-	-	-	-	12.534.092	-	0
Correction of tax differences	-	-	-	-	-	-	-	-	-2.114.221	-	-	-2.114.221
Correction of the deferred tax calculation	-	-	-	-	-	-	-	-	6.725.845	-	-	6.725.845
Restated balance on December 31, 2018	67.133.804	197.701.352	13.426.761	202.956.094	53.459.596	34.303.788	-23.537.290	14.205.380	-9.017.206	124.408.011	-197.701.352	477.338.938
Current result	-	-	-	-	-	30.823.278	-	-	-	-	-	30.823.278
Other elements of the overall result:												
Revaluation reserve												0
Deferred tax related to the revaluation difference	-	-	-	-		-	-			-	-	0
Total other elements of the overall result	0	0	0	0	0	30.823.278	0	0	0	0	0	30.823.278
Transfer revaluation surplus					-2.655.277			3.216.934		-561.656		0
Allocation of other reserves *	-	-	-	2.964.082		-27.596.110	23.537.290		1.094.738		-	0
Mandatory distributions				7.269.283		-	-7.269.283					0
Transactions with shareholders:												
Dividends	-	-	-		-	-6.707.678	-			-	-	-6.707.678
Restated balance on December 31, 2019	67.133.804	197.701.352	13.426.761	213.189.459	50.804.319	30.823.278	-7.269.283	17.422.314	-7.922.468	123.846.355	-197.701.352	501.454.538

The explanatory notes numbered 1 to 27 are an integral part of the financial statements.

ANTIBIOTICE S.A.
MODIFICATIONS OF EQUITY
For the year ended on December 31 2020
(all the amounts are expressed in LEI, if not mentioned otherwise)

Deferred tax calculation correction on January 1, 2020									922.058			922.058
Restated balance on January 1, 2020	67.133.804	197.701.352	13.426.761	213.189.459	50.804.319	30.823.278	-7.269.283	17.422.314	-7.000.410	123.846.355	-197.701.352	502.376.597
Current result						26.388.049						26.388.049
Other elements of the overall result:												
Revaluation reserve					81.627.152							81.627.152
Deferred tax related to the revaluation difference					-13.060.344							-13.060.344
Total other elements of the overall result	0	0	0	0	68.566.808	26.388.049	0	0	0	0	0	94.954.857
Transfer revaluation surplus					-2.734.601			3.307.470		-572.869		0
Allocation of other reserves *				3.494.590		-10.763.873	7.269.283					0
Mandatory distributions				14.452.190			-14.452.190					0
Transactions with shareholders:												
Dividends						-20.059.405	-					-20.059.405
Balance on December 31, 2020	67.133.804	197.701.352	13.426.761	231.136.239	116.636.526	26.388.049	-14.452.190	20.729.784	-7.000.410	123.273.485	-197.701.352	577.272.048

The explanatory notes numbered 1 to 27 are an integral part of the financial statements.

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

For the year end on December 31, 2020
(all the amounts are expressed in LEI, if not mentioned otherwise)

1. GENERAL INFORMATION

1.1 Brief company profile

Antibiotice SA, based in Iasi, Valea Lupului street no. 1, tax registration code RO 1973096 was founded in 1955 and was defined as a trading company as per Law 15/1990 and 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 lines, upgraded and certified according to the Good Manufacturing Practice (GMP) standards, produce medicinal products in 5 dosage forms: powders for injectable solutions and suspensions (penicillins), capsules, tablets, suppositories and topical preparations (ointments, gels and creams). Altogether they form a complex portfolio of more than 150 medicinal products for human use designed to treat a wide range of infectious, dermatological, cardiovascular, digestive tract or musculoskeletal system diseases.

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

1.2 Corporate Governance

The Antibiotice's governance system is based on:

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

General Meeting of Shareholders

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

Throughout 2020, the Management Board convened five Ordinary General Meetings and three Extraordinary General Meetings.

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

At the Ordinary General Meeting of March 6, the company's Income and Expenditure Budget for 2020 was approved.

The Ordinary General Meetings of Shareholders approved the following:

- The Income and Expenditure Budget for 2020 – The Ordinary General Meeting of Shareholders of March 5, 2020.
- The financial statements of the company for the financial year 2019, based on the Management Report and the Financial Auditor's Report - OGMS of April 9, 2020;

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

For the year end on December 31, 2020

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

- The distribution of the net profit for 2019, the fixing of the gross dividend per share in the amount of 0.029879738 lei/share and establishing the date of its payment as 21.09.2020 – OGMS of April 9, 2020;
- The registration as income of unclaimed dividends for the financial year 2015 - OGMS of April 9, 2020;
- The degree in which the Management Board members achieved their objectives and performance criteria for 2019 - OGMS of April 9, 2020;
- The appointment of SOCECC as an external audit firm, for a period of 3 years - OGMS of April 9, 2020.
- The discharge of the administrators of any liability for the activity carried out during the financial year 2019, based on the submitted reports - OGMS of April 9, 2020;
- The objectives included in the management plan for the Management Board members for the year 2020 - OGMS of April 9, 2020;
- Establishes the remuneration of the members of the Management Board according to the provisions of GEO no. 109/2011 on the corporate governance of public enterprises and GD no. 722/2016 for the approving of the Methodological norms for applying some provisions of GEO no. 109/2011 on the corporate governance of public enterprises - OGMS of April 9, 2020;
- The modification of the Management Board membership by appointing Mr. Nicolae STOIAN and Mrs. Elena CALITOIU as non-executive administrators for a term of 4 (four) years starting with April 18, 2020, in accordance with the procedures established by Art. 29 of the GEO no. 109/2011 regarding the corporate governance of public enterprises and the renewal of the mandate of executive administrator of Mr. Ioan Nani based on the Article 27, paragraph 7 of GEO no. 109/2011 on the corporate governance of public enterprises, until 31.05.2020 - OGMS of April 9, 2020;
- The Registration date 31.08.2020, for the identification of the shareholders affected by the effects of the decisions adopted, in accordance with the provisions of art. 86, paragraph 1 of Law 24/2017 on the issuers of financial instruments and market operations, and the establishment of ex-dates for 28.08.2020 - OGMS of 9 April 2020.
- The renewal of the term of office of the executive administrator of Mr. Ioan Nani for the period 01.06.2020 – 18.04.2024 - OGMS of May 20, 2020;
- The appointment of Mr. Lucian Timofticiuc as a temporary administrator for a period of 4 months, with the possibility of extension up to 6 months - OGMS of May 20, 2020;
- The financial statements of the company for the first semester of 2020, based on the Management Report and the Financial Auditor's Report – OGMS of 16.09.2020;
- The Income and Expenditure Budget for 2020 rectified, in accordance with the provisions of G.O. no. 26/2013, regarding the strengthening of financial discipline at the level of economic operators in which the state or administrative-territorial units are sole or majority shareholders or directly or indirectly hold a majority stake, the modification of performance indicators for the company administrators, in correlation with Income and Expenditure Budget for the year 2020 rectified – OGMS 16.09.2020;
- The appointment of an administrator of the company, in the person of Mr. Lucian TIMOFTICIUC for a mandate valid until 18.04.2024, in accordance with the procedures established by Art. 29 of the G.E.O. no.109/2011 regarding the corporate governance of public enterprises – OGMS of 16.09.2020;
- The evaluation report of the company's administrators and the replacement of Mr. Dan-Octavian ALEXANDRESCU from the position of administrator is decided. The Management Board will initiate the procedures established by GEO 109/2011 on the

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

For the year end on December 31, 2020

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

corporate governance of public enterprises so that the General Meeting of Shareholders can appoint a provisional director during its first meeting – OGMS of 16.09.2020;

- The designation of Mr. Ionel DAMIAN as a temporary administrator for a period of 4 months, with the possibility of extension up to 6 months, pursuant to Art. 64¹, paragraph 4 and paragraph 5 of GEO no. 109/2011 on the corporate governance of public enterprises – OGMS of 16.09.2020;

The Extraordinary General Meeting of Shareholders approved the following:

- the extension of the validity of the multi-product multi-currency credit facility of 30 million LEI contracted by SC Antibiotice SA from the Export Import Bank of Romania - EximBank SA for a period of 12 months – EGMS of 09.04.2020;
- maintaining the guarantees for the multi-product multi-currency credit facility in the amount of 30 million LEI for the entire validity period (a calendar year starting with 25.06.2019) – EGMS of 09.04.2020;
- the issuance of a decision-commitment of SC Antibiotice SA not to divide, not to merge and not to decide on the early dissolution during the entire validity period of the multi-product multi-currency credit facility without the prior consent of the Export Bank of Romania - EximBank SA – EGMS of 09.04.2020;

the ratification of the Addendum no. 9 of 19.11.2019 on the Special Credit Terms to the Credit Agreement no. IAS3-42-2016 dated 17.08.2016, signed between UniCredit Bank S.A and Antibiotice SA. – EGMS of 09.04.2020;

- the ratification of the Real Estate Mortgage Contract authenticated under Nr. 4174/2019 of 20.12.2019 for the guarantee of the Credit Agreement no. IAS3-42-2016 dated 17.08.2016, signed with UniCredit Bank S.A. by Antibiotice SA. – EGMS of 09.04.2020;
- the ratification of the Real Estate Mortgage Contract dated 19.11.2019 signed between UniCredit Bank S.A si Antibiotice SA. – EGMS of 09.04.2020;
- the ratification of the Real Estate Mortgage Contract dated 20.12.2019 signed between UniCredit Bank S.A si Antibiotice SA. – EGMS of 09.04.2020;
- the amendment of the Articles of Association of the company by completing the object of activity of the company with a new secondary activity, the one provided by the NACE code 2020 “*Manufacture of pesticides and other agrochemical products*” – EGMS of 20.05.2020;
- the change of the location of the Antibiotice Representative Office in Vietnam at the following address: Room 807, 8th floor, Tower 3A, Lane 82, Duy Tan Street, Dich Vong Hau Ward, District Cau Giay, Hanoi, Vietnam – EGMS of 16.09.2020.
- The modification of the Articles of Association of the company by eliminating the secondary objects of activity that are not performed by the company: 6612 – Activities of intermediation of financial transactions; 6630 – Fund management activities; 7500 – Veterinary activities; 8690 – Other human health activities; 8710 – Activities of health care centers; 8720 – Activities of mental recovery and detoxification centers, excluding hospitals; 8730 – Activities of care homes and homes for people unable to take care of themselves – EGMS of 16.09.2020.
- refinancing the credit line from EximBank to CEC Bank – EGMS of 16.09.2020;
- Refinancing the credit facility from Exim Bank worth 30 mil lei, to CEC Bank – EGMS of 16.09.2020;
- Approval of the credit facility guarantee worth 30 mil lei, to CEC Bank – EGMS of 16.09.2020;

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

For the year end don December 31, 2020

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

- the establishment of the Senior Clubs Association, in which Antibiotice SA will have the quality of founding member – EGMS of 16.09.2020;

Antibiotice SA in the capital market

Investors

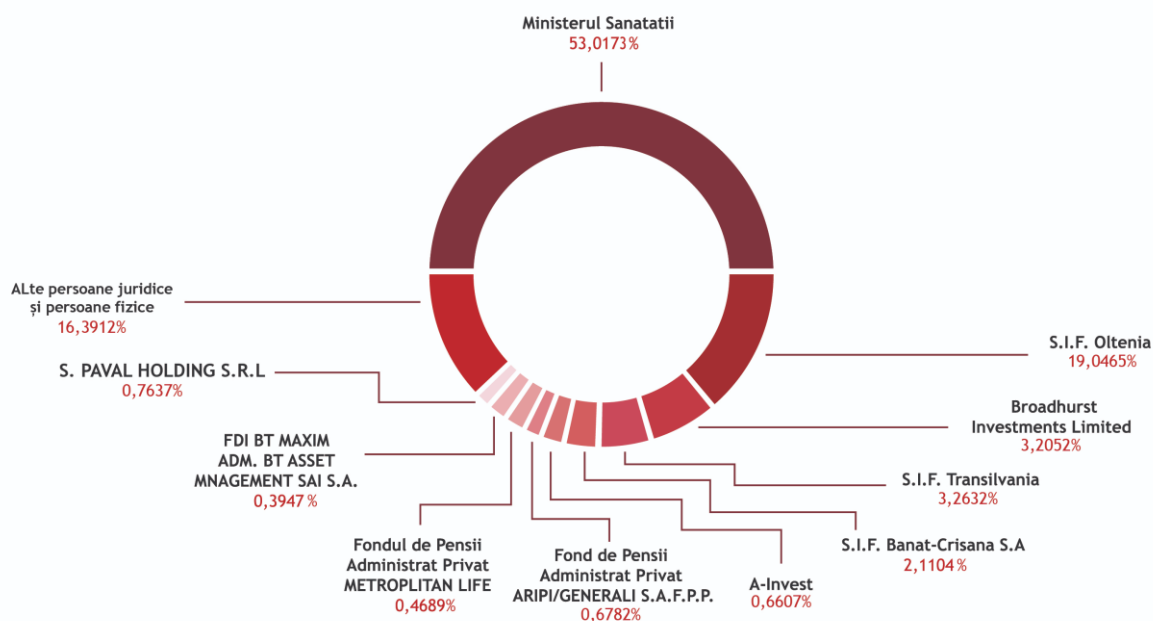
(according to the Shareholders' Register on 31.12.2021)

THE MINISTRY OF HEALTH (*)	53,0173%
S.I.F. OLTENIA (*)	19,0465%
S.I.F. TRANSILVANIA	3,2632%
BROADHURST INVESTMENTS LIMITED	3,2052%
S.I.F. BANAT-CRISANA S.A.	2,1104%
S. PAVAL HOLDING S.R.L.	0,7637%
THE PRIVATELY MANAGED PENSION FUND ARIPI	0,6782%
A - INVEST	0,6607%
THE PRIVATELY MANAGED PENSION FUND	
METROPLITAN LIFE	0,4689%
FDI BT MAXIM ADM. BT ASSET MANAGEMENT SAI SA	0,3947%
Other shareholders (42.285 shareholders)	16,3912%

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

II. Classes of shareholders:

- Legal entities – 86,0834%
- Natural persons – 13,9166%



ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

For the year end on December 31, 2020

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

Dividends

During 2020, dividends were paid for the financial years 2016, 2017, 2018 and 2019, amounting to 18,166,715.83 lei, as follows:

Dividend history (2016 – 2017 - 2018- 2019)

Year	Net dividends							Suspension date of dividend payment
	Due	Paid lei				Unclaimed on 31.12.2020		
		Until 31.12.2019	01.01÷31.12.2020	Total	% (total paid)	lei	%	
0	1	2	3	4	5	6	7	8
2016	25,401,595	23,379,791.77	17,169.33	23,396,961.10	92.11	2,004,633.90	7.89	14.09.2020
2017	17,588,680	16,138,163.54	22,007.82	16,160,717.36	91.88	1,428,508.64	8.12	Payment in progress
2018	6,612,624.05	6,055,864.22	13,318.65	6,069,182.87	91.78	543,441.18	8.22	Payment in progress
2019	19,811,039.75	-	18,114,220.03	18,114,220.03	91.43	1,696,819.72	8.57	Payment in progress

For the years 2016, 2017, 2018 and 2019, the payment of the dividends is made through the Bucharest Central Depository and implicitly, through the Payment Agent - CEC Bank.

Price per share evolution

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

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

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

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

In 2020, the minimum price of the ATB share had the value of 0.4130 lei. The share price increased to the maximum value of 0.5550 lei / share.

The stock market capitalization of Antibiotice as of December 31, 2020 was of 334,326 thousand lei. During this period, 27,085,005 shares were traded, amounting to 13,756,742 lei (2,838,001 euros, 3,265,982 US dollars), with an average price of 0.5079 lei / share.

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

For the year end on December 31, 2020

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

Antibiotice shares – ATB / Regular Market

	2016	2017	2018	2019	2020
Number of shares	671,338,040	671,338,040	671,338,040	671,338,040	671,338,040
Market capitalization (thousand lei)*	349,096	361,180	326,942	341,040	326,270
Market capitalization (thousand euro)*	76,875	77,511	70,100	71,370	66,935
Market capitalization (thousand \$)*	81,123	92,813	80,259	79,873	82,163
Total traded value (million lei)	6	12	9	15	14
No. of traded shares	12,555,866	21,113,565	17,109,263	30,364,292	27,085,005
Opening price (lei/share)	0.5320	0.5200	0.5780	0.4800	0.5120
Maximum price (lei/share)	0.5420	0.5920	0.5780	0.5260	0.5550
Minimum price (lei/share)	0.4200	0.5200	0.4550	0.4500	0.4130
Price at the end of the period (lei/share)	0.5270	0.5380	0.4870	0.5080	0.4860
Average price (lei/share)	0.5032	0.5585	0.5028	0.4851	0.5079
Earnings/share (lei/share)***	0.0452	0.0500	0.0511	0.0459	0.0418
Gross dividend/share (lei/share)**	0.0384	0.026552598	0.009991506	0.029879738	0.00330631
Dividend yield****	4.05%	4.59%	2.05	6.2%	6.5%
Dividend distribution rate *****	52%	53%	20%	65%	8,4%

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

** Proposed dividend,

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

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

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

Rights of financial instruments holders

The corporate governance framework adopted and applied:

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

On the company's website at www.antibiotice.ro/investitori/informatii actionari, there is a section in which each shareholder can access and download documents related to the General

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Shareholders' Meetings: procedures regarding the access and participation in the meetings, the convocation, additions to the agenda, informative materials, special representation proxies, correspondence voting forms, draft decisions, decisions, voting results, etc.

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

Investitor relations

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 is the communication between the company and investors and it is the simplest form of respect for our shareholders and investors.

The main role is the implementation and monitoring of corporate governance standards at the level of the Company, informing shareholders and investors in accordance with the legal provisions and the proactive communication focused on the information needs of investors.

As it is always oriented towards the development and the increase of the transparency towards the shareholders, in completing the strategy of improving the quality of the relationship with the investors and of the desire to create value for the shareholders, in order to increase the company's visibility and to be able to have a feedback immediately after the periodic financial reports (yearly and every 6 months), during 2020, we organized our own annual meetings and events to present the company's activity, with investors and analysts interested in the company's activity and strategy.

In 2020, 3 teleconferences (on 25.02.2020, 15.05.2020 and 13.08.2020) were organized and a conference entitled *Round table with the ATB management – Antibiotice – a company worth investing in*. This event took place on 29.10.2020.

All the documents regarding the good development of the above mentioned events were published in accordance with the legislation in force - Law no. 31/1990 republished, with the amendments and completions up to date, the Government Emergency Ordinance no. 109/2011 concerning 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.

As it is a company listing on the Stock Exchange, the annual, half-yearly, quarterly and current reports, as well as any other event considered to be important for the holders of securities were made available to the public and sent to the Financial Supervisory Authority and to the market operator (the Bucharest Stock Exchange).

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The organization of the General Meetings of Shareholders, the changes in the structure of the company, the decisions of the general meetings, as well as the actions related to guaranteeing the shareholders' rights – the distribution of dividends related to the financial year 2019 were made in accordance with the legal regulations.

During 2020, the Investor Relations Activity also included:

- The continuous updating of the ATB website with information to ensure the improvement of the relationship with shareholders and investors in order for them to understand and acquire the quality of shareholder.
- The dissemination of presentations, audio recordings and transcripts of teleconferences with the company's investors and shareholders on the ATB website.
- The prompt transmission of information at the request of shareholders, potential investors and participants in the capital market.
- Participating in conferences organized by third parties concerning the Romanian capital market and presenting the financial results and growth opportunities of the company (BSE);
- The participation of the Company's representatives in informative seminars organized by the authorities in the field in order to improve the corporate governance and increase the transparency towards the shareholders;
- The participatin in discussion sessions regarding the corporate governance standards, investor communication platforms and other tools provided by the capital market authorities.

The awards obtained during the year brought the recognition of the Investor Relations Office. Thus, the maximum mark obtained in the evaluation of the VEKTOR indicator, which represents a set of 15 criteria of good practices in relation to investors based on which the IR activity of companies listed on the Romanian stock exchange is evaluated, proved once again that Antibiotice is a company scoring 10 on a scale of 1 to 10, a company worth investing in.

The ARIR gala organized on October 19, brought Antibiotice on the podium, as our company ranked 3rd place in the *Best Company IR - retail choice* category, noting the communication, openness, transparency and quality of the information received. The prize awarded is based on a voting period organized together with institutional investors.

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 Corporate Governance section.

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During 2020, the Management Board met in 15 meetings. Each time, it registered a 100% presence and it adopted decisions that allowed it to perform its duties in an effective and efficient manner. Thus, at the monthly meetings, the Management Board analyzed in detail the financial results obtained by the company during the reporting period and also cumulated from the beginning of the year, as well as the economic performance in relation to the budget and the similar period last year.

The Board requested, depending upon the situation, detailed explanations to the executive management about the plans to increase the production efficiency, about investment plans, constituted provisions, liquidity management, operational and the overall profitability. Following the detailed analysis of the period's results, the Board decided to approve them in order to publish and send them to the Bucharest Stock Exchange and the Financial Supervisory Authority, observing each time the Financial Communication Calendar.

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

The advisory committees

During the year 2020, the specialized advisory committees had the following membership:

- ***the Audit Committee:*** Mr. Ionel Damian, Mr. Nicolae Stoian and Mrs. Elena Calitoiu;
- ***the Nomination and Remuneration Committee:*** Mrs. Elena Calitoiu, Mr. Lucian Timofticiuc and Mr. Nicolae Stoian;
- ***the Trade Policies Committee :*** Mr. Lucian Timofticiuc, Mr. Ionel Damian and Mr. Nicolae Stoian.

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

The executive management

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

The executive management of Antibiotice is ensured by ten directors, one of whom is the General Director who is also the Vice President of the Board and three speciality directors.

2. THE ACCOUNTING POLICIES

2.1 Declaration of conformity

The financial statements are 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

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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, the Interpretations and International Accounting Standards (collectively referred to as “IFRS”) issued by the International Accounting Standards Board (“IASB”) as adopted by the European Union (“IFRSs adopted”);

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

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

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

2.2 The bases of assessment

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

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

2.3 The functional and presentation currency

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

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

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

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	31-12-20	31-12-19
EUR	4.8694	4.7793
USD	3.9660	4.2608

2.4 Critical accounting assessments and estimates

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

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

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

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

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

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

(b) *Adjustments for the impairment of receivables*

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

(c) *Legal proceedings*

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

(d) *Cost accounting estimates*

There are situations in which, until the closing of some fiscal periods or up to the closing date

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

(e) *Taxation*

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

2.5 Presentation of separate financial statements

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

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 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, labor costs related to the hours worked for each project, other authorization fees charged by NAMMD.

2.7. Tangible assets

The tangible assets are tangible items that:

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

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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.

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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 manner desired by the management.

The land owned is not depreciated.

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

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

Impairment

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

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

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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 upon the concept that financial assets should be classified and evaluated at fair value, with changes in the fair value recognized in the profit and loss account where they appear (“FVPL”), unless the restrictive criteria are met when the classification and the valuation of the asset is made at depreciated cost or at fair value through other “FVOCI” revenues.

Depreciation of financial assets

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

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

Cash and cash equivalents / Hedging

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

2.9 Stocks

According to IAS 2, the stocks are active:

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

Stock assessment

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

Costs of stocks

The cost of stocks includes all the purchase costs, conversion costs as well as other costs incurred in bringing the 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

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longer correspond from a quality viewpoint. The calculation of the general adjustment for the depreciation of inventories is based upon the validity period of existing items in stock.

2.10 Receivables

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

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

The impairment adjustments are recognized when there is objective evidence (such as significant financial difficulty of the partners or the non-fulfillment of payment obligations or significant payment delay) that the company will not be able to collect all the amounts due under the terms regarding the receivables, as 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, as it is the best estimate of the management regarding the current value of the cash flows expected to be received.

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

The 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 had 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

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

2.12 Financial liabilities

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

2.13 Recognition of income and expenses

2.13.1 The 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.

The income assessment

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

- (a) the entity transferred to the buyer the significant risks and benefits related to the ownership of the goods;
- (b) the entity no longer manages the goods sold at the level at which it would normally have done in the case of their ownership and no longer has the effective control over them;

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

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

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

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

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

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

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

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

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

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2.13.2 Recognition of expenses

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

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

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

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.

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2.16 Benefits of employees – IAS 19 Benefits of employees

Current benefits granted to employees

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

Benefits after the termination of the employment contract

Both the Company and its employees have a legal obligation to contribute to the social security established with the National Pension Fund administered by the National House of Public 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 Public Pensions, the Company will have no obligation to pay for the benefits earned by its own employees in previous years. The Company's contributions to the contributions plan are reported as expense in the year to which they relate.

2.17 Deferred tax – IAS 12

In the deferred tax calculation, the Company will take into account the provisions of IAS 12.

The deferred tax assets and liabilities are recognized when the book value of an asset or liability in the statement of the financial position differs from the tax base.

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

The amount of the asset or liability is determined by using tax rates that have been enacted or adopted largely up to the reporting date and are expected to be applied when the liabilities/(assets) concerning the deferred tax are settled/(recovered).

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

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

2.18 Dividends

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

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

2.19 Capital and reserves

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

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

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

2.20 Financing costs

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

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

2.21 Earnings per share

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

2.22 Reporting on segments

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

2.23 Affiliated parties

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

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

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

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

- (i) The entity and the Company are members of the same group (which means that each parent company, subsidiary and subsidiary of the same group is linked to the others);
- (ii) An entity is the associate or joint venture of the other entity (or associate or joint venture of a member of the group the other entity belongs to);
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third party, and the other is an associate of the third-party entity.
- (v) The entity is a post-employment benefit plan in the benefit of the employees of the reporting entity or an entity affiliated to the reporting entity. In the event the reporting entity is itself such a plan, the sponsoring employers are also affiliates of the reporting entity.

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- (vi) The entity is controlled or jointly controlled by an affiliated person.
- (vii) An affiliated person having control significantly influences the entity or is a member of the key management staff of the entity (or the parent company of the entity). The company does not carry out transactions with entities described in points (i) – (vii) above.

2.24 Issued standards that entered into force in 2020

Amendments to IFRS 3 *Business Combinations* on changing definitions;

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

Amendments to IFRS 9 *Financial Instruments* and IFRS 17 “Insurance Contracts” regarding the reform of reference interest rates.

Amendment to the General Conceptual Framework.

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

The following new standards, interpretations and amendments, which are not yet in force and have not been adopted in advance in these financial statements, may have an effect on the Company's future financial statements. The list below presents the IFRSs (and amendments to the IFRSs) that were issued, but are not mandatory for the financial statements prepared on December 31, 2020:

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

The amendments to IAS 1 “*Presentation of Financial Statements*” regarding the classification of debts will enter into force after January 1, 2022.

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

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

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

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

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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:

	Loans and receivables	
ASSETS	31-12-20	31-12-19
Trade and similar receivables	260,388,767	338,159,774
Cash and cash equivalents	6,329,458	1,877,409
Total	266,718,225	340,037,183
	Amortized cost	
LIABILITIES	31-12-20	31-12-19
Trade and similar receivables	66,103,990	65,198,391
Short-term loans	95,568,514	125,951,291
Long-term loans	65,444,478	57,080,354
Total	227,116,981	248,230,036

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.

Calculation and analysis of the net statement (equity)

Indicators (LEI)	31-12-20	31-12-19
Short-term credits and loans	95,568,514	125,951,291
Long-term credits and loans	65,444,478	57,080,354
Cash and cash equivalents	(6,329,458)	(1,877,409)
Net debt	154,683,533	181,154,236
Total equity	577,272,048	496,842,915
Net debt in equity (%)	26.79%	36.46%

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Foreign exchange risk

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

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

	For the year ended on	
Assets/liabilities in EURO equivalent in LEI	31-Dec-20	31-Dec-19
Monetary financial assets	6,898,201	8,707,724
Monetary financial liabilities	(14,156,097)	(18,661,953)
Net financial assets	<u>(7,257,893)</u>	<u>(9,954,228)</u>
RON/EUR variation		Gain/Loss
Appreciation of the RON against EUR by 5%	(362,895)	(497,711)
Depreciation of the RON against EUR by 5%	362,895	497,711
Impact upon result	<u>-</u>	<u>-</u>
	31-12-20	31-12-19
Assets and liabilities in EUR		
Monetary financial assets	1,416,644	1,821,966
Monetary financial liabilities	(2,907,154)	(3,904,746)
Net financial assets	<u>(1,490,511)</u>	<u>(2,082,780)</u>
	31-12-20	31-12-19
Assets/liabilities in USD equivalent in LEI		
Monetary financial assets	26,022,147	28,245,314
Monetary financial liabilities	(9,938,895)	(7,200,008)
Net financial assets	<u>16,083,252</u>	<u>21,045,307</u>
RON/USD variation		
Appreciation of the RON against USD by 5%	804,163	1,052,265
Depreciation of the RON against USD by 5%	(804,163)	(1,052,265)
Impact upon result	<u>-</u>	<u>-</u>
	31-12-20	31-12-19
Assets and liabilities in USD		
Monetary financial assets	6,561,308	6,629,111
Monetary financial liabilities	(2,506,025)	(1,689,825)

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Net financial assets	4,055,283	4,939,285
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The company's net exposure to the foreign exchange risk, equivalent in LEI, is shown in the table below:

Assets / Liabilities	31-12-20	31-12-19
LEI	97,356,613	132,333,068
EUR	(7,257,893)	(9,954,228)
USD	16,083,252	21,045,307
Other currency (CAD,GBP)	(1,648)	(1,178)
Net exposure	106,180,324	143,422,968

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:

	Up to 3 months	Between 3 and 12 months	Over 12 months	Total
December 31, 2020				
Commercial and similar debt	45,494,930	20,609,060	-	66,103,990
Debts from taxes and current taxes	11,189,134	-	-	11,189,134
Short-term loans	-	95,568,514	-	95,568,514
Long-term loans	-	-	65,444,478	65,444,478
Total	56,684,064	116,177,574	65,444,478	238,306,115

	Up to 3 months	Between 3 and 12 months	Over 12 months	Total
December 31, 2019-restated				
Commercial and similar debt	13,570,219	51,628,172	-	65,198,391
Debts from taxes and current taxes	15,296,254	-	-	15,296,254
Short-term loans	-	125,951,291	-	125,951,291
Long-term loans	-	-	57,080,354	26,662,433
Total	28,866,473	177,579,463	57,080,354	233,108,369

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Bank liquidity

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

Operational risk

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

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

Adequacy of capital

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

4. SALES INCOME

The sales income includes the following items:

STATEMENT OF COMPREHENSIVE INCOME	For the year ended on	
Description	31-12-20	31-12-19
Finished product sales	357,203,118	409,047,291
Sales of goods	82,571,517	82,423,115
Trade discounts	(99,350,359)	(101,759,666)
Total	<u>340,424,276</u>	<u>389,710,740</u>

The sales revenues are mainly driven by the sales of finished products directly to pharmaceutical distributors. In 2020, the intra and extra-community sales amounted to 158,274,644 lei (152,127,799 lei in 2019).

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5. OTHER OPERATING INCOME

The other operating income includes the following:

Description	31-12-20	31-12-19
Rental income	176,888	159,883
Income from research and studies	48,564	331,006
Income from the revaluation of fixed assets	0	0
Income from various activities	397,940	444,914
Subsidies income	0	0
Income from the sale of fixed assets	0	0
Income from indemnities, fines and penalties	48	165,078
Other operating income	2,660,982	1,594,815
Income from adjustments for depreciation of current assets	18,975,120	19,594,833
Income from provisions for risks and expenses	7,527,157	4,998,241
Exchange rate differences	6,275,633	7,373,803
Total	36,062,333	33,008,685

6. RAW MATERIALS, CONSUMABLES AND GOODS

The expenditure on raw materials and consumables consists of:

Description	For the year ended on	
	31-12-20	31-12-19
Raw materials	73,514,802	79,699,130
Auxiliary materials	9,707,693	6,056,044
Goods	43,137,517	54,621,830
Expenditure on fuel and spare parts	4,213,712	4,533,492
Inventory items	741,868	696,960
Other consumables	549,007	408,648
Total	131,864,599	146,016,104

7. STAFF COSTS

The staff costs are as follows:

Description	For the year ended on	
	31-12-20	31-12-19
Wages	92,763,780	85,320,279
Civil contracts	1,704,955	1,297,919
Tax and social contributions	2,939,553	2,839,598
Employee participation in profit	2,000,000	2,900,000
Variable allowance for the Management Board members	5,649,713	4,249,400
Other benefits (meal vouchers and employee participation in 2020 profit, prescriptions granted to employees)	6,764,959	6,244,935
Total	111,822,960	102,852,132

For the year 2020, provisions were made in the amount of 7,649,713 lei, representing the provision for the participation of the employees in the variable allowances of the Management Board and of the mandate contract as well as the provision for unused vacation leave.

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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 membership of the Management Board and Executive Management are presented in Note 1. General Information.

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

Description	For the year ended on	
	31-12-20	31-12-19
Wages	5,944,782	4,123,733
Civil constructs	771,879	689,540
Taxes and social contributions	193,649	167,459
Variable allowances	2,438,764	3,116,088
Total	9,349,074	8,096,820

For the year 2020, provisions were made in the amount of 5,649,713 lei representing the provision for the variable allowances of the Management Board and one provision for the variable allowance pertaining to the mandate contract to achieving the 2020 objectives as well as the provision for unused vacation leave.

8. OTHER OPERATING EXPENDITURE

Other operating expenditure include the following:

Description	For the year ended on:	
	31-12-20	31-12-19
Utilities	11,090,428	11,124,204
Repairs	1,374,073	1,606,580
Rent	437,091	631,806
Insurances	1,676,194	1,591,720
Bank fees	851,149	1,218,042
Advertising & promotion of products	8,693,952	7,741,206
Travel & transport	2,572,766	3,661,822
Postal & telecommunications	535,721	487,481
Other services provided by third parties	10,856,885	14,150,360
Other taxes and fees	32,677,687	46,266,487
Environmental protection	995,550	902,607
Losses and adjustments of uncertain receivables	17,087,365	23,313,041
Revaluation of fixed assets		0
Exchange rate differences	9,996,825	7,267,805
Sundries	8,337,898	1,689,348
Total	107,332,654	121,652,509

9. FINANCIAL INCOME AND EXPENSES

The net financial income consists of:

Description	For the year ended on:	
	31-12-20	31-12-19
Interest income	2,358	8,313
Interest charges	(4,932,057)	(4,686,718)
Other financial expenses	(441,837)	(149,608)
Total	(5,371,536)	(4,828,013)

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

10. CURRENT AND DEFERRED PROFIT TAX EXPENSES AND OTHER TAXES

Description	For the year ended on	
	31-12-20	31-12-19
Current tax	1,765,912	4,034,592
Deferred tax - expense/(income)	175,495	265,008
Taxes specific to certain activities	0	57,015
Total	1,941,407	4,356,615

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

10.1 – Current profit tax

The current profit tax was calculated taking into account the influences of the non-deductible expenses, that is the taxable income, the fiscal facilities and the effects of the provisions for the profit tax.

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

Description	For the year ended on	
	31-12-20	31-12-19
Total income	381,389,749	407,782,656
Total expenses (without profit tax)	352,063,764	(371,682,874)
Gross book value	29,325,985	36,099,782
Deductions	(30,511,124)	(27,600,149)
Non-deductible expenses	29,636,688	30,289,901
Fiscal result	28,451,549	38,789,534
Profit tax (fiscal result x 16%)	4,552,248	6,206,325
Tax reductions	(2,786,336)	(2,171,733)
Current profit tax	1,765,912	4,034,592
Deferred profit tax	175,495	265,008
Taxes specific to certain activities	0	57,015
Total profit tax and other taxes	1,941,407	4,356,615

10.2 – Deferred profit tax

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:

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Description	31-12-20	31-12-19
Initial balance	17,884,035	18,541,085
Recognized directly in capital	13,060,344	(922,058)
Costs /(income) deferred tax	175,495	265,008
Final balance	31,119,874	17,884,035
Description	31-12-20	31-12-19
- Deferred tax - assets		
Initial balance	7,647,903	6,725,845
Costs /(income) deferred tax	416,102	922,058
Final balance (a)	8,064,005	7,647,903
- Deferred tax - debt		
Initial balance	25,531,938	25,266,930
Costs /(income) deferred tax	13,651,941	265,008
Final balance (b)	39,183,879	25,531,938
Net deferred tax (b)-(a)	31,119,874	25,531,938
	31,119,874	17,884,035

The main components of the deferred tax are:

- the deferred tax related to the revaluation of fixed assets from 2004-2009,
- the deferred tax related to the revaluations from 2012 and 2015, as well as the deferred tax related to the land revaluation on 31.12.2020.
- Provisions related to debts to employees and assimilated;
- Provisions related to disputes with suppliers;
- Stock depreciation adjustments;
- Customer impairment adjustments.

11. EARNINGS PER SHARE

Description	For the year ended on	
	31-12-20	31-12-19
Net profit (A)	26,388,049	30,823,278
Number of ordinary shares (B)	671,338,040	671,338,040
Earning per share (A/B)	0,0393	0,0459

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12. TANGIBLE ASSETS

	Land	Buildings	Technical installations & equipment	Other installations, equipment & furniture	Tangible assets in progress	Total
COST						
December 31, 2018	108,306,000	108,332,084	184,961,323	7,544,355	26,453,168	435,596,930
Procurement	-	14,778,786	11,944,316	220,134	71,530,159	98,473,395
Outputs	-	10,160	3,129,954	65,985	26,943,237	30,149,336
December 31, 2019	108,306,000	123,100,710	193,775,685	7,698,504	71,040,090	503,920,989
Procurement	-	13,266,229	17,239,576	412,698	41,695,608	72,614,111
Reappraisal	81,627,152					81,627,152
Outputs	-	434,193	14,042,420	67,402	30,918,503	45,462,518
December 31, 2020	189,933,152	135,932,746	196,972,841	8,043,800	81,817,195	612,699,734
DEPRECIATION						
December 31, 2018	-	1,726,725	117,626,773	5,306,514	-	124,660,012
Cost of the period	-	6,320,323	11,827,657	406,234	-	18,554,214
Outputs	-	10,160	3,129,954	65,984	-	3,206,098
December 31, 2019	-	8,036,888	126,324,476	5,646,763	-	140,008,126
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
December 31, 2020	-	14,889,373	123,642,039	5,991,292	-	144,522,704
PROVISION						
December 31, 2018	-	51,600	244,652	-	-	296,252
Outputs 2019	-	-	-	-	-	-
December 31, 2019	-	51,600	244,652	-	-	296,252
Outputs 2020	-	-	-	-	-	-
December 31, 2020	-	51,600	244,652	-	-	296,252
NET VALUE						
December 31, 2020	189,933,152	120,991,773	73,086,150	2,052,508	81,817,195	467,880,779
December 31, 2019	108,306,000	115,012,222	67,206,557	2,051,741	71,040,090	363,616,611
December 31, 2018	108,306,000	106,553,759	67,089,898	2,237,841	26,453,168	310,640,665

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Depreciation of fixed assets

The accounting depreciation is calculated using the straight line method. For the new fixed assets, entered in 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 49,355,704 lei.

13. INTANGIBLE ASSETS

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

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

	31-12-20	31-12-19
Inputs	8,380,448	5,836,186
Outputs	2,014,628	1,310,438
Final balance	37,142,435	30,776,615
Depreciation		
Initial balance	14,390,906	11,222,150
Cost of the period	3,041,923	3,168,756
Final balance	17,432,829	14,390,906
Net value	19,709,606	16,385,709

14. STOCKS

Descriere	31-12-20	31-12-19
Raw materials and consumables	43,543,406	29,314,160
Production in progress	2,411,294	3,146,451
Semi-finished and finished products	48,516,680	33,849,505
Goods	14,219,829	7,665,872
Total	108,691,209	73,975,988

The value of stocks held as collateral is 48,178,301 lei.

15. TRADE AND OTHER RECEIVABLES

Description	31-12-20	31-12-19 restated
Trade receivables	260,388,767	338,159,774
Adjustments for trade receivables	(29,157,464)	(34,066,666)
Various debtors and other receivables	6,300,228	5,069,347
Adjustments for various debtors	(3,432,707)	(3,432,707)
Receivables related to employees	58	155
Other receivables from the State Budget	1,369,072	3,159,069
Advance payments (advances)	3,166,591	5,244,308

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For the year end don December 31, 2020
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Total	<u>238,634,545</u>	<u>314,133,280</u>
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On December 31, 2020 the Company recorded adjustments for trade receivables representing customer balance that are unlikely to be collected by the company. The receivables of the company were analysed and evaluated according to criteria established according to the risks per categories of costumers.

Analysis of seniority	31-12-20	31-12-19
Receivables - customers	260,388,767	338,159,774
Up to 3 months	132,533,597	150,900,438
between 3 and 6 months	47,251,182	68,347,022
Between 6 and 12 months	53,373,313	91,877,624
Over 12 months	48,897,427	51,061,183
Value adjustments related to receivables- customers	(29,157,464)	(34,066,666)

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

Adjustments of receivables	31-12-20	31-12-19
At the beginning of the period	37,499,373	37,002,158
Established during the year	8,472,434	19,117,314
Cancelling the adjustments	(13,381,636)	(18,620,099)
At the end of the period	<u>32,590,171</u>	<u>37,499,373</u>

The value of receivables established as guaranties is 182,118,679 lei.

16. CASH AND CASH EQUIVALENTS

Description	31-12-20	31-12-19
Available in the bank	6,312,210	1,868,312
Cash and cash equivalents	17,238	9,097
Total	<u>6,329,458</u>	<u>1,877,409</u>

17. TRADE AND OTHER LIABILITIES

17.1 Trade and similar levies

Description	31-12-20	31-12-19 Restated
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Trade liabilities	28,914,996	39,314,006
Suppliers of assets	8,386,582	11,940,928
17.2 Employee-related liabilities	3,558,591	3,614,177
Other liabilities	183,630	180,029
Interest to be paid	364,428	495,084
Tax and social contributions	3,754,408	3,424,018
Dividends	5,673,403	5,118,284
Advances from customers	1,739,052	1,111,865
Total	<u>66,103,990</u>	<u>65,198,391</u>
Adjustment of provision classification		7,139,449
Total balance initially presented		<u>72,337,840</u>

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Provisions

The established provisions include obligations of the nature of salary and assimilated expenses in the amount of 7,271,957 lei, a provision related to litigations 4,365,836 lei and 1,891,107, a provision related to litigation with NAFA (National Agency of Fiscal Administration).

18. AMOUNTS DUE TO CREDIT INSTITUTIONS

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

Amounts due to credit institutions	Value on 31.12.2020
Amounts due in the short term	95,568,514 LEI
Amounts due in the 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
Balance on December 31, 2020	52,730,807.68 LEI
Warranties	Mortgage contract for buildings, land/ Receivable assignment contract

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

Objective	Investment credit
Amount	15,406,300 EUR
Maturity	02.05.2028
Balance on December 31, 2020	15,071,196.96 EUR (73,387,686.47 LEI)
Warranties	Mortgage contract for buildings, land /Receivable assignment contract

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

Objective	Credit line – working capital
Amount	9,500,000 EUR
Maturity	22.05.2021
Balance on December 31, 2020	34,790,829.06 LEI (7,144,787.67 EUR)
Warranties	Mortgage contract for buildings, land /Receivable assignment contract

Amounts due to credit institutions on 31.12.2019

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

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For the year end don December 31, 2020

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Maturity	16.08.2020
Balance on December 31, 2019	54,330,807.68 LEI
Warranties	Mortgage contract for buildings, land /Receivable assignment contract

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

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

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

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

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

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

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

19. INVESTMENTS SUBSIDIES

The subsidies for investments have the following structure:

Subsidies for investments	31-12-20	31-12-19
Wastewater treatment plant	2,061,443	2,220,345
Research project-UMP Iasi	24,503	24,503

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Other grants from European funds	519,489	615,426
Other grants from state budget funds	101,283	118,213
Other amounts received in the form of grants	66,162	100,682
Total	2,772,880	3,079,169

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

20. LIABILITIES FROM CURRENT TAXES AND FEES

Description	31-12-20	31-12-19 restated
Liabilities from current taxes and fees	11,189,134	15,296,254
Tax adjustments according to NAFA		2,028,858
Total balance initially presented		13,267,396

21. SHARE CAPITAL

The subscribed share capital of the company on December 31,2020 is 67,133,804 lei 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

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amounts reflected in the account credit 1028 “Adjustments of the share capital”), according to the GMS decision, with compliance of the legal provisions.

22. RESERVES

The reserves include the following components:

Description	31-12-20	31-12-19
Reserves from revaluation of fixed assets	139,000,941	60,481,330
Legal reserves	13,426,761	13,426,761
Deferred income tax recognized on equity	(22,364,415)	(9,677,011)
Other reserves	216,684,049	193,386,084
Reserves from current profit	14,452,190	7,269,283
TOTAL	361,199,526	264,886,447

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

Reserve	Description and purpose
Reserves from revaluation of fixed assets	If the book value of a tangible asset is increased as a result of the re-evaluation, then the increase should be recognized in other items of the 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.

23. REPORTED RESULT

The reported result includes the following components:

Description	31-12-20	31-12-19
Reported result – a surplus from revaluation reserves	20,729,784	17,422,314
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	123,846,355
The retained earnings from the adoption of	(197,701,352)	(197,701,352)

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IAS 29 for the first time

Total (60,698,493) (56,432,683)

The result carried forward from fundamental errors was affected as a result of the ANAF control carried out during 2020 which established tax differences due to the error of non-allocation to reserves of the reinvested profit for which the exemption was granted from the payment of profit tax. The Company corrected both the distribution of the reserve and the difference in taxes established by the NAFA's Decision. The company is in dispute with NAFA to challenge the differences established by the control team.

The result carried forward from fundamental errors was affected for the presentation of the impact of the registration of the deferred tax receivable generated by the temporary differences generated by provisions and adjustments of current assets (inventories and customer receivables).

The reported result from fundamental errors impacts the comparative data as follows:

Financial position	31-12-20	31-12-19	1-01-2019
Fiscal reserve	12,534,092	12,534,092	12,534,092
Current tax liabilities	2,114,221	2,114,221	2,114,221
Deferred tax receivable	7,647,903	7,647,903	6,725,845
Total error	7,000,410	7,000,410	7,922,468

24. DISTRIBUTION OF PROFIT

On December 31, 2020, S.C.Antibiotice S.A registered a net profit in amount of 26,388,049 lei, proposed for distribution as follows:

Description	31-12-20	31-12-19
Dividends	2,219,652	20,059,405
Other reserves	24,168,397	10,763,873
Total	<u><u>26,388,049</u></u>	<u><u>30,823,278</u></u>

The amount of 24.168.397 lei, representing other reserves provided by the law, is composed of:

- The fiscal facilities for the profit invested in technological equipment, electronic computers and peripheral equipment, cash registers, control and billing machines, as well as in software programs produced and/or purchased according to Art. 22 of the Fiscal Code in the amount of 14,452,190 lei;
- Fiscal facilities for research and development activities according to Art. 20 of the Fiscal Code in the amount of 2,715,797 lei;
- Other allocations provided by law, according to Article 1, letter c) of GO no. 64/2001, the amount of 7,000,410 lei representing losses from the distribution of the profit for which an exemption was granted.

The total dividends are in amount of 2,219,652 lei.

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The gross dividend per share related to the financial year 2020 was established at 0.00330631 lei and it represents a rate of distribution of 8.4% from the net profit of the financial year 2020.

25. CONTINGENT LIABILITIES

SC Antibiotice SA does not have contingent liabilities at December 31, 2020.

26. ELEMENTS FOLLOWING THE REPORTING PERIOD

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

27. INFORMATION ABOUT THE AUDIT OF FINANCIAL STATEMENTS

The financial audit for the financial year 2020 was carried out by SC SOCECC SRL. The auditor provided only financial audit services.