

MANAGEMENT REPORT

Semestrial Report according to IFRS

Report Date: July 26th, 2021

Name of the commercial company: ANTIBIOTICE S.A.

Head Office: Iasi, 1 Valea Lupului St.

Phone number: 0232/209000, Fax 0232/209633

Fiscal registration code: RO 1973096

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

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

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

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

First semester of 2021

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1. Description of the activity carried out by the company

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

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

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

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

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

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

This organization ensures:

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

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

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

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

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

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

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

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

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

- Ministry of Health¹ a share of 53.0173%,
- S.I.F. Oltenia
- ² a share of 22,9938%
- Other legal entities and individuals a share of 23,9889%

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

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

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

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

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

¹ Majority shareholder

² Significant shareholder

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

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

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

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

2. Strategic adaptation of human resources

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

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

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

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

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

To ensure the future workforce needed in the pharmaceutical industry:

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

2.2 Continuous professional training of employees

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

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

2.3 Increasing employee motivation

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

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

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

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

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

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

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

2.5 Antibiotice, a responsible brand in the community

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

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

A+ Vaccination caravan

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

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

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

„The specialist explains. The decision is yours!"

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

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

Blood Donor Day

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

We plant oxygen in our community

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

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

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

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

Club a+

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

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

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

The producto portfolio of the company Antibiotice includes:

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

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

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

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

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

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

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

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

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

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

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

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

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

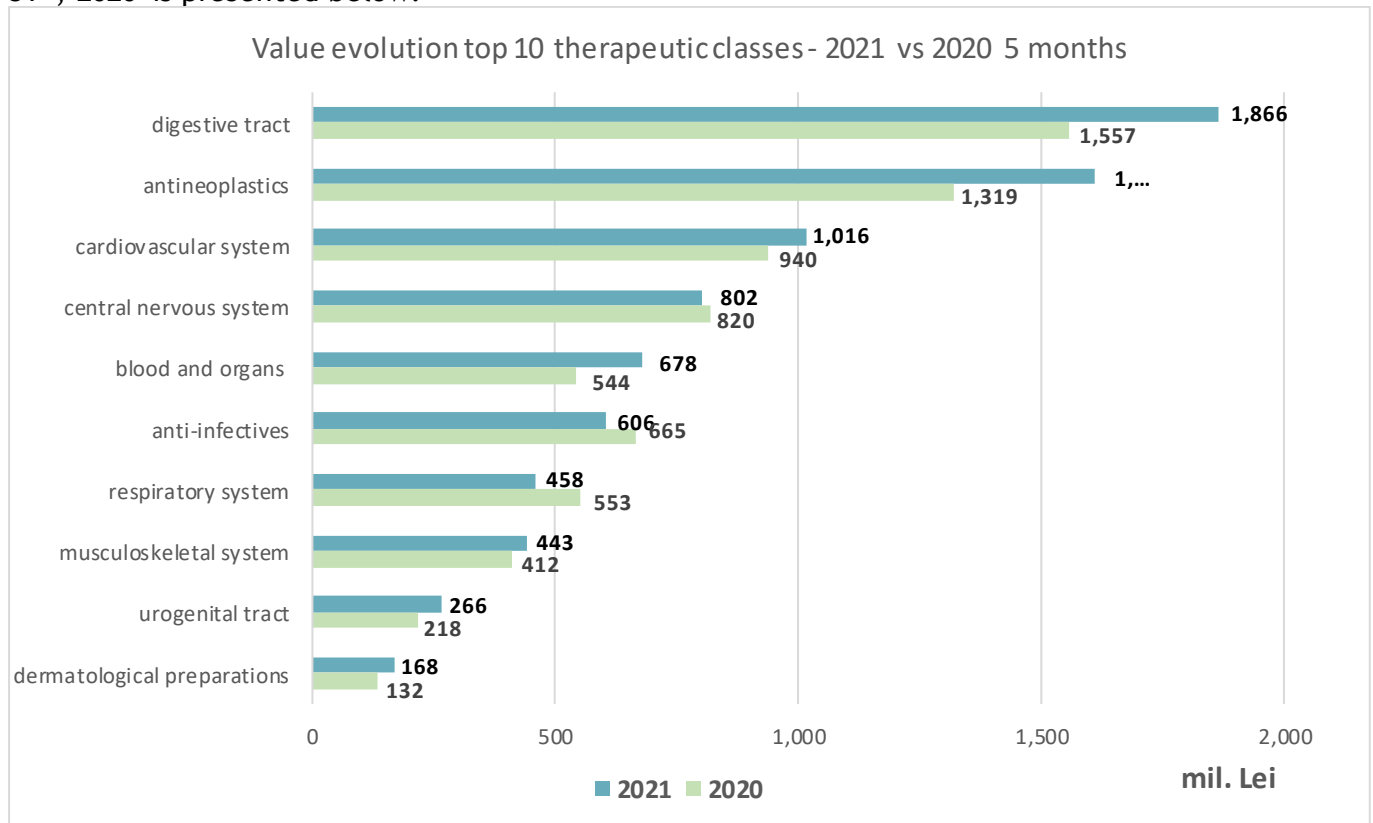
According to the therapeutic class, the portfolio of the Oral Solid Forms Products Division includes:

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

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

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

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



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

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

Assessment of the research and development activity

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

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

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

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

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

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

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

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

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

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

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

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

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

Occupational health and safety

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

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

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

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

Environmental responsibility

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

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

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

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

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

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

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

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

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

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

Waste management

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

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

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

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

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

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

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

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

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

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

5.1 Antibiotice on the Romanian pharmaceutical market³

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

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

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

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

³ According to CEGEDIM Sell Out Romania 05.2021

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

5.2 Business internationalization

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

5.2.1 Export of finished products

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

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

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

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

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

5.2.2 Export of Nystatin

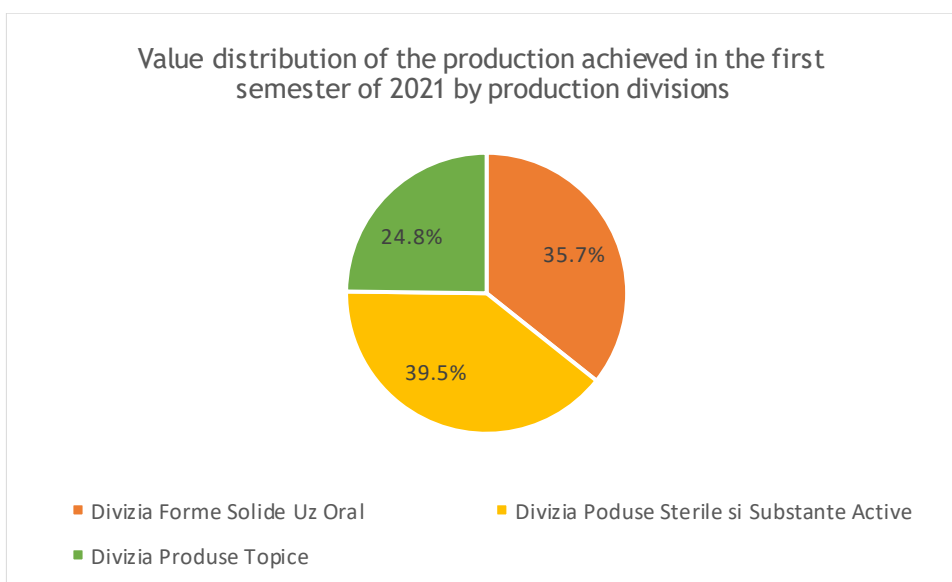
As a result of the SARS-Cov 2 pandemic, the demand and production of drugs containing the active substance Nystatin decreased, which led to the rethinking of the sales strategy based on the optimization of a quantitative sales structure that would return the best price/degree of market demand coverage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

6. Production activity analysis

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

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

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



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

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

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

8. Economic and financial indicators

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

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

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

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

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

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

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

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

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

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

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

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

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

9. Financial situation analysis

Analysis of fixed assets

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

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

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

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

a. Investments in research and development

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

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

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

c. Investments in the modernization of existing manufacturing sites

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

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

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

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

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

f. Investments in information technology, telecommunications and process digitalization

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

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

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

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

Analysis of circulating assets

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

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

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

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

Analysis of current and long-term debts

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

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

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

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

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

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

Cash flow

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

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

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

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

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

- The Ministry of Health⁴ - 53,0173%,
- S.I.F. Oltenia⁵ - 22,9938%
- Other legal entities and individuals - 23,9889%

Classes of shareholders:

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

Antibiotice on the capital market

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

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

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

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

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

Antibiotice shares - ATB / Regular Market

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

⁴ Majority shareholder

⁵ Significant shareholder

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

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

The corporate governance framework adopted and applied:

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

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

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

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

The Board of Directors

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

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

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

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

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

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

The executive management

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

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

11. Corporate Governance

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

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

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

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

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

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

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

11.1 Evaluation of the risk management activity

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

General Director,
Econ. Ioan Nani

Financial Director,
Econ. Paula Coman