

ANTIBIOTICE S.A.

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

ANTIBIOTICE SA
STATEMENT OF THE COMPREHENSIVE INCOME

For the year ended on June 30, 2021

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ANTIBIOTICE SA
STATEMENT OF THE COMPREHENSIVE INCOME

For the year ended on June 30, 2021

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

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

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

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

Drafted by:

General Director
Ec. Ioan NANI

Financial Director
Ec. Paula COMAN

ANTIBIOTICE SA
STATEMENT OF THE FINANCIAL POSITION

For the year ended on June 30, 2021

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

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

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

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

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

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and signed on behalf of:

Drafted by:

General Director
Ec. Ioan NANI

Financial Director
Ec. Paula COMAN

ANTIBIOTICE S.A.
CASH FLOW STATEMENTS

for the year ended on June, 30 2021

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

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

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Drafted by:

General Director
Ec. Ioan NANI

Financial Director
Ec. Paula COMAN

ANTIBIOTICE S.A.
MODIFICATIONS OF EQUITY

for the year ended on June 30, 2021

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

	Subscribed capital	Capital adjustments	Reserves	Other reserves	Current result	Result from revaluation reserves	Profit distribution	Revaluation reserves	Reported result from the correction of errors	Result following applying IAS/IFRS for the first time	Result following applying IAS 29 for the first time	TOTAL
31-12-20	67,133,804	197,701,352	13,426,761	231,136,239	26,388,049	20,729,784	(14,452,190)	116,636,526	-	123,273,485	(197,701,352)	577,272,048
Current global result	-	-	-	-	19,330,692	-	-	-	-	-	-	19,330,692
Reserve from revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax relative to the revaluation difference	-	-	-	-	-	-	-	-	-	-	-	-
Result of error correction	-	-	-	-	-	-	-	-	-	-	-	-
Total other items of the global result					19,330,692							19,330,692
Transfer of reevaluation surplus	-	-	-	-	-	1,180,747	-	(1,180,747)	-	-	-	-
Allotment of other reserves*	-	-	-	2,715,797	(3,494,590)	-	-	-	-	-	-	-
Dividends	-	-	-	-	(27,328,688)	-	-	-	-	-	-	(27,328,688)
Mandatory distributions	-	-	-	-	-	-	14,452,190	-	-	-	-	14,452,190
30-06-21	67,133,804	197,701,352	13,426,761	233,852,036	19,330,692	21,910,531	-	115,455,779	-	123,273,485	(197,701,352)	594,383,088

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

ANTIBIOTICE S.A.
MODIFICATIONS OF EQUITY

for the year ended on June 30, 2021

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

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

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

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

For the year ended on June 30, 2021

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

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1 Brief company profile

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

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

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

1.2 Corporate Governance

The Antibiotice's governance system is based on:

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

General Meeting of Shareholders

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

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

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

Antibiotice in the capital market

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

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

For the year ended on June 30, 2021

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

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

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

Classes of shareholders:

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

Price per share evolution

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

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

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

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

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

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

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

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

For the year ended on June 30, 2021

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

Rights of financial instruments holders

The corporate governance framework adopted and applied:

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

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

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

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

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

The Investor Relations activity

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

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

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

For the year ended on June 30, 2021

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

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

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

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

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

The Management Board

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

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

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

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

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

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

For the year ended on June 30, 2021

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

The executive management

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

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

2. ACCOUNTING POLICIES

2.1 Declaration of conformity

The financial statements have been prepared by the company in accordance with:

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

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

The financial statements for the financial year ended on June 30, 2021 include the statement of the financial position, the statement of the comprehensive income, the statement of cash flows, the statement of changes in equity and the explanatory notes.

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

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

2.2 Bases of assessment

The separate financial statements are prepared using the historical convention / depreciated cost except for the fixed tangible assets at revalued cost by using the fair value as deemed cost and

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

For the year ended on June 30, 2021

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

the items presented at the fair value, i.e. financial assets and liabilities at fair value through profit and loss account, and the financial assets available for sale, except for those for which the fair value can not be reliably determined.

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

2.3 Functional and presentation currency

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

	30-06-21	31-06-20
EUR	4.9267	4.8694
USD	4.1425	3.9660

2.4 Critical accounting assessments and estimates

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

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

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

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

For the year ended on June 30, 2021

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

the current period. Any effect, if any, on future periods is recognized as income or expense in those future periods.

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

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

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

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

(b) *Adjustments for the impairment of receivables*

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

(c) *Legal proceedings*

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

(d) *Cost accounting estimates*

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

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(e) *Taxation*

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

2.5 Presentation of separate financial statements

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

2.6 Intangible assets purchased

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

Intangible assets generated by the company internally (development costs)

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

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

2.7 Tangible assets

The tangible assets are tangible items that:

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

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Recognition:

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

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

The evaluation after recognition

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

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

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

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

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

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

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

Depreciation

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

The land owned is not depreciated.

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

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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 IFRS classification and evaluation of financial assets, impairment and risk coverage. Other aspects of IAS 39, such as scope, recognition and derecognition of financial assets, have survived with only a few changes to IAS 39.

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

Subsequent assessment of financial assets

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

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Depreciation of financial assets

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

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

Cash and cash equivalents / Hedging

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

2.9 Stocks

According to IAS 2, the stocks are active:

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

Stock assessment

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

Costs of stocks

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

Adjustments for depreciation of stocks

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

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

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2.10 Receivables

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

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

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

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

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

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

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

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

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

2.11 Value added tax

The Value Added Tax must be paid to the tax authorities upon the basis of the monthly VAT return until the 25th of the following month, regardless of the level of receivables recovery from customers. The tax authorities allow the VAT to be settled on a net basis. If the deductible VAT is higher than the VAT collected, the difference is refundable at the request of the

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

2.12 Financial liabilities

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

2.13 Recunoasterea veniturilor si cheltuielilor

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

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

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

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

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

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

Income assessment

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

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

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

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

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

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

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

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

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

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

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

2.13.2 Recognition of expenses

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

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

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

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

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

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

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

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

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

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

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

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

The previously established provisions are periodically analyzed and regulated.

2.16 Benefits of employees – IAS 19 Benefits of employees

Beneficii curente acordate salariatilor

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

Current benefits granted to employees

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

Benefits after the termination of the employment contract

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

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

2.17 Deferred tax - IAS 12

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

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

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

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

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

2.18 Dividends

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

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

2.19 Capital si rezerve

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

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

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

2.20 Financing costs

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

2.21 Earnings per share

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

2.22 Reporting on segments

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

2.23 Affiliated parties

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

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

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

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

- (i) The entity and the Company are members of the same group (which means that each parent company, subsidiary and subsidiary of the same group is linked to the other);
- (ii) An entity is the associate or joint venture of the other entity (or associate or joint venture of a member of the group the other entity belongs to);
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third party, and the other is an associate of the third-party entity.
- (v) The entity is a post-employment benefit plan in the benefit of the employees of the reporting entity or an entity affiliated to the reporting entity. In the event the reporting entity is itself such a plan, the sponsoring employers are also affiliates of the reporting entity.
- (vi) The entity is controlled or jointly controlled by an affiliated person.
- (vii) An affiliated person having control significantly influences the entity or is a member of the key management staff of the entity (or the parent company of the entity). The Company does not carry out transactions with entities described in points (i) – (vii) above.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

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

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Main financial instruments

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

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

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

	Loans and receivables	
ASSETS	30-06-21	31-12-20
Trade and similar receivables	254,889,685	260,388,767
Cash and cash equivalents	945,282	6,329,458
Total	<u>255,834,967</u>	<u>266,718,225</u>
	Amortized cost	
LIABILITIES	30-06-21	31-12-20
Trade and similar receivables	75,696,943	66,103,990
Short-term loans	96,330,457	95,568,514
Long-term loans	62,754,928	65,444,478
Total	<u>234,782,328</u>	<u>227,116,981</u>

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

Credit risk

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

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

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

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Calculation and analysis of the net statement (equity)

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

Foreign exchange risk

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

On June 30, 2021 the company's net exposure by types of currency to the foreign currency risk was as follows:

Assets/liabilities in EURO equivalent in LEI	For the year ended on	
	30-06-21	31-12-20
Monetary financial assets	3,130,022	6,898,201
Monetary financial liabilities	(23,388,193)	(14,156,097)
Net financial assets	<u>(20,258,171)</u>	<u>(7,257,893)</u>
RON/EUR variation		Gain/ Loss
Appreciation of the RON against EUR by 5%	(1,012,909)	(362,895)
Depreciation of the RON against EUR by 5%	1,012,909	362,895
Impact upon result	<u>-</u>	<u>-</u>
	30-06-21	31-12-20
Assets and liabilities in EUR		
Monetary financial assets	635,318	1,416,644
Monetary financial liabilities	(4,747,233)	(2,907,154)
Net financial assets	<u>(4,111,915)</u>	<u>(1,490,511)</u>
	30-06-21	31-12-20
Assets/liabilities in USD equivalent in LEI		

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Monetary financial assets	28,499,511	26,022,147
Monetary financial liabilities	(13,623,888)	(9,938,895)
Net financial assets	14,875,623	16,083,252

RON/USD variation

Appreciation of the RON against USD by 5%	743,781	804,163
Depreciation of the RON against USD by 5%	(743,781)	(804,163)
Impact upon result	-	-

Assets and liabilities in USD

	30-06-21	31-12-20
Monetary financial assets	6,879,785	6,561,308
Monetary financial liabilities	(3,288,808)	(2,506,025)
Net financial assets	3,590,977	4,055,283

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

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

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

Liquidity risk

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

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

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

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

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	Up to 3 months	Between 3 and 12 months	Over 12 months	Total
June 30, 2021				
Commercial and similar debt	48,593,159	27,103,784	-	75,696,943
Debts from taxes and current fees	7,838,586			7,838,586
Short-term loans		96,330,457		96,330,457
Long-term loans			62,754,928	62,754,928
Total	56,431,745	123,434,241	62,754,928	242,620,914

	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 fees	11,189,134			11,189,134
Short-term loans		95,568,514		95,568,514
Long-term loans			65,444,478	65,444,478
Total	56,684,064	116,177,574	65,444,478	238,306,115

Bank liquidity

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

Operational risk

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

The company's management is responsible for conducting operational risk related-controls. The management is supported in its mission through the development of the company's general operational risk standards in the following fields:

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

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-
- Professional development and training;
 - Establishing ethical standards;
 - Preventing the litigation risk, including insurance, where applicable;
 - The mitigation of risks, including the efficient use of insurance, where applicable.

Adequacy of capital

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

4. SALES IMCOME

The sales income includes the following items:

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

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

5 OTHER OPERATING INCOME

Other operating income includes the following:

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

5. RAW MATERIALS, CONSUMABLES AND GOODS

The expenditure on raw materials and consumables consists of:

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

7. STAFF COSTS

The staff costs are as follows:

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

The company is managed in a unitary system within the meaning of Law 31/1990 on commercial companies; the management of the company is provided by the Management Board of SC Antibiotice SA. The Component of the Management Board and Executive Management are presented in Note 1. General Information. The remuneration granted to the Management Board and the Executive Management is presented in the following table:

Description	30-06-21	30-06-20
Wages	2,690,850	3,247,072
Civil constructs	972,986	1,318,591
Taxes and social contributions	84,571	102,727
Total	<u>3,748,407</u>	<u>4,668,390</u>

8. OTHER OPERATING EXPENDITURE

Other operating expenditure include the following:

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

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

9. FINANCIAL INCOME AND EXPENSES

The net financial income consists of:

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

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

10. CURRENT AND DEFERRED PROFIT TAX EXPENSES AND OTHER TAXES

Description	For the year ended on	
	30-06-21	30-06-20
Current tax	0	0
Deferred tax expense/(income)	496,997	206,134
Total	496,997	206,134

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:

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

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

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

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

11. EARNINGS PER SHARE

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

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12. TANGIBLE ASSETS

	Land	Buildings	Technical installations & equipment	Other installations, equipment & furniture	Tangible assets in progress	Total
COST						
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
Outputs	-	434,193	14,042,420	67,402	30,918,503	45,462,518
Revaluation	81,627,152					81,627,152
December 31, 2020	189,933,152	135,932,746	196,972,841	8,043,800	81,817,195	612,699,734
Procurement	-	18,124,839	23,657,854	451,563	12,759,543	54,993,799
Outputs	-	275	823,725	31,238	42,234,255	43,089,493
June 30, 2021	189,933,152	154,057,310	219,806,970	8,464,125	52,342,483	624,604,040
DEPRECIATION						
31 decembrie 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
Cost of the period	-	4,205,844	6,167,842	228,561	-	10,602,247
Outputs	-	275	820,568	31,237	-	852,080
30 iunie 2021	-	19,094,941	128,989,313	6,188,615	-	155,124,949
PROVISION						
December 31, 2018	-	51,600	244,652	-	-	296,252
Outputs 2019	-	-	-	-	-	-
December 31, 2019	-	51,600	244,652	-	-	296,252
Outputs 2020	-	-	-	-	-	-
June 30, 2020	-	51,600	244,652	-	-	296,252
NET VALUE						
June 30, 2021	189,933,152	134,910,769	90,573,005	2,275,510	52,342,483	470,034,919
December 31, 2020	189,933,152	120,991,773	73,086,150	5,052,508	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

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Depreciation of fixed assets

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

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

The inventory value of the tangible assets constituted as pledges or guarantees is 49,983,834 lei.

13. INTANGIBLE ASSETS

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

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

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

14. STOCKS

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

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

15. TRADE AND OTHER RECEIVABLES

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

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

On June 30, 2021 the Company recorded adjustments for trade receivables representing customer balance that are unlikely to be collected by the company. The receivables of the company were analysed and evaluated according to criteria established according to the risks per categories of costumers.

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

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

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

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

16. CASH AND CASH EQUIVALENTS

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

17. TRADE AND OTHER LIABILITIES

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

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

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

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

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

Objective	Credit line – working capital
Amount	55,000,000 LEI
Maturity	16.08.2021
Balance on June 30, 2021	48,620,807.68 LEI
Warranties	Mortgage contract for buildings, land/ Receivable assignment contract

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

Objective	Investment credit
Amount	15,406,300 EUR
Maturity	02.05.2028
Balance on June 30, 2021	73,254,467.65 LEI (14,686,871.18 EUR)
Warranties	Mortgage contract for buildings, land /Receivable assignment contract

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

Objective	Credit line – working capital
Amount	9,500,000 EUR
Maturity	22.05.2022
Balance on June 30, 2021	37,118,643.51 LEI (7,534,179.78 EUR)
Warranties	Mortgage contract for buildings, land /Receivable assignment contract

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

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

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

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

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

Objective	Investment credit
Amount	15,406,300 EUR
Maturity	02.05.2028
Balance on December 31 2020	15,071,196.96 EUR (73,387,686.47 LEI)
Warranties	Contract ipoteca cladiri, teren /Contract de cesiune de creante

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

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

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

19. INVESTMENT SUBSIDIES

The subsidies for investments have the following structure:

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

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

20. SHARE CAPITAL

The subscribed share capital of the company on June 30, 2021 is 67,133,804 lei, the nominal value of a share is 0,1000 lei/share. Our company has a number of 671,338,040 shares which confer equal rights to the company's shareholders. SC Antibiotice SA has not issued preference shares to shareholders.

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

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

On 31.12.2012, in the balance sheet of the Company there was a retained earnings loss result from the application for the first time of IAS 29 “*Financial Reporting in Hyperinflationary Economies*” proposed to be covered from the amount resulting from the application of IAS 29 “*Financial Reporting in Hyperinflationary Economies*” as follows:

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

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

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21. RESERVES

The reserves include the following components:

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

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 global result and cumulated in equity, as a re-evaluation surplus. The revaluation reserves cannot be distributed and cannot be used to increase the share capital.
Legal reserves	According to Law 31/1990, at least 5% of the profit is taken each year for the formation of the reserve fund until it reaches at least a fifth of the share capital.
Other reserves	Other reserves include reserves that represent tax incentives that cannot be distributed because they have implications on the recalculation of the corporate tax. The difference represents reserves made up of profits.

22. REPORTED RESULT

The reported result includes the following components:

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

23. CONTINGENT LIABILITIES

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

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

For the year ended on June 30, 2021

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

24. ELEMENTS FOLLOWING THE REPORTING PERIOD

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

25. INFORMATION ABOUT THE AUDIT OF FINANCIAL STATEMENTS

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