

Antibiotice **a+**

MANAGEMENT REPORT

January-December 2021

Annual Report according to IFRS

For the fiscal year: 2021

Report Date: 21.03.2022

Name of the trading company: ANTIBIOTICE S.A.

Head Office:

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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

Contents

| | |
|--|----|
| 1. Antibiotice - Romanian tradition and continuity | 3 |
| 1.1 Antibiotice in the capital market | 4 |
| 2. Antibiotice - a sustainable business | 7 |
| 2.1 Strategic adaptation of human resources | 8 |
| 2.1.1 Antibiotice, a friendly and responsible brand | 10 |
| 2.2 Strategic adaptation of product portfolio | 12 |
| 2.2.1 Evaluation of the research-development activity..... | 13 |
| 2.2.2 Evaluation of the business development activity | 14 |
| 2.2.3 Strategies for promoting the Antibiotice product portfolio..... | 14 |
| 2.3 Continuous improvement of the Integrated Management System (quality, environment, occupational health and safety)..... | 14 |
| 2.4 Strategic planning and performance management | 16 |
| 2.4.1 Strengthening the domestic business | 16 |
| 2.4.2 Development of international business component | 18 |
| 2.4.3 Complex manufacturing structure in line with the international quality standards | 18 |
| 2.4.4 Analysis of the financial situation | 19 |
| 2.5. Improvement of the Corporate Governance System..... | 23 |
| 2.5.1 Internal control | 25 |
| 2.5.2. Risk Management | 28 |
| 3. Conclusions | 30 |

1. Antibiotice - Romanian tradition and continuity

Antibiotice S.A. started its activity in 1955, being the first manufacturer of the active substance Penicillin in Romania and South-East Europe. Since then, through perseverance and dedication, our company has become the most important Romanian manufacturer of generic medicines, a national and international reference brand.

Antibiotice S.A. has the most complex manufacturing structure in Romania, having eight distinct manufacturing flows for the following pharmaceutical dosage forms: penicillin powders for injection, penicillin capsules, non-beta-lactam capsules, cephalosporin capsules, tablets, ointments, creams, gels, suppositories, pessaries and active substances obtained by biosynthesis processes, a unique manufacturing flow in Romania.

Our medicines, the active substance Nystatin and biocides are produced in five production plants included in three divisions:

- ✓ **Oral Solid Products Division** includes the Capsules Plant and Tablets Plant;
- ✓ **Topical Products Division** includes the Ointments & Suppositories Plant;
- ✓ **Sterile products & APIs Division** includes the Parenterals Plant and Biosynthesis Plant.

Our manufacturing flows are audited and certified according to the Good Manufacturing Practice requirements by the National Agency for Medicines and Medical Devices in Romania.

Nystatin produced by Antibiotice has become a USP reference standard, being selected by the Food & Drug Administration (FDA), the US regulatory agency. The European Directorate for the Quality of Medicines (EDQM) issued the Certificate of Suitability with the European Pharmacopoeia (CEP) for this active substance.

Antibiotice S.A., through its own Research & Development Center, has been developing pharmaceutical products, active substances, food supplements and cosmetics.

The Center for Clinical Studies, established in 2006, is an integral part of the Research and Development Center. Our specialists have been conducting in this Center phase I and bioequivalence studies for products from our own portfolio and from third parties.

Antibiotice S.A. has been developing its activity according to the **Integrated Management System - Quality, Environment, Occupational Health and Safety**. This framework governs all the processes, from research, development, supply, production, control, to the distribution of medicines. Certified for the first time in 2007, the Integrated Management System - Quality, Environment, Occupational Health and Safety was recertified in October 2021, after the surveillance audit performed by the TUV Rheinland representatives confirmed that the following ISO standards were met: 9001:2015 - Quality Management, 14001:2015 - Environmental Management, 45001:2018-Occupational Health and Safety Management.

The Antibiotice's **product portfolio** includes medicines for human use, from 11 therapeutic classes [prescription medicines (Rx) and non-prescription medicines (non-Rx)], medicines for veterinary use, the active substance Nystatin and biocidal products.

During 2021, the National Committee for Biocidal Products, part of the National Institute for Public Health, issued notifications for our biocidal products.

A significant share of the prescription medicines in our company's portfolio belongs to the following therapeutic classes: antiinfectives for systemic use, cardiovasculars, dermatologicals, urinary tract medicines.

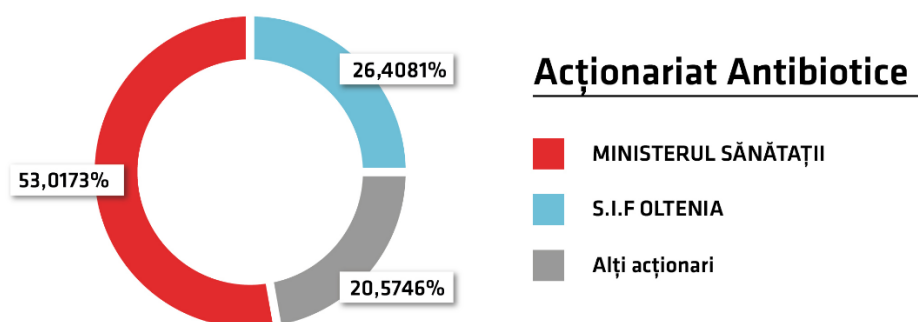
Non-Rx medicines are grouped into 6 portfolio concepts defined mainly by the target audience: Women's health, Quality Life, Family health, Cold & Flu, Nutriensa, Derm A+.

Antibiotice SA is a trading company in which the majority shareholder is the Ministry of Health with 53.0173% of the subscribed and paid-up capital. The securities issued by our company are traded on the Bucharest Stock Exchange, Premium category.

The main Antibiotice shareholders on 31.12.2021 (extracted from the Shareholders' Registry):

| | |
|--|----------|
| MINISTRY OF HEALTH (*) | 53.0173% |
| S.I.F. OLTENIA (*) | 26.4081% |
| Other shareholders (42,285 shareholders) | 20.5746% |

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



Ownership breakdown:

- Legal persons - 87.3615 %
- Natural persons - 12.6385 %

1.1 Antibiotice in the capital market

Since 1997, the shares issued by Antibiotice have been listed in the PREMIUM category of the Bucharest Stock Exchange, under the ATB symbol.

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

The Antibiotice (ATB) shares are included in the BET-BK index (created to be used as a benchmark by fund managers, but also by other institutional investors; the calculation methodology reflects the legal requirements and investment limits of the funds) and in the BET-Plus index (which includes the Romanian companies listed on the BVB market that meet the minimum selection criteria, except for financial investment companies).

In 2021, the minimum price of the ATB share had the value of 0.4800 LEI. The share price increased up to maximum value of 0.6080 LEI/share.

Stock market capitalization of Antibiotice on December 31, 2021 was 406,831 thousand LEI.

In 2021, Antibiotice SA Iasi concluded a market making contract with BRK Financial Group, one of the most active brokers in the segment of structured products traded on the Bucharest Stock Exchange. Our collaboration with BRK Financial Group aims to create added value for shareholders by improving liquidity and minimizing volatility.

Antibiotice shares - ATB/Regular market

| | 2017 | 2018 | 2019 | 2020 | 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 | 406,831 |
| Stock market capitalization (thousand EUR)* | 77,511 | 70,100 | 71,370 | 66,935 | 82,211 |
| Stock market capitalization (thousand \$)* | 92,813 | 80,259 | 79,873 | 82,163 | 93,022 |
| Total traded value (million LEI) | 12 | 9 | 15 | 14 | 44 |
| No. of traded shares | 21,113,565 | 17,109,263 | 30,364,292 | 27,085,005 | 80,534,368 |
| Opening price (LEI/share) | 0.5200 | 0.5780 | 0.4800 | 0.5120 | 0.4940 |
| Maximum price (LEI/share) | 0.5920 | 0.5780 | 0.5260 | 0.5550 | 0.6080 |
| Minimum price (LEI/share) | 0.5200 | 0.4550 | 0.4500 | 0.4130 | 0.4800 |
| Price at the end of the period (LEI/share) | 0.5380 | 0.4870 | 0.5080 | 0.4860 | 0.6060 |
| Average price (LEI/share) | 0.5585 | 0.5028 | 0.4851 | 0.5079 | 0.5913 |
| Earnings/share (LEI/share)*** | 0.0500 | 0.0511 | 0.0459 | 0.0418 | 0.0446 |
| Gros dividend/share (LEI/share)** | 0.026552598 | 0.009991506 | 0.029879738 | 0.00330631 | 0.0031980923 |
| Dividend yield**** | 4.59% | 2.05 | 6.2% | 6.5% | 0.65% |
| Dividend distribution rate***** | 53% | 20% | 65% | 8.4% | 7.2% |

* Calculation based on the share price in the last trading day of that year

** Proposed dividend

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

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

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

During 2021, a number of 80,534,368 shares in value of 43.65 million LEI (8.87 million EUR, 10.51 million USD) were traded, with an average price of 0.5420 LEI/share.

In 2021, our company paid dividends for the financial years 2017, 2018, 2019 and 2020, amounting to 2,102,442.59 LEI, as follows:

Dividend history (2017 - 2018 - 2019- 2020)

| Period | Net dividends | | | | | | | Date on which the payment of dividends ceases |
|--------|---------------|---------------------|------------------|---------------|----------------|-----------------------------------|---|---|
| | Due | Paid | | | | Unclaimed dividends 31.12.2021 | | |
| | | LEI | | | % (total paid) | | | |
| | | Until 31.12.2020 | 01.01÷31.12.2021 | Total | | lei | % | |
| 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 2017 | 17,588,680 | 16,160,171.48 | 15,528.83 | 16,175,700.31 | | 1,412,979.79 | | 13.09.2021 |
| 2018 | 6,612,624.05 | 6,069,182.87 | 14,293.79 | 6,083,476.66 | | 529,147.39 | | Payment in progress |
| 2019 | 19,811,039.75 | 18,114,220.03 | 60,504.82 | 18,174,724.85 | | 1,636,314.90 | | Payment in progress |
| 2020 | 2,840,868.50 | - | 2,012,115.15 | 2,012,115.15 | | 828,753.35 | | Payment in progress |

Payment of the dividends for the fiscal years 2017, 2017, 2018, 2019 and 2020 has been made through the Central Depository Bucharest and, implicitly, through the CEC Bank - the Paying Agent.

Rights of the financial instrument 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 provision of information and its transparency;
- assures the responsibility of the Management Board towards company and shareholders.

On our company's website, www.antibiotice.ro/investors/informationforshareholders, there is a section dedicated to our shareholders, where they can access and download documents related to the General Meetings of Shareholders: procedures regarding the access and participation in the meetings, notices to attend, agendas, informative materials, special representation proxies, correspondence voting forms, decision drafts, decisions, voting results, etc.

Investor Relations

The investor relations activity supports the constant communication between our company and investors, the simplest form of respect towards our shareholders and investors. This process allows the shareholders and investors to learn about our operational activity, strategy and prospects of the business, in order to wittingly make a fair evaluation of the company. Being a listed company, we make available to the public and send to the Financial Supervisory Authority (ASF) and Bucharest Stock Exchange (BVB), annual, half-year, quarter and current reports, as well as documents related to the smooth conduct of general meetings. Being oriented towards developing and increasing the transparency towards our shareholders, immediately after the periodic (half-year and annual) 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 suggestions. This way a dialogue is established with the representatives of the Romanian capital market, so that they gain a sufficient basis for making their investment decisions.

In 2021 our company organized 2 teleconferences (13.05.2021 and 30.07.2021), for presenting its financial statements, and a conference entitled "Round table with the Antibiotice management" held on 23.11.2021, to maintain a permanent dialogue among the company's management, investors and analysts. All the documents regarding the good development of the above mentioned events were published in accordance with the legislation in force - Law no. 31/1990 on trading companies, republished, with the amendments and completions up to date, the Government Emergency Ordinance no. 109/2011 on corporate governance of public enterprises, Law no. 24/2017 on the issuers of financial instruments and market operations, Regulation no. 5/2018 on the issuers of financial instruments and market operations.

Organization of the General Meetings of Shareholders, changes in the company's structure, decisions of the general meetings, as well as the actions related to guaranteeing the shareholders' rights - distribution of dividends for the financial year 2020 were made in accordance with the legal regulations.

The distinctions obtained during the year brought the recognition of the Antibiotice's active and constant communication with the investors. Thus, the maximum grade obtained in the evaluation of the VEKTOR indicator, based on 15 criteria of good practices in the relationship with investors, proved once again that Antibiotice SA is a company worth investing in.

2. Antibiotice - a sustainable business

With a long-term vision and a strong commitment to the responsible growth of the business, the foundations of the 2021 - 2030 Strategic Organization and Development Plan were laid. It includes the following objectives: doubling the turnover, a 50% export share in turnover, maintaining the position of world leader for the active substance Nystatin, adapting and motivating human resources to achieve their objectives, streamlining activities through digitization and computerization. The Strategic Organization and Development Plan is based on a sustainable development, as a comprehensive approach that links three directions: environment, social and governance. Their integration involves a compliance between environment and economic development over a long period of time.

Achieving the company's long-term goals is based on the following strategic pillars:

- Pillar 1 - Strategic adaptation of human resources;
- Pillar 2 - Strategic adaptation of the product portfolio;
- Pillar 3 - Business sustainability through a continuous improvement of the Integrated Management System (Quality, Environment, Occupational Health and Safety);
- Pillar 4 - Strategic planning and performance management;
- Pillar 5 - Improving the Corporate Governance System.

Antibiotice SA undertakes to publish the Non-Financial Report for 2021, which will be made available to the public on the company's website (www.antibiotice.ro), according to the legal requirements in force.

2021 represents the first stage included in the Strategic Organization and Development Plan, a year in which Antibiotice put a major emphasis on the continuous adaptation to the domestic and international market, for enhancing our presence in the market and increasing the business profitability.

Evolution of the main performance indicators in the period 2000-2021:

| No. | Indicators | UM | 2000 | 2005 | 2010 | 2015 | 2020 | 2021 |
|------|--|----------------------|------|------|------|------|------|-------|
| 1 | Turnover | mil lei | 62 | 163 | 244 | 330 | 341 | 368 |
| 1.1 | Domestic | mil lei | 50 | 143 | 190 | 238 | 182 | 225 |
| 1.2 | Export | mil lei | 12 | 20 | 54 | 92 | 158 | 143 |
| 1.3 | Export share in turnover | % | 19% | 13% | 22% | 28% | 46% | 39% |
| 2 | Gross profit | mil lei | 6 | 24 | 18 | 32 | 28,3 | 30 |
| 3 | Equity | mil lei | 52 | 144 | 263 | 395 | 577 | 605 |
| 4 | Total liabilities | mil lei | 27 | 56 | 129 | 140 | 269 | 290 |
| 5 | Total assets | mil lei | 84 | 212 | 439 | 545 | 863 | 895 |
| 6 | Level of indebtedness (Total liabilities/Total assets) | % | 32 | 27 | 29 | 26 | 31 | 32 |
| 7 | Solvability (Total assets/Total liabilities) | | 3,08 | 3,77 | 3,4 | 3,9 | 3,2 | 3,08 |
| 8 | Total expenses per 1000 LEI income | mil lei | 907 | 858 | 930 | 908 | 926 | 922 |
| 9.1 | Work productivity(Operating income/no. of employees) | thous. lei/ employee | 32 | 100 | 172 | 235 | 264 | 272 |
| 9.2 | Work productivity(Sales income/no. of employees) | thous. lei/ employee | 32 | 99 | 169 | 226 | 240 | 261 |
| 10 | Taxes and fees, of which: | mil lei | 8 | 28 | 35 | 73 | 97 | 89,08 |
| 10.1 | - claw back tax | mil lei | 0 | 0 | 0,05 | 26 | 27 | 28,7 |
| 11 | Added value | mil lei | 33 | 90 | 129 | 173 | 200 | 185 |
| 12 | Arrears | mil lei | 55 | 15 | 0 | 0 | 0 | 0 |
| 13 | Profitability of gross profit (Gross profit / Sales revenue) | % | 9 | 15 | 8 | 10 | 8 | 8 |
| 14 | Profitability of gross profit + claw back tax (Gross profit + claw-back tax/sales revenue) | % | 9 | 15 | 8 | 17 | 16 | 16 |

In 2021, Antibiotice prepared the fourth Sustainability Report, the one for the year of 2020. The results and evolution of our company, a responsible business, ranked it in the GOLD category in Romania Corporate Sustainability & Transparency Index (CST Index) for the 2020 Sustainability Report.

The Romania CST Index ranking, the most important and complex ranking in the field of sustainability in Romania, evaluates public information on sustainability and aims to identify companies with the highest level of performance and transparency from the perspective of sustainable development.

2.1 Strategic human resources adaptation

Adapting the personnel structure to the key company activities, such as sales, research and production, training the skills needed to streamline all the activities, improving the organizational climate, focusing the organizational culture towards innovation and performance, attracting qualified staff are priority objectives of our company.

Continuous professional training and employee retention are closely monitored objectives.

Our employees' training plan was put in practice, following the established major topics, but also the opportunities arising either by accessing training subsidized from non-reimbursable funds, or by registering for free webinars offered by training

providers, on specific professional topics, personal development topics and software skills.

In the reporting period, our company planned an average number of 34 training hours per employee - we reached a level of 34,35 training hours per employee.

The staff turnover rate due to voluntary departures was planned for 2021 at a maximum level of 5%. This indicator was 4.89% in the reporting period.

Modernizing the organizational culture and improving the employer brand, involves the following actions:

- ✓ to develop interpersonal collaboration in order to achieve, in the best conditions, the job tasks;
- ✓ to update the values of the company's organizational culture, adopting measures to consolidate them and promoting among employees the fundamental principles underlying the managerial guidelines;
- ✓ to develop the competencies oriented towards optimizing the organizational climate, mainly among managers, which should ensure the orientation towards the performance and satisfaction of the human resources.

The five communication pillars of organizational culture contribute to the strategic orientation of human resources towards innovation, creativity, efficiency and professionalism:

- Antibiotice, a company worth working for;

We live healthy in a healthy company, a component of the pillar "Antibiotice, a company worth working for"

- In service of life for a lifetime;
- Antibiotice, a friendly and responsible brand;
- Antibiotice, a company oriented towards knowledge and performance;
- Antibiotice, Romanian tradition and continuity.

As part of the organizational culture pillar „Antibiotice, a company worth working for”, „The Diagnostic Study on Occupational Climate and Job Satisfaction” was conducted in 2021, in order to measure the satisfaction of our employees with the positions held and to assess their perception on the organizational climate, interpersonal and interstructural collaborative relationships and also to evaluate the measures taken in the company for the protection and security of employees during the pandemic.

The employee satisfaction degree established as an objective for the reporting year was 8%, and the climate study revealed a degree of employee satisfaction of 8.3%.

Since May 2021, as part of the project "We live healthy in a healthy company", we inaugurated **Club a+** which has been offering the employees the facilities for practicing individual and team sports, as well as the organization of courses for personal development (self-defense, nutrition) and workshops aimed at cultivating the values of organizational culture.

As regards the pillar "Antibiotice, a company oriented towards knowledge and performance", in 2021 we continued the **Bookster** project through which over 260 employees were able to borrow books.

In order to cultivate the values as collegiality and gratitude, on the occasion of our company' anniversary on December 11, we organized the third edition of the project "One Employee next to other Employee" on December 11. On this occasion, 160

employees were involved in an action of public recognition of those who show collegiality, positive spirit and desire for help.

To ensure the future workforce, in 2001 the Human Resources Unit carried out 4 projects:

- ✓ Perfoma+ project, the 6th edition - 22 students and master students from the final years of the Faculties of Chemistry, Pharmacy, Chemical Engineering and Environmental Protection benefited from theoretical and practical training in which our employees were lecturers.
- ✓ Dual education - is a form of vocational and technical education, with a 3-year duration, which is based on a partnership contract between our company and two pre-university education institutions from the City of Iași, which provide practical training and scholarships for 25 pupils, 15 pupils being trained for the profession of chemical operator for medicines and cosmetics and 10 pupils for the profession of electrician - low voltage networks.
- ✓ Participation as a partner of the "Gheorghe Asachi" Technical University in the project with European funds for the insertion of the graduates through training courses. In this project one of our research employees was 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. This project offered us perspectives in knowing and attracting graduates for future employment in our company.
- ✓ Partner of the Faculty of Chemical Engineering and Environmental Protection in the ROSE_StepUP project, "Reacts Chemically with the Environment" which involved conducting online meetings with 12th grade students from high schools in Iasi in order to promote the partnership between academia and economics. The purpose of this project was to present the possibilities of a professional career as a chemical engineer in the field of drug production and to attract high school graduates for enrollment in the Faculty of Chemical Engineering and environmental protection.
- ✓ In 2021, our company had an average number of 1,410 employees.

2.1.1 Antibiotice a friendly and responsible brand

Supporting the development of the local community

In our company, community involvement is done through corporate social responsibility (CSR) programs that are based on four strategic pillars: health, education, environment and social.

Health

Antibiotice developed programs including education and information campaigns to improve the health of its employees and people in the communities in which it operates.

Vaccination center a+

In order to support their own employees and the local community, Antibiotice S.A. organized a Vaccination Center, in accordance with the Strategy for vaccination against COVID-19 in Romania, in which a number of 24,000 persons were vaccinated.

Vaccination caravan a+

In addition to the local Covid-19 Vaccination Center, Antibiotice supported the national immunization efforts, organizing, in collaboration with the Public Health Directorate (DSP) Iasi and the Institution of the Prefect of Iasi County, mobile caravans in localities of the Iasi County. Since May 16, 2021, every Sunday, for six weeks, the

Vaccination Caravan a+ visited seven rural localities with a low immunization rate. This way, Antibiotice Iasi facilitated access to vaccination for 420 people.

„Donate blood! Put your soul to life!”, the 20th edition

Over 70 Antibiotice employees donated about 35 liters of blood, as part of the blood donation campaign organized on October 14, 2021 by the „Antibiotice - Science and Soul” Foundation, in partnership with the Iasi Regional Blood Transfusion Center. The development of this edition was possible because the mobile vaccination caravan from the Iasi Regional Blood Transfusion Center started again its activity, due to the acute lack of blood in the Iasi hospitals.

Education

Antibiotice invests with science and soul in the education of young people, recognizes and supports the role of the local community in forming and developing the company's main source of value, the well-trained people.

„Science and Soul” Scholarships , the 20th edition

Antibiotice, through the „Antibiotice - Science and Soul” Foundation supports the „Pro Ruralis” Association, supporting every year (for 20 years in a row) five scholarships for students from rural areas. This way, Antibiotice contributes to the education of children with special skills but without material possibilities, supporting them to continue their studies in middle school and high school and thus giving them the chance for professional achievement and personal development.

Environment

Antibiotice aims at a sustainable partnership between with the community, by carrying out activities designed to protect the environment, being constantly concerned with improving its performance.

Planting oxygen in the community, the 2nd edition

Carried out as part of the environmental protection program “Be Pro-Nature! Put your Soul! ”, “ Planting Oxygen in the Community ” is a tree planting project for Antibiotice employees which involved the greening of a plot of land located on the company's territory. So, on the 22nd of April 2021, on the occasion of Earth Day, 50 employees voluntarily participated in the planting of 175 maples.

Social matters

Antibiotice, through the „Antibiotice - Science and Soul” Foundation, gets involved in community life by supporting disadvantaged groups through social programs. Some of these programs have become traditional for our company.

„Power of deed”, Easter charity program

Around the Easter holidays, the „Antibiotice - Science and Soul” Foundation made a humanitarian gesture for 23 needy families with 121 children from distant localities of Iasi county. Each family received a package with basic food, traditional products, cleaning products and supplies for children.

„Be generous! Be Santa Claus!”, the 9th edition

The joy of a Christmas with fulfilled wishes was lived by 80 children from needy families, from the Iasi County. On the 14th and 15th of December 2021, the „Antibiotice - Science and Soul” Foundation distributed gifts for little ones with ages between 1 and 15 years old, from families with limited material possibilities living in rural areas. The letters sent to Santa by the children reached the hearty “elves” working in Antibiotice who fulfilled with great generosity every dream laid out on paper, with hope, by the children.

2.2 Strategic adaptation of the product portfolio

The product portfolio of the **Sterile Products & API's Division** comprises the active substance Nystatin, products for injection and biocides.

The injectables portfolio has 36 medicinal products for human use, of which:

- 34 prescription products belonging to the therapeutic class - Antiinfectives for systemic (19 B-lactam penicillins, 10 cephalosporins, 4 carbapenems, 1 polymixin);
- 2 over-the counter products (OTCs).
- 9 unique products¹.

Topical Products Division has a portfolio comprising 50 products traded in 2021, of which 48 products are for human use and the other 2 are for veterinary use.

As regards the prescription type, half of the products for human use are prescription medicines and the other half are OTCs. The two veterinary products are prescription medicines.

In terms of pharmaceutical form, the **Topical Products Division's** portfolio is structured as follows:

- 36 products under the form of ointments, creams and gels (of which 13 unique products under the form of ointment), covering 5 therapeutic classes:
 - ✓ Dermatological preparations - 21 products;
 - ✓ Musculoskeletal system - 9 products;
 - ✓ Cardiovascular system - 3 products;
 - ✓ Sensitive organs - 2 products;
 - ✓ Genito-urinary tract - 1 product;
 - ✓ Disinfectants - 1 product (in 6 forms of presentation).
- 9 products under 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 under the form of pessaries, from the genitourinary system class.

Sanygel, hand sanitizer is sold both in the medical and non-medical field, with all the necessary approvals.

Oral Solid Products Division has a portfolio comprising 65 products for human use manufactured in two production plants: Tablets Plant and Capsules Plant. 16 of them are unique products.

As regards the type of prescription, of the 65 products, 14 are products that are released without a prescription, and 51 of products are issued on prescription.

The Tablets Portfolio has 41 products manufactured by 3 methods : direct compression, dry granulation and wet granulation.

¹ Unique medicinal product - the only (drug)/medicine covering (a certain)/this INN, concentration and pharmaceutical form with an approved price in Canamed according to the Order of the Minister of Health no.368/2017 approving the Norms regarding the calculation method and the procedure for approving the maximum prices of medicines for human use

The Capsules Portfolio includes 24 products manufactured on three distinct flows: penicillins, cephalosporins and non-penicillins.

In terms of therapeutic classes, **Oral Solid Products Division** has a portfolio comprising:

- ✓ Digestive tract - 5 products;
- ✓ Blood and hematopoietic organs (antithrombotics) - 1 product;
- ✓ Cardiovascular system - 15 products;
- ✓ Antiinfectives for systemic use - 26 products, of which: 6 of them are β -lactam penicillins, 5 cephalosporins, 2 tetracyclines, 4 - quinolones and macrolides and 9 antituberculous drugs;
- ✓ Systemic hormonal preparations -iodotherapy - 1 product;
- ✓ Musculoskeletal system - 1 product;
- ✓ Central nervous system - 7 products;
- ✓ Respiratory system - 1 product.

The portfolio of this Division comprises also 8 food supplements promoted under the **Nutriensa** brand.

2.2.1 Evaluation of the Research & Development activity

The activities performed by the Research & Development Unit are based on a research plan adapted to the company's development strategies, in order to sustainably consolidate the future product portfolio for each of the three divisions: Oral Solid Products Division, Topical Products Division and Sterile Products & APIs Division. In 2021, the activity conducted by the Research & Development Unit focused on:

- ✓ researching and developing new products;
- ✓ participating in upgrading the current product portfolio for turning into a more international one;
- ✓ supporting the company's territorial expansion plan by registering products of interest in different countries (obtaining and maintaining the marketing authorizations (APPs)).

For supporting internationalization, in 2021, our company obtained 40 new Marketing Authorizations (14 injectable products, 25 oral solid products and 1 topical product) in the EU countries, South Africa, Ukraine, Serbia and 35 new authorization procedures were initiated (27 injectable products, 8 solid oral products) in the EU countries, Vietnam, Serbia.

- ✓ conducting bioequivalence and clinical studies;
- ✓ increasing the competitiveness of the developed products by intensifying the reserach-development- innovation work.

Research & development projects conducted between January -December 2021 for each of the three divisions:

Topical Products Division

- ✓ ongoing projects: 13 (2 prescription medicines, 4 OTCs, 6 medical devices and 1 biocidal product - hand gel);
- ✓ upgrading projects for turning the products into international ones: 8 (5 prescription medicines and 3 OTCs).

Oral Solid Products Division

- ✓ ongoing projects: 13 (11 prescription medicines and 2 OTCs)

Injectable Sterile Products & APIs Division

- ✓ ongoing projects: 4 (2 prescription medicines: 1 injectable product and 1 oral suspension, 2 disinfectant solutions);

- ✓ upgrading projects for turning the products into international ones: 4 (4 prescription medicines: 4 injectable products);
- ✓ nitrosamine risk assessment project for the products from our portfolio;
- ✓ projects for the active substance: 6 projects (2 projects for Nystatin-the microbiological and analytical components, revitalization of existing synthesis technologies, biotechnologies, biocides, API synthesis).

2.2.2 Evaluation of the business development activity

The portfolio development strategy is also supported by purchasing in-licensing projects. In 2021, our company concluded contracts for 15 products from the following therapeutic classes: gastrointestinal tract and metabolism (3 products), anti-infectives for injection (2 products), cardiovasculars (5 products), dermatologicals (3 products), antidiabetics (2 products).

The first sales for these products are planned starting with the first quarter of 2022. Looking ahead towards 2028-2030, we estimate sales amounting to about 40 million lei.

2.2.3 Strategies for promoting the products from the Antibiotic portfolio

Promoting the products in Antibiotic's portfolio is a priority in our company's long-term development strategy, achieved through:

- ✓ strengthening partnerships with health professionals through promotion actions;
- ✓ identifying new consumers for the products from our portfolio through screening programs;
- ✓ identifying prescribing habits and treatment behaviors of physicians through testing programs;
- ✓ partnerships with the pharmacy chains for promoting the non-RX portfolio in their catalogs;
- ✓ accessing alternative promotion channels: online, TV; e-commerce - partner pharmacies for the non-Rx products.

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

The Integrated Management System (Quality, Environment, Occupational Health and Safety) designed, documented and implemented in Antibiotic S.A. integrates all the components of the business in a coherent structure, which allows the achievement of its objectives and mission. Our company has been continuously maintaining, improving and streamlining the integrated management system in accordance with the requirements of the reference standards, as well as with the strategy and objectives of the organization.

Involvement in environmental protection, respect for the health and safety of its own employees, empathy with society, local and international community, which support the development of the Antibiotic business, remain important goals that must be put into practice through a rigorous plan of measures and activities. Ensuring product quality, reducing quality incidents, incidents of any kind with repercussions on human health and environment represent the main ethical, moral and professional concerns of all the persons involved in our company's activity.

Occupational health and safety

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

In order to support their own employees and the local community, Antibiotice S.A. organized a Vaccination Center, in accordance with the Vaccination Strategy against COVID-19 in Romania, in which approximately 24,000 people were vaccinated.

Environmental responsibility

At the end of September 2021, Antibiotice SA obtained the Integrated Environmental Authorization issued by the Environmental Protection Agency Iasi.

In 2021 a study was carried out to evaluate the impact of our company's activity on the population's health, according to the regulations in the field, based on the documentation submitted by the beneficiary. It consisted of a combination of procedures, methods and tools based on which it can be established if a plan / project could have potential effects on the health status of the population in the targeted area.

The evaluation showed that the investment made for building the new Topical Products Plant determines long-term positive effects from a socio-economic and administrative point of view, while keeping under control the possible negative effects related to the construction period.

In March 2021, we obtained also the Water Management Authorization, which regulates the use of water in the company.

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

In order to monitor the quality of environmental factors, our own laboratory and laboratories of the third parties made analyses on emissions / imissions of air pollutants, as well as determinations on the quality of water entering the pre-treatment plant and discharged into the municipal sewerage system, of conventionally clean water discharged into the natural emissary, as well as of the the quality of groundwater.

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

Antibiotice is a company responsible for environmental protection while proactively ensuring the compliance with product safety requirements. So, in the period January-September 2021, the Center for Clinical Studies performed determinations by advanced testing methods, for traces of penicillins from groundwater samples, taken from observation boreholes located in the perimeter of the company.

No traces of penicillins were identified, which shows the coordination of manufacturing processes, without possible negative influences on the soil and groundwater in the area around the company.

Waste management

Antibiotice S.A. implemented a selective waste collection system, each production plant and ancillary activity being equipped with adequate containers for collection.

The recyclable waste was sold to the authorized economic operators. The non-recoverable waste was incinerated in our own installation, disposed of at the municipal waste landfill, or taken over by authorized operators.

Efficient solutions for recycling printer consumables

The project implemented in Antibiotice involves recycling printer supplies used in our company's departments through specialized recycling programs, in accordance with environmental legislation.

2.4 Strategic planning and performance management

Our company's general objectives are to consolidate our sales in the internal market, internationalize the business, manage the costs, efficiently manage the processes and make investments in maintaining the activities and their development for doubling our business.

2.4.1 Consolidating the business in the domestic market

Evolution of pharmaceutical market in Romania²

In 2021, the value of medicines released to the patients in Romania amounted to 21.15 billion LEI (distribution price), by 17.1% higher compared to 2020. Consumption as a number of boxes was relatively constant, i.e. 658.6 million boxes.

The Romanian pharmaceutical market is dominated by prescription drugs (Rx). These represent 73.9% of total value sales and 61.7% of total medicine consumption (reported as number of boxes).

In 2021, prescription medicines (Rx) recorded a 16.4% increase in value, from 13.4 billion LEI in 2020 to 15,6 billion LEI in 2021.

Over-the-counter products recorded a 19,5% increase in value during the analyzed period, from 4.6 billion LEI in 2020 to 5,5 billion LEI in 2021.

The first 5 therapeutic classes in the Romanian pharmaceutical market by value sales share in 2021 were: Digestive Tract, Antineoplastics, Cardiovascular System, Central Nervous System, Blood and Organs. These represent 72.2% of total sales in the market.

Evolution of the pharmaceutical market relevant for Antibiotice SA

The relevant market of the products from the Antibiotice portfolio recorded in the analyzed period a 20.8% increase (from 2.4 to 2.9 billion LEI). Consumption grew by 5.2%, a number of 168.8 million boxes being released by pharmacies in 2021, compared to 160.5 million boxes in 2020.

In 2021, prescription medicines (Rx) represented 48.3% of the total value sales and 54.7% of the total consumption of medicines (no. of boxes). They recorded in the analyzed period a 14.0 % increase in value, from 1.21 billion LEI in 2020 to 1.38 billion LEI in 2021 and a quantitative increase of 4.8%, from 88.1 to 92.3 million of boxes.

As regards the non-prescription medicines (OTCs), they represented in 2021, 51.7% of the total value sales and 45.3% of total drug consumption (reported as number of boxes). The OTCs recorded a 24.3% value increase (from 1.19 billion LEI in 2020 to 1.48 billion LEI in 2021) and a 5.6% increase in consumption (from 72.4 in 2020 to 76.5 million of boxes in 2021).

² According to the data source CEGEDIM Sell Out Romania, December 2021

Antibiotice in the Romanian pharmaceutical market³

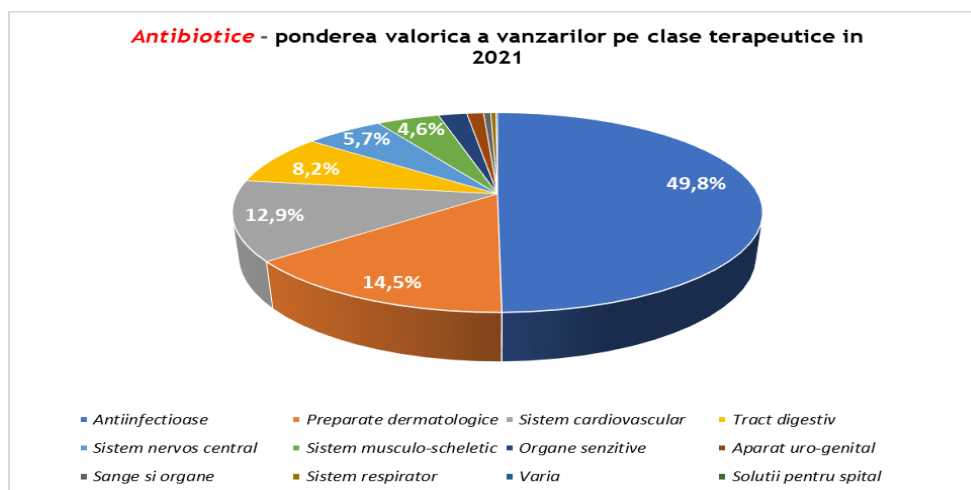
In 2021, in the domestic market, Antibiotice SA:

- ✓ ranked first in the relevant market, with a 13.6% value market share;
- ✓ was the quantitative leader on the following pharmaceutical dosage forms: ointments (20.4%), suppositories and pessaries (32.9%) and powders for injection (63.0%);
- ✓ ranked 4th in the segment of prescription generic medicines and OTCs (a 4.0 % market share);
- ✓ was the leader in the segment of prescription generic medicines and OTCs sold in hospitals, with a 14.5% market share.

Antibiotice has consolidated its core business component - antiinfectives for systemic use - developing also the therapeutic classes where it holds important positions in the domestic market: dermatologicals and cardiovasculars.

Antibiotice - value share of 2021 sales by therapeutic classes

- *Antiinfectives*
- *Central nervous system*
- *Blood and organs*
- *Dermatological preparations*
- *Musculoskeletal system*
- *Respiratory system*
- *Cardiovascular system*
- *Sensitive organs*
- *Varia*
- *Digestive tract*
- *Urogenital tract*
- *Hospital solutions*



Antibiotice S.A. kept a constant connection with the distributors, for preventing syncopes in the supply of medicines to hospitals and pharmacies and for creating optimal stocks in order to make all the deliveries in the shortest time.

³ According to the data source CEGEDIM Sell Out Romania, December 2021

Our company has adapted itself to the market demand, fully covering the need of injectable antibiotics such as carbapenems, cephalosporins and penicillins.

In 2021, in the Romanian market, Antibiotice S.A.:

- leader in the segment of generic anti-infectives with a 29.3% market share;
- leader in terms of quantity for the following pharmaceutical dosage forms: ointments (20.4% market share), suppositories and pessaries (32.9% market share) and powders for injection (63% market share);
- leader in the segment of generics and OTCs traded in hospitals, with a 14.8% market share;
- ranked first 1 in the relevant market of prescription and non-prescription medicines (OTCs, food supplements, medical devices), with a 13.6% market share.

2.4.2 Development of the international component of the business

In 2021, the international trade strategy benefited from the two strategic positions for which Antibiotice is recognized worldwide: Nystatin and anti-infectives under the form of sterile powders for injection.

Strengthening the position of the product Nystatin in the world market

The activity carried out in 2021 was in line with the trend of the last 3 years of consolidating the position of Nystatin in the world market, this active substance being sold in over 55 countries in the North America, Europe, South America, Asia and Africa.

Internationalization of the finished products business

The performance of finished product business in the international market is characterized by significant increases in sales of sterile injectable beta-lactam antibiotics and also by increased sales in the regulated markets from Europe and the United States. Antibiotice Iasi has become an important player, competitive in the world segment of simple and combined penicillins, a long-term partner of health systems in the United Kingdom, the United States, Hungary and the Baltic countries.

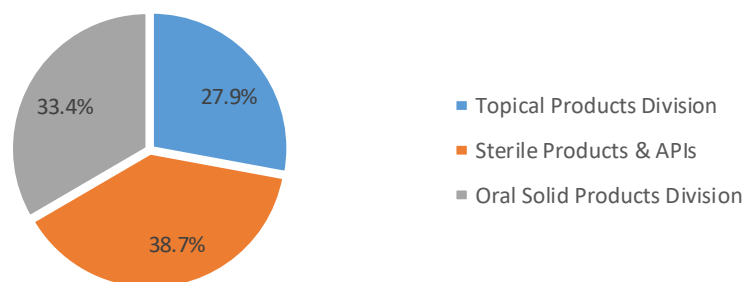
In parallel, marketing projects were developed in collaboration with the local distributors and market promotion teams in order to increase the awareness of the corporate brand and product brands. These projects were addressed to health specialists (for prescription drugs) as well as to patients (in the case of medical devices and OTC products), in compliance with the legislation in the field (development of the product concept and promotional messages with the approval of the Medical Unit, campaigns approved by the national authorities, participation of promotion teams in specialized symposia - AIC, dermatology).

2.4.3 Complex manufacturing structure adapted to international quality standards

The production activity developed in 2021 materialized in 371.88 million of pharmaceutical units under the form of tablets, capsules, parenterals, topicals (ointments, creams, gels), suppositories, pessaries. In terms of value, the production was 381.26 million lei, by 5.68 % higher compared to the previous year.

In the reporting year, the hand sanitizer Sanygel was introduced for the first time into manufacturing. This product has six forms of packaging.
The total value of the production made in 2021, on the three production divisions:

**VALUE DISTRIBUTION OF PRODUCTION MADE IN
2021**
(%of the total production)



2.4.4 Analysis of the financial situation

The results of all activities carried out in 2021 are summarized in the financial statements prepared in accordance with the requirements of the O.M.F.P. no. 2844/2016 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards, which faithfully presents the image of the company's patrimony and the financial results.

The Financial Statements were audited.

Statement of Income and Expenses

The results obtained in 2021 are supported by the fulfillment of the planned objectives regarding the increase of sales revenues and the decrease of the stored production. Through a balanced management of costs, the planned net profit was achieved even if the prices of utilities and raw materials increased significantly.

| Name of indicator (lei) | 31.12.2020 | BVC 31.12.2021 | 31.12.2021 | Δ 31.12.2021/3 1.12.2020 (%) | Δ 31.12.2021/ BVC 31.12.2021 (%) |
|---|-------------|----------------|-------------|---|---|
| 1 | 2 | 3 | 4 | 5=4/2 | 6=4/3 |
| Sales revenue | 340,424,276 | 366,066,000 | 366,209,065 | 8% | 0% |
| Other operating revenues | 36,062,333 | 31,536,000 | 37,378,976 | 4% | 19% |
| Stock variation | 23,676,949 | 10,204,000 | 711,939 | -97% | -93% |
| Income from the production of fixed assets | 6,351,872 | 8,179,000 | 10,547,830 | 66% | 29% |
| Expenditures on raw materials and consumables | 131,864,599 | 141,861,000 | 147,681,728 | 12% | 4% |
| Staff costs | 111,822,960 | 116,361,764 | 114,906,311 | 3% | -1% |
| Depreciation and amortization expenses | 21,794,224 | 23,739,000 | 24,124,432 | 11% | 2% |
| Other operating expenses | 107,332,654 | 99,961,236 | 94,100,711 | -12% | -6% |
| Operating Profit | 33,700,993 | 34,002,000 | 34,034,628 | 1% | 0% |
| Net financial income | -5,371,536 | -3,742,000 | -3,732,012 | -31% | 0% |
| Profit before tax | 28,329,456 | 30,260,000 | 30,302,616 | 7% | 0% |
| Income tax and other expenses | 1,941,407 | 2,200,000 | 363,212 | -81% | -83% |
| Net Profit | 26,388,049 | 28,060,000 | 29,939,404 | 13% | 7% |

From the activity carried out during 2021, the total revenues were worth 388,93 million lei, the total expenses incurred amounted to 358,62 million lei, which led to a gross profit of 30,3 million lei, which corroborated with the clawback tax of 28.7 million lei determined a business yield of 59 million lei.

The main indicators from the Comprehensive Income Statement were as follows:

- **revenues from the sale of products in the domestic and international market** were by 8% higher compared to the value recorded in the previous year. The total value of these revenues were 366.2 million LEI, of which;
 - ✓ revenues from the sale of products on the domestic market: 224.6 million lei, obtained by exploiting both the prescription and non-prescription (OTC) portfolios. The prescription medicinal products have a significant share in domestic sales (about 77%). These products have the price regulated, at a maximum level, by the Order of the Ministry of Health no. 368/2017 approving the Norms regarding the calculation method and the procedure for approving the maximum prices of medicinal products for human use, with the subsequent modifications and completions. This price of generic products is updated, depending on the evolution of the leu / euro exchange rate.
 - ✓ revenues from the sale of products in the international market: 141.6 million lei.
- **other operating revenue**, represented by the equivalent value of the dividends distributed to the shareholders and not collected until the end of the prescription term, the value of the provisions and adjustments for depreciation canceled according to the legal requirements, amounted to 37.4 million LEI, by 4 % higher than the value achieved on 31.12.2020 and by 19% higher than the value planned in the Income & Expenditure Budget;
- **income from the production of fixed assets**

Expenditures related to projects for developing new pharmaceutical products, updating our products in the portfolio for internationalization made by the Research and Development Unit (staff salaries, value of taxes paid, materials used) were recognized, according to IAS 38 Intangible Fixed Assets as Income.

- **expenditures on raw materials and consumables** recorded the value of 147.7 million LEI, by 12% higher than the value recorded in the similar period of 2020. In their structure, expenses with goods were by 41% higher, being correlated with the achieved income.

Expenditures on raw materials were correlated with the value of manufactured goods, their share in the manufactured production was 20.3% in 2020 and 19.45% in 2021. In the context of the SARS-CoV-2 virus pandemic, in 2021 we continued to apply measures to protect our employees: provision of special protective equipment, supplementation of means of transport and modification of working hours, work at home, preventive testing of employees to limit possible contamination in the company.

- **staff costs** on 31.12.2021 were by 3% higher compared to the value recorded in the previous year, as a result of the continuation of the project initiated in 2019 for implementing a modern ranking and salary system;
- **depreciation and amortization expenses** increased by 11% compared to 2020, due to the investments made in research of new products, equipment for quality assurance, modernization of manufacturing technologies and digitization of activities. In 2021, the value of the tangible fixed assets put into operation (for which the fiscal facility provided in art. 22 Tax exemption of reinvested profit from Law no. 227/2015 on the Fiscal Code was applied) amounted to 25.3 million lei.
- **other operating expenses** (including utilities, maintenance and repairs, insurance, advertising, travel, transportation of goods, postage and telecommunications,

services performed by third parties, taxes and fees) were by 6% lower compared to the value estimated in the 2021 Income & Expenditure Budget as a result of a rigorous operating cost management. Utility expenses were higher by 27% compared to the value recorded in the previous year.

- negative **net financial income** were at the budgeted level and lower compared to the value recorded in 2020, result of a better balance of receipts and payments in foreign currency. The main target of the financial management was to reduce the credit for financing the working capital. In 2021, part of this loan was repaid, having as a favorable impact the decrease of bank interest rates. Operating loan for financing working capital on 31.12.2021 amounted to 76.4 million LEI, lower by 12.7% compared to the value of 87.5 million lei recorded on 31.12.2020.

Statement of financial position

The value of **assets** on 31.12.2021 recorded a 4% increase compared to the value recorded on 31.12.2020.

In their structure, **the tangible assets** were worth 480.5 million lei, by 3% higher compared to the value recorded on 31.12.2020 (467.8 million lei), as a result of the value of fixed assets recorded in 2021, a value higher than the depreciation registered in the same period.

The most important investments made in 2021:

- ✓ in the new site for manufacturing topicals, in value of 6.5 million lei;
- ✓ for modernizing the existing manufacturing sites: purchase of equipment, installations, laboratory equipment, worth 9.7 million lei;
- ✓ for the infrastructure and logistics of transport and storage, for the infrastructure of maintenance, production and distribution of utilities, rehabilitation of some buildings and auxiliary constructions, worth 15.6 million lei;
- ✓ in equipment for maintaining the quality standards of manufactured products and for complying with the legal requirements for the protection of the environment and employees, in the amount of 0.62 million lei;
- ✓ investments in social responsibility projects, worth 0.88 million lei.

The value of **intangible assets** includes significant investments in research and development projects for new pharmaceuticals as well as the acquisition of software for streamlining the human resources, quality, research activities and for securing data and information in our company.

Current assets outstanding on 31.12.2021 were in value of 385 million lei, by 3% higher compared to the value recorded on the same date of the previous year. In their structure, the stocks represented about 28%, a balanced level for the units with production and sales activity, the difference being represented by the value of the commercial receivables, cash availabilities and the bank accounts in lei and foreign currency.

The stocks amounting to 106 million lei, diminished by 2%, compared to the value recorded on 31.12.2020. The stocks were adapted to the need for manufacturing and sales, taking into account the fact that supply times increased internationally from 90 days to 180 days.

The stocks of raw materials and consumables were valid, covering the necessary amount for about three-month's production. Finished products and goods in stock on 31.12.2021 were in line with the estimated sales plan for the first part of 2022.

The value of inventories as guarantees was 40,534,622 lei.

| Name of indicator (lei) | 31.12.2020 | 31.12.2021 | Δ (%) |
|-------------------------------------|--------------------|--------------------|------------|
| 1 | 2 | 3 | 4=3/2 |
| ASSETS | | | |
| FIXED ASSETS | | | |
| Tangible fixed assets | 467,880,779 | 480,544,567 | 3% |
| Intangible fixed assets | 19,709,606 | 29,839,764 | 51% |
| TOTAL FIXED ASSETS | 487,590,385 | 510,384,331 | 5% |
| CURRENT ASSETS | | | |
| Stocks | 108,691,209 | 106,017,774 | -2% |
| Trade and other receivables | 260,388,767 | 276,876,198 | 6% |
| Cash and cash equivalents | 6,329,458 | 2,111,377 | -67% |
| TOTAL CURRENT ASSETS | 375,409,434 | 385,005,349 | 3% |
| TOTAL ASSETS | 862,999,818 | 895,389,680 | 4% |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and similar debts | 66,103,990 | 98,202,288 | 49% |
| Amounts owed to credit institutions | 95,568,514 | 87,163,549 | -9% |
| Debts from current taxes and fees | 11,189,134 | 9,611,682 | -14% |
| Short-term provisions | 13,528,900 | 3,853,530 | -72% |
| Investment grants | 306,289 | 306,289 | 0% |
| TOTAL CURRENT LIABILITIES | 186,696,827 | 199,137,339 | 7% |
| LONG-TERM LIABILITIES | | | |
| Investment grants | 2,466,591 | 2,160,302 | -12% |
| Deferred tax | 31,119,874 | 31,483,086 | 1% |
| Amounts owed to credit institutions | 65,444,478 | 57,617,153 | -12% |
| TOTAL LONG-TERM LIABILITIES | 99,030,943 | 91,260,541 | -8% |
| TOTAL LIABILITIES | 285,727,770 | 290,397,880 | 2% |
| Share capital and reserves | | | |
| Share capital | 264,835,156 | 264,835,156 | 0% |
| Revaluation reserves | 116,636,526 | 114,150,766 | -2% |
| Legal reserves | 13,426,761 | 13,426,761 | 0% |
| Other reserves | 231,136,239 | 259,154,126 | 12% |
| Retained earnings | -60,698,493 | -51,212,323 | -16% |
| Distribution of profit | -14,452,190 | -25,302,090 | 75% |
| Current result | 26,388,049 | 29,939,404 | 13% |
| TOTAL EQUITY | 577,272,048 | 604,991,800 | 5% |
| TOTAL EQUITY AND LIABILITIES | 862,999,818 | 895,389,680 | 4% |

Trade and similar receivables were worth 276.9 million lei, by 6% higher than the value recorded on 31.12.2020. Receivables from the balance at 31.12.2021 were due. An improved level of 240 days of the turnover speed for client debit items was recorded on 31.12.2021, compared to 273 days recorded on 31.12.2020.

Correlated with the value of the assets, the **total liabilities**, i.e. all the obligations, as of 31.12.2021 were higher by 4% compared to the value recorded on 31.12.2020.

On 31.12.2021, **current liabilities** recorded a value of 199.1 million lei, by 7% higher compared to the value recorded on 31.12.2020. In their structure:

- **debts to banking institutions** amounted to 87.1 million lei, by 9% lower compared to the value recorded on 31.12.2020, of which:
 - 76.4 million lei, the value of the operational credit for financing the working capital;

- 10.7 million LEI represented the rates related to the loan for financing the investments with maturity in a period of up to 12 months, reflected according to the requirements of IAS 1 - Presentation of the financial statements, at current debts;
- **trade and similar debts**, which included debts to trading partners, salary rights for December 2021 paid in January 2022, taxes and contributions related to December 2021 salaries due in January, were higher with 49%;
- **debts representing current taxes and fees**, which were represented by the VAT payable (0.95 million lei) and claw back tax for the fourth quarter of 2021 (8.65 million lei) were lower by 14%. On 31.12.2020, the debts from current taxes and fees in value of 11.1 million LEI included: current income tax (3.5 million lei), VAT payable (0.9 million lei), claw back tax for the Q IV 2020 (6.7 million lei).

On 31.12.2021, our company did not register outstanding obligations to the state budgets.

Long-term debt amounted to 91.26 million lei, recording a 8% decrease, in their structure:

- the value of investment subsidies was by 12% lower, as the fixed assets acquired from the funds received from financing projects were depreciated;
- debts representing deferred tax, recognized as a result of the application of IAS 12 - Income tax were higher by 1% compared to the value recorded on 31.12.2020;
- debts to banking institutions were lower by 12%, starting with April 2021 as a result of the repayment of the installments due from the long-term loan, contracted for financing the investments in the new Ointments & Suppositories Plant and for the acquisition of equipment for serialization.

Cash flow

The operations of receipts and payments from the **operational activity** generated a surplus of 44.4 million LEI. Cash inflows from operating activities were worth 373.3 million LEI, payments made for the operating activity were worth 328.8 million LEI, of which:

- payments to suppliers of goods and services in the amount of 181 million LEI;
- payments in connection with staff worth 106.6 million LEI;
- taxes, fees and assimilated payments in the amount of 37.7 million LEI;
- bank interest in the amount of 3.5 million LEI.

Payments of 29.05 million LEI were recorded from the **investment activity** developed in 2021 .

As regards the **financing activity**, long-term bank loan repayments and dividend payments amounting to 2.1 million LEI were recorded.

From the point of view of cash flow, our company's objective is to reduce year-on-year the credits for financing the operational activity. So that on January 1, 2021, their value was 87.5 million lei, on 31.12.2021, their value was 76.4 million lei and, in the future, the strategy will continue.

2.5. Improving the Corporate Governance System

Antibiotice S.A. is organized on the principles of corporate governance, which regulates the selection and appointment procedure of administrators and directors, as well as the functioning of the management system, seeking to strengthen the independence, accountability and professionalism of management structures,

transparency and quality of publicly presented information and protection of shareholders, including the minority ones.

Management of the company is organized to meet the expectations of shareholders in terms of competitiveness, profitability and long-term value generation. A well-defined, traceable decision-making system is ensured and the delegations of attributions and competences are made in proportion to the prerogatives granted and the existing control system.

Principles of good corporate governance practices applied in strict compliance with the recommendations of the Corporate Governance Code of the Bucharest Stock Exchange (CGC-BVB), ensures transparency and efficiency of the company's activities and processes, thus providing the framework for maximizing in the long run the value of Antibiotice shares, protecting the interests of stakeholders and increasing trust in Antibiotice SA.

Our company's management considers that the Corporate Governance Code is an important tool for obtaining a sustainable performance, ensuring the accuracy and transparency of the company's decision-making process, through equal access of all shareholders to relevant information about the company.

The basic pillars of the corporate governance system of Antibiotice SA can be found on the company's website at <https://www.antibiotice.ro/investitori-php/corporate-governance/>. These are the following:

- Corporate Governance Code
- Code of Ethics
- General Meeting of Shareholders
- Management Board
- Advisory Committees
- Executive Management
- Internal audit, Inventory Financial Control and Risk Management

Advisory Committees

The specialized advisory committees in 2021:

- Audit Committee: Mr. Ionel Damian, Mr. Mihai Trifu and Mr. Catalin Codrut Popescu;
- Nomination and Remuneration Committee: Mr. Lucian Timofticiuc, Mr. Ionel Damian and Mr. Mihai Trifu;
- Trade Policy Committee: Mr. Lucian Timofticiuc, Mr. Ionel Damian and Mr. Catalin Codrut Popescu.

The **Audit Committee** consists of three independent non-executive administrators and has the following responsibilities:

- ✓ performs an annual evaluation of the internal control system. The evaluation must consider the effectiveness and comprehension of the internal audit function, adequacy of the risk management and internal control reports submitted to the Audit Committee, promptness and effectiveness with which the executive management solves the deficiencies or weaknesses identified following the internal control and submission of relevant reports to the Management Board.
- ✓ manages the conflicts of interest in connection with the company's transactions.
- ✓ monitors the compliance with the legal standards and generally accepted internal audit standards;
- ✓ receives and evaluates the reports prepared by the Internal Audit team.

In exercising its main attributions and responsibilities, the Audit Committee performs the following activities:

- ✓ examines and verifies the correctness of the company's annual and interim financial statements and any other financial reports, before their submission to the Board for approval;
- ✓ analyzes the appointment, reappointment or revocation of external auditors;
- ✓ periodically evaluates the efficiency, independence and objectivity of the external auditor and monitors the relationship with this auditor.

The **Nomination and Remuneration Committee** consists of three independent non-executive administrators. Its attributions and responsibilities are mainly the following:

- ✓ formulates proposals for the positions of administrator, manages on behalf of the Board the selection procedure for the candidates proposed by the public guardianship authority, when the Board is expressly mandated by the General Meeting of Shareholders, elaborates and proposes to the Management Board the selection procedure of the candidates for the positions of director, recommends to the Management Board the candidates for the listed position.
- ✓ formulates proposals regarding the remuneration of the administrators and directors.
- ✓ ensures the fulfillment of the obligation regarding the elaboration of the annual reports and other reports, in accordance with the law.
- ✓ evaluates, at least once a year, the independence of the members of the Management Board.
- ✓ monitors the number of administrator mandates held by the members of the Management Board in other companies.
- ✓ performs other tasks in connection with the appointment or revocation of the Management Board members, on the Board's instruction.
- ✓ makes sure that the persons applying for the position of administrator have the necessary training and experience to fulfill their obligations. The Committee may propose the rejection of candidates who do not meet the Board membership criteria.
- ✓ draws up an annual report on the remuneration of the administrators and directors appointed by the Board, as well as the incentives granted to them, a report that will be presented to the General Meeting of Shareholders.

The **Trade Policy Committee** supports the Management Board in implementing the Management Plan by transposing it into appropriate trade policies.

The guiding principles that coordinate the work of the Trade Policy Committee are:

- ✓ the principle of legality, which implies the observance by the company of all the applicable legal provisions in the relations with the partners and authorities, as well as of the internal norms and procedures approved by the administrator;
- ✓ the principle of optimizing the commercial policies, which implies the establishment of those marketing and promotion actions meant to stimulate the company's businesses and to ensure their sustainability in the medium and long run;
- ✓ the principle of territorial business expansion, which involves the establishment of those trade policies meant to identify new business opportunities in international trade.

2.5.1 Internal control

The specialized internal control provided in the legislation in force, is exercised in Antibiotice S.A by the following departments: Preventive Financial Control, Financial Management Control, Inventory Control which are periodically evaluated by the Internal Audit Office. The findings and recommendations resulting from the internal control actions, including the internal audit are submitted to the Audit Committee, in order to evaluate the efficiency of the internal control.

Internal audit

In 2021 our specialized department conducted 11 internal evaluation audit missions, which had the following auditable objectives adapted to the specifics of the audited field:

- to examine if the audited activity applies all the principles, specific procedural and methodological rules, internal notes and decisions;
- to examine the way in which the audited activity is organized;
- to evaluate the management and control system of the audited activity;
- other objectives specific to the activity.

Audited areas, missions, audited structures and findings of the audit missions:

1. Evaluation of the activity of purchasing goods and services: 3 missions were conducted to: Technical Department (procurement of equipment), Investments Department (procurement of construction works), Domestic Procurement Department and Import Department (procurement of goods and services). The audit missions verified the way of contracting the goods and services and the way of carrying out the concluded contracts. The conformity of the acquisition activities with the approved internal legislative and procedural framework was ascertained.
2. Evaluation of the patrimony administration - sale, pledge, concession of goods - a mission conducted by the Patrimony Management Department. The evaluators found that the activity was carried out in accordance with the legal and procedural provisions.
3. Evaluation of the income generation activity - two evaluation missions were conducted to the Marketing & Sales Unit for evaluating the sales income and one mission conducted to the Research Unit and Technical-Production Unit for evaluating the income from intangible assets, respectively the production obtained. The evaluators found that the activities generating income are carried out according to the procedural framework and there is control over the activity.
4. Evaluation of the expense budgeting activity - the activity of monitoring the company's budget was analyzed. The evaluators found that the activity is efficient, ensuring compliance with the approved Income & Expenditure Budget and the achievement of financial performance indicators.
5. Evaluation of the corruption prevention system. The evaluators concluded that the preventive measures regarding the conflict of interests and incompatibilities, provided in Annex no. 3 the H.G. no. 583/2016 are implemented.
6. Evaluation of the decisional system and of the internal control system carried out by the Financial Management Control Department, Preventive Financial Control Office, Risk Management Department. The auditors found that they were organized and functional in accordance with the internal legislative and procedural framework.
7. Evaluation of the human resources management activity. The auditors found the conformity of the specific activities: personnel selection and recruitment, training, disciplinary research, human resources management with the legal and procedural provisions, compliance with the approved salary budget and compliance with the maximum limits on the number of employees.
8. Evaluation of the Information Technology Department. The auditors found that there is control over information and communication resources (ICR), that the internal procedural framework on the use, confidentiality, monitoring, security, access to ICR is created and measures are taken to improve the information and communication system.

The missions were carried out in compliance with the audit procedural rules, by going through the stages of an internal audit mission. Subsequently, Internal Audit Reports were submitted to the General Director for approval. The conclusions and

recommendations of the audit reports, for each audit mission, were implemented by the audited structures.

The established recommendations were followed until implementation. Until 31.12.2021, out of the 37 recommendations, 23 recommendations were implemented, 3 were partially implemented and 11 recommendations were within the implementation deadline.

The **Financial Management Control** conducted in 2021 had specific objectives, according to the provisions of the GD 1152/2012:

- ✓ to verify the compliance with the legal provisions in substantiating the 2021 draft Income and Expenditures Budget;
- ✓ to verify the compliance with the legal provisions and internal regulations when performing the annual inventory of the assets, liabilities and equity for 2020;
- ✓ to verify the compliance with the legal provisions and internal regulations regarding the receipts and payments in lei and foreign currency, of any nature, in cash or by bank transfer;
- ✓ to verify the compliance with the legal provisions regarding the execution of the 2020 Income & Expenditure Budget;
- ✓ to verify the compliance with the legal provisions regarding the preparation, circulation, storage and archiving of primary accounting and technical operative documents;
- ✓ to verify the implementation of the company's liquidity improvement plan;
- ✓ to verify the compliance with the legal provisions and the approved Accounting Policy Manual regarding the registration in the accounting records of the financial-accounting operations;
- ✓ to verify the compliance with the legal provisions regarding the existence, integrity, preservation and use of the means, resources, on any account.

The inventory financial control actions were finalized by drawing up control reports, in which the findings and the measures for improving the verified activities were presented.

The control reports were approved by the Director General who ordered the application of the recommended measures. All the measures were implemented.

The **inventory control** materialized in carrying out 25 inventory actions, at the central warehouses of raw materials, materials and finished products and places of consumption of raw materials and materials with stock management in place and in the inventory locations where the manager was changed .

In the inventory activity, our company complied with the legal and regulatory framework established by:

- Accounting Law no. 82/1991, republished and updated;
- Law no. 22/1969 on hiring managers, establishment of guarantees and liability in connection with the management of assets;
- O.M.F.P no. 2861 / 09.10.2009 for the approval of the Norms regarding the organization and performance of the inventory of the assets, liabilities and equity;
- Operating procedures, Internal notes, Internal decisions issued by the company's management.

Following the inventory, the factual existence of the written stocks in the financial-accounting records was found and no deficiencies or damages were identified.

The minutes were submitted to the Accounting Office so that the results of the inventory could be used in the annual inventory of the patrimony.

The internal control exercised by the specialized structures and the hierarchical control exercised by the executive, speciality directors and managers ensure the use of

the company's resources in conditions of economy, efficiency and effectiveness while achieving the set objectives.

2.5.2. Risk management

Our company complies with the applicable legal and regulatory requirements for identifying, assessing, managing and reporting the risks.

The main purpose of risk management is to help people understand and identify the risks to which the organization is exposed so that they can anticipate and manage these risks without compromising the organization's effectiveness.

Antibiotice objectives on risk management:

- to understand the risks to which our company is exposed as well as their general and specific causes;
- to improve the risk profile of our company by managing the process of identifying, evaluating and managing risks and by implementing the control measures needed to maintain exposure to risk within the tolerable area.

The responsibilities related to risk management are performed / fulfilled by the Risk Management Department together with the risk officers and Antibiotice employees.

Specific risks were identified in each organizational structure within Antibiotice S.A. The Risk Management Department annually analyzes and prioritizes the significant risks, which may affect the achievement of the general objectives, by establishing the risk profile and tolerance limit, approved by the company's management. This department prepares also the "Plan for implementing the measures to control the significant risks in the company".

The cyclical review of the main risks involves an assessment of their likelihood of occurrence and their potential consequences in order to confirm the level of exposure and evaluate the strategies for managing them.

The Internal Audit Office carries out an annual risk management assessment, making recommendations for improvement, where necessary, and the findings are presented to the Audit Committee.

In 2021, the General Risk Register was prepared and approved, with the aim of minimizing the significant risks with an impact on the objectives, to which the company is exposed. Relevant risks were synthesized according to their magnitude using impact and probability.

As regards the financial risk management, the risks to which the company is exposed are:

- ✓ commercial (non-payment) risk is the risk that a business partner may not be able to meet its contractual obligations, resulting in financial losses for our company. Antibiotice is mainly exposed to the commercial (non-payment) risk arising from sales to customers.

In order to mitigate this risk, our company takes a series of measures such as: a permanent evaluation of the clients' financial performance and their payment history, requesting guarantees, securing receivables.

- ✓ **Liquidity risk** arises from the company's failure to honor, at any time, the short-term payment obligations.

Liquidity risk may occur in the following circumstances: lack of cash-flow generated by the gap between receipts and payments, long receivables collection terms, fluctuations in interest rates and currency rates, volume of investments, level of taxation, price of raw materials and utilities.

Prudent liquidity risk management involves a number of measures such as: to keep sufficient liquid resources to meet the payment obligations as they reach maturity, to correlate the payment terms with the collection ones and obtain necessary financing through credit lines.

- ✓ **Currency risk**, a component of the financial risk, occurs frequently in the current market economy where monetary rates fluctuate under the supply and demand rule.

Exchange rate fluctuations are reflected both in the costs of imported raw materials, as well as in the prices of finished goods for export. In order to reduce the exposure to the currency risk, our company took a series of measures such as: synchronization of import and export activities by correlating payment and collection terms, as well as correlating the weight of currencies so that the payment for the imported goods be made as close to or even simultaneous with the collection of money for the exported products.

- ✓ **Legislative risk**

Pharmaceutical market is a regulated market, with clear legislative requirements elaborated for controlling the quality and therapeutic efficiency of the medicines present in the market and for avoiding counterfeiting. Our effort for complying with these provisions is reflected in additional costs related to updating the documentation, and complying with the latest quality standards.

Our company's strategy of managing these risks involves a permanent concern for obtaining international certifications for the manufacturing flows, updating the authorization documentation for the products in the portfolio, continuous monitoring of international legislative changes, constantly adapting our policies, rules and procedures to the all these changes.

- ✓ **Human Resources risks** - the lack on the labor market of candidates properly trained in the pharmaceutical field.

Circumstances of risk occurrence: loss of specialists due to retirements but also due to voluntary departures, establishment of new companies in the pharmaceutical field, development of new industrial sites near the company.

- ✓ **Reputational risk** is defined as the current or future risk of negatively affecting the company's profits and equity determined by the unfavorable perception on the company's image. Our company's strategy is to limit the reputational risk through procedures, rules and flows specifically created for this purpose and through sustained, transparent and efficient proactive communication.

- ✓ **Operational risk** is the risk of loss that results either from the use of some inadequate processes, persons or internal systems that did not perform their function properly, or from external events. Operational risks can materialize in equipment failures, human errors, faulty operational processes which can lead to unplanned shutdowns. Our company constantly monitors the operational risks in order to take measures to maintain them at an acceptable level that does not threaten its financial stability, interests of creditors, shareholders, employees, partners.

- ✓ **Environmental risks**

Non-compliance with legislation and obligations that could have a negative impact on the environment and the company's reputation. In order to monitor the risk, a series of measures were taken such as: maintaining and improving the environmental management system according to ISO 14001 and carrying out internal audits to verify compliance with the requirements of the standard; compliance with operating procedures; staff training; compliance with the maintenance program; following the

legislative changes and harmonizing them with the existing ones; emergency preparedness and response.

✓ **Risk of natural disasters (earthquakes, floods, fires).**

Our company will reduce these physical risks by applying the measures included in: Emergency Evacuation Plan; Natural Disaster Response Plan; Fire Response Plan; Accident Prevention Policy involving dangerous substances (acetone, methanol).

All these plans aim to protect our employees, property and the environment.

The current Management Report was prepared on the basis of financial data that were subject to external financial audit according to the legal requirements.

3. Conclusions

In 2021 Antibiotice SA:

- recorded a 13% increase in net profit compared to 2020;
- recorded a 8 % increase in revenues from the sale of products in the domestic and international market compared to the previous year;
- won the tender in value of 11 million EUR, organized by the authorities from the United Kingdom of Great Britain for 5 antiinfectives for injection (for hospitals);
- obtained the maximum grade in the VEKTOR ranking, made up of the Romanian Investor Relations Association (ARIR), which evaluates the communication with investors of the companies listed on the Romanian Regulated Market (for the third consecutive year);
- ranked in the GOLD category in the Romania Corporate Sustainability & Transparency Index (CST Index) 2021 with the 2020 Sustainability Report.

General Director,
Ioan Nani, Economist

Financial Director,
Paula Coman, Economist

Annex 1

| The state of compliance with the provisions of the new Corporate Governance Code of BVB ¹ on December 31 2021 | | Compliance YES / NO |
|--|--|------------------------|
| Section A - Responsibilities | | |
| | A.1. All the companies must have an internal regulation of the Council that includes terms of reference/responsibilities of the Council and the key management functions of the company, and which applies, among other things, the General Principles of this Section. | YES |
| | A.2. The provisions for managing conflicts of interest should be included in the Council Regulation. | YES |
| | A.3. The Council must consist of at least five members. | YES |
| | A.4. Most members of the Council must not have executive functions. In the case of Premium Category companies, not less than two non-executive members of the Council must be independent. Each independent member of the Council shall make a declaration at the time of his nomination for election or re-election and when any change of his status occurs, indicating the elements on the basis of which he is considered to be independent in terms of his character and judgment. | YES |
| | A.5. Other relatively permanent commitments and professional obligations of a member of the Board, including executive and non-executive positions in the Board of Nonprofit Companies should be disclosed to shareholders and potential investors prior to the nomination and during their term of office. | YES |
| | A.6. Any member of the Council must provide to the Council information on any report with a shareholder directly or indirectly owning shares representing more than 5% of all voting rights. | YES |

¹ The annex contains the main provisions of the Code. For the full text of the Code, please visit the Bucharest Stock Exchange website.

| The state of compliance with the provisions of the new Corporate Governance Code of BVB ¹ on December 31 2021 | | Compliance YES / NO |
|--|--|------------------------|
| | A.7. The company must designate a secretary of the Council responsible for supporting the work of the Council. | YES |
| | A.8. The statement concerning the Corporate Governance provides information whether an evaluation of the Council has taken place under the chairmanship of the President or the nomination committee and, if so, will summarize the key measures and the resulting changes. The society must have a policy/guidance on the Council's assessment of the scope, criteria and frequency of the assessment process. | YES |
| | A.9. The statement concerning the Corporate Governance should contain information on the number of the Council and committee meetings over the past year, the administrators' participation (in person and in their absence) and a report by the Council and committees upon their activities. | YES |
| | A.10. The corporate governance statement should include information on the exact number of independent members of the Council. | YES |
| | A.11. The Board of the Premium Companies must establish a nomination committee made up of non-executive members, who will direct the nomination procedure of new members to the Council and will make recommendations to the Council. Most members of the nomination committee must be independent. | YES |
| Section B - The Risk management and internal control system | | |
| | B.1. The Council should set up an audit committee in which at least one member should be a non-executive and independent. In the case of Premium Category companies, the audit committee must be composed of at least three members and the majority of the members of the audit committee must be independent. | YES |
| | B.2. The chairman of the audit committee must be an independent non-executive member. | YES |

Annex 1

| The state of compliance with the provisions of the new Corporate Governance Code of BVB 1 on December 31 2021 | | Compliance YES / NO |
|---|---|------------------------|
| | B.3. Within its responsibilities, the audit committee must carry out an annual assessment of the internal control system. | YES |
| | B.4. The assessment should take into account the effectiveness and coverage of the internal audit function, the degree of adequacy of the risk management and internal control reports submitted to the Council's audit committee, the promptness and effectiveness with which the executive management addresses the deficiencies or weaknesses identified in the audit Internal and the submission of relevant reports to the Council. | YES |
| | B.5. The Audit committee should assess the conflicts of interest in relation to the transactions of the company and its subsidiaries with the affiliated parties. | YES |
| | B.6. The audit committee must assess the effectiveness of the internal control system and the risk management system. | YES |
| | B.7. The Audit Committee should monitor the application of the general standards and the generally accepted legal standards and internal audit standards. The audit committee must receive and assess the internal audit team reports. | YES |
| | B.8. Whenever the Code mentions reports or analyzes initiated by the Audit Committee, they must be followed by periodic reports (at least annually) or ad hoc reports to be submitted to the Council. | YES |
| | B.9. No shareholder may be granted preferential treatment over other shareholders in connection with transactions and agreements concluded between the company and shareholders and their affiliates. | YES |
| | B.10. The Council should adopt a policy to ensure that any company transaction with any of the companies with which it has close relationships with a value equal to or greater than 5% of the company's net assets (according to the latest financial report) is approved by the Council following a mandatory opinion of the audit committee. | YES |

| The state of compliance with the provisions of the new Corporate Governance Code of BVB ¹ on December 31 2021 | | Compliance YES / NO |
|--|---|------------------------|
| | B.11. The internal audits should be performed by a separate structural division (internal audit department) within the company or by hiring an independent third party. | YES |
| | B.12. In order to ensure the main functions of the internal audit department, it must report functionally to the Council through the audit committee. For administrative purposes and within the management's responsibility to monitor and mitigate risks, it must report directly to the General Director. | YES |
| Section C - Fair reward and motivation | | |
| | <p>C.1. The company must publish the remuneration policy on its website and include a statement on the implementation of the remuneration policy in the annual report during the annual period which is subject of the analysis.</p> <p>Any essential change occurred in the remuneration policy must be published in a timely manner on the company's website.</p> | YES |
| Section D - Adding value through investor relations | | |
| | <p>D.1. The company must organize an Investor Relations Service - indicating to the general public the responsible person(s) or the organizational unit. In addition to the information required by the law, the company must include on its website a section dedicated to Investor Relations, in Romanian and English, with all the relevant information of interest to investors, including:</p> <p>D.1.1. The main corporate regulations: the constitutive act, the procedures regarding the general meetings of shareholders;</p> <p>D.1.2. The professional CVs of members of the company's management bodies, other professional commitments of the Board members, including the executive and non-executive positions in boards of directors in companies or non-profit institutions;</p> <p>D.1.3. The current reports and periodic reports (quarterly, half-yearly and annual);</p> <p>D.1.4. Information concerning the general meetings of shareholders;</p> | YES |

Annex 1

| The state of compliance with the provisions of the new Corporate Governance Code of BVB ¹ on December 31 2021 | | Compliance YES / NO |
|--|--|------------------------|
| | <p>D.1.5. Information concerning corporate events;</p> <p>D.1.6. The names and contact details of a person who will be able to provide relevant information upon request;</p> <p>D.1.7. The company presentations (e.g., investor presentations, quarterly results presentations, etc.), the financial situations (quarterly, half-yearly, annual), audit reports and annual reports.</p> | |
| | D.2. The company will have a policy on the annual distribution of dividends or other benefits to shareholders. The principles of the annual distribution policy to shareholders will be published on the company's website. | YES |
| | D.3. The company will adopt a policy regarding the forecasts, whether they are made public or not. The forecasting policy will be published on the company's website. | YES |
| | D.4. The rules of general shareholders' meetings should not limit the participation of shareholders to general meetings and the exercise of their rights. The changes to the rules will enter into force at the earliest, starting with the following shareholders meeting. | YES |
| | D.5. The external auditors will be present at the general shareholders' meeting when their reports are presented at these meetings. | YES |
| | D.6. The Board will provide the annual general meeting of shareholders with a brief assessment of the internal control and risk management systems as well as opinions on matters subject to the decision of the general meeting. | |
| | D.7. Any specialist, consultant, expert, or financial analyst may attend the shareholders' meeting on the basis of a prior invitation from the Board. The accredited journalists may also participate in the general meeting of shareholders, unless the President of the Council decides otherwise. | YES |

Annex 1

| The state of compliance with the provisions of the new Corporate Governance Code of BVB ¹ on December 31 2021 | | Compliance YES / NO |
|--|--|------------------------|
| | D.8. The quarterly and half-yearly financial reports will include both Romanian and English information concerning the key factors that affect the changes in sales, the operating profit, the net profit and other relevant financial indicators from quarter to quarter, and from one year to another. | YES |
| | D.9. A company will hold at least two meetings/teleconferences with analysts and investors each year. The information presented on these occasions will be published in the Investor Relations section of the company's website at the dates of the meetings/teleconferences. | YES |
| | D.10. If a company supports different forms of artistic and cultural expression, sporting activities, educational or scientific activities and considers that their impact upon the innovative character and the competitiveness of the company is part of its mission and development strategy, it will publish the policy on the activity in this area. | YES |

ANTIBIOTICE S.A.

Individual financial statements for
the year ended on December 31,
2021 drafted in accordance with
the International Financial
Reporting Standards (IFRS) adopted
by the European Union

ANTIBIOTICE S.A.

Financial statements for the year ended on December 31, 2021

Table of contents

| | |
|---|----|
| GLOBAL STATEMENT OF COMPREHENSIVE INCOME | 3 |
| STATEMENT OF FINANCIAL POSITION | 4 |
| CASH FLOW STATEMENT | 6 |
| EXPLANATORY NOTES TO FINANCIAL STATEMENTS: | 9 |
| 1. <u>GENERAL INFORMATION</u> | 9 |
| 2. <u>ACCOUNTING POLICIES</u> | 17 |
| 3. <u>FINANCIAL INSTRUMENTS AND RISK MANAGEMENT</u> | 31 |
| 4. <u>SALES INCOME</u> | 35 |
| 5. <u>OTHER OPERATING INCOME</u> | 36 |
| 6. <u>RAW MATERIALS, CONSUMABLES AND GOODS</u> | 36 |
| 7. <u>STAFF-RELATED EXPENSES</u> | 36 |
| 8. <u>OTHER OPERATING EXPENSES</u> | 37 |
| 9. <u>FINANCIAL INCOME AND FINANCIAL EXPENSES</u> | 38 |
| 10. <u>EXPENDITURE ON CURRENT AND DEFERRED PROFIT AND OTHER TAXES</u> | 38 |
| 11. <u>EARNINGS PER SHARE</u> | 39 |
| 12. <u>FIXED ASSETS</u> | 40 |
| 13. <u>INTANGIBLE ASSETS</u> | 41 |
| 14. <u>STOCKS</u> | 41 |
| 15. <u>TRADE AND OTHER RECEIVABLES</u> | 41 |
| 16. <u>CASH AND CASH EQUIVALENTS</u> | 42 |
| 17. <u>TRADE AND OTHER LIABILITIES</u> | 42 |
| 18. <u>AMOUNTS DUE TO CREDIT INSTITUTIONS</u> | 43 |
| 19. <u>SUBSIDIES FOR INVESTMENTS</u> | 45 |
| 20. <u>LIABILITIES FROM CURRENT TAXES AND FEES</u> | 45 |
| 21. <u>SHARE CAPITAL</u> | 45 |
| 22. <u>RESERVES</u> | 46 |
| 23. <u>RETAINED EARNINGS</u> | 47 |
| 24. <u>DISTRIBUTION OF PROFIT</u> | 47 |
| 25. <u>PRESENTATION OF AFFILIATED PARTIES</u> | 47 |
| 26. <u>CONTINGENT LIABILITIES</u> | 48 |
| 27. <u>ELEMENTS FOLLOWING THE REPORTING PERIOD</u> | 48 |
| 28. <u>INFORMATION ABOUT THE AUDIT OF THE FINANCIAL STATEMENTS</u> | 48 |

ANTIBIOTICE SA
STATEMENT OF THE COMPREHENSIVE INCOME
for the year ended don December 31, 2021
(all amounts are expressed in LEI, if not mentioned otherwise)

| STATEMENT OF THE COMPREHENSIVE INCOME | NOTE | For the year ended on | |
|---|-----------|-----------------------|--------------------|
| | | 31-12-21 | 31-12-20 |
| Sales revenues | 4 | 366,209,065 | 340,424,276 |
| Other operating revenues | 5 | 37,378,976 | 36,062,333 |
| Revenues relative to costs of product stocks | | 711,939 | 23,676,949 |
| Capitalized income generated by the entity's activity | | 10,547,830 | 6,351,872 |
| Expenses with raw materials and consumables | 6 | (147,681,728) | (131,864,599) |
| Staff-related expenses | 7 | (114,906,311) | (111,822,960) |
| Expenditure on amortization and depreciation | | (24,124,432) | (21,794,224) |
| Other operating expenses | 8 | (94,100,711) | (107,332,654) |
| Operating profit | | 34,034,628 | 33,700,993 |
| Financial income | 9 | 3,557 | 2,358 |
| Financial expenses | 9 | (3,735,569) | (5,373,894) |
| Pre-Tax Profit | | 30,302,616 | 28,329,456 |
| Current and deferred income tax expense and other taxes | 10 | (363,212) | (1,941,407) |
| Profit | | 29,939,404 | 26,388,049 |
| Other items of comprehensive income | | | |
| Items not to be reclassified: | | | |
| Gains/losses from the revaluation of tangible fixed assets | | - | 81,627,152 |
| Profit tax on other items of the comprehensive income | | - | 13,060,344 |
| Total other items of the comprehensive income, excluding taxes | | - | 94,687,496 |
| Total comprehensive income | | 29,939,404 | 121,075,545 |
| Earnings per share | 11 | 0.0446 | 0.0393 |

The explanatory notes from 1 to 28 are an integrating part of the financial statements

Approved by the Management Board on March 21, 2022

General Director,
Ec. Ioan NANI

Financial Director,
Ec. Paula COMAN

ANTIBIOTICE SA
STATEMENT OF THE FINANCIAL POSITION

for the year ended on December 31, 2021

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

| STATEMENT OF THE FINANCIAL POSITION | NOTE | For the year ended on | |
|---|------|-----------------------|-------------|
| | | 31-12-21 | 31-12-20 |
| ASSETS | | | |
| FIXED ASSETS | | | |
| Tangible fixed assets | 12 | 480,544,567 | 467,880,779 |
| Intangible fixed assets | 13 | 29,839,764 | 19,709,606 |
| TOTAL FIXED ASSETS | | 510,384,331 | 487,590,385 |
| CURRENT ASSETS | | | |
| Stocks | 14 | 106,017,774 | 108,691,209 |
| Trade and similar receivables | 15 | 276,876,198 | 260,388,767 |
| Cash and cash equivalents | 16 | 2,111,377 | 6,329,458 |
| TOTAL CURRENT ASSETS | | 385,005,349 | 375,409,434 |
| TOTAL ASSETS | | 895,389,680 | 862,999,818 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Commercial and similar liabilities | 17 | 98,202,288 | 66,103,990 |
| Amounts due to credit institutions | 18 | 87,163,549 | 95,568,514 |
| Liabilities from current taxes and fees | 20 | 9,611,682 | 11,189,134 |
| Short-term provisions | 17 | 3,853,530 | 13,528,900 |
| Subsidies for investments | 19 | 306,289 | 306,289 |
| TOTAL CURRENT LIABILITIES | | 199,137,339 | 186,696,827 |
| LONG -TERM LIABILITIES | | | |
| Subsidies for investments | 19 | 2,160,302 | 2,466,591 |
| Deferred income tax | 20 | 31,483,086 | 31,119,874 |
| Amounts due to credit institutions | 18 | 57,617,153 | 65,444,478 |
| TOTAL LONG-TERM LIABILITIES | | 91,260,541 | 99,030,943 |
| TOTAL LIABILITIES | | 290,397,880 | 285,727,770 |

The explanatory notes from 1 to 28 are an integrating part of the financial statements

Approved by the Management Board on March 21, 2022

General Director,
Ec. Ioan NANI

Financial Director,
Ec. Paula COMAN

ANTIBIOTICE S.A.
SITUATIA POZITIEI FINANCIARE (continuare)

la 31 decembrie 2021

(toate sumele sunt exprimate in LEI, daca nu este mentionat altfel)

| | NOTE | 31-12-21 | 31-12-20 |
|-------------------------------------|-----------|--------------------|--------------------|
| Share capital and reserves | | | |
| Share capital | 21 | 264,835,156 | 264,835,156 |
| Reevaluation reserves | 22 | 114,150,766 | 116,636,526 |
| Legal reserves | 22 | 13,426,761 | 13,426,761 |
| Other reserves | 22 | 259,154,126 | 231,136,239 |
| Reported result | 23 | (51,212,323) | (60,698,493) |
| Distribution of profit | 24 | (25,302,090) | (14,452,190) |
| Current result | 24 | 29,939,404 | 26,388,049 |
| TOTAL EQUITY | | 604,991,800 | 577,272,048 |
| TOTAL EQUITY AND LIABILITIES | | 895,389,680 | 862,999,818 |

The explanatory notes from 1 to 28 are an integrating part of the financial statements

Approved by the Management Board on March 21, 2022

General Director,
Ec. Ioan NANI

Financial Director,
Ec. Paula COMAN

ANTIBIOTICE S.A.
CASH FLOW STATEMENTS

for the year ended on December 31, 2021

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

CASH FLOW STATEMENTS

| | For the year ended on | |
|--|------------------------------|----------------------|
| | 31-12-21 | 31-12-20 |
| I. Cash flows from operating activities | | |
| Cash collection from the sales of goods and provision of services | 371,138,308 | 427,579,788 |
| Cash collection from royalties, fees, charges and other revenue | 2,176,266 | 82 |
| Cash payment to suppliers of goods and services | (180,971,325) | (190,865,262) |
| Cash payments to and on behalf of employees, payments made by the employer for its employees | (106,646,867) | (101,298,761) |
| VAT paid | (3,813,328) | - |
| Contributions to the Ministry of Health and the Ministry of the Environment | (27,978,703) | (32,449,097) |
| Other duties, taxes, and similar levies | (2,409,320) | (1,572,909) |
| Operating cash flow | 51,495,031 | 101,393,842 |
| Interest charged | 3,557 | 2,358 |
| Interest paid | (3,541,084) | (5,062,713) |
| Income tax / dividends paid | (3,519,930) | (2,281,617) |
| Net cash flows from operating activities | 44,437,574 | 94,051,870 |
| II. Cash flows from investment activities | | |
| Cash payments for purchasing land and fixed assets, intangible assets and other long-term assets | (29,052,189) | (47,987,016) |
| Net investment cash flow | (29,052,189) | (47,987,016) |
| III. Cash flows from financing activities | | |
| Receipts from long-term loans/reimbursements | (6,315,643) | 16,307,333 |
| Dividends paid | (2,102,443) | (18,167,733) |
| Net cash flows from financing activities | (8,418,086) | (1,860,401) |
| Gains/losses from exchange rate differences | (96,248) | (1,398,162) |
| Net increase/(decrease) in cash | 6,871,051 | 42,806,291 |
| 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 | (74,321,128) | (81,192,179) |
| The cash and cash equivalents at the end of the period include: | | |
| Accounts in banks and cash | 2,111,377 | 6,329,458 |
| Lines of credit for financing working capital | (76,432,505) | (87,521,637) |
| | (74,321,128) | (81,192,179) |

The explanatory notes from 1 to 28 are an integrating part of the financial statements

Approved by the Management Board on March 21, 2022

General Director,
Ec. Ioan NANI

Financial Director,
Ec. Paula COMAN

ANTIBIOTICE S.A.
MODIFICATIONS OF EQUITY
For the year ended on December 31, 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 | -7,000,410 | 123,273,485 | (197,701,352) | 577,272,048 |
| Current global result current | - | - | - | - | 29,939,404 | | - | - | | - | - | 29,939,404 |
| Reserve from revaluation | | | | | | | | | | | | - |
| Deferred tax relative to the revaluation difference | - | - | - | - | - | | - | | | - | - | - |
| Result of error correction | | | | | | | | | | | | - |
| Total other items of the global result | | | | | 29,939,404 | | | | | | | 29,939,404 |
| Transfer of reevaluation surplus | | | | - | - | 2,176,904 | | (2,485,760) | | 308,856 | | - |
| Allotment of other reserves* | - | - | - | 2,715,797 | (24,168,397) | - | 14,452,190 | - | 7,000,410 | - | - | - |
| Dividends | - | - | - | | (2,219,652) | | - | - | | - | - | (2,219,652) |
| Mandatory distributions | | | | 25,302,090 | - | | (25,302,090) | | | | | - |
| 31-12-21 | 67,133,804 | 197,701,352 | 13,426,761 | 259,154,126 | 29,939,404 | 22,906,688 | (25,302,090) | 114,150,766 | 0 | 123,582,341 | (197,701,352) | 604,991,800 |

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

ANTIBIOTICE S.A.
MODIFICATIONS OF EQUITY
For the year ended on December 31, 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 27 are an integrating part of the financial statements

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
for the year ended on December 31, 2021
(all the amounts are expressed in LEI, if not mentioned otherwise)

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 established by the Decision of the Cabinet Office no. 2980 / 29.12.1952 and it was subsequently reorganized as a joint stock company based on Law no.15 / 1990 and the Government Decision no.1200 / 12.11.1990. The company is listed on the Bucharest Stock Exchange in the premium category, based on Decision no. 43 / 21.02.1997 of the Bucharest Stock Exchange.

Our company's 8 manufacturing flows, upgraded and certified according to the Good Manufacturing Practice (GMP) standards, produce medicinal products in the following dosage forms: powders for injectable solutions and suspensions (penicillins), capsules, tablets, suppositories and topical preparations (ointments, gels and creams), Nystatin active substance and biocidal products. 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 structures the Antibiotice corporate governance system are based upon are as follows:

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

The General Meeting of Shareholders

Antibiotice S.A. is organized on the principles of corporate governance, which regulates the procedure for selecting and appointing managers and directors, as well as the functioning of the management system, seeking to strengthen the independence, accountability and professionalism of management structures, the transparency and quality of publicly presented information, including minorities.

The management of the company is organized to meet the expectations of shareholders in terms of ensuring competitiveness, profitability and generating long-term added value. A well-defined, traceable decision-making system is ensured and the delegations of attributions and competencies are made in proportion to the prerogatives granted and the existing control system.

Applying the principles of good corporate governance practices in strict compliance with the recommendations of the Corporate Governance Code of the Bucharest Stock Exchange (CGC-BVB), ensures the transparency and efficiency of the company's activities

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

for the year ended on December 31, 2021

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

and processes, thus providing the framework for maximizing the value of long-term ATB shares, as well as protecting the interests of the interested parties and increasing the degree of trust in Antibiotice S.A.

The company's management believes the Corporate Governance Code to be an important tool for obtaining a sustainable performance, ensuring the accuracy and transparency of the company's decision-making process, through equal access of all shareholders to relevant information about the company.

The structures that transpose the corporate governance rules into practice can be found on the company's website at <https://www.antibiotice.ro/en/investors/corporate-governance/>. They are as follows:

- The General Meeting of Shareholders;
- The Management Board;
- The Advisory Committee;
- The Executive Management;
- The Corporate Governance Secretariat;
- The Internal Audit, the Financial Management Control and Risk Management.

The main legal framework for ensuring the corporate governance system is given by:

- 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 corporate governance code of Antibiotice S.A. which also includes the Regulations for the Organization and Functioning of the Management Board and the Regulations for the Evaluation of Administrators;
- The Code of ethics.

The General meeting of Shareholders

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

During 2021, the Management Board convened two Ordinary and one Extraordinary General Meetings, the decisions of which can be found on the company's website at the following address:

<https://www.antibiotice.ro/en/investors/financial-information/archive-of-the-general-meeting-of-shareholders/?raport=2021#>

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
for the year ended on December 31, 2021
(all the amounts are expressed in LEI, if not mentioned otherwise)

The main shareholders of the company on 31.12.2021 (excerpt from the Register of Shareholders):

| | |
|--------------------|----------|
| MINISTRY OF HEALTH | 53.0173% |
| S.I.F. OLTENIA | 26.4081% |
| Other shareholders | 20.5746% |

Classes of shareholders:

- Legal entities - 87,3615 %
- Natural persons - 12,6385 %

Antibiotice on the capital market

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 Antibiotice Actions (ATB) are included in the BET-BK indices (it was created to be used as a benchmark by fund managers, but also by other institutional investors; the calculation methodology reflects the legal requirements and investment limits of the funds) and BET-Plus (includes Romanian companies listed on the BSE market that meet the minimum selection criteria except for financial investment companies).

In 2021, the minimum price of the ATB share was worth 0.4800 lei and a maximum of 0.6080 lei/share.

The stock market capitalization as of December 31, 2021 was 406,831 thousand lei. In 2021, Antibiotice SA concluded a market making contract with BRK Financial Group, one of the most active brokers in the structured products segment traded on the Bucharest Stock Exchange. The collaboration with BRK Financial Group aims to create added value for shareholders by improving liquidity and minimizing volatility.

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

for the year ended on December 31, 2021
(all the amounts are expressed in LEI, if not mentioned otherwise)

Antibiotice shares - ATB / Regular Market

| | 2017 | 2018 | 2019 | 2020 | 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 | 406,831 |
| Stock market capitalization (thousand euro)* | 77,511 | 70,100 | 71,370 | 66,935 | 82,211 |
| Stock market capitalization (thousand \$)* | 92,813 | 80,259 | 79,873 | 82,163 | 93,022 |
| Total traded value (million lei) | 12 | 9 | 15 | 14 | 44 |
| No. of traded shares | 21,113,565 | 17,109,263 | 30,364,292 | 27,085,005 | 80,534,368 |
| Opening price (lei/share) | 0.5200 | 0.5780 | 0.4800 | 0.5120 | 0.4940 |
| Maximum price (lei/share) | 0.5920 | 0.5780 | 0.5260 | 0.5550 | 0.6080 |
| Minimum price (lei/share) | 0.5200 | 0.4550 | 0.4500 | 0.4130 | 0.4800 |
| Price at the end of the period (lei/share) | 0.5380 | 0.4870 | 0.5080 | 0.4860 | 0.6060 |
| Average price (lei/share) | 0.5585 | 0.5028 | 0.4851 | 0.5079 | 0.5913 |
| Earnings/share (lei/share)*** | 0.0500 | 0.0511 | 0.0459 | 0.0418 | 0.0446 |
| Gross dividend/share (lei/share)** | 0.026552598 | 0.009991506 | 0.029879738 | 0.00330631 | 0.0031980923 |
| Dividend yield **** | 4.59% | 2.05 | 6.2% | 6.5% | 0.65% |
| Dividend distribution rate***** | 53% | 20% | 65% | 8.4% | 7.2% |

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

** Proposed dividend

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

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

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

During 2021, 80,534,368 shares were traded, amounting to 43.65 million lei (8.87 million EURO, 10.51 million USD), with an average price of 0.5420 lei/share.

In 2021, dividends were paid for the financial years 2017, 2018, 2019 and 2020, amounting to 2,102,442.59 lei, as follows:

Dividend history (2017 - 2018 - 2019- 2020)

| Year | Net dividends | | | | | | | Suspension date of dividend payment |
|------|---------------|------------------|------------------|---------------|----------------|-------------------------|-------|-------------------------------------|
| | Due | Paid lei | | | | Unclaimed on 31.12.2021 | | |
| | | Until 31.12.2020 | 01.01÷31.12.2021 | Total | % (total paid) | lei | % | |
| | | | | | | | | |
| 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 2017 | 17,588,680 | 16,160,171.48 | 15,528.83 | 16,175,700.31 | 0.92% | 1,412,979.79 | 0.08% | 13.09.2021 |
| 2018 | 6,612,624.05 | 6,069,182.87 | 14,293.79 | 6,083,476.66 | 0.92% | 529,147.39 | 0.08% | Payment in progress |
| 2019 | 19,811,039.75 | 18,114,220.03 | 60,504.82 | 18,174,724.85 | 0.92% | 1,636,314.90 | 0.08% | Payment in progress |
| 2020 | 2,840,868.50 | - | 2,012,115.15 | 2,012,115.15 | 0.71% | 828,753.35 | 0.29% | Payment in progress |

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
for the year ended on December 31, 2021
(all the amounts are expressed in LEI, if not mentioned otherwise)

For the years 2017, 2018, 2019 and 2020, the payment of dividends is made through the Bucharest Central Depository and implicitly, through the Payment Agent - CEC Bank.

Rights of holders of financial instruments

Corporate governance framework adopted and applied:

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

On the company's website at:

<https://www.antibiotice.ro/en/investors/information-for-shareholders>,

there is a section in which each shareholder can access and download documents related to the General Shareholders' Meetings: procedures regarding the access and participation in the meetings, the notice to attend, the additions to the agenda, informative materials, special representation proxies, correspondence voting forms, draft decisions, decisions, voting results.

The Investors Relation

The investor relations activity supports the constant communication between the company and the investors. This process allows the knowledge of the operational activity, of the strategy and prospects of the business, in order to 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 to the Bucharest Stock Exchange (BVB), annual, half-yearly, quarterly and current reports, as well as documents related to the good conduct of general meetings. As we are oriented towards developing and increasing transparency towards shareholders, immediately after the regular financial reports (annual and half-yearly), we organize meetings and presentation events attended by investors and interested analysts, offering them the opportunity to convey questions, opinions and their suggestions, thus ensuring a dialogue for a sufficient basis for the investment decision-making process.

In 2021, two teleconferences (13.05.2021 and 30.07.2021) and a conference entitled *"Round table with the management of Antibiotice"* - which took place on 23.11.2021 were organized.

All the documents related to the mentioned events were published in accordance with the legislation in force, Government Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, Law no. 24/2017 regarding the issuers of financial instruments and market operations, Regulation no. 5/2018 regarding the issuers of financial instruments and market operations.

The organization of the General Meetings of Shareholders, the changes in the company's structure, the decisions of the general meetings, as well as the actions

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

for the year ended on December 31, 2021

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

related to guaranteeing the shareholders' rights - the distribution of dividends related to the financial year 2020, were made in accordance with the legal regulations.

The awards obtained during the year brought the recognition of the active and constant communication of Antibiotice SA with the investors. Thus, the maximum grade obtained when evaluating the VEKTOR indicator based on 15 criteria of good practices in the relationship with investors, underlined the fact that Antibiotice SA is a grade 10 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 2021, the Management Board met in 15 sessions and adopted decisions that enabled the Board to carry out its duties effectively and efficiently.

The Management Board of Antibiotice SA on December 31, 2021

Economist, Ioan NANI

Vice-President of the Management Board and General Manager.

Full-time Executive Administrator.

At the Ordinary General Meeting of Shareholders of May 20, 2020, Mr. Nani was reconfirmed as a member of the Management Board, for a term valid until 18.04.2024; Mr. Nani was then elected by the members of the Management Board from 20.05.2020, in the position of Vice-President.

Mr. Nani is an economist specialized in management, a chartered accountant and a member of the Board since 2009 and General Manager (1998-2008 and 2009-present day).

Number of Antibiotice SA shares owned - 1.513*

Eng. Catalin Codrut Popescu

A Member of the Management Board and representative of the shareholder SIF Oltenia

At the Ordinary General Meeting of Shareholders on August 26, 2021, Mr. Popescu was elected as a member of the Management Board, for a term valid until April 18, 2024.

Definitive Non-Executive Administrator

Number of Antibiotice SA shares owned - 0*

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
for the year ended on December 31, 2021
(all the amounts are expressed in LEI, if not mentioned otherwise)

Ec. Mihai Trifu

Member of the Management Board and representative of the shareholder SIF Oltenia
Definitive Non-Executive Administrator

At the Ordinary General Meeting of Shareholders on August 26, 2021, Mr. Trifu was elected as a member of the Management Board for a term valid until April 18, 2024. Vice President and Deputy General Manager of SIF Oltenia.

Number of Antibiotice SA shares owned - 0*

Physicist Lucian Timofticiuc

Member of the Management Board and representative of the Ministry of Health
Definitive Non-Executive Administrator
Chairman of the Management Board

At the Ordinary General Meeting of Shareholders on September 16, 2020, Mr. Timofticiuc was elected as a member of the Management Board for a term valid until 18.04.2024. Currently, Mr. Lucian Timofticiuc holds the position of administrator and general manager of Vremea Noua.

Number of Antibiotice SA shares owned - 0*

Legal Adviser Ionel Damian

Member of the Management Board
Definitive Non-Executive Administrator

At the Ordinary General Meeting of Shareholders of November 2, 2020, Mr. Damian was elected as a definitive member of the Management Board of the company, for a term valid until 18.04.2024.

Fiscal Inspection Executive Director - Iasi Regional General Directorate of Public Finances

Number of Antibiotice SA shares owned - 0*

(*) The number of Antibiotice shares (ATB) held on 31 December, 2021 according to the latest database held by Antibiotice for the year 2020.

The Advisory Committees

During the year 2021, the specialized advisory committees had the following membership:

- The Audit Committee: Mr. Ionel Damian, Mr. Mihai Trifu and Mr. Catalin Codrut Popescu;
- The Nomination and Remuneration Committee: Mr. Lucian Timofticiuc, Mr. Ionel Damian and Mr. Mihai Trifu;
- The Trade Policy Committee: Mr. Lucian Timofticiuc, Mr. Ionel Damian and Mr. Catalin Codrut Popescu.

The **Audit Committee** met in two meetings. It consists of three independent non-executive directors and has the following responsibilities:

- it performs an annual evaluation of the internal control system. The evaluation must consider the effectiveness and comprehensiveness of the internal audit function, the adequacy of the risk management and internal control reports submitted to the

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

for the year ended on December 31, 2021

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

Audit Committee, the promptness and effectiveness with which the executive addresses the deficiencies or weaknesses identified following the internal control and the presentation of relevant reports for the attention of the Management Board. The Audit Committee manages conflicts of interest in connection with the company's transactions.

- it monitors the application of legal standards and generally accepted internal audit standards;
- it receives and evaluates the reports of the Internal Audit team.

In exercising its main attributions and responsibilities, the Audit Committee will perform at least the following activities:

- examining and verifying the correctness of the company's annual and interim financial statements and any other financial reports, before they are submitted to the Board for approval;
- analyzing the appointment, renaming or revocation of external auditors;
- the periodic evaluation of the efficiency, independence and objectivity of the external auditor and monitoring of the relationship with him or her.

The Nomination and Remuneration Committee consists of three independent non-executive directors. Its attributions and responsibilities are mainly the following:

- it formulates proposals for the positions of administrator, it manages on behalf of the board the selection procedure for the candidates proposed by the public supervisory body, when the board is expressly mandated by the General Meeting of Shareholders, it elaborates and proposes to the board the selection procedure of the candidates for the position of director, it recommends to the management board the candidates for the position listed,
- it formulates proposals regarding the remuneration of the administrators and directors of the company,
- it ensures the fulfillment of the obligation regarding the elaboration of the annual reports and other reports, in accordance with the law,
- it evaluates, at least once a year, the independence of the members of the Management Board,
- it monitors the number of administrator mandates held by the members of the Management Board in other companies,
- it performs other tasks in connection with the appointment or removal of the members of the Management Board, at its instructions,
- it ensures that the candidates for the position of administrator have the necessary training and experience to fulfill their duties; the Committee may make proposals for the rejection of candidates who do not meet the criteria for membership of the Council,
- it draws up an annual report on the remuneration of the administrators and directors appointed by the board, as well as other benefits granted to them, a report which will be presented by the board to the General Meeting of Shareholders.

The **Trade Policy Committee** supports the Management Board in carrying out the management plan, by transposing it into appropriate trade policies.

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

for the year ended on December 31, 2021

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

The guiding principles that coordinate the work of the Trade Policy Committee are:

- the principle of legality, which implies the observance by the company of all the applicable legal provisions in the relations with the partners and the authorities, as well as of the internal norms and procedures approved by the administrator;
- the principle of optimizing the commercial policies, which implies the establishment of those marketing and promotion actions meant to stimulate the company's business and to ensure their sustainability in the medium and long term;
- the principle of territorial expansion, which implies the establishment of the commercial policies meant to identify new business opportunities in the international trade.

The executive management

Antibiotice is represented by the General Director according to art. 143 of Law no. 31/1990, art. 35 of GEO no. 109/2011 and art. 47 of the Articles of Association of the company and the statute of the company.

Ec. Ioan NANI

Vice President of the Management Board - Executive Director, Non-Independent, with a mandate for the period 01.06.2020 ÷ 18.04.2024.

Job: S.C. Antibiotice S.A.

Position: General Director.

Profession: Economist.

1. THE ACCOUNTING POLICIES

2.1 Declaration of conformity

The financial statements have been prepared in accordance with:

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

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

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

for the year ended on December 31, 2021

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

The financial statements for the financial year ended on December 31, 2021 include the statement of financial position, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and the explanatory notes.

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

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

2.2 The bases of assessment

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

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

2.3 The 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.

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

for the year ended on December 31, 2021

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

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

| | 31-12-21 | 31-12-20 |
|-----|----------|----------|
| EUR | 4.9481 | 4.8694 |
| USD | 4.3707 | 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 the current period. Any effect, if any, on future periods is recognized as income or expense in those future periods.

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

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

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

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

(b) Adjustments for the impairment of receivables

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

(c) Legal proceedings

The company reviews the unsettled legal cases following the evolutions in the legal proceedings and the existing situation at each reporting date, in order to assess the

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

for the year ended on December 31, 2021

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

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

(d) *Cost accounting estimates*

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

(e) *Taxation*

The taxation system in Romania is in a phase of consolidation and harmonization with the European legislation. However, there are still different interpretations of the tax legislation. In some cases, the tax authorities may have different approaches to certain issues, calculating additional taxes and penalties for their late payment. In Romania, the fiscal year has been remaining open for tax verification for a 5-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.

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
for the year ended on December 31, 2021
(all the amounts are expressed in LEI, if not mentioned otherwise)

Intangible assets generated by the company (development costs)

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

The development costs related to projects for new products are recognized as intangible assets.

They consist of: the consumption of raw materials and consumables, labor costs related to the hours worked for each project, other authorization fees paid to the regulatory authorities in the pharmaceutical field with the amounts necessary for the authorization.

2.7. Tangible assets

The tangible assets are tangible items that:

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

Recognition:

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

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

The evaluation after recognition

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

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

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

When an item of Category I tangible asset is revalued, any accumulated depreciation at the date of revaluation is eliminated from the gross carrying value of the asset and the net value is recalculated to the revalued value of the asset.

If an item of tangible assets is revalued, then the entire class of property, plant and equipment to which that item belongs is revalued.

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

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

for the year ended on December 31, 2021

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

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 manner desired by the management.

The land owned is not depreciated.

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

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

Impairment

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

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

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

for the year ended on December 31, 2021

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

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) does not apply to our company

The 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 the scope, the 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.

2.9 Stocks

According to IAS 2, the stocks are active:

- a) held for sale in the ordinary course of business;
- b) under production for such sale; or
- c) as raw materials 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.

Cost 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

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

for the year ended on December 31, 2021

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

of the general adjustment for the depreciation of inventories is based upon the validity period of existing items in stock.

2.10 Receivables

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

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

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

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

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

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

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

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
for the year ended on December 31, 2021
(all the amounts are expressed in LEI, if not mentioned otherwise)

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

2.11 Value added tax

The Value Added Tax must be paid to the tax authorities upon the basis of the monthly VAT return until the 25th of the following month, regardless of the level of receivables recovery from customers. The tax authorities allow the VAT to be settled on a net basis. If the deductible VAT is higher than the VAT collected, the difference is refundable at the request of the company. That particular VAT may be reimbursed after a tax audit, or even in the absence thereof, if certain conditions are met. The VAT on sales and purchases that were not settled at the end of the reporting period is recognized in the statement of the financial position at net cost and presented separately as a current asset or liability. In cases where adjustments for impairment of receivables have been recorded, the impairment loss is recorded for the debtor's gross value, including VAT. The related VAT must be paid to the state budget and can be recovered only in case of the debtor's prescription as a result of the bankruptcy decision.

2.12 Financial liabilities

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

2.13 Recognition of income and expenses

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

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

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

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

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

for the year ended on December 31, 2021

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

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

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

The income assessment

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

- (a) the entity transferred to the buyer the significant risks and benefits related to the ownership of the goods;
- (b) the entity no longer manages the goods sold at the level at which it would normally have done in the case of their ownership and no longer has the effective control over them;
- (c) the value of the revenues can be reliably evaluated;
- (d) the economic benefits associated with the transaction are likely to be generated for the entity;
- (e) the costs incurred or to be incurred in relation to the respective transaction can be reliably evaluated.

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 principle behind this standard is that the company should recognize and record revenue in a manner that indicates the transfer of goods or services.

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 performance obligations in 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:

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

for the year ended on December 31, 2021

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

- 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 management believes that the collection terms do not generate a financial component of the revenues invoiced to distributors.

Special cases: If it is found that the incomes associated with a period of the current year are free of fundamental errors, they will be corrected, during the period when the error is discovered, which is valid for the year 2020. If the error is discovered in the following years, the correction thereof will no longer affect the income accounts, but the returned earnings account carried over from the corrections of fundamental errors, if the value of the error will be considered significant.

2.13.2 Recognition of expenses

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

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

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

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

for the year ended on December 31, 2021

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

When it is not possible to estimate the recoverable amount of an individual asset, the impairment test is performed on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash-generating units (“CGUs”).

The impairment costs are included in the profit and loss account unless they reduce the earnings previously recognized in other items of the comprehensive income.

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

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

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

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

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

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

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

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

The previously established provisions are periodically analyzed and regulated.

2.16 Benefits of employees -IAS 19 Benefits of employees

Current benefits granted to employees

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

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
for the year ended on December 31, 2021
(all the amounts are expressed in LEI, if not mentioned otherwise)

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:

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

2.18 Dividends

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

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

2.19 Capital and reserves

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

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

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

for the year ended on December 31, 2021

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

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

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
- (i) 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);

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

for the year ended on December 31, 2021

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

- (ii) an entity is the associate or joint venture of the other entity (or associate or joint venture of a member of the group the other entity belongs to);
- (iii) both entities are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third party, and the other is an associate of the third-party entity.
- (v) the entity is a post-employment benefit plan in the benefit of the employees of the reporting entity or an entity affiliated to the reporting entity. In the event the reporting entity is itself such a plan, the sponsoring employers are also affiliates of the reporting entity.
- (vi) the entity is controlled or jointly controlled by an affiliated person.
- (vii) an affiliated person having control significantly influences the entity or is a member of the key management staff of the entity (or the parent company of the entity).

The Company does not carry out transactions with entities described in points (i) -(vii) above.

2.24 Issued standards that entered into force in 2021

The reference interest rate reform - phase 2 - amendments to *IFRS 9 Financial Instruments*, *IAS 39 Financial Instruments: Recognition and Measurement, Except for Certain Provisions Related to Hedge Accounting*, *IFRS 7 Financial Instruments: Disclosures*, *IFRS 4 Insurance Contracts* and *IFRS 16 Leasing contracts*.

The amendments to IFRS 16 Leasing contracts in connection with concessions to lease contracts imposed by the Covid-19 pandemic after June 30, 2021.

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

The following new standards, interpretations and amendments, which are not yet in force and have not been adopted in advance in these financial statements, may have an effect on the Company's future financial statements. The list below presents the IFRSs (and amendments to the IFRSs) that were issued, but are not mandatory for the financial statements prepared on December 31, 2021:

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

IFRS 17 "*Insurance Contracts*" will replace IFRS 4 and take effect after 2023. The Company does not estimate a significant impact on the situation.

The amendments to IAS 16 in relation to the recognition of the benefits obtained in the process of installing fixed assets and will enter into force after January 1, 2021.

The Amendments to IAS 37 regarding the definition of costs directly related to the contract and will take effect after January 1, 2021.

The amendments to IAS 1 and IFRS Practical Statement 2 in connection with the Presentation of Accounting Policies and will take effect after January 1, 2023.

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

for the year ended on December 31, 2021

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

The amendments to IAS 12 in connection with the application of exceptions to the initial recognition of deferred tax assets and liabilities and shall take effect after January 1, 2023.

There will be no significant effects on the financial statements of the company, following the changes brought to the standards or the annual improvements that will be in force after January 1, 2021.

2. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

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

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

Main financial instruments

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

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

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

| | Loans and receivables | |
|-------------------------------|------------------------------|--------------------|
| ASSETS | 31-12-21 | 31-12-20 |
| Trade and similar receivables | 276,876,198 | 260,388,767 |
| Cash and cash equivalents | 2,111,377 | 6,329,458 |
| Total | 278,987,575 | 266,718,225 |
| | | |
| | Amortized cost | |
| LIABILITIES | 31-12-21 | 31-12-20 |
| Trade and similar receivables | 98,202,288 | 66,103,990 |
| Short-term loans | 87,163,549 | 95,568,514 |
| Long-term loans | 57,617,153 | 65,444,478 |
| Total | 242,982,990 | 227,116,981 |

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
for the year ended on December 31, 2021
(all the amounts are expressed in LEI, if not mentioned otherwise)

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:

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

Calculation and analysis of the net statement (equity)

| Indicators (LEI) | 31-12-21 | 31-12-20 |
|-------------------------------|--------------------|--------------------|
| Short-term credits and loans | 87,163,549 | 95,568,514 |
| Long-term credits and loans | 57,617,153 | 65,444,478 |
| Cash and cash equivalents | (2,111,377) | (6,329,458) |
| Net debt | 142,669,325 | 154,683,533 |
| Total equity | 604,991,800 | 577,272,048 |
| Net debt in equity (%) | 23.58% | 26.79% |

The foreign exchange risk

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

On December 31, 2021 the company's net exposure by types of currency to the foreign currency risk was as follows:

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
for the year ended on December 31, 2021
(all the amounts are expressed in LEI, if not mentioned otherwise)

| | For the year ended on | |
|---|------------------------------|--------------------|
| Assets/liabilities in EURO equivalent in LEI | 31-12-21 | 31-12-20 |
| Monetary financial assets | 3,930,286 | 6,898,201 |
| Monetary financial liabilities | (20,445,472) | (14,156,097) |
| Net financial assets | <u>(16,515,187)</u> | <u>(7,257,893)</u> |
| RON/EUR variation | | Gain/Loss |
| Appreciation of the RON against EUR by 5% | (825,759) | (362,895) |
| Depreciation of the RON against EUR by 5% | 825,759 | 362,895 |
| Impact upon result | <u>-</u> | <u>-</u> |
| Assets and liabilities in EUR | 31-12-21 | 31-12-20 |
| Monetary financial assets | 794,302 | 1,416,644 |
| Monetary financial liabilities | (4,131,984) | (2,907,154) |
| Net financial assets | <u>(3,337,682)</u> | <u>(1,490,511)</u> |
| Assets/liabilities in USD equivalent in LEI | 31-12-21 | 31-12-20 |
| Monetary financial assets | 32,339,421 | 26,022,147 |
| Monetary financial liabilities | (19,845,584) | (9,938,895) |
| Net financial assets | <u>12,493,838</u> | <u>16,083,252</u> |
| RON/USD variation | | |
| Appreciation of the RON against USD by 5% | 624,692 | 804,163 |
| Depreciation of the RON against USD by 5% | (624,692) | (804,163) |
| Impact upon result | <u>-</u> | <u>-</u> |
| Assets and liabilities in USD | 31-12-21 | 31-12-20 |
| Monetary financial assets | 7,399,140 | 6,561,308 |
| Monetary financial liabilities | (4,540,596) | (2,506,025) |
| Net financial assets | <u>2,858,544</u> | <u>4,055,283</u> |

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

| Assets / Liabilities | 31-12-21 | 31-12-20 |
|-----------------------------|--------------------|--------------------|
| LEI | 109,149,576 | 97,356,613 |
| EUR | (16,515,186) | (7,257,893) |
| USD | 12,493,837 | 16,083,252 |
| Other currency (CAD,GBP) | - | (1,648) |
| Net exposure | <u>105,128,227</u> | <u>106,180,324</u> |

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
for the year ended on December 31, 2021
(all the amounts are expressed in LEI, if not mentioned otherwise)

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

| December 31, 2021 | Up to 3 months | Between 3 and 12 months | Over 12 months | Total |
|------------------------------------|-------------------|----------------------------|-------------------|--------------------|
| Commercial and similar debt | 68,786,419 | 29,415,869 | - | 98,202,288 |
| Debts from taxes and current taxes | 9,611,682 | - | - | 9,611,682 |
| Short-term loans | - | 87,163,549 | - | 87,163,549 |
| Long-term loans | - | - | 57,617,153 | 57,617,153 |
| Total | 78,398,101 | 116,579,418 | 57,617,153 | 252,594,672 |

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

Bank liquidity

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

Operational risk

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

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

- the requirements for the separation of responsibilities, including the independent transaction authorization;

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

for the year ended on December 31, 2021

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

- the requirements for reconciliating and monitoring the transactions;
- the compliance with regulatory and legal requirements;
- documenting controls and procedures;
- requirements for the periodic review of operational risk the Company is exposed to and the adequacy of controls and procedures to prevent the identified risks;
- requirements for reporting the operational losses and proposals to remedy the causes that generated them;
- the development of business continuity plans;
- professional development and training;
- establishing ethical standards;
- preventing the litigation risk, including insurance, where applicable;
- the mitigation of risks, including the efficient use of insurance, where applicable.

Adequacy of capital

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

2. SALES INCOME

The sales income includes the following items:

| Statement of comprehensive income | For the year ended on | |
|-----------------------------------|-----------------------|--------------------|
| Description | 31-12-21 | 31-12-20 |
| Finished product sales | 365,908,449 | 357,203,118 |
| Sales of goods | 110,278,800 | 82,571,517 |
| Trade discounts | (109,978,184) | (99,350,359) |
| Total | 366,209,065 | 340,424,276 |

The sales revenues are mainly driven by the sales of finished products directly to pharmaceutical distributors. In 2021, the intra and extra-community sales amounted to 141,566,902 lei.

3. OTHER OPERATING INCOME

Other operating income includes the following:

| Description | 31-12-21 | 31-12-20 |
|--|-------------------|-------------------|
| Rental income | 143,321 | 176,888 |
| Income from research and studies | 0 | 48,564 |
| Income from various activities | 2,069,424 | 397,940 |
| Income from indemnities, fines and penalties | 10,799 | 48 |
| Other operating income | 3,827,394 | 2,660,982 |
| Income from adjustments for depreciation of current assets | 12,703,645 | 18,975,120 |
| Income from provisions for risks and expenses | 13,528,900 | 7,527,157 |
| Exchange rate differences | 5,095,493 | 6,275,633 |
| Total | 37,378,976 | 36,062,333 |

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
for the year ended on December 31, 2021
(all the amounts are expressed in LEI, if not mentioned otherwise)

4. RAW MATERIALS, CONSUMABLES AND GOODS

The expenditure on raw materials and consumables consists of:

| Description | For the year ended on | |
|-------------------------------------|-----------------------|--------------------|
| | 31-12-21 | 31-12-20 |
| Raw materials | 74,159,073 | 73,514,802 |
| Auxiliary materials | 7,215,424 | 9,707,693 |
| Goods | 60,854,292 | 43,137,517 |
| Expenditure on fuel and spare parts | 4,304,790 | 4,213,712 |
| Inventory items | 678,871 | 741,868 |
| Other consumables | 469,278 | 549,007 |
| Total | 147,681,728 | 131,864,599 |

5. STAFF COSTS

The staff costs are as follows:

| Description | For the year ended on | |
|--|-----------------------|--------------------|
| | 31-12-21 | 31-12-20 |
| Wages | 100,545,101 | 92,763,780 |
| Civil contracts | 1,410,816 | 1,704,955 |
| Tax and social contributions | 3,044,831 | 2,939,553 |
| Employee participation in profit | 2,000,000 | 2,000,000 |
| Variable allowance granted to the members of the Management Board and other rights | 1,853,530 | 5,649,713 |
| Other benefits (meal vouchers and employee participation in 2021 profit, prescriptions granted to employees) | 6,052,033 | 6,764,959 |
| Total | 114,906,311 | 111,822,960 |

For the year 2021, provisions were made in the amount of 3,853,530 lei, representing the provision for the participation of the employees in the variable allowances of the Board of Directors and of the mandate contract as well as the provision for unused vacation leave.

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

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

| Description | For the year ended on | |
|--------------------------------|-----------------------|------------------|
| | 31-12-21 | 31-12-20 |
| Wages | 4,594,632 | 5,944,782 |
| Civil contracts | 884,090 | 771,879 |
| Taxes and social contributions | 148,537 | 193,649 |
| Variable allowances | 1,752,389 | 2,438,764 |
| Total | 7,379,648 | 9,349,074 |

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

for the year ended on December 31, 2021
(all the amounts are expressed in LEI, if not mentioned otherwise)

For the year 2021, provisions were made in the amount of 1,853,530 lei representing the provision for the variable allowances of the Management Board for the variable allowance pertaining to the mandate contract to achieving the 2021 objectives as well as for the unused vacation leave.

6. OTHER OPERATING EXPENDITURE

Other operating expenditure include the following:

| Description | For the year ended on: | |
|---|-------------------------------|--------------------|
| | 31-12-21 | 31-12-20 |
| Utilities | 14,114,801 | 11,090,428 |
| Repair work | 1,735,903 | 1,374,073 |
| Rent | 319,169 | 437,091 |
| Insurances | 1,750,671 | 1,676,194 |
| Bank fees | 527,555 | 851,149 |
| Advertising & promotion of products | 11,703,678 | 8,693,952 |
| Travel & transport | 3,072,448 | 2,572,766 |
| Post & telecommunications | 575,186 | 535,721 |
| Other services provided by third parties | 12,739,981 | 10,856,885 |
| Other taxes | 35,350,973 | 32,677,687 |
| Environment protection | | 995,550 |
| Losses and adjustments of uncertain receivables | 840,834 | |
| | 2,779,036 | 17,087,365 |
| Revaluation of assets | 0 | 0 |
| Exchange rate differences | 5,318,549 | 9,996,825 |
| Sundries | 3,271,927 | 8,337,898 |
| Total | 94,100,711 | 107,332,654 |

9. FINANCIAL INCOME AND EXPENSES

The net financial income consists of:

| Description | For the year ended on | |
|--------------------------|------------------------------|--------------------|
| | 31-12-21 | 31-12-20 |
| Interest income | 3,557 | 2,358 |
| Interest charges | (3,518,911) | (4,932,057) |
| Other financial expenses | (216,658) | (441,837) |
| Total | (3,732,012) | (5,371,536) |

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

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
for the year ended on December 31, 2021
(all the amounts are expressed in LEI, if not mentioned otherwise)

10. CURRENT AND DEFERRED PROFIT TAX EXPENSES AND OTHER TAXES

| Description | For the year ended on | |
|--------------------------------------|------------------------------|------------------|
| | 31-12-21 | 31-12-20 |
| Current tax | 0 | 1,765,912 |
| Deferred tax expense/ (income) | 363,212 | 175,495 |
| Taxes specific to certain activities | 0 | 0 |
| Total | 363,212 | 1,941,407 |

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

10.1 - Current profit tax

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

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

| Description | For the year ended on | |
|---|------------------------------|-------------------|
| | 31-12-21 | 31-12-20 |
| Total income | 389,581,950 | 381,389,749 |
| Total expenses (without profit tax) | 358,622,494 | 352,063,764 |
| Gross book value | 30,959,456 | 29,325,985 |
| Deductions | (29,023,018) | (30,511,124) |
| Non-deductible expenses | 5,933,239 | 29,636,688 |
| Fiscal result | 7,869,677 | 28,451,549 |
| Profit tax (fiscal result x 16%) | 1,259,148 | 4,552,248 |
| Tax reductions | (1,259,148) | (2,786,336) |
| Current profit tax | 0 | 1,765,912 |
| Deferred profit tax | 363,212 | 175,495 |
| Total profit tax and other taxes | 363,212 | 1,941,407 |

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
for the year ended on December 31, 2021
(all the amounts are expressed in LEI, if not mentioned otherwise)

10.2 - Deferred profit tax

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

| Description | 31-12-21 | 31-12-20 |
|---------------------------------|-------------------|-------------------|
| - Deferred tax assets | 8,064,005 | 7,647,903 |
| Initial balance | | |
| Deferred tax costs/(income) | 0 | 416,102 |
| Final balance (a) | 8,064,005 | 8,064,005 |
| - Deferred tax debt | 39,183,879 | 25,531,938 |
| Initial balance | | |
| Deferred tax costs/(income) | 363,212 | 13,651,941 |
| Final balance (b) | 39,547,091 | 39,183,879 |
| Net deferred tax (b)-(a) | 31,483,086 | 31,119,874 |

The main components of the deferred tax come from: the revaluation of fixed assets from 2004-2009, the revaluation of land on 31.12.2020, the adjustment of debt provisions to employees and assimilated, stock depreciation adjustments, customer depreciation adjustments.

11. EARNINGS PER SHARE

| Description | For the year ended on | |
|--------------------------------|-----------------------|---------------|
| | 31-12-21 | 31-12-20 |
| Net profit (A) | 29,939,404 | 26,388,049 |
| Number of ordinary shares (B) | 671,338,040 | 671,338,040 |
| Earning per share (A/B) | 0.0446 | 0.0393 |

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
for the year ended on December 31, 2021
(all the amounts are expressed in LEI, if not mentioned otherwise)

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 |
| Reevaluation | 81,627,152 | | | | | 81,627,152 |
| Outputs | - | 434,193 | 14,042,420 | 67,402 | 30,918,503 | 45,462,518 |
| December 31, 2020 | 189,933,152 | 135,932,746 | 196,972,841 | 8,043,800 | 81,817,195 | 612,699,734 |
| Procurement | | 21,580,807 | 29,882,568 | 737,012 | 35,098,176 | 87,298,563 |
| Outputs | | 275 | 984,194 | 31,238 | 52,200,388 | 53,216,095 |
| December 31, 2021 | 189,933,152 | 157,513,278 | 225,871,215 | 8,749,574 | 64,714,983 | 646,782,202 |
| DEPRECIATION | | | | | | |
| December 31, 2019 | - | 8,036,888 | 126,324,476 | 5,646,763 | - | 140,008,126 |
| Cost of the period | - | 7,286,677 | 11,359,983 | 411,930 | - | 19,058,590 |
| Outputs | - | 434,192 | 14,042,420 | 67,401 | - | 14,544,013 |
| December 31, 2020 | - | 14,889,373 | 123,642,039 | 5,991,292 | - | 144,522,704 |
| Cost of the period | - | 8,701,978 | 13,251,269 | 477,982 | - | 22,431,229 |
| Outputs | - | 275 | 981,037 | 31,237 | - | 1,012,549 |
| December 31, 2021 | - | 23,591,076 | 135,912,271 | 6,438,037 | - | 165,941,384 |
| PROVISION | | | | | | |
| December 31, 2019 | - | 51,600 | 244,652 | - | - | 296,252 |
| Outputs 2019 | - | - | - | - | - | - |
| December 31, 2020 | - | 51,600 | 244,652 | - | - | 296,252 |
| Outputs 2020 | - | - | - | - | - | - |
| December 31, 2021 | - | 51,600 | 244,652 | - | - | 296,252 |
| NET VALUE | | | | | | |
| December 31, 2021 | 189,933,152 | 133,870,602 | 89,714,292 | 2,311,537 | 64,714,983 | 480,544,566 |
| December 31, 2020 | 189,933,152 | 120,991,773 | 73,086,150 | 2,052,508 | 81,817,195 | 467,880,779 |
| December 31, 2019 | 108,306,000 | 115,012,222 | 67,206,557 | 2,051,741 | 71,040,090 | 363,616,611 |

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
for the year ended on December 31, 2021
(all the amounts are expressed in LEI, if not mentioned otherwise)

Depreciation of fixed assets

The accounting depreciation is calculated using the straight line method. For the new fixed assets, entered in 2019 such as installations, machines and measuring and control devices, the useful life times have been established taking into account:

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

The inventory value of the tangible assets constituted as pledges or guarantees is 62,271,499 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 following table:

| | 31-12-21 | 31-12-20 |
|---------------------|-------------------|-------------------|
| Inputs | 12,541,609 | 8,380,448 |
| Outputs | 411,960 | 2,014,628 |
| Final balance | 49,272,084 | 37,142,435 |
| Amortization | | |
| Initial balance | 17,432,829 | 14,390,906 |
| Cost of the period | 1,999,491 | 3,041,923 |
| Final balance | 19,432,320 | 17,432,829 |
| Net value | 29,839,764 | 19,709,606 |

14. STOCKS

| Description | 31-12-21 | 31-12-20 |
|-------------------------------------|--------------------|--------------------|
| Raw materials and consumables | 41,635,510 | 43,543,406 |
| Production in progress | 1,156,052 | 2,411,294 |
| Semi-finished and finished products | 54,465,199 | 48,516,680 |
| Goods | 8,761,013 | 14,219,829 |
| Total | 106,017,774 | 108,691,209 |

The value of stocks held as collateral is 40,534,622 lei.

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

for the year ended on December 31, 2021

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

15. TRADE AND OTHER RECEIVABLES

| Description | 31-12-21 | 31-12-20 |
|---|--------------------|--------------------|
| Trade receivables | 291,188,584 | 282,055,519 |
| Adjustments for trade receivables | (21,431,055) | (29,157,464) |
| Various debtors and other receivables | 4,063,884 | 6,300,228 |
| Adjustments for various debtors | (3,432,707) | (3,432,707) |
| Receivables related to employees | 6 | 58 |
| Other receivables from the State Budget | 3,359,260 | 2,364,684 |
| Advance payments | 3,128,226 | 2,258,449 |
| Total | 276,876,198 | 260,388,767 |

On December 31, 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 | 31-12-21 | 31-12-20 |
|--|--------------|--------------|
| Receivables -customers | 276,876,198 | 260,388,767 |
| Up to 3 months | 121,748,985 | 132,533,597 |
| between 3 and 6 months | 72,186,849 | 47,251,182 |
| between 6 and 12 months | 63,846,846 | 53,373,313 |
| over 12 months | 33,407,155 | 48,897,427 |
| Value adjustments related to receivables-customers | (21,431,055) | (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 | 31-12-21 | 31-12-20 |
|---------------------------------|-------------------|-------------------|
| At the beginning of the period | 32,590,171 | 37,499,373 |
| Established during the year | 2,448,480 | 8,472,434 |
| Cancelling the adjustments | (10,174,888) | (13,381,636) |
| At the end of the period | 24,863,762 | 32,590,171 |

The value of receivables established as guaranties is 190,603,039 lei.

16. CASH AND CASH EQUIVALENTS

| Description | 31-12-21 | 31-12-20 |
|---------------------------|------------------|------------------|
| Available in the bank | 2,101,648 | 6,312,210 |
| Cash and cash equivalents | 9,729 | 17,238 |
| Total | 2,111,377 | 6,329,458 |

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
for the year ended on December 31, 2021
(all the amounts are expressed in LEI, if not mentioned otherwise)

17. TRADE AND OTHER LIABILITIES

17.1 Trade and similar liabilities

| | Description | 31-12-21 | 31-12-20 |
|------|------------------------------|-------------------|-------------------|
| | Trade liabilities | 66,324,369 | 42,460,101 |
| | Suppliers of assets | 16,400,178 | 8,386,581 |
| 17.2 | Employee-related liabilities | 3,879,368 | 3,558,591 |
| | Other liabilities | 139,650 | 183,630 |
| | Interest to be paid | 248,216 | 260,760 |
| | Tax and social contributions | 4,268,104 | 3,841,872 |
| | Dividends | 3,774,337 | 5,673,403 |
| | Advance money for customers | 3,168,066 | 1,739,052 |
| | Total | 98,202,288 | 66,103,990 |

Short-term provisions

| Description | 31-12-21 | 31-12-20 |
|-----------------------|------------------|-------------------|
| Short-term provisions | 3,853,530 | 13,528,900 |
| Total | 3,853,530 | 13,528,900 |

18. AMOUNTS DUE TO CREDIT INSTITUTIONS

The amounts due to the credit institutions on 31.12.2021 are shown in the table below:

| Amounts due to credit institutions | Value at 31.12.2021 |
|---|---------------------|
| Amounts due in the short term | 87,163,549 LEI |
| Amounts due in the long term (including interest) | 57,617,153 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 | 16.08.2022 |
| Balance on December 31, 2021 | 47,370,807.68 LEI |
| Warranties | Mortgage contract for buildings, land/ Receivable assignment contract |

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

for the year ended on December 31, 2021
(all the amounts are expressed in LEI, if not mentioned otherwise)

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

| | |
|-------------------------------------|---|
| Objective | Investment credit |
| Amount | 15,406,300 EUR |
| Maturity | 02.05.2028 |
| Balance on December 31, 2021 | 13,794,013.54 EUR (68,254,158.40 LEI) |
| Warranties | Mortgage contract for buildings, land/ Receivable assignment contract |

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

| | |
|-------------------------------------|--|
| Objective | Credit line - working capital |
| Amount | 6,500,000 EUR |
| Maturity | 22.05.2022 |
| Balance on December 31, 2021 | 29,061,697.74 LEI (5,873,304.45 EUR) |
| Warranties | Receivable assignment contract |

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 in the short term | 95,568,514 LEI |
| Amounts due in the long term (including interest) | 65,444,478 LEI |

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

| | |
|-------------------------------------|---|
| Objective | Credit line - working capital |
| Amount | 55,000,000 LEI |
| Maturity | 16.08.2021 |
| Balance on december 31, 2020 | 52,730,807.68 LEI |
| Warranties | Mortgage contract for buildings, land /Receivable assignment contract |

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

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

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

for the year ended on December 31, 2021

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

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

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

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. SUBSIDIES FOR INVESTMENTS

The subsidies for investments have the following structure:

| Subsidies for investments | 31-12-21 | 31-12-20 |
|--|------------------|------------------|
| Wastewater treatment plant | 1.902.542 | 2.061.443 |
| Research project-UMF Iasi | 24.503 | 24.503 |
| Other grants from European funds | 423.551 | 519.489 |
| Other grants from state budget funds | 84.353 | 101.283 |
| Other amounts received in the form of grants | 31.642 | 66.162 |
| Total | 2.466.591 | 2.772.880 |

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

20. LIABILITIES FROM CURRENT TAXES AND FEES

| Description | 31-12-21 | 31-12-20 |
|---|-----------------|-----------------|
| Liabilities from current Taxes and fees | 9,611,682 | 11,189,134 |
| Deferred tax | 31,483,086 | 31,119,874 |

21. SHARE CAPITAL

The subscribed share capital of the company on December 31, 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.

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

for the year ended on December 31, 2021

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

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.

22. RESERVES

Reserves include the following components:

| Description | 31-12-21 | 31-12-20 |
|---|--------------------|--------------------|
| Reserves from revaluation of fixed assets | 135,893,766 | 139,000,941 |
| Legal reserves | 13,426,761 | 13,426,761 |
| Deferred income tax recognized on equity | (21,743,000) | (22,364,415) |
| Other reserves | 233,852,036 | 216,684,049 |
| Reserves from current profit | 25,302,090 | 14,452,190 |
| TOTAL | 386,731,653 | 361,199,526 |

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

| Rezerves | 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 can't be distributed and can't be used to increase the share capital. |

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

for the year ended on December 31, 2021

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

| | |
|----------------|---|
| Legal reserves | According to Law 31/1990, at least 5% of the profit is taken each year for the formation of the reserve fund until it reaches at least a fifth of the share capital. |
| Other reserves | Other reserves include reserves that represent tax incentives that cannot be distributed because they have implications on the recalculation of the corporate tax. The difference represents reserves made up of profits. |

23. REPORTED RESULT

The reported result includes the following components:

| Description | 31-12-21 | 31-12-20 |
|--|----------------------------|----------------------------|
| Reported result - a surplus from revaluation reserves | 22,906,688 | 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 | 123,582,341 | 123,273,485 |
| The retained earnings from the adoption of IAS 29 for the first time | (197,701,352) | (197,701,352) |
| Total | <u>(51,212,323)</u> | <u>(60,698,493)</u> |

24. DISTRIBUTION OF PROFIT

On December 31, 2021, S.C.Antibiotice S.A registered a net profit in amount of 29,939,404 lei, proposed for distribution as follows:

| Description | 31-12-21 | 31-12-20 |
|----------------|--------------------------|--------------------------|
| Dividends | 2,147,001 | 2,219,652 |
| Other reserves | 27,792,403 | 24,168,397 |
| Total | <u>29,939,404</u> | <u>26,388,049</u> |

The amount of 27,792,403 lei, representing other reserves given by the law, is composed of:

- Fiscal facilities for the profit invested in technological equipment, electronic computers and peripheral equipment, cash registers, control and billing machines, as well as in software programs produced and/or purchased according to Art. 22 of the Fiscal Code in the amount of 25,302,090 lei;
 - Fiscal facilities for research and development activities according to Art. 20 of the Fiscal Code in the amount of 2,490,313 lei;
- The total dividends are in amount of 2,147,001 lei.

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

for the year ended on December 31, 2021

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

The gross dividend per share related to financial year 2021 was established at 0.0031980923 lei and it represents a rate of distribution of 7,2% from the net profit of the financial year 2021.

25. PRESENTATION OF AFFILIATED PARTIES

25.1 - The nature of the relations with the affiliated parties

For the purpose of presentation in the financial statements in accordance with the provisions of IAS 24, the company monitors the relations with the affiliated entities. During 2021, shareholder S.I.F. Oltenia acquired shares of the company, increasing the share held in the share capital of Antibiotice SA from 19.0465% to 26.4081% thus becoming an entity associated with significant influence.

25.2 - Amounts owed and receivable from affiliated parties

At the end of the financial years 2020 and 2021, the company had no receivables or payables from the associate entity.

25.3 - Information on transactions with affiliated parties

During the financial years 2020 and 2021, the company did not carry out commercial transactions with the associated entity.

The transactions with the key management personnel within the company were presented in Note 7 "Employee benefits expenses".

26. CONTINGENT LIABILITIES

SC Antibiotice SA does not have contingent liabilities on December 31, 2021.

27. ELEMENTS FOLLOWING THE REPORTING PERIOD

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

28. INFORMATION ABOUT THE AUDIT OF FINANCIAL STATEMENTS

The financial audit for the financial year 2021 was carried out by SC SOCECC SRL. The auditor provided only financial audit services.

Accounting, Expertise & Accounting Consultancy Company
SOCECC Ltd.

INDEPENDENT AUDITOR'S REPORT
on
the INDIVIDUAL FINANCIAL STATEMENTS
drawn up by ANTIBIOTICE S.A.
for the FISCAL YEAR ended on
DECEMBER 31, 2021

*Emblem of
the company*

Accounting, Expertise & Accounting Consultancy Company - SOCECC Ltd.
No. in the Trade Register: J40/23240/1994; CIF: RO6636954
Registered office: Bucharest, 90 -96 Mihai Bravu St. Entrance C, Flat 114, Sector 2
Commercial office: Bucharest, 140 Calea Șerban Vodă, the 3rd floor, Sector 4
Phone : 021.315.54.64; Fax: 021.315.54.65
e-mail: office@socecc.ro ; www.socecc.ro

INDEPENDENT AUDITOR'S REPORT TO THE ANTIBIOTICE SHAREHOLDERS

Report on the audit of Financial Statements

Our opinion

We audited the attached individual financial statements of ANTIBIOTICE S.A. ("The Company") with its registered office in Iași, 1 Valea Lupului St., tax identification number RO1973096, comprising the financial position statement as of December 31, 2021, statement of comprehensive income, statement of changes in equity and cash flow statement for the financial year ended on the above-mentioned date as well as a summary of the significant accounting policies and other explanatory notes.

The individual financial statements as of December 31, 2021 are identified as follows:

- | | |
|---------------------------------|-----------------|
| • Net assets/ total equity: | 604,991,800 LEI |
| • Net profit of the fiscal year | 29,939,404 LEI |

In our opinion, the attached individual financial statements give a true and fair view, in all significant aspects, of the financial position of Antibiotice company on December 31, 2021, as well as of the financial performance and cash flows for the fiscal year ended on the above-mentioned date in accordance with the Order of the Minister of Public Finance (OMPF) no. 2844/2016 for approving the accounting regulations compliant with the International Financial Reporting Standards adopted by the European Union ("IFRS-UE").

We conducted our audit in accordance with the International Standards on Auditing (ISAs), Regulation (EU) no. 537 of the European Parliament and of the Council ("The Regulation") and Law no. 162/2017. Our responsibilities are described in detail in the section *Auditor's responsibilities in an audit of financial statements* in our report. We are independent of the Company, in accordance with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (the IESBA code), according to the relevant ethical requirements for the audit of financial statements in Romania, including the Regulation and Law no. 162/2017 and we fulfilled our ethical responsibilities according to these requirements and to the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Key issues

Key audit issues are those issues that, based on our professional judgement, had the greatest importance for auditing the financial statements of the current period. The following key issue was approached in the context of the audit of the financial statements as a whole and in forming our opinion on them and we do not offer a separate opinion on this key issue.

Key issue – Value of trade receivables

Presentation value of trade receivables according to IFRS depends significantly on the calculation and estimation process of the trade discounts as well as on the process of estimating their recoverability. The company presented in the financial statements in the explanatory note no. 4 – "Sales Income" the value of the granted trade discounts and, in the explanatory note no. 15 – "Trade and other receivables" the company presented the trade receivables in net value of 270 million LEI, adjusted with the estimated depreciation.

During our mission, we conducted the following audit procedures that included, but were not limited to these:

- We assessed the compliance of the policies for recognizing the income and trade receivables;
- We conducted analytical review procedures and detail tests for verifying the amount of granted discounts, including through extending the verifications on the discounts granted in the next fiscal year related to the sales in the audited fiscal year;
- We conducted procedures for direct confirmation of trade receivable balances;
- We evaluated the internal procedures and methods used by the management team for estimating the probable amount to be collected;
- We verified the consistency of applying the accounting policies related to the adjustment of trade receivables.

Other information – Management Report

The administrators are responsible for drafting and submitting other information. This other information includes the Management Report and Remuneration Report but it does not include the financial statements and auditor's report related to these statements. The Management team is responsible for this other information.

Our audit opinion on the financial statements does not cover other information and we do not express any form of assurance conclusion on them.

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In connection with our audit on the financial statements, our responsibility is to read this other information and, in this approach, to evaluate whether this information is significantly inconsistent with the financial statements or with the knowledge we gained from the audit or if it appears to include significant errors. If, based on the performed activity, we come to the conclusion that there are significant errors in this information, we must report this. We have nothing to report on this matter.

Additionally, in accordance with the provisions of OMPF no. 2844/2016, we read the Management Report and Remuneration Report and report the following:

- In the Management Report we did not identify information that is not consistent in all significant aspects with the information presented in the financial statements as of December 31, 2021;
- The above-identified Management Report includes, in all the significant aspects, the information requested by OMPF no. 2844/2016 to the para 15-19 of the Annex no. 1;
- The Management Report does not include the non-financial declaration specified to the paragraphs 39-42 from OMPF no. 2844/2016 which will be subsequently presented in a separate report;
- Based on our knowledge and our understanding gained during the audit of the financial statements drafted on December 31, 2021 about the Company and its environment, we did not identify significant erroneous information presented in the Management Report;
- The Remuneration Report, identified above, includes, in all material respects, the information required by Article 107 para. (1) and (2) of Law 24/2017 (republished) on issuers of financial instruments and market operations.

Responsibility of the management team and other persons responsible for the governance related to the financial statements

The Management team is responsible for drafting and fair presentation of these financial statements in accordance with OMPF no. 2844/2016 and for the internal control which is considered relevant by the management for elaborating the financial statements without significant misstatements due to fraud or error.

When drafting the financial statements, the management is responsible for assessing the company's ability to continue its activity, presenting, if needed, the aspects related to continuation of the activity and using the accounting based on the going concern principle unless the management plans to either liquidate the company or stop the operations or has no realistic alternative except for these.

The persons responsible for administering the company are also responsible for supervising the financial reporting process.

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Auditor's responsibility

Our objectives are to obtain reasonable assurance that the financial statements as a whole do not include material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. The reasonable assurance represents a high level of assurance but it is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement, if it exists. Misstatements can arise from either fraud or error and are considered material if they reasonably can be expected, individually or cumulatively, to influence the users' economic decisions based on these financial statements.

As part of an audit in accordance with the ISA standards, we exercise our professional judgement and maintain our professional skepticism during the audit. Moreover:

- We identify and evaluate the risks of material misstatements in the financial statements caused either by fraud or by error, establish and perform audit procedures to respond to these risks and we get enough and appropriate audit evidence to form a basis for our opinion. The risk of not detecting a material misstatement caused by fraud is greater than the risk of not detecting a material misstatement caused by error, as fraud may include complicity, forgery, intentional omissions, false statements, or avoidance of internal control.
- We consider the internal control as relevant to the audit to establish the audit procedures appropriate in the given circumstances, but not to express an opinion on the effectiveness of the Company's internal control.
- We assess the appropriateness of the used accounting policies and reasonableness of accounting estimates and of the related information presented by the management team.
- We formulate a conclusion on the appropriateness of using the going-concern principle by the company and determine, based on the obtained audit evidence whether there is a significant uncertainty related to events or conditions that could raise significant doubts about the Company's ability to continue its activity. If we conclude that there is a significant uncertainty, we need to draw attention in the audit report on the related presentations from the financial statements or, if these presentations are inappropriate, we must change our opinion. Our conclusions are based on the audit evidence obtained by the date of our audit report. However, future events or conditions may determine the Company not to continue operating on the going-concern principle.
- We evaluate the presentation, structure and overall content of the financial statements, including the information submissions and the extent to which the financial statements reflect the transactions and basic events in a manner that lead to the accurate presentation.

We communicate to those responsible for the administration, among other things, the planned objectives and timing of the audit, as well as the significant audit findings, including any significant internal control deficiencies that we identify during our audit.

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Report on other legal and regulatory requirements

We were appointed by the General Meeting of Shareholders held on April 9, 2020 to audit the financial statements of ANTIBIOTICE S.A. Iași for the fiscal years 2020 - 2022. The uninterrupted total duration of our commitment is 5 years, covering the financial exercises 2017-2021.

We confirm that:

- Our audit opinion is in accordance with the additional report submitted to the Audit Committee of the Company which we issued on the same date to which we issued this report. Also, in conducting our audit, we remained independent of the audited entity.
- We did not provide for the company the non-audit services that are prohibited according to the article 5, para. (1) from the Regulation (EU) no. 537/2014.

In the name of,

Accounting, Expertise & Accounting Consultancy Company - SOCECC Ltd.
headquartered in Bucharest, registered in the Electronic Public Register with the no. FA227
through Zegrea Laurențiu, registered in the Electronic Public Register with the no. AF2666

Bucharest, March 15, 2022

Report date: **27.04.2022**

Name of issuing company: **Antibiotice SA**

Headquarters: Iași, 1 Valea Lupului St., postal code 707410, <http://www.antibiotice.ro>

E-mail: relatiicuinvestitorii@antibiotice.ro

Telephone/fax no. **0232.209.000 / 0232.209.633**

Unique registration code in the Trade Register Office: **RO1973096**

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

Subscribed and paid-up capital: **67.133.804 lei**

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

Notice of availability - 2021 Annual Report

Antibiotice Iași informs the investors that the **Report at 31.12.2021**, is available through the *Bucharest Stock Exchange Financial Surveillance Authority* as well as through its website: www.antibiotice.ro (Investors/Financial Information /Annual Report 2021).

We mention the fact that the above-mentioned report can also be obtained from our company's headquarters (Investor Relations, fax no. 0372. 065.633, e-mail: relatiicuinvestitorii@antibiotice.ro).

General Director,
ec. *Ioan NANI*

Financial Director,
ec. *Paula-Luminița COMAN*