

2021 Preliminary Report and 2022-2024 forecasts

This report is based on unaudited financial information prepared in accordance with International Financial Reporting Standards.

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

It is currently the most important Romanian manufacturer of generic medicines, a national and international reference brand which has been continuing its mission of producing quality, safe and efficient medicines to give people the hope of a healthy life.

The majority shareholder of Antibiotice SA is the Ministry of Health which owns 53.0173% of the subscribed and paid-up capital. The shares issued by our company are traded on the Bucharest Stock Exchange, Premium Category.

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.

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

Non-Rx medicines are grouped into 6 portfolio concepts:

- **Women's health** groups the products from the company's portfolio for the main diseases and physiological conditions specific to women, by all age categories;
- **Quality Life** includes products for men of all ages, representing a segment of the public with a growing interest in disease prevention and in a better quality of life, in order to maintain optimal health;
- **Family health** includes products addressed to the whole family, on different age segments: children, adolescents, adults, elderly.
- **Cold & Flu**, includes products for all symptoms specific to colds and flu as well as for all categories of target audience.
- **Nutriensa®** proves our company's concern for the well-being and health of its public. Moreover, the SARS-CoV 2 pandemic has changed the people's lifestyle, determining them to adopt a preventive attitude, so that the consumption of immune supplements based on vitamins, minerals, plant extracts has increased significantly.
- **Derm A+**, includes topical products (ointments, creams, gels).

In 2021, Antibiotice adapted its strategy to the new market conditions in order to

ensure the continuity of its business, as follows:

A. Development of the international business component

The international trade strategy has benefited from the two strategic positions for which Antibiotice is recognized worldwide: Nystatin and antiinfectives in 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 UK, the US, Hungary, the Baltic countries.

In 2021, in the foreign market, Antibiotice SA:

- tripled the quantities exported in the US for a number of 6 sterile products for injection;
- doubled the sale of the most representative product in the portfolio (Amoxicillin/Clavulanate) in the UK market and the quantities delivered in Lithuania and Latvia.

Evolution of pharmaceutical market in Romania¹

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.

¹ According to the data source CEGEDIM Sell Out Romania, December 2021

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.

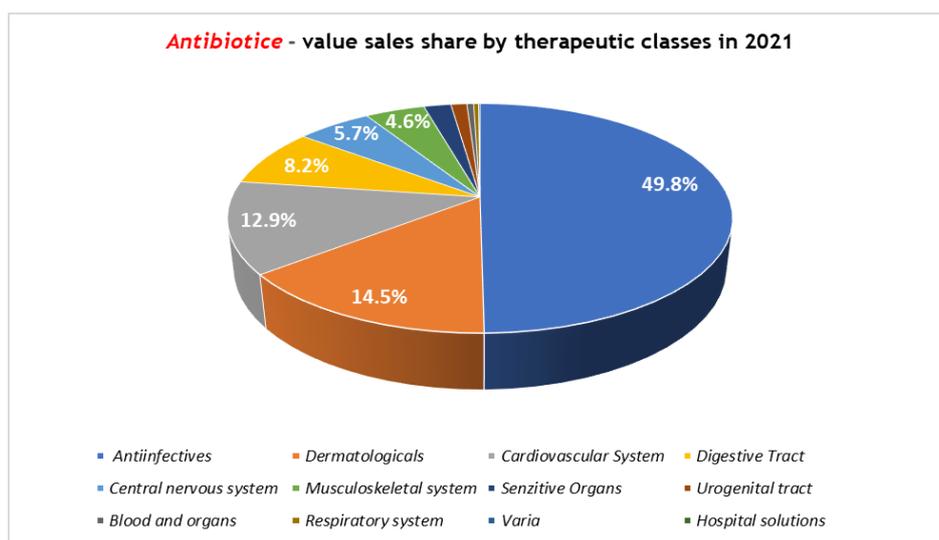
As regards the non-prescription medicines (OTCs), they represented in 2021, 51.7% of the total value sales and 45.3% of total drug consumption (reported as number of boxes). The OTCs recorded a 24.3% value increase (from 1.19 billion LEI in 2020 to 1.48 billion LEI in 2021) and a 5.6% increase in consumption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

A. Antibiotic in the Romanian pharmaceutical market²

In 2021, in the domestic market, Antibiotice SA:

- ranked first in the relevant market, with a 13.6% value market share;
- was a 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 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 to allow in order to make all the deliveries in the shortest time.

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

² Conform sursei de date CEGEDIM Sell Out Romania decembrie 2021

The main **financial indicators** had a favorable evolution, **gross profit** on 31.12.2021 amounting to 30.3 million LEI, at the level planned in the Income & Expenditure Budget and by 7% higher compared to the value recorded in 2020.

At the reference date of current report, our company recorded **total income** in value of 388.93 million LEI and **total expenses** in value of 358.62 million LEI.

1. Statement of Comprehensive Result

INDICATORS	31.12.2020	BVC 2021	31.12.2021	31.12.2021/ IEB 2021	31.12.2021 /31.12.2020
1	2	3	4	5=4/2	6=4/3
Sales revenue	340.424.276	366.006.000	366.209.065	1,00	1,08
Other operating revenues	36.062.333	31.536.000	37.378.976	1,19	1,04
Stock variation	23.676.949	10.204.000	711.939	0,07	0,03
Income from the production of fixed assets	6.351.872	8.179.000	10.547.830	1,29	1,66
Expenditures on raw materials and consumables	131.864.599	141.861.000	147.681.728	1,04	1,12
Staff costs	111.822.960	116.361.764	114.906.311	0,99	1,03
Depreciation and amortization expenses	21.794.224	23.739.000	24.124.432	1,02	1,11
Other operating expenses	107.332.654	99.961.236	94.100.711	0,94	0,88
Operating Profit	33.700.993	34.002.000	34.034.628	1,00	1,01
Net financial income	-5.371.536	-3.742.000	-3.732.012	1,00	0,69
Profit before tax	28.329.456	30.260.000	30.302.616	1,00	1,07
Income tax expense	1.941.407	2.200.000	363.212	0,17	0,19
Profit	26.388.049	28.060.000	29.939.404	1,07	1,13

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

- **revenues from the sale of products in the domestic and international market** were worth 366.2 million LEI, by 8% higher compared to the value recorded in the previous year;
- **other operating revenue** in value of 37.38 million LEI, by 19% higher than the value planned in the Income & Expenditure Budget and by 4% higher compared to the value recorded on 31.12.2020;
- **income from the activity performed by the entity and capitalized** in value of 10.55 million LEI exceeded by 66% the value recorded on 31.12.2020 and by 29% the value budgeted for 2021.
- **expenditures on raw materials and consumables** recorded the value of 147.68 million LEI, by 12% higher than the value recorded in the similar period of 2020, the overrun being determined by the increase of the expenses with the goods correlated with the higher value of the income. In 2021, in the context of the SARS CoV 2 virus pandemic, 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 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;

- **other operating expenses** were by 6% lower compared to the value provided in the 2021 Income & Expenditure Budget as a result of a rigorous operating cost management;
- 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, with a favorable impact on lowering bank interest rates. Operating loan amount on 31.12.2021 was 87.16 million LEI (of which the current operating credit was 76.4 million LEI while 10.76 million LEI represented the rates of the loan for financing the investments with a maturity of up to 12 months).

2. Statement of Financial Position

INDICATORS	31.12.2020	31.12.2021	31.12.2021 /31.12.2020
ASSETS			
FIXED ASSETS			
Tangible fixed assets	467,880,779	480,544,567	1.03
Intangible fixed assets	19,709,606	29,839,764	1.51
TOTAL FIXED ASSETS	487,590,385	510,384,331	1.05
CURRENT ASSETS			
Stocks	108,691,209	106,017,774	0.98
Trade and other receivables	260,388,767	276,874,946	1.06
Financial assets held for sale	0	0	
Cash and cash equivalents	6,329,458	2,111,377	0.33
TOTAL CURRENT ASSETS	375,409,434	385,004,097	1.03
TOTAL ASSETS	862,999,818	895,388,428	1.04
LIABILITIES			
CURRENT LIABILITIES			
Trade and similar debts	66,103,990	98,201,037	1.49
Amounts owed to credit institutions	95,568,514	87,163,549	0.91
Debts from current taxes and fees	11,189,134	9,611,682	0.86
Short-term provisions	13,528,900	3,853,530	0.28
Investment grants	306,289	0	0.00
TOTAL CURRENT LIABILITIES	186,696,827	198,829,799	1.06
LONG-TERM LIABILITIES			
Investment grants	2,466,591	2,466,590	1.00
Deferred tax	31,119,874	31,483,086	1.01
Long-term provisions	0		
Amounts owed to credit institutions	65,444,478	57,617,153	0.88
TOTAL LONG-TERM LIABILITIES	99,030,943	91,566,829	0.92
TOTAL LIABILITIES	285,727,770	290,396,628	1.02
Share capital and reserves			
Share capital	264,835,156	264,835,156	1.00
Revaluation reserves	116,636,526	114,150,766	0.98
Legal reserves	13,426,761	13,426,761	1.00
Other reserves	231,136,239	233,852,036	1.01
Retained earnings	-60,698,493	-51,212,323	0.84
Distribution of profit	-14,452,190		
Current result	26,388,049	29,939,404	1.13
TOTAL EQUITY	577,272,048	604,991,800	1.05
TOTAL EQUITY AND LIABILITIES	862,999,818	895,388,428	1.04

Patrimonial assets

The value of **fixed assets** on 31.12.2021 recorded a 5% increase compared to the value recorded on 31.12.2020.

The value of **stocks** decreased by 2%, compared to the value recorded on 31.12.2020. The stocks are adapted to the manufacturing needs, taking into account the international situation of the increasing supply term from 90 days to 180 days.

Receivables amounted to 276,87 million LEI, a value higher by 6% compared to the value recorded on 31.12.2020 amid a 8% increase in sales revenue. On 31.12.2021 our company did not record overdue receivables.

Patrimonial liabilities

Current liabilities amounted to 198,83 million LEI on 31.12.2021, by 6% higher compared to the value recorded on 31.12. 2020. In their structure:

- short-term loans were worth 87.16 million LEI (current operating credit: 76.4 million LEI while 10.76 million LEI represented the rates of the loan for financing the investments with a maturity of up to 12 months), lower by 9% compared to the value recorded at the end of the previous financial year;
- trade payables were higher by 49%;
- debts representing current taxes and fees decreased by 14%.

Long-term debts decreased by 8%, 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.

On 31.12.2021, our company did not record outstanding obligations to the state budget.

3. Cash flow

The operations of receipts and payments from the operational activity generated a surplus in the amount 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 in the amount of 6.32 million LEI and dividend payments amounting to 2.1 million LEI were recorded.

The main **economic-financial indicators** on 31.12.2021 highlights a balanced and improved financial situation compared to the previous year.

Indicators	Calculation method	Reference value	31.12.2020	31.12.2021
Current liquidity	Current assets / Current liabilities	2	2	2
Level of indebtedness	Borrowed capital / Equity * 100	<50%	28%	24%
Turnover speed for client debit items	Average customer balance / Sales revenue * 360	depends on the field of activity	273 days	240 days
Rotation speed of fixed assets	Revenue from sales / Fixed assets	depends on the field of activity	0.70	0.72
Financial autonomy rate	Equity / Total liabilities	>1	2.0	2.1
Return on equity (ROE)	Net profit / Equity		4.57%	4.95%
Return on assets (ROA)	Net profit / Total assets		3.06%	3.34%

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, for the 2020 Sustainability Report.

2022-2024 Forecasts

The income and expenditure budget is a tool for forecasting and analyzing in the medium term the economic-financial activity, aiming to ensure the internal financial balance for the development of the activity in conditions of profitability, which is regulated by:

- the *Government Ordinance no. 26/2013* regarding the strengthening of the financial discipline at the level of some economic operators in which the state or the administrative-territorial units are sole or majority shareholders or hold directly or indirectly a majority participation, with the subsequent modifications and completions.

- the *Ordinance of the Public Finances Ministry no. 3818/2019 regarding the approval of the format and structure of the income and expenditure budget of the economic operators, as well as of the annexes substantiating it.*

The economic operators that have to meet the provisions of the Government Ordinance no. 26/2013 regarding the strengthening of the financial discipline at the level of some economic operators in which the state or the administrative-territorial units are sole or majority shareholders or hold directly or indirectly a majority participation, approved with additions by the Law no. 47/2014, with the subsequent amendments and

completions, have the obligation to prepare the income and expenditure budgets in the format provided in Annex no. 1 of the Ordinance of the Public Finances Ministry no. 3818/2019.

In the General Meeting of Shareholders of February 28, 2022, the Income and Expenditure Budget for 2022 was approved.

Ensuring the business continuity and increasing profitability as priority objectives were supported in the four stages of development of investments essential in the current existence of the eight new manufacturing flows, the research center and the clinical trials center, presented below.

Period	Total revenue (cumulative) mil LEI	Performance indicators			The main investment objectives
		Gross profit + claw back tax ³ (cumulative) mil LEI	Gross profit rate + claw-back tax (the average of the period)	Investment value (cumulative) mil LEI	
2005-2009	1,054	119.77	12%	64.25	<ul style="list-style-type: none"> - the modernization of the Parenterals Plant; - the implementation of quality certifications (GMP and FDA); - the modernization of the manufacturing flow of the Biosynthesis plant; - the environment protection; - the reduction of utility costs; - building its own Clinical Studies Center
2010-2014	1,570	209.1	14%	87.09	<ul style="list-style-type: none"> - the conducting of a research pilot for solid oral products; - the acquisitions of licenses for new products; - the modernization of the Tablets plant;
2015-2019	1,829	328.7	19%	213.47	<ul style="list-style-type: none"> - an intelligent system for monitoring energy consumption within the company; - the serialization of RX products; - the transport and storage infrastructure. - investments in the achievement of new Ointments and Suppositories Plant
2020-2024 (the period marked by the SARS-VOC-2 virus pandemic)	2,310	327	16%	244	<ul style="list-style-type: none"> - investments in the IT infrastructure (network + system); - the extension of the raw materials warehouse; - raw material warehouses for cephalosporins, penicillins and corticosteroids.

³ The claw-back tax is regulated by the Emergency Ordinance no. 77/2011 regarding the establishment of some contributions for the financing of some expenses in the field of healthcare

All these allow us to transform the activities in the period 2022-2024 aiming at streamlining the qualitative indicators.

In order to consolidate the business, a series of measures have been taken by our company level, leading to:

- increasing profitability by strategically adapting the human resources and product portfolio;
- reducing the degree of indebtedness;
- increasing the financing capacity, in order to ensure the financing of investments through the company's own resources (net profit, amortization, resources resulting from the application of fiscal facilities), European funds.

A. Total revenue

-thousand LEI-			
Indicators	2022	2023	2024
Total revenue of which:	448,605	511,459	581,490
-revenue from the production sold	321,020	366,386	415,952
-revenue from sale of goods	111,294	133,614	154,048
-revenue from the production of fixed assets	10,314	2,953	2,487
-financial revenue	4,113	6,506	6,503

The total revenues forecasted for the period 2022-2024 have an increasing trend based on:

- the increase of the average sales value of the products from the current portfolio;
- the diversification of the product portfolio by including new products, currently undergoing research within the company in the manufacturing process;
- the completion of in-licensing partnerships for the assimilation of new products in the portfolio (the estimated share of new products in the turnover is 6% in 2023 and 7% in 2024).

The total revenues are also supported by the company's own products manufactured on other production sites, presented in the table above in "revenue from the sale of goods".

B. Total expenses

-thousand LEI-			
Indicators	2022	2023	2024
Total expenses of which:	416.105	471.459	532.490
-expenditure on goods and services	235.392	276.327	328.824
-expenditures with taxes, fees and assimilated payments	32.639	36.060	37.140
-staff expenses*	120.034	124.472	128.089
-other operating expenses	20.235	24.600	24.937
-financial expenses	7.805	10.000	13.500

The total expenses estimated for the period 2022-2024 include the expenses with goods and services that were based on the prices of raw materials and utilities known for the year 2022, correlated with the manufacturing structure.

In the category of expenses with goods and services, the largest share is held by the expenditure on raw materials and consumables (48%), followed by the expenses on goods

(26%), expenses on services performed by third parties (16%) and the expenses on utilities (10%).

*The staff expenses include expenses related to taxes and fees and have been substantiated in accordance with the company's strategy for adapting human resources to the current situation, by developing and implementing motivational measures, employee retention and attracting new employees.

For the continuous professional training of the workforce, the foundations of the project "Academia a+" were laid. The project has the role of rethinking the training and development strategy, with addressability for both company employees, as well as for potential employees, having as main objective the carrying out of specific actions to identify, select and train within the company, the necessary resource to continue the activity.

The "Academia a+" has two components:

- The "Technical College a+" component is intended for people with secondary education and will include both internship programs for people who do not have the quality of employees, for the purpose of their internal qualification and future employment and also continuous professional training and education programs for our employees with secondary education, who have the opportunity to acquire new skills and qualifications for their professional development;
- The "Business School" involves training programs and development of skills and abilities for business management in the medium and long term, the development of leadership and strategic management skills dedicated mainly to team coordinators, managers and employees with higher education.

C. Gross profit and claw back tax

Indicators	-thousand LEI-		
	2022	2023	2024
Gross profit	32,500	40,000	49,000
Claw-back tax	28,000	31,000	32,000
Gross profit + claw back tax*	60,500	71,000	82,000

*For Antibiotice the claw-back tax is paid from the profit and its cumulative margin is 16%.

For the substantiated period, the gross profit growth is supported by increased sales in the international market and on a larger non-Rx product sales structure, grouped into 6 portfolio concepts: Women's Health, Quality Life, Family Health, Cold & Flu, Nutriensa®, Derm A+.

In support of the forecasts for the period 2022-2024, a series of objectives are set that will be constantly monitored and improvement measures will be taken (if necessary):

- increasing the average selling price of the products in the domestic market;
- attracting and assimilating new products in the portfolio with a higher profit margin;
- increasing the sales in the hospital segment;
- balancing the stock distribution structures to ensure the continuity of sales;
- development of strategic partnerships that maximize both the potential of the current portfolio (out-licensing sales and raw material acquisitions), as well as the future portfolio (in-licensing).

General Director,
Ioan NANI, Economist

Financial Executive Director,
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