

MANAGEMENT REPORT

Semestrial Report according to IFRS

Report Date: August 16th, 2022

Name of the commercial company: ANTIBIOTICE S.A.

Head Office: Iasi, 1 Valea Lupului St.

Phone number: 0232/209000, Fax 0232/209633

Fiscal registration code: RO 1973096

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

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

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

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

First semester of 2022

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I Antibiotice - Romanian tradition and continuity

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

Currently, it is the most important producer of generic medicines, a reference brand in the Romanian industry and recognized internationally which continues its mission to manufacture quality, safe and effective products, to give people the hope of a healthy life.

Antibiotice has five manufacturing plants included in three divisions:

- a) Oral Solid Products Division includes the Capsules Plant and Tablets Plant;
- b) Topical Products Division includes the Ointments & Suppositories Plant;
- c) Sterile Products & APIs Division includes the Parenterals Plant and Biosynthesis Plant.

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

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

Nystatin, the active substance manufactured by Antibiotice, is the United States Pharmacopeia (USP) reference standard selected by the Food and Drug Administration (FDA). Our company obtained also the Certificate of Suitability with the European Pharmacopoeia (CEP) issued by the European Directorate for the Quality of Medicines & HealthCare (EDQM) for this active substance.

Three FDA-certified products - sterile powders for injection - are for the US market.

The processes in our company are carried out according to the Integrated Quality, Environment, Occupational Health and Safety Management System. This framework governs all processes, starting from research, development, supply, production, control, until the distribution of medicines to patients. Certified for the first time in 2007, the Integrated Quality, Environment, Occupational Health and Safety Management System was recertified in January 2020 after the audit conducted by TUV Rheinland Cert GmbH.

Antibiotice has a modern Research & Development Center, its activity contributing to the development of the product portfolio.

For conducting the phase I clinical studies and bioequivalence studies, Antibiotice established in 2006 its own Clinical Studies Center which is authorized by the National Agency for Medicines and Medical Devices to conduct clinical studies. This authorization is renewed every 3 years according to the legislation. The National Agency for Medicines and Medical Devices of Romania conducts inspections every two years in order to be assured that the Good Laboratory Practice (GLP) and Good Clinical Practice (GCP) requirements are met and issues the related compliance certificates.

Antibiotice's continuous development is determined by our experience in organizing nationally and internationally our business, in consolidating our collaborations by concluding contracts with more than 200 partners from all over the world. Our sustained activity in research-development and production allowed us to act promptly, honoring contractual relations even under the restrictive conditions of the pandemic.

II Antibiotice in the capital market

Antibiotice S.A. is a trading company where the majority shareholder is the Ministry of Health. Since 1997, its securities have been traded at the Bucharest Stock Exchange, ATB symbol, Premium category.

According to the extract from the Register of Shareholders, on 30.06.2022 the main shareholders are:

- Ministry of Health¹ - 53.0173%,
- S.I.F. Oltenia¹ - 26.5496%
- Other legal entities and natural persons - 20.4331%

The subscribed and paid-up capital is held as follows:

- Legal persons - 87.4188%
- Natural persons - 12.5812%

The first transaction of the ATB shares 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 while the historical minimum of 0.0650 lei/share was recorded on June 8, 2000.

The Antibiotice shares are included in the BET-Plus index (which includes the Romanian companies listed on the BVB market - with the exception of financial investment companies - which meet the minimum selection criteria).

On 30.06.2022 the average share price was 0.5393 lei/share, and the stock market capitalization was 358,495 thousand lei.

During the first semester of 2022, the maximum share price was 0.61 lei/share, a number of 7,156,504 shares being traded, with a total transaction value of 3,954,210 lei (799,301 EURO/877,036 USD), with an average price of 0.5393 lei/share.

Antibiotice shares - ATB / Piata Regular

| | 2018 | 2019 | 2020 | 2021 | Sem. I 2022 |
|---|-------------|-------------|-------------|-------------|-------------|
| Number of shares | 671,338,040 | 671,338,040 | 671,338,040 | 671,338,040 | 671,338,040 |
| Stock market capitalization (thousand LEI)* | 326,942 | 341,040 | 326,270 | 406,831 | 358,495 |
| Stock market capitalization (thousand EUR)* | 70,100 | 71,370 | 66,935 | 82,211 | 72,526 |
| Stock market capitalization (thousand USD)* | 80,259 | 79,873 | 82,163 | 93,022 | 76,267 |
| Total traded value (million LEI) | 9 | 15 | 14 | 44 | 4 |
| No. of traded shares | 17,109,263 | 30,364,292 | 27,085,005 | 80,534,368 | 7,156,504 |
| Opening price (LEI/share) | 0.5200 | 0.5780 | 0.5120 | 0.4940 | 0.4940 |
| Maximum price (LEI/share) | 0.5920 | 0.5780 | 0.5550 | 0.6080 | 0.6100 |
| Minimum price (LEI/share) | 0.5200 | 0.4550 | 0.4130 | 0.4800 | 0.4800 |
| Price at the end of the period (LEI/share) | 0.5380 | 0.4870 | 0.4860 | 0.6060 | 0.5340 |
| Average price (LEI/share) | 0.5585 | 0.5028 | 0.5079 | 0.5913 | 0.5393 |

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

¹ Significant shareholder

Investor relations

Our company has an Investor Relations Department specialized in establishing and maintaining the relationship with the existing and potential investors, whose the main roles are to implement and monitor the corporate governance standards in the company, keeping the shareholders and investors informed in accordance with the legal provisions, using a proactive communication focused on information needs of investors.

III Current activity

Our company development is based on a well-defined business plan for the next period of about 8 years, with strategic pillars and targets to reach, a tool for a continuous adaptation to the domestic and international market for an increased business profitability.

A major objective of the business plan is to develop a sustainable, complex and accessible product portfolio, able to respond to the therapies that comes to support the patients. Consequently, the adaptation of product portfolio through innovative operational research but also through license acquisitions are continuous activities in Antibiotice.

Achieving the objectives of this plan is based on the following strategic pillars:

Pillar 1: Strategic adaptation of human resources

Pillar 2: Strategic adaptation of product portfolio

Pillar 3: Business sustainability through the continuous improvement of the Integrated Management System (quality, environment, occupational health and safety)

Pillar 4: Performance management

Pillar 5: Improvement of the Corporate Governance System

III.1. Strategic adaptation of the human resources

a) Implementing the modern human resources management

The actions conducted in the first semester of 2022 aimed at:

- analyzing and redefining the organizational structures in our company, adapting them to the modern human resources principles in line with the business;
- harmonizing the wage systems in the company according to the nature of the jobs and modernizing the motivational systems in line with the current pharmaceutical market;
- adapting motivational packages in order to attract and retain employees;
- the management of employees' careers and succession plans;
- running training programs for developing our employees' skills;
- implementing the Charisma software;
- continuing the process for launching the Academy a+, which includes two components: Technical College a+ and Business School intended for attracting and continuous training of employees for acquiring skills specific to the company's line of business.

The impact of the actions taken is quantified by the following indicators:

- the average number of hours of continuing professional training per employee - for the first semester of 2022, a number of 16 hours of training per employee was planned and we achieved 19.85 hours per employee;

- staff retention rate - a level of 90% was estimated and a retention rate of 98% was achieved.

b) Modernizing the organizational culture

The actions carried out in the first semester of 2022 were focused on implementing the Organizational Culture Consolidation Plan resulting from the organizational climate study conducted in 2021.

III.2. Strategic adaptation of the product portfolio

Development of Antibiotic in the domestic and international markets is supported by a sustainable portfolio enriched with new products developed by our research-development specialists, as well as with new products assimilated through in-licensing, in accordance with the current therapeutic trends.

Antibiotic product portfolio includes medicines for human use from 12 therapeutic areas, medicines for veterinary use, the active substance Nystatin, biocides.

The portfolio includes both prescription and over-the-counter products.

Prescription products are mainly grouped by ATC1 therapeutic classes and are intended for pathologies with increased incidence and treatment of chronic conditions.

Non-prescription products are grouped into portfolio concepts, for a more efficient communication to the target audience. The concepts include food supplements, medical devices, cosmetics, OTCs.

The *Women's health* concept includes the products from our company's portfolio intended for the main ailments and physiological conditions specific to women, for all age categories. From the current portfolio, the main products included in this concept are: the range of pessaries (Nystatin pessaries, Zifex Duo and Zifex complex), Mastoprofen gel and Fluxiv range (tablets and the tonic cream).

The *Family health* concept includes products for the whole family, by different age segments: child, teenager, adult, elderly. The following non-prescription products from the current portfolio (over-the counter medicines (OTCs) and medical devices): are included here: Saliform, Clafen, Aceclofen, Spaverin, Glycerin suppositories. This concept includes also food supplements especially based on plant extracts for preventing certain diseases, as well as for supporting the health of certain systems: the health of bones and joints (Sprinten tablets), physical and mental balance (Soriso tablets), optimal intestinal transit (Lejer capsules).

The *Nutriensa®* concept is the natural extension of the company's concern for the well-being and health of its public. Food supplements based on macronutrients and micronutrients are brought together under this concept, essential elements for the production of energy needed to carry out daily activities, as well as the performance of

specific functions of our body to ensure a state of well-being. The products are grouped by target audience categories: children, young people, mature people, seniors, performing essential functions for supporting their health.

The *Cold & Flu* concept includes non-prescription medicinal products intended for preventing and treating the cold and flu symptoms. This concept aims to address all target audience categories. The main products from our current portfolio that fall under this concept are Ibufen 400 mg coated tablets, Bromhexin Atb 8 mg tablets, Paracetamol tablets and suppositories.

The *Derm A+* concept aims to maintain the leading status of Antibiotice on the topical products segment (ointments, creams, gels), by consolidating the non-prescription products segment (OTCs and dermatocosmetics). The main products from the current portfolio that fit into this concept are the Cutaden range, Tinero gel and Clotrimazol cream.

The *Quality Life* concept is addressed to men of all ages, who represent a segment of the public with a growing interest in preventing diseases and increasing the quality of life, with the aim of maintaining an optimal state of health. It is a concept in the initial stage, towards which we will focus in the future, not having any product in the portfolio at the moment.

The portfolio of the Sterile Products & APIs Division includes Nystatin (micronized, standard and compacted active substance), injectables and biocides.

The injectables portfolio has 37 products for human use, of which:

- 35 prescription-only products from the therapeutic class *Anti-infectives for systemic use* (19 products from the B-lactam penicillin class, 10 cephalosporins, 4 carbapenems, 2 other antibacterials);
- 2 non-prescription products - OTCs.

Since 2020, this Division has included in its portfolio the disinfectant solution for surfaces, A+ Oxy for the non-medical field, with 2 forms of presentation (1 L and 5 L).

The Topical Products Division has a portfolio comprising 52 products traded in 2022, of which 46 are products for human use, 2 are products for veterinary use and 4 biocides. As regards the prescription type for the products for human use, 24 of them are prescription-only medicines while 22 are non-prescription products. Both products for veterinary use are with medical prescription.

As regards the pharmaceutical form, the products for human use included in the Topical Products Division are classified as such:

- 34 products in the form of ointments, creams, gels covering 5 therapeutic classes:
 - dermatological conditions - 19 products;
 - muscular and osteoarticular disorders - 9 products;
 - vascular diseases - 3 products;
 - eye diseases - 2 products;
 - genito-urinary disorders - 1 product;
- 9 products in the form of suppositories from 4 therapeutic classes:
 - muscular and osteoarticular disorders - 3 products;
 - diseases of the digestive tract - 2 products;

- central nervous system - 3 products;
- vascular diseases - 1 product.
- 3 products in the form of pessaries, from the genitourinary system class.

This portfolio includes 2 medicines for veterinary use in the form of ointment (Asocilin and Mibazon), these being used in infectious pathologies.

The biocides portfolio of the Topical Products Division includes the hand sanitizer product Sanygel, with 4 forms of presentation: 200 mL, 500 mL, 1 L and 5 L. Sanygel has been traded from the third quarter of 2021 both in the medical and non-medical fields, being approved by the National Commission for Biocidal Products and tested in established European laboratories.

The Oral Solid Products Division has a portfolio comprising 67 products for human use traded in 2022.

As regards the prescription type, 50 of them are prescription-only medicines while the remaining 17 are non-prescription medicines (OTCs and food supplements).

The Antibiotic products from the Oral Solid Products Division are produced both on our own manufacturing flows, as well as on the flows of partner companies, including the following pharmaceutical forms:

- tablets (manufactured by 3 methods: direct compression, dry granulation and wet granulation) - 40 products;
- capsules (Antibiotic has three distinct flows: penicillins, cephalosporins and non-penicillins) - 26 products;
- oral powders in envelopes - 1 product.

As regards the therapeutic classes, the medicine portfolio of the Oral Solid Products Division includes:

- digestive tract - 5 products;
- blood and hematopoietic organs (antithrombotic) - 1 product;
- cardiovascular system - 14 products;
- anti-infectives for systemic use - 26 products, of which: 6 β -lactam penicillins, 5 cephalosporins, 2 tetracyclines, 4 - quinolones and macrolides and 9 products for the treatment of tuberculosis;
- systemic hormonal preparations - iodine therapy - 1 product;
- musculoskeletal system - 1 product;
- central nervous system - 7 products;
- respiratory system - 1 product.

The portfolio of this division includes also 11 food supplements promoted under the *Nutriensa* brand.

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

- strengthening the partnerships with health professionals through promotion actions;
- identifying new consumers for the products in the portfolio through screening programs;
- identifying the prescription habits and treatment practices of doctors through test programs;
- partnerships with the pharmacy chains for promoting in their catalogs our non-RX portfolio;

- accessing alternative promotion channels: online, TV, e-commerce - partner pharmacies for the non-Rx products.

Communication to the general public

- Offline communication - we developed two co-branding projects with Dona and Alphega pharmacies for promoting the food supplements from the *Nutriensa* brand: Equilibra and Silithor. The campaigns will continue in the second semester with the promotion of the SimbiFlora range, setting also new partnerships;
- integrated communication campaigns to the general public: TV and radio.

The products for which investments were made in campaigns to the general public:

- Silithor, food supplement - the promotion campaign “Silithor acts without half measures” was launched on national televisions;
- continuation of TV promotion campaigns for the Fluxiv range, tablets and cream with the promotion message “Fluxiv- boost your blood circulation”
- online communication channel: Social Media:
 - active Facebook and Instagram pages: Nutriensa, Cutaden, Tinero;
 - launching the Tik Tok channel - @coolonia.tinero ;
 - launching the Metaverse Nutriensa dedicated to health professionals within the National Practical Phytotherapy Conference.
- creation of product websites and product ranges for Nutriensa, Tinero, Cutaden
- special online communication projects:
 - promotion campaigns in communities and communication platforms on target audiences, websites: desprecopii.com and clubulbebelusilor.ro;
 - editorial project “ Everyday therapies” in online women's lifestyle magazines that contain information about a healthy lifestyle and the benefits of combining food supplements from the Nutriensa range in maintaining health.

Communication to health professionals by participating in national congresses and conferences organized by the main Romanian professional, academic and scientific societies and associations of medical specialties.

Developing the product portfolio by introducing new molecules

In the H1 2022, our company launched the SimbiFlora range which is part of the Nutriensa® food supplements portfolio and is represented by three products: two products for adults (SimbiFlora Complex and SimbiFlora Forte) and a product for children (SimbiFlora Kids).

In the first six months, our specialists analyzed a series of products that are part of the Oral Solid Products Division and Sterile Products & APIs Division which complement the portfolio concepts such as Women's Health, Family Healthcare, Quality Life - Men, Cold and Flu, Cardio - RX and Antiinfectives - RX.

Future portfolio development through our own research

The Research-Development Department develops new products and optimizes the products in the portfolio, supporting this way the internationalization process by meeting the requirements of the authorities in the countries where the products are to be registered. In 2020, our research specialists have been conducting 28 new product projects, 3 clinical studies for topical products and have been updating 12 products for the purpose of their internationalization.

As regards the production division, the 28 new product projects are distributed as follows:

- Sterile Products & APIs Division: 3 projects;
- Topical Products Division: 17 projects;
- Oral Solid Products Division: 8 projects.

The projects for internationalization by production division are distributed as follows:

- Sterile Products & APIs Division: 3 projects - sterile injectables and 2 projects for the active substance Nystatin;
- Topical Products Division: 7 projects

Our Research-Development Department conducted research activities for biofertilizers. In the reporting period, our specialists completed the research/characterization of a new product. The technological transfer to the industrial scale for the product developed in the laboratory was completed, and the product went into production.

Work is underway to evaluate proposals for new biofertilizers for other types of soils and crops.

Our objective of developing the product portfolio is met also by clinical studies. So, in 2022, we planned clinical studies for 3 products from the Topical Products Division portfolio. Important stages of these studies took place in the reporting period.

In the H1 2022, four new products obtained Marketing authorizations for the Romanian market and 8 authorization procedures for injectable antiinfectives and oral cardiovasculars have begun. Also, in accordance with the requirements of the European Union legislation regarding the marketing of food supplements, four food supplements were re-notified.

Our company obtained also Marketing Authorizations for three injectables and seven oral, solid products which are to be launched in the international market, in the Antibiotice territories. Antibiotice have also initiated 19 new authorization procedures in countries from Europe and Asia.

Developing our future portfolio through license purchases

In the first semester of 2022, we negotiated the commercial terms for 20 products which are to be launched in the market in the period 2023-2025. We signed the master agreements for 12 products while for another 8 products we signed commercial agreements

based on which the procedures for evaluating the documentation, manufacturing facilities will be initiated in order to register the products.

These products will enrich the following therapeutic classes: antiinfectives (9 products), cardiovasculars (5 products), products for the musculoskeletal system (2 products), respiratory system (2 products), digestive tract and metabolism (1 product), central nervous system (1 product).

III.3. Making our business more sustainable through the continuous improvement of the Integrated Management System (quality, environment, occupational health and safety)

Sustainable economic development and growth is the result of applying the integrated management standards.

Product quality

Ensuring the product quality is the main ethical and professional concern of our company's entire staff.

In the first semester of 2022, the National Agency for Medicines and Medical Devices of Romania and the National Veterinary Sanitary and Food Safety Authority extended the validity of GMP certificates for the flows which manufacture capsules, tablets, ointments, suppositories, sterile veterinary products (injectables and ointments), non-sterile veterinary products (ointments) and GLP certificate until the end of 2022.

Potential future foreign clients audited our facilities and our specialists audited the facilities of the suppliers of raw materials/primary packaging materials/finished products. All these audits were concluded without identifying critical non-conformities.

Environmental responsibility

In the processes carried out in our company, the management of environmental factors is pursued to prevent pollution and improve environmental performance, acting in order to comply with the requirements of environmental legislation.

In order to develop a sustainable environmental strategy, in accordance with the requirements of European Regulation 2020/852/18.06.2020 and to approach the climate change in the business risk assessment, our company concluded of a consulting contract that ensures the validation of the carbon footprint calculation method, the training of the staff with the requirements related to taxonomy and the best practices in monitoring climate risks.

Operations were initiated in the H1 2022 for installing an energy production capacity from renewable sources through developing a photovoltaic park with a positive impact in reducing the greenhouse gases.

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

In order to monitor the quality of the environmental factors, analyzes were carried out in our own laboratory and third parties' laboratories on the quality of the water entering the pre-treatment station and discharged into the municipal sewage system, of the conventionally clean water discharged into the natural emissary, as well as of the

underground water. So, the samples collected from the 13 observation boreholes, located around the company were analyzed. For the emissions/immissions of pollutants in the air, determinations were made by accredited third-party laboratories, according to the requirements of the Integrated Environmental Authorization.

Exceedings of the maximum allowed concentrations established by the Integrated Environmental Authorization and Water Management Authorization were not recorded.

Waste management

Antibiotice implemented a selective waste collection system. Each production site and auxiliary activity is equipped with appropriate collection containers.

Recyclable waste was recovered on the basis of a contract concluded with authorized economic operators, and non-recyclable waste was incinerated in our own incinerator or disposed of by storage at the municipal waste landfill or through authorized operators.

Occupational health and safety

In order to comply with the legislative provisions regarding the protection of employees' health, the planning documents for the specific activities were drawn up: Annual Prevention & Protection Plan, Annual Training Program in the field of occupational health and safety, annual program for the periodic medical examination, annual program for monitoring the exposure to noxes. These are ongoing plans, ensuring the accident prevention framework and periodic information of all employees on occupational health and safety, depending on the specifics of their activity.

Our Vaccination Center a+ (for SARS-Cov 2) carried out its activity until 25.02.2022, with a single vaccination flow (Pfizer vaccine).

Antibiotice, a friendly and responsible brand

In the first 6 months of 2022, Antibiotice ran corporate social responsibility programs, addressed both to the community and its own employees, focused on four strategic pillars: health, education, environment and social.

Health

- **"Donate blood! Put your soul to life!"**

Over 65 employees donated blood during the 21st edition of the "Donate blood! Put your soul for life!" campaign organized on April 13, 2022, by the "Antibiotice - Science and Soul" Foundation in partnership with the Iasi Regional Blood Transfusion Center (CRTS Iasi).

For more than 11 years, since Antibiotice has been running the "Donate blood! Put your soul for life!" campaign, the doctors from CRTS Iasi have access to a constant base of donors, including those with rare blood groups. The 30 liters of blood donated voluntarily by the Antibiotice employees, recurring or new donors, covered the blood shortage from the Iasi hospitals. The blood donation took place within the Clinical Studies Center a+, being carried out by the specialists of the mobile unit of CRTS Iasi, with the support of our company's medical staff.

- **Screening for our employees - almost 800 colleagues participated in the preventive tests!**

Two preventive actions took place between May 16-20, 2022, these being supported by our company's Medical Office and Medical Department. These actions have been carried out within the "Healthy living in a healthy company" program which facilitates projects aimed at supporting the health and well-being of our employees.

Education

- **"Science and Soul" Scholarships**

Our company, through its "Antibiotice - Science and Soul" Foundation, has been with the "Pro Ruralis" Association for 21 years, contributing every year with five scholarships for rural students. This way, Antibiotice has been contributing to the education of children with special abilities, but without material possibilities, supporting them to continue their studies at gymnasium and high school, and thus offering them the chance for professional achievement and personal development.

Environment

- **Earth Hour**

For 13 years in a row, Antibiotice symbolically has been turning off the lights within the Earth Hour campaign, the biggest environmental event of all times, to help reduce the effects of global warming.

Participation of our company in the Earth Hour campaign is part of the company's environmental program "Be Pro Nature! Put soul". This year, the company has publicly promoted this message urging the population to join the effort of turning off the lights and spending Earth Hour with their loved ones.

- **The Antibiotice volunteers planted 200 trees**

More than 50 Antibiotice employees voluntarily participated on April 8, 2022 in the planting of 200 trees as part of the third edition of the social responsibility project "Planting oxygen in the community". The planting action has come in the context of World Health Day, celebrated annually on April 7, a day that took place this year under the slogan "Our planet, our health". Our employees had the opportunity to spend a few hours in nature, on the Antibiotice site, planting oaks, lindens and maples - trees that, by "feeding" themselves with a large amount of CO₂, contribute to the reduction of carbon emissions.

- **Open Days at Antibiotice**

Antibiotice, under the slogan „a friendly and responsible brand“, opened its doors to visitors for several days for an event that is part of the company's sustainable development strategy. „Open Days“ was an event aimed at developing dialogue with members of neighboring communities and identifying projects that meet their needs. During the 4 sessions held, over 100 guests participated in interactive discussions with the company's specialists in the fields of quality assurance, production plants, control laboratories, environmental protection and visited the company's manufacturing site, as well as the new manufacturing site of topical products.

During the event, our company organized a visit of our former employees, currently retired, who had the opportunity to visit their former workplaces. The action ended with the visit of over 70 students from dual education and students who, in the future, could have the opportunity of a career in such an important field: healthcare.

Social matters

- **” Solidarity without borders”**

The conflict that broke out in the neighboring country determined the company and its employees to take measures to help those on the front line of the war, as well as those who were forced to leave their homes, fleeing the path of the war. This is how the "Solidarity without borders" campaign was born, through which medicines were sent to Ukraine (2 trucks with oral and injectable antibiotics, enough to treat 5,000 patients) and donations were collected from employees and distributed (money and goods) for refugees. These donations arrived at the Romanian Red Cross - Iasi Branch, to be distributed according to needs.

Also, some of our company's employees voluntarily set up a playground for Ukrainian children, refugees at "Casa Vietii" (House of Life), an association located in the community neighboring the company.

Another help came from the Antibiotice employees was directed to 63 refugees (52 orphaned children and 11 accompanying adults) hosted by the Bucium Social Services Center, based on the list of main needs sent by this center.

- **„Power of deed”, program of charitable actions for the Easter holidays**

In order for the Easter holidays to be an occasion of joy for our peers who are tested by fate, the Antibiotice - Science and Soul” Foundation helped 20 families from the city of Iasi and neighboring localities.

Traditional Easter preparations, basic foods, hygiene and cleaning products arrived on April 19, 2022, through the "Power of deed" program, to these families with limited material possibilities, who have between 8 and 12 children each. The action took place with the support of the Foundation's volunteers, Antibiotice employees, in partnership with the „Pro Vita” Department of the Metropolitanate of Moldavia and Bucovina.

- **More than 200 children celebrated Children's Day in the Friendship Park a+**

The traditional celebration organized by the company for over 15 years, on the occasion of Children's Day, took place this year in the Friendship Park a+. The children from the neighboring communities were also invited to the event, along with the children of our employees.

Theatre, music, dance, contests, modeled balloons, face painting, drawings on the asphalt along with sweet surprises were some of the ingredients of a successful event in which over 200 children enjoyed nature and learned together to value friendship.

III.4. Performance management

Business consolidation in the domestic market

Evolution of pharmaceutical market in Romania²

In the first semester of 2022, the value of medicines released for the patients from Romania amounted to 12.28 billion lei (distribution price), higher by 23.2% compared to the first 6

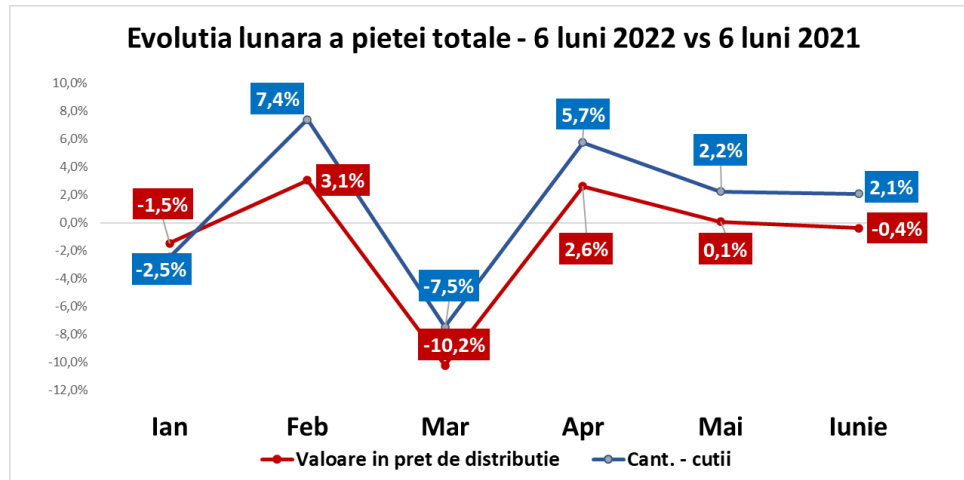
² According to the data source CEGEDIM Sell Out Romania, June 2022

months of 2021. Drug consumption increased by 11.4% in H1 2022, a number of 348.4 million boxes being released from pharmacies.

The Romanian pharmaceutical market was dominated of the prescription drugs (Rx) in the reporting period. These represented 73.2% from the total sales value and 60.9% from the total consumption of medicines (no. of boxes).

The prescription-only medicines (Rx) increased by 20.8% in value terms, from 7.44 billion lei in H1 2021 to 8.99 billion lei in H1 2022.

As regards the number of boxes of Rx products released from pharmacies, they increased by 8.8%, from 195.1 million boxes in H1 2021 to 212.2 million boxes in H1 2022.



Non-prescription medicines (OTCs) registered in the analyzed period a value increase by 30.5%, from 2,52 billion lei in H1 2021 to 3.29 billion lei in H1 2022. Regarding the number of boxes sold by pharmacies, there was an increase of 15.8%, from 117.6 million boxes in H1 2021 to 136.2 million boxes in H1 2022.

By market segment, the sales situation in the total market is presented as follows:

- **hospital** - the sales increased by 28.3%, from 1.41 billion lei in the first half of 2021 to 1.81 billion lei in the first half of 2022.

As regard the consumption, in the reporting period we recorded a 12.1% increase, from 11.5 to 12.9 million boxes.

- **national chains** - the sales increased by 15.3%, from 3.59 billion in the first half of 2021 to 4.14 billion lei in the first half of 2022.

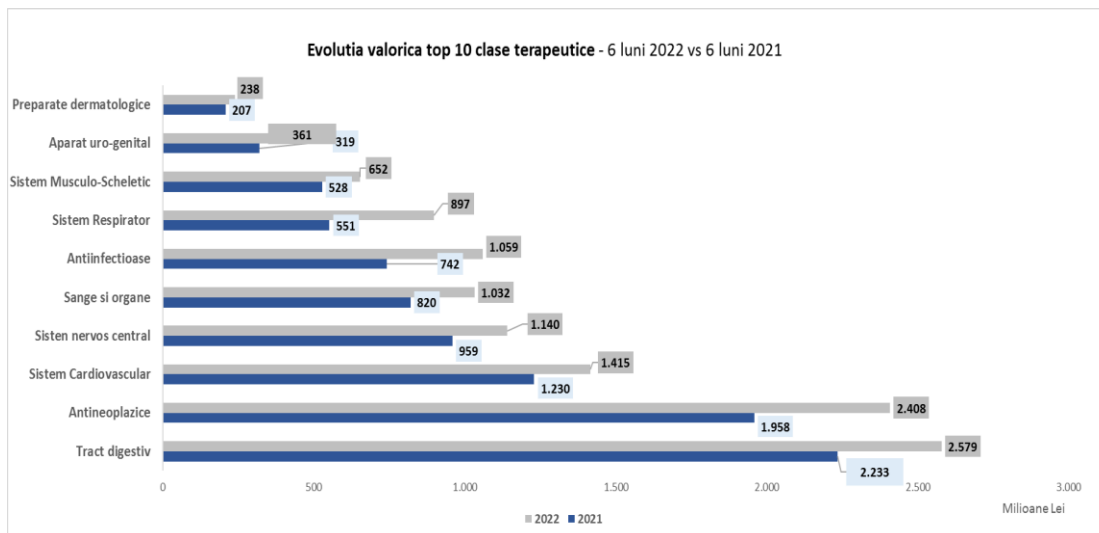
In terms of quantity, in the first 6 months of 2022, we recorded a 5.6% increase compared to the similar period of the previous year, from 125.8 to 132,9 million boxes.

- **independent pharmacies and pharmacy minichains** - the sales increased by 27,6%, from 4.96 in the first half of 2021 to 6.33 billion lei in the first half of 2022.

In terms of quantity, in the first 6 months of 2022, we recorded a 15.4% increase compared to the similar period of 2021, from 175.5 to 202.6 million boxes.

As regards the share in value sales in the period January - June 2022, the first therapeutic classes in the Romanian pharmaceutical market were: digestive tract, antineoplastics, cardiovascular system, central nervous system, blood and organs. These classes represent 70.04 from the total sales in the market.

Value evolution of top 10 therapeutic classes - H1 2022 vs H1 2021



Evolution of the pharmaceutical market relevant for Antibiotic

The relevant market of the products from the Antibiotic portfolio (the data refer exclusively to the sales of the products included in the 2022 plan) recorded in the first semester of 2022 a 20.1% increase (from 1.44 billion lei to 1.73 billion lei) compared to the same period of the previous year. Consumption increased by 7.1%, a number of 91.3 million boxes being sold by pharmacies in the H1 2022 compared to 85.2 million boxes in the similar period of last year.

Prescription-only medicines (Rx) represent 44.9% of the total sales value in the first 6 months of 2022 and 53.3% of the total drug consumption (number of boxes). These recorded in the reporting period a 15.4% increase in terms of value, from 673.6 million lei in the H1 2021 to 777.8 million lei in the H1 2022 and a 6.4% increase in terms of quantity, from 45.7 to 48.6 million boxes.

Non-prescription medicines (OTCs) represent 55.1% of the total value sales in the first 6 months of 2022 and 46.7% of the total drug consumption (number of boxes). Over-the-counter medicines recorded a 24.3% increase in terms of value (from 768.6 million lei in the H1 2021 to 955.1 million lei in the H1 2022) while the consumption grew by 8.1% (from 39.5 million boxes in the H1 2021 to 42.7 million boxes in the H1 2022).

As regards the market segments, the sales situation in the relevant market is presented as follows:

- **hospital** - the sales increased by 26%, from 67.6 million lei in the first semester of 2021 to 85.2 million lei in the first semester of 2022. In the reporting period, consumption increased by 9%, from 1.1 to 1.2 million boxes.
- **national chains** - the sales increased by 11.8%, from 597,6 million lei in the first six months of 2021 to 668,2 million lei in the first six months of 2022. In terms of quantity, in the H1 2022, a slight decline of - 0.1% was recorded compared to the similar period of the previous year, from 35.95 to 35.92 million boxes.
- **independent pharmacies and pharmacy minichains** - the sales increased by 26%, from 777.1 in the first semester of 2021 to 979.5 million lei in the first semester of 2022. In terms of quantity, in the reporting period, a 12.2% increase was recorded compared to the first 6 months of 2021, from 48.2 to 54.1 million boxes.

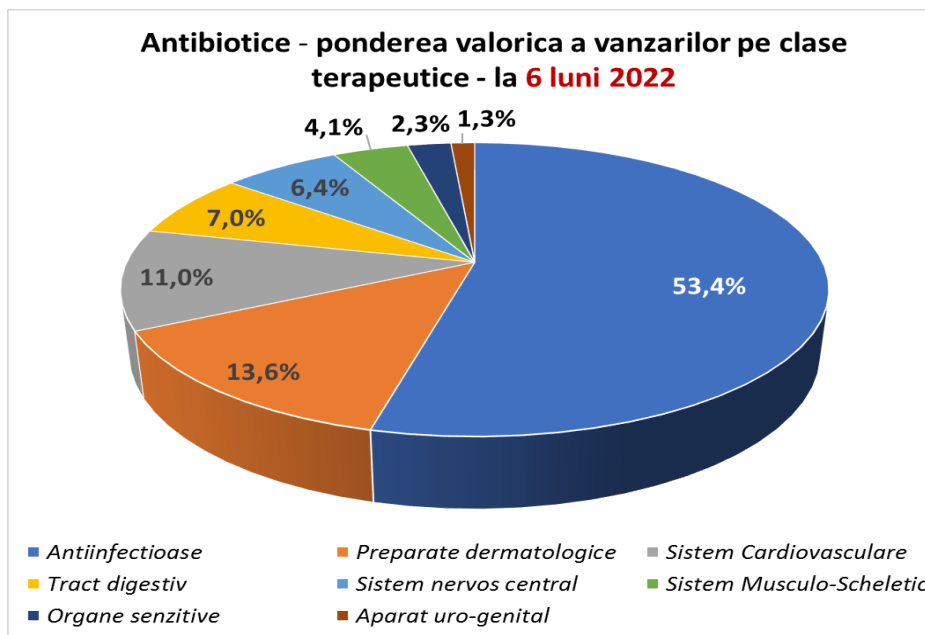
Antibiotic in the Romanian pharmaceutical market

In the first 6 months of 2022, in the domestic market, Antibiotice SA:

- ranks first in the relevant market, with a 12.3% value market share;
- is leader in terms of quantity (IU) in the total market for the following pharmaceutical forms: ointments (20.6%), suppositories and pessaries (35.2%) and powders for injection (62.7%);
- ranks 4th in consumption in the generics segment - prescription-only medicines and OTCs (with a 5.1% market share);
- is leader in the generics segment - prescription-only medicines and OTCs traded in hospitals, with a 14% market share.

Antibiotice consolidated its core business - anti-infectives for systemic use - developing also the therapeutic classes where it holds important positions in the domestic market: dermatological preparations, cardiovascular system and digestive tract.

Antibiotice - value share of sales by therapeutic classes - H1 2022



- | | | |
|--------------------|-------------------------------|--------------------------|
| - Antiinfectives | - Dermatological preparations | - Cardiovascular system |
| - Digestive tract | - Central nervous system | - Musculoskeletal system |
| - Sensitive organs | - Uro-genital system | |

Antibiotice SA kept in constant contact with the distributors, so that there would be no syncope in the supply of medicines to hospitals and pharmacies and to create optimal stocks that would allow orders to be fulfilled in the shortest possible time.

The value of sales in the market (sell-out) was 214.1 million lei in H1 2022, higher by 18.6% compared to the first semester of 2021. Compared to the planned value (206.4 million lei) for the reference period, the degree of achievement was 103.69%.

As regards the consumption, Antibiotice recorded a 6.4% increase, from 12.4 million boxes sold in the first semester of 2021 to 13.2 million boxes sold in the first semester of 2022.

The Antibiotice sales by market segments:

- **hospital** - the sales recorded a significant value increase of 31.6%, from 50.2 million lei in the H1 2021 to 66.1 million lei in the H1 2022. Consumption as number of boxes grew by 13.7% in the first semester of 2022 compared to the similar period of the previous year. The Sterile Products Division which holds a significant share in this segment, recorded an average price of 89.1 lei/box compared to the average planned price of 80.9 lei/box.
- **national chains** - the value sales increased by 6.3% in the first 6 months of 2022 compared to the same period of 2021 (from 50.7 million lei to 53.9 million lei). The number of boxes released from pharmacies increased by 4.3% (from 4.6 million boxes to 4.8 million boxes).
- **independent pharmacies and pharmacy minichains** - the value sales increased in the first 6 month of 2022 by 18.2% compared to the same period of the previous year (from 79.6 million lei to 94.1 million lei). The number of boxes released from pharmacies increased by 8.4% (from 7.1 million boxes in the first 6 months of 2021 to 7.7 million boxes in the first 6 months of 2022).

In the retail segment, the focus on brand development projects for non-RX products in the Nutriensa range generated the creation of an optimal structure, the average selling price being 45.7 lei/box compared to 45.5 lei/box, the planned average price.

Our company adapted its supply to the demand, fully covering the need for treatment with injectable antibiotics such as carbapenems, cephalosporins and penicillins, but also the need for Potassium Iodide requested by the Ministry of Health in the context of the war in Ukraine.

The sales of Antibiotic products from distribution (Sell In³) in the first half of 2022 were 206.9 million lei, higher by 22.7% compared to the same period last year (168.6 million lei). Consumption (number of boxes) grew by 14.6% in the first half of 2022 (14,01 million boxes compared to 12.2 million boxes in the H1 2021). The average price was 14.77 lei/ box in the H1 2022, higher by 7.0% compared to the first semester of the previous year (13.79 lei/ box).

By market segment, sales of Antibiotic products from distribution are presented as follows:

- **hospital** - in the first semester of 2022, Antibiotic recorded sales of 59,7 million lei, higher by 24.6% compared to the first semester of 2021 when the value of sales was 47.9 million lei. Consumption grew by 6.7% in the first half of 2022 compared to the same period of the previous year (from 627.2 thousands of boxes to 669.5 thousands of boxes).
- **national chains** - the sales grew by 19.4% in the H1 2022 compared to the similar period of 2021 (from 41.6 million lei to 49.7 million lei). The number of boxes released from pharmacies increased by 17.9% (from 3.9 to 4.6 million of boxes).
- **independent pharmacies and pharmacy minichains** - the sales value increased by 23.3% in the H1 2022 compared to the same period of the previous year (from 79.1 million lei to 97.5 million lei). Consumption grew by 14.4% (from 7.6 million boxes in the H1 2021 to 8.7 million boxes in the H1 2022).

Price - the strategic element for harmonizing the product with the relevant market

³ According to the data source Warehouse sales - June 2022

The product positioning strategy in the market is the starting point for the entire marketing mix, implicitly also for the product and price policy. Price policy is determined also by the company's global strategy in relation to the market, consumption trends and therapeutic trends. Application of strategies by market segments and promotion concepts led to an efficient utilization of the portfolio.

Average price of the pharmaceutical market in the H1 2022 was 35.24 lei/box, higher by 10% compared to the similar period of the previous year (31,85 lei/box).

For the relevant market, the average price in the H1 2022 was 18.98 lei/box, higher by 12.2% compared to the similar period of the previous year (16.92 lei/box).

Average price of the Antibiotice portfolio in the H1 2022 was 16.18 lei/box, higher by 11.1% compared to the similar period of the previous year (14.57 lei/box).

The average price in the total market, by market segment, in the H1 2022 was:

- **hospital:** 139.88 lei/box (higher by 14.4% compared to the first 6 months of 2021);
- **national chains:** 31.18 lei/box (higher by 9.2% compared to the first 6 months of 2021);
- **independent pharmacies and pharmacy minichains:** the average price was 31.23 lei/ box (higher by 10.4% compared to H1 2021).

The average price in the relevant market, by sales channels, in the H1 2022 was:

- **hospital:** 68.72 lei/box (higher by 8.7% compared to the first 6 months of 2021);
- **national chains:** 18.6 lei/ box (higher by 11.9% compared to the first 6 months of 2021);
- **independent pharmacies and pharmacy minichains:** 18.09 lei/box (higher by 12.3% compared to H1 2021).

As regards the Antibiotice portfolio, the average price, by sales channels, in the H1 2022 was:

- **hospital:** 87.99 lei/box, higher by 15,7% compared to the first 6 months of 2021 (76.05 lei/box);
- **national chains:** 11.35 lei/box (higher by 4% compared to the first semester of 2021 - 10.91 lei/box);
- **independent pharmacies and pharmacy minichains:** 12.17 lei/box, higher by 8.3% compared to the first semester of 2021 (11,24 lei/box).

The Antibiotice's financial results for the first half of 2022 indicated a turnover of 248.62 million lei, of which the turnover from domestic sales was 153,37 million lei while the international sales turnover amounted to 95.25 million lei.

The turnover was higher than the one achieved in the similar period of the previous year and the planned one, being the result of the company's strategy of consolidating its business in the domestic and foreign markets.

Internationalization of our business in the ATB territories and other territories

In the first 6 months of 2022, the export of medicines and active substances amounted to 95.3 million lei, higher by 39% compared to the same period last year (68.4 million lei). These results are part of the upward trend assumed by the company in the long term, through the 2022-2030 Strategic Organization and Development Program and which

consider: implementing a differentiation strategy of the princeps product: Nystatin, active substance in the markets of North America, South America, Europe and Asia; consolidating the sales of medicines in the current foreign territories by expanding the product portfolio, continuously adapting the pricing policy to the changes in the market and starting new projects in the country.

Export of Nystatin

As regards the export of Nystatin, the activity developed in the first half of 2022 was in line with the trend of the last three years, of consolidating its position in the world market, our active substance being sold in over 55 countries. In terms of value, the export of Nystatin amounted to 44.4 million lei, higher than the planned value (30.8 million lei) and than the value recorded in the H1 2021 (24.8 million lei), this product consolidating its position in the markets from North America, Latin America and Europe.

In the reference period, for the active substance Nystatin, the European Directorate for the Quality of Medicines (EDQM) issued a new revision to the CEP/CoS certificate (Certificate of Suitability with the European Pharmacopoeia), which recognizes the long-term stability (3 years) of the product at storage temperatures below 25 degrees Celsius (previously the temperature was between 2 and 8 degrees).

Export of finished products

In the first half of 2022, the export of finished products increased by 17% in terms of value compared to the first half of 2021, from 43.5 million lei to about 51 million lei.

International markets have returned to the pre-pandemic period, the population having access to the public health system, to hospitalization programs and surgery services.

In this context, the sales of Antibiotic medicines have returned to a trend of consolidation in the main current territories: the US, Canada, UK, Denmark, Holland, Serbia, Vietnam, Moldova, Azerbaijan and Iraq. The main products sold in these territories are the infectives - sterile powders for injection (90%) followed by cardiovasculars in form of tablets.

The United Kingdom is currently the third market for the Antibiotic products (after Romania and Vietnam) because our company won in November 2021 an important national tender organized by the National Health Service (NHS) for 6 products. In the first half of the current year, Antibiotic sent the first installment of products, strictly meeting the delivery terms requested by the above-mentioned authority.

In the last 5 years, we have become one of the main suppliers of sterile injectable penicillins in the US market and the last project launched in the 2020 has been ranking our company in the fifth place, with a market share of about 8%. This evolution is reflected also by the volume of vials exported to this market which doubled from one year to another.

In the last two years, the access of the population to the hospital has been restricted in Vietnam. In the long run, this leads to a lack of predictability of the Vietnamese pharmaceutical market, which generates delays in the launch of new products and blockages in current deliveries.

Between January - June 2022, our company started two new projects in Saudi Arabia and Ukraine. In Saudi Arabia, Antibiotic has been intending to register 12 products, of which 6 anti-infectives until 2025. This project has been targeting a 4 million USD turnover in 2025 and the first delivery (Ampiplus 1.5 g) was made in June 2022.

At the current moment, when the geopolitical context in Ukraine is far from being favorable for the business environment, together with the local team from the Kyiv Representative Office we made the first deliveries of medicines, especially antibiotics intended for hospital consumption. This way, our company managed to get actively involved in supporting the health system from Ukraine with the necessary medicines. Antibiotice proposes itself that, starting next year, through a careful monitoring of the risk factors, to expand the number of products sold, as well as the territorial presence.

Production activity

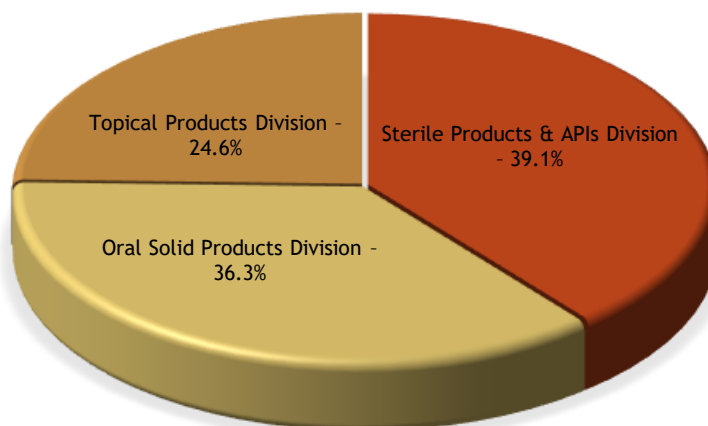
In the first half of 2022, our company produced 253.68 million pharmaceutical units in the form of tablets, capsules, parenteral preparations, topicals (ointments, creams, gels, suppositories, pessaries).

The total value of production in the reporting period was 324.24 million lei, by 48.3% higher compared to that of the same period of the previous year.

The value of the production for export represented 36.13% of the value of the total production made in the first semester of 2022, up 52% compared to the value recorded in the period January - June 2021.

The production made in H1 2022 in the three production divisions:

VALUE OF PRODUCTION BY EACH DIVISION IN H1 2022
(% of the total production)



Cost management and efficient process management

| Indicators | Achieved H I 2022 | Planned H I 2022 | Degree of achievement H I 2022 |
|-----------------------------------|----------------------|---------------------|--------------------------------------|
| Gross profit | 26.18 | 20.39 | 128% |
| Gross profit + claw back btax | 42.01 | 34.39 | 122% |
| Gross profit rate | 10.5% | 10.1% | 104% |
| Gross profit rate + claw back tax | 17% | 17% | 100% |

By consistently applying the measures to maximize the yields as one of the objectives included in the management plans, our company obtained a gross profit of 26.18 million lei,

by 32% higher compared to the value recorded in the similar period of the previous year and by 28% higher compared to the planned value.

Gross profit cumulated with the claw-back tax of 15.83 million lei led to a 17% business return. Claw-back tax is paid quarterly to the state budget for prescription drugs included in the national health programs, with or without personal contribution, used in outpatient treatment, through the open-circuit pharmacies, for those used in hospital treatment, supported by the Single National Health Insurance Fund and by the budget of the Ministry of Health.

Applying the principles for consolidating our business

Analysis of income and expenses

| Indicators | 30.06.2022 | 30.06.2021 | IEB 30.06.2022 | 30.06.2022/ 30.06.2021 | 30.06.2022 / IEB 30.06.2022 |
|--|-------------|-------------|-------------------|---------------------------|-----------------------------------|
| 1 | 2 | 3 | 4 | 5=2/3 | 6=2/4 |
| Total income | 286,460,295 | 189,433,495 | 248,620,000 | 1.51 | 1.15 |
| Total expenses | 260,279,260 | 169,605,806 | 228,232,000 | 1.53 | 1.14 |
| Gross profit | 26,181,035 | 19,827,689 | 20,388,000 | 1.32 | 1.28 |
| Turnover | 248,618,973 | 163,397,752 | 201,744,000 | 1.52 | 1.23 |
| Operating income | 282,142,576 | 186,227,822 | 245,437,000 | 1.52 | 1.15 |
| Operating income, of which: | 253,751,286 | 164,691,796 | 224,344,000 | 1.54 | 1.13 |
| Raw material expenses | 71,165,428 | 41,949,284 | 69,492,445 | 1.70 | 1.02 |
| Consumables expenses | 8,119,135 | 5,982,553 | 4,535,555 | 1.36 | 1.79 |
| Energy and water expense | 10,350,320 | 5,056,586 | 13,439,000 | 2.05 | 0.77 |
| Expenditures on finished products manufactured under the contract | 25,283,080 | 27,779,803 | 29,067,000 | 0.91 | 0.87 |
| Advertising expenses | 8,582,684 | 4,212,865 | 7,046,551 | 2.04 | 1.22 |
| Claw-back tax | 15,829,565 | 13,524,970 | 14,000,000 | 1.17 | 1.13 |
| Staff costs | 57,048,693 | 54,784,430 | 58,864,000 | 1.04 | 0.97 |
| Expenses with services performed by third parties | 6,163,416 | 5,182,699 | 5,767,300 | 1.19 | 1.07 |
| Operating profit (EBIT) | 28,391,290 | 21,536,026 | 21,093,000 | 1.32 | 1.35 |
| Financial income | 4,317,719 | 3,205,673 | 3,183,000 | 1.35 | 1.36 |
| Financial expenses | 6,527,974 | 4,914,010 | 3,888,000 | 1.33 | 1.68 |
| Net profit | 23,159,057 | 19,330,692 | 20,138,000 | 1.20 | 1.15 |

Total revenues recorded in the reference period amounted to 286.46 million lei, higher than the value recorded in H1 2021 (189.43 million lei) and than the planned one (248.62 million lei).

Total expenses amounted to 260.28 million lei.

Compared to the planned values for 30.06.2022, the achievement degree of total revenues was higher than the achievement degree of total expenses, the efficiency of the entire activity being reflected by the indicator *total expenses per 1,000 lei total income*, whose value achieved on 30.06.2022 was 909 lei, below the planned level of 918 lei.

According to their nature, the situation of revenues, expenses and implicitly the recorded result is presented as follows:

- **operating income** in value of 282.14 million lei, higher compared to the value achieved in the similar period of the previous year (186.23 million lei) and to the one planned by the Income and Expenditure Budget (245.44 million lei), being supported by the increase in sales, both in the domestic and international markets.
- **operating expenses** in value of 253.75 million lei, a higher value compared to the operating expenses recorded in the same period of the previous year (164.69 million lei) and to the planned value (224.34 million lei), being correlated with the income level.

In the structure of operating expenses, the significant weight is held by the following expenses, the evolution of which is presented as follows:

- **expenses with raw materials**, i.e. the consumption of goods that participate directly to the manufacture of products and are found in the finished product in whole or in part, either in their initial or transformed state. Consumption of raw materials is regulated, the release for consumption is made on the basis of the consumption limit sheet. The value of the raw materials consumed is correlated with the production structure, the share in its value was 22%, below the planned level of 24%, optimal from the profitability viewpoint. The production made in the H1 2022 was 324.24 million lei, while the planned value was 288.84 million lei.
- **energy and water expenses** amounted to 10.35 million lei, higher than the value recorded on 30.06.2021 (5.06 million lei), as a result of the significant increase in utility rates. Compared to the planned value, energy and water expenses were lower by capping gas and electricity prices according to GEO no. 27/2022;
- **expenses on the finished products manufactured under the contract** amounted to 25.28 million lei, by 9% lower than the value recorded on 30.06.2021 and by 13% lower than the planned value (29.07 million lei). The value of these expenses is determined by the sales structure as well as by the purchase price of the finished products.

By analyzing the value of expenses with the **finished products manufactured under the contract** in correspondence with the value of the income from selling the finished products manufactured under the contract, an improvement in the commercial margin resulted, in comparison with the commercial margin from the similar period of the previous year and with the planned one. So, by spending 1 leu on 30.06.2022 we obtained an income of 1.98 lei. On 30.06.2021 we obtained an income of 1.84 lei, while the level planned for the end of the first semester of 2022 was 1.78 lei.

- **advertising and publicity expenses** amounted to 8.5 million lei, in correlation with the assumed strategy for increasing the sales of non-prescription medicines.

In the analyzed period, we followed a policy of increasing visibility of the following brands:

- Antibiotice brand;
- brand-ului umbrela Nutriensa umbrella brand - Be well, do well.
- product brands:
 - Fluxiv - Boost your blood circulation;
 - Silithor - No half measures;
 - Equilibra - Energy for every single day;
 - Simbiflora - A good life together;
 - Fezivit C - Get you glow back;
 - Lejer - Does the job for you;
 - Soriso - Your smile says well-being;
 - Sprinten - Smooth movement;

Imunofix - Good immunity- the key to success, promoting them in the mass-media (offline and online) and by direct visits made by our medical representatives to professionals in the healthcare field.

- **staff costs** - in the first 6 months of 2022, they were 57.05 million lei, higher by 4% compared to the value recorded on 30.06.2021, as a result of the harmonization of the salary system at the level of productive activities based on competence criteria. Compared to the budgeted level, these expenses were lower by 3%.
- **claw back tax** amounted to 15.83 million, this value being higher compared to the level recorded in the similar period of the previous year (13.52 million lei). Compared to the budgeted level of the period, the tax was higher by 13%, being determined by higher sales in the domestic market (sell-out);
- **expenses with services performed by third parties** amounted to 6.16 million lei, this significant value representing the product registration fees, service fees for accessing the databases, serialization system maintenance services and were in line with the territorial expansion policy and with the increase in sales.

In the reference period, the sales structure was improved compared to the planned level, both in terms of quantity and price, the budgets for each activity were monitored, actions were taken to promote products without medical prescription, which determined the recording of an operating result of 28.4 million lei, higher by 32% compared to the one recorded in the same period of the previous year and by 35% compared to the planned level.

Financial income was represented by favorable exchange rate differences generated when settling debts and receivables in foreign currency.

Financial expenses included expenses with bank interest, both for operational credits and for investment credits, as well as unfavorable exchange rate differences generated when settling debts and receivables in foreign currency.

The careful management of receipts and payments in foreign currency determined a value of income from exchange rate differences (4.32 million lei) above the level of expenses from exchange rate differences (4,21 million lei).

Their value was closely related to the reduction of the operational credit used, from 76.4 million lei on 31.12.2021 to 53.08 million lei and to the significant increase in the ROBOR rate. Antibiotice has a policy of reducing the operational credit, which has led to savings of 0.6 million lei with interest expenses in the analyzed period. From the value of interest expenses of 2.2 million lei, the interest for the investment loan was 0.51 million lei.

Net profit was 23.16 million lei which, at a turnover value of 248.16 million lei, led to a business return of 9,3%.

Patrimony statement

| Indicators | 31.12.2021 | 30.06.2022 | 30.06.2022/ 31.12.2021 |
|-------------------------------|-------------|-------------|---------------------------|
| ASSETS | | | |
| FIXED ASSETS | | | |
| Tangible assets | 480,544,567 | 482,214,540 | 1.00 |
| Intangible assets | 29,839,764 | 32,433,317 | 1.09 |
| TOTAL FIXED ASSETS | 510,384,331 | 514,647,857 | 1.01 |
| CURRENT ASSETS | | | |
| Stocks | 106,017,774 | 128,816,326 | 1.22 |
| Trade and similar receivables | 276,876,198 | 236,182,559 | 0.85 |

| Indicators | 31.12.2021 | 30.06.2022 | 30.06.2022/ 31.12.2021 |
|--------------------------------------|--------------------|--------------------|---------------------------|
| Cash and cash equivalents | 2,111,377 | 3,329,268 | 1.58 |
| TOTAL CURRENT ASSETS | 385,005,349 | 368,328,153 | 0.96 |
| TOTAL ASSETS | 895,389,680 | 882,976,010 | 0.99 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Commercial and similar debts | 98,202,288 | 95,464,096 | 0.97 |
| Amounts owed to credit institutions | 87,163,549 | 63,795,403 | 0.73 |
| Debts from current taxes | 9,611,682 | 10,232,153 | 1.06 |
| Short-term provisions | 3,853,530 | 2,415,534 | 0.63 |
| Subsidies for investments | 306,289 | 306,289 | 1.00 |
| TOTAL CURRENT DEBTS | 199,137,339 | 172,213,476 | 0.86 |
| LONG-TERM DEBTS | | | |
| Subsidies for investments | 2,160,302 | 2,007,157 | 0.93 |
| Deferred tax | 31,483,086 | 30,481,413 | 0.97 |
| Amounts owed to credit institutions | 57,617,153 | 52,270,108 | 0.91 |
| TOTAL LONG-TERM LIABILITIES | 91,260,541 | 84,758,678 | 0.93 |
| TOTAL LIABILITIES | 290,397,880 | 256,972,154 | 0.88 |
| Social capital and reserves | | | |
| Social capital | 264,835,156 | 264,835,156 | 1.00 |
| Revaluation reserves | 114,150,766 | 112,721,465 | 0.99 |
| Legal reserves | 13,426,761 | 13,426,761 | 1.00 |
| Other reserves | 259,154,126 | 261,644,439 | 1.01 |
| Reported result | -51,212,323 | -49,783,022 | 0.97 |
| Distribution of profit | -25,302,090 | 0 | 0.00 |
| Current result | 29,939,404 | 23,159,057 | 0.77 |
| TOTAL EQUITY | 604,991,800 | 626,003,856 | 1.03 |
| TOTAL CAPITAL AND LIABILITIES | 895,389,680 | 882,976,010 | 0.99 |

On 30.06.2022, the total assets were 883 million lei, of which the current assets represented about 42%. In their structure, as a result of the balance between the sales activity, stock level, average collection period of 185 days improved compared to the previous year (248 days) and to the planned level (213 days), the commercial and similar receivables amounted to 236.18 million lei, below the level recorded on 31.12.2021.

The balance between production, sale, purchases of raw materials and level of stocks, in order to prevent the risks generated by the period we are going through (the extension of the delivery term of raw materials, potential increase in the prices of raw materials, commercial risk of non-payment) involves to create stocks of finished products made on our own sites as well as on other manufacturing sites. The need to ensure the necessary stocks for sale according to the plans, for the period when the manufacturing divisions are under maintenance, determined a level of stocks of 128.8 million lei, by 22% higher compared to the one recorded on 31.12.2021.

In accordance with the value of the assets, total liabilities were 883 mil lei, having the following structure:

- short-term debts in value of 172 million lei, lower by 14% compared to the value recorded on 01.01.2022.

A significant decrease is recorded in the value of operational credits. The short-term amounts owed to credit institutions include, according to the requirements of IAS 1 - Presentation of financial statements, the rates related to the credit for financing investments due in a period of up to 12 months.

Commercial and similar debts were lower by 3%, being the result of the balance between purchases, sales, payments and receipts.

- long-term debts in value of 84.7 million lei, lower by 7% compared to the value from the beginning of the year, a level correlated with the monthly repayment of the investment loan;
- equity was higher by 3% compared to the level recorded on 31.12.2021.

The decrease in value of both short-term and long-term debts determined the improvement of the indicator *level of indebtedness*, calculated as the ratio between total debts and total assets, from 32% on 31.12.2021 to 29% on 30.06.2022.

On 30.06.2022, our company did not register outstanding obligations to the state and local budgets. The sums paid in the reference period: 48.39 million lei to the state budget and 1.9 million lei to the local budget.

Cash flow analysis

At the beginning of 2022, available money (lei and currency) was worth 2.11 million lei.

In the first semester of 2022, the amounts collected from customers in the domestic and international market were worth 275.7 million lei, due to the measure of reducing the receivables collection term (185 days) compared to 248 days in the same period of the previous year.

In the reference period, total payments were worth 250.08 million lei, of which:

- operational activity - 227.61 million lei,
- investment activity - 22.47 million lei.

A cash surplus in the amount of 25.62 million lei resulted, of which 24.41 million lei were repaid in the credit lines for financing the working capital.

Investments for supporting the future

The planned investments for the first 6 months of 2022 were 20.87 million lei, while the value achieved in the first 6 months was 16.91 million lei.

Structura investițiilor realizate în perioada ianuarie-iunie 2022 este următoarea:

The investments made between January and June 2022:

I. Investments for strategic development

1. Development of the product portfolio through research and development

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

Research & development projects - 4.81 million lei.

2. Investments in new production sites, i.e. the investment objective „Completion and commissioning of the Ointments & Suppositories Plant”.

The audit conducted by the National Agency for Medicines and Medical Devices (NAMMD) for authorizing the four manufacturing flows in the new plant is scheduled for the first part of October 2022.

The value of investments made - 1.93 million lei.

II. Investments for consolidating our business

1. Investments in information technology, telecommunications and digitization of processes

The value of investments made - 0.74 million lei.

2. Adaptation to the development trends of the industrial site, infrastructures for supply and distribution of utilities, storage of raw materials and finished products, transport and connection to the national road system

Design activities have been started for: building a photovoltaic plant, building air conditioning systems using alternative energy, recovering condensate from installations, replacing lighting systems with modern LED systems, capturing water from underground.

The value of investments made - 6.16 million lei.

3. Investments in the Integrated Management System (Quality, Environment, Sustainability, Occupational Health and Safety)

In order to increase the precision of laboratory analysis methods and revise the monographs from pharmacopoeias we have had to make investments in equipment able to maintain the quality standards of manufactured products while complying with legal requirements to protect the environment and employees.

The value of investments made - 1.21 million lei

4. Investments in modernizing the sites and existing pieces of equipment in the three production divisions.

The value of investments made - 2.04 million lei.

III.5. Improving the Corporate Governance systems

- ensuring the internal corporate regulatory framework.

The Antibiotice Rules Code has been updated, the Regulation on equal opportunities and treatment between women and men, the Regulation in the field of workplace harassment and the Antibiotice Policy in the field of workplace harassment and equal opportunities have been introduced, the specific rules on the field of sales, the marketing and promotion with the provisions of the Code of Good Practices for sales activities have been completed. The Integrity Plan of Antibiotice S.A. was created and communicated for the implementation of the National Anti-Corruption Strategy 2021-2025, according to the GD 1269/2021.

- ensuring transparency in communication to investors, with the granting of equal treatment to all shareholders - the fulfillment of reporting and transparency obligations according to the corporate governance norms relating to the January-June 2022 period.
- perfecting the risk management process in order to protect the company's assets by:

- implementation of the Measures Plan in order to secure the information;
- compliance with the National Anticorruption Strategy with the preparation of the Declaration of accession to SNA, collaboration with the company structures responsible for the publication of reference documents, as well as monitoring the degree of compliance with the established standard.

IV Corporate governance

Antibiotice SA is a public enterprise, which complies with the requirements of the Government's Emergency Ordinance no. 109/2011 regarding the corporate governance of public enterprises. The management of Antibiotice is organized in order to meet the expectations of the shareholders, in terms of ensuring competitiveness, profitability and long-term value generation; a well-defined, traceable decision-making system is ensured, and the delegation of duties and competences are made proportionally the granted prerogatives and the existing control system.

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

These pillars are:

- the Code of Corporate Governance;
- The Code of Ethics;
- the General Meeting of Shareholders;
- the Management Board;
- the Advisory Committees;
- the Executive Management;
- the Internal audit, Financial management control and Risk management.

Corporate Governance Code

The basis of the good governance practices in the company is the Corporate Governance Code of Antibiotice, which outlines the general framework for the activity of the Management Board. It is built according to the principles and recommendations of the Corporate Governance Code of the Bucharest Stock Exchange (BVB), the Corporate Governance Code of Antibiotice, approved by the Management Board in January 2017 and updated in November 2021. It includes, among other things, information about the duties of the management, the fair reward and motivation, the relations with investors, the risk management system and internal control. The management of Antibiotice SA believes the Corporate Governance Code to be an important tool for obtaining sustainable performance, ensuring the accuracy and transparency of the company's decision-making process, through equal access of all shareholders to relevant information about Antibiotice SA.

Code of Ethics

Antibiotice SA's code of ethics is the basis of an organizational culture that respects integrity standards and complies with the specific legislation in force. The fundamental ethical values assumed by the company are integrity, professionalism, responsibility and transparency. Any violation of the code is considered an ethical incident and the failure to comply with the Code of Ethics may lead to disciplinary sanctions. The compliance with the provisions of the Code of Ethics is mandatory for all structures in the company's organizational chart (employees, executive management and members of the Management

Board). The Code of Ethics is made known to every new employee or administrator and it can be read online.

General Meeting of Shareholders

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

The Management Board convened in the first semester of 2022 two Ordinary General Meetings and one Extraordinary General Meeting, the decisions of which can be found on the company's website at the address: <https://www.antibiotice.ro/investitori-php/financial-information/adunari-generale-ale-actionarilor/>

Management Board

The Antibiotice SA Management Board is responsible for the good governance of the company and it is the highest form of management (with the exception of the decisions provided by law for the General Meeting of Shareholders).

The duties 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, in the Corporate Governance section.

During the first semester of 2022, the president of the Management Board convened 6 meetings of the Management Board, during which the results obtained in the implementation of the strategy according to the business plan, the performance criteria and the income and expenses budget were analyzed.

The membership of the S.C. ANTIBIOTIC S.A. Management Board can be accessed at the address: <https://www.antibiotice.ro/investitori-php/corporate-governance/structuri-de-guvernanta/>

Advisory committees

The Management Board exercises part of its responsibilities through the three advisory committees: the Audit Committee, the Commercial Policy Committee and the Nomination and Remuneration Committee. The specialized advisory committees carry out investigations, analyses, draft recommendations and periodically submit reports on their activity to the Management Board.

The membership of the advisory committees can be accessed at the address:

<https://www.antibiotice.ro/investitori-php/corporate-governance/structuri-de-guvernanta/>

Executive Management

Antibiotice S.A. is represented by the General Director, according to the prerogatives established by law and the company statute. The Management Board has the authority to represent the company in relations with the directors it appointed.

The membership of the Antibiotice S.A. management team, as of 30.06.2022, can be accessed at the address: <https://www.antibiotice.ro/investitori-php/corporate-governance/structuri-de-guvernanta/>

Risk Management

The risk management by the Antibiotice company complies with the legal and regulatory requirements in force for the identification, assessment, management and reporting of risks:

- Order of the General Secretariat of the Government (OSGG) no. 600/2018;
- Requirements from the Corporate Governance Code of the Bucharest Stock Exchange.

In the first semester of 2022, the risks that may impact the achievement of the objectives were identified, evaluated and centralized. At the company level, the Register of significant risks and an Implementation Plan of control measures were developed.

The global context in 2022 is expected to remain marked by the war in Ukraine and its consequences: the increase in the price of energy, geopolitical tensions, blockage in transport, interruptions in the supply chain; these were among the causes that can generate an increase in financing costs, currency risk and commercial risk.

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

- Commercial risk (non-payment);
- Interest rate risk;
- Currency risk;
- Liquidity risk.

The commercial (non-payment) risk is the risk of financial loss for the company that occurs if a customer or counterparty to a financial instrument does not fulfill its contractual obligations. Antibiotice SA is mainly exposed to the commercial risk (of non-payment) arising from sales to customers.

To reduce the commercial risk of non-payment, a series of measures were taken, including: monitoring the creditworthiness of clients, requesting guarantees, securing receivables, developing loyal commercial relationships.

The interest rate risk represents the probability of suffering a loss or non-achievement of the forecasted profits due to the variation of the interest rate on the market in an unfavorable direction.

Among the measures taken, the decrease of the value used from operational credits to an optimal value that covers the temporary gap between collections and mandatory payments and the use of credits in the currency in which the payments are made was considered.

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

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

The liquidity risk is the risk according to which the company may encounter difficulties in meeting short-term payment obligations at any time.

The company's policy regarding liquidity risk is to maintain, as far as possible, sufficient liquid resources to meet obligations as they come due. The main measures to reduce the materialization of the risk are: the internationalization of the business, the optimization of the rotation speed of the distribution stocks, the organization of a rigorous cost

management at the company level in order to identify optimization measures, the daily monitoring of receipts and payments.

V Conclusions

In the H1 2022, Antibiotice S.A.:

- recorded a turnover higher by 52% compared to the H1 2021;
- recorded an increase in the business yield, a 32% increase in the gross profit compared to the similar period of 2021;
- recorded a 39% increase in the export value compared to the similar period of 2021;
- recorded a degree of indebtedness of 29%, lower compared to the percentage recorded on 31.12.2021 (32%);
- ranked first in the Romanian relevant market, with a 12.3% stock market share;
- is a friendly brand, developing 13 social responsibility, environment, health projects.

**President of the Management Board,
Lucian Timofticiuc, physicist**

ANTIBIOTICE S.A.

Individual financial statements for the 6-month period ending on June 30, 2022 drafted in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union

ANTIBIOTICE S.A.

Individual financial statements for the 6-month period ending on June 30, 2022

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ANTIBIOTICE SA
STATEMENT OF THE COMPREHENSIVE INCOME
for the 6-month period ending on June 30, **2022**
(all amounts are expressed in LEI, if not mentioned otherwise)

| STATEMENT OF THE COMPREHENSIVE INCOME | NOTE | For the year ended on | |
|---|-----------|-----------------------|--------------------|
| | | 30.06.22 | 30.06.21 |
| Sales revenues | 4 | 248,187,211 | 161,400,649 |
| Other operating revenues | 5 | 12,298,020 | 24,951,976 |
| Revenues relative to costs of product stocks | | 25,880,818 | 15,474,230 |
| Capitalized income generated by the entity's activity | | 5,592,604 | 4,920,755 |
| Expenses with raw materials and consumables | 6 | (104,567,643) | (75,711,638) |
| Staff-related expenses | 7 | (57,048,693) | (54,784,430) |
| Expenditure on amortization and depreciation | | (10,339,094) | (11,505,581) |
| Other operating expenses | 8 | (91,501,275) | (43,013,249) |
| Operating profit | | 28,501,947 | 21,732,711 |
| Financial income | 9 | 394 | 901 |
| Financial expenses | 9 | (2,321,307) | (1,905,923) |
| Pre-tax profit | | 26,181,035 | 19,827,689 |
| Expenses with current profit tax and deferred tax other taxes | 10 | (3,021,978) | (496,997) |
| Profit | | 23,159,057 | 19,330,692 |
| Total overall result | | 23,159,057 | 19,330,692 |
| Earnings per share | 11 | 0.0345 | 0.0288 |

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

Approved by the Management Board on 11.08.2022

General Director,
Ec. Ioan NANI

Financial Director,
Ec. Paula COMAN

ANTIBIOTICE SA
STATEMENT OF THE FINANCIAL POSITION
for the 6-month period ending on June 30, 2022
(all amounts are expressed in LEI, if not mentioned otherwise)

| | | For the year ended on | |
|---|------|-----------------------|--------------------|
| STATEMENT OF THE FINANCIAL POSITION | NOTE | 30.06.22 | 31.12.21 |
| ASSETS | | | |
| FIXED ASSETS | | | |
| Tangible fixed assets | 12 | 482,214,540 | 480,544,567 |
| Intangible fixed assets | 13 | 32,433,317 | 29,839,764 |
| TOTAL FIXED ASSETS | | 514,647,857 | 510,384,331 |
| CURRENT ASSETS | | | |
| Stocks | 14 | 128,816,326 | 106,017,774 |
| Trade and similar receivables | 15 | 236,182,559 | 276,876,198 |
| Cash and cash equivalents | 16 | 3,329,268 | 2,111,377 |
| TOTAL CURRENT ASSETS | | 368,328,153 | 385,005,349 |
| TOTAL ASSETS | | 882,976,010 | 895,389,680 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and similar liabilities | 17 | 95,464,096 | 98,202,288 |
| Amounts due to credit institutions | 18 | 63,795,403 | 87,163,549 |
| Liabilities from current taxes and fees | 20 | 10,232,153 | 9,611,682 |
| Short-term provisions | 17 | 2,415,534 | 3,853,530 |
| Subsidies for investments | 19 | 306,289 | 306,289 |
| TOTAL CURRENT LIABILITIES | | 172,213,476 | 199,137,339 |
| LONG-TERM LIABILITIES | | | |
| Subsidies for investments | 19 | 2,007,157 | 2,160,302 |
| Deferred tax | 20 | 30,481,413 | 31,483,086 |
| Amounts due to credit institutions | 18 | 52,270,108 | 57,617,153 |
| TOTAL LONG-TERM LIABILITIES | | 84,758,678 | 91,260,541 |
| TOTAL LIABILITIES | | 256,972,154 | 290,397,880 |

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

Approved by the Management Board on 11.08.2022

General Director,
Ec. Ioan NANI

Financial Director,
Ec. Paula COMAN

ANTIBIOTICE S.A.
STATEMENT OF THE FINANCIAL POSITION (continued)
for the 6-month period ending on June 30, 2022
(all amounts are expressed in LEI, if not mentioned otherwise)

| | NOTE | 30.06.22 | 31.12.21 |
|-------------------------------------|------|--------------------|--------------------|
| Share capital and reserves | | | |
| Share capital | 21 | 264,835,156 | 264,835,156 |
| Reevaluation reserves | 22 | 112,721,465 | 114,150,766 |
| Legal reserves | 22 | 13,426,761 | 13,426,761 |
| Other reserves | 22 | 261,644,439 | 259,154,126 |
| Reported result | 23 | (49,783,022) | (51,212,323) |
| Distribution of profit | 24 | - | (25,302,090) |
| Current result | 24 | 23,159,057 | 29,939,404 |
| TOTAL EQUITY | | 626,003,856 | 604,991,800 |
| TOTAL EQUITY AND LIABILITIES | | 882,976,010 | 895,389,680 |

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

Approved by the Management Board on 11.08.2022

General Director,
Ec. Ioan NANI

Financial Director,
Ec. Paula COMAN

ANTIBIOTICE S.A.
CASH FLOW STATEMENTS

for the 6-month period ending on June 30, 2022
(all amounts are expressed in LEI, if not mentioned otherwise)

CASH FLOW STATEMENTS

For the year ended on
30.06.22 30.06.21

| | | |
|--|-------------------------|-------------------------|
| I. Cash flows from operating activities | | |
| Cash collection from the sales of goods and provision of services | 275,529,384 | 179,986,837 |
| Cash collection from royalties, fees, charges and other revenue | 178,863 | 2,033,938 |
| Cash collection from royalties, fees, charges and other revenue | (137,958,753) | (96,251,999) |
| Cash payments to and on behalf of employees, payments made by the employer for its employees | (55,043,198) | (53,181,792) |
| VAT paid | (4,435,204) | (913,593) |
| Contributions to the Ministry of Health and the Ministry of the Environment | (17,024,473) | (14,039,895) |
| Other duties, taxes, and similar levies | (2,464,291) | (1,761,500) |
| Operating cash flow | 58,782,328 | 15,871,995 |
| Interest charged | 394 | 901 |
| Interest paid | (2,160,438) | (1,850,674) |
| Corporate tax | (2,989,618) | (3,600,692) |
| Net cash flows from operating activities | 53,632,665 | 10,421,531 |
| II. Cash flows generated by investments | | |
| Cash payments for purchasing land and fixed assets, intangible assets and other long-term assets | (22,479,829) | (11,766,809) |
| Net investment cash flow | (22,479,829) | (11,766,809) |
| III. Net investment cash flow | | |
| Receipts from long-term loans/reimbursement | (5,317,166) | (97,540) |
| Dividends paid | (1,165,797) | (1,232,618) |
| Net cash flows from financing activities | (6,482,963) | (1,330,158) |
| Gains/losses from exchange rate differences | (105,135) | (820,288) |
| Net increase/(decrease) in cash | 24,564,738 | (3,495,724) |
| Cash and cash equivalents at the beginning of the period | (74,321,128) | (81,192,179) |
| Cash and cash equivalents at the end of the period | (49,756,390) | (84,794,169) |
| The cash and cash equivalents at the end of the period include: | (49,756,390) | (84,794,169) |
| Accounts in banks and cash | 3,329,268 | 945,282 |
| Credit lines for working capital financing | (53,085,658) | (85,739,451) |
| | (53,085,658) | (85,739,451) |

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

Approved by the Management Board on 11.08.2022

General Director,
Ec. Ioan NANI

Financial Director,
Ec. Paula COMAN

ANTIBIOTICE S.A.
MODIFICATIONS OF EQUITY
for the 6-month period ending on June 30, 2022
(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 |
|---|--------------------|---------------------|------------|----------------|----------------|----------------------------------|---------------------|----------------------|---|---|---|-------------|
| 31.12.21 | 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 |
| Current global result | - | - | - | - | 23,159,057 | | - | - | | - | - | 23,159,057 |
| Reserve from revaluation | | | | | | | | | | | | - |
| Deferred tax relative to the revaluation difference | - | - | - | - | - | | - | | | - | - | - |
| Result of error correction | | | | | | | | | | | | - |
| Total other items of the global result | | | | | 23,159,057 | | | | | | | 23,159,057 |
| Transfer of reevaluation surplus | | | | - | - | 1,429,301 | | (1,429,301) | | - | | - |
| Allotment of other reserves * | - | - | - | 2,490,313 | (27,792,403) | - | 25,302,090 | - | - | - | - | - |
| Dividends | - | - | - | | (2,147,001) | | - | - | | - | - | (2,147,001) |
| Mandatory distributions | | | | - | - | | - | | | | | - |
| 30.06.22 | 67,133,804 | 197,701,352 | 13,426,761 | 261,644,439 | 23,159,057 | 24,335,989 | 0 | 112,721,465 | 0 | 123,582,341 | (197,701,352) | 626,003,856 |

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

ANTIBIOTICE S.A.
MODIFICATIONS OF EQUITY
for the 6-month period ending on June 30, 2022
(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 | - | - | - | - | 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.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
for the 6-month period ending on June 30, 2022
(all the amounts are expressed in LEI, if not mentioned otherwise)

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1 *Brief company profile*

Antibiotice SA, based in the city of Iasi, Valea Lupului street no. 1, tax registration code RO 1973096 was established by the Decision of the Council of Ministers no. 2980/29.12.1952 and was later reorganized as a joint-stock company based on Law no. 15/1990 and Government Decision no. 1200/12.11.1990. The company is listed on the Bucharest Stock Exchange in the premium category, based on the 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 Antibiotice's governance system is based on:

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

General Meeting of Shareholders

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

During the first semester of 2022, the Management Board convened one Ordinary General Meeting of Shareholders.

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

for the 6-month period ending on June 30, 2022
(all the amounts are expressed in LEI, if not mentioned otherwise)

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

Antibiotice in the capital market

Investors (according to the Shareholders' Register on 30.06.2022)

The main shareholders of the company on 30.06.2022 (excerpt from the Register of Shareholders):

- Ministry of Health (*) - 53,0173%,
- S.I.F. Oltenia (*) - 26,5496%
- Other individuals and legal entities - 20,4331%

Classes of shareholders:

- Legal entities - 87,4188%
- Natural persons - 12,5812%

Price per share evolution

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

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

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

During the first semester of 2022, the minimum price of the ATB share was worth 0.4800 lei. The share price increased to the maximum value of 0.6100 lei / share.

The stock market capitalization of Antibiotice on June 30, 2022 was 358,495 thousand lei.

During this period, 7,156,504 shares were traded, amounting to 3,954,210 lei (799,301 EURO/877,036 USD), with an average price of 0. 0.5393 lei / share.

Antibiotice shares - ATB / Regular Market

| | 2018 | 2019 | 2020 | 2021 | Sem. I 2022 |
|---|-------------|-------------|-------------|-------------|-------------|
| Number of shares | 671,338,040 | 671,338,040 | 671,338,040 | 671,338,040 | 671,338,040 |
| Stock market capitalization (thousand lei)* | 326,942 | 341,040 | 326,270 | 406,831 | 358,495 |
| Stock market capitalization (thousand | 70,100 | 71,370 | 66,935 | 82,211 | 72,526 |

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| euro)* | | | | | |
|--|------------|------------|------------|------------|-----------|
| Stock capitalization (thousand \$)* | 80,259 | 79,873 | 82,163 | 93,022 | 76,267 |
| Total traded value (million lei) | 9 | 15 | 14 | 44 | 4 |
| No. of traded shares | 17,109,263 | 30,364,292 | 27,085,005 | 80,534,368 | 7,156,504 |
| Opening price (lei/share) | 0,5200 | 0,5780 | 0,5120 | 0,4940 | 0,4940 |
| Maximum price (lei/share) | 0,5920 | 0,5780 | 0,5550 | 0,6080 | 0,6100 |
| Minimum price (lei/share) | 0,5200 | 0,4550 | 0,4130 | 0,4800 | 0,4800 |
| Price at the end of the period (lei/share) | 0,5380 | 0,4870 | 0,4860 | 0,6060 | 0,5340 |
| Average price (lei/share) | 0,5585 | 0,5028 | 0,5079 | 0,5913 | 0,5393 |

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

Rights of financial instruments holders

The corporate governance framework adopted and applied:

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

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

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

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

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

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The Investor Relations activity

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

As we are oriented towards the development and increase of transparency towards our shareholders, immediately after the periodic (annual and half-yearly) financial reports, we organize our own meetings and presentation events. These events are attended by interested investors and analysts, who have the opportunity to convey their questions, opinions and suggestions, thus ensuring a dialogue with the representatives of the Romanian capital market, so that they gain a proper basis for investment decision-making.

During the first semester of 2022, a teleconference was organized on 17.05.2022.

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

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

The Management Board

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

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

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

During the first semester of 2022, the Chairman of the Management Board convened 6 meetings of the Management Board, during which the results obtained in the implementation of the strategy according to the business plan, the pre-performance criteria and the revenue and expenditure budget were analyzed.

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

The executive management

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

The executive management of Antibiotice on 30.06.2022 can be accessed at <https://www.antibiotice.ro/investitori-php/corporate-governance/structuri-de-guvernanta/>

2. ACCOUNTING POLICIES

2.1 Declaration of conformity

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

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

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

The financial statements for the financial year ended on June 30, 2022 include the statement of the financial position, the statement of the comprehensive income, the

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statement of cash flows, the statement of changes in equity and the explanatory notes.

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

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

2.2 Bases of assessment

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

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

2.3 Functional and presentation currency

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

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

The profit and loss arising from the exchange rate differences following the conclusion of these transactions and from the conversion to the exchange rate at the end of the reporting period of the monetary assets and obligations denominated in foreign currency is reflected in the statement of the comprehensive income.

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

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| | 30.06.22 | 31.12.21 |
|-----|-----------------|-----------------|
| EUR | 4,9454 | 4.9481 |
| USD | 4,7424 | 4,3707 |

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. The evaluators also refer to market information related to the prices of transactions with similar properties.

(b) Adjustments of the impairment of receivables

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

(c) Legal proceedings

The company reviews the unsettled legal cases following the evolutions in the legal proceedings and the existing situation at each reporting date, in order to assess the provisions and disclosures in its financial statements. Among the factors considered in decisions related to the provisions we mention the nature of litigation or claims and the potential level of damage in the jurisdiction which settles the dispute, the

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progress of the case (including the progress after the date of financial statements but before those statements are issued), the opinions of legal advisors, the experience in similar cases and any decision taken by the company's management related to how it will respond to the litigation, complaint, or assessment.

(d) Cost accounting estimates

There are objective situations in which, until the closing of some fiscal periods or up to the closing date of a financial year, the exact values of certain expenses incurred by the company are not known (e.g. marketing and promotion/sales campaigns of products, campaigns for boosting the sales). For this category of expenditure, preliminary spending will be made, which will be corrected in the following periods when cash outflows will occur. 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 experiences a stage of consolidation and harmonization with the European legislation. However, there are still different interpretations of the tax legislation. In some cases, the tax authorities may have different approaches to certain issues, calculating additional taxes and penalties for their late payment. In Romania, the fiscal year has been remaining open for tax verification for a 5-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

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.

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Intangible assets generated by the company internally (development costs)

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

The development costs related to projects for new products are recognized as intangible assets. They consist of: the consumption of raw materials and consumables, costs related to the hours worked for each project, other authorization fees paid to regulatory authorities in the pharmaceutical field with the amounts required for 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 element of tangible fixed assets in category I provided in the Catalog regarding the classification and normal lifetime of fixed assets is revalued, any accumulated depreciation on the revaluation date is eliminated from the gross accounting value of the asset, and the net value is recalculated to the revalued value of the asset.

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If an element of tangible assets is revalued, then the entire class of tangible assets to which that element belongs is revalued.

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

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

The revaluation surplus included in equity related to an item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised. The transfers from the revaluation surplus to the retained earnings are not made through profit or loss.

If any, the effects of taxes on income from the revaluation of tangible assets are recognized and presented in accordance with IAS 12 Income Tax.

Depreciation

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

The land owned is not depreciated.

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

| 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 |

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Impairment

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

If and only if the recoverable amount of an asset is lower than its book value, the book value of the asset will be reduced to be equal to the recoverable amount. Such a reduction represents an impairment loss. An impairment loss is immediately recognized in the profit or loss of the period in question, except when the asset is reported to the revalued amount, in accordance with another standard (for example, in accordance with the revaluation model in IAS 16 Tangible assets). Any impairment loss concerning a revalued asset is considered to be a decrease generated by revaluation.

2.8 Financial assets - IFRS 9 Financial instruments (replaces IAS 39 Financial instruments: recognition and valuation)

Initial valuation of financial assets and financial liabilities

IFRS 9 replaces IAS 39, Financial Instruments - recognition and valuation. The IASB developed IFRS 9 in three stages, which deals separately with IFRS classification and evaluation of financial assets, impairment and risk coverage. Other aspects of IAS 39, such as scope, recognition and derecognition of financial assets, have survived with only a few changes to IAS 39.

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

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, 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.

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Costs of stocks

The cost of stocks includes all the purchase costs, conversion costs as well as other costs incurred in bringing the inventories to the state and location where they are now.

The stocks of raw materials and consumables are stated at the cost of acquisition. The inventory outflow is performed using the Weighted Average Price method. The stocks of products in progress are stated at the value of the raw materials and consumables included in them. The stock of finished products is recorded at production cost.

Adjustments for depreciation of stocks

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

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

2.10 Receivables

Receivables arise mainly from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary assets. The receivables are presented in the balance sheet at historical value less the adjustments for impairment in cases where it was found that the realizable value is lower than the historical value.

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

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

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

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for at amortized cost, financial assets accounted for at cost and available-for-sale financial assets.

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

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

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

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

2.11 Value added tax

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

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

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

Income assessment

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

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

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(e) the costs incurred or to be incurred in relation to the respective transaction can be reliably evaluated.

Instead, the new standard focuses upon identifying obligations and makes a clear distinction between obligations that are satisfied "at one point in time" and those that are satisfied "over a period of time"; this is determined by the manner according to which the control of goods or services is transferred to the client. The principle underlying this standard is that the company should recognize and record income in a way 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 the execution clauses from a contract;
- the determination of the transaction price for the obligations in the contract;
- the allocation of the transaction price for the execution obligations;
- the revenue recognition when (or as) the entity fulfills an obligation of execution.

The revenue is measured at the fair value of the amounts received or receivable net of VAT. Revenues are reduced by the value of returns, commercial discounts and other similar costs.

The revenues from the sale of the goods are recognized when there is an obligation to register a contract or when all the following conditions have been fulfilled:

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

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

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The Company 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. If the error is discovered in the following years, the correction thereof will no longer affect the income accounts, but the returned earnings account carried over from the corrections of fundamental errors, if the value of the error will be considered significant.

2.13.2 Recognition of expenses

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

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

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

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

2.15 Provisions - IAS37 "Provisions, contingent liabilities and contingent assets"

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

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

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

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

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

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

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

The previously established provisions are periodically analyzed and regulated.

2.16 Benefits of employees - IAS 19 Benefits of employees

Current benefits granted to employees

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

Benefits after the termination of the employment contract

Both the Company and its employees have a legal obligation to contribute to the social security established with the National Pension Fund administered by the National House of 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

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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.

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

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benefits that are different from those of the other segments. In terms of business segments, the Company does not identify separate components in terms of associated risks and benefits.

2.23 Affiliated parties

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

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

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

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

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

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

2.24 Standards issued that entered into force in 2021:

Amendments to IAS 1 "*Presentation of financial statements*" regarding the classification of long-term or short-term liabilities.

Amendments to IAS 16 "*Tangible assets*", regarding the way of recognizing the income obtained from the sale of products made in the process of installation/testing of fixed assets. The amendments prohibit the deduction of these revenues from the cost of depreciation.

Amendments to IAS 37 "*Provisions, contingent liabilities and contingent assets*" in which the direct and indirect costs that must be taken into account in the

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calculation of the provisions established for onerous contracts are thoroughly defined.

Amendments to IFRS 1 "*First-time adoption of International Financial Reporting Standards*" regarding the recognition of conversion differences by a subsidiary adopting IFRS for the first time.

Amendments to IFRS 3 "*Business Combinations*" regarding the updating of references to the conceptual framework issued in 2018 and to IAS 37.

Standards issued, but 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 future financial statements of the Company. The list below presents the IFRSs (and amendments to IFRSs) that have been issued, but are not mandatory for financial statements for periods beginning on or after January 1, 2022:

The standard IFRS 17 "*Insurance contracts*" which will replace IFRS 4 and will enter into force after 2023. The company does not estimate a significant impact on the situations.

Amendments to IAS 1 and IFRS practical Statement 2 in relation to the Presentation of accounting policies and it will enter into force after January 1, 2023.

Amendments to IAS 12 "*Income tax*" in relation to the application of exceptions to the initial recognition of assets and liabilities regarding deferred tax and will enter into force after January 1, 2023.

Amendments to IAS 8 "*Accounting policies, changes in accounting estimates and errors*" regarding the definition of accounting estimates and the clarification of the differences between changes in accounting policies and changes in accounting estimates. The amendments will enter into force after January 1, 2023.

There will be no significant effects on the financial statements of the company, following the changes made to the standards or the annual improvements that will be in force after January 1, 2023.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

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

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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 | 30.06.22 | 31.12.21 |
| Trade and similar receivables | 236,182,559 | 276,876,198 |
| Cash and cash equivalents | 3,329,268 | 2,111,377 |
| Total | 239,511,827 | 278,987,575 |

| | Depreciated cost | |
|-------------------------------|-------------------------|--------------------|
| LIABILITIES | 30.06.22 | 31.12.21 |
| Trade and similar receivables | 95,464,096 | 98,202,288 |
| Short-term loans | 63,795,403 | 87,163,549 |
| Long-term loans | 52,270,108 | 57,617,153 |
| Total | 211,529,607 | 242,982,990 |

The overall objective of the Management Board is to establish policies that seek to reduce the risk as much as possible without affecting the competitiveness and flexibility of the Company.

Further details on these policies are set out below:

Credit risk

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

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

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

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Calculation and analysis of the net statement (equity)

| Indicators (LEI) | 30.06.22 | 31.12.21 |
|-------------------------------|--------------------|--------------------|
| Short-term credits and loans | 63,795,403 | 87,163,549 |
| Long-term credits and loans | 52,270,108 | 57,617,153 |
| Cash and cash equivalents | (3,329,268) | (2,111,377) |
| Net debt | 112,736,243 | 142,669,325 |
| Total equity | 626,003,856 | 604,991,800 |
| Net debt in equity (%) | 18.01% | 23.58% |

Foreign exchange risk

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

On June 30, 2022 the company's net exposure by types of currency to the foreign currency risk was as follows:

| Active/passive in EURO echivalent LEI | For the year ended on | |
|--|-----------------------|---------------------|
| | 30.06.22 | 31.12.21 |
| Monetary financial assets | 4,043,953 | 3,930,286 |
| Monetary financial liabilities | (24,945,170) | (20,445,472) |
| Net financial assets | (20,901,217) | (16,515,187) |
| <hr/> | | |
| Assets and liabilities in EURO | 30.06.22 | |
| | 31.12.21 | |
| Monetary financial assets | 817,720 | 794,302 |
| Monetary financial liabilities | (5,044,116) | (4,131,984) |
| Net financial assets | (4,226,396) | (3,337,682) |
| <hr/> | | |
| Assets/liabilities in USD equivalent in LEI | 30.06.22 | |
| | 31.12.21 | |
| Monetary financial assets | 25,152,724 | 32,339,421 |
| Monetary financial liabilities | (19,735,469) | (19,845,584) |
| Net financial assets | 5,417,255 | 12,493,838 |
| <hr/> | | |
| Assets and liabilities in USD | 30.06.22 | 31.12.21 |

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| | | |
|--------------------------------|------------------|------------------|
| Monetary financial assets | 5,303,796 | 7,399,140 |
| Monetary financial liabilities | (4,161,494) | (4,540,596) |
| Net financial assets | <u>1,142,302</u> | <u>2,858,544</u> |

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

| | | |
|-----------------------------|---------------------------|---------------------------|
| Assets / Liabilities | 30.06.22 | 31.12.21 |
| LEI | 120,612,188 | 109,149,576 |
| EUR | (20,901,217) | (16,515,186) |
| USD | 5,417,255 | 12,493,837 |
| Other currency (CAD,GBP) | - | - |
| Net exposure | <u>105,128,226</u> | <u>105,128,227</u> |

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:

| 30.06.2022 | Up to 3 months | Between 3 and 12 months | Over 12 months | Total |
|-----------------------------------|-------------------|----------------------------|-------------------|--------------------|
| Commercial and similar debt | 73,509,815 | 21,954,281 | - | 95,464,096 |
| Debts from taxes and current fees | 10,232,153 | - | - | 10,232,153 |
| Short-term loans | - | 63,716,864 | - | 63,716,864 |
| Long-term loans | - | - | 52,270,108 | 52,270,108 |
| Total | 83,741,968 | 85,671,145 | 52,270,108 | 221,683,221 |

| 31.12.2021 | 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 fees | 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 |

Bank liquidity

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

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Operational risk

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

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

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

Adequacy of capital

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

4. SALES INCOME

The sales income includes the following items:

| STATEMENT OF THE COMPREHENSIVE INCOME | For the year ended on | |
|--|---------------------------|---------------------------|
| Description | 30.06.22 | 30.06.21 |
| Finished product sales | 251,166,796 | 165,628,472 |
| Sales of goods | 50,005,990 | 51,167,961 |
| Trade discounts | (52,985,575) | (55,395,785) |
| Total | <u>248,187,211</u> | <u>161,400,649</u> |

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The sales revenues are mainly driven by the sales of finished products directly to pharmaceutical distributors. The intra and extra-community sales during the first semester of 2022 amounted to 95,245,234 lei.

5. OTHER OPERATING INCOME

Other operating income includes the following:

| Description | 30.06.22 | 30.06.21 |
|--|-------------------|-------------------|
| Rental income | 154,298 | 143,321 |
| Income from research and studies | 3,969 | 0 |
| Income from various activities | 273,496 | 1,853,783 |
| Income from indemnities, fines and penalties | 0 | 0 |
| Other operating income | 1,897,037 | 2,281,941 |
| Income from adjustments for depreciation of current assets | 4,213,900 | 5,939,260 |
| Income from provisions for risks and expenses | 1,437,996 | 11,528,900 |
| Exchange rate differences | 4,317,324 | 3,204,771 |
| Total | 12,298,020 | 24,951,976 |

6. RAW MATERIALS, CONSUMABLES AND GOODS

The expenditure on raw materials and consumables consists of:

| Description | For the year ended on | |
|-------------------------------------|-----------------------|-------------------|
| | 30,06,22 | 30,06,21 |
| Raw materials | 71,165,428 | 41,949,284 |
| Auxiliary materials | 5,292,925 | 3,367,597 |
| Goods | 25,283,080 | 27,779,803 |
| Expenditure on fuel and spare parts | 2,039,315 | 2,010,307 |
| Inventory items | 256,282 | 323,370 |
| Other consumables | 530,613 | 281,277 |
| Total | 104,567,643 | 75,711,638 |

7. STAFF COSTS

The staff costs are as follows:

| Description | For the year ended on | |
|--|-----------------------|------------|
| | 30.06.22 | 30.06.21 |
| Wages | 51,831,779 | 49,953,460 |
| Civil contracts | 1,054,145 | 972,986 |
| Tax and social contributions | 1,926,873 | 1,576,304 |
| Other benefits (meal vouchers and employee participation in the 2021 profit, recipes given to employees) | 2,235,896 | 2,281,680 |

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| | | |
|--------------|-------------------|-------------------|
| Total | 57,048,693 | 54,784,430 |
|--------------|-------------------|-------------------|

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 | |
|--------------------------------|------------------------------|------------------|
| | 30,06,22 | 30,06,21 |
| Wages | 2,714,009 | 2,690,850 |
| Civil constructs | 1,054,145 | 972,986 |
| Taxes and social contributions | 91,583 | 84,571 |
| Total | 3,859,737 | 3,748,407 |

8. OTHER OPERATING EXPENDITURE

Other operating expenditure include the following:

| Description | For the year ended on | |
|--|------------------------------|-------------------|
| | 30.06.22 | 30.06.21 |
| Utilities | 10,350,320 | 5,056,586 |
| Repairs | 689,133 | 831,230 |
| Rent | 146,210 | 416,523 |
| Insurances | 694,240 | 740,816 |
| Bank fees | 792,555 | 747,589 |
| Advertising & promotion of products | 8,905,131 | 4,505,798 |
| Travel & transport | 2,303,569 | 1,055,637 |
| Postal & telecommunication services | 268,467 | 263,883 |
| Other services provided by third parties | 6,163,417 | 5,182,700 |
| Other taxes and fees | 19,991,542 | 16,897,646 |
| Environmental protection | 592,400 | 468,457 |
| Loses and adjustments of uncertain receivables | 33,944,116 | 1,486,273 |
| Exchange rate differences | 4,206,668 | 2,689,723 |
| Sundries | 2,453,507 | 2,670,388 |
| Total | 91,501,275 | 43,013,249 |

9. FINANCIAL INCOME AND EXPENSES

The net financial income consists of:

| Description | For the year ended on | |
|--------------------------|------------------------------|--------------------|
| | 30.06.22 | 30.06.21 |
| Interest income | 394 | 901 |
| Interest charges | (2,220,330) | (1,774,742) |
| Other financial expenses | (100,977) | (131,181) |
| Total | (2,320,913) | (1,905,022) |

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

10. CURRENT AND DEFERRED PROFIT TAX EXPENSES AND OTHER TAXES

| Description | For the year ended on | |
|-------------------------------|-----------------------|----------------|
| | 30,06,22 | 30,06,21 |
| Current tax | 4,023,651 | 0 |
| Deferred tax expense/(income) | (1,001,673) | 496,997 |
| Total | 3,021,978 | 496,997 |

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

10.1 - Current corporate tax

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

A reconciliation between the accounting profit and the tax profit that was the basis of the profit tax calculation is shown in the table below:

| Description | For the year ended on | |
|---|-----------------------|-------------------|
| | 30.06.22 | 30.06.21 |
| Total income | 287,723,764 | 189,745,267 |
| Total expenses (excluding income tax) | 260,279,260 | 169,605,806 |
| Gross accounting result | 27,444,504 | 20,139,461 |
| Deductions | (10,770,714) | (39,500,371) |
| Non-deductible expenses | 32,164,114 | 20,342,996 |
| Fiscal result | 48,837,904 | 982,086 |
| Profit tax (tax result x 16%) | 7,814,065 | 157,134 |
| Tax reductions | (3,790,414) | (157,134) |
| Current profit tax | 4,023,651 | 0 |
| Deferred profit tax | (1,001,673) | 496,997 |
| Total profit tax and other taxes | 3,021,978 | 496,997 |

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10.2 - Deferred profit tax

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

| Description | 30.06.22 | 31.06.21 |
|---------------------------------|-------------------|-------------------|
| Deferred tax - assets | | |
| Initial balance | 8,064,005 | 8,064,005 |
| Deferred tax costs/(income). | 887,385 | 0 |
| Final balance (a) | 8,951,390 | 8,064,005 |
| Deferred tax liabilities | | |
| Initial balance | 39,547,091 | 39,183,879 |
| Deferred tax costs/(income) | (114,288) | 363,212 |
| Final balance (b) | 39,432,803 | 39,547,091 |
| Net deferred tax (b)-(a) | 30,481,413 | 31,483,086 |

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

11. EARNINGS PER SHARE

| Description | For the year ended on | |
|---------------------------------|-----------------------|---------------|
| | 30.06.22 | 30.06.21 |
| Net profit (A) | 23,159,057 | 19,145,254 |
| Number of ordinary shares (B) | 671,338,040 | 671,338,040 |
| Earnings per share (A/B) | 0.0345 | 0.0285 |

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12. TANGIBLE ASSETS

| | Land | Buildings | Technical installations & equipment | Other installations, equipment & furniture | Tangible assets in progress | Total |
|--------------------------|-------------|-------------|-------------------------------------|--|-----------------------------|-------------|
| COST | | | | | | |
| 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 |
| Procurement | | 18,539,892 | 23,543,572 | 252,015 | 11,548,886 | 53,884,365 |
| Outputs | | 361,458 | 2,386,779 | 40,719 | 42,335,479 | |
| June 30, 2022 | 189,933,152 | 175,691,712 | 247,028,008 | 8,960,870 | 33,928,390 | 655,542,132 |
| DEPRECIATION | | | | | | |
| 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 |
| Cost of the period | - | 4,319,028 | 5,430,487 | 137,983 | - | 9,887,498 |
| Outputs | - | 125,391 | 2,386,779 | 40,720 | - | 2,552,890 |
| June 30, 2022 | - | 27,784,713 | 138,955,979 | 6,535,300 | - | 173,275,992 |
| PROVISION | | | | | | |
| December 31, 2020 | - | 51,600 | 244,652 | - | - | 296,252 |
| Outputs 2021 | - | - | - | - | - | - |
| December 31, 2021 | - | 51,600 | 244,652 | - | - | 296,252 |
| Outputs 2022 | - | - | 244,652 | - | - | 244,652 |
| June 30, 2022 | - | 51,600 | - | - | - | 51,600 |
| NET VALUE | | | | | | |
| June 30, 2022 | 189,933,152 | 147,855,399 | 108,072,029 | 2,425,570 | 33,928,390 | 482,214,540 |
| 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 |

ANTIBIOTICE S.A.
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for the 6-month period ending on June 30, 2022
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Depreciation of fixed assets

The accounting depreciation is calculated using the straight line method. For the new fixed assets, entered during the first semester of 2022, 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's 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 38.178.431 lei.

13. INTANGIBLE ASSETS

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

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

| | 30.06.22 | 31.06.21 |
|---------------------|-------------------|-------------------|
| Inputs | 5,486,063 | 12,541,609 |
| Outputs | 2,043,119 | 411,960 |
| Final balance | 52,715,028 | 49,272,084 |
| Amortization | | |
| Initial balance | 19,432,320 | 17,432,829 |
| Cost of te period | 849,391 | 1,999,491 |
| Final balance | 20,281,711 | 19,432,320 |
| Net value | 32,433,317 | 29,839,764 |

14. STOCKS

| Description | 30.06.22 | 31.12.21 |
|-------------------------------------|--------------------|--------------------|
| Raw materials and consumables | 40,377,165 | 41,635,510 |
| Production in progress | 4,223,624 | 1,156,052 |
| Semi-finished and finished products | 61,879,632 | 54,465,199 |
| Goods | 22,335,905 | 8,761,013 |
| Total | 128,816,326 | 106,017,774 |

The value of stocks held as collateral is 20.000.000 lei.

15. TRADE AND OTHER RECEIVABLES

| Description | 30.06.22 | 31.12.21 |
|---------------------------------------|-----------------|-----------------|
| Trade receivables | 257,576,535 | 291,188,584 |
| Adjustments for trade receivables | (30,199,774) | (21,431,055) |
| Various debtors and other receivables | 3,984,093 | 4,063,884 |
| Adjustments for various debtors | (3,432,707) | (3,432,707) |
| Receivables related to employees | 15 | 6 |

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

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| | | |
|---|--------------------|--------------------|
| Other receivables from the State Budget | 2,705,281 | 3,359,260 |
| Advance payments | 5,549,116 | 3,128,226 |
| Total | 236,182,559 | 276,876,198 |

On June 30, 2022 the Company recorded adjustments for trade receivables representing customer balance that are unlikely to be collected by the company. The receivables of the company were analysed and evaluated according to criteria established according to the risks per categories of costumers.

| | | |
|--|-----------------|-----------------|
| Analysis of seniority | 30.06.22 | 31.12.21 |
| Receivables - customers | 257,576,535 | 291,188,584 |
| Up to 3 months | 102,977,304 | 121,747,734 |
| Between 3 and 6 months | 81,955,054 | 72,186,849 |
| Between 6 and 12 months | 57,479,359 | 63,846,846 |
| Over 12 months | 15,164,819 | 33,407,155 |
| Value adjustments related to receivables-customers | (30,199,774) | (21,431,055) |

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

| | | |
|---------------------------------------|-------------------|-------------------|
| Adjustments of receivables | 30-lun-22 | 31-Dec-21 |
| At the beginning of the period | 24.863.762 | 32.590.171 |
| Established during the year | 12.982.618 | 2.448.480 |
| Cancelling the adjustments | (4.213.899) | (10.174.888) |
| At the end of the period | 33.632.481 | 24.863.762 |

The value of receivables established as guaranties is 190.185.623 lei.

16. CASH AND CASH EQUIVALENTS

| | | |
|---------------------------|------------------|------------------|
| Description | 30.06.22 | 31.12.21 |
| Available in the bank | 3,308,061 | 2,101,648 |
| Cash and cash equivalents | 21,207 | 9,729 |
| Total | 3,329,268 | 2,111,377 |

17. TRADE AND OTHER LIABILITIES

17.1 Trade and similar debts

| | | |
|--------------------------------|-----------------|-----------------|
| Description | 30.06.22 | 31.12.21 |
| Trade liabilities | 74,400,504 | 66,324,369 |
| Suppliers of assets | 6,920,815 | 16,400,178 |
| Employee-related liabilities | 3,758,126 | 3,879,368 |
| Other liabilities | 149,464 | 139,650 |
| Interest to be paid | 323,608 | 248,216 |
| Taxes and social contributions | 4,056,596 | 4,268,104 |
| Dividends | 3,343,812 | 3,774,337 |

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

for the 6-month period ending on June 30, 2022

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

| | | |
|---------------------------------|-------------------|-------------------|
| Advance payments from customers | 2,511,171 | 3,168,066 |
| Total | 95,464,096 | 98,202,288 |

17.2 Short-term provisions

| | | |
|-----------------------|------------------|------------------|
| Description | 30.06.22 | 31.12.20 |
| Short-term provisions | 2,415,534 | 3,853,530 |
| Total | 2,415,534 | 3,853,530 |

18. AMOUNTS DUE TO CREDIT INSTITUTIONS

The amounts due to the credit institutions on 30.06.2022 are shown in the table below:

| | |
|---|---------------------|
| Amounts due to credit institutions | Value on 30.06.2022 |
| Amounts due in the short term | 63,795,403 LEI |
| Amounts due in the long term (including interest) | 52,270,108 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 June 30, 2022 | 41,463,741.08 LEI |
| Warranties | Mortgage contract for buildings, land/Receivable assignment contract |

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

| | |
|---------------------------------|---|
| Objective | Investment credit |
| Amount | 15,406,300 EUR |
| Maturity | 02.05.2028 |
| Balance on June 30, 2022 | 12.719.155,90 EUR (62.901.313,59 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 | 2,500,000 EUR |
| Maturity | 22.05.2023 |

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

for the 6-month period ending on June 30, 2022
(all the amounts are expressed in LEI, if not mentioned otherwise)

| | |
|---------------------------------|---|
| Balance on June 30, 2022 | 11,621,916.62 (2,350,045.82 EUR) |
| Warranties | Mortgage contract for buildings, land /Receivable assignment contract |

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

| | |
|---|---------------------|
| Amounts due to credit institutions | Value on 31.12.2021 |
| Amounts due on short term | 87,163,549 LEI |
| Amounts due on 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 |

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

| | |
|-------------------------------------|---|
| Objective | Investment credit |
| Amount | 15,406,300 EUR |
| Maturity | 02.05.2028 |
| Balance on December 31, 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 | Mortgage contract for buildings, land/Receivable assignment contract |

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

for the 6-month period ending on June 30, 2022

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

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 | 30.06.22 | 31.12.21 |
| Wastewater treatment plant | 1,823,091 | 1,902,542 |
| Research project-UMF Iasi | 24,503 | 24,503 |
| Other grants from European funds | 375,582 | 423,551 |
| Other grants from state budget funds | 75,888 | 84,353 |
| Other amounts received in the form of grants | 14,382 | 31,642 |
| Total | 2,313,446 | 2,466,591 |

The amounts reflected in the account subsidies for investments represent amounts 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 TAXES AND CURRENT FEES

| | | |
|--|-----------------|-----------------|
| Description | 30.06.22 | 31.12.21 |
| Liabilities from taxes and current charges | 10,232,153 | 9,611,682 |
| Deferred tax | 30,481,413 | 31,483,086 |

21. SHARE CAPITAL

The subscribed share capital of the company on June 30, 2022 is 67,133,804 lei and the nominal value of a share is 0,1000 lei/share. Our company has a number of 671,338,040 shares which provide equal rights to the company's shareholders. SC Antibiotice SA has not issued preference shares to shareholders.

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

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

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

ANTIBIOTICE S.A.
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for the 6-month period ending on June 30, 2022

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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

The reserves include the following components:

| Description | 30.06.22 | 31.12.21 |
|---|--------------------|--------------------|
| Reserves from revaluation of fixed assets | 134,340,178 | 135,893,766 |
| Legal reserves | 13,426,761 | 13,426,761 |
| Deferred income tax recognized on equity | (21,618,713) | (21,743,000) |
| Other reserves | 261,644,439 | 233,852,036 |
| Reserves from current profit | 0 | 25,302,090 |
| TOTAL | 387,792,665 | 386,731,653 |

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

| Reserve | Description and purpose |
|---|---|
| Reserves from revaluation of fixed assets | If the book value of a tangible asset is increased as a result of the re-evaluation, then the increase should be recognized in other items of global result and cumulated in equity, as a re-evaluation surplus. The revaluation reserves cannot be distributed and cannot be used to increase the share capital. |
| Legal reserves | According to Law 31/1990, at least 5% of the profit is taken each year for the formation of the reserve fund until it reaches at least a fifth of the share capital. |
| Other reserves | Other reserves include reserves that represent tax incentives that cannot be distributed because they have implications on the recalculation of the corporate tax. The difference represents reserves made up of profits. |

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
for the 6-month period ending on June 30, 2022
(all the amounts are expressed in LEI, if not mentioned otherwise)

23. REPORTED RESULT

The reported result includes the following components:

| Description | 30.06.22 | 31.12.21 |
|--|----------------------------|----------------------------|
| Reported result - a surplus from revaluation reserves | 24,335,989 | 22,906,688 |
| Result reported from error correction | - | - |
| The retained earnings arising from the use of fair value as deemed cost at the date of transition to IFRSs | 123,582,341 | 123,582,341 |
| The retained earnings from the adoption of IAS 29 for the first time | (197,701,352) | (197,701,352) |
| Total | <u>(49,783,022)</u> | <u>(51,212,323)</u> |

24. PRESENTATION OF AFFILIATED PARTIES

24.1 - The nature of relationships with the related 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, the 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 26.5496%, thus becoming an associated entity with significant influence.

24.2 - Amounts due and receivable from related parties

At the end of the financial year 2021 and the first semester of 2022, the company had no claims or debts towards the associated entity.

24.3 - Information regarding transactions with related parties

During the 2022 financial year, the company did not carry out commercial transactions with the associated entity.

Transactions with key management personnel within the company were presented in Note 7 "Staff costs".

25. CONTINGENT LIABILITIES

SC Antibiotice SA does not have contingent liabilities on June 30, 2022.

26. ELEMENTS FOLLOWING THE REPORTING PERIOD

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

27. INFORMATION ABOUT THE AUDIT OF FINANCIAL STATEMENTS

The financial audit on 30.06.2022 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
INTERIM FINANCIAL STATEMENTS
drawn up by ANTIBIOTICE S.A.
for the FIRST SEMESTER of 2022

- BUCHAREST -
- 2022 -

INDEPENDENT AUDITOR'S REPORT TO THE ANTIBIOTICE SHAREHOLDERS

Interim Financial Information Review Report

We have reviewed the interim financial statements of ANTIBIOTICE S.A. ("the Company") which comprise the financial position statement as of June 30, 2022, statement of comprehensive income, statement of changes in equity and cash flow statement for the six-month period ended on June 30, 2022, as well as a summary of the significant accounting policies and other explanatory notes.

The company's management is responsible for the preparation and fair presentation of these interim financial statements in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS).

Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted the review in accordance with the International Standard on Review Engagements 2410 *"Review of Interim Financial Information Performed by an Independent Auditor of the Entity"*. A review of interim financial information consists of interviewing, in particular, the persons responsible for financial and accounting matters and applying analytical and other review procedures. The scope of a review is substantially less than the scope of an audit conducted in accordance with International Standards on Auditing, and we are not allowed to obtain assurance that we would have identified all significant matters that could have been indicated in an audit. Therefore, we do not express an audit opinion.

Conclusion

Based on our review, we have not identified any evidence that would make us believe that the interim financial statements prepared by ANTIBIOTICE S.A. on June 30, 2022 are not prepared, in all material respects, according to IFRS.

Bucharest, August 2, 2022

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