

Antibiotice **a+**

MANAGEMENT REPORT

Q3 2022

Quarterly Report according to: **IFRS**

Report Date: **11.11.2022**

Name of the trading company:

ANTIBIOTICE S.A.

Head Office:

Iasi, 1 Valea Lupului St.

Phone number:

0232/209000, Fax 0232/209633

Fiscal registration code:

RO1973096

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 trading company:

Nominative shares, nominal value: 0.10 LEI

Contents

I. Antibiotice - Romanian tradition and continuity	2
I.1 Listed on the Bucharest Stock Exchange for 25 years	2
I.2 Antibiotice in the capital market.....	2
II. Presentation of the current activity	3
II.1 Strategic adaptation of our human resources.....	3
II.2 Strategic adaptation of our product portfolio	4
II.2.1 Antibiotice’s product portfolio.....	4
II.2.2 Promotion of the Antibiotice’s product portfolio	5
II.2.3 Developing our future portfolio through our own research	7
II.2.4 Developing our future portfolio through license purchases.....	7
II.3 Business sustainability through continuous improvement of the Integrated Management System.....	7
II.4 Performance Management	10
II.4.1 Business consolidation in the domestic market.....	10
II.4.2 Internationalization of our business in the Antibiotice territories and in other territories	15
II.4.3 Production activity in the period January-September 2022	16
II.4.4 Economic and financial performance	17
II.4.5 Investments - support for our future	21
II.5 Developing the Corporate Governance System	22
III. Conclusions	24

I. Antibiotice - Romanian tradition and continuity

I.1 Listed on the Bucharest Stock Exchange for 25 years

Antibiotice S.A. is a trading company where the majority shareholder is the Ministry of Health, with 53.0173% of the subscribed and paid-up capital. Bucharest Stock Exchange is the regulated market on which securities issued by Antibiotice S.A. have been traded, at the Premium category.

On 30.09.2022, the main shareholders of our company are (extract from the Register of Shareholders) :

- Ministry of Health¹ - 53.0173%,
- S.I.F. Oltenia² - 26.9165%
- Other legal entities and natural persons - 20.0662%

Classes of shareholders:

- Legal persons - 87.4273%
- Natural persons - 12.5727%

Antibiotice has 5 manufacturing plants with 8 manufacturing flows, organized into three production divisions:

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

I.2 Antibiotice in the capital market

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

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 September 30, 2022 the stock market capitalization of Antibiotice was 343.73 million lei.

During this period, 11,864,575 shares were traded, amounting to 6.44 million lei, with an average price of 0.5431 lei/share.

	Antibiotice shares- ATB / Regular market				
	2018	2019	2020	2021	30.09.2022
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	343.725
Stock market capitalization (thousand EUR)*	70.100	71.370	66.935	82.211	69.453
Stock market capitalization (thousand USD)*	80.259	79.873	82.163	93.022	68.106
Total traded value (million LEI)	9	15	14	44	6
No. of traded shares	17.109.263	30.364.292	27.085.005	80.534.368	11.864.575
Opening price (LEI/share)	0,5200	0,5780	0,5120	0,4940	0,6060
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	0,5120
Average price (LEI/share)	0,5585	0,5028	0,5079	0,5913	0,5431

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

¹ Majority shareholder

² Significant shareholder

II. Presentation of the current activity

II.1 Strategic adaptation of the human resources

Implementing the modern human resources management

The actions carried out between January-September 2022 aimed at:

- harmonizing the wage system in the company according to the nature of the jobs and modernizing the motivational system in line with the current pharmaceutical market;

The staff Wage and Motivation Policy has been updated, based on criteria such as ranking the functions, processes, activities and positions in the company, redefined in the context of dynamic progress in the pharmaceutical field.

- reorganizing the organizational structures in our company, according to the modern human resources principles in line with our business;
- adapting motivational packages in order to attract and retain employees;

As an integral part of the Wage and Motivation Policy, the motivational packages were analyzed by staff category and updated in order to increase employee loyalty and retention, motivate employees and encourage performance.

- Implementing the management of employees' careers and succession plans;

In line with the new Wage and Motivation Policy, our specialists elaborated programs for implementing stage-by-stage until 2024, the career management and succession plans, which will focus on top professions, taking into account both the employees with secondary education and those with higher education.

- running training programs for developing our employees' skills;

The training program for developing our employees' skills took place according to the approved schedule, adapting the allocated budget to the training needs.

- implementing the Charisma software;

Charisma is a software solution being implemented according to planning, which will allow the management of specific human resources activities: administration and payroll, recruitment, skills, career and performance management, training, budgeting, but also the creation of advanced business reports, necessary for the development, implementation and follow-up of the human resources strategy.

- continuing the actions within 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 activities within the Academy a+ aims to establish new partnerships with the academic environment, to develop the INOVA a+ project, to run selection and qualification programs at the workplace as well as to run induction and professional career management programs.

Within the Technical College a+, 12 selected persons completed a multidisciplinary professional training program. After their evaluation, 11 persons were hired on vacant positions, according to their professional training.

The human resources management is reflected by the following indicators:

- for the period January - September 2022, an average number of 25 hours of professional training per employee was planned and we achieved 30.36 hours per employee;

- staff retention rate - a level of 90% was estimated and a retention rate of 96,47% was achieved in the period January - September 2022 .
- the average number of employees in the first 9 months was 1,361, as planned;
- the average net salary in the reporting period was 810 euro, as planned.

Modernization of the organizational culture

Organizational culture represents a continuous concern in Antibiotice SA. The actions carried out in the first nine months of 2022 were focused on implementing the Organizational Culture Consolidation Plan resulting from the organizational climate study conducted in 2021.

This plan aimed at:

- developing the interpersonal collaboration in order to achieve, in the best conditions, our job duties. The aspects highlighted in the Organizational Climate Study 2021 were communicated to the managers. We refer here to the value system, criteria that influence loyalty to the company, the satisfaction of employees for their positions.
- sharing the 2022 objectives and performance indicators among all the teams involved in fulfilling them.

In September, our company started organizing a new organizational climate study which will take place in the fourth quarter of the current year, in order to highlight the impact of organizational, salary and motivational changes on employee satisfaction for the positions held and new measures to improve the organizational climate will be established.

II.2 Strategic adaptation of the product portfolio

II.2.1 Antibiotice's product portfolio

Development of our business 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 and market requirements.

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

Our portfolio includes both prescription medicines (having the significant share in the portfolio) and over-the-counter products.

Prescription-only medicines are grouped by ATC1 therapeutic classes and are intended for pathologies with increased incidence and treatment of chronic conditions.

Non-prescription products include food supplements, medical devices, cosmetics, OTCs and are grouped into portfolio concepts.

Nutriensa® - food supplements based on macronutrients and micronutrients are brought together under this concept, essential elements for the production of energy needed to carry out our daily activities, as well as for performing the 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.

Cold & Flu concept includes non-prescription medicinal products intended for preventing and treating the cold and flu symptoms. These products address to 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.

Derm A+ concept aims to maintain in Romania the leading status of Antibiotice on the topical products segment (ointments, creams, gels), by consolidating the non-prescription products segment (OTCs and dermatocosmetics).

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.

Family health concept includes products for the whole family, by different age segments: child, teenager, adult, elderly.

As regards our company's divisions, the product portfolio is structured as follows:

The portfolio of the Sterile Products & APIs Division includes Nystatin (micronized, standard and compacted active substance), injectables and biocides. In the injectables portfolio, the majority is held by prescription medicines from the anti-infective therapeutic class for systemic use.

Starting with 2020, taking into consideration the market requirements in the pandemic, this Division has included in its portfolio the disinfectant solution for surfaces, A+ Oxy for the non-medical field, with two forms of presentation.

Topical Products Division has a portfolio comprising medicines for human and veterinary use and biocides. Medicines for human use are both those with medical prescription (RX) (significant weight) and those without medical prescription (non-RX) and cover the following therapeutic classes: dermatological conditions, muscular and osteoarticular diseases, vascular diseases, eye diseases, genitourinary diseases, diseases of the digestive tract and central nervous system, vascular diseases.

The product portfolio of this division also includes veterinary medicines under the form of ointment used in infectious pathologies.

The biocides portfolio of the Topical Products Division includes the hand disinfectant product Sanygel with 4 forms of presentation intended for both the medical and non-medical use, approved by the National Committee for Biocidal Products and tested in well-known European laboratories.

Oral Solid Products Division has a portfolio comprising medicines for human use, both RX and non-RX drugs (the majority being prescription drugs - RX) from the following therapeutic classes: blood and hematopoietic organs (antithrombotic), cardiovascular system, systemic anti-infectives, systemic hormonal preparations -

iodine therapy, musculoskeletal system, central nervous system, respiratory system.

The non-RX portfolio of this division also includes nutritional supplements promoted under the **Nutriensa brand**.

II.2.2 Promotion of the Antibiotic's product portfolio

This 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

Integrated communication campaigns to the general public: TV and radio.

The products for which our company invested in promotion campaigns targeting the general public:

- Silithor, food supplement - the promotion campaign "Silithor acts without half measures" was launched on national televisions, targeting the general public;
- continuation of the TV campaign started in 2021 for promoting the Fluxiv range, tablets and cream with the promotion message "Fluxiv - boost your blood circulation"
- launching **Clafen® rapid** (gel, diclofenac diethylamine 11.6 mg/gram), OTC product in the market, the newest product developed under the Clafen® brand.

Clafen® rapid brings additional benefits to consumers both through the quick action in relieving pain and inflammation, being active in joint, muscle and back pain, but also thanks to the special formula created for absorption through massage. Clafen® rapid will be promoted starting with the month of October also through a TV campaign.

Co-branding projects were carried out with partners, Dona and Alphega pharmacies, for promoting the food supplements from the Nutriensa® range: Equilibra® and Silithor®. The campaigns have been continuing also in the second semester by promoting SimbiFlora® range, Fluxiv® range. We have also been establishing partnerships with the pharmacy chains Catena and Dr. Max for promoting other products from the Nutriensa® range: Sprinten®, Lejer®.

Online communication channel: Social Media

- active Facebook and Instagram pages: Nutriensa®, Cutaden®, Tintero®
- Tik Tok - @coolonia.tinero
- Metaverse Nutriensa® - a virtual space for promoting the Nutriensa® range targeting the general public but also the health professionals. On this platform, in the month of September a live webinar dedicated to the Simbiflora®, range of symbiotics was held. These are the newest products from the Nutriensa® brand. During the webinar, four national opinion leaders addressed topics with reference to the benefits of administering symbiotics in various therapeutic areas. The format of

the webinar was a first, it was transmitted live in a virtual environment where the health professionals could enter and visit the booth presenting each product from the Nutriensa® range.

Product sites and ranges: active sites: 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.
- Soriso®, the adaptogen food supplement from the Nutriensa® range was promoted in the October edition of the PSYCHOLOGIES Magazine, the ecosystem of well-being.

Communication to health professionals was also done through the participation of our representatives in national congresses and conferences organized by the main Romanian professional, academic and scientific societies and associations of medical specialties.

II.2.3 Developing our future portfolio through our own research

Our Research-Development team, made up of specialists in medicine, pharmacy, biochemistry, physics and medical bioengineering, has as main objectives to diversify the product portfolio, by developing new generic medicines, medical devices, cosmetics and biofertilizers as well as to support the process of territorial expansion. The projects of developing new products and /or updating the existing products with a view to internationalization, are multi-annual projects.

In 2022, our research specialists have been conducting 28 new product projects, 12 projects for updating products intended for internationalization and 3 clinical studies for topical products.

The ongoing research projects aimed at completing the product portfolio target all production divisions: 3 projects for the Sterile Products & APIs Division, 17 projects for the Topical Products Division, 8 projects for the Oral Solid Products Division.

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. Studies are underway to analyze the market requirements for these products.

Ecofertil P, our biofertilizer, is under technological experimentation. In collaboration with the "Ion Ionescu de la Brad" Iași University of Life Sciences, our specialists do additional testing of this product to document its qualitative advantages. Our specialists also prepare the documentation on the basis of which Ecocert, the inspection and certification body in the field of organic agriculture, will

issue the organic product certificate, approved by the Ministry of Agriculture and Rural Development.

II.2.4 Developing our future portfolio through license purchases

In the first 9 months of 2022 we negotiated the commercial terms for 24 products for which sales are planned starting with 2023, depending on obtaining the marketing authorizations.

These products will complement the following therapeutic classes: anti-infectives (10 products), cardiovasculars (8 products), musculoskeletal system (2 products), respiratory system (2 products), alimentary tract and metabolism (1 product), central nervous system (1 product).

II.3. Business sustainability by continual improvement of the Integrated Management System (quality, environment, occupational health and safety)

Product quality assurance, limitation of quality incidents and diminution of incidents which may affect people's health and the environment represent the main ethical, moral and professional concerns of all the employees of the company.

In January 2022, the National Agency for Medicines and Medical Devices of Romania (NAMMDR) and the National Sanitary Veterinary and Food Safety Authority (NSVFSA) extended the GMP and GLP certifications for the manufacturing lines of capsules, tablets, ointments, suppositories, sterile veterinary products (injectables and ointments) and non-sterile veterinary products (ointments) by the end of 2022.

In September 2022, the company received from the NAMMDR of Romania the Plan for the regulatory inspection to be conducted between October 3 and 14 addressing the following:

- renewal of the GMP certification for the manufacturing plants dedicated to sterile products for injection, biosynthesis, tablets, penicillin capsules, cephalosporin capsules, and non-penicillin capsules
- GMP certification of the new manufacturing plant for topical products
- recertification of raw material and finished product warehouses, as well as related Quality Control laboratories.

In the period 29.11-01.12.2022, the audit for the renewal of ISO 9001, ISO 45001, ISO 14001 certificates will be carried out by TUV Rheinland Romania.

Audits were conducted to the suppliers of raw materials, primary packaging materials, and finished products. No critical nonconformities were identified during the audits and the suppliers were accepted as authorized suppliers for Antibiotice SA.

Environmental responsibility

All the processes carried out in the company involve also the management of the environmental factors aiming at preventing pollution and improving the environmental performances in order to comply with the environmental regulations.

To develop an environmental sustainability strategy in conformity with the requirements of the European Regulation 2020/852/18.06.2020 and to approach and include the climatic changes in the business risk assessment, the company concluded an agreement with a specialized consulting firm that can validate our

methodology for calculating the carbon footprint and train the employees in the requirements related to the taxonomy and good practices of monitoring the climate risk.

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

Lab tests for the quality of the water entering the pre-treatment plant and then discharged into the city sewage system, of the conventionally clean water evacuated into the natural drainage channel as well as of the groundwater were conducted on the samples collected from the 13 monitoring wells on the company site by the in-house laboratory and third-party laboratories, as part of the environmental factors quality monitoring. In addition, measurements of the air pollutants emissions / immissions were made according to the requirements of the Integrated Environmental Authorization by certified third-party laboratories.

The test results showed that the maximum allowable concentrations specified in the Integrated Environmental Authorization and the Water Management Permit had not been exceeded.

In 2022, the company started the necessary steps to have measurements of the odor emissions performed by authorized entities and at present, it cooperates with a specialized company which provides odor management solutions. So far, several actions have been carried out, such as the identification of the odor emission sources and the beginning of the cooperation with a contractor providing solutions for reducing the odors traceable to technological processes (conclusion of the agreement/tryout following the installation of the specific equipment and application of the provided solution).

Waste management

Antibiotice implemented a system for waste selective collection, each manufacturing site and ancillary activity being equipped with appropriate collection containers.

The recyclable waste was sold based on contracts concluded with authorized economic operators, while the non-recyclable waste was either incinerated using the in-house incineration plant, transferred to be stored at the municipal waste repository or eliminated using the assistance of authorized operators. The legal requirements specific to waste management were met and the plan for preventing and reducing of the amount of waste generated by the company was formulated.

Occupational health and safety

To ensure compliance with the legal provisions for protecting the employees' health, activity planning documents were created, i.e. the Annual Prevention and Protection Plan, the Annual Program for Training in Occupational Health and Safety, the Annual Program for the Periodical Medical Examination, the Annual Program for Workplace Exposure Monitoring. Such actions are currently in progress and provide the appropriate framework for preventing accidents and employees' periodical informing on occupational health and safety according to the specifics of their jobs.

Between May 16 and 20, 2022, a number of 776 employees were screened for hepatitis viruses B, C and D, using rapid tests, as part of the European Project LIVE

(RO) developed in cooperation with the Institute of *Gastroenterology and Hepatology* of Iasi and “Gr. T. Popa” University of Medicine and Pharmacy of Iasi.

Antibiotice, a company involved in sustainable development

During the first 9 months of 2022, Antibiotice was involved in corporate social responsibility projects designed both for the local communities and the company’s employees. The projects were focused on four strategic pillars, i.e. health, education, environment and social involvement.

Health

“Donate Blood! Put Your Heart and Soul into Protecting Life!”

In April, more than 65 employees of the company donated blood on the 21st edition of the “Donate Blood! Put Your Heart and Soul into Protecting Life!” campaign organized by the “Antibiotice - Science and Soul” Foundation in cooperation with the Regional Center for Blood Transfusion of Iasi.

For more than 11 years, since Antibiotice started the blood donation campaign, the medical team from the Regional center have had constant access to a base of blood donors, some with rare blood types.

Screening for the employees - around 800 people took part in preventive testing

Two preventive campaigns organized by the employees of the medical assistance office and the Medical department were carried out in May this year. Almost 800 people had the opportunity to take part in prevention projects. Such projects are part of the company’s program entitled “We are healthy in a healthy company”, which is intended to support the employees’ health and wellbeing.

World Patient Safety Day

On September 17, Antibiotice marked the World Patient Safety Day. The World Health Organization (WHO) selects, each year, a new theme of global interest on a patient safety topic. The theme selected for 2022 was “Medication Safety” under the slogan “Medication without Harm”.

For Antibiotice, as a pharmaceutical manufacturer, patient’s health and safety is crucial. The company joined the WHO’s initiative and provided to the public online information on the rigor of the manufacturing process of a medicinal product in terms of the patients’ safety.

Education

“Science and Soul” scholarships, 21st edition

Every year, the company, through the “Antibiotice - Science and Soul” Foundation, supports the „Pro Ruralis” Association, offering 5 scholarships to children from rural areas. In this way, Antibiotice makes its contribution to the education of children with special skills and abilities, high IQ, but with limited material means, and supports them to continue their secondary and high-school education, thus providing them the opportunity of a successful professional career and personal development.

Environment

Antibiotice's employees joined the actions intended to reduce CO₂ emissions during the European Mobility Week

Antibiotice joined the European Mobility Week campaign (September 16 - 22) by actions intended to promote an environmentally sustainable conduct to the employees as well as by concrete investments designed to reduce CO₂ emissions generated by the urban transportation.

Around 50 employees of the company left their private cars home to take part in the internal campaign entitled „When cars are on the minus side, nature is on the plus side!”. The initiative aimed at encouraging car-sharing among the employees, in order to reduce carbon dioxide emissions as well as urban congestion.

Social

„Borderless Solidarity”

The conflict that broke out in the neighboring country made Antibiotice and its employees take action to help both people who were in the front line of the war and people who were forced to leave their homes and flee war. By the “Borderless Solidarity” campaign which took place in February and March, medicinal products were sent to Ukraine (two trucks of oral and injectable antibiotics covering the treatment of 5,000 patients) and donations (money and supplies) were collected from the employees to be distributed to refugees. The donations reached the Iasi subsidiary of the Romanian Red Cross to be allocated depending on the refugees' needs.

“Power of Deed”, a charity action program at Easter

In order to make Easter holidays a source of joy for people living in straitened circumstances, the “Antibiotice - Science and Soul” Foundation lent a helping hand to 20 families from Iasi and neighboring villages.

On April 19, 2022, traditional dishes, staple foods, hygiene and cleaning products reached the needy families, each with 8 to 12 children, by means of the Foundation volunteers and Antibiotice employees. This humanitarian action was carried out by the “Antibiotice - Science and Soul” Foundation in partnership with the „Pro Vita” Department of the Metropolitanate of Moldavia and Bukovina.

Over 200 children celebrated Children's Day in the Prieteniei a+ park

The traditional event organized by Antibiotice for more than 15 years to celebrate Children's Day took place, this year, in the Prieteniei a+ park. Children from the neighboring communities were invited to the event, along with the employees' children.

Theatre plays, music, dancing, competitions, shaped balloons, face painting, pavement drawing and sweet surprises were only but a few of the ingredients of a successful event, where more than 200 children enjoyed the natural environment and learned together to cherish friendship.

II.4 Performance management

II.4.1 Business consolidation in the domestic market

- In the first 9 months of 2022, in the domestic market, Antibiotice SA:
- ranks 1st in the relevant market, with a 13.0% value market share;
 - is leader in terms of quantity (IU) in the total market or the following pharmaceutical forms: ointments (20.4%), suppositories and pessaries (35.7%) and powders for injection (60.9%);
 - ranks 4th in consumption terms (no. of boxes) on the segment of generic drugs with prescription and OTCs (5.2% market share);
 - leader on the segment of generic drugs with prescription and OTCs sold in hospitals, with a 13.4% market share.

Evolution of pharmaceutical market in Romania³

In the first 9 months of 2022, the value of medicines released for the patients from Romania amounted to 18.89 billion lei (distribution price), higher by 23.4% compared to the first 9 months of 2021. Drug consumption increased by 10.0 % in the reporting period, a number of 524.2 million boxes being released from pharmacies.

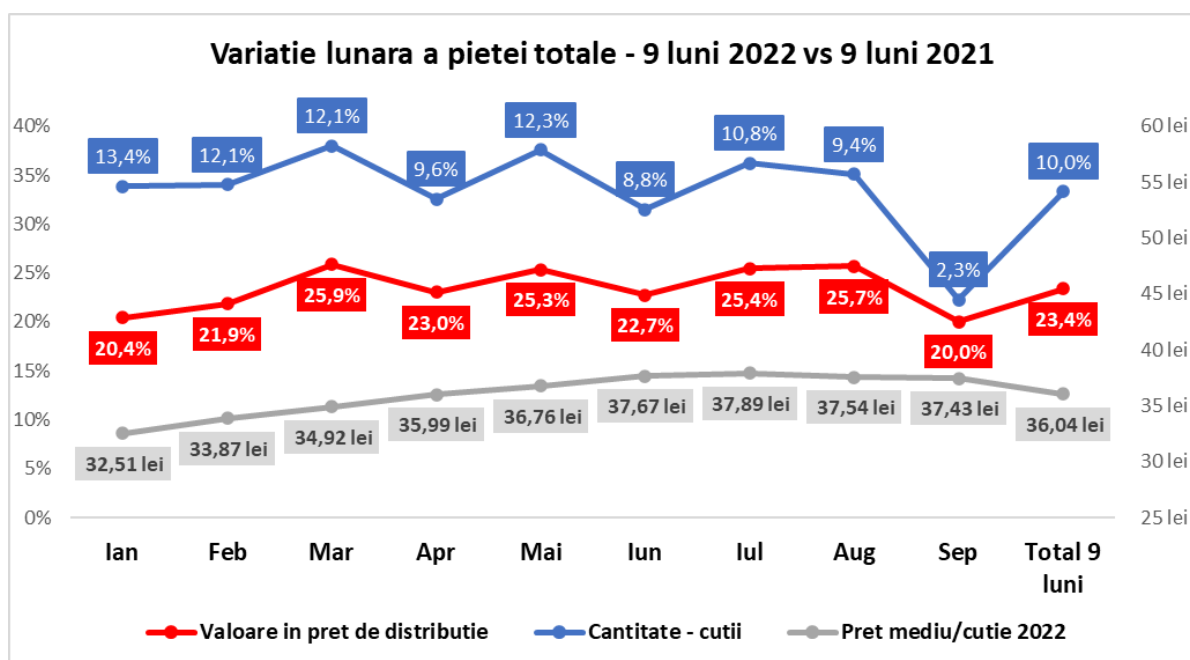
The graph below shows the monthly variation of the pharmaceutical market in terms of value (distribution price) and quantity (no. of boxes) as well as the monthly evolution of the average price per box in the first 9 months of 2022 compared to the same period in 2021.

In the first 7 months of 2022, there was a monthly increase in the average price per box, followed by a slight decrease in the months of August and September.

The monthly variation of the total market - 9 months 2022 vs 9 months 2021

- Distribution price value
- Quantity - no. of boxes
- Average price per box

³ According to the data source CEGEDIM Sell Out Romania, September 2022



The Romanian pharmaceutical market was dominated of the prescription drugs (Rx) in the reporting period. These represented 73.6% from the total sales value and 61.0% from the total consumption of medicines (no. of boxes).

In the reporting period, the prescription-only medicines (Rx) increased by 21.8% in value terms, from 11.41 billion lei in the first 9 months of 2021 to 13.90 billion lei in the same period of 2022. As regards the number of boxes of Rx products released from pharmacies, they increased by 7.5%, from 297.7 million boxes in the first 9 months of 2021 to 319.9 million boxes in the same period of 2022.

Non-prescription medicines (OTCs) registered in the analyzed period a value increase by 28.0%, from 3.90 billion lei in the first 9 months of 2021 to 5.00 billion lei in the same period of 2022. Regarding the number of boxes sold by pharmacies, there was an increase of 14.2%, from 179 million boxes in the first 9 months of 2021 to 204.4 million boxes in the same period of 2022.

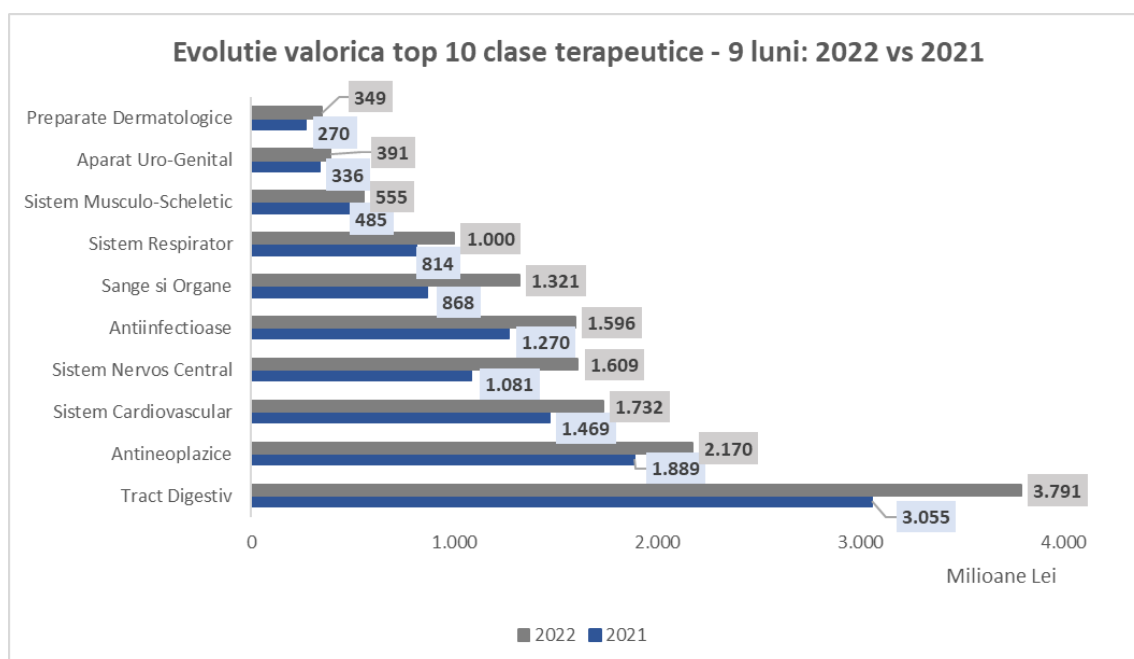
By market segment, the sales situation in the total market is presented as follows:

- **hospital** - the sales increased by 28%, from 2.21 billion lei in the first 9 months of 2021 to 2.83 billion lei in the first 9 months of 2022. As regards the consumption in the analyzed period, an increase of 11.2% was recorded, from 17.9 to 19.9 million of boxes.
- **national chains** - the sales increased by 16.7%, from 5.40 billion lei in the first 9 months of 2021 to 6.30 billion lei in the same period of 2022. In terms of quantity, in the reporting period, an increase of 6% was recorded compared to the same period of the previous year, from 187.3 to 198.6 million of boxes.
- **independent pharmacies and pharmacy minichains** - the sales increased by 26.6%, from 7.71 in the first 9 months of 2021 to 9.76 billion lei in the same period of 2022. In terms of quantity, in the first 9 months of 2022, an increase of 12.6% was recorded compared to the same period of 2021, from 271.5 to 305.7 million of boxes.

As regards the share in value sales in the period January - September 2022, the first therapeutic classes in the Romanian pharmaceutical market were: digestive

tract, antineoplastics, cardiovascular system, central nervous system and antiinfectives. These classes represent 70.2% from the total sales in the market.

Value evolution of top 10 therapeutic classes - 9 months 2022 vs 9 months 2021



Evolution of the pharmaceutical market relevant for Antibiotice

The relevant market⁴ of the products from the Antibiotice portfolio (the data refer exclusively to the sales of the products included in the 2022 plan) recorded in the first 9 months of 2022 a 19.5% increase (from 2.10 billion lei to 2.51 billion lei) compared to the same period of the previous year. Consumption increased by 6.9%, a number of 133.8 million boxes being sold by pharmacies in the first 9 months of 2022 compared to 125.1 million boxes in the similar period of last year.

Prescription-only medicines (Rx) represented 46.9% of the total sales value in the first 9 months of 2022 and 54.6% of the total drug consumption (number of boxes). POMs recorded in the reporting period a 15% increase in terms of value, from 1,025.2 million lei in the first 9 months of 2021 to 1,176.1 million lei in the same period of 2022 and a 9 % increase in terms of quantity, from 55.7 to 60.7 million of boxes.

Non-prescription medicines (OTCs) represented 53.1% of the total value sales and 45.4% of the total drug consumption (number of boxes) in the first 9 months of 2022. Over-the-counter medicines recorded a 23.7% increase in terms of value (from 1,076.1 million lei in the first 9 months of 2021 to 1,330.8 million lei in the same period of 2022) while the consumption grew by 8.9% (from 55.7 million boxes in the first 9 months of 2021 to 60.7 million boxes in the same period of 2022).

Sales by **market segments** in the relevant market:

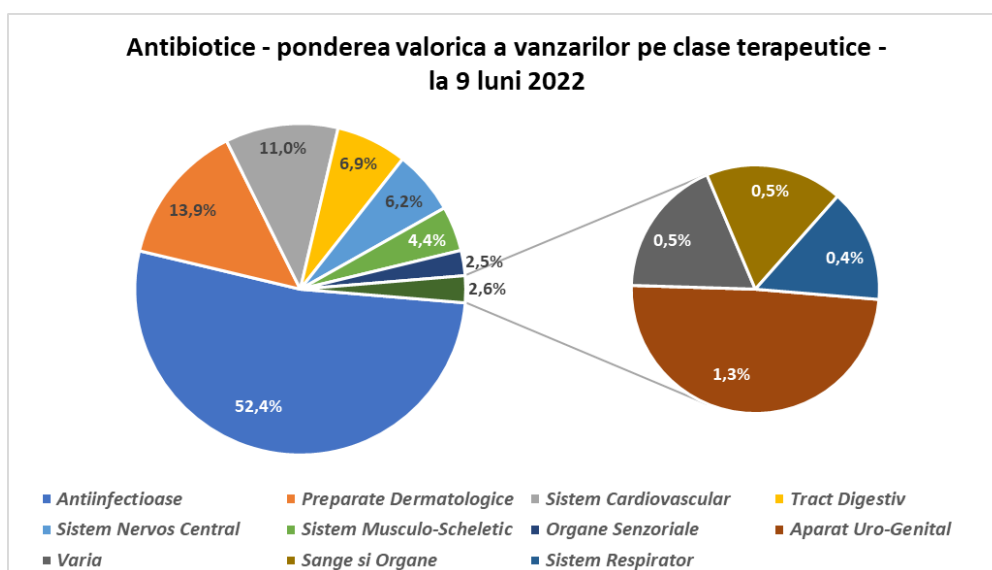
- **hospital** - the sales increased by 21.8%, from 103.6 million lei in the first 9 months of 2021 to 126.2 million lei in the same period of 2022. In the reporting period, consumption increased by 18.9%, from 1.6 to 1.9 million boxes.

- **national chains** - the sales increased by 12.6%, from 854.5 million lei in the first 9 months of 2021 to 962.3 million lei in the same period of 2022. In terms of quantity, the first 9 months of 2022, a slight increase of 1.3% was recorded compared to the same period of the previous year, from 51.8 to 52.5 million boxes.
- **independent pharmacies and pharmacy minichains** - the sales increased by 24.1%, from 1,143.2 million lei in the first 9 months of 2021 to 1,418.3 million lei in the same period of 2022. In terms of quantity, in the reporting period, a 10.8% increase was recorded compared to the first 9 months of 2021, from 71.7 to 79.4 million boxes.

Antibiotice in the Romanian pharmaceutical market

Antibiotice consolidated its core business - antiinfectives 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 - 9 months 2022



Antiinfectives tract

Central nervous system

Varia

Dermatological preparations

Musculoskeletal system

Blood and organs

Cardiovascular system

Sensitive organs

Respiratory system

Digestive tract

Uro-genital system

The value of sales in the market (sell-out) was 326.7 million lei in the first 9 months of 2022, higher by 17.6% compared to the same period of 2021. Compared to the planned value (311.6 million lei) for the reference period, the degree of achievement was 104.9%.

Prescription-only medicines (Rx) of Antibiotice represented 83.7% of our company's total sales value in the first 9 months of 2022, higher by 1.7 % compared to the same period of 2021.

In terms of quantity, Antibiotice recorded a 6.8% increase, from 18.9 million boxes sold in the first 9 months of 2021 to 20.2 million boxes sold in the same period of 2022. **Prescription-only medicines** represented 83.9% in terms of quantity in the first 9 months of 2022, higher by 0.9 % compared to the similar period of 2021.

Antibiotice sales, by market segments:

- **hospital** - the sales increased significantly in terms of value (27.2%), from 77.8 million lei in the first 9 months of 2021 to 99 million lei in the same period of 2022. Consumption, as number of boxes, grew by 12% in the reporting period, compared to the same period of the previous year.
- **national chains** - the sales grew by 7.2% in the first 9 months of 2022 compare to the same period of 2021 (from 77.4 million lei to 82,.9 million lei). The number of boxes released from pharmacies increased by 2.8% (from 7 to 7.2 million boxes).
- **independent pharmacies and pharmacy minichains** - the sales value increased by 18.1% in the reporting period compared to the same period of the previous year (from 122.6 million lei to 144.8 million lei). The number of boxes sold by pharmacies grew by 9.2% (from 10.9 million boxes in the first 9 months of 2021 to 11.9 million boxes in the same period of 2022).

In the reporting period, eight Antibiotice brands recorded an average monthly sale of over 1 milion lei.

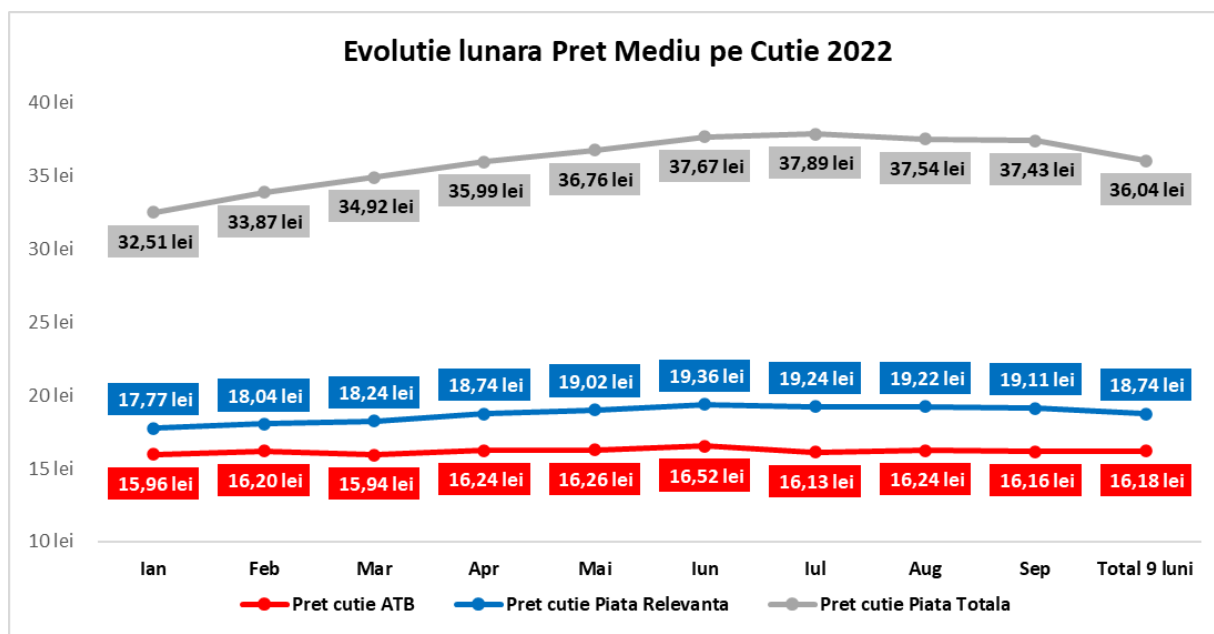
In the first 9 months of 2022, the promoted brands registered increases in their quantitative market share (no. of boxes), compared to the similar period of the previous year. The following brands had significant increases: Fluxiv ® cream, Zifex Complex ® pessaries and Eficef ® capsules.

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

Average price of the **pharmaceutical market** in the first 9 months of 2022 was 36.04 lei/box, higher by 12.17 % compared to the similar period of the previous year (32.13 lei/box).

As regards the sales channels, the highest price of medicines in the pharmaceutical market was recorded in the first 9 months of 2022 on the **hospital channel**: 141.85 lei/box (higher by 14.56% compared to the same period of 2021), followed by the **independent pharmacies and pharmacy minichains**: 31.94 lei/ box (up 12.52% compared to the first 9 months of 2021) and **national chains**, where the average price in the reporting period was 31.72 lei/ box (higher by 10.11% compared to the same period of 2021).⁴

⁴ According to the data source Cegedim Sell Out, September 2022



For the **relevant market**, the average price in the first 9 months of 2022 was 18.74 lei/box, higher by 11.55% compared to the same period of the previous year (16.80 lei/box).

By sales channels, the highest price of the products in the relevant market was recorded in the first 9 months of 2022 on the **hospital channel**: 66.67 lei/ box (higher by 2.45% compared to the first 9 months of 2021), followed by the **pharmacy chains**, where the average price in the reporting period was 18.32 lei/ box (higher by 11.16% compared to the same period of 2021) and **independent pharmacies and pharmacy minichains**: 17.87 lei/ box, (higher by 12.01% compared to the first 9 months of 2021).

Average price of the Antibiotice portfolio in the first 9 months of 2022 was 16.18 lei/box, higher by 10,14 % compared to the similar period of the previous year (14.69 lei/box).

Positioning strategy of the products in the market is the starting point for the entire marketing mix, implicitly also for the product and price policy. Price policy is also determined 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 capitalization of the portfolio compared to the planned average price.

On the retail segment, our company's focus on developing the non-RX brands from the Nutriensa range generated an optimal structure, the average selling price being 36.7 lei/box, compared to the planned value (36.4 lei/box).

By sales channels, the highest price was recorded by Antibiotice in the first 9 months of 2022 on the **hospital channel**: 88.94 lei/ box (higher by 13,6% compared to the first 9 months of 2021), followed by the **independent pharmacies and pharmacy minichains**: 12.16 lei/ box, (higher by 7.9% compared to the first 9 months of 2021) and the **pharmacy chains**, where the average price in the reporting period was 11.56 lei/ box (higher by 5.2% compared to the same period of 2021).

II.4.2 Internationalization of our business in the ATB territories and other territories

Consolidation of the expansion strategy in new territories, removal of restrictions on patient access to hospitals after the pandemic period led to an increase in exports of medicines and active substances. Their value amounted to 141.7 million lei, higher by 45.96 million lei (51%) above the level recorded in the period January - September 2021 (93.87 million lei).

Export of Nystatin

The revenues achieved in the first nine months of 2022 from the sale of the active substance Nystatin amounted to 59.37 million lei, by 23.8 million lei (66%) higher than the value recorded in the same period of the previous year and by 16.69 million lei higher than the planned level, i.e. 42.68 million lei (39%). These results were possible by reaching the sales targets, even exceeding them in terms of quantity and value in the main export areas: The United States, Europe, Latin America, Asia Pacific.

Export of finished products

Sales of finished products in the international market, mainly the anti-infectives and cardiovasculars, represented 60% of the export value. A value of 84.4 million lei was recorded in the analyzed period, higher by 22.7 million lei (37%) compared to the same period of the previous year.

The markets in which these products were sold: the United States of America, Canada, Great Britain, Denmark, Netherlands, Serbia, Vietnam, Moldova, Azerbaijan and Iraq.

In the United States of America, Antibiotice has become one of the main suppliers of sterile anti-infectives for injection.

In the Vietnamese market penetrated 10 years ago, for 2 sterile anti-infectives for injection, Antibiotice has a 42% market share, i.e. 33% of the national consumption.

This performance contributed to the growth of the manufacturer's brand among health specialists as well as in the business environment of this territory.

II.4.3 Production activity between January-September 2022

In the period January-September 2022, our production activity materialized in 299.78 million pharmaceutical forms under the form of tablets, capsules, parenterals, topicals (ointments, creams, gels, suppositories, pessaries).

The total value of the production made in the first 9 months of 2022 was 374.34 million lei, by 56.04 % higher compared to the same period of the previous year.

The value of production for export represented 33.51% from the value of the total production made in the period January - September 2022, by 54.05% higher compared to the same period of the previous year.

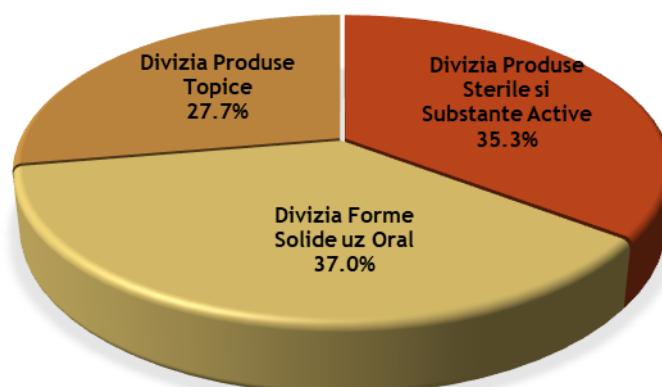
Production made in the reporting period for the domestic market represented 66.49 % from the total production value and was by 57.06% higher compared to the same period of 2021.

Total production value made in the first 9 months of 2022 by the three divisions:

VALUE OF PRODUCTION BY EACH DIVISION - 9 months 2022
(% of the total production)

- Sterile Products & APIs Division - 35.3%
- Oral Solid Products Division - 37.0%
- Topical Products Division - 27.7%

DISTRIBUTIA VALORICA A PRODUCTIEI REALIZATA LA 9 LUNI
2022
(% DIN TOTAL VALOARE PRODUCȚIE REALIZATĂ)



II.4.4 Economic & Financial Performance

Total revenues achieved between January-September 2022, in value of 387.5 million lei were by **107 million lei higher (38%)** compared to the revenues achieved in the similar period of the previous year (280.6 million lei) and **by 53.9 million lei higher (16%)** compared to the budgeted value (333.6 million lei), the significant contribution to this achievement being the consolidation of sales of medicines and active substances in the international markets.

Of the **total revenues**, 361,7 million lei (93%), represented **revenues from the sale of finished products made on our own sites and products made on other manufacturing sites** by our local and international partners. These revenues were by 115.95 million lei (47%) higher compared to the revenues recorded on 30.09.2021 (245.7 million lei).

From the value of sales revenues of 361.7 million lei, 220 million lei represented income from the sale of Antibiotice products made by distributors in the Romanian market. These revenues were obtained in a proportion of 83% from the sale of prescription drugs for which the prices are strictly regulated according to the Order of the Ministry of Health no. 368/2017, normative act that caps the prices.

Sales revenue included sales revenue of products made on our own sites as well as sales revenue of products made on other manufacturing sites.

Revenues from the sale of products made on our own sites amounted to 289.76 million lei, representing sales to commercial partners in the domestic and international markets. They were by **119 million lei (70%) higher** compared to those recorded in the similar period of the previous year (170.76 million lei), supported by the increase in exports.

Revenues from the sale of products made on other manufacturing sites amounted to 71.93 million lei, representing 96% from the level achieved between January and September 2021.

Other operating revenues, in value of 17 million lei included the income obtained from renting premises for exploiting the telecommunications equipment, favorable exchange rate differences resulting from the revaluation of available funds from the current and loan bank accounts in foreign currency and from the settlement of receivables and debts in foreign currency, value of dividends distributed to shareholders and unclaimed until they reach the prescription period, for which the General Meeting of Shareholders approved their registration as income; income from provisions for risks and expenses representing sums provisioned for expenses, at the end of the previous year, for allowances for unpaid vacations, granted in the current year;;

Revenues related to product inventory costs, amounting to -0.5 million lei reflects the fact that the value of the sold production is higher than the value of the manufactured production in the analyzed period, an effect of the measures taken to reduce the storage period. The production structure of this period was different compared to that of the previous year, when these revenues were -9.9 million lei.

Income from the production made by the entity and capitalized, in the amount of 9.4 million lei, of which the significant value of 6.8 million lei is the result of developing projects for enriching the product portfolio in order to support the future development of the Antibiotice business. Compared to the level recorded on 30.09.2021 (7.3 million lei) an increase of 2.1 million lei (29%) was recorded in the reporting period.

Total expenses amounted to 358 million lei, by **98.4 million lei (38%) higher** compared to the level registered in the first 9 months of 2021 (259.6 million lei) and by 44.84 million lei (14%) higher compared to the planned level (313.16 million lei).

The expenditure categories that recorded higher values were the expenditure on raw materials, materials, electricity, natural gas and drinking water correlated with the increase in production to support the increase in sales but also with the evolution of prices in an inflationary context and with the geopolitical framework created by the war in Ukraine.

Compared to the budgeted level, total revenues were 16 % higher while the total expenses were 12 % higher. We can see an efficiency of expenses, the result of cost management measures to maximize the returns.

The expenses with raw materials, in the amount of 79,2 million lei were by 32.6 million lei (70%) higher compared to the same period of 2021, in close correlation with the structure and volume of production, increase of prices for some raw materials and devaluation of the national currency compared to USD.

The expenses with the products made on other manufacturing sites (represents the purchase cost of these products that were sold), in the amount of 35,6 million lei were by 4.65 million lei lower compared to the value recorded on 30.09.2021. Corroborated with the value of the income from the sale of products

made on other manufacturing sites, the sale shows a favorable structure in terms of profitability, which led to the registration of a higher commercial margin.

Personnel expenses amounting to 87.67 million lei, were by 6 million lei higher compared to the value recorded on 30.09.2021, but below the budgeted level with 2.4 million lei.

Other operating expenses amounted to 121.9 million lei. The main elements of expenses were:

- **Expenses for electricity, natural gas, drinking water**, in the amount of 13.4 million lei, by 7 million lei (47%) higher compared to the value recorded in the similar period of the previous year and by 2.1 million lei below the planned level. The significant impact in increasing the value of these expenses is generated by the increase in electricity, natural gas and drinking water tariffs. In this context, consumption management measures were implemented in our company to mitigate this increase.
- **Advertising and product promotion expenses**, in value of 16,8 million lei above the value recorded in the similar period of 2021 and above the planned value, were carried out to increase the awareness of Antibiotice brand, Nutriensa umbrella brand and product brands (Fluxiv, Silithor, Imunofix, Equilibra, Tinero) through advertisements in the mass media, which support the achievement of income from sales in the medium and long term.
- **Expenses with taxes and fees**, in the amount of 29.09 million lei, above the value achieved on 30.09.2021 and above the planned value, are in conjunction with the growth of the business. The majority share of 81% (23.5 million lei) is related to the claw-back tax expense, 3.3 million lei higher compared to the level recorded on 30.09.2021. This tax, regulated by the G.E.O. no. 77/2011 regarding the establishment of contributions for the financing of expenses in the field of health, 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 based on medical prescription through open-circuit pharmacies, for those used in hospital treatment, borne by the unique National Social Health Insurance Fund and the budget of the Ministry of Health.
- **The expenses regarding adjustments for the depreciation of current assets**, in the amount of 33.9 million lei, of which: 29.1 million lei stand for the value of the legally established adjustments, by applying the principle of prudence, for the depreciation of the value of receivables and stocks of finished products and 4.4 million lei stand for the amount of uncollected claims from insolvent debtors, whose bankruptcy proceedings were closed by definitive court sentence, recorded as expenses. The adjustments were made for these receivables at the time of registration of the litigations, which have now been cancelled, by recording them as income, thus the result of the current period was not impacted.
- **The operating profit** of the period, in the amount of 35.6 million lei, **14 million lei (66%)** higher than the amount recorded on 30.09.2021, is the result of organizational and managerial measures from the plan to maximize returns with an impact on maximizing income and optimization of expenses the effects of which are shown below.

In the analyzed period, compared to the similar period from the 2021, the sales structure and implicitly the structure of the manufactured production from the

year 2022, in conjunction with the specific technological processes, which are permanently optimized, had a positive impact on the level of revenues achieved and recorded expenses.

In the current activity, the effect of the increase in tariffs for electricity, natural gas and drinking water was lessened by measures to reduce the specific consumption per unit of product, which lead to a level of utility expenses in the value of manufactured production of 3.5% in 9 months of 2022 compared to 5.6% if these measures had not been taken.

In the analyzed period, labor productivity increased by 62%, calculated as the ratio of manufactured production for the average number of employees.

The financial expenses represented by interest, in the amount of 3.1 million lei, reduce the operating profit.

In order to optimize the level of financial expenses, the balance of credits for financing working capital was significantly reduced, which at the beginning of the reporting period was 76.4 million lei and as of 30.09.2022 is worth 24.01 million lei, 52,39 million lei (69%) lower. This measure led to the improvement of the degree of indebtedness, from 29.79% on 30.09.2021, to 18.16% on 30.09.2022 and to the release from guarantees of the amount of 55 million lei from the patrimonial asset.

The gross profit, in the amount of 32.5 million lei, is 13.8 million lei (73%) higher compared to the level of 30.09.2021.

Patrimonial balance

lei

ASSET	Achieved 9 I 2022	2021	Achieved 9 I 2021	LIABILITY	achieved 9 I 2022	2021	Achieved 9 I 2021
Intangible assets	34,530,147	29,839,764	27,266,322	Share capital	67,133,804	67,133,804	67,133,804
Tangible assets	489,691,938	480,544,567	474,695,781	Reserves	387,015,871	361,429,563	362,082,070
				Undistributed result	29,487,196	29,939,404	18,229,185
Fixed assets	524,222,085	510,384,331	501,962,103	Adjustments	148,695,124	146,489,029	145,836,523
Stocks:	117,795,369	106,017,774	105,152,104	Equity	632,331,995	604,991,800	593,281,582
Raw materials, consumables	57,517,108	41,635,510	43,866,343	Subsidies for investments	1,930,800	2,160,302	2,543,162
				Deferred profit tax	30,449,009	31,483,086	31,575,082
Finished products and products made on other sites	55,482,865	63,226,212	58,598,018	Investment loan	49,648,426	57,617,153	60,355,800
Production in progress	4,795,396	1,156,052	2,687,743	Long-term debts	82,028,235	91,260,541	94,474,045
Receivables	201,992,167	276,876,198	233,554,347	Revolving working capital	714,360,230	696,252,341	687,755,627
Available funds	2,565,853	2,111,377	3,814,814	Suppliers	84,996,995	98,202,288	63,832,696
				Other debt	12,477,068	13,771,502	8,089,050
				Operational credits	34,741,181	87,163,549	84,805,995
Current assets	322,353,389	385,005,349	342,521,265	Current liabilities	132,215,244	199,137,339	156,727,741
TOTAL ASSETS	846,575,474	895,389,680	844,483,368	TOTAL LIABILITIES	846,575,474	895,389,680	844,483,368

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

Cash flow analysis

The cash flow is presented by using the direct method.

In the analyzed period, the receipts from the operational activity are worth 430,4 million lei, the operational activity payments amount to 329,28 million lei.

The payments for the investment activity amount to 31,66 million lei.

At the end of the period, the operational credit level is 24,01 million lei. These results led to a **debt ratio of 18,16%**, with a debt collection period of 174 days compared to the planned level of 208 days.

By summarizing the financial statements, we show the effects of the activities carried out, through the following indicators:

Indicator name	Calculation method	Unit of measure	30.09.2022	30.09.2021
Current liquidity	Current Assets/Current Liabilities	Number of times	2.4	2.2
Degree of indebtedness	Borrowed capital/Equity *100	%	18.16	29.79
Days' sales outstanding ratio	Average customer balance/Sales revenue *Time	days	174	241
EBITDA (Profit before interest, taxes, charges, amortization and depreciation)	Operating profit + depreciation	lei	51.632.794	39.368.994
Return on equity (ROE)	Net profit/Equity	%	4.66	3.07
Return on assets (ROA)	Net Profit/Total Assets	%	3.48	2.16
Gross profit rate	Gross profit/Sales revenues	%	8.9	7.6
Net profit rate	Net profit/Sales revenues	%	8.1	7.4
P/E (*)	Market capitalization/Net profit	years	12.37	19.87
P/Sales income (**)	Market capitalization/Sales revenues	times	1.01	1.47

(*) P/E represents the number of years in which the price paid per share (the average price from January to September) is recovered from the net profits made

(**) P/Sales revenue reflects the value of the company (valuation) depending on the size of product sales

The current liquidity ratio indicator reflects the company's ability to pay short-term obligations from current assets, registers an optimal level (according to international usages, current liquidity must be around 2). This level, which is 2,4 times higher than the one recorded in the similar period of the previous year, is in conjunction with the level of indicators of the degree of indebtedness and the speed of rotation of customer debts, which are significantly improved compared to those dated 30,09,2021.

The EBITDA value is higher by 30% compared to the same period of the previous year, determined by the increase in profit.

II.4.5 Investments: supporting the future

Antibiotice SA invested in **fixed assets** the amount of 32.37 million lei, in conformity with the Investment Program approved in the General Meeting of the Shareholders held in February 2022, as follows:

Investments for strategic development

1. Development of the product portfolio, amount invested from January to September 2022: 7.83 million lei.

In the reporting period, the investments in research & development projects continued in order to obtain new, quality, safe, effective and competitive products also by in-licensing.

2. Investments in new manufacturing sites, amount invested during the first 9 months of 2022: 4.14 million lei.

All the operations related to the investment project “Completion and commissioning of the ointments and suppositories manufacturing plant”, including the qualification documentation, were finalized. The National Agency for Medicines and Medical Devices of Romania conducted a GMP certification audit of the four manufacturing lines of the new plant in early October 2022.

Investments for business consolidation

1. Investments in IT, telecommunication and process digitalization, amounting to 1.39 million lei

Antibiotice S.A. included in its digitalization and computerization plan, as a priority, the use of softwares designed not only to increase the efficiency of the activities carried out by the departments of human resources, quality control and assurance, research but also to secure data and information at all company levels.

2. Adaptation of the industrial site, infrastructures for utility supply and distribution, storage of raw materials and finished products, transport and connection to the national road network to the development trends, amount invested by 30.09.2022: 10.47 million lei

In 2022, investments were planned for creating an extension to the current raw materials storage facility taking into account the future increase and diversification of the production. In addition, the investment plan includes the design and obtaining of appropriate building permits for a new, modern finished products warehousing facility adapted to the estimated production in the following years to 2030. Several stages of the projects for the modernization of the utilities production and supply facilities were scheduled. Particular attention was given to projects focused on the production of green energy and the decrease of power and utility consumptions. Thus, different activities were initiated in relation to projects involving the building of a 2.5 MW photovoltaic power station, condensate recovery, replacement of lighting systems with modern, LED lighting solutions, underground water abstraction.

3. Investments in the Integrated Management System (Quality, Environment, Sustainability, Occupational Health and Safety), amount invested from January to September 2022: 1.52 million lei

The increase in the precision of the lab analysis methods and the revision of the *pharmacopoeial* monographies required investments in the equipment allowing the maintenance of the quality standards of the manufactured products and the compliance with the legal requirements on the protection of the environment and the employees.

4. Investments for updating the existing sites and equipment, amounting to 7.02 million lei

For revamping the manufacturing lines corresponding to the three production divisions in 2022, the company planned the acquisition of equipment, installations, fittings and laboratory devices. A part of such acquisitions was made during the first 9 months of the year.

II.5 Improving the Corporate Governance Systems

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

- Law no. 31/1990 on trading companies,
- Government Emergency Ordinance no.109/2011 on the corporate governance of public enterprises,
- *Law no. 24/2017* regarding issuers of financial instruments and market operations,
- ASF Regulation no. 5/2018 regarding issuers of financial instruments and market operations,
- Articles of Associations of Antibiotice S.A.,
- Code of Corporate Governance of Antibiotice S.A.,
- Code of Ethics of Antibiotice S.A.

Corporate governance is one of the key elements for improving efficiency and economic growth as well as for keeping investors' trust.

Corporate governance involves a series of relationships among the management of the company, the management board, and the shareholders. Moreover, corporate governance provides a system by which the company's objectives are set and the means to achieve such objectives as well as the monitoring ones, are established. Their purpose is:

- to motivate enough the management and management board to achieve the objectives of interest for the company and its shareholders;
- to monitor the effective performance;
- to create the efficient intervention mechanism for the necessary correction of the actions of the management and management board;
- to make the company's activity transparent, providing relevant information to all the shareholders and stakeholders.

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

- the General Meeting of the Shareholders,
- the Management Board,
- the CEO,
- the Legal and Corporate Governance Unit,
- the Audit Committee of the Management Board,
- the Internal Audit Office, which reports directly to the Management Board.

The adopted and applied corporate governance framework:

- protects the rights of the shareholders;
- ensure the fair treatment of all the shareholders;
- acknowledges the role of third parties with interests in the company;

- guarantees information and transparency;
- ensure the responsibility of the Management Board towards the company and its shareholders.

On the Antibiotice company's website there is a section dedicated to shareholders, (www.antibiotice.ro/investitori/informatiiactionari) where you can access and download documents related to the General Meetings of Shareholders: procedures regarding access to and participation in the meetings, convening notice, additions to the agenda, informative materials, special powers of representation , voting forms by mail, draft decisions, decisions, voting results.

During the reporting period, the corporate governance activities aimed at:

- ensuring the internal corporate regulatory framework, through the permanent updating of company codes, training and monitoring of their implementation;
- monitoring the way of selection and appointment of management bodies and carrying out actions under the responsibility of the company, by applying and respecting the decisions of the General Meeting of Shareholders and Management Board regarding the selection of management bodies, according to legal regulations;
- ensuring and maintaining an effective system for evaluating professional performance, through:
 - ensuring the traceability of the performance indicators of the Management Board through the development of multi-year management plans;
 - ensuring the functionality of the performance monitoring system within the company and periodic reporting of its effectiveness.
- ensuring transparency in communication to investors, giving equal treatment to all shareholders, by: - compliance with the investor reporting plan, according to legal requirements - adherence to the National Anti-corruption Strategy 2021-2025;
- improving the risk management process in order to protect the company's assets:
 - identification of risks and opportunities in the activities carried out, by organizational structures - adaptation of the internal control system to risk management - management of commercial (non-payment) risk;
 - ensuring a data and information protection system;
 - ensuring the legal framework for carrying out the activity under legal conditions and protecting the patrimony.

The Management Report was drawn up on the basis of non-audited financial data, on 30.09.2022.

III. Conclusions

Antibiotice S.A. on 30.09.2022:

- **Total revenues**, worth 387,5 million lei, by 107 million lei (38%) higher than in the similar period of the previous year;
- **Revenues from the sale of the active substance Nystatin** in value of 59.37 million lei, by 23.8 million lei (66%) higher than in the similar period of the previous year;
- **Gross profit**, amounting to 32.5 million lei, by 13.8 million lei (73%) higher compared to the level recorded in the similar period of the previous year;
- **Investments** in fixed assets for strategic development and business consolidation, in value of **32.37 million lei**;

- **Level of indebtedness:** 18.16%, lower than the level recorded in the same period of the previous year (29.79%).

President of the Management Board,
Lucian Timofticiuc, Physicist

ANTIBIOTICE S.A.

Simplified individual interim financial statements unaudited on and for the nine-month period ended on September 30, 2022

Table of contents

STATEMENT OF THE COMPREHENSIVE INCOME	3
STATEMENT OF THE COMPREHENSIVE INCOME	4
CASH FLOW STATEMENT.....	6
EXPLANATORY NOTES TO FINANCIAL STATEMENTS:.....	9
1. GENERAL INFORMATION.....	9
2. ACCOUNTING POLICIES	9
3. SALES INCOME	11
4. OTHER OPERATING INCOME.....	12
5. COSTS ON RAW MATERIALS, PRODUCTS MANUFACTURED ON OTHER MANUFACTURING SITES AND CONSUMABLES	12
6. STAFF-RELATED EXPENSES	13
7. OTHER OPERATING EXPENSES	13
8. FINANCIAL INCOME AND FINANCIAL EXPENSES	14
9. EXPENSIDUTE ON CURRENT AND DIFERRED PROFIT TAX	15
10. EARINIGS PER SHARE	15
11. TANGIBLE ASSETS	16
12. INTANGIBLE ASSETS.....	18
13. STOCKS.....	18
14. TRADE AND OTHER RECEIVABLES	19
15. CASH AND CASH EQUIVALENTS	19
16. TRADE AND OTHER LIABILITIES	20
17. AMOUNTS DUE TO CREDIT INSTITUTIONS	20
18. SUBSIDIES FOR INVESTMENTS.....	20
19. DEFERRED INCOME TAX.....	20
20. SHARE CAPITAL	21
21. RESERVES.....	21
22. RETAINED EARNINGS.....	21
23. CONTINGENT LIABILITIES	22
24. ELEMENTS FOLLOWING THE REPORTING PERIOD.....	22
25. INFORMATION RELATING TO THE AUDITING OF FINANCIAL STATEMENTS.....	22

ANTIBIOTICE SA
STATEMENT OF THE COMPREHENSIVE INCOME

on September 30, 2022

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

	NOTE	30.09.22 (unaudited)	30.09.21 (unaudited)
Sales revenues	3	361,698,289	245,743,259
Other operating revenues	4	17,005,634	37,503,957
Revenues relative to costs of product stocks		(582,668)	(9,885,310)
Capitalized income generated by the entity's activity		9,406,293	7,283,524
Expenditure on raw materials	5	(79,200,210)	(46,578,409)
Expenditure on products manufactured on other manufacturing sites	5	(35,594,083)	(40,239,999)
Expenditure on consumables	5	(11,511,745)	(8,969,171)
Staff-related expenditure	6	(87,650,524)	(81,638,167)
Expenditure on amortization and depreciation		(16,006,496)	(17,908,369)
Other operating expenses	7	(121,938,192)	(63,850,690)
Operating profit		35,626,298	21,460,625
Financial income	8	1,043	3,425
Financial expenses	8	(3,093,813)	(2,779,657)
Pre-tax profit		32,533,528	18,684,393
Current and deferred income tax expenses	9	(3,046,332)	(455,208)
Net profit		29,487,196	18,229,185
Total comprehensive result		29,487,196	18,229,185
Earnings per share	10	0.043923	0.027154

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

Drafted by:

General Director
Ec. Ioan NANI

Financial Director
Ec. Paula COMAN

ANTIBIOTICE SA
STATEMENT OF THE COMPREHENSIVE INCOME

on September 30, 2022

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

	NOTE	30.09.22 (unaudited)	31.12.21 (unaudited)
ASSETS			
FIXED ASSETS			
Tangible fixed assets	11	489,691,938	480,544,567
Intangible fixed assets	12	34,530,147	29,839,764
TOTAL FIXED ASSETS		524,222,085	510,384,331
CURRENT ASSETS			
Stocks	13	117,795,369	106,017,774
Trade and similar receivables	14	201,992,167	276,876,198
Cash and cash equivalents	15	2,565,853	2,111,377
TOTAL CURRENT ASSETS		322,353,389	385,005,349
TOTAL ASSETS		846,575,474	895,389,680
LIABILITIES			
CURRENT LIABILITIES			
Commercial and similar liabilities	16	84,996,995	98,202,288
Amounts due to credit institutions	17	34,741,181	87,163,549
Tax and current tax liabilities		9,755,244	9,611,682
Short-term provisions		2,415,534	3,853,530
Subsidies for investments	18	306,289	306,289
TOTAL CURRENT LIABILITIES		132,215,244	199,137,339
LONG -TERM LIABILITIES			
Subsidies for investments	18	1,930,800	2,160,302
Deferred tax	19	30,449,009	31,483,086
Amounts due to credit institutions	17	49,648,426	57,617,153
TOTAL LONG-TERM LIABILITIES		82,028,235	91,260,541
TOTAL LIABILITIES		214,243,479	290,397,880

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

Drafted by:

General Director
Ec. Ioan NANI

Financial Director
Ec. Paula COMAN

ANTIBIOTICE S.A.
STATEMENT OF THE FINANCIAL POSITION (continued)
 On September 30, 2022
 (all amounts are expressed in LEI, if not mentioned otherwise)

	NOTE	30.09.22 (unaudited)	31.12.21 (unaudited)
Share capital and reserves			
Share capital and share capital adjustments	20	264,835,156	264,835,156
Rezerve din reevaluare	21	111,944,671	114,150,766
Legal reserves	21	13,426,761	13,426,761
Other reserves	21	261,644,439	259,154,126
Reported result	22	(49,006,228)	(51,212,323)
Distribution of profit		-	(25,302,090)
Current result		29,487,196	29,939,404
TOTAL EQUITY		632,331,995	604,991,800
TOTAL EQUITY AND LIABILITIES		846,575,474	895,389,680

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

Drafted by:

General Director
 Ec. Ioan NANI

Financial Director
 Ec. Paula COMAN

ANTIBIOTICE S.A.
CASH FLOW STATEMENTS
DIRECT METHOD

on September 30, 2022

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

	30.09.22	30.09.21
	(unaudited)	(unaudited)
I. Cash flows from operating activities		
Cash collection from the sales of goods	429,777,224	287,710,610
Cash collection from various debtors	619,673	1,970,525
Payments to suppliers of goods and services	(213,445,202)	(143,510,791)
Cash payments to and on behalf of employees, payments made by the employer for its employees	(84,897,827)	(78,722,441)
VAT paid	(5,521,175)	(1,897,621)
Contributions to the Ministry of Health and the Ministry of the Environment	(24,922,316)	(21,028,973)
Other duties, taxes, and similar levies	(493,639)	(2,101,306)
Net cash flows from operating activities	101,116,737	42,420,003
Interest charged	1,043	3,425
Interest paid	(3,096,762)	(2,705,640)
Profit tax and dividend tax	(4,080,410)	(3,600,692)
Net cash flows from operating activities	93,940,608	36,117,095
II. Cash flows generated by investments		
Cash payments for purchasing fixed assets	(31,663,696)	(19,443,407)
Net cash flows from investment activities	(31,663,696)	(19,443,407)
III. Cash flows from financing activities		
Receipts from long-term loans/reimbursements	(7,957,912)	(3,656,266)
Dividends paid	(1,178,590)	(2,086,696)
Net cash flows from financing activities	(9,136,502)	(5,742,963)
Gains/losses from exchange rate differences	(262,103)	(94,872)
Net increase/(decrease) in cash	52,878,307	10,835,854
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	(21,442,821)	(70,356,325)
The cash and cash equivalents at the end of the period include:	(21,442,821)	(70,356,325)
Accounts in banks and cash	2,565,853	3,814,814
Credit lines	(24,008,674)	(74,171,139)

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

Drafted by:

General Director
Ec. Ioan NANI

Financial Director
Ec. Paula COMAN

ANTIBIOTICE S.A.
MODIFICATIONS OF EQUITY

on September 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	-	-	-	-	29,487,196	-	-	-	-	-	-	29,487,196
Revaluation reserve								-				-
Deferred tax relative to the revaluation difference	-	-	-	-	-	-	-	-	-	-	-	-
Result of error correction								-				-
Total other items of the global result					29,487,196			-				29,487,196
Transfer of reevaluation surplus						2,206,095		(2,206,095)				-
Allotment of other reserves	-	-	-	2,490,313	(2,490,313)							-
Dividends	-	-	-		(2,147,001)							(2,147,001)
Mandatory distributions					(25,302,090)		25,302,090					-
30.12.22	67,133,804	197,701,352	13,426,761	261,644,439	29,487,196	25,112,783	0	111,944,671	0	123,582,341	(197,701,352)	632,331,995

By applying the fiscal facilities provided for in art. 20 and art. 22 of Law no. 227/2015 regarding the Fiscal Code, in the period January-September 2022, the value of 2,490,313 lei was allocated to other reserves.

The value of 2,206,095 lei recorded in the Result from the revaluation reserves represents the transfer of the revaluation reserves into the result carried over according to the depreciation of tangible fixed assets revalued, according to the legal regulations.

The explanatory notes from 1 to 24 are an integrating part of the simplified individual interim financial statements.

ANTIBIOTICE S.A.
MODIFICATIONS OF EQUITY

on September 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
Revaluation reserve	-	-	-	-	-	-	-	-	-	-	-	-
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 revaluation 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 24 are an integrating part of the simplified individual interim financial statements.

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

on September 30, 2022

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

1. GENERAL INFORMATION

1.1. Company presentation

Antibiotice SA, based in Iasi, Valea Lupului street no. 1, tax registration code RO 1973096 was founded in 1955 and was defined as a trading company as per Law 15/1990 and Government Decision no. 1200/12.11.1990. Its shares are traded in the Premium category based on the Decision no. 43/21.02.1997 of the Bucharest Stock Exchange.

Our company's 8 manufacturing lines, 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 medicinal products 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 at the headquarters. The Company owns the right to ownership of all the fixed assets registered in the company's accounts.

During the period January-September 2022, the Management Board of Antibiotice SA convened three Ordinary General Meetings of Shareholders (on February 28, April 27 and September 16, 2022) and two Extraordinary General Meetings of Shareholders (on April 27 and September 16, 2022).

All the necessary documents related to the good conduct of the General Meetings were published in time and according to the legislation in force. On the Antibiotice website there is a section dedicated to shareholders, (www.antibiotice.ro/investitori/informatii/actionari) in which documents regarding the General Meetings of Shareholders can be accessed and downloaded: procedures regarding the access to and the participation in meetings, the notices to attend, completions of the agenda, informative materials, special proxies, correspondence voting forms, draft decisions, decisions and voting results.

2. ACCOUNTING POLICIES

2.1 Declaration of conformity

These individual interim financial statements have been drawn up in accordance with:

- the Accounting Law no. 82 of 1991, with subsequent amendments and additions;
- O.M.P.F. no. 2844/2016 for the approval of the accounting regulations in accordance with the International Financial Reporting Standards, applicable to commercial companies whose securities are admitted to trading on a regulated market, with subsequent amendments and additions.
- the International Financial Reporting Standards, Interpretations and International Accounting Standards (collectively called "IFRSs") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union ("IFRSs adopted").

These simplified individual interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union. They do not include all

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

on September 30, 2022

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

the information required for a complete set of IFRS financial statements and must be read in conjunction with the Company's annual financial statements as of December 31, 2021.

However, certain selected explanatory notes are included to explain events and transactions that are significant to the understanding of changes in the Company's financial position and performance since the latest individual annual financial statements as of and for the fiscal year ended on December 31, 2021.

The financial statements for the financial year ended on September 30, 2022 include the statement of financial position, the statement of the overall result, the statement of cash flows, the statement of changes in equity and explanatory notes, they are not audited nor have they been reviewed by an independent auditor.

The accounting policies applied to the preparation of the financial statements are set out below and they have been applied consistently, except where it was mentioned otherwise.

The preparation of the financial statements in accordance with the adopted IFRS requires the use of certain crucial accounting estimates. It is also necessary for the company's management to take decisions related to the application of accounting policies. The areas in which decisions have been taken and significant estimates have been made in the preparation of financial statements and their effect are shown below:

2.2 The bases of assessment

The simplified individual interim financial statements are drawn up on the basis of the historical/amortized cost convention, with the exception of tangible assets presented at revalued cost by using the fair value as assumed cost and the elements presented at fair value, that is the financial assets and liabilities at fair value, through the profit and loss account and loss and available-for-sale financial assets, with the exception of those for which the fair value cannot be reliably determined.

These financial statements have been prepared for general purposes, for the use of people who know the provisions of the International Financial Reporting Standards, applicable to commercial 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 other user.

2.3 The functional and presentation currency

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

The transactions made by the company in a currency other than the functional currency are recorded at the rates in force at the date when the transactions take place. The monetary assets and liabilities in foreign currencies are converted at rates in effect at the reporting date. The profit and loss arising from the exchange rate differences following the conclusion of these transactions and from the conversion to the exchange rate at the end of the reporting period of the monetary assets and obligations denominated in foreign currency is reflected in the statement of the comprehensive income.

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

on September 30, 2022

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

The exchange rates of the main foreign currencies according to the National Bank of Romania (BNR) reporting are as follows:

	30.09.22	31.12.21
EUR	4.9490	4.9481
USD	5.0469	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 it 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 significant reasoning used by the management to apply the Company's accounting policies and the main sources of uncertainty regarding the estimates were the same as those applied to the Individual Financial Statements for the financial year ended on December 31, 2021.

3. SALES INCOME

The situation of revenues from the sales of products on the domestic market and on the international market is presented as follows:

Description	30.09.2022 (unaudited)	30.09.2021 (unaudited)
Domestic sales	219,981,165	151,873,577
External sales	141,717,124	93,869,682
Total revenue from sales, of which:	361,698,289	245,743,259
Finished product sales	364,496,470	252,505,447
Sales of products made on other manufacturing sites	71,934,165	74,874,399
Commercial discounts	(76,732,346)	(81,636,587)

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

on September 30, 2022

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

The external sales represent sales on the international markets of finished products and active substances that are increasing from 38% on 30.09.2021 to 39% on 30.09.2022, through the development and consolidation of external partnerships, which is part of the territorial expansion plan.

4. OTHER OPERATING INCOME

Other operating income includes the following:

Description	30.09.22 (unaudited)	30.09.21 (unaudited)
Rental income	165,441	143,321
Income from research and studies	3,969	0
Income from various activities	701,733	1,942,948
Income from indemnities, fines and penalties	8,061	10,799
Other operating income	1,926,101	3,822,450
Income from adjustments for depreciation of current assets	4,213,900	13,694,999
Income from provisions for risks and expenses	1,489,596	13,528,900
Exchange rate differences	8,496,833	4,360,540
Total	17,005,634	37,503,957

The other operating income in the amount of 1,926,101 lei, significant is the amount of 1,412,980 lei (73%) which represents the unpaid dividends that were prescribed according to the legal requirements in force.

The income from adjustments for the depreciation of current assets, in the amount of 4,213,900 lei, represents the resumption of income in 2022, after the closure of the bankruptcy procedure, of the adjustments established for uncertain customers in the previous fiscal years, with the approval of the management board.

The income from provisions for risks and expenses in the amount of 1,489,596 lei are represented by the amounts provisioned for expenses at the end of the previous year for the variable allowances of the management board members (96%) and the allowances for unused annual leave (4%), granted in the current year.

5. EXPENSES ON RAW MATERIALS, PRODUCTS MADE ON OTHER MANUFACTURING SITES AND CONSUMABLES

Description	30.09.22 (unaudited)	30.09.21 (unaudited)
Raw materials expenses	79,200,210	46,578,409
Expenditure on products made on other manufacturing sites	35,594,083	40,239,999
Expenditure on auxiliary materials	7,285,497	5,030,482
Expenditure on fuel and spare parts	3,119,433	3,121,776
Expenditure on inventory items	398,970	478,229
Expenditure on other consumables	707,845	338,684
Total expenditure on consumable materials	11,511,745	8,969,171
Total	126,306,038	95,787,579

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

on September 30, 2022

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

- The expenditure with raw materials, auxiliary materials and consumables are correlated with the structure and size of the manufactured production, with the increase in the prices of raw materials and the devaluation of the national currency vis a vis the US dollar; 35% of the total purchases in foreign currency are made in the US dollar.
- The expenditure with products made on other manufacturing sites reflect the purchase cost of the products sold that are made on other sites. The structure in which these products were sold had a favorable impact on the value of the commercial margin achieved on 30.09.2022 (36,340,082 lei), higher compared to the value achieved on 30.09.2021 (34,634,400 lei).

6. STAFF COSTS

Description	30.09.22	30.09.21
	(unaudited)	(unaudited)
Wages	78,645,634	73,231,011
Civil contracts	1,279,472	1,188,511
Income tax and social contributions	2,659,727	2,210,741
Other benefits	5,065,691	5,007,904
Total	87,650,524	81,638,167

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

Description	30.09.22	30.09.21
	(unaudited)	(unaudited)
Wages	3,741,962	3,390,588
Civil contracts	1,279,472	1,188,511
Income tax and social contributions	134,886	118,883
Total	5,156,320	4,697,982

7. OTHER OPERATING EXPENDITURE

The other operating expenditure includes the following:

Description	30.09.22	30.09.21
	(unaudited)	(unaudited)
Expenses on electricity, natural gas and drinking water	13,425,135	6,374,028
Expenses on maintenance and repair works	1,602,056	1,392,831
Expenses on rent	210,520	240,081
Expenses on insurances	1,235,308	1,177,583
Expenses on bank fees	444,801	419,026
Expeses on advertising & promotion of products	16,808,570	8,708,143
Expenses on travel & transport	3,506,210	1,837,704
Expenses on post & telecommunications	407,728	435,270
Expenses on other services provided by third parties	9,353,409	8,591,060
Expenses on other taxes and fees	29,085,141	24,747,324

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

on September 30, 2022

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

Expenses on the environmental protection	797,475	570,332
Expenses on the losses and adjustments of current assets	33,944,116	1,847,430
Expenses on exchange rate differences	7,605,269	4,491,155
Sundries	3,512,454	3,018,723
Total	121,938,192	63,850,690

- The expenditures for electricity, natural gas, drinking water amount to 13,425,135 lei, 7,051,107 lei (47%) higher compared to the value recorded in the similar period of the previous year. The increase is determined by the significant increase in the tariffs for electricity, natural gas and drinking water (an impact of 6,043,206 lei) as well as the increase in the quantity used in conjunction with the value of manufactured production (an impact of 1,007,901 lei).

- The advertising and promotion expenses produced are in the amount of 16,808,570 lei above the value recorded in the similar period of 2021, as a result of the diversification of promotional actions in the context of the elimination of the restrictions that were imposed during the Sars CoV 2 pandemic; thus, it was possible to participate in congresses specific to the pharma field and meetings with medical representatives. Also, in 2022 the TV advertisement for the food supplement Fluxiv continued and the TV advertisement for the food supplement Silithor was launched, which led to an increase in the value of these expenses, which support the achievement of income.

- The majority share (81%) amounting to 29,085,141 lei of expenses with other taxes and fees is represented by the expense with the claw-back tax regulated by the G.E.O. no. 77/2011 regarding the establishment of contributions for the financing of expenses in the field of health. This 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 on the basis of prescription medical care through open-circuit pharmacies, for those used in hospital treatment, supported by the unique National Social Health Insurance Fund and the budget of the Ministry of Health.

- The expenses regarding the adjustments for the depreciation of current assets in the amount of 33,944,116 lei, of which 29,561,510 lei stands for the value of the legally constituted adjustments, by applying the principle of prudence, for receivables, finished products and products manufactured on other manufacturing sites – 4,382,606 lei represent the uncollected claims from insolvent debtors, whose bankruptcy proceedings were closed by final court decisions, recorded as expenses. Adjustments were made for these receivables at the time of registration of the disputes, which have now been canceled by recording them as income, thus the result of the current period was not impacted.

8. FINANCIAL INCOME AND FINANCIAL EXPENSES

The net financial income consists of:

Description	30.09.22 (unaudited)	30.09.21 (unaudited)
Interest income	1,043	3,425
Interest expenses	(2,961,426)	(2,616,224)
Other financial expenses	(132,387)	(163,433)
Total	(3,092,770)	(2,776,232)

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

on September 30, 2022

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

The interest expenses are the amounts owed to the banking institutions related to the credits for financing the operational activity and for the loan necessary to finance the investments in the new manufacturing site of topical products.

9. CURRENT AND DEFERED PROFIT TAX EXPENSES

Description	30.09.22 (unaudited)	30.09.21 (unaudited)
Current profit tax expenses	4,080,410	0
Deferred profit tax expenses	(1,034,078)	(455,208)
Total	3,046,332	(455,208)

10. EARNINGS PER SHARE

Description	30.09.22 (unaudited)	30.09.21 (unaudited)
Net profit (A)	29,487,196	18,229,185
Number of ordinary shares (B)	671,338,040	671,338,040
Earnings per share (A/B)	0.043923	0.027154

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

on September 30, 2022

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

11. 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
Inputs	-	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
Inputs	-	22,811,906	32,779,169	662,294	24,387,948	80,641,317
Outputs	-	361,458	2,386,779	40,719	56,253,370	59,042,326
September 30, 2022	189,933,152	179,963,726	256,263,605	9,371,149	32,849,561	668,381,193
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	-	6,560,425	8,527,341	212,996	-	15,300,762
Outputs	-	125,392	2,386,779	40,720	-	2,552,889
September 30, 2022	-	30,026,109	142,052,833	6,610,313	-	178,689,255
AJUSTMENTS FOR IMPAIRMENTS						
December 31, 2020	-	51,600	244,652	-	-	296,252
Outputs 2020	-	-	-	-	-	-
December 31, 2021	-	51,600	244,652	-	-	296,252
Outputs 2021	-	51,600	244,652	-	-	296,252
September 30, 2022	-	-	-	-	-	-
NET VALUE						
September 30, 2022	189,933,152	149,937,617	114,210,772	2,760,836	32,849,561	489,691,938
December 31, 2021	189,933,152	133,870,602	89,714,292	2,311,537	64,714,983	480,544,567
December 31, 2020	108,306,000	120,991,773	73,086,150	2,052,508	81,817,195	467,880,779

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

on September 30, 2022

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

Depreciation of fixed assets

The accounting depreciation is calculated using the straight-line method. For the new fixed assets, entered in 2021 such as installations, machines and measuring and control devices, the useful life times have been established taking into account:

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

The company carried out the revaluation of the existing buildings in the patrimony on 31.12.2018; this was carried out with authorized third parties - EPI, EBM, National Association of Authorized Valuers in Romania (ANEVAR) accredited members.

When registering the revaluation, the accumulated depreciation on 31.12.2018, in the amount of 31,911,246 lei was canceled, against the gross value of the tangible assets. The result of the revaluation was a net increase of the revaluation reserve by 47,199,493 lei, an expense in the amount of 151,809 lei and an income in the amount of 242,323 lei.

The company carried out the revaluation of the existing lands in the patrimony on 31.12.2020, the inventory value after revaluation is 189,933,152 lei. The revaluation was carried out by an authorized third party, ANEVAR corporate member.

The inventory value of the tangible assets constituted as guarantees for the bank loans contracted for the financing of the operational activity and for the financing of the investment activity is 76,682,173 lei.

Making investments both for strategic development and for consolidation is a priority within the company.

The investment works, depending on their scale, can take place during several financial years, which determines the registration in the accounts of tangible assets in progress.

At the beginning of 2022, the main investment objectives recorded in the ongoing fixed assets accounts refer to the following projects:

- the creation of a new site for manufacturing topical products;
- new equipment and equipment updates for production plants, research laboratories, laboratories for product quality control;
- investments in the infrastructure of electricity supply and distribution, technological steam, methane gas, water and wastewater disposal;
- investments in information technology, digitization of processes and telecommunications;
- investments in storage infrastructure, transport and logistics platform;
- investments for maintaining the integrated management system and social responsibility.

Upon the completion of the works and the obtaining of all the authorizations, the final reception is carried out, which leads to the registration in the corresponding fixed assets accounts, during the period 01.01-30.09.2022. The following were received:

- constructions worth 22,811,906 lei;

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

on September 30, 2022

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

-
- technical installations, technological equipment and means of transport in the amount of 32,779,169 lei;
 - furniture, office equipment worth 662,294 lei.

Also, in the reference period, new investment projects were started. On 30.09.2022 the value of immobilizations in progress is 32,849,561 lei.

12. INTANGIBLE ASSETS

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

The intangible assets are recorded according to IAS 38, "Intangible assets" and IAS 36, "Depreciation 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 trademarks and other intangible fixed assets recognized from an accounting point of view, with the exception of the costs of establishment, of the commercial fund, of intangible fixed assets with an indefinite useful life, classified as such according to the accounting regulations are recovered through straight-line depreciation deductions during the contract period or during the period of use, as the case may be.

Internally generated intangible assets (development costs)

The development expenses related to projects for new products are recognized as intangible assets. These consist of: the consumption of raw materials and consumables, labor costs related to the hours worked for each project, other fees paid to regulatory authorities in the pharmaceutical field.

On 30.09.2022, the situation of the intangible assets and the related amortization is presented in the table below:

	30.09.22	31.12.21
	(unaudited)	(audited)
Initial balance	49,272,084	30,776,615
Inputs	8,727,339	12,541,609
Outputs	2,857,070	411,960
Final balance	55,142,353	49,272,084
Amortization		
Initial balance	19,432,320	17,432,829
Cost of the period	1,179,886	1,999,491
Final balance	20,612,206	19,432,320
Net value	34,530,147	29,839,764

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

on September 30, 2022

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

13. STOCKS

According to the provisions of IAS 2, the stocks are assets:

- a) held for sale during the normal course of the activity;
- b) under production for sale;
- c) in the form of raw materials, materials and other consumables to be used in the production process.

Description	30.09.22 (unaudited)	31.12.21 (audited)
Raw materials and consumables	57,517,108	41,635,510
Production in progress	4,795,396	1,156,052
Semi-finished and finished products	34,483,217	54,465,199
Products manufactured on other manufacturing sites	20,999,648	8,761,013
Total	117,795,369	106,017,774

The value of the stocks constituted as guarantees for bank loans is 32,585,236 lei.

- The raw materials and consumables from the stock are necessary to ensure production in the following period according to the production plan in conjunction with the supply terms.
- The value of the stocks of finished and semi-finished products on 30.09.2022 is lower compared to that on 31.12.2021 and it is correlated with the objective of reducing storage time and accelerating sales.
- The stocks of products manufactured on other manufacturing sites are worth 20,999,648 lei, in accordance with the sales plans on the domestic and international markets.

14. TRADE AND OTHER RECEIVABLES

Description	30.09.22 (unaudited)	31.12.21 (audited)
Trade receivables	224,009,592	291,188,584
Adjustments for trade receivables	(29,268,168)	(21,431,055)
Various debtors and other receivables	4,826,168	4,063,884
Adjustments for various debtors	(3,432,707)	(3,432,707)
Total financial assets other than cash, classified as loans and receivables	196,134,885	270,388,706
Receivables related to employees	15	6
Other receivables to the State Budget	1,975,068	3,359,260
Advance payments	3,882,199	3,128,226
Total	201,992,167	276,876,198

The value of commercial receivables decreased and it was determined by the improvement of the collection term of receivables from the domestic market.

The value of the receivables established as guarantees for the bank loans contracted for the financing of the operational activity and for the financing of the investment activity is 94,508,738 lei.

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

on September 30, 2022

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

15. CASH AND CASH EQUIVALENTS

Description	30.09.22 (unaudited)	31.12.21 (audited)
Available in the bank	2,550,844	2,101,648
Cash and cash equivalents	15,009	9,729
Total	2,565,853	2,111,377

16. TRADE AND OTHER LIABILITIES

Description	30.09.22 (unaudited)	31.12.21 (audited)
Trade liabilities	61,800,780	66,324,369
Suppliers of assets	9,363,144	16,400,178
Employee-related liabilities	3,039,063	3,879,368
Other liabilities	99,372	139,650
Interest to be paid	113,354	248,216
Tax and social contributions	6,070,787	4,268,104
Dividends	3,329,768	3,774,337
Advance payments from customers	1,180,727	3,168,066
Total	84,996,995	98,202,288

17. AMOUNTS DUE TO CREDIT INSTITUTIONS

The amounts due to the credit institutions on 30.09.2022 are shown in the table below:

Amounts due to credit institutions	Value on 30.09.2022
Operational credit	24,008,674.33 LEI
Investment loan - installments due in a period of up to one year	10,732,506.67 LEI
Investment loan - installments due in a period longer than one year	49,648,426 LEI

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.

18. SUBSIDIES FOR INVESTMENTS

The subsidies for investments have the following components:

Subsidies for investments	30.09.22 (unaudited)	31.12.21 (audited)
Wastewater treatment plant	1,783,581	1,902,542
Research project-UMF Iasi	24,503	24,503
Other grants from European funds	351,598	423,551
Other grants from state budget funds	71,655	84,353
Other amounts received in the form of grants	5,752	31,642
Total	2,237,089	2,466,591

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

on September 30, 2022

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

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

19. DEBTS FROM CURRENT INCOME TAXES AND FEES

Description	30.09.22 (unaudited)	31.12.21 (audited)
Debts from current taxes and fees	31,119,874	9,611,682
Deferred income tax	<u>455,208</u>	<u>31,483,086</u>

The main components of the deferred tax are: the deferred tax related to the revaluation of fixed assets during the period 2004-2009 and deferred tax related to re-evaluations in the years 2012, 2015 and 2018.

20. SHARE CAPITAL

The subscribed share capital of the company on September 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.

21. RESERVES

The reserves include the following components:

Description	30.09.22 (unaudited)	31.12.21 (audited)
Reserves from revaluation of fixed assets	133,563,384	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	<u>387,015,871</u>	<u>386,731,653</u>

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

Reserve	Description and purpose
Reserves from revaluation of fixed assets	If the book value of a tangible asset is increased as a result of the re-evaluation, then the increase should be recognized in other items of global result and cumulated in equity, as a revaluation surplus. The revaluation reserves cannot be distributed and cannot be used to increase the share capital.
Legal	According to Law 31/1990, at least 5% of the profit is taken each year for the

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

on September 30, 2022

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

reserves	formation of the reserve fund until it reaches at least a fifth of the share capital.
Other reserves	Other reserves include reserves that represent tax incentives that cannot be distributed because they have implications on the recalculation of the corporate tax. The difference represents reserves made up of profits.

22. REPORTED RESULT

The reported result includes the following components:

Description	30.09.22	31.12.21
	(unaudited)	(audited)
Reported result – a surplus from revaluation reserves	25,112,783	22,906,688
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	(49,006,228)	(51,212,323)

23. CONTINGENT LIABILITIES

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

24. ELEMENTS FOLLOWING THE REPORTING PERIOD

No elements of the nature of subsequent events were identified.

25. INFORMATION RELATING TO THE AUDITING OF FINANCIAL STATEMENTS

The financial statements as of September 30, 2022 are not audited.