

MANAGEMENT REPORT

Semestrial Report according to IFRS

Report Date: August 16th, 2022

Name of the commercial company: ANTIBIOTICE S.A.

Head Office: Iasi, 1 Valea Lupului St.

Phone number: 0232/209000, Fax 0232/209633

Fiscal registration code: RO 1973096

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

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

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

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

First semester of 2022

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I Antibiotice - Romanian tradition and continuity

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

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

Antibiotice has five manufacturing plants included in three divisions:

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

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

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

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

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

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

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

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

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

II Antibiotice in the capital market

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

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

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

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

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

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

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

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

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

Antibiotice shares - ATB / Piata Regular

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

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

¹ Significant shareholder

Investor relations

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

III Current activity

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

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

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

Pillar 1: Strategic adaptation of human resources

Pillar 2: Strategic adaptation of product portfolio

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

Pillar 4: Performance management

Pillar 5: Improvement of the Corporate Governance System

III.1. Strategic adaptation of the human resources

a) Implementing the modern human resources management

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

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

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

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

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

b) Modernizing the organizational culture

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

III.2. Strategic adaptation of the product portfolio

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Communication to the general public

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

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

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

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

Developing the product portfolio by introducing new molecules

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

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

Future portfolio development through our own research

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

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

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

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

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

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

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

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

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

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

Developing our future portfolio through license purchases

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

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

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

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

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

Product quality

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

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

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

Environmental responsibility

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

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

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

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

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

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

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

Waste management

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

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

Occupational health and safety

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

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

Antibiotice, a friendly and responsible brand

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

Health

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

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

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

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

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

Education

- **"Science and Soul" Scholarships**

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

Environment

- **Earth Hour**

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

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

- **The Antibiotice volunteers planted 200 trees**

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

- **Open Days at Antibiotice**

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

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

Social matters

- **” Solidarity without borders”**

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

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

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

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

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

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

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

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

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

III.4. Performance management

Business consolidation in the domestic market

Evolution of pharmaceutical market in Romania²

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

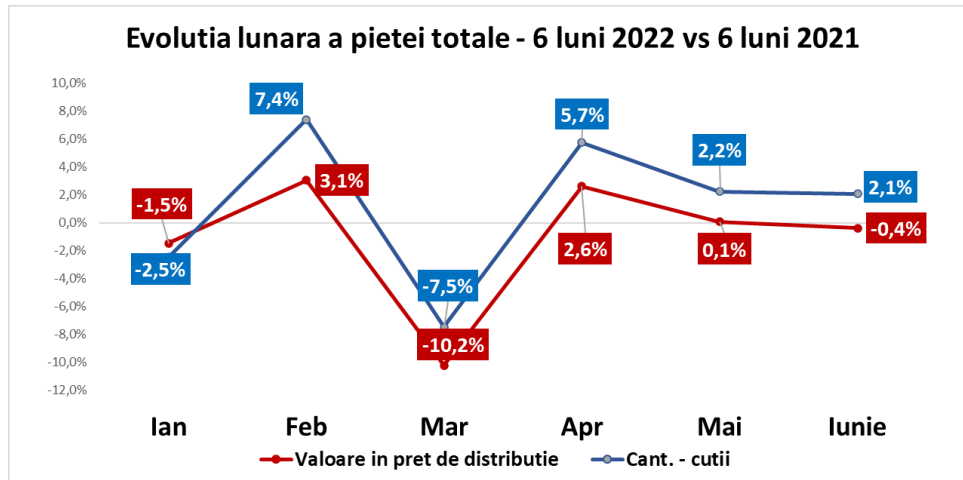
² According to the data source CEGEDIM Sell Out Romania, June 2022

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

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

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

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



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

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

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

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

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

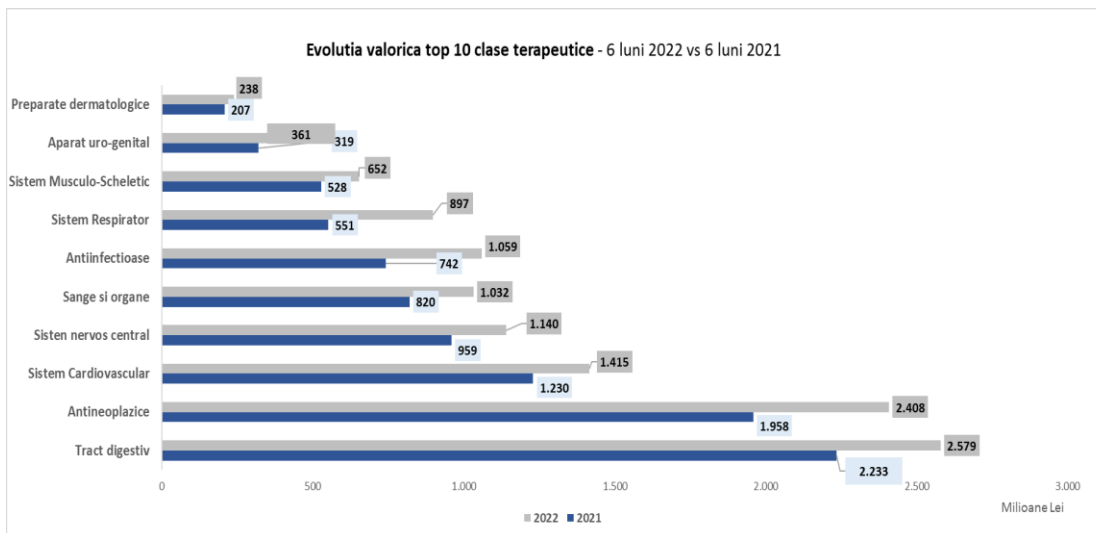
In terms of quantity, in the first 6 months of 2022, we recorded a 5.6% increase compared to the similar period of the previous year, from 125.8 to 132,9 million boxes.

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

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

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

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



Evolution of the pharmaceutical market relevant for Antibiotic

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

Prescription-only medicines (Rx) represent 44.9% of the total sales value in the first 6 months of 2022 and 53.3% of the total drug consumption (number of boxes). These recorded in the reporting period a 15.4% increase in terms of value, from 673.6 million lei in the H1 2021 to 777.8 million lei in the H1 2022 and a 6.4% increase in terms of quantity, from 45.7 to 48,6 million boxes.

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

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

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

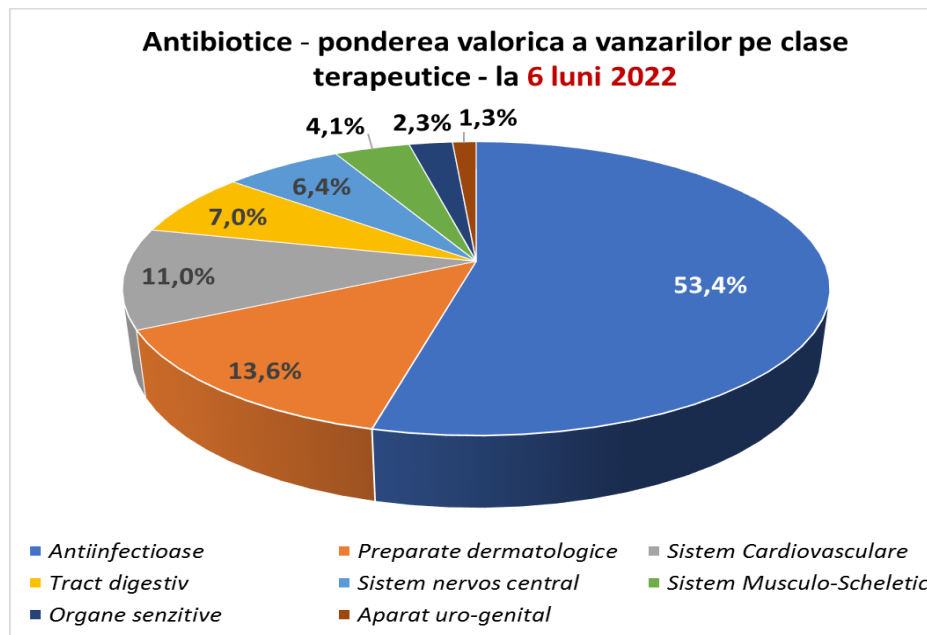
Antibiotic in in the Romanian pharmaceutical market

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

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

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

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



- *Anti-infectives*
- *Dermatological preparations*
- *Cardiovascular system*
- *Digestive tract*
- *Central nervous system*
- *Musculoskeletal system*
- *Sensitive organs*
- *Uro-genital system*

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

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

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

The Antibiotice sales by market segments:

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

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

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

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

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

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

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

³ According to the data source Warehouse sales - June 2022

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

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

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

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

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

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

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

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

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

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

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

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

Internationalization of our business in the ATB territories and other territories

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

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

Export of Nystatin

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

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

Export of finished products

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

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

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

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

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

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

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

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

Production activity

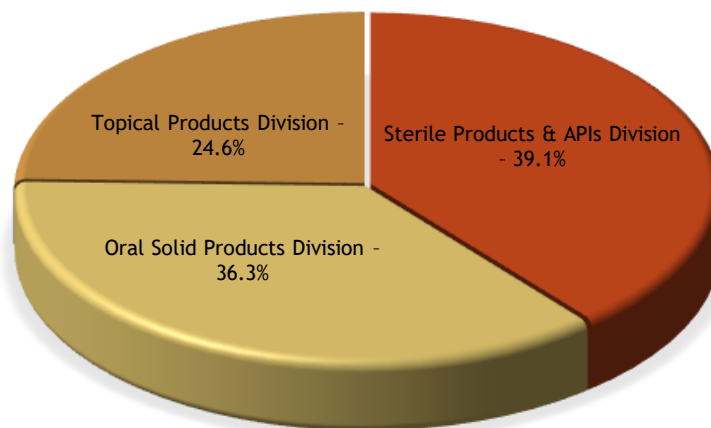
In the first half of 2022, our company produced 253.68 million pharmaceutical units in the form of tablets, capsules, parenteral preparations, topicals (ointments, creams, gels, suppositories, pessaries).

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

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

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

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



Cost management and efficient process management

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

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

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

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

Applying the principles for consolidating our business

Analysis of income and expenses

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

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

Total expenses amounted to 260.28 million lei.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Patrimony statement

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

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

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

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

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

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

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

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

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

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

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

Cash flow analysis

At the beginning of 2022, available money (lei and currency) was worth 2.11 million lei. In the first semester of 2022, the amounts collected from customers in the domestic and international market were worth 275.7 million lei, due to the measure of reducing the receivables collection term (185 days) compared to 248 days in the same period of the previous year.

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

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

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

Investments for supporting the future

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

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

The investments made between January and June 2022:

I. Investments for strategic development

1. Development of the product portfolio through research and development

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

Research & development projects - 4.81 million lei.

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

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

The value of investments made - 1.93 million lei.

II. Investments for consolidating our business

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

The value of investments made - 0.74 million lei.

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

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

The value of investments made - 6.16 million lei.

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

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

The value of investments made - 1.21 million lei

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

The value of investments made - 2.04 million lei.

III.5. Improving the Corporate Governance systems

- ensuring the internal corporate regulatory framework.

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

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

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

IV Corporate governance

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

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

These pillars are:

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

Corporate Governance Code

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

Code of Ethics

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

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

General Meeting of Shareholders

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

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

Management Board

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

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

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

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

Advisory committees

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

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

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

Executive Management

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

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

Risk Management

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

V Conclusions

In the H1 2022, Antibiotice S.A.:

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

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