

# MANAGEMENT REPORT

January-December 2022

Annual Report according to IFRS

For the fiscal year: 2022

Report Date: 23.03.2023

Name of the trading company: ANTIBIOTICE S.A.

**Head Office:**

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**Phone number:**

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**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

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## Antibiotice in the capital market

Antibiotice S.A., a company with a 26-year tradition in the capital market, has as its main shareholders:

- MINISTRY OF HEALTH (\*)
- S.I.F. OLTENIA (\*)
- Other shareholders (42,563 shareholders)
- 53.0173%
- 27.0379%
- 19.9448%

NOTE: (\*) - Significant shareholders, according to Law no. 297 of 28.06.2004, Art. 2, paragraph 1 on 31.12.2022, according to the extract from the Shareholders' Register

### Shareholding:

- legal persons - 87.4988%
- natural persons - 12.5012%

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

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

The Antibiotice (ATB ) shares are included in the BET-Plus index which comprises the Romanian companies listed on the BVB market that meet the minimum selection criteria, except for financial investment companies.

In 2022, the minimum price of the ATB share had the value of 0.4800 LEI. The share price increased to maximum value of 0.6100 LEI/share.

Stock market capitalization of Antibiotice on December 31, 2022 was 379.977 thousand LEI.

### Antibiotice shares - ATB / Regular market

	2018	2019	2020	2021	2022
Number of shares	671.338.040	671.338.040	671.338.040	671.338.040	<b>671.338.040</b>
Stock market capitalization (thousand LEI)*	326,942	341,040	326,270	406,831	379,977
Stock market capitalization (thousand EUR)*	70,100	71,370	66,935	82,211	76,803
Stock market capitalization (thousand \$)*	80,259	79,873	82,163	93,022	81,987
Total traded value (million LEI)	9	15	14	44	8
No. of traded shares	17,109,263	30,364,292	27,085,005	80,534,368	14,651,742
Opening price (LEI/share)	0.5780	0.4800	0.5120	0.4940	0.6060
Maximum price (LEI/share)	0.5780	0.5260	0.5550	0.6080	0.6100
Minimum price (LEI/share)	0.4550	0.4500	0.4130	0.4800	0.4800
Price at the end of the period (LEI/share)	0.4870	0.5080	0.4860	0.6060	0.5660
Average price (LEI/share)	0.5028	0.4851	0.5079	0.5913	0.5408
Earnings/share (LEI/share)***	0.0511	0.0459	0.0418	0.0446	0.0574
Gros dividend/share (LEI/share)**	0.009991506	0.029879738	0.00330631	0.0031980923	0.00792224
Dividend yield****	2.05	6.2%	6.5%	0.65%	1.31%
Dividend distribution rate*****	20%	65%	8.4%	7.2%	13.8%

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

\*\* Proposed dividend

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

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

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

During 2022, a number of 14,651,742 shares in value of 7.92 million LEI (1.60 million EUR, 1.69 million USD) were traded, with an average price of 0.5408 LEI/share.

In 2022, our company paid dividends for the financial years 2018, 2019, 2020 and 2021, amounting to 2,003,111.99 lei, as follows:

#### Dividend history (2018 - 2019 - 2020- 2021)

Period	Net dividends							Date on which the payment of dividends ceases
	Due	Paid				Unclaimed dividends 31.12.2022		
		lei			% (total paid)	lei	%	
		Until 31.12.2021	01.01÷31.12.2022	Total				
0	1	2	3	4	5	6	7	8
2018	6.612.624,05	6,083,476.66	6,434.79	6,089,911.45	92.10	522,712.60	7.90	19.09.2022
w2019	19.811.039,75	18,174,724.85	39,527.49	18,214,252.34	91.94	1,596,787.41	8.06	Payment in progress
2020	2.208.009,98	2,012,114.71	7,954.39	2,020,069.10	91.49	187,940.88	8.51	Payment in progress
2021	2.136.257,01	-	1,949,195.32	1,949,195.32	91.24	187,061.69	8.76	Payment in progress

Payment of the dividends for the fiscal years 2018, 2019, 2020 and 2021 has been made through the Central Depository - Bucharest and, implicitly, through the CEC Bank - the Paying Agent.

## Antibiotice in 2022

Antibiotice has proposed itself a sustainable development of the business by assuming ambitious sustainable objectives, given that the transition to an economy that requires processes and technologies adapted to reduce the impact on the environment is becoming more and more stringent. In this context, our company has a series of investment projects, some of them completed, some of them in progress, aimed at reducing the impact on the environment while maximizing the business returns and optimizing the expenses.

With a more than 25-year experience in manufacturing topical products, being a national leader in this segment, in 2022, Antibiotice completed the investment in the most modern pharmaceutical plant for topicals in Europe, intended both for intra-hospital medication and for public consumption. The new production capacity is 50% higher compared to the existing one and production takes place on 4 manufacturing flows equipped with the latest technology, certified by the National Agency for Medicines and Medical Devices. This plant meets the highest manufacturing standards, producing both for the Romanian and foreign markets.

The investment of 20 million euros, from our own funds, facilitates the production of 56 topical products, Antibiotice being the only producer for 19 of them. This Plant has 4 manufacturing lines: 2 lines for ointments, creams, gels and 2 lines for suppositories and pessaries, endowed with high-performance equipment with a high degree of automation:

- the equipment is automated and controlled by Programmable Logic Controller;
- the predefined manufacturing recipes are automatically processed for each product, ensuring the accurate reproducibility of the processes;
- the production installations are in a closed system and benefit from automatic transfer between the preparation vessel, storage vessel and primary packaging equipment, "clean in place" automation systems;
- automation systems for maintaining and monitoring the environmental parameters.

The production facility has heat recovery ventilation systems, either with recirculation or with 100% fresh air, which ensures an efficient use of the energy needed for air conditioning.

Ventilation systems ensure the necessary conditions for the production activity and work of the staff.

Also, through the building management system/environmental conditions management system, effective monitoring of ventilation systems and associated equipment, as well as temperature, humidity, differential pressure monitoring in the areas served by the ventilation systems is ensured.

As regards the financial situation, our company achieved the indicators planned in the 2022 Income & Expenditure Budget, part of the multi-year business plan, creating the premises for fulfilling the 2030 goals:

- doubling the turnover;
  - increasing the export share to 50% of turnover;
  - maintaining the position of world leading manufacturer of the active substance Nystatin;
  - motivating the human resources for fulfilling the objectives;
  - streamlining activities through digitization and computerization of the manufacturing site,
- all of them for a sustainable development.

Total revenues achieved in 2022 amounted to 535.01 million lei, by 17% higher compared to the planned value (i.e. 458.5 million lei) and by 29% higher compared to the value achieved in 2021 (414.85 million lei).

Total expenses made in 2022 amounted to 493.1 million lei, by 15.7% higher compared to the planned value (i.e. 426.02 million lei) and by 28% higher compared to the value achieved in 2021 (i.e. 384.54 million lei).

Gross profit amounted to 41.9 million lei, by 29% higher compared to the planned value and by 38% higher compared to the value achieved in 2021.

The synthesis of the main diagnostic indicators recorded in 2022 highlights the financial balance and our continuous concern for streamlining the business, achieving a indebtedness level of 25%, by optimizing collections and reducing the collection terms of receivables in the pharmaceutical market, with a favorable effect in reducing the credits for financing the working capital, simultaneously with reducing the commercial debts and implicitly the total debts.

Indicators regarding financial results	2022	IEB 2022	2021
Gross margin (lei)	332,075,132	268,021,000	231,999,851
Gross margin (%)	65.22	60.55	61.10
Added value (lei)	259,211,241	208,721,000	184,593,822
Gross result (lei)	41,903,230	32,500,000	30,302,616
Gross profit profitability (EBT margin) (%)	9	8	8
Claw-back tax (lei)	31,332,652	28,000,000	28,669,258
Gross profit profitability + claw back (%)	15	14	16
Net result(lei)	38,513,427	31,400,000	29,939,404
EBITDA (Earnings before interest, taxes, depreciation and amortization) (lei)	68,060,326	56,950,000	58,252,248
Level of indebtedness (total liabilities/total assets) (%)	25	29	32
General liquidity (no. of times)	2.39	2	1.9
Net accounting assets (lei)	641,430,601	643,000,000	604,991,800

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

- Pillar 1 - Strategic adaptation of human resources;

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

## Strategic human resources adaptation

Adapting strategically the human resources involves the development and implementation of strategies for motivating and retaining employees in key positions, as well as for attracting new employees, in correlation with the labor market trends.

To achieve these goals, our company has two main strategies:

- to implement a modern human resources management;
- to modernize the organizational culture.

### Implementing a modern human resources management

In 2022, our company implemented a modern human resources management by using tools for analyzing and redefining the organizational structures, adapted and correlated with our business needs, for sustaining a good organization and a business growth between 2025 - 2030.

Another measure that supports the strategy of implementing a modern human resources management consists in adapting the motivational packages to market trends, in order to attract and retain valuable employees (key positions) and increase the degree of retention.

In 2022, the staff salary and motivation policy was updated, taking into account the following fundamental principles: legality, stimulation of performance and competitiveness, continuous adaptation to market dynamics, fair reward (principle of equal opportunities), predictability (career management and professional development). As an integral part of the staff salary and motivation policy, motivational packages were analyzed by staff category and updated to stimulate performance and professional competitiveness, employee loyalty, increasing the attractiveness of the employer brand.

In correlation with the new staff salary and motivation policy, our company developed career management programs and plans for identifying staff reserves, step by step until 2024. All the above steps are also supported by the smooth running of the training programs for developing our employees' skills. In 2022, the training for developing our employees' skills took place according to the annual framework program approved through „Business School a+” - an „Academy a+” component.

„Academy a+” is a platform focused on programs for recruitment, education, innovation and development of professional skills, established for adapting the human resources to the new configuration of our company in the perspective of the 2030s. It took shape significantly during 2022 and involves two components: Technical College a+ and Business School a+, intended for attracting employees and for their continuous training and qualifying in order to acquire skills specific to the company's field of activity. The activities within the Academy a+ aims at establishing new partnerships with the academic environment, running selection and qualification programs at the workplace, running induction and professional career management programs. Collaboration with the university environment materialized in didactic visits and practical programs for 215 students from the Faculties of Pharmacy, Biology, Chemistry, Chemical Engineering and Environmental Protection, Electrical Engineering, Energy and Applied Informatics, ”Ion Ionescu de la Brad” University of Life Sciences. Collaboration with the pre-university environment also included didactic visits and practice for 120 students from Iași from theoretical and professional education. Antibiotice has been supporting also 25 students included in the dual education project developed with two educational units from Iași: Petru Poni High

School (15 students specialized as chemical operators) and High school of Mechatronics and Automation (10 students specialized as low voltage electricians). The three-year education cycle will end in 2023.

### **Modernization of organizational culture**

Organizational culture and work climate are our constant concerns. The actions carried out in 2022 were focused both on implementing the Organizational Culture Development Plan resulting from the organizational climate study carried out in 2021, and on completing a new study on employees' perception of the work environment and professional satisfaction. Based on this study, new updated measures to improve the organizational climate will be established in 2023.

A relevant part of the organizational culture is represented by the sustainability actions, initiatives and measures.

Antibiotice promotes, cultivates and supports diversity, inclusion and equity. We achieved a gender balance (55% women and 45% men). There is no discrimination based on sex, religion, marital status, national or social origin, national minority, socio-economic status. Disabled people are employed in various positions. Sexual, physical or mental harassment of employees are not tolerated in our company, regardless of the situation, and we try by all means to protect our employees' dignity. Our Ethics and Integrity Council manages, analyzes and monitors any situation reported that may lead to discrimination or unfairness. Continuous professional training of employees is encouraged and any initiative that can bring added value to the staff and improve the working environment is supported.

**In summary, the human resources management is reflected through the following indicators:**

- training hours/ employee - the level planned for 2022: 35 hours; the level achieved: 42.21 hours/employee ( training according to the legal requirements, but also skill development training with external providers - the trainings with external providers accumulated in 2022 an average number of 10 hours /employee, higher by 27% compared to 2021;
- average number of employees - planned level: 1,350 employees; achieved level: 1,355 employees;
- average net salary - planned level: 810 Euro; achieved level: 860 euro;
- staff retention (strategic retention) - planned level for 2022: 90%; achieved level: 95.35%.

### **Strategic adaptation of the product portfolio**

Expansion of the product portfolio makes a major contribution to the development of Antibiotice both on the domestic and international markets, through our own research and development as well as through the assimilation of new products through business development (in-licensing contracts), in accordance with the current therapeutic trends.

Our current portfolio is carefully monitored, taking actions to adapt our products to the national and international regulations, analyzing the therapeutic trends, medical guidelines and new effectiveness and safety studies.

The current portfolio has 157 products from 11 therapeutic classes:

- generic medicines for human use [prescription medicines (Rx) and non-prescription medicines (nonRx)];
- the active substance Nystatin;
- medicines for veterinary use;
- biocidal products for disinfecting surfaces and hands
- biofertilizers.

Rx portfolio covers the main therapeutic classes: Anti-infectives - including the drugs intended for the treatment of tuberculosis; Digestive tract and metabolism, Dermatological preparations and Cardiovasculars.

NonRx portfolio, intended for self-medication, is represented by products from the following categories: OTC drugs, food supplements, dermatocosmetic products and medical devices. These are intended for maintaining health, prophylaxis or as adjuvants in certain high-incidence diseases.

NonRx products are grouped into 4 portfolio concepts, defined mainly according to the target audience to which they are addressed: Nutriensa, Derma +, Cold&Flu and Family Health.

### **Portfolio development through in-house Research & Development**

Our Research & Development Department has as main objectives to develop generic medicines and unique combinations from the following categories: topicals, tablets, capsules, sterile products. In addition to the established pharmaceutical forms, research activities are also oriented towards medical devices and cosmetics which, in line with the medium and long-term strategic development directions, come to complete the product portfolio.

Our Research & Development projects (new products and/or updated products which are to be internationalized, specific to each of the three divisions) are multi-annual projects in different research stages.

In 2022, our team developed:

- 17 projects - new products for the Topical Products Division;
- 7 projects - new products for the Oral Solid Products Division;
- 3 projects - new products for Sterile Products & APIs Division.

In 2022, out of a total of 27 projects, our R&D team completed 2 projects that enriched our company portfolio with two OTCs: 1 topical product and 1 oral solid product.

The completion of these projects created the possibility of starting this year another 3 new product projects for the Oral Solid Products Division.

Along with the new product projects, according to the plan, upgrading actions were carried out for 10 products from the company's portfolio: 7 topicals and 3 sterile products for injection, an upgrading necessary for the future internationalization of these products.

Like every year, also in 2022, research activities were carried out to optimize the technological process and analytical documentation for Nystatin, in order to support the company's leading position in the world market of this active substance.

### **Clinical Studies Center:**

Antibiotice has its own Clinical Studies Center that, in 2022, developed various stages of the clinical studies for three topical products, as follows:

- a phase IV clinical study for an OTC product;
- a phase II/III clinical study for an Rx product;
- and an observational, post marketing study for an Rx product that will allow a better positioning of this product in its pharmaceutical market segment.

The activities developed in 2022 for biofertilizers aimed at:

- researching/characterizing a new product from the biofertilizers category. The technological transfer to the industrial scale for the product developed in the laboratory was completed, and the product entered the stage of technological experimentation;
- preparing the documentation for certifying the ecological product Ecocert.

## Developing the portfolio through business development

Through business development, in 2022, we purchased in-licensing projects for 34 new products, of which:

- 26 prescription products
- 8 non-prescription products

These in-licensing projects for prescription medicines (Rx) belong to the following pharmaceutical forms:

- **oral solid forms** from the following therapeutic classes: Cardiovasculars - 8 medicines, Anticoagulants - 2 medicines, Antidiabetics - 2 medicines, Systemic Hormonal Preparations - 1 medicine, Musculoskeletal System - 1 medicine, Central Nervous System - 1 medicine;
- **products for injection** from the following therapeutic classes: Anti-infectives - 10 products, digestive tract -1 product.

From the products contracted in 2022, 6 products go on sale in 2023, the others going on sale between 2023-2026 depending on the progress of the registration procedures.

### Promotion

In 2022, Antibiotice continued its communication strategy for developing brand names and umbrella brands and run campaigns to consolidate the portfolio by launching new products: development of new brands or range extensions.

Promotion of the products from the Antibiotice portfolio is a priority in the company's long-term development strategy, achieved through:

- consolidating the partnerships with health professionals through promotion actions;
- identifying new consumers of the products through screening programs;
- identifying prescription habits and treatment practices of doctors through testing programs;
- partnerships with pharmacy chains for promoting the non-RX product portfolio in their catalogs;
- accessing alternative promotion channels: online, TV; e-commerce - the partner pharmacies for the non-RX products.

### Communication to the general public

#### Investments in campaigns to the general public on TV and radio:

Among the products for which our company invested in campaigns to the general public on TV and radio:

- the food supplement Silithor® - national promotion campaign on TV „Silithor® - no half measures” ;
  - continuation of TV promotion campaigns for the range Fluxiv® tablets and cream - ”Fluxiv® - boost your blood flow”;
  - launching in the market of the OTC medicine Clafen® rapid (gel, diclofenac diethylamine 11.6 mg/gram), the newest product developed under the Clafen® brand. The new product brings additional benefits to consumers both through the rapid 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 was promoted also through a TV campaign starting from October 2022.
- TV communication through co-branding projects with commercial partners in the domestic market;
  - radio promotion campaigns on national channels in the top ranking of the audience.

## **Investments in campaigns to the general public on social media:**

- Facebook and Instagram active pages: Nutriensa®, Cutaden®, Tinerero®;
- Tik Tok channel - @coolonia.tinero;
- Metaverse Nutriensa® - a virtual space to promote the Nutriensa® range dedicated to the general public but also to the health professionals. On this platform, a LIVE webinar dedicated to the range of symbiotics Simbiflora®, the newest products in the Nutriensa® range, was held in September;
- Sites of products and product ranges: active sites: Nutriensa®, Tinerero®, Cutaden®
- Special online and offline communication projects dedicated to the general public

**Communication to health professionals** by participating in the national congresses and conferences organized by the main Romanian professional, academic and scientific societies and associations of medical specialties in the focus of communication actions and partnership development: ICU, Infectious Diseases, Obstetrics - Gynecology, Urology, Dermatology, ENT, Family Medicine and Pharmacy.

Continuous improvement of the integrated management system (Quality, Environment, Occupational Health and Safety)

Ensuring product quality, reducing quality incidents or of any nature with repercussions on people's health and environment, represent the main ethical, moral and professional concerns in our company.

In January 2022, our company received from the National Agency for Medicines and Medical Devices and from the National Veterinary Sanitary Authority and Food Safety the approvals for extending:

- the Good Manufacturing Practice certificates for the following manufacturing flows: capsules, tablets, ointments, suppositories - until the end of 2022;
- Good Laboratory Practice certificate - until the inspection is carried out;
- the Good Manufacturing Practice certificates for the following manufacturing flows: sterile veterinary products (injectables and ointments) and non-sterile veterinary products (ointments) - until the end of 2022.

In 2022, the National Agency for Medicines and Medical Devices inspected all the manufacturing flows. All of them been GMP recertified.

In the reporting period, the certification body ISO TUV Rheinland Romania conducted the recertification audit ISO 9001, ISO 14001, ISO 45001, an audit that takes place every 3 years. The result of the audit was a success, no critical or major deficiencies were found, and the auditors issued new certificates valid for the next three years (2022 - recertification audit, 2023 surveillance audit 1 and 2024 surveillance audit 2).

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.

30 Quality Agreements were initiated, under evaluation/evaluated/ concluded with the manufacturers of active substances, raw materials and finished products.

## **Environmental responsibility**

The Environmental Protection activity manages the prevention of pollution and the continuous improvement of environmental performance, by complying with the requirements of environmental legislation.

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

In 2022, the Water Management Authorization issued by the Prut Barlad Water Basin Administration as well as the Integrated Environmental Authorization issued by the Iasi Environmental Protection Agency were maintained in force.

For **monitoring the quality of environmental factors**, analyzes were carried out in our own laboratory and through third parties, on the quality of the water entering the pre-treatment station and then discharged into the municipal sewage system, of the conventionally clean water discharged into the natural emissary, as well as of the underground water, samples being taken from the 13 observation boreholes, located around the company.

For air pollutant emissions/immissions, determinations were made in 2022, according to the requirements of the Integrated Environmental Authorization, (semi-annual, respectively annual determinations), by accredited third-party laboratories. The test results showed that the maximum allowable concentrations specified in the Integrated Environmental Authorization and the Water Management Authorization had not been exceeded.

Authorized entities made determinations on odor emissions.

Antibiotice is a **responsible company**, protecting the environment and proactively ensuring the compliance with the requirements on product manufacturing safety.

In order to integrate the approach of **climate change** in the assessment of business risks, as well as to develop the company's strategy in this field as a result of the legislative changes, our company concluded a consulting contract with a specialized firm that provides support in the calculation of the carbon footprint of the activities carried out by our company, provides specific training on how to integrate the risks regarding climate change, as well as their appropriate management. The decarbonization strategy is being developed, with clear objectives and targets.

## Waste management

Antibiotice S.A. **implemented a selective waste collection system**, each production plant and ancillary activity being equipped with adequate containers for collection. New waste collection/storage areas were established and arranged, (selectively collected waste/location of specific equipment, with the role of reducing the volume of waste, before recovery), with the aim of improving waste management in our company.

The global objectives on recovering packaging waste from the products introduced in the national market were met, through the service contract concluded with with one of the authorized Organizations that implement the obligations regarding the Extended Producer Responsibility (OIREP). Antibiotice does not register outstanding payment amounts with the Environment Fund Administration.

The legal requirements on waste management were fulfilled, by the internal waste audit conducted in 2021, as well as by the preparation of the program for preventing and reducing the amounts of waste generated by our company's activity.

## Occupational health and safety

In order to create an optimal framework for managing and eliminating work-related risks and to improve the environment and relations between employees, an effective occupational health and safety management system has been developed. 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 Occupational Safety and Health Training Program, Annual Program for the periodic medical examination, Annual Contaminant Exposure Monitoring Program. All these

activities were carried out ensuring the framework for the prevention of work accidents and periodic information of all employees on occupational health and safety, depending on the specifics of each activity.

Our company will publish the 2022 Non-Financial Report on its own website ([www.antibiotice.ro](http://www.antibiotice.ro)) within the legally regulated term.

## Strategic planning and performance management

### Evolution of pharmaceutical market in Romania<sup>1</sup>

In 2022, the value of medicines released to the patients from Romania was 25,779.65 million lei (distribution price), higher by 21.9% compared to the value recorded in 2021. Consumption of medicines increased by 7.2%, a number of 705.82 million boxes being released from the pharmacies in 2022.

In the reporting period, the average price per box registered a progressive increase from 32.51 lei/box in January to 36.52 lei/box in December.

### Evolution of the generic pharmaceutical market - prescription and non-prescription medicines

Of the total pharmaceutical market in Romania, 45.3% is represented by the segment of generic drugs with medical prescription (Rx) and without medical prescription (OTCs). The generics market registered a 21.4% value increase in the analyzed period from 9,626.9 million lei to 11,682.3 million lei. From a quantitative point of view, it recorded an increase of 7.4%, with a number of 522.7 million boxes released from pharmacies in 2022 compared to 486.6 million boxes in 2021.

**Prescription drugs (Rx)** represented 41.7% of total value sales in 2022 and 47.3% of total drug consumption (reported as number of boxes). During the analyzed period, they recorded a value increase of 19.1%, from 4,091.9 million lei in 2021 to 4,873.9 million lei in 2022 and a 5.5% quantitative increase, from 234.2 to 247, 1 million boxes.

**Non-prescription drugs (OTC)** registered a value increase of 23.0% (from 5,534.9 million lei in 2021 to 6,808.4 million lei in 2022) and an increased consumption of 9.2% (from 252.5 million boxes in 2021 to 275.6 million boxes in 2022).

#### The sales situation by market segments:

- **hospital** - the sales increased by 32.3%, from 775.1 million lei in 2021 to 1,025.1 million lei in 2022. As regards the consumption, the analyzed period recorded a 8.8% increase, from 20.98 to 22.8 million boxes.
- **national pharmacy chains** - the sales increased by 15.7%, de la 3,656.3 million lei in 2021 to 4,229.5 million lei in 2022. In terms of quantity, a 4.2% increase was recorded in 2022 compared to 2021, from 188.9 to 196.8 million boxes.
- **independent and small-chain pharmacies** - the sales increased by 23.7%, from 5,195.5 million in 2021 to 6.427,7 million lei in 2022. In terms of quantity, a 9.5% increase was recorded in 2022 compared to 2021, from 276.8 la 303.1 million boxes.

### Antibiotice in the Romanian pharmaceutical market

Antibiotice SA in the 2022 Romanian market:

- in terms of consumption (number of boxes), it ranked 4<sup>th</sup> in the segment of prescription and OTC generic medicines (a 5.2 % market share);

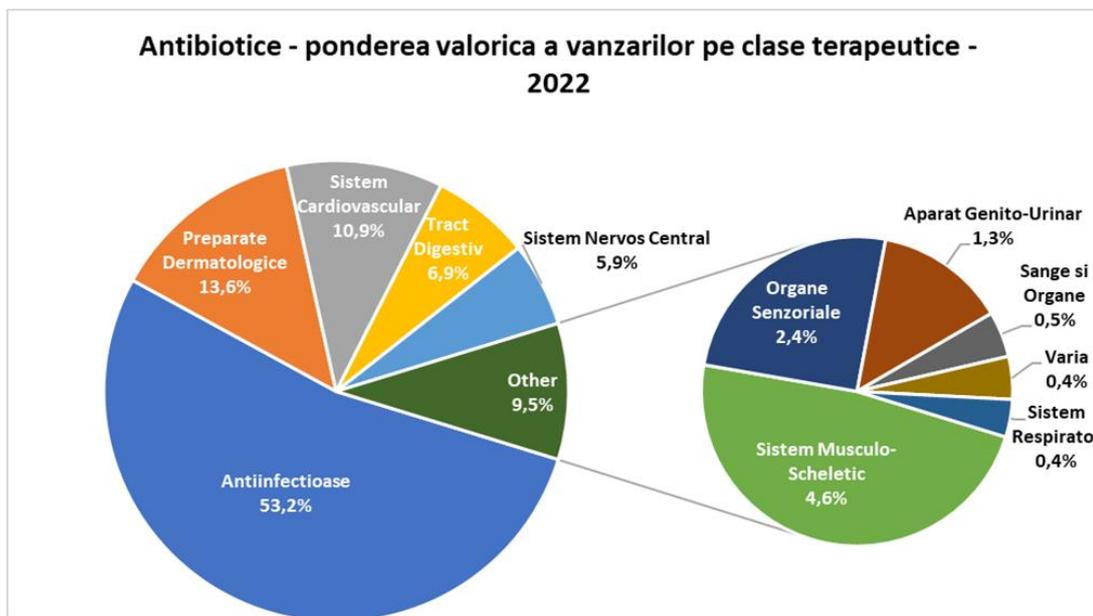
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<sup>1</sup> According to the data source CEGEDIM Sell Out Romania, December 2022

- quantitative leader (IU) in the total market on the following pharmaceutical dosage forms: sterile powders for injection (60.1%); ointments (20.6%), suppositories and pessaries (36.1%);
- leader in the segment of prescription and OTC generic medicines sold in hospitals, with a 13.2% market share.

In the reference period, Antibiotice consolidated its core business component - antiinfectives for systemic use - developing also the therapeutic classes where it holds important positions in the domestic market: dermatologicals, cardiovasculars and medicines for digestive tract.

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



**Prescription medicines (Rx)** represented 83.6% from the total value sales in 2022 and 84.1% from the total consumption of medicines (reported as number of boxes). During the analyzed period, they recorded a 16.0% value increase, from 320.4 million lei in 2021 to 371.6 million lei in 2022 and a 7.8% increase in terms of quantity, from 21.4 la 23 million boxes.

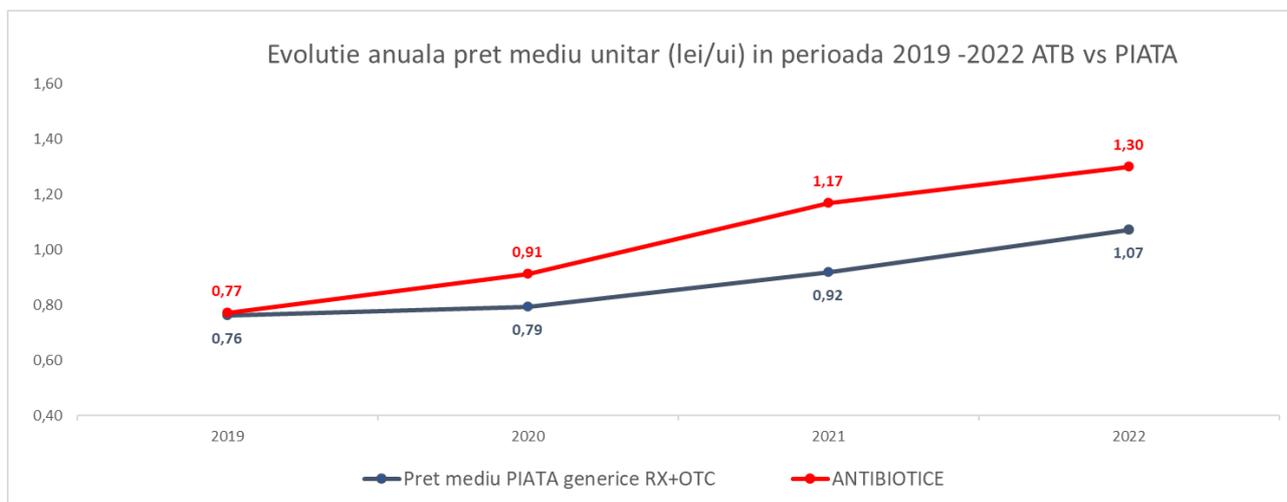
**Non-prescription medicines (OTCs)** recorded a 7.7 % value increase (from 67.8 million lei in 2021 to 73.1 million lei in 2022) and a steady consumption as number of boxes (4.4 million boxes in 2022).

#### Antibiotice sales by market segments:

- **hospital** - the sales recorded a significant value increase of 20.8%, from 112.4 million lei in 2021 to 135.8 million lei in 2022. Consumption recorded in this segment, as number of boxes, increased by 8.7% in 2022, compared to the similar period of the previous year.
- **national pharmacy chains** - the value sales increased by 5.2% in 2022 compared to 2021 (from 105.9 million lei to 111.5 million lei). The number of boxes released by pharmacies increased by 0.6% (9.6 million boxes in 2022).
- **independent and small-chain pharmacies** - the value sales increased by 16.1% in 2022 compared to the similar period of the previous year ( from 170 million lei to 197.4 million lei). The number of boxes released by pharmacies increased by 9.4% (from 14.8 million boxes in 2021 to 16,2 million boxes in 2022).

## Price - strategic element for adjusting to the market

The average market price of **prescription generics and OTCs products** in 2022 was 1.07 lei/IU (indivisible unit), up 16.5% compared to the same period of the previous year (0.92 lei/unit). As regards the sales channels, the highest price of medicines in the market of **prescription generics and OTCs products** was recorded in 2022 on the **hospital channel**: 5.32 lei/ IU, of which injectables registered a price of 8.6 lei/IU, up by 28.6% compared to last year. The segment of **independent pharmacies (MLFI)** ranked second, with an average price in 2022 of 1.01 lei/IU (higher by 17.0% compared to 2021) while the **National Chains** recorded an average price of 0.98 lei/IU in 2022 (higher by 13.6% compared to 2021)<sup>2</sup>



In 2022, the average price of the Antibiotice portfolio, at the indivisible unit level, was 1.3 lei/IU, up 11.3% from 1.17 lei/IU in 2021.

The product positioning strategy in the market is the starting point for the entire marketing mix, implicitly also for the product and price policy. Application of strategies by market segments and promotion concepts led to an efficient valorization in the structure of the portfolio compared to the planned average price, with a degree of achievement of 104.6%.

In the retail segment, the focus on the projects for developing the non-RX brands from the Nutriensa range generated an optimal structure, the average selling price being 0.73 lei/IU, compared to 0.69 lei/IU in 2021.

In terms of sales channels, the highest price was recorded by Antibiotice in 2022 on the hospital channel: 4.38 lei/IU, of which injectables registered a price of 8.44 lei/IU, up +10.4% compared to last year. On the MLFI channel (mini-chain and independent pharmacies) the price recorded in 2022 was 1.08 lei/IU, up 10.0% compared to 2021, while in the chain pharmacies, the average price reached 0.87 lei/IU in 2022 (higher by 12.4% compared to 2021).

## Business internationalization

Antibiotice is the largest exporter in the Romanian pharmaceutical industry. Our company has consolidated sales in over 60 countries around the world and obtains approximately 40% of its turnover from international markets. In 2022, Antibiotice a recorded a 30% increase in the export turnover compared to the previous year.

## Export of Nystatin

In 2020, the export of Nystatin, the active substance used in the treatment of fungal infections, increased by 45% compared to the value obtained in 2021, from 52.4 million lei

to 75.7 million lei, following the trend of the last years, our company consolidating its position in the world market.

This year, substantial progress was made for improving the quality of this active substance, by upgrading the long-term stability (3 years) from storage temperatures between 2-8 degrees to storage temperatures below 25 degrees Celsius. To the same extent, the degree of customer satisfaction also increased for this product which is certified by the European regulatory authority in the pharmaceutical field, EDQM. These characteristics of the Antibiotice product were also recognized in the US market by the Food and Drug Administration, the regulatory authority in the field.

Nystatin is the best-selling export product of Antibiotice, in more than 50 countries around the world, the company being the world leader in the production of this active substance and an international reference standard. In 2022, our company continued the development efforts in the main export markets: Europe, North America and Latin America.

### **Export of finished products**

In 2022, Antibiotice delivered in the international markets medicines amounting to 108.4 million lei, higher by 22% compared to 2021. It is a growth rate higher than the world trend of only 4.9% reported by IQVIA, a market research company in the pharmaceutical field.

The main markets where there were increases in sales of Antibiotice medicines: UK, Vietnam, Canada, Denmark, Iraq, Azerbaijan, Moldova, Canada.

The best-selling finished products for export are top drugs in injectable anti-infective therapeutics for which Antibiotice has market shares of 30-40% in highly competitive regulated markets such as: the United States of America, the United Kingdom or Vietnam.

The sales in the US market represents approximately 22% of the value of the export of finished products, these remaining at a relatively constant level in 2022 compared to the previous period.

In addition to consolidating the presence in traditional markets, in 2022 Antibiotice developed new projects, participated and won tenders to delivery anti-infectives in Saudi Arabia and Albania. Six products in the retail segment were launched in the South Africa.

### **Production**

In close interdependence with the sales activity in the domestic and international market, the production activity takes place in the three divisions.

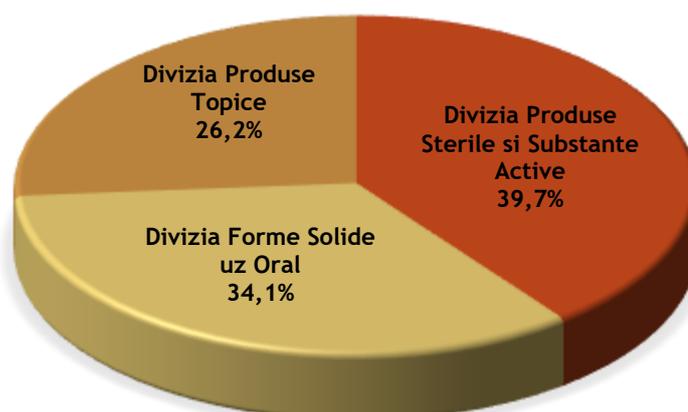
In 2022, our company manufactured 385.2 million pharmaceutical units in the form of tablets, capsules, parenteral products, topical products (ointments, creams, gels, suppositories, pessaries), by 13,3 million pharmaceutical units compared to 2021 (371.9 million pharmaceutical units).

The total value of the production achieved in 2022 was 493.6 million lei, by 29.47 % higher compared to the previous year.

The value of production manufactured for export represented 35.29 % from the value of the total production made in 2022, by 40,56 % higher compared to the production value of the previous year. Regarding the value of the production manufactured for the domestic market in 2022, this represented 64.71 % from the value of the total production and was by 24.13 % higher compared to the production value of the previous year.

The total value of production achieved in 2022, in the three Product Divisions:

**DISTRIBUTIA VALORICA A PRODUCTIEI REALIZATE AN 2022**  
(% DIN TOTAL VALOARE PRODUCȚIE REALIZATĂ)



### Economic and financial performance

The main efficiency indicators of the operational activity and of the total activity exceeded the level planned and the one achieved in the previous year. The efficiency of the operational activity is expressed by the operating profit, whose value on 31.12.2022 was 45.7 million lei, by 28% higher compared to the planned value.

The activities developed by our company for achieving the planned indicators, in line with measures taken in 2022 for:

- consolidating the sales in the domestic and international markets;
- rigorously managing the expenses;
- realizarea de investitii pentru dezvoltarea strategica a afacerii si pentru consolidare;
- making investments for the strategic development and consolidation of our business,

determined a gross profit in value of 41.9 million lei, with a 9% gross profit margin. Efficiency of the activities was significantly influenced by the claw back fee amounting to 31.3 million lei which, combined with the value of the gross profit, ensures a margin of 15%.

### Statement of Comprehensive Income

Indicators	31.12.2022	BVC 2022	31.12.2021	31.12.2022/ IEB 31.12.2022	31.12.2022/ 31.12.2021
Sales revenue	482,666,811	432,074,000	366,209,065	112%	132%
Other operating revenues	26,874,232	16,102,000	37,378,976		
Revenues related to product inventory costs	11,689,110	24,000	711,939		
Income from projects of fixed assets	13,779,091	10,314,000	10,547,830	134%	131%
Expenditures on raw materials and consumables	177,117,257	174,631,000	147,681,728	101%	120%
Employee remuneration expenses	129,620,059	123,534,000	114,906,311		
Depreciation and amortization expenses	21,966,575	21,450,000	24,124,432		
Other operating expenses	160,602,482	103,176,000	94,100,711	156%	171%
Operating Profit	45,702,871	35,723,000	34,034,628	128%	134%

Net financial income	-3,799,641	-3,223,000	-3,732,012	118%	102%
Profit before tax	41,903,230	32,500,000	30,302,616	129%	138%
Expenses with current and deferred profit tax	3,389,803	1,100,000	363,212		
Net Profit	38,513,427	31,400,000	29,939,404	123%	129%

The total value of **sales revenues, of 482.7 million LEI (about 100 million EURO)** was obtained by selling finished products manufactured on our own manufacturing sites (379.2 million lei) and Antibiotice products manufactured on other production sites (103.5 million lei), both in the domestic and international markets.

**Revenues from the sale of products in the domestic market** amounted to 298.6 million lei, by 32.9% higher compared to the value in 2021.

**Revenues from the sale of products in the international market** amounted to 184.1 million lei, by 30 % higher compared to the value in 2021.

These revenues were by 12% higher compared to the planned level of 432 million lei and by 32% higher compared to the value recorded in 2021 (366.2 million lei.)

Revenues from the sale of Antibiotice products in the domestic market are in correlation with the sales in the pharmaceutical market in Romania, following also the same trend with the evolution on the distribution channels of medicines to patients.

In 2022, the value of sales in the domestic and international market (sell-out) from the Antibiotice portfolio amounted to 631.2 million lei (444.7 million lei in Romania and 186.5 million lei in the international market), higher by 18.2% compared to the value of 533.9 million lei (388.3 million lei in Romania and 145.6 million lei in the international market) recorded in 2021.

In 2022, the operational activity was completed by **revenues** from:

- favorable exchange rate differences resulting from the revaluation according to legal regulations of the monthly balance of debts and receivables in foreign currency, of the liquid assets from the current and loan bank accounts in foreign currency, as well as from the settlement of receivables and debts in foreign currency, amounting to 10.7 million lei;
- cancellation, according to legal requirements, of the adjustments for the depreciation of current assets in the amount of 9.2 million lei and of provisions for risks and expenses in the amount of 3.85 million lei;
- prescription of the right to request the dividends approved to be distributed to the shareholders and not claimed, in the amount of 1.41 million lei, inserted in the Comprehensive Income Statement in the category "Other operating income".

The sales in the domestic and international market were supported by the **production activity**, which generated expenses with raw materials of 109.74 million lei, by 5% higher compared to the planned value of 104 million lei and by 48% higher compared to the value recorded in 2021 (74.2 million lei). This increase was determined by the manufactured quantity, production structure and increase in the purchase prices of the raw materials. Compared to the planned level, these expenses have a higher value, but the degree of their achievement is below the achievement degree of sales income (12%), an favorable effect of measures taken to maximize the yields.

The sales structure of the **products from the Antibiotice portfolio manufactured on other sites**, a structure adapted to the requirements of the domestic and international

markets, but also to the objectives of improving profitability margins, determined expenses with such products of 51.1 million lei.

**Labor remuneration expenses** amounted to 129.62 million lei, by 13% higher compared to the value recorded in the previous year and by 5% higher compared to the planned value, by updating the employee remuneration and motivation systems.

Other operating expenses from the Statement of Comprehensive Income, according to the IAS 1 regulations, "Presentation of financial statements" include: expenses with electricity, natural gas, drinking water, expenses for supporting operational activities, expenses for advertising and promotion of products, expenses with taxes and fees, expenses with the adjustment of current assets, expenses with unfavorable exchange rate differences. The situation of these expenses incurred in 2022 is presented below:

**Expenses for electricity, natural gas, drinking water**, amounting to 22.03 million lei, 7.9 million lei higher compared to the value recorded in the same period of the previous year and 1.2 million lei below the planned level, are correlated with the value of the manufactured production but also with the increase in tariffs for electricity, natural gas and drinking water.

**Expenses that support the operational activity** amounted to 17.39 million lei, higher compared to the value of the previous year (11.87 million lei) and to the budgeted amount (10.38 million lei). They included expenses for repairs of buildings and equipment, expenses with the offices of representatives in Antibiotice territories, property and personal insurance premiums, expenses with professional training, expenses for representation in international territories, for transport of goods, trips for the purpose of supporting sales, expenses with telecommunications and with banking services.

**Advertising and promotion expenses**, worth 22.19 million lei, higher than the value recorded in 2021 (11.01 million lei) and than the planned value (14.8 million lei) were incurred to strengthen the brand policy, placing a special emphasis on actions related to the market share of the products being promoted, in the growth stage (Fluxiv, Silithor, Clafen, Nutriensa umbrella brand), simultaneously achieving a transition from commercial budgets to budgets for increasing the awareness within the planned budget.

**Expenses for services provided by third parties** amounted to 15.3 million lei, by 12% higher compared to the value recorded in 2021 (13.58 million lei) and by 24% higher compared to the budgeted level (12.33 million lei). These expenses supported the company's activities: sales support, market studies in the pharma field, operational expenses of representatives in international territories, drug serialization services, equipment qualification and validation services, medical/scientific consulting, investor relations services, certifications and authorizations, sanitation services, services to protect the environment.

**Expenditures with taxes and fees**, in the amount of 38.26 million lei, above the value achieved in 2021 (35.35 million lei) and above the planned value (32.64 million lei) were in line with the objectives of consolidating business in the domestic and International markets. In the value of these expenses, the significant share of 82% (31.3 million lei) was represented by the claw-back tax, regulated by the GEO. no. 77/2011 on establishing of contributions for the financing some expenses in the healthcare.

**Expenses from unfavorable exchange rate differences** resulting from the revaluation according to legal regulations of the monthly balance of debts and receivables in foreign currency, of availability from current and loan bank accounts in foreign currency, as well as from the settlement of receivables and debts in foreign currency in the amount of 11.49 million lei were in balance with the financial income from exchange rate differences in the reporting period (10.7 million lei).

**Expenses on adjustments for the depreciation of current assets**, amounted to 33.9 million lei, of which:

- legally constituted adjustments, by applying the principle of prudence, for the depreciation of the value of receivables and stocks of finished products in the amount of 29.5 million lei;

- unpaid debts from insolvent debtors, whose bankruptcy proceedings were closed by final court decisions, recorded as expenses in the amount of 4.4 million lei. Adjustments were made for these receivables at the time the litigations were registered and, in the reference period, they were cancelled by recording them as income, thus the result of the current period was not affected.

Increase in the **gross profit** compared to 2021, at a higher rate (38%) than the increase in revenues from the sale of products in the domestic and international markets (32%) reflected our company's ability to manage operational and financial expenses.

## Financial situation

Asset and liability indicators	31.12.2022	31.12.2021	2022/2021
Tangible fixed assets	496,810,361	480,544,567	103%
Intangible fixed assets	35,795,943	29,839,764	120%
TOTAL FIXED ASSETS	532,606,304	510,384,331	104%
Stocks	122,494,428	106,017,774	116%
Trade and other receivables	199,646,249	276,876,198	72%
Cash and cash equivalents	1,727,454	2,111,377	82%
TOTAL CURRENT ASSETS	323,868,131	385,005,349	84%
TOTAL ASSETS	856,474,435	895,389,680	96%
Trade and similar debts	86,067,390	98,202,288	88%
Amounts owed to credit institutions	34,008,116	87,163,549	39%
Debts from current taxes and fees	8,280,670	9,611,682	86%
Short-term provisions	6,679,335	3,853,530	173%
Investment grants	306,289	306,289	100%
TOTAL CURRENT LIABILITIES	135,341,801	199,137,339	68%
Investment grants	1,857,322	2,160,302	86%
Deferred tax	30,871,210	31,483,086	98%
Amounts owed to credit institutions	46,973,501	57,617,153	82%
TOTAL LONG-TERM LIABILITIES	79,702,033	91,260,541	87%
TOTAL LIABILITIES	215,043,834	290,397,880	74%
Share capital	264,835,156	264,835,156	100%
Revaluation reserves	111,164,239	114,150,766	97%
Legal reserves	13,426,761	13,426,761	100%
Other reserves	292,168,005	259,154,126	113%
Retained earnings	-48,153,421	-51,212,323	94%
Distribution of profit	-30,523,566	-25,302,090	121%
Current result	38,513,427	29,939,404	129%
TOTAL EQUITY	641,430,601	604,991,800	106%
TOTAL LIABILITIES	856,474,435	895,389,680	96%

Investments carried out in 2022 in intangible fixed assets (projects in progress generated by the research and development activity, acquisitions of product licenses, software licenses for computers and servers) as well as the investments in tangible fixed assets determined the increase of **fixed assets** to the value of 532.6 million lei, by 22.3 million lei higher compared to the value recorded on 01.01.2022.

At the end of 2022, the **stocks of raw materials, materials to support the manufacturing process, finished products** amounted to 122.5 million lei, higher by 16.5 million lei compared to the value from the beginning of 2022 (106 million lei). The stocks are necessary to carry out the production process and sales in the first quarter of 2023, being determined by the extension of the supply periods (between 4-6 months).

In 2022, through the consolidation of partnerships in the domestic market, the term of collecting the receivables improved, so their value on 31.12.2022 was below the level recorded at the end of the previous year, while the sales revenues were by 32% higher, generating a higher value of receipts and a decrease in debts.

**Commercial and similar debts** included debts to commercial partners, salary rights, taxes and contributions related to salaries from December 2022, paid in January 2023. Value of these debts at the end of 2022 was by 13% lower compared to the value recorded at the beginning of the year.

The value of **short-term debts to banking institutions** included:

- 23.21 million lei, the amount used from the operational credit to finance the working capital;
- 10.79 million lei represented the rates related to the credit for financing investments due in a period of up to 12 months reflected, according to the IAS 1 requirements - Presentation of financial statements, to the current liabilities.

### **Cash flow**

The cash flow is presented using the direct method.

In the analyzed period, the receipts from the operating activity amounted to 556.76 million lei. The payments for the operating activity amounted to 451.35 million lei.

The payments for the investment activity amounted to 39.88 million lei.

At the end of the period, the level of operational credit was 23.22 million lei. These results led to a **degree of indebtedness**, determined as a ratio between total debt and total assets of 25%, with a debt collection period of 175 days compared to the planned level of 202 days.

### **Investments for sustainable development**

The main investment projects carried out during the reference period are:

#### **Investments for strategic development**

- **development of the product portfolio**, the value recorded in 2022 was 12.36 million lei and included research-development projects in order to obtain new, high-quality, safe, efficient and competitive products on the market and the purchase of product licenses.

- **investments in new production sites**, the value recorded in 2022 was 7,86 million lei.

As regards the investment objective "The completion and commissioning of the Ointments & Suppositories Plant" all the activities were completed, including qualification documentation. The National Agency for Medicines and Medical Devices (NAMMD) conducted an audit for authorizing the four manufacturing flows in the first part of October 2022. Our company obtained the operating authorization.

#### **Investments for business consolidation**

- **investments in information technology, telecommunications and digitization of processes**, in value of 2.13 million lei

Antibiotice, within the digitization and computerization plan, considered a priority to access software for the efficiency of human resources, quality, research, but also for securing data and information at all levels of the company.

- adaptation to the development trends of the industrial site, of the infrastructures of supply and distribution utilities, storage of raw materials and finished products, transport and connection to the national road system, the value in 2022 was 13.49 million lei.

In 2022, investments were planned for the extension of the existing storage capacity of raw materials, for increasing and diversifying the production.

Also, in 2022, our company scheduled the design activities and authorization for building a warehouse for modern finished products, adapted to the production estimated in the perspective of 2030. Stages of the projects were in progress for modernizing the utilities production and distribution facilities in order to manage them efficiently. An important component is the implementation of projects that aim to produce "green energy" and reduce energy and utility consumption. Thus, activities were started for projects such as: the construction of a 2.5 MW photovoltaic plant, recovery of condensate from installations, replacement of lighting systems with modern LED systems, capture of underground water for using it in various processes.

- **Investments in the Integrated Management System (Quality, Environment, Sustainability, Occupational Health and Safety), the value achieved in 2022: 1.90 million lei**

An increased accuracy of laboratory analysis methods and revising monographs from pharmacopoeias required investments in equipment for maintaining the quality standards of manufactured products and for complying with the legal requirements to protect the environment and our employees.

- **Investments for modernizing the existing sites and equipment, in value of 9.73 million lei**

For revamping the flows for manufacturing medicines in the three divisions, our company planned to purchase equipment, installations, supplies and laboratory equipment in 2022.

## **Improving the Corporate Governance System**

Antibiotice SA is a public company, which complies with the Government Emergency Ordinance (GEO) no. 109/2011 on the corporate governance of public enterprises. The management of the company is organized to meet the expectations of the shareholders, in terms of ensuring competitiveness, profitability and long-term value, a well-defined, a traceable decision-making system being ensured, and the delegation of attributions and competences is made proportionally to the prerogatives granted and the existing control system.

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

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

### **Corporate Governance Code**

The basis of 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 and is an important tool for obtaining a sustainable performance, ensuring the accuracy and transparency of the company's decision-making process, through the equal access of all shareholders to the relevant information about Antibiotice SA. Prepared 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, includes, among other things, information about the responsibilities of management

structures, fair reward and motivation, relations with investors, the risk management system and internal control.

### **Code of ethics**

The Code of ethics of Antibiotice SA 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, failure to comply with the Code of Ethics may lead to disciplinary sanctions. Compliance with the provisions of the Code of Ethics is mandatory for all structures in the company (employees, executive management and members of the Management Board). The code of ethics is made known to every new employee or administrator and can be consulted online.

### **General Meeting of Shareholders**

General Meeting of Shareholders represents the highest decision-making body of the company, the place where shareholders participate directly and take decisions regarding the distribution of profit, election of the members of the Management Board, appointment of the financial auditor and setting of the remuneration of the Management Board members.

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/en/investors/information-for-shareholders/procedures-of-the-general-meeting-of-shareholders/>.

### **Management Board**

The Management Board of Antibiotice SA is responsible for the good governance of the company, being the highest form of management (with the exception of decisions provided by law for the General Meeting of Shareholders). The duties of the Management Board are described in the company's Statute and in the relevant internal regulations, available on the company's website, under the Corporate Governance section.

During 2022, the President of the Management Board convened 10 meetings of the Management Board in which the results obtained in the implementation of the strategy according to the business plan, performance criteria and income and expenses budget were analyzed.

Composition of the Management Board of S.C. ANTIBIOTICE S.A. can be consulted at:<https://www.antibiotice.ro/en/investors/corporate-governance/governance-structure/>.

### **Advisory committees**

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

Composition of the Advisory Committees can be consulted at the address <https://www.antibiotice.ro/en/investors/corporate-governance/governance-structure/>.

The duties and responsibilities of the advisory committees can be found on the company's website at: <https://www.antibiotice.ro/en/investors/corporate-governance/governance-structure/>

### **Executive management**

Antibiotice S.A. is represented by the General Director, according to the prerogatives established by law and the company's Articles of Association. The Management Board keeps the attribution of representing the company in relations with the appointed directors.

Composition of the Executive Management of Antibiotice S.A., on 31.12.2022 can be consulted at the address: <https://www.antibiotice.ro/en/investors/corporate-governance/governance-structure/>.

### **Internal control**

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

### **Internal audit**

In 2022, our specialized department conducted 11 internal audit missions, which had the following auditable objectives adapted to the specifics of the audited field:

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

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

1. Evaluation of the income generation activities - three evaluation missions were conducted to: Marketing & Sales Unit - for evaluating the sales income in the domestic and international markets; Technical-Production Unit - for evaluating the income from the goods manufactured; Research & Development Unit - for evaluating the income from intangible fixed assets and Business Development Unit - for the evaluation of revenues from the projects for assimilating new products in the portfolio and accessing new markets for the products in the portfolio. The evaluators found that the activities generating income are carried out according to the procedural framework and there is control over these activities.

2. Evaluation of the activity of purchasing goods and services: 2 missions were conducted to: Domestic Procurement Department and Import Department - for the purchases of raw materials, materials, packaging and services from the domestic market and from imports, Technical Department - for the purchase of equipment, spare parts, consumables for equipment and Investments Department - for construction and installation works. In the audit missions, the execution of concluded contracts and orders was verified. The auditors found that the acquisition process took place in accordance with the stages provided in the approved internal procedural framework.

3. Evaluation of the patrimony administration - a mission conducted to the Patrimony Management Department which evaluated: organization of patrimony management; evaluation of the results of the annual inventory of the company's assets on 31.12.2021; assessment and revaluation of fixed assets; pledging assets from the company's patrimony; decommissioning/downgrading fixed assets and inventory items and selling tangible assets

(waste and discarded means of transport).The evaluators found that the activity was carried out in accordance with the legal and internal procedural provisions.

4. Evaluation of the budgeting activity - a mission in which the monitoring activity of the company's Income & Expenditure Budget was analyzed on 30.06.2022. The evaluators found the correspondence between the evolution of revenues and expenses, as a result of their effective monitoring, with a favorable impact on achieving the financial performance indicators.

5. Evaluation of the management and control system and decision-making system - 2 missions took place at: Corporate Governance Unit, Risk Management Department; Management Financial Control Department; Preventive Financial Control Department. The auditors evaluated: the way of exercising the management functions, the way of exercising the forms of control (Preventive Financial Control; Management Financial Control and Risk Management); the system of decisions and stage of their implementation, as well as the existence of the internal procedural framework on preventing the incompatibility situations and conflicts of interest. The auditors found that they are organized, functional and are carried out according to the internal legislative and procedural framework.

6. Evaluation of the legal activity - a mission that took place at the Legal Department in which the way of organizing the legal activity was examined for: the representation of the company in the pending litigations at the courts in the country and abroad; legal endorsement of documents; managing intellectual property rights owned by the company and intellectual property disputes. The auditors found that the Legal Department carries out its activity according to Law no. 514/2003 and to the internal procedural framework.

7. Development of the 2023 Internal Audit Plan and 2023-2025 Internal Audit Plan  
The audit missions were carried out in compliance with the internal audit procedural rules, by going through the stages of an audit mission, followed by internal audit reports approved by the General Director. The conclusions and recommendations from the audit reports, for each audit mission, were appropriated by the audited structures.

The established recommendations were monitored until implementation. Out of the 18 recommendations, 9 recommendations were implemented and 9 were partially implemented until 31.12.2022.

The **Financial Management Control** conducted in 2022 had missions with specific topics, according to the provisions of the GD 1152/2012:

- to verify the compliance with the legal provisions in substantiating the Income and Expenditures Budget of the economic operator;
- to verify the compliance with the legal provisions and internal regulations when performing the annual inventory of the assets, liabilities and equity for 2021;
- a plan to improve the company's liquidity - analysis of the evolution of liquidity indicators in the period 31.12.2021-30.09.2022;
- to verify the compliance with the legal provisions and internal regulations regarding the payments in lei and foreign currency, of any nature, in cash or by bank transfer;
- to verify the compliance with the legal provisions and internal regulations regarding the existence, integrity, preservation and use of the means and resources held under any title and the manner of their reflection in the accounting records;
- to verify the compliance with the legal provisions on the registration of the economic-financial operations in the accounting records.

The inventory financial control actions were finalized by drawing up control reports in which the findings were presented and improvement measures of the verified activities were proposed. The control reports were approved by the General Director who ordered the application of the recommended measures. All measures were appropriated by those responsible for implementation.

**Inventory control** materialized in carrying out 18 inventory actions: 14 of them to the company's central warehouses for raw materials, materials and finished products, packaging and to places of consumption of raw materials and materials where stock inventories are organized while 4 inventory actions were conducted where the managers were changed.

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

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

Following the inventory, the factual existence of the written stocks in the financial-accounting records was found and no deficiencies or damages were identified. The minutes were submitted to the Accounting Office so that the results of the inventory could be used in the annual inventory of the patrimony. The executive directors and managers ensure the use of the company's resources in conditions of economy, efficiency and effectiveness for achieving the set objectives.

### **Risk management**

Our company complies with the applicable legal and regulatory requirements for identifying, assessing, managing and reporting the risks. The main purpose of risk management is to help people understand and identify the risks to which the organization is exposed so that they can anticipate and manage these risks without compromising the organization's effectiveness.

The Antibiotice objectives on risk management:

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

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

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

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

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

In 2022, the General Risk Register was prepared and approved, with the aim of minimizing the significant risks with an impact on the objectives, to which the company is exposed. Relevant risks were synthesized according to their magnitude using impact and probability.

The main risk categories identified were:

- business risks (economic, legislative, generated by partners), integrity risks;
- financial risks (currency, liquidity, interest rate, commercial risks);
- operational risks (staff, IT and information security), integrity risk;
- occupational health and safety risks;
- environmental risks;
- risks generated by climate change.

**Business risk** represents the possibility that an event or an action will negatively affect the company's ability to fulfill its assumed objectives or proposed strategies.

Geopolitical situation (the war in Ukraine), increase in the inflation rate, energy crisis, crisis of raw materials (plastic, aluminum, paper), increase in the price of raw materials and utilities, increase in transport costs (sea and air), change in domestic market conditions (decrease in consumption, drop in prices, entry of new competitors), are just a few circumstances of the emergence of business risks.

Among the measures that can mitigate these risks, the renegotiation of prices and contracts was considered; development on regulated markets (US, Europe) which ensure high price levels; commercial relations with several suppliers; authorization of at least one more source of raw materials where economically justified; meetings with partners to secure the source; creation of safety stocks for certain raw materials.

#### **Legislative risk**

Pharmaceutical market is a regulated market, with clear legislative provisions, developed in order to control the quality and therapeutic effectiveness of medicines on the market, as well as to avoid counterfeiting.

Our effort for complying with these provisions is reflected in additional costs related to updating the documentation for complying with the latest quality standards.

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

An **integrity risk** represents the probability of the occurrence of an integrity incident targeting an employee, professional group or field of activity, favored by specific vulnerabilities and which may negatively affect the fulfillment of the objectives of a structure. To control integrity risks, our company took a series of measures, such as: development and implementation of the Integrity Plan; implementation of warning tools; transparent communication of the Code of Ethics and Integrity Plan to increase the employees' awareness; monitoring the application of ethics and integrity measures, through the activity of the Ethics and Integrity Council.

**Financial risks** reflect the impact of financial sources and/or resources on the company: liquidity risk, currency risk, interest rate risk, commercial (non-payment) risk. Circumstances favorable to the emergence of financial risks: fiscal unpredictability (clawback tax); increase in the inflation rate; increase in the prices of raw materials and utilities; fluctuation of the currency exchange rate which is reflected both in the costs of imported raw materials and in the selling prices of exported finished products; increase in the monetary policy interest rate; increase of the ROBOR index. To reduce the impact of financial risks, a series of measures were taken, such as: optimizing the stock turnover from distributors, ensuring demand for the Antibiotice products and creating premises for improving the collection term of receivables from distributors, improving relations with suppliers; a rigorous management of costs in our company; an optimal balance between receipts and external payments; making external payments from receipts from abroad through a permanent analysis of the structure of receipts and payments, so as to achieve the best possible correlation between the currency and the moment of payment/collection; reducing the value used from operational credits, reducing the level of crediting to an optimal level, which will cover the temporary gap between the receipts and the mandatory payments; permanent analysis of the structure of assets and liabilities to determine the dependence towards the interest rate changes.

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

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

The decrease in the number of specialists as a result of retirements and voluntary departures, new companies in the field of medicine production, development of an industrial park in the vicinity of the company, migration of the workforce due to socio-economic conditions are just a few circumstances in which this risk may occur.

Among the measures to reduce the impact generated by this risk, we mention: inventory of specific positions with a pharmaceutical profile, updating the database with potential candidates, continuation and expansion of collaboration programs with university institutions, improvement of the compensation and benefits system to increase attractiveness of the employer brand, a permanent analysis of the organizational climate and professional training programs.

**Environmental risk** - the failure to meet the requirements could have a negative impact on the environment and company's reputation.

In order to monitor this risk, a series of measures were taken, such as: maintaining and improving the environmental management system according to ISO 14001 and carrying out internal audits for verifying the compliance with the requirements of the standard; compliance with operating procedures; staff training; compliance with the maintenance program, following legislative changes and harmonizing them with the existing ones; preparation and reaction in emergency situations.

**Risks arising from climate change** represent one of the most important global challenges today. Taking this fact into consideration, a process was created and implemented for identifying, analyzing, evaluating the climate risks and subsequently for mitigating the impact of these risks. Thus, we have initiated a collaboration with a specific service provider to support our company in its endeavor related to the climate

change challenges, to adopt a climate strategy and make the transition to a low-carbon business.

## **Antibiotice, a company involved in sustainable development**

In 2022, Antibiotice conducted corporate social responsibility programs both to the community and to its own employees, oriented on four strategic pillars: health, education, environment and social.

### **Health**

- The longest **blood donation campaign** in Iasi County saved 200 lives. More than 140 Antibiotice employees donated blood in the two editions of the campaign "Donate blood! Put soul for life!", organized in April and October 2022, by the "Antibiotice - Science and Soul" Foundation, in partnership with the Iasi Regional Blood Transfusion Center (CRTS Iasi).

- **Screening for our employees** - almost 800 Antibiotice employees participated in preventive tests that are part of the program "Healthy living in a healthy company" whose purpose is to facilitate projects aimed at supporting the health and well-being of employees. In May, two preventive actions took place:

- screening intended for the preventive detection of hepatitis B, C and D viruses, carried out through a project carried out in partnership with the University of Medicine and Pharmacy "Grigore T. Popa" Iasi;
- blood pressure screening, organized on the occasion of the worldwide marking of the World Arterial Hypertension Day.

- **World Patient Safety Day**

Antibiotice celebrated the World Patient Safety Day on September 17, 2022. The World Health Organization (WHO) selects every year a new theme of global interest in terms of patient safety, and this year's theme had as its slogan "Medication Without Harm". For our company, the patient's health and safety is paramount, thus, it joined the WHO initiative, offering online public information about how rigorous the manufacturing process of a medicine is in terms of patient safety.

- **"Plus for Life" - first aid training**

Antibiotice employees and their children learned together essential maneuvers to save a life. On October 25 and 26, 2022, a number of 100 Antibiotice employees and their children participated in a unique first aid course organized by Club a + and the Iasi Mobile Emergency, Resuscitation and Rescue Service. The project entitled "Plus for Life!" took place in the Sports Hall of Club a+ and consisted of promoting first aid measures in case of cardiorespiratory arrest, but also how to react correctly in emergency situations such as accident, trauma or airway obstruction. Taking into account the recommendations of the European Resuscitation Council for training the young generation so that they can provide first aid from secondary school, in 2022, Antibiotice organized for the first time a specially adapted course for employees and their children over 12 years old. The 2022 edition of the course was supported by eight SMURD doctors accredited by the European Resuscitation Council. In addition to the first aid notions, on November 8, 2022, a number of 400 company employees were trained by the doctors from SMURD Iasi how to use the defibrillator. The company installed two defibrillators on its site in 2022.

- **Antibiotics of the Third Millennium:** "Treat antibiotics with care for a care-free future!"

Within the project "Antibiotics of the Third Millennium" in 2022, Antibiotice launched, in the context of the "European Antibiotic Information Day" marked on November 18 as well as the "World Antimicrobial Awareness Week" (November 18-24), the national awareness campaign for the responsible use of antibiotics "Treat antibiotics with care for a care-free future". The aim of the campaign was to inform and raise the awareness of the

population and health professionals on the correct use of antibiotics in order to preserve their effectiveness and limit the phenomenon of antimicrobial resistance.

## **Education**

### **"Science and Soul" scholarships, the 21<sup>st</sup> edition**

Antibiotice, through the „Antibiotice - Science and Soul” Foundation together with the "Pro Ruralis" Association, supports every year five scholarships for students from rural areas. Thus, Antibiotice contributes to the education of children with excellent school results, 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 has symbolically turned off the lights as part of the Earth Hour action, the biggest environmental event of all times, to help reduce the effects of global warming. Antibiotice's participation in the Earth Hour campaign is part of the company's environmental program "Be Pro Natura, put your soul!". The company publicly promoted this message urging the population to join the effort in turning off the lights and spend Earth Hour with their loved ones.

### **• Antibiotice volunteers planted 200 trees**

On April 8, 2022, more than 50 Antibiotice employees participated voluntarily in the planting of 200 trees (oaks, lindens and maples) within the third edition of the social responsibility project "We plant oxygen in the community".

The planting action came in the context of the World Health Day, celebrated annually on April 7, a day that took place this year under the slogan "Our planet, our health". The World Health Organization emphasizes the urgency of creating sustainable societies that meet the needs of the present without compromising future generations and raises the alarm about the impact of air, water and food pollution on health.

### **• Antibiotice employees joined the actions to reduce CO<sub>2</sub> emissions, during the European Mobility Week**

Antibiotice joined the European Mobility Week (September 16-22) through actions to promote sustainable behavior towards the environment among employees and through concrete investments in order to reduce CO<sub>2</sub> emissions generated by the urban transport. Almost 50 Antibiotice employees left their cars at home to participate in the internal campaign "One car less, one breath more!". The aim of the initiative was to encourage the use of the car-sharing system among employees to reduce carbon dioxide emissions in the atmosphere and urban congestion.

Also, in order to reduce CO<sub>2</sub> emissions generated by transport, one of the main causes of urban pollution, Antibiotice recently inaugurated a new parking lot in the southern area, towards Miroslava commune, with a capacity of 150 places. By using the new parking lot, the route up to Antibiotice the route is shortened by 7 km, the employees benefiting from an important reduction in fuel and time allocated to transport. Thus, each car that uses the new parking lot contributes, on average, to the reduction of CO<sub>2</sub> emissions in the atmosphere, by approximately 22% compared to the emissions generated by using the initial route.

## **Social matters**

### **• Doors Open Days at Antibiotice**

Antibiotice, under the motto "A friendly and responsible brand" opened its doors to visitors for 3 days for an event that is part of the company's sustainable development strategy. "Doors Open Days", an event held between June 24-27, 2022 was intended to initiate the dialogue with members of neighboring communities and identify projects that

meet their needs. Thus, more than 100 members of the community participated in interactive discussions with our company's specialists in quality assurance, production, control laboratories, environmental protection and visited the company's manufacturing site.

Also, more than 70 pupils from dual education and students had the opportunity to visit the company which, in the future, could be a great opportunity for a successful career.

- **„Solidarity without borders”**

The conflict from Ukraine determined our company and its own 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 conflict. Through the "Solidarity without borders" campaign organized in February and March, medicines were sent to Ukraine (2 trucks of oral and injectable antibiotics, enough to treat 5000 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 centrally, according to needs.

- **„Power of deed”, an Easter charity program**

The Easter holidays has to be an occasion of joy for our peers tested by fate. For this reason, the „Antibiotice - Science and Soul” Foundation brought joy to the hearts and homes of 20 families from Iasi and neighboring localities - Dumesti, Mogosesti, Iepureni, Andrieseni, Traian Bivolari, Bivolari and Dancu. On April 19, 2022, through the "Power of deed" program, run by the „Antibiotice - Science and Soul” Foundation traditional Easter preparations, basic foods, hygiene and cleaning products reached these families with limited material possibilities, who have between 8 and 12 children each. This action took place with the support of the Foundation's volunteers, Antibiotice employees, in partnership with the "Pro Vita" Department of the Metropolitan Church of Moldova and Bucovina.

- **Children's Day in the Friendship Park a+**

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

For 10 years in a row, Santa's elves from our company have brought happiness to 800 needy children. The spirit of Christmas with many fulfilled wishes was felt by 100 children from needy families within the 10<sup>th</sup> edition of the project "Be generous! Be Santa Claus". The "Antibiotice - Science and Soul" Foundation distributed gifts to children aged between two months and 15 years, from families with limited material means living in the countryside.

This report is prepared on the basis of financial data drawn up in accordance with the International Financial Reporting Standards, which were subject to the external financial audit according to legal requirements.

In 2022 Antibiotice S.A.:

- Recorded sales in the Romanian and international markets (sell-out) amounting to 631.2 million lei (444.7 million lei in Romania and 186.5 million lei in the international market), higher by 18.2% compared to 2021 when the value was 533.9 million lei (388.3 million lei in Romania and 145.6 million lei in the international market);
- gross profitability increased by 29% compared to the budgeted value and by 38% compared to the value recorded in 2021, as a consequence of the measures applied during 2022 both in terms of sales growth and for managing operating and financial expenses;

- our company recorded a level of indebtedness of 25% by optimizing collections and reducing the collection terms of receivables in the pharmaceutical market, with a favorable effect in reducing credits for financing the working capital, simultaneously with reducing the commercial debts and, implicitly, the total debts.

General Director,  
Ioan NANI, Economist

Executiv Financial Director,  
Paula COMAN, Economist

## Annex 1

The state of compliance with the provisions of the new Corporate Governance Code of BVB <sup>1</sup> on December 31 2022	Compliance YES / NO	
<b>Section A - Responsibilities</b>		
<p><b>A.1.</b> All the companies must have an internal regulation of the Council that includes terms of reference/responsibilities of the Council and the key management functions of the company, and which applies, among other things, the General Principles of this Section.</p>	YES	<a href="https://www.antibiotice.ro/en/investors/corporate-governance/reference-documents/">https://www.antibiotice.ro/en/investors/corporate-governance/reference-documents/</a>
<p><b>A.2.</b> The provisions for managing conflicts of interest should be included in the Council Regulation.</p>	YES	<a href="https://www.antibiotice.ro/en/investors/corporate-governance/reference-documents/">https://www.antibiotice.ro/en/investors/corporate-governance/reference-documents/</a>
<p><b>A.3.</b> The Council must consist of at least five members.</p>	YES	<a href="https://www.antibiotice.ro/en/investors/corporate-governance/governance-structure/">https://www.antibiotice.ro/en/investors/corporate-governance/governance-structure/</a>
<p><b>A.4.</b> Most members of the Council must not have executive functions. In the case of Premium Category companies, not less than two non-executive members of the Council must be independent. Each independent member of the Council shall make a declaration at the time of his nomination for election or re-election and when any change of his status occurs, indicating the elements on the basis of which he is considered to be independent in terms of his character and judgment.</p>	YES	
<p><b>A.5.</b> Other relatively permanent commitments and professional obligations of a member of the Board, including executive and non-executive positions in the Board of Nonprofit Companies should be disclosed to shareholders and potential investors prior to the nomination and during their term of office.</p>	YES	<a href="https://www.antibiotice.ro/en/investors/corporate-governance/governance-structure/">https://www.antibiotice.ro/en/investors/corporate-governance/governance-structure/</a>

<p><b>A.6.</b> Any member of the Council must provide to the Council information on any report with a shareholder directly or indirectly owning shares representing more than 5% of all voting rights.</p>	<p>YES</p> <p><a href="https://www.antibiotice.ro/en/news-release-and-current-reports/">https://www.antibiotice.ro/en/news-release-and-current-reports/</a></p>
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<sup>1</sup> *The annex contains the main provisions of the Code. For the full text of the Code, please visit the Bucharest Stock Exchange website.*

The state of compliance with the provisions of the new Corporate Governance Code of BVB <sup>1</sup> on December 31 2022		Compliance YES / NO
A.7. The company must designate a secretary of the Council responsible for supporting the work of the Council.	YES	
A.8. The statement concerning the Corporate Governance provides information whether an evaluation of the Council has taken place under the chairmanship of the President or the nomination committee and, if so, will summarize the key measures and the resulting changes. The society must have a policy/guidance on the Council's assessment of the scope, criteria and frequency of the assessment process.	YES	
A.9. The statement concerning the Corporate Governance should contain information on the number of the Council and committee meetings over the past year, the administrators' participation (in person and in their absence) and a report by the Council and committees upon their activities.	YES	<a href="https://www.antibiotice.ro/en/investors/financial-information/annual-reports/">https://www.antibiotice.ro/en/investors/financial-information/annual-reports/</a>
A.10. The corporate governance statement should include information on the exact number of independent members of the Council.	YES	
A.11. The Board of the Premium Companies must establish a nomination committee made up of non-executive members, who will direct the nomination procedure of new members to the Council and will make recommendations to the Council. Most members of the nomination committee must be independent.	YES	<a href="https://www.antibiotice.ro/en/investors/corporate-governance/governance-structure/">https://www.antibiotice.ro/en/investors/corporate-governance/governance-structure/</a>
<b>Section B - The Risk management and internal control system</b>		
B.1. The Council should set up an audit committee in which at least one member should be a non-executive and independent. In the case of Premium Category companies, the audit committee must be composed of at least three members and the majority of the members of the audit committee must be independent.	YES	<a href="https://www.antibiotice.ro/en/investors/corporate-governance/governance-structure/">https://www.antibiotice.ro/en/investors/corporate-governance/governance-structure/</a>
B.2. The chairman of the audit committee must be an independent non-executive member.	YES	

## Annex 1

The state of compliance with the provisions of the new Corporate Governance Code of BVB 1 on December 31 2022		Compliance YES / NO
<b>B.3.</b> Within its responsibilities, the audit committee must carry out an annual assessment of the internal control system.		YES
<b>B.4.</b> The assessment should take into account the effectiveness and coverage of the internal audit function, the degree of adequacy of the risk management and internal control reports submitted to the Council's audit committee, the promptness and effectiveness with which the executive management addresses the deficiencies or weaknesses identified in the audit Internal and the submission of relevant reports to the Council.		YES
<b>B.5.</b> The Audit committee should assess the conflicts of interest in relation to the transactions of the company and its subsidiaries with the affiliated parties.		YES
<b>B.6.</b> The audit committee must assess the effectiveness of the internal control system and the risk management system.		YES
<b>B.7.</b> The Audit Committee should monitor the application of the general standards and the generally accepted legal standards and internal audit standards. The audit committee must receive and assess the internal audit team reports.	YES	<a href="https://www.antibiotice.ro/en/investors/corporate-governance/reports/">https://www.antibiotice.ro/en/investors/corporate-governance/reports/</a>
<b>B.8.</b> Whenever the Code mentions reports or analyzes initiated by the Audit Committee, they must be followed by periodic reports (at least annually) or ad hoc reports to be submitted to the Council.	YES	<a href="https://www.antibiotice.ro/en/investors/corporate-governance/governance-structure/">https://www.antibiotice.ro/en/investors/corporate-governance/governance-structure/</a>
<b>B.9.</b> No shareholder may be granted preferential treatment over other shareholders in connection with transactions and agreements concluded between the company and shareholders and their affiliates.	YES	<a href="https://www.antibiotice.ro/en/investors/financial-information/annual-reports/">https://www.antibiotice.ro/en/investors/financial-information/annual-reports/</a>
<b>B.10.</b> The Council should adopt a policy to ensure that any company transaction with any of the companies with which it has close relationships with a value equal to or greater than 5% of the company's net assets (according to the latest financial report) is approved by the Council following a mandatory opinion of the audit committee.		YES <a href="https://www.antibiotice.ro/w">https://www.antibiotice.ro/w</a> p-



The state of compliance with the provisions of the new Corporate Governance Code of BVB <sup>1</sup> on December 31 2022		Compliance YES / NO
	<b>B.11.</b> The internal audits should be performed by a separate structural division (internal audit department) within the company or by hiring an independent third party.	YES <a href="https://www.antibiotice.ro/wp-content/uploads/2015/06/Corporate-Governance-Code-1.pdf">https://www.antibiotice.ro/wp-content/uploads/2015/06/Corporate-Governance-Code-1.pdf</a>
	<b>B.12.</b> In order to ensure the main functions of the internal audit department, it must report functionally to the Council through the audit committee. For administrative purposes and within the management's responsibility to monitor and mitigate risks, it must report directly to the General Director.	YES <a href="https://www.antibiotice.ro/wp-content/uploads/2015/06/Corporate-Governance-Code-1.pdf">https://www.antibiotice.ro/wp-content/uploads/2015/06/Corporate-Governance-Code-1.pdf</a>
<b>Section C - Fair reward and motivation</b>		
	<b>C.1.</b> The company must publish the remuneration policy on its website and include a statement on the implementation of the remuneration policy in the annual report during the annual period which is subject of the analysis.  Any essential change occurred in the remuneration policy must be published in a timely manner on the company's website.	YES <a href="https://www.antibiotice.ro/wp-content/uploads/2015/06/THE-REMUNERATION-POLICY-1.pdf">https://www.antibiotice.ro/wp-content/uploads/2015/06/THE-REMUNERATION-POLICY-1.pdf</a>
<b>Section D - Adding value through investor relations</b>		
	<b>D.1.</b> The company must organize an Investor Relations Service - indicating to the general public the responsible person(s) or the organizational unit. In addition to the information required by the law, the company must include on its website a section dedicated to Investor Relations, in Romanian and English, with all the relevant information of interest to investors, including:  <b>D.1.1.</b> The main corporate regulations: the constitutive act, the procedures regarding the general meetings of shareholders;	YES

**D.1.2.** The professional CVs of members of the company's management bodies, other professional commitments of the Board members, including the executive and non-executive positions in boards of directors in companies or non-profit institutions;

**D.1.3.** The current reports and periodic reports (quarterly, half-yearly and annual);

**D.1.4.** Information concerning the general meetings of shareholders;

## Annex 1

The state of compliance with the provisions of the new Corporate Governance Code of BVB <sup>1</sup> on December 31 2022 YES / NO	Compliance YES / NO
<p><b>D.1.5.</b> Information concerning corporate events;  <b>D.1.6.</b> The names and contact details of a person who will be able to provide relevant information upon request;  <b>D.1.7.</b> The company presentations (e.g., investor presentations, quarterly results presentations, etc.), the financial situations (quarterly, half-yearly, annual), audit reports and annual reports.</p>	
<p><b>D.2.</b> The company will have a policy on the annual distribution of dividends or other benefits to shareholders. The principles of the annual distribution policy to shareholders will be published on the company's website.</p>	<p>YES  <a href="https://www.antibiotice.ro/en/investors/corporate-governance/reference-documents/">https://www.antibiotice.ro/en/investors/corporate-governance/reference-documents/</a></p>
<p><b>D.3.</b> The company will adopt a policy regarding the forecasts, whether they are made public or not. The forecasting policy will be published on the company's website.</p>	<p>YES  <a href="https://www.antibiotice.ro/en/investors/corporate-governance/reference-documents/">https://www.antibiotice.ro/en/investors/corporate-governance/reference-documents/</a></p>
<p><b>D.4.</b> The rules of general shareholders' meetings should not limit the participation of shareholders to general meetings and the exercise of their rights. The changes to the rules will enter into force at the earliest, starting with the following shareholders meeting.</p>	<p>YES  <a href="https://www.antibiotice.ro/en/investors/financial-information/archive-of-the-general-meeting-of-shareholders/">https://www.antibiotice.ro/en/investors/financial-information/archive-of-the-general-meeting-of-shareholders/</a></p>
<p><b>D.5.</b> The external auditors will be present at the general shareholders' meeting when their reports are presented at these meetings.</p>	<p>YES</p>
<p><b>D.6.</b> The Board will provide the annual general meeting of shareholders with a brief assessment of the internal control and risk management systems as well as opinions on matters subject to the decision of the general meeting.</p>	<p><a href="https://www.antibiotice.ro/en/investors/financial-information/archive-of-the-general-meeting-of-shareholders/">https://www.antibiotice.ro/en/investors/financial-information/archive-of-the-general-meeting-of-shareholders/</a></p>

	<p><b>D.7.</b> Any specialist, consultant, expert, or financial analyst may attend the shareholders' meeting on the basis of a prior invitation from the Board. The accredited journalists may also participate in the general meeting of shareholders, unless the President of the Council decides otherwise.</p>	<p>YES</p>

Annex 1

The state of compliance with the provisions of the new Corporate Governance Code of BVB <sup>1</sup> on December 31 2022		Compliance YES / NO
	<p><b>D.8.</b> The quarterly and half-yearly financial reports will include both Romanian and English information concerning the key factors that affect the changes in sales, the operating profit, the net profit and other relevant financial indicators from quarter to quarter, and from one year to another.</p>	<p>YES <a href="https://www.antibiotice.ro/en/investors/financial-information/">https://www.antibiotice.ro/en/investors/financial-information/</a></p>
	<p><b>D.9.</b> A company will hold at least two meetings/teleconferences with analysts and investors each year. The information presented on these occasions will be published in the Investor Relations section of the company's website at the dates of the meetings/teleconferences.</p>	<p>YES <a href="https://www.antibiotice.ro/en/investors/financial-information/meeting-with-investors/">https://www.antibiotice.ro/en/investors/financial-information/meeting-with-investors/</a></p>
	<p><b>D.10.</b> If a company supports different forms of artistic and cultural expression, sporting activities, educational or scientific activities and considers that their impact upon the innovative character and the competitiveness of the company is part of its mission and development strategy, it will publish the policy on the activity in this area.</p>	<p>YES <a href="https://www.antibiotice.ro/en/responsibility/">https://www.antibiotice.ro/en/responsibility/</a></p>

**ANTIBIOTICE S.A.**

Individual financial statements for the  
year ended on December 31 2022 drawn  
up in accordance with IFRS adopted by  
the European Union

**ANTIBIOTICE S.A.**

Financial statements for the financial year ended on December 31 2022

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**ANTIBIOTICE SA**  
**STATEMENT OF THE COMPREHENSIVE INCOME**

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

STATEMENT OF THE COMPREHENSIVE INCOME	Note	December 31, 2022	December 31, 2021
<b>Sales revenues</b>	<b>4</b>	<b>482.666.811</b>	<b>366.209.065</b>
Other operating revenues	5	26.874.232	37.378.976
Revenues relative to costs of product stocks		11.689.110	711.939
Capitalized income generated by the entity's activity		13.779.091	10.547.830
Expenses with raw materials and consumables	6	(177.117.257)	(147.681.728)
Staff-related expenses	7	(129.620.059)	(114.906.311)
Expenditure on amortization and depreciation		(21.966.575)	(24.124.432)
Other operating expenses	8	(160.602.482)	(94.100.711)
<b>Operating profit</b>		<b>45.702.871</b>	<b>34.034.628</b>
Financial income	9	1.437	3.557
Financial expenses	9	(3.801.078)	(3.735.569)
<b>Pre-tax profit</b>		<b>41.903.230</b>	<b>30.302.616</b>
Expenses with current profit tax and deferred tax and other taxes	10	(3.389.803)	(363.212)
<b>Net profit</b>		<b>38.513.427</b>	<b>29.939.404</b>
<b>Other elements of the overall result</b>		<b>-</b>	<b>-</b>
<b>Total rezultat global Total comprehensive result</b>		<b>38.513.427</b>	<b>29.939.404</b>
<b>Earnings per share</b>	<b>11</b>	<b>0,0574</b>	<b>0,0446</b>

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

Approved by the Management Board on March 23 2023

Drafted by:

General Director  
Ec. Ioan NANI

Financial Director  
Ec. Paula COMAN

**ANTIBIOTICE SA**  
**STATEMENT OF THE FINANCIAL POSITION**  
(all amounts are expressed in LEI, if not mentioned otherwise)

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<b>STATEMENT OF THE FINANCIAL POSITION</b>	<b>Note</b>	<b>31.12.22</b>	<b>31.12.21</b>
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
Tangible fixed assets	12	496,810,361	480,544,567
Intangible fixed assets	13	35,795,943	29,839,764
<b>TOTAL FIXED ASSETS</b>		<b>532,606,304</b>	<b>510,384,331</b>
<b>CURRENT ASSETS</b>			
Stocks	14	122,494,428	106,017,774
Trade and similar receivables	15	199,646,249	276,876,198
Cash and cash equivalents	16	1,727,454	2,111,377
<b>TOTAL CURRENT ASSETS</b>		<b>323,868,131</b>	<b>385,005,349</b>
<b>TOTAL ASSETS</b>		<b>856,474,435</b>	<b>895,389,680</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and similar liabilities	17	86,067,391	98,202,289
Amounts due to credit institutions	18	34,008,116	87,163,549
Liabilities from current taxes and fees	20	8,280,670	9,611,682
Short-term provisions	17	6,679,335	3,853,530
Subsidies for investments	19	306,289	306,289
<b>TOTAL CURRENT LIABILITIES</b>		<b>135,341,801</b>	<b>199,137,339</b>
<b>LONG-TERM LIABILITIES</b>			
Subsidies for investments	19	1,857,322	2,160,302
Deferred tax	20	30,871,210	31,483,086
Amounts due to credit institutions	18	46,973,501	57,617,153
<b>TOTAL LONG-TERM LIABILITIES</b>		<b>79,702,033</b>	<b>91,260,541</b>
<b>TOTAL LIABILITIES</b>		<b>215,043,834</b>	<b>290,397,880</b>

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

Approved by the Management Board on March 23 2023

Drafted by:

General Director  
Ec. Ioan NANI

Financial Director  
Ec. Paula COMAN

**ANTIBIOTICE S.A.**  
**STATEMENT OF THE FINANCIAL POSITION (continued)**  
on December 31 2022  
(all amounts are expressed in LEI, if not mentioned otherwise)

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	NOTE	31.12.22	31.12.21
<b>Share capital and reserves</b>			
<b>Share capital</b>	<b>21</b>	<b>264,835,156</b>	<b>264,835,156</b>
Reevaluation reserves	<b>22</b>	111,164,239	114,150,766
Rezerve legale	<b>22</b>	13,426,761	13,426,761
Legal reserves	<b>22</b>	292,168,005	259,154,126
Reported result	<b>23</b>	(48,153,421)	(51,212,323)
Distribution of profit	<b>24</b>	(30,523,566)	(25,302,090)
Current result	<b>24</b>	38,513,427	29,939,404
<b>TOTAL EQUITY</b>		<b>641,430,601</b>	<b>604,991,800</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>856,474,435</b>	<b>895,389,680</b>

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

Approved by the Management Board on March 23 2023

Drafted by:

General Director  
Ec. Ioan NANI

Finanial Director  
Ec. Paula COMAN

**ANTIBIOTICE S.A.**  
**CASH FLOW STATEMENTS**

For the year ended on December 31 2022

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

<b>CASH FLOW STATEMENTS</b>	<b>For the year ended on</b>	
	<b>31.12.22</b>	<b>31.12.21</b>
<b>I. Cash flows from operating activities</b>		
Cash collection from the sales of goods	556,760,499	371,138,308
Cash collection from various debtors	148,813	2,176,266
Payments to suppliers of goods and services	(284,295,073)	(180,971,325)
Cash payments to and on behalf of employees, payments made by the employer for its employees	(117,871,653)	(106,646,867)
VAT paid	(7,795,043)	(3,813,328)
Contributions to the Ministry of Health and the Ministry of the Environment	(32,944,087)	(27,978,703)
Other duties, taxes, and similar levies	(656,470)	(2,318,167)
<b>Operating cash flow</b>	<b>113,346,987</b>	<b>51,586,184</b>
Interest charged	1,437	3,557
Interest paid	(3,696,552)	(3,541,084)
Corporate tax	(4,080,410)	(3,519,930)
Tax on dividends	(10,945)	(91,153)
<b>Net cash flows from operating activities</b>	<b>105,560,517</b>	<b>44,437,574</b>
<b>II. Cash flows generated by investments</b>		
Cash payments for purchasing fixed assets	(39,879,555)	(29,052,189)
<b>Net investment cash flow</b>	<b>(39,879,555)</b>	<b>(29,052,189)</b>
<b>Surplus/deficit after financing the investment activity</b>	<b>65,680,962</b>	<b>15,385,385</b>
<b>III. Cash flows from financing activities</b>		
Reimbursements of long-term loans	(10,605,913)	(6,315,643)
Dividends paid	(2,003,112)	(2,102,443)
<b>Net cash flows from financing activities</b>	<b>(12,609,025)</b>	<b>(8,418,086)</b>
Gains/losses from exchange rate differences	(240,197)	(96,248)
<b>Net increase/(decrease) in cash</b>	<b>52,831,740</b>	<b>6,871,051</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>(74,321,128)</b>	<b>(81,192,179)</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>(21,489,388)</b>	<b>(74,321,128)</b>
<b>The cash and cash equivalents at the end of the period include:</b>	<b>(21,489,388)</b>	<b>(74,321,128)</b>
Accounts in banks and cash	1,727,454	2,111,377

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

Approved by the Management Board on March 23 2023

Drafted by:

General Director  
Ec. Ioan NANI

Financial Director  
Ec. Paula COMAN

**ANTIBIOTICE S.A.**  
**CASH FLOW STATEMENTS**

For the year ended on December 31 2022

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

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Credit lines for financing the working capital	(23,216,842)	(76,432,505)
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*The explanatory notes from 1 to 28 are an integrating part of the financial statements*

Approved by the Management Board on March 23 2023

Drafted by:

General Director  
Ec. Ioan NANI

Finanial Director  
Ec. Paula COMAN

**ANTIBIOTICE S.A.**  
**MODIFICATIONS OF EQUITY**  
For the year ended on December 31 2022  
(all 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
<b>31.12.21</b>	<b>67.133.804</b>	<b>197.701.352</b>	<b>13.426.761</b>	<b>259.154.126</b>	<b>29.939.404</b>	<b>22.906.688</b>	<b>(25.302.090)</b>	<b>114.150.766</b>	<b>0</b>	<b>123.582.341</b>	<b>(197.701.352)</b>	<b>604.991.800</b>
Current global result curent	-	-	-	-	38.513.427	-	-	-	-	-	-	<b>38.513.427</b>
<b>Total other items of the global result</b>	-	-	-	-	<b>38.513.427</b>	-	-	-	-	-	-	<b>38.513.427</b>
Transfer of reevaluation surplus	-	-	-	-	-	3.493.547	-	(2.986.527)	-	(434.645)	-	<b>72.375</b>
Allotment of other reserves *	-	-	-	2.490.313	(27.792.403)	-	25.302.090	-	-	-	-	-
Dividends	-	-	-	-	(2.147.001)	-	-	-	-	-	-	<b>(2.147.001)</b>
Mandatory distributions	-	-	-	30.523.566	-	-	(30.523.566)	-	-	-	-	-
<b>31.12.22</b>	<b>67.133.804</b>	<b>197.701.352</b>	<b>13.426.761</b>	<b>292.168.005</b>	<b>38.513.427</b>	<b>26.400.236</b>	<b>(30.523.566)</b>	<b>111.164.239</b>	<b>0</b>	<b>123.147.696</b>	<b>(197.701.352)</b>	<b>641.430.601</b>

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

**ANTIBIOTICE S.A.**  
**MODIFICATIONS OF EQUITY**  
For the year ended on December 31 2022  
(all 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
<b>31.12.20</b>	<b>67,133,804</b>	<b>197,701,352</b>	<b>13,426,761</b>	<b>231,136,239</b>	<b>26,388,049</b>	<b>20,729,784</b>	<b>(14,452,190)</b>	<b>116,636,526</b>	<b>-7,000,410</b>	<b>123,273,485</b>	<b>(197,701,352)</b>	<b>577,272,048</b>
Current global result	-	-	-	-	29,939,404	-	-	-	-	-	-	29,939,404
<b>Total other items of the global result</b>					<b>29,939,404</b>							<b>29,939,404</b>
Transfer of reevaluation surplus				-	-	2,176,904		(2,485,760)		308,856		-
Allotment of other reserves *	-	-	-	2,715,797	(24,168,397)	-	14,452,190	-	7,000,410	-	-	-
Dividends	-	-	-		(2,219,652)		-	-		-	-	(2,219,652)
Mandatory distributions				25,302,090	-		(25,302,090)					-
<b>31.12.21</b>	<b>67,133,804</b>	<b>197,701,352</b>	<b>13,426,761</b>	<b>259,154,126</b>	<b>29,939,404</b>	<b>22,906,688</b>	<b>(25,302,090)</b>	<b>114,150,766</b>	<b>0</b>	<b>123,582,341</b>	<b>(197,701,352)</b>	<b>604,991,800</b>

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

## **1. GENERAL INFORMATION**

### **1.1 Brief company profile**

Antibiotice SA, based in the city of Iasi, Valea Lupului street no. 1, tax registration code RO 1973096 was established by the Decision of the Council of Ministers no. 2980/29.12.1952 and was later reorganized as a joint-stock company based on Law no. 15/1990 and the Government Decision no. 1200/12.11.1990. The company is listed on the Bucharest Stock Exchange in the premium category, based on the Decision no. 43/21.02.1997 of the Bucharest Stock Exchange.

Our company's 8 manufacturing flows, upgraded and certified according to the Good Manufacturing Practice (GMP) standards, produce medicinal products in the following dosage forms: powders for injectable solutions and suspensions (penicillins), capsules, tablets, suppositories and topical preparations (ointments, gels and creams), Nystatin active substance and biocidal products. Altogether they form a complex portfolio of more than 150 medicinal products for human use designed to treat a wide range of infectious, dermatological, cardiovascular, digestive tract or musculoskeletal system diseases.

All production capacities owned by our company are located to the headquarters.

The Company owns the right to ownership of all the fixed assets registered in the company's accounts.

### **1.2 Corporate Governance**

The Antibiotice's governance system is based on:

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

#### **General Meeting of Shareholders**

Antibiotice S.A. is organized on the principles of the corporate governance, which regulates the selection and appointment procedure of administrators and directors, as well as the operation of the management system, seeking to strengthen the independence, accountability and professionalism of management structures, the transparency and quality of publicly presented information as well as the protection of shareholders including the minority ones.

The management of the company is organized to meet the expectations of the shareholders in terms of ensuring competitiveness, profitability and the generation of long-term added value. A well-defined, traceable decision-making system is ensured and the delegation of tasks and the delegated powers are proportional to the granted prerogatives and the existing control system.

The application of the principles of good corporate governance practices with strict compliance to the recommendations of the Corporate Governance Code of the Bucharest Stock Exchange ensures the transparency and efficiency of the company's activities and processes, thus providing the framework for maximizing the value of

## **ANTIBIOTICE S.A.**

### **EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**

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

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the ATB shares in the long term and protecting the interests of interested parties and increasing the degree of trust in Antibiotice SA.

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

The structures that put the corporate governance rules into practice can be found on the company's website at <https://www.antibiotice.ro/investitori-php/corporate-governance/>. These are as follows:

- The General Meeting of Shareholders;
- The Management Board;
- The Advisory Committees;
- The Executive Management;
- The Corporate Governance Secretariat;
- The internal audit, financial management control and risk management.

The legal framework for ensuring the corporate governance system is:

- The Law no. 31/1990 on commercial companies;
- The GEO no. 109/2011 regarding the corporate governance of public enterprises;
- The Law no. 24/2017 regarding the issuers of financial instruments and market operations;
- The FSA Regulation no. 5/2018 regarding the issuers of financial instruments and market operations
- The corporate governance code of Antibiotice S.A. which also includes the Organization and Functioning Regulation of the Management Board and the Evaluation Regulation of the administrators;
- The Code of Ethics.

#### **The General Meeting of Shareholders**

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

During 2022, the Management Board convened three Ordinary General Meetings and two Extraordinary General Meetings, whose decisions can be found on the company's website at the address below:

<https://www.antibiotice.ro/investitori-php/financial-information/adunari-generale-actionarilor/?raport=2022#>

## ANTIBIOTICE S.A.

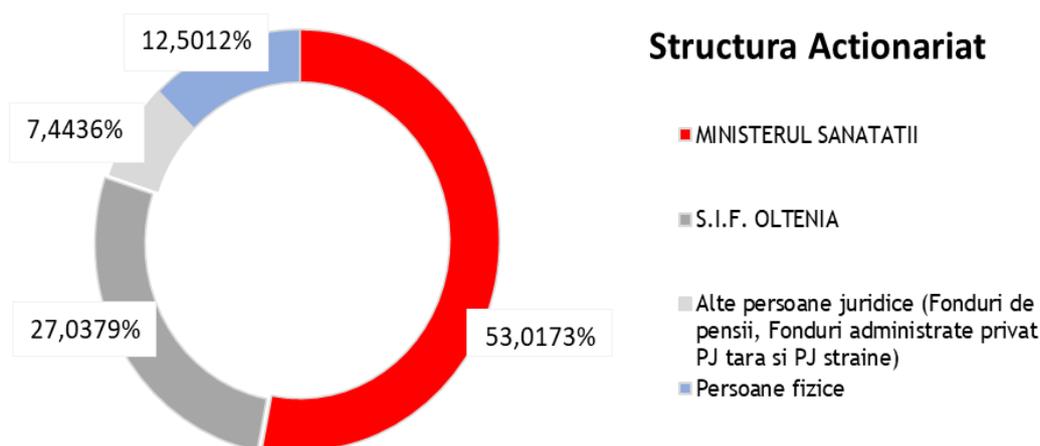
### EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

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

The main shareholders of the company on 31.12.2022 (excerpt from the Register of Shareholders) are:

MINISTRY OF HEALTH (*)	53.0173%
S.I.F. OLTENIA (*)	27.0379%
Other shareholders (42.563 shareholders)	19.9448%

NOTE: (\*) - Significant shareholders, according to the Law no. 297 of 28.06.2004, Article 2, Paragraph 1



#### Classes of shareholders:

- Legal entities - 87.4988 %
- Natural persons - 12.5012 %
- other legal entities (Pension Funds, Privately Administered Funds, legal persons from Romania and foreign legal persons)
- The Ministry of Health
- S.I.F. Oltenia
- Natural persons

#### Antibiotice in the capital market

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

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

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

**ANTIBIOTICE S.A.****EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**

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

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

The stock market capitalization of Antibiotice on December 31, 2022 was 379.977 thousand lei.

**Antibiotice shares - ATB/Regular Market**

	2018	2019	2020	2021	2022
Number of shares	671,338,040	671,338,040	671,338,040	671,338,040	<b>671,338,040</b>
Stock market capitalization (thousand lei)*	326,942	341,040	326,270	406,831	379,977
Stock market capitalization (thousand euro)*	70,100	71,370	66,935	82,211	76,803
Stock market capitalization (thousand \$)*	80,259	79,873	82,163	93,022	81,987
Total traded value (million lei)	9	15	14	44	8
No. of traded shares	17,109,263	30,364,292	27,085,005	80,534,368	14,651,742
Opening price (lei/share)	0.5780	0.4800	0.5120	0.4940	0.6060
Maximum price (lei/share)	0.5780	0.5260	0.5550	0.6080	0.6100
Minimum price (lei/share)	0.4550	0.4500	0.4130	0.4800	0.4800
Price at the end of the period (lei/share)	0.4870	0.5080	0.4860	0.6060	0.5660
Average price (lei/share)	0.5028	0.4851	0.5079	0.5913	0.5408
Earnings/share (lei/share)**	0.0511	0.0459	0.0418	0.0446	0.0574
Gross dividend/share (lei/share)**	0.009991506	0.029879738	0.00330631	0.0031980923	0.00792224
Dividend yield ****	2.05	6.2%	6.5%	0.65%	1.31%
Dividend distribution rate*****	20%	65%	8.4%	7.2%	13.8%

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

\*\* Proposed dividend,

\*\*\* The calculation of the result per share is based on the net profit of each year,

\*\*\*\* Dividend per share/share price from the first trading day of each year,

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

Throughout 2022, 14,651,742 shares were traded, worth 7.92 million lei (1.60 million EURO, 1.69 million USD), with an average price of 0.5408 lei/share.

In 2022, dividends related to the financial years 2018, 2019, 2020 and 2021 were paid, amounting to 2,003,111.99 lei, as follows:

**Dividend history (2018 - 2019 - 2020- 2021)**

Period	Net dividends							Dividend payment suspension date
	Due	Paid lei				Unclaimed on 31.12.2022		
		Until 31.12.2021	01.01÷31.12.2022	Total	% (total paid)	lei	%	
0	1	2	3	4	5	6	7	8

**ANTIBIOTICE S.A.****EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**

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

2018	6,612,624.05	6,083,476.66	6,434.79	6,089,911.45	92.10	522,712.60	7.90	19.09.2022
2019	19,811,039.75	18,174,724.85	39,527.49	18,214,252.34	91.94	1,596,787.41	8.06	Payment in progress
2020	2,208,009.98	2,012,114.71	7,954.39	2,020,069.10	91.49	187,940.88	8.51	Payment in progress
2021	2,136,257.01	-	1,949,195.32	1,949,195.32	91.24	187,061.69	8.76	Payment in progress

For the years 2018, 2019, 2020 and 2021, the payment of dividends is made through the Bucharest Central Depository and implicitly through the Paying Agent - CEC Bank.

**Rights of financial instruments holders**

The corporate governance framework adopted and applied:

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

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

**The Investor Relations activity**

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

As we are oriented towards the development and increase of transparency towards the shareholders, immediately after the regular financial reports (annual and half-yearly), we organize our own meetings and presentation events. Interested investors and analysts participate in these events and they have the opportunity to send their questions, opinions and suggestions, thus ensuring a dialogue with the exponents of the capital market in Romania, so that they get sufficient grounds for the investment decision-making process.

The agenda of events, which aim to maintain a permanent dialogue between the company's management, investors and analysts, included during 2022, an event organized by the BVB, entitled "Antibiotice celebrates 25 years since the listing on the Bucharest Stock Exchange", which took place on April 15. Also, there were two

## **ANTIBIOTICE S.A.**

### **EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**

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

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teleconferences for the presentation of the financial statements, on May 17 and November 15 and a conference entitled "Antibiotice Investor Day" - which took place on December 14.

All the documents related to the smooth running of the events mentioned above, were published in accordance with the legislation in force, that is: Law no. 31/1990 regarding commercial companies, republished, with subsequent changes and additions, Government Emergency Ordinance no. 109/2011 regarding the corporate governance of public enterprises, Law no. 24/2017 regarding issuers of financial instruments and market operations, Regulation no. 5/2018 regarding issuers of financial instruments and market operations.

The organization of the General Shareholders' Meetings, the changes in the company structure, the decisions of the general meetings, as well as the actions related to the guarantee of the shareholders' rights - the distribution of dividends related to the financial year 2021, were carried out in accordance with the legal regulations.

The 1st place for the best company from the perspective of the activity in Investor Relations - Main Market - public vote, awarded on November 17 by the Association for Investor Relations at the Romanian Stock Exchange during the ARIR Gala, as well as the grade 10/10 obtained for for the third consecutive year, when evaluating the **VEKTOR** indicator based upon 15 criteria of good practices in the relationship with investors, it motivates us to perform in communication with them, to respect our mission which is to provide information in a transparent and responsible manner, so as to develop relationships based on ethics and trust with the current and potential investors.

This award recognition supports the company's orientation towards a sustainable development, in accordance with the transparency of the company's activity in relation to the stakeholders.

#### **The Management Board**

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

The Management Board ensures that its own decisions, those of the company's management, of the General Meeting of Shareholders, as well as the internal regulations, comply with the legal requirements and are adequately implemented. The Board is responsible for monitoring the company's management, on behalf of the shareholders.

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

During 2022, the Management Board met in 10 meetings and adopted decisions that allowed it to fulfill its duties in an effective and efficient manner.

#### **The composition of the Management Board of Antibiotice SA - December 31 2022**

Economist, Ioan NANI

## **ANTIBIOTICE S.A.**

### **EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**

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

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Vice-President of the Management Board and General Manager  
Permanent Executive Administrator

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

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

**Number of Antibiotice SA shares owned - 1.513\***

Eng. Catalin Codrut Popescu

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

Permanent Non-Executive Administrator

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

General Manager of MEDIMFARM SA

Number of Antibiotice SA shares owned - 0\*

Ec. Mihai Trifu

A member of the Management Board and a representative of the shareholder SIF Oltenia

Permanent Non-Executive Administrator

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

Vice President and Deputy General Manager of SIF Oltenia.

Number of Antibiotice SA shares owned - 0\*

Physicist Lucian Timofticiuc

Member of the Management Board and representative of the Ministry of Health

Permanent Non-Executive Administrator

Chairman of the Management Board

At the Ordinary General Meeting of Shareholders on September 16, 2020, Mr. Timofticiuc was elected as a member of the Management Board for a term valid until April 18 2024. Currently, Mr. Lucian Timofticiuc holds the position of administrator and general manager of Vremea Noua.

Number of Antibiotice SA shares owned - 0\*

Legal Adviser Ionel Damian

Member of the Management Board

Permanent Non-Executive Administrator

At the Ordinary General Meeting of Shareholders of November 2, 2020, Mr. Damian was elected as a permanent member of the Management Board of the company, for a term valid until April 18 2024.

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

Number of Antibiotice SA shares owned - 0\*

## **ANTIBIOTICE S.A.**

### **EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**

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

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(\*) The number of Antibiotice shares (ATB) held on December 31 2021 according to the latest database held by Antibiotice for the year 2022.

#### **Corporate Governance**

Antibiotice SA is a public enterprise, which complies with the Government Emergency Ordinance (EGO) no. 109/2011 regarding the corporate governance of public enterprises. The management of Antibiotice is organized 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 tasks and duties are made proportionally to the granted prerogatives and the existing control system.

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

The pillars are as follows:

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

#### **The Corporate Governance Code**

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

#### ***The Code of Ethics***

The Code of Ethics of Antibiotice SA 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 the integrity, the professionalism, the responsibility and the transparency. Any violation of the code is considered an ethical incident, a failure to comply with the Code of Ethics may lead to disciplinary sanctions. The compliance with the provisions of the Code of Ethics is

## **ANTIBIOTICE S.A.**

### **EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**

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

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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.

#### ***The General Meeting of Shareholders***

The General Meeting of Shareholders (A.G.A.) represents the company's highest decision-making body, the place where shareholders participate directly and make decisions. Among other duties, the GMS decides upon the distribution of the profit, it elects the Management Board, it appoints the auditor 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-actionarilor/>

#### ***The Management Board***

The Management Board of Antibiotice SA 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, under the Corporate Governance section.

During the year 2022, the president of the Management Board convened 10 meetings of the 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 composition of the Management Board of S.C. ANTIBIOTICE S.A. can be accessed at: <https://www.antibiotice.ro/investitori-php/corporate-governance/structuri-de-guvernanta/>

#### ***The 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 and analyses; they elaborate recommendations and they periodically submit reports on their activity to the Management Board.

The composition of the Advisory Committees can be accessed at: <https://www.antibiotice.ro/investitori-php/corporate-governance/structuri-de-guvernanta/>

The duties and responsibilities of the advisory committees can be found on the company's website at: <https://www.antibiotice.ro/wp-content/uploads/2015/06/Regulamentele-comitetelor-consultative-1.pdf>

#### ***The executive management***

Antibiotice S.A. is represented by the General Manager, according to the prerogatives established by law and the company articles of association. The Management Board retains the authority to represent the company in relations with

## **ANTIBIOTICE S.A.**

### **EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**

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the directors it appointed. The management team of Antibiotice S.A., on 31.12.2022, can be accessed at the address: <https://www.antibiotice.ro/investitori-php/corporate-governance/structuri-de-guvernanta/>.

## **2. THE ACCOUNTING POLICIES**

### **2.1 Declaration of conformity**

The financial statements have been prepared in accordance with:

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

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

The financial statements for the financial year ended on December 31, 2022 include the statement of the financial position, the statement of the comprehensive income, the statement of the cash flows, the statement of the changes in equity and the explanatory notes.

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

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

### **2.2 The bases of assessment**

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

## **ANTIBIOTICE S.A.**

### **EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**

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

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

#### **2.3 The functional and presentation currency**

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

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

	<b>31.12.22</b>	<b>31.12.21</b>
EUR	4.9474	4.9481
USD	4.6346	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 it does not undermine their reliability.

An estimate may need review if changes occur regarding the circumstances on which the estimate was based or as a result of new information or subsequent experiences. By its nature, the review of an estimate does not relate to prior periods and is not the correction of an error in the current period. Any effect, if any, on future periods is recognized as income or expense in those future periods.

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

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

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

(b) *Adjustments for the impairment of receivables*

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

(c) *Legal proceedings*

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

(d) *Cost accounting estimates*

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

(e) *Taxation*

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

financial statements are appropriate.

## **2.5 Presentation of separate financial statements**

The financial statements are presented in accordance with the requirements of IAS 1 “Presentation of the financial statements”. The company adopted a liquidity-based presentation in its financial position statement and a presentation of its revenue and expense according to their nature in the overall result statement, considering that these disclosures provide information that is more credible and relevant than what would have been presented under other methods allowed by IAS 1.

## **2.6 Intangible assets purchased**

The inventory of the intangible assets is done in accordance with IAS 38 “Intangible assets” and IAS 36 “The impairment of assets”. The externally acquired intangible assets are initially recognized at cost and subsequently amortized on a straight-line basis over their useful economic life.

The expenses related to the acquisition of patents, copyrights, licenses, trademarks or factory brands and other intangible assets recognized from an accounting viewpoint, with the exception of formation expenses, goodwill, intangible assets with indefinite useful life, fitted according to the accounting regulations shall be recovered by means of linear depreciation deductions for the duration of the contract or for the period of use, as the case may be.

### **Intangible assets generated by the company (development costs)**

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

The development costs related to projects for new products intended for registration on the domestic and international market, technology transfer projects are recognized as intangible assets.

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

## **2.7. Tangible assets**

The tangible assets are tangible items that:

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

### **Recognition:**

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

- a) the entity is likely to generate future economic benefits related to the asset;
- and

**ANTIBIOTICE S.A.**

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**

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

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- b) the cost of the asset can be reliably measured.

*The evaluation after recognition*

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

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

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

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

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

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

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

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

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

*Depreciation*

The depreciable amount of an asset is systematically allocated over its useful life. The depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition required to operate in the manner desired by the management. The land owned is not depreciated.

For the depreciable fixed assets, the company utilizes, in accounting terms, the straightline depreciation method. The depreciation periods are determined by an

## ANTIBIOTICE S.A.

### EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

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

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internal specialized committee according to the company's internal procedures. Below there is a brief presentation of the lifetimes of the fixed assets by major categories of goods:

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

#### *Impairment*

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

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

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

##### *The initial valuation of financial assets and financial liabilities*

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

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

#### **2.9 Stocks**

Conform prevederilor IAS 2, stocurile sunt active: / According to IAS 2, the stocks are assets:

## **ANTIBIOTICE S.A.**

### **EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**

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

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- a) held for sale in the ordinary course of business;
- b) in curs de productie pentru o astfel de vanzare / under production for such sale;  
or
- c) as raw materials and other consumables to be used in the production process or in the provision of services.

#### *Stock assessment*

The stocks are assessed at the lowest value between the cost and the net achievable value.

#### *Cost of stocks*

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

The stocks of raw materials and consumables are stated at the cost of acquisition. The inventory outflow is performed using the Weighted Average Price method.

The stocks of products in progress are stated at the value of the raw materials and consumables included in them. The stock of finished products is recorded at production cost.

#### *Adjustments for depreciation of stocks*

The stock depreciation assessment is performed individually and is based upon the best estimate of the management on the current value of the cash flows that are expected to be received. Each depreciated asset is individually analyzed. The accuracy of the adjustments depends upon the estimation of future cash flows. The stock adjustments are based on the end-of-year calculation for adjusting the specific value of stocks of raw materials, consumables and finished products which no longer correspond from a quality viewpoint. The calculation of the general adjustment for the depreciation of stocks is based upon the validity period of existing items in stock.

## **2.10 Receivables**

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

The adjustments for impairment are recognized when there is objective evidence (such as significant financial difficulties on the part of the partners or non-fulfillment of payment obligations or significant delay in payment) that the company will not be able to collect all the amounts owed according to the terms of the receivables and the amount of that particular adjustment is the difference between the net book value and the current value of the expected future cash flows associated with the impaired debt.

The assessment for impairment of receivables is carried out on an individual level and is based on a risk analysis by customer category, being the best estimate of the

management regarding the present value of the cash flows that are expected to be received.

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

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

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

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

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

## **2.11 Value added tax**

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

## **2.12 Financial liabilities**

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

## **2.13 Recognition of income and expenses**

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

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

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

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

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

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

#### *The income assessment*

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

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

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(e) the economic benefits associated with the transaction are likely to be generated for the entity;

The new standard focuses upon identifying obligations and makes a clear distinction between obligations that are satisfied "at one point in time" and those that are satisfied "over a period of time"; this is determined by the manner according to which the control of goods or services is transferred to the client. The principle behind this standard is that the company should recognize and record revenue in a manner that indicates the transfer of goods or services.

IFRS 15 establishes a general framework that will be applied for the recognition of revenues from a contract concluded with a client (with limited exceptions), regardless of the type of transaction or industry; The standard sets out five steps for revenue recognition:

- the identification of the contract (s) with a client;
- the identification of performance obligations in a contract;
- the determination of the transaction price to the contractual regulations;
- the allocation of the transaction price for the execution obligations;
- the revenue recognition when (or as) the entity fulfills an obligation of execution.

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

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

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

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

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

**Special cases:** If it is found that the incomes associated with a period of the current year are free of fundamental errors, they will be adjusted, during the period when the error is discovered. If the error is discovered in the following years, the adjustment thereof will no longer affect the income accounts, but the

returned earnings account carried over from the adjustments of fundamental errors, if the value of the error will be considered significant.

### **2.13.2 Recognition of expenses**

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

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

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

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

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

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

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

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

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

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

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

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

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

The previously established provisions are periodically analyzed and regulated.

#### **2.16 Benefits of employees - IAS 19 Benefits of employees**

##### ***Current benefits granted to employees***

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

##### **Benefits after the termination of the employment contract**

Both the Company and its employees have a legal liability to contribute to the social security established with the National Pension Fund administered by the National House of Pensions (contribution plan founded on the principle of “pay on the way”).

Therefore, the Company has no other legal or implicit liability to pay further contributions. Its only liability is to pay the contributions when they are due. If the Company ceases to employ people who are contributors to the financing plan of the National House of Pensions, the Company will have no liability to pay for the benefits earned by its own employees in previous years. The Company's contributions to the contributions plan are reported as expense in the year to which they relate.

#### **2.17 Deferred tax - IAS 12**

In the deferred tax calculation, the Company will take into account the provisions of IAS 12. The deferred tax assets and liabilities are recognized when the book value of an asset or liability in the statement of the financial position differs from the tax base.

The recognition of the deferred income tax assets is limited to those moments in which the taxable profit of the next period is likely to be available. The amount of the asset or liability is determined by using tax rates that have been enacted or adopted largely up to the reporting date and are expected to be applied when the liabilities/(assets) concerning the deferred tax are settled/(recovered).

The Company compensates for receivables and liabilities concerning the deferred tax if and only if:

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

#### **2.18 Dividends**

The share of profits that is to be paid according to the law, to each shareholder is a dividend. The dividends distributed to shareholders, proposed or declared after the

reporting period, as well as the other similar distributions made from the profit determined under the IFRS and included in the annual financial statements are not recognized as a liability at the end of the reporting period. When accounting for the dividends, the provisions of IAS 10 are taken into consideration.

### **2.19 Capital and reserves**

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

The entity was established under Law no. 31/1990 on trading companies. In the first set of financial statements prepared under IFRS, the Company applied IAS 29 - "Financial reporting in hyperinflationary economies" for the contributions of shareholders obtained before January 1, 2004, i.e. they were properly adjusted with the inflation index.

### **2.20 Costurile de finantare Financing costs**

An entity shall capitalize the borrowing costs that are directly attributable to the acquisition, construction or production of an asset with a long production cycle as part of the cost of that asset. An entity must recognize other borrowing costs as expenses during the period during which it bears them.

### **2.21 Earnings per share**

The Company shows the basic earnings per share for the ordinary shares. The basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company to the weighted average number of ordinary shares over the reporting period.

### **2.22 Reporting on segments**

A segment is a distinct component of the Company that provides certain products or services (business segment) or provides products and services in a particular geographical environment (geographical segment) and which is subject to risks and benefits that are different from those of the other segments. In terms of business segments, the Company does not identify separate components in terms of associated risks and benefits.

### **2.23 Affiliated parties**

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

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

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### **EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**

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

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

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

#### **2.24 Issued standards that entered into force in 2022**

##### **Standards, amendments and new interpretations of standards**

##### **The initial application of new amendments to existing standards in force for the current reporting period**

The following amendments to existing standards issued by the International Accounting Standards Board (IASB) are effective for the current reporting period:

- Amendments to IFRS 4 "Insurance contracts" - Extension of the temporary exemption from the application of IFRS 9 (the expiry date of the temporary exemption from the application of IFRS 9 has been extended for annual periods beginning on or after January 1, 2023).
- Amendments to IFRS 3 "Business Combinations" - Definition of the conceptual framework with amendments to IFRS 3 adopted by the EU on June 28 2021 (applicable for annual periods beginning on or after January 1, 2022),
- Amendments to IAS 16 "Property, plant and equipment" - Receipts before expected use adopted by the EU on June 28 2021 (applicable for annual periods beginning on or after January 1, 2022);
- Amendments to IAS 37 "Provisions, contingent liabilities and contingent assets" - Onerous contracts – Cost of contract execution adopted by the EU on June 28, 2021 (applicable for annual periods beginning on or after January 1, 2022),
- Amendments to various standards due to "IFRS Improvements (2018-2020 cycle)" resulting from the annual project to improve IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41)

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with the main aim of removing inconsistencies and clarifying certain wording - adopted by the EU on 28 June 2021 (amendments to IFRS 1, IFRS 9 and IAS 41 are applicable for annual periods beginning on or after January 1, 2022. The amendment to IFRS 16 refers only to an illustrative example, so there is no effective date).

#### **Standards and amendments to existing standards issued by the IASB and adopted by the EU, but which have not yet entered into force**

At the date of approval of these financial statements, the following amendments to existing standards have been issued by the IASB and adopted by the EU, but are not yet in force:

- IFRS 17 "Insurance contracts" including amendments to IFRS 17 issued by the IASB on 25 June 2020 - adopted by the EU on November 19 2021 (applicable for annual periods beginning on or after January 1, 2023),

#### **New standards and amendments to existing standards issued by the IASB but not yet adopted by the EU**

Currently, the IFRS as adopted by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for the following new standards, amendments to existing standards and new interpretations, which have not been approved for use in EU at the date of publication of these financial statements (the effective dates mentioned below are for the IFRS standards issued by the IASB):

- The amendments to IAS 1 "Presentation of financial statements" - Classification of liabilities into short-term liabilities and long-term liabilities (applicable for annual periods beginning on or after January 1, 2023),
- Amendments to IAS 1 "Presentation of financial statements" - Presentation of accounting policies (applicable for annual periods beginning on or after January 1, 2023),
- Amendments to IAS 8 "Accounting policies, changes in accounting estimates and errors" - Definition of accounting estimates (applicable for annual periods beginning on or after January 1, 2023),
- Amendments to IAS 12 "Income tax" - Deferred tax related to receivables and payables arising from a single transaction (applicable for annual periods beginning on or after January 1 2023),
- Amendments to IFRS 17 "Insurance Contracts" - Initial Application of IFRS 17 and IFRS 9 - Comparative Information (Applicable for annual periods beginning on or after January 1, 2023.)

### **3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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

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

Like all the other activities, the Company is exposed to risks arising from the use of financial instruments. This note describes the company's objectives, policies and

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

**Main financial instruments**

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

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

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

	<b>Loans and receivables</b>	
<b>ASSETS</b>	<b>31.12.22</b>	<b>31.12.21</b>
Trade and similar receivables	199,646,249	276,876,198
Cash abd cash equivalents	1,727,454	2,111,377
<b>Total</b>	<b>201,373,703</b>	<b>278,987,575</b>

	<b>Amortized cost</b>	
<b>LIABILITIES</b>	<b>31.12.22</b>	<b>31.12.21</b>
Trade and similar receivables	86,067,391	98,202,288
Short-term loans	34,008,116	87,163,549
Long-term loans	46,973,501	57,617,153
<b>Total</b>	<b>167,049,008</b>	<b>242,982,991</b>

**The credit risk**

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

Antibiotice SA has developed a Commercial Policy clearly stating the commercial conditions for sale and there are conditions imposed in the selection of the clients. Antibiotice SA cooperates with large distributors in the national pharmaceutical market. In all situations where possible, the export sales are paid in advance.

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**Calculation and analysis of the net statement (equity)**

Indicators (LEI)	31.12.22	31.12.21
Short-term credits and loans	34,008,116	87,163,549
Long-term credits and loans	46,973,501	57,617,153
Cash and cash equivalents	(1,727,454)	(2,111,377)
<b>Net debt</b>	<b>79,254,163</b>	<b>142,669,325</b>
<b>Total equity</b>	<b>641,430,601</b>	<b>604,991,800</b>
<b>Net debt in equity (%)</b>	<b>12.35%</b>	<b>23.58%</b>

**The foreign exchange risk**

The Company is mainly exposed to the currency risk in the purchases made from the suppliers of raw materials, packaging and other materials outside Romania. The suppliers from whom the company purchases these items for the production of medicines must have documents attesting the quality of their goods, as required by the European medicine registration rules. The Company cannot limit the acquisitions in third countries so much. The Financial Unit is responsible for tracking the payment deadlines and for ensuring the available funds for payment, so that the effect of foreign exchange risk to be minimized. On December 31, 2021 the company's net exposure by types of currency to the foreign currency risk was as follows:

	For the year ended on	
Assets/liabilities in EURO equivalent in LEI	31.12.22	31.12.21
Monetary financial assets	1,637,820	3,930,286
Monetary financial liabilities	(19,978,727)	(20,445,472)
Net financial assets	(18,340,906)	(16,515,187)
<b>RON/EUR variation</b>	<b>Gain/Loss</b>	
Appreciation of the RON against EUR by 5%	(917,045)	(825,759)
Depreciation of the RON against EUR by 5%	917,045	825,759
<b>Impact upon result</b>	-	-
<b>Assets and liabilities in EUR</b>	<b>31.12.22</b>	<b>31.12.21</b>
Monetary financial assets	331,047	794,302
Monetary financial liabilities	(4,038,228)	(4,131,984)
Net financial assets	(3,707,181)	(3,337,682)
<b>Assets/liabilities in USD equivalent in LEI</b>	<b>31.12.22</b>	<b>31.12.22</b>
Monetary financial assets	22,693,672	32,339,421
Monetary financial liabilities	(8,041,390)	(19,845,584)
Net financial assets	<b>12,493,838</b>	<b>12,493,838</b>

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**RON/USD variation**

Appreciation of the RON against USD by 5%	732,614	624,692
Depreciation of the RON against USD by 5%	(732,614)	(624,692)
<b>Impact upon result</b>	-	-
<b>Assets and liabilities in USD</b>	<b>31.12.22</b>	<b>31.12.21</b>
Monetary financial assets	4,896,576	7,399,140
Monetary financial liabilities	(1,735,077)	(4,540,596)
Net financial assets	<b>3,161,499</b>	<b>2,858,544</b>

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

<b>Assets / Liabilities</b>	<b>31.12.22</b>	<b>31.12.21</b>
LEI	88,021,883	109,149,576
EUR	(18,340,906)	(16,515,186)
USD	14,652,283	12,493,837
Other currency (CAD,GBP)	-	-
<b>Net exposure</b>	<b>84,333,260</b>	<b>105,128,227</b>

Given the relatively low exposure to exchange rate fluctuations, reasonable fluctuations in exchange rates are not expected to have significant effects in the future financial statements.

**Liquidity risk**

The Company's policy is to provide the necessary cash for the payment of obligations when they become due. To achieve this objective, the Company seeks to maintain cash balances (or facilities agreed upon) to satisfy the payment needs.

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

December 31 2022	Up to 3 months	3 to 12 months	Over 12 months	Total
Commercial and similar debt	85,426,642	640,749	-	86,067,391
Debts from taxes and current taxes	8,280,670	-	-	8,280,670
Short-term loans	-	34,008,116	-	34,008,116
Long-term loans	-	-	46,973,501	46,973,501
<b>Total</b>	<b>93,707,312</b>	<b>34,648,865</b>	<b>46,973,501</b>	<b>175,329,678</b>

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

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**Bank liquidity**

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

**Operational risk**

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

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

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

**Adequacy of capital**

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

**4. SALES INCOME**

The sales income includes the following items:

<b>STATEMENT OF THE COMPREHENSIVE INCOME</b>	<b>For the year ended on</b>	
	<b>31.12.22</b>	<b>31.12.21</b>
<b>Description</b>		
Finished product sales	481,986,592	365,908,449
Sales of products manufactured on other sites	103,496,897	110,278,800

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Trade discounts	(102,816,678)	(109,978,184)
<b>Total</b>	<b><u>482,666,811</u></b>	<b><u>366,209,065</u></b>

The sales revenues are mainly driven by the sales of finished products directly to pharmaceutical distributors. In 2022, the intra and extra-community sales amounted to 184,148,974 lei.

**5. OTHER OPERATING INCOME**

Other operating income includes the following:

Description	31.12.22	31.12.21
Rental income	178,205	143,321
Income from research and studies	3,969	0
Income from various activities	875,201	2,069,424
Income from indemnities, fines and penalties	33,135	10,799
Other operating income	2,000,237	3,827,394
Income from adjustments for depreciation of current assets	9,233,123	12,703,645
Income from provisions for risks and expenses	3,853,530	13,528,900
Exchange rate differences	10,696,832	5,095,493
<b>Total</b>	<b><u>26,874,232</u></b>	<b><u>37,378,976</u></b>

**6. RAW MATERIALS, CONSUMABLES AND GOODS**

This expenditure consists of:

Description	For the year ended on	
	31.12.22	31.12.21
Expenses on raw materials	109,740,746	74,159,073
Expenses with materials to support the production process	16,249,703	12,668,363
Expenses on products manufactured on other sites	51,126,808	60,854,292
<b>Total</b>	<b>177,117,257</b>	<b>147,681,728</b>

**7. STAFF COSTS**

The staff costs are as follows:

Description	For the year ended on	
	31.12.22	31.12.21
Wages	111,471,405	100,545,101
Civil contracts	1,514,348	1,410,816
Tax and social contributions	3,807,244	3,044,831

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Other benefits (meal vouchers and employee participation in the 2021 profit, recipes given to employees)	6,147,727	6,052,033
Provision for the participation of employees in profit (*)	2,000,000	2,000,000
Provision of allowances for members of the Management Board (*)	2,536,832	1,437,996
Provision of unused holidays (*)	2,142,503	415,534
<b>Total</b>	<b>129,620,059</b>	<b>114,906,311</b>

For the year 2022, provisions were made in the amount of 6,679,335 lei, representing the provision for the participation of the employees in the variable allowances of the Management Board and of the mandate contract as well as the provision for unused vacation leave.

(\*) In accordance with the requirements of IAS 1 Presentation of financial statements, IAS 19 Employee benefits and IAS 37 Provisions, contingent liabilities and contingent assets, in the expenses with the remuneration of employees are included: the provision for the participation of employees in the profit, the provisions for the allowances of the members of the Board of Directors established on the basis of the provisions GEO no. 109/2011 regarding the corporate governance of public enterprises and the Remuneration Policy and provisions for unused vacations, established according to the provisions of Law no. 53/2003 regarding the Labor Code, with subsequent amendments and additions and O.M.F.P. no. 2844/2016 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards.

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

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

Description	For the year ended on	
	31.12.22	31.12.21
Wages	5,774,720	4,594,632
Civil contracts	914,091	884,090
Taxes and social contributions	154,855	148,537
Variable allowances	1,787,544	1,752,389
<b>Total</b>	<b>8,631,210</b>	<b>7,379,648</b>

For the year 2022, provisions were made in the amount of 4,679,335 lei representing the provision for the variable allowances of the Management Board for the variable allowance pertaining to the mandate contract to achieving the 2022 objectives as well as for the unused vacation leave.

**8. OTHER OPERATING EXPENDITURE**

Other operating expenditure include the following:

For the year ended on

**ANTIBIOTICE S.A.****EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**

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

<b>Description</b>	<b>31.12.22</b>	<b>31.12.21</b>
Expenses with electricity, natural gas and water	22,026,479	14,114,801
Expenses for supporting operational activities	17,386,421	11,879,280
Advertising and product promotion expenses	22,194,313	11,011,125
Expenses with services provided by third parties	15,300,222	13,580,815
Expenses with taxes and fees	38,256,584	35,350,973
Expenses with the adjustment of current assets	33,944,116	2,845,168
Expenses with unfavorable exchange rate differences	11,494,347	5,318,549
<b>Total</b>	<b>160,602,482</b>	<b>94,100,711</b>

**9. FINANCIAL INCOME AND EXPENSES**

The net financial income consists of:

<b>Description</b>	<b>For the year ended on</b>	
	<b>31.12.22</b>	<b>31.12.21</b>
Interest income	1,437	3,557
Interest charges	(3,591,289)	(3,518,911)
Other financial expenses	(209,789)	(216,658)
<b>Total</b>	<b>(3,799,641)</b>	<b>(3,732,012)</b>

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

**10. CURRENT AND DEFERRED PROFIT TAX EXPENSES AND OTHER TAXES**

<b>Description</b>	<b>For the year ended on</b>	
	<b>31.12.22</b>	<b>31.12.21</b>
Current tax	3,929,305	0
Deferred tax expense/(income)	(539,502)	363,212
<b>Total</b>	<b>3,389,803</b>	<b>363,212</b>

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

**ANTIBIOTICE S.A.****EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**

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

modifications of the tax liabilities will have an impact upon the income tax expense during the period for which this determination is made.

**10.1 - Current profit tax**

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

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

Description	For the year ended on	
	31.12.22	31.12.21
Total income	524,067,429	389,581,950
Total expenses (without profit tax)	480,323,778	358,622,494
<b>Gross book value</b>	<b>43,743,651</b>	<b>30,959,456</b>
Deductions	(17,796,825)	(29,023,018)
Non-deductible expenses	35,608,967	5,933,239
<b>Fiscal result</b>	<b>61,555,793</b>	<b>7,869,677</b>
<b>Profit tax (fiscal result x 16%)</b>	<b>9,848,927</b>	<b>1,259,148</b>
Tax reductions	(5,919,622)	(1,259,148)
<b>Current profit tax</b>	<b>3,929,305</b>	<b>0</b>
Deferred profit tax	(539,502)	363,212
<b>Total profit tax and other taxes</b>	<b>3,389,803</b>	<b>363,212</b>

**10.2 - Deferred profit tax**

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

Description	31.12.22	31.12.21
- Deferred tax assets	8,064,005	8,064,005
Initial balance		
Deferred tax costs/(income)	726,908	0
<b>Final balance (a)</b>	<b>8,790,913</b>	<b>8,064,005</b>
- Deferred tax debt	39,547,091	39,183,879
Initial balance		
Deferred tax costs/(income)	115,032	363,212
<b>Final balance (b)</b>	<b>39,662,123</b>	<b>39,547,091</b>
<b>Net deferred tax (b)-(a)</b>	<b>30,871,210</b>	<b>31,483,086</b>

The main components of the deferred tax come from: the revaluation of fixed assets from 2004-2009, the revaluation of land on 31.12.2020, the adjustment of debt

**ANTIBIOTICE S.A.****EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**

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

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provisions to employees and assimilated, stock depreciation adjustments, customer depreciation adjustments.

**11. EARNINGS PER SHARE**

Description	For the year ended on	
	31.12.22	31.12.21
Net profit (A)	38,513,427	29,939,404
Number of ordinary shares (B)	671,338,040	671,338,040
Earnings per share (A/B)	0.0574	0.0446

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**ANTIBIOTICE S.A.****EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**

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

**12. TANGIBLE ASSETS**

	Land	Buildings	Technical installations & equipment	Technical installations & equipment	Tangible assets in progress	Total
<b>COST</b>						
<b>December 31, 2020</b>	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
<b>December 31, 2021</b>	189,933,152	157,513,278	225,871,215	8,749,574	64,714,983	646,782,202
Inputs	-	54,141,612	37,931,262	1,130,587	37,576,233	130,779,694
Outputs	-	901,646	2,434,289	40,719	93,203,461	96,580,115
<b>December 31, 2022</b>	189,933,152	210,753,244	261,368,188	9,839,442	9,087,755	680,981,781
<b>DEPRECIATION</b>						
<b>December 31, 2020</b>	-	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
<b>December 31, 2021</b>	-	23,591,076	135,912,271	6,438,037	-	165,941,384
Cost of the period	-	8,881,920	11,872,360	298,144	-	21,052,424
Outputs	-	347,382	2,434,288	40,719	-	2,822,389
<b>December 31, 2022</b>	-	32,125,614	145,350,343	6,695,462	-	184,171,419
<b>PROVISION</b>						
<b>December 31, 2020</b>	-	51,600	244,652	-	-	296,252
Outputs 2020	-	-	-	-	-	-
<b>December 31, 2021</b>	-	51,600	244,652	-	-	296,252
Outputs 2021	-	-	-	-	-	-
<b>December 31, 2022</b>	-	-	-	-	-	-
<b>NET VALUE</b>						
<b>December 31, 2022</b>	189,933,152	178,627,630	116,017,845	3,143,980	9,087,755	496,810,361
<b>December 31, 2021</b>	189,933,152	133,870,602	89,714,292	2,311,537	64,714,983	480,544,567
<b>December 31, 2020</b>	189,933,152	120,991,773	73,086,150	2,052,508	81,817,195	467,880,779

**ANTIBIOTICE S.A.****EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**

(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 2022 such as installations, machines and measuring and control devices, the useful life times have been established by taking into account:

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

The inventory value of the tangible assets constituted as pledges or guarantees is 111,189,941 lei.

**13. INTANGIBLE ASSETS**

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

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

	<b>31.12.22</b>	<b>31.12.21</b>
Inputs	10,326,631	12,541,609
Outputs	2,857,070	411,960
Final balance	56,741,645	49,272,084
<b>Amortization</b>		
Initial balance	19,432,320	17,432,829
Cost of the period	1,513,382	1,999,491
Final balance	20,945,702	19,432,320
<b>Net value</b>	<b>35,795,943</b>	<b>29,839,764</b>

**14. STOCKS**

<b>Description</b>	<b>31.12.22</b>	<b>31.12.21</b>
Raw materials and consumables	47,426,667	41,635,510
Production in progress	4,768,710	1,156,052
Semi-finished and finished products	45,553,406	54,465,199
Goods	24,745,645	8,761,013
<b>Total</b>	<b>122,494,428</b>	<b>106,017,774</b>

The value of stocks held as collateral is 20,000,000 lei.

The fluctuations of the company's provisions for stock depreciation are presented in the following table:

	<b>31.12.22</b>	<b>31.12.21</b>
<b>Stock adjustments</b>		
At the beginning of the period	8,430,639	10,628,840
Established during the financial year	17,510,497	330,556
Cancellation of adjustments	(1,672,199)	(2,528,757)

**ANTIBIOTICE S.A.****EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**

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

<b>At the end of the period</b>	<b>24,268,137</b>	<b>8,430,639</b>
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The company makes adjustments for the depreciation of stocks gradually starting with durations under 18 months until expiration. In the first part of 2023 through active commercial policies, the company managed to partially commercialize products with a reduced shelf life.

**15. TRADE AND OTHER RECEIVABLES**

Description	31.12.22	31.12.21
Trade receivables	218,722,716	291,188,584
Adjustments for trade receivables	(25,921,945)	(21,431,055)
Various debtors and other receivables	3,996,010	4,063,884
Adjustments for various debtors	(3,432,707)	(3,432,707)
Receivables related to employees	154	6
Other receivables from the State Budget	1,737,520	3,359,260
Advance payments	4,544,501	3,128,226
<b>Total</b>	<b>199,646,249</b>	<b>276,876,198</b>

On December 31, 2022 the Company recorded adjustments for trade receivables representing customer balance that are unlikely to be collected by the company. The receivables of the company were analysed and evaluated according to criteria established according to the risks per categories of costumers. For the receivables older than 12 months in the amount of 15,164,819 lei related to uncertain customers, adjustments for depreciation are made.

<b>Maturity analysis of customer receivables</b>	<b>31.12.22</b>	<b>31.12.21</b>
Up to 3 months	111,039,321	121,748,985
3 to 6 months	68,275,853	72,186,849
6 to 12 months	23,752,711	63,846,846
over 12 luni	15,164,819	33,407,155
Value adjustments related to receivables-customers	(25,921,945)	(21,431,055)

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

<b>Adjustments of receivables</b>	<b>31.12.22</b>	<b>31.12.21</b>
<b>At the beginning of the period</b>	24,863,762	32,590,171
Established during the financial year	12,051,013	2,448,480
Cancellation of adjustments	(7,560,123)	(10,174,888)
<b>At the end of the period</b>	<b>29,354,652</b>	<b>24,863,762</b>

The value of receivables established as guaranties is 81,805,531 lei.

**16. CASH AND CASH EQUIVALENTS**

**ANTIBIOTICE S.A.****EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**

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

Description	31.12.22	31.12.21
Available in the bank	1,718,889	2,101,648
Cash and cash equivalents	8,565	9,729
<b>Total</b>	<b>1,727,454</b>	<b>2,111,377</b>

**17. TRADE AND OTHER LIABILITIES****17.1 Trade and similar liabilities**

Description	31.12.22	31.12.21
Trade liabilities	60,937,998	66,324,369
Suppliers of assets	12,839,306	16,400,178
Employee-related liabilities	5,241,211	3,879,368
Other liabilities	1,116,573	139,650
Interest to be paid	81,217	248,216
Tax and social contributions	3,063,690	4,268,104
Dividends	2,494,502	3,774,337
Advance money for customers	292,894	3,168,066
<b>Total</b>	<b>86,067,391</b>	<b>98,202,288</b>

**17.2 Short-term provisions**

Description	31.12.22	31.12.21
Short-term provisions	6,679,335	3,853,530
<b>Total</b>	<b>6,679,335</b>	<b>3,853,530</b>

**18. AMOUNTS DUE TO CREDIT INSTITUTIONS**

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

Amounts due to credit institutions	Value on 31.12.2022
Amounts due in the short term	34.008.116 LEI
Amounts due in the long term	46.973.501 LEI

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

Objective	Credit line - working capital
Amount	55,000,000 LEI
Maturity	16.08.2023
Balance on December 31, 2022	23.216.842,04 LEI
Warranties	Mortgage contract for buildings, land/ Receivable assignment contract

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

Objective	Investment credit
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**ANTIBIOTICE S.A.****EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**

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

Amount	15,406,300 EUR
Maturity	02.05.2028
<b>Balance on December 31 2022</b>	<b>11,644,298.26 EUR ( 57,609,001.21 LEI )</b>
Warranties	Mortgage contract for buildings, land/ Receivable assignment contract

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

Amounts due to credit institutions	Value on 31.12.2021
Amounts due in the short term	87,163,549 LEI
Amounts due in the long term	57,617,153 LEI

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

Objective	Credit line - working capital
Amount	55,000,000 LEI
Maturity	16.08.2022
<b>Balance on december 31, 2021</b>	<b>47,370,807.68 LEI</b>
Warranties	Mortgage contract for buildings, land /Receivable assignment contract

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

Objective	Investment credit
Amount	15,406,300 EUR
Maturity	02.05.2028
<b>Balance on December 31, 2021</b>	<b>13.794.013,54 EUR ( 68.254.158,40 LEI )</b>
Warranties	Mortgage contract for buildings, land /Receivable assignment contract

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

Objective	Credit line - working capital
Amount	6,500,000 EUR
Maturity	22.05.2022
<b>Balance on December 31, 2021</b>	<b>29,061,697.74 LEI ( 5,873,304.45 EUR )</b>
Warranties	Contract of assignment of receivables

SC Antibiotice SA has not lodged guarantees and has not pledged or mortgaged its own assets to guarantee obligations in favour of a third party.

**19. SUBSIDIES FOR INVESTMENTS**

The subsidies for investments have the following structure:

**ANTIBIOTICE S.A.****EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**

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

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<b>Subsidies for investments</b>	<b>31.12.22</b>	<b>31.12.21</b>
Wastewater treatment plant	1,744,072	1,902,542
Research project-UMF Iasi	24,503	24,503
Other grants from European funds	327,614	423,551
Other grants from state budget funds	67,422	84,353
Other amounts received in the form of grants	-	31,642
<b>Total</b>	<b>2,163,611</b>	<b>2,466,591</b>

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

**20. LIABILITIES FROM CURRENT TAXES AND FEES**

<b>Description</b>	<b>31.12.22</b>	<b>31.12.21</b>
Liabilities from current taxes and fees	8,280,670	9,611,682
Deferred tax	30,871,210	31,483,086

**21. CAPITAL SOCIAL**

The subscribed share capital of the company on December 31, 2021 is 67,133,804 lei, the nominal value of a share is 0,1000 lei/share. Our company has a number of 671,338,040 shares which grant equal rights to the company's shareholders. SC Antibiotice SA has not issued preference shares to shareholders.

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

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

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

**ANTIBIOTICE S.A.****EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**

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

Reported loss result from the first application of IAS 29	197,701,352
Adjustments of the share capital-the first application of the IFRS	197,701,352

According to the Order 1690/2012 regarding the modifying and filling out of some accounting regulations, the accountable loss reported, coming from the transition to IFRS, from following for the first time of IAS 29, as well as the one resulting from the use, at the date of transition to the application of IFRS, of the fair value as deemed cost is covered from equity (including the amounts reflected in the account credit 1028 "Adjustments of the share capital"), according to the GMS decision, with compliance of the legal provisions.

**22. RESERVES**

The reserves include the following components:

Description	31.12.22	31.12.21
Reserves from the revaluation of fixed assets	132,338,377	135,893,766
Legal reserves	13,426,761	13,426,761
Deferred income tax recognized on equity	(21,174,138)	(21,743,000)
Other reserves	261,644,439	233,852,036
Reserves from current profit	30,523,566	25,302,090
<b>TOTAL</b>	<b>416,759,005</b>	<b>386,731,653</b>

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

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

**23. REPORTED RESULT**

The reported result includes the following components:

**ANTIBIOTICE S.A.****EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**

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

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Description	31.12.22	31.12.21
Reported result - a surplus from revaluation reserves	26,400,236	22,906,688
Result reported from error correction	-	-
The retained earnings arising from the use of fair value as deemed cost at the date of transition to IFRSs	123,147,695	123,582,341
The retained earnings from the adoption of IAS 29 for the first time	(197,701,352)	(197,701,352)
<b>Total</b>	<b>(48,153,421)</b>	<b>(51,212,323)</b>

**24. DISTRIBUTION OF PROFIT**

On December 31, 2022, S.C.Antibiotice S.A registered a net profit in amount of 38,513,427 lei, proposed for distribution as follows:

Description	31.12.22	31.12.21
Dividends	5,318,500	2,147,001
Other reserves	33,194,927	27,792,403
<b>Total</b>	<b>38,513,427</b>	<b>29,939,404</b>

The amount of 33,194,927 lei, representing other reserves provided by the law, is composed of:

- Fiscal facilities for the profit invested in technological equipment, electronic computers and peripheral equipment, cash registers, control and billing machines, as well as in software programs produced and/or purchased according to Art. 22 of the Fiscal Code in the amount of 30,523,566 lei;

- Fiscal facilities for research and development activities according to Art. 20 of the Fiscal Code in the amount of 2,671,361 lei;

The total dividends are in amount of 5,318,500 lei.

The gross dividend per share related to the financial year 2022 was established at 0.00792224 lei/share and it represents a rate of distribution of 13,8% from the net profit of the financial year 2022.

**25. PRESENTATION OF AFFILIATED PARTIES****25.1 - The nature of the relations with the affiliated parties**

For the purpose of presentation in the financial statements in accordance with the provisions of IAS 24, the company monitors the relations with the affiliated entities. During 2021 and 2022 the shareholder S.I.F. Oltenia acquired shares of the company, increasing the share held in the share capital of Antibiotice SA from 19.0465% to 27,0379% thus becoming an entity associated with significant influence. The shareholder S.I.F. Oltenia has two members in the company's Management Board.

**25.2 - Amounts owed and receivable from affiliated parties**

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**ANTIBIOTICE S.A.**

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**

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

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

**25.3 - Information on transactions with affiliated parties**

During the financial years 2021 and 2022, the company did not carry out commercial transactions with the associated entity.

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

**26. CONTINGENT LIABILITIES**

SC Antibiotice SA does not have contingent liabilities on December 31, 2022.

**27. ELEMENTS FOLLOWING THE REPORTING PERIOD**

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

**28. INFORMATION ABOUT THE AUDIT OF FINANCIAL STATEMENTS**

The financial audit for the financial year 2022 was carried out by SC SOCECC SRL. The auditor provided only financial audit services.

Accounting, Expertise & Accounting Consultancy Company  
SOCECC Ltd.

**INDEPENDENT AUDITOR'S REPORT**  
**on**  
**the INDIVIDUAL FINANCIAL STATEMENTS**

**drawn up by ANTIBIOTICE S.A.**

**for the FISCAL YEAR ended on**

**DECEMBER 31, 2022**

**- BUCHAREST-**

**- 2023 -**

**INDEPENDENT AUDITOR'S REPORT**  
**TO THE ANTIBIOTICE SHAREHOLDERS**

**Report on the audit of Financial Statements**

**Our opinion**

We audited the attached individual financial statements of ANTIBIOTICE S.A. ("The Company") with its registered office in Iași, 1 Valea Lupului St., tax identification number RO1973096, comprising the financial position statement as of December 31, 2022, statement of comprehensive income, statement of changes in equity and cash flow statement for the financial year ended on the above-mentioned date as well as a summary of the significant accounting policies and other explanatory notes.

The individual financial statements as of December 31, 2022 are identified as follows:

- Net assets/total equity: 641,430,601 lei
- Net profit of the fiscal year: 38,513,427 lei

In our opinion, the attached individual financial statements give a true and fair view, in all significant aspects, of the financial position of Antibiotice company on December 31, 2022, as well as of the financial performance and cash flows for the fiscal year ended on the above-mentioned date in accordance with the Order of the Minister of Public Finance (OMPF) no. 2844/2016 for approving the accounting regulations compliant with the International Financial Reporting Standards adopted by the European Union ("IFRS-EU").

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

**Key issues**

Key audit issues are those issues that, based on our professional judgement, had the greatest importance for auditing the financial statements of the current period. The following key

issue was approached in the context of the audit of the financial statements as a whole and in forming our opinion on them and we do not offer a separate opinion on this key issue.

### **Key issue – value of trade receivables**

Presentation value of trade receivables according to IFRS depends significantly on the calculation and estimation process of the trade discounts as well as on the process of estimating their recoverability. The company presented in the financial statements, in the explanatory note no. 4 - "Sales Income" the value of the granted trade discounts and, in the explanatory note no. 15 – "Trade and other receivables" the company presented the trade receivables in net value of 193 million LEI, adjusted with the estimated depreciation.

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

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

### **Other information – Management Report**

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

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

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

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

- In the Management Report we did not identify information that is not consistent in all significant aspects with the information presented in the financial statements as of December 31, 2022;
- The above-identified Management Report includes, in all the significant aspects, the information requested by OMPF no. 2844/2016 to the para 15-19 of the Annex no. 1;
- The Management Report does not include the non-financial declaration specified to the paragraphs 39-42 from OMPF no. 2844/2016 which will be subsequently presented in a separate report;
- Based on our knowledge and our understanding gained during the audit of the financial statements drafted on December 31, 2022 about the Company and its environment, we did not identify significant erroneous information presented in the Management Report;
- The Remuneration Report, identified above, includes, in all material respects, the information required by Article 107, para. (1) and (2) of Law 24/2017 (republished) on issuers of financial instruments and market operations.

### **Responsability of the management and other persons responsible for the governance related to the financial statements**

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

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

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

### **Auditor's responsibility**

Our objectives are to obtain reasonable assurance that the financial statements as a whole do not include material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. The reasonable assurance represents a high level of assurance but it is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement, if any. Misstatements can arise from either fraud or

error and are considered material if they reasonably can be expected, individually or cumulatively, to influence the users' economic decisions based on these financial statements.

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

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

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

## **Report on other legal and regulatory requirements**

We were appointed by the General Meeting of Shareholders held on April 9, 2020 to audit the financial statements of ANTIBIOTICE S.A. Iași for the fiscal years 2020 - 2022. The uninterrupted total duration of our commitment is 6 years, covering the financial exercises 2017-2022. We confirm that:

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

In the name of,

**Accounting, Expertise & Accounting Consultancy Company - SOCECC Ltd.**

headquartered in Bucharest, registered in the Electronic Public Register with the no. FA227 through Zegrea Laurențiu, registered in the Electronic Public Register with the no. AF2666

Bucharest, March 17, 2023

Accounting, Expertise & Accounting Consultancy Company  
SOCECC Ltd.

**INDEPENDENT AUDITOR'S REPORT**  
**On the compliance of the XHTML electronic format**  
**On the INDIVIDUAL FINANCIAL STATEMENTS**

**drawn up by ANTIBIOTICE S.A.**

**for the FISCAL YEAR ended on**

**DECEMBER 31, 2022**

## **Report on the compliance of the XHTML electronic format with the requirements of Delegated Regulation (EU) 2018/815 ("ESEF Regulation")**

We conducted a reasonable assurance engagement on the compliance of the individual financial statements of ANTIBIOTICE S.A. ("The Company"), presented in XHTML format, for the financial year ended on December 31, 2022, with the requirements of Delegated Regulation (EU) 2018/815 of the Commission on the regulatory technical standards regarding the specification of a single electronic reporting format ("ESEF Regulation"). According to these requirements, the electronic format of individual financial statements must be presented in XHTML format.

The purpose of these procedures consists in testing the consistency of the XHTML electronic format of the individual financial statements with the audited individual financial statements and expressing an opinion on the compliance of the electronic format of the company's financial statements for the financial year ended on December 31, 2022 with the requirements of the ESEF Regulation.

### **Specific purpose**

Our report has the exclusive purpose set out in the first paragraph of this report, and is prepared for informing the Company, BVB and ASF and will not be used for any other purpose. Our report should not be considered suitable to be used by any party seeking to acquire rights against us, other than the Company, for any purpose or in any context.

### **Responsibilities of management and of those charged with governance**

The company's management is responsible for compliance with the requirements of the ESEF Regulation when preparing the XHTML electronic format of the individual financial statements and for ensuring consistency between the electronic format of the individual financial statements and the audited individual financial statements.

The management's responsibility also includes the design, implementation and maintenance of internal controls they consider necessary for preparing individual financial statements in ESEF format that are free of material misstatements as reported in the ESEF Regulation.

The persons in charge of governance are responsible for overseeing the financial reporting process as regards the preparation of the individual financial statements, including the application of the ESEF Regulation.

### **Auditor's responsibility**

Our responsibility is to express a reasonable assurance opinion regarding the compliance of the electronic format XHTML of the individual financial statements with the requirements of the ESEF Regulation. We performed a reasonable assurance engagement in accordance with ISAE 3000 (Revised) "Assurance engagements other than audits or reviews of historical financial information".

These regulations require that we comply with the Code of Ethics and Independence Standards, plan and perform the assurance engagement so as to obtain reasonable assurance about the XHTML electronic format of the individual financial statements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an assurance engagement conducted in accordance with ISAE 3000 (Revised) will always detect a material misstatement relative to the requirements, if any.

We apply the International Standard for Quality Control 1 ("ISQC 1") and, accordingly, we maintain a robust quality control system, including policies and procedures documenting the compliance with relevant ethical and professional standards and requirements of the applicable legislation or regulations.

We meet the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including the International Standards on Independence) issued by the International Ethical Standards Board for Accountants (the "IESBA Code"), which sets out the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional conduct.

ISAE 3000 (revised) requires us to plan and carry out our engagement to obtain reasonable assurance about the extent to which the XHTML electronic format of the Company's individual financial statements is prepared, in all material respects, in accordance with ESEF Regulation. The nature, timing and extent of selected procedures depend on our judgment, including an assessment of the risk of material misstatements relative to the requirements of the ESEF Regulation due to either fraud or error.

## **Procedures**

The objective of the procedures we planned and carried out was to obtain reasonable assurance that the XHTML electronic format of the individual financial statements is prepared, in all material respects, in accordance with the requirements of the ESEF Regulation. In carrying out our assessment on the compliance with the requirements of the ESEF Regulation of the XHTML electronic format for the reporting of individual financial statements of the Company, we maintained our professional skepticism and applied the professional judgment. Also:

- we obtained an understanding of the internal control and processes related to the application of the ESEF Regulation regarding the Company's individual financial statements, including the preparation of the Company's individual financial statements in XHTML format;

- we tested the validity of the applied XHTML format;

- we verified if the XHTML electronic format of the individual financial statements corresponds to the audited individual financial statements.

We believe that the evidence we obtained is sufficient and adequate to form the basis for our opinion.

### **Conclusion on the compliance of the XHTML electronic format with the requirements of the ESEF Regulation**

Based on the performed procedures described above and evidence obtained, the XHTML electronic format of the individual financial statements is drawn up, in all significant aspects, in accordance with the requirements of the ESEF Regulation.

### **Other aspects**

On March 17, 2023, we issued the Statutory Audit Report on the Individual Financial Statements of ANTIBIOTICE S.A. comprising the Financial Position Statement as of December 31, 2022, Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year ended on the above-mentioned date, as well as a summary of significant accounting policies and other explanatory notes. At the date of issuance of the Statutory Audit Report, the XHTML electronic format of the Individual Financial Statements was not available.

In the name of,

**Accounting, Expertise & Accounting Consultancy Company - SOCECC Ltd.**

headquartered in Bucharest, registered in the Electronic Public Register with the no. FA227 through Zegrea Laurențiu, registered in the Electronic Public Register with the no. AF2666

Bucharest, March 27, 2023

Report date: **27.04.2023**

Name of issuing company: **Antibiotice SA**

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

E-mail: **[relatiicuinvestitorii@antibiotice.ro](mailto:relatiicuinvestitorii@antibiotice.ro)**

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

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

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

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

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

### **Notice of availability - 2022 Annual Report**

*Antibiotice Iași* informs the investors that the **Report at 31.12.2022**, is available through the *Bucharest Stock Exchange Financial Surveillance Authority* as well as through its website: [www.antibiotice.ro](http://www.antibiotice.ro) (Investors/Financial Information /Annual Report 2022).

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

General Director,  
*ec. Ioan NANI*

Financial Director,  
*ec. Paula-Luminița COMAN*