

MANAGEMENT REPORT

Q1 2023

Quarterly Report according to: IFRS

Report Date: 12.05.2023

Name of the trading company:

ANTIBIOTICE S.A.

Head Office:

Iasi, 1 Valea Lupului St.

Phone number:

0232/209000, Fax 0232/209633

Fiscal registration code:

RO1973096

Order number in the Trade Register:

J22/285/1991

Regulated market on which the issued securities are traded:

Bucharest Stock Exchange

Subscribed and paid up capital:

67,133,804 LEI

Main characteristics of the securities issued by the trading company:

Nominative shares, nominal value: 0.10 LEI

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Antibiotice - a performance-oriented company

Antibiotice S.A. on 31.03.2023

- has achieved market sales (sell-out) of 130,1 million lei, an increase of 21,0% compared to the first quarter of 2022
- gross profit plus the value of the claw-back tax consolidates a 19,7% return on business
- has achieved a 29% higher rate of exports compared to the planned value
- will benefit from the expertise of the European Investment Bank (EIB) in the planning process of the future strategy for 2030

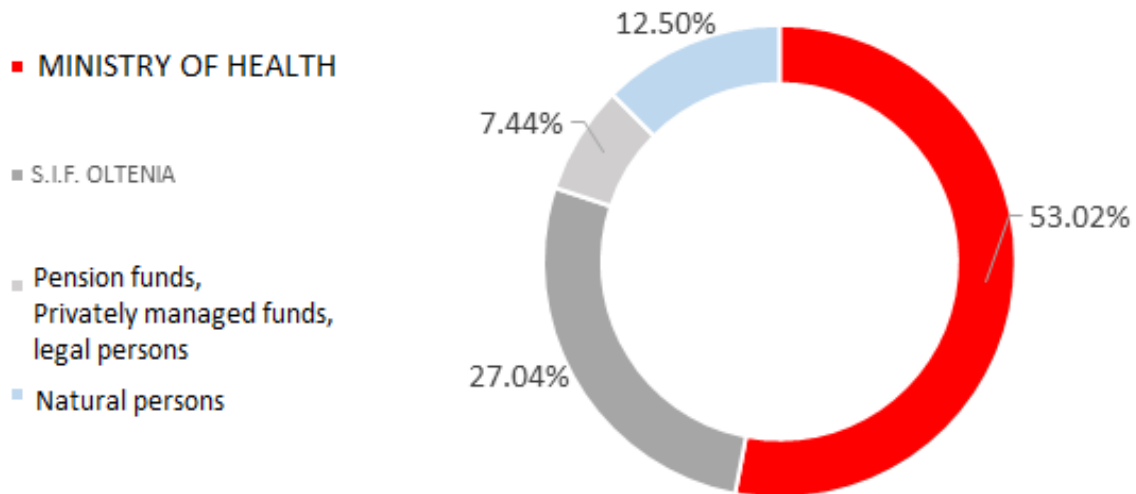
Antibiotice S.A. will benefit from the expertise of the European Investment Bank (EIB) in the process of planning the future strategy for 2030. The consultancy agreement, awarded in the form of a grant, has been signed and will be implemented by the EIB through its own experts as well as contracted expertise. The EIB is the European Union's financing institution, created under the Treaty of Rome in 1958 to provide long-term financial assistance for projects supporting European integration.

Thus, according to the Consultancy Agreement, Antibiotice S.A. will receive from the EIB Group *"advice on capacity building and growth opportunities for the period 2023-2030. For this purpose, an external consultant, together with EIB experts, will work with the company in:*

- (1) evaluating the portfolio expansion possibilities offered by pharmaceutical markets. The consultancy will consist of providing Antibiotice S.A. with a good understanding of the different ways of expansion, which could include either portfolio repositioning, product label expansion, new product formulations, incorporation of new generic medicines or new R&D projects to create differentiated, high value (generic) products;*
- (2) identification of best practices used in the pharmaceutical industry for the organisation and expansion of industrial processes in order to improve current profitability;*
- (3) provision of an overview of trends in the sector in terms of partnerships, either with companies in the pharmaceutical value chain or with complementary technology portfolios or platforms to identify potential development opportunities, in line with national and international regulations."*

In the coming period, the Antibiotice S.A. team, together with the EIB contract team, will work on defining the expected results and drafting the terms of reference for the selection of external experts.

Antibiotice S.A. has been listed on the Bucharest Stock Exchange under the symbol ATB, in the Premium category, since 16 April 1997.



Shareholding structure as of 31.03.2023:

- MINISTRY OF HEALTH (*) - 53,02%
- SIF OLTENIA (*) - 27,04%
- Legal Entities and Individuals - 19,94%
 - of which:
 - Pension Funds, Private Managed Funds, Legal Entities - 7,44%
 - Individuals - 12,50%

Classes of shareholders:

- Legal entities: 87,5210%
- Individuals: 12,4790%

Strategic adjustment of human resources

The strategic adaptation of human resources involves the development and implementation of strategies to motivate and retain valuable employees and to attract new talent, in line with labour market trends.

Performance indicators	MU	Planned Quarter I 2023	Achieved Quarter I 2023	Achiev/Plan Quarter I 2023
Average number of hours of continuous vocational training/employed	No.	12	12.82	106.80%
Average number of employees/year	No.	1350	1344	100.45%
Average monthly income/employee* (net €)	euro	950	953	100.32%
Labour productivity**	thousand lei	115	126	109.57%
Government social policies***		100%	100%	100%

*determined based on of the company's payroll expenses

**determined as operating revenue/average number of staff

***ensuring diversity in the organizational climate - equal opportunities, gender equality, employee health assessment

Implementing modern human resources management, by:

1. Analysis and redefinition of organizational structures within the company, adapted to modern HR principles, correlated with the need for business growth in the perspective of 2025-2030, as well as market trends or other legal regulations, within which:
 - the recruitment plan for 2023 was consolidated and agreed
 - 22 employees left in January-March 2023 with 14 voluntary departures, a voluntary staff fluctuation of 1,04%.
2. Adapting motivational packages in order to attract and retain valuable employees (key functions) and to increase retention rates:
 - staff retention (strategic retention), for the first quarter of 2023, was estimated at 90% and was achieved at 98%.
 - the average number of staff achieved is 1344, the planned level is 1350
 - the average net income for the first 3 months is 953 euro, compared to a planned 950 euro.
3. Management of employees' careers and succession plans/staff reserves, in which career plans structured by job categories were developed in order to motivate employees, according to standardized criteria, with the following summarized work steps:
 - career planning at organisational level in the medium and long term
 - career planning at individual level (according to individual interests and skills)
 - integration of organisational needs and individual career plans
 - implementation of career plans based on current skills assessments
 - assessment of progress made in individual careers
4. Running training and competence development programs for employees, with the following specific actions:
 - For Q1 2023, an average of 12 hours of professional training/employee was planned and 12,82 hours/employee were completed, including hours of training in areas where there are legal training requirements, hours of professional training with internal lecturers, hours of professional development with external providers and hours completed on the eLearning platform.
 - **The "Digital Competences" training project**, financed by European funds, for 22 employees.
 - **Project training managerial team**, in which a total of 71 employees were trained in the first quarter.
 - **Training project for the marketing and sales team** - started in the first quarter for 37 employees, will continue throughout 2023 with topics and programs adapted to each type of activity.
 - **Training project with internal lecturers under the a+ Academy**. The project aims to increase the skills of all employees with active roles in business development and to achieve a common mindset across all activities. The project will be implemented through the two components of the a+ Academy:
 - in the Business School - accounting and management courses, economic analysis, courses for sales and market analysts, courses for product managers, medical advisory, portfolio managers "from molecule to market"
 - within the Technical College a+ - courses on professions and technical specializations

- During the first quarter, the organisational aspects of the topics, lecturers, training spaces were established, and the programme will start in April 2023.
- **eLearning platform project** - in the first quarter 170 active users were registered, with a total number of 208 hours of online training. The platform also created the conditions for uploading materials produced by internal lecturers (10 new materials). The next catalogue of courses provided by the platform administrator will be available from the second quarter of 2023.

5. Promoting the Academia a+ platform as a knowledge management tool in the company

Specific actions:

- **a+ Academy** comprises two components: a+ Technical College and a+ Business School, aimed at attracting and continuously training employees and internal qualification for acquiring competences specific to the company's field of activity.
- The activities of the **a+ Academy** are aimed at establishing new partnerships with the academic environment, developing the INOVA a+ project, running selection and on-the-job qualification programmes, induction and career management programmes.
 - **Collaboration with the university environment** has materialized through:
 - Signing collaboration protocols with 5 academic institutions in Iasi: University "Al.I.Cuza", University of Medicine and Pharmacy "Gr.T. Popa", Technical University "Gh. Asachi" and "Ion Ionescu de la Brad" University of Life Sciences, Petru Poni Institute
 - participation in events organized in partnership with the Faculty of Chemistry and the Faculty of Chemical Engineering and Environmental Protection for the promotion of the company and career guidance of young graduates
 - **Collaboration with the pre-university environment** included:
 - Educational visit programmes run during the "Different Week" for 270 pupils from theoretical and vocational education - this programme will continue during the second term.
 - 25 students are included in the dual education project with two educational units: Petru Poni High School (15 students with specialization in chemical operators) and Mechatronics and Automation High School (10 students with specialization in low voltage electrician). The three-year cycle of education will end in the second quarter of 2023 with the professional certification exam.
 - initiating new collaborations with pre-university education units for projects to attract and train specialists in the fields targeted by Antibiotice - "Gheorghe Marzescu" Technological High School of Electronics and Telecommunications, "Mihail Sturdza" Technical College, Technological High School of Transport and Construction.
- Within the a+ Technical College, the second edition of the multidisciplinary professional training program was launched for a maximum of 34 candidates attracted from outside the company, who will be trained for the positions of pharmaceutical production flow operator, laboratory technician, automation technician, maintenance mechanic and repair of production site equipment.

Modernization of the organisational culture, by:

1. Optimizing the organizational climate and orienting the organizational culture towards innovation and performance.

2. Increasing the information and awareness of employees, as well as their involvement at all levels of the organisational structure through specific actions.
3. Implementation of programmes on optimising the organisational climate, linked to studies to monitor the organisational culture through specific actions.

Strategic adjustment of the product portfolio

Portfolio Management

The expansion of the product portfolio contributes to the development of Antibiotice on the domestic and international markets, through **its own research and development activity**, as well as through the assimilation of new products through **business development** (in-licensing contracts), in line with current therapeutic trends.

The products in the current portfolio are closely monitored, with actions being taken to adapt them to national requirements and international regulations, by analyzing therapeutic trends, medical guidelines, new efficiency and safety studies.

The current portfolio includes 157 products in 11 therapeutic classes and is composed of:

- generic medicines for human use (prescription medicines - RX and non-prescription products - non-RX);
- dietary and dermatocosmetic supplements;
- a range of active substances based on biotechnologies derived from streptomycines noursei for pharmaceutical use, detailed in compacted nystatin, micronized nystatin and standard nystatin;
- veterinary medicinal products;
- biocidal products for surface and hand disinfection;
- biofertilizers.

The RX product portfolio is identified with the main therapeutic classes: anti-infective class - including medicines for the treatment of tuberculosis, Cardiovascular class, Digestive tract and metabolism class, Dermatology class.

The non-RX, self-medication portfolio is represented by products in the OTC medicines, dietary supplements, dermatocosmetic products and medical devices categories. These are intended for health maintenance, prophylaxis or as adjuvants in certain high incidence conditions.

Non-Rx products have been grouped into 4 portfolio concepts, defined mainly by their target audience: Nutriensa, Derm A+, Cold & Flu and Quality of Life - Family Health and Women's Health products.

Oral Solid Forms Division

The portfolio of oral solid forms comprises 67 products, with 2 new products being introduced in the first quarter **Equilibra plus tablets**, a food supplement with a complex combination of organic magnesium (magnesium bisglycinate and magnesium malate) and vitamin B6, which contributes to restoring the body's energy level and the normal functioning of the nervous system, as well as **Remiflu granules for oral solution in sachet**, an OTC medicine containing a triple combination of paracetamol, chlorpheniramine maleate and ascorbic acid, indicated for the relief of the main symptoms of colds and flu.

The main directions on which the analysis of the current portfolio of the **Oral Solid Forms Division** was focused in the first quarter of 2023 were aimed at identifying ways to make the current portfolio more efficient through actions to secure projected sales and identify growth opportunities. The following main types of actions were identified:

- actions with a positive impact on profitability (price repositioning, change of packaging, repositioning of commercial policy);
- line extensions, other new product proposals (in the context of promoting a complete range per indication);
- market analysis to identify opportunities for assimilation of new products (class consolidations according to development directions);
- actions to increase sales (projects);
- assessment of the products' potential for internationalisation.

Alignment with legislative requirements:

- ban on the use of titanium dioxide capsules for food supplements - manufacturing test phase and notification dossier with the new type of capsules
- Analyses of compliance with the limits set for nitrosamine concentrations - analyses were carried out according to the methods set out in the plan and risk assessment analyses for the occurrence of nitrosamines were also completed.

The strategy of uptake of new non-prescription products complements the concepts of Nutriensa, Cold and Flu, Quality of Life - Family Healthcare, with the aim of adapting to the growing needs of the target audience. At the same time, new product proposals were supported to strengthen the prescription portfolio by complementing the Nutriensa and J-Class (Systemic Anti-infectives) and M-Class (Muscular and Osteoarticular System) concepts.

Topical Forms Division

The topical product portfolio comprises 56 products, with 3 new products being assimilated in the first quarter, which form a new line of dermatocosmetic products, **Tinero® AZ**, intended for the care of rosacea skin from A to Z and consisting of 3 products - **cleansing foam, moisturising cream with sun protection factor and serum**, with azeloglycine - a salt with a superior emollient capacity - as the main ingredient, in combination with hyaluronic acid, dipotassium glycyrrhizate, vitamin E, squalane and plant extracts. The new line contributes to the development of the dermatocosmetic product offer, a market segment for which Antibiotice aims to become one of the first choices among Romanian brands by 2030.

The Topical Products Division's portfolio includes human medicines, veterinary medicines, dermatocosmetic products and biocidal products. The human medicinal products are both prescription (RX) (significant share) and non-prescription (non-RX) and cover the following therapeutic classes: dermatological disorders, muscle and osteoarticular disorders, venous disorders, ocular disorders, genito-urinary disorders, digestive tract disorders, analgesic-antipyretic products and skin care products. The product portfolio of this division also includes ointment-type veterinary medicines used in the most common infectious diseases.

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

Within the topical forms division, the necessary actions have been established in order to translate the company's business objectives into a portfolio strategy that provides predictability and a correct allocation of investment efforts in the perspective of 2030.

Thus the Topical Forms Division's portfolio development strategy has two main directions:

- maximizing the potential of the products in the current portfolio on international markets, identifying opportunities for securitization and growth on the domestic market;
- Identifying and analyzing opportunities to assimilate new products, in attractive markets in terms of business potential, in line with the development directions of the portfolio and positive impact in maintaining the market leadership in the ointments segment, but also ensuring optimal profitability and return. Emphasis was placed on increasing the share of non-prescription products to reduce the impact of the claw-back tax on profitability, strengthening the prescription portfolio on pathologies with increasing incidence, range extensions and new brand development.

The non-RX products aim at strengthening the main concepts of the Derma+ portfolio, Quality of Life - Women's Health and Family Healthcare, in order to ensure a product structure adapted to the new consumer trends, on different target audiences. All these actions are also aimed at ensuring an optimal production structure for the new ointment-suppository section in the coming years.

Sterile & Active Substances Division

The Sterile & Active Substances Division's **current injectable portfolio** comprises 39 products for human use, of which:

- 37 prescription products from therapeutic class - Systemic anti-infectives (19 products from penicillin B-lactam class, 10 cephalosporins, 4 carbapenems, 1 polymyxin, 1 tetracycline, 2 glycopeptides);
- 2 over-the-counter (OTC) products - no medical prescription.

In the first quarter the current injectable portfolio was expanded with two anti-infective products: **Vancomycin 1g and Vancomycin 500mg**.

The future injectable portfolio, as part of the company's strategy, will include both anti-infective products as well as products from other therapeutic classes complementing the experience on other pharmaceutical forms and which may present continuity with injectable forms. New products have therapeutic benefits that can be combined with other medicines in therapeutic regimens. **The future injectable portfolio**, as part of the company's strategy, will include both anti-infective products as well as products from other therapeutic classes complementing the experience on other pharmaceutical forms and which may have continuity with injectable forms. New products have therapeutic benefits that can be combined with other medicines in therapeutic regimens. The future portfolio will strengthen the leading position in the domestic market in the sale of injectable products. The molecules have addressability in sales to domestic and international markets with experience in medical practice and growing demand, present in emergency therapeutics or health maintenance.

The development of a products portfolio by integrating the range of active substances based on biotechnologies derived from streptomycines noursei for pharmaceutical use, detailed in compacted nystatin, micronized nystatin and standard nystatin, is one of the strategic directions of the portfolio development.

A project is currently underway to develop a new product with the integration of nystatin in the composition and 4 new products are under evaluation to identify opportunities to be introduced in the future portfolio.

The development of **the biocides portfolio** is structured as follows:

- a. **Current portfolio:** with 2 biocidal products with applications in the medical and non-medical fields - the products have all the approvals for commercialization in the two market segments, and product optimization actions are currently being evaluated to ensure commercial advantages especially for the hospital segment.
- b. **Future portfolio:** new biocidal products - high-level disinfectant exclusively for use in the medical field - are being evaluated for introduction into the portfolio. Three other products are under evaluation in order to expand the portfolio by 1 product/year, in line with market requirements.

The **development of a portfolio of biofertilizer products** has been started, and in this respect, testing/optimization actions of Ecofertil and Azotofertil have been initiated. The products have been tested in partnership with different farmers, testing will continue between October 2022 and October 2023 in order to ensure complete information on the use of the products according to different conditions of use (climate, soil, crops). The products will be promoted to farmers to be known as an alternative in the use of biofertilizers and will be available for commercialization at scale from November 2023.

For the **development of the portfolio of veterinary products**, documentation actions have been initiated in this regard and a market analysis has been carried out, proposing a series of collaborative actions with specialists in the field, as well as the evaluation of some portfolios in order to identify the development strategy for this type of products.

Promotion activity

The promotion of products from the Antibiotice portfolio is a priority activity of the company's long-term development strategy, being achieved through:

- strengthening partnerships with health professionals through promotional actions;
- identifying new consumers for the products in the portfolio through screening programmes;
- identification of prescribing habits and treatment behaviours of physicians through testing programmes;
- promotional partnerships with pharmacy chains in their catalogues for the non-RX product portfolio;
- accessing alternative promotion channels: online, TV, e-commerce - partner pharmacies for non-RX products.

Research and development

The main objective of the research department is to develop medicines to expand the company's portfolio.

These medicines are from the sphere:

- generic medicines, so that once they enter the portfolio, Antibiotice can offer patients the chance to benefit from quality treatments at affordable prices, promoting the efficient allocation of budgetary resources in the Romanian healthcare system;
- generic medicines that have unique combinations - from the categories: topical products, tablets, capsules, sterile products.

In addition to generic medicines, in the established pharmaceutical forms, research activities are also oriented towards other product categories, such as dietary supplements, medical devices and cosmetics, products that, in line with the medium and long-term strategic development directions, complete the company's portfolio.

New product R&D and/or product update projects for internationalisation are multi-annual projects.

In 2023, 24 new product projects are continued from the previous year, divided by company divisions, as follows:

- Topical Products Division - 13 products, divided by product type: 6 cosmetic products, 4 medical devices, 2 OTC products and 1 RX product;
- Solid Oral Products Division - 9 products, of which 7 products in tablet form (2 RX products, 1 OTC product and 4 dietary supplements) and 2 products in capsule form (1 RX product and 1 dietary supplement);
- Sterile Injectables and Active Substances Division - 2 RX products, an injectable and an oral suspension.

In addition to these projects listed above, in 2023 there will be started:

- 3 new product projects for the Oral Solid Products Division, two dietary supplements and one RX product;
- 6 dermato-cosmetic product projects for the Topical Products Division.

Alongside the new product projects, in 2023 actions are being carried out to support the internationalization process for 7 products in the company's portfolio:

- 2 topical products;
- 5 sterile injectable products.

Special attention is given to the range of active substances based on biotechnologies derived from streptomycines noursei for pharmaceutical use, detailed in compacted nystatin, micronized nystatin and standard nystatin, for this product from the portfolio taking place every year actions necessary actions to consolidate the leading position on the world market.

The research activity continues in 2023, the nitrosamine risk analysis project for the products in the company's portfolio, taking into account the requirements of the authorities, at national and international level, these analyses being necessary to keep the various products on the market.

In 2023, the Clinical Trials Centre, which is an integral part of the Research Department, is conducting the phases of two clinical trials for topical products (1 RX product and 1 OTC product) and 3 bioequivalence studies for 3 oral solid products (3 RX products). An observational (post-marketing) study of a topical product in the company's portfolio is also underway this year to support market promotion of generic products with unique combinations.

The research activity for the Biofertilizers portfolio component in 2023 is focused on the completion of the field testing phases of two products in this category developed in-house. These testing phases will aim to highlight the qualitative advantages of our products.

Of the portfolio of new product projects under research in 2023, as presented above, various stages of research were completed in Q1 as follows:

- for the Topical Products Division - milestones for 12 products out of the 13 planned at the beginning of the year (6 cosmetics, 4 medical devices, 1 OTC and 1 RX product);

- for the Oral Solid Products Division - milestones related to all 9 new product projects (3 RX products, 1 OTC product and 5 dietary supplements);
- for the Sterile Injectables and Active Substances Division - milestones related to 2 planned new product projects (2 RX products - an injectable and an oral suspension).

The Clinical Trials Centre ran in the first quarter of 2023 study phases for:

- Solid Oral Products Division - 3 new product projects;
- Topical Products Division - a new product project (RX), a product with APP in Romania to support its internationalization process (OTC) and a product with APP to support its promotion (RX).

In the first quarter of 2023, actions were taken to support the internationalization process for 4 injectable products and 2 topical products and also actions were taken to support the portfolio in terms of risk analysis for the development of nitrosamine impurities and actions to continue the development of new analytical methods for the active substance Nystatin.

In the first quarter of 2023, the necessary steps have been taken to carry out efficacy studies in the field for the biofertilizer product: Ecofertil, experiments are underway.

Business Development Activity

In order to meet the needs of the healthcare system in Romania, as well as in the countries where we plan to increase Antibiotice's presence, we are continuing our portfolio development program through in-licensing projects. In Q1 2023, 8 products have been contracted of which 4 oral anti-infective products, 3 digestive tract products, 1 product for the treatment of colds and flu. For these products registration procedures are initiated to obtain marketing authorisations.

Of the 34 products contracted in the period 2021 - 2022, 7 products are already on sale starting 2023: 3 oral anti-infective products, 1 product from the cold and flu concept that we have in development and 2 dermatological products to develop the Tinero AZ umbrella brand. Also, by the end of 2023, we are preparing to launch at least 6 products to complement the oral anti-infectives portfolio and the Cold and Flu portfolio.

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

Ensuring product quality, reducing quality incidents, incidents of any kind with repercussions on people's health, the environment, is the main ethical, moral and professional concern of the company.

During 25-27.01.2023 the inspection of the National Agency for Medicinal Products and Medical Devices of Romania took place in order to recertify **GCP-GLP the Bioanalytical Laboratory** of the Clinical Studies Centre.

On 02.02.2023, Antibiotice received the **operating permit** no. 8680/30.01.2023 from ANMDMR as a **distributor of medical devices**.

On 03.02.2023 ANMDMR agreement no. RO_IFA_01/2023 was issued for the registration of the unit as **manufacturer, importer and distributor of active substances** to be used as raw materials for medicinal products for human use.

During 27-28.02.2023 the National Sanitary Veterinary Authority inspection for **Good Manufacturing Practice recertification** took place for the streams: sterile veterinary products (injectables and ointments) and non-sterile veterinary products (ointments).

In order to develop and sustain business partnerships, the qualification of strategic suppliers sources has been planned and prioritized for 2023 with a view to: conducting supplier audits (online or onsite), respectively the elaboration of Quality Agreements.

Audits were carried out on suppliers of raw materials/primary packaging materials/finished products, the audits were concluded without identifying critical non-conformities and they were accepted as approved suppliers for Antibiotice.

A total of 30 quality agreements have been initiated/evaluated/being evaluated/finalised with the manufacturers of active substances, finished products and the range of active substances based on biotechnologies derived from streptomyces noursei for pharmaceutical use, detailed in compacted nystatin, micronized nystatin and standard nystatin.

Responsibility towards the environment

The environmental protection activity manages the prevention of pollution and the continuous improvement of environmental performance, acting to meet the requirements of environmental legislation.

In the first quarter of 2023, **the Water Management Authorization** no. 20/30.03.2021, issued by the Prut Barlad Water Basin Administration, as well as **the Integrated Environmental Authorization** no. 3/29.09.2021, issued by the Iasi Environmental Protection Agency, were maintained, according to the Decision no. 436/28.08.2022 for annual approval.

Environmental protection regulatory acts have also been obtained for the various projects implemented under the investment plan.

Information on environmental issues at the company level was communicated to the institutions with specific attributions, and all the reports required by the authorizations held were made, according to legal requirements.

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

To **monitor the quality** of the environmental factors, analyses of the quality of the water entering the pre-treatment plant and discharged into the municipal sewage system were carried out in our own laboratory and by third parties. For emissions/emissions of pollutants into the air, determinations were carried out, as required by the Integrated Environmental Permit, during the first quarter of 2023 (internal self-monitoring, through own laboratory).

No exceedances of the maximum allowable concentrations set by the Integrated Environmental Authorization and the Water Management Authorization **were recorded**.

Antibiotice is a **responsible company in terms of protecting the environment** and proactively ensuring compliance with product safety requirements, so steps have been taken to carry out odour emission determinations by authorised entities, to be continued in future stages. At the same time, an equipment has been installed and put into operation to reduce/eliminate unpleasant odour emissions related to some manufacturing stages (the action is ongoing and the effectiveness of the approach taken will be evaluated).

In order to integrate the **climate change** issue into the business risk assessment and the development of the company's strategy in this area, a consultancy contract is being developed to provide support in calculating the carbon footprint of the activities

carried out. A decarbonisation strategy is being developed with clear objectives and targets.

Waste management

Antibiotice has **implemented a selective waste collection system**, the entire platform is equipped with appropriate containers for collection.

Recyclable waste was recovered on the basis of contracts with authorised economic operators. Non-recyclable waste was incinerated in the company's own plant or disposed of by storage at the municipal waste landfill by authorised operators.

The overall targets for the recovery of packaging waste for products placed on the national market have been met through the extended producer responsibility service contract with the authorised OIREP (Organisations Implementing Extended Producer Responsibility Obligations). Antibiotice S.A. does not register any outstanding payments to the Environmental Fund Administration.

The legal requirements specific to the waste management field have been met, the **internal waste audit** corresponding to the year 2022 has been carried out, and the **Programme for the prevention and reduction of the quantities of waste generated from the company's activity** is being developed.

Health and safety at work

In order to comply with the legislative provisions regarding the protection of employees' health, in the first quarter of 2023 the Prevention and Protection Plan 2023, the Annual Training Program in the field of Health and Safety at Work, the Annual Program for Periodic Medical Examination, the Annual Program for Monitoring Exposure to Hazards were drawn up.

Within the company, all employees are informed and receive training on occupational health and safety on a regular basis, depending on the specifics of each activity they perform.

A total of 276 regular occupational medical check-ups were carried out by occupational medicine doctors, with no persons identified as medically unfit.

As we are responsible for our employees, regular screenings take place to identify chronic diseases. During the reporting period, a screening for breast cancer took place in collaboration with the Regional Institute of Oncology Iasi, through the Oncofem Project - Be responsible for your health! Prevention, detection, diagnosis and early treatment of breast cancer. The screening was addressed to Antibiotice employees over 50 years old.

Performance management

Evolution of the pharmaceutical market in Romania¹

In the first quarter of 2023, the value of medicines dispensed to patients in Romania was 7.051,33 million lei (at dispensing price), an increase of 16,9% compared to the same period of 2022. The consumption of medicines increased by 3,8% in the first quarter of 2023, with a total of 185,38 million boxes being dispensed from pharmacies.

Evolution of the generic prescription and non-prescription pharmaceutical market

Of the total pharmaceutical market in Romania, 46.1% (in value terms) is represented by the generic prescription and non-prescription segment. The generics market registered a value increase of 13,9% from 2.856,6 million lei to 3.253,8 million lei during the period under review. In terms of quantity, it recorded an increase of 2,4%, with

¹ According to CEGEDIM Sell Out Romania data source March 2023

137,6 million boxes being dispensed from pharmacies in the first quarter of 2023 compared to 134,3 million boxes in the first quarter of 2022.

Prescription medicines (RX) account for 40,9% of total value sales in Q1 2023 and 47,2% of total generic consumption (reported in packs). These register a 16,4% increase in value during the period under review, from 1.144,4 million lei in Q1 2022 to 1.331,6 million lei in Q1 2023 and a 5.4% increase in quantity from 61,7 to 65,0 million boxes.

Non-prescription medicines (OTC) registered a value increase of 12,3% (from 1.712,2 million lei in Q1 2022 to 1.922,2 million lei in Q1 2023) and a slight decrease in consumption of -0,1% (from 72,7 million boxes in Q1 2022 to 72,6 million boxes in Q1 2023).

By **market segment**, the market sales situation is as follows:

- **In hospital**, sales increased by 14,7%, from 223,3 million lei in Q1 2022 to 256,1 million lei in Q1 2023. In consumption, an increase of 14.,4% from 5,2 to 5,9 million cans was recorded in the period under review.
- **National chains**, sales increased by 10.3%, from 1.054,0 million lei in Q1 2022 to 1.162,1 million lei in 2023. Quantitatively, there was a slight decrease of -0,1% compared to Q1 2022, from 51,09 to 51,06 million boxes.
- **independent pharmacies and mini-pharmacies**, sales increased by 16,2%, from 1.579,4 million lei in Q1 2022 to 1.835,6 million lei in Q1 2023. Quantitatively, there was an increase of 3,2% in Q1 2023 compared to Q1 2022, from 78,0 to 80,6 million boxes.

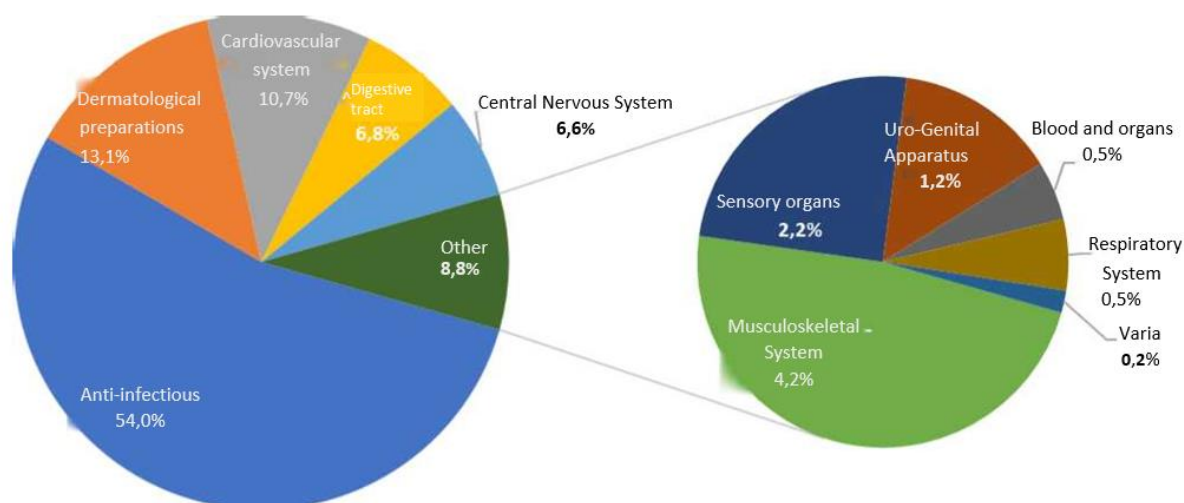
Antibiotice in the Romanian pharmaceutical market

In the first quarter of 2023 on the domestic market, Antibiotice S.A.:

- achieved market sales (sell-out) of 130,1 million lei, an increase of 21,0% compared to the first quarter of 2022
- ranks 4th in consumption (boxes) in the generic prescription and OTC segment (5,8% market share);
- is the quantitative leader (indivisible unit) in the total market for ointments (21,7%), suppositories and ovules (37,8%) and injectable powders (57,2%)
- is the quantitative leader (boxes) in the total market for pharmaceutical capsules (12,27%);
- is the value leader in the segment of generic prescription and OTC medicines sold in hospitals, with a market share of 13,6%.

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

Antibiotic - value share of sales by therapeutic class 1st quarter 2023



Prescription medicines (RX) account for 85.2% of total value sales in Q1 2023 and 86.7% of total medicine consumption (reported in boxes). They register a 22.0% increase in value during the period under review, from 90,8 million lei in the first quarter of 2022 to 110,9 million lei in the same period of 2023 and a 24.3% increase in quantity from 5,6 to 7,0 million boxes.

Over-the-counter (OTC) medicines recorded a value increase of 15.5% (from 16,7 million lei in the first quarter of 2022 to 19,3 million lei in the same period of 2023) and a relatively constant consumption of 1.1 million boxes.

By **market segment**, Antibiotic sales are as follows:

- **In hospital**, sales increased by 5.3%, from 33,2 million lei in the first quarter of 2022 to 34,9 million lei in the same quarter of 2023. Consumption in cans recorded in this segment was relatively constant at 0.4 million boxes.
- **national chains**, value sales increased by 14.2% in the first quarter of 2023 compared to the same period last year (from 27,8 million lei to 31,7 million lei). The number of boxes dispensed from pharmacies increased by 7.2% to 2.6 million boxes in the first quarter of 2023.
- **Independent pharmacies and mini-pharmacies**, value sales increased in the first quarter of 2023 by 36.3% compared to the same period last year (from 46,6 million lei to 63,5 million lei). The number of boxes dispensed from pharmacies increased by 30.0% (from 3.9 million boxes to 5.0 million boxes).

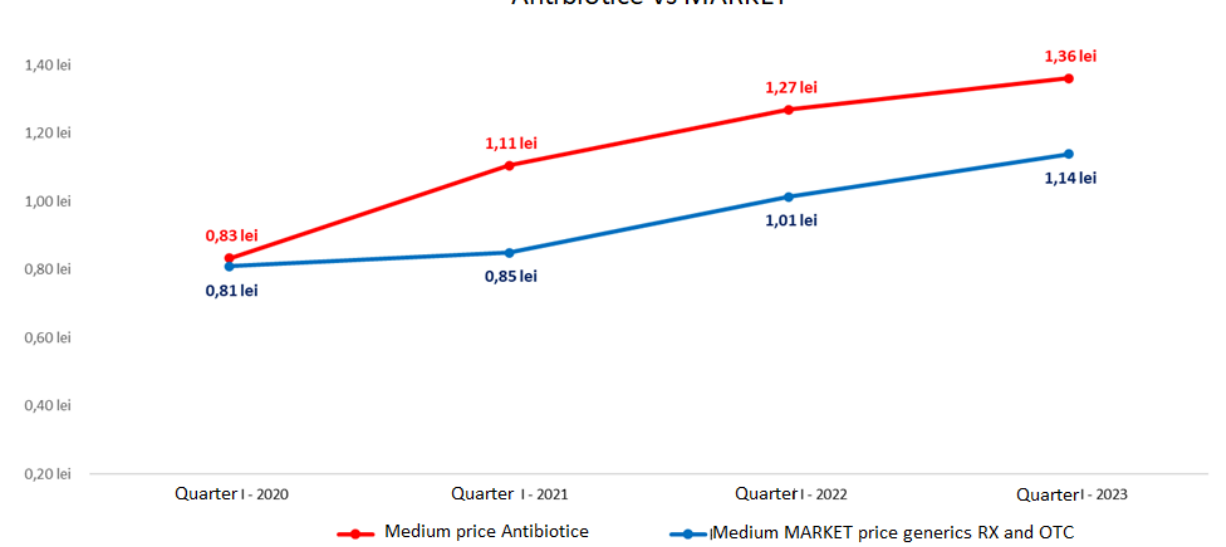
In the first quarter of 2023, Antibiotic's promotional activities led to the consolidation of quantitative market shares for the promoted brands: Fluxiv® CR, Saliform Forte®, Zifex Complex® ovules, Zifex Duo® ovules, Aceclofen® sup, Eficef® cps, Perasin® inj, Ertapenem ATB inj, Tigecycline ATB.

Price as a strategic element of market adaptation

The average **market price of generics and OTCs** in Q1 2023 was 1,14 lei/undivided unit, up 12.3% compared to the same period last year (1,01 lei/undivided unit). At the level of sales channels, the price structure is as follows: on the **hospital** channel - 5,5

lei/undividual unit, of which ointments registered a price of 18,94 lei/undividual unit, up 19.2% compared to last year, on the **independent pharmacies and mini-pharmacies (MLFI)** segment - 1,09 lei/undividual unit (up 13.4% compared to Q1 2022), and on **national chains** - 1,04 lei/undividual unit (up 10.7% compared to the same period of 2022).

Evolution of the medium price per piece (in lei) in the 1st quarter from 2020 - 2023
Antibiotice vs MARKET



The average price of the **Antibiotice** portfolio in Q1 2023 at the indivisible unit level was 1,36 lei/undivisible unit, up 7.2% from 1,27 lei/undivisible unit in Q1 2022.

The product positioning strategy is the starting point for the entire marketing mix, including product and pricing policy. The application of the strategies by market segments and promotion concepts led to an efficient portfolio structure in relation to the planned average price, with a 104.7% achievement rate.

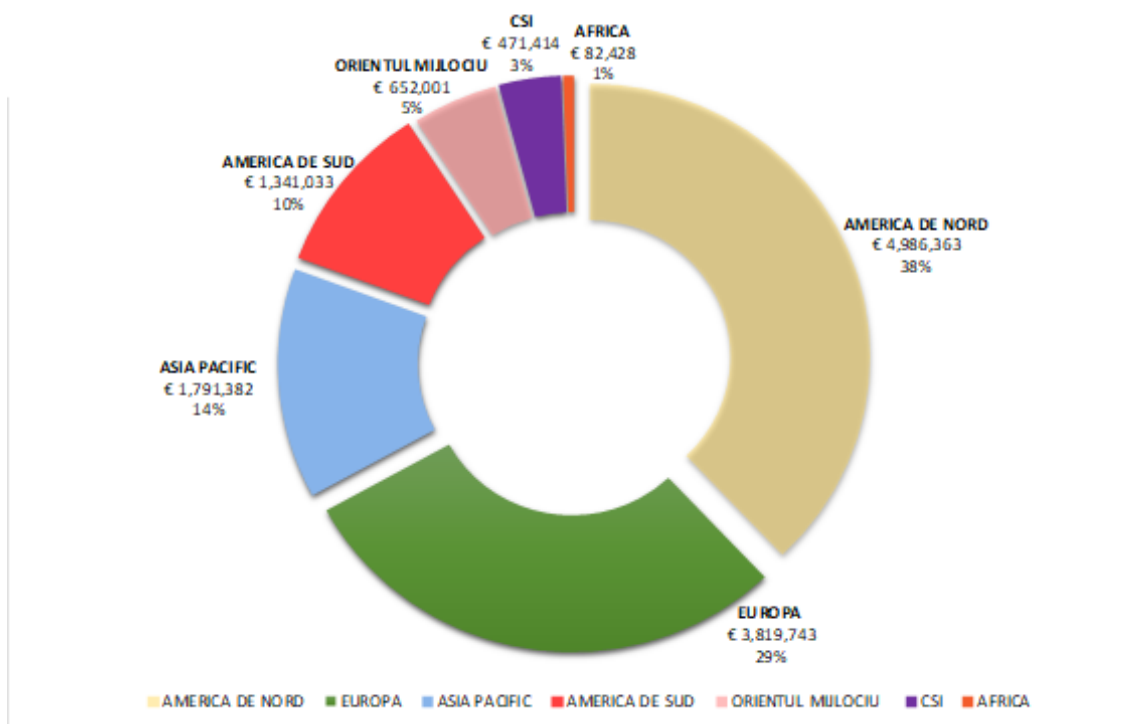
In the retail segment, the focus on development projects for non-RX brands in the Quality Life - Nutriensa range resulted in the achievement of an optimal structure, with the average price at which the products were sold being 0,91 lei/undivided unit, compared to 0.77 lei/undivided unit in Q1 2022. This price increase was generated by a mix of actions: selling in structure (by increasing the focus on higher priced products), optimizing some promotional campaigns dedicated to consumers, as well as by launching four new products with above average selling price: SimbiFlora Complex, SimbiFlora Forte SimbiFlora Kids and Equilibra + ®.

At the sales channel level, the price structure on the Antibiotice portfolio in Q1 2023 was as follows: on the hospital channel - 5,03 lei/undividual unit, of which ointments recorded a price of 13,90 lei/undividual unit (up +16.0% compared to Q1 last year), on the minilant channel and independent pharmacies - 1,15 lei/undividual unit (up 10.8% compared to Q1 2022), and in chain pharmacies - 0.94 lei/undividual unit (up 15.6% compared to Q1 2022).

Antibiotice on the international market

In the first quarter of 2023, revenues from sales on the international market were 64,8 million lei (13 million euro), an increase of 53.5% compared to the same period in 2022 (42,2 million lei), achieved in the following geographical areas:

Export of finished products & Nystatin Q1 2023



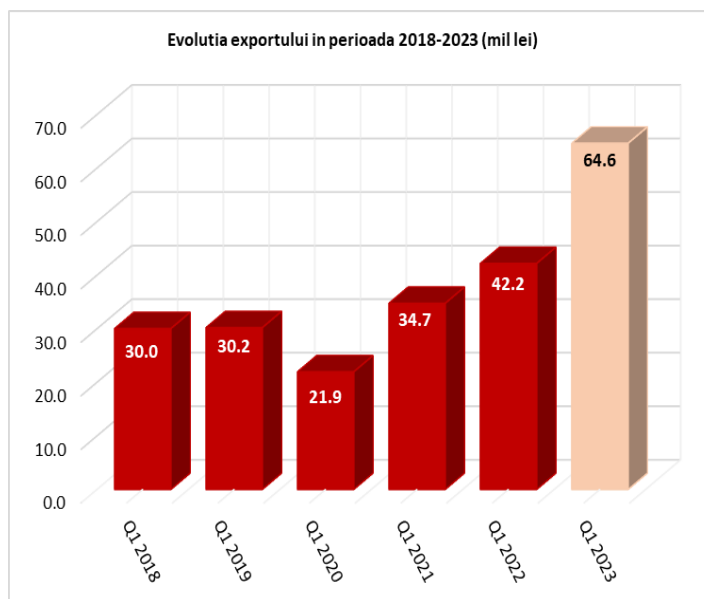
Export of finished products

In the portfolio structure, revenues from the sale of finished products were 34,5 million lei, up 45.6% compared to January-March 2022 (23,7 million lei).

The sales growth in Q1 2023 is generated by the projects in "The Future Together" plan that we are implementing and in which we plan to launch products in the next period in markets such as Poland, Germany, Italy, Spain.

Notable for the reporting period are the performances achieved in the established territories, defining Antibiotice's territorial expansion strategy - USA, UK, Denmark, Vietnam, Iraq, Moldova. Sales of finished products in these countries recorded an increase of 39% compared to Q1 2022, mainly driven by an increase in quantities delivered by strategic product categories for any healthcare system: anti-infective medicines (sterile powders, capsules and tablets): +4,4 million therapeutic units, respectively cardiovascular medicines: +3,8 million therapeutic units.

Thus, according to market analyses reported by IQVIA, the "flagship" medicines that also define Antibiotice's core business - penicillins (Ampicillin, Flucloxacillin, Nafcillin) and combination penicillins (Ampicillin/Sulbactam, Amoxicillin/Clavulanate, Piperacillin/Tazobactam) reached in 2022 significant market shares in national consumption in territories such as: Vietnam (60%), UK (27%), USA (20%), and the outlook for the beginning of 2023 reconfirms the market share growth trend.



Improving access to medicines is a topic that generally requires a complex approach and the involvement of several parties - manufacturer, local agent, distributor and national contracting authorities (hospitals and health centres, insurance companies, etc.). The good representativeness of Antibiotic branded products in some markets, certified by market share, are proof that this synergy has been achieved, through the implementation of measures leading to competitive prices in different regions of the world, increasing the availability of medicines and working with stakeholders to address the specific problems of each region or vulnerable population group. Practically, in these markets, at least 1 in 5 patients have benefited from Antibiotic Romania branded products in the treatment of acute anti-infectious diseases.

Export of the range of active substances based on biotechnologies derived from streptomycines noursei for pharmaceutical use, detailed in compacted nystatin, micronized nystatin and standard nystatin

Activities carried out in the first quarter of 2023, were part of the trend of recent years, of consolidating the position on the world market, the range of active substances based on biotechnologies derived from streptomycines noursei for pharmaceutical use, detailed in compacted nystatin, micronized nystatin and nystatin standard being sold in over 55 countries worldwide.

Valoric shows an increase of 63%, compared to the same period last year.

Also during the reporting period, important progress was made in the main devolution projects in Europe, North America and Latin America, continuing the good development of the main export markets for Antibiotic nystatin.

Complex manufacturing structure adapted to international quality standards (GMP and FDA)

On the Antibiotic platform there are five production units with eight streams, which have been merged into three production divisions in order to increase competitiveness and to make the activities in the manufacturing sections more profitable.

The three production divisions are structured as follows:

1. **Solid Oral Form Products Division**, which integrates the activities of the Capsules and Tablets sections;
2. **Topical Products Division**, corresponding to the Ointments and Suppositories section;
3. **Sterile Products and Active Substances Division**, which integrates the activities of the Parenteral Products and Biosynthesis section.

The divisions are managed independently in terms of production activities, investments in technology, product portfolio and customers, so as to become autonomous profit centres, adapting their manufacturing and product portfolio to the needs and characteristics of the markets where their products are marketed. The role of the production divisions is to ensure the production-sales balance in order to optimise stock and a saleable structure.

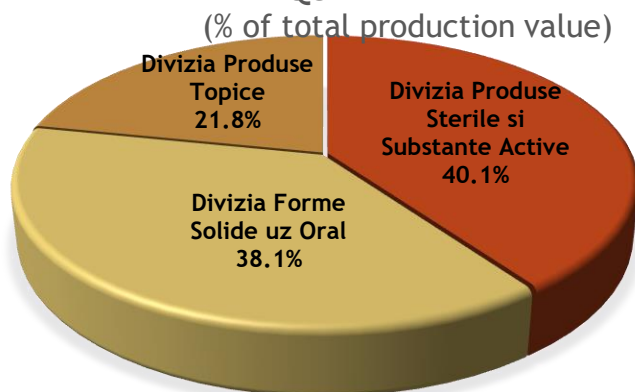
Production in Q1 2023 amounted to 151,55 million pharmaceutical units in the form of tablets, capsules, parenteral products, topical products (ointments, creams, gels, suppositories, ovules).

The total value of production manufactured in the first quarter of 2023 is 163,93 million lei, 27.8% higher than in the first quarter of the previous year.

The value of production manufactured for export represents 33.2% of the total production value in Q1 2023, 28.7% higher than in Q1 of the previous year.

In the first quarter of 2023, a new product, Equilibra® Plus tablets - dietary supplement, was launched.

VALUE DISTRIBUTION OF THE PRODUCTION ACHIEVEVEDE QUARTER I 2023



Economic and financial performance

The activity carried out during the first quarter of 2023 in line with the strategic objectives of the Company's Business Plan developed for the year 2030, led to results above the level planned for this period through the Income and Expenditure Budget for 2023.

The objectives of the Business Plan are:

- balanced use of production capacities
- increasing the physical market share held on the Romanian market
- increase turnover
- increasing profitability
- increase in net income per employee
- increasing labour productivity.

The results of the first quarter of 2023 in terms of economic indicators are supported by the application of the measures of the Plan for Maximizing Yields as a tool for efficiency, which has the following objectives:

1. Gross margin
2. Value added
3. Operating result
4. Gross result/Net result

Gross margin reflects the performance of the company's sales and production activities.

Value added reflects the company's contribution through the activity carried out on goods and services purchased from third parties.

The added value is the financial surplus created at company level from which the stakeholders will be remunerated, as follows:

- **staff**, remunerated through salaries, profit-sharing, allowances (indicator analysed: staff costs/value added);
- **the state**, remunerated by taxes, duties and similar charges (indicator analysed: expenditure on taxes/value added)
- **creditors** (borrowed capital) remunerated by interest and commissions
- **company** remunerated by compensating for depreciation and wear and tear of assets, by depreciation and by self-financing its own development (indicators analysed: depreciation expenses/value added; net result/value added).

The operating result characterises the performance of the company's current activity.

The gross result and the net result characterize the performance of the company's current activity.

The achieved level of these yields are higher than the planned level thus:

Interim management balances

-lei-

Curr. No.	Indicators	31.03.2023	31.03.2023 planned	31.03.2022
1	Income from sales	178,725,842	128,694,000	128,245,311
2	Stored manufactured production	-13,624,792	23,055,000	1,221,834
3	Income from production of fixed assets	3,062,520	3,381,000	2,656,798
4	Income from sales + stored production + income from production of fixed assets	168,163,570	155,130,000	132,123,943
5	Expenditure on finished products produced on partner sites	22,129,393	16,392,000	10,488,203
6	Expenditure on raw materials	36,632,603	42,286,811	29,694,749
7	Material expenses	4,022,444	3,427,482	2,949,010
8	Gross margin	105,379,131	93,023,708	88,991,981
9	Gross margin (%)	63%	60%	67%
10	External operating expenditure	20,738,557	29,872,831	12,888,395
11	Expenditure on electricity, natural gas and drinking water	8,807,323	10,710,000	5,758,343
12	Expenses with third parties	11,931,234	19,162,831	7,130,052
13	Value added	84,640,574	63,150,877	76,103,586
14	Expenses with taxes and duties	11,871,337	9,991,000	10,732,773
15	Staff expenses	33,358,412	33,367,000	26,674,654
16	Depreciation expenses	6,971,045	6,100,000	5,132,498
17	Expenses with adjustments to current assets	6,857,994	0	19,652,922
18	Other operating income	3,898,346	2,570,000	1,705,229
19	Other operating expenses	2,936,314	3,226,169	2,995,588
20	Operating result (EBIT)	26,543,820	13,036,707	12,620,380
21	Financial result	787,842	990,194	1,202,694
22	Total income	172,062,382	157,700,092	133,829,265

23	Total Expenditure	146,306,405	145,653,580	122,411,576
24	Gross Result	25,755,977	12,046,513	11,417,689
25	Income tax	3,552,567	0	2,786,268
26	Net Result	22,203,410	12,046,513	8,631,421

Structure of indicators in Interim management balances

Line 1 - Revenues from sales of Antibiotice products to domestic and international market partners are 178,7 million lei (36 million euro), 39% higher than planned and higher than in the first quarter of 2022:

- **on the domestic market** the value of sales revenues is 114 million lei, 45.5% higher compared to the planned level of 78,3 million lei and 32,5% higher compared to the value of the first quarter of 2022, 86 million lei
- **on the international market the export of finished products** is 34,53 million lei higher by 16% compared to the planned value of 29,85 million lei and increasing by 45.6% compared to January-March 2022 (23,7 million lei).
- **on the international market, the export of the range of active substances based on biotechnologies derived from streptomycines noursei** for pharmaceutical use, detailed in compacted nystatin, micronized nystatin and standard nystatin, worths 30.28 million lei, 47.7% higher compared to the planned level of 20.5 million lei and up by 63.9% compared to the same period last year (18.48 million lei).

In the **domestic market**, Antibiotice S.A. responded to the needs of the health system generated by the extent of the flu season and diseases associated with systemic anti-infectious diseases and increased incidents on the respiratory system. The Antibiotice S.A. portfolio has contributed to solving this public health crisis, which has affected a broad category of patients in all age groups. The contribution came both from the Rx products, spread across the 11 therapeutic classes in the portfolio, but also from the non-Rx component, also supported by the significant investments that were made in promoting and increasing brand awareness in TV, radio and social media. The achievements in Q1 2023 were also driven by the additional attention given to the optimal structure across all operating channels, the main goal being to fulfil all market orders, streamlining sales processes based on the company's long-term strategy. The value of sales revenues on the domestic market is 114 million lei.

The export of finished products is worth 34,53 million lei, 16% higher than planned and 45.6% higher than in January-March 2022 (23.7 million lei). Notable for the reporting period are the performances achieved in the established territories, defining Antibiotice's territorial expansion strategy - USA, UK, Denmark, Vietnam, Iraq, Moldova. Sales of finished products in these countries recorded an advance of 39% compared to Q1 2022, mainly generated by an increase in quantities delivered by strategic product categories for any healthcare system: anti-infective medicines (sterile powders, capsules and tablets): +4.4 million therapeutic units, respectively - cardiovascular medicines: +3.8 million therapeutic units.

Export of the range of active substances based on biotechnologies derived from streptomycines noursei for pharmaceutical use, detailed in compacted nystatin, micronized nystatin and standard nystatin, worths 30.28 million lei, 47.7% higher compared to the planned level and in an increase of 63.9% compared to the same period from the last year (18.48 million lei), recording important progress in consolidating the presence of Antibiotice S.A. in North America, Latin America and Europe.

Revenues from the sale of Antibiotice products to domestic and international market partners include:

- **revenues from the sale of finished products on own sites** are 138,9 million lei, 45% higher than the planned level of 95,96 million lei and 30% higher than the level of 107 million lei as of 31.03.2022.
- **revenues from the sale of products made on partner manufacturing sites** are worth 39,83 million lei, 22% higher than the planned level of 32,73 million lei and 88% higher than the level of 21,2 million lei as of 31.03.2022.

Line 2 - The adaptation of the production structure to the consumption needs of the market in the reference period resulted in a value of **income related to the cost of product inventories** of -13,6 million lei, below the planned level of 23 million lei and below the level achieved in the same period of the previous year, of 1,2 million lei.

Line 3 - **Income from the production of fixed assets amounts to 3,06 million lei** and is represented by the amounts invested in the development phase of a medicine research and development project, as part of the plan to expand the product portfolio to support the future development of the Antibiotice business.

In the period January-March 2023 the largest share of the amounts invested in projects in the development phase is for topical and parenteral pharmaceutical forms as well as for the vertical integration project of the range of active substances based on biotechnologies derived from streptomycins for pharmaceutical use, detailed in compacted nystatin, micronized nystatin and standard nystatin. Compared to the planned level of 3,38 million lei, the achievement of these revenues is 91%. Compared to the amount realised in the same period of the previous year (2,65 million lei) they are 15% higher.

Line 5 - The value of expenses with products from the Antibiotice portfolio that are **manufactured on partner sites** is 22,13 million lei, which is higher compared to the planned level (16,4 million lei) and to the level achieved in the previous year (10,49 million lei).

The level of these expenses is the combined result of the purchases made to ensure sales in the second and third quarters, coupled with the extension of supply periods from 3 to 6 months and the sales structure of these products.

Line 6 - In the structure of the company's expenses, an important share is given to **raw material expenses**, which are in line with the manufacturing structure. Their value is 36,6 million lei, 13% below the planned level of 42,3 million lei and 23% higher than the level recorded in the same period of the previous year of 29,7 million lei.

The factor analysis of raw materials consumed in the period January-March 2023 resulted in:

- a price influence of -3,2 million lei;
- a quantity influence of -2,5 million lei, due to increased process yields and reduced specific consumption of raw materials.

The price saving is determined by the use in the production process of raw materials in stock on December 31, 2022 (with lower prices), as well as the evolution of the exchange rate, below the level used in the budgeting process of 5 lei, both for the Euro and the US dollar. The average exchange rate in the first quarter of 2023 is: 4,9189 lei for Euro and 4,5839 lei for usd.

The 20% share of raw material expenses in the value of sales revenue reflects an efficiency of these expenses compared to the planned level of 33% and the level recorded in Q1 2022 of 23%.

Supporting the production process through research and development, quality control and assurance, production and distribution of utilities involves the use of specific

materials (reagents, references) whose value realized in the first quarter of 2023 is 4,02 million lei, in correlation with the production realized and sold. Of the sales revenue these expenses have a share of 2%, below the planned level of 3% and at the same level as that achieved on 31.03.2022 of 2%.

Line 8 - Gross margin has a level of 105,38 million lei, 13% higher compared to the planned level and 18% higher compared to the level achieved in the same period of the previous year, the effect of the sales consolidation and cost management measures.

Line 11 - Expenditure on electricity, natural gas and drinking water in the amount of 8,8 million lei, 17.8% lower than the planned amount for the first 3 months of 2023 of 10,7 million lei.

The difference between the amount of electricity, natural gas and drinking water expenditure realised compared to planned is determined by:

- the quantity consumed, influence amounting to -0,87 million lei;
- the purchase price, influence in the amount of -1 million lei.

Line 12 - Expenses with third parties are 11,93 million lei, below the planned level of 19,16 million lei and above the level recorded in January-March 2022, of 7,13 million lei, the structure of these expenses is presented below:

Expenditure item	31.03.2023	31.03.2023 planned	31.03.2022	31.03.2023/ 31.03.2023 planned	31.03.2023/ 31.03.2022
Expenditure on advertising and promotion of products	5,209,686	9,300,000	2,283,135	56.0%	228.2%
Expenditure on services provided by third parties	2,876,840	5,733,000	2,614,665	50.2%	110.0%
Expenditure transport of goods	1,144,729	1,400,000	892,454	81.8%	128.3%
Expenditure on representation in territories	664,798	453,359	215,796	146.6%	308.1%
Expenditure on insurance of persons, goods	664,590	570,000	341,020	116.6%	194.9%
Expenditure on travel	294,394	418,000	41,364	70.4%	711.7%
Expenditure on repairs of equipment, machinery, machines	237,952	300,000	138,154	79.3%	172.2%
Expenditure on professional training	221,974	231,300	65,856	96.0%	337.1%
Protocol expenses	214,147	250,000	114,249	85.7%	187.4%
Courier and telephone expenses	137,870	144,000	136,739	95.7%	100.8%
Expenditure on bank charges	113,942	141,000	159,339	80.8%	71.5%
Expenditure on international offices - representative offices	77,572	82,000	77,362	94.6%	100.3%
Building repair expenses	72,739	140,000	49,919	52.0%	145.7%
Total	11,931,233	19,162,831	7,130,051	62.3%	167.3%

Spending on advertising and product promotion, in the first quarter of 2023, Antibiotice continued its strategy of communicating brand names and umbrella brands. It also continued to strengthen the portfolio by launching new products: developing new brands or developing brands through range extensions. The value of this expenditure is 5,2 million lei below the planned level of 9,3 million lei and above the 2,28 million lei recorded in the same period of the previous year.

Expenditure on services performed by third parties recorded in the first quarter of 2023 is 2,87 million lei, half of the planned level and 10% higher compared to the amount recorded in the same period of 2022. From the sales revenues these expenses have a share of 1.6% both below the planned level of 4.4% and below the level achieved as of 31.03.2022 of 2%.

Expenditure on services provided by third parties, recorded in Q1 2023, in descending order of value are for:

- market studies in the pharmaceutical field

- the project for the vertical integration of the range of active substances based on biotechnologies derived from streptomycines noursei for pharmaceutical use, detailed in compacted nystatin, micronized nystatin and standard nystatin, services that aim a sensory analysis
- qualification and validation of equipment (mandatory for equipment after a certain number of operating hours)
- serialization of medicines (mandatory service required by international legislation for prescription medicines)
- medical/scientific advice
- maintenance services for equipment maintenance.

Expenditure on transport of goods and services is 1,14 million lei, incurred for the transport of finished products free at destination both domestically and internationally.

Compared to the planned amount, this expenditure is below the planned level (1,4 million lei) and above the level achieved in 2022 (0,89 million lei), in line with the volume of business in this period. From the sales revenue these expenses have a share of 0.6% both below the planned level of 1% and below the level realized as of 31.03.2022, 0.7%.

Selling products in territories around the world involves entering into contracts with partners in those areas to manage product registration with the authorities and to broker sales in the market.

The increase in sales in the first quarter of 2023 resulted in representation expenses in the territories, through area agents amounting to 0,66 million lei, above the planned level and above the level recorded in the same period of the previous year. Compared to the value of sales revenues, these expenses have a share of 0.37%, above the planned level of 0.35% and above the level recorded on 31.03.2022, 0.17%.

The diversity of the activities carried out at the company level, with specific legal regulations, involves travelling to the authorities, to business partners both in the country and abroad for the consolidation and development of new partnerships, participation in international conferences and events in the pharmaceutical field and professional training courses. In the first quarter of 2023, travel expenses were recorded in the amount of 0,29 million lei below the planned level (0,41 million lei) and above the level recorded in the similar period of 2022 (0,04 million lei). From the sales revenue these expenses have a share of 0.16% both below the planned level of 0.32% and above the level achieved on 31.03.2022 of 0.03%.

Continuous professional training, a prerequisite for development and increasing the competitiveness of the business, requires the development of human resources development projects, with training programs in each direction, in accordance with the identified needs and in close connection with legislative changes at national and international level. In the first quarter of 2023, the value of training programs with external lecturers is 0,22 million lei, close to the budgeted level and above the value recorded in the same period of the previous year.

The protocol expenses recorded in the first quarter of 2023 necessary to carry out activities to promote products and partnerships, in support and increase domestic and international sales, are in the amount of 0,21 million lei, below the planned level of 0,25 million lei and above the level recorded in the same period of the previous year (0,114 million lei). Compared to the value of sales revenue, these expenses have a share of 0.12%, below the planned level of 0.19% and above the level recorded on 31.03.2022 of 0.09%.

Line 13 - Value added expresses what the company adds to the economic circuit through its own activity, it reflects the competitiveness of the company.

The activity carried out in the reference period led to an added value of 84,6 million lei, 34% higher than planned and 11% higher than the value achieved in the same period of the previous year.

Line 14 - Expenditure on taxes and duties (except taxes and contributions related to salaries), are in the amount of 11,87 million lei, higher by 18.8% compared to the planned amount (9,9 million lei) and by 10.6% higher compared to the amount realized in the previous year (10,7 million lei). The overrun of the planned level of these expenses is mainly due to the recording of a claw back tax expense of 9,5 million lei, the planned amount being 8,5 million lei. The expenditure with claw back tax of 9.5 million lei is estimated because according to the legal requirements (O.G. no. 77/2011 on the establishment of some contributions for financing some expenses in the field of health, art. 7¹), the elements for its calculation are communicated by the National Health Insurance House in the first 5 working days of the second month following the end of the quarter for which the contribution is due.

The share of taxes and duties in value added expenditure is 14%, below the planned level of 15.8% and at the same level as in the first quarter of 2022.

Line 15 - Personnel expenses amount to 33,3 million lei, at the planned level and 25% above the level recorded in the same period of the previous year, by updating in the third quarter of 2022 the policy of staff remuneration and motivation based on the hierarchy of functions, processes, activities and positions in the company.

The share of personnel expenses in value added is 39%, below the planned level of 52.8% and above the level recorded in the first quarter of 2022.

Out of the 33,3 million lei **personnel expenses**, 14,28 million lei represent contributions, taxes and fees related to salaries.

Line 16 - Depreciation expenses amounting to 6,97 million lei, above the planned level of 6,1 million lei and the one recorded in the same period of the previous year, being in correlation with the investments made for strategic development and business consolidation.

The share of this expenditure in value added expenditure is 8.2%, below the planned level of 9.6% and above the level recorded in the first quarter of 2022 of 6.7%.

Line 17 - Expenditure on adjustments for the impairment of current assets represents legally established adjustments, applying the principle of prudence, for the impairment of the value of receivables and stocks of finished goods. These are in the amount of 6.86 million lei below the level recorded in the first quarter of 2022 of 19,65 million lei.

Line 18 - Other operating income of 3,9 million is above the planned level of 2,57 million lei and the 1,7 million lei achieved in the first quarter of the previous year. The main revenues in this category are:

- income from favourable exchange rate differences (2,175 million lei) - detailed below. Monthly foreign currency transactions generate income or expenses, which is why they are presented together.

Influencing factors leading to favourable/unfavourable differences in monthly revaluation exchange rate	Income	Expenditure
Foreign currency receivable balances	744,858	916,544
Foreign currency debt balances	693,462	560,902
Payment of debts in foreign currency	208,644	79,506
Collection of foreign currency receivables	39,145	272,374

Foreign currency bank accounts	82,307	171,701
Investment credit balance	313,769	323,210
Sold operational currency credit	93,141	126,250
Total	2,175,325	2,450,488

- income from the cancellation of adjustments for the depreciation of stocks of finished products (0,2 million lei) recorded on the sale of products for which adjustments were made in accordance with legal requirements
- revenues from the contract of bioequivalence clinical trials for external partners invoiced in this quarter of 0,172 million lei and it's running during 2023
- income from renting premises for the operation of telecommunications equipment (0,171 million lei)
- the amounts recognized as income on the measure of depreciation of fixed assets for which the company received investment grants (0,068 million lei)
- the amounts received as profit-sharing under the terms of outstanding insurance policies. In the first quarter of 2023, the amount of 0,049 million lei was received, representing the share of profit related to the insurance policy for internal claims.

Line 19 - Other operating expenses of 2,93 million lei, below the planned level of 3,23 million lei and at approximately the same level as in the first quarter of 2022. The main expenses in this category are:

- expenses from unfavorable exchange rate differences amount to 2,45 million lei, below the planned level of 2,87 million lei and above the level recorded in the first quarter of 2022
- Sponsorship expenses to support social responsibility projects in the field of education, health and social are in the amount of 0,17 million lei both above the planned level and above the level achieved in the first quarter of 2022. The main projects carried out in the first quarter of this year are: "Science and Soul" scholarships, "Planting oxygen in the community", "Donate an hour to the Earth. Connect with Nature!"

Line 20 - Operating result (EBIT) expresses the company's ability to obtain profit from its core business, the amount realized as of 31.03.2023 of 26,54 million lei is above the planned level of 13 million lei and above the level recorded as of 31.03.2022.

Line 21 - The financial result is represented by the amount of interest paid on operating loans and on the loan for financing the investment in the new topical products section, the amount recorded as of 31.03.2023 is both below the planned level and below the level achieved in the same period of the previous year, a positive effect of the decrease in the bank indebtedness.

Line 24 - The gross result, which reflects the performance of the company's overall activity, records a level of 25,76 million lei, above the planned level and above that achieved in the first quarter of 2022, the combined effect of increased sales and cost management measures.

Gross profit profitability (determined as the ratio of gross profit value to sales revenue value) is 14.4% above the planned level of 9.36% and above the 8.9% achieved in the same period last year.

The gross profit plus the value of the claw-back tax consolidates a return on business of 19.7%.

Line 26 - The net result in the amount of 22,2 million lei is above the planned level and above that achieved in the same period of the previous year.

Analysis of the patrimonial situation

Net fixed assets amount to 538,1 million lei, 5.56 million lei higher than at the beginning of the year, driven by investments in tangible fixed assets and investments in intangible assets represented by research and development projects.

The value of **fixed assets** is closely correlated with the realization of the **investment program**, the value of investments planned for the first 3 months of 2023 is 14,73 million lei, the value realized in the first 3 months being 12,60 million lei.

According to the annual programme, the investment structure is as follows:

I. Investments for strategic development

Product portfolio development

Realised at 3 months 2023: 3,99 million lei, of which:

- development of the product portfolio through own research: 2,89 million lei, during the period under review, important steps were carried out in the development of new topical products and for the project for vertical integration of the range of active substances based on biotechnologies derived from streptomyces noursei for pharmaceutical use, detailed in compacted nystatin, micronized nystatin and standard nystatin
- product development through licensing: 0,70 million lei
- Modernisation of the research laboratory to support portfolio development: 0,40 million lei.

II. Investments for business consolidation

1. Investments in information technology, telecommunications and digitization of processes, the value realized is 3,35 million lei.

The company has adapted to this period, making the most of the possibilities of working, training and communicating online.

Antibiotice, as part of its digitization and computerization plan, considered it a priority to access software to streamline human resources, quality, research activities and to secure data and information at all levels of the company.

2. Adjustment to the development trends of the industrial platform, infrastructures for supply and distribution of utilities, storage of raw materials and finished products, transport and connection to the national road system, amounting to 4,85 million lei.

In 2023, investments are planned to complete the expansion of the existing storage capacity for raw materials, with a view to increasing and diversifying production. Also, in 2023, the construction of a modern finished products warehouse, adapted to the expected production in the next few years until 2030, is planned to start. Project phases have been scheduled for the modernisation of production and utility distribution facilities.

An important component is the implementation of projects aimed at producing "green energy" and reducing energy and utility consumption. Thus, activities have been started for projects such as: the construction of a photovoltaic power plant with an installed capacity of 2.5 MW and a photovoltaic power plant with an installed capacity of 1.2 MW, the recovery of condensate from installations, the replacement of lighting systems with modern LED systems, the capture of water from underground.

3. Investments in the Integrated Management System (Quality, Environment, Sustainability, Health and Safety at Work), amounting to 0,18 million lei.

Increasing the accuracy of laboratory analysis methods and revising pharmacopoeial monographs have required investments in equipment to maintain the quality standards of manufactured products and to comply with legal requirements to protect the environment and employees.

4. Investments in upgrading existing sites and equipment, amounting to 0,23 million lei.

For the refurbishment of the medicine manufacturing flows of the three divisions, the purchase of equipment, installations, equipment and laboratory equipment is planned for 2023.

CURRENT ASSETS			CURRENT LIABILITIES		
Indicators	31.03.2023	31.03.2022	Indicators	31.03.2023	31.03.2022
Stocks	110,159,796	122,494,428	Trade and similar debts	108,535,336	86,067,391
Trade and similar receivables	264,968,633	199,646,249	Amounts due to credit institutions	48,947,811	34,008,116
Cash and cash equivalents	744,458	1,727,454	Current taxes and duties payable	10,668,132	8,280,670
			Short-term provisions	5,694,808	6,679,335
			Investment grants	306,289	306,289
TOTAL CURRENT ASSETS	375,872,887	323,868,131	TOTAL CURRENT LIABILITIES	174,152,376	135,341,801

In the period under review, in the structure of current assets, the increase of 65 million lei in trade receivables, in contractual terms of collection, is reflected in current liabilities by an increase of 22,5 million lei in trade payables and 15 million lei in payables to banks.

The increase in current assets by 52 million lei is 34% higher than the increase in current liabilities (38,8 million lei), ensuring a liquidity of 2.16 (as a ratio between current assets/current liabilities) above the level recorded in the same period of the previous year (1.9) which creates the premises for improving the financing capacity of the business.

Tax liabilities, a component of current liabilities, in the amount of 10,67 million lei are higher, compared to the values at the end of 2022, by 8,28 million lei, an increase determined by the value added tax payable at the level of 1,04 million lei and income tax for the first quarter of 2023 of 4,3 million lei.

In the structure of long-term debts, the largest share is held by the amounts due to banking institutions, i.e. the amount of the balance to be repaid from the loan contracted for financing the investment in the new site of topical products, the value as of 31.03.2023 is lower by 3,4 million lei compared to the value as of 01.01.2023.

At the end of the reporting period the company has no outstanding obligations to the state and local budgets.

Cash flow analysis

The cash flow prepared by the direct method is summarised as follows:

- the cash at the beginning of the period is 1,72 million lei and the level of operational credit is 23,26 million lei
- total receipts: 113,7 million lei
- total payments: 129,76 million lei
- Cash and cash equivalents at the end of the period amount to RON 0,74 million and the level of operational credit is RON 38,3 million.

These results led to an indebtedness ratio (determined as the ratio between debts to banking institutions and equity) of 14.09%, with a receivables collection period of 163 days compared to the level achieved on 31.03.2022 of 206 days.

According to the requirements of ASF Regulation no. 5/2018, the economic and financial indicators for the period were calculated:

Indicator name	Calculation method	31.03.2023	31.12.2022	31.03.2022
Current liquidity	Current assets/Current liabilities	2.16	2.39	1.90
Degree of indebtedness	Borrowed capital/ Equity x 100	14.09	12.63	24.45
Rotational speed of customer flows	Average customer balance/ Sales revenue x 90	163	175	206
Turnover speed of fixed assets	Income from sales / Fixed assets	0.33	0.91	0.25

The evolution of the indicators reflects an improvement compared to the level recorded in the same period of the previous year, a positive effect of the efficiency measures of the activities.

The administrator's report was prepared on the basis of unaudited financial data.

General Manager,
Ec. Ioan NANI

Economic Executive Director,
EC. Paula COMAN

ANTIBIOTICE S.A.

Simplified individual interim financial statements unaudited on and for the three-month period ended on March 31, 2023

ANTIBIOTICE S.A.
Interim financial statements on
March 31, 2023

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ANTIBIOTICE SA
STATEMENT OF THE FINANCIAL POSITION

On March 31, 2023

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

	NOTE	31.03.23 (unaudited)	31.03.22 (unaudited)
Sales revenues	3	178,725,841	128,245,311
	4		
Other operating revenues		3,898,346	1,705,229
Revenues relative to costs of product stocks		(13,624,792)	1,221,835
Income from immobilization projects		3,062,521	2,656,798
Expenses with raw materials	5	(36,632,603)	(29,694,749)
Expenses with products made on other manufacturing sites	5	(22,129,393)	(10,488,203)
Expenses on consumables	5	(4,022,443)	(2,949,010)
Staff-related expenses	6	(33,358,412)	(26,674,654)
Expenditure on amortization and depreciation		(6,971,045)	(5,132,498)
Other operating expenses	7	(42,404,201)	(46,269,676)
Operating profit		26,543,819	12,620,383
Financial income	8	465	93
Financial expenses	8	(788,307)	(1,202,787)
Pre-tax profit		25,755,977	11,417,689
Current and deferred income tax expenses	9	(3,552,567)	(2,786,268)
Net profit		22,203,410	8,631,421
Total comprehensive result		22,203,410	8,631,421
Earnings per share	10	0.033073	0.012857

ANTIBIOTICE SA
STATEMENT OF THE FINANCIAL POSITION

On March 31, 2023

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

	NOTE	31.03.23 (unaudited)	31.12.22 (unaudited)
ASSETS			
FIXED ASSETS			
Tangible assets	11	499,191,718	496,810,361
Intangible assets	12	38,972,517	35,795,943
TOTAL FIXED ASSETS		538,164,235	532,606,304
CURRENT ASSETS			
Stocks	13	110,159,796	122,494,428
Trade and similar receivables	14	264,968,633	199,646,249
Cash and cash equivalents	15	744,458	1,727,454
TOTAL CURRENT ASSETS		375,872,887	323,868,131
TOTAL ASSETS		914,037,122	856,474,435
LIABILITIES			
CURRENT LIABILITIES			
Datorii comerciale si similare	16	108,535,336	86,067,391
Amounts due to credit institutions	17	48,947,811	34,008,116
Tax and current tax liabilities		10,668,132	8,280,670
Short-term provisions		5,694,808	6,679,335
Subsidies for investments	18	306,289	306,289
TOTAL CURRENT LIABILITIES		174,152,376	135,341,801
LONG -TERM LIABILITIES			
Subsidies for investments	18	1,789,596	1,857,322
Deferred profit tax	19	29,931,145	30,871,210
Amounts due to credit institutions	17	44,529,994	46,973,501
TOTAL LONG-TERM LIABILITIES		76,250,735	79,702,033
TOTAL LIABILITIES		250,403,111	215,043,834

ANTIBIOTICE S.A.
STATEMENT OF THE FINANCIAL POSITION (continued)

On March 31, 2023

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

	NOTE	31.03.23 (unaudited)	31.12.22 (unaudited)
Share capital and reserves			
Share capital and share capital adjustments	20	264,835,156	264,835,156
Reevaluation reserves	21	110,526,445	111,164,239
Legal reserves	21	13,426,761	13,426,761
Other reserves	21	292,168,005	292,168,005
Reported result	22	(39,525,766)	(48,153,421)
Distribution of profit		-	(30,523,566)
Current result		22,203,410	38,513,427
TOTAL EQUITY		663,634,011	641,430,601
TOTAL EQUITY AND LIABILITIES		914,037,122	856,474,435

ANTIBIOTICE S.A.
CASH FLOW STATEMENTS
DIRECT METHOD

On March 31, 2023

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

	31.03.2023	31.03.2022
I. CASH FLOWS FROM OPERATING ACTIVITIES		
Cash collection from the sales of goods	113,681,681	556,760,499
Collection from various debtors	36,752	148,813
Cash payment to suppliers of goods and services	(70,988,392)	(284,295,073)
Cash payments to and on behalf of employees, payments made by the employer for its employees	(30,794,421)	(117,871,653)
VAT paid	(2,865,353)	(7,795,043)
Contributions to the Ministry of Health and the Ministry of the Environment	(8,543,500)	(32,944,087)
Other duties, taxes, and similar levies	(2,467,575)	(656,470)
Operating cash flow	(1,940,807)	113,346,987
Interest charged	465	1,437
Interest paid	(706,093)	(3,696,552)
Corporate tax	-	(4,080,410)
Tax on dividends	(1,050)	(10,945)
Net cash flows from operating activities	(2,647,485)	105,560,517
II. CASH FLOWS GENERATED BY INVESTMENTS		
Cash payments for purchasing fixed assets	(10,736,460)	(39,879,555)
Net cash flows from operating activities	(10,736,460)	(39,879,555)
III. CASH FLOWS FROM OPERATING ACTIVITIES		
Reimbursements from long-term loans	(2,649,435)	(10,605,913)
Dividends paid	(8,320)	(2,003,112)
Net cash flows from financing activities	2,657,755)	(12,609,025)
Gains/losses from exchange rate differences	(33,110)	(240,197)
Net increase/(decrease) in cash	(16,074,809)	52,831,740
Cash and cash equivalents at the beginning of the period	(21,489,388)	(74,321,128)
Cash and cash equivalents at the end of the period	(37,564,197)	(21,489,388)
The cash and cash equivalents at the end of the period include:	(37,564,197)	(21,489,388)
Accounts in banks and cash	744,458	1,727,454
Credit lines for activating the operational activity	(38,308,655)	(23,216,842)

ANTIBIOTICE S.A.
MODIFICATIONS OF EQUITY

On March 31, 2023

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

	Subscribed capital	Capital adjustments	Reserves	Other reserves	Current result	Result from revaluation reserves	Profit distribution	Revaluation reserves	Reported result from the correction errors	Result following the applying of IAS/IFRS for the first time	Result following the applying of IAS 29 for the first time	TOTAL
31.12.21	67,133,804	197,701,352	13,426,761	259,154,126	29,939,404	22,906,688	(25,302,090)	114,150,766	0	123,582,341	(197,701,352)	604,991,800
Current global result	-	-	-	-	38,513,427	-	-	-	-	-	-	38,513,427
Total other items of the global result					38,513,427							38,513,427
Transfer of reevaluation surplus				-	-	3,492,547		(2,986,527)		(434,645)		72,375
Allotment of other reserves*	-	-	-	2,490,313	(27,792,403)	-	25,302,090	-	-	-	-	-
Dividends	-	-	-		(2,147,001)							(2,147,001)
Mandatory distributions				30,523,566			(30,523,566)					
31.12.22	67,133,804	197,701,352	13,426,761	292,168,005	38,513,427	26,400,236	(30,523,566)	111,164,239	0	123,147,696	(197,701,352)	641,430,601

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

ANTIBIOTICE S.A.
MODIFICATIONS OF EQUITY

On March 31, 2023

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

	Subscribed capital	Capital adjustments	Reserves	Other reserves	Current result	Result from revaluation reserves	Profit distribution	Revaluation reserves	Reported result from the correction errors	Result following the applying of IAS/IFRS for the first time	Result following the applying of IAS 29 for the first time	TOTAL
31.12.22	67,133,804	197,701,352	13,426,761	292,168,005	38,513,427	26,400,236	(30,523,566)	111,164,239	0	123,147,696	(197,701,352)	641,430,601
Current global result	-	-	-	-	22,203,410	-	-	-	-	-	-	22,203,410
Total other items of the global result					22,203,410							22,203,410
Transfer of reevaluation surplus				-	-	637,794		(637,794)		-		-
Allotment of other reserves*	-	-	-	-	(7,989,861)	-	-	-	7,989,861	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-
Mandatory distributions				-	(30,523,566)		30,523,566					-
31.03.23	67,133,804	197,701,352	13,426,761	292,168,005	22,203,410	27,038,030	0	110,526,445	7,989,861	123,147,696	(197,701,352)	663,634,011

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

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

On March 31, 2023

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

1. GENERAL INFORMATION

1.1. Brief company profile

Antibiotice SA, based in Iasi, Valea Lupului street no. 1, tax registration code RO 1973096 was founded by the Decision of the Council of Ministers no. 2980/29.12.1952 and it was later reorganized as a trading company as per Law 15/1990 and Government Decision no. 1200/12.11.1990. Its shares are traded on the regulated capital market of the Bucharest Stock Exchange in the premium category, based on Decision no. 43/21.02.1997 of the Bucharest Stock Exchange.

Our company's 8 manufacturing lines, upgraded and certified according to the Good Manufacturing Practice (GMP) standards, produce medicinal products in 5 dosage forms: powders for injectable solutions and suspensions (penicillins), capsules, tablets, suppositories and topical preparations (ointments, gels and creams), Nystatin active substance and biocidal products. Altogether they form a complex portfolio of medicinal products 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 at the headquarters. The Company owns the right to ownership of all the fixed assets registered in the company's accounts.

Between January and March 2023, the Management Board of Antibiotice SA convened an Ordinary General Meeting of Shareholders on February 16, 2023, with the approval of the Income and Expenditure Budget for 2023 on the agenda.

All the necessary documents related to the smooth conduct of the General Assembly were published on time and in accordance with the legislation in force. On the Antibiotice website, there is a section dedicated to shareholders (www.antibiotice.ro/investitori/informatiiactionari) where you can access and download documents related to the General Meetings of Shareholders: procedures regarding the access to and the participation in the meetings, the convener, the additions agendas, informative materials, special powers of representation, voting forms by mail, draft decisions, decisions, voting results.

2. ACCOUNTING POLICIES

2.1 Declaration of conformity

The current simplified individual interim financial statements have been prepared in accordance with:

- Accounting Law no. 82 of 1991, with subsequent amendments and additions;
- The Ordinance of the Public Finances Ministry no. 2844/2016 for the approval of the accounting regulations in accordance with the International Financial Reporting Standards, applicable to commercial companies whose securities are admitted to trading on a regulated market, with subsequent amendments and additions.
- the International Financial Reporting Standards, the 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")

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

On March 31, 2023

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

These simplified individual interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union. They do not include all the information required for a complete set of IFRS financial statements and they must be read in conjunction with the Company's annual financial statements as of December 31, 2022. However, certain selected explanatory notes are included to explain events and transactions that are significant to the understanding of changes in the Company's financial position and performance since the latest individual annual financial statements as of and for the fiscal year ended on December 31, 2022.

The financial statements for the financial year ended on March 31, 2023 include the statement of the financial position, the statement of the overall result, the statement of cash flows, the statement of changes in equity and the explanatory notes and they are not audited nor have they been reviewed by an independent auditor.

The accounting policies applied to the preparation of the financial statements which are set out below have been applied consistently, except where otherwise stated.

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

2.2 The bases of assessment

These simplified individual interim financial statements are prepared using the historical cost 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. the financial assets and liabilities at fair value through the profit and loss account and the financial assets available for sale, except for those for which the fair value cannot be reliably determined.

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

2.3 The functional and presentation currency

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

The transactions made by the company in a currency other than the functional currency are recorded at the rates in force at the date when the transactions take place. The monetary assets and liabilities in foreign currencies are converted at rates in effect at the reporting date. The profit and loss arising from the exchange rate differences following the conclusion of these

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

On March 31, 2023

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

transactions and from the conversion to the exchange rate at the end of the reporting period of the monetary assets and obligations denominated in foreign currency is reflected in the statement of the comprehensive income.

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

	31.03.23	31.12.22
EUR	4.9491	4.9474
USD	4.5463	4.6346

2.4 Critical accounting assessments and estimates

As a result of the uncertainties inherent in business activities, many items in the financial statements cannot be precisely assessed, but only estimated. The estimation involves judgements based upon the latest available reliable information.

The use of reasonable estimates is an essential part for preparing the financial statements and does not undermine their reliability.

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

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

The significant reasoning used by the management to apply the Company's accounting policies and the main sources of uncertainty regarding the estimates were the same as those applied to the Individual Financial Statements as of and for the financial year ended on March 31, 2023.

3. SALES INCOME

Achieving the company's short, medium and long-term objectives involves appropriate sales and marketing strategies, covering both Antibiotice territories and new markets. In the first quarter of 2023, the business strategy was focused on consolidating business in the international territories and implicitly maximizing the economic and financial returns. The Company's management monitors operational results and allocates resources to maximize performance. The performances are assessed based on the operating result and the gross result. The company monitors sales according to the (domestic/international) market and according to the manufacturing of the products on its own production site or on partner production sites).

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

On March 31, 2023

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

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

Description	31.12.2023 (unaudited)	31.12.2022 (unaudited)
Domestic sales	113,915,786	86,068,654
External sales	64,810,055	42,176,657
Total revenue from sales, of which:	178,725,841	128,245,311
Sales of finished products	164,051,531	133,230,820
Sales of products made on other manufacturing sites	39,830,557	21,203,167
Commercial discounts	(25,156,247)	(26,188,676)

The external sales represent sales on the international markets of finished products and active substances that are increasing from 33%, of the total sales revenues, on 31.03.2022 to 36% on 31.03.2023, through the development and the consolidation of external partnerships which is part of the plan of territorial expansion.

4. OTHER OPERATING INCOME

Other operating income includes the following:

Description	31.03.23 (unaudited)	31.03.22 (unaudited)
Rental income	170,527	154,298
Income from research and studies	171,682	0
Income from various activities	107,462	150,081
Income from indemnities, fines and penalties	4,178	0
Other operating income	78,845	155,847
Income from adjustments for depreciation of current assets	205,800	0
Income from provisions for risks and expenses	984,527	0
Exchange rate differences	2,175,325	1,245,003
Total	3,898,346	1,705,229

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

Description	31.03.23 (unaudited)	31.03.22 (unaudited)
Expenses on raw materials	36,632,603	29,694,749
Expenses on products made on other manufacturing sites	22,129,393	10,488,203
Expenses on consumables, of which:	4,022,443	2,949,010
Expenses on auxiliary materials	2,267,335	1,716,411
Expenditure on fuel and spare parts	1,321,012	996,491
Expenses on inventory items	199,751	122,694
Expenses on other consumables	234,345	113,414
Total	62,784,439	43,131,962

ANTIBIOTICE S.A.
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On March 31, 2023

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

6. STAFF COSTS

Description	31.03.23	31.03.22
	(unaudited)	(unaudited)
Wages	30,589,415	24,506,738
Civil contracts	228,721	225,572
Tax and social contributions	938,164	809,792
Other benefits	1,602,112	1,132,552
Total	33,358,412	26,674,654

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

Description	31.03.23	31.03.22
	(unaudited)	(unaudited)
Wages	1,969,367	819,712
Civil contracts	228,721	225,572
Taxes and social contributions	54,543	27,617
Total	2,252,631	1,072,901

7. OTHER OPERATING EXPENDITURE

The other operating expenditure includes the following:

Description	31.03.23	31.03.22
	(unaudited)	(unaudited)
Expenses on electricity, natural gas, drinking water	8,807,323	5,758,343
Expenses on maintenance and repair works	310,690	188,073
Expenses on rent	77,572	77,362
Expenses on insurances	664,590	341,020
Expenses on bank fees	113,942	159,339
Expenses on advertising & promotion of products	5,423,833	2,397,384
Expenses on travel&transport	1,439,124	933,818
Expenses on post & telecommunications	137,870	136,739
Expenses on other services provided by third parties	2,876,840	2,614,665
Expenses on other taxes and fees	11,871,337	10,732,773
Expenses on the onvironmental protection	309,468	303,589
Expenses on loses and adjustments of uncertain receivables	6,857,994	19,652,922
Expenses on exchange rate differences	2.450.488	1.286.106
Other operating expenses	1.063.130	1.687.544
Total	42.404.201	46.269.676

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

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8. FINANCIAL INCOME AND FINANCIAL EXPENSES

The net financial income consists of:

Description	31.03.23	31.03.22
	unaudited)	(unaudited)
Interest income	465	93
Interest expenses	(865,710)	(1,102,192)
Other financial expenses	77,403	(100,595)
Total	(787,842)	(1,202,694)

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

9. EXPENDITURE ON CURRENT AND DEFERRED PROFIT TAX

Description	31.03.23	31.03.22
	(unaudited)	(unaudited)
Current income tax expenses	4,492,631	2,989,618
Deferred income tax expenses	(940,064)	(203,350)
Total	3,552,567	2,786,268

10. EARNINGS PER SHARE

Description	31.03.23	31.03.22
	(unaudited)	(unaudited)
Net profit (A)	22,203,410	8,631,421
Number of ordinary shares (B)	671,338,040	671,338,040
Earnings per share (A/B)	0,033073	0,012857

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

On March 31, 2023

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

11. TANGIBLE ASSETS

	Land	Buildings	Technical installations & equipment	Other installations, equipment & furniture	Tangible assets in progress	Total
COST						
December 31, 2021	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
December 31, 2022	189,933,152	210,753,244	261,368,188	9,839,442	9,087,755	680,981,781
Inputs	-	8,131,650	2,692,408	57,707	8,934,579	19,816,344
Outputs	-	-	-	-	10,881,764	10,881,764
March 31, 2023	189,933,152	218,884,894	264,060,596	9,897,149	7,140,570	689,916,361
DEPRECIATION						
December 31, 2021	-	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
December 31, 2022	-	32,125,614	145,350,343	6,695,462	-	184,171,419
Cost of the period	-	2,647,211	3,806,208	99,805	-	6,553,224
Outputs	-	-	-	-	-	-
March 31, 2023	-	34,772,825	149,156,551	6,795,267	-	190,724,643
ADJUSTMENTS FOR IMPAIRMENT						
December 31, 2021	-	51,600	244,652	-	-	296,252
Outputs 2022	-	51,600	244,652	-	-	296,252
December 31, 2022	-	0	0	-	-	0
Outputs 2022	-	-	-	-	-	-
March 31, 2023	-	-	-	-	-	-
NET VALUES						
March 31, 2023	189,933,152	184,112,069	114,904,045	3,101,882	7,140,570	499,191,718
December 31, 2022	189,933,152	178,627,630	116,017,845	3,143,980	9,087,755	496,810,361
December 31, 2021	189,933,152	133,870,602	89,714,292	2,311,537	64,714,983	480,544,567

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Tangible assets

Initial assessment

The tangible fixed assets are measured at net cost, of the accumulated depreciation and/or the accumulated depreciation losses, if applicable.

This cost includes the replacement cost of the respective tangible fixed assets at the time of the replacement and the cost of borrowing for long-term projects, if the recognition criteria are met. When significant parts of the tangible assets must be replaced at certain intervals, the respective parts are recognized as individual assets with a specific useful life and depreciated accordingly. Also, when carrying out a general inspection, its cost is recognized in the accounting value of tangible assets as a replacement, if the recognition criteria are met. All the other repair and maintenance costs are recognized in the profit and loss account when they are incurred. The present value of the expected costs for scrapping the asset after its use is included in the cost of the respective asset if the criteria for recognizing a provision are met.

The cost of a tangible asset consists of:

- its purchase price, including customs duties and non-refundable purchase taxes, after deducting commercial discounts and rebates;
- any costs that can be directly attributed to bringing the asset to the location and the condition necessary for it to operate in the manner desired by the management;
- the initial estimate of the costs of dismantling and moving the element and rehabilitating the site where it is located, the obligation that the entity bears when acquiring the element or as a consequence of using the element for a certain period for purposes other than those of producing stocks during that period.

Subsequent evaluation

The fixed assets are valued at historical cost from which the amortization and possible adjustments for depreciation are deducted.

The useful life

The period of economic useful life is the period of time in which the asset is expected to be used. The economic useful life for tangible assets was determined according to legal requirements. The depreciation is calculated using the straight-line method, over the entire useful life of the asset.

An item of tangible assets is derecognized upon disposal or when no future economic benefit is expected from its use or disposal. Any gain or loss resulting from the derecognition of an asset (calculated as the difference between the net proceeds on disposal and the accounting value of the item) is included in the profit and loss account when the asset is derecognised.

The depreciation of the tangible assets

The accounting depreciation is calculated using the straight-line method. For new tangible immobilizations, entered in the first quarter of 2023, that is installations, equipment, measuring and control devices; the useful lives thereof were established by taking into account:

- the estimated level of use based on the use of the asset's capacity;
- the repair and maintenance program in effect within ANTIBIOTICE SA on installations and equipment;
- the moral wear and tear determined by possible changes in the production process depending on the structure of the product portfolio.

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The company carried out the revaluation of the existing heritage buildings on 31.12.2018; this was carried out with third parties authorized REA, AMP, National Association of Authorized Appraisers from Romania (ANEVAR) accredited members.

The company carried out the revaluation of the existing lands in the heritage on 31.12.2020 and the inventory value after revaluation is 189,933,152 lei. The revaluation was carried out by an authorized third party, which is an National Association of Authorized Appraisers from Romania (ANEVAR) corporate member.

The inventory value of the tangible assets established as guarantees for the bank loans contracted for the financing of the operational activity and for the financing of the investment activity is 111,272,104 lei.

12. INTANGIBLE ASSETS

The intangible assets include research and development projects, internally developed product licenses, in-licensing and out-licensing software license projects.

The intangible assets are recorded according to IAS 38, "Intangible assets" and IAS 36, "Depreciation of assets". The externally acquired intangible assets are recognized at initial 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 factories and other intangible fixed assets recognized from an accounting viewpoint, with the exception of the formation expenses, the commercial fund, of intangible fixed assets with an indefinite useful life, classified as such according to the accounting regulations, it is recovered through straight-line depreciation deductions during the contract period or during the useful life, as the case may be.

The research expenses are recognized as an expense when they are incurred. The expenses related to the development of an individual project are recognized as intangible assets when the following can be demonstrated:

- The technical feasibility required to complete the intangible asset so that it is available for use or sale;
- Its intention to complete the intangible asset and the ability to use or sell it;
- The way in which the intangible assets will generate future economic benefits;
- The availability of resources to complete the immobilization;
- Its ability to reliably evaluate the expenses during the development of the immobilization.

After the initial recognition of the expenditure on the development of an asset, the cost-based model is applied, which provides for the accounting of assets at cost minus any accumulated depreciation and any accumulated impairment losses. The depreciation of fixed assets begins when the development is completed and the asset is available for sale/use. It is amortized over the period of the expected future benefit. During the development period, the asset is tested annually for impairment.

Internally generated intangible assets (development costs)

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

On 31.03.2023, the situation of intangible assets and the related depreciation is presented in the following table:

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

On March 31, 2023

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

	31.03.23	31.12.22
	(unaudited)	(unaudited)
Initial balance	56,741,645	49,272,084
Inputs	10,510,545	10,326,631
Outputs	6,848,423	2,857,070
Final balance	60,403,767	56,741,645
Depreciation		
Initial balance	20,945,702	19,432,320
Cost of the period	485,548	1,513,382
Final balance	21,431,250	20,945,702
Net value	38,972,517	35,795,943

13. STOCKS

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

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

The cost of stocks includes all purchase expenses, production costs (including all direct and indirect costs attributable to the operational activity of production) and other costs incurred in bringing the stocks to their current state and location.

The stocks are valued at the lower value between the cost and the net achievable value. The net achievable value is the estimated selling price under normal operating conditions less the estimated costs of completion and the selling costs. The company periodically inventories the stocks to determine if they are damaged, if they have slow movement or if the net achievable value has decreased, and it makes the necessary adjustments.

The impairment of non-financial assets

The company evaluates at each reporting date if there are indications of impairment of an asset. If such indications exist or if an annual test is necessary for the impairment of an asset, the company estimates the recoverable value of that asset. The recoverable value of an asset represents the higher value between the fair value of an asset (or of a cash-generating unit) minus the costs associated with the sale and its value in use.

This is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those of other assets or groups of assets. When the book value of an asset or a cash-generating unit is greater than its recoverable value, the asset is considered impaired and its book value is reduced to its recoverable value.

When assessing the value in use, the estimated future cash flows are updated to their updated value using a pre-tax rate that reflects the current market assessments of the time-value of money and the asset-specific risks. When determining the fair value minus the costs associated with the sale, the recent transactions on the market, if any, are taken into account. If such transactions cannot be identified, an appropriate valuation model is used.

In each reporting period, an assessment is made to determine if there are indicators that previously recognized impairment losses no longer exist or have decreased. If there is such an indication, the recoverable value of the asset or the treasury generating unit is estimated. A

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previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable value.

The reversal is limited, so that the accounting value of the asset does not exceed its recoverable value and it does not exceed the accounting value that the asset would have had if it had not been previously depreciated. Such reversal is recognized in the profit and loss account unless the asset has been revalued, in which case the reversal is treated as a revaluation increase.

Description	31.03.23 (unaudited)	31.12.2 (audited)
Raw materials and consumables	57,093,609	47,426,667
Production in progress	5,379,909	4,768,710
Semi-finished and finished products	31,124,625	45,553,406
Products manufactured on other manufacturing sites	16,561,653	24,745,645
Total	110,159,796	122,494,428

The value of stocks constituted as guarantees for bank loans is 20,000,000 lei. The raw materials and consumables from stock are necessary to ensure the production in the next period according to the production plan in conjunction with supply deadlines.

14. TRADE AND OTHER RECEIVABLES

Description	30.03.23 (unaudited)	31.12.22 (audited)
Trade receivables	285,413,740	218,722,716
Adjustments for trade receivables	(30,815,778)	(25,921,945)
Various debtors and other receivables	4,111,067	3,996,010
Adjustments for various debtors	(3,432,707)	(3,432,707)
Total financial assets other than cash, classified as loans and receivables	255,276,322	193,364,074
Receivables related to employees	15	154
Other receivables from the State Budget	1,315,114	1,737,520
Advance payments	8,377,182	4,544,501
Total	264,968,633	199,646,249

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

The value of receivables constituted as guarantees for bank loans contracted for the financing of the operational activity and for the financing of the investment activity is 128,762,744 lei.

Analysis of seniority	31.03.23	31.12.22
Up to 3 months	167,638,927	111,039,321
Between 3 and 6 months	86,384,022	68,275,853
Between 6 and 12 months	16,225,973	23,752,711
Over 12 months	15,164,819	15,164,819
Value adjustments related to receivables-customers	(30,815,778)	(25,921,945)

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15. CASH AND CASH EQUIVALENTS

Description	31.03.23 (unaudited)	31.12.22 (audited)
Available in the bank	731,449	1,718,889
Cash and cash equivalents	13,009	8,565
Total	744,458	1,727,454

16. TRADE AND OTHER LIABILITIES

Description	31.03.23 (unaudited)	31.12.22 (audited)
Trade liabilities	76,362,168	60,937,998
Suppliers of assets	14,198,549	12,839,306
Employee-related liabilities	4,815,690	5,241,211
Other debts	1,133,817	1,116,573
Interest to be paid	196,467	81,217
Tax and social contributions	8,651,862	3,063,690
Dividends	2,486,182	2,494,502
Advances money from customers	690,601	292,894
Total	108,535,336	86,067,391

17. AMOUNTS DUE TO CREDIT INSTITUTIONS

The amounts due to the credit institutions on 31.03.2023 are shown in the table below:

Amounts due to credit institutions	Value on 31.03.2023
Amounts due in the short term	48,947,811 LEI
Amounts due in the long term (including interest)	44,529,994 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 March 31, 2023	38,308,655.42 LEI
Warranties	Mortgage contract for buildings, land/Receivable assignment contract

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

Objective	Investment credit
Amount	15,406,300 EUR
Maturity	02.05.2028
Balance on March 31, 2023	11,106,869.44 EUR (54,969,007.53 LEI)

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Warranties	Mortgage contract for buildings, land/Receivable assignment contract
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The amounts due to credit institutions on 31.03.2021 are shown in the table below:

Amounts due to credit institutions	Value on 31.12.2022
Amounts due on the short term	34,008,116 LEI
Amounts due in the long term (including interest)	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

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

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

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

18. SUBSIDIES FOR INVESTMENTS

The subsidies for investments have the following structure:

	31.03.23 (unaudited)	31.12.22 (audited)
Subsidies for investments		
Wastewater treatment plant	1,704,562	1,744,072
UMF Iasi research project	24,503	24,503
Other grants from European funds	303,630	327,614
Other grants from state budget funds	63,190	67,422
Total	2,095,885	2,163,611

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

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protection and in increasing the competitiveness of industrial products through financing from the Ministry of Economy, Trade and Business Relations and UEFISCDI Bucharest.

19. DEBTS FROM TAXES AND CURRENT TAXES

Description	30-03-23 (unaudited)	31-12-22 (audited)
Debts from taxes and current taxes	10,668,132	8,280,670
Deferred profit tax	29,931,145	30,871,210

The main components of the deferred tax are: the deferred tax related to the revaluation of fixed assets between 2004-2009 and the deferred tax related to the revaluations made in 2012, 2015 and 2018.

20. SHARE CAPITAL

On March 31, 2023, the subscribed capital of our company was 67,133,804 lei, the nominal value of a share being 0.1000 lei/share. Our company has 671,338,040 shares which confers equal rights on the company's shareholders. SC Antibiotice SA did not issue shares that would offer preferential rights to the shareholders.

21. RESERVES

Reserves include the following components:

Description	31-03-23 (unaudited)	31-12-22 (audited)
Fixed asset revaluation reserves	131,579,099	132,338,377
Legal reserves	13,426,761	13,426,761
Deferred profit tax recognized on account of equity	(21,052,654)	(21,174,138)
Other reserves	292,168,005	261,644,439
Reserves from the current profit	0	30,523,566
TOTAL	416,121,211	416,759,005

The nature and purpose of each reserve within the equity capital are described below:

Reserve	Description and purpose
Fixed asset revaluation reserves	If the accounting value of a tangible fixed asset is increased as a result of the revaluation, then the increase must be recognized in other elements of the comprehensive result and accumulated in the equity, as surplus from the revaluation. The revaluation reserves cannot be distributed and cannot be used to increase the share capital.
Legal reserves	According to the Law no. 31/1990, every year, at least 5% of the profit is taken for the formation of the reserve fund, until it reaches at least one fifth of the social capital.
Other	Other reserves include reserves representing fiscal facilities that cannot be

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reserves distributed, with implications on recalculating the profit tax. The difference represents reserves made up of profits.

22. RETAINED EARNINGS

The retained earnings include the following components:

Description	31-03-23	31-12-22
	(unaudited)	(audited)
Retained earnings –unallocated profit - unrecovered loss	7,989,861	-
Retained earnings – surplus made from revaluation reserves	27,038,030	26,400,236
Retained earnings from the use, at the date of transition to IFRS application, of the fair value as an assumed cost	123,147,695	123,147,695
Retained earnings resulting from the adoption for the first time of IAS 29	(197,701,352)	(197,701,352)
Total	<u>(39,525,766)</u>	<u>(48,153,421)</u>

23. CONTINGENT LIABILITIES

S.C. Antibiotice S.A. has no contingent liabilities on March 31, 2023.

24. EVENTS AFTER THE REPORTING PERIOD

No subsequent events were identified.

25. INFORMATION RELATING TO THE AUDIT OF THE FINANCIAL STATEMENTS

The financial statements as of March 31, 2023 are not audited.

CURRENT REPORT

Notice of availability for the Report on 31 March 2023

Antibiotice Iași informs the investors that the *report on 31.03.2023* is available through the *Bucharest Stock Exchange* and *Financial Surveillance Authority* as well as on our website: www.antibiotice.ro (Investors/Financial Information/Financial Reports - 2023, 3 months).

We mention that the above-mentioned report can also be obtained at our company's headquarters (Investor Relations, phone no. 0232 209570, fax 0372 065633, e-mail: relatiicuinvestitorii@antibiotice.ro).

General Director,
ec. *Ioan NANI*

Financial Director,
ec. *Paula-Luminița COMAN*