

# MANAGEMENT REPORT

**Q3 2023**

Quarterly Report according to: **IFRS**

Report Date: **30.09.2023**

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 after the first 9 months of 2023

- Balanced increase in turnover on the domestic and international market by 28% compared to the same period last year;
- Increase in turnover by 32% on the domestic market compared to the same period last year, strengthening the company's profitability structure;
- Increase in export turnover by 23% compared to the same period last year;
- In Romania, the Company is the quantitative leader (indivisible unit) in the total market for ointments (20.6%), suppositories and ovules (35.7%) and injectable powders (56%), and the value leader in the segment of generic prescription and over-the-counter medicines marketed in hospitals, with a market share of 14.1%;
- The Company achieved a net profit of 76.7 million lei, compared to the amount of 29.5 million lei recorded on 30 September 2022;
- Increase in the value of the free-float shares to EUR 44.6 million on 31 July 2023 from EUR 36 million as of 30 December 2022;
- The Company attracted grants of over 85 million lei for a production capacity of sterile products, solutions and topical products;
- The Company obtained a co-financing of 4.1 million lei for the development of a green energy production capacity;
- 58 million lei investments for the development of the product portfolio, green energy production, modernization of laboratories and logistics.

## Antibiotice, Romanian tradition and continuity

Antibiotice is the most important producer of generic drugs with Romanian capital, the only producer of active substances obtained by a biosynthesis process in our country, with 68 years of experience in the pharmaceutical industry in Romania.

The company has a portfolio of over 160 products in 11 therapeutic classes, consisting of both prescription-only medicines and over-the-counter medicines, supplements and medical devices.

The Antibiotice portfolio includes the following product categories:

- Medicines for human use;
- Dermatocosmetics, dietary supplements, medical devices;
- Active substances based on biotechnologies derived from streptomycin noursei for pharmaceutical use (compacted nystatin, micronized nystatin and standard nystatin);
- Veterinary medicinal products;
- Biocidal products for surface and hand disinfection;
- Biofertilisers.

Antibiotice has its own production capacity organized in 3 manufacturing divisions: Topical Products Division, Oral Solid Forms Division, Sterile Injectable Products and Active Substances Division, at the level of which there are 8 flows producing: penicillin injectable powders; penicillin capsules; non-betalactam capsules; cephalosporin capsules; tablets; ointments, creams, gels; suppositories; ovules; active substances obtained by biosynthesis. Moreover, Antibiotice S.A. has manufacturing contracts with ten partner websites.

The company holds internationally recognized certifications and licenses: US Food and Drug Administration (FDA) approval for Nystatin and penicillin injectable products, Certificate of Compliance with the European Pharmacopoeia (COS) for Nystatin, Good Manufacturing Practice (GMP) Certificate for all manufacturing workflows, WHO Prequalification and WHO certification for the range of essential anti-tuberculosis drugs.

## Antibiotice, a profitable company for investors

Investments in research, quality as well as in the modernization of manufacturing technologies have made Antibiotice S.A. a profitable, dynamic and attractive company for investors.

Antibiotice S.A. shares have been listed on the Bucharest Stock Exchange, Premium category, since April 1997. In the same year, the company's shares were included in the BET Index (Bucharest Exchange Trading Index). Since 2005, ATB shares have been included in the ROTX Index (Romanian Traded Index) of the Vienna Stock Exchange and in 2007 in the Dow Jones Wilshire Global Total Market Index of the New York Stock Exchange.

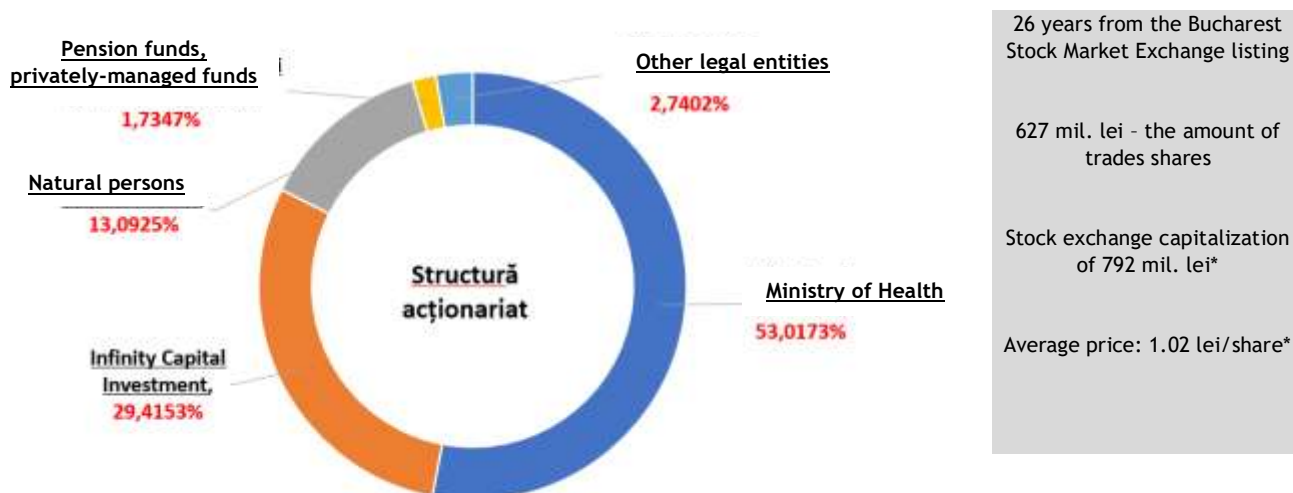
Currently, on the Bucharest Stock Exchange, the shares of Antibiotice S.A. are included in the composition of the following stock exchange indexes:

- BET-Plus, which includes Romanian companies listed on the BVB market and which meet the minimum selection criteria regarding liquidity and the value of the shares included in the free float, with the exception of Financial Investment Companies;
- BET-BK (as of 18 September 2023), built to be used as a benchmark by fund managers and other institutional investors and calculated as a price index weighted by the free float capitalization of the most traded companies listed on the regulated market of the Bucharest Stock Exchange (BVB).

Traded under the symbol ATB, Antibiotice S.A. shares are issued in dematerialized form and are freely transferable. The Register of Shareholders of Antibiotice S.A. Iasi is maintained by Depozitarul Central SA Bucharest.

During the first 9 months of 2023, 38,497,940 shares were traded, with a total trading value of Lei 26,647,326.15. The value of the shares in the first 9 months of 2023 showed a constant favourable evolution, from Lei 0.5700 on January 1st to Lei 1.1800 on September 30th, with a maximum of Lei 1.2800 reached on 21 September 2023.

## ■ Antibiotice, a performance-driven company



\*Information valid as of 30 September 2023

The activity of Antibiotice S.A. is guided by the following principles:

- the principle of strategic planning;
- the principle of identifying activities by operating divisions: Oral Solid Forms Division, Sterile and Active Substances Division, Topical Forms Division;
- the principle of good governance and performance management;
- the principle of decentralisation of budgets

The company's main management and organisational tool for the period 2023-2030 is the **“Business Plan - The Future Together”**, drafted by the CEO and approved by the Board of Directors.

Actions carried out in the first 9 months of 2023, focused on each pillar supporting the **Business Plan - The Future Together**, namely:

Pillar 1: Strategic adaptation of human resources;

Pillar 2: Strategic adaptation of the product portfolio;

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

Pillar 4: Performance management;

Pillar 5: Improving Corporate Governance Systems,

have led to results that create the prerequisites for achieving the company's planned long-term objectives.

## Pillar 1: Strategic adaptation 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 employees with skills adapted to the pharmaceutical industry, in line with labour market trends.

In achieving this, the Human Resources Department aims to provide qualified personnel, developing policies to motivate employees and create a work environment that will determine performance and increase competitiveness.

Under this pillar the main objectives are:

- improving staff retention,
- monitoring and sustaining performance as part of the company's development strategy,
- running employee training and skills development programmes.

| Performance indicators per pillar   | M.U.             | 2023-9 months |          |                       |
|---|------------------|---------------|----------|-----------------------|
|   |                  | Plan          | Achieved | Degree of achievement |
| Cumulative average number of hours of continuous training / employee  | No. of hours     | 30            | 33.10    | 110.33%               |
| TOTAL INSTRUCTIONS WITH INTERNAL LECTURERS - legal requirements   | No. of hours     | 23            | 24.82    | 107.91%               |
| TRAINING SESSION WITH EXTERNAL / INTERNAL LECTURERS - other than those laid down in regulatory requirements | No. of hours     | 7             | 8.28     | 118.29%               |
| Average number of employees/year  | No. of employees | 1350          | 1350     | 100%                  |
| Labour productivity**   | Thousand lei     | 313           | 350      | 111.8%                |
| Sustainability policies***  |                  | 100%          | 100%     | 100%                  |

\* determined on the basis of the company's payroll expenses

\*\* determined as operating income/average number of staff

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

These objectives are achieved through the following strategies and measures:

Strategy 1. Implementing modern human resources management

**Measure 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.

**Specific actions:**

- In order to achieve the objectives of “The Future Together” Business Plan and those of the Framework Agreement signed with the European Investment Bank in April 2023, for which an optimal internal organisational framework is necessary, the following actions have been implemented:

- Establishment of the **Strategic Planning and Performance Management Executive Directorate**

- Establishment of the **Research&Development and Portfolio Management Executive Directorate**

- Establishment of the **Pharma, Veterinary and Active Substances Sales Executive Directorate**

**Measure 2.** Adapting motivational packages to attract and retain valuable employees (key functions) and increase retention rates

The motivational system is grouped by elements of tax relief provided for in current legislation, as follows:

- Limit of 33% of the employee's basic salary - facility granted: health insurance  
In the first 9 months, the number of health insurance packages was expanded from 250 to 560 (41% of staff), and the following eligibility criteria were considered:
  - specific working conditions, as set out in the Collective Bargaining Agreement,
  - rare functions that are difficult to train and find on the labour market,
  - classification as strategic staff.
- Limit of 5% granted for social expenditure of the amount of staff expenditure - facility granted: provision of staff transport, social allowances for family events, awards granted on public holidays.

The staff retention rate after 9 months in 2023 was 96.6%, in line with the level recorded in the same period last year.

**Measure 3.** Employee career and succession planning/staffing management

In the third quarter, the succession plan procedure was drawn up and the staff reserve was identified on the basis of the potential determined by the annual evaluation of the employees' performance.

**Measure 4.** Running employee training and skills development programmes

For the first 9 months of 2023, an average of 30 hours of coaching/employee was planned, with 33.10 hours/employee, including training hours: in areas where there are legal training requirements, with internal lecturers, with external providers and on the e-Learning platform.

**The annual training plan 2023 for the development of employees' competences with external providers** is part of the **Academy a+** Project, and is adapted to the training requests and needs identified for activity structures and employees.

- Planned budget for 2023 = Lei 1,000,000

- Budget consumed from January to September 2023 = Lei 622,000 (estimated) (62.2%)

**Measure 5.** Promoting the Academia a+ Platform as a knowledge management tool in the company. **Academia a+** has two components: a+ Technical High School and a+ Business School.

**Specific actions:**

- **The collaboration with the university environment** materialized by the end of the third quarter through:

- signing collaboration protocols with 5 academic institutions based in Iasi: "Al. I. Cuza" University, University of Medicine and Pharmacy "Gr.T. Popa", "Gh. Asachi" Technical University and the University of Life Sciences "Ion Ionescu de la Brad", Petru Poni Institute and by participating in events organized to promote the company and to guide young graduates in their careers.

- running the 8th edition of the Performa+ project - out of 81 applicants, 35 were selected for participation. Courses and meetings with our specialists started in September and will end in October 2023.

- **Collaboration with the pre-university environment** included:

- programmes of educational visits carried out in the three editions of “Saptamana altfel” (Alternative Week) programme for a total of 420 pupils from theoretical and vocational education institutions.

- Collaboration contracts have been initiated with three high schools to provide internships for students in the school year 2023-2024.

- In the **a+ Technical High School** -

- The second edition of the multidisciplinary professional identification and training programme for 16 candidates is currently underway, with the final appointment for specific jobs to be made in November.

- The third edition of the multidisciplinary professional identification and training programme, based on an internship contract, was launched. The programme will run until the end of 2023, with 4 internship contracts currently in place.

## Strategy 2. Modernisation of the organisational culture

A company's organizational culture determines how employees work together, how they interact with customers and partners, how they are motivated and engaged, and how they are perceived in the pharmaceutical market. Helps define the values and goals of the organization, which can help foster a sense of loyalty and trust among staff members. In addition, it can be used as a tool to attract and retain quality talent, as well as to help establish an attractive image and brand identity. Ultimately, having a strong company culture can lead to higher levels of productivity, improved morale and a more positive work environment.

The pillars of communication within the organizational culture are:

*Pillar 1 - Antibiotice, a company worth working for* - the actions carried out under this pillar aim at streamlining employee loyalty, cohesion and collaboration through motivation and involvement.

In the first 9 months, the following projects were carried out: leisure and social workshops between different teams (a+ Hiking Club).

*Pillar 2 - Living a Healthy Life in a Healthy Company* refers to employee health and how it is maintained through dedicated projects.

In the first 9 months, the following projects were carried out: sports activities, actions dedicated to the World Mobility Week, health monitoring programme for colleagues involved in activities requiring physical effort, screening program for early detection of breast cancer.

*Pillar 3 - Antibiotice, a Friendly and Responsible Brand* contributes to the creation of a friendly and open working environment for employees and the implementation of community projects in the social, environmental, health and education fields.

In the first 9 months, the following projects were carried out: first aid courses, Passing the Friendship Torch (participants - children of employees), Connect with Nature - tree planting project, Donate Blood - put your heart for life, The Power of Doing Good - charitable actions to help underprivileged persons, Bistro - Lunch Break.

*Pillar 4 - Romanian Tradition and Continuity* - With 68 years of experience in the pharmaceutical market, we believe in the concepts and values that generations of people have carried in the same noble mission with Hippocratic spirit.

In the first 9 months, the following projects were carried out: Guests at our home, Event dedicated to ladies, on the occasion of March 8, Day of the Romanian Traditional Blouse - “Traditie din generatie in generatie”, Event dedicated to children of employees on June 1.

*Pillar 5 - Antibiotice, a Knowledge and Performance driven Company* - Promotes a culture of continuing learning within the organization by providing access to online training



resources, workshops and mentoring sessions to support the continuous growth of our employees' professional competencies.

## Pillar 2: Strategic adaptation of the product portfolio

Antibiotice S.A. has a portfolio of 166 products, from 11 therapeutic classes, which are available both as prescription and over-the-counter products.

Prescription products (RX) are grouped into therapeutic classes (ATC1) and are intended for high incidence pathologies and treatment of chronic conditions. The main therapeutic classes through which the prescription portfolio is identified are:

- class of Anti-infectives for systemic use (class including medicines for the treatment of tuberculosis);
- class of Dermatological preparations;
- class of Cardiovascular system;
- class of Digestive tract and metabolism.

Over-the-counter products are grouped into portfolio concepts for more effective communication to the target audience:

- Derm a+;
- Colds and flu;
- Quality of Life (Family Health and Women's Health);
- Nutriensa.

The concepts include dietary supplements, medical devices, cosmetics, OTC medicines and OTC medicines (prescription products with OTC behaviour available in pharmacies without a prescription).

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

In terms of sales following the Rx/OTC classification, considering finished products, in the first 9 months of 2023 compared to the same period in 2022, the situation is as follows:

| Domestic + international sales     | Amount<br>First 9 months<br>of 2022 | Amount<br>First 9 months<br>of 2023 | Variation<br>(2023-2022) |
|------------------------------------|-------------------------------------|-------------------------------------|--------------------------|
| <b>FINISHED PRODUCTS (Mil.LEI)</b> |                                     |                                     |                          |
| RX                                 | 354.0                               | 432.6                               | 78.5                     |
| OTC                                | 57.1                                | 59.1                                | 2.0                      |
| <b>Total</b>                       | <b>411.1</b>                        | <b>491.6</b>                        | <b>80.5</b>              |

The Rx product category recorded a value of 432.6 million lei in the first 9 months of the year, which means an increase by 22% compared to the same period of 2022. Over-the-counter (OCT) products recorded an increase of 4% compared to the same period of 2022, with sales of 59.1 million lei.

In terms of sales data by division, taking into account both finished products and active substances, the situation is as follows:

| Domestic + international sales<br>(Mil.LEI) | Amount<br>First 9 months<br>of 2022 | Amount<br>First 9 months<br>of 2023 | Variation<br>(2023-2022) |
|---|-------------------------------------|-------------------------------------|--------------------------|
| Sterile and Active Substances<br>Division   | 241.6                               | 289.2                               | 47.6                     |
| Oral Solid Forms Division                   | 123.2                               | 147.8                               | 24.6                     |

|                           |              |              |             |
|---------------------------|--------------|--------------|-------------|
| Topical Products Division | 105.7        | 122.3        | 16.7        |
| <b>Total</b>              | <b>470.5</b> | <b>559.3</b> | <b>88.8</b> |

### Oral Solid Forms Division

The portfolio of oral solid forms comprises 67 products, with 2 new products added in the first 9 months:

- **Equilibra® Plus tablets**, a food supplement under the Nutriensa® umbrella brand, a complex combination of organic magnesium and vitamin B6, which contributes to restoring the body's energy level and the normal functioning of the nervous system.
- **Remiflu® granules for oral solution in sachet**, OTC medicine from the Cold and Flu concept, triple combination of paracetamol, chlorpheniramine maleate and ascorbic acid, recommended for the relief of the main symptoms of the diseases.

The analysis of the current portfolio of the **Oral Solid Forms Division** in the first 9 months of 2023 was aimed at identifying ways to make its exploitation more efficient, through actions to secure projected sales, as well as to identify growth opportunities, as follows:

- actions with a positive impact on profitability (price repositioning, redefinition of commercial policy);
- market analysis to identify opportunities for new product take-up;
- line extensions, new product proposals (to complete ranges for the same indication);
- assessment of the potential for internationalisation of products.

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 for Lejer® and Fezivit® C 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;
- Law 81 which regulates the granting of commercial advantages and promotional budgets for a number of food supplements, limiting the level of advantages granted on the manufacturer-distributor-pharmacy line.

In terms of the therapeutic classes on which the company operates through its **portfolio of oral solid forms** (9 classes), for the first 9 months of 2023, the related sales were:

| <b>FINISHED PRODUCTS<br/>Therapeutic class (Mil.LEI)</b> | <b>Amount<br/>First 9 months<br/>of 2022</b> | <b>Amount<br/>First 9 months<br/>of 2023</b> | <b>Variation<br/>(2023-2022)</b> |
|--|--|--|----------------------------------|
| Anti-infectives  | 67.93  | 96.47  | 28.54                            |
| Cardiovascular System                                    | 27.48  | 27.21  | -                                |
| Digestive Tract  | 12.44  | 16.67  | 4.23                             |
| <b>Total</b>   | <b>107.85</b>                                | <b>140.35</b>                                | <b>32.50</b>                     |

The first 2 classes, namely the class of Anti-infectives for systemic use and class C - Cardiovascular system, account for 80% of the value of the Oral Solid Forms Division. The products that have sustained the increases are prescription drugs: Eficef® range, Amoxicilina® range, Ceforan®, Roclarin®, Piafen®.

## Topical Products Division

The Topical Products Division's portfolio comprises a diversified product structure consisting of medicines for human use, medicines for veterinary use and dermatocosmetic products.

Medicinal products for human use are addressed to a wide range of pathologies with increased incidence and prevalence: dermatological, muscular and osteoarticular, venous, ocular, genito-urinary, digestive tract diseases and symptoms associated with cold and flu.

The topical product portfolio consists of 58 products, and in the first 9 months of 2023 it expanded with 4 new topical products under the Derm a+ concept: an OTC medicine and 3 dermatocosmetic products.

Zinba® ointment, a broad-spectrum topical anti-infective OTC medicine for the prevention and treatment of a broad spectrum of cutaneous bacterial infections, completed the dermatological medicines segment of the topical division's portfolio.

The Tinero® AZ range, a new line of dermatocosmetic products, is designed to relieve the symptoms of rosacea, a chronic inflammatory disease. The range contains a cleansing foam, a moisturiser with sun protection factor and a treatment serum, providing a complete daily care routine. The new line contributes to the development of the portfolio of dermatocosmetic products, a market segment for which Antibiotice aims to become one of the first choices among Romanian brands by 2030.

Topical OTC products reinforce the main concepts of the Derm a+, Quality of Life - Women's Health and Family Health portfolio, thus ensuring a product structure adapted to new consumer trends and different target audiences.

The sales structure by therapeutic class for this division is shown below:

| <b>FINISHED PRODUCTS</b><br>Therapeutic class (Mil.LEI) | <b>Amount</b><br>First 9 months<br>of 2022 | <b>Amount</b><br>First 9 months<br>of 2023 | <b>Variation</b><br>(2023-2022) |
|---|--|--|---------------------------------|
| Dermatological preparations                             | 46.97                                      | 53.61                                      | 6.64                            |
| Musculoskeletal system                                  | 11.31                                      | 11.30                                      | -                               |
| Cardiovascular System                                   | 11.95                                      | 14.26                                      | 2.31                            |
| Other classes   | 35.43                                      | 43.14                                      | 7.71                            |
| <b>Total</b>  | <b>105.65</b>                              | <b>122.32</b>                              | <b>16.66</b>                    |

The products that have had a significant contribution to the recorded increases are the corticosteroids Nidoflo<sup>®</sup>, Flucinolon N, the antifungals Clotrimazole cream (dermatological preparations class), the anti-rheumatics Clafen® Rapid, Saliform® range (Musculoskeletal System), the antihemorrhoids from the Hemorzon® range, Fluxiv® ointment (vascular disorders), antipyretics from the Paracetamol range, Kanamycin ophthalmic ointments and Zifex® range (genitourinary system).

## Sterile Products and Active Substances Division

The Sterile & Active Substances Division portfolio is segmented into finished injectable products and active substances. The finished products include 41 injectable drugs for human use, representing systemic anti-infectives  $\beta$ -lactam penicillins, cephalosporins, carbapenems, polymyxins, glycopeptides.

An important objective of the product portfolio strategy is to consolidate the leading status in the class of antibacterial anti-infective drugs and to complement it with therapeutically essential drugs.

In this respect, the current injectable portfolio has been expanded with 3 other anti-infective products: Vancomycin Atb® 500 mg, 1g powder for concentrate for solution for infusion and Cefazolin Atb® 1g powder for solution for injections/perfusions.

Sales structure of the products in this division's portfolio in the first 9 months of the year:

| <b>FINISHED PRODUCTS<br/>Therapeutic class (Mil.LEI)</b> | <b>Amount<br/>First 9 months<br/>of 2022</b> | <b>Amount<br/>First 9 months<br/>of 2023</b> | <b>Variation<br/>(2023-2022)</b> |
|--|--|--|----------------------------------|
| Anti-infectives  | 240.97                                       | 288.43                                       | 47.46                            |
| Hospital solutions                                       | 0.65   | 0.78   | 0.13                             |
| <b>Total</b>   | <b>241.61</b>                                | <b>289.21</b>                                | <b>47.59</b>                     |

Products with a significant contribution to sales are: Amoxiplus® range, Ampiplus® range, Cefort®, Colistin®, Perasin® range.

For the entire product portfolio, the uptake of new products is achieved both through in-house R&D and business development (in-licensing contracts), in line with therapeutic trends.

Research and development, an ongoing concern

Antibiotice S.A. owns a modern Research and Development centre, which has as main objective the development of medicines, food supplements, medical devices and cosmetics.

The complexity of the R&D activities determines the multi annual development of new product and/or product update projects with a view to internationalization.

In the year 2023, 24 new product projects, carried out in the previous year, have been continued, divided by company divisions, as follows:

**Topical Products Division:**

- 13 products (6 cosmetic products, 4 medical devices, 2 OTC products and 1 prescription product). In the first three quarters of 2023, various stages were carried out for all these products. The estimated sales value for these products in the period 2024-2026 is 30 million lei.

**Oral Solids Division:**

- 9 products, of which:
  - 7 products in tablet form (2 prescription products, 1 OTC product and 4 dietary supplements)
  - 2 products in capsule form (1 prescription product and 1 dietary supplement).

During the period between January and September 2023, activities related to the different phases of these projects were carried out, as planned at the beginning of the year. The estimated sales value for these products in the period 2024-2026 is about 14.5 million lei.

**Sterile Injectables and Active Substances Division:**

- 2 prescription products: 1 injectable and 1 suspension.

During the period between January and September 2023, activities related to the different phases of these projects were carried out, as planned at the beginning of the year. The estimated sales value for these products in the period 2024-2026 is 49 million lei.

In addition to the 24 new product projects continuing from the previous year, new research projects were started in the first three quarters of 2023 from two of the company's three divisions, as follows:

**Topical Products Division**

Research stages for 6 new topical products in the cosmetics category have been established and started. The estimated sales value for these products in the period 2025-2027 is 30 million lei.

## Oral Solids Division

Three new product projects in the dietary supplements category were established through actions carried out in the research department and the portfolio management department. Two of these new product projects were started in Q2 2023 and the third was started with research phases in Q3 2023. The estimated sales value for these products in the period 2025-2027 is 13.5 million lei.

As part of the Research and Development Centre, the **Clinical Trials Centre** conducted trial phases for the following company division portfolios between January and September 2023:

- *Oral Solids Division* - bioequivalence trial phases for 3 new products (prescription products);
- *Topical Products Division* - phases II -III of clinical trials for 2 topical products of which:
  - a. a new product (Rx product) meant to support promotional activities in the market of generic products with unique combinations;
  - b. a product with marketing authorisation in Romania, a trial necessary to support the internationalization process (OTC product);

A third, observational, post-marketing trial for a topical, prescription product is underway to support its promotion among healthcare professionals.

In parallel with the above mentioned trials, taking into account the requirements of the national and international regulatory authorities in the pharmaceutical field, the laboratories of the center carried out activities for the determination of nitrosamine impurities for the products part of the company's portfolio, which were necessary to maintain the products on the market.

In the first 9 months of 2023, new analytical methods for the active substance Nystatin have been developed, which will support the quality of this product and thus strengthen the company's position in the world market for this active substance.

Efficacy studies have been carried out in the field for Ecofertil and Azotofertil - eco-friendly biofertilizers, and the results of these efficacy studies will be available towards the end of 2023. In parallel with the field experimentation, a research project is being carried out in collaboration with the University of Life Sciences "Ion Ionescu de la Brad", which aims to determine the characteristics of these two products in order to position them in the biofertilizer market, as they are ultimately products that support organic farming.

## In-licensing Activity

According to the portfolio development plan set out in "The Future Together" Business Plan, 28 products are expected to be in-licensed in 2023.

In the first 9 months of 2023, 20 products (16 products are prescription-based and 4 are OTC) were added to the portfolio to complete the following therapeutic classes:

- 10 anti-infective products
- 4 cardiovascular products
- 4 products belonging to the "Digestive tract and metabolism" therapeutic class
- 1 cold and flu product
- 1 nervous system product

The estimated sales value of these products in the period 2024-2026 will be 39 million lei.

One of the objectives in the business plan is to expand the veterinary portfolio. In this respect, negotiations were initiated in the first 9 months of 2023 and 8 products were contracted to be launched in early 2024. The estimated sales value of these products in the period 2024-2026 will be 7 million lei.

## Promotion activity

The promotion of products in the Antibiotice portfolio is a key activity of the company's long-term development strategy, and we are constantly concerned with strengthening partnerships with healthcare professionals, identifying new consumers through screening programmes, identifying prescription habits and treatment behaviour through testing programmes, promotional partnerships with pharmacy chains on their catalogues for OTC products, and accessing alternative promotional channels.

### **Communication to the general public**

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

#### - *Nutriensa Range*

The new Equilibra® Plus product is included in promotional campaigns (radio campaigns, social media communication actions, communication to doctors and pharmacists) and marketing projects to ensure optimal territorial distribution.

Continuation of the promotion campaign of the Silithor® brand, hepatoprotective - hepatoregenerative - antioxidant dietary supplement, through TV and radio advertising spots, communication on Social Media channels.

#### - *Quality of Life*

Launched at the end of 2022, Clafen® rapid (gel, diclofenac diethylamine 11.6 mg/gram), a topical anti-inflammatory OTC medicine, has benefited from TV and radio promotional campaigns.

#### - *Derm a+*

To inform potential consumers about the four new products (Tinero® AZ range and Zinba®), communication actions were carried out in pharmacies and online.

Communication to healthcare professionals in the first 9 months of 2023 was achieved through direct promotional visits by the team of medical representatives and also through participation in national congresses and conferences. These events were organized by the main professional, academic and scientific societies and associations in Romania of the medical specialties at the core of communication and partnership development actions: Anaesthesiology and Intensive Care, Infectious Diseases, Dermatology, Obstetrics and Gynaecology, Urology, Otorhinolaryngology, Gastroenterology, Pulmonology, Family Medicine and Pharmacy.

The main focus of the promotional activities carried out was on the newly assimilated products in the portfolio together with actions aimed at strengthening the market shares of the following brands: Fluxiv®, Silithor®, Clafen®, Saliform Forte®, Zifex Complex® ovules, Zifex Duo® ovules, Aceclofen® suppositories, Eficef® capsules, Perasin® injections.

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

#### **Internationally certified quality**

In the first 9 months of 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 Trials Centre (in the period between 25 and 27 January 2023);

- Antibiotice SA received the operating permit as a distributor of medical devices from the Romanian National Agency for Medicines and Medical Devices;

- the approval of the National Agency for Medicinal Products and Medical Devices of Romania was received for the registration of the unit as a manufacturer, importer and distributor of active substances to be used as raw materials for medicinal products intended for human use;

- the inspection of the National Veterinary Authority for the recertification of Good Manufacturing Practice for the following work flows: sterile veterinary products (injectables and ointments) and sterile veterinary products - ointments (in the period between 27 and 28 February 2023).

In August 2023, Annex 1 to the EUGMP Guide came into force, which provides for new regulations on the manufacture of medicinal products. Antibiotice has started a series of activities to comply with the new EUGMP requirements.

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

A total of 40 quality agreements have been initiated, evaluated or finalised with manufacturers of active substances, finished products and Nystatin respectively.

#### **Responsibility versus Environment**

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

In the first 9 months of 2023, the Water Rights Permit No. 20/30 March 2021, issued by the Prut Barlad Water Basin Administration, and the Integrated Environmental Authorization no. 3/29 September 2021, issued by the Iasi Environmental Protection Agency, were maintained.

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

To monitor the quality of environmental factors, analyses of the quality of the water entering the pre-treatment plant and discharged into the municipal sewage system have been carried out in our own laboratory and by third parties. For emissions/immissions of air pollutants, determinations have been carried out as required by the Integrated Environmental Authorisation throughout the first 9 months of 2023.

No values exceeding the maximum allowable concentrations set by the Integrated Environmental Authorisation and the Water Rights Permit were recorded.

Antibiotice is a responsible company in terms of protecting the environment and proactively ensuring compliance with product safety requirements. Equipment has been installed and commissioned to reduce odour emissions specific to the biosynthesis process (the action is ongoing and the effectiveness of the approach will be evaluated at a later stage).

In the area of climate change, Antibiotice has conducted a rigorous assessment of the associated risks and a detailed report has been completed in accordance with the TCFD (Task Force on Climate-Related Financial Disclosures).

#### **Waste management**

Antibiotice continuously improves its waste management system to ensure a sustainable and efficient approach. Thus, the completion of the landfill has contributed to reducing our environmental impact, promoting more sustainable practices and more efficient resource management.

A series of measures from the waste management plan have been implemented in the waste landfill, by setting up selective collection areas and installing specific equipment to reduce the volume of waste.

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

At the same time, 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 authorised Extended Producer Responsibility (EPR)

organisations. The company has no outstanding payments to the Environmental Fund Administration.

### Occupational Health and Safety

In order to comply with the legislative provisions on the protection of employees' health, the following documents have been drawn up and implemented: Prevention and Protection Plan 2023, Annual Training Programme in Occupational Health and Safety, Annual Programme for Periodic Medical Examination, Annual Programme for Monitoring of Exposure to Hazards.

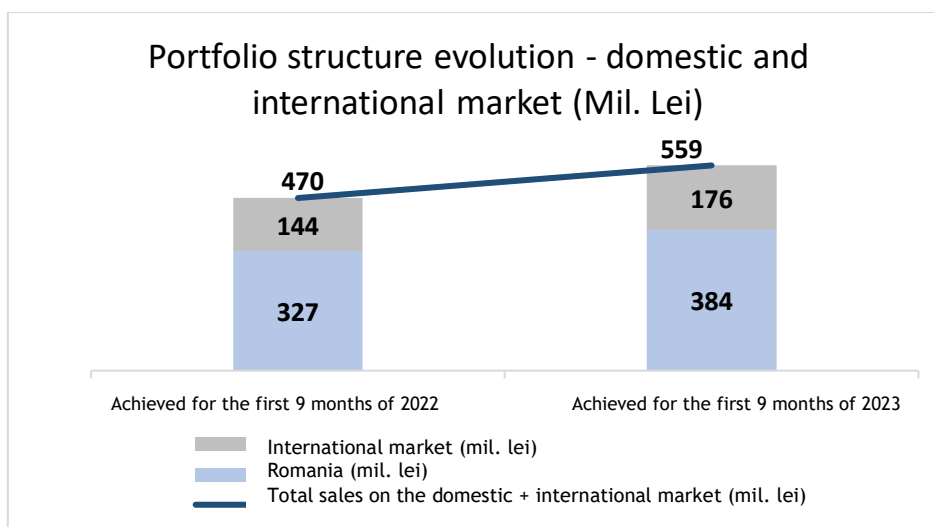
There were no incidents or accidents reported during the period under review.

### Pillar 4: Performance Management

Performance management is underpinned by the concept of strategic planning, through the development of management plans, according to the company's activities, interconnected and monitored in order to achieve the specific and general objectives of the company.

Through strategic planning methods of all activities and operational monitoring, the company's management aims to monitor monthly, quarterly and annually the progress of each executive, operational or support department.

In the portfolio structure, sales in the domestic and international market, in the 9 months of 2023, compared to the values of the same period of the previous year, are as follows:



In terms of sales by finished products and active substances, sales are composed of:

- 491.6 million lei in sales of finished products, representing 88% of total sales;
- 67.7 million lei sales of active substances, representing 12% of total sales.

These weights are similar to those recorded in the first 9 months of 2022, when the value of sales in the finished products market was 411 million lei and that of active substances was 59.4 million lei.

The increase in sales in the Antibiotice portfolio was based on factors such as the company's repositioning actions for the products in the portfolio, the encouragement of rational consumption, as well as the market context, marked by the increasing incidence of acute respiratory diseases, including bacterial superinfection.



## Strategy 1. Strengthening the business in the domestic market

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

In the first 9 months of 2023, the value of medicines dispensed to patients in Romania was 21.8 billion lei, an increase of 15.4% compared to the same period in 2022. The consumption of medicines increased by 2.5% in the first 9 months of 2023, with 537.29 million packs dispensed from pharmacies.

#### Evolution of the generic prescription and OTC pharmaceutical market

Of the total pharmaceutical market in Romania, 44.3% (in value terms) is represented by the generic prescription and OTC segment. The generics market registered a 12.7% increase in value during the period under review, from 8.6 billion lei to 9.7 billion lei. Quantitatively, it registered an increase of 1.4%, with 393.6 million packs delivered by pharmacies in the first 9 months of 2023 compared to 388.1 million packs in the first 9 months of 2022.

Prescription medicines (Rx) represent 43.4% of total value sales in the first 9 months of 2023 and 49.6% of the total consumption of generic medicines (reported as number of boxes). During the analyzed period these record a 17.2% value increase, from 3.6 billion lei in the first 9 months of 2022 to 4.2 billion lei in the similar period of 2023 and a 6.2% quantitative increase, from 183.8 to 195.2 million boxes in the first 9 months of 2023. Non-prescription medicines (non-RX) increased by 9.4% in terms of value (from 5 to 5.5 billion lei in the first 9 months of 2023) and decreased by 2.9% in terms of quantity, from 204.4 million boxes in the first 9 months of 2022 to 198.4 million boxes in the first 9 months of 2023.

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

- **In hospitals**, sales increased by 12.7%, from 737.0 million lei in the first 9 months of 2022 to 830.5 million lei in the first 9 months of 2023. For consumption, an increase of 12.5% was recorded in the period under review, from 16.4 to 18.4 million packs;
- **In national chains**, sales increased by 9.1%, from 3.1 billion lei in the first 9 months of 2022 to 3.4 billion lei in the same period in 2023. Quantitatively, there was a slight decline compared to the first 9 months of 2022, from 146.6 million packs in 2022 to 144.1 million packs in the first 9 months of 2023;
- **In independent pharmacies and small-chain pharmacies**, sales increased by 15.0%, from 4.7 billion lei in the first 9 months of 2022 to 5.4 billion lei in the first 9 months of 2023. Quantitatively, in the first 9 months of 2023 there was an increase of 2.4% compared to the first 9 months of 2022, from 225.7 to 231.1 million packs.

#### Antibiotics in the Romanian pharmaceutical market

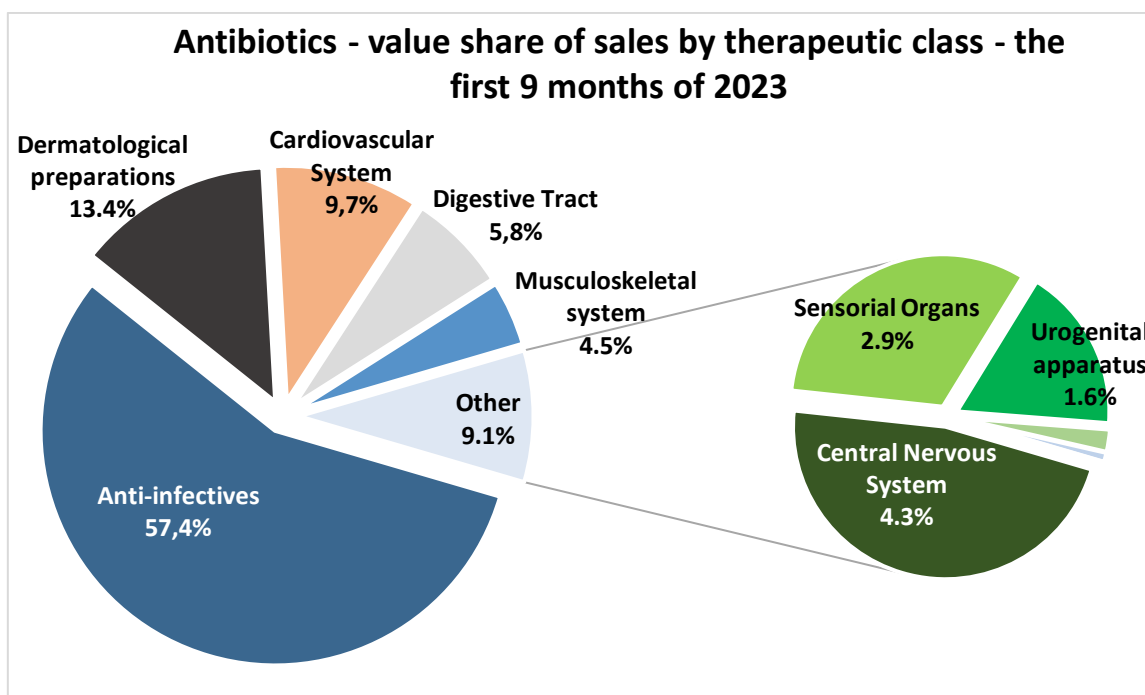
In the first 9 months of 2023 on the domestic market, Antibiotice Company:

- achieved market sales of 383.8 million lei, up 17.5% compared to the first 9 months of 2022;
- ranks 4th in consumption (packs) in the generic prescription and OTC segment (5.5% market share);
- is the quantitative leader (indivisible unit) in the total market for ointments (20.6%), suppositories and ovules (35.7%) and injectable powders (56.0%);
- ranks second by number of packs in the total market for the pharmaceutical form of capsules (16.1%);
- is the value leader in the generic prescription and OTC segment marketed in hospitals, with a market share of 14.1%.

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<sup>1</sup> According to CEGEDIM Sell Out Romania data source of September 2023

Antibiotice has consolidated its sales for the portfolio of anti-infectives for systemic use, developing at the same time the therapeutic classes where it holds important positions in the domestic market: dermatological preparations, cardiovascular system and digestive tract.



**Prescription medicines (RX)** account for 85.9% of total amount of sales in the first 9 months of 2023 and 86.7% of total consumption (reported in packs). During the period under review, they recorded a 20.5% increase in value, from 273.6 million lei in the first 9 months of 2022 to 329.6 million lei in the same period in 2023, and a 10.5% increase in quantity, from 17.0 to 18.7 million packs.

**Over-the-counter (OTC) medicines** recorded a 2.0% increase in value (from 53.1 million lei in the first 9 months of 2022, to 54.2 million lei in the same period of 2023) and a decrease in consumption, from 3.2 to 2.9 million packs.

By market segment, the sales status of Antibiotice S.A. is as follows:

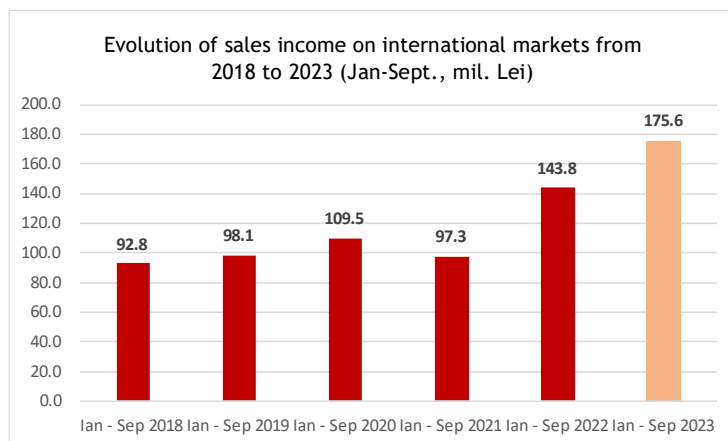
- **In hospitals**, sales recorded a value increase of 18.4%, from 99.0 million lei in the first 9 months of 2022 to 117.2 million lei in the first 9 months of 2023. Consumption expressed in packs in this segment increased slightly compared to the same period last year, by 0.1 million packs;
- **In national chains**, value sales increased by 13.6% in the first 9 months of 2023 compared to the same period last year (from 82.9 million lei to 94.2 million lei). The number of packs delivered by pharmacies increased by 5.0% to 7.5 million packs in the first 9 months of 2023;
- **In independent pharmacies and small-chain pharmacies**, value sales increased in the first 9 months of 2023 by 19.1% compared to the same period last year (from 144.8 million lei to 172.4 million lei). The number of packs delivered by pharmacies increased by 8.5% (from 11.9 million packs to 12.9 million packs).

In the first 9 months of 2023, Antibiotice's promotional activities led to the consolidation of quantitative market shares for the promoted brands: Eficef® (product ranked 1st in terms of value) - part of the company's anti-infectives portfolio, Ibufen® 400 mg brand from the Cold and Flu portfolio, and from the Nutriensa range - SimbiFlora®, Lejer® and Imunofix® brands.

## Strategy 2. Internationalization of business in ATB territories and other territories

In the period between January and September 2023, revenues from sales on the international market amounted to 175.6 million lei, an increase of 22% compared to the same period in 2022 (143.8 million lei) and 13% compared to planned sales for the first 9 months of 2023 (155.4 million lei).

Sales growth is in line with the trend planned for the period 2023 - 2030 according to “The Future Together” business plan.



### Finished products

Sales of finished products amounted to 107.9 million lei, up by 27.8% compared to January-September 2022 (84.4 million lei), generating an increase of 23.4 million lei (approx. 5.4 mil. USD). These results were achieved by exporting a total of 80 medicines to 30 countries, totalling a volume of approximately 68 million therapeutic units, an increase compared to previous years.

At the regional level, sales growth in the first 9 months of the year was achieved in territories from: North America, Europe and Asia-Pacific. Seven territories generated 80% of sales - USA, Vietnam, UK, Moldova, Denmark, Hungary, Netherlands.

In the US, \$6 million worth of business has been consolidated for 6 sterile beta-lactam drugs used in hospitals.

In the UK, the Netherlands, Hungary, Lithuania, Albania, the healthcare system in hospitals was accessed with a portfolio of anti-infective powder injectable medicines, which has generated a 42% increase in sales during the period under review.

In Asia, sales in the Vietnam market are up 12% compared to January-September 2022, and have reached USD 5.6 million with the launch of 3 new products and national tenders were awarded.

In the Republic of Moldova we achieved sales of USD 1.5 million, an increase of 9.2% compared to the first 9 months of 2022, which is the result of a consistent promotional strategy that provides sales predictability.

### Export of active substances based on biotechnologies derived from streptomycin noursei for pharmaceutical use (compacted nystatin, micronized nystatin and standard nystatin).

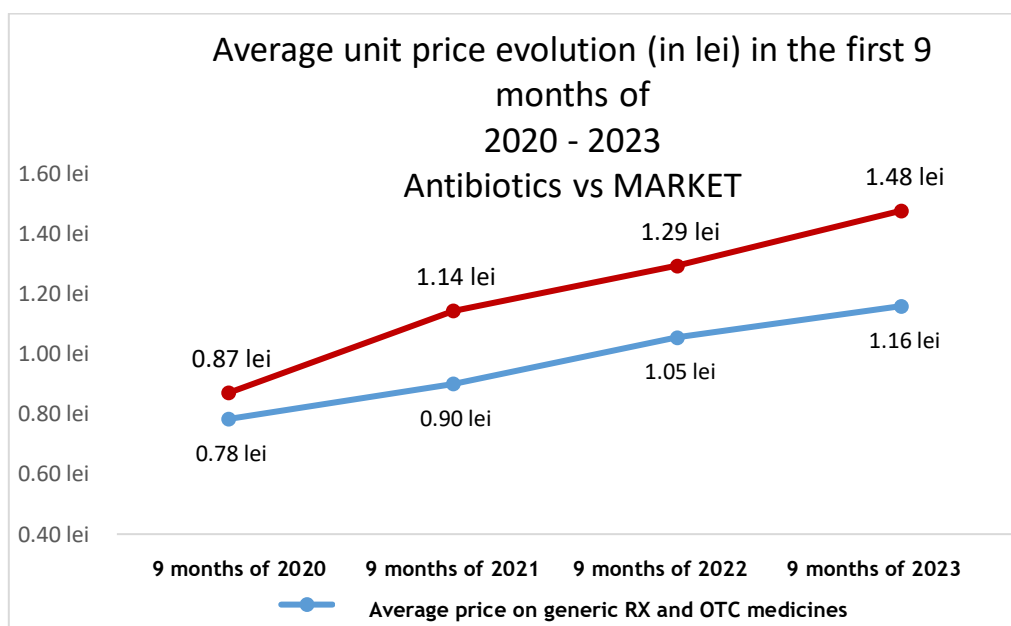
The activity carried out in the first 9 months of 2023 was in line with the growth trend of the last years, aiming at strengthening the global market position for compacted nystatin, micronized nystatin and standard nystatin manufactured by Antibiotice, sold in more than 55 countries worldwide.

Compared to the value recorded in the same period of the previous year, there was a 14% increase in turnover. During this period, important progress was made in the main

consolidation and development projects in North America, Latin America and Europe, continuing the good development of the main export markets for the nystatin manufactured by Antibiotice.

### Strategy 3. Price - a strategic element

The average market price of **generic prescription and OTC products** in the first 9 months of 2023 was 1.16 lei/IU, up 9.9% compared to the same period last year (1.05 lei/IU). In terms of sales channels, the price structure is as follows: for the **hospital channel** - 5.63 lei/IU, of which injectable products recorded a price of 9.21 lei/IU, up 7.4% compared to last year. For the **independent pharmacies and small-chain pharmacies (IPSCP)** segment - 1.10 lei/IU (up 10.7% compared to the first 9 months of 2022), and for the **national chains** - 1.05 lei/IU (up 8.9% compared to the same period of 2022).



The average price of the **Antibiotice** portfolio in the first 9 months of 2023 at IU level was 1.48 lei/IU, up 14.2% from 1.29 lei/IU in the first 9 months of 2022.

The product positioning strategy is the starting point for the entire marketing mix, as well as for the product and pricing policy. The application of strategies by market segments and promotion concepts led to an efficient portfolio structure valuation compared to the planned average price, with a 108.5% achievement rate.

At sales channel level, the price structure of the Antibiotice S.A. portfolio in the first 9 months of 2023 was as follows: for **hospital** channel - 4.81 lei/IU, of which injectable products recorded a price of 9.76 lei//IU (up +14.8% compared to the first 9 months of last year), for the **small-chain pharmacies and independent pharmacies** channel - 1.21 lei/IU (up 12.8% compared to the first 9 months of 2022), and for **chain pharmacies** - 1.01 lei/IU (up 17.3% compared to the first 9 months of 2022).

In the retail segment, the focus on the development projects of OTC brands in the Nutriensa range generated a 69.9% increase in the average unit price compared to the same period last year, from 0.69 lei/IU to 1.17 lei/IU.

Launch of the Tineru range of dermatocosmetic products, with a selling price above the portfolio average: Tineru AZ® Serum and Tineru AZ® Cream, as well as competitive price repositioning for the products in the current portfolio have led to an increase in the average price of the Derma+ concept by 8.7% from 15.9 lei/IU to 17.4 lei/IU.

## Strategy 4. Management of financial flows and operational expenses

The effect of all the activities carried out in the first 9 months of the current year is summarised in the Individual Financial Statements. The main indicators reflecting the financial performance of the activity for the first 9 months of 2023, compared to the planned value and the achieved value for the first 9 months of 2022 are:

### Economic and financial performance

| Indicators  | 30.09.2023<br>achieved | 30.09.2023<br>planned | 30.09.2022<br>achieved | 30.09.2023<br>achieved<br>/planned | -lei-<br>30.09.2023<br>/30.09.2022 |
|---|------------------------|-----------------------|------------------------|------------------------------------|------------------------------------|
| <b>A. Total income, of which:</b>   | <b>478,661,055</b>     | <b>431,395,092</b>    | <b>382,054,647</b>     | <b>111%</b>                        | <b>125%</b>                        |
| <u>1) Operating income</u>  | <b>469,011,440</b>     | <b>423,794,092</b>    | <b>373,556,720</b>     | <b>111%</b>                        | <b>126%</b>                        |
| <b>Revenues from contracts with clients (turnover), of which:</b>                           | <b>463,431,386</b>     | <b>405,049,751</b>    | <b>362,569,433</b>     | <b>114.41%</b>                     | <b>127.82%</b>                     |
| -Revenues from the sale of finished products  | 377,657,218            | 310,608,250           | 296,689,211            | 121.59%                            | 127.29%                            |
| -Revenues from the sale of products made on other manufacturing sites                       | 84,929,147             | 94,144,501            | 65,009,079             | 90.21%                             | 130.64%                            |
| -Income from the provision of services  | 845,021                | 297,000               | 871,143                | 284.52%                            | 97.00%                             |
| <b>Other operating revenues</b>   | <b>730,720</b>         | <b>667,500</b>        | <b>1,934,162</b>       | <b>109.47%</b>                     | <b>37.78%</b>                      |
| <b>Income from subsidies</b>  | <b>203,180</b>         | <b>0</b>              | <b>229,500</b>         |                                    | <b>88.53%</b>                      |
| Income from changes in the stocks of finished products and production in progress           | (4,912,797)            | 10,655,000            | (582,668)              | -46.11%                            | 843.16%                            |
| Income from fixed asset projects  | 9,558,951              | 7,421,841             | 9,406,293              | 128.79%                            | 101.62%                            |
| <u>2) Financial income</u>  | <b>9,649,615</b>       | <b>7,601,000</b>      | <b>8,497,927</b>       | <b>126.95%</b>                     | <b>113.55%</b>                     |
| -Income from exchange rate differences  | 9,647,449              | 7,600,000             | 8,496,884              | 126.94%                            | 113.54%                            |
| -Interest income  | 2,166                  | 1,000                 | 1,043                  | 216.59%                            | 207.66%                            |
| <b>B) Total expenses, of which:</b>   | <b>389,973,348</b>     | <b>396,643,000</b>    | <b>349,521,069</b>     | <b>98.32%</b>                      | <b>111.57%</b>                     |
| <u>1) Operating expenses</u>  | <b>376,456,195</b>     | <b>386,646,000</b>    | <b>338,821,986</b>     | <b>97.36%</b>                      | <b>111.11%</b>                     |
| Expenses with raw materials and consumables   | 110,550,080            | 115,039,000           | 90,711,955             | 96.10%                             | 121.87%                            |
| Expenditure on finished products made on other manufacturing sites                          | 43,022,268             | 47,144,000            | 35,594,083             | 91.26%                             | 120.87%                            |
| Electricity expenses  | 10,326,923             | 11,707,212            | 6,906,168              | 88.21%                             | 149.53%                            |
| Natural gas expenses  | 6,488,876              | 10,721,442            | 5,432,314              | 60.52%                             | 119.45%                            |
| Drinking water and sewerage expenses  | 1,493,634              | 1,557,346             | 1,086,652              | 95.91%                             | 137.45%                            |
| Other operating expenses (*)  | 81,099,916             | 75,100,000            | 95,204,292             | 107.99%                            | 85.19%                             |
| Sponsorships, donations   | 760,215                | 174,000               | 253,538                | 436.91%                            | 299.84%                            |
| Staff costs   | 102,947,675            | 106,277,000           | 87,650,524             | 96.87%                             | 117.45%                            |
| Expenses with depreciation of fixed assets and adjustments for depreciation of fixed assets | 20,526,823             | 19,100,000            | 16,235,997             | 107.47%                            | 126.43%                            |
|   |                        |                       |                        | 135.21%                            | 126.34%                            |
| <u>2) Financial expenses</u>  | <b>13,517,153</b>      | <b>9,997,000</b>      | <b>10,699,082</b>      | <b>143.53%</b>                     | <b>136.93%</b>                     |
| -Expenses from exchange rate differences  | 10,414,193             | 7,256,000             | 7,605,269              | 116.03%                            | 107.39%                            |
| -Interest expenses  | 3,180,364              | 2,741,000             | 2,961,426              |                                    |                                    |
| -Expenses related to the granted discounts  | (77,403)               | -                     | 132,387                |                                    | -58.47%                            |
| <b>Operational result</b>   | <b>92,555,245</b>      | <b>37,148,092</b>     | <b>34,734,734</b>      | <b>249%</b>                        | <b>266.46%</b>                     |
| <b>Financial result</b>   | <b>(3,867,538)</b>     | <b>(2,396,000)</b>    | <b>(2,201,156)</b>     | <b>161.42%</b>                     | <b>175.70%</b>                     |
| Exchange rate differences, net  | (766,743)              | 344,000               | 891,564                | -222.89%                           | -86.00%                            |
| Interest expense, net   | (3,178,198)            | (2,740,000)           | (2,960,382)            | 115.99%                            | 107.36%                            |
| Other financial expenses  | 77,403                 |                       | (132,387)              |                                    | -58.47%                            |

|                                  |             |             |             |         |         |
|----------------------------------|-------------|-------------|-------------|---------|---------|
| Financial result                 | (3,867,538) | (2,396,000) | (2,201,205) | 161.42% | 175.70% |
| Profit before tax                | 88,687,707  | 34,752,092  | 32,533,529  | 255.20% | 272.60% |
| Income tax expense               | 11,954,174  | 0           | 3,046,332   |         | 392.41% |
| Profit of the financial exercise | 76,733,533  | 34,752,092  | 29,487,197  | 220.80% | 260.23% |

(\*) detailed in Notes 7 and 9 to the Financial Statements and Table no. 1 to this Report

The results of the activities carried out in the first 9 months, summarised in the Financial Statements are prepared in accordance with the requirements of IAS 34 “Interim Financial Reporting”.

The **total revenue** achieved in this period is worth 478.66 million lei, 11% higher than planned and 25% higher than in the same period of the previous year, due to a product structure favourable for sales.

The **total expenses** as of 30 September 2023 are 389.9 million lei, 2% lower than planned and 11% higher than in the previous year, in line with the structure of production and sales.

The combined effect of revenues and total expenses resulted in a gross profit level of 88.6 million lei, 172% higher than the same period last year.

These results are the positive effect of:

- accessing new territories through products that define Antibiotice's strategic portfolio;
- increase of sales in the hospital segment;
- increase of sales in an optimal structure in the retail segment;
- strengthening the sale of active substance derived from streptomyces noursei biotechnologies for pharmaceutical use and maintaining the position as world leader;
- cost management measures.

According to their nature, the situation of income, expenditure and implicitly the result recorded is as follows:

- **Operating income:** 469,01 million lei

Compared to the planned amount of 423.7 million lei and the achieved amount as of 30 September 2022 of 373.56 million lei, the operating income is higher due to the increase in sales.

**In the structure of operating income, the situation of indicators is as follows:**

- **Net turnover** (income from contracts with customers) achieved in the first 9 months of 2023 is 463.4 million lei. Compared to the planned level the turnover is 14.4% higher, while compared to the same period last year the net turnover is 28% higher.
  - ✓ **The net turnover from the sale of products to domestic market partners** is 288.67 million lei, 13.8% higher than planned and 32% higher than in the same period last year, as a result of redefining the way of working with distributors and national chains in Romania; here, the main objectives were to closely correlate the market share of each product sold with the sales potential of each product in relation to the hospital, chain pharmacies and independent & small-chain pharmacies market segments.
  - ✓ **The net turnover in the international market** generated a value of 174.76 million lei, 15.2% higher than planned and 23.3% higher than the previous year.
- **Revenues from fixed assets projects** amounting to 9.6 million lei, 28.8% higher than the planned amount of 7.42 million lei and 2% higher than in the same period of the previous year.

- **Income from the change in stocks of finished products and work in progress** has a negative value of 4.9 million lei, due to the balance between sales and production structure, correlated with the objectives of optimizing the level of stocks.
  - **Operating expenses:** 376.45 million lei, higher compared to the expenses incurred in the same period of the previous year (338.82 million lei) and lower compared to the planned amount (386.6 million lei); however, they are correlated with the level of recorded revenues.
- **Expenses on raw materials and consumables** of 110.6 million lei, lower than planned by 4%, and 22% higher than in the same period last year. The saving of 4.5 million lei in planned versus achieved raw materials is due to the negotiation of purchase prices for raw materials (-10.1 million lei) and the favourable production structure, which generated a gain of 5.6 million lei.
- **Expenditure on products made at other manufacturing sites** of 43 million lei is 8.7% lower than planned and 20.9% higher than the same period last year. In correlation with the revenues obtained from the sale of products made on other sites, the expenses with these products have a 50% share in sales, compared to 55% in the same period of the previous year, due to the efficiency of the sales structure of the products.
- **Expenses on electricity, natural gas, drinking water** recorded in the first 9 months of 2023 are 18.3 million lei, below the planned level of 23.9 million lei. The variation of 5.6 million lei is due to the optimization of specific technological processes that resulted in a lower-than-planned consumption of utilities, with an influence in terms of amount of 2 million lei. The level of utility rates, lower than planned, resulted in an influence of 3.6 million lei.

Table No. 1 Statement of other operating expenses:

| Indicators  | 30 Sept. 2023<br>Achieved | 30 Sept. 2023<br>Planned | 30 Sept.<br>2022 | 30 Sept. 2023<br>Achieved/Planned | 30 Sept. 2023/<br>30 Sept.<br>2022 |
|---|---------------------------|--------------------------|------------------|-----------------------------------|------------------------------------|
| Transport expenses  | 3,237,709                 | 3,700,000                | 3,076,506        | 87.5%                             | 105.2%                             |
| Expenses on third party services  | 9,117,732                 | 16,100,100               | 9,353,409        | 56.6%                             | 97.5%                              |
| Expenses on repairs   | 1,996,178                 | 2,230,000                | 1,602,056        | 89.5%                             | 124.6%                             |
| Expenses on other taxes and charges   | 34,311,918                | 29,789,000               | 29,085,141       | 115.2%                            | 118.0%                             |
| Business entertainment, advertising and promotional expenses                              | 11,421,557                | 23,103,000               | 16,808,570       | 49.4%                             | 68.0%                              |
| Expenses on insurance premiums  | 2,045,599                 | 1,608,000                | 1,235,308        | 127.2%                            | 165.6%                             |
| Other overhead costs, of which:   | 2,807,250                 | 3,067,600                | 8,860,125        | 91.5%                             | 31.7%                              |
| - Expenses on professional training   | 622.687                   | 597.187                  | 291.351          | 104.3%                            | 213.7%                             |
| - Expenses on representation in territories   | 769.829                   | 1,103,359                | 862.726          | 69.8%                             | 89.2%                              |
| - Expenses on bank fees   | 374.750                   | 379.000                  | 444.801          | 98.9%                             | 84.3%                              |
| - Environmental protection expenses   | 1,039,685                 | 891.169                  | 797.475          | 116.7%                            | 130.4%                             |
| - Other operating expenses  | 299                       | 96.885                   | 2,081,166        | 0.3%                              | 0.0%                               |
| - Losses on receivables and sundry debtors  | 0                         | 0                        | 4,382,606        |                                   |                                    |
| Rental costs  | 215.708                   | 234.000                  | 210.520          | 92.2%                             | 102.5%                             |
| Travelling costs  | 1,093,080                 | 1,148,000                | 429.704          | 95.2%                             | 254.4%                             |
| Expenditure on postal charges and telecommunications                                      | 435.193                   | 434.000                  | 407.728          | 100.3%                            | 106.7%                             |
| Sponsorship and donation expenses   | 760.215                   | 174.000                  | 253.538          | 436.9%                            | 299.8%                             |
| Expenditure on compensation, fines and penalties  | 4.209                     | 12.300                   | 23.673           | 34.2%                             | 17.8%                              |
| Expenses on impairment of current asset (in accordance with IFRS 9 and IAS 36)            | 6,857,994                 | 0                        | 29,561,510       |                                   | 23.2%                              |
| Income from the reversal of impairment of current assets (according to IFRS 9 and IAS 36) | 322.306                   | 3,000,000                | 4,213,900        | 10.7%                             | 7.6%                               |

|   |                   |                   |                   |               |              |
|---|-------------------|-------------------|-------------------|---------------|--------------|
| Expenses on provisions (IAS 36)                           | 11,654,713        | 0                 | 0                 |               |              |
| Revenue from reversal/cancellation of provisions (IAS 36) | 4,536,832         | 3,500,000         | 1,489,596         | 129.6%        | 304.6%       |
| <b>Total</b>  | <b>81,099,917</b> | <b>75,100,000</b> | <b>95,204,292</b> | <b>108.0%</b> | <b>85.2%</b> |

- **Other operating expenses** - the amount of these expenses is 81.09 million lei, 8% higher compared to the planned level and 14.8% lower compared to the level achieved in the same period of the previous year.
  - ✓ **Expenses on transport of goods and services** are in the amount of 3.2 million lei, incurred for the transport at destination with postage paid of finished products sold on the domestic and international markets.
  - ✓ **Expenses on services performed by third parties** includes services for sales support, serialisation of medicines, market research in the pharmaceutical area, equipment qualification, equipment maintenance, customs services, physical-chemical analyses. Their value as of 30 September 2023 is 9.11 million lei, below the planned level of 16.1 million lei, as a result of the measures adopted to approve expenditure on services performed by third parties only under the condition of their compulsory nature and well-defined effects.
  - ✓ **Expenses on maintenance and repairs** are worth 1.9 million lei, and were needed to maintain production equipment in optimal condition, to strengthen some buildings, to maintain and repair the vehicle fleet.
  - ✓ **The claw back expense** amounts to 26.8 million lei, above the planned level of 25.5 million lei and the one recorded as of 30 September 2022 of 23.47 million lei, and is correlated with the increased level of sales in the Romanian market. It is regulated by the Government Emergency Ordinance No. 77/2011 establishing contributions for the financing of health expenditures, and is paid quarterly to the State Budget for prescription drugs, included in the national health programmes, with or without personal contribution, used in outpatient prescription treatment through open circuit pharmacies, for those used in hospital treatment, paid from the Single National Health Insurance Fund and from the budget of the Ministry of Health.
  - ✓ **Expenses on business entertainment, advertising and publicity** amount to 11.42 million lei. Of this, 10.85 million lei represent advertising and publicity expenses, including media expenses, expenses related to shelf positioning projects, scientific promotion and participation in congresses, promotional materials. Their value is in line with the new strategy of promotion policies developed since March 2023 by the working group set up at company level, which aims to: determine the optimal products to be promoted on the media channels and the type of advertising campaign carried out.
  - ✓ **Expenses with insurance premiums** amount to 2 million lei, their increase is correlated with the level of insured claims on the domestic and international market; the increase in the value of claims is closely related to the increase in turnover.
  - ✓ **Expenses on professional training** amounted to 0.62 million lei, close to the budgeted level and above the amount recorded in the same period last year.
  - ✓ **Representation expenses in the territories** in the period between January and September 2023 amounted to 0.76 million lei, lower than both the planned level and the level achieved in the previous year. Selling products in Antibiotic territories involves entering into agreements with partners in



the respective areas to manage product registration with the authorities and to broker sales in the market.

- ✓ **Expenses with bank fees and commissions**, paid for the current operations of collections and payments, in lei and currency and for the renewal of the contract for the financing of operational activities, amounted to 0.37 million lei.
- ✓ **Travel expenses** are 1 million lei similar to the planned level and above the level recorded in the same period in 2022 (0.4 million lei). 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.
- ✓ **Expenses on inventory write-downs according to IAS 36** in the amount of 1.96 million lei, established for raw materials according to accounting policies based on the shelf life of the items in stock.
- ✓ **Expenses on impairment of doubtful receivables (IFRS 9)** amounting to 4.89 million lei are set up for specific receivables.
- ✓ **Net provision expenses** under IAS 36 include:
  - 7.65 million lei for the variable remuneration for members of the Board of Directors payable in 2024, after validation of the degree of achievement of performance indicators;
  - 4 million lei worth of expenses for employee profit-sharing in 2023.
- ✓ **Income from the reversal/cancellation of provisions**, recorded according to IAS 36, includes:
  - 2.5 million lei for the fixed and variable remuneration granted to the members of the Board of Directors for the year 2022, paid in 2023 after validation of the degree of achievement of the performance indicators.
  - 2 million lei employee profit-sharing for 2022, paid in 2023.
- **Staff expenditure** of 102.9 million lei is below the planned amount of 106.27 million lei due to temporary differences between resignations and staff recruitment.
  - **Operating result** - the operating income recorded in the reporting period, in conjunction with the operating expenses incurred, as presented above, generated an operating profit of 92.5 million lei, higher than the planned amount (37.14 million lei) and the amount recorded in the same period of the previous year (34.7 million lei).

From the financial activity, as of 30 September 2023, the company achieved a **financial income** in the amount of 9.6 million lei represented by foreign exchange gains and interest gains and **financial expenses** in the amount of 13.5 million lei (represented by expenses from foreign exchange losses and interest costs), which resulted in a negative financial result of 3.86 million lei, below the planned level of 2.39 million lei and 2.2 million lei. The increase in the amount of **interest expenses** compared to September 2022 is due to the increase in the reference rates for loans in lei and euro, as Antibiotice has a long-term loan agreement in place meant to finance the investment in the topical products manufacturing site and a loan agreement for financing working capital.

## Statement of financial position

| Indicators                            | September 30 <sup>th</sup> , 2023 | December 31 <sup>st</sup> , 2022 | September 30 <sup>th</sup> , 2023<br>December 31 <sup>st</sup> , 2022 |
|---------------------------------------|-----------------------------------|----------------------------------|---|
| <b>Assets</b>                         |                                   |                                  |   |
| <b>Non-current assets</b>             |                                   |                                  |   |
| Tangible fixed assets                 | 518,153,415                       | 4,968,101,361                    | 104.30%   |
| Intangible fixed assets               | 44,947,148                        | 35,795,943                       | 125.56%   |
| <b>Total fixed assets</b>             | <b>563,100,563</b>                | <b>532,606,304</b>               | <b>105.73%</b>  |
| <b>Current assets</b>                 |                                   |                                  |   |
| Inventories                           | 150,595,072                       | 134,133,715                      | 112.27%   |
| Trade and similar receivables         | 247,704,673                       | 196,402,910                      | 126.12%   |
| Expenses registered in advance        | 4,451,719                         | 3,243,331                        | 137.26%   |
| Cash and short-term deposits          | 3,165,891                         | 1,727,454                        | 103.27%   |
| <b>Total current assets</b>           | <b>405,917,425</b>                | <b>335,507,418</b>               | <b>120.99%</b>  |
| <b>Total assets</b>                   | <b>969,017,988</b>                | <b>868,113,722</b>               | <b>111.62%</b>  |
| <b>Equity and debts</b>               |                                   |                                  |   |
| <b>Equity</b>                         |                                   |                                  |   |
| Subscribed capital                    | 67,133,804                        | 67,133,004                       | 100.00%   |
| Reevaluation reserves                 | 109,250,961                       | 111,164,239                      | 90.20%  |
| Legal reserves and other reserves     | 300,266,127                       | 305,594,766                      | 100.07%   |
| Carried forward result                | 243,269,213                       | 167,314,793                      | 145.40%   |
| <b>Total equity</b>                   | <b>727,920,105</b>                | <b>651,207,602</b>               | <b>111.78%</b>  |
| <b>Long-term debts</b>                |                                   |                                  |   |
| bank loans and debts                  | 39,434,909                        | 46,973,501                       | 03.95%  |
| Investment grants - unused portion    | 1,654,142                         | 1,057,322                        | 09.06%  |
| Deferred tax debts                    | 31,513,333                        | 32,733,496                       | 96.27%  |
| <b>Total long term debts</b>          | <b>72,602,384</b>                 | <b>81,564,319</b>                | <b>89.01%</b>   |
| <b>Current liabilities</b>            |                                   |                                  |   |
| Trade and similar debts               | 111,650,472                       | 06,067,391                       | 129.72%   |
| bank loans                            | 38,204,506                        | 34,000,116                       | 112.34%   |
| Debts from current interests and fees | 4,536,716                         | 0,200,670                        | 54.79%  |
| Investment grants - current portion   | 306,209                           | 306,209                          | 100.00%   |
| Provisions                            | 13,797,216                        | 6,679,335                        | 206.57%   |
| <b>Total current debts</b>            | <b>168,495,499</b>                | <b>135,341,801</b>               | <b>124.50%</b>  |
| <b>Total debts</b>                    | <b>241,097,883</b>                | <b>216,906,120</b>               | <b>111.15%</b>  |
| <b>Total equity and debts</b>         | <b>969,017,988</b>                | <b>868,113,722</b>               | <b>111.62%</b>  |

### Analysis of fixed assets

One of the priority objectives of *"The Future Together"* Business Plan is to make investments to development and consolidation of the business.

As of the beginning of 2023, the inflow of tangible and intangible fixed assets, above the amount of depreciation expenses, resulted in a level of net fixed assets as of 30.09.2023 of 563,1 million lei, 5.7% higher compared to the beginning of 2023.

As of 30.09.2023 the net book value of the tangible fixed assets of Antibiotice is 518.15 million lei, 4% higher than at the beginning of 2023.

**Intangible fixed assets**, represented by know-how, research and development projects in the development phase, software licenses have a level of 44.9 million lei, 26% higher than on 31.12.2022.

## Analysis of current assets

Current assets increased on 30.09.2023 compared to the beginning of the year by 70.4 million lei (+21%) mainly due to the increase in trade receivables and inventories.

As of 30.09.2023 the level of inventories is 150.6 million lei higher by 12% compared to the value at the beginning of the year. The main categories of inventories are:

- raw materials and materials (worth 70 million lei). They have an optimal level correlated with the production processes and the supply rates on the domestic and international markets;
- finished products made on own and partner sites (worth 74 million lei), in line with the sales plans on the domestic and international markets.

Compared to the beginning of the year, the level of **receivables** is higher, a favourable effect of the upward trend in turnover.

Antibiotice has continued to implement recovery measures in the contractual terms of the receivables, so as of 30.09.2023 the collection period is 159 days, 16 days less than the 175 days recorded at the beginning of the year.

As of 30.09.2023, the collection period for receivables from the international market is 58 days and from the domestic market is 178 days.

In order to counteract commercial risks, the company has taken out insurance policies for receivables on the domestic and international markets.

In total current assets, the share of receivables is 61% higher by 2% compared to the beginning of the year, which means an improvement in the liquidity of current assets.

## Current and long-term debt analysis

The **current debts** register on 30.09.2023 a value of 168.5 million lei, 24% higher than the value at the beginning of 2023. In their structure:

- short-term loans are in line with planned levels;
- trade and similar debts include:
  - debts to suppliers of raw materials, materials, services, due within the due date, amounting to 68.1 million lei, 12% higher than at the beginning of the year (60.9 million lei), an increase correlated with the dynamics of turnover;
  - debts to suppliers of fixed assets, in arrears, the increase from 10.5 million lei at the beginning of the year to 27.3 million lei is correlated with the ongoing intense investment process;
  - contributions and taxes related to salaries outstanding at the end of September 2023, due on 25.10.2023;
  - the debts from current taxes and duties are represented by the amounts due to the State Budget with due date 25.10.2023 (income tax -1.5 million lei and contribution to the Solidarity Fund regulated by Law no. 448/2006 on the protection and promotion of the rights of persons with disabilities -0.13 million lei) and 25.11.2023 - clawback tax. The amount of the clawback tax in balance as of 30.09.2023 is 2.9 million lei, reduced by 5.2 million lei based on the decision of the High Court of Cassation and Justice, which admitted the request of Antibiotice S.A. for recalculation of the clawback tax paid in the first quarter of 2020.

The company has no outstanding obligations to the state budget, these being paid within the legal term.

Subsidies for short-term investments in the amount of 306 thousand lei are represented by the amounts recorded as income on the measure of depreciation of investments, respectively:

- subsidies for investments in environmental protection for the Wastewater Treatment Plant;
- European funds for the project POIM SMIS Code 2014-109717 “Intelligent energy consumption monitoring system”.

As of 30.09.2023, the balance of the provisions account of 13.7 million lei, higher compared to the level at the beginning of the year, is due to the creation of provisions.

In the long term, the company aims to consolidate the net book assets, as of 30.09.2023, its value is 727.92 million lei, higher by 11.7% compared to the value as of 31.12.2022, the effect of the financial results recorded for 9 months.

Indicators reflecting business consolidation are presented below:

| Indicators                         | Calculation method                     | Measurement unit    | 30.09.2023 | 30.09.2022 |
|------------------------------------|--|---------------------|------------|------------|
| Current liquidity                  | Current assets/Current liabilities     | number of times     | 2.41       | 2.44       |
| Degree of indebtedness             | Borrowed capital/Equity *100           | %                   | 10.67      | 13.35      |
| Rotational speed of customer flows | Average customer balance/Turnover*Time | days                | 159        | 174        |
| Rotation speed of fixed assets     | Turnover/Fixed assets                  | number of rotations | 0.82       | 0.69       |

The general liquidity rate indicator, reflecting the ability of company to pay short-term obligations from the current assets, as of 30.09.2023 has a level of 2.41, 2% lower compared to that recorded as of 30.09.2022, due to the growth rate of current assets being 1.5% lower compared to the growth of current debts.

The indebtedness rate determined as the ratio between the value of bank debts and the value of equity improved on 30.09.2023 compared to 30.09.2022 both by decreasing the amount of borrowed capital and by increasing the value of equity.

The rotation speed of customer debts has improved as of 30.09.2023 compared to the level recorded as of 30.09.2022, as a result of the change in commercial credit policy.

The rotation speed of fixed assets, at 0.82 higher than that recorded on 30.09.2023, reflects the increase in the efficiency of use of the fixed assets.

The cash flow, prepared using the indirect method, was determined on the basis of gross profit, corrected for the influence of non-cash transactions (depreciation, provisions, adjustments to current assets) and changes in working capital items. From its analysis, the ability of company to generate cash from operating activity contributing to the financing of the investment process and the repayment of debts to the banks is evident.

## Strategy 5. Application of business consolidation principles

The summary of the main diagnostic indicators recorded highlights the financial balance and the continuous concern for business efficiency.

### INTERIM MANAGEMENT BALANCES

| Indicators  | Planned BVC<br>30.09.2023 | Period ended on<br>30 September<br>2023 | Period ended on<br>30 September<br>2023 | 2023<br>Planned/<br>Achieved | 9 Months 2023/<br>9 Months 2022 |
|---|---------------------------|---|---|------------------------------|---------------------------------|
| Turnover  | 405.0                     | 463.4                                   | 362.6                                   | 14%                          | 28%                             |
| Net turnover + stored production +income from<br>production of fixed assets | 423.1                     | 468.1                                   | 371.4                                   | 11%                          | 26%                             |
| Costs/expenses with products made on the site                               | 47.1                      | 43.0                                    | 35.6                                    | -9%                          | 21%                             |
| Expenses on raw materials   | 103.4                     | 99.7                                    | 79.2                                    | -4%                          | 26%                             |
| Material expenses   | 11.7                      | 10.8                                    | 11.5                                    | -7%                          | -6%                             |
| Gross margin  | 260.9                     | 314.5                                   | 245.1                                   | 21%                          | 28%                             |
| Gross margin (%)  | 62%                       | 67%                                     | 66%                                     | 9%                           | 2%                              |
| External expenses for operation   | 74.7                      | 49.6                                    | 48.1                                    | -34%                         | 3%                              |
| Expenses for electricity, natural gas and water ..                          | 24.0                      | 18.3                                    | 13.4                                    | -24%                         | 36%                             |
| Expenses for the services performed by third parties                        | 50.7                      | 31.3                                    | 34.7                                    | -38%                         | -10%                            |
| Added Value   | 186.2                     | 264.9                                   | 196.9                                   | 42%                          | 34%                             |
| Expenses for the staff  | 106.3                     | 102.9                                   | 87.7                                    | -3%                          | 17%                             |
| Expenses on taxes and duties, of which:                                     | 29.8                      | 34.3                                    | 29.1                                    | 15%                          | 18%                             |
| Claw Back   | 25.5                      | 26.8                                    | 23.5                                    | 5%                           | 14%                             |
| Expenses for the amortization   | 19.1                      | 20.5                                    | 16.5                                    | 7%                           | 25%                             |
| Operating result (EBIT)   | 37.1                      | 92.6                                    | 34.7                                    | 149%                         | 167%                            |
| Financial incomes   | 7.6                       | 9.6                                     | 8.5                                     | 27%                          | 14%                             |
| Total financial expenses  | 10.0                      | 13.5                                    | 10.7                                    | 35%                          | 26%                             |
| Financial result  | -2.4                      | -3.9                                    | 2.2                                     | 61%                          | 76%                             |
| Gross result  | 34.8                      | 88.7                                    | 32.5                                    | 155%                         | 173%                            |
| Gross result + Claw back  | 60.3                      | 115.5                                   | 56.0                                    | 92%                          | 106%                            |
| Corporate tax   | 0.0                       | 12.0                                    | 3.0                                     |                              | 296%                            |
| Net result (EAT)= Gross result-fees   | 34.8                      | 76.7                                    | 29.5                                    | 121%                         | 160%                            |
| Earnings Before Interest, Taxes, Depreciation and<br>Amortization (EBITDA)  | 56.6                      | 112.4                                   | 52.0                                    | 99%                          | 116%                            |

The gross margin indicator reflects the performance of the sales and production activities of the company. It is higher both in the similar period of the previous year and compared to the planned value, due to the efficient correlation of production, sales and stock levels, as well as the efficiency of raw material and material purchases.

The value-added indicator reflects what the company adds to the economic circuit through its own activity. The activity carried out in the reporting period resulted in a 34% higher value compared to the previous year period and 42% higher than planned.

The EBIT indicator (operating result) increased by 167% compared to the previous year and by 149% compared to plan.

The gross result is 88.7 million lei, higher than the similar period of 2022 (32.5 million lei) and the planned amount (34.8 million lei).

The net result is 76.7 million lei, higher than the similar period of 2022 (29.5 million lei) and the planned amount (34.8 million lei).

EBITDA, which reflects profit before interest, taxes, depreciation and amortization, is showing an upward trend.

## Strategy 6. Investment - sustaining the future

### I. Investments for strategic development, i.e. investments in product portfolio development

The new product development programme is aimed at expanding the portfolio and providing competitive pharmaceutical products for the domestic and foreign markets. The

total value of the investments made is 11.1 million lei out of a total of 11.41 million lei planned.

### **1. Product portfolio development**

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

### **2. Investments in new production sites**

Currently, the contracting procedure for the design and execution of a new manufacturing flow is underway. It is estimated that the design and execution agreement will be concluded in the first half of 2024.

## **II. Investments for business consolidation**

In the first 9 months, funds of 39.93 million lei were spent out of a planned budget of 47.05 million lei.

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

Antibiotice, as part of its digitization and computerization plan, has prioritized the acquisition of software to streamline human resources, quality, research activities and to secure data and information at all levels of the company. The optimization of the implementation of an ERP system has also been started.

### **2. Adaptation 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.**

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. The agreement has been signed and the construction of a modern warehouse for finished products has started, adapted to the expected production in the next few years until 2030. Stages of projects have been scheduled for the modernization of generation and utility distribution facilities.

An important component is the implementation of projects aimed at producing "green energy" and reducing energy and utility consumption. Thus it began the implementation of projects for the achievement 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, recovery of condensate from the installations, replacement of lighting systems with modern LED systems. Investments have been replanned due to supply chain delays; it is estimated that by the end of 2023 investments will be in place.

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

Increasing the accuracy of laboratory analysis methods and revising pharmacopeial 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

For the retrofitting of the drug manufacturing flows of the three divisions, procedures were carried out in 2023 for the purchase of equipment, plant, fittings and laboratory equipment.

#### Pillar 5: Improving Corporate Governance Systems

Corporate Governance ensures the transparency of the company in relation to the capital market, including shareholders, investors, Bucharest Stock Exchange, Financial Supervisory Authority, analysts, intermediaries, stakeholders.

In the first 9 months of 2023 the following were organized:

- three meetings of the Ordinary General Assembly (on 16.02.2023, 27.04.2023 and 14.09.2023) and an Extraordinary General Assembly on 14.09.2023. The agenda, the materials presented, the presence of the shareholders and the resolutions adopted can be consulted on the company website at <https://www.antibiotice.ro/investitori-php/financial-information/adunari-general-shareholders/>;
- Nine meetings of the board of directors the agenda and materials being kept at the board secretariat and accessible to directors, in accordance with the rules of good corporate governance.
- three investor teleconferences to present the preliminary financial results of 2022, the first quarter and 2023, the first semester.
- Romania&Frontier Investor Day event of the Bucharest Stock Exchange in partnership with the investment firm Wood&Co.

23 press releases were sent to the Bucharest Stock Exchange to inform the capital market about information on the company.

#### Risk management

Risk Management is organized as a distinct structure in the organisational chart of the company.

The risk management of the company complies with the legal requirements in force for the identification, assessment, management and reporting of risks. The main purpose is to identify the risks to which the organization is exposed, so that they can be anticipated and managed without affecting the effective achievement of the objectives of organization.

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

- commercial (non-payment) risk;
- interest rate risk;
- foreign-exchange risk;
- liquidity risk.

**Commercial (non-payment) risk** is the risk of financial loss to the company that arises if a customer or counterpart to a financial instrument fails to meet its contractual obligations. Antibiotice SA is mainly exposed to commercial (non-payment) risk arising from sales to customers.

Commercial (non-payment) risk control is achieved by: monitoring the creditworthiness of customers, requesting guarantees, securing receivables, developing a loyal relationship with customers. For external customers, the control of the commercial

risk (of non-payment) is achieved through advance payment, the conclusion of letters of credit, collection operations and the insurance of receivables.

**Interest rate risk** is the probability of suffering a loss or a failure to achieve forecast profits due to the market interest rate moving in an unfavourable direction.

The measures taken included reducing the amount used from operating loans and the use of foreign currency loans in which payments are made.

**Currency risk**, a component of financial risk, frequently arises in today's market economy where money rates fluctuate under the law of supply and demand.

Exchange rate fluctuations are reflected both in the costs of imported raw materials and in the prices of finished products for export.

In order to reduce the exposure to currency risk within the company, a series of measures were taken such as: synchronization of import and export activities by correlating payment and collection terms and correlating the weight of currencies, implementation of a financial currency strategy to synchronize collections with payments in the same currency.

**Liquidity risk** is the risk that the company may encounter difficulties in meeting short-term payment obligations at any time.

The policy of company with regard to liquidity risk is to maintain sufficient liquid resources to meet obligations as they fall due and the availability of funding through lines of credit.

The company has no unpaid obligations to the state budget.

No unanticipated and/or unmanaged risk events occurred in the first 9 months.

### **Cyber Risk Management**

Antibiotice S.A. is classified as an operator of essential services in the national economy and is obliged to comply with the national strategy on network and information systems security, and the provisions of Law no. 362/2018 on ensuring a high common level of network and information systems security are applicable to it.

An important component of corporate governance is cyber threat risk management, to which is added the set of rules on securing the information system to comply with legal requirements. Ongoing monitoring of internal IT infrastructure highlights any missing or inadequate safeguards and defenses, allowing security teams to implement necessary mitigating controls and prioritize risk remediation.

In the first 9 months of the year, 23 system procedures have been developed and are being implemented, which regulate the way the company works and ensure cyber security in accordance with the requirements of the National Cyber Security Directorate, the national authority responsible for monitoring the implementation of Law No. 362 of December 28<sup>th</sup>, 2018 on ensuring a high common level of security of networks and information systems ("NIS Law").

### **Integrity risk management**

Antibiotice has adhered to the National Anti-Corruption Strategy 2016-2020 and 2021-2025, with an organizational integrity agenda in accordance with G.D. no. 1269/2021, approving the National Anti-Corruption Strategy.



The Integrity Plan of the company includes measures to prevent and combat corruption and procedures to ensure ethics and integrity in its activities.

In the first nine months of 2023, no integrity incidents were recorded.

In 2023, the procedure for receiving, examining and resolving reports of violations of the law, drawn up in accordance with the provisions of Law No. 361/2022 on the protection of whistleblowers of public interest, was developed and implemented. According to this procedure any employee of Antibiotice, as well as any of the directors, shareholders, volunteers, trainees or persons working under the supervision or management of the company, hereinafter referred to as whistleblowers in the public interest, who have obtained or are aware of information regarding possible violations of laws within or by the company have the right to make a report to the Ethics and Integrity Board of the company.

In the first nine months of 2023, no reports of possible violations of the law were registered at the company level.

Following the entry into force of the Law no. 202/2002 on equal opportunities and treatment between men and women, a policy on harassment in the workplace and equal opportunities has been developed and implemented, whereby Antibiotice is committed to providing a safe environment for its employees on the principle of exclusion from discrimination on any grounds.

In the first nine months of 2023 there were no incidents of discrimination on any grounds against Antibiotice employees.

This Management Report has been prepared on the basis of the unaudited and unrevised individual financial statements as of 30.09.2023.

**ANTIBIOTICE S.A.**

**INTERIM FINANCIAL STATEMENTS**

**Prepared in accordance with IAS 34 “Interim financial reporting”**

**ANTIBIOTICE S.A.**  
**STATEMENT OF THE COMPREHENSIVE INCOME**  
**FOR THE 9-MONTH PERIOD ENDING ON SEPTEMBER 30, 2023**  
(all amounts are expressed in LEI (“RON”), unless otherwise specified)

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**ANTIBIOTICE S.A.**  
**STATEMENT OF THE COMPREHENSIVE INCOME**  
**FOR THE 9-MONTH PERIOD ENDING ON SEPTEMBER 30, 2023**  
**(all amounts are expressed in LEI ("RON"), unless otherwise specified)**

|  | Note | The period ended<br>on September 30,<br>2023 | The period ended<br>on<br>September 30,<br>2022 |
|--|------|--|---|
|  |      | (unaudited and<br>unreviewed)                | (unaudited and<br>unreviewed)                   |
| <b>Revenues from contracts with clients, of which:</b>                                     |      | <b>463,431,386</b>                           | <b>362,569,433</b>                              |
| <i>Revenues from the sale of finished products</i>   | 3    | 377,657,218                                  | 296,689,211                                     |
| <i>Revenues from the sale of products made on other manufacturing sites</i>                | 3    | 84,929,147                                   | 65,009,079                                      |
| <i>Revenues from the provision of services</i>   | 3    | 845,021                                      | 871,143   |
| Other operating revenues   | 4    | 730,720                                      | 1,934,162                                       |
| Revenues from subsidies  | 4    | 203,180                                      | 229,500   |
| Changes in stocks of finished products and production in progress                          |      | (4,912,797)                                  | (582,668)                                       |
| Income from assets projects  |      | 9,558,951                                    | 9,406,293                                       |
| Expenses on raw materials, used consumables and products made on other manufacturing sites | 6    | (153,572,348)                                | (126,306,038)                                   |
| Employee benefit expenses  | 8    | (102,947,675)                                | (87,650,524)                                    |
| Transportation costs   | 9    | (3,237,709)                                  | (3,076,506)                                     |
| Utility expenses   | 9    | (18,309,432)                                 | (13,425,135)                                    |
| Net depreciation and adjustments for the depreciation of fixed assets                      | 7    | (20,526,823)                                 | (16,235,997)                                    |
| Net adjustments for depreciation of current assets   | 7    | (6,535,688)                                  | (25,347,610)                                    |
| Net refunded commissions   | 7    | (7,117,881)                                  | 1,489,596                                       |
| Sponsorships, donations  |      | (760,215)                                    | (253,538)                                       |
| Other expenses   | 9    | (63,448,424)                                 | (68,016,234)                                    |
| <b>Operational result</b>  |      | <b>92,555,245</b>                            | <b>34,734,733</b>                               |
| Net exchange rate differences  | 4    | (766,743)                                    | 891,564   |
| Net interest expenses  | 4    | (3,178,198)                                  | (2,960,382)                                     |
| Other financial expenses   | 4    | 77,403                                       | (132,387)                                       |
| <b>The financial result</b>  |      | <b>(3,867,538)</b>                           | <b>(2,201,205)</b>                              |
| <b>Pre-tax profit</b>  |      | <b>88,687,707</b>                            | <b>32,533,528</b>                               |
| Income tax expense   | 5    | 11,954,174                                   | 3,046,332                                       |
| <b>The profit of the financial year</b>  |      | <b>76,733,533</b>                            | <b>29,487,196</b>                               |
| <b>Total overall result</b>  |      | <b>76,733,533</b>                            | <b>29,487,196</b>                               |
| <b>Earnings per share</b>  |      | <b>0.1143</b>                                | <b>0.0439</b>                                   |

Approved by the Management Board on November 14, 2023.

General Director,  
Ioan NANI, Economist

Financial Director,  
Paula Luminita COMAN, Economist

The attached notes are an integral part of the financial statements.

**ANTIBIOTICE S.A.**  
**STATEMENT OF THE COMPREHENSIVE INCOME**  
**FOR THE 9-MONTH PERIOD ENDING ON SEPTEMBER 30, 2023**  
**(all amounts are expressed in LEI ("RON"), unless otherwise specified)**

|   | <u>Note</u> | <u>Period ended on<br/>September 30, 2023</u><br>(unaudited and<br>unreviewed) | <u>Period ended on<br/>December 31, 2022</u><br>(revised) |
|---|-------------|--|---|
| <b>Assets</b>                                   |             |  |   |
| <b>Fixed assets</b>                             |             |  |   |
| Tangible fixed assets                           | 10          | 518,153,415  | 496,810,361   |
| Intangible fixed assets                         | 11          | 44,947,148   | 35,795,943  |
| <b>Total fixed assets</b>                       |             | <b>563,100,563</b>   | <b>532,606,304</b>  |
| <b>Current assets</b>                           |             |  |   |
| Stocks  | 12          | 150,595,072  | 134,133,715   |
| Trade and similar receivables                   | 13          | 247,704,673  | 196,402,918   |
| Expenses registered in advance                  |             | 4,451,789  | 3,243,331   |
| Cash and short-term deposits                    | 18          | 3,165,891  | 1,727,454   |
| <b>Total current assets</b>                     |             | <b>405,917,425</b>   | <b>335,507,418</b>  |
| <b>Total assets</b>                             |             | <b>969,017,988</b>   | <b>868,113,722</b>  |
| <b>Equity and liabilities</b>                   |             |  |   |
| <b>Equity</b>                                   |             |  |   |
| Subscribed capital                              | 14          | 67,133,804   | 67,133,804  |
| Revaluation reserves                            | 14          | 109,250,961  | 111,164,239   |
| Legal reserves and other reserves               |             | 308,266,127  | 305,594,766   |
| Retained earnings                               |             | 243,269,213  | 167,314,793   |
| <b>Total equity</b>                             |             | <b>727,920,105</b>   | <b>651,207,602</b>  |
| <b>Long-term liabilities</b>                    |             |  |   |
| Loans and bank debts                            | 17          | 39,434,909   | 46,973,501  |
| Subsidies for investments - non-current portion | 19          | 1,654,142  | 1,857,322   |
| Deferred tax liabilities                        | 16          | 31,513,333   | 32,733,496  |
| <b>Total long-term debt</b>                     |             | <b>72,602,384</b>  | <b>81,564,319</b>   |
| <b>Current liabilities</b>                      |             |  |   |
| Trade and similar debts                         | 16          | 111,650,472  | 86,067,391  |
| Bank loans                                      | 17          | 38,204,806   | 34,008,116  |
| Debts from taxes and current charges            | 16          | 4,536,716  | 8,280,670   |
| Subsidies for investments - current portion     | 19          | 306,289  | 306,289   |
| Provisions                                      | 15          | 13,797,216   | 6,679,335   |
| <b>Total current liabilities</b>                |             | <b>168,495,499</b>   | <b>135,341,801</b>  |
| <b>Total liabilities</b>                        |             | <b>241,097,883</b>   | <b>216,906,120</b>  |
| <b>Total equity and liabilities</b>             |             | <b>969,017,988</b>   | <b>868,113,722</b>  |

Approved by the Management Board on: November 14, 2023

General Director,  
Ioan NANI, Economist

Financial Director,  
Paula Luminita COMAN, Economist

The attached notes are an integral part of the financial statements.

**ANTIBIOTICE S.A.**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE 9-MONTH PERIOD ENDING ON SEPTEMBER 30, 2023**  
(all amounts are expressed in LEI ("RON"), unless otherwise specified)

| December 31, 2022  | <u>Share capital</u> | <u>Legal reserves and other reserves</u> | <u>Revaluation reserves</u> | <u>Cumulative retained earnings</u> | <u>Total equity</u> |
|--|----------------------|--|-----------------------------|-------------------------------------|---------------------|
| <b>Balance on January 1, 2022</b>                                  | <b>67,133,804</b>    | <b>272,580,887</b>                       | <b>114,150,766</b>          | <b>151,126,343</b>                  | <b>604,991,800</b>  |
| The result of the year   | -                    | -  | -                           | 38,513,427                          | 38,514,27           |
| Other elements of the overall result                               | -                    | -  | -                           | -                                   | -                   |
| <b>Total global result</b>   | <b>-</b>             | <b>-</b>                                 | <b>-</b>                    | <b>38,513,427</b>                   | <b>38,513,427</b>   |
| Establishment of legal reserve                                     | -                    | -  | -                           | -                                   | -                   |
| Reserves representing the surplus realized from revaluation        | -                    | -  | (2,986,527)                 | 568,590                             | (2,417,937)         |
| Benefits granted to employees in the form of financial instruments | -                    | -  | -                           | -                                   | -                   |
| Error correction related to stock provision                        | -                    | -  | -                           | 9,777,001                           | 9,777,001           |
| Dividends paid in 2022   | -                    | -  | -                           | (2,147,001)                         | (2,147,001)         |
| Other capital elements increases/(reductions)                      | -                    | 33,013,879                               | -                           | (30,523,566)                        | 2,490,313           |
| <b>Balance on December 31, 2022</b>                                | <b>67,133,804</b>    | <b>305,594,766</b>                       | <b>111,164,239</b>          | <b>167,314,793</b>                  | <b>651,207,602</b>  |

Approved by the Management Board on: November 14, 2023

**General Director,**  
Ioan NANI, Economist

**Financial Director,**  
Paula Luminita COMAN, Economist

The attached notes are an integral part of the financial statements.

**ANTIBIOTICE S.A.**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE 9-MONTH PERIOD ENDING ON SEPTEMBER 30, 2023**  
(all amounts are expressed in LEI ("RON"), unless otherwise specified)

| <b>SEPTEMBER 30, 2023</b>  | <b>Share capital</b> | <b>Legal reserves and other reserves</b> | <b>Revaluation reserves</b> | <b>Cumulative retained earnings</b> | <b>Total equity</b> |
|--|----------------------|--|-----------------------------|-------------------------------------|---------------------|
| <b>Balance on January 1, 2023</b>                                  | <b>67,133,804</b>    | <b>305,594,766</b>                       | <b>111,164,239</b>          | <b>167,314,793</b>                  | <b>651,207,602</b>  |
| The result of the year   | -                    | -  | -                           | 76,733,533                          | 76,733,533          |
| Other elements of the overall result                               | -                    | -  | -                           | -                                   | -                   |
| <b>Total global result</b>   | <b>-</b>             | <b>-</b>                                 | <b>-</b>                    | <b>76,733,533</b>                   | <b>76,733,533</b>   |
| Establishment of legal reserve                                     | -                    | -  | -                           | -                                   | -                   |
| Reserves representing the surplus realized from revaluation        | -                    | 2,671,361                                | (1,913,278)                 | (758,083)                           | -                   |
| Benefits granted to employees in the form of financial instruments | -                    | -  | -                           | -                                   | -                   |
| Dividends paid in 2023   | -                    | -  | -                           | (5,318,500)                         | (5,318,500)         |
| Other capital elements increases/(reductions)                      | -                    | -  | -                           | 5,297,470                           | 5,297,470           |
| <b>Balance on September 30, 2023</b>                               | <b>67,133,804</b>    | <b>308,266,127</b>                       | <b>109,250,961</b>          | <b>243,269,213</b>                  | <b>727,920,105</b>  |

Approved by the Management Board on: November 14, 2023.

**General Director,**  
Ioan NANI, Economist

**Financial Director,**  
Paula Luminita COMAN, Economist

The attached notes are an integral part of the financial

**ANTIBIOTICE S.A.**  
**CASH FLOW STATEMENTS**  
**FOR THE 9-MONTH PERIOD ENDED ON SEPTEMBER 30, 2023**  
**(all amounts are expressed in LEI ("RON"), unless otherwise specified)**

| The indirect method  | For the period<br>ended on<br>September 30,<br>2023 | For the period<br>ended on<br>September 30,<br>2022 |
|--|---|---|
|  | (unaudited and<br>unreviewed)                       | (unaudited and<br>unreviewed)                       |
| <b>Pre-tax profit</b>  | <b>88.687.707</b>                                   | <b>32.533.528</b>                                   |
| <b>Adjustments for:</b>  |   |   |
| Depreciation related to intangible fixed assets                                      | 1,602,058   | 1,179,886   |
| Depreciation related to tangible fixed assets  | 18,924,764  | 15,300,763  |
| Income tax   | -   | -   |
| Expenses/(Incomes) related to value adjustments of fixed assets                      | -   | -   |
| Expenses/(Incomes) related to inventory provisions                                   | (9,983,590)   | 17,510,497  |
| Expenses/(Incomes) related to customer provisions and assimilated accounts           | 4,879,991   | 7,837,113   |
| Expenses/(Incomes) related to provisions for risks and expenses                      | 7,117,881   | (1,489,596)   |
| (Net gain)/Net loss from the exit of tangible fixed assets                           | 2,841,311,53  | 2,131,247   |
| Revenues from subsidies  | (203,180)   | (229,500)   |
| Interest expense   | 3,180,364   | 2,961,426   |
| Interest income  | (2,166)   | (1043)  |
| <b>Cash flow generated from operating activity before changes in working capital</b> | <b>117,045,141</b>                                  | <b>77,734,321</b>                                   |
| (Increases)/Decreases in receivables   | (46,421,764)  | 67,046,917  |
| Expenses on (Increases)/Decreases in advance   | (1,208,457)   | 248,464   |
| (Increases)/Decreases of stocks  | (26,444,947)  | 5,732,902   |
| Increases / (decreases) in debts   | 33,454,907  | (15,074,934)  |
| Increases / (decreases) in income in advance   | (203,180)   | (229,500)   |
| Interest paid  | (3,180,364)   | (2,961,426)   |
| Interest received  | 2,166   | 1043  |
| Profit tax paid  | (11,514,835)  | (4,080,410)   |
| <b>Net cash from operating activities</b>  | <b>61,528,666</b>                                   | <b>128,417,376</b>                                  |
| <b>Cash flows from investing activities</b>  |   |   |
| Purchases of tangible fixed assets   | (34,936,147)  | (56,253,369)  |
| Purchases of intangible fixed assets   | (18,382,813)  | (8,727,339)   |
| <b>Net cash from investing activities</b>  | <b>(53,318,960)</b>                                 | <b>(64,980,708)</b>                                 |
| <b>Cash flows from financing activities</b>  |   |   |
| Increase/(Decrease) in the use of the credit line                                    | 4,293,990   | (52,423,831)  |
| Collection/(Repayment) of long-term loan   | (7,703,755)   | (7,966,790)   |



**ANTIBIOTICE S.A.**  
**CASH FLOW STATEMENTS**  
**FOR THE 9-MONTH PERIOD ENDED ON SEPTEMBER 30, 2023**  
**(all amounts are expressed in LEI (“RON”), unless otherwise specified)**

|  |                         |                      |
|--|-------------------------|----------------------|
| Dividends paid   | (3.361.503)             | (2.591.570)          |
| Changes in share capital increase/(decrease)                                 | -                       | -                    |
| <b>The indirect method</b>   | <b>The period ended</b> | <b>The period</b>    |
|  | <b>on September</b>     | <b>ended on</b>      |
|  | <b>30, 2023</b>         | <b>September 30,</b> |
|  |                         | <b>2022</b>          |
| <b>Net cash from financing activities</b>                                    | <b>(6,771,269)</b>      | <b>(62,982,192)</b>  |
| (Decrease)/Net increase in cash and cash equivalents                         | 1,438,437               | 454,476              |
| <b>Cash and cash equivalents at the beginning of the financial year</b>      | <b>1,727,454</b>        | <b>2,111,377</b>     |
| The effect of the exchange rate on the movement of cash and cash equivalents | -                       | -                    |
| <b>Cash and cash equivalents at the end of the financial year</b>            | <b>3,165,891</b>        | <b>2,565,853</b>     |

Approved by the Management Board on: November 14, 2023

**General Director,**  
**Ioan NANI, Economist**

**Financial Director,**  
**Paula Luminita COMAN, Economist**

The attached notes are an integral part of the financial statements.

**ANTIBIOTICE S.A.**  
**STATEMENT OF THE COMPREHENSIVE INCOME**  
**FOR THE 3-MONTH PERIOD ENDED ON SEPTEMBER 30, 2023**  
**(all amounts are expressed in LEI ("RON"), unless otherwise specified)**

|  | The three-month period<br>ended on<br>September 30,<br>2023 | The three-month period<br>ended on<br>September 30,<br>2022 |
|--|---|---|
|  | (unaudited and<br>unreviewed)                               | (unaudited and<br>unreviewed)                               |
| <b>Revenues from contracts with clients, of which:</b>                                     | <b>147,560,470</b>  | <b>113,950,459</b>  |
| <i>Revenues from the sale of finished products</i>   | 118,127,253   | 92,235,333  |
| <i>Revenues from the sale of products made on other manufacturing sites</i>                | 29,202,170  | 21,275,746  |
| <i>Revenues from the provision of services</i>   | 231,047   | 439,380   |
| Other operating revenues   | 64,857  | 37,125  |
| Revenues from subsidies  | 67,727  | 76,356  |
| Changes in stocks of finished products and production in progress                          | (28,792,182)  | (26,463,486)  |
| Revenues from immobilization projects  | 2,976,306   | 3,813,689   |
| Expenses on raw materials, used consumables and products made on other manufacturing sites | (37,030,124)  | (21,738,395)  |
| Employee benefit expenses  | (34,651,401)  | (30,601,831)  |
| Transportation costs   | (885,493)   | (1,054,131)   |
| Utility expenses   | (3,159,939)   | (3,074,815)   |
| Net depreciation and adjustments for the depreciation of fixed assets                      | (7,087,188)   | (5,743,759)   |
| Net adjustments for depreciation of current assets   | 13,843  | (9,324,921)   |
| Net refunded commissions   | (2,000,000)   | 51,600  |
| Sponsorships, donations  | (370,393)   | (67,302)  |
| Other expenses   | (19,343,736)  | (22,842,067)  |
| <b>Operational result</b>  | <b>17,362,747</b>   | <b>(2,981,479)</b>  |
| Net exchange rate differences  | (184,372)   | 780,907   |
| Net interest expense   | (1,063,938)   | (740,446)   |
| Other financial expenses   | 0   | (31,410)  |
| <b>The financial result</b>  | <b>(1,248,310)</b>  | <b>9,051</b>  |
| <b>Pre-tax profit</b>  | <b>16,114,437</b>   | <b>(2,972,428)</b>  |
| Income tax expense   | 1,383,217   | 1,516,341   |
| <b>The profit of the financial exercise</b>  | <b>14,731,220</b>   | <b>(4,488,769)</b>  |
| <b>Total overall result</b>  | <b>14,731,220</b>   | <b>(4,488,769)</b>  |
| <b>Earnings per share</b>  | <b>0.0219</b>   | <b>(0.0067)</b>   |

Approved by the Management Board on: November 14, 2023

General Director,  
Ioan NANI, Economist

Financial Director,  
Paula Luminita COMAN, Economist

The attached notes are an integral part of the financial statements.

**ANTIBIOTICE S.A.**  
**EXPLANATORY NOTES TO FINANCIAL STATEMENTS**  
**FOR THE 9-MONTH PERIOD ENDED ON SEPTEMBER 30, 2023**  
**(all amounts are expressed in LEI (“RON”), unless otherwise specified)**

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**1. GENERAL INFORMATION**

These are the individual financial statements of Antibiotice S.A. on September 30, 2023

Antibiotice S.A.

- is the most important manufacturer of generics in Romania, with full Romanian capital;
- is the only Romanian company that manufactures active substances, through biosynthesis processes;
- is listed on the Bucharest Stock Exchange in the premium category, since 1997;
- has a product portfolio that includes generic drugs for human use (RX drugs and non-RX products), active substances based on biotechnologies derived from *streptomyces noursei* for pharmaceutical use (in the form of compacted Nystatin, micronized Nystatin and standard Nystatin), biocidal products for disinfecting surfaces and hands, veterinary medicines and biofertilizers. The product portfolio consists of over 160 products from 11 therapeutic classes. The prescription products are mainly grouped by ATC1 therapeutic classes and they are intended for pathologies with increased incidence and the treatment of chronic conditions. The non-prescription products are grouped into portfolio concepts, for a more efficient communication to the target audience. The concepts include food supplements, medical devices, cosmetics, OTC drugs and OTC drugs (RX products with OTC behavior being released from the pharmacy without a medical prescription). The products in the current portfolio are carefully monitored and actions are taken to adapt to national requirements and international regulations, through the analysis of therapeutic trends, medical guidelines, and new effectiveness and safety studies. The expansion of the product portfolio makes a major contribution to the development of Antibiotice S.A. on the domestic market, as well as on the international markets, both through our own research and development activity, as well as through the assimilation of new products through business development (in-licensing contracts);
- has a diversified production capacity, organized on 3 production divisions, that is 8 manufacturing flows on which: penicillin injectable powders, penicillin capsules; non-beta-lactam capsules; cephalosporin capsules; tablets; ointments, creams, gels; suppositories; pessaries are produced alongside active substances obtained through biosynthesis on 10 partner sites. All production capacities are the property of the company and they are located at the registered office. The company has the right of ownership over all fixed assets registered in the company's accountancy;
- owns a modern Research and Development Center;
- holds internationally recognized certifications and authorizations: authorization from the US Medicines Regulatory Agency (FDA) for Nystatin and injectable penicillin products, Certificate of Conformity with the European Pharmacopoeia (COS) for Nystatin, Certificate of Good Manufacturing Practice (GMP) for all manufacturing flows, TÜV Rheinland Certification for integrated management (quality, environment, occupational health and safety);
- is WHO prequalified and holds WHO certification for the range of essential antituberculosis drugs;
- is a leader in the world production of active substances based on biotechnologies derived from *streptomyces noursei* for pharmaceutical use (in the form of compacted Nystatin, micronized Nystatin and standard Nystatin);
- is a traditional supplier of anti-infective drugs for hospitals in the USA, Vietnam and on European markets (Great Britain, Denmark, The Netherlands, Serbia, Lithuania, Hungary, etc.);
- is the world market leader for the consumption of active substances based on biotechnologies derived from *streptomyces noursei* for pharmaceutical use (in the form of compacted Nystatin, micronized Nystatin and standard Nystatin). The superior quality of this product, recognized by the US authorities (FDA) as an international reference standard, is reflected in a continuous increase in the number of new customers in Europe, South America and North America.

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**2. MAIN ACCOUNTING POLICIES**

The financial statements were prepared in accordance with the provisions of O.M.P.F. no. 2844/2016 for the approval of the accounting regulations in accordance with the International Financial Reporting Standards with subsequent amendments and additions. These provisions comply with those of the International Financial Reporting Standards adopted by the European Union. The individual financial statements were drawn up on a going concern basis.

The accounting policies and evaluation methods adopted for the preparation of the simplified interim financial statements are consistent with those used for the preparation of the annual financial statements of Antibiotice S.A. on December 31, 2022.

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 financial statements in accordance with IFRS and should be read together with the company's annual financial statements, prepared as of December 31, 2022. However, certain selected explanatory notes are included to explain the events and transactions that are significant for understanding the changes in the company's financial position and performance since the latest individual annual financial statements as of and for the financial year ending on December 31, 2022.

**The functional and presentation currency**

The management of the company considers that the functional currency, as defined by IAS 21 "Effects of exchange rate variation", is the Romanian leu. The separate financial statements are presented in lei, and the values are rounded to the nearest Romanian leu, which is the currency the company has chosen as a presentation coin.

The transactions made by the company in a currency other than the functional currency are recorded at the exchange rate in force on the date the transactions take place. The monetary assets and liabilities in foreign currency are converted at the exchange rate in force on the reporting date. The profit and loss resulting from the exchange rate differences following the conclusion of these transactions and from the conversion to the exchange rate at the end of the reporting period of the monetary assets and liabilities denominated in foreign currency is reflected in the global result statement.

The exchange rates of the main foreign currencies according to the report of the National Bank of Romania are as follows:

|     | <u>September 30, 2023</u> | <u>December 31, 2022</u> |
|-----|---------------------------|--------------------------|
| EUR | 4.9746                    | 4.9474                   |
| USD | 4.6864                    | 4.6346                   |

**Recognition of income and expenses**

***IFRS 15 Revenue recognition - Revenues from contracts with customers***

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

The revenues are increases in economic benefits recorded during the accounting period, in the form of incomes or increases in assets or reductions in liabilities, which materialize in increases in equity, other than those resulting from shareholders' contributions.

The fair value is the value at which an asset can be traded or a debt settled, between or among interested parties and in good faith, in a transaction carried out under objective conditions.

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**2. MAIN ACCOUNTING POLICIES (CONTINUED)**

***Income assessment***

Instead, the new standard focuses on the identification of obligations and it makes a clear distinction between obligations that are satisfied "at some point in time" and those that are satisfied "over a period of time"; this is determined by the manner in which the control of the goods or services is transferred to the customer. The principle underlying this standard is that the company should recognize and record revenues in a way that indicates the transfer of goods or services.

IFRS 15 establishes a general framework that will apply for the recognition of income from a contract concluded with a customer (with limited exceptions), regardless of the type of transaction or the industry. The standard establishes five steps to be followed for the revenue recognition:

- identification of the contract(s) with a client;
- identifying performance obligations from a contract;
- determining the transaction price for the obligations in the contract;
- the allocation of the transaction price for the performance obligations;
- the revenue recognition when (or to the extent that) the entity fulfills a performance obligation.

The revenues are shown at the fair value of the amounts collected or to be collected of net VAT. The revenues are reduced by the value of returns, trade discounts and other similar costs.

The revenues from the sale of goods are recognized when there is an obligation to register a contract, i.e. all the following conditions have been met:

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

The income from the sale of goods is recognized when the company has transferred the significant risks and benefits of ownership to the buyer and it is likely that the company will receive the previously agreed upon payment. The transfer of the risks and benefits related to the right of ownership is considered to be achieved once the legal title is transferred or the goods come into the buyer's possession. If the entity retains significant risks related to the property, the transaction does not represent a sale and the income is not recognized.

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

***Recognition of expenses***

The recognition of expenses constitutes reductions of the economic benefits recorded during the accounting period in the form of outflows or decreases in the value of assets or increases in liabilities, which materialize in reductions of equity, other than those resulting from their distribution to shareholders.

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**2. MAIN ACCOUNTING POLICIES (CONTINUED)**

**Financial assets - IFRS 9 Financial instruments**

*Initial evaluation of financial assets and financial liabilities*

IFRS 9 replaces IAS 39, Financial instruments - recognition and evaluation. The IASB developed IFRS 9 in three stages, which deals separately from IFRS with the classification and valuation of financial assets, depreciation and hedging of risks. Other aspects of IAS 39, such as the scope, recognition and derecognition of financial assets are in accordance with it, with some modifications.

The classification according to IFRS 9 is determined by the characteristics of cash flows and the business model in which an asset is held. The company uses the simplified analysis model.

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

The assets owned by the company, as specified in IAS 36 "*Impairment of assets*", are subject to impairment tests whenever events or changes in circumstances indicate that it is possible that their accounting value cannot be fully recovered. When the book value of an asset exceeds the recoverable amount (that is, the highest amount between the value in use and the fair value minus the costs of sale), the asset is adjusted accordingly.

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

The depreciation expenses are included in the profit or loss account, except when it reduces previously recognized gains in other elements of the overall result.

**Provisions - IAS 37 "Provisions, contingent liabilities and contingent assets"**

The provision is valued at the best estimate of the expenses necessary to settle the obligation at the reporting date, updated at a pre-tax rate that reflects current market assessments of the value of money over time and the specific risks of the debt.

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

- a) the company has a current obligation (legal or implicit) generated by a past event;
- b) it is likely that for the settlement of the obligation an outflow of resources incorporating economic benefits will be necessary;
- c) a trustworthy estimate of the value of the obligation can be made.

If these conditions are not met, a provision should not be recognized.

The provisions are registered in accountancy with the help of the accounts in group 15 "Provisions" and they are established on account of expenses, with the exception of those related to the decommissioning of tangible fixed assets and other similar actions related to them, for which the provisions of IFRIC 1 will be taken into account.

The recognition, assessment and updating of provisions is carried out in compliance with the provisions of IAS 37 "Provisions, contingent liabilities and contingent assets".

The provisions are grouped in accounting by category and they are constituted for:

- a) litigation;
- b) guarantees granted to clients;
- c) decommissioning tangible fixed assets and other similar actions related to them;
- d) restructuring;
- e) employee benefits;
- f) other provisions.

The previously established provisions are periodically analyzed and regularized.

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**2. MAIN ACCOUNTING POLICIES (CONTINUED)**

**Employee benefits – IAS 19 Employee benefits**

***Current benefits granted to employees***

The short-term benefits granted to employees include allowances, wages and social security contributions. These benefits are recognized as expenses with the provision of services.

***Benefits after concluding the employment contract***

Both the company and the employees have the legal obligation to contribute to the social insurance established at the National Pension Fund administered by the National House of Pensions (contribution plan based on the "pay as you go" principle).

That is why the company has no other legal or implicit obligation to pay future contributions. Its obligation is only to pay the contributions when they become due. If the company stops employing people who are contributors to the financing plan of the National House of Pensions, it will have no obligation to pay the benefits earned by its own employees in previous years. The company's contributions to the contribution plan are presented in the expenses chapter in the year to which it refers.

**Deferred tax - IAS 12 "Profit tax"**

In calculating the deferred tax, the company will take into account the provisions of IAS 12 "Profit tax".

The deferred tax assets and liabilities are recognized when the accounting value of an asset or liability in the statement of financial position differs from the tax base.

The recognition of deferred tax assets is limited to those moments when it is possible that the taxable profit of the following period is made available.

The amount of the asset or liability is determined by using tax rates that have been largely adopted up to the reporting date and which are expected to be applied when the deferred tax liabilities/(assets) are settled/(recovered).

The company compensates the receivables and liabilities regarding the deferred tax if and only if:

- a) it has the legal right to offset current tax debts with current tax debts;
- b) the receivables and liabilities regarding the deferred tax are related to the profit taxes levied by the same fiscal authority.

**Dividends**

The profit share that is paid, according to the law, to each shareholder constitutes a dividend. The dividends distributed to shareholders, proposed or declared after the reporting period, as well as other similar distributions made from the profit determined on the basis of IFRS and included in the annual financial statements, are not recognized as debt at the end of the reporting period.

When accounting for dividends, the provisions of IAS 10 "Events subsequent to the balance sheet date" are taken into account.

**Capital and reserves**

The capital and reserves (equity) represent the rights of shareholders over the assets of an entity, after deducting all debts. The equity includes: capital contributions, reserves, retained earnings, financial year results.

The entity was established according to Law no. 31/1990 on commercial companies.

In the first set of financial statements prepared according to IFRS, the company applied IAS 29 - "Financial reporting in hyperinflationary economies" for shareholders' contributions obtained before January 1, 2004, namely, they were adjusted with the corresponding inflation index.

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**2. MAIN ACCOUNTING POLICIES (CONTINUED)**

**Financing costs**

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

**Earnings per share**

The company presents the basic result per share for ordinary shares. The result per basic share is determined by dividing the profit or loss attributable to the company's ordinary shareholders by the weighted average number of ordinary shares related to the reporting period.

**Segment reporting**

A segment is a distinct component of the company that provides certain products or services (activity segment) or it provides products and services in a certain geographic environment (geographic segment) and which is subject to risks and benefits different from those of the other segments. From the viewpoint of the activity segments, the company does not identify distinct components from the standpoint of associated risks and benefits.

**Affiliated parties**

A person or a close member of that person's family is considered affiliated with a Company if that person:

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

The key management personnel represent those persons who have the authority and responsibility to plan, direct and control the company's activities directly or indirectly, including any director (executive or not) of the entity. The transactions with the key personnel include exclusively the salary benefits granted to them as presented in Note 8 - Expenses with employee benefits.

An entity is affiliated to the company if it meets any of the following conditions:

- (i) the entity and the company are members of the same group (which means that each parent company, subsidiary and the subsidiary in the same group are linked to the others);
- (ii) the entity is an associated entity or joint venture of the other entity (or an associated entity or joint venture of a member of the group of which the other entity is a part);
- (iii) both entities are participating associations of the same third party;
- (iv) one entity is a joint venture of a third party, and the other is an associated entity of the third party;
- (v) the entity is a post-employment benefits plan for the benefit of the employees of the reporting entity or of an entity affiliated with the reporting entity. If the reporting entity itself represents such a plan, the sponsoring employers are also affiliated with the reporting entity;
- (vi) the entity is controlled or jointly controlled by an affiliated person;
- (vii) the affiliated person who holds the control significantly influences the entity or is a member of the key management personnel of the entity (or of the entity's parent company).

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



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On the date of approval of these financial statements, the following amendment to the existing standards were issued by the IASB and adopted by the EU:

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

Starting with the period ending on June 30, 2023, the company prepares the cash flow statement by using the indirect method.

For the period ended on September 30, 2023, in order to present some comparative information, the company prepared the cash flow statement by using the same method as on September 30, 2022.

**New standards and amendments to existing standards issued by the IASB, which have been adopted by the EU**

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

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

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**3. OPERATIONAL REVENUES AND SEGMENTS**

The analysis of the revenues is given below:

|   | <b>Period ended on<br/>September 30, 2023</b> | <b>Period ended on<br/>September 30, 2022</b> |
|---|---|---|
|   | (unaudited and<br>unreviewed)                 | (unaudited and<br>unreviewed)                 |
|   | <b>RON</b>                                    | <b>RON</b>                                    |
| Sales of finished products                          | 441,609,507                                   | 366,496,470                                   |
| Sales of products made on other manufacturing sites | 95,359,131                                    | 71,934,166                                    |
| Income from other activities                        | 845,021                                       | 871,143                                       |
| Trade discounts granted                             | (74,382,272)                                  | (76,732,346)                                  |
| <b>Total</b>  | <b>463,431,386</b>                            | <b>362,569,433</b>                            |

According to the geographical distribution, the turnover is structured as follows:

|                        | <b>Period ended on<br/>September 30, 2023</b> | <b>Period ended on<br/>September 30, 2022</b> |
|------------------------|---|---|
|                        | (unaudited and<br>unreviewed)                 | (unaudited and<br>unreviewed)                 |
|                        | <b>RON</b>                                    | <b>RON</b>                                    |
| On the Romanian market | 288,673,223                                   | 220,524,318                                   |
| On foreign markets     | 174,758,163                                   | 142,045,115                                   |
| <b>Total</b>           | <b>463,431,386</b>                            | <b>362,569,433</b>                            |

**4. VARIOUS INCOME AND EXPENSES**

Financial income and expenses:

|   | <b>Period ended on<br/>September 30, 2023</b> | <b>Period ended on<br/>September 30, 2022</b> |
|---|---|---|
|   | (unaudited and unreviewed)                    | (unaudited and unreviewed)                    |
|   | <b>RON</b>                                    | <b>RON</b>                                    |
| Interest expense                        | (3,180,364)                                   | (2,961,426)                                   |
| Interest income                         | 2,166   | 1,043   |
| Income from exchange rate differences   | 9,647,449                                     | 8,496,834                                     |
| Expenses from exchange rate differences | (10,414,192)                                  | (7,605,269)                                   |
| Other financial income/(expenses)       | 77,403  | (132,387)                                     |
| <b>Net financial loss</b>               | <b>(3,867,538)</b>                            | <b>(2,201,205)</b>                            |

Interest expenses refer to loans from banks, which are valued at amortized cost.

Other operating revenues:

|  | <b>Period ended on<br/>September 30, 2023</b> | <b>Period ended on<br/>September 30, 2022</b> |
|--|---|---|
|  | (unaudited and unreviewed)                    | (unaudited and unreviewed)                    |
|  | <b>RON</b>                                    | <b>RON</b>                                    |
| Income from compensations, fines and penalties               | 4,179   | 8,061   |
| Income from the sale of tangible and intangible fixed assets | 1,500   | 92,033  |
| Income from subsidies  | 203,180                                       | 229,500                                       |
| Other operating revenues                                     | 725,041                                       | 1,834,068                                     |
| <b>Total</b>   | <b>933,900</b>                                | <b>2,163,663</b>                              |

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**5. CURRENT AND DEFERRED PROFIT TAX EXPENSES**

|                              | <b>Period ended on<br/>September 30, 2023</b> | <b>Period ended on<br/>September 30, 2022</b> |
|------------------------------|---|---|
|                              | (unaudited and unreviewed)                    | (unaudited and unreviewed)                    |
|                              | <b>RON</b>                                    | <b>RON</b>                                    |
| Current income tax expenses  | 13,174,336                                    | 4,080,410                                     |
| Deferred income tax expenses | (1,220,162)                                   | (1,034,078)                                   |
| <b>Total</b>                 | <b>11,954,174</b>                             | <b>3,046,332</b>                              |

**6. EXPENSES WITH RAW MATERIALS, USED CONSUMABLES AND GOODS**

|                       | <b>Period ended on<br/>September 30, 2023</b> | <b>Period ended on<br/>September 30, 2022</b> |
|-----------------------|---|---|
|                       | (unaudited and unreviewed)                    | (unaudited and unreviewed)                    |
|                       | <b>RON</b>                                    | <b>RON</b>                                    |
| Raw material expenses | 99,739,729                                    | 79,200,210                                    |
| Consumables expenses  | 10,790,286                                    | 11,500,836                                    |
| Freight expenses      | 43,022,268                                    | 35,594,083                                    |
| Consumed packaging    | 20,065  | 10,909  |
| <b>Total</b>          | <b>153,572,348</b>                            | <b>126,306,038</b>                            |

**7. EXPENSES WITH PROVISIONS, ADJUSTMENTS FOR DEPRECIATION AND DEPRECIATION**

|   | <b>Period ended on<br/>September 30, 2023</b> | <b>Period ended on<br/>September 30, 2022</b> |
|---|---|---|
|   | (unaudited and unreviewed)                    | (unaudited and unreviewed)                    |
|   | <b>RON</b>                                    | <b>RON</b>                                    |
| Depreciation expenses of fixed assets (IAS 36)                              | -   | -   |
| Income from the resumption of depreciation of fixed assets (IAS 36)         | -   | 244,652                                       |
| Depreciation expenses (notes 11 and 12) (IAS 36, IFRS 16)                   | (20,526,823)                                  | (16,480,649)                                  |
| <b>Net adjustments for the depreciation of fixed assets</b>                 | <b>(20,526,823)</b>                           | <b>(16,235,997)</b>                           |
| Inventory depreciation expenses (IAS 36)                                    | (1,964,160)                                   | (17,510,497)                                  |
| Income from reversal of inventory depreciation (IAS 36)                     | 308,463                                       | -   |
| <b>Net adjustments for inventory depreciation (note 14)</b>                 | <b>(1,655,697)</b>                            | <b>(17,510,497)</b>                           |
| Expenses with impairment of doubtful receivables (IFRS 9)                   | (4,893,834)                                   | (12,051,013)                                  |
| Income from the reversal of the impairment of doubtful receivables (IFRS 9) | 13,843  | 4,213,900                                     |
| Receivables expensed (IFRS 9)   | -   | (4,382,606)                                   |
| <b>Net adjustments for impairment of doubtful receivables (note 15)</b>     | <b>(4,879,991)</b>                            | <b>(12,219,719)</b>                           |
| Expenses with provisions (IAS 36)   | (11,654,713)                                  | -   |
| Income from the resumption / cancellation of provisions (IAS 36)            | 4,536,832                                     | 1,489,596                                     |
| <b>Net adjustments for provisions</b>                                       | <b>(7,117,881)</b>                            | <b>1,489,596</b>                              |

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The inventory depreciation expenses according to IAS 36 in the amount of 1,964,160 lei constituted for raw materials according to the accounting policies depending on the period of validity of the items in stock.

The income from the resumption of depreciation of stocks according to IAS 36 in the amount of 308,463 lei recorded at the occurrence of the risk for which the adjustments were constituted.

The expenses with the depreciation of uncertain receivables (IFRS 9) in the amount of 4,893,834 lei are established for specific receivables.

The impact analysis of applying the IFRS 9 standard determined the recognition of 13,843 lei as income from the resumption of the depreciation of receivables.

**7. EXPENSES WITH PROVISIONS, ADJUSTMENTS FOR DEPRECIATION AND AMORTIZATION (continued)**

The expenditures with provisions established according to IAS 36 include:

- 7,654,713 lei, the value of the variable allowances for the members of the Management Board payable in 2024, after the validation of the degree of achievement of the performance indicators;
- 4,000,000 lei, the amount of expenses with the participation of employees in the profit of 2023.

The revenues from the resumption/cancellation of the provisions recorded according to IAS 36 include:

- 2,536,832 lei, the value of the fixed and variable allowances related to the members of the Management Board related to the year 2022, paid in the year 2023 after the validation of the degree of achievement of the performance indicators;
- 2,000,000 lei for employees' participation in the profit of 2022, paid in 2023.

**8. EXPENSES WITH EMPLOYEE BENEFITS AND REMUNERATION OF THE MEMBERS OF THE MANAGEMENT BOARD**

|   | <b>Period ended on<br/>September 30, 2023</b> | <b>Period ended at<br/>September 30, 2022</b> |
|---|---|---|
|   | (unaudited and unreviewed)                    | (unaudited and unreviewed)                    |
|   | <b>RON</b>                                    | <b>RON</b>                                    |
| Wages   | 93,535,645                                    | 79,925,106                                    |
| Contributions to the state social insurance fund      | 2,207,556                                     | 1,878,433                                     |
| Meal vouchers and other benefits granted to employees | 7,204,474                                     | 5,846,985                                     |
| <b>Total</b>  | <b>102,947,675</b>                            | <b>87,650,524</b>                             |
| <b>Remuneration of the Management Board</b>           | <b>1,209,785</b>                              | <b>1,279,472</b>                              |

**9. OTHER EXPENSES**

|   | <b>Period ended on<br/>September 30, 2023</b> | <b>Period ended on<br/>September 30, 2022</b> |
|---|---|---|
|   | (unaudited and unreviewed)                    | (unaudited and unreviewed)                    |
|   | <b>RON</b>                                    | <b>RON</b>                                    |
| Shipping costs                                    | 3,237,709                                     | 3,076,506                                     |
| Expenses with utilities and green certificates    | 18,309,432                                    | 13,425,135                                    |
| Expenses with services performed by third parties | 9,117,732                                     | 9,353,409                                     |
| Repair expenses                                   | 1,996,178                                     | 1,602,056                                     |
| Expenses with other taxes and fees*               | 34,311,918                                    | 29,085,141                                    |
| Protocol, advertising and publicity expenses      | 11,421,557                                    | 16,808,570                                    |
| Insurance premium expenses                        | 2,045,599                                     | 1,235,308                                     |

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|  |                   |                   |
|--|-------------------|-------------------|
| Other general expenses                           | 2,807,250         | 8,860,125         |
| Rent expenses                                    | 215,708           | 210,520           |
| Travel expenses                                  | 1,093,080         | 429,704           |
| Expenses with postal and telecommunications fees | 435,193           | 407,728           |
| Expenses with compensations, fines and penalties | 4,209             | 23,673            |
| <b>Total</b>                                     | <b>84,995,565</b> | <b>84,517,875</b> |

**9. OTHER EXPENSES (continued)**

Expenses with other taxes and fees

|  | <b>Period ended on<br/>September 30, 2023</b> | <b>Period ended on<br/>September 30, 2022</b> |
|--|---|---|
|  | (unaudited and unreviewed)                    | (unaudited and unreviewed)                    |
|  | <b>RON</b>                                    | <b>RON</b>                                    |
| Expenses with the tax on buildings                     | 1,142,354                                     | 1,055,215                                     |
| Land tax expenses                                      | 401,366                                       | 401,422                                       |
| Expenses with the tax on means of transport            | 29,075  | 31,443  |
| Expenses with other taxes and fees                     | 5,877,152                                     | 4,066,479                                     |
| Expenses with the tax for the registration of licenses | 6,672   | -   |
| Expenses regarding the environmental fund              | 30,061  | 50,578  |
| Expenses with company taxes and advertising            | 5,472   | 5,186   |
| Clawback fee charges                                   | 26,819,766                                    | 23,474,818                                    |
| <b>Total</b>   | <b>34,311,918</b>                             | <b>29,085,141</b>                             |

The protocol, advertisement and publicity expenses are worth 11,421,557 lei. Of these, the amount of 10,851,598 lei represents advertising and publicity expenses, which include media expenses, distributor expenses, scientific promotion and participation in congresses and promotional materials. Their value is in accordance with the new promotion policy strategy developed starting from March 2023 by the working group established within our company, which aims to:

- the optimal establishment of the products that will be promoted on the media channels;
- establishing the type of advertising campaign and the duration necessary to determine and maintain the notoriety of the company brand and of the product brands/umbrella brands.

The increase in the value of expenses with insurance premiums is correlated with the increase in the level of insured receivables on the domestic and international markets, as the increase in the value of receivables is closely related to the increase in the turnover.

Other general expenses in the amount of 2,807,250 lei include:

- environmental protection expenses in the amount of 1,039,685 lei;
- expenses for supporting international sales, amounting to 769,829 lei;
- professional training expenses, in the amount of 622,687 lei;
- expenses with bank commissions in the amount of 374,750 lei;
- other operating expenses in the amount of 299 lei.

During the same period of the previous year, these expenses were in the amount of 8,860,125 lei and the significant difference was worth 4,382,606 lei recorded in the account 654 "Loss from receivables and various debtors" related to the removal from the record of unpaid receivables from the period 2000-2017 from insolvent debtors, whose bankruptcy proceedings were closed by final court decisions.

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**10. TANGIBLE FIXED ASSETS**

The tangible fixed assets are tangible elements that:

- a) are held in order to be used for the production or provision of goods or services, to be rented to third parties or to be used for administrative purposes;
- b) are expected to be used during several financial years.

***Recognition:***

The cost of an item of tangible fixed assets must be recognized as an asset if and only if:

- a) it is probable that the entity will generate future economic benefits related to the asset;
- b) the cost of the asset can be reliably assessed.

***The evaluation after recognition***

After the recognition as an asset, an item of tangible fixed assets is accounted for at its cost minus the accumulated depreciation and the accumulated impairment losses.

After the recognition as an asset, an element of tangible fixed assets whose fair value can be reliably assessed is accounted for at a revalued value, as this is its fair value on the revaluation date. Revaluations are performed with sufficient regularity to ensure that the book value does not differ significantly from what would have been determined by using the fair value at the end of the reporting period. The revaluation of tangible fixed assets refers to buildings and land.

When an element of tangible fixed assets in category I provided in the Catalog regarding the classification and the expected lifetime of tangible fixed assets is revalued, any depreciation accumulated on the date of the revaluation is eliminated from the gross accounting value of the asset, and the net value is recalculated to the revalued value of the asset.

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

If the accounting value of a tangible fixed asset is increased as a result of the revaluation, then the increase is recognized in other elements of the overall result and accumulated in the equity as surplus from the revaluation. However, the increase must be recognized in profit or loss to the extent that it compensates for a decrease from the revaluation of the same asset previously recognized in profit or loss.

If the accounting value of an asset is reduced as a result of a revaluation, this reduction must be recognized in profit or loss. However, the reduction must be recognized in other elements of the comprehensive result to the extent that the revaluation surplus shows a credit balance for that asset. The reduction recognized in other elements of the global result reduces the amount accumulated in the equity capital as a revaluation surplus.

The surplus from the revaluation included in the equity related to an element of tangible fixed assets is transferred directly to the retained earnings when the asset is derecognized. The transfers from the revaluation surplus to the retained earnings are not made through profit or loss.

If the case be, the effects of taxes on profit resulting from the revaluation of tangible fixed assets are recognized and presented in accordance with IAS 12 Profit tax.

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**10. TANGIBLE FIXED ASSETS (continued)**

| <b>Category</b>                | <b>Lifetime</b> |
|--------------------------------|-----------------|
| Buildings and constructions    | 24-40 years     |
| Equipment and installations    | 7-24 years      |
| Means of transport             | 4- 6 years      |
| Computer technology            | 2- 15 years     |
| Furniture and office equipment | 3- 15 years     |

**Impairment**

To determine whether an item of property, plant and equipment is impaired, an entity applies IAS 36 Impairment of Assets. At the end of each reporting period, the entity estimates whether there are indications of asset impairment. If such indications are identified, the entity estimates the recoverable value of the asset.

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

The most important investment projects carried out in 2023 are the following:

**1. Sewerage system**

The work on this investment began in 2019 and it will be completed in 2023. The current sewerage system is about 60 years old, showing advanced corrosion, due to the chemicals sanitized and the mechanical action of the water. In the course of time, several major accidents occurred, throughout the territory of the Antibiotice S.A. platform. Considering the high wear and tear, there is a risk of other damages occurring that could have had major implications on the company's activities and on the environment, which is why the creation of a new sewage system was highly necessary.

**2. 2.5 MW Photovoltaic plant**

The achievement of this investment objective was based on the following premises:

- evolution of electricity prices;
- forecasted increase of the amount of energy purchased - the opportunity to finance energy capacities from renewable sources from PNRR funds;
- integration of sustainability principles in the company's development processes and strategies.

The expected results following the implementation of the investment are the following:

- reducing the amount of electricity purchased by about 3300 MWh per year, representing 26% compared to the 2021 consumption;
- reduction of carbon dioxide emissions by about 558.5 tons/year;
- turning to profit the company's currently unused land.

The investment will be completed in 2023.

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**10. TANGIBLE FIXED ASSETS (continued)**

**3. 1.2 MW Photovoltaic plant**

The photovoltaic panels of this power plant will be placed on 13 buildings whose roofs, according to technical expertise, support additional loads. An annual production of about 1,840 MWh is estimated, representing about 15% of the annual electricity consumption of Antibiotice S.A. in 2021. This investment will be completed in 2023.

**4. Outdoor lighting and video surveillance**

The outdoor lighting on the Antibiotice site was developed in several stages, always being adapted to the changes brought by the demolition of some buildings and overpasses or with the installation of video surveillance cameras.

**4. Outdoor lighting and video surveillance (continued)**

Currently, most of the existing devices have functional deficiencies and do not ensure an optimal level of light flow, which leads to physical insecurity, impossibility of monitoring the perimeter areas both with human personnel and by taking images through video surveillance cameras, inadequate lighting of car and pedestrian traffic areas in the company's premises. The works on this investment objective started in 2023 and will be completed in 2026.

**5. Drinking water supply system**

The works to modernize the drinking water supply network began in 2017 and consisted of the replacement of steel pipes in various stages of wear with polypropylene pipes. Until now, sections representing about 50% of the total length of the drinking water supply network have been modernized. The remaining sections to be modernized will be completed in stages, up to 2026.

**6. Warehouse for finished pharmaceutical products**

This investment meets the Antibiotice's needs to have a modern and efficient warehouse, capable of managing the planned future production. With a storage capacity adapted to the anticipated growth until 2030, this warehouse will serve as an essential pivot for the storage and distribution of pharmaceutical products.

**7. Other investments**

Modernization of utility production and distribution facilities (steam, condensate, electrical, etc.), development of the product portfolio through our own research and licensing, refurbishment of research and quality control laboratories, investments in information technology, for the integrated management system (quality, environment, occupational health and safety), modernization of existing sites and equipment.



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**10. TANGIBLE FIXED ASSETS (continued)**

|  | Land               | Buildings          | Machinery and<br>equipment, vehicles | Installations and<br>furniture | Tangible fixed<br>assets in<br>progress | Total              |
|--|--------------------|--------------------|--------------------------------------|--------------------------------|---|--------------------|
| <b>COST</b>                                  |                    |                    |                                      |                                |   |                    |
| <b>Balance on January 1, 2022</b>            | <b>189,933,152</b> | <b>157,513,278</b> | <b>225,871,215</b>                   | <b>8,749,574</b>               | <b>64,714,983</b>                       | <b>646,782,202</b> |
| Increases:                                   | -                  | 54,141,612         | 37,931,262                           | 1,130,587                      | 37,576,233                              | 130,779,694        |
| of which:                                    | -                  | -                  | -                                    | -                              | -                                       | -                  |
| Transfers to / from fixed assets in progress | -                  | 54,141,612         | 37,931,262                           | 1,130,587                      | -                                       | 93,203,461         |
| Assignments and other discounts              | -                  | (901,646)          | (2,434,289)                          | (40,719)                       | (93,203,461)                            | (96,580,115)       |
| of which:                                    | -                  | -                  | -                                    | -                              | -                                       | -                  |
| Transfers to / from fixed assets in progress | -                  | -                  | -                                    | -                              | (93,203,461)                            | (93,203,461)       |
| <b>Balance on December 31, 2022</b>          | <b>189,933,152</b> | <b>210,753,244</b> | <b>261,368,188</b>                   | <b>9,839,442</b>               | <b>9,087,755</b>                        | <b>680,981,781</b> |
| <b>Balance on January 1, 2023</b>            | <b>189,933,152</b> | <b>210,753,244</b> | <b>261,368,188</b>                   | <b>9,839,442</b>               | <b>9,087,755</b>                        | <b>680,981,781</b> |
| Increases:                                   | -                  | 19,493,432         | 14,956,616                           | 486,099                        | 40,268,115                              | 75,204,262         |
| of which:                                    | -                  | -                  | -                                    | -                              | -                                       | -                  |
| Transfers to / from fixed assets in progress | -                  | 19,493,432         | 14,956,616                           | 486,099                        | -                                       | 34,936,147         |
| Assignments and other discounts              | -                  | (52,921)           | (2,622,647)                          | (165,743)                      | (34,936,147)                            | (37,777,458)       |
| of which:                                    | -                  | -                  | -                                    | -                              | -                                       | -                  |
| Transfers to / from fixed assets in progress | -                  | -                  | -                                    | -                              | (34,936,147)                            | (34,936,147)       |
| <b>Balance on september 30, 2023</b>         | <b>189,933,152</b> | <b>230,193,755</b> | <b>273,702,157</b>                   | <b>10,159,798</b>              | <b>14,419,723</b>                       | <b>718,408,585</b> |

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**10. TANGIBLE FIXED ASSETS (continued)**

|   | <u>Land</u>        | <u>Buildings</u>   | <u>Machinery and<br/>equipment,<br/>vehicles</u> | <u>Installations<br/>and furniture</u> | <u>Tangible fixed<br/>assets in<br/>progress</u> | <u>Total</u>       |
|---|--------------------|--------------------|--|--|--|--------------------|
| <b>ACCUMULATED AMORTIZATION</b>             |                    |                    |  |  |  |                    |
| <b>Balance on January 1, 2022</b>           | -                  | <b>23,591,076</b>  | <b>135,912,271</b>                               | <b>6,438,037</b>                       | -  | <b>165,941,384</b> |
| Amortization recorded during the year       | -                  | 8,881,920          | 11,872,360                                       | 298,144                                | -  | 21,052,424         |
| Assignments and discounts                   | -                  | (347,382)          | (2,434,288)                                      | (40,719)                               | -  | (2,822,389)        |
| <b>Balance on December 31, 2022</b>         | -                  | <b>32,125,614</b>  | <b>145,350,343</b>                               | <b>6,695,462</b>                       | -  | <b>184,171,419</b> |
| <b>Balance on January 1, 2023</b>           | -                  | <b>32,125,614</b>  | <b>145,350,343</b>                               | <b>6,695,462</b>                       | -  | <b>184,171,419</b> |
| Amortization recorded during the year       | -                  | 7,918,888          | 10,703,995                                       | 301,880                                | -  | 18,924,763         |
| Assignments and discounts                   | -                  | (52,921)           | (2,622,647)                                      | (165,444)                              | -  | (2,841,012)        |
| <b>Balance on September 30, 2023</b>        | -                  | <b>39,991,581</b>  | <b>153,431,691</b>                               | <b>6,831,898</b>                       | -  | <b>200,255,170</b> |
| <b>NET ACCOUNTING VALUE</b>                 |                    |                    |  |  |  |                    |
| <b>Net book value on January 1, 2023</b>    | <b>189,933,152</b> | <b>178,627,630</b> | <b>116,017,845</b>                               | <b>3,143,980</b>                       | <b>9,087,755</b>                                 | <b>496,810,361</b> |
| <b>Net book value on September 30, 2023</b> | <b>189,933,152</b> | <b>190,202,174</b> | <b>120,270,466</b>                               | <b>3,327,900</b>                       | <b>14,419,723</b>                                | <b>518,153,415</b> |

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**11. INTANGIBLE FIXED ASSETS**

Intangible fixed assets are recorded according to IAS 38 "Intangible fixed assets" and IAS 36 "Depreciation of assets". Externally acquired intangible fixed assets are initially recognized at cost and subsequently amortized on a straight-line basis over their useful economic life.

Expenses for the acquisition of patents, copyrights, licenses, trademarks or factory brands and other intangible fixed assets recognized from an accounting viewpoint, with the exception of the expenses for establishing the goodwill, intangible fixed assets with an indefinite useful life, classified as such according to the accounting regulations, are recovered by means of straight-line depreciation deductions during the contract period or during the period of use, as the case may be.

**Internally generated intangible fixed assets**

Research expenses (or in the research phase of an internal project) are recognized as expenses of the exercise to which they refer.

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

|  | <u>Licenses and other<br/>intangible fixed assets</u> | <u>Intangible fixed assets<br/>in progress</u> | <u>Total</u>      |
|--|---|--|-------------------|
| <b>COST</b>                                  |   |  |                   |
| <b>Balance on January 1, 2022</b>            | <b>24,900,852</b>                                     | <b>24,371,232</b>                              | <b>49,272,084</b> |
| Increases                                    | 1,546,656   | 8,779,976                                      | 10,326,632        |
| Transfers to / from fixed assets in progress |   |  |                   |
| Assignments / discounts                      | -   | (2,857,071)                                    | (2,857,071)       |
| <b>Balance on December 31, 2022</b>          | <b>26,447,508</b>                                     | <b>30,294,137</b>                              | <b>56,741,645</b> |
| <br>   |   |  |                   |
| <b>Balance on January 1, 2023</b>            | <b>26,447,508</b>                                     | <b>30,294,137</b>                              | <b>56,741,645</b> |
| Increases                                    | 8,130,909   | 10,251,904                                     | 18,382,813        |
| Transfers to / from fixed assets in progress |   |  |                   |
| Assignments / discounts                      | -   | (7,629,549)                                    | (7,629,549)       |
| <b>Balance on September 30, 2023</b>         | <b>34,578,417</b>                                     | <b>32,916,492</b>                              | <b>67,494,909</b> |
| <br>   |   |  |                   |
| <b>Accumulated amortization</b>              |   |  |                   |
| <b>Balance on January 1, 2022</b>            | <b>19,432,320</b>                                     | -  | <b>19,432,320</b> |
| Amortization expense                         | 1,513,382   | -  | 1,513,382         |
| Depreciation                                 |   |  |                   |
| Discounts                                    |   |  |                   |
| <b>Balance on December 31, 2022</b>          | <b>20,945,702</b>                                     | -  | <b>20,945,702</b> |
| <br>   |   |  |                   |
| <b>Balance on January 1, 2023</b>            | <b>20,945,702</b>                                     | -  | <b>20,945,702</b> |
| Amortization expense                         | 1,602,059   | -  | 1,602,059         |
| Depreciation                                 |   |  |                   |
| Discounts                                    |   |  |                   |
| <b>Balance on September 30, 2023</b>         | <b>22,547,761</b>                                     | -  | <b>22,547,761</b> |
| <br>   |   |  |                   |
| <b>Net book value</b>                        |   |  |                   |
| <b>On January 1, 2023</b>                    | <b>5,501,806</b>                                      | <b>30,294,137</b>                              | <b>35,795,943</b> |
| <b>On September 30, 2023</b>                 | <b>12,030,656</b>                                     | <b>32,916,492</b>                              | <b>44,947,148</b> |

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**12. 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 such a sale; or
- c) in the form of raw materials, materials and other consumables to be used in the production process or for the provision of services

***Valuation of inventories***

Inventories are valued at the lower of cost and net realisable value.

***Inventory cost***

The cost of inventories includes all acquisition costs, conversion costs, as well as other costs incurred to bring the inventories to their current condition and location.

Stocks of raw materials and materials are highlighted at the purchase value. Stock disposal is done using the Weighted Average Price method.

Stocks of products in progress are shown at the value of the raw materials and consumables included in them.

The stock of finished products is highlighted at production cost.

***Adjustments for inventory depreciation***

Valuation for inventory impairment is performed on an individual basis and is based on management's best estimate of the present value of the cash flows that are expected to be received. Each impaired asset is analyzed individually. The accuracy of the adjustments depends on the estimation of future cash flows.

Adjustments regarding the stocks are based on the calculation performed at the end of the financial year for the specific value adjustment related to stocks of raw materials, consumables and finished products that no longer correspond from a qualitative point of view. Calculation of the general adjustment for the depreciation of stocks is made according to the validity period of the items in stock.

|   | <b>Balance on<br/>September 30, 2023</b> | <b>Balance on<br/>December 31, 2022</b> |
|---|--|---|
|   | (unaudited and u unrevised)              | (audited)                               |
|   | <b>RON</b>                               | <b>RON</b>                              |
| Finished products                                 | 60,177,685                               | 67,319,986                              |
| Raw materials                                     | 71,817,261                               | 47,011,753                              |
| Goods   | 26,061,039                               | 27,243,090                              |
| Consumables                                       | 517,798                                  | 316,640                                 |
| Inventory items                                   | 12,285                                   | 19,626                                  |
| Residual products                                 | 3,539                                    | 4,111                                   |
| Packing   | 121,886                                  | 78,647                                  |
| Products in progress                              | 6,168,125                                | 4,768,710                               |
| <b>Stocks – gross value</b>                       | <b>164,879,618</b>                       | <b>146,762,563</b>                      |
| Value adjustments for raw materials and materials | (1,964,160)                              | -                                       |
| Value adjustments for finished products           | (11,071,663)                             | (11,380,126)                            |
| Value adjustments for goods                       | (1,248,723)                              | (1,248,723)                             |
| <b>Total value adjustments</b>                    | <b>(14,284,546)</b>                      | <b>(12,628,849)</b>                     |

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|  | <u>Balance on<br/>September 30, 2023</u> | <u>Balance on<br/>December 31, 2022</u> |
|--|--|---|
| <b>Total inventories - net value</b>     | <b>150,595,072</b>                       | <b>134,133,715</b>                      |
| <b>13. TRADE AND SIMILAR RECEIVABLES</b> |  |   |

Receivables arise mainly through the provision of goods and services to customers (for example trade receivables), but also incorporate other types of contractual monetary assets.

Receivables are presented in the balance sheet at the historical value less the adjustments established for depreciation in cases where it was found that the realizable value is lower than the historical value.

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

Assessment for the impairment of receivables is carried out on an individual level and is based on a risk analysis by customer category, being the best estimate of the management regarding the current value of the cash flows that are expected to be received. In determining the recoverability of a receivable, the changes in the value of the receivable starting from the due date to the reporting date are taken into account. Calculations were made in this regard on each individual invoice, taking into account the sales invoice and the collection within the established terms, according to IFRS 9 "Financial instruments".

The company evaluates at each balance sheet date the extent to which there is any objective evidence that a financial asset (receivable) is impaired. If there is any such evidence, the company applies different treatments to determine the amount of any impairment loss, depending on the type of asset: financial assets accounted for at amortized cost, financial assets accounted for at cost and financial assets available for sale.

The book value of the asset must be reduced either directly or by using an impairment adjustment account. The value of the loss must be recognized in profit or loss.

If, in a later period, the value of the related impairment loss decreases, and the decrease can be objectively correlated with an event that occurs after the impairment was recognized (such as an improvement in the debtor's credit rating), the loss from previously recognized impairment must be resumed either directly or by adjusting an impairment provision account. The resumption must not result in an accounting value of the financial asset higher than the value that would have constituted the amortized cost, if the depreciation had not been recognized on the date on which the depreciation is resumed. The value of the resumption must be recognized in profit or loss.

Adjustments for the depreciation of trade receivables are made up of the specific provision, made up entirely for litigation, after which the general provision is also calculated.

The general provision for the depreciation of customer receivables is calculated according to the age of the existing receivables in the balance. The calculated depreciation adjustments cannot exceed the amounts necessary to settle the trade receivable. When analyzing receivables based on commercial effects, in situations where events are identified that prove the existence of payment incidents or the deterioration of the debtor's financial situation, adjustments can be calculated, the size of the provision for depreciation being at most equal to the size of the effect.

**ANTIBIOTICE S.A.**  
**EXPLANATORY NOTES TO FINANCIAL STATEMENTS**  
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**13. TRADE AND SIMILAR RECEIVABLES (continued)**

|   | <b>Balance on</b><br><b>September 30, 2023</b> | <b>Balance on</b><br><b>December 31, 2022</b> |
|---|--|---|
|   | (unaudited and unrevised)                      | (audited)                                     |
|   | <b>RON</b>                                     | <b>RON</b>                                    |
| <b>Short term receivables</b>                     |  |   |
| Trade receivables                                 | 261,386,619                                    | 214,052,126                                   |
| Trade effects                                     | 11,305,062                                     | 4,180,578                                     |
| Advances paid to suppliers of fixed assets        | 1,761,683                                      | 888,436                                       |
| Advances paid to suppliers of stocks and services | 593,505  | 412,734                                       |
| Advances paid to employees                        | 36   | 154   |
| Other receivables                                 | 6,892,410                                      | 6,223,542                                     |
| Provision for depreciation                        | (34,234,642)                                   | (29,354,652)                                  |
| <b>Balance at the end of the period</b>           | <b>247,704,673</b>                             | <b>196,402,918</b>                            |

|                                      | <b>Period ended on</b><br><b>September 30, 2023</b> | <b>Period ended on</b><br><b>December 31, 2022</b> |
|--------------------------------------|---|--|
|                                      | (unaudited and unrevised)                           | (audited)  |
|                                      | <b>RON</b>  | <b>RON</b>   |
| <b>Aging analysis</b>                |   |  |
| <b>Trade and similar receivables</b> |   |  |
| up to 3 months                       | 119,474,815   | 89,209,535   |
| between 3 and 6 months               | 88,571,602  | 68,275,853   |
| between 6 and 12 months              | 24,507,280  | 23,752,711   |
| over 12 months                       | 15,150,976  | 15,164,819   |

Changes in impairment adjustments for receivables.

|   | <b>Period ended on</b><br><b>September 30, 2023</b> | <b>Period ended on</b><br><b>December 31, 2022</b> |
|---|---|--|
|   | (unaudited and unrevised)                           | (audited)  |
|   | <b>RON</b>  | <b>RON</b>   |
| Balance at the beginning of the period.   | (29,354,652)  | (24,863,762)                                       |
| Receivables removed from the records during the period  | 13,843  | 7,560,123  |
| Adjustment of the depreciation recorded in the statement of comprehensive income in relation to trade receivables | (4,893,833)   | (12,051,013)                                       |
| <b>Balance at the end of the period</b>   | <b>(34,234,642)</b>                                 | <b>(29,354,652)</b>                                |

**ANTIBIOTICE S.A.**  
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**14. SHARE CAPITAL**

|                              | <b>Balance on<br/>September 30, 2023</b> | <b>Balance on<br/>December 31, 2022</b> |
|------------------------------|--|---|
|                              | (unaudited and unrevised)                | (audited)                               |
|                              | <b>RON</b>                               | <b>RON</b>                              |
| Ordinary shares paid in full | 67,133,804                               | 67,133,804                              |

**Ownership structure**

|                                    | <b>Balance on<br/>September 30, 2023 (unaudited and unrevised)</b> |                        | <b>Balance on<br/>December 31, 2022 (audited)</b> |                        |
|------------------------------------|--|------------------------|---|------------------------|
|                                    | <b>Number of shares</b>  | <b>%<br/>ownership</b> | <b>Number<br/>of shares</b>                       | <b>%<br/>ownership</b> |
| MINISTRY OF HEALTH                 | 355,925,135  | 53,0173                | 355,925,135                                       | 53.0173                |
| INFINITY CAPITAL INVESTMENTS S.A.* | 197,475,826  | 29,4153                | 181,515,771                                       | 27.0379                |
| Other natural and legal persons    | 117,937,079  | 17,5675                | 133,897,134                                       | 19.9448                |
| <b>Total</b>                       | <b>671,338,040</b>   | <b>100,00</b>          | <b>671,338,040</b>                                | <b>100.00</b>          |

\* On 31.12.2022 the company was called SIF OLTENIA

**Reserve from revaluation**

Reconciliation between the initial and final balance of the revaluation reserve is as follows:

|   | <b>Period ended on<br/>September 30, 2023</b> | <b>Period ended on<br/>December 31, 2022</b> |
|---|---|--|
|   | (unaudited and unrevised)                     | (audited)                                    |
|   | <b>RON</b>                                    | <b>RON</b>                                   |
| Balance at the beginning of the period for the revaluation reserve  | <b>132,338,377</b>                            | <b>135,893,766</b>                           |
| Balance at the beginning of the period for the deferred tax related to the revaluation reserve  | <b>(21,174,138)</b>                           | <b>(21,743,000)</b>                          |
| Transfer of the revaluation reserve to the retained earnings as a result of depreciation and disposals of tangible assets, net of tax | (2,277,704)                                   | (3,555,389)                                  |
| Decrease in deferred tax related to the revaluation reserve   | (364,426)                                     | (568,862)                                    |
| Balance at the end of the period for the revaluation reserve  | <b>130,060,673</b>                            | <b>132,338,377</b>                           |
| Balance at the end of the period for the deferred tax related to the revaluation reserve  | <b>(20,809,712)</b>                           | <b>(21,174,138)</b>                          |
| Reconciliation of revaluation reserves  | <b>109,250,961</b>                            | <b>111,164,239</b>                           |

**15. DEBTS CONCERNING EMPLOYEE BENEFITS AND PROVISIONS**

| <b>Short-term</b>             |                          | <b>Long-term</b>              |                          |
|-------------------------------|--------------------------|-------------------------------|--------------------------|
| <b>September 30,<br/>2023</b> | <b>December 31, 2022</b> | <b>September 30,<br/>2023</b> | <b>December 31, 2022</b> |
| (unaudited and unreviewed)    |                          | (unaudited and unreviewed)    |                          |

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|                                   |                   |                  |          |          |
|-----------------------------------|-------------------|------------------|----------|----------|
| Employee benefits                 | -                 | -                | -        | -        |
| Provisions for risks and expenses | 13,797,216        | 6,679,335        | -        | -        |
| <b>Total</b>                      | <b>13,797,216</b> | <b>6,679,335</b> | <b>-</b> | <b>-</b> |

**16. TRADE AND SIMILAR DEBTS**

The liabilities mainly include trade debts and other short-term financial debts (debts related to personnel, debts related to taxes and duties, debts related to short-term bank loans, debts related to various creditors) which are initially recognized at fair value and subsequently recorded at amortized cost using the effective interest method.

|   | <b>Balance on<br/>September 30, 2023</b> | <b>Balance on<br/>December 31,<br/>2022</b> |
|---|--|---|
|   | (unaudited and unreviewed)               | (audited)                                   |
|   | <b>RON</b>                               | <b>RON</b>                                  |
| Trade debts                             | 64,653,350                               | 58,755,589                                  |
| Effects to be paid                      | 3,470,755                                | 2,182,409                                   |
| Debts from the purchase of fixed assets | 27,359,639                               | 12,839,306                                  |
| Other current liabilities*              | 14,943,478                               | 11,997,193                                  |
| Advances collected based on orders      | 1,223,250                                | 292,894                                     |
| <b>Total</b>                            | <b>111,650,472</b>                       | <b>86,067,391</b>                           |

**16. TRADE AND SIMILAR DEBTS (continued)**

\* Other current liabilities

|  | <b>Balance on<br/>September 30, 2023</b> | <b>Balance on<br/>December 31,<br/>2022</b> |
|--|--|---|
|  | (unaudited and unreviewed)               | (audited)                                   |
|  | <b>RON</b>                               | <b>RON</b>                                  |
| Salary debts to employees and social insurance debts | 9,172,985                                | 8,284,751                                   |
| Unclaimed employee rights                            | 48,729                                   | 13,431                                      |
| Other creditors                                      | 1,135,815                                | 1,116,573                                   |
| Payable interest                                     | 120,786                                  | 81,217                                      |
| Other payment taxes                                  | 13,664                                   | 6,718                                       |
| Dividends to be paid                                 | 4,451,499                                | 2,494,503                                   |
| <b>Total</b>   | <b>14,943,478</b>                        | <b>11,997,193</b>                           |

**Debts from taxes and current charges**

**Value added tax**

The value added tax is highlighted on the basis of the VAT statement. The amount of VAT to be paid is paid to the fiscal authorities up until 25th of the following month, regardless of the level of recovery of receivables from customers. The tax authorities allow the settlement of VAT on a net basis. If the deductible VAT is higher than the collected VAT, the difference is refundable at the request of the company. The respective VAT can be refunded after a fiscal audit, or even in its absence, if certain conditions are met. VAT related to sales and purchases that have not been settled at the end of the reporting period is recognized in the statement of financial position at the net value and it is presented separately as a current asset or liability. In cases where adjustments were recorded for the depreciation of receivables, the loss from depreciation is recorded for the gross value of the debtor, including VAT. The related value added tax must be paid to the state budget and it can only be recovered in the case of the debtor's statute of limitations, as a result of the bankruptcy decision.



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**The claw-back tax**

The **claw-back tax** regulated by the Emergency Ordinance no. 77/2011 regarding the establishment of contributions for the financing of some expenses in the field of health, paid quarterly to the State Budget for **prescription drugs**, included in the national health programs, with or without personal contribution, which are used in outpatient treatment based on medical prescription through open-circuit pharmacies, for those used in hospital treatment, supported by the unique national health insurance fund and the budget of the Ministry of Health.

|                     | <b>Balance on</b><br><b>September 30, 2023</b> | <b>Balance on</b><br><b>December 31, 2022</b> |
|---------------------|--|---|
|                     | (unaudited and unreviewed)                     | (audited)                                     |
|                     | <b>RON</b>                                     | <b>RON</b>                                    |
| Current profit tax  | 1,508,396                                      | -   |
| Claw-back tax       | 2,902,530                                      | 8,169,643                                     |
| Other special funds | 125,790  | 111,027                                       |
| <b>Total</b>        | <b>4,536,716</b>                               | <b>8,280,670</b>                              |
|                     | <b>Balance on</b><br><b>September 30, 2023</b> | <b>Balance on</b><br><b>December 31, 2022</b> |
|                     | (unaudited and unreviewed)                     | (audited)                                     |
|                     | <b>RON</b>                                     | <b>RON</b>                                    |
| Deferred profit tax | 31,513,333                                     | 32,733,496                                    |
| <b>Total</b>        | <b>31,513,333</b>                              | <b>32,733,496</b>                             |

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**17. LOANS FROM BANKS**

The bank loans on September 30, 2023 and December 31, 2022 were as follows:

| The financing bank | The type of financing                 | Date of grant | Balance on December 31, 2022 | Balance on September 30, 2023<br>(unaudited and unreviewed) | Short-term on September 30, 2023<br>(unaudited and unreviewed) | Long-term on 30 September, 2023<br>(unaudited and unreviewed) | Period  |
|--------------------|---------------------------------------|---------------|------------------------------|---|--|---|---------|
| Unicredit Bank     | working capital financing credit line | 8/17/2016     | 34,008,116                   | 38,204,806(*)   | 27,510,832   |   | 84 MON  |
| Unicredit Bank     | investment credit                     | 5/3/2018      | 46,973,501                   | 39,434,909(**)  | 10,693,974(***)  | 39,434,909  | 120 MON |
| <b>TOTAL</b>       |                                       |               | <b>80,981,617</b>            | <b>77,639,715</b>   | <b>38,204,806</b>  | <b>39,434,909</b>   |         |

(\*) working capital financing credit line and part of the short-term investment loan

(\*\*) long-term investment loan

(\*\*\*) short-term investment loan

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**18. CASH AND CASH EQUIVALENTS**

For the cash flow statement, the cash includes cash in vault and current bank accounts. The book value of these assets is approximately equal to their fair value.

The cash and cash equivalents at the end of the financial year, as presented in the statement of cash flows, can be reconciled with related items from the balance sheet, as follows:

|                         | <b>The period ended on<br/>September 30, 2023</b> | <b>The period ended on<br/>December<br/>31, 2022</b> |
|-------------------------|---|--|
|                         | (unaudited and<br>unreviewed)                     | (audited)  |
|                         | <b>RON</b>  | <b>RON</b>   |
| Cash in banks           | 3,118,781   | 1,718,889  |
| Effects to be collected | -   | -  |
| Cash in vault           | 47,110  | 8,565  |
| Cash equivalents        | -   | -  |
| <b>Total</b>            | <b>3,165,891</b>                                  | <b>1,727,454</b>                                     |

**19. SUBSIDIES FOR INVESTMENTS**

|  | <b>The period ended<br/>on<br/>September 30,<br/>2023</b> | <b>The period ended<br/>on<br/>December 31, 2022</b> |
|--|---|--|
|  | (unaudited and<br>unreviewed)                             | (audited)  |
|  | <b>RON</b>  | <b>RON</b>   |
| <b>On January 1st</b>                            | <b>2,163,611</b>  | <b>2,466,590</b>                                     |
| Transferred to the global result statement       | 203,180   | 302,979  |
| <b>On September 30, 2023 / December 31, 2022</b> | <b>1,960,431</b>  | <b>2,163,611</b>                                     |
| Current  | 306,289   | 306,289  |
| Fixed  | 1,654,142   | 1,857,322  |

**20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

In accordance with IFRS 9, the financial assets and liabilities of the company are valued at amortized cost. In accordance with the company's business model, the financial assets and liabilities are held in order to collect contractual cash flows, and these cash flows are exclusively principal and interest payments. The company has not included information regarding the fair value for the financial assets and liabilities that are not valued at fair value if the accounting value represents a reasonable approximation of the fair value.

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

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

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

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have been no major changes in the company's exposure to risks regarding the financial instruments, its objectives, policies and processes for managing these risks or the methods used to evaluate them compared to previous periods, except as otherwise mentioned in this note.

**20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

**Main financial instruments**

The main financial instruments used by the company, from which the risk regarding financial instruments arises, are as follows:

- Trade receivables and other receivables;
- Cash and cash equivalents;
- Investments in listed shares;
- Trade debts and other debts.

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

|                               | <b>Loans and receivables</b>                      |  |
|-------------------------------|---|--|
|                               | <b>The period ended on<br/>September 30, 2023</b> | <b>The period ended on<br/>December 31, 2022</b> |
|                               | (unaudited and<br>unreviewed)                     | (audited)  |
| <b>ASSETS</b>                 |   |  |
| Trade and similar receivables | 247,704,673                                       | 196,402,918                                      |
| Cash and cash equivalents     | 3,165,891   | 1,727,454  |
| <b>Total</b>                  | <b>250,870,564</b>                                | <b>198,130,372</b>                               |

|                         | <b>At amortized cost</b>                          |  |
|-------------------------|---|--|
|                         | <b>The period ended on<br/>September 30, 2023</b> | <b>The period ended on<br/>December 31, 2022</b> |
|                         | (unaudited and<br>unreviewed)                     | (audited)  |
| <b>LIABILITIES</b>      |   |  |
| Trade and similar debts | 111,650,472                                       | 86,067,391                                       |
| Short-term loans        | 38,204,806  | 34,008,116                                       |
| Long-term loans         | 39,434,909  | 46,973,501                                       |
| <b>Total</b>            | <b>189,290,187</b>                                | <b>167,049,008</b>                               |

**The credit risk**

The credit risk is the risk of financial loss for the company that occurs if a customer or counterparty to a financial instrument does not fulfill its contractual obligations. The company is mainly exposed to the credit risk arising from sales to customers.

Within our company, there is a Commercial Policy, in which the commercial conditions of sale are clearly presented and there are conditions imposed in the selection of clients.

Antibiotice S.A. works with large distributors in the national pharmaceutical market. For export sales, in all situations where it is possible, the sale is contracted with advance payment.

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**20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

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

| Indicators (LEI)                     | Period ended on<br>September 30, 2023<br><small>(unaudited and unrevised)</small> | Period ended on<br>December 31, 2022<br><small>(audited)</small> |
|--------------------------------------|---|--|
| Short-term loans and credits         | 38,204,806  | 34,008,116   |
| Long-term loans and credits          | 39,434,909  | 46,973,501   |
| Cash and cash equivalents            | (3,165,891)   | (1,727,454)  |
| <b>Net liabilities</b>               | <b>74,473,824</b>   | <b>79,254,163</b>  |
| <b>Total equity</b>                  | <b>727,920,105</b>  | <b>651,207,602</b>   |
| <b>Net liabilities in equity (%)</b> | <b>10.23%</b>   | <b>12.17%</b>  |

**21. PRESENTATION OF AFFILIATED PARTIES**

**Nature of relationships with affiliated parties**

For the purpose of presentation in the financial statements in accordance with the provisions of IAS 24, the company monitors the relations with the affiliated entities. During the years 2021 and 2022 the shareholder Infinity Capital Investments S.A (previously called S.I.F. Oltenia) purchased shares of the company, increasing the share held in the share capital of Antibiotice S.A. from 19.0465% to 27.0379%, thus becoming an entity associated with significant influence. The shareholder Infinity Capital Investments S.A has two members in the company's Management Board.

**Amounts due and receivable from related /affiliated parties**

Between 01.01 - 30.09.2023 the company had no receivables or debts with the associated entity.

**Information on transactions with related parties**

Between 01.01 - 30.09.2023 the company did not carry out commercial transactions with the associated entity.

Transactions with key management staff within the company were presented in Note 8 "Expenses with remuneration of employees".

**22. CONTINGENT LIABILITIES**

On September 30, 2023, Antibiotice S.A. had no contingent liabilities.

**23. EVENTS AFTER THE REPORTING PERIOD**

There are no significant subsequent events that are not presented in these financial statements.

Approved by the Management Board on: **November 14, 2023**

**General Director,**  
**Ioan NANI, Economist**

**Financial Director,**  
**Paula Luminita COMAN, Economist**

Report date: **15.11.2023**  
Name of issuing company: **Antibiotice SA**  
Headquarters: **Iași, str. Valea Lupului nr. 1, cod poștal 707410,**  
**<http://www.antibiotice.ro>**  
E-mail: **[relatiicuinvestitorii@antibiotice.ro](mailto:relatiicuinvestitorii@antibiotice.ro)**  
Telephone/fax no.: **0232 209000 / 0232 209633**  
Unique registration code in the Trade register Office: **RO1973096**  
Order number in the trade Register: **J22/285/1991**  
Subscribed and paid-up capital: **67.133.804 lei**  
Regulated market on which the securities issued are traded: **Bucharest Stock Exchange**

#### Notice of availability for the Report on 30 September 2023

*Antibiotice Iași* informs the investors that the *report on 09/30/2023* is available through the *Bucharest Stock Exchange* and *Financial Surveillance Authority* as well as on our website: [www.antibiotice.ro](http://www.antibiotice.ro) (Investors/Financial Information/Financial Reports - 2023, 9 months).

We mention that the above-mentioned report can also be obtained at our company's headquarters (Investor Relations, phone no. 0372065570, 0372065583, fax 0372065633, e-mail: [relatiicuinvestitorii@antibiotice.ro](mailto:relatiicuinvestitorii@antibiotice.ro)).

General Director,  
*ec. Ioan NANI*

Financial Director,  
*ec. Paula-Luminița COMAN*