

**ANTIBIOTICE S.A.**

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

**ANTIBIOTICE S.A.**

Financial statements for the financial year ended on December 31 2022

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

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

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

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

Approved by the Management Board on March 23 2023

Drafted by:

General Director  
Ec. Ioan NANI

Finianial Director  
Ec. Paula COMAN

**ANTIBIOTICE SA****STATEMENT OF THE FINANCIAL POSITION**

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

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

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General Director  
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Finanial Director  
Ec. Paula COMAN

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

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

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Drafted by:

General Director  
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Finanical Director  
Ec. Paula COMAN

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

For the year ended on December 31 2022

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

<b>CASH FLOW STATEMENTS</b>	<b>For the year ended on</b>	
	<b>31.12.22</b>	<b>31.12.21</b>
<b>I. Cash flows from operating activities</b>		
Cash collection from the sales of goods	556,760,499	371,138,308
Cash collection from various debtors	148,813	2,176,266
Payments to suppliers of goods and services	(284,295,073)	(180,971,325)
Cash payments to and on behalf of employees, payments made by the employer for its employees	(117,871,653)	(106,646,867)
VAT paid	(7,795,043)	(3,813,328)
Contributions to the Ministry of Health and the Ministry of the Environment	(32,944,087)	(27,978,703)
Other duties, taxes, and similar levies	(656,470)	(2,318,167)
<b>Operating cash flow</b>	<b>113,346,987</b>	<b>51,586,184</b>
Interest charged	1,437	3,557
Interest paid	(3,696,552)	(3,541,084)
Corporate tax	(4,080,410)	(3,519,930)
Tax on dividends	(10,945)	(91,153)
<b>Net cash flows from operating activities</b>	<b>105,560,517</b>	<b>44,437,574</b>
<b>II. Cash flows generated by investments</b>		
Cash payments for purchasing fixed assets	(39,879,555)	(29,052,189)
<b>Net investment cash flow</b>	<b>(39,879,555)</b>	<b>(29,052,189)</b>
<b>Surplus/deficit after financing the investment activity</b>	<b>65,680,962</b>	<b>15,385,385</b>
<b>III. Cash flows from financing activities</b>		
Reimbursements of long-term loans	(10,605,913)	(6,315,643)
Dividends paid	(2,003,112)	(2,102,443)
<b>Net cash flows from financing activities</b>	<b>(12,609,025)</b>	<b>(8,418,086)</b>
Gains/losses from exchange rate differences	(240,197)	(96,248)
<b>Net increase/(decrease) in cash</b>	<b>52,831,740</b>	<b>6,871,051</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>(74,321,128)</b>	<b>(81,192,179)</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>(21,489,388)</b>	<b>(74,321,128)</b>
<b>The cash and cash equivalents at the end of the period include:</b>		
Accounts in banks and cash	1,727,454	2,111,377
Credit lines for financing the working capital	(23,216,842)	(76,432,505)

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

Approved by the Management Board on March 23 2023

Drafted by:

General Director  
Ec. Ioan NANI

Financial Director  
Ec. Paula COMAN

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

For the year ended on December 31 2022

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

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

Approved by the Management Board on March 23 2023

Drafted by:

General Director  
Ec. Ioan NANI

Finanial Director  
Ec. Paula COMAN

**ANTIBIOTICE S.A.**  
**MODIFICATIONS OF EQUITY**  
For the year ended on December 31 2022  
(all amounts are expressed in LEI, if not mentioned otherwise)

	Subscribed capital	Capital adjustments	Reserves	Other reserves	Current result	Result from revaluation reserves	Profit distribution	Revaluation reserves	Reported result from the correction of errors	Result following applying IAS/IFRS for the first time	Result following applying IAS 29 for the first time	TOTAL
<b>31.12.21</b>	<b>67.133.804</b>	<b>197.701.352</b>	<b>13.426.761</b>	<b>259.154.126</b>	<b>29.939.404</b>	<b>22.906.688</b>	<b>(25.302.090)</b>	<b>114.150.766</b>	<b>0</b>	<b>123.582.341</b>	<b>(197.701.352)</b>	<b>604.991.800</b>
Current global result curent	-	-	-	-	38.513.427	-	-	-	-	-	-	<b>38.513.427</b>
<b>Total other items of the global result</b>	-	-	-	-	<b>38.513.427</b>	-	-	-	-	-	-	<b>38.513.427</b>
Transfer of reevaluation surplus	-	-	-	-	-	3.493.547	-	(2.986.527)	-	(434.645)	-	<b>72.375</b>
Allotment of other reserves *	-	-	-	2.490.313	(27.792.403)	-	25.302.090	-	-	-	-	-
Dividends	-	-	-	-	(2.147.001)	-	-	-	-	-	-	<b>(2.147.001)</b>
Mandatory distributions	-	-	-	30.523.566	-	-	(30.523.566)	-	-	-	-	-
<b>31.12.22</b>	<b>67.133.804</b>	<b>197.701.352</b>	<b>13.426.761</b>	<b>292.168.005</b>	<b>38.513.427</b>	<b>26.400.236</b>	<b>(30.523.566)</b>	<b>111.164.239</b>	<b>0</b>	<b>123.147.696</b>	<b>(197.701.352)</b>	<b>641.430.601</b>

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



**ANTIBIOTICE S.A.**  
**MODIFICATIONS OF EQUITY**  
For the year ended on December 31 2022  
(all amounts are expressed in LEI, if not mentioned otherwise)

	Subscribed capital	Capital adjustments	Reserves	Other reserves	Current result	Result from revaluation reserves	Profit distribution	Revaluation reserves	Reported result from the correction of errors	Result following applying IAS/IFRS for the first time	Result following applying IAS 29 for the first time	TOTAL
<b>31.12.20</b>	<b>67,133,804</b>	<b>197,701,352</b>	<b>13,426,761</b>	<b>231,136,239</b>	<b>26,388,049</b>	<b>20,729,784</b>	<b>(14,452,190)</b>	<b>116,636,526</b>	<b>-7,000,410</b>	<b>123,273,485</b>	<b>(197,701,352)</b>	<b>577,272,048</b>
Current global result	-	-	-	-	29,939,404	-	-	-	-	-	-	29,939,404
<b>Total other items of the global result</b>					<b>29,939,404</b>							<b>29,939,404</b>
Transfer of reevaluation surplus				-	-	2,176,904		(2,485,760)		308,856		-
Allotment of other reserves *	-	-	-	2,715,797	(24,168,397)	-	14,452,190	-	7,000,410	-	-	-
Dividends	-	-	-		(2,219,652)							(2,219,652)
Mandatory distributions				25,302,090			(25,302,090)					
<b>31.12.21</b>	<b>67,133,804</b>	<b>197,701,352</b>	<b>13,426,761</b>	<b>259,154,126</b>	<b>29,939,404</b>	<b>22,906,688</b>	<b>(25,302,090)</b>	<b>114,150,766</b>	<b>0</b>	<b>123,582,341</b>	<b>(197,701,352)</b>	<b>604,991,800</b>

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

## **ANTIBIOTICE S.A.**

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

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

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#### **NOTE EXPLICATIVE LA SITUATIILE FINANCIARE**

##### **1. GENERAL INFORMATION**

###### **1.1 Brief company profile**

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

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

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

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

###### **1.2 Corporate Governance**

The Antibiotice's governance system is based on:

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

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

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

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

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

## **ANTIBIOTICE S.A.**

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

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

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

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

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

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

The legal framework for ensuring the corporate governance system is:

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

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

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

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

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

## ANTIBIOTICE S.A.

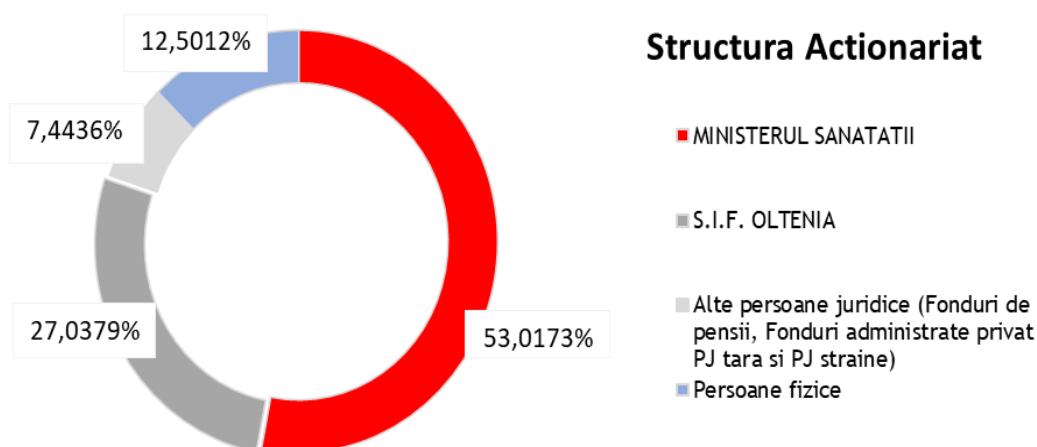
### EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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



- The Ministry of Health
- S.I.F. Oltenia
- Natural persons

#### Classes of shareholders:

- Legal entities - 87.4988 %
- Natural persons - 12.5012 %
- other legal entities (Pension Funds, Privately Administered Funds, legal persons from Romania and foreign legal persons)

#### Antibiotice in the capital market

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

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

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

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

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

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

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

**Antibiotice shares - ATB/Regular Market**

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

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

\*\* Proposed dividend,

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

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

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

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

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

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

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

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

Period	Net dividends							Dividend payment suspension date	
	Due	Paid				Unclaimed on 31.12.2022			
		lei			Total	% (total paid)	lei		%
		Until 31.12.2021	01.01÷31.12.2022						
0	1	2	3	4	5	6	7	8	
2018	6,612,624.05	6,083,476.66	6,434.79	6,089,911.45	92.10	522,712.60	7.90	19.09.2022	
2019	19,811,039.75	18,174,724.85	39,527.49	18,214,252.34	91.94	1,596,787.41	8.06	Payment in progress	
2020	2,208,009.98	2,012,114.71	7,954.39	2,020,069.10	91.49	187,940.88	8.51	Payment in progress	
2021	2,136,257.01	-	1,949,195.32	1,949,195.32	91.24	187,061.69	8.76	Payment in progress	

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

**Rights of financial instruments holders**

The corporate governance framework adopted and applied:

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

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

**The Investor Relations activity**

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

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

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the capital market in Romania, so that they get sufficient grounds for the investment decision-making process.

The agenda of events, which aim to maintain a permanent dialogue between the company's management, investors and analysts, included during 2022, an event organized by the BVB, entitled "Antibiotice celebrates 25 years since the listing on the Bucharest Stock Exchange", which took place on April 15. Also, there were two teleconferences for the presentation of the financial statements, on May 17 and November 15 and a conference entitled "Antibiotice Investor Day" - which took place on December 14.

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

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

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

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

#### **The Management Board**

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

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

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

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

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

Economist, Ioan NANI

Vice-President of the Management Board and General Manager

Permanent Executive Administrator

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

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

Number of Antibiotice SA shares owned - 1.513\*

Eng. Catalin Codrut Popescu

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

Permanent Non-Executive Administrator

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

General Manager of MEDIMFARM SA

Number of Antibiotice SA shares owned - 0\*

Ec. Mihai Trifu

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

Permanent Non-Executive Administrator

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

Number of Antibiotice SA shares owned - 0\*

Physicist Lucian Timofticiuc

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

Permanent Non-Executive Administrator

Chairman of the Management Board

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

Number of Antibiotice SA shares owned - 0\*



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Legal Adviser Ionel Damian

Member of the Management Board

Permanent Non-Executive Administrator

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

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

Number of Antibiotice SA shares owned - 0\*

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

### **Corporate Governance**

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

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

The pillars are as follows:

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

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

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

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through equal access of all shareholders to relevant information about Antibiotice SA.

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

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

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

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

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

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

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

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

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

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

#### ***The advisory committees***

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

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The composition of the Advisory Committees can be accessed at:

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

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

#### **The executive management**

Antibiotice S.A. is represented by the General Manager, according to the prerogatives established by law and the company articles of association. The Management Board retains the authority to represent the company in relations with the directors it appointed. The management team of Antibiotice S.A., on 31.12.2022, can be accessed at the address: <https://www.antibiotice.ro/en/investors/corporate-governance/governance-structure/>

## **2. THE ACCOUNTING POLICIES**

### **2.1 Declaration of conformity**

The financial statements have been prepared in accordance with:

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

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

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

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

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

## 2.2 The bases of assessment

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

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

## 2.3 The functional and presentation currency

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

The transactions made by the company in a currency other than the functional currency are recorded at the rates in force at the date when the transactions take place. The monetary assets and liabilities in foreign currencies are converted at rates in effect at the reporting date.

The profit and loss arising from the exchange rate differences following the conclusion of these transactions and from the conversion to the exchange rate at the end of the reporting period of the monetary assets and the obligations denominated in foreign currency is reflected in the statement of the comprehensive income.

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

	<b>31.12.22</b>	<b>31.12.21</b>
EUR	4.9474	4.9481
USD	4.6346	4.3707

## 2.4 Critical accounting assessments and estimates

As a result of the uncertainties inherent in business activities, many items in the financial statements cannot be precisely assessed, but only estimated. The estimation involves judgements based upon the latest available reliable information. The use of reasonable estimates is an essential part for preparing the financial statements and it does not undermine their reliability.

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

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

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

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

(b) *Adjustments for the impairment of receivables*

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

(c) *Legal proceedings*

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

(d) *Cost accounting estimates*

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

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The estimates of expenditure for each category of expense will be made by someone with experience in the type of activity that generated the expense.

#### **(e) Taxation**

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

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

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

#### **2.6 Intangible assets purchased**

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

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

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

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

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

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

## **2.7. Tangible assets**

The tangible assets are tangible items that:

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

### **Recognition:**

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

- a) the entity is likely to generate future economic benefits related to the asset; and
- b) the cost of the asset can be reliably measured.

### *The evaluation after recognition*

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

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

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

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

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

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

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

The revaluation surplus included in equity related to an item of property, plant and equipment is transferred directly to retained earnings when the asset is

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derecognised. The transfers from the revaluation surplus to the retained earnings are not made through profit or loss.

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

#### *Depreciation*

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

For the depreciable fixed assets, the company utilizes, in accounting terms, the straightline depreciation method. The depreciation periods are determined by an internal specialized committee according to the company's internal procedures. Below there is a brief presentation of the lifetimes of the fixed assets by major categories of goods:

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

#### *Impairment*

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

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

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

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

IFRS 9 replaces IAS 39, Financial Instruments - recognition and valuation. The IASB developed IFRS 9 in three stages, which deals separately with the IFRS classification and evaluation of the financial assets, impairment and the risk coverage. Other



aspects of IAS 39, such as the scope, the recognition and the derecognition of financial assets, have survived with only a few changes to IAS 39.

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

## **2.9 Stocks**

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

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

### *Stock assessment*

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

### *Cost of stocks*

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

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

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

### *Adjustments for depreciation of stocks*

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

## **2.10 Receivables**

The receivables arise mainly from the provision of goods and services to customers (e.g. trade receivables), but they also incorporate other types of contractual

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monetary assets. The receivables are presented in the balance sheet at historical value less the adjustments for impairment in cases where it was found that the realizable value is lower than the historical value.

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

The assessment for impairment of receivables is carried out on an individual level and is based on a risk analysis by customer category, being the best estimate of the management regarding the present value of the cash flows that are expected to be received.

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

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

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

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

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

#### **2.11 Value added tax**

The Value Added Tax must be paid to the tax authorities upon the basis of the monthly VAT return until the 25th of the following month, regardless of the level of receivables recovery from customers. The tax authorities allow the VAT to be settled

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

## **2.12 Financial liabilities**

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

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

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

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

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

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

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

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

#### *The income assessment*

According to IAS 18, revenues were measured at the fair value of the counterperformance received or to be received, after deducting rebates or

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discounts. The revenues from the sale of the goods were recognized when all the following conditions were met:

(a) the entity transferred to the buyer the significant risks and benefits related to the ownership of the goods;

(b) the entity no longer manages the goods sold at the level at which it would normally have done in the case of their ownership and no longer has the effective control over them;

(c) the value of the revenues can be reliably evaluated;

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

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

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

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

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

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

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

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

The income from the sale of the goods is recognized when the company has transferred the significant risks and benefits related to the property right to the buyer and it is likely that the company will receive those previously agreed upon after the payment. The transfer of the risks and benefits related to the property

right is considered to have been accomplished once with the transfer of the legal title of ownership or with the passing of the goods in the possession of the buyer. If the entity keeps significant risks related to the property, the transaction is not a sale and the income is not recognized.

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

**Special cases:** If it is found that the incomes associated with a period of the current year are free of fundamental errors, they will be adjusted, during the period when the error is discovered. If the error is discovered in the following years, the adjustment thereof will no longer affect the income accounts, but the returned earnings account carried over from the adjustments of fundamental errors, if the value of the error will be considered significant.

### **2.13.2 Recognition of expenses**

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

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

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

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

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

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

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

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

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

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

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

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c) A reliable estimate of the amount of the obligation can be made.

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

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

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

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

The previously established provisions are periodically analyzed and regulated.

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

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

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

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

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

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

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

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

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

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

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

#### **2.18 Dividends**

The share of profits that is to be paid according to the law, to each shareholder is a dividend. The dividends distributed to shareholders, proposed or declared after the reporting period, as well as the other similar distributions made from the profit determined under the IFRS and included in the annual financial statements are not recognized as a liability at the end of the reporting period. When accounting for the dividends, the provisions of IAS 10 are taken into consideration.

#### **2.19 Capital and reserves**

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

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

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

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

#### **2.21 Earnings per share**

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

#### **2.22 Reporting on segments**

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

### **2.23 Affiliated parties**

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

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

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

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

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

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

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

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

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

- Amendments to IFRS 4 "Insurance contracts" - Extension of the temporary exemption from the application of IFRS 9 (the expiry date of the temporary exemption from the application of IFRS 9 has been extended for annual periods beginning on or after January 1, 2023).
- Amendments to IFRS 3 "Business Combinations" - Definition of the conceptual framework with amendments to IFRS 3 adopted by the EU on June 28 2021 (applicable for annual periods beginning on or after January 1, 2022),



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- Amendments to IAS 16 "Property, plant and equipment" - Receipts before expected use adopted by the EU on June 28 2021 (applicable for annual periods beginning on or after January 1, 2022);
- Amendments to IAS 37 "Provisions, contingent liabilities and contingent assets" - Onerous contracts – Cost of contract execution adopted by the EU on June 28, 2021 (applicable for annual periods beginning on or after January 1, 2022),
- Amendments to various standards due to "IFRS Improvements (2018-2020 cycle)" resulting from the annual project to improve IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) with the main aim of removing inconsistencies and clarifying certain wording - adopted by the EU on 28 June 2021 (amendments to IFRS 1, IFRS 9 and IAS 41 are applicable for annual periods beginning on or after January 1, 2022. The amendment to IFRS 16 refers only to an illustrative example, so there is no effective date).

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

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

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

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

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

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

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

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

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**3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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

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

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

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

**Main financial instruments**

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

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

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

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

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

**The credit risk**

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

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

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

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

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

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

**The foreign exchange risk**

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

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

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

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

**RON/USD variation**

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

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

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

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

**Liquidity risk**

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

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

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

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

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

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

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**Bank liquidity**

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

**Operational risk**

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

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

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

**Adequacy of capital**

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

**4. SALES INCOME**

The sales income includes the following items:

<b>STATEMENT OF THE COMPREHENSIVE INCOME</b>	<b>For the year ended on</b>	
	<b>31.12.22</b>	<b>31.12.21</b>
<b>Description</b>		
Finished product sales	481,986,592	365,908,449
Sales of products manufactured on other sites	103,496,897	110,278,800
Trade discounts	(102,816,678)	(109,978,184)

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

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

<b>Total</b>	<b><u>482,666,811</u></b>	<b><u>366,209,065</u></b>
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The sales revenues are mainly driven by the sales of finished products directly to pharmaceutical distributors. In 2022, the intra and extra-community sales amounted to 184,148,974 lei.

**OTHER OPERATING INCOME**

Other operating income includes the following:

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

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

This expenditure consists of:

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

**7. STAFF COSTS**

The staff costs are as follows:

<b>Description</b>	<b>For the year ended on</b>	
	<b>31.12.22</b>	<b>31.12.21</b>
Wages	111,471,405	100,545,101
Civil contracts	1,514,348	1,410,816
Tax and social contributions	3,807,244	3,044,831
Other benefits (meal vouchers and employee participation in the 2021 profit, recipes given to employees)	6,147,727	6,052,033
Provision for the participation of employees in profit (*)	2,000,000	2,000,000
Provision of allowances for members of the Management	2.536.832	1.437.996

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

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

Provision of unused holidays (*)	2,142,503	415,534
<b>Total</b>	<b>129,620,059</b>	<b>114,906,311</b>

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

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

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

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

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

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

**8. OTHER OPERATING EXPENDITURE**

Other operating expenditure include the following:

Description	For the year ended on	
	31.12.22	31.12.21
Expenses with electricity, natural gas and water	22,026,479	14,114,801
Expenses for supporting operational activities	17,386,421	11,879,280

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

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

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Advertising and product promotion expenses	22,194,313	11,011,125
Expenses with services provided by third parties	15,300,222	13,580,815
Expenses with taxes and fees	38,256,584	35,350,973
Expenses with the adjustment of current assets	33,944,116	2,845,168
Expenses with unfavorable exchange rate differences	11,494,347	5,318,549
<b>Total</b>	<b>160,602,482</b>	<b>94,100,711</b>

**9. FINANCIAL INCOME AND EXPENSES**

The net financial income consists of:

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

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

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

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

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



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

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

**10.1 - Current profit tax**

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

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

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

**10.2 - Deferred profit tax**

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

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

The main components of the deferred tax come from: the revaluation of fixed assets from 2004-2009, the revaluation of land on 31.12.2020, the adjustment of debt provisions to employees and assimilated, stock depreciation adjustments, customer depreciation adjustments.

**11. EARNINGS PER SHARE**

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

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

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

**12. TANGIBLE ASSETS**

	Land	Buildings	Technical installations & equipment	Technical installations & equipment	Tangible assets in progress	Total
<b>COST</b>						
December 31, 2020	189,933,152	135,932,746	196,972,841	8,043,800	81,817,195	612,699,734
Inputs		21,580,807	29,882,568	737,012	35,098,176	87,298,563
Outputs		275	984,194	31,238	52,200,388	53,216,095
December 31, 2021	189,933,152	157,513,278	225,871,215	8,749,574	64,714,983	646,782,202
Inputs	-	54,141,612	37,931,262	1,130,587	37,576,233	130,779,694
Outputs	-	901,646	2,434,289	40,719	93,203,461	96,580,115
December 31, 2022	189,933,152	210,753,244	261,368,188	9,839,442	9,087,755	680,981,781
<b>DEPRECIATION</b>						
December 31, 2020	-	14,889,373	123,642,039	5,991,292	-	144,522,704
Cost of the period	-	8,701,978	13,251,269	477,982	-	22,431,229
Outputs	-	275	981,037	31,237	-	1,012,549
December 31, 2021	-	23,591,076	135,912,271	6,438,037	-	165,941,384
Cost of the period	-	8,881,920	11,872,360	298,144	-	21,052,424
Outputs	-	347,382	2,434,288	40,719	-	2,822,389
December 31, 2022	-	32,125,614	145,350,343	6,695,462	-	184,171,419
<b>PROVISION</b>						
December 31, 2020	-	51,600	244,652	-	-	296,252
Outputs 2020	-	-	-	-	-	-
December 31, 2021	-	51,600	244,652	-	-	296,252
Outputs 2021	-	-	-	-	-	-
December 31, 2022	-	-	-	-	-	-
<b>NET VALUE</b>						
December 31, 2022	189,933,152	178,627,630	116,017,845	3,143,980	9,087,755	496,810,361
December 31, 2021	189,933,152	133,870,602	89,714,292	2,311,537	64,714,983	480,544,567
December 31, 2020	189,933,152	120,991,773	73,086,150	2,052,508	81,817,195	467,880,779

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

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

**Depreciation of fixed assets**

The accounting depreciation is calculated using the straight line method. For the new fixed assets, entered in 2022 such as installations, machines and measuring and control devices, the useful life times have been established by taking into account:

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

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

**13. INTANGIBLE ASSETS**

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

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

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

**14. STOCKS**

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

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

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

	<b>31.12.22</b>	<b>31.12.21</b>
<b>Stock adjustments</b>		
<b>At the beginning of the period</b>	8,430,639	10,628,840
Established during the financial year	17,510,497	330,556
Cancellation of adjustments	(1,672,199)	(2,528,757)
<b>At the end of the period</b>	<b>24,268,137</b>	<b>8,430,639</b>

company makes adjustments for the depreciation of stocks gradually starting with

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

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

durations under 18 months until expiration. In the first part of 2023 through active commercial policies, the company managed to partially commercialize products with a reduced shelf life.

**15. TRADE AND OTHER RECEIVABLES**

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

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

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

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

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

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

**16. CASH AND CASH EQUIVALENTS**

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

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

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

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

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

**17.2 Short-term provisions**

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

**18. AMOUNTS DUE TO CREDIT INSTITUTIONS**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**19. SUBSIDIES FOR INVESTMENTS**

The subsidies for investments have the following structure:

<b>Subsidies for investments</b>	<b>31.12.22</b>	<b>31.12.21</b>
Wastewater treatment plant	1,744,072	1,902,542
Research project-UMF Iasi	24,503	24,503
Other grants from European funds	327,614	423,551

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

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

Other grants from state budget funds	67,422	84,353
Other amounts received in the form of grants	-	31,642
<b>Total</b>	<b>2,163,611</b>	<b>2,466,591</b>

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

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

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

**21. CAPITAL SOCIAL**

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

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

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

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

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

According to the Order 1690/2012 regarding the modifying and filling out of some accounting regulations, the accountable loss reported, coming from the transition to IFRS, from following for the first time of IAS 29, as well as the one resulting from the use, at the date of transition to the application of IFRS, of the fair value as deemed cost is covered from equity (including the amounts reflected in the account credit

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

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

1028 “Adjustments of the share capital”), according to the GMS decision, with compliance of the legal provisions.

**22. RESERVES**

The reserves include the following components:

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

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

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

**23. REPORTED RESULT**

The reported result includes the following components:

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



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

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

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**24. DISTRIBUTION OF PROFIT**

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

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

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

- Fiscal facilities for the profit invested in technological equipment, electronic computers and peripheral equipment, cash registers, control and billing machines, as well as in software programs produced and/or purchased according to Art. 22 of the Fiscal Code in the amount of 30,523,566 lei;
- Fiscal facilities for research and development activities according to Art. 20 of the Fiscal Code in the amount of 2,671,361 lei;

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

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

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

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

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

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

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

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

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

**26. CONTINGENT LIABILITIES**

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

**ANTIBIOTICE S.A.**

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**

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

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**27. ELEMENTS FOLLOWING THE REPORTING PERIOD**

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

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

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