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Antibiotice in the capital market

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

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

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

Shareholding:

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

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

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

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

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

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

Antibiotice shares - ATB / Regular market

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

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

** Proposed dividend

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

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

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

During 2022, a number of 14,651,742 shares in value of 7.92 million LEI (1.60 million EUR, 1.69 million USD) were traded, with an average price of 0. 5408 LEI/share.

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

Dividend history (2018 - 2019 - 2020- 2021)

Period	Net dividends							Date on which the payment of dividends ceases
	Due	Paid				Unclaimed dividends 31.12.2022		
		lei		Total	% (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
w2019	19.811.039,75	18,174,724.85	39,527.49	18,214,252.34	91.94	1,596,787.41	8.06	Payment in progress
2020	2.208.009,98	2,012,114.71	7,954.39	2,020,069.10	91.49	187,940.88	8.51	Payment in progress
2021	2.136.257,01	-	1,949,195.32	1,949,195.32	91.24	187,061.69	8.76	Payment in progress

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

Antibiotice in 2022

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Pillar 1 - Strategic adaptation of human resources;

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

Strategic human resources adaptation

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

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

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

Implementing a modern human resources management

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

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

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

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

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

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

Modernization of organizational culture

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

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

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

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

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

Strategic adaptation of the product portfolio

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

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

The current portfolio has 157 products from 11 therapeutic classes:

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

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

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

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

Portfolio development through in-house Research & Development

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

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

In 2022, our team developed:

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

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

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

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

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

Clinical Studies Center:

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

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

The activities developed in 2022 for biofertilizers aimed at:

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

Developing the portfolio through business development

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

- 26 prescription products
- 8 non-prescription products

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

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

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

Promotion

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

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

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

Communication to the general public

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

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

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

Investments in campaigns to the general public on social media:

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

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

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

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

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

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

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

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

Audits were conducted to the suppliers of raw materials, primary packaging materials, and finished products. No critical nonconformities were identified during the audits and the suppliers were accepted as authorized suppliers for Antibiotice SA.

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

Environmental responsibility

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

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

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

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

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

Authorized entities made determinations on odor emissions.

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

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

Waste management

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

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

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

Occupational health and safety

In order to create an optimal framework for managing and eliminating work-related risks and to improve the environment and relations between employees, an effective occupational health and safety management system has been developed. To comply with the legislative provisions regarding the protection of employees' health, the planning documents for the specific activities were drawn up: Annual Prevention & Protection Plan, Annual Occupational Safety and Health Training Program, Annual Program for the periodic medical examination, Annual Contaminant Exposure Monitoring Program. All these

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

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

Strategic planning and performance management

Evolution of pharmaceutical market in Romania¹

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

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

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

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

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

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

The sales situation by market segments:

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

Antibiotice in the Romanian pharmaceutical market

Antibiotice SA in the 2022 Romanian market:

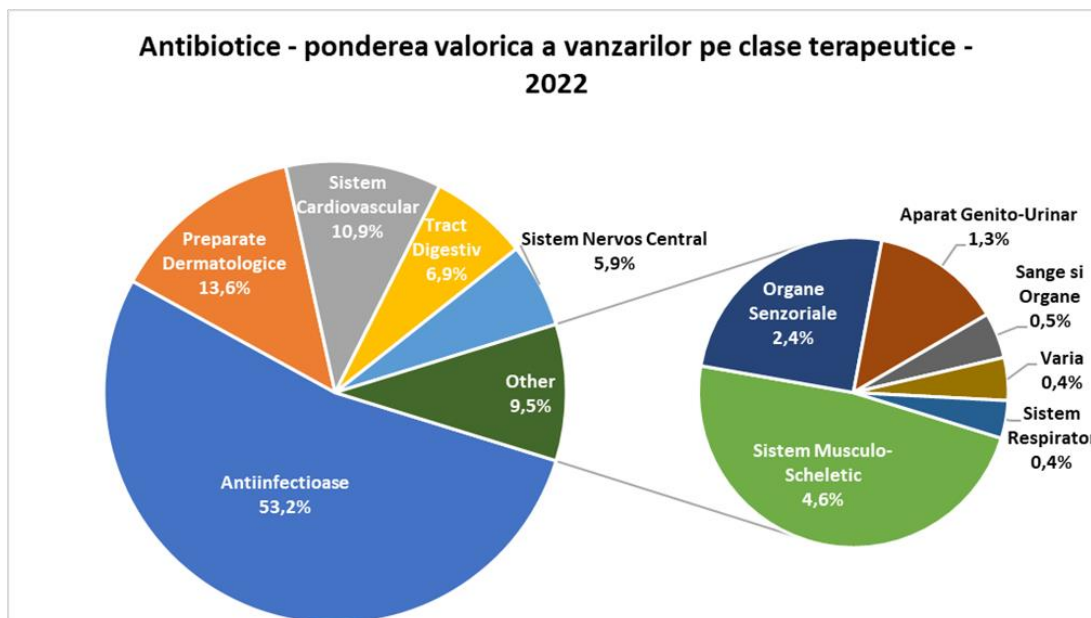
- in terms of consumption (number of boxes), it ranked 4th in the segment of prescription and OTC generic medicines (a 5.2 % market share);

¹ According to the data source CEGEDIM Sell Out Romania, December 2022

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

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

Antibiotice - value share of sales by therapeutic classes - 2022



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

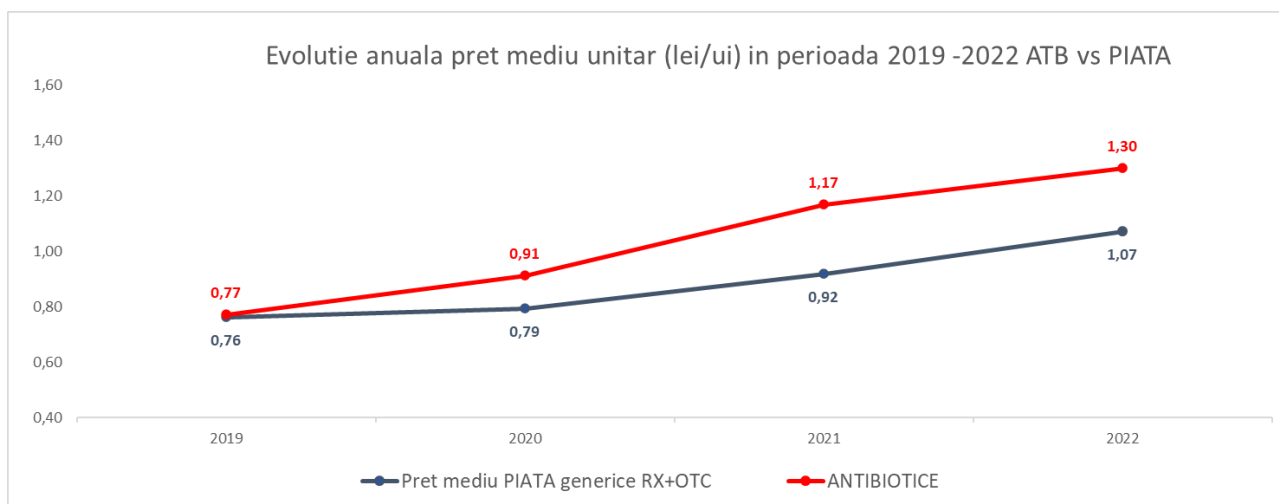
Non-prescription medicines (OTCs) recorded a 7.7 % value increase (from 67.8 million lei in 2021 to 73.1 million lei in 2022) and a steady consumption as number of boxes (4.4 million boxes in 2022).

Antibiotice sales by market segments:

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

Price - strategic element for adjusting to the market

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



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

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

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

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

Business internationalization

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

Export of Nystatin

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

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

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

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

Export of finished products

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

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

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

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

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

Production

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

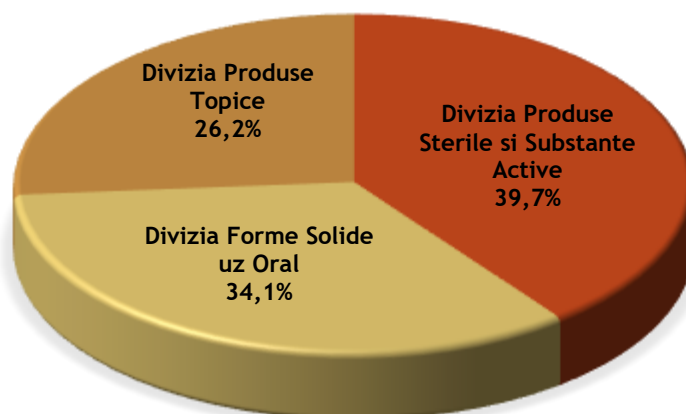
In 2022, our company manufactured 385.2 million pharmaceutical units in the form of tablets, capsules, parenteral products, topical products (ointments, creams, gels, suppositories, pessaries), by 13,3 million pharmaceutical units compared to 2021 (371.9 million pharmaceutical units).

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

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

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

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



Economic and financial performance

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

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

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

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

Statement of Comprehensive Income

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial situation

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

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

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

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

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

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

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

Cash flow

The cash flow is presented using the direct method.

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

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

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

Investments for sustainable development

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

Investments for strategic development

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

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

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

Investments for business consolidation

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

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

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

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

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

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

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

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

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

Improving the Corporate Governance System

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

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

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

Corporate Governance Code

The basis of good governance practices in the company is the Corporate Governance Code of Antibiotice, which outlines the general framework for the activity of the Management Board and is an important tool for obtaining a sustainable performance, ensuring the accuracy and transparency of the company's decision-making process, through the equal access of all shareholders to the relevant information about Antibiotice SA. Prepared according to the principles and recommendations of the Corporate Governance Code of the Bucharest Stock Exchange (BVB), the Corporate Governance Code of Antibiotice, approved by the Management Board in January 2017 and updated in November 2021, includes, among other things, information about the responsibilities of management

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

Code of ethics

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

General Meeting of Shareholders

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

The Management Board convened in the first semester of 2022 two ordinary general meetings and one extraordinary general meeting, the decisions of which can be found on the company's website at the address:

<https://www.antibiotice.ro/en/investors/information-for-shareholders/procedures-of-the-general-meeting-of-shareholders/>.

Management Board

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

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

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

Advisory committees

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

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

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

Executive management

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

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

Internal control

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

Internal audit

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risk management

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

The Antibiotice objectives on risk management:

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

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

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

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

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

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

The main risk categories identified were:

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

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

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

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

Legislative risk

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

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

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

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

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

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

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

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

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

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

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

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

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

Antibiotice, a company involved in sustainable development

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

Health

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

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

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

- **World Patient Safety Day**

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

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

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

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

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

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

Education

"Science and Soul" scholarships, the 21st edition

Antibiotice, through the „Antibiotice - Science and Soul” Foundation together with the "Pro Ruralis" Association, supports every year five scholarships for students from rural areas. Thus, Antibiotice contributes to the education of children with excellent school results, but without material possibilities, supporting them to continue their studies at gymnasium and high school, and thus offering them the chance for professional achievement and personal development.

Environment

• Earth Hour

For 13 years in a row, Antibiotice has symbolically turned off the lights as part of the Earth Hour action, the biggest environmental event of all times, to help reduce the effects of global warming. Antibiotice's participation in the Earth Hour campaign is part of the company's environmental program "Be Pro Natura, put your soul!". The company publicly promoted this message urging the population to join the effort in turning off the lights and spend Earth Hour with their loved ones.

• Antibiotice volunteers planted 200 trees

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

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

• Antibiotice employees joined the actions to reduce CO₂ emissions, during the European Mobility Week

Antibiotice joined the European Mobility Week (September 16-22) through actions to promote sustainable behavior towards the environment among employees and through concrete investments in order to reduce CO₂ emissions generated by the urban transport. Almost 50 Antibiotice employees left their cars at home to participate in the internal campaign "One car less, one breath more!". The aim of the initiative was to encourage the use of the car-sharing system among employees to reduce carbon dioxide emissions in the atmosphere and urban congestion.

Also, in order to reduce CO₂ emissions generated by transport, one of the main causes of urban pollution, Antibiotice recently inaugurated a new parking lot in the southern area, towards Miroslava commune, with a capacity of 150 places. By using the new parking lot, the route up to Antibiotice the route is shortened by 7 km, the employees benefiting from an important reduction in fuel and time allocated to transport. Thus, each car that uses the new parking lot contributes, on average, to the reduction of CO₂ emissions in the atmosphere, by approximately 22% compared to the emissions generated by using the initial route.

Social matters

• Doors Open Days at Antibiotice

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

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

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

- **„Solidarity without borders”**

The conflict from Ukraine determined our company and its own employees to take measures to help those on the front line of the war, as well as those who were forced to leave their homes, fleeing the path of the conflict. Through the "Solidarity without borders" campaign organized in February and March, medicines were sent to Ukraine (2 trucks of oral and injectable antibiotics, enough to treat 5000 patients) and donations were collected from employees and distributed (money and goods) for refugees. These donations arrived at the Romanian Red Cross - Iasi Branch, to be distributed centrally, according to needs.

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

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

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

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

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

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

In 2022 Antibiotice S.A.:

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

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

General Director,
Ioan NANI, Economist

Executiv Financial Director,
Paula COMAN, Economist