

MANAGEMENT REPORT

JANUARY - JUNE 2023

QUARTERLY REPORT ACCORDING TO IFRS

DATE OF REPORT: JUNE 30TH, 2023

NAME OF THE JOINT STOCK COMPANY: ANTIBIOTICE JOINT STOCK COMPANY

Registered office: Iasi, Strada Valea Lupului no. 1

Phone number: +40232209000

fax: +40372065633

Fiscal registration code: RO1973096

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

The regulated market on which the issued securities are traded:

Bucharest Stock Exchange

Subscribed and paid-up capital: 67,133,804 lei

The main characteristics of the securities issued by the commercial company: standard shares, nominal value: 0.10 lei

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Antibiotice Joint Stock Company between January and June 2023:

- the value of sales to final consumers (sell-out) both on the domestic and international markets is 377.7 million lei, 21.6% higher compared to the level of the first semester of 2022 of 310.6 million lei. The increases were determined by the increased consumption of the portfolio of anti-infective products and those for colds and flu, determined by the increase in the incidence of acute respiratory diseases, as well as the consolidation of the market presence on the non-RX portfolio of brands such as Fluxiv® range, Saliform®, Clafen ® Rapid, Simbiflora® range.
- consolidated sales on foreign markets, the value of the turnover from the sale of finished products and active substances based on biotechnologies derived from streptomycines noursei for pharmaceutical use (compacted nystatin, micronized nystatin and standard nystatin) is 119.8 million lei, registering an increase of 25.7% compared to the value from the similar period of 2022 (95.3 million lei);
- made sales in the market worth 257.5 million lei, up 20.3% compared to the first semester of 2022;
- in Romania it is the quantitative leader (indivisible unit) in the total market in the pharmaceutical form of ointments (20.9%), suppositories and ovules (36.1%) and injectable powders (56.3%) and value leader in the segment of generic drugs with prescription and non-RX sold in hospitals, with a market share of 13.9%;
- obtained the Agreement for financing based on H.G. no. 807/2014 for the establishment of a state aid scheme with the objective of stimulating investments with a major impact on the economy, for the project "Production capacity, packaging and storage of sterile products, solutions and topicals", in the amount of 85,002,772 lei, related to the years 2024-2028;
- achieved a gross profit which, combined with the value of the claw-back tax, consolidates a business yield of 28.84%.
- On the domestic market, it has redefined the way of working with distributors and national chains in Romania, the main objectives being the market share related to each product sold (in 2023, a first stage of the multi-year business plan is taking place), closely correlated with the sales potential of each product related to the hospital market segment, chain and mini-chains and independent pharmacies
- it reorganized the activities within the company for a clearer vision of the future course at product level from Molecule to Market, for a better management of the factors that can impact the achievement of the desired goals proposed by the business plan "The Future Together", by redefining the roles on newly established departments such as Portfolio Management and Strategic Planning and Marketing.

Antibiotice JSC, Romanian tradition and continuity

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

Antibiotice JSC has a portfolio of over 160 products from 11 therapeutic classes, consisting of both prescription and over-the-counter products.

Portfolio Antibiotice JSC includes the following product categories:

- medicines for human use;
- dermatocosmetics, food supplements, medical devices;
- active substances based on biotechnologies derived from streptomycines noursei for pharmaceutical use (compacted nystatin, micronized nystatin and standard nystatin);
- medicines for veterinary use;
- biocidal products for disinfecting surfaces and hands;
- biofertilizers.

For the manufacture of products from the portfolio, Antibiotice JSC has a diversified own production capacity organized in 3 manufacturing divisions: Topical Products Division, Oral Solid Forms Division, Sterile Injectables and Active Substances Division, at the level of which there are 8 flows on which: penicillin injectable powders are produced; penicillin capsules; non-beta-lactam capsules; cephalosporin capsules; tablets; ointments, creams, gels; suppositories; ovules; active substances obtained through biosynthesis, as well as manufacturing contracts with ten partner sites.

The company holds internationally recognized certifications and authorizations: authorization from the US Medicines Regulatory Agency (FDA) for Nystatin and penicillin injectable products, Certificate of Conformity with the European Pharmacopoeia (COS) for Nystatin, Certificate of Good Manufacturing Practice (GMP) for all manufacturing flows, WHO Prequalification and WHO certification for the range of essential antituberculosis drugs.

Antibiotice JSC, profitable company for investors

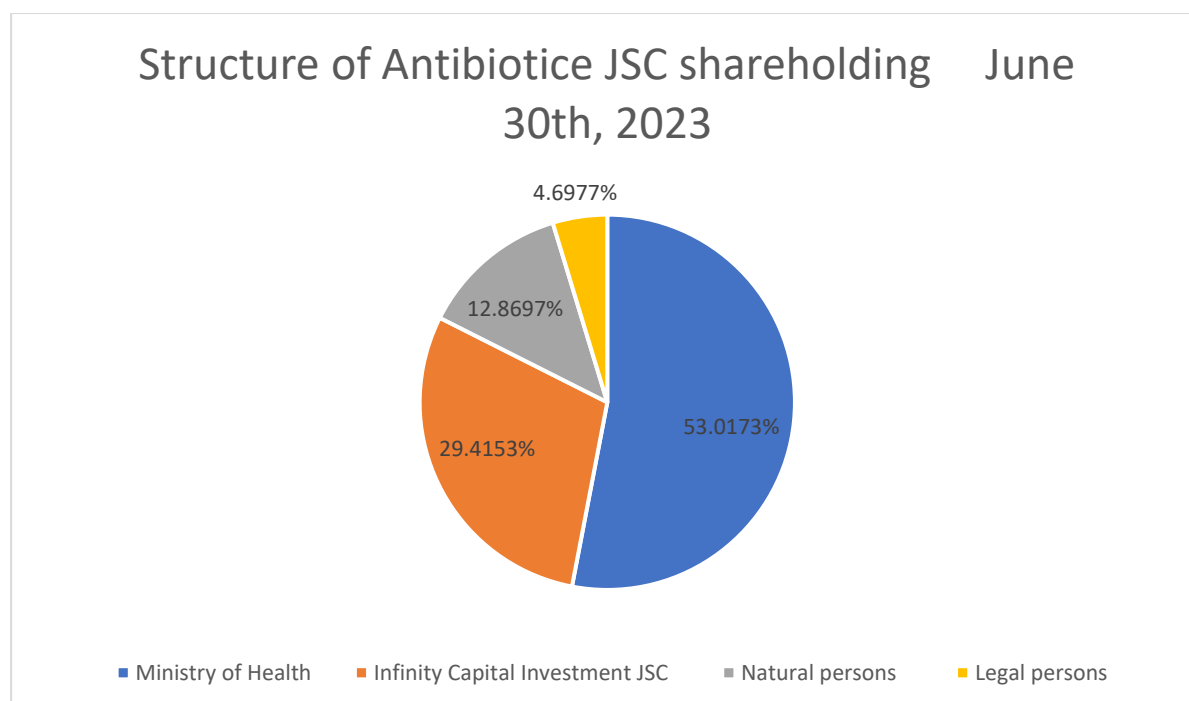
Investments in research, quality, as well as in the modernization of manufacturing technologies have made Antibiotice JSC a profitable, dynamic, attractive company for investors.

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

Currently, on the market of the Bucharest Stock Exchange, the shares of Antibiotice JSC are included in the component of the BET-Plus stock market index, which includes Romanian companies listed on the BVB market and which meet the minimum selection criteria regarding liquidity and the value of the shares included in free float, with the exception of Financial Investment Companies.

Traded under the symbol ATB, the shares of Antibiotice JSC they are issued in dematerialized form and are freely transferable. Antibiotice JSC Shareholder Register Iasi is maintained by Depozitarul Central JSC Bucharest.

During the first semester of 2023, 24,626,819 million shares were traded, with a total value of 14,415,895.84 million lei. The average price at the end of June 2023 was 0.5854 lei/share.



Financing for new production and storage capacities

On May 17, 2023, Antibiotice JSC obtained, following the call for projects financed by GD 807/2014 for the establishment of a state aid scheme with the objective of stimulating investments with a major impact on the economy, the agreement for the financing of the project "Production capacity, packaging and storage of sterile products, solutions and topics".

The total value of the project is 200,101,617 lei, of which the state aid is worth 85,002,772 lei. This investment is part of the company's Strategic Development Plan, "The Future Together 2020-2030", which aims to multiply profit, turnover with an impact on increasing the market shares held by Antibiotice JSC on the local and international market.

The future production and logistics capacity will ensure the manufacture of new valuable generic drugs by approaching new pharmaceutical forms, namely sterile injectable solutions and sterile topical products.

The company thus brings to fruition its expertise in the field of manufacturing sterile injectable powders, by approaching a new segment of medicines intended for hospitals (sterile solutions dosed in glass vials), as well as for dermatological and ophthalmic conditions (sterile topicals). The manufacture of these new types of medicines will strategically contribute to supporting the national health system and increasing exports, with an impact on the increase in turnover in the horizon of the 2030s. The investment is part of the 85 projects considered priority in the Strategy for regional research and innovation through specialization intelligence (RIS 3 North-East), which will ensure the development of the North-East Region.

Financing for the production of green energy

On June 6, 2023, Antibiotice JSC obtained from the Ministry of European Investments and Projects a financing from the National Recovery and Resilience Plan (PNRR) for the "2.5 MW PHOTOVOLTAIC PLANT" project.

The approved financing is 4,078,620 lei, the difference up to 13,775,806.00 lei - the estimated value of the project - being provided from the pharmaceutical company's own funds.

The project involves the installation of 4,680 photovoltaic panels, which will cover an area of 31,428 m² of the company's platform and will provide 26.4% of the required electricity.

The investment in electricity production capacities from renewable sources represents a sustainability component of the "The Future Together 2020-2030" Business Plan, through which the shareholders have established objectives for the next years to increase turnover and market share.

It is estimated that the investment will be commissioned in November 2023.

Consulting grant awarded by the European Investment Bank

Antibiotice JSC will benefit from the expertise of the European Investment Bank (EIB) in the process of planning the future strategy for the year 2030. The consultancy agreement was signed, granted in the form of a grant, which will be implemented by the EIB through its own experts as well as contracted expertise. *The EIB is the financial institution of the European Union, created on the basis of the Treaty of Rome in 1958, with the aim of providing long-term financial assistance through projects that support European integration.*

Thus, according to the Consulting Agreement, Antibiotice JSC will receive from the BEI Group, *"consultancy regarding the consolidation of capacities and growth opportunities for the period 2023-2030.* For this purpose, an external consultant, together with EIB experts and Antibiotice JSC will work together to:

- (1) evaluation of the possibilities of expanding the portfolio offered by the pharmaceutical markets. The consultancy will consist of offering Antibiotice JSC a good understanding of different expansion paths, which could include either portfolio repositioning, product label expansion, new product formulations, incorporation of new generic drugs or new research and development projects to create differentiated products, high value drugs (generic);
- (2) identifying good practices used in the pharmaceutical industry for the organization and expansion of industrial processes, in order to improve current profitability;
- (3) providing an overview of trends in the sector in terms of partnerships, either with companies in the pharmaceutical value chain, or with portfolios or complementary technological platforms to identify potential development opportunities, in accordance with national and international regulations."

Antibiotice JSC on June 30th, 2023

The activity of the company Antibiotice JSC is guided by the following principles:

- the principle of strategic planning;
- the principle of identifying activities by operating divisions: Oral Solid Forms Division, Sterile and Active Substances Division, Topical Forms Division;
- the principle of accountability through performance management;
- the principle of decentralizing budgets and activities up to the level of portfolios, product groups and products.

The main management and organization tool of the company for the period 2023-2030 is the **"Business Plan - The Future Together"**, developed by the Board of Directors and approved by the Board of Directors. The business plan will be implemented, periodically adapted and monitored through performance indicators to ensure obtaining

information in real time, regarding the impact of each executive division in increasing the company's turnover and profit, in achieving the environmental protection objectives, the objectives of social responsibility, of increasing the value of shares on the capital market, of the net accounting asset.

The actions carried out and the measures adopted in the first half of 2023, focused on each support pillar of the „**Business Plan - The Future Together**“, respectively:

Pillar 1: Strategic adaptation of human resources

Pillar 2: Strategic adaptation of the product portfolio

Pillar 3: Business Sustainability through Continuous Improvement of the Integrated Management System (quality, environment, health and safety at work)

Pillar 4: Performance management

Pillar 5: Perfecting Corporate Governance systems,
have led to results that create the conditions for achieving the company's long-term planned objectives.

Pillar 1: Strategic adaptation of human resources

Within this pillar, the main objectives are:

- improving staff retention
- ensuring the discipline, correctness, ethical attitude and integrity of all partners involved (employees, employer, union)
- monitoring and increasing performance in order to support the company's long-term strategy
- conducting training programs and developing employees' skills

Achieving these objectives is achieved through the following strategies and measures:

The implementation strategy of modern human resources management, through:

- the analysis and redefinition of organizational structures within the company, adapted to modern human resources principles, correlated with the need for business growth in the perspective of 2025-2030, as well as with market trends or other legal regulations

In order to achieve the objectives of the "The Future Together" Business Plan and those of the Framework Agreement concluded with the European Investment Bank in April 2023, for the achievement of which an optimal internal organizational framework is necessary, as well as to update the procedures regarding the management of the company's budgets, also, in view of the readjustment of the rules of organization and training of employees, both for maintaining an optimal level of professional knowledge and for a good work discipline, but also of communication, climate and organizational culture, have been started/implemented the following main actions:

- the establishment of the Strategic Planning and Marketing Directorate, with main attributions in long-term business planning and the establishment, follow-up in

execution of performance indicators at the level of the entire company, implicitly for the personnel defined as strategic for achieving the objectives of the 2030 plan;

- the establishment of the Portfolio Management Directorate, with main attributions in consolidating the vision on the current and future portfolio on the "from Molecule to Market" concept;
- the reorganization of the Marketing and Sales Department as the National Sales Department, with main attributions in selling in an efficient, balanced structure, on the current sales channels and with the premise of developing new business segments;
- redefinition within a specialized department - International Business - of sales processes in Antibiotice JSC territories, target markets, as well as procurement processes, integrated at the company level, the major goal being the efficiency of activities and the optimization of allocated budgets.

Regarding the analysis of the possibilities of outsourcing some activities within the company under conditions of effectiveness and efficiency, in the first semester of 2023, the first project of outsourcing personnel transport activities was started. The process is underway as well as the selection of the supplier and represents a first step in terms of the outsourcing of these services in the perspective of the years 2025-2030.

- adaptation of motivational packages in order to attract and retain valuable employees (key functions) and increase the degree of retention

Considering the need for continuous adaptation of the motivation system to the labor market as well as the company's need to secure long-term human resources with a high degree of professional qualification, as a primary condition for the sustainability of the business, but also the continuous concern for health employees, the number of employees benefiting from private health insurance is expanding from 250 (18.5% of the staff) to 560 (41% of the staff) insured. When expanding the number of insured persons, the following eligibility criteria were considered: working conditions specific to the pharmaceutical industry, personnel with rare functions (which are difficult to identify on the labor market). For personnel with higher education, the inclusion in the categories of strategic personnel was considered.

In this semester, the activities for the implementation of the Charisma human resources software continued.

The procedure for awarding meal vouchers in the company was elaborated and validated, also the awarding of differentiated meal vouchers was implemented, depending on the loyalty/seniority of employees in the company.

The staff retention rate (strategic retention), for the first semester of 2023, recorded the value of 96.84%.

The planned average number of personnel is 1350, versus a realized one of 1345. In the first semester of 2023, personnel expenses were planned in the amount of 68,832 thousand lei, registering a degree of achievement of 99.22%.

The average net income earned for the first 6 months per employee is 946 euros, compared to the planned 950 euros.

- employee career management and succession plans/staff reserves
- carrying out training programs and developing employees' skills

For the first semester of 2023, an average number of 24 hours of professional training/employee was planned and 25.32 hours/employee were achieved, including training hours in areas where there are legal training requirements, hours of professional training with internal lecturers, professional development hours with external providers and hours made on the eLearning platform.

In this semester, the „**Digital Skills**” training project was continued, with financing through European funds, for a number of 22 more employees.

Management team training project - within this project, a number of 99 employees were trained this semester. Topics covered: I Manager, Team Management, Time Management, Problem solving, Performance Management, Finance for non-financiers, Growth and development feedback culture, Strategic thinking.

Training project for the marketing and sales team - started in the first quarter for a number of 37 employees, will continue throughout 2023 with themes and programs adapted to each type of activity. The project includes topics specific to the team of medical and sales representatives, regional sales managers, CRM.

The a+ Academy includes two components: the a+ Technical College and the a+ Business School, intended for the attraction and continuous training of employees and internal qualification for the acquisition of skills specific to the company's field of activity.

The activities within the **a+ Academy** aim at establishing new partnerships with the academic environment, developing the INOVA a+ project, running selection and qualification programs at the workplace, induction programs and professional career management.

The collaboration with the university environment materialized through:

Conclusion of collaboration protocols with 5 academic institutions from Iasi:

- University "Al. I. Cuza", University of Medicine and Pharmacy "Gr. T. Popa", Technical University "Gh. Asachi" and "Ion Ionescu de la Brad" University of Life Sciences, Petru Poni Institute
- participation in events organized in partnership with the Faculty of Chemistry, the Faculty of Biology, the Faculty of Medical Bioengineering and the Faculty of Chemical Engineering and Environmental Protection to promote the company and guide young graduates in their careers
- practical internships between May and July for a number of 42 students, as follows:
 - 11 students from the Faculty of Biology, master's program
 - 6 students from the Faculty of Chemistry, master's program
 - 6 students from the Faculty of Machine Construction and Industrial Management, undergraduate program

- 10 students from the Faculty of Electrical, Energy and Applied Informatics Engineering, Bachelor's program
- 9 students from the Faculty of Pharmacy, undergraduate program

The collaboration with the pre-university environment included:

- didactic visit programs carried out in the three editions of the "Different Week" program for a number of 420 students from theoretical and professional education
- 25 students were included in the dual education project with two educational units: Petru Poni High School (15 students specializing in chemical operators) and Mechatronics and Automation High School (10 students specializing in low voltage electrician). The three-year education cycle ended in the second quarter of 2023 with the passing of the professional attestation test at which they were present as salaried evaluators of the company that managed the practical training project
- new collaborations were initiated with pre-university education units for projects to attract and train specialists in the fields targeted by Antibiotics - "Gh. Marzescu", Technical College "Ghe. Sturdza", Transport and Construction Technological High School
- participation, as an economic partner and employer of pre-university graduates, in the programs to attract VIIIth grade students to these high schools - the "Trades Caravan" and "Trades Week" projects organized in collaboration with the County Resource Center and Iasi Educational Assistance and Iasi County School Inspectorate.

Within the a+ Technical College, the second edition of the multidisciplinary professional identification and training program was started for a number of 34 candidates attracted from outside the company, who will be trained for the positions of pharmaceutical production flow operator, laboratory technician, automatist, mechanic maintenance and repairs of production site equipment. 16 candidates who meet the established criteria were hired.

The strategy to modernize the organizational culture, through:

- optimizing the organizational climate and orienting the organizational culture towards innovation and performance
- increasing the degree of information and awareness of employees, as well as their involvement at all levels of the organizational structure through specific actions
- the implementation of programs regarding the optimization of the organizational climate, correlated with studies to monitor the organizational culture through specific actions.

The level planned and achieved for the first semester of 2023 for the main performance indicators within this pillar is presented as follows:

Performance indicators	Unit	Semester I 2023		
		Planned	Made	Made/Plan
Average number of continuing professional training hours/employee	no	24	25,32	105,50%
- total training with internal lecturers - legal requirements	no	18	19,07	105,94%
- trainings with external/internal lecturers - apart from those according to regulatory requirements	no	6	6,25	104,16%
Average number of employees/year	no	1.350	1345	100,37%
Average monthly income/employee* (net €)	euro	950	946	99,58%
Labor productivity**	thousa nd lei	238	258	108,40%
Sustainability policies***		100%	100%	100%

*determined based on the salary expenses of the company

**determined as operating income/average headcount

***ensuring diversity in the organizational climate - equal opportunities, gender equality, evaluation of employees' health status

Pillar 2: Strategic adaptation of the product portfolio

Antibiotice JSC has a portfolio consisting of 166 products, from 11 therapeutic classes, consisting of both prescription and over-the-counter products.

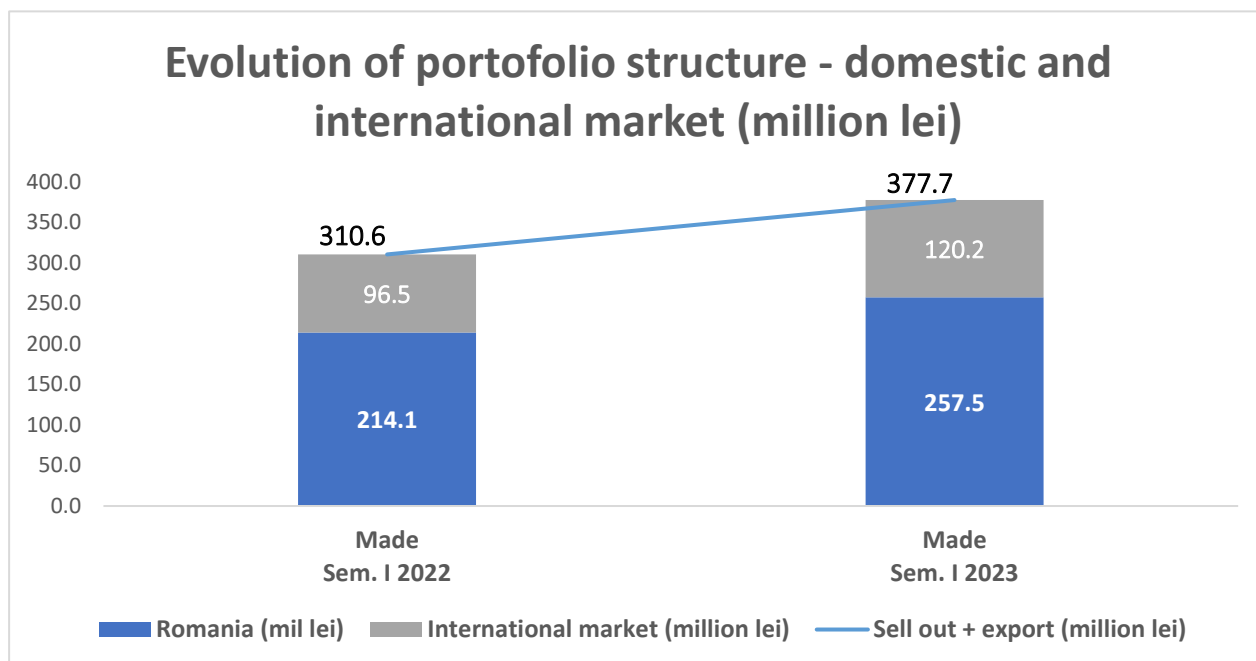
Prescription products (RX) are grouped by therapeutic classes (ATC1) and are intended for pathologies with increased incidence and the treatment of chronic conditions. The main therapeutic classes by which the prescription product portfolio is identified are:

- class J - Anti-infectives for systemic use (the class that also includes medicines intended for the treatment of tuberculosis);
- class D - Dermatological preparations;
- class C - Cardiovascular system
- class A - Digestive tract and metabolism.

Non-prescription products are grouped into portfolio concepts, for more efficient communication to the target audience: Derm a+, Cold and flu, Nutriens and Quality of life (Family Health and Women's Health). The concepts include food supplements, medical devices, cosmetics, OTC drugs and OTX drugs (RX products with OTC behavior being released from the pharmacy without a medical prescription).

The products in the current portfolio are carefully monitored, taking actions to adapt to national requirements and international regulations, through the analysis of therapeutic trends, medical guidelines, new effectiveness and safety studies.

In the portfolio structure, domestic and export sell-out sales, according to the market we are active in, in the first semester of 2023, compared to the values from the first semester of 2022, are presented as follows:



The sell-out sales from the first semester of 2023 according to the portfolio component, respectively finished products and active substances, are composed of:

- 327.96 million lei sales of finished products, representing 86%
- 49.67 million lei of active underlying sales, representing 14%.

These weights are similar to those recorded in the first semester of 2022, when the sell-out value of finished products was 266.16 million lei and of active substances was 44.36 million lei.

From the point of view of the therapeutic classes that the company activates (a total of 11 ATC1 classes), in relation to the finished products, at the level of the first semester of 2023 compared to the similar period of 2022, the situation is as follows:

Total Sell out + Export	VALUE S1 2022 (million LEI)	VALUE S1 2023 (million LEI)	Variation 2023 vs 2022 (%)
END PRODUCTS			
Therapeutic classes	266,2	328,0	23%
J - Systemic anti-infectives	158,3	209,8	33%
D - Dermatological mixtures	29,9	34,9	17%
C - Cardiovascular system	24,8	27,0	9%
A - Digestive tract and metabolism	16,3	20,1	23%
M - Musculoskeletal system	9,9	12,0	21%
N - Central nervous system	13,8	11,6	-16%
G - Genitourinary system and sex hormones	2,8	3,7	29%
B - Blood and hematopoietic organs	0,7	0,4	-46%
Other	9,7	8,5	-12%

Thus, the evolution of sales reflects the main therapeutic classes with which the Antibiotic company identifies itself, the first 4 ATC1 classes cumulating 89% of the value reported at the level of the first semester of 2023 (J - Anti-infectives for systemic use, D - Dermatological preparations, C - Cardiovascular system, A - Digestive tract and metabolism).

The increase in sales of anti-infective drugs from the Antibiotics portfolio was based on arguments such as the company's repositioning actions for the products in the portfolio, the encouragement of rational consumption, as well as the market context, marked by the increase in the incidence of acute respiratory diseases, including bacterial super-infections.

From the point of view of sales following the RX/Non-RX classification, considering finished products, at the level of the first semester of 2023 compared to the similar period of 2022, the situation is as follows:

Total Sell out + Export	VALUE S1 2022	VALUE S1 2023	Variation 2023 vs 2022
END PRODUCTS	(million LEI)	(million LEI)	(%)
Category of products	266,2	328,0	23%
RX	230,3	287,9	25%
Non-RX	35,9	40,0	12%

The category of RX products registered in the first half of 2023 a value of 287.93 million lei, up 25% compared to the same period of 2022. Non-prescription products (non-RX) registered a 12% increase compared to S1 2022, sales amounting to 40.03 million lei were thus achieved.

From the point of view of sales data by division, taking into account both finished products and active substances, the following were recorded:

Total Vanzare Sell out + Export	VALUE S1 2022	VALUE S1 2023	Variation 2023 vs 2022
	(million LEI)	(million LEI)	(%)
Division of production	310,5	377,6	22%
DIVISION OF STERILE PRODUCTS AND ACTIVE SUBSTANCES	164,9	194,2	18%
DIVISION PRODUCTS SOLID ORAL PRODUCTS	78,8	103,7	32%
DIVISION TOPIC PRODUCTS	66,9	79,7	19%

Products Division Solid Forms Oral Use

The portfolio of oral solid forms includes 67 products, in the first semester of 2023, the portfolio of the Oral Solid Forms Products Division was completed with 2 new products: Equilibra® Plus tablets, a food supplement containing a complex association of organic magnesium (magnesium bisglycinate and magnesium malate) and vitamin B6, which contributes to the restoration of the body's energy level and the normal functioning of the nervous system, as well as Remiflu granules for oral solution in a sachet, an OTC medicine containing a triple combination of paracetamol, chlorpheniramine maleate and acid ascorbic, indicated in improving the main symptoms of cold and flu.

The main directions on which the analysis of the current portfolio of the Oral Solid Forms Products Division was focused in the first semester of 2023 were aimed at identifying ways to make the current portfolio more efficient, through actions to secure the projected sales, as well as to identify opportunities for growth. The following types of main actions were separated:

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

Alignment with legislative requirements:

- the ban on the use of titanium dioxide capsules for food supplements - the manufacturing test stage and the creation of the notification file with the new type of capsules for the products Lejer® and Fezivit® C capsules;
- analysis regarding falling within the established limits for nitrosamine concentrations - the analysis were carried out according to the methods established according to the planning and analysis were also completed to assess the risk of the appearance of nitrosamines;
- Law no. 81/2022 regarding unfair commercial practices between companies in the agricultural and food supply chain, which regulates the granting of commercial advantages and promotion budgets for a series of food supplements, limiting the level of advantages granted on the producer-distributor-pharmacy line.

From the point of view of the therapeutic classes that we activate through the portfolio of oral solid forms (a total of 7 ATC1 classes), at the level of the first semester, the situation is as follows:

Total Sell out + Export	VALUE S1 2022	VALUE S1 2023	Variation 2023 vs 2022
END PRODUCTS	(million LEI)	(million LEI)	(%)
Therapeutical class	78,8	103,7	32%
J - Anti-infectives of systemic use	38,2	65,8	72%
C - Cardiovascular system	17,2	17,6	3%
A - Digestive tract and metabolism	11,2	14,6	30%
N - Central nervous system	6,9	3,6	-48%
Other 5 classes ATC1	5,2	2,1	-60%

The first 2 ATC1 classes, respectively class J - Anti-infectives for systemic use and class C - Cardiovascular system, achieve 80% of the value related to the Oral Solid Forms Division, respectively 78% from a quantitative point of view.

The products that supported the increases in therapeutic classes are Eficef® range, high-dose capsules (Amoxicillin, Ampicillin, Cephalexin, Oxacillin), Ceforan, Lisinopril range, Rosuvastatin range, Fluxiv® cpr, Piafen®, Simbiflora® range, Spaverin® range.

Topical Products Division

The portfolio of the Topical Products Division includes a diversified product structure made up of medicines for human use, medicines for veterinary use, dermatocosmetic products and biocidal products. Medicines for human use address a wide range of pathologies with increased incidence and prevalence: dermatological conditions, muscular and osteoarticular conditions, venous diseases, eye diseases, genitourinary diseases, digestive tract diseases and symptoms associated with colds and flu.

The portfolio of topical products consists of 58 products, and in the first semester of 2023 it expanded with the launch of 4 new topical products.

Three of the new products form a new line of dermatocosmetic products, under the Tinero® AZ brand, a solution to relieve the symptoms of rosacea, a chronic inflammatory disease frequently found among adults, or in the form of a care routine. The range contains a cleansing foam, a moisturizing cream with sun protection factor and a treatment serum. The new line contributes to the development of the offer of dermatocosmetic products, a market segment for which Antibiotice has proposed to become one of the first choices among Romanian brands, until 2030.

At the same time, the portfolio of the Topical Products Division also expanded in the segment of dermatological medicines with the launch on the market of a new product Zinba® ointment, a broad-spectrum topical anti-infective OTC medicine, intended for the prevention and treatment of a wide spectrum of bacterial skin infections (burns, cuts, abrasions, eczema, ulcers).

The biocides portfolio of the Topical Products Division also includes the Sanygel hand disinfectant product, with 4 forms of presentation intended for the medical and non-

medical fields, approved by the National Commission for Biocidal Products and tested in established European laboratories.

Topical products without medical prescription strengthen the main portfolio concepts of Derm a+, Quality of Life - Women's Health and Family Healthcare, thus ensuring a product structure adapted to new consumer trends, for different target audiences.

The sales structure by therapeutic classes for this division is presented below:

Total Sell out + Export	VALUE S1 2022	VALUE S1 2023	Variation 2023 vs 2022
END PRODUCTS	(million LEI)	(million LEI)	(%)
Therapeutical classes	66,9	79,7	19%
A - Digestive tract and metabolism	5,1	5,5	9%
C - Vascular diseases	7,6	9,4	23%
D - Dermatological mixtures	29,8	34,8	17%
G - Genitourinary system	2,8	3,7	29%
M - Musculoskeletal system	9,7	11,2	16%
N - Antipyretic analgesics	6,9	8,0	16%
S - Sensitive organs	5,0	7,2	44%

The products that had a significant contribution to the increases recorded by therapeutic classes are the corticosteroids Nidoflor®, Flucinolon N, Clobetazol ointment (Dermatological Preparations class), the antirheumatic drugs Clafen® Rapid, Saliform® gamma (Musculo-Skeletal System), Hemorzon gamma, Fluxiv® ointment (vascular diseases), Paracetamol sup gama antipyretics, Kanamycin gama ophthalmic ointments and Zifex® gama (Genito-Urinary System).

Sterile Products and Active Substances Division

The portfolio of the Sterile and Active Substances Division is segmented into finished injectable products and active substances. In their turn, the finished products include 41 injectable drugs for human use, representing systemic anti-infectives β -lactam penicillins, cephalosporins, carbapenems, polymyxins, tetracyclines, glycopeptides.

In the first semester, the current injectable portfolio expanded with three other anti-infective products: Vancomycin 500 mg, 1 g powder for concentrate for infusion solution, and Cefazolin Atb 1 g powder for injection/infusion solution.

Injectable drugs are considered to be the second most used pharmaceutical form of drugs after oral ones.

The sales structure of the products in the portfolio of this division by prescription:

Total Sell out + Export	VALUE S1 2022	VALUE S1 2023	Variation 2023 vs 2022
END PRODUCTS	(million LEI)	(million LEI)	(%)
Category of product	120,5	144,5	20%
Rx*	120,1	144,0	20%
(J - Anti-infectives of systemic use)			
non-Rx**	0,4	0,5	7%

*Rx - product subject to medical prescription

**non-Rx - product not subject to medical prescription

The products that had a significant contribution to the recorded increases are Perasin® range, Ampiplus® range, Cefort range®, Vancomycin range, Penicillin range, Ampicillin 2g, Nafcilin® 2g and Moldamin®.

A major long-term objective is to expand the product portfolio, the premise for the development of Antibiotice S.A. on the domestic and international markets.

The assimilation of new products is carried out both through our own research and development activity, as well as through business development (in-licensing contracts), in accordance with therapeutic trends.

Research and development, a continuous pursuit

Antibiotice JSC owns a modern Research - Development center, whose main objective is the development of medicines, food supplements, medical devices and cosmetic products.

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

In 2023, 24 new product projects, carried out in the previous year, will be continued, divided according to the company's divisions, as follows:

Topical Products Division

- 13 products (6 cosmetic products, 4 medical devices, 2 OTC products and one RX prescription product). In the first semester of 2023, different stages took place for all these products. The estimated sales value for these products in the period 2024-2026 is 32 million lei.

Division of Solid Forms for Oral Use

- 9 products, of which:
 - 7 products in the form of tablets (2 products with medical prescription RX, 1 OTC product and 4 dietary supplements)
 - 2 products in the form of capsules (a product with medical prescription RX and a dietary supplement).

In the first semester of 2023, different stages took place for all these products. The estimated sales value for these products in the period 2024-2026 is 30 million lei.

Sterile Products and Active Substances Division

- 2 prescription products, an injectable and an oral suspension. The estimated sales value for these products in the period 2024-2026 is 49 million lei.

In the first half of 2023, new research and development projects began, as follows:

Topical Products Division

- substantiation actions were carried out for 6 new topical products that will be started with research stages in the second part of the year. The estimated sales value for these products in the period 2025-2027 is 30 million lei.

Division of Solid Forms for Oral Use

- three new product projects from the food supplements category were substantiated, through the actions carried out within the research department and the portfolio management department. Two of these new product projects were started in the second quarter of 2023, with the third one starting with research stages in the second part of the year. The estimated sales value for those that entered the research in the first semester for the period 2025-2027 is 13.5 million lei.

As an integral part of the Research and Development Center, the Clinical Studies Center, conducted study stages in the first semester of 2023 for:

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

An observational, post-marketing study of a topical product from the company's portfolio is underway at the level of the Clinical Studies Center, in order to support promotional actions in the market of generic products with unique combinations.

The requirements of the regulatory authorities in the field of pharma at the national and international level determined the performance in the first semester of 2023 of nitrosamine risk analyzes for the products in the company's portfolio, these analyzes being necessary to maintain the products on the market.

In the first semester of 2023, development stages of new analytical methods for the active substance Nystatin were completed, which will support the quality of this product and implicitly strengthen the company's position in the world market of this active substance.

Efficacy studies were carried out in the field for Ecofertil and Azotofertil products - ecological biofertilizers, the results of these effectiveness studies will be analyzed in the second part of 2023 (October). In parallel with the experiments in the field, a research

project is being carried out in collaboration with the "Ion Ionescu de la Brad" University of Life Sciences, which aims to determine the characteristics of these two products, for their positioning in the market of biofertilizers, products that support ecological agriculture.

In-licensing activity

In the first semester of 2023, the implementation of the portfolio development plan continued through in-licensing projects and 12 new products were contracted that will complete the following therapeutic classes:

- 6 products from the anti-infective therapeutic class (estimated sales entry years: Q4 2023 - 4 products; 2024 - 1 product, 2026 - 1 product)
- 3 products from the therapeutic class Digestive Tract and Metabolism (2024 - 2; 2026 - 1)
- 1 cold and flu product (2024 - 1 product)
- 1 Cardiovascular System product (2024 - 1 product)
- 1 Nervous System product (2025 - 1 product).

and a product that will complete the Cold and Flu concept.

For these products, the procedures for obtaining the necessary approvals to start their exploitation have been initiated. Receiving the first orders for 6 products and their sales are planned starting with the 4th quarter of this year.

The estimated sales value for these products in the period 2024-2026 is 30 million lei.

Promotional activity

The promotion of products from the Antibiotics portfolio is a main activity of the company's long-term development strategy, being permanently concerned with strengthening partnerships with health professionals, identifying new consumers through screening programs, identifying prescription habits and treatment behaviors through programs testing, promotion partnerships with pharmacy chains regarding their catalogs for non-RX products, as well as accessing alternative promotion channels.

Communication to the general public

- Integrated communication campaigns to the general public: TV and radio
- The Nutriensa® range has been completed with a new product: Equilibra® Plus tablets, which together with Equilibra® capsules, comprehensively and at the same time target patients with magnesium deficiency and respond specifically to their needs. The new preparation Equilibra® Plus is a triple combination that synergistically associates a complex of two organic salts of magnesium and vitamin B6. The double source of organic magnesium, represented by magnesium bisglycinate and magnesium malate, along with the benefits offered by the association with vitamin B6, contribute to the

rapid recovery of the body's optimal magnesium level and make Equilibra® Plus an ideal choice for young and active people.

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

Continuation of the brand promotion campaigns: Silithor® hepatoprotective - hepatoregenerative - antioxidant dietary supplement, Fluxiv® tablets and tonic cream for healthy venous circulation, by broadcasting spots on TV and radio, communication on Social Media channels.

- Quality Life

Launched at the end of 2022, the OTC topical anti-inflammatory drug, Clafen® rapid (gel, diclofenac diethylamine 11.6 mg/gram) benefited from promotional campaigns on TV and radio in the autumn-winter season when the incidence of osteoarticular pain is increasing.

- Derm a+

The portfolio of dermatological preparations was completed with 4 new products launched in the first semester of 2023: the Tinero AZ dermatocosmetics line and the OTC medicine Zinba® (neomycin + zinc bacitracin).

In order to inform potential consumers about these new products, communication actions were carried out in pharmacies and online.

- Online communication channels

- Special communication projects to the general public through partnerships within the tours, conferences intended for the general public

Communication to health professionals, at the level of the first semester of 2023, took place mainly by participating in the national congresses and conferences organized by the main professional, academic and scientific societies and associations in Romania of the medical specialties that are in the focus of the communication actions and development of partnerships: Anesthesia and intensive therapy, Infectious diseases, Obstetrics-Gynecology, Urology, Dermatology, ENT, Gastroenterology, Otorhinolaryngology, Pneumology, Family Medicine and Pharmacy.

In the first semester of 2023, the promotional actions carried out by Antibiotice JSC led to the consolidation of the quantitative market shares for the promoted brands: Fluxiv® CR, Saliform Forte®, Zifex Complex® ovule, Zifex Duo® ovule, Aceclofen® sup, Eficef® cps, Perasin® inj, Ertapenem ATB inj, Tigeciclina ATB.

Pillar 3: Business Sustainability through Continuous Improvement of the Integrated Management System (quality, environment, health and safety at work)

Antibiotice JSC has implemented an Integrated Management System (quality, environment, health and safety at work), which contributes to increasing the quality of products, with respect for the environment and employees, in order to:

- continuous improvement of performance through strict control of the impact of all activities carried out within the company
- the provision of the best quality products and services, in accordance with the requirements specified in the standards, specified/unspecified customer requirements, regulatory requirements, without affecting the safety and health of employees, the environment and the properties around the company
- continuous increase in customer satisfaction.

The integrated management system complies with the requirements of the ISO 9001:2015, ISO 14001:2015, ISO 45001:2018 standards, its operation is permanently checked both internally, by specialists in each field (quality, environment, health and safety at work), and externally, by national (National Agency of Medicines and Medical Devices in Romania; National Veterinary and Food Safety Authority) and international (US-FDA), certification bodies (TÜV Rheinland, Romanian Society for Quality Assurance-SRAC) and partners business.

In the long term, Antibiotice JSC has as its strategy the redefinition of the Integrated Management System to support the sustainability of the business in order to ensure the reproducibility of product quality, the reduction of quality incidents, incidents with repercussions on human health and the environment, through:

- the adoption of sustainability objectives and the development of general and specific action plans for the company's activities
- assessment of vulnerability to climate change
 - the company's physical vulnerability to extreme weather phenomena, global warming, sea level rise
 - vulnerability to climate change transition risks: regulatory changes, new market trends, technological issues, reputational implications
- assessment of carbon emissions
- evaluation of indicators from the EU Taxonomy for sustainable activities
- monitoring and reporting energy consumption
- waste management
- qualification of suppliers

At the level of this pillar, the activities are focused on obtaining and maintaining the certifications corresponding to the Integrated Management System.

In the first half of 2023:

- the inspection of the National Agency of Medicines and Medical Devices in Romania took place in order to recertify the GCP-GLP of the Bioanalytical Laboratory within the Center for Clinical Studies (between 25-27.01.2023);
- the operating approval for Antibiotice JSC was received. as a distributor of medical devices from the National Agency of Medicines and Medical Devices in Romania;
- the agreement of the National Agency of Medicines and Medical Devices in Romania was received regarding the registration of the unit as a manufacturer, importer and distributor of active substances that will be used as raw materials for medicines for human use;
- the inspection of the National Veterinary Sanitary Authority took place for Good Manufacturing Practice recertification for the flows: sterile veterinary products (injectables and ointments) and non-sterile veterinary products - ointments (during 27-28.02.2023);
- steps were taken to maintain the water management authorization issued in 2021 by the Prut Barlad Water Basin Administration, as well as the integrated environmental authorization issued in 2021 by the Iasi Environmental Protection Agency.

Pillar 4: Performance management

Performance management is supported by the concept of strategic planning, through the creation of managerial plans, according to the company's activities, interconnected and monitored in order to achieve the specific and general objectives of the company. Through the methods of strategic planning of all activities and operational monitoring, the management of the company aims to follow monthly, quarterly, annually the progress made by each executive, operational or support direction.

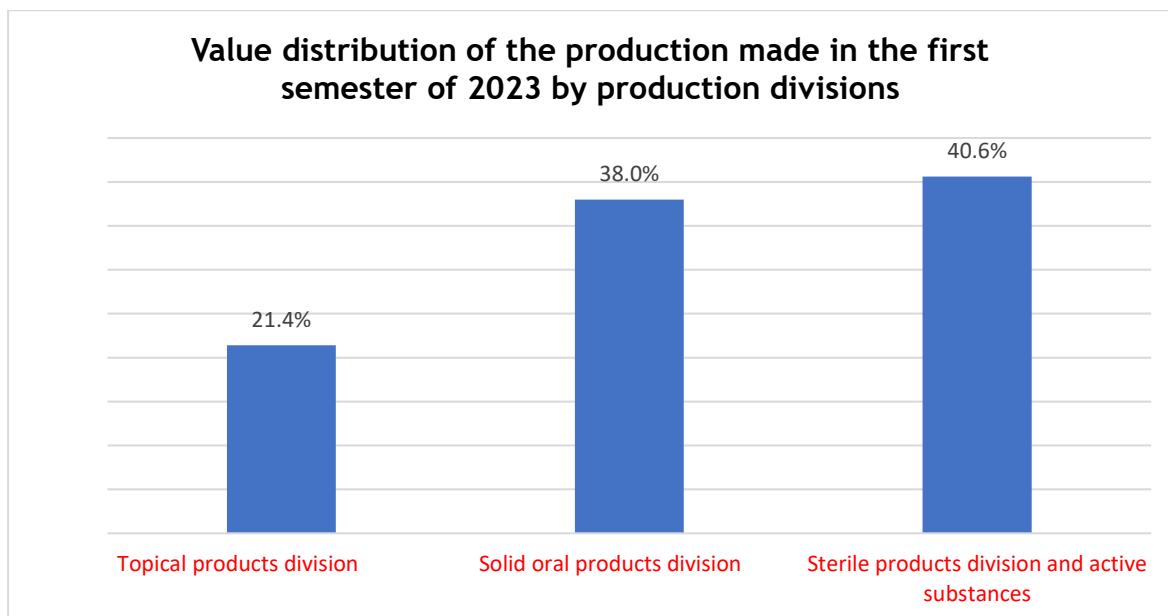
Complex manufacturing structure adapted to international quality standards (GMP and FDA)

The production carried out on our own sites in the first semester of 2023 resulted in 302.81 million pharmaceutical units in the form of tablets, capsules, parenteral products, topical products (ointments, creams, gels, suppositories, ovules).

The total value of the production manufactured in the first semester of 2023 is 355.63 million lei, 9.7% higher compared to that of the first semester of the previous year.

The value of the production manufactured for export represents 34% of the value of the total production made in the first semester of 2023, 3.2% higher compared to that of the first semester of the previous year.

By production divisions, the value distribution of the production manufactured in the first semester of 2023 is presented as follows:



The evolution of sell-out sales in the domestic and international markets

In the first semester of 2023, Antibiotice JSC recorded a significant increase in the value of sales in the domestic and international markets of pharmaceutical products, with an increase of 67.11 million lei, reaching a level of 377.63 million lei, 21.7% higher compared to the similar period of the previous year. On the domestic market, the increase registered is 20.3%, from 214.1 million lei to 257.5 million lei, while on the international market the increase is 24.7%, from 96.4 million lei to 120, 2 million lei.

The evolution of the pharmaceutical market in Romania¹

In the first semester of 2023, the value of medicines dispensed to patients in Romania was 14.3 billion lei (expressed in wholesale prices), increasing by 16.6% compared to the similar period of 2022. The consumption of medicines increased by 3.8% in the first semester of 2023, with a number of 361.77 million boxes being released from pharmacies.

The evolution of the generic pharmaceutical market with medical prescription and without medical prescription

Of the total pharmaceutical market in Romania, 45.0% (value) is represented by the segment of generic drugs with and without medical prescription. The generics market registered a value increase of 14.3% during the analyzed period, from 5.6 billion lei to 6.4 billion lei. From a quantitative point of view, it registered an increase of 2.9%, with a number of 266.0 million boxes released from pharmacies in the first semester of 2023 compared to 258.6 million boxes in the first semester of 2022.

¹ According to data source CEGEDIM Sell Out Romania June 2023

Prescription drugs (RX) represent 42.5% of the total value sales in the first semester of 2023 and 49.1% of the total consumption of generic drugs (reported in boxes). During the analyzed period, they register a value increase of 16.8%, from 2.3 billion lei in the first semester of 2022 to 2.7 billion lei in the first semester of 2023 and a quantitative increase of 6.6% from 122.4 to 130.5 million boxes.

Medicines without a medical prescription (non-RX) registered a value increase of 12.6% (from 3.3 billion lei in the first semester of 2022, to 3.7 billion lei in the first semester of 2023) and a slight decrease in consumption, from 136.2 million boxes in the first semester of 2022 to 135.5 million boxes in the first semester of 2023.

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

- **hospital**, sales increased by 14.9%, from 471.0 million lei in the first semester of 2022, to 541.1 million lei in the first semester of 2023. In consumption, in the analyzed period, there was an increase of 16.6% from 10.6 to 12.4 million boxes.
- **national chains**, sales increased by 11.0%, from 2.1 billion lei in the first semester of 2022, to 2.3 billion lei in 2023. Quantitatively, there was a slight increase compared to the first semester of 2022, from 98.07 to 98.32 million boxes.
- **independent pharmacies and mini-chains**, sales increased by 16.4%, from 3.1 billion lei in the first semester of 2022, to 3.6 billion lei in the first semester of 2023. Quantitatively, in the first semester of 2023 there was an increase of 3.6% compared to the first semester of 2022, from 149.9 to 155.2 million boxes.

Antibiotice JSC on the Romanian pharmaceutical market

In this stage, the company has redefined the way of working with distributors and national chains in Romania, the main objectives being the market share related to each product sold (in 2023, a first stage of the multi-year business plan is taking place), closely correlated with the sales potential of each product related to the hospital, chain and MLFI market segment, as well as the consolidation of the course through joint plans with each individual partner. The entire commercial policy addressed at the company level is carried out under the approval of a Commercial Policy Committee that operates within the Board of Directors, after the preliminary analysis of their impact within a dedicated group consisting of the legal director and corporate governance, financial director and internal audit manager, with responsibilities in the field. This working group ensures the increase in the efficiency of the consumption of the budgets related to the commercial policy and the promotion policy, combined with the strategy of developing the brands and the notoriety of the company in the long term, the main objectives are:

- a) increasing the degree of occupancy of production capacities from a minimum of 60% at present to a minimum of 70% in 2025 and 90% in 2030;
- b) making sales to distributors according to the Administration Plan/Business Plan/Revenue and Expenditure Budgets;
- c) making sales in the market to final consumers ("sell out" indicator),

- d) achieving the value of the profit according to the Administration Plan/Business Plan/Revenue and Expenditure Budgets.

Commercial policies will be drawn up based on strategies that take into account:

- the existing and desired market share for each of the current and future products from the company's portfolio,
- the quantities of products planned to be sold from each product on each market segment (retail - chains, mini-chains, independent pharmacies - and hospitals),
- the desire to adapt to the competition's price for each market segment,
- the substantiated establishment of the products and methods of promotion to the Professionals in the Health Field
- well-grounded establishment of products and promotion strategies on media channels (TV/radio, print media),
- achieving a balance between distributors regarding the marketing of products that are promoted on media channels,
- the development of different commercial policies for dietary supplements/medical devices, RX drugs and non-RX drugs
- substantiation of sales by distribution channels: costs, distributors, Antibiotice JSC market share. on each distribution channel, as well as the Antibiotice JSC market share. inside each pharmacy chain.

The actions carried out until the end of June 2023 are:

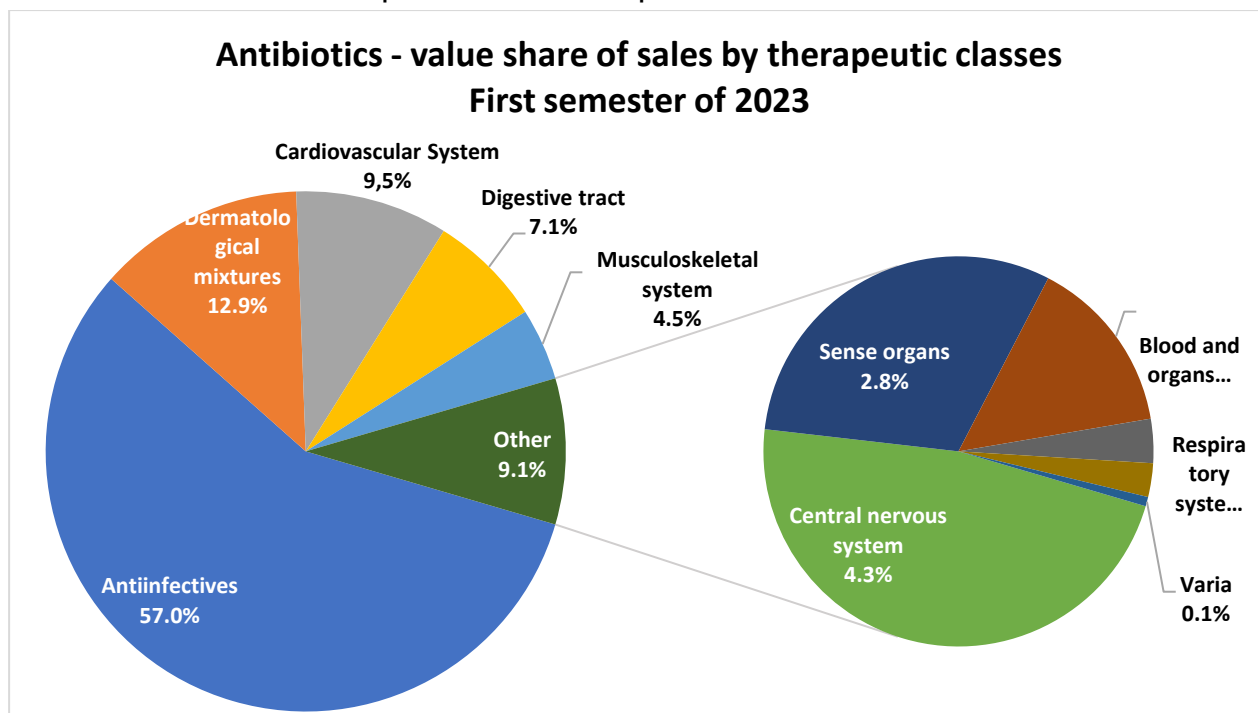
- changing the way of preparing commercial offers to medicine distributors;
- rebalancing the offers by passing on similar commercial advantages to all distributors who have framework distribution contracts with Antibiotice JSC;
- eliminating the gaps between the advantages offered to distributors, so that they receive equal conditions for equal services, avoiding differentiated treatment;
- the regulation of the substantiation and execution of the budgets for scientific promotion and media promotion, based on clear objectives for each committed expenditure and a return of investment plan.

The results obtained in the first semester of 2023 on the domestic market:

- made sales in the market worth 257.5 million lei, up 20.3% compared to the first semester of 2022;
- occupies the 4th place in consumption (boxes) in the segment of generic drugs with prescription and OTC (with a market share of 5.6%);
- is the quantitative leader (indivisible unit) in the total market in the pharmaceutical form of ointments (20.9%), suppositories and ovules (36.1%) and injectable powders (56.3%)
- occupies the second place, according to the number of boxes in the total market in the pharmaceutical form of capsules (10.8%);
- is the value leader in the segment of generic drugs with prescription and non-RX sold in hospitals, with a market share of 13.9%.

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

During this period, the way of working with distributors and national chains in Romania was redefined, the main objective being the improvement of the market share related to each product, as the first stage of the multi-year business plan, in close correlation with the sales potential of each partner.



Prescription medicines (RX) represent 85.5% of the total value sales in the first semester of 2023 and 86.6% of the total consumption of medicines (reported in boxes). During the analyzed period, they register a value increase of 22.4%, from 179.8 million lei in the first semester of 2022 to 220.1 million lei in the similar period of 2023 and a quantitative increase of 16.7% from 11, 1 in 12.9 million boxes.

Medicines without a prescription (non-RX) registered a value increase of 9.2% (from 34.2 million lei in the first semester of 2022, to 37.4 million lei in the same period of 2023) and a consumption in the light decrease, from 2.1 to 2.0 million boxes.

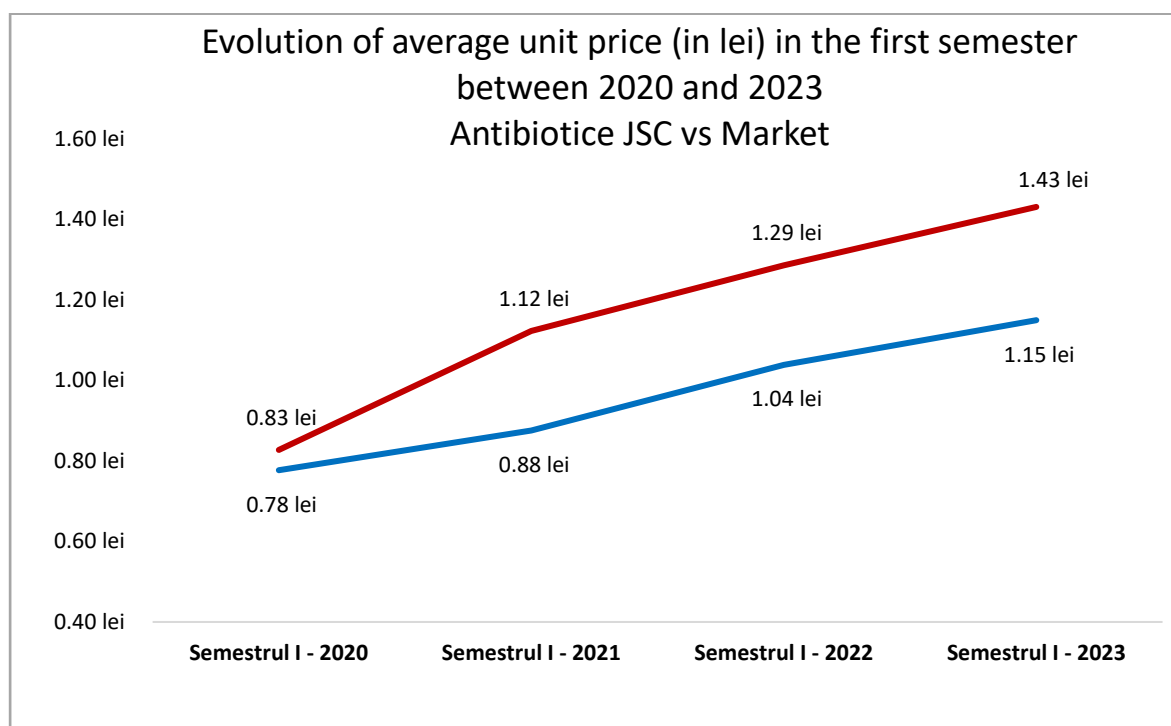
By market segment, the sales situation of Antibiotice JSC is presented as follows:

- **hospital**, sales recorded a value increase of 14.2%, from 66.1 million lei in the first semester of 2022, to 75.4 million lei in the same semester of 2023. The consumption in boxes recorded in this segment was relatively constant, with 0.8 million boxes.
- **national chains**, value sales increased by 14.3% in the first semester of 2023 compared to the same period of the previous year (from 54.0 million lei to 61.7 million lei). The number of boxes released from pharmacies increased by 5.8%, reaching 5.0 million boxes in the first semester of 2023.

- **independent pharmacies and mini-chains**, value sales increased in the first half of 2023 by 27.9% compared to the same period of the previous year (from 94.1 million lei to 120.3 million lei). The number of boxes released from pharmacies increased by 18.3% (from 7.7 million boxes to 9.1 million boxes).

Price as a strategic element of adapting to the market

The average market price of generic RX and non-RX products in the first semester of 2023 was 1.15 lei/indivisible unit, up 11% compared to the same period of the previous year (1.04 lei/indivisible unit). At the level of sales channels, the price structure is as follows: on the hospital channel - 5.55 lei/indivisible unit, of which injectable products registered a price of 8.91 lei/indivisible unit, up 6.7% compared with last year. On the segment of independent pharmacies and mini-chains (MLFI) - 1.09 lei/indivisible unit (increasing by 11.3% compared to the first semester of 2022), and on national chains - 1.05 lei/indivisible unit (increasing by 10 % compared to the similar period of 2022).



----- Average price/Antibiotice IU

----- Average price MARKET generics RX and OTC

The average price of the portfolio of Antibiotice JSC in the first semester of 2023 at the indivisible unit level, it was 1.43 lei/indivisible unit, increasing by 11.3% from 1.29 lei/indivisible unit in the first semester of 2022.

The product positioning strategy in the market is the starting point for the entire marketing mix, implicitly also for the product and price policy. The application of strategies on market segments and promotion concepts led to an efficient capitalization in the structure of the portfolio compared to the planned average price, with a 106% degree of achievement.

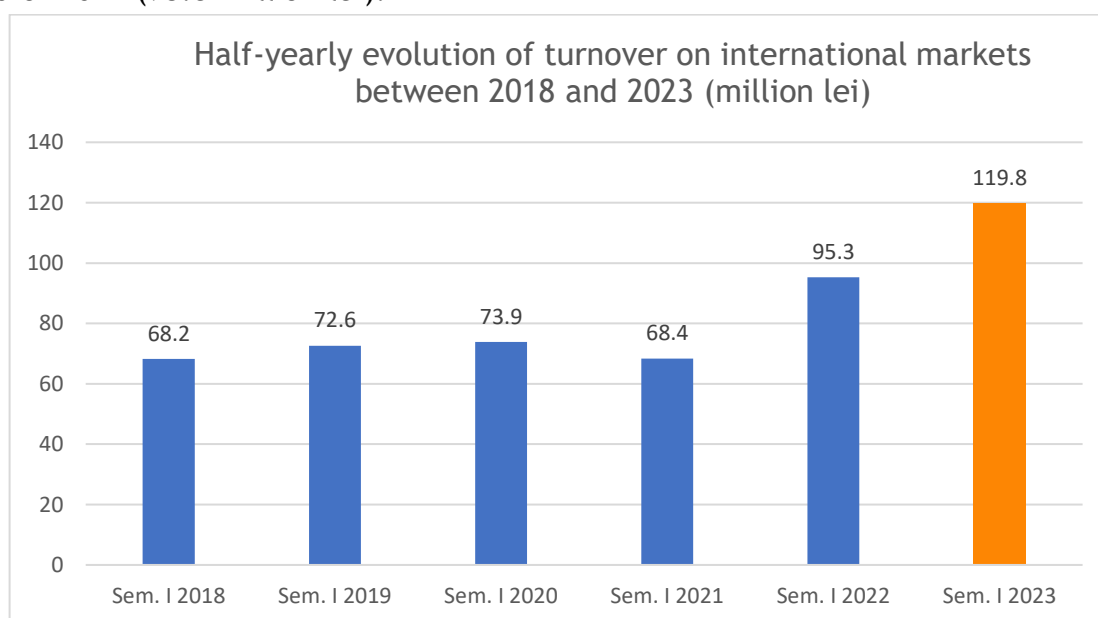
At the level of sales channels, the price structure of the Antibiotice JSC portfolio. in the first semester of 2023 it was as follows: on the hospital channel - 4.88 lei/indivisible unit, of which the injectable products registered a price of 9.5 lei/indivisible unit (up +12% compared to the first semester of last year), on the mini chain channel and independent pharmacies - 1.19 lei/indivisible unit (increasing by 12% compared to the first semester of 2022), and in chain pharmacies - 0.97 lei/indivisible unit (increasing by 18 % compared to the first semester of 2022).

In the retail segment, the focus on brand development projects for non-RX products from the Nutriensa range generated a 19% increase in the average unit price compared to the same period of the previous year, from 0.83 lei/IU to 0.98 lei/ UI.

The launch of the range of Tinerio AZ dermatocosmetic products, with a selling price above the portfolio average: Tinerio AZ® cream, Tinerio AZ® serum and Tinerio AZ® foam, as well as slight repositioning at the competitive level for the products in the current portfolio led to an increase in the average price of capitalization on the Derma+ concept by 8.5% from 19.03 lei/IU to 20.7 lei/IU.

Internationalization of the business in Antibiotice JSC territories and in other territories

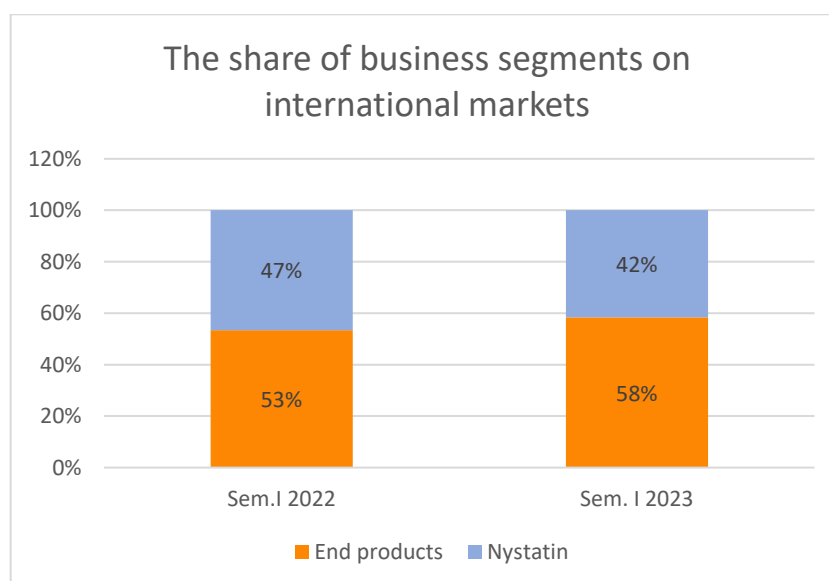
In the first semester of 2023, the turnover obtained on the international markets was worth 119.8 million lei, registering an increase of 25.7% compared to the similar period of 2022 (95.3 million lei).



In the structure, the turnover achieved on the international markets is composed of:

- sales of finished products in the amount of 69.9 million lei, up by 37% compared to the January-June 2022 period (50.9 million lei), generating an increase of 19 million lei (approximately 4 million USD);

- sales of active substances based on biotechnologies derived from streptomycines noursei for pharmaceutical use (compacted nystatin, micronized nystatin and standard nystatin) in the amount of 49.9 million lei, increasing by 12% compared to the period January-June 2022 (44, 4 million lei).



Export of end products

Between January and June 2023, a number of 75 medicines were exported to 29 countries, totalling a volume of approximately 47 million therapeutic units. The growth was organic for all the pharmaceutical forms we produce: the doubling of exported volumes for solid oral forms - capsules and tablets, a 42% increase for topical products (ointments, creams, suppositories and eggs) and a 23% increase for the portfolio of sterile anti-infective drugs in the form of vials with sterile injectable powders.

At the level of the markets that lead the ranking of sales of Antibiotice JSC brand products, the situation is as follows:

- **United States** - **increasing** by 82%, from 10 million lei (in the period January-June 2022) to 18.2 million lei in the similar period 2023; in this market, the company is consolidating its market share on a number of 6 sterile beta-lactam drugs used in hospitals;
- **Vietnam** - **doubling** from 8.0 million lei (in the period January-June 2022) to 16.0 million lei in the similar period 2023; it is practically a return to the pre-pandemic period, with free access of the population to health facilities - hospitals and pharmacies. In parallel, 3 new cardiovascular products were launched - the Rosuvastatin range and national tenders were awarded, for 12 months, for a number of 3 oral anti-infective drugs - clarithromycin, amoxicillin and cefadroxil.
- **Great Britain**, where sales - 16 million lei - are the materialization of contracts awarded in 2022 that position some of the sterile anti-infective products at a

market share between 40%-55% of national consumption. It is an important market for the company's portfolio, and recently a new 2-year tender was awarded, worth 5.2 million euros.

- **The Republic of Moldova consolidates** sales of approximately 4.4 million lei, notable being the growth trend for the products in the focus and promotion actions of the local representative. It is the result of a consistent promotion strategy that offers predictability and repeatability of sales in a very competitive market (local production, manufacturers from China, India, Turkey, the Middle East).
- **Denmark scores a 25% increase** from 2.7 million lei (between January and June 2022) to 3.3 million lei in 2023, and **sales in Iraq a 31% increase**, from 1.8 million lei (the first semester 2022) to 2.3 million lei in 2023.

Antibiotice S.A. strengthened its position in the ranking of suppliers of medicines intended for hospitals in the Central and Eastern European region, with the awarding of tenders in Hungary, Serbia, Albania, Lithuania or the completion of the registration procedures for medicines in Bulgaria, Poland, Italy, Spain and Germany which creates premises for increasing the footprint in the European Union for the anti-infective products manufactured by Antibiotice JSC.

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

The activity carried out in the first semester of 2023, was part of the growth trend of recent years, aiming to consolidate the position on the world market for compacted nystatin, micronized nystatin and standard nystatin manufactured by Antibiotice JSC, sold in over 55 countries, worldwide. Compared to the value recorded in the similar period of the previous year, a 12% increase in turnover is recorded in terms of value. During this period, important progress was made in the main development projects in the areas of North America, Latin America and Europe, continuing the good premises for the development of the main export markets of nystatin Antibiotics.

Investments - supporting the future

I. Investments for strategic development, respectively investments in the development of the product portfolio

The new product development program aims to expand the portfolio and ensure competitive pharmaceutical products for the national and foreign markets.

The planned and achieved values for the investments in this category are:

	30/06/2023 Made (million lei)	30/06/2023 Planned (million lei)
Development of the product portfolio through own research	5,86	5,18
Developing the product portfolio through licensing	1,28	2,66
Modernization of the research laboratory to support the development of the portfolio	1,02	0,95

II. Investments for business consolidation

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

- planned 30.06.2023 = 6.23 million lei
- made 30.06.2023 = 4.58 million lei

Antibiotice JSC, as part of the digitization and computerization plan, prioritized the purchase of software for the efficiency of human resources activities, quality, research, but also for securing data and information at all levels of the company. Optimization of processes is carried out with a consultant in order to implement an ERP-type system.

2. Adaptation to the development trends of the industrial platform, of the infrastructures of supply and distribution utilities, storage of raw materials and finished products, transport and connection to the national road system

- planned 30.06.2023 = 19.19 million lei
- made 30.06.2023 = 9.29 million lei

In 2023, investments were planned to complete the expansion of the existing storage capacity of raw materials, in the perspective of increasing and diversifying production. Also, in 2023, the beginning of the construction of a warehouse for modern finished products, adapted to the estimated production in the perspective of the following years, until the year 2030, was scheduled. Project stages were scheduled for the modernization of the production and distribution facilities of the utilities.

An important component is the implementation of projects that aim to produce "green energy" and reduce energy consumption and utilities. This is how the implementation of the projects began: the realization of a photovoltaic plant with an installed power of 2.5 MW and a photovoltaic plant with an installed power of 1.2 MW, the recovery of condensate from the installations, the replacement of lighting systems with modern LED systems

3. Investments in the Integrated Management System (Quality, Environment, Sustainability, Health and Safety at Work)

- planned 30.06.2023 = 1.18 million lei
- made 30.06.2023 = 3.15 million lei

Increasing the precision of laboratory analysis methods and revising the monographs in the pharmacopoeia required investments in equipment, which would allow maintaining the quality standards of the manufactured products and complying with the legal requirements for the protection of the environment and employees.

4. Investments in the modernization of existing sites and equipment

- planned 30.06.2023 = 1.72 million lei
- made 30.06.2023 = 1.99 million lei

For the modernization of the drug manufacturing flows of the three divisions, the acquisition of equipment, installations, supplies and laboratory equipment was planned for the year 2023.

Economic and financial performance

The effect of all the activities carried out this semester is summarized in the individual financial statements.

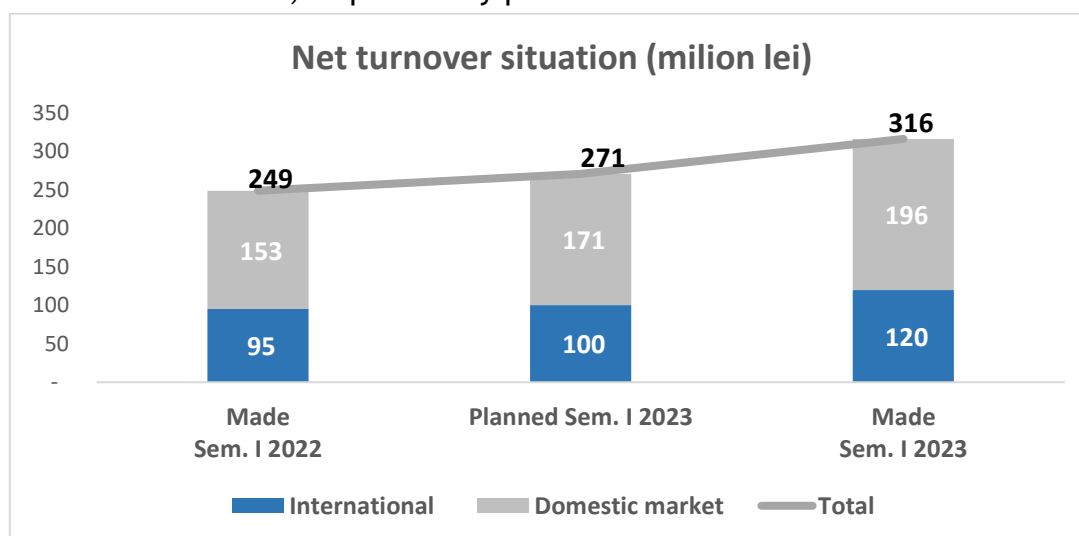
The main indicators that reflect the financial performance of the activity in the first semester of 2023, compared to the planned value and the realized value in the first semester of 2022 are:

Indicators	Period ended on June 30 th 2023	Planned BVC June 30 th 2023	Period ended on June 30 th 2022	▲ June 30 th 2023 / Planned BVC June 30 th 2023	▲ June 30 th 2023 / June 30 th 2022
Operating incomes (lei), of which:	347.134.262	321.970.669	282.075.997	8%	23%
Revenues from contracts with customers (lei)	315.870.916	270.658.882	248.618.974	17%	27%
Operating expenses (lei)	271.941.764	292.026.988	253.684.706	-7%	7%
Expenses with claw-back tax (lei)	18.520.768	17.300.000	15.829.565	7%	17%
Operational result (lei)	75.192.498	29.943.681	37.716.212	151%	99%
Financial result (lei)	-2.619.228	-1.538.267	-2.210.256	70%	19%

Indicators	Period ended on June 30 th 2023	Planned BVC June 30 th 2023	Period ended on June 30 th 2022	▲ June 30 th 2023/ Planned BVC June 30 th 2023	▲ June 30 th 2023/ June 30 th 2022
Total revenues (lei)	352.544.169	327.171.082	286.393.716	8%	23%
Total expenses (lei)	279.970.899	298.765.669	260.212.680	-6%	8%
Profit before tax (lei)/Gross profit	72.573.269	28.405.413	35.505.956	155%	104%
Gross profit return (EBT margin) (%)	22,98%	10,49%	14,28%	119%	61%
Return on profit before tax + expenses with clawback tax (%)	28,84%	16,89%	20,65%	71%	40%
Financial exercise profit (lei)/Net profit	62.002.313	28.405.414	33.975.965	118%	82%
Gross margin (lei)	229.790.722	187.477.506	175.524.754	23%	31%
Gross margin (%)	66%	58%	63%	14%	6%
Added value (lei)	191.616.235	129.989.938	144.380.936	47%	33%
EBITDA	88.632.133	42.343.682	38.883.529	109%	128%

After 3 years of the crisis and in the current geo-political context, with multiple challenges faced by supply chains in the medicine manufacturing industry, Antibiotice JSC, through strong partnerships, based on ethics, integrity and mutual respect, continued the mission of offer valuable medicines more accessible as a means of health care for patients, doctors and pharmacists.

From the analysis of the indicators in the global result situation, a level of income from contracts with clients (turnover) in the amount of 315.87 million lei is noted, 17% higher compared to the planned value for this period of 270.7 million lei and 27% higher compared to the value from the similar period of 2022, of 248.6 million lei. This result is the positive effect of the consolidation of sales on the Romanian market, as well as in international territories, as previously presented.



The increase in turnover, together with the expense management measures, led to an operational result, which reflects the performance of production and sales activities in the amount of 75.19 million lei, both above the planned level of 29.94 million lei, and also above the level achieved on 30th June 2022, of 37.72 million lei.

This result is the positive effect of the measures taken through the business plan aimed at:

- balancing the stock of products between the manufacturer and distributors to ensure optimal consumption on all sales channels;
- sales increase in the hospital segment;
- increasing sales in an optimal structure in the retail segment;
- increasing the notoriety of some umbrella brands and/or brand names;
- consolidation of sales in the current territories that define 80% of the export value of finished products with Antibiotice JSC representatives;
- accessing new territories through products that define the strategic portfolio of Antibiotice JSC;
- strengthening the active substance streptomycetes noursei and maintaining the position of world leader;
- optimizing the level of expenses.

The financial result on 30.06.2023 remains negative, in this semester Antibiotice JSC managed to manage the amounts used from the credit for financing the working capital, with a positive effect on the level of interest expenses, given that the value of the reference rates for the calculation of the interest registered major increases, compared to the similar period of the previous year. In the first half of 2022 Euribor had a negative value, while in the first half of 2023 the average level of Euribor is 2.752. The reference rate for loans in lei, Robor, had an average level of 4.27 in the first half of 2022 and 6.23 in the first semester of 2023.

The profit before taxation (gross profit) has a value of 72.57 million lei, above the planned value on 30.06.2023 of 28.4 million lei and above the value on 30.06.2022 of 35.5 million lei.

The profitability of the profit before taxation is 22.98% above the planned level of 10.49% and above the one achieved in the similar period of the previous year, of 14.28%.

The pre-tax profit combined with the amount of the claw-back tax consolidates a business yield of 28.84%.

The gross margin reflects the performance of the company's sales and production activity. The gross margin has a level of 229.79 million lei, 23% higher compared to the planned level and 31% higher compared to the level achieved in the similar period of the previous year, an effect of the measures to consolidate sales and manage costs.

The added value expresses what the company adds to the economic circuit through its own activity. The activity carried out in the reference period led to an added value of 191.61 million lei, 47% higher compared to the planned level and 33% higher compared to the value achieved in the same period of the previous year.

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

Indicators	Period ended on June 30th 2023	Period ended on December 31th 2022	▲ June 30 th 2023/ December 31 st 2022
Total assets (lei)	953,344,630	868.113.722	10%
Fixed assets (lei)	546,324,016	532,606,304	3%
Current assets (lei)	407,020,614	335.507.418	21%
Total debts (lei)	245,453,214	216.906.120	13%
Current liabilities (lei)	170,087,160	135,341,801	26%
Indebtedness ratio (total liabilities/total assets) (%)	25.75%	24.99%	3%
General liquidity (number of times)	2.39	2.48	-3%
Net accounting assets (lei)	707,891,416	651.207.602	9%

The value of inputs of tangible and intangible fixed assets, over the value of depreciation, determined the increase of the value of tangible and intangible fixed assets, on 30.06.2023, fixed assets hold a weight of 57% of the total asset.

Tangible assets are patrimonial elements that:

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

Intangible assets are recorded according to IAS 38 "Intangible assets" and IAS 36 "Depreciation of assets". 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 factories and other intangible fixed assets recognized from an accounting point of view, with the exception of the expenses for establishing the goodwill, intangible fixed assets with an indefinite useful life, classified as such according to the accounting regulations, it is recovered by means of straight-line depreciation deductions during the contract period or during the period of use, as the case may be.

The level of stocks on 30.06.2023 is 20% higher compared to the level at the end of 2022, because in the July-September period the production activity is reduced for the revision of the production sites.

Compared to the same period last year, the stock value increased by 13%, while the sale increased by 20% in the analyzed period. The duration of stock decreased in the analyzed period by 0.6 months from 4.9 months in the first semester of 2022 to 4.3 in the first semester of 2023.

Current liquidity indicates the maintenance of financial balance in the short term. The company has the ability to honor current obligations on account of its most liquid assets.

The level of the degree of indebtedness reaffirms the financial autonomy of the company as a result of a responsible policy of indebtedness, appropriate to the volume of activity under the conditions of maintaining a satisfactory profit margin.

In the long term, the company aims to consolidate the net accounting assets, on 30.06.2023, its value is 707.89 million lei, 9% higher compared to the value on December 31st 2022, effect of the financial results registered this semester.

The cash flow, prepared by the indirect method, was determined starting from the gross profit, corrected with the influences of non-monetary operations (depreciation, provisions, adjustments of current assets) and with the variation of the working capital elements. From its analysis, it emerges the company's ability to generate cash from the exploitation activity, contributing to the financing of the investment process and the repayment of the debt service to the banks.

Pillar 5: Perfecting Corporate Governance systems

The regulatory framework for the corporate governance system of Antibiotice JSC It is:

- Law no. 31/1990 on commercial companies
- GEO no. 109/2011 regarding the corporate governance of public enterprises
- Law no. 24/2017 regarding issuers of financial instruments and market operations
- ASF Regulation no. 5/2018 regarding issuers of financial instruments and market operations
- The Constitutive Act of Antibiotice JSC
- Antibiotice JSC Corporate Governance Code,
- Code of Ethics of Antibiotice JSC

Corporate governance is one of the key elements for improving efficiency and economic growth, as well as for maintaining investor confidence.

Corporate governance involves a set of relationships between company management, the board of directors and shareholders. Corporate Governance also provides a system through which the company's objectives are established, and the means of achieving them, as well as those of monitoring, are determined. Their purpose is to:

- sufficiently motivate the management and the board of directors to achieve the objectives of interest for the company and its shareholders;
- monitor the actual implementation;
- creates the efficient intervention mechanism for the necessary corrections in the actions of the management and the board of directors;
- make the company's activity transparent by offering all shareholders and stake holders the relevant information.

The organizational framework for the corporate governance system of Antibiotice JSC It is:

- General Meeting of Shareholders,
- Board of Administration,
- General Director,
- Legal and Corporate Governance Department,
- Audit Committee within the Board of Directors,
- The Internal Audit Office, reporting directly to the Board of Directors.

The corporate governance framework adopted and applied:

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

On the Antibiotice JSC company website there is a section dedicated to shareholders, (www.antibiotice.ro/investitori/informatiiactionari) where you can access and download documents related to General Meetings of Shareholders: procedures regarding access to and participation in meetings, convenor, completion of the agenda, materials informative, special powers of representation, voting forms by mail, draft decisions, decisions, voting results.

Risk management

Risk management by the Antibiotice company complies with the legal and regulatory requirements in force for the identification, evaluation, management and reporting of risks.

The main purpose of risk management is to help understand and identify the risks to which the organization is exposed, so that they can be anticipated and managed without affecting the achievement, with efficiency, of the organization's objectives.

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

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

The commercial risk (non-payment) is the risk of financial loss for the company that occurs if a customer or counterparty to a financial instrument does not fulfill its contractual obligations. Antibiotice JSC is mainly exposed to the commercial risk (of non-payment) arising from sales to customers.

The control of the commercial risk (of non-payment) is carried out by: monitoring the creditworthiness of clients, requesting guarantees, securing receivables, developing

a relationship of loyalty on the part of clients. For external clients, the control of the commercial risk (of non-payment) is achieved through advance payment, the conclusion of letters of credit, collection operations and the insurance of receivables.

Interest rate risk represents the probability of suffering a loss or non-realization of the forecasted profits due to the variation of the interest rate on the market in an unfavorable direction.

Among the measures taken, the reduction of the value used from operational credits and the use of credits in the currency in which the payments are made were taken into account.

Currency risk, a component of financial risk, appears frequently in the current conditions of the market economy in which currency rates fluctuate under the rule of the law of supply and demand.

Fluctuations in the exchange rate are reflected both in the costs of imported raw materials and in the valorization prices of finished pods for export.

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

Liquidity risk is the risk according to which the company may encounter difficulties in honoring short-term payment obligations at any time.

The company's policy regarding liquidity risk is to maintain sufficient liquid resources to honor obligations as they come due, as well as the availability of financing through financing lines.

The company has no unpaid obligations to the state budget.

This Managers Report was drawn based on the individual financial statements on June 30th, 2023 which were subject to compliance with the provisions of IAS 34 „Financial reporting interim" by Deloitte Audit S.R.L.

General Director,
Economist Nani Ioan

Financial Director,
Economist Coman Paula Luminița