

MANAGEMENT REPORT

January-December 2023

Annual Report according to IFRS

Report Date: 31.12.2023

Name of the trading company: ANTIBIOTICE S.A.

Head Office:

Iasi, 1 Valea Lupului St.

Phone number:

0232/209000, Fax 0232/209633

Fiscal registration code:

RO 1973096

Order number in the Trade Register:

J22/285/1991

Regulated market on which the issued securities are traded:

Bucharest Stock Exchange

Subscribed and paid up capital:

67,133,804 LEI

Main characteristics of the securities issued by the company:

Nominative shares, nominal value: 0.10 LEI

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Antibiotice in 2023

- Net turnover increased by 25% compared to the previous year in the domestic and international markets;
- Net turnover in the domestic market increased by 29% compared to the previous year, strengthening our company's profitability in terms of structure;
- Net turnover in the foreign market increased by 18% compared to the previous year;
- In Romania, Antibiotice is the leader in terms of quantity (indivisible units) in the total market on the following pharmaceutical forms: ointments (20.7%), suppositories and pessaries (35.8%) and powders for injection (57.0%) and the leader in terms of value on the segments of generic prescription medicines and non-RX medicines sold in hospitals, with a 14.0% market share.
- Our company recorded a 81.09 milioane lei net;
- The value of the share increased from 0.57 lei on January 1, 2023 to 1.39 lei on December 31, 2023;
- Our company attracted non-reimbursable funds amounting to 85 million lei for a production facility that produces sterile products, solutions and topicals;
- A co-financing in value of 4.1 million lei was obtained for developing a green energy production facility;
- Our company signed a financing agreement, in the form of a loan granted through the InvestEU facility, for implementing the Investment Program of Antibiotice SA, parte of the Business Plan "The Future Together";
- Total investments in value of 98.05 million lei for consolidating and strategically developing our business.

Antibiotice, Romanian tradition and continuity

Antibiotice is the most important manufacturer of generic medicines with Romanian capital, unique producer of active substances biosynthetically processed, with a 68-year experience in the pharmaceutical industry.

Our company's portfolio comprises 168 products from 11 therapeutic classes, consisting both of prescription-only medicines as well as of non-prescription medicines, food supplements, dermatocosmetics, medical devices, veterinary medicinal products, biocides, active substances and biofertilizers.

Antibiotice has its own production facility organized in 3 manufacturing divisions: Topical Products Division, Solid Oral Products Division, Sterile Products & APIs Division, including 8 flows for: sterile penicillin powders for injection; penicillin capsules; non-beta lactam capsules; cephalosporin capsules; tablets; ointments, creams, gels; suppositories; pessaries; active substances obtained by biosynthesis. Antibiotice S.A. concluded also manufacturing contracts with ten partner sites.

Our company holds internationally recognized certifications and authorizations: authorizations granted by the Food and Drug Administration (the US drug regulatory agency) for Nystatin and for injectable penicillins, Certificate of Suitability with European Pharmacopoeia (CEP) for Nystatin, Good Manufacturing Practice (GMP) for all the manufacturing flows, Good Laboratory Practice (GLP) Certificate and Good Clinical Practice (GCP) Certificate for the Center for Clinical Studies, WHO prequalification and WHO certification for the range of essential antituberculosis medicines.

Antibiotice, a profitable company for investors

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

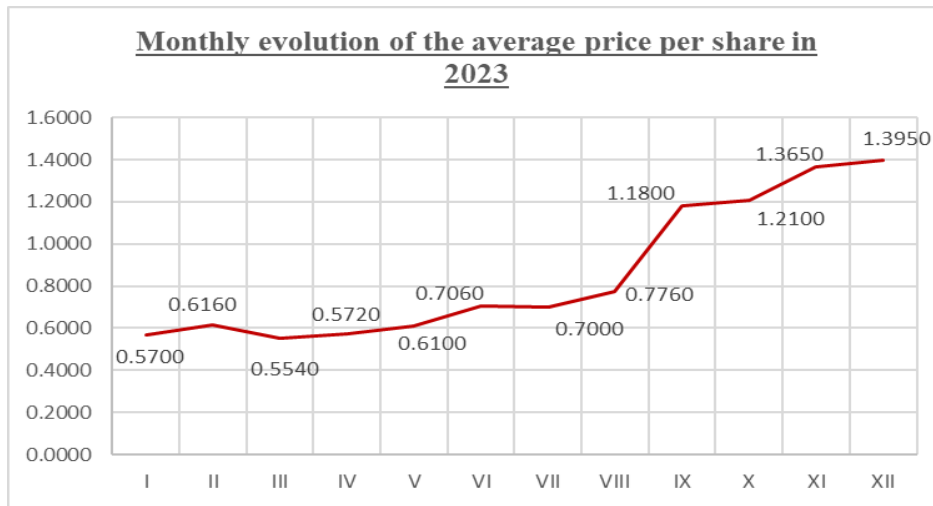
The first transaction was recorded on April 16, 1997, at a reference price of 0.3500 LEI/share.

Currently, in the Bucharest Stock Exchange market, the Antibiotice shares are included in the following stock indices:

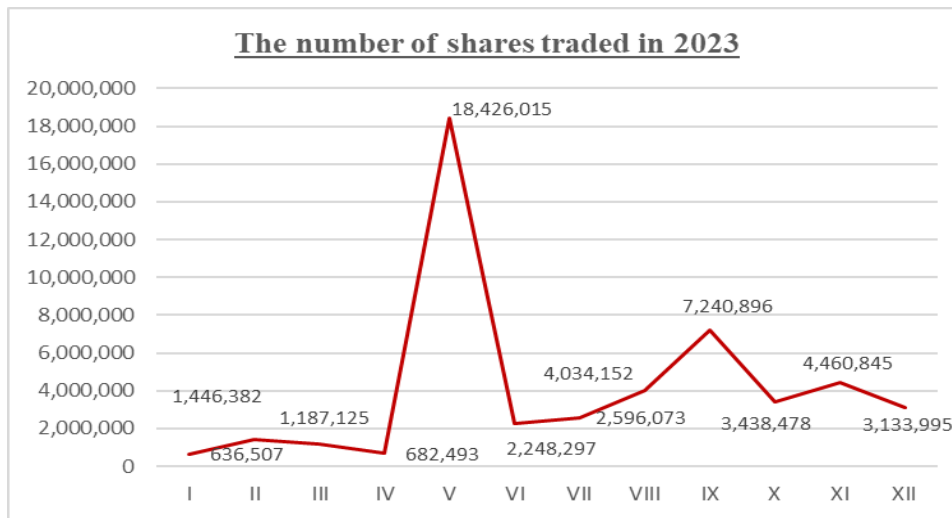
- BET-Plus which includes the Romanian companies listed on the BVB market that meet the minimum selection criteria on liquidity and value of the shares included in free float, except for financial investment companies;
- BET-BK (since 18.09.2023) used as a benchmark by fund managers, but also by other institutional investors and calculated as a weighted price index with the free-float capitalization of the most traded companies listed on the BVB regulated market.

Starting with December 4, 2023, the Antibiotice (ATB) shares have been included in the MSCI Frontier IMI si MSCI Romania IMI (Investable Market Indices), in the category Small Cap. With the inclusion of Antibiotice SA in these indices, Romania's presence increases from 22 to 23 companies in the MSCI Frontier IMI and MSCI Romania IMI indices.

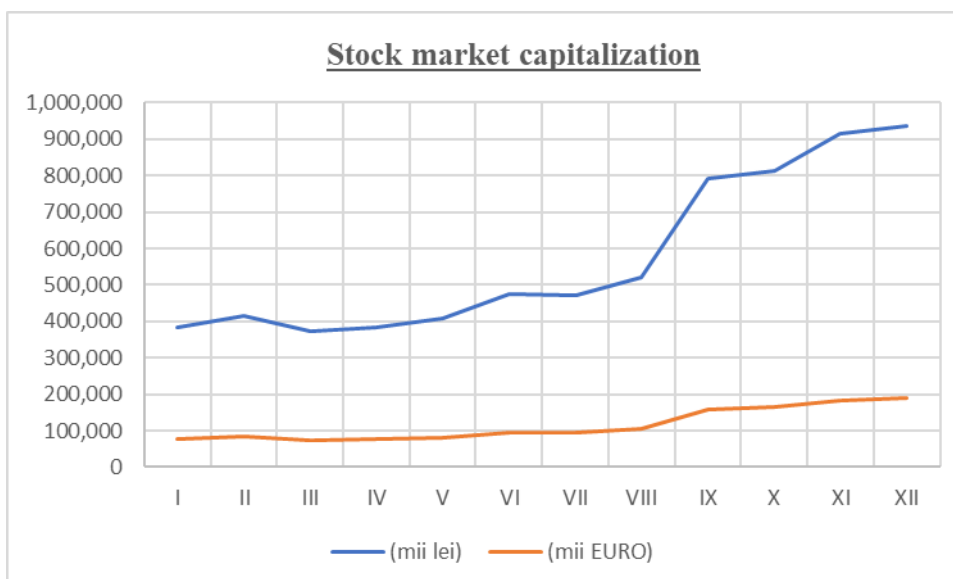
In 2023, the minimum price of the ATB share had the value of 0.5400 LEI and increased up to maximum value of 1.5500 LEI/share.



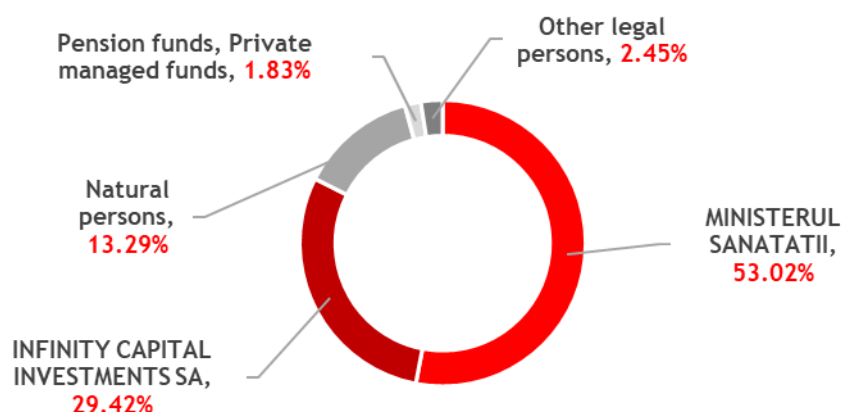
During 2023, a number of 49,531,258 shares were traded, in value of 41.12 million lei (8.3 million EURO, 8.95 million USD), with an average price of 0.8301 lei/share.



Stock market capitalization of Antibiotice on December 31, 2023 was 936,517 thousand lei.



Antibiotice Shareholding - 31.12.2023



Ownership breakdown:

- Legal persons - 86.7086 %
- Natural persons - 13.2914 %

Antibiotice S.A. shares - (ATB)/Regular Market

	2019	2020	2021	2022	2023
Number of shares	671,338,040	671,338,040	671,338,040	671,338,040	671,338,040
Stock market capitalization (thousand LEI)*	341,040	326,270	406,831	379,977	936,517
Stock market capitalization (thousand EUR)*	71,370	66,935	82,211	76,803	188,260
Stock market capitalization (thousand \$)*	79,873	82,163	93,022	81,987	208,309
Valoare totala tranzactionata (milioane lei)	15	14	44	8	41
Total traded value (million LEI)	30,364,292	27,085,005	80,534,368	14,651,742	49,531,258
Opening price (LEI/share)	0.4800	0.5120	0.4940	0.6060	0.5660
Maximum price (LEI/share)	0.5260	0.5550	0.6080	0.6100	1.5500
Minimum price (LEI/share)	0.4500	0.4130	0.4800	0.4800	0.5400
Price at the end of the period (LEI/share)	0.5080	0.4860	0.6060	0.5660	1.3950
Average price (LEI/share)	0.4851	0.5079	0.5913	0.5408	0.8301
Earnings/share (LEI/share)***	0.0459	0.0418	0.0446	0.0574	0.1214
Gros dividend/share (LEI/share)**	0.029879738	0.00330631	0.0031980923	0.00792224	0.045842443
Dividend yield****	6.2%	6.5%	0.65%	1.31%	8.1%
Dividend distribution rate*****	65%	8.4%	7.2%	13.8%	37.8%

* 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 2023 a number of 49,531,258 shares in value of 41,116,948.60 million lei (8,288,763.40 million EURO, 8,949,596.51 million USD) were traded, with an average price of 0.8301 lei/share.

In 2023, our company paid dividends for the financial years 2019, 2020, 2021 and 2022, in value of 4,617,419.12 lei, as follows:

Dividend history 2019 - 2020- 2021-2022

Period	Net dividends							
	Due	Paid				Unclaimed dividends 31.12.2023		Date on which the payment of dividends ceases
		Lei			% (total paid)	lei	%	
		Until 31.12.2022	01.01 ÷ 31.12.2023	Total				
0	1	2	3	4	5	6	7=6/1	8
2019	19,811,039.75	18,214,252.34	13,552.12	18,227,804.36	92.01	1,583,235.39	7.99	20.09.2023
2020	2,208,009.98	2,020,069.54	3,238.65	2,023,308.19	91.63	184,702.23	8.37	Payment in progress
2021	2,136,257.01	1,949,195.32	4,908.57	1,954,103.89	91.47	182,153.11	8.53	Payment in progress
2022	5,025,047.00	-	4,595,719.78	4,595,719.78	91.46	429,327.22	8.54	Payment in progress

Payment of the dividends for the fiscal years 2019, 2020, 2021 and 2022 has been made through the Central Depository Bucharest and, implicitly, through the CEC Bank - the Paying Agent. Dividends are available to the shareholders for the entire payment period, they are recognized by the legislation as income, after the approval of the shareholders.

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

- principle of strategic planning;
- principle of identifying the activities by operating divisions: Oral Solid Products Division, Sterile Products & APIs Division, Topical Products Division;
- principle of good governance and performance management;
- principle of budget decentralization.

The main management and organization tool of our company for the period 2023-2030 is the **"Business Plan - The Future Together"**, approved by the Management Board.

The actions carried out during 2023, based on each supporting pillar of the **"Business Plan - The Future Together"**, i.e.:

- 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: Performance management;
- Pillar 5: Improving the 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

In 2023, strategic adaptation of human resources consisted in developing and implementing strategies to motivate and retain valuable employees and strategies to

attract new employees with skills adapted to the pharmaceutical industry, in line with the labor market trends.

In carrying out these steps, we aimed at ensuring qualified staff and developing policies to motivate our employees and create a work environment that fosters performance and competitiveness.

The main objectives, included in the Business Plan, are:

- improving staff retention;
- monitoring and supporting performance as part of our company's development strategy;
- conducting training programs for developing employees' skills.

Performance indicators for each pillar	UM	2023		
		Planned	Achieved	Achievement degree
Average number of hours of continuing professional training / employee	no. of hours	40	43,62	109.05%
Average number of employees / year	No. of employees	1350	1352	99.85%
Work productivity*	thousand lei	422	466	110.42%
Sustainability policies**		100%	100%	100%

* determined as operational income/average number of employees;

**ensuring diversity in the organizational climate - equal opportunities, gender, health status assessment of employees.

Implementing the modern human resource management

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

In April 2023, in order to achieve an optimal internal organizational structure, the following actions were implemented:

- Setting of the **Executive Unit "Strategic Planning & Performance Management"**;
- Setting of the **Executive Unit "Research-Development & Portfolio Management"**.

- Adaptation of motivational packages in order to attract and retain valuable employees (key positions) and increase the degree of retention.

In 2023, salary increases were granted in relation to the inflation rate. Through a dynamic increase in wages, Antibiotice SA aims to align itself with the increasing trends of the average net income both nationally and especially in the pharmaceutical industry and to reach the targets of the Business Plan „The Future Together”.

From the perspective of the fiscal facilities provided in the current legislation, the motivational system is grouped by elements, as follows:

- Up to 33% of the employee's basic salary - facility granted: private health insurance;

In 2023, the number of health insurance packages was extended from 250 to 580 (41% of the staff) considering the following eligibility criteria:

- the specific working conditions, according to the provisions of the Collective Labour Contract;
- persons with rare professions difficult to be formed and recruited on the labor market;
- inclusion in the categories of strategic staff.
- The 5% limit granted for social expenses from the value of the staff expenses: staff transport, social allowances for family events, prizes awarded on legal holidays.

Employee retention rate was 95.83% in 2023, similar to the level recorded last year.

➤ Management of the professional career of employees and succession plans/staff reserves
During 2023, essential actions were taken for creating the succession plan and identifying the staff reserve according to the potential determined by the annual evaluation of the employees' performances.

➤ Carrying out training programs and developing employees' skills
For 2023, an average number of 40 hours of professional training/employee was planned, with 43.62 hours/employee being achieved, including training hours in areas where there are legal training requirements, with internal lecturers, with external suppliers and on the e-Learning platform.

The 2023 Annual Training Plan for developing the skills of employees with external suppliers was part of the project **Academy a+** and was adapted to the training requests and needs identified for activity structures and employees.

➤ Promoting the platform **Academy a+** as a management tool for knowledge management in the company.

Academy a+ has two components: Technical College a+ and Business School a+.

Specific actions:

✓ **Collaboration with the university environment** materialized in 2023 through:

- concluding collaboration protocols with 5 academic institutions from Iasi: Alexandru Ioan Cuza University, University of Medicine and Pharmacy Grigore T. Popa, Gheorghe Asachi Technical University, Ion Ionescu de la Brad University of Life Sciences, and Petru Poni Institute;

- running of the 8th edition of the Performa+ project - following the promotion actions organized in collaboration with the relevant faculties, 35 candidates were selected for participation from the 81 applicants. They were registered in the database for future selections for vacant positions;

- participation in events organized for promoting our company and for guiding the young graduates in their careers.

✓ **Our collaboration with the pre-university environment included:**

- didactic visits carried out in the three editions of the "Different Week" program for a number of 500 students from theoretical and professional education;

- collaboration contracts were initiated with three high schools in order to ensure internships for students in the 2023-2024 school year, for the following qualifications: operator in the medicine and cosmetic industry, laboratory technician, mechatronic and automation technician, mechanical maintenance and repair technician.

- Within the **Technical College a+**:

- following the second edition, within the program of identification and multidisciplinary professional training of those registered, 10 of the 16 participants were evaluated and employed with an employment contract for an indefinite period.

- the 3rd edition of the internship-based multidisciplinary professional identification and training program started. The program started in 2023, with 11 internship contracts, which will be completed during 2024.
- ✓ Projects to attract European funds for organizing the internships in high school and university education - our company identified the opportunity of a new call for projects to attract funds through the Management Authority for the Education and Employment Program (PEO) - "Promoting the development of high-quality, flexible tertiary study programs correlated with the requirements of the labor market - STUDENT/PUPILS INTERNSHIPS. Two projects were drafted: one for higher education and one for secondary education, their submission being established by the contracting authority in 2024.

Modernization of organizational culture

Organizational culture of our company sets the way in which employees work together, interact with clients and partners, the way in which they are motivated, involved and perceived in the pharmaceutical market. It helps to define the organization's values and objectives which can contribute to stimulating a sense of loyalty and trust among staff members. In addition, it can be used as a tool to attract and retain quality talents, as well as to help establish an attractive brand image and identity. Ultimately, having a strong company culture can lead to higher levels of productivity, improved morale and a positive work environment.

The pillars of communication within the organizational culture are:

- Pillar 1 - Antibiotice, a company worth working for - the actions carried out within this pillar aim at the loyalty, cohesion and collaboration of employees through motivation and involvement.

In 2023, the following projects were carried out: leisure and socialization workshops (Club a+ Montan, handmade workshops), workshops for the development of communication skills and feedback in each structure, the organization of year-end events: Awards to the most deserving employees based on clear evaluation criteria, participation of approximately 710 employees in an operetta performance at the Vasile Alecsandri National Theatre.

- Pillar 2 - Living healthy in a healthy company refers to the health of employees and the way it is maintained through dedicated projects.

In 2023, the projects carried out were: sports activities, actions dedicated to World Mobility Week, health monitoring program for colleagues involved in activities that require physical effort, screening program for the early detection of breast cancer, as well as healthy nutrition campaigns held through Club a+ and in the Bistro where our employees have a daily meal.

- Pillar 3 - Antibiotice, a friendly and responsible brand creates a friendly and open work environment for employees, implementing also social, environmental protection, health and education projects for the community.

The projects implemented in 2023 were: first aid courses for employees, the Friendship Relay (for our employees' children, on the occasion of June 1st), Connect with Nature - tree planting project, Donate Blood - put your soul for life, Power deeds - charitable actions to help disadvantaged people, access to the Bistro - Meal Break.

- Pillar 4 - Romanian tradition and continuity - Antibiotice believes in the concepts and values that entire generations of people have carried in the same noble mission with a Hippocratic spirit.

- Pillar 5 - Antibiotice, a company oriented towards knowledge and performance - Promotes the culture of continuous learning within the organization by providing access to online training resources, workshops and mentoring sessions to support the continuous growth of professional competencies.

Pillar 2: Strategic adaptation of product portfolio

Antibiotice has in its portfolio 168 products, from 11 therapeutic classes:

- Medicines for human use:
 - prescription medicines (Rx)
 - non-prescription medicines (OTC)
- food supplements;
- dermatocosmetics;
- 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,
- biocides for surface and hand disinfection;
- biofertilizers.

Prescription medicines (Rx) are grouped by therapeutic classes (ATC1) and are intended for pathologies with increased incidence and treatment of chronic conditions.

The main therapeutic classes by which the prescription product portfolio is identified are:

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

NonRx products are grouped by portfolio concepts for a more efficient communication to the target audience:

- Nutriensa,
- Cold & Flu;
- Derma+;
- Quality of life (Family Health, Women's Health and Men's Health);

These include dietary supplements, medical devices, dermatocosmetics, OTCs and OTXs (Rx products with OTC behavior being released from the pharmacy without a medical prescription).

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

Taking into account the Rx/Non-Rx classification, the sales of finished products, in 2023 versus 2022, were as follows:

Sales in the domestic + international market	Value 2022	Value 2023	Variation (2023-2022)
FINISHED PRODUCTS (Mil.LEI)			
RX	478,5	577,6	99,1
NON RX	153,6	164,1	10,4
Total	632,1	741,6	109,5

Rx products recorded in 2023 a value of 577.6 million lei, up 21% compared to 2022. Non-prescription products (non-Rx) recorded an increase of 7% compared to the previous year, thus sales amounting to 164.1 milioane lei.

As regards the sales data by division, taking into account both finished products and active substances, the following were recorded:

Sales in the domestic + international market (Mil.LEI)	Value 2022	Value 2023	Variation (2023-2022)
Sterile Products & APIs Division	320.0	378.4	58.4
Oral Solid Products Division	170.0	199.4	29.4
Topical Products Division	142.1	163.8	21.7
Total	632.1	741.6	109.5

Presentation of the product portfolio by division, at the end of 2023:

Oral Solid Products Division

The oral solid portfolio comprises **70 products**, being enriched with 5 new products in 2023:

- **Equilibra® Plus tablets**, dietary supplement under the umbrella brand Nutriensa®, a complex combination of organic magnesium and vitamin B6, which contributes to the restoration of the body's energy and normal functioning of the nervous system.
- **Remiflu® granules for oral solution in sachet**, an OTC medicine under the Cold & Flu concept, a triple combination of paracetamol, chlorpheniramine maleate and ascorbic acid, indicated for improving the main symptoms of ailments.
- **Faguria tablets**, a food supplement under the Cold & Flu concept, a combination of Manuka honey, Icelandic lichen extract, colloidal silver, panthenol and essential oils recommended for improving the symptoms of upper respiratory tract diseases.
- **Faguria spray**, a medical device under the Cold & Flu concept, a combination of Manuka honey, Icelandic lichen extract, colloidal silver, panthenol and essential oils recommended for improving the symptoms of upper respiratory tract diseases.
- **Lejer anti-gas capsules**, a medical device under the Nutriensa range, which contains simethicone, intended for abdominal and intestinal comfort.

Aiming to harness the current portfolio of **Oral Solid Products Division** in a more efficient way, by securing the planned sales and also by identifying new opportunities, our company:

- took actions with a positive impact on profitability (price repositioning, redefining of its commercial policy);
- analyzed and identified opportunities as certain markets to assimilate new products;
- made line extensions, proposed new products (to enrich some ranges containing products for the same indication);
- evaluated the internationalization potential of the products.

Compliance with legislative requirements

- prohibition of the use of titanium dioxide capsules for the food supplements - it assumed the development of the manufacturing test stage and preparation of the

notification file with the new type of capsules for the products Lejer® and Fezivit® C capsules;

- analyzes regarding falling within the established limits for nitrosamine concentrations - the analyzes were carried out according to the methods established according to the plan, and analyzes to assess the risk of the appearance of nitrosamines were also completed;
- Law no. 81/2022 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.

The sales recorded by the oral solid product portfolio in 2023 amounted to **199.46 million lei**, up 17% compared to the previous year. The first 3 classes, i.e. Anti-infectives for systemic use, Cardiovascular System and Digestive Tract covered 94% of the sales value recorded by the Oral Solid Products Division. The products that supported the increases are prescription medicines: Eficef® range, Amoxicilina® range, Nolet®, Piafen®, Bisotens®.

FINISHED PRODUCTS Therapeutic class (Mil.LEI)	Value 2022	Value 2023	Variation (2023-2022)
Anti-infectives	90.0	122.2	32.2
Cardiovascular system*	36.6	37.1	0.5
Digestive tract	23.4	27.6	4.2
Total	150.0	186.9	36.9

* Including ATC code B

Topical Products Division

The Topical Products Division's portfolio includes a diversified range of products: medicines for human use, medicines for veterinary use, dermacosmetics and biocides.

Medicines for human use cover a wide range of pathologies with increased incidence and prevalence: dermatological, muscular and osteoarticular, venous, ocular, genito-urinary, digestive tract disorders and symptoms of colds and flu.

The topical product portfolio includes **58 products**. In 2023, it was enriched with 4 new topicals under the concept Derma+: an OTC medicine and 3 dermatocosmetics.

- **Zinba® ointment**, a topical anti-infective OTC medicine intended for the prevention and treatment of a wide spectrum of bacterial skin infections.
- **Tinero® AZ range contains *Cleansing foam, Moisturizing cream with sun protection factor and Treatment serum***. The new dermatocosmetics line provides a complete daily care routine and is intended to improve the symptoms of rosacea, a chronic inflammatory disease. The new line contributes to developing the dermatocosmetics portfolio, a market segment in which the Antibiotice has proposed itself to become one of the first choices among Romanian brands, until 2030.

Non-prescription topical products reinforce the Derma+ portfolio, thus ensuring a product structure adapted to the new consumption trends, to different target audiences.

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

FINISHED PRODUCTS Therapeutic class (Mil.LEI)	Value 2022	Value 2023	Variation (2023-2022)
Dermatological preparations	62.6	71.4	8.8
Musculoskeletal system	20.4	23.6	3.2
Antihemorrhoid preparations and venous circulation	15.9	18.6	2.7
Other classes	43.2	50.2	7.0
Total	142.1	163.8	21.7

The products that had a significant contribution to the recorded increases are Nidoflor[®], Flucinolol N, Clotrimazol, Clafen[®] Rapid, Saliform[®] range, Hemorzon[®] range, Fluxiv[®] tonic cream, Paracetamol range, Kanamicina and Zifex[®] range.

Sterile Products & APIs Division

The Sterile Products & APIs Division's portfolio has 40 products, finished products and active substances. The finished product portfolio comprises anti-infectives for systemic use, beta-lactam penicillins, cephalosporins, carbapenems, polymyxins, glycopeptides as well as reconstitution of parenteral solutions.

The important objectives of the product portfolio strategy are to consolidate the leading status in the antibacterial anti-infectives class and enrich it with therapeutically essential medicines. In this regard, the current portfolio has been expanded with 3 other anti-infective products: Vancomicina Atb[®] 500 mg, 1g powder for concentrate for infusion solution and Cefazolina Atb[®] 1g powder for injection/infusion solution.

Sales structure of the products from the portfolio of this division in 2023

FINISHED PRODUCTS Therapeutic class (Mil.LEI)	Value 2022	Value 2023	Variation (2023-2022)
Anti-infectives	242.4	291.4	49.0
Hospital solutions*	0.9	1.0	0.1
Total	243.3	292.4	49.1

* Distilled water and saline

The products with a significant contribution in sales are: Amoxiplus[®] range, Ampiplus[®] range, Cefort[®], Colistin[®], Perasin[®] range.

Development of our company's product portfolio is achieved by assimilating the products both through our own research and development activity and through in-licensing, in compliance with the therapeutic trends and the company's development strategy.

Research-development, an ongoing concern

Antibiotice has a modern Research-Development Center whose main objective is to develop medicines, food supplements, medical devices and dermacosmetics.

Complexity of research and development activities determines the multi-year development of new product and/or product update projects for internationalization.

In 2023, the Research-Development Center carried out new product development projects for the three divisions of the company, on the following therapeutic classes:

dermatology, genitourinary system, anti-infectives, digestive tract, central nervous system and musculoskeletal system.

Considering the multi-year specificity of research and development projects, in 2023, our research specialists continued 24 projects started in the previous year and initiated 16 new projects. A number of 8 projects were completed in 2023 and handed over to the department responsible for authorizing/notifying them.

The research projects will develop the portfolios of our company's divisions, as follows:

Topical Products Division:

- 13 projects started in 2022 continued in the reporting period: 6 dermatocosmetics, 4 medical devices, 2 OTCs and 1 Rx. The technological transfers to the manufacturing site were carried out for 4 dermatocosmetics and for 1 medical device in order to prepare the commercial batches of these products.
- In the second half of 2023, 10 projects for topical products were started: 6 dermatocosmetics and 4 sterile topicals.

Proiectele de produse topice sterile fac parte din proiectul „Capacitatea de productie, ambalare si depozitare produse sterile, solutii si topice”, proiect care are ca obiectiv consolidarea pozitiei Antibiotice SA pe piata genericelor, prin diversificarea portofoliului de produse topice sterile.

The projects of sterile topical products are part of the project "Production, packaging and storage facility for sterile products, solutions and topicals", whose objective is to strengthen the position of Antibiotice SA in the generics market by diversifying the sterile topicals portfolio.

The estimated sales value for these products between 2024-2026 is 47 million lei.

Oral Solid Products Division:

- 9 projects started in 2022 continued in the reporting period: 7 products in the form of tablets (2 Rx, 1 OTC and 4 food supplements) and 2 products in the form of capsules (1 Rx and 1 food supplement).
- In 2023, the development actions for three projects in the food supplements category were completed, with a view to their notification.
- During the year, 3 other new product projects in the food supplements category were substantiated. Two of these projects started in the first half of 2023, and the third one started in the third quarter of the year.

The estimated sales value between 2024-2026 for the products belonging to the Oral Solid Products Division under development is 30 million lei.

Sterile Products and APIs Division:

- 2 projects started in 2022 continued in the reporting period: both of them are prescription medicines : 1 injectable product and 1 suspension for oral use;
- The estimated sales value for these products is 49 million lei between 2024-2026.

- In the second half of 2023, our specialists initiated the first 3 projects for developing new products such as sterile injectable solutions (prescription medicines, Rx), these being part of the project "Production, packaging and storage facility for sterile products, solutions and topicals", a project whose objective is to strengthen the position of Antibiotice SA in the generics market by diversifying the sterile product portfolio with injectable solutions.

As an integral part of the Research & Development Center, the Clinical Studies Center carried out in 2023 clinical studies stages for the products from the portfolios of the following divisions:

- Oral Solid Products Division - bioequivalence study stages for 3 new Rx products;
- Topical Products Division - clinical study stages for 2 topical products, studies required in the international authorization process, of which:
 - a. a new Rx product; pharmaceutical form: pessaries;
 - b. one product having a MA in Romania (OTC), proposed for internationalization; pharmaceutical form: cream.

A third, observational, post-marketing study for a prescription product from the Topical Products Division, has been in progress, with the aim of supporting its promotion among medical specialists.

In 2023, a clinical bioequivalence study was carried out for a solid oral product with prolonged release for a partner from Greece, based on a collaboration contract. The study will be completed in the first half of 2024.

In parallel with the studies mentioned above, taking into account the requirements of the regulatory authorities in the pharma field at national and international level, in the Research laboratories, activities were carried out to determine nitrosamine impurities for the products in the company's portfolio, these analyzes being necessary to maintain the marketing authorizations.

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

Efficacy studies for ecological biofertilizers were carried out in the field. In parallel with the experimentation in the field, a research project has been 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. These actions will support the positioning of the products in the market of biofertilizers.

In-licensing activity

To complete the portfolio, according to the strategies established by the Business Plan "The Future Together", in 2023, our company concluded partnerships for 28 products, in the following structure:

- ✓ 20 products for human use, from the following therapeutic classes:
 - 10 anti-infectives
 - 3 cardiovasculars
 - 4 products for digestive tract and metabolism
 - 1 product for cold & flu
 - 1 product for nervous system
 - 1 product from the genitourinary system and sexual hormones class
- ✓ 8 products for veterinary use intended for pets (dogs and cats) that will go on sale in the first quarter of 2024 under the VetAria+ brand.

Out of the 28 contracted products, 15 products will be launched in the market in 2024.

Promotional activity

Promotion of the products from our company's portfolio aims at increasing and consolidating the brands' awareness and targets both health professionals and general public.

Communication to health professionals aims to strengthen partnerships with them, identify prescription habits and treatment practices, as well as access alternative promotion channels.

In 2023, we communicated to health professionals through direct promotion visits made by the team of medical representatives and also through participation in national congresses and conferences. These events were organized by the main Romanian professional, academic and scientific societies and associations of the following medical specialties: Anesthesia and Intensive Care, Infectious diseases, Cardiology, Dermatology, Obstetrics-Gynecology, Urology, Otorhinolaryngology, Gastroenterology, Pneumology, Family Medicine and Pharmacy.

The promotional actions focused mainly on promoting the products newly assimilated in the portfolio, along with actions aimed at consolidating the market shares of the products from the company's portfolio.

Communication to the general public

In order to develop our portfolio and increase the brands' awareness, we carried out integrated media communication campaigns to the general public.

Media campaigns strengthen our partnerships with the main distributors for the purchase of products and ensures the distribution of the products in an extensive number of pharmacies, boosting the purchase of products.

The integrated communication campaigns to the general public run through the TV, radio and social media channels.

The TV campaigns were carried out for the following brands: Silithor®, Clafen® rapid, Simbiflora® range. Radio campaigns promoted the products of the Nutriensa range (Equilibra®, Fluxiv®, Imunofix®, Lejer®, Silithor®, Simbiflora® range, Soriso®, Sprinten®) and Clafen® rapid. Online promotion was carried out through the dedicated websites (Nutriensa, Cutaden Bebe, Tiner), Facebook pages (Nutriensa, Cutaden Bebe, Tiner), Instagram (Nutriensa, Cutaden Bebe, Tiner), Tik Tok (Tiner). To inform potential consumers about the four new products, Tiner® AZ range and Zinba®, communication actions were carried out in pharmacies and online.

The 36 products promoted in 2023 recorded sales by 15% higher than in the previous year.

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

Internationally certified quality

In 2023:

- the National Agency for Medicines and Medical Devices of Romania conducted an inspection for GCP-GLP recertifying the Bioanalytical Laboratory within the Clinical Studies Center (25-27.01.2023).
- Antibiotice SA received from the National Agency for Medicines and Medical Devices of Romania the approval to operate as a distributor of medical devices.
- Antibiotice SA received from the National Agency for Medicines and Medical Devices of Romania the approval for registering the company as a manufacturer, importer and distributor of active substances which will be used as raw materials for medicines for human use.
- The National Veterinary Sanitary & Food Safety Authority conducted an inspection for Good Manufacturing Practice recertifying the following manufacturing

flows: sterile veterinary products (injectables and ointments) and non-sterile veterinary products - ointments (27-28.02.2023).

- TÜV Rheinland Romania conducted the surveillance audit 1 regarding the certification of the Integrated Management System, ISO 9001, ISO 14001, ISO 45001 (04-05.12.2023).
- The National Environmental Guard - CJ Iasi carried out an inspection (29.09 - 16.10.2023) to verify the compliance with the provisions of the Integrated Environmental Authorization. An inspection Report was concluded and the measures established following the previous controls were carried out. No violations of the applicable legal requirements were found.

In August 2023, Annex 1 to the (EU) GMP guideline entered into force, which provides for new regulations regarding the manufacture of medicines. Antibiotice started a series of activities to comply with the new requirements imposed by this guideline.

Audits were carried out at the suppliers of raw materials/primary packaging materials/finished products which ended without the identification of critical non-conformities, being accepted as authorized suppliers for Antibiotice.

50 quality agreements were initiated, evaluated or completed with the manufacturers of active substances, finished products and Nystatin.

Environmental responsibility

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

In 2023, the Water Management Authorization no. 20/30.03.2021 issued by the Prut Barlad Water Basin Administration, as well as Integrated Environmental Authorization no. 3/29.09.2021 issued by the Iasi Environmental Protection Agency were maintained.

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

In order to monitor the quality of environmental factors, our own laboratory and laboratories of the third parties made analyses on the quality of water entering the pre-treatment plant and discharged into the municipal sewerage system. For the emissions/imissions of pollutants in the air, determinations were made according to the requirements of the Integrated Environmental Authorization, throughout the year 2023.

No exceedances of the maximum allowed concentrations established by the Integrated Environmental Authorization and Water Management Authorization were recorded.

Antibiotice is a company responsible for environmental protection while proactively ensuring the compliance with product safety requirements. An equipment was installed and put into operation, which has the role of reducing the emissions of odors specific to the biosynthesis process (the action is in progress and its effectiveness is to be evaluated).

As regards the climate change, Antibiotice carried out a rigorous assessment of the associated risks and a detailed TCFD-compliant report was completed. (Task Force on Climate-Related Financial Disclosures (TCFD)).

Waste management

Antibiotice continuously improves the waste management system to ensure a sustainable and efficient approach. Thus, the completion of the waste warehouse contributed to reducing our impact on the environment, promoting more sustainable practices and a more efficient management of resources.

A series of measures from the Waste Management Plan were implemented in the Waste Warehouse, such as setting up selective collection areas and placing specific equipment for reducing the volume of waste.

Recyclable waste was sold based on contracts to the authorized economic operators. Non-recyclable waste was incinerated in our own installation, disposed of at the municipal waste landfill, or taken over by authorized operators.

Also, the global objectives regarding the recovery of packaging waste for the products introduced on the national market were fulfilled through the contract concluded with an authorized organization implementing extended producer liability obligations (OIREP). Our company did not register outstanding payment amounts to the Environmental Fund Administration.

Occupational Health and Safety

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

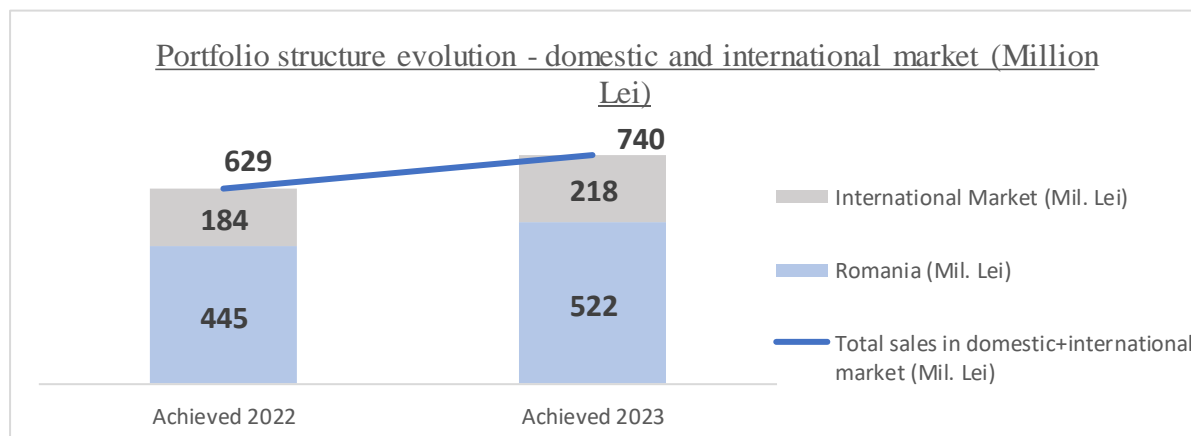
There was no incident or work accident reported during the analyzed period.

Pillar 4: Performance Management

Performance management is supported by the strategic planning concept, by preparing management plans compliant with our 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, our company's management aims to follow monthly, quarterly and annually the progress made by each executive, operational or support unit.

The following presentation refers to the retail and hospitals sales in the domestic and international markets in 2023. In the portfolio structure, sales in the domestic and international market in 2023, compared to the values from the same period of the previous year, are presented as follows:



The increase in sales was based on the company's repositioning actions for the products in the portfolio, on encouraging the rational consumption, as well as on the market context, marked by an increased incidence of acute respiratory diseases, including bacterial super-infections.

In the reporting period, the sales structure was the following:

- 654 million lei - finished products, representing 88% of total sales;
- 86 million lei - active substances, representing 12% of total sales.

Business consolidation in the domestic market

Evolution of the pharmaceutical market in Romania¹

In 2023, the value of medicines released to the patients from Romania was 29.96 billion lei, higher by 16.2% compared to 2022. Consumption of medicines increased by 2.4% in 2023, a number of 722.6 million boxes being released from the pharmacies.

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

Of the total pharmaceutical market in Romania, 44.5% (in terms of value) is represented by the segment of generics, prescription and non-prescription medicines. In the analyzed period, the generics market registered a 14.0% value increase, from 11.7 billion lei to 13.3 billion lei. In terms of quantity, it increased by 1.4%, with a number of 530.0 million boxes released from pharmacies in 2023 compared to 522.7 million boxes in 2022.

Prescription drugs (Rx) represented 43.4% of total value sales in 2023 and 48.9% of total generic drug consumption (reported as number of boxes). These recorded a 18.7% increase in value, from 4.9 billion lei in 2022 to 5.8 billion lei in 2023 and a 4.8% increase in terms of quantity, from 247.1 to 259.1 million boxes in 2023.

Non-prescription drugs (non-RX) recorded a 10.7% value increase (from 6.8 billion lei to 7.5 billion lei in 2023) and dropped by 1.7% in terms of quantity, from 275.6 million boxes in 2022 to 271.0 million boxes in 2023.

By market segments, the sales situation in the market developed as follows:

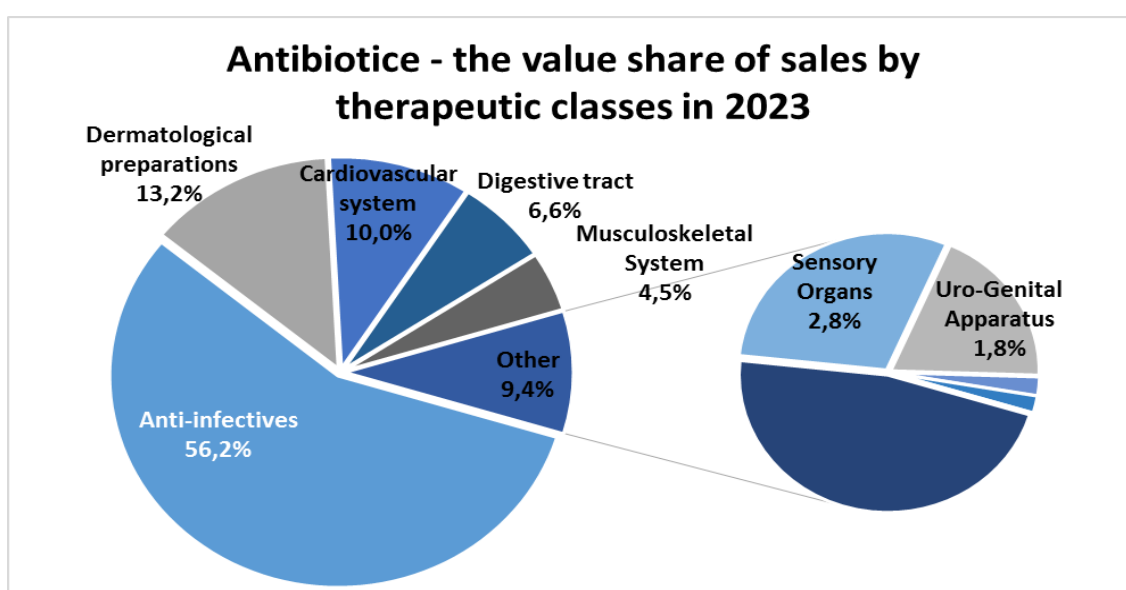
- **hospital** - the sales increased by 13.3%, from 1.03 billion lei in 2022 to 1.16 billion lei in 2023. In the analyzed period, consumption increased by 9.4% from 22.8 to 25.0 million boxes;
- **national pharmacy chains** - the sales increased by 11.0%, from 4.23 billion lei in 2022 to 4.69 billion lei in 2023. In terms of quantity, a slight decline of 0.7% was recorded compared to 2022, from 196.8 million boxes in 2022 to 195.3 million boxes in 2023;
- **independent pharmacies and minichains** - the sales increased by 16.1%, from 6.43 billion lei in 2022 to 7.46 billion lei in 2023. In terms of quantity, a 2.2% increase was recorded in 2023 compared to 2022, from 303.2 to 309.8 million boxes.

Antibiotice in the Romanian pharmaceutical market ²

¹ According to the data source CEGEDIM Sell Out Romania 2023

In 2023, in the domestic market, Antibiotice:

- recorded sales in value of 522.0 million lei, higher by 17.4% compared to 2022;
- in terms of consumption (number of boxes), it ranked 4th in the segment of prescription generic medicines and non-RX (a 5.4 % market share);
- quantitative leader (IU) in the total market on the following pharmaceutical dosage forms: ointments (20.7%), suppositories and pessaries (35.8%) and powders for injection (57.0%);
- ranked 2nd, as number of boxes with capsules in the total market (9.9%);
- leader in terms of value in the segment of generic medicines, prescription and non-RX medicines sold in hospitals, with a 14.0 % market share.
- Antibiotice has consolidated its sales on the portfolio of anti-infectives for systemic use, developing also the therapeutic classes where it holds important positions in the domestic market: dermatological preparations, cardiovascular system and digestive tract.



Prescription medicines (Rx) represented 85.9% from the total value sales in 2023 and 86.3% from the total consumption of medicines (reported as number of boxes). During the analyzed period, they recorded a 20.7% value increase, from 371.6 million lei in 2022 to 448.6 million lei in 2023 and a 6.7% increase in terms of quantity, from 23.0 la 24.6 million boxes.

Non-prescription medicines (non-RX) recorded a 0.3% value increase (from 73.1 million lei in 2022 to 73.4 million lei in 2023) and a decrease in consumption from 4.4 to 3.9 million boxes.

By **market segments**, the Antibiotice sales situation presented itself as follows:

- **hospital** - the sales recorded a significant value increase of 19.9%, %, from 135.8 million lei in 2022 to 162.9 million lei in 2023. Consumption recorded in this segment as number of boxes increased slightly compared to the previous year, from 1.54 to 1.58 million boxes;

² According to the data source CEGEDIM Sell Out Romania 2023

- **national pharmacy chains** - the value sales increased by 15.2 % in 2023 compared to the previous year (from 111.5 to 128.4 million lei). The number of boxes released by pharmacies increased by 4.2%, i.e.10.0 million boxes in 2023.
- **independent pharmacies and minichains** - the value sales increased by 16.9% in 2023 compared to the previous year (from 197.4 to 230.7 million lei). The number of boxes released by pharmacies increased by 3.9% (from 16.24 to 16.88 million boxes).

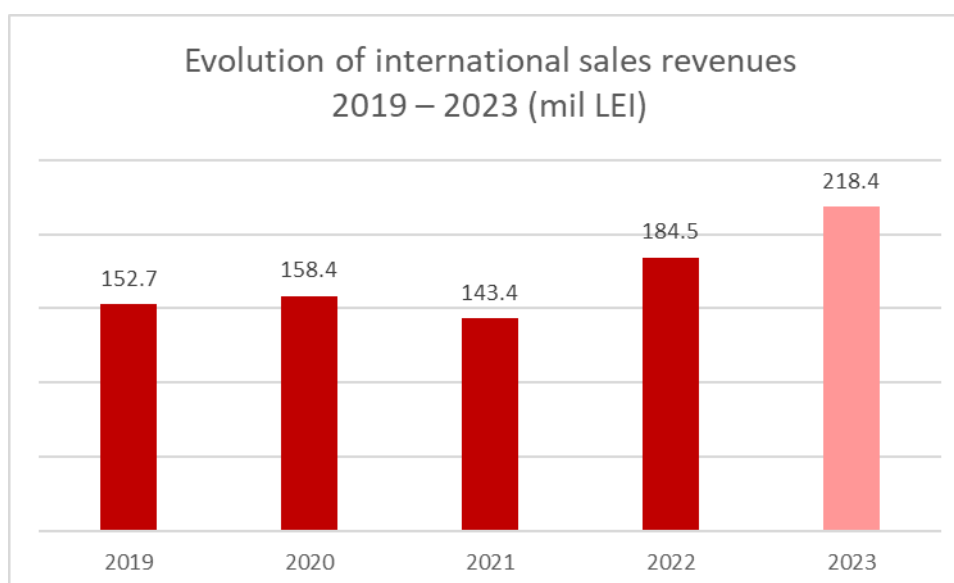
In 2023, the promotion actions developed by Antibiotice led to the consolidation of the quantitative market shares for the promoted brands: Eficef® (a product ranked 1st in terms of value - part of our company's anti-infectives portfolio), Zifex Duo® pessaries and Zifex Complex® pessaries - from the class of Genitourinary products, and the brands SimbiFlora®, Lejer® and Imunofix® from the Nutriensa range.

Internationalization of business in the ATB territories and other territories

In 2023, the international sales revenues were 218.4 million lei, higher by 18% compared to the value recorded in 2022 (184.5 million lei) and by 5.5% compared to the planned sales (207 million lei).

As regards their structure, our company's revenues from the sale of finished products represented 61% of the export value:

- finished products: 132.3 million lei, higher by 20.3% compared to 2022 (109.5 million lei)
- active substances: 86.1 million lei, higher by 13,7% compared to 2022 (75.7 million lei).



The upward trend of sales of finished products was mainly determined by:

- a consolidated sales growth in the company's traditional markets: US, Vietnam, UK, Denmark, Norway and Republic of Moldova - sterile beta-lactam antibiotics;
- doubling the volumes sold, for a series of antibiotics and cardiovascular medicines in the territories where the company has representative offices and its own promotion and sales teams: Vietnam, Republic of Moldova and Serbia;
- accessing new markets in the EU (Hungary, Poland) and Georgia with a portfolio of products carefully selected according to the current and future consumption

potential of the market, selling price, the area targets set in the territorial expansion plan.

Statistical milestones, relevant for 2023:

- 92 finished products traded (SKU);
- 63% of the exported volumes of finished products were capsules and tablets;
- 30 territories where our company exported, of which 12 in the EU;

In the US, our company consolidated a 7 million USD business, by selling 6 sterile beta-lactam antibiotics, being an important supplier for the health system in this country.

The significance of Antibiotice has been growing year by year in Europe, from about 5 million Euro (2020-2021) to over 10 million Euro in 2023. Our company's presence has been constantly increasing in the traditional territories, while accessing new markets, especially in the European Union within some regional partnerships.

In the Asia area, our sales in the Vietnamese market recorded an 3% advance compared to the period January-December 2022 and reached 7 million USD by launching 3 new products for treating hypercholesterolemia and by an increased demand for oral antibiotics.

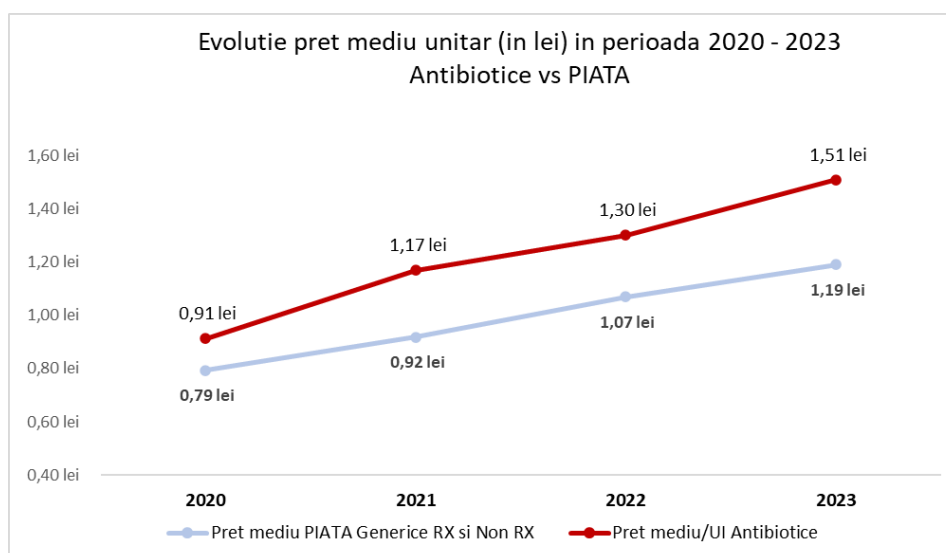
In the **Republic of Moldova**, the second territory where we have our own representative office, **we consolidated sales** of 1.3 million Euro, notable being the upward trend for the products in the focus and promotion actions of the local representative office.

The **export of active substances** based on biotechnologies derived from streptomyces noursei for pharmaceutical use followed the growth trend recorded in the recent years, consolidating the position of the active substance Nystatin in the world market.

In 2023, the sales increased by about 14% compared to the previous year, Nystatin being exported to over 55 countries. The sales aimed both at strengthening our presence in the strategic territories and at conducting development projects in various countries from Europe, North America and South America.

Price - a strategic element

In 2023, the average price in the **generic market, RX si non-RX**, was 1.19 lei/IU, up 11.3% compared to the previous year (1.07 lei/IU). In terms of sales channels, the price structure was as follows: **hospital** 5.78 lei/IU, of which the injectable products registered a price of 9.59 lei/IU, up 11.5% compared to last year. **Independent and mini-chain pharmacies (MLFI)** 1.13 lei/IU (up 11,9% compared to 2022), and **national chains** 1.08 lei/ IU (up 10.4% compared to 2022).



The average price of the **Antibiotice** portfolio in terms of international units (IU) was 1.51 lei/IU in 2023, higher by 16.0% (1.30 lei/IU in 2022).

Positioning strategy of products in the market is the starting point for the entire marketing mix, implicitly for the product and price policy. The applied market segment strategies and promotion concepts led to an efficient harness of the portfolio in the terms of structure compared to the planned average price, with a 108.8% achievement degree.

As regards the sales channels, in 2023, the price structure of the Antibiotice portfolio was as follows: **hospital** 4.74 lei/IU, from which injectable products recorded a price of 9.90 lei//IU (up +17.2% compared to the last year); **mini-chain and independent pharmacies** 1.24 lei/IU (up 14.6% compared to 2022); **chain pharmacies** 1.02 lei/IU (up 18.0% compared to 2022).

On the retail segment, the focus on the development projects of the non-Rx brands from the range Quality Life - Nutriensa generated a 13.6% increase of the average unit price compared to 2022, from 0.87 lei/IU to 0.99 lei/IU.

Development of the product range Quality Life - Cold & Flu by introducing new pharmaceutical forms: granules for oral solution in sachets (REMIFLU), oral spray (Faguria) and drops (Faguria), as well as the price increase of the products from the current portfolio led to the increase of the average unit price of the range Quality Life - Cold & Flu by +35.3%, from 0.78 lei/IU in 2022 to 1.06 Lei/ IU in 2023.

The launch of the Tiner dermatocosmetics range, with a selling price above the portfolio average: Tiner AZ® serum and Tiner AZ® cream as well as price repositioning at the competition level for the products in the current portfolio led to a 6.7% increase of the average selling price of the products under the Derma+ concept, from 19.47 lei/IU in 2022 to 20.77 lei/IU in 2023.

Management of financial flows and operational expenses

The effect of all the activities carried out in 2023 is summarized in the Individual Financial Statements prepared in accordance with the International Financial Reporting Standards ("IFRS") adopted by the European Union. In 2023, our company made corrections on the retained earnings and restated the related indicators from the Individual Financial Statements of 2022.

Comprehensive Income Statement

A. Compared to the planned value of **total revenues** of 580.5 million lei, our company recorded in 2023, **total revenues** amounted to 640.73 million lei, by 10% higher than the planned value (580.5 million lei) Compared to the value achieved in 2022, they were 23% higher.

Operating income recorded a value of 629.3 million lei, by 11% higher compared to the planned value and by 23% higher than the value recorded in 2022. The favorable evolution of these revenues was determined by the positive trend of revenues from contracts with clients (turnover).

The revenues from contracts with clients (turnover) achieved in 2023 were in value of 600.78 million lei, by 7% higher than planned (560.51 million lei) and by 24% higher compared to the value recorded in 2022 (483.72 million lei).

In structura cifrei de afaceri:

- revenues from the sale of products made on our own sites represented 80%. Their value was 482.09 million lei, by 12% higher than planned (430.89 million lei) and by 24% higher compared to the value recorded in anul 2022 (387.5 million lei);
- revenues from the sale of products made on partner sites represented 19.5%. Their value was 117.38 million lei, by 9% lower than planned (129.26 million lei) and by 23% higher compared to the value recorded in 2022 (95.16 million lei).

In 2023, income included from an accounting point of view in the category of **other operating revenues** recorded a value of 1.42 million lei. Of these, 0.52 million lei represented income from the prescription, according to legal requirements, of the shareholders' right to collect the distributed dividends and 0.56 million lei represented income from the revaluation of tangible assets.

Indicators	31.12.2023	31.12.2023	31.12.2022	31.12.2022	31.12.2023/	31.12.2023/	31.12.2023/
		(planned)	(reported)	(restated)	31.12.2023/	31.12.2022	31.12.2022
					(planned)	(audited)	(restated)
A. Total revenue, of which:	640,726,948	580,496,000	522,227,008	527,524,478	10%	23%	21%
1. Operating income	629,266,367	569,215,000	511,528,738	516,826,208	11%	23%	22%
1.1 Revenues from contracts with clients (turnover), of which:	600,780,825	560,512,328	483,724,186	483,724,186	7%	24%	24%
income from the sale of products made on their own websites	482,092,932	430,890,988	387,506,130	387,506,130	12%	24%	24%
income from the sale of products made on partner sites	117,383,457	129,264,340	95,160,681	95,160,681	-9%	23%	23%
Income from the provision of services	1,304,436	357,000	1,057,375	1,057,375	265%	23%	23%
1.2 Other operating revenues	1,424,282	687,500	2,033,372	7,330,842	107%	-30%	-81%
1.3 Income from subsidies	270,907	0	302,979	302,979	-11%	-11%	-11%
1.4 Changes in stocks of finished products and production in progress	13,408,502	(2,352,000)	11,689,110	11,689,110	470%	15%	15%
1.5 Income from immobilization projects	13,381,851	10,367,072	13,779,091	13,779,091	29%	-3%	-3%
2. Financial income	11,460,581	11,281,000	10,698,270	10,698,270	2%	7%	7%
Income from exchange rate differences	11,456,207	11,280,000	10,696,833	10,696,833	2%	7%	7%
Income from bank interest	4,374	1,000	1,437	1,437	337%	204%	204%
B. Total expenses, of which:	549,202,704	530,489,000	480,323,777	461,914,504	4%	14%	19%
1. Operating expenses:	532,733,136	516,550,000	465,028,352	446,619,079	3%	15%	19%
Expenses with raw materials and consumables	157,104,754	148,579,891	125,990,448	125,990,448	6%	25%	25%
Expenditure on products made on partner sites	61,063,703	64,731,374	51,126,807	51,126,807	-6%	19%	19%
Electricity expenses	13,741,049	16,084,629	11,505,725	11,505,725	-15%	19%	19%
Natural gas expenses	9,620,298	15,209,204	9,111,618	9,111,618	-37%	6%	6%
Drinking water and sewerage expenses	1,972,935	2,075,193	1,409,136	1,409,136	-5%	40%	40%
Staff costs	156,053,526	140,245,178	122,940,724	125,766,529	11%	27%	24%
Other operating expenses (*)	105,301,309	102,981,000	120,674,339	96,401,539	2%	-13%	9%
Depreciation and adjustments for the depreciation of fixed assets, net	27,875,560	26,643,531	22,269,554	25,307,276	5%	25%	10%
2. Financial expenses	16,469,567	13,939,000	15,295,425	15,295,425	18%	8%	8%
Expenses from exchange rate differences	12,323,961	10,345,000	11,704,137	11,704,137	19%	5%	5%
Bank interest expenses	4,145,607	3,594,000	3,591,288	3,591,288	15%	15%	15%
Operating result	96,533,232	52,665,000	46,500,386	70,207,129	83%	108%	37%
Financial result	(5,008,986)	(2,658,000)	(4,597,156)	(4,597,156)	88%	9%	9%
Gross profit	91,524,246	50,007,000	41,903,231	65,313,721	83%	118%	40%
Expenses with profit tax and deferred tax	10,435,650	8,009,000	3,389,803	13,841,684	30%	208%	-25%
Net profit	81,088,596	41,998,000	38,513,427	51,472,037	93%	111%	58%

Through the research-development activity carried out in 2023, **revenues of 13.2 million lei from the production of intangible assets** were recorded. The methodology was certified by an expert appointed by the Ministry of Research, Innovation and Digitization.

From the financial activity, **financial income** of 11.46 million lei was recorded in 2023, represented by income from exchange rate differences and interest income.

B. The effort made to achieve total revenues determined **total expenses** of 549.20 million lei, 4% higher compared to the planned value of 530.49 million lei and 14% higher compared to the value of 480.32 million lei recorded in 2022. The treatment of the level of some elements of expenses from 2022 determined total expenses of 462.2 million lei. In the structure of total expenses, **operational expenses** amounted to 532.73 million lei, higher than planned (516.55 million lei) and higher than the value recorded in 2022 (465.03 million lei).

Expenses with the raw materials were in value of 141.83 million lei, by 7% higher than planned, being in correlation with the production structure, adapted to meet the consumption needs of the domestic and international markets.

- **Expenses for products made on other sites** amounted to 61 million lei, by 6% lower than planned and by 19% higher compared to the value recorded in 2022, being correlated with the sales structure.

- **Expenses for electricity, natural gas, drinking water** amounted to de 25.33 million lei, lower than planned, i.e. 33.4 million lei. The favorable difference between the planned and achieved level is the result of optimizing the specific technological processes that determined a lower quantitative consumption of utilities, with a value influence of 2.4 million lei. Utility tariffs, below than estimated, determined an influence of 5.6 million lei.
- **Personnel expenses** - adaptation of the salary system and employee motivation to the labor market, structure of the professions in the company and inflation rate determined personnel expenses in the amount of 156.05 million lei (which includes the provision for the participation of employees in the profit and for unused vacations).

The structure of expenses includes **other operating expenses**, described below:

- expenses with the transport of goods and services in value of 4.2 million lei, performed for the transport of finished products free to destination, sold in the domestic and international market.
- **expenses with services performed by third parties**, in the amount of 14.14 million lei which included sales support services, drug serialization, market studies in the pharma field, equipment qualifications, equipment maintenance, customs services, physical-chemical analyzes (nitrosamine analyses), participation in congresses.
- **maintenance and repair expenses** in the amount of 2.5 million lei necessary to maintain the production equipment in optimal condition, consolidation of some constructions, maintenance and repair of the car fleet.
- **expenses with taxes and fees**, in the amount of 47.6 million lei, of which:
 - claw-back tax has a 77% share. Its value was 37 million lei, higher than planned, i.e. 34 million lei and higher than the value recorded in the previous year, i.e. 31.3 million lei, being correlated with the increased level of sales in the Romanian market. Claw back tax is regulated by GEO no. 77/2011 on the establishment of some contributions for the financing of some expenses in the field of health, paid quarterly to the State Budget for prescription drugs included in the national health programs, with or without personal contribution, used in outpatient treatment based on medical prescription through open-circuit pharmacies, for those used in hospital treatment, supported by the Unique National Health Insurance Fund and by the budget of the Ministry of Health.

Indicators	31.12.2023	31.12.2023 (planned)	31.12.2022 (reported)	31.12.2022 (restated)	31.12.2023/3 1.12.2023 (planned)	31.12.2023/ 31.12.2022 (reported)	31.12.2023/ 31.12.2022 (restated)
Shipping costs	4,199,124	4,944,010	4,171,593	4,171,593	-15%	1%	1%
Expenses with services performed by third parties	14,141,264	22,295,618	14,176,126	14,176,126	-37%	0%	0%
Repair work expenses	2,545,491	2,793,111	1,959,716	1,959,716	-9%	30%	30%
Expenses with other taxes and fees	47,588,521	39,794,138	38,256,584	38,256,584	20%	24%	24%
Protocol, advertising and publicity expenses	24,162,131	30,276,093	23,271,794	21,390,637	-20%	4%	13%
Insurance premium expenses	2,818,950	2,231,860	1,962,310	1,962,310	26%	44%	44%
Consultancy expenses	106,912	0	0	0			
Other general expenses, of which:	3,986,392	4,100,259	11,585,068	11,585,068	-3%	-66%	-66%
Professional training expenses	955,676	1,000,000	554,862	554,862	-4%	72%	72%
Representation expenses in the territories	1,039,541	1,403,359	2,496,617	2,496,617	-26%	-58%	-58%
Expenses with bank commissions	504,921	475,218	582,729	582,729	6%	-13%	-13%
Environmental protection expenses	1,485,956	1,221,682	1,124,096	1,124,096	22%	32%	32%
Losses from receivables and various debtors	0	0	4,382,606	4,382,606			
Other operating expenses	299	0	2,444,159	2,444,159			
Rent expenses	595,149	420,231	293,025	293,025	42%	103%	103%
Travel expenses	1,643,571	1,691,013	824,117	824,117	-3%	99%	99%
Expenses with post and telecommunications fees	562,380	564,573	544,524	544,524	0%	3%	3%
Expenses with sponsorships and donations	1,059,242	450,000	450,214	450,214	135%	135%	135%
Expenses with compensations, fines and penalties	5,608	20,094	25,075	25,075	-72%	-78%	-78%
Gains from the disposal of tangible and intangible assets	0		103,546	103,546			
Expenses from revaluation of fixed assets	1,459,611						
Expenses regarding the adjustment of the value of current assets	8,285,010	0	29,561,510	29,561,510		-72%	-72%
Income from the adjustment of the current assets value	7,858,047	6,600,000	9,477,775	28,747,361	19%	-17%	-73%
Expenses regarding provisional risks and expenses		4,500,000	6,679,335	3,853,530	-100%	-100%	-100%
Income from the cancellation of provisions for risks and expenses		4,500,000	3,905,130	3,905,130	-100%	-100%	-100%
Total	105,301,309	102,981,000	120,378,087	96,401,539	2%	-13%	9%

- fees for registration and maintenance of product certification at the regulatory authorities, with a 14% share;
- local taxes and fees (buildings, land, means of transport), with a 4.5% share.
- **protocol, advertising and publicity expenses** amounted to 24.2 million lei. Of these, the amount of 23.04 million lei represented expenses for advertisement and publicity, the main categories of promotion activities being:
 - promotion campaigns to the general public (TV, radio, online), which represented 45% of the total;
 - campaigns for promoting the non-Rx products in partnership with distributors that take place both through the national pharmacy chains and mini-chains and independent pharmacies, which represented 34% of the total;
 - promotion in media publications, brochures and magazines intended for the general public, making and supporting presentations produced by health professionals in scientific events, which represented 11% of the total;
 - providing product samples and personalized promotional materials (for brand promotion and communication, within the actions carried out to increase the visibility and awareness of the products, as well as for increasing the loyalty of the target audience), which represented 5.5 % of the total;

- scientific promotion/participation in congresses, which represented 1 % of the total;
- **expenses with insurance premiums** in value of 2.8 million lei, included:
 - optional insurance granted to employees based on performance criteria (28%);
 - insurance of internal and external receivables (21%);
 - insurance for vehicles in the fleet (21%);
 - insurance of products during domestic and international transport (14%);
 - civil liability insurance for the consumption of medicines by patients, mandatory for sales in the US market (8.7%).
- **professional training expenses** in the amount of 0.96 million lei, close to the budgeted level and above the value recorded in the similar period of the previous year, necessary for maintaining/improving the professional level of our employees.
- **expenses of representation in territories** in the amount of 1.04 million lei, lower compared to the planned level and the one recorded in the previous year. The sale of products in the Antibiotice territories involves concluding contracts with partners in the respective areas to manage the registration of products with the authorities and to mediate sales in the market;
- **environmental protection expenses**, in value of 1,49 million lei were represented by the values paid to the electricity supplier for the green certificates that hold the main share, as well as the environmental fees paid to the authorized suppliers for waste recycling;
- **travel expenses** amounted to 1.64 million lei, a value similar to the planned level and above the level recorded in 2022. The diverse activities carried out by our company, in line with specific legal regulations, involves traveling to the authorities, to business partners both in the country and abroad for consolidating and developing new partnerships, attending conferences and international events in the field of pharma and training courses.
- **expenses with donations and sponsorships**, in value of 1 million lei were represented by the amounts allocated to social responsibility projects in which the company has been actively involved, with a view to sustainable development.

Financial expenses recorded in 2023 amounted to 16.5 million lei (represented by expenses from exchange rate differences and interest expenses).

The combined effect of operational revenues and expenses determined a value of the **operational result** of 96.53 million lei.

Financial result - financial income correlated with the level of financial expenses generated a negative financial result of 5 million lei. The unfavorable impact is from the amount of interest expenses, the income and expenses from exchange rate differences being approximately at the same level.

Gross profit amounted to 91.52 million lei, higher than the planned level (50 million lei) and higher than the value recorded in 2022 (41.9 million lei).

Net profit amounted to 81.09 million lei, higher than the planned level (42 million lei) and than the value recorded in 2022 (38.5 million lei), a combined effect of:

- increasing the sales in the international market by accessing new territories with products that define the Antibiotice strategic portfolio;
- optimizing the sales structure of anti-infectives for systemic use and dermatological preparations in the domestic market;
- renegotiating partnerships with distributors, in each market segment - hospital, national chains, mini-chains and independent pharmacies, in order to improve market share and profitability;
- increasing the sales in an optimal structure both in the hospital and retail segments.

Statement of Financial Position

Analysis of the patrimonial asset

At the end of 2023, Antibiotice S.A. recorded assets of 1.139 million lei. The fixed assets had a 65% share while the current assets had a 35% share.

Compared to the previous year, fixed assets increased by 39%, a positive result of the investment process in 2023 and of the revaluation of fixed assets (land, buildings and special constructions) performed by an authorized third party for accounting reporting purposes.

The land and buildings are at the revaluated value (without accumulated depreciation and depreciation losses).

For the data comparability, revaluation was also carried out for the lands, buildings and special constructions in the patrimony on 31.12.2022, proceeding with the restating of the indicators from the 2022 individual financial position statement.

Investments in intangible assets (research and development projects, purchases of product licenses, software licenses) over the depreciation value, determined their increase compared to the level at the beginning of 2023. For 2022, the value of intangible fixed assets was restated by correcting the depreciation expenses for an element of intangible fixed asset.

Value of stocks registered an increase correlated with the global context that determined the extension of supply times. Stocks of raw materials, materials and finished products were correlated with the manufacturing and sales plans.

Stocks of raw materials and finished products made on our own sites and on the sites of our partners were monitored and correlated with the stock standards.

In correlation with the increase in turnover in the domestic and international markets, receivables increased. To counteract the commercial risks, the company concluded insurance policies for receivables from the domestic market and international markets. For 2022, the level of receivables was restated with the amount of adjustments for the depreciation of receivables, calculated by applying the simplified approach of IFRS 9 "Financial instruments".

Analysis of current and long-term debts

At the end of 2023, our company recorded long-term debts in the amount of 101.74 million lei, comprised of:

- balance of the loan for financing the investment activity;
- balance of subsidies for investments that will be recognized as income as the investments financed from them are amortized;

- deferred profit tax liabilities, recognized according to IAS 12, "Profit tax". The company restated the amount of deferred profit tax liabilities from 2022.

Indicators	31.12.2023	31.12.2022	31.12.2022	31.12.2023/3	31.12.2023/
	(audited)	(reported)	(restated)	1.12.2022	31.12.2022
				(reported)	(restated)
Assets					
Fixed assets					
Tangible assets	692,361,541	496,810,361	599,898,910	39%	15%
Intangible assets	45,526,698	35,795,943	32,758,221	27%	39%
Total fixed assets	737,888,239	532,606,304	632,657,131	39%	17%
Current assets					
Stocks	160,214,484	122,494,428	142,659,974	31%	12%
Trade and similar receivables	235,771,990	196,402,918	204,033,217	20%	16%
Prepaid expenses	3,489,615	3,243,331	3,243,331	8%	8%
Cash and cash equivalents	1,807,930	1,727,454	1,727,454	5%	5%
Total current assets	401,284,019	323,868,131	351,663,976	24%	14%
Total assets	1,139,172,258	856,474,435	984,321,107	33%	16%
Equity and liabilities					
Equity					
Subscribed capital	67,133,804	67,133,804	67,133,804	0%	0%
Revaluation reserves	225,417,959	111,164,239	197,758,620	103%	14%
Legal reserves and other reserves	324,877,598	305,594,766	305,594,766	6%	6%
Retained earnings	229,534,759	157,537,792	170,496,402	46%	35%
Total equity	846,964,120	641,430,601	740,983,592	32%	14%
Long-term liabilities					
Bank loans and debts	36,750,203	46,973,501	46,973,501	-22%	-22%
Subsidies for investments - non-current portion	1,586,415	1,857,322	1,857,322	-15%	-15%
Deferred tax liabilities	63,401,227	30,871,210	57,817,259	105%	10%
Total long-term liabilities	101,737,845	79,702,033	106,648,082	28%	-5%
Current liabilities					
Trade and similar liabilities	150,780,362	86,067,391	99,391,828	75%	52%
Bank loans	29,552,092	34,008,116	34,008,116	-13%	-13%
Debts from taxes and current charges	9,831,550	8,280,670	2,983,200	19%	230%
Subsidies for investments - current portion	306,289	306,289	306,289	0%	0%
Provisions		6,679,335			
Total current liabilities	190,470,293	135,341,801	136,689,433	41%	39%
Total liabilities	292,208,138	215,043,834	243,337,515	36%	20%
Total equity and liabilities	1,139,172,258	856,474,435	984,321,107	33%	16%

Current liabilities recorded a value of 190.47 million lei at the end of 2023, of which the bank loans were 29.55 million lei and included the balance of the operational credit in the amount of 18.86 million lei (by 18.7% lower compared to the level recorded at the end of the previous year) and the loan rates for financing the investment activity due within 12 months, in the amount of 10.69 million lei.

The **commercial debts** chapter includes balances of partners that were overdue.

Debts from current taxes and fees were represented by the amounts owed to the State Budget due on 25.01.2024 (the contribution to the Solidarity Fund regulated by Law no. 448/2006 regarding the protection and promotion of the rights of disabled persons, 0.14 million lei) and the clawback tax due for the fourth quarter (9.69 million lei). At the end of 2023, Antibiotice did not register outstanding obligations to the state budget.

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. Our company's ability to generate cash from the operational activity emerges from its analysis, contributing to the financing of the investment process and the repayment of debts to the banks.

The overall picture of 2023, synthesized through economic and financial indicators, reflects the increase in profitability, a steady financial balance, creating the conditions for a long-term resilient business:

No.	Indicators	31.12.2023 audited	31.12.2023 planned	12/31/2022 reported	-lei- 12/31/2022 restated
1	Current assets	401,284,019	339,500,000	323,868,131	351,663,976
2	Short-term bank debts	29,552,092	32,700,000	34,008,116	34,008,116
3	Total bank debts	66,302,295	69,673,501	80,981,617	80,981,617
4	Net accounting assets (equity)	846,964,120	722,690,874	641,430,601	740,983,592
5	Current liquidity (Current assets/Short-term bank liabilities)	13.58	10.38	9.52	10.34
6	Total bank liabilities/EBITDA	0.53	0.96	0.91	0.84
7	Total bank liabilities/Equity	0.08	0.10	0.13	0.11
8	Total debts	292,208,138	200,809,126	215,043,834	243,337,515
9	Total assets	1,139,172,258	923,500,000	856,474,435	984,321,107
10	Indebtedness (Total Debts/Total Assets)	25.7%	21.7%	25.1%	24.7%
11	Earnings before interest, taxes, depreciation, and amortization (EBITDA)	124,835,756	72,709,327	89,098,327	96,276,955

The growth trend in 2023 in the domestic and international markets and the improvement of profitability led to the consolidation of the net accounting asset, its value being 846.96 million lei, higher compared to the value recorded on 31.12.2022.

Current liquidity, determined as the ratio between current assets and short-term bank liabilities, at a level of 13.58 indicates the maintenance of the short-term financial balance, being on the rise compared to the previous year. The company has the ability to honor the current obligations on account of its most liquid assets.

The **degree of indebtedness** (25.7%) reconfirms the financial autonomy of the company as a result of a responsible debt policy, adequate to the volume of activity while maintaining a satisfactory profit margin.

The total bank debts reported at the EBITDA level registered a level of 0.53, being within the parameters agreed by the financial institutions (maximum allowed level of 3.5). Also, the indicator total bank debt relative to equity registered a level of 0.08, being within the parameters agreed by the financial institutions (maximum accepted level of 1).

Applying the principles of business consolidation

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

Intermediate management balances

No.	Indicators	31.12.2023 audited	31.12.2023 planned	31.12.2022 reported	-lei-			
					12/31/2022 restated	31.12.2023/3 1.12.2023 planned	31.12.2023/3 1.12.2022 reported	31.12.2023/3 1.12.2022 restated
1	Income from contracts with clients, turnover	600,780,825	560,512,327	483,724,186	483,724,186	7%	24%	24%
2	Raw material expenses	141,828,708	133,083,345	109,740,746	109,740,746	7%	29%	29%
3	Material expenses	15,276,046	15,496,655	16,249,702	16,249,702	-1%	-6%	-6%
4	Expenditure on finished products made on other sites	61,063,703	64,731,000	51,126,807	51,126,807	-6%	19%	19%
5	Gross margin	409,402,722	355,216,327	332,075,131	332,075,131	15%	23%	23%
6	Gross margin (%)	65%	62%	65.2%	65.2%	4%	0%	0%
7	Added value	330,793,331	253,752,009	259,211,240	261,092,397	30%	28%	27%
8	Operating result (EBIT)	96,533,232	52,665,000	46,500,386	69,910,878	83%	108%	38%
9	Financial result	-5,008,986	-2,658,000	-4,597,156	-4,597,156	88%	9%	9%
10	Pre-profit tax	91,524,246	50,007,000	41,903,230	65,313,721	83%	118%	40%
11	Current and deferred income tax expenses	10,435,650	8,009,000	3,389,803	13,841,684	30%	208%	-25%
12	Net result	81,088,596	41,998,000	38,513,427	51,472,037	93%	111%	58%
13	Earnings before interest, taxes, depreciation, and amortization (EBITDA)	124,835,756	72,709,000	89,098,327	96,276,955	72%	40%	30%

Gross margin reflects the performance of the company's sales and production activity. This indicator is superior both to the similar period of the previous year and compared to the planned value due to the efficient correlation of production, sales and stock levels, as well as due to making the purchases of raw materials and consumables more efficient.

The added value indicator reflects what the company adds to the economic circuit through its own activity. The activity carried out during the reference period led to a value by 30% higher than the planned one and by 28% higher compared to the value of the previous year.

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

Investments - a support for the future

In 2023 our company made investments amounting to **98.05 million lei**. The recorded value exceeded the planned value, by supplementing the budget for the 2023 Investment Program, from 77.80 million lei to 99.02 million lei. The addition of 21.21 million lei was substantiated by the replanning of some investment objectives from 2024 in 2023, because the investment objective „Production, packaging and storage facility for sterile products, solutions and topicals”, was approved through the state aid scheme established by GD 807/2014. The value of this investment amounted to 200 million lei.

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

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

1. Development of the product portfolio, in value of 16.60 million lei

In 2023, our company continued investments in research and development projects in order to obtain new, quality, safe, efficient and competitive products. The Research-Development Center carried out new product development projects for the three divisions, on the following therapeutic classes: dermatology (29%), genitourinary

system (23%), anti-infectives (19%), digestive tract (13%), central nervous system (10%) and musculoskeletal system (10%). We continued also the projects for developing the product portfolio through cooperation with international partners.

2. Investments in new production sites

The contracting procedure was started for the design and execution of 3 new manufacturing flow. Se estimeaza incheierea contractelor de proiectare si executie in primul semestrul al anului 2024. The design and execution contracts are estimated to be concluded in the first semester of 2024.

II. Investments for business consolidation

In 2023 we made investments of **81.45 million lei** for consolidating our business.

1. Investments in information technology, telecommunications and digitization of processes, in value of 8.31 million lei

Within the digitization and computerization plan, Antibiotice prioritized the acquisition of software for making more efficient the activities in the fields of human resources, quality assurance, research, but also for securing data and information throughout the company. Also, in 2023, the feasibility stage was completed for an ERP system that will be implemented in 2024.

2. Adapting the infrastructures for the utilities supply and distribution, storage of raw materials and finished products, transport and connection to the national road system to the development trends of the industrial site, in the amount of 51.42 million lei

In 2023, the expansion of the existing storage capacity of raw materials was completed, in the perspective of increasing and diversifying production. Also, our company signed the contract and started the construction of a warehouse for modern finished products, adapted to cope with the estimated production until 2030. Stages of the projects for modernizing the utilities production and distribution facilities were scheduled.

Implementing "green energy" projects and reducing utilities consumption represent important components. Thus, a photovoltaic plant with an installed power of 3.7 MWh started to be implemented. Contracts were signed and the condensate recovery projects were executed. Lighting systems were replaced by modern LED systems.

3. Investments in the Integrated Management System (Quality, Environment, Sustainability, Occupational Health and Safety), worth 10.77 million lei
The increased accuracy of laboratory analysis methods and revision of monographs from pharmacopoeias required investments in equipment for maintaining the quality standards of manufactured products and complying with legal requirements to protect the environment and employees.

4. Investments for modernizing the existing sites and equipment, worth 10.95 million lei

In order to upgrade the medicine manufacturing flows in the three divisions, in 2023 we followed the required procedures for the purchase of equipment, installations and laboratory equipment.

Attracting financing sources for investments

The state aid for financing new production and storage capacities

On May 17, 2023, following the call for projects financed by GD 807/2014 for the establishment of state aid schemes aimed at stimulating investments with a major impact on the economy, Antibiotice SA obtained the agreement for financing the project „The production, packaging and storage facility for sterile products, solutions and

topicals”. The total value of the project is 200.1 million lei, of which the state aid is worth 85 million lei. This investment is part of the Business Plan „The Future Together”.

Financing the green energy production

On June 06, 2023, Antibiotice SA obtained from the Ministry of European Projects and Investments a financing through the National Recovery and Resilience Plan (PNRR) for the "2.5 MW PHOTOVOLTAIC PLANT". The approved financing was 4 million lei.

Consulting grant awarded by the European Investment Bank

Antibiotice SA benefits from the expertise of the European Investment Bank (EIB) in the process of planning the future strategy for 2030. In April 2023, our company signed the consulting agreement in the form of a grant, which is to be implemented by the EIB through its own experts.

Financing agreement with the European Investment Bank

In November 2023, our company signed a financing agreement in the form of a loan granted through the InvestEU facility, for achieving the Investment Program of Antibiotice SA, part of the Business Plan „The Future Together”.

Pillar 5: 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. Management of the company is organized to meet the expectations of shareholders in terms of competitiveness, profitability and long-term value generation. A well-defined, traceable decision-making system is ensured and the delegation of attributions and competences are made in proportion 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 good governance practices in the company are based on the Corporate Governance Code which outlines the general framework of the Management Board's activity and is an important tool for obtaining sustainable performance, ensuring the accuracy and transparency of the company's decision-making process, through equal access of all shareholders to the relevant information about Antibiotice SA. Built 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, justa reward and motivation, relations with investors, risk management system and internal control.

Code of Ethics

Antibiotice's Code of Ethics is the basis of an organizational culture that meets the integrity standards and complies with the specific legislation in force. Integrity, professionalism, responsibility and transparency are the fundamental ethical values assumed by our company. Any violation of the Code of Ethics 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's organizational chart (employees, executive management and Management Board members). 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 our company, where shareholders participate directly and take decisions on the distribution of profit, election of the members of the Management Board, appointment of the financial auditor and setting of the remuneration for the Management Board members.

In 2023, the Management Board convened three Ordinary General Meetings and two Extraordinary General Meetings, the decisions of which can be found on the company's website at: <https://www.antibiotice.ro/en/investors/financial-information/archive-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 the decisions made by the General Meeting of Shareholders, as provided by law). The duties of the Management Board are described in our company's Articles of Association and in the relevant internal regulations, available on the company's website, in the Corporate Governance section.

During 2023, the President of the Management Board convened 11 meetings of the Management Board in which the results obtained in implementing the strategy according to the business plan, performance criteria and income and expenses budget were analyzed.

The Management Board of ANTIBIOTICE S.A. can be found at the web address <https://www.antibiotice.ro/en/investors/corporate-governance/governance-structure/>

Advisory Committees

The Management Board exercises a part of its responsibilities through the three advisory committees: Nomination and Remuneration Committee, Audit Committee, Commercial Policy Committee. Starting with 18.10.2023, the Risk Management Committee replaced the Commercial Policy Committee. The specialized advisory committees carry out investigations, analyses, elaborate recommendations and periodically submit reports on their activity to the Management Board.

The Advisory Committees can be found 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/documente-de-guvernanta/>

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 has the authority to represent the company in relations with the appointed directors.

The management team a Antibiotice S.A., on 31.12.2023 can be consulted at: <https://www.antibiotice.ro/en/investors/corporate-governance/governance-structure/>

Risk Management

The risk management process in our company meets the legal and regulatory requirements in force for identifying, evaluating, managing and reporting the risks arising from all its activities.

The main goal is to identify the risks to which the organization is exposed, so that they can be anticipated and managed without affecting the efficient fulfillment of the organization's objectives.

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 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 the 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 2021, 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.

Antibiotice SA is exposed to a variety of risks specific to the pharma industry, including: business risks (economic, legislative, generated by partners), financial risks (currency, liquidity, interest rate, commercial), legislative risks, operational risks (personnel, IT and information security), integrity risks, cyber risks, occupational health and safety risks, environmental risks, and last but not least, the 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 and macroeconomic aspects; increase in the inflation rate; energy crisis; interruptions in the supply chain; raw materials crisis; increase in the price of raw materials due to the reduction in the number of producers, implementation of the European GMP requirements, application of the environmental policy; increase in the price of energy and methane gas; increase in transport costs; the change of conditions on the local market (decrease in consumption, decrease 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 following measures were considered: renegotiation of prices and contracts; development on regulated markets (US, Europe) that have high price levels; commercial relations with several suppliers; authorization of at least one more source of raw materials where it is economically justified; meetings with partners to secure the source while maintaining a constant and proactive contact with them; informing partners regarding the organization of production in campaigns to reduce costs, manufacturing times and revision period; correlation of the quarterly purchase plan with the production plan; creation of safety stocks for certain raw materials.

Financial risks reflect the impact that financial sources and/or resources have 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 prices of finished products for export; 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 rotation speed of the distribution stocks, ensuring demand for the products from the Antibiotice portfolio and improving the collection period of receivables from distributors, improving relations with our suppliers; organizing a rigorous management of costs in the company to identify measures to optimize and reduce them; ensuring an optimal balance of receipts and external payments; coverage of external payments from receipts from abroad through a permanent analysis of receipts and payments, so as to achieve the best possible correlation between the currency and time of payment/collection; reducing the value used from operational credits, reducing the level of crediting to an optimal level for covering the temporary gap between the receipts and the mandatory payments to be made; permanent analysis

of the structure of assets and liabilities to determine the dependence on interest rate changes.

Legislative risks

Pharmaceutical market is a regulated market, with clear legislative requirements elaborated for controlling the quality and therapeutic efficiency of the medicines present in the market and for avoiding counterfeiting.

Our effort for complying with these provisions is reflected in additional costs related to updating the documentation, and 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.

Operational risk is the risk of loss that results either from the use of some inadequate processes, persons or internal systems that did not perform their function properly, or from external events such as those arising from legal and regulatory requirements and from generally accepted standards regarding organizational behavior.

Operational risks can materialize in equipment failures, human errors, faulty operational processes which can lead to unplanned shutdowns.

Our company constantly monitors 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, partners.

Human Resources risks

The lack on the labor market of candidates properly trained in the pharmaceutical field; loss of specialists due to retirements but also due to voluntary departures, establishment of new companies in the pharmaceutical field which attract the existing staff; labor migration due to socio-economic conditions, impossibility of rewarding performance at the level of some competitors; restrictive regulations regarding the increase of the salary budget, are just a few circumstances of the occurrence of human resources risks.

Among the measures to reduce the impact generated by this risk, we mention: the search for internal training solutions through assigned mentors; continuation and expansion of collaboration programs with university institutions; scholarships and practice opportunities; implementation of professional training projects for employment; permanent analysis of the organizational climate, identification of financial and non-financial motivation opportunities to keep the staff in the organization; implementation of projects for the management of career plans; improvement of the system of compensations and benefits to increase the attractiveness of the employer brand.

Failure to comply with the law which could have a negative impact on the environment and the company's reputation.

In order to monitor the 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, monitoring the legislative changes and harmonizing them with the existing ones; preparation and reaction in emergency situations.

The risks arising from climate change represent one of the most important global challenges today. Antibiotice focuses on evaluating the company's potential vulnerabilities to climate change, impact on the environment and mitigation actions that will ensure a transition to a low-carbon emissions environment. In acest sens Antibiotice carried out a rigorous assessment of the associated risks and the detailed report according to the Task Force on Climate-Related Financial Disclosures (TCFD) was completed.

Cyber Risk Management

Antibiotice S.A. is classified as an operator of essential services in the national economy and has the obligation to comply with the national strategy on the security of networks and IT systems, according to the Law no. 362/2018 on ensuring a high common level of network and IT systems. An important component of corporate governance is cyber threat risk management to which the set of rules on the security of the IT system is added for compliance with the legal requirements. Continuous monitoring of internal IT infrastructure highlights any missing or inadequate protection and defense measure, allowing security teams to implement the necessary mitigation controls and prioritize risk remediation.

During 2023, 23 system procedures were developed and are being implemented. These procedures regulate the way in which the company works and ensures the cyber security according to the requirements of the National Cyber Security Directorate, the national authority with attributions in monitoring the way the Law no. 362 of December 28, 2018 on ensuring a high common level of security of network and information systems ("NIS Law") is applied.

Integrity Risk Management

Antibiotice has adhered to the National Anti-Corruption Strategy 2016-2020 and 2021-2025, having an organizational integrity agenda in accordance with the GD no. 1269/2021 on the approval of the National Anti-Corruption Strategy.

Our company's Integrity Plan includes measures to prevent and combat acts of corruption and procedures to ensure ethics and integrity in all its activities.

During 2023, no integrity incidents were recorded.

In 2023, the procedure for receiving, examining and solving reports on violations of the law was developed and implemented, drawn up according to the provisions of Law no. 361/2022 on the protection of public interest whistleblowers. According to this procedure, any employee as well as any of the administrators, shareholders, volunteers, interns or persons who work under the supervision or management of the trading company, hereinafter referred to as whistleblowers in the public interest, who have obtained or know information regarding possible cases of violations of the laws in the company or made by it have the right to report it to the company's Ethics and Integrity Board.

In 2023, no reports regarding possible violations of the law were registered in the commercial company.

Following the entry into force of Law no. 202/2002, on equal opportunities and treatment between men and women, our company developed and implemented the policy in the field of workplace harassment and equal opportunities. This way, Antibiotice undertakes to provide a safe environment for its employees based on the principle of exclusion from discrimination on any basis.

During 2023, there were no incidents of discrimination against employees on any topic.

Antibiotice - a company involved in the sustainable development of the community

Antibiotice is involved in promoting the growth and development of the community in which it operates, being actively engaged in projects that meet its needs, investing funds for a positive impact.

The main directions of involving in the community are centered around four pillars:

- health
- education
- environment
- social matters

Health

„Donate blood! Put your soul to life!”

Over 140 Antibiotice employees donated blood in the two editions of the campaign "Donate blood! Put your soul for life!", organized in April and October 2023, by the *Antibiotice - Science and Soul* Foundation, in partnership with the Regional Blood Transfusion Center (CRTS) Iasi.

"Treat antibiotics with care for a care-free future!"

On the occasion of the World Antimicrobial Awareness Week (WAAW) from November 18-24, 2023, Antibiotice supported international initiatives and ran the information campaign *"Treat antibiotics with care for a care-free future!"*. The campaign started with training sessions on good practices in administration intended for medical and pharmacist students from five university centers (Iasi, Bucuresti, Cluj-Napoca, Oradea and Timisoara) and included training sessions for resident doctors from Iasi and Bucharest, actions and information campaigns addressed to the general public were held.

"Plus for Life"

Antibiotice recognizes the critical importance of first aid training in saving lives, and health education plays a vital role in increasing the chances of survival before professional medical help arrives. In a remarkable initiative, 100 Antibiotice employees and their children participated in the fourth edition of the first aid course that took place between October 30-31, 2023 in the Sports Hall of Club a+.

"Health Cup at Club a+"

On the occasion of World Health Day, Club a+ organized the first edition of the Health Cup between April 7-9, 2023. For three days, Antibiotice employees exercised, learned about how to feed themselves when practicing sports so that, at the end, they could all be counted among the winners.

Education

„Science and Soul Scholarships"

Now in its 22nd edition, the "Science and Soul Scholarships" is the longest involvement program run by the *"Antibiotice - Science and Soul"* Foundation. Through this initiative, Antibiotice actively collaborates with the "Pro Ruralis" Association to provide valuable support for five deserving students from rural areas every year.

Environment

"We plant oxygen in the community"

On March 31, 2023, 150 Antibiotice employees planted 600 maples and poplars in the western area of our company's industrial site. The activity took place within the fourth edition of the project *"We plant oxygen in the community"* in order to expand the green area on the Antibiotice site.

"Give an hour for Earth. Connect with nature!"

On Saturday, March 25, 2023, on the occasion of Earth Hour, between 20:30 and 21:30, Antibiotice symbolically turned off the lights, in the thirteenth consecutive participation of the company in this action.

"European Mobility Week"

Antibiotice actively participated in the European Mobility Week, held between September 16-22, 2023. About 50 Antibiotice employees participated in the internal campaign entitled "By car sharing, nature wins" choosing to leave their cars at home and opt for car-sharing instead.

The first campaign to collect expired medicines carried out by Antibiotice

Between October 27 and November 3, 2023, our company carried out the internal campaign to collect expired medicines "Be responsible, don't treat the environment with medicines!". At the end of the campaign, 95 kg of expired medicines were collected from our company's employees. Launched on the National Day of Sustainability on October 27, the project aimed to raise our employees' awareness on the importance of proper collection of expired medicines.

Social area/matters

"The power of deed", an Easter charity program

The *"Antibiotice - Science and Soul"* Foundation started the "Power of Deed" initiative, through which 100 vulnerable elderly people from the city of Iasi and Miroslava commune, received packages with traditional Easter products from the volunteers of the *"Antibiotice - Science and Soul"* Foundation. Also, within the *"Respect for the elderly"* program, whose beneficiaries are former employees of Antibiotice, currently retired with advanced age and in poor health, the Foundation offered, on the occasion of the holidays, help for 50 people who worked "a life" in Antibiotice.

"Magic and fun for children in the Friendship Park a+

In 2023, on the occasion of International Children's Day, the Friendship Park a+ in the vicinity of the Antibiotice became a place of fun, good cheer and party for 150 children of employees and from the community.

Antibiotice, partner at the INIMO 2023 Festival

Antibiotice supported as a partner, the INIMO Festival 2023 which took place between August 18-20, 2023 in Iasi. The purpose of the event was to raise funds for 10,000 children without material possibilities in order to prepare for school.

"Give from the heart! Be Santa Claus"

100 children from needy families felt the joy and emotion of Christmas during the 11th edition of the project "Give from the heart! Be Santa Claus" organized on December 19, 2023 at the Antibiotice headquarters.

Also, during this festive period, 100 retired people, former Antibiotice employees, received food packages from Antibiotice as part of the 4-year-old project, "Respect for the Elderly".

In 2023, Antibiotice S.A.:

- achieved a turnover amounting to 600.78 million lei, higher by 24% compared to the value recorded in 2022 (483.72 million lei);
- recorded a gross profitability in value of 91.52 million lei, a result of the measures applied in 2023 for increasing the sales and for managing operational and financial expenses.
- recorded a level of indebtedness of 26% by optimizing collections and reducing the terms of collection 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.

This report is elaborated on the basis of the data from the individual financial statements prepared in accordance with the International Financial Reporting Standards, which were submitted, according to the legal requirements, to the statutory audit carried out by S.C. Deloitte Audit S.R.L.

General Director,
Ioan NANI, Economist

Executive Financial Director,
Paula COMAN, Economist