

Antibiotice **a+**

MANAGEMENT REPORT

Q1 2022

Quarterly Report according to: IFRS

Report Date: 13.05.2022

Name of the trading company:

ANTIBIOTICE S.A.

Head Office:

Iasi, 1 Valea Lupului St.

Phone number:

0232/209000, Fax 0232/209633

Fiscal registration code:

RO1973096

Order number in the Trade Register:

J22/285/1991

Regulated market on which the issued securities are traded:

Bucharest Stock Exchange

Subscribed and paid up capital:

67,133,804 LEI

Main characteristics of the securities issued by the trading company:

Nominative shares, nominal value: 0.10 LEI

1. Antibiotice - Romanian tradition and continuity

Antibiotice S.A. started its activity in 1955, being the first manufacturer of the active substance Penicillin in Romania and South-East Europe. Since then, through perseverance and dedication, our company has become the most important Romanian manufacturer of generic medicines, a national and international reference brand.

Antibiotice S.A. has the most complex manufacturing structure in Romania, having eight distinct manufacturing flows for the following pharmaceutical dosage forms: penicillin powders for injection, penicillin capsules, non-beta-lactam capsules, cephalosporin capsules, tablets, ointments, creams, gels, suppositories, pessaries and active substances obtained by biosynthesis processes, a unique manufacturing flow in Romania.

Our medicines, the active substance Nystatin and biocides are produced in five production plants included in three divisions:

- ✓ **Oral Solid Products Division** includes the Capsules Plant and Tablets Plant;
- ✓ **Topical Products Division** includes the Ointments & Suppositories Plant;
- ✓ **Sterile Products & APIs Division** includes the Parenterals Plant and Biosynthesis Plant.

Our manufacturing flows are audited and certified according to the Good Manufacturing Practice requirements by the National Agency for Medicines and Medical Devices of Romania.

Nystatin produced by Antibiotice has become a USP reference standard, being selected by the US regulatory agency Food & Drug Administration (FDA). The European Directorate for the Quality of Medicines (EDQM) issued the Certificate of Suitability with the European Pharmacopoeia (CEP) for this active substance.

Antibiotice S.A., through its own Research & Development Center, has been developing **pharmaceutical products, active substances, food supplements and cosmetics**.

The Center for Clinical Studies, established in 2006, is an integral part of the Research and Development Center. Our specialists have been conducting in this Center phase I and bioequivalence studies for products from our own portfolio and from third parties.

Antibiotice S.A. has been developing its activity according to the **Integrated Management System - Quality, Environment, Occupational Health and Safety**. This framework governs all the processes, starting from research, development, supply, production, control to the distribution of medicines.

The Antibiotice's **product portfolio** includes medicines for human use, from 11 therapeutic classes [prescription medicines (Rx) and non-prescription medicines (non-Rx)], medicines for veterinary use, active substances and biocidal products. During 2021, the National Committee for Biocidal Products, part of the National Institute for Public Health, issued notifications for our biocidal products.

A significant share of the prescription medicines in our company's portfolio belongs to the following therapeutic classes: anti-infectives for systemic use, cardiovasculars, dermatologicals, urinary tract medicines.

Non-Rx medicines are grouped into 6 portfolio concepts defined mainly according to the target audience: Women's health, Quality Life, Family health, Cold & Flu, Nutriensa, Derm A+.

1.1 Antibiotice celebrates 25 years since its listing on the Bucharest Stock Exchange

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

Shareholding structure as of March 31, 2022:

Investors

- MINISTRY OF HEALTH (*) - 53.0173%,
- S.I.F. OLTENIA(*) - 26.4081%
- Other legal entities and individuals - 20.5746%

NOTE: () - Significant shareholders, according to Law no. 24/2017, Art. 2, Para. 2.*

Ownership breakdown:

- Legal persons - 87.3895%,
- Natural persons - 12.6105%.

2. Antibiotice - a sustainable business

Through the activities carried out in the first quarter of 2022, our aim was to achieve the objectives established by the Business Plan and achieve the indicators from the 2022 Income & Expenditure Budget.

In the first quarter of 2022, our company continued to implement the management measures included in the 2021-2030 Strategic Organization & Development Plan for strategically developing its business and adapting it to the realities of the domestic and international markets. These measures aim at both increasing revenues and streamlining activities so that profitability increases year-on-year, targeting a higher level than planned in 2022.

These measures are grouped into five pillars:

- Pillar 1 - Strategic adaptation of human resources;
- Pillar 2 - Strategic adaptation of the product portfolio;
- Pillar 3 - Business sustainability through a continuous improvement of the Integrated Management System (Quality, Environment, Occupational Health and Safety);
- Pillar 4 - Strategic planning and performance management;
- Pillar 5 - Improving the Corporate Governance System.

Pillar 1 - Strategic adaptation of human resources, which aims at:

a) Implementing the modern human resources management

The actions carried out in the first quarter of 2022 aimed at:

- analyzing and redefining our company's organizational structures, adapted to the modern principles of human resources, correlated with the business targets;
 - optimizing the structure of marketing and sales teams meant to focus them towards market dynamics according to the type of product prescription;
 - adopting modern forms of recruitment to increase the degree of remanence;
 - balancing the salary systems in the company according to the nature of the jobs and modernizing the motivational systems adapted to the current pharmaceutical market;
 - adapting motivational packages in order to attract and retain valuable employees (key positions) and increase retention.
- managing our employee's careers and succession plans;
- conducting training programs for developing our employees' skills.
- going through some stages prior to the launch of the Academy a+ which comprises two components: the Technical College a+ and Business School intended to attract and continuously train employees and qualifying on site our human resources for the acquisition of competencies specific to the company's field of activity.

The impact of the actions is quantified by the following indicators;

- the average number of continuous professional training hours per employee: in the Q1 2022, we planned 5 hours of training per employee and we achieved 5.26 hours/employee;
- the staff retention degree was estimated to 90% - we achieved a 99% staff retention degree.

b) Modernization of organizational culture

The actions conducted in the first quarter of 2022 were focused on implementing the Plan for consolidating the organizational culture prepared after the organizational climate study conducted in 2021.

Pillar 2 Strategic adaptation of the product portfolio, focused on :

a) Analysis of the current portfolio and setting the maximum growth potential in the domestic and international market

The authorized portfolio marketable in Romania and ATB territories, having multiple forms of presentation, counts over 200 products, being oriented towards developing brands in multiannual stages and increasing the share of over-the-counter products.

Our company develops:

- 28 projects targeting the main therapeutic classes conducted by our R&D team;
- over in-licensing projects in various developing stages conducted by our Business Development team.

These projects will contribute to doubling the turnover by 2030, starting to become operational in 2025 in the targeted markets with an important share in total revenues.

Our portfolio comprises also active substances which consolidate our business, beyond the tradition of strategic partnerships, as well as the business development up to 2030:

- 4 presentation forms of the active substance Nystatin (standard, micronised, compacted, feed-grade), Antibiotice ranking the first manufacturer worldwide;
- 2 presentation forms of biofertilizers, our portfolio component intended for organic agriculture according to market trends;
- 6 presentation forms of biocidal products intended for hand and surface disinfection, approved for medical and non-medical use.

The actions undertaken in the first quarter of 2022:

- analysis of therapeutic trends, medical guidelines, new efficacy and safety studies for the molecules in the current portfolio of each Division to adapt them to the national requirements and local regulations;
- analysis of the current portfolio in terms of market evolution and the main competitors in the market, by therapeutic classes;
- analysis of the current portfolio of each Division, pharmaceutical dosage forms in terms of value contribution and their structuring for an optimal capitalization.

b) Development of the product portfolio by attracting new molecules

Our Research-Development Department has as main objective to develop drugs, both generics and unique combinations in the categories: topicals, tablets, capsules, sterile products.

Besides the known pharmaceutical dosage forms, in the last two years, other categories of products have entered the research-development process, such as: biocides, medical devices, cosmetics in accordance with the strategic development directions of the company in the medium and long term.

The products under research will enrich the Antibiotice portfolio in the following classes: anti-infectives (oral products and sterile injectable powders), dermatologicals, cardiovasculars, nonsteroidal anti-inflammatory drugs, medicines for the digestive system, medicines for women's health and biocidal products.

In 2022, the Research-Development Department has been conducting 28 new product projects and 12 products for the international market.

Of these projects, in the first quarter of 2022, our R&D specialists conducted 14 new product projects and projects involving 8 products which are to be launched in the international market, covering all the pharmaceutical forms: 7 products for the Topical Products Division and 1 product for the Sterile Products & APIs Division.

In the Q1 2022, our R&D team continued the clinical studies for two topical products: one OTC product for which the clinical stage of the study is in progress and a second one, a prescription medicine for which the National Agency for Medicines and Medical Devices is to approve the study protocol.

In the reporting period, our company started also the third study for a prescription medicine, this one being an observational, post marketing study. The result of this study will allow a better positioning in the pharma market of the product already existing in the company's portfolio. All these ongoing studies support the strategy of developing our business in the domestic and international markets.

c) Developing the future portfolio by purchasing licenses

Portfolio development through in-licensing projects is part of the strategy for enriching our portfolio with therapeutically valuable products to support as well as possible the medical system in Romania and in the countries where our business is to be expanded. In this regard, during 2022, our company will continue to negotiate with our

partners for contracting the products planned to be included in the portfolio in the period 2022 - 2025.

In the Q1 2022, three products were contracted for completing the Cold and Flu portfolio, a portfolio that Antibiotice intends to develop within the Strategic Organization and Development Plan. Sales of these products are scheduled to begin at the end of 2022 and beginning of 2023. Also within the same concept, four products are in the final contracting phase. We plan to sell these products starting with the third quarter of 2023, depending on how the registration procedures will be completed.

Pillar 3 - Business sustainability through a continuous improvement of the Integrated Management System (Quality, Environment, Occupational Health and Safety);

The main actions were oriented towards:

a) Redefining the Integrated Management System to support the sustainability of the business with the following measures:

- updating the business sustainability policy with reference to the Integrated Management System;
- analysis of the risks and opportunities generated by climate change;
- developing a new Integrated Management System (Quality, Environment, Occupational Health and Safety in accordance with our company's development vision;
- compliance and continuous improvement of the Quality Management System in accordance with the ISO 9001: 2015 requirements;
- compliance and continuous improvement of the Occupational Health and Safety Management System in accordance with the ISO 45001: 2018 requirements;
- compliance and continuous improvement of the Environmental Management System in accordance with the ISO 14001: 2015 requirements.

b) Orientation towards stakeholders aimed at informing them about the impact of sustainability factors.

Pillar 4. Performance Management

The actions taken in the first quarter of 2022 aimed at:

- consolidating our business in the domestic market;
- internationalizing our business in the ATB and other territories;
- developing our strategic partnerships;
- managing efficiently the costs and processes;
- applying the principles for consolidating our business;
- performing investments.

So, in the first quarter of 2022, Antibiotice managed to exceed the planned targets in the sale of products, both in Romania and in the ATB territories.

Pharmaceutical market in Romania continued the trend started in the Q3 of 2021, recording an over 20% increase in the reporting period.

Antibiotice recorded the same growth rate, supported by several strategies:

- balanced sales in the hospital channel, this segment experiencing a recovery after a year of restrictions in the access of patients and in the treatment of diseases in need of hospitalization, in the conditions in which the organization of the hospital health activity remained unchanged;

- development of a brand strategy which supports the current policies of the company (Nutriensa umbrella brand) by promoting the products that contribute to the health of the family, quality of daily life, considering the approach of the general public after the pandemic, much more oriented towards the improvement of the lifestyle and especially, towards an active and healthy life.

The sales were also made in a structure favorable to the company, with a balance between the three divisions - Sterile Products & APIs Division, Oral Solid Products Division and Topical Products Division. We will continue to identify the potential of the markets and take advantage of every opportunity, by developing the portfolio and our medium- and long-term strategic partnerships.

The Antibiotice sales in the national and international markets were in value of 128.25 million LEI, by 54% higher compared to the value planned for this period, of which:

- **revenues from the sale of products in the Romanian market** amounted to 86.07 million LEI, by 87% higher compared to the planned value.

Our company recorded increases in all sales segments, both in the hospital and retail segments, its sales having a favorable structure, with an average price higher than planned.

- ✓ According to the company's strategy, the sales of products from non-prescription portfolio had the same growth trend, reaching a share of 26% of the total sales, knowing that the price of prescription drugs is regulated, at a maximum level, by the Order of the Ministry of Health no. 368/2017 for the approval of the Norms regarding the calculation method and the procedure for approving the maximum prices of medicines for human use, with the subsequent modifications and completions. This price of generic products is updated, depending on the evolution of the LEU / EURO exchange rate.

We also consolidated some brands in order to reach higher market shares.

- **revenues from the sale of products in the international market** amounted to 42.18 million LEI, by 14% higher compared to the planned value.

In the international market, in the Antibiotice territories, we have succeeded consolidating the sales especially in the Sterile Products Division, where systemic antiinfectives play an important role. We continue to sell injectable products in areas where tenders have been won with consumption in hospitals (The US, UK).

Antibiotice consolidated also its active substances business through zonal repositioning strategies and relaunched the consumption of finished products in the post-pandemic period.

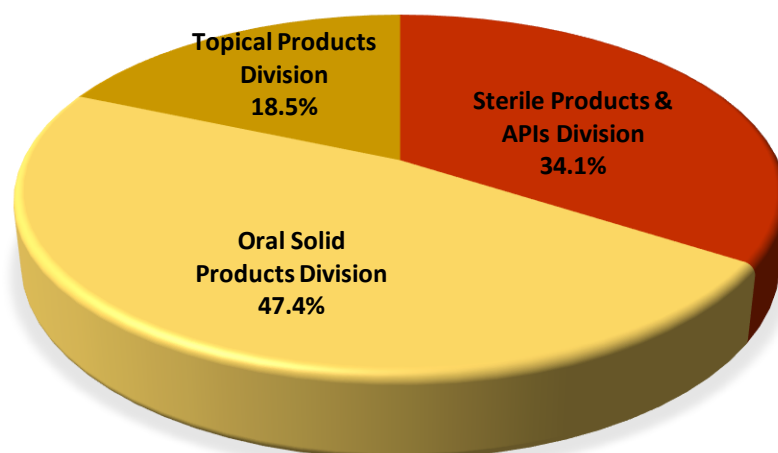
The production activity in the Q1 of 2022 corresponds to the sales plans for the domestic and international market.

The production made in Q I 2022 amounted to 110.64 million of pharmaceutical units in the form of tablets, capsules, parenterals, topicals (ointments, creams, gels), suppositories, pessaries and the active substance Nystatin.

The total value of the production manufactured in the first quarter of 2022 was 128.31 million LEI, by 5% higher compared to the first quarter of the previous year.

The largest share is represented by the production manufactured at the Oral Solid Products Division, followed by the Sterile Products & APIs Division and Topical Products Division.

**VALUE DISTRIBUTION OF PRODUCTION MADE IN THE Q1 2022
(% OF TOTAL VALUE OF PRODUCTION)**



The value of the production manufactured for export represented 33 % the value of the total production made in Q1 2022, by 24.8 % higher than in the first quarter of the previous year.

The value of investments planned for the first quarter of 2022 was 9 million LEI, the achieved value being 7.6 million LEI.

According to the annual program, the investment structure was as follows:

a) Investments for strategic development

- product portfolio development

Research is one of the most dynamic activities of the company, with an upward evolution that contributes to the sustainable consolidation of the future portfolio. In the first quarter of 2022, we continued to invest in research-development projects in order to obtain new, quality, safe, efficient and competitive products in the market.

- investments in new manufacturing sites

As regards the investment project " Completion and commissioning of the Ointments & Suppositories Plant", in the first quarter of 2022, activities were carried out to test the operation of the installations in the clean rooms and to obtain the specific parameters of the clean rooms for the pharmaceutical industry. These activities have been in an advanced progress. After the completion, the National Agency for Medicines and Medical Devices will authorize the manufacturing site.

b) Investments for consolidating our business

- Investments in information technology, telecommunications and process digitization;
- Adaptation of the industrial site, supply and distribution infrastructures, utilities, storage of raw materials and finished products, transport and connection to the national road system to the development trends;
- Investments in the Integrated Management System (Quality, Environment, Sustainability, Occupational Health and Safety);
- Investments for modernizing the existing sites and equipment.

3. Analysis of financial statements

The result of all activities carried out in the first quarter of 2022 is summarized in the financial statements¹ prepared in accordance with the requirements of the O.M.F.P. no. 2844/2016 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards, which faithfully presents the image of the company's patrimony and the financial results.

The level planned of **total income** for the period January - March 2022 was 110.34 million LEI, by 27% higher compared to the same period last year.

The income made in this period was 133.91 million LEI, by 21% higher compared to the planned value and by 54% higher compared to the value recorded in the similar period of the previous year, being generated by a product structure favorable for sale and a higher selling price.

The planned level of total expenses of 105.83 million LEI was by 28% higher compared to the value achieved in the same period of the previous year.

Total expenses recorded on 31.03.2022 amounted to 122.49 million LEI, by 16% higher compared to the planned value and by 49% higher compared to the value recorded in the similar period of the previous year, in correlation with the structure and value of the production.

The efficiency of the entire activity is reflected by the indicator *total expenses at 1,000 lei total revenues*, the value of which was 915 LEI on 31.03.2022, a lower value compared to the that estimated for this quarter (959 LEI) and with that one recorded on 31.03.2021 (950 LEI).

Compared to the planned values, an achievement degree of the total income higher than the total expenses, determined a gross profit of 11.42 million LEI, corresponding to a 8.5% profit rate, higher than estimated (7.5%).

For the period January - March, the gross profit cumulated with the claw back tax (19.25 million LEI) resulted in a 14% business return. This tax is paid quarterly to the State Budget for prescription drugs included in the national health programs, with or without personal contribution, used in outpatient treatment on prescription through open-circuit pharmacies, for those used in hospital treatment, supported from the Single National Health Insurance Fund and from the budget of the Ministry of Health.

According to their nature, the situation of income, expenses and implicitly of the recorded result was presented as follows::

- **operating income:** 132.66 million LEI

Compared to the value achieved on 31.03.2021 (85.16 million LEI) and the one planned in the Income and Expenditure Budget for the first quarter of 2022 (108.39 million LEI), the operating income was higher as a result of an additional contracted production, which determined the increase of the sales, both in the domestic and international markets.

Our company reduced its stocks through a marketing and sales activity in a favorable structure, recording 1.22 million LEI revenues from the production stored.

¹The financial statements as of 31.03.2022 are presented in the annex to this report

- **operating expenses:** 119.99 million LEI

Operating expenses, higher compared to expenses incurred in the same period of the previous year (79.57 million LEI) and with the planned value (104,06 million LEI) were correlated with the level of recorded income.

Out of the analysis of the operating expenses, the share of raw materials related to the value of production achieved and the value of production in progress was maintained at 20%, the level planned for 2022, an optimal level in terms of profitability.

Maintaining the balance between the activity of production, sale, acquisitions of raw materials and the level of stocks, to prevent the risks generated by the period we are going through (extension of the delivery time of raw materials, potential increase in raw material prices, commercial risk of non-collection) involves the provision of stocks of finished products made on our own sites as well as on other manufacturing sites. Analyzing these stocks on 31.03.2022, according to the accounting regulations, adjustments for depreciation were registered, which will be analyzed quarterly.

Operating expenses were at a level comparable to both the planned values and the values recorded in the first quarter of 2021.

Indicator (MIL. LEI)	31.03.2022 achieved		31.03.2022 planned		31.03.2021	
	Value	Share in total value	Value	Share in total value	Value	Share in total value
Raw material expenses	29.7	25%	31.5	30%	22.1	28%
Staff costs	26.7	22%	27.8	27%	26.2	33%
Expenses with adjustments for impairment of current assets	19.7	16%	0.2		0.1	
Expenses with taxes and fees	10.7	9%	8.1	8%	8.6	11%
Utility expenses	5.8	5%	9.0	9%	3.3	4%
Other services provided by third parties	2.6	2%	2.5	2%	2.9	4%
Advertising and publicity expenses	2.4	2%	3.0	3%	1.7	2%
Expenses with exchange rate differences	1.3	1%	0.9	1%	2.0	3%
TOTAL OPERATING EXPENSES	119.99	100%	104.1	100%	79.6	100%

Selling the products made on other manufacturing flows generated expenses in value of 10.49 million LEI. In conjunction with the revenues from the sale of these products (21 million LEI), the gross margin rate was 51%, a rate higher compared to the gross margin rate recorded in the same period last year (43 %) as a result of sales of these products in a favorable structure in terms of profitability.

- **operating result:** 12.66 million LEI

The operating income recorded in this quarter, corroborated with the operating expenses incurred, presented above, generated an operating profit of 12.66 million LEI, a higher value compared to the planned one (4.32 million LEI) and with the value recorded in the similar period of the previous year (5.6 million LEI).

From the financial activity, after the first quarter of 2022, our company recorded net financial revenues in the amount of - 1.2 million LEI represented by interest expenses for the bank loans.

In the short term, our company applies a policy to reduce banking dependence. In the second quarter of 2022, our management planned to reduce by 20 million LEI the operational credit in order to decrease the financial expenses.

Situation of the patrimony on 31.03.2022

The total patrimonial asset was worth 913 million LEI, by 6% higher compared to the value recorded on the same date in 2021 (858.25 million LEI) and by 2% higher compared to the value of 895.39 million LEI, recorded on 31.12.2021.

Analysis of fixed assets

Indicators	-million LEI-				
	31.03.2022	31.12.2021	31.03.2021	31.03.2022/ 31.12.2021	31.03.2022/ 31.03.2021
1	2	3	4	5=2/3	6=2/4
FIXED ASSETS, of which:	511.39	510.38	493.44	100%	104%
Tangible fixed assets	480.39	480.55	469.43	100%	102%
Intangible assets	30.99	29.84	24.01	104%	129%

On 31.03.2022 intangible assets, represented by know-how, development research projects in progress amounted to 30.99 million LEI, by 4% higher than the value recorded on 31.12.2021 mainly generated by research projects and registration of new products in international markets.

Analysis of current assets

Indicators	-million LEI-				
	31.03.2022	31.12.2021	31.03.2021	31.03.2022/ 31.12.2021	31.03.2022/ 31.03.2021
1	2	3	4	5=2/3	6=2/4
CURRENT ASSETS, of which:	401.64	385.00	364.81	104%	110%
Stocks, of which:	121.09	106.02	123.6	114%	98%
Raw materials	45.97	39.25	39.13	117%	117%
Production in progress	8.96	1.16	3.8	772%	236%
Finished products	41.59	54.47	66.33	76%	63%
Contract manufacturing products	22.11	8.76	11.29	252%	196%
Trade receivables	250.06	276.88	240.29	90%	104%

The stocks existing on 31.03.2022 were in value of 121.09 million LEI, correlated with the sales plans, duration of the supply period, campaigns of the external partners for manufacturing raw materials and the price level, having a level similar to the same period of the previous year, with an improved rotation speed, related to sales revenues.

The permanent preoccupation for optimizing the commercial relations determined a 10% decrease of receivables, compared to value recorded at the end of 2021. On

31.03.2022 the average number of days for collecting receivables was 206 days compared to the number planned for this period (267 days).

Current and long-term debt analysis

Indicators	-million LEI-				
	31.03.2022	31.12.2021	31.03.2021	31.03.2022/ 31.12.2021	31.03.2022/ 31.03.2021
1	2	3	4	5=2/3	6=2/4
Current debt, of which:	210,87	199,14	177,96	106%	118%
Trade and similar debts	99,07	98,20	67,75	101%	146%
Amounts owed to credit institutions	94,90	87,16	99,83	109%	95%
Debts from current taxes and fees	12,97	9,61	6,6	135%	196%
Short-term provision	3,85	3,85	3,5	100%	110%
Investment grants	0,07	0,3	0,3	23%	23%

Debts to banking institutions for this period amounted to 95.72 million LEI, of which:

- 85 million LEI represented the estimated value to be used from the loan for financing the working capital, higher compared to the value registered at the beginning of the year (76.4 million LEI), being correlated with the level of receipts and payments necessary to support the current activity.

In the financing projections for the second quarter of 2022, our management planned to reduce by 20 million LEI the operational credit, to improve the degree of indebtedness.

- 10,72 million LEI represented rates to the loan for financing the investments due in a period of up to 12 months, presented in the column current debts according to the IAS 1 requirements - Presentation of financial statements.

The value of the commercial debts was correlated with the current activity and in accordance with the payment terms agreed with our partners.

Indicators	-million LEI-				
	31.03.2022	31.12.2021	31.03.2021	31.03.2022/ 31.12.2021	31.03.2022/ 31.03.2021
1	2	3	4	5=2/3	6=2/4
Long-term debt, of which:	88.53	91.26	98.98	97%	89%
Amounts owed to credit institutions	54.94	57.62	65.16	95%	84%
Deferred tax	31.28	31.48	31.4	99%	100%
Investment grants	2.31	2.16	2.4	107%	96%

On 31.03.2022, our company did not register outstanding obligations to the state budgets.

Cash flow

Receipts and payments on each currency are carefully planned and monitored. Thus, at the end of the first quarter of 2022, the operating activity resulted in a surplus of 34.4 million LEI from the following operations:

- receipts and payments in LEI

Operation	Planned Q I 2022 (mil. lei)	Achieved Q I 2022 (mil. lei)	Achievement degree	Planned 2022 (mil. lei)	Achievement degree in Q I from the total planned for 2022
1	2	3	4=3/2	5	6=3/5
a) Receipts from customers in the domestic market	67.43	102.84	153%	277.85	37%
b) Payments in lei, of which:	66.3	68.48	103%	264.27	26%
Domestic suppliers	15.79	15.94	101%	44.86	36%
Net salaries	15.58	15.03	96%	68.23	22%
Utilities	8.79	9.38	106%	23.54	39%
Taxes and fees	22.15	24.13	109%	80.88	30%
Other payments	3.99	4.00	100%	46.76	9%

- receipts and payments in foreign currency

Operation	Planned Q I 2022 (mil. lei)	Achieved Q I 2022 (mil. lei)	Achievement degree	Planned 2022 (mil. lei)	Achievement degree in Q I from the total planned for 2022
1	2	3	4=3/2	5	6=3/5
a) Receipts from customers in the international market	51.82	40.56	78%	171.7	24%
b) Payments in foreign currency, of which:	34	40.52	119%	147.67	27%
External suppliers	33.35	39.05	117%	143.83	27%
Other payments in foreign currency	0.65	1.47	226%	3.84	38%

For the investment activity, payments amounting to 13.22 million LEI were recorded in this quarter.

Bank interest paid: 0.55 million LEI

Surplus cash at end of period: 20.63 million LEI.

The main economic-financial indicators

No.	Indicators	Calculation method	U.M.	Achieved 31.03.2022	Planned 31.03.2022	Achieved 31.03.2021
1	Current liquidity	Current assets / Current liabilities	no. of times	1.90	1.97	2.05
2	Level of indebtedness	Borrowed capital / Equity *100	%	24.44	27.99	28.38
3	Receivables turnover ratio	Average customer balance / Sales revenue * Time	days	206	267	288
4	Fixed asset turnover	Revenue from sales / Fixed assets	no. of rotations	0.25	0.16	0.14

On 31.03.2022 the current liquidity which reflects the company's ability to meet its short-term obligations, had an optimal level, correlated with the decrease of the average duration of receivables collection.

The measures taken to achieve the medium-term objective of reducing bank dependence have led to an improvement in the indebtedness level.

Fixed asset turnover, at the level of 0.25 reflects the increased efficiency in using the fixed assets.

Pillar 5. Improving the Corporate Governance Systems, which aims at:

- a) ensuring the internal framework of corporate regulation, by permanently updating the company codes, training and monitoring their implementation;
- b) monitoring the selection and appointment of the management bodies and carrying out the actions under the responsibility of the company, by applying the decisions the GMS and Management Board regarding the selection of the management bodies, according to the legal regulations;
- c) ensuring and maintaining an efficient system for evaluating the professional performances, by:
 - ensuring the traceability of the performance indicators of the Management Board by elaborating the multi-annual management plans;
 - ensuring the functionality of the performance monitoring system within the company and periodic reporting its efficiency.
- d) ensuring transparency in communication to investors, with equal treatment of all shareholders, by:
 - meeting the reporting plan to investors, according to the legal requirements;
 - adherence to the National Anti-Corruption Strategy 2021-2025
- e) perfecting the risk management process in order to protect the company's patrimony:
 - identifying the risks and opportunities in the activities carried out by the organizational structures;
 - adapting the internal control system to the risk management;
 - managing the commercial risk;
 - ensuring a data and information protection system;
 - ensuring the legal framework for carrying out the activity in legal conditions and protecting the patrimony.

The Management Report was prepared on the basis of unaudited financial data.

This Management Report is accompanied by the simplified individual interim financial statements not audited on and for the three-month period ended March 31, 2022, prepared in accordance with the International Financial Reporting Standards adopted by the European Union.

Antibiotice S.A. on 31.03.2022

- has a **13.4% relevant domestic market share**;
- has been consolidating its business in the Antibiotice territories through an optimal sales structure according to market trends;
- is a **profitable company**: gross profit amounted to 11.42 million LEI as a result of the sales strategy and cost management plan through managerial and organizational measures, which determined both the increase of revenues and the efficiency of the business;
- the degree of indebtedness improved from 28% to 24%;
- cash surplus of 20.63 million LEI, the premise for the repayment/ diminution of the credit for financing the working capital with the same value.

GENERAL DIRECTOR,
Ioan NANI, Economist

FINANCIAL DIRECTOR,
Paula COMAN, Economist

ANTIBIOTICE S.A.

Simplified individual interim
financial statements unaudited on
and for the three-month period
ended on March 30, 2022

ANTIBIOTICE S.A.
Interim financial statements on
March 31, 2022

Table of contents

STATEMENT OF THE COMPREHENSIVE INCOME	3
STATEMENT OF THE FINANCIAL POSITION	4
CASH FLOW STATEMENT	6
EXPLANATORY NOTES TO FINANCIAL STATEMENTS:.....	9
1. GENERAL INFORMATION.....	9
2. ACCOUNTING POLICIES	Error! Bookmark not defined.
3. SALES INCOME.....	Error! Bookmark not defined.
4. OTHER OPERATING INCOME	Error! Bookmark not defined.
5. RAW MATERIALS, CONSUMABLES AND GOODS.....	Error! Bookmark not defined.
6. STAFF-RELATED EXPENSES	Error! Bookmark not defined.
7. OTHER OPERATING EXPENSES	Error! Bookmark not defined.
8. FINANCIAL INCOME AND FINANCIAL EXPENSES.....	14
9. EXPENDITURE ON CURRENT AND DEFERRED PROFIT TAX	14
10. EARNINGS PER SHARE.....	Error! Bookmark not defined.
11. TANGIBLE ASSETS	Error! Bookmark not defined.
12. INTANGIBLE ASSETS	Error! Bookmark not defined.
13. STOCKS	16
14. TRADE AND OTHER RECEIVABLES	Error! Bookmark not defined.
15. CASH AND CASH EQUIVALENTS	Error! Bookmark not defined.
16. TRADE AND OTHER LIABILITIES	Error! Bookmark not defined.
17. AMOUNTS DUE TO CREDIT INSTITUTIONS	Error! Bookmark not defined.
18. SUBSIDIES FOR INVESTMENTS	Error! Bookmark not defined.
19. IMPOZIT PE PROFIT AMANAT	Error! Bookmark not defined.
20. SHARE CAPITAL	Error! Bookmark not defined.
21. RESERVES.....	21
22. RETAINED EARNINGS	Error! Bookmark not defined.
23. CONTINGENT LIABILITIES	22
24. ELEMENTS FOLLOWING THE REPORTING PERIOD.....	Error! Bookmark not defined.

ANTIBIOTICE SA
STATEMENT OF THE COMPREHENSIVE INCOME

on March 31, 2022

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

	NOTE	31-03-22 (unaudited)	31-03-21 (unaudited)
Sales revenues	3	128,245,311	66,101,186
Other operating revenues	4	1,705,229	14,308,630
Revenues relative to costs of product stocks		1,221,835	14,870,577
Capitalized income generated by the entity's activity		2,656,798	1,923,842
Expenses with raw materials	5	(29,694,749)	(22,092,449)
Expenses with products manufactured under contract	5	(10,488,203)	(12,025,603)
Expenses on consumables	5	(2,949,010)	(2,990,677)
Staff-related expenses	6	(26,674,654)	(26,195,633)
Expenditure on amortization and depreciation		(5,132,498)	(5,621,388)
Other operating expenses	7	(46,269,676)	(23,007,224)
Operating profit		12,620,383	5,271,260
Net financial income	8	(1,202,694)	(924,861)
Pre-tax profit		11,417,689	4,346,399
Current and deferred income tax expenses	9	(2,786,268)	(308,108)
Profit		8,631,421	4,038,291
Total comprehensive result		8,631,421	4,038,291
Earnings per share	10	0.012857	0.006015

The explanatory notes from 1 to 24 are an integrating part of the simplified individual interim financial statements.

Drafted by:

General Director
Ec. Ioan NANI

Financial Director
Ec. Paula COMAN

ANTIBIOTICE SA
STATEMENT OF THE FINANCIAL POSITION

on March 31, 2022

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

	NOTE	31-03-22 (unaudited)	31-03-21 (audited)
ASSETS			
FIXED ASSETS			
Tangible assets	11	480,396,700	480,544,567
Intangible assets	12	30,996,626	29,839,764
TOTAL FIXED ASSETS		511,393,326	510,384,331
CURRENT ASSETS			
Stocks	13	121,088,360	106,017,774
Trade and similar receivables	14	250,055,232	276,876,198
Cash and cash equivalents	15	30,490,675	2,111,377
TOTAL CURRENT ASSETS		401,634,267	385,005,349
TOTAL ASSETS		913,027,592	895,389,680
LIABILITIES			
CURRENT LIABILITIES			
Commercial and similar liabilities	16	99,072,158	98,202,288
Amounts due to credit institutions	17	94,901,355	87,163,549
Tax and current tax liabilities		12,966,337	9,611,682
Short-term provisions		3,853,530	3,853,530
Subsidies for investments	18	76,572	306,289
TOTAL CURRENT LIABILITIES		210,869,952	199,137,339
LONG -TERM LIABILITIES			
Subsidies for investments	18	2,313,446	2,160,302
Deferred tax	19	31,279,736	31,483,086
Amounts due to credit institutions	17	54,941,237	57,617,153
TOTAL LONG-TERM LIABILITIES		88,534,419	91,260,541
TOTAL LIABILITIES		300,074,806	290,397,880

The explanatory notes from 1 to 24 are an integrating part of the simplified individual interim financial statements.

Drafted by:

General Director
Ec. Ioan NANI

Financial Director
Ec. Paula COMAN

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

	NOTE	31-03-22 (unaudited)	31-12-21 (audited)
Share capital and reserves			
Share capital	20	264,835,156	264,835,156
Reevaluation reserves	21	113,498,259	114,150,766
Legal reserves	21	13,426,761	13,426,761
Other reserves	21	259,154,126	259,154,126
Reported result	22	(45,922,502)	(51,212,323)
Distribution of profit		-	(25,302,090)
Current result		8,631,421	29,939,404
TOTAL EQUITY		612,952,786	604,991,800
TOTAL EQUITY AND LIABILITIES		913,027,592	895,389,680

The explanatory notes from 1 to 24 are an integrating part of the simplified individual interim financial statements.

Drafted by:

General Director
Ec. Ioan NANI

Financial Director
Ec. Paula COMAN

ANTIBIOTICE S.A.
CASH FLOW STATEMENTS

on March 31, 2022

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

	31-03-22 (unaudited)	31-03-21 (unaudited)
I. Cash flows from operating activities		
Cash collection from the sales of goods and provision of services	143,325,904	90,885,182
Cash collection from royalties, fees, charges and other revenue	68,596	1,960,393
Cash payment to suppliers of goods and services	(66,680,139)	(53,411,422)
Cash payments to and on behalf of employees, payments made by the employer for its employees	(25,855,063)	(25,574,290)
VAT paid	(1,791,032)	(913,593)
Contributions to the Ministry of Health and the Ministry of the Environment	(8,862,095)	(6,953,275)
Other duties, taxes, and similar levies	(2,701,520)	(1,462,853)
Operating cash flow	37,504,650	4,530,142
Interest charged	93	571
Interest paid	(993,306)	(939,893)
Income tax/dividends paid	(1,251)	(3,601,069)
Net cash flows from operating activities	36,510,187	(10,249)
II. Cash flows generated by investments		
Cash payments for purchasing land and fixed assets, intangible assets and other long-term assets	(13,222,945)	(8,488,526)
Net cash flows from operating activities	(13,222,945)	(8,488,526)
III. Cash flows from financing activities		
Receipts from long-term loans/reimbursements	(2,659,001)	1,637,569
Dividends paid	(16,683)	(40,688)
Net cash flows from financing activities	(2,675,683)	1,596,881
Receipts from long-term loans/reimbursements	20,199	(14,746)
Net increase/(decrease) in cash	20,631,757	(6,916,640)
Cash and cash equivalents at the beginning of the period	(74,321,128)	(81,192,179)
Cash and cash equivalents at the end of the period	(53,689,371)	(88,108,818)
The cash and cash equivalents at the end of the period include:	(53,689,819)	(88,108,818)
Accounts in banks and cash	30,490,675	907,100
Credit lines for activating the operational activity	(84,180,046)	(89,015,918)
	(84,180,046)	(88,108,818)

The explanatory notes from 1 to 24 are an integrating part of the simplified individual interim financial statements.

Drafted by:

General Director
Ec. Ioan NANI

Financial Director
Ec. Paula COMAN

ANTIBIOTICE S.A.
MODIFICATIONS OF EQUITY

on March 31, 2022

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

	Subscribed capital	Capital adjustments	Reserves	Other reserves	Current result	Result from revaluation reserves	Profit distribution	Revaluation reserves	Undistributed profit	Result following applying IAS/IFRS for the first time	Result following applying IAS 29 for the first time	TOTAL
31.12.21	67,133,804	197,701,352	13,426,761	259,154,126	29,939,404	22,906,688	(25,302,090)	114,150,766	-	123,582,341	(197,701,352)	604,991,800
Current global result	-	-	-	-	7,960,986	-	-	-	-	-	-	7,960,986
Reserve from revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax relative to the revaluation difference	-	-	-	-	-	(124,287)	-	124,287	-	-	-	-
Result of error correction	-	-	-	-	-	-	-	-	-	-	-	-
Total other items of the global result	-	-	-	-	7,960,986	-	-	-	-	-	-	7,960,986
Transfer of reevaluation surplus	-	-	-	-	-	-	-	-	-	-	-	-
Allotment of other reserves *	-	-	-	-	(27,792,403)	776,794	25,302,090	(776,794)	4,637,314	-	-	2,147,001
Dividends	-	-	-	-	(2,147,001)	-	-	-	-	-	-	(2,147,001)
Mandatory distributions	-	-	-	-	-	-	-	-	-	-	-	-
31.03.22	67,133,804	197,701,352	13,426,761	259,154,126	7,960,986	23,559,195	-	113,498,259	4,637,314	123,582,341	(197,701,352)	612,952,786

The explanatory notes from 1 to 24 are an integrating part of the simplified individual interim financial statements.

ANTIBIOTICE S.A.
MODIFICATIONS OF EQUITY

on March 31, 2022

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

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

The explanatory notes from 1 to 24 are an integrating part of the simplified individual interim financial statements.

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

on March 31, 2022

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

1. GENERAL INFORMATION

Antibiotice SA, based in Iasi, Valea Lupului street no. 1, tax registration code RO 1973096 was founded in 1955 and it was defined as a trading company as per Law 15/1990 and Government Decision no. 1200/12.11.1990. Its shares are traded on the regulated capital market of the Bucharest Stock Exchange.

Our company's 8 manufacturing lines, upgraded and certified according to the Good Manufacturing Practice (GMP) standards, produce medicinal products in 5 dosage forms: powders for injectable solutions and suspensions (penicillins), capsules, tablets, suppositories and topical preparations (ointments, gels and creams). Altogether they form a complex portfolio of more than 150 medicinal products for human use designed to treat a wide range of infectious, dermatological, cardiovascular, digestive tract or musculoskeletal system diseases.

All production capacities owned by our company are located at the headquarters. The Company owns the right to ownership of all the fixed assets registered in the company's accounts.

During the first quarter of 2022, the Management Board met in 3 meetings of shareholders and adopted decisions that allowed it to carry out its duties in an effective and efficient manner. Thus, at the monthly meetings, the Management Board analyzed the financial results obtained by the company during the reporting period and cumulated from the beginning of the year in detail, as well as the economic performance in relation to the budget and the similar period last year.

The Board requested, depending on the situation, detailed explanations to the executive management regarding the plans to increase the production efficiency, the investment plans, the established provisions, the liquidity management, the operational and the general profitability of the activity. Following the detailed analysis of the results of the period, the Management Board decided to approve them for publication and referral to the Bucharest Stock Exchange and the Financial Supervisory Authority, within the Financial Communication Calendar.

The 5 members of the Board guarantee the efficiency of the capacity to supervise, analyze and evaluate the activity of the directors, as well as the fair treatment of the shareholders.

2. ACCOUNTING POLICIES

2.1 Declaration of conformity

The current simplified individual interim financial statements have been prepared in accordance with the International Financial Reporting Standards, the Interpretations and International Accounting Standards (collectively referred to as "IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union ("IFRSs adopted");

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

on March 31, 2022

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

The accounting records of the Company are maintained in LEI, in accordance with Order no. 2844/2016 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards.

These simplified individual interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union. They do not include all the information required for a complete set of IFRS financial statements and they must be read in conjunction with the Company's annual financial statements as of December 31, 2021.

However, certain selected explanatory notes are included to explain events and transactions that are significant to the understanding of changes in the Company's financial position and performance since the latest individual annual financial statements as of and for the fiscal year ended on December 31, 2021.

The simplified individual interim financial statements as of and for the three-month period ended on March 31, 2022 are not audited and they have not been reviewed by an independent auditor.

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

The preparation of the financial statements in accordance with the adopted IFRS requires the use of certain crucial accounting estimates. It is also necessary for the company's management to take decisions related to the application of accounting policies. The areas in which decisions have been taken and significant estimates have been made in the preparation of financial statements and their effect are shown below:

2.2 The bases of assessment

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

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

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

on March 31, 2022

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

2.3 The functional and presentation currency

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

The transactions made by the company in a currency other than the functional currency are recorded at the rates in force at the date when the transactions take place. The monetary assets and liabilities in foreign currencies are converted at rates in effect at the reporting date. The profit and loss arising from the exchange rate differences following the conclusion of these transactions and from the conversion to the exchange rate at the end of the reporting period of the monetary assets and obligations denominated in foreign currency is reflected in the statement of the comprehensive income.

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

	31.03.22	31.03.21
EUR	4,9466	4,9481
USD	4,4508	4,3707

2.4 Critical accounting assessments and estimates

As a result of the uncertainties inherent in business activities, many items in the financial statements cannot be precisely assessed, but only estimated. The estimation involves judgements based upon the latest available reliable information.

The use of reasonable estimates is an essential part for preparing the financial statements and does not undermine their reliability.

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

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

The significant reasoning used by the management to apply the Company's accounting policies and the main sources of uncertainty regarding the estimates were the same as those applied to the Individual Financial Statements as of and for

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

on March 31, 2022

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

the financial year ended on December 31, 2021.

3. SALES INCOME

The sales income includes the following items:

Description	31.03.22 (unaudited)	31.03.21 (unaudited)
Finished product sales	133,230,820	69,863,678
Sales of goods	21,203,167	21,074,547
Trade discounts	<u>(26,188,676)</u>	<u>(24,837,039)</u>
Total	<u>128,245,311</u>	<u>66,101,186</u>

The sales revenues are mainly driven by the sales of finished products directly to pharmaceutical distributors. On 31.03.2022 the intra and extra-community sales amounted to 42,176,657 lei.

4. OTHER OPERATING INCOME

Other operating income includes the following:

Description	31.03.22 (unaudited)	31.03.21 (unaudited)
Rental income	154,298	143,321
Income from research and studies	0	0
Income from various activities	150,081	1,790,174
Income from indemnities, fines and penalties	0	18
Other operating income	155,847	251,805
Income from adjustments for depreciation of current assets	0	391,349
Income from provisions for risks and expenses	0	10,061,136
Exchange rate differences	1,245,003	1,670,827
Total	<u>1,705,229</u>	<u>14,308,630</u>

5. RAW MATERIALS, CONSUMABLES AND GOODS

The expenditure on raw materials and consumables consists of:

Description	31.03.22 (unaudited)	31.03.21 (unaudited)
Raw materials	29,694,749	22,092,449
Auxiliary materials	1,716,411	1,695,536
Goods	10,488,203	12,025,603
Expenditure on fuel and spare parts	996,492	998,761
Inventory items	122,694	138,479
Other consumables	113,413	157,901
Total	<u>43,131,962</u>	<u>37,108,729</u>

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

on March 31, 2022

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

6. STAFF COSTS

Description	31.03.22 (unaudited)	31.03.21 (unaudited)
Wages	24,506,738	24,119,187
Civil contracts	225,572	208,325
Tax and social contributions	809,792	741,813
Other benefits (meal vouchers)	1,132,552	1,126,308
Total	<u>26,674,654</u>	<u>26,195,633</u>

The company is managed in a unitary system within the meaning of Law 31/1990 on commercial companies; the management of the company is provided by the Management Board of SC Antibiotice SA.

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

Description	31.03.22 (unaudited)	31.03.21 (unaudited)
Wages	819,712	797,692
Civil contracts (CA)	225,572	208,325
Taxes and social contributions	27,617	23,385
Total	<u>1,072,901</u>	<u>1,029,402</u>

7. OTHER OPERATING EXPENDITURE

The other operating expenditure includes the following:

Descriere	31.03.22 (unaudited)	31.03.21 (unaudited)
Utilities	5,758,343	3,262,645
Repair works	188,073	281,660
Rent	77,362	349,143
Insurances	341,020	352,085
Bank fees	159,339	85,334
Advertising & promotion of products	2,397,384	1,707,809
Travel & transport	933,818	537,035
Post & telecommunications	136,739	161,182
Other services provided by third parties	2,614,665	2,921,890
Other taxes and fees	10,732,773	8,569,280
Environmental protection	303,589	279,333
Losses and adjustments of uncertain receivables	19,652,922	87,383
Exchange rate differences	1,286,106	1,991,808
Sundries	1,687,544	2,420,637
Total	<u>46,269,676</u>	<u>23,007,224</u>

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

on March 31, 2022

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

8. FINANCIAL INCOME AND EXPENSES

The net financial income consists of:

Description	31.03.22 (unaudited)	31.03.21 (unaudited)
Interest income	93	571
Other financial income	0	0
Interest expenses	(1,102,192)	(884,586)
Other financial expenses	(100,595)	(40,846)
Total	(1,202,694)	(924,861)

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

9. CURRENT AND DEFERRED PROFIT TAX EXPENSES AND OTHER TAXES

Description	31.03.22 (unaudited)	31.03.21 (unaudited)
Current tax	2,989,618	0
Deferred tax expense / income	(203,350)	308,108
Activity-specific tax	0	0
Total	2,786,268	308,108

10. EARNINGS PER SHARE

Description	31.03.22 (unaudited)	31.03.21 (unaudited)
Net profit (A)	8,631,421	4,038,291
Number of ordinary shares (B)	671,338,040	671,338,040
Earnings per share (A/B)	0.012857	0.006015

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

on March 31, 2022

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

11. TANGIBLE ASSETS

	Land	Buildings	Technical installations & equipment	Other installations, equipment & furniture	Tangible assets in progress	Total
COST						
December 31, 2020	189,933,152	135,932,746	196,972,841	8,043,800	81,817,195	612,699,734
Procurement	-	21,580,807	29,882,568	737,012	35,098,176	87,298,563
Outputs	-	275	984,194	31,238	52,200,388	53,216,095
December 31, 2021	189,933,152	157,513,278	225,871,215	8,749,574	64,714,983	646,782,202
Procurement	-	17,291,600	12,105,836	84,479	4,864,266	34,346,181
Outputs	-	361,458	2,270,512	32,473	29,481,915	32,146,358
March 31, 2022	189,933,152	174,443,420	235,706,539	8,801,580	40,097,334	648,982,025
DEPRECIATION						
December 31, 2020	-	14,889,373	123,642,039	5,991,292	-	144,522,704
Cost of the period	-	8,701,978	13,251,269	477,982	-	22,431,229
Outputs	-	275	981,037	31,237	-	1,012,549
December 31, 2021	-	23,591,076	135,912,271	6,438,037	-	165,941,384
Cost of the period	-	2,119,656	2,588,284	68,123	-	4,776,063
Outputs	-	125,390	2,270,512	32,472	-	2,428,374
March 31, 2022	-	25,585,342	136,230,043	6,473,688	-	168,289,073
PROVISION						
December 31, 2020	-	51,600	244,652	-	-	296,252
Outputs 2020	-	-	-	-	-	-
December 31, 2021	-	51,600	244,652	-	-	296,252
Outputs 2021	-	-	-	-	-	-
March 31, 2022	-	51,600	244,652	-	-	296,252
NET VALUE						
March 31, 2022	189,933,152	148,806,478	99,231,844	2,327,892	40,097,334	480,396,700
December 31, 2021	189,933,152	133,870,602	89,714,292	2,311,537	64,714,983	480,544,566
December 31, 2020	189,933,152	120,991,773	73,086,150	2,052,508	81,817,195	467,880,779

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

on March 31, 2022

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

Depreciation of fixed assets

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

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

The inventory value of the tangible assets constituted as pledges or guarantees is 62,271,499 lei.

12. INTANGIBLE ASSETS

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

The changes in the acquisition cost and the amortization related to the intangible assets are shown in the table below:

	31.03.22	31.03.21
	(unaudited)	(audited)
Initial balance	49,272,084	19,709,606
Inputs	2,725,804	12,541,609
Outputs	1,135,938	411,960
Final balance	50,861,950	49,272,084
Amortization		
Initial balance	19,432,320	17,432,829
Cost of the period	433,004	1,999,491
Final balance	19,865,324	19,432,320
Net value	30,996,626	29,839,764

13. STOCKS

	31.03.22	31.03.21
Description	(unaudited)	(audited)
Raw materials and consumables	48,421,719	41,635,510
Production in progress	8,958,268	1,156,052
Semi-finished and finished products	41,594,065	54,465,199
Goods	22,114,308	8,761,013
Total	121,088,360	106,017,774

The value of the stocks constituted as guarantees is 40,534,622 lei.

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

on March 31, 2022

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

14. TRADE AND OTHER RECEIVABLES

	31.03.22	31.12.21
Description	(unaudited)	(audited)
Trade receivables	274,528,316	291,188,584
Adjustments for trade receivables	(34,413,674)	(21,431,055)
Various debtors and other receivables	4,063,417	4,063,884
Adjustments for various debtors	(3,432,707)	(3,432,707)
Receivables related to employees	15	6
Other receivables from the State		
Budget	3,201,427	3,359,260
Advance payments	6,108,438	3,128,226
Total	<u>250,055,232</u>	<u>276,876,198</u>

As of March 31, 2022, the company recorded adjustments for trade receivables representing a customer balance that is unlikely to be collected by the company. The receivables of the Company were analyzed and evaluated according to criteria established according to risks per categories of customers.

	31.03.22	31.12.21
Analysis of seniority	(unaudited)	(audited)
Receivables - customers	274,528,316	291,188,584
Up to 3 months	106,414,450	121,747,734
Between 3 and 6 months	88,268,461	72,186,849
Between 6 and 12 months	59,744,393	63,846,846
Over 12 months	20,101,012	33,407,155
Value adjustments related to receivables-customers	(34,413,674)	(21,431,055)

The value of receivables established as guarantees is 186,082,934 lei.

15. CASH AND CASH EQUIVALENTS

	31.03.22	31.12.21
Description	(unaudited)	(audited)
Available in the bank	30,489,804	2,101,648
Cash and cash equivalents	871	9,729
Total	<u>30,490,675</u>	<u>2,111,377</u>

16. TRADE AND OTHER LIABILITIES

	31.03.22	31.12.21
Description	(unaudited)	(audited)
Trade liabilities	76,092,737	66,324,369
Suppliers of assets	9,338,629	16,400,178
Employee-related liabilities	3,728,290	3,879,368
Other debts	115,328	139,650
Interest to be paid	363,617	248,216
Tax and social contributions	3,965,848	4,268,104

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

on March 31, 2022

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

Dividends	3,757,654	3,774,337
Advances money from customers	1,710,055	3,168,066
Total	99,072,158	98,202,288

17. AMOUNTS DUE TO CREDIT INSTITUTIONS

The amounts due to the credit institutions on 31.03.2022 are shown in the table below:

Amounts due to credit institutions	Value on 31.03.2022
Amounts due in the short term	94,901,355.25 LEI
Amounts due in the long term	54,941,236.81 LEI

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

Objective	Credit line - working capital
Amount	55,000,000 LEI
Maturity	16.08.2022
Balance on March 31, 2022	52,970,807.68 LEI
Warranties	Mortgage contract for buildings, land/Receivable assignment contract

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

Objective	Investment credit
Amount	15,406,300 EUR
Maturity	02.05.2028
Balance on March 31, 2022	13,256,584.72 EUR (65,575,021.98 LEI)
Warranties	Mortgage contract for buildings, land/Receivable assignment contract

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

Objective	Credit line - working capital
Amount	9,500,000 EUR
Maturity	22.05.2022
Balance on March 31, 2022	31,209,238.05 LEI
Warranties	Debt assignment contract

The amounts due to credit institutions on 31.03.2021 are shown in the table below:

Amounts due to credit institutions	Value on 31.03.2021
Amounts due on the short term	99,828,186.03 LEI
Amounts due on the long term	65,165,475.63 LEI

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

on March 31, 2022

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

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

Objective	Credit line - working capital
Amount	55,000,000 LEI
Maturity	16.08.2021
Balance on March 31, 2021	49,330,807.68 LEI
Warranties	Mortgage contract for buildings, land/Receivable assignment contract

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

Objective	Investment credit
Amount	15,406,300 EUR
Maturity	02.05.2028
Balance on March 31, 2021	15,406,300 EUR (75,877,568.13 LEI)
Warranties	Mortgage contract for buildings, land/Receivable assignment contract

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

Objective	Credit line - working capital
Amount	9,500,000 EUR
Maturity	22.05.2021
Balance on March 31, 2021	39,685,110.55 LEI
Warranties	Mortgage contract for buildings, land/Receivable assignment contract

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

18. SUBSIDIES FOR INVESTMENTS

The subsidies for investments have the following structure:

	31.03.22 (unaudited)	31.12.21 (audited)
Subsidies for investments		
Wastewater treatment plant	1,862,816	1,902,542
Other grants from European funds	24,503	24,503
Other grants from state budget funds	399,567 80,120	423,551 84,353
Other amounts received in the form of grants	23,012	31,642
Total	2,390,018	2,466,591

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

on March 31, 2022

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

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

19. DEFERRED INCOME TAX

The variation of debts regarding the deferred tax on profit is presented in the following table:

Description	31.03.22	31.12.21
	(unaudited)	(audited)
Initial balance	31,483,086	31,119,874
Cost/(income) deferred tax	<u>(203,350)</u>	<u>363,212</u>
Final balance	<u>31,279,736</u>	<u>31,483,086</u>

The main components of the deferred tax are: the deferred tax related to the revaluation of fixed assets during the period 2004-2009 and deferred tax related to re-evaluations in the years 2012 and 2015.

20. SHARE CAPITAL

The subscribed share capital of the company on March 31, 2022 is 67.133.804 lei, the nominal value of a share is 0,1000 lei/share. Our company has a number of 671,338,040 shares which confer equal rights to the company's shareholders. SC Antibiotice SA has not issued preference shares to shareholders.

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

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

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

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

on March 31, 2022

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

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

According to the Order 1690/2012 regarding the modifying and filling-in of some accounting regulations, the accountable loss reported, coming from the transition to IFRS, from following for the first time of IAS 29, as well as the one resulting from the use, at the date of transition to the application of IFRS, of the fair value as deemed cost is covered from equity (including the amounts reflected in the account credit 1028 “Adjustments of the share capital”), according to the GMS decision, with compliance of the legal provisions.

21. RESERVES

The reserves include the following components:

Description	31.03.22 unaudited)	31.12.21 (audited)
Reserves from revaluation of fixed assets	135,116,972	135,893,766
Legal reserves	13,426,761	13,426,761
Deferred income tax recognized on equity	(21,618,713)	(21,743,000)
Other reserves	259,154,126	233,852,036
Reserves from current profit	-	25,302,090
TOTAL	386,079,146	386,731,653

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

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

22. REPORTED RESULT

The reported result includes the following components:

Description	31.03.22 (unaudited)	31.12.21 (audited)
Reported result - a surplus from revaluation reserves	23,559,195	22,906,688
Result reported from error correction	-	-
The retained earnings arising from the use of fair value as deemed cost at the date of transition to IFRSs	123,582,341	123,582,341
The retained earnings from the adoption of IAS		(197,701,352)

ANTIBIOTICE S.A.
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

on March 31, 2022

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

29 for the first time	(197,701,352)	
Undistributed profit/unrecovered loss		
	4,637,314	
Total	(45,922,502)	(51,212,323)

23. CONTINGENT LIABILITIES

SC Antibiotice SA does not have contingent liabilities at March 31, 2022.

24. ELEMENTS FOLLOWING THE REPORTING PERIOD

No elements of the nature of subsequent events were identified.

CURRENT REPORT

Notice of availability for the Report on 31 March 2022

Antibiotice Iași informs the investors that the *report on 31.03.2022* is available through the *Bucharest Stock Exchange* and *Financial Surveillance Authority* as well as on our website: www.antibiotice.ro (Investors/Financial Information/Financial Reports - 2022, 3 months).

We mention that the above-mentioned report can also be obtained at our company's headquarters (Investor Relations, phone no. 0232 209570, fax 0372 065633, e-mail: relatiicuinvestitorii@antibiotice.ro).

General Director,
ec. Ioan NANI

Financial Director,
ec. Paula-Luminița COMAN