

# MANAGEMENT REPORT

**65 years**  
**Antibiotice**

Half-yearly report according to **IFRS**

Report date: **August 14, 2020**

Name of trading company: **Antibiotice SA**

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**

**First semester 2020**

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### I. Context

After an encouraging first quarter, months of declining consumption have followed, in which the company have taken steps to protect its employees and business. Antibiotice has made available to the health system medicines included in the treatment associated to Covid 19 (sterile powder for injection), generic medicines widely used all over the world - carbapenems, penicillins, cephalosporins, which has been ranking Antibiotice as a national and regional leader for over 40 years.

Antibiotice has adapted its oral medicine portfolio si-a adptata portofoliul si pe medicamentatia orala, immediately after the announcement of the crisis of basic medicines by manufacturing Paracetamol and Novocalmin highly sought medicines during this period.

The new reality in the last 2-3 months have determined our company to change its production plans to put its employees' health and safety first, while adapting to the declining market pace.

### II. Our company's presentation

Antibiotice SA is the most important Romanian manufacturer of generic medicines, a nationally and internationally reference brand which has been continuing its mission of producing quality, safe and efficient medicines for 65 years.

Antibiotice SA:

- the main manufacturer of anti-infectives in Romania, a leader in the production of injectable beta-lactam antibiotics;
- leader in the production of topicals (ointments, creams, gels) in the Romanian market;
- its exports account for 50% of the turnover;
- ranks first globally in the production of the active substance Nystatin, our product being the USP Reference Standard - an international quality standard;
- has a portfolio comprising over 150 products from 12 therapeutic classes: cardiovasculars, dermatologicals for topical use and inflammatories, digestive tract and genitourinary medicines and food supplements;
- has 8 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, active substances obtained through biosynthesis;

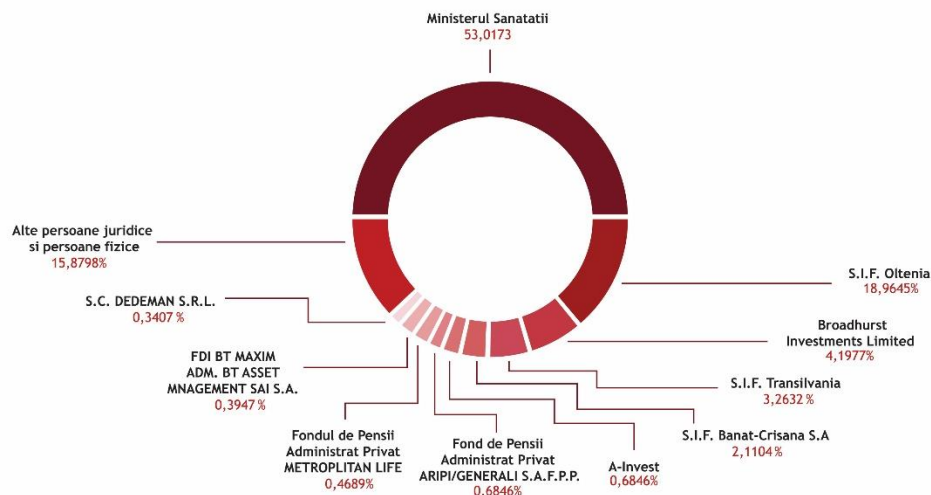
- holds internationally recognized certifications and authorizations:
  - authorization for Nystatin and injectable penicillin products granted by the Food and Drug Administration (FDA) , the US drug regulatory body;
  - Certificate of Suitability (COS) with the European Pharmacopoeia for Nystatin;
  - Good Manufacturing Practice (GMP) certificate for all the manufacturing flows, Integrated Management System (quality, environment , occupational health and safety);
  - has a modern Reseach-Development Center and a Clinical Studies Center;
  - is the first European company prequalified by the World Health Organization (WHO) for the range of essential first-line antituberculosis medicines.

### III Shareholding

Antibiotice SA is a trading company in which the majority shareholder is the Ministry of Health with 53.0173% of the subscribed and paid-up capital. Bucharest Stock Exchange (BVB) is the regulated market in which the securities issued by Antibiotice SA are traded in the PREMIUM category.

The main Antibiotice shareholders on 30.06.2020 (*extracted from the Shareholders' Registry*):

- Ministry of Health (\*) - 53.0173%,
- S.I.F. Oltenia(\*) - 18.9645%
- Broadhurst Investments Limited - 4.1977%
- S.I.F. Transilvania - 3,2632%
- S.I.F. Banat-Crisana S.A - 2.1104%
- A-Invest - 0.6846%
- Private Pension Fund ARIPI/GENERALI S.A.F.P.P. - 0.6782%
- Private Pension Fund Metropolitan Life - 0.4689%
- FDI BT MAXIM Adm. BT ASSET MANAGEMENT SAI S.A. - 0.3947%
- S.C. DEDEMAN S.R.L. - 0,3407%
- Other legal and natural persons - 15.8798%



### Ownership breakdown:

- Legal persons - 86.7881%
- Natural persons - 13.2119%

### Antibiotice in the capital market

Antibiotice SA Iași, issuer of securities under the ATB symbol, has been listed in the PREMIUM category of the Bucharest Stock Exchange since 1997.

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

The Antibiotice (ATB) shares are included in the **BET-Plus** index, (which comprises the Romanian companies listed on the BVB market that meet the minimum selection criteria, except for financial investment companies), **BET-XT®** (BUCHAREST EXCHANGE TRADING EXTENDED INDEX) - which reflects the evolution of the prices of the 25 most traded companies in the regulated market of BVB, including the financial investment companies (SIFs) and **BET-XT-TR** (is the total return type of the BET-XT index, which includes the 25 most traded Romanian companies listed on BVB). The BET-XT-TR index reflects both the evolution of the prices of the component companies and the dividends offered by them.

In the first half of 2020, the minimum ATB share price was 0.5100 LEI. The share price has risen to a maximum of 0.5500 LEI/share.

Stock market capitalization of Antibiotice on June 30, 2020 was 359,166 thousand LEI.

In this period 10,404,214 shares were traded, amounting to 43,337 LEI (8,988 EUR, 9,873 \$), with an average price of 0.5123 LEI/share.

### Antibiotice shares - ATB / Regular Market

	2016	2017	2018	2019	HI 2020
Number of shares	671,338,040	671,338,040	671,338,040	671,338,040	671,338,040
Stock market capitalization (thousand LEI)*	349,096	361,180	326,942	341,040	359,166
Stock market capitalization (thousand EUR)*	76,875	77,511	70,100	71,370	74,173
Stock market capitalization (thousand \$)*	81,123	92,813	80,259	79,873	83,077
Total traded value (million LEI)	6	12	9	15	0,4
No. of traded shares	12,555,866	21,113,565	17,109,263	30,364,292	855,903
Opening price (LEI/share)	0.5320	0.5200	0.5780	0.4800	0.5400
Maximum price (LEI/share)	0.5420	0.5920	0.5780	0.5260	0.5500
Minimum price (LEI/share)	0.4200	0.5200	0.4550	0.4500	0.5100
Price at the end of the period (LEI/share)	0.5270	0.5380	0.4870	0.5080	0.5350
Average price (LEI/share)	0.5032	0.5585	0.5028	0.4851	0.5294

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

### The rights of the holders of financial instruments

The corporate governance framework adopted and applied:

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

On the company's website at [www.antibiotice.ro/investors/informationforshareholders](http://www.antibiotice.ro/investors/informationforshareholders), there is a section dedicated to our shareholders, where they can access and download documents related to the General Meetings of Shareholders: procedures regarding the access and participation in the meetings, the notice to attend, additions to the agenda, informative materials, special representation proxies, correspondence voting forms, decision drafts, decisions, voting results, etc..

Antibiotice makes available to all interested the periodical and annual financial statements prepared according to the legislation in force. The company also complies with all disclosure requirements under the laws of commercial companies and capital market.

Our company has a department specialized in the relations with the existing and potential investors, called Investor Relations, which has as main roles to implement and monitor the corporate governance standards within our company, to inform the shareholders and investors in accordance with the legal provisions, to proactively communicate with our investors focused on their information needs.

The persons appointed to keep in touch with the investors deal with the shareholders' requests with maximum efficiency and facilitate the dialogue with our company's management. Our company creates and develops an appropriate policy to promote an effective communication with our investors and shareholders.

### **Antibiotice SA - member of the Romanian Investor Relations Association (A.R.I.R.)**

Being always oriented towards development and increasing the transparency towards the shareholders, in completing the strategy of improving the quality of the relationship with the investors and out of the desire to create value for the shareholders, on July 31, 2019, Antibiotice joined the Romanian Investor Relations Association (A.R.I.R.), a vibrant community in the Romanian capital market.

The Romanian Investor Relations Association (A.R.I.R.) is a non-governmental and non-profit organization established in order to provide current and potential issuers with a platform for the development of professionals in the field of investor relations (IR) and contribute to the implementation of best practices in investor communication and governance corporate.

For its Investor Relations activity and for the degree of transparency, accuracy and completeness of the information and accessibility of its website, in 2020 Antibiotice got the 10 score granted by the Romanian Investor Relations Association that evaluated 78 issuers in the Romanian capital market.

Antibiotice achieved this performance by approaching new and efficient communication tools. This way, the investors, analysts, brokers, journalists have the opportunity to learn about the Antibiotice business.

## **IV Current activity**

Our company's activity carried out in the first semester of 2020 was influenced by the exceptional circumstances generated by the SARS-COV 2 coronavirus pandemic which led, among other things, to the establishment of a state of emergency in Romania.

Aiming at achieving the indicators included in the Management Plan, the activity was oriented towards the strategic development directions:

1. Internationalization of our business and its consolidation in the internal market
2. Adapting strategically our portfolio
3. Accelerated sustainable development through performing investments and efficient patrimony management
4. Adapting our human resources to the company's strategic directions
5. Integrated Quality Management

Due to legal restrictions, establishment of the state of emergency followed by the establishment of the state of alert, hospital market limited its activity in terms of the number of hospitalizations and thus medicine consumption was reduced, and the retail market was influenced by the limited access of consumers to medicines, leading this way to a reduced demand for some of our company's medicines.

The main financial indicators of the reporting period are as follows:

No.	Indicators	Currency	30.06.2019	30.06.2020	06.2020/ 06.2019
1	Sales income	thsd LEI	172.391	146.378	0,85
2	Gross profit	thsd LEI	24.923	19.351	0,78
3	Arrears	thsd LEI	0	0	1,00
4	Total expenses related to 1000 LEI total income	LEI	879	894	0,98

## 1. Internationalization of our business and its consolidation in the internal market

### Consolidating internationally our business

Against the background of the global crisis of the spread of the SARS-CoV 2 virus, the international trade activity for the medicines for human use has been severely affected. Export restriction measures imposed by the legislation specific to the state of emergency and alert, additional documentation required by the Ministry of Health for the approval of export operations, disruption of the transport of goods, limitation or cessation of production activities for the active substances originated from China, Italy, France, India impacted both the production activity and the international sales, especially in March-April.

Antibiotice SA identified solutions for the continuation of exports, through the relationship with the national authorities and with the external partners.

In this context, our company adapted its business internationally with an anti-infective portfolio associated with the Covid-19 treatment, succeeding to secure its sales in international ATB territories, including the export of Nystatin (active substance).

In the first 6 months of 2020, the export value of medicines and active substance was 73.8 million LEI, a relatively similar value compared to that recorded in the similar period of 2019 (72,7 million LEI), which determined the balancing of the turnover.

### Maintaining the leading position in the world market for the active substance Nystatin

In the H1 2020, our export of Nystatin recorded about 40 million LEI, slightly over the value recorded last year, our company maintaining its first position worldwide in production of this active substance.



A 6% increase in average in the consumption of Nystatin was recorded in the markets from North America, Europe, Australia, Asia and Africa. This increase created healthy premises for long-term business consolidation, in the context in which Antibiotice intends to increase the production of Nystatin by streamlining the manufacturing process.

In the states of the Middle East (Siria, Irak, Iran), Antibiotice SA adopted in the first semester of 2020 a prudent commercial and financial policy, meant to stop the downward trend of the price, but also to secure the collection of receivables.

### **Maintaining the sales in the territories where the company has its own representative offices**

In the existing pandemic context, it was necessary to recalibrate the international trade strategy, aiming to guarantee production and stocks for the Romanian hospitals and international territories where our company opened its own representative offices: Republic of Moldova, Serbia, Vietnam, Ukraine. In this approach, the sales in the international ATB territories remained at the same level as in 2019, recording the value of 10 million USD.

The pandemic imposed measures to restrict circulation, distance, quarantine or isolation, and the access of the population to pharmacies was thus mainly aimed at chronic medication and that associated with Covid-19 treatment. The structure of consumption showed a 5% increase of the export value for cardiovascular and anti-pyretic medicines in the Republic of Moldova, Vietnam, Serbia.

### **Supporting the international health systems**

Through the local distributors, Antibiotice honored requests from international health systems, supporting them with anti-infective drugs included in the Covid-19 treatment. Our company won tenders in the USA, Great Britain, Hungary, for about 2.5 million vials and managed properly the doubled demand of sterile penicillins in the Scandinavian countries (Denmark, Norway), made exports urgently requested by the governments from Lithuania, Latvia and the Netherlands.

Antibiotice mobilized also its resources and responded positively to the request of developing countries, Irak and Yemen, to help them with medicines for treatment in hospitals.

## **Antibiotice in the Romanian market**

### **Evolution of the Romanian pharmaceutical market<sup>[1]</sup>**

<sup>1</sup> according to CEGEDIM Sell Out Romania June 2020

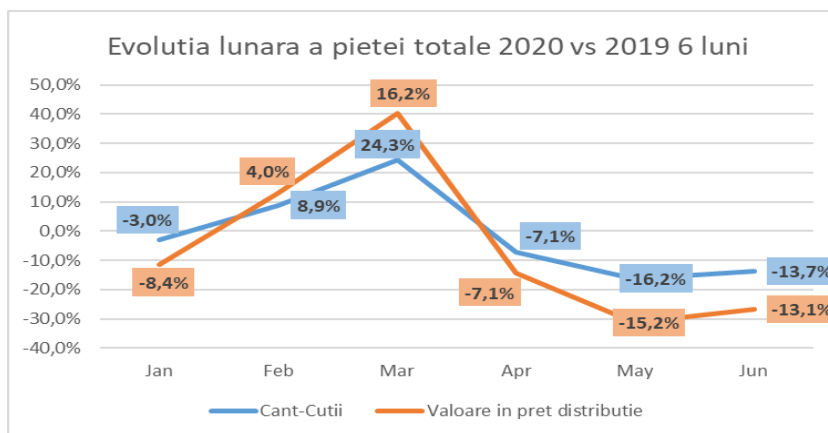
In the first 6 months of 2020, the value of our medicinal products released to patients in Romania amounted to 8.7 billion LEI (distribution price), down by 3.9% compared to the value recorded in 2019.

March represented a peak in the sales but, in the following months, there was a major contraction in consumption on all the sales channels, due to the restrictions applied

with the entry into force of the state of emergency and subsequently the state of alert. The result was a sharp decrease in the number of consumers in open circuit pharmacies, but also in the number of hospitalizations (being registered only in hospitals with Covid regime).

### Monthly evolution of the total market 2020 vs 2019 - 6 months

#### Quantity - boxes Distribution price value



The Romanian pharmaceutical market is dominated by prescription medicines (RX). These represent 74.7% of the total value sales and 62.7% of total drug consumption (reported in boxes).

Prescription medicines recorded in the analyzed period an 8% decrease in value, from 7.07 billion LEI in 2019 to 6.5 billion LEI in 2020.

As regards the number of boxes released from pharmacies, a 4.2% drop was recorded, from 203.9 million boxes to 195.3 million boxes in the first half of 2020.

In the analyzed period, over-the-counter products recorded an increase in value by 10.5%, from 2 billion LEI in 2019 to 2.21 billion LEI in 2020. The number of boxes released from pharmacies rose by 5.4%, from 110 million boxes to 116 million boxes in the first half of 2020.

Compared to 2019, from quantitative viewpoint, the most affected segment in the first 6 months was the hospital segment, which recorded a 9.1% decrease from 14.48 million boxes sold in H1 2019, to 13.16 million boxes.

The "National chains" segment reduced its sales value by 14.2% from 3.56 billion LEI in H1 2019 to 3.05 billion LEI in the similar period of 2020.

Independent and mini-chain pharmacies had a relatively constant quantitative and value evolution, recording value sales of 4.48 billion LEI and about 185 billion boxes from quantitative viewpoint in H1 2020.

## Evolution of the relevant pharmaceutical market for Antibiotice SA

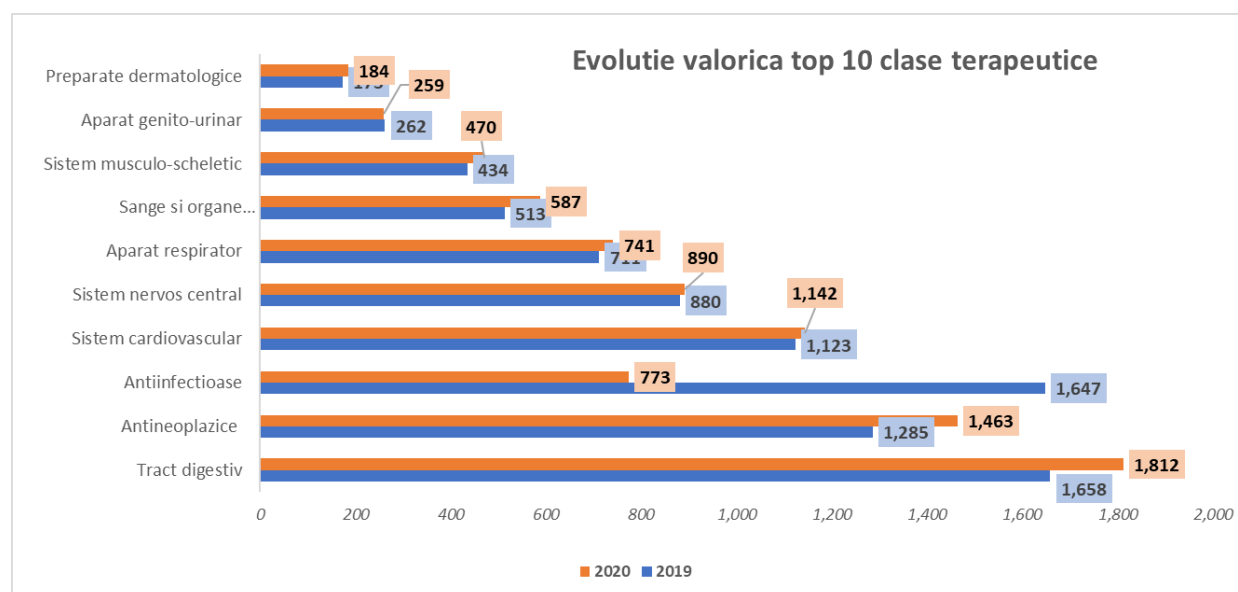
The relevant market of the products from the Antibiotice portfolio had a slight 2.2% increase, from 1.053 billion LEI to 1.077 billion LEI. Quantitative consumption decreased by 3%, a number of 65.6 million boxes being released from pharmacies.

Prescription medicines (RX) represent about 52.2% of total value sales and 61.7% of total medicine consumption (reported as boxes). In the analyzed period, they recorded a 2% value decrease, from 572 million LEI in H1 2019 to 562 million LEI, in the same period of 2020.

Over-the-counter products (OTCs) recorded a value increase of 7%, from 482 million LEI in the H1 2019 to 515 million LEI in the H1 2020.

The first therapeutic classes in the Romanian pharmaceutical market, taking into account their share in the value sales are: Digestive tract, Oncology, Antiinfectives for systemic use, Cardiovascular system, Central Nervous System. These represent 70% of total sales in the pharmaceutical market.

### Value evolution in the top 10 therapeutic classes



## Antibiotice in the Romanian pharmaceutical market

Antibiotice SA followed the market trend in the first semester of 2020, the gross value of Antibiotice sales to patients amounted to 152.3 million LEI, dropping by 8.8%, compared to H 1 2019, however maintaining its strengths :

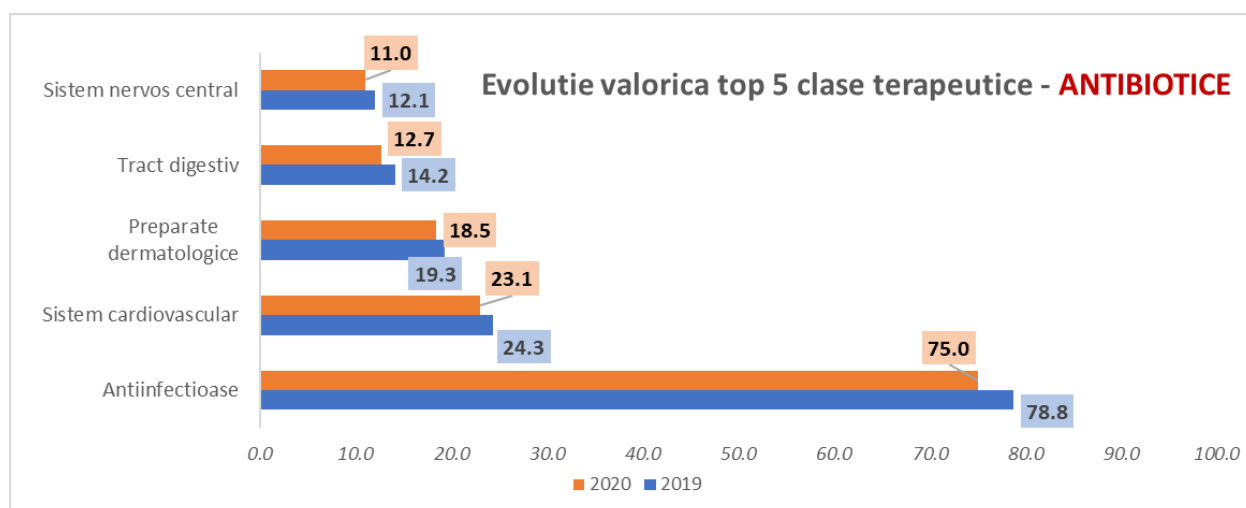
- **Ranks first** in the relevant market, with a 14% value market share;
- **Leader in terms of quantity** for the following dosage forms: ointments (23.6%), suppositories and pessaries (40.9%) and injectable powders (67.5%);

- **Leader in the segment of generics and OTCs** sold in hospitals, with a 15.8% market share;
- **Ranks 8<sup>th</sup>** in the segment of generics and OTCs (3.9% market share);
- **Ranks 20<sup>th</sup>** in the total pharmaceutical market (1.75% market share)

Two thirds of sales to patients are from the Anti-Infectives, Cardiovascular and Dermatology portfolios.

### Evolution in terms of value of the first 5 therapeutic classes - **ANTIBIOTICE**

Central Nervous System, Digestive Tract, Dermatological Preparations, Cardiovascular System, Anti-Infectives,



In terms of value, the Hospital segment recorded an increase of about 6.4%, from 38 million LEI in H1 2019 to 40.4 million LEI in the same period of 2020 (the data concern exclusively the sales of the products included in the 2020 plan). This growth is higher than the average growth rate of the relevant market (+5.8%). The number of sold units released from hospitals remained relatively constant at 13 million units.

Retail market registered a decrease of value of about 9.7% in the first semester of 2020 compared to the same period of 2019 (the data concern exclusively the sales of the products included in the 2020 plan). If, in the first quarter the value sales were constant compared to the previous year, in the second quarter, due to the general context, they recorded a contraction of about 21%.

The most affected segment was that of pharmacy chains that fell with 12.7% compared to the previous year, but this decrease was lower than that recorded by the pharmaceutical market for the mentioned segment (-14.2%).

The value sales recorded in the independent and mini-chain pharmacies dropped by 7.8% in the analyzed period of 2020 compared to the same period of 2019, while the number of boxes released from pharmacies decreased by 3.4%.

The products that recorded significant increases compared to the previous year are: Moldamin®, Meropenem for injection, the range, Amoxiplus® inj, Bisotens® range, Nolet®, Cicloserina®, Penicilina Gk 1 mil.

Standing in solidarity with the Romanian health system also in the context of the SARS-COV coronavirus pandemic, our company's representatives kept in constant contact with the distributors, in order not to have syncope in the supply of medicines and create stocks to honor the orders as soon as possible. At the same time, they constantly contacted the hospital pharmacies to identify the need for medicines and quickly honors the orders launched by hospitals.

Also, to meet the specific needs of this period of the health system, Antibiotice SA adapted its manufacturing structure and produced Paracetamol tb 500mg and Novocalmin tb 500mg, molecules for the COVID-19 treatment.

As a gesture of solidarity towards the medical system, Antibiotice offered both financial aid and donations in medicines for ten hospitals in Romania.

### **Strategies for promoting the products from the Antibiotice portfolio**

In the Q1 2020, the Antibiotice portfolio was mainly promoted through medical visits to various medical specialists and pharmacists, as well as through scientific events organized in hospitals, outpatient clinics and pharmacies. Promotional actions aimed to increase the good reputation of our company brand as well as the product brands from the following classes: anti-infectives for systemic use, dermatological preparations, medicines for genito-urinary system, musculoskeletal system and the Nutriensa® range of food supplements.

In the second quarter, as a result of the declaration of the state of emergency and subsequently of the state of alert, we adapted the promotion strategy to the new market conditions. Thus, the medical representatives conducted their promotion activity using the telephone, e-visits via the Internet or by combining direct visits with promotion by telephone calls.

In the pandemic context, the recommendation and consumption of drugs for chronic non-communicable diseases has seen an upward trend. Thus, starting with June, in addition to the products promoted in the first months of the year, the medical promotion for the products from the cardiovascular portfolio was resumed to the cardiologists and family doctors.

Also as a measure of adaptation to the new conditions, the promotion of the Antibiotice's products was carried out in webinars for doctors and pharmacists through online promotion actions, promotion campaigns on blogs and Social Media (Facebook, Instagram) with posts, contests and advertorials.

From the wide range of products manufactured by Antibiotice, our representatives promoted products belonging to the following portfolios: Hospital & Partners, portfolio for dermatology, portfolio for the prevention but also for the treatment of various diseases brought together under the "Quality of Life" concept.

**Hospital&Partners** is the portfolio for hospitals, the promotion focusing on the development of good practices in the use of antibiotics, supported by the campaign "Antibiotics of the Third Millennium", with a package of messages around the notion of "Judicious / responsible consumption of antibiotics".

Colistina® Atb, AmpiPlus®, Amoxiplus® are the products promoted through direct visits to the customer group hospital.

Moldamin® (benzatyn benzilpenicilina) is the product that brought the novelty among the promoted products, being reintroduced into production at the end of 2019. In this period, the program entitled "Test! Evaluate! Treat!", a multidisciplinary public health education program was implemented. It integrates the promotion of the benefits of product reformulation and encourages health professionals, in the context of current infectious pathology, to correctly evaluate, test and treat the patients.

**"Quality of Life"** is the concept defined in medicine as being the physical, mental and social well-being as well as the ability of individuals to perform their usual tasks. Assessing the personal health by referring to an ideal model is a criterion that determines the quality of life.

The therapeutic solutions brought together under the "Quality of Life" concept for the treatment of various diseases are from the following areas: cardiovascular, genitourinary, musculoskeletal, dermatology, digestive tract.

The concept also brings together OTC products, as well as complementary alternatives designed to maintain the body's homeostasis such as food supplements - grouped under the Nutriensa® brand.

**"Women's Health"** - represents the concept through which Antibiotice aims to consolidate the identity of its portfolio intended for preventing and treating of diseases in obstetrics and gynecology through products from the ranges Zifex pessaries, Nystatin pessaries.

Maintaining the leading status on the topical products segment imposed the need to reposition the brands grouped under the communication concept "We are where we need to be - Antibiotice - leader in the production of topicals". The current context determines us to consolidate and create powerful brands, which is why the action plans included the brands: Cutaden® range, Tinero® gel, Nidoflor® cream.

Antibiotice can effectively develop both domestically and internationally by ensuring a sustainable portfolio by investments for developing in-house new products in compliance with the current therapeutic trends.

Our company's promotion strategy in the current pandemic context involves an adaptation to the use of multiple information channels, especially online, the selection of platforms that facilitate the transmission of synthesized information to health professionals, as well as possible direct visits.

## 2. Strategic adaptation of our portofolio

### ➤ **Research-Development for adapting and durably consolidating our company portfolio**

The main objective of the Research-Development Unit is to develop new medicines (topicals, tablets, capsules, sterile products and other new pharmaceutical dosage forms) in line with the company's development strategic directions until 2025. The products under research will complete the following classes of the Antibiotice portfolio: antiinfectives (sterile oral and injectable powders), dermatological, cardiovascular, non-steroidal anti-inflammatory products, medicines for the digestive system and for women's health.

Of the products under research in 2020, number of 14 projects went through different stages, as follows:

- three projects for the Sterile Products & Nystatin Division;
- five projects for the Topical Products Division;
- six new projects, of which one food supplement for the Oral Solid Dosage Forms Division.

To these research projects actions are added to support the internationalization process of the current portfolio for 16 products (8 solide orals, 4 products for injection and 4 topicals )

In March 2020, Food and Drug Administration approved the Active Substance Master File (ASMF) for the active substance Nystatin. This document certifies the quality of Nystatin and documentation prepared in accordance with the requirements of the certification bodies, the active substance benefiting from a complete characterization from a structural and analytical point of view.

### **Authorized surface disinfectants, hand sanitizer in the process of authorization**

In the context of the increased need for protective materials, Antibiotice started researching and testing disinfectants that can be manufactured on its own manufacturing flows.

These products will be used both to protect our employees and to support the current needs of the Romanian health system.

The research, production and quality teams worked on two types of products: hand sanitizer gels and surface sanitizers. After testing, they selected a hand sanitizer gel formula and two surface disinfectant formulas.

Antibiotice currently produces two surface disinfectant solutions in 1 liter and 5 liter bottles according to the marketing authorization issued by the Cantacuzino Institute, while the formula proposed by our research team for the hand sanitizer gel is ready to be sent for analysis to an external laboratory, in order to be further accredited and introduced in the company's portfolio in the future.

### **Resumption of production of Paracetamol and Novocalmin® to support the Romanian medical system**

Being a pharmaceutical manufacturer that has been supporting the Romanian medical system for 65 years, Antibiotice decided, in the context of the outbreak of the SARS-CoV-2 coronavirus pandemic, to resume the production of Paracetamol tablets and Novocalmin® (metamizole sodium). Antibiotice has the necessary resources such as marketing authorizations (MAs), raw materials, manufacturing know-how and production facilities in order to be able to produce and deliver in the market a whole range of medicines, including those for the symptomatic treatment of COVID19.

Both Paracetamol and Metamizole sodium (prescription medicine) have been included in most of the national treatment guidelines in the EU as a first option when initiating treatment for fever or pain caused by SARS-CoV-2 infection.

#### **➤ Renewal of the product portfolio**

In identifying the new products, the analysis of the global pharma market trends was taken into account, with a focus on the main sales markets of the company (ATB territories), identification of the main pathologies for which an increasing epidemiological trend is expected in the next 10 years, as well as the analysis of the portfolios of the main competitors in the market in this product segment, in accordance with the structure by therapeutic classes of the current portfolio.

The development of the topicals portfolio focused on the introduction of products belonging to the following therapeutic classes, intended mainly to improve the quality of life:

- range of products for diseases of the venous system;
- range of non-steroidal anti-inflammatory medicines;
- range of medicines and adjuvants for maintaining the women's health;
- dermatologicals.

The development of the oral and sterile solid dosage forms focused on the introduction in research of medicines for cardiovascular diseases and on the analysis of the list of essential drugs of the World Health Organization.



➤ **Authorization / reauthorization of products and registration in new markets**

In H1 2020, our company submitted:

- **files for authorization in:**
  - EU for 11 products, 5 injectable products and 6 oral solid products;
  - Ukraine for 7 products, 4 injectable products and 3 oral solid products;
  - Vietnam for a topical product;
  - Republic of Moldova for 7 products, 2 injectable products, 4 oral solid products and 1 topical product.
  
- **files for re-authorization in:**
  - Romania for 4 oral solid products, 2 topical products and updating medical information, SPC and Leaflet for 16 products;
  - Serbia for one injectable product;
  - Republic of Moldova for one injectable product, one oral solid product and 2 topical products;
  - Georgia for one injectable product.

➤ **Center for Clinical Studies**

The activity of the Center for Clinical Studies (CSC) consists in conducting bioequivalence studies, as well as clinical studies established in the annual plans, performing instrumental tests, through specific laboratory techniques for current manufacturing, supporting the research plan by performing specific determinations, development and validation of analytical methods, support of the activity of product registration by offering scientific support in order to clarify some issues raised by partners / authorities, as well as preparation and management of specific documentation in accordance with specific legislative rigors.

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

In the context of increasing competitiveness and the need to make the activity of the manufacturing plants profitable, we made the decision to reunite the five manufacturing plants on the Antibiotice site in three product divisions, as follows:

1. **Solid Oral Dosage Form Division**, which integrates the activities of the Capsule Plant and Tablet Plant;
2. **Topical Division**, integrating the Ointment & Suppository Plant;
3. **Sterile Products and Nystatin**, which integrates the activities of the Parenteral Plant and Biosynthesis Plant.

The divisions are managed independently in terms of production activities, investments in technology, product portfolio and customers, so as to become autonomous profit

centers, which adapt their manufacturing, product portfolio to the needs and characteristics of the markets where their products are sold.

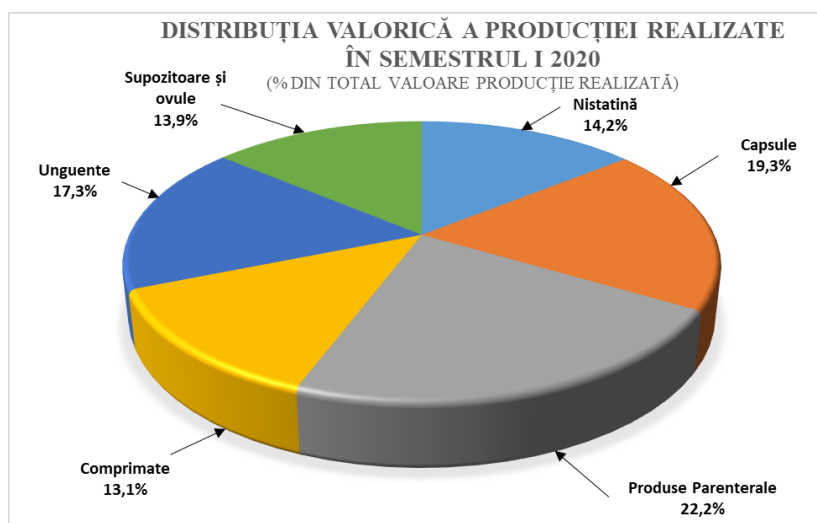
The H1 2020 production materialized in 224 million pharmaceutical units in the form of tablets, capsules, parenterals, topicals (ointments, creams, gels), suppositories, pessaries. The active substance Nystatin was produced in a quantity comparable to that made in the first semester of 2019.

The total value of the H1 2020 production was 191.6 million LEI, on the 8 manufacturing flows, as follows:

#### VALUE DISTRIBUTION OF PRODUCTION MADE IN H 1 2020

(% OF THE TOTAL VALUE OF THE PRODUCTION MADE)

Nystatin: 14.2%, Capsules: 19.3%, Parenterals: 22.2%, Tablets: 13.1%, Ointments: 17.3% Suppositories & pessaries: 13.9



### 3. Accelerated sustainable development through efficient investments and efficient asset management

#### ➤ Accelerated sustainable development through efficient investments

In the H1 2020, our company completed investment objectives amounting to 25,97 million LEI out of the total amount of 78.91 million LEI approved for the whole year 2020 through the investment plan (according to the contracts concluded with the partner companies and with the agreed work schedules).

According to the annual program, the structure of investments in the first half of 2020 was as follows:

#### Research & Development investments

In the first six months of the year, our company invested in research-development 4.23 million LEI (out of the total amount of 11.53 million LEI, planned for 2020). The

investments were made for equipment and software for supporting and improving the research activities, in order to obtain new quality, safe and efficient products, highly competitive in the market.

### **Investments in new manufacturing sites**

The planned investment for the continuation of the works at the new manufacturing plant for ointments and suppositories has the value of 19.64 million LEI. An amount of 10.92 million LEI were used in the first semester. The works for performing the clean rooms and the related installations continued, correlated with the installation of the equipment and technological installations for the production and transport of the utilities. The works were stopped on March 15, 2020 due to the traffic restrictions imposed by the coronavirus pandemic. The works were resumed starting with the month of June. The degree of achievement of this important investment objective is 91%.

### **Investments for modernizing the existent manufacturing sites**

In order to refurbish the 8 manufacturing flows, our company invested 0.20 million LEI in the first semester of 2020 for purchasing equipment, installations and laboratory equipment (out of the total of 3.20 million LEI, allocated for 2020).

### **Investments in product quality control, environmental protection, occupational safety and health**

Increasing the accuracy of laboratory analysis methods and reviewing monographs in pharmacopoeias have required investments in state-of-the-art equipment to maintain the quality standards of manufactured products and comply with legal requirements to protect the environment and employees. The amount invested in the H1 2020 was 1.51 million LEI (of the annual total of 3.33 million LEI).

### **Investments for rehabilitating the industrial site**

In the first three months of the current year, Antibiotice invested 4.12 million LEI (of the total annual sum of 35.38 million LEI) in the rehabilitation of auxiliary buildings and constructions, transport and storage infrastructure and logistics, maintenance infrastructure, production and distribution of utilities, IT infrastructure, as well as for the rehabilitation of land released after demolition and decommissioning.

### **Investments in social responsibility projects**

In the H1 2020, Antibiotice invested 4.99 million LEI (of the total amount of 5.83 million LEI for 2020) in projects for its employees: “Friendly brand” which consisted in arranging the common areas (locker rooms, social groups, dining rooms, training rooms) and “We live healthy in a healthy company” which included: modernization of the Penicilina sports hall and the project for the community called “Friendship Park” (arrangement of a park in the area with forest shelter-belt in front of our company, adjacent to the DN28 national road).

## Efficient patrimony management

### Comprehensive income statement

One of the company's strategic objectives is developing its business internationally. However, in the H1, 2020, the SARS-VOC-2 virus pandemic caused syncope in its activity.

Domestically, due to restrictions imposed by the authorities to prevent the spread of SARS-VOC-2 virus infection, as well as the targeting of medical services to patients affected by this virus, drug use in hospitals and pharmacies decreased. Antibiotics especially focused in the international market. Thus, from the sales revenue amounting to 146,377,930 LEI, 50% represents sales in the foreign market.

The value of other operating income was higher by 19% compared to the value recorded on 30.06.2019.

The research and development activity is a continuous concern for the company, pursuing the development of valuable molecules for patients' health, as well as supporting the objective of internationalizing the business, by permanently adapting the formulas of medicine from our portfolio to the registration requirements in other countries. Thus, compared to the value recorded on 30.06.2019, the value of income from the activity performed by the entity and capitalized is higher by 28%.

Interest recorded in the H1 2020 on contracted bank loans, higher than financial income (represented by favorable exchange rate differences on the settlement of receivables and payables) led to a value of net financial income of -3.017.557 LEI.

Indicators	Financial year		30.06.2020/ 30.06.2019
	30.06.2019	30.06.2020	
0	1	2	3=2/1
<b>Sales income</b>	172,391,095	146,377,930	0.85
Other operating revenues	18,686,567	22,243,720	1.19
Income related to the cost of product stocks	26,243,033	26,727,927	1.02
Income generated by the entity and capitalized	2,568,485	3,295,615	1.28
Expenditure on raw materials and consumables	78,018,365	66,398,931	0.85
Staff costs	46,888,473	50,146,132	1.07
Amortization and depreciation expenses	10,329,494	10,959,958	1.06
Other operating expenses	57,508,252	48,771,227	0.85
<b>Operating profit</b>	<b>27,144,596</b>	<b>22,368,945</b>	0.82
Net financial income	-2,220,989	-3,017,557	1.36
<b>Pre-tax profit</b>	<b>24,923,607</b>	<b>19,351,388</b>	0.78
Income tax expenses	2,604,531	206,134	0.08
<b>Net profit</b>	<b>22,319,076</b>	<b>19,145,254</b>	0.86

Regarding the expenditures made in the first semester of 2020, the situation is:

- **expenses with raw materials and consumables** amounted to 66,398,931 LEI, by 15% lower than the value registered in the similar period of 2019, being correlated with the value of the performed production. The productive activity was slowed down on two manufacturing flows, where the staff is more numerous, in order to diminish the risk of infection with the SARS-COV 2 virus. The need to protect the health of employees in the context of the pandemic led to the adoption of special measures to minimize the risk of viral contamination: sanitary supplies were provided, not only to employees working in the production process, but to all our employees. This involved spending on additional consumables. The manner of making the expenses for preventing and fighting the infection with the SARS-COV 2 virus was verified by the Chamber of Accounts Iași. The Control Report proves the judicious use of resources.
- **staff costs** are higher by 7% compared to the value recorded in the same period of the previous year, as a result of the continuation of the project initiated in 2019 for implementing a modern hierarchy and salary system, in order to align the benefits package to the performance level of each employee.
- **depreciation and amortization expenses** increased by 6%, being the result of the continuous investment process in technological equipment.
- **other operating expenses** dropped by 15%, as a result of the cost-cutting measures.

As a result of the performed income and incurred expenses, the **net profit** on 30.06.2020 amounted to 19,145,254 LEI, representing 86% from the value recorded on 30.06.2019.

In the current conditions, in which the pandemic has left its mark on all the world's economies, the company will rectify the indicators approved in the Revenue & Expenditure Budget for 2020, aiming to ensure the budgetary functions, respectively: forecasting, control of financial execution and ensurance of the financial balance.

### Financial Position Statement

Indicators	Financial year		30.06.2020/ 31.12.2019
	31.12.2019	30.06.2020	
0	1	2	3=2/1
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
Tangible assets	363,616,611	379,243,099	1.04
Intangible assets	16,385,709	18,062,450	1.10
<b>TOTAL FIXED ASSETS</b>	<b>380,002,320</b>	<b>397,305,549</b>	<b>1.05</b>
<b>CURRENT ASSETS</b>			
Stocks	73,975,988	114,080,189	1.54
Trade and similar receivables	338,159,774	272,878,955	0.81
Cash and cash equivalents	1,877,409	3,861,622	2.06
<b>TOTAL CURRENT ASSETS</b>	<b>414,013,171</b>	<b>390,820,766</b>	<b>0.94</b>
<b>TOTAL ASSETS</b>	<b>794,015,491</b>	<b>788,126,315</b>	<b>0.99</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			

Commercial and similar debts	72,337,840	79,450,266	1.10
Amounts owed to credit institutions	125,875,879	109,986,199	0.87
Debts from current taxes	13,267,396	5,690,516	0.43
Subventions for investments			
<b>TOTAL CURRENT LIABILITIES</b>	<b>211,481,115</b>	<b>195,126,981</b>	<b>0.92</b>
<b>LONG -TERM LIABILITIES</b>			
Subventions for investments	3,079,169	2,926,024	0.95
Deferred tax	25,531,938	25,738,072	1.01
Amounts owed to credit institutions	57,080,354	68,406,475	1.20
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>85,691,461</b>	<b>97,070,571</b>	<b>1.13</b>
<b>TOTAL LIABILITIES</b>	<b>297,172,576</b>	<b>292,197,552</b>	<b>0.98</b>
Share capital and reserves			
Share capital	264,835,156	264,835,156	1.00
Revaluation reserves	50,804,319	49,499,028	0.97
Legal reserves	13,426,761	13,426,761	1.00
Other reserves	200,655,367	204,149,957	1.02
Retained earnings	-56,432,683	-55,127,392	0.98
Distribution of profit	-7,269,283	0	
Current result	30,823,278	19,145,254	0.62
<b>TOTAL EQUITY</b>	<b>496,842,915</b>	<b>495,928,763</b>	<b>1.00</b>
<b>TOTAL CAPITALS AND LIABILITIES</b>	<b>794,015,491</b>	<b>788,126,315</b>	<b>0.99</b>

### Patrimonial assets

Total assets on 30.06.2020 amounted to 788,126,315 LEI, a value close to the one recorded on 31.12.2019. In its structure, **fixed assets** increased by 5% compared to the value at the beginning of the year, due to performing investments.

As of 30.06.2020, the total current assets were higher than the value of current liabilities and the value of permanent capitals (equity + long-term debts) exceeded the value of fixed assets, which shows that the company meets the principle of aligning the maturity of assets and liabilities.

The need to ensure stocks for the continuity of sales during the revision period determined the increase of their value, compared to the value recorded on 01.01.2020.

The value of **receivables** was 272,878,955 LEI, lower than the one recorded on 01.01.2020, being correlated with the level of sales revenues as well as with the result of continuous measures for optimizing the commercial relations with the customers.

### Patrimonial liabilities

At the end of the first semester of 2020, **current liabilities** recorded a value of 195,126,981 LEI, by 8% lower compared to the value at the beginning of 2020. In their structure:

- short-term loans were lower by 13%;
- debts to the suppliers increased by 10%, as a result of renegotiating contracts with suppliers by extending payment terms;
- current tax liabilities decreased by 57%.

The value of long-term debts, represented by the bank loan contracted to ensure the financing of investments in the new Ointment & Suppository Plant increased by 20% compared to the value at the beginning of the year, as a result of the intensification of the works for this investment objective. **Equity** is at a level similar to that recorded at the beginning of 2020.

The company does not register outstanding obligations to the state budget.

#### Analysis of the main economic-financial indicators

Name of indicator	Calculation formula	30.06.2019	30.06.2020
Current liquidity	Current assets / Current liabilities	2.13	2.00
Level of indebtedness	Borrowed capital / Equity x 100	28.07%	35.97%
Turnover speed for client debit items	Average customer balance / Sales revenue x Time	303 days	352 days
Fixed assets turnover	Sales revenue / Fixed assets	0.52	0.37
Net profit rate	Net profit / Sales revenue x 100	12.94	13.07

Current liquidity, which reflects the company's ability to pay short-term obligations from the current assets, is at an optimal level (according to international usage, current liquidity should be around 2).

The degree of indebtedness increased, as a result of the use of amounts from the long-term bank credit, being in line with the stage of accomplishment of the works in the new Ointment & Suppository Plant. In accordance with the clauses of the contracts, the amounts will be reimbursed starting with 2021. Turnover rate speed for client debit items and fixed assets turnover decreased, being affected by the level of sales revenues, the average balance of receivables was at a level similar to that recorded on 30.06.2019 and the value of fixed assets increased by 19% in compared to the value recorded in the similar period of the previous year.

Net profit rate, higher than the value recorded on 30.06.2019 reflects the efficient management of liquidity, assets and debts.

#### Amounts owed to credit institutions

Amounts owed to credit institutions on 30.06.2020 are presented in the following table:

Amounts owed to credit institutions	Value (LEI)
Amounts due in the short term	109,986,198.73
Amounts due in the long term (interest included)	68,406,475.30

Short-term contract no. IAS3-42-2016/ 17.08.2016 concluded with Unicredit Bank S.A.

Objective	Credit line - working capital
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Amount	55,000,000 LEI
Maturity	16.08.2020
Balance at June 30, 2020	50,930,807.68 LEI
Guaranties	Mortgage contract for buildings, land / Contract for assignment of receivables

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

Objective	Capital investment loan
Amount	15,406,300 EUR
Maturity	02.05.2028
Balance at June 30, 2020	14,126,856.10 EUR (68,406,475.30 LEI)
Guaranties	Mortgage contract for buildings, land / Contract for assignment of receivables

Short-term contract no. 12/01.07.2013 concluded with Export-Import Bank of Romania-EXIMBANK S.A.

Objective	Credit line - working capital
Amount	30,000,000 LEI
Maturity	23.06.2021
Balance at June 30, 2020	27,312,537.01 LEI
Guaranties	Mortgage contract for buildings, land / Contract for assignment of receivables

Short-term contract no. 12239/22.05.2012 concluded with ING BANK N.V. AMSTERDAM - Romania Branch

Objective	Credit line - working capital
Amount	9,500,000 EUR
Maturity	22.05.2021
Balance at June 30, 2020	27,550,062.97 LEI 865,867.68 EUR ( 4,192,791.07 LEI )
Guaranties	Mortgage contract for buildings, land / Contract for assignment of receivables

SC Antibiotice SA did not submit guarantees and did not pledge, respectively did not mortgage its own assets in order to guarantee some obligations in favor of a third party.

### Cash flow

On 01.01.2020, cash and cash equivalents were -123,998,470 LEI, being represented by credit lines worth 125,875,879 LEI and cash in bank accounts, from the same lines of credit, amounting to 1,877,409 LEI.



From the operating activity, the cash receipts amounted to 223,981,296 LEI. The value of cash payments to suppliers of goods and services was 103,159,929 LEI, and payments to and on behalf of employees amounted to 48,661,103 LEI.

Payments representing taxes, fees and bank interest, made in the first semester of 2020 amounted to 28,425,194 LEI. For the investment activity, payments were made in the amount of 25,805,915 LEI. On 30.06.2020, cash and cash equivalents were -106,124,577 LEI, representing credit lines amounting to 109,986,199 LEI and 3,861,622 LEI cash in bank accounts and cash remaining from the same lines of credit.

The Management Report was prepared on the basis of financial data that were audited according to legal requirements by the external financial auditor. S.O.C.E.C.C. S.R.L. Bucharest.

#### 4. Adapting our human resources to the company's strategic directions

The 2020 performance indicators for the Human Resources Unit are set in accordance with the **Business Plan of Antibiotice SA for the period 2020 - 2025**. They aim the following objectives:

- **Efficiency of salary expenses**

The compliance with the provisions of the approved budget was monthly monitored.

Performance indicators	Planned for 6 months 2020	Achieved in the first 6 months of 2020
Average number of employees	1,415	1,415
Staff costs	50,561 thousand LEI	49,472 thousand LEI

- **Non-discriminatory staffing, training of skills needed to achieve goals and increase involvement**
- **Reorganization and adaptation of the personnel structure** on key organizational components of the company was achieved by substantiating and implementing the decisions to restructure the activities.
- **Identification of the necessary personnel** for each structure, in order to achieve the objectives, was made according to the new organizational charts through the detailed analysis of the personnel, retirement possibilities according to the new legal provisions and the need to attract personnel.

To ensure the necessary staff, the Human Resources Unit conducts also specific projects:

- **Perform a+**, the 5<sup>th</sup> edition, a project for practical training and personnel selection, through partnership with the universities. Starting with this year, the addressability of this project was extended, in order to attract chemistry students (master students, doctoral students) of the Faculties of Chemistry within the "Al. I. Cuza" University of Iasi and the "Gheorghe

Asachi" Technical University of Iasi, due to the need for specialists within the Analytical Research activity.

Due to the limitations and restrictions imposed by the legislation from the period declared as state of emergency and state of alert, the program was postponed for the second semester of 2020, being redesigned to adapt the proposed themes to the online transmission mode.

**Partnerships established with pre-university educational institutions**, Petru Poni Technological High School and Technological High School of Mechatronics and Automation Iași, for internships in our company. In 2019, within these partnerships, the Iasi County School Inspectorate approved the organization of a dual education project that will ensure the preparation of 15 students for the profession of chemical operator for medicines and cosmetics and 10 students for the profession of electrician in the 2020-2021 school year.

- **Training programs for professional and personal development of employees**

The 2020 training plan with external lecturers has as objectives both continuous professional development and acquisition of knowledge and managerial skills.

Monthly trainings and attestations take place for the personnel with responsibilities regarding the technical equipment and installations: ISCIR, ANRE, INSEMEX, etc.

Starting with March 2020, in the socio-economic context of the state of emergency in Romania, we accessed online courses offered by training providers, programs that will continue in the third quarter depending on the prevention measures at national level.

- **Strategies and measures to increase our employees' motivation**

Following the project of ranking the positions with higher education and secondary education, based on analyzes of the current salary system compared to the similar positions in the labor market, as well as the ranking of positions based on their complexity, a program for harmonizing the salary levels was established that will take place in several stages.

The program was established by an additional act to the Collective Labor Agreement, the first stage being applied starting from January 2019 and in the second quarter of 2020 salary levels were aligned based on which the system has been adapted and includes the fixed component, based on hierarchy as well as the variable component, in direct correlation with the employees' performances.

The designated joint commissions, in accordance with the provisions of the Additional Act no. 3/2019 to the Collective Labour Contract renegotiated the clauses of the chapter 4 "Payroll. Other benefits and facilities ". The Additional Act no. 4/2020 to the Collective Labor Agreement was signed and entered into force on June 2020. This document sets an 11.5% increase in salaries, depending on the eligibility criteria and an increase in the value of the meal voucher from 12 LEI to 15 LEI.

During the state of emergency period, measures were taken to protect our employees who continued their activity on the site - free of charge transport, free meals, protection materials, and for their reward, attendance bonuses were granted.

Adapting the reward system and creating a consistent policy of financial and non-financial motivation of employees has the role of increasing employee satisfaction and improving staff retention.

The indicator “staff turnover rate due to voluntary resignations” registered in the first semester the value of 1.8 %.

- **Improving the organizational climate and focusing the organizational culture towards innovation and performance**

In January - June 2020, the actions provided in the plan of measures for the period 2019 - 2020 regarding the improvement of the organizational climate took place.

In order to monitor the evolution of the climate and satisfaction indicators and evaluate the results of the measures from the Action Plan, the indicator “the degree of satisfaction of employees related to their job” will be evaluated annually through a diagnostic study.

In June, the designed questionnaire was applied to the employees, both in printed and electronic format, their answers and opinions being processed between July and August. The project specifies as the report and plan of measures for the period 2020-2021 to be completed in September 2020.

## **5. Integrated quality management**

### **Certified quality**

Confidence in the quality, efficiency and safety of the company's products increases by keeping under control and improving the Integrated Management System.

### **Inspections conducted by authorities**

During 01.01.2020-30.06.2020, no inspections of the regulatory authorities were carried out. Given the specifics of this period due to the COVID -19 pandemic, Antibiotice has adapted to the regulations and requirements of national and European authorities, in accordance with *Notice To Stakeholders-Question and Answers, on Regulatory Expectations for Medicinal Products for Human Use During Covid 19 Pandemic*, issued by the European authority.

### **Audits conducted by certification bodies**

During the first semester of 2020, no audits of the certification bodies were carried out. The ISO 9001: 2015, ISO 14001: 2015 and ISO 45001: 2018 certificates were issued following the certification audit from 02.12.2019-05.12.2019 issued by the TUV Rheiland certification body.

### **Audits conducted by our customers**

During the first semester of 2020, two audits took place: one on the manufacturing and control flow of Nystatin - active substance, in order to requalify the company as an API provider and one on the manufacturing and control flow of parenteral products.

### **Occupational health and safety**

By maintaining and developing an effective occupational health and safety management system within the company we create an optimal framework for managing and eliminating work-related risks, as well as for improving the environment and the relationships between employees.

The principles and measures of the occupational safety system are established and followed, through the Prevention & Protection Plan, by the Occupational Safety and Health Committee (CSSM), organized in our company.

The Prevention & Protection Plan for 2020 includes several measures aimed at permanently improving the working conditions and prevention of work accidents and occupational diseases.

The first meeting of the Safety & Health Committee was organized and the representatives of the Work Safety Committee were consulted for identifying new professional risks as well as and all the measures included in the Prevention & Protection Plan, as follows:

- in order to reduce the physical effort, the Topical Products Division and Logistics Department were completely equipped with equipment for transporting and lifting the raw materials and finished product;
- for the prevention and reduction of risks, a multi-gas detector and a tube pump, used to measure the presence of toxic gases, were purchased at the Occupational Health and Safety Department.

In order to avoid the spread of the SARS-CoV-2 virus among employees, a series of technical and organizational measures were taken, which proved to be effective because there was no need to interrupt the company's activities:

- Nomination by the company's management of a Crisis Cell, subsequently of a Health and Safety Committee that constantly monitored, step by step, the impact and evolution of the epidemic worldwide, activated the links with the competent medical and governmental authorities so that to be able to anticipate and take the most appropriate measures, in step with the evolution of the epidemic situation at national level;
- A working procedure was drawn up, correlated with a series of training and awareness campaigns regarding the rules to be observed among employees;
- Disinfectant dispensers and disinfectant rubber mats were installed and all our employees were provided with the necessary sanitary and protective equipment on a daily basis (masks, gloves, face visors, hand and surface disinfectants, etc);
- Thermometrization of employees with thermal scanners, correlated with hand disinfection and mandatory wearing of a medical mask;
- Carrying out daily medical examinations by their own medical staff (3 doctors and 5 nurses) and isolating at home the employees with respiratory diseases;
- Periodic disinfection of traffic contact surfaces (doors, handles, valves, railings, etc.) and means of transport of persons and goods;
- Cancellation of internal business events and trips in the country and abroad;
- Limiting to the maximum the access in the company for the persons who do not have the quality of employee.

On March 15, when the virus became a health threat, the Crisis Cell developed three working scenarios with gradual plans of measures, for ensuring the safety of our employees and the production necessary for the deliveries of medicines to the distributors and hospitals in Romania.

**Scenario 1**, applied in our company starting with March 16, envisaged continuation of production activities, utilities, deliveries of medicines and limiting to the maximum the indirectly productive activities through the work of the employees from home (approximately 70% continued the work on the site).

In order to increase employee safety concurrently with new measures taken at national level, the Crisis Committee internally adopted additional measures: daily disinfection of employee transport buses and common areas by nebulization, increased medical checks among employees, imposing distance at the entrance to the factory (1.5 meters-2 meters) and in the work areas.

### **Scenario 2**

Starting March 23, our company entered the second scenario which involved the complete interruption of indirectly productive activities and limitation to the maximum possible of production and service, maintaining only the activities strictly necessary to honor the orders launched by the Romanian health system and to deliver medicinal products abroad.

In the second week since the outbreak began, the Crisis Committee increased the level of security of employees' health, with new additional safety measures. Thus, wearing a mask and gloves, from the moment of boarding the transport buses and later, at work, became mandatory, traffic inside the factory was reduced to what was strictly necessary, meetings with more than three people were prohibited, at the same time with the encouragement of communication by mail, telephone and keeping a 2-meter distance at work.

**Scenario 3**, in which the company and its employees did not enter, involved the total interruption of the company's activities, continuing only the maintenance and security activities.

### **Environmental responsibility**

Antibiotice has an Environmental Protection Department in charge of the pollution prevention and continuous improvement of the environmental performance, acting in order to comply with the requirements of the environmental legislation.

By obtaining the Integrated Environmental Authorization no. 1/10.01.2011, issued by the Regional Environmental Protection Agency Bacau (revised in 2018 and valid for 10-year period), Antibiotice proves that it is a company that meets the environmental requirements related to the emissions of pollutants in air, water and soil, being below the limits provided by the applicable norms in the field. Our company obtained also the Water Management Authorization no. 303/20.12.2010 issued by the National

Administration of Romanian Waters, Basin Water Administration Prut- Barlad (valid until 31.12.2020).

In the H1 2020, the acts regulating the functioning of the company were maintained, actions being started for the reauthorization on the water management and the integrated environmental authorization (development of the inquiry stage for elaboration of specific documentation by authorized entities, according to the legal requirements).

In order to comply with the environmental protection legislation, our company provided the necessary specific equipment and qualified personnel. The entire activity is regulated by operating procedures of the environmental management system and specific working instructions.

The environmental factors were monitored in H1 2020 according to the requirements of the Integrated Environmental Authorization, both through our own laboratories and through a laboratory authorized by the Romanian Accreditation Association (RENAR) for determining the values of pollutant emissions into the atmosphere from the incinerator and combustion boilers from the thermal power plant, as well as for solvent emissions from the Biosynthesis Plant. The determinations showed the observance of the requirements established by the Integrated Environmental Authorization, without exceeding the maximum allowed concentrations.

#### **Specific consumption and use of energy**

The activity developed in the Biosynthesis Plant that produces the active substance Nystatin falls within the scope of the European Directive for Integrated Pollution Prevention and Control (IPPC). In H1 2020, the Biosynthesis Plant was within the planned specific consumptions.

#### **Air quality**

In H1 2020, our own laboratory monitored the air quality conducting analyzes regarding emissions / imissions of air pollutants for nitrogen oxides, ammonia, suspended powders and sedimentable powders.

Also, we express a permanent concern for reducing the effects of emissions of technological odors, by their supervision and monitoring, as well as by using different technical solutions to limit them ( filter equipment).

There were no exceedances of the maximum allowed concentrations specified in the Integrated Environmental Authorization.

#### **Water quality**

Water quality was monitored through analyzes regarding the quality of the water entered the own wastewater treatment plant and discharged into the municipal sewage system, quality of the conventional clean water discharged into the natural stream, as well as the quality of groundwater.

There were no exceedances of the maximum allowed concentrations established by the Integrated Environmental Authorization, the Water Management Authorization and H.G.R. no. 352 of 2005 (NTPA 001 and NTPA 002).

### **Soil protection and groundwater**

From the total area of the land in the property of Antibiotice, about 40% is covered with green spaces.

Quality of the groundwater was monitored by monthly collecting and analyzing the samples obtained from the perimeter observation wells. There was no accidental pollution or environmental incident leading to the degradation of soil quality in the area of influence of the company's activity.

### **Waste management**

Antibiotice implemented a selective waste collection system, each production plant and auxiliary activity being equipped with containers suitable for collection.

The recyclable waste were sold to the authorized economic operators.

The non-valuable waste was incinerated in our own incineration plant or stored to the municipal landfill.

Antibiotice complies with the requirements for the packaging waste management (corresponding to the quantity of packaging introduced in the market) established by the specific legislation, namely the recovery / recycling of 60% of the quantity of packaging placed in the national market.

### **Prevention and management of emergency situations**

In our company, the prevention of emergency situations and the assurance of the intervention capacity in case of accidents are ensured through the correlated activity of the departments: Emergency situations, Environmental protection, Labour Health and Safety.

To this end, the plan for preventing and combating accidental pollution, as well as the procedure for preparing for emergencies and response capacity are being developed / updated.

### **Solidarity and responsibility**

In the context of an atypical first semester worldwide, Antibiotice has chosen to be responsible and supportive of both the hospitals at the forefront of the SARS-CoV-2 virus, patients whose lives are in the hands of blood donors, and the elderly with vulnerabilities - former employees of the company.

Thus, in March, Antibiotice supported nine hospitals with donations in cash and medicines that were made available to them according to their needs. Financial support amounting to 600,000 LEI was for 8 hospitals from Iasi and Prof. Dr. Matei Bals National Institute of Infectious Diseases, the main pole for treating people infected with the SARS-CoV-2 virus. The 8 hospitals from Iași supported by Antibiotice are: Sfanta Parascheva Infectious Diseases Hospital, Prof. Dr. Nicolae Oblu Emergency Clinic Hospital, Sf. Spiridon Iași County Clinical Emergency Hospital, Prof.Dr. George I.M. Georgescu Cardiovascular Diseases Institute, Pneumoftiziologie Hospital, Sfanta Maria Clinical Emergency Hospital for Children, Dr.C.I. Parhon Hospital and the Regional Oncology Institute.

Starting April, with the involvement of the “Science and Soul” Foundation, 27 former Antibiotice employees benefit periodically from an aid consisting of packages with basic products. This social responsibility project, called “Respect for the Elderly”, targets our former employees, who in the past worked in the drug industry and saved lives and now have health issues, they cannot move or are alone and helpless.

The “Science and Soul” Foundation in partnership with the Regional Blood Transfusion Center (CRTS) Iași organized the 19<sup>th</sup> edition of the campaign “Donate blood! Put your soul to life! ” As part of this action, in June, 70 Antibiotice employees donated 32 liters of blood, which will save over 150 lives, thus meeting the need for life-saving blood in hospitals. The need for blood is chronic in Romanian hospitals, but during this period it is even higher as the number of donors nationwide decreased due to fears of a possible infection and restrictions during the emergency period.

The Antibiotice Center for Clinical Studies, the host of the event, allowed the action to take place in conditions of maximum safety. The team of employees of the Center ensured the observance of all the rules of sanitary hygiene and distance that are imposed in order to ensure the quality and security of the donation act. The Center for Clinical Studies is the only DSP certified center in Iași in which CRTS Iași can collect blood.

## **V. Corporate governance**

Corporate governance is a complex of processes, practices, policies, regulatory framework, with an impact on the management, administration and control of a company.

Corporate governance has an important role in protecting the interests of shareholders, as it supports maximizing the value of long-term ownership in the company, and in stimulating investors' attention to the company, by making the activities and processes transparent and efficient, because the investors need accurate and quality information, disseminated in time to be able to make investment decisions.

The governance system is in accordance with the provisions of Law 24/2017 on issuers of financial instruments and market operations, Law no. 31/1990 republished, with all subsequent amendments, A.S.F Regulation no. 5/2018, Law no. 111/2016 for the approval of the Government Emergency Ordinance no. 109/2011 on the corporate governance of the public enterprises, BVB Code, Corporate Governance Code of BVB and the company's Articles of Association.

The Antibiotice corporate governance system is based on the following pillars:

- 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 Code of Corporate Governance of Antibiotice SA included the principles and recommendations of the Bucharest Stock Exchange and represents the tool through which Antibiotice implements these principles and recommendations.

The Corporate Governance Code creates the necessary framework for establishing strong relationships with the shareholders and other stakeholders, as well as for an effective and transparent, trust-based communication.

The Corporate Governance Code of Antibiotice SA is divided into four chapters:

Chapter I - Responsibilities of the Management Board

Chapter II - Risk Management and Internal Control System

Chapter III - Fair reward and motivation

Chapter IV - Investor relations

It also has two annexes:

Annex I - Management Board's Rules of Procedure

Annex II - Rules for evaluating the Antibiotice's administrators

**Chapter I - Responsibilities of the Management Board** - defines the role of this body while setting the guidelines in terms of competence, experience, knowledge and independence of its members, which enable them to effectively perform their specific duties and responsibilities.

**Chapter II - Risk Management and Internal Control System** - demonstrates that the company's activity is supervised by certain risk management and internal control systems set up for this purpose. Also, internal audits are conducted in order to assess independently and periodically the safety and effectiveness of the risk management and internal control systems.

**Chapter III - Fair reward and motivation** - establishes the general principles and conditions that are the foundation of the method for setting the level of remuneration for the Board members and company's management team.

**Chapter IV- Investor relations** - states the fact that Antibiotice must make constant efforts to provide the shareholders with updated information on events of interest to them (e.g. general meetings of shareholders, shareholder-related rights, etc).

In conclusion, The Corporate Governance Code of Antibiotice SA and its annexes draw the general framework under which the Management Board develops its activity in accordance with the rules and principles of corporate governance established by the Bucharest Stock Exchange, in order to create an attractive capital market, based on the best practices, transparency and trust.

## **Code of Ethics**

The Code of Ethics of Antibiotice SA presents the ethical standards of conduct that establish and regulate the corporate values, the company's business responsibilities and obligations and how the company operates.

The Code of Ethics provides rules in the key areas relating to employees, human rights, environmental management, social responsibility and corporate governance.

The Code is binding and applies to all the structures and activities of the company.

The Code of Ethics is a fundamental commitment of our company to do its best in order to comply with the high ethical standards and applicable legal requirements wherever it operates.

The Code of Ethics is presented in detail on the website of our company:

<https://bit.ly/2oOfRHT>

## **General Meeting of Shareholders**

The Executive Management coordinates the strategic development of the company, in close cooperation with the Management Board. Periodically, the two bodies analyze the results obtained in the implementation of the strategy according to the Business Plan, the performing criteria and the Revenue & Expenditure Budget. The Executive Management informed the Management Board in seven sessions in H1 2020 about all the significant aspects of the activity carried out and its evolution in relation to the previous forecast, presenting reports according to the agendas of the meetings. These reports were analyzed by the members of the Management Board and, based on them, as well as on other information, adopted decisions with effects in the development of the company's activities.

The Management Board represents the company in relation with the appointed directors. The President coordinates the activity of the Management Board and reports to the General Meeting of Shareholders. He oversees the proper functioning of the company. The President represents the Management Board in relations with third parties. Other attributions may be delegated to him by the Management Board. The Vice-President replaces de jure the President of the Management Board when he/she is absent (according to Art. 29, Chapter V, Articles of Association of the trading company Antibiotice - S.A, lasi).

The Executive Management of Antibiotice lasi is ensured by executive directors, one of whom is the General Director and Vice President of the Management Board.

General Meeting of Shareholders (GMS) represents the highest decision-making body of the company, where the shareholders participate directly in the decision-making process. Among other attributions, GMS decides the distribution of profit, elects the Management Board, appoints the auditors and sets the remuneration for the Management Board members.

In the H1 2020, the Management Board convoked 5 General Meetings of Shareholders, of which, 3 were Ordinary General Meetings (March 6; April 9; May 20, 2020) and 2 were Extraordinary General Meetings (April 9 and May 20, 2020).

All the necessary documents relating to the smooth conduct of the General Meetings were published in due time and as required by the law.

The Ordinary General Meeting of Shareholders of March 6, 2020 approved the company's Income & Expenditure Budget for 2020.

The Ordinary General Meetings of Shareholders of April 9 and May 20, 2020 approved also:

- The financial statements of the company for the financial year 2019, based on the Management Report and the Financial Auditor's Report.

Destination	Amount(LEI)
<b>Profit to be distributed:</b>	<b>30.823.278</b>
- legal reserve	0
- other profit reserves provided by law	10,763,873
- dividends, of which:	20,059,405
- dividends due to the majority shareholder	10,634,950
- dividends due to other legal entities and individuals	9,424,455

- the value of the gross dividend per share for the financial year 2019 is 0.029879738 LEI. The payment of dividends for 2019 will be made starting with 21.09.2020, according to the legal provisions in force;
- registration as income of unsolicited and uncollected dividends, related to the financial year 2015;
- the degree of achievement of the objectives and performance criteria for 2019, for the Management Board members;
- the discharge of administration for the activity conducted in the fiscal year 2019, based on reports submitted;
- objectives of the Management Board's members set in the 2020 Administration Plan;
- setting the remuneration of the Management Board's members, according to the provisions of GEO no. 109/2011 on the corporate governance of public enterprises and GD no. 722/2016 for the approval of the Methodological Norms for the application of certain provisions of the Government Emergency Ordinance no.109 / 2011 on the corporate governance of public enterprises;
- appointment of the SOCECC company as an external audit company for a 3-year period;
- appointment of Ms. Elena Calitoiu and Mr. Nicolae Stoian as non-executive directors, for a 4 (four)-year term starting with the date of April 18, 2020, in accordance with the procedures established by art. 29 of the GEO. no. 109/2011 on the corporate

governance of public enterprises and their mandate contracts for the period 18.04.2020 - 17.04.2024.

- renewal of the executive administrator's mandate for Mr. Ioan Nani for the period 01.06.2020 - 18.04.2024 as well as signing the additional act to the mandate contract no. 3186 P of 09.04.2020.
- appointment of Mr. Lucian Timofticiuc as an interim administrator for a 4-month period, with the possibility of extension up to 6 months for good reasons, as well as signing the mandate contract;
- initiation of the selection procedure for an administrator position that has become vacant as a result of the resignation of Mr. Cristian Vasile Grasu, pursuant to art. 64<sup>1</sup> and art. 64<sup>4</sup> of GEO no. 109/2011 regarding the corporate governance of public enterprises and art. 4 of Annex no. 1 to GD no. 722/2016 for the approval of the Methodological Norms for the application of some provisions of the Government Emergency Ordinance no. 109/2011 regarding the corporate governance of public enterprises, as well as the empowerment of the Management Board for the application of the selection procedures established by art. 29 para. 2 of GEO no. 109/2011 regarding the corporate governance of public enterprises;
- the registration date **31.08.2020** for the identification of the shareholders affected by the effects of the decisions adopted, in accordance with the provisions of art. 86, para. 1 of Law 24/2017 on issuers of financial instruments and market operations, and the establishment of ex-dates for **28.08.2020**.

The Extraordinary General Meetings of Shareholders approved:

- a 12-month extension of the validity period of the multicurrency multiproduct credit amounting to 30 million LEI borrowed by SC Antibiotice SA from the Export Import Bank of Romania- Eximbank S.A..
- to maintain the guaranties related to the multi-product multi-currency credit amounting to 30 million LEI throughout the validity period (one calendar year starting with 26.06.2019) resulting from the extension under point 1 of the Agenda;
- to issue a decision-commitment of Antibiotice not to divide itself, not to merge and decide the anticipated dissolution throughout the entire validity period of the multi-product multicurrency credit without the prior consent of the Export-Import Bank of Romania - EximBank SA..
- to empower the General Director Mr. Ioan NANI and Financial Director Ms. Paula COMAN to sign on behalf of the company all documents related to the credit facility extension under paragraphs 1 and 2 of the Agenda, as well as documents related to obligations assumed by the company in accordance with paragraphs 3 of the Agenda.

## Management Board

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

The Management Board aims as its own decisions, those of the company's management and of the General Meeting of Shareholders as well as the internal regulations be compliant with the legal requirements and properly implemented. The Board is responsible for monitoring the company's management on behalf of the shareholders. The duties of the Management Board are described in the company's Articles of Association and in the relevant internal regulations available on our company's website under the *Corporate Governance* section.

#### **Management Board of Antibiotice SA on June 30, 2020**

**Dan Octavian Alexandrescu, Physician, 45 years old**  
**President of the Management Board and representative of the Ministry of Health**  
**Non-Executive, Independent Administrator**

At the Ordinary General Meeting of Shareholders held on September 25, 2018, Mr. Alexandrescu was elected as a member of the Management Board in accordance with the provisions of art. 64<sup>1</sup> of GEO no. 109/2011.

Mr. Dan-Octavian Alexandrescu is a physician at C. I. Parhon National Institute of Endocrinology, Bucharest

**Number of Antibiotice SA shares held - 0\***

**Ioan Nani, Economist, 60 years old**  
**VicePresident of the Management Board and General Director**  
**Permanent Executive Administrator**

At the Ordinary General Meeting of Shareholders held on May 20, 2020, Mr. Nani was reconfirmed as a member of the Management Board, for a 4-year period, the members of the Management Board electing him as the Board's Vice President on May 20, 2020.

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

**Number of Antibiotice SA shares held - 1,513\***

**Elena CALITOIU, Engineer, 57 years old**  
**Member of the Management Board and representative of the shareholder SIF Oltenia and other shareholders - legal entities**  
**Permanent Non-Executive Administrator**

At the Ordinary General Meeting of Shareholders held on April 18, 2020, Ms. Calitoiu was confirmed as a member of the Management Board, for a 4-year period.

Ms. Calitoiu is a mechanical engineer and Director of Placements & Risk Management Department, SIF Oltenia

**Number of Antibiotice SA shares held - 0\***

**Nicolae STOIAN, Economist, 63 years old**

**Member of the Management Board and representative of the shareholder SIF Oltenia and other shareholders - legal entities**  
**Permanent Non-Executive Administrator**

At the Ordinary General Meeting of Shareholders held on April 18, 2020, Mr. Stoian was elected as a member of the Management Board for a 4-year period.

Mr. Stoian is a chartered accountant, tax consultant and financial auditor, representative of the Internal Control Department at SIF Oltenia.

**Number of Antibiotice SA shares held - 0\***

**Lucian Timofticiuc, physicist, 45 years old**

**Member of the Management Board and representative of the Ministry of Health**  
**Interim Non-Executive Administrator**

At the Ordinary General Meeting of Shareholders held on May 20, 2020, Mr. Timofticiuc was elected as a member of the Management Board in accordance with the provisions of art. 64<sup>1</sup> of GEO no. 109/2011

Mr. **Lucian Timofticiuc** currently holds the position of Administrator and General Director at Vremea Noua.

**Number of Antibiotice SA shares held - 0\***

### **Advisory committees**

The specialized advisory committees in H1 2020:

- **Audit Committee:** Mr. Lucian Timofticiuc, Mr. Nicolae Stoian and Ms. Elena Calitoiu;
- **Nomination and Remuneration Committee:** Ms. Elena Calitoiu and Mr. Dan-Octavian Alexandrescu;
- **Trade Policy Committee:** Mr. Lucian Timofticiuc and Mr. Nicolae Stoian.

The Advisory Committees carried out investigations, analyzes and elaborated recommendations for the Management Board in the specific fields and submitted periodically reports on their activity to the Management Board.

### **Internal control**

The specialized internal control provided by the legislation in force is carried out by our own Internal Audit Office which carries out the following activities: internal audit, management control carried out in a methodological and procedural framework regulated by laws, norms and codes of professional conduct specific to each activity.

The way of setting and achieving the objectives of the Internal Audit Office, the findings and recommendations resulting from all the internal control actions are presented quarterly to the Audit Committee within the Management Board, for assessing the activity and internal control exercised in the company.

## **Risk management**

Our company complies with applicable legal and regulatory requirements for identifying, assessing, managing and reporting the risks:

- Government Secretary General Order (OSGG) no. 400/2015 modified and completed by OSGG no. 200/2016 and OSGG no. 600/2018;
- Requirements of the Corporate Governance Code of the Bucharest Stock Exchange.

The main purpose of risk management is to help people understand and identify the risks to which the organization is exposed so that they can anticipate and manage these risks without compromising the organization's effectiveness.

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 regarding the risk management are fulfilled by the Risk Management Department together with the Antibiotice's risk managers and employees.

Our Risk Management Department annually analyzes and prioritises the significant risks that may affect the achievement of the company's overall goals, by establishing the risk profile and tolerance limit approved by the management of the company. They also draw up the "Plan for implementing the control measures for significant risks related to our company's business" and submit it for approval to the General Director.

Antibiotice SA continuously re-evaluates its existing risk portfolio, identifying new exposures and adding value to the company by properly applying the best and most effective risk strategies.

## **Executive management**

Antibiotice is represented by the General Director, according to the powers provided by law and by the company's Articles of Association. The Management Board represents the company in relationship with the appointed directors.

The Executive Management of Antibiotice is ensured by eleven directors. One of them is the General Director who is also the Vice-President of the Management Board and ten specialty executives.

## **VI Conclusions:**

- **50% of the total sales revenue are represented by the value of sales revenue in the foreign market;**
- **In the domestic market, the net value of sales was 72.4 million LEI, in trend with the evolution of the pharma market affected by the reduction of drug consumption in hospitals and pharmacies;**  
**Efficient measures for the protection of employees and business that lead to the profitable continuity of the activity;**
- **a balanced evolution of the income-expenditure-profit indicators has been maintained compared to 2019, in economic crisis conditions;**
- **reliable partner by supporting health systems in Romania and in all the ATB territories.**

General Director,  
Ioan Nani

Financial Director,  
Paula Coman