

# **MANAGEMENT REPORT**

**January-December 2020**

**Annual Report according to IFRS**

**For the fiscal year: 2020**

**Report Date: 15.03.2021**

**Name of the trading company:**

**ANTIBIOTICE S.A.**

**Head Office: Iasi, 1 Valea Lupului St.**

**Phone number: 0232/209000, Fax 0232/209633**

**Fiscal registration code: RO 1973096**

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

**Regulated market on which the issued securities are traded: Bucharest Stock Exchange**

**Subscribed and paid up capital: 67,133,804 LEI**

**Main characteristics of the securities issued by the company: Nominative shares, nominal value: 0.10 LEI**

## Background

In December 2020, Antibiotice marked its 65<sup>th</sup> anniversary, 65 years of Romanian continuity and tradition starting with the manufacture of Penicillin for the first time in Romania in 1955, in the City of Iași. Antibiotice had the chance to be among the world's leading producers of this substance that revolutionized medicine only 11 years after it was synthesized on a manufacturing flow in the United States of America in 1944 and 27 years after it was discovered by Alexander Fleming in 1928.

2020 was an atypical year, a year with many obstacles and challenges caused by the SARS-CoV-2 virus pandemic. A year in which the main concerns of our company were the health of the employees, continuation of the production, adaptation to the market requirements, solidarity with the national health system and consolidation of our presence in the international territories.

This year determined us to rethink the company's long-term strategies, two objectives being a priority for a continuous and high-performing activity:

- to maximize the profitability of our business;
- to ensure a sustainable, consolidated growth of our business in the period 2020-2028.

In the first stage, 2020-2023, our company's Management Plan envisages a 25% consolidated growth rate of both turnover and profit.

In the second stage, 2024-2028, the Management Plan will anticipate a growth rate of 40% in turnover and 70% in profit, according to the Strategic Organization and Development Plan (P.O.D.S.) of our company.

In 2020, Antibiotice placed a major emphasis on the strategic planning of management systems for improving the organizational functionality and efficiency both by decentralizing activities into three divisions (Topical Products Division, Oral Solid Products Division and Sterile Products & APIs Division), and by setting the objectives.

Achievement of our long-term goals is based on the following strategies:

- Managerial measures for strategic development and adaptation to the realities of the domestic and international market:
  - Pillar 1: Strategic adaptation of human resources to the realities of the stage 2021 - 2028;
  - Pillar 2: Strategic adaptation of the product portfolio;
  - Pillar 3: Continuous improvement of the Integrated Management System (Occupational Quality, Environment, Health and Safety);
  - Pillar 4: Strategic planning and performance management;
  - Pillar 5: Corporate Governance
- Investments and related activities for the strategic development of the site
  - Development of production, research, utilities, transport storage infrastructures;
  - Investments for environmental protection;
  - Development of the training and preparation infrastructure of human resources and its adaptation to the concept of strategic development.
- Digitization and computerization of the company's activities and processes.

These strategies are based on applying certain principles to support the company's activities:

- the strategic planning principle;

- the principle of identifying the activities by operating divisions (sterile products and active substances, oral solid products, topical products);
- principle of accountability through the performance management;
- the principle of decentralization of budgets and activities down to portfolios, product groups and products.

The 2020 objectives and performance criteria of the Management Board members are presented below:

Indicators - Administrators	31.12.2020	
	Planned	Achieved
SALES INCOME (thousand LEI)	376,961	340,424
GROSS PROFIT (thousand LEI)	24,500	28,329
ARREARS (thousand LEI)	0	0
TOTAL EXPENSES PER 1,000 LEI INCOME (lei)	939	926
Government social policies	100%	100%
Establishing risk management policies and risk monitoring	100%	100%
Monitoring the transparency and communication processes	100%	100%
Reviewing, evaluating and reporting the performance of the administrator and director	100%	100%
Degree of use of production capacity not less than 60%	60%	63%
Achieving a degree of customer satisfaction in the domestic market of at least 80%	80%	89%
Average number of continuous professional training hours per employee	32	32

In the stage 2020-2028, Antibiotice will turn into a sustainable company in all its functionalities, a sustainable business with responsibility towards people and environment.

## **CONTENTS**

### **I Our company's presentation**

### **II Shareholding**

### **III Presentation of our company's activity in 2020, the first stage of the 2020-2023 Management Plan**

#### **III.1. Managerial measures for strategic development and adaptation to the realities of the domestic and international market**

III.1.1. Strategic adaptation of human resources to the realities of the stage 2020 - 2028

III.1.2. Strategic adaptation of the product portfolio

III.1.3. Continuous improvement of the Integrated Management System (Occupational Quality, Environment, Health and Safety);

III.1.4. Strategic planning and performance management

- Internationalization of our business and its consolidation in the domestic market
- GMP and FDA compliant, complex manufacturing structure
- Economic and financial performance of our company

III.1.5. Corporate Governance

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

#### **III.2. Investments and related activities for the strategic development of the site**

III.2.1. Development of production, research, utilities, transport storage infrastructures

III.2.2. Investments for environmental protection

III.2.3. Investments for social responsibility projects

### **IV Antibiotice, a responsible company involved in sustainable development**

### **V Conclusions**

## I Antibiotice's presentation

Antibiotice SA is the most important Romanian manufacturer of generic medicines, a national and international reference brand which has been continuing its mission of producing quality, safe and efficient medicines to give people the hope of a healthy life.

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 46.5 % 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 11 therapeutic classes: cardiovasculars, dermatologicals for topical use and inflammatories, digestive tract and genitourinary medicines, food supplements, to which biocidal products are added;
- Has 8 manufacturing flows organized into three divisions: Sterile Products Division (penicillin powders for injection and active substances obtained by biosynthesis, biocidal solutions), Oral Solid Products Division (penicillin capsules, non-beta-lactam capsules, cephalosporin capsules and tablets), Topical Products Division (ointments, creams, gels, suppositories, pessaries).
- 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 Research-Development Center and a Clinical Studies Center;
  - The first European company prequalified by the World Health Organization (WHO) for the range of essential first-line antituberculosis medicines.

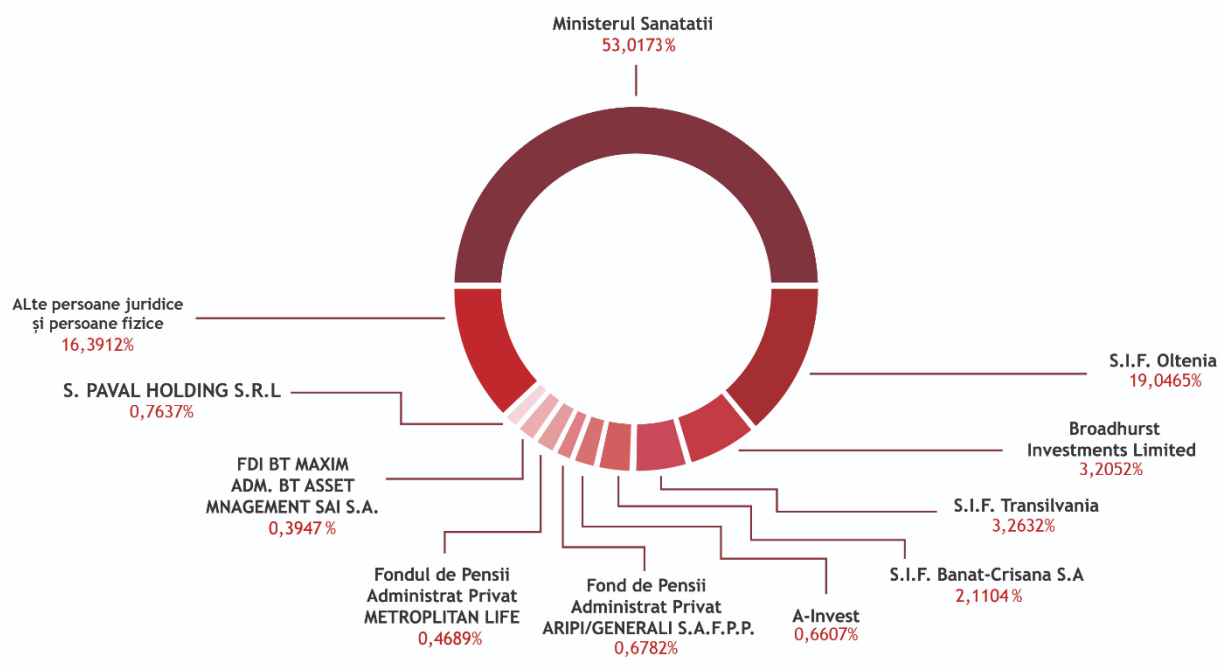
## II Shareholding

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 31.12.2020 (extracted from the Shareholders' Registry):

MINISTRY OF HEALTH (*)	53.0173%
S.I.F. OLTENIA (*)	19.0465%
S.I.F. TRANSILVANIA	3.2632%
BROADHURST INVESTMENTS LIMITED	3.2052%
S.I.F. BANAT-CRISANA S.A.	2.1104%
S. PAVAL HOLDING S.R.L.	0.7637%
PRIVATE PENSION FUND ARIPI	0.6782%
A - INVEST	0.6607%
PRIVATE PENSION FUND METROPOLITAN LIFE	0.4689%
FDI BT MAXIM ADM. BT ASSET MANAGEMENT SAI SA	0.3947%
Other shareholders (42,285 shareholders)	16.3912%

NOTE: (\*) - Significant shareholders, according to Law no. 297 of 28.06.2004, Art. 2, Paragraph 1



### Ownership breakdown:

- Legal persons - 86.0834%
- Natural persons - 13.9166%

## Antibiotice in the capital market

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

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

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

In 2020, the minimum price of the ATB share had the value of 0.4130 LEI. The share price increased to maximum value of 0.5550 LEI/share.

Stock market capitalization of Antibiotice on December 31, 2020 (the last trading day of the year) was 326,270 thousand LEI.

### Antibiotice shares - ATB / Regular market

	2016	2017	2018	2019	2020
<b>Number of shares</b>	671,338,040	671,338,040	671,338,040	671,338,040	671,338,040
<b>Stock market capitalization (thousand LEI)*</b>	349,096	361,180	326,942	341,040	326,270
<b>Stock market capitalization (thousand EUR)*</b>	76,875	77,511	70,100	71,370	66,935
<b>Stock market capitalization (thousand \$)*</b>	81,123	92,813	80,259	79,873	82,163
<b>Total traded value (million LEI)</b>	6	12	9	15	14
<b>No. of traded shares</b>	12,555,866	21,113,565	17,109,263	30,364,292	27,085,005
<b>Opening price (LEI/share)</b>	0.5320	0.5200	0.5780	0.4800	0.5120
<b>Maximum price (LEI/share)</b>	0.5420	0.5920	0.5780	0.5260	0.5550
<b>Minimum price (LEI/share)</b>	0.4200	0.5200	0.4550	0.4500	0.4130
<b>Price at the end of the period (LEI/share)</b>	0.5270	0.5380	0.4870	0.5080	0.4860
<b>Average price (LEI/share)</b>	0.5032	0.5585	0.5028	0.4851	0.5079
<b>Earnings/share (LEI/share)***</b>	0.0452	0.0500	0.0511	0.0459	0.0418
<b>Gros dividend/share (LEI/share)**</b>	0.0384	0.026552598	0.009991506	0.029879738	0.00330631
<b>Dividend yield****</b>	4.05%	4.59%	2.05	6.2%	6.5%
<b>Dividend distribution rate*****</b>	52%	53%	20%	65%	8.4%

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

\*\* Proposed dividend

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

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

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

In 2020, a number of 27,085,005 shares were traded, amounting to 13.76 million LEI (2.8 million EUR, 3.3 million USD), with an average price of 0.5079 LEI/share.

In 2020, our company paid dividends for the financial years 2016, 2017, 2018 and 2019, amounting to 18,166,715.83 LEI, as follows:

### **Dividend history (2016 - 2017 - 2018- 2019)**

Period	Net dividends							Date on which the payment of dividends ceases
	Due	Paid				Unclaimed dividends 31.12.2020		
		lei			% (total paid)	lei	%	
		Until 31.12.2019	01.01÷31.12.2020	Total				
0	1	2	3	4	5	6	7	8
2016	25,401,595	23,379,791.77	17,169.33	23,396,961.10	92.11	2,004,633.90	7.89	14.09.2020
2017	17,588,680	16,138,163.54	22,007.82	16,160,717.36	91.88	1,428,508.64	8.12	Payment in progress
2018	6,612,624.05	6,055,864.22	13,318.65	6,069,182.87	91.78	543,441.18	8.22	Payment in progress
2019	19,811,039.75	-	18,114,220.03	18,114,220.03	91.43	1,696,819.72	8.57	Payment in progress

Payment of the dividends for the fiscal years 2016, 2017, 2018 and 2019 has been made through the Central Depository Bucharest and, implicitly, through the CEC Bank - the Paying Agent.

### **Rights of the financial instrument holders**

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 company and shareholders.

On our 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, agenda, informative materials, special representation proxies, correspondence voting forms, decision drafts, decisions, voting results, etc.

### **Investor Relations**

The investor relations activity supports the constant communication between our company and investors, the simplest form of respect towards our shareholders and investors. This process allows the shareholders and investors to learn about the operational activity, strategy and prospects of the business, in order to wittingly make a fair evaluation of the company. Being a listed company, we make available to the public and send to the Financial Supervisory Authority (ASF) and Bucharest Stock Exchange (BVB), annual, half-yearly, quarterly and current reports, as well as documents related to the smooth conduct of general meetings. Being oriented towards developing and increasing the transparency towards our shareholders, immediately after the periodic financial reports (at 6 months and annually), we organize our own meetings and presentation events. These events are attended by interested investors



and analysts who have the opportunity to convey their questions, opinions and suggestions. This way a dialogue is established with the representatives of the Romanian capital market, so that they gain a sufficient basis for making their investment decisions.

In 2020, our company organized 3 teleconferences (25.02.2020, 15.05.2020 and 13.08.2020) and a conference entitled "Antibiotice - a company worth investing in" - that took place on 29.10.2020.

All the documents regarding the good development of the above mentioned events were published in accordance with the legislation in force - Law no. 31/1990 republished, with the amendments and completions up to date, the Government Emergency Ordinance no. 109/2011 on corporate governance of public enterprises, Law no. 24/2017 on the issuers of financial instruments and market operations, Regulation no. 5/2018 regarding the issuers of financial instruments and market operations.

Organization of the General Meetings of Shareholders, changes in the company's structure, decisions of the general meetings, as well as the actions related to guaranteeing the shareholders' rights - distribution of dividends related to the financial year 2019, were made in accordance with the legal regulations.

The distinctions obtained during the year brought the recognition of the active and constant communication of Antibiotice with the investors. Thus, the maximum grade obtained in the evaluation of the VEKTOR indicator based on 15 criteria of good practices in the relationship with investors, proved once again that Antibiotice SA is a company worth investing in.

Antibiotice SA also ranked third in the category *Best Company IR - retail choice*, being taken into account the communication, openness, transparency and quality of information received at the ARIR Gala.

### **III Presentation of our company's activity in 2020, the first stage of the 2020-2023 Management Plan**

Domestically, the sales of medicines were affected, the pharmaceutical market being influenced by the limited access of patients to hospitals and medical services.

In this context, characterized by a change in the structure of medicine consumption focused on products used in the treatment of COVID-19 (anti-infectives, antivirals, antipyretics, immune booster product), Antibiotice supported the need for such medicines by urgently reintroducing into production two products (Paracetamol and Novocalmin - molecules for treating COVID-19). Our company adapted itself to the demand, responding to the treatment needs with back-up injectable antibiotics. Also, to meet the specific needs of this period, Antibiotice adapted its manufacturing structure, producing biocides for surfaces.

Externally, the company was identified by international partners as a major manufacturer of sterile anti-infectives for injection, these medicines being required by most health systems for the associative treatment of complicated infections caused by the SARS-CoV-2 virus.

#### **III.1. Managerial measures for strategic development and adaptation to the realities of the domestic and international market**

##### **III.1.1. Strategic adaptation of human resources to the realities of the stage 2021 - 2028**

As regards the the human resource field, 2020 challenged us to continuously adapt while meeting the safety measures in the pandemic context.

The actions taken ensured both the achievement of performance indicators in compliance with the Business Plan of Antibiotice SA, as well as maintaining an organizational climate that pursues the retention and satisfaction of employees towards the position held, job security and a correct remuneration.

Performance indicators	Planned 2020	Achieved 2020
Average number of employees	1,415	1,415
Staff costs	105,100 thous. LEI	104,173 thous. LEI
Average number of hours of continuous professional training / employee	32	32

These actions were aimed at:

➤ **Increasing the efficiency of staff costs**

Fitting into the approved salary budget was monitored monthly.

➤ **Non-discriminatory staffing, development of our employees' skills necessary to achieve the objectives and increasing their degree of involvement**

- **Reorganization and adaptation of the personnel structure** on key organizational components was made by substantiating and implementing the decisions to restructure the activities to meet with the needs of the divisions.
- **Identification of the necessary personnel**, by each organizational structure, in order to achieve the objectives, was made in compliance with the organizational charts established through a detailed analysis of the personnel, possibilities of cessation of activity according to the applicable legal provisions and necessities of attracting personnel for replacement or development of activities. During 2020, the recruitment and selection methods were made online.

To ensure the necessary staff, the Human Resources Unit conducted the following projects in 2020:

- **Perform a+**, the 5<sup>th</sup> edition, a project for practical training and personnel selection, through partnership with the universities. Initially the project was addressed to the students of the Faculty of Pharmacy. Starting with this year, the addressability of this project has been 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 "Gheorghe Asachi" Technical University of Iasi, due to the need for specialists within the Analytical Research activity. The project took place during September-November 2020, involving 22 students (versus 12 students the previous year). 3 of them have already found their place and vocation in our research team.
- **Partnerships with pre-university educational institutions**, Petru Poni Technological High School and Technological High School of Mechatronics and Automation Iași. The collaboration in this project implies the practical training but also the material support of the students through scholarships granted according to the performance criteria included in the contracts and their encouragement to avoid school dropout. The project materialized in a 3-year

training of 15 pupils for the profession of chemical operator for medicines and cosmetics and 10 pupils for the profession of electrician specialized in low voltage networks.

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

The training plan with external lecturers had as priority objectives the specialized professional development, acquisition of knowledge and skills specific to each field of activity in our company. Online professional training allowed the participation of a larger number of employees, i.e. 935 employees compared to 500 employees in the previous year.

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

Adapting the reward system and creating a policy of consistent financial and non-financial motivation of employees has the role of increasing our employees' satisfaction and improving staff retention. From 2019, the job ranking project, based on the analysis of their complexity and requirements but also based on the analysis similar positions in the labor market was followed by the program for aligning salary levels in several stages.

Although it was a year with special conditions, the company managed in 2020 not only to maintain the jobs for all its employees but to continue the project of ranking jobs with the second stage, consisting of salary increases starting with the date of June 1, 2020.

The compensation and benefits system is analyzed and adapted annually to include both the fixed component, based on hierarchy and the variable component, in direct correlation with the performances for certain categories of employees (top management, staff involved in domestic and international sales).

The contractual clauses were renegotiated and the Collective Labor Agreement was signed, the provisions of which entered into force starting with October 20, 2020, valid during 2020 - 2022.

During the state of emergency period, our company took additional measures to protect its employees:

- Bonus and free meal, granted to those who worked on the platform, during the emergency period;
- Shifting the work schedule and the adequate organization of the employees' transport;
- Permanent communication with employees and providing information on scenarios experienced by the company during the pandemic;
- The possibility to continue the activity through telework.

Given the above, the indicator "staff turnover rate due to voluntary resignations" was 3% compared to the 4.6% recorded in the previous year.

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

Monitoring of climate and satisfaction indicators showed that the employee satisfaction level increased since 7.51 in 2018 to 8.5 in 2020.

### **III.1.2. Strategic adaptation of the product portfolio**

Performance indicators	Planned 2020	Achieved 2020
Portfolio development projects	13 projects	14 projects
Marketing authorizations - in the internal and external market	17 authorizations	17 authorizations
New product research projects	18 projects	24 projects

➤ **Ensuring a sustainable and marketable portfolio by increasing the degree of innovation**

**Product portfolio renewal**

One of the strategic objectives of Antibiotice SA is to ensure a sustainable and marketable portfolio by renewing it with anti-infectives, topical products, by developing the Nutriensa® umbrella brand and the brands composing the "Quality of life" and "Women's health" portfolios.

In identifying the new products, the analysis of the global pharmaceutical 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 has been expected in the next 10 years, in accordance with the structure by therapeutic classes of the current portfolio and strategic development directions of the Antibiotice portfolio.

In 2020 an number of 13 projects were planned for defining our company's future portfolio. We succeeded in conducting 14 projects, including dermatologicals, products for gastrointestinal disorders and diabetes, medicines for cardiovascular, genito-urinary, rheumatic or nervous system diseases as well as anti-infectives. Both prescription and non-prescription products (OTCs, food supplements, medical or cosmetic devices) were selected. In this group of products there are also first-generic medicines.

Considering that Antibiotice is the world 's leading manufacturer of the active substance Nystatin, our company carried out a vertical development project.

**Authorization/re-authorization of our products and their registration in new markets**

In 2020, our Regulatory Affairs Department managed to obtain marketing authorizations or re-authorizations, both for the internal market and external market, for a number of 34 products (17 authorizations and 18 re-authorizations).

In the reporting period, one topical product was authorized for the domestic market and another 14 products were re-authorized (5 topicals and 9 solid oral products).

In parallel, 16 authorizations and 4 re-authorizations were obtained for the external market:

**Authorizations:**

- 8 topicals: 7 of them in the ATB territories (4 products in Kosovo and 3 products in Vietnam) and 1 product authorized in Irak;
- 5 solid oral products: 4 of them in the ATB territories (1 product in the Republic of Moldova and 3 food supplements in Ukraine) and 1 product in Irak;
- 3 products for injection: 1 product in the ATB territories (Republic of Moldova) and 2 products in Yemen.

Re-authorizations:

- 3 topicals in the ATB territories (Republic of Moldova);
- 1 product for injection in Hong Kong.

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

The main objective of the Research-Development Unit is to develop new generic medicines (topicals, tablets, capsules, sterile products and other new pharmaceutical dosage forms), biocidal products, medical devices, deramto cosmetics and cosmetics in line with the company's development strategic directions.

In 2020, the research activities continued for 16 products in the pipeline, as follows:

- three projects for the Sterile Products & APIs Division;
- seven new projects for the Topical Products Division;
- six new projects, including a food supplement, for the Oral Solid Products Division.

Four more research projects for oral solid products (3 RX products and 1 OTC) and 9 projects for topical products were added.

The research activity continued to support the strategy of the current portfolio internationalization. So, our company has 18 products which will be authorized on various foreign markets (10 oral solids, 4 products for injection and 4 topicals).

In March 2020, the American authority Food and Drugs Administration approved the ASMF (Active substance master file) for the active substance Nystatin. This document recognizes the quality of our Nystatin.

**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: a hand sanitizer gel formula and two surface disinfectant formulas.

In 2020, Antibiotice produced two disinfectant solutions for surfaces ( 1 and 5 liter bottles) according to the marketing authorization issued by the Cantacuzino Institute.

## Center for Clinical Studies

The Clinical Unit within the Center for Clinical Studies has been re-authorized to conduct phase I / bioequivalent clinical studies. GLP certification of the laboratory of the Center was extended until December 2021.

During 2020, the following took place:

- the preliminary stage of a phase IV clinical study for a topical product at which NAMMDR and the National Bioethics Commission authorized the development protocol;
- two clinical bioequivalence studies in order to register some products in the ATB territories.

### III.1.3. Continuous improvement of the Integrated Management System (Occupational Quality, Environment, Health and Safety);

Performance indicators	Planned 2020	Achieved 2020
GMP certifications of the manufacturing flows	3	3
Authorizations for the operation of the company	2	2

#### ➤ 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

Given the specifics of 2020 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.

Thus, the GMP certificates for the manufacturing flows for non-sterile products - capsules, tablets, coated tablets, suppositories, non-sterile semi-solid products were extended until December 2021. The Good Laboratory Practice (GLP) Certificate for the Bioanalytical Laboratory within the Center for Clinical Studies was also extended until the end of 2021.

In 2020, the following audits were carried out by environmental protection regulatory authorities, as follows:

- June 2020 - The Commissariat of the National Environmental Guard verified the compliance of the activity with the requirements established by the Integrated Environmental Authorization held by the company; no non-conformities were found;
- June 2020 - the audit carried out by Apele Romane also took place, in order to verify the condition of the waste storage platform, prior to the issuance of the operation agreement / authorization;
- November 2020 - The Environmental Protection Agency carried out the verification pre-audit of the site completed with the conclusion that the next stage should take place, followed by the analysis and audit conducted by Apele Romane prior to the issuance of the Water Management Authorization.

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

At the beginning of 2020, TÜV Rheinland issued the ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 certificates following the certification audit conducted between 02.12.2019-05.12.2019.

In November 2020, the first surveillance audit took place, carried out online, for the three systems: Quality, Environment, Occupational Health and Safety. The audit was concluded without any remarks.

### **Audits conducted by customers**

Given the COVID-19 pandemic that influenced the way audits were conducted during 2020, four audits took place.

The manufacturing and control flow of the active substance Nystatin was on-site audited. Following this audit, Antibiotice has been requalified as an API supplier.

The other three audits focused on the manufacturing and control flow of the parenteral products, paper-based audits (remote audits, based on the information requested by customers in the questionnaires sent). Based on these audits, Antibiotice has been requalified as a manufacturer of parenteral products.

#### **➤ Occupational Health and Safety**

Maintaining and developing an effective occupational health and safety management system within our company is the guarantee for creating an optimal framework for managing and eliminating work-related risks, as well as for improving the environment and relations between our employees.

#### **Additional occupational health and safety measures to prevent the spread of the SARS-CoV-2 virus**

Our company created a Crisis Cell, which managed through organizational and technical measures the activity on the site and the state of health of the staff, so that the company's activity took place continuously and safely.

#### **➤ Environmental responsibility**

The Environmental Protection Department manages the prevention of pollution and the continuous improvement of the environmental performances, acting in compliance with the requirements of the environmental legislation.

In 2020, the documents regulating the functioning of the company were maintained, and actions were carried out for the reauthorization regarding the water management, as well as for the integrated environmental authorization.

Environmental factors were monitored in 2020 according to the requirements of the Integrated Environmental Authorization, through our own laboratories, as well as through the RENAR accredited laboratory, in order to determine the values of pollutant emissions into the atmosphere. The determinations proved that the requirements of the Integrated Environmental Authorization were met and the maximum permitted concentrations were not exceeded. Determinations on the quality of the underground waters and soil in the area of influence of our company were also made for establishing the reference situation, as a necessary stage for the issuance of the renewed Integrated Environmental permit.

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

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). 2020, the Biosynthesis Plant was within the planned specific consumptions.

### **Air quality**

In 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.

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 was sold to the authorized economic operators. The non-recoverable waste was incinerated in our own installation, disposed of at the municipal waste landfill, or taken over by authorized operators.

Our company 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.

## **III. 1. 4. Strategic planning and performance management**

Strategic planning establishes the business strategies, implementation measures and methods for evaluating their impact on organizational objectives, determining the efficient use and management of resources.

The measures for implementing these strategies are described below:

- **Internationalization of our business and its consolidation in the domestic market**

<b>Performance indicators</b>	<b>Planned 2020</b>	<b>Achieved 2020</b>
International sales	158.4 million LEI	158.3 million LEI



Domestic sales	218.6 million LEI	181.6 million LEI
Degree of customer satisfaction	minimum 80%	89%

➤ **Development of the international component of our business**

The exponential spread of the Covid-19 coronavirus worldwide has profoundly affected the global economic system. In parallel, there was a change in the structure of medicine consumption: an increased demand for medicines used in hospitals for treating Covid-19 and its complications (antivirals, antiinfectives, antipyretics, immune boosters), and a declining demand for medicines and nutritional supplements from the private pharmacy sector.

In the first 3 months of 2020, the exports of medicines decreased considerably compared to the trend of recent months, caused by:

- the Emergency Ordinance on the prohibition of exports of medicines made in Romania (Covid-19 restrictions);
- exponential increase in transport tariffs, narrowing of access roads in Europe (with long waiting times);
- delays in the supply of raw materials, active substances from Asia.

However, we were able to rebalance the export sales of Nystatin through an active communication with our clients, supplementing our sales in this portfolio segment.

**Strengthening and maintaining the position of world leader in the production of the active substance Nystatin**

The proposed sales target for 2020 for Nystatin was achieved through the management of strategic partnerships with the main customers. So, in the reporting year, the export of Nystatin recorded a value of 68 mil. LEI, constant in evolution compared to the previous year.

To mitigate the effect of the Covid-19 pandemic on its production and revenues, the Antibiotice strategy focused on optimizing a quantitative structure for ensuring the best price. Thus, the year-end figures indicated an increase in the average price in parallel with a securitization of sales volumes in the main markets in the North America, South America, Europe and Asia.

**4% increase in export**

Quality of the medicinal products produced by Antibiotice Iași boosted demand in foreign markets, determining a 46.5% export share in our company's turnover.

Antibiotice Iasi managed to win several international tenders in the US, Great Britain, and the tender organized by the European Commission for about 2,750,000 vials of Amoxicillin/Clavulanic Acid for injection, an essential anti-infective medicine included in the World Health Organization (WHO) list for the treatment of Covid-19 patients. Our company has been identified by international partners as a major manufacturer of sterile injectable anti-infective medicines (simple penicillins and penicillins in combination with inhibitors), which are required by most healthcare systems.

In 2020, the value of sales in international markets was 158.3 million LEI, higher by 4% compared to the previous year.

## **Tripling the sales of sterile powders for injection in highly regulated and competed markets in Europe**

An important sales dynamics was recorded in Europe, by tripling the quantities sold in markets such as: Denmark, Great Britain, Holland, Lithuania, Latvia, Hungary. These markets are difficult to access due to the high quality standards imposed by health systems.

In this context, the total sales of finished products recorded in 2020 an 8% increase compared to 2019, reaching to about 90 million LEI. This result was determined by an increase in the number of vials sold and in the price.

Top sales are driven by the following products: AmpiPlus, AmoxiPlus, Nafcillin, Sodium Penicillin, Oxacillin, injectable anti-infective medicines consumed especially in hospitals.

From the first months of 2020, Antibiotice intensified its efforts to respond favorably to requests received from international health systems for anti-infective medicines associated with Covid-19 treatment. These came both from the territories where the company has representatives offices - Vietnam, Republic of Moldova, as well as from the markets of developed economies in the European Union. Antibiotice SA mobilized its resources to met the needs of the population from developing countries for medicines used in hospitals.

For the sustainability of the expansion plan, product registration procedures are initiated in the territories of interest.

### **➤ Evolution of pharmaceutical market in Romania<sup>1</sup>**

In 2020, the value of medicines released to the patients in Romania amounted to 18.05 billion LEI (distribution price), by 1.3% higher compared to 2019. Consumption as a number of boxes was relatively constant, i.e. 625.6 million boxes.

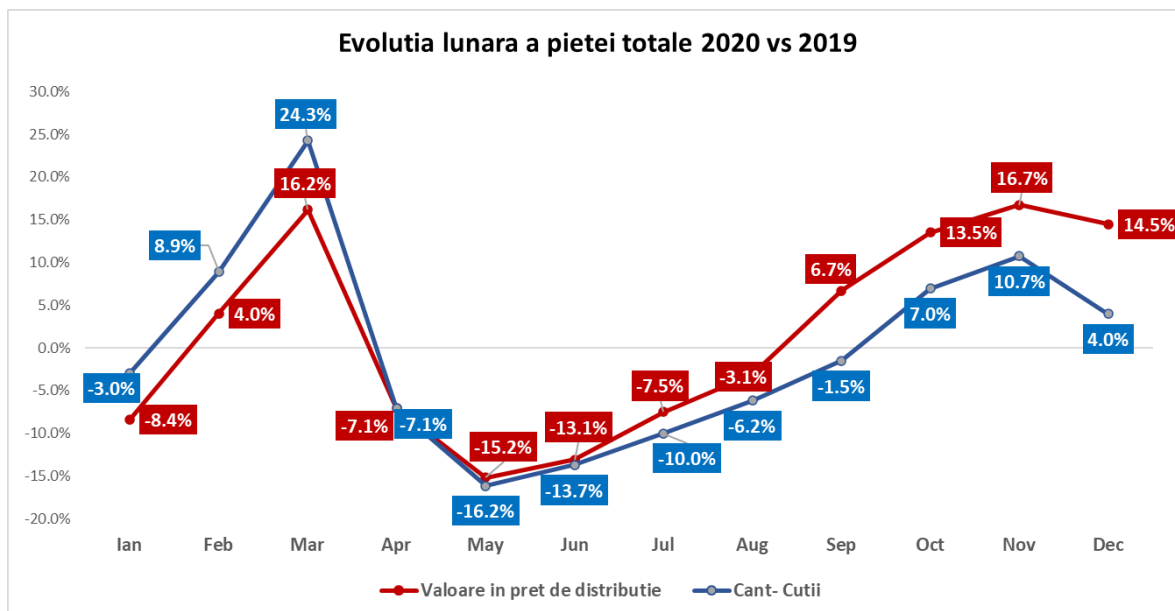
The peak of sales was recorded in March; in April and May, a major contraction in consumption occurred on all the sales channels, as a result of the restrictions applied with the entry into force of the state of emergency and subsequently the state of alert. These restrictions led to the sharp decline in the number of consumers in the open-circuit pharmacies but also in the number of hospitalizations (also some hospitals with different profiles and specialties were turned into hospitals for patients infected with the new coronavirus).

Starting with September, our company's sales reestablished its pace , recording an increase of 6.7%, compared to the similar period of the previous year. November distinguished with the most significant increases in sales after the state of emergency, compared to the similar period of the previous year: 16.7% in terms of value and 10.7% in terms of quantity (no. of boxes).

### **Monthly evolution of the total market 2020 vs 2019**

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<sup>1</sup> According to the data source CEGEDIM Sell Out Romania December 2020



The Romanian pharmaceutical market was dominated in 2020 by prescription medicines (RX). These represent 74.4% of the total value sales and 61.5% of total medicine consumption (reported as number of boxes).

Prescription medicines recorded in the analyzed period a 2.4% decrease in value, from 13.8 billion LEI in 2019 to 13.4 billion LEI in 2020. As regards the number of boxes released from pharmacies, there was a 5.1% decrease, from 405.7 million boxes in 2019 to 384.9 million boxes in 2020.

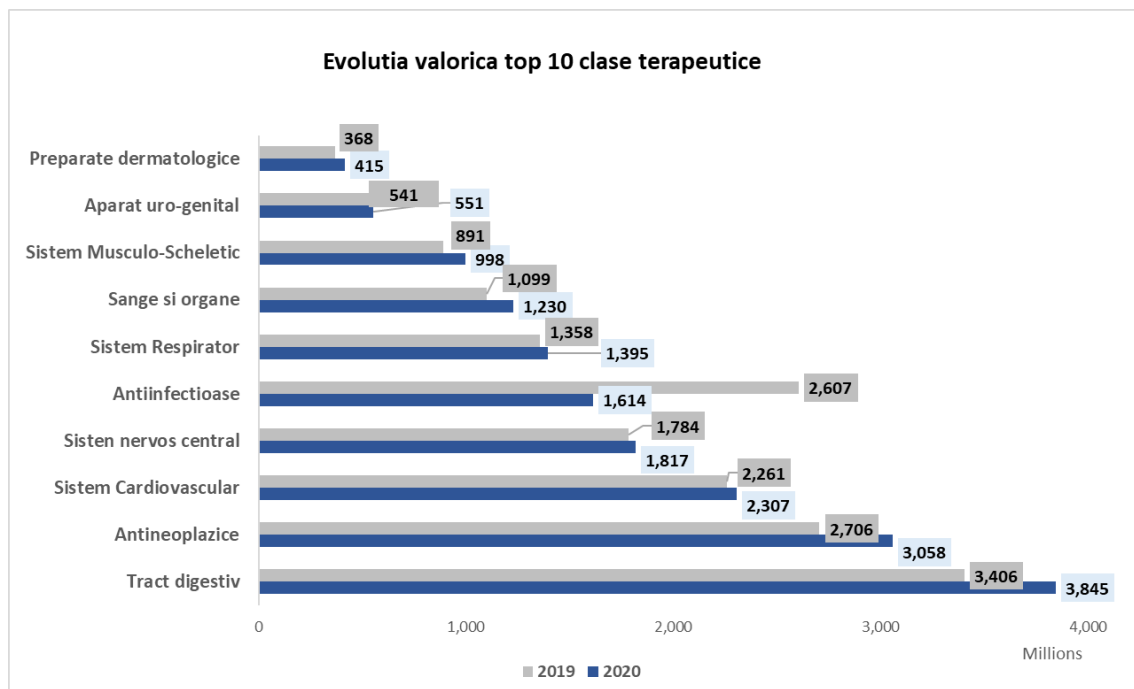
Non-prescription medicines recorded in the analyzed period a 13.8% increase in value, from 4.1 billion LEI in 2019 to 4.6 billion LEI in 2020. As regards the number of boxes released from pharmacies, there was a 9.5% increase, from 219.8 million boxes in 2019 to 240.7 million boxes in 2020.

Compared to 2019, in terms of value sales, the hospital segment recorded an increase of 4.9% from 2.3 in 2019 to 2.4 billion LEI in 2020. Consumption declined by 21.1% from 30.3 to 23.9 million boxes.

The segment of independent pharmacies and mini-chains registered a slight increase in value, of 3.1%, from 8.9 billion LEI in 2019 to 9.2 billion LEI in 2020. In terms of quantity, a 1.3% decline was recorded compared to the previous year, from 371.9 to 367 million boxes.

The national chains segment recorded a decrease in value of 2.3% from 6.6 to 6.4 billion LEI and 5,1% increase in consumption (number of boxes), from 223.3 in 2019 to 234.6 million boxes in 2020.

The first 5 therapeutic classes in the Romanian pharmaceutical market, by share in value sales in 2020, were: Digestive tract, Oncology, Cardiovascular system, Central Nervous System and Anti-infectives for systemic use. These represent 70% of the total sales in the market.



### ➤ Evolution of the relevant pharmaceutical market of Antibiotice SA

The relevant market of the products from the Antibiotice portfolio (data relate exclusively to sales of products included in the 2020 plan) recorded in the analyzed period an increase of 5.7% (from 2.3 to 2.4 billion LEI). Consumption grew by 4%, a number of 161.8 million boxes being released by pharmacies in 2020, compared to 155.6 million boxes in 2019.

Due to the restrictions implemented during the emergency and then the alert state, the relevant market on the Hospital segment registered a quantitative decrease of 21.4% from 2.6 to 2 million boxes, while in terms of value the decrease was 8.7% from 93.4 to 85.3 million LEI in 2020.

Prescription medicines (RX) had in 2020 a share of 50.1% of the total value sales and 54.6% of the total consumption of medicines (reported as number of boxes). They recorded in the analyzed period a decrease in value of 1.3%, from 1.23 billion LEI in 2019 to 1.21 billion LEI in 2020 and a quantitative decrease of 4% from 92 to 88 million boxes.

Over-the-counter (OTC) medicines recorded an increase in value of 13.7% (from 1.06 in 2019 to 1.21 billion LEI in 2020) and an increased consumption by 15.6% (from 63.5 in 2019 to 73,4 million boxes in 2020).

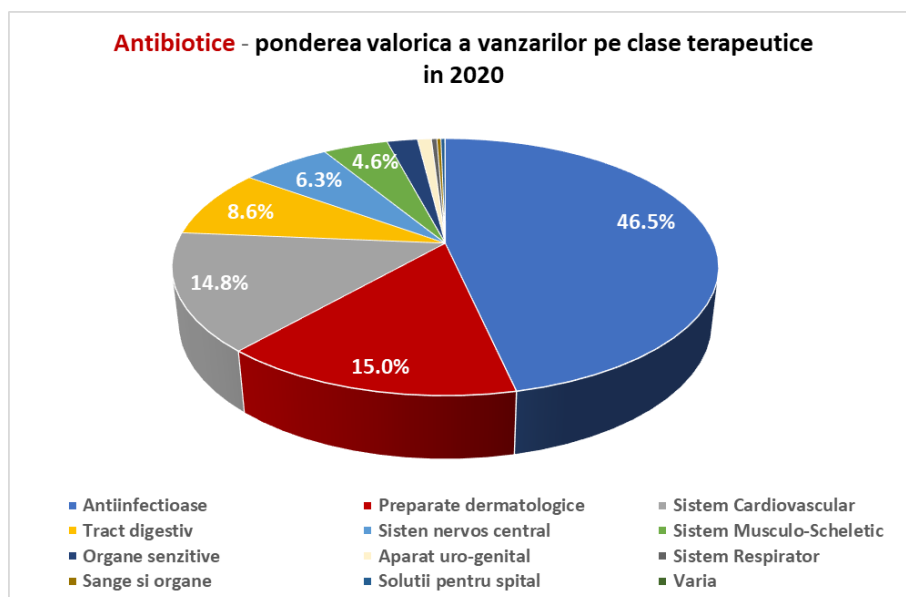
### Antibiotice in the Romanian pharmaceutical market

In 2020, in the domestic market, Antibiotice SA:

- ✓ ranked 1<sup>st</sup> in the relevant market, with a 13.1% value market share;
- ✓ was the leader in terms of quantity for the following pharmaceutical dosage forms: ointments (22.5%), suppositories and pessaries (37.5%) and powders for injection (65.3%);
- ✓ ranked 7<sup>th</sup> in the segment of generic prescription medicines and OTCs (3.97% market share);
- ✓ was the leader in the segment of generic prescription medicines and OTCs sold in hospitals, with a 14.8% market share.

Antibiotice consolidated its core business - anti-infectives for systemic use - developing also the therapeutic classes that highly rank our company in the domestic market: dermatological preparations and cardiovascular medicines.

### Antibiotice - the value share of sales by therapeutic classes in 2020



In solidarity with the Romanian health system and in the context SARS-COV 2 pandemic, Antibiotice SA kept in constant contact with distributors for removing the gaps in the supply of medicines to hospitals and pharmacies and for creating optimal stocks to allow the fulfillment of orders in the shortest time.

Also, in order to meet the specific needs of the health system in this period, Antibiotice adapted its manufacturing structure and produced biocides for surfaces: *a+Oxy Solution*, and *a+ Complex Solution*, as well as Paracetamol tb 500 mg and Novocalmin tb 500 mg, molecules for COVID-19 associated treatment.

The value of sales to distributors (sell in) was 346 million LEI, a value similar to that achieved in 2019.

In terms of value, the Hospital segment was most affected in the context of the pandemic, recording a decrease of 10.3%, from 84.7 million LEI in 2019 to 75.9 million LEI in 2020. This evolution was similar to that of the relevant market. The number of units sold by Antibiotice in hospitals decreased by 26.4% from 1.7 million of boxes in 2019 to 1.3 million of boxes in 2020.

Value sales on the channel of independent pharmacies and mini-chains increased by 1.6% compared to the previous year and quantitative sales decreased by 11.2% (number of boxes released from pharmacies), Antibiotice orienting itself towards a more favorable structure for sale and taking advantage of the unit price as a strategic element.

Value sales recorded in the chain pharmacies decreased by 11.1% in 2020 compared to 2019 (from 100 to 88.9 million LEI), while the number of boxes released from the pharmacies decreased by 21.2% (from 11.6 to 9.1 million of boxes).

The products that registered significant value increases compared to the previous year are: Meropenem inj. range, Bisotens® range, Nidoflor® cream 15 gr, Hemorzon® range, Cicloserina Atb, Moldamin®, Paracetamol tb. 500 mg, Nistatina Atb® tb. 500,000 I.U.

Our company has adapted to the demand, fully covering the need for treatment with antibiotics for injection such as carbapenems, cephalosporins and penicillins.

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

Our company's strategy for promotion, in the pandemic context, was adapted and involved the orientation towards the use of multiple information channels, especially online, selection of platforms that facilitate the transmission of information to health professionals. Through online communication platforms, webinars dedicated to health professionals and national scientific events (Congresses, Conferences held by Professional Associations) were organized.

In the second half of the year, our Medical Representatives team resumed its promotion activity, being focused on medical promotion visits in pharmacies and medical specialties accessible during this period. The visit planning was optimized by increasing the number of visited pharmacies, with the aim of presenting the non-RX Antibiotic portfolio and helping the pharmacists identify the patient profiles.

In the pandemic context, the recommendation and consumption of medicines for chronic non-communicable diseases has seen an upward trend. Thus, starting with June 2020, the products from the cardiovascular portfolio started being promoted again to cardiologists, internal medicine and family doctors.

Considering the consumption trends determined by the pandemic, our company launched in the fourth quarter the food supplement Imunofix® having as indication the support of immunity.

From the range of products manufactured by Antibiotice, our team promoted brands from the following portfolios: Hospital&Partners, dermatology portfolio, the portfolio destined to the prevention but also to the treatment of the different diseases reunited under the *Quality of life* concept. Scientific communication was adapted to the new context, the company organizing a series of webinars attended by over 4,500 specialist doctors and 4,000 pharmacists.

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

<b>Performance indicators</b>	<b>Planned 2020</b>	<b>Achieved 2020</b>
Manufacturing capacity utilization	minimum 60 %	63 %

Amid the increase of competitiveness and need to make the manufacturing plants more profitable, the company's activity was organized to operate in three production divisions:

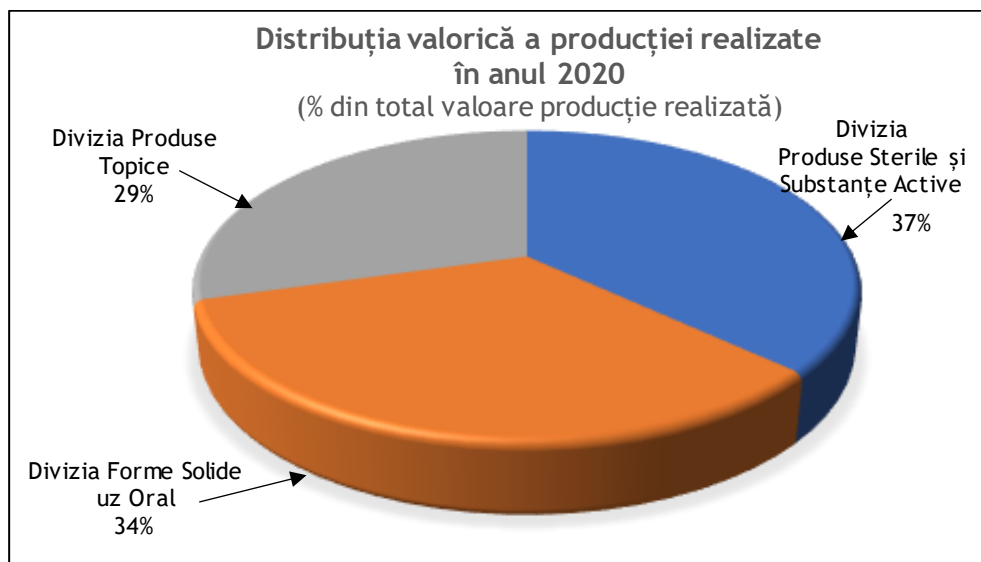
1. **Oral Solid Products Division**, which integrates the activities of the Capsule Plant and Tablet Plant;
2. **Topical Products Division**, integrating the Ointment & Suppository Plant;
3. **Sterile Products and APIs Division**, which integrates the activities of the Parenteral Plant and Biosynthesis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

The divisions are organized and coordinated independently in terms of production activities, investments in technology, product portfolio, so as to become autonomous profit centers, which adapt their manufacturing and product portfolio to the needs and characteristics of the markets where their products are sold.

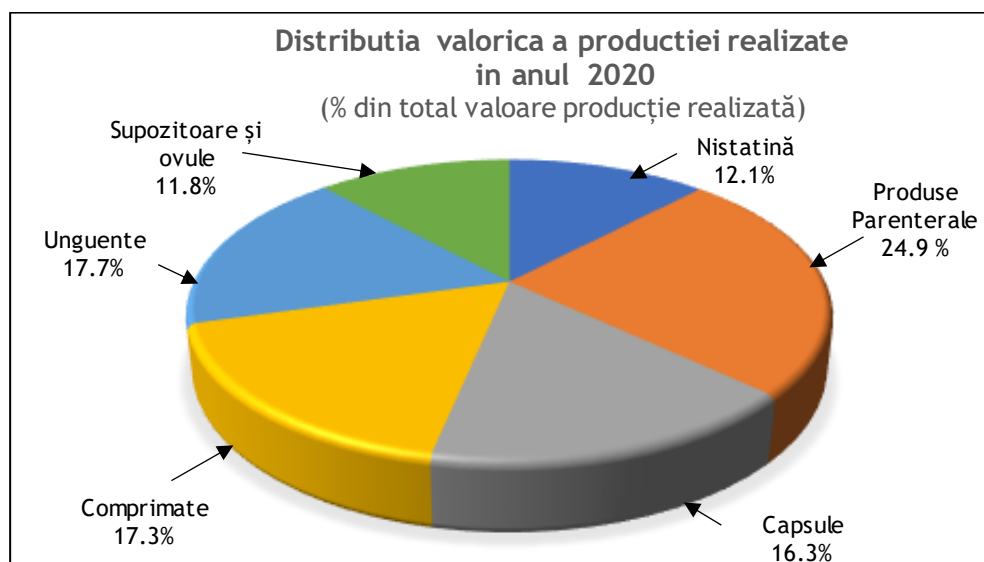
The 2020 production amounted to 453.3 million pharmaceutical units in the form of tablets, capsules, parenterals, topicals (ointments, creams, gels), suppositories, pessaries. The quantity of active substance Nystatin produced in 2020 was by 10.66% higher compared to the previous year.

The total value of the production in the reporting period was 360.8 million LEI. The three divisions breakdown is presented below:

Value distribution of the production made in 2020  
(% of the total production value)



Value distribution of the production made in 2020  
(% of the total production value)



- **Economic and financial performance of the company**

The company's activities are reflected in the economic-financial indicators of 2020 as follows:

No.	Indicators	UM	Budgeted 2020	Achieved 2020	Degree of achievement
1	Sales income	Mil LEI	377	340	90%
1.1	<i>Domestic market</i>	Mil LEI	218,6	181.6	83%
1.2	<i>Export</i>	Mil LEI	158.4	158.3	100%
1.3	Export share in turnover	%	42%	46.5%	111%
2	Total income	Mil LEI	400	380.4	95%
3	Total expenses	Mil LEI	375.5	352	94%
4	Gross profit	Mil LEI	24.5	28.3	116%
5	Net profit	Mil LEI	23	26.4	115%
6	Equity (Net accounting assets)	Mil LEI	541	577.3	107%
7	Total liabilities	Mil LEI	300	269.3	90%
8	Total assets	Mil LEI	820	862.9	105%
9	Level of indebtedness (Datorii totale /Total Activ)	%	37%	31%	119%
10	Solvability (Total Assets/Total liabilities)		<b>2.7</b>	<b>3.2</b>	119%
11	Total expenses per 1000 lei income	Thous. LEI	939	925.5	101,5%
12.1	Work productivity (Operating Income/no. of employees)	Thous. LEI /employee	279	264	94.6%
12.2	Work productivity (Sales Income/no. of employees)	Thous. LEI /employee	266	240	90.2%
13	Average number of employees	No. of employees	1,415	1,415	100%
14	Taxes and fees, of which:	Mil LEI	99	97	98%
14.1	- claw back tax	Mil LEI	30	27,8	93%
15	EBITDA (Earnings before interest+Taxes+Depreciation+ Amortization)	Mil LEI	54	55,4	103%
16	Added value	Mil LEI	198	200,2	101%
17	Profitability of Gross Profit (Gross Profit / Sales Income)	%	6.5%	8.3%	128%



The financial balance indicators are at the optimal level recommended in the literature.

Indicators	Calculation formula	Reference value	31.12.2019	31.12.2020
Current liquidity	Current assets / Current liabilities	>2	1.94	2.01
Level of indebtedness	Borrowed capital / Equity x 100	<50%	36%	28%
Turnover speed for client debit items	Average customer balance / Sales revenue * 360	depends on the field of activity	297 days	273 days
Fixed assets turnover	Sales revenue / Fixed assets	depends on the field of activity	1.03	0.70
Rata of financial autonomy	Equity/Total debts	>1	1.72	2.02

The indicators from the Comprehensive Income Statement on 31.12.2020 are presented as follows:

INDICATORS	31.12.2019	BVC 2020	31.12.2020	31.12.2020/ IEB 2020	31.12.2020/ 31.12.2019
1	2	3	4	5=4/3	6=4/2
<b>Sales income</b>	389,710,740	376,961,000	340,424,276	0.90	0.87
Other operating revenues	33,008,685	39,222,000	36,062,333	0.92	1.09
Income related to the cost of product stocks	4,564,960	8,900,000	23,676,949	2.66	5.19
Income generated by the entity and capitalized	4,660,869	5,000,000	6,351,872	1.27	1.36
Expenditure on raw materials and consumables consumable	146,016,104	145,900,000	131,864,599	0.90	0.90
Employee benefit expenses	102,852,132	109,105,366	111,822,960	1.02	1.09
Amortization and depreciation expenses	21,416,603	23,500,000	21,794,224	0.93	1.02
Other operating expenses, of which:	121,652,509	120,471,204	107,332,654	0.89	0.88
- energy and water expenses	11,124,204	12,370,000	11,090,428	0.90	1.00
- transportation expenses (goods and personnel)	2,393,805	2,687,897	2,572,766	0.96	1.07
- expenses with services performed by third parties	14,150,360	16,779,707	10,856,883	0.65	0.77
- expenses with taxes and fees, of which:	46,266,487	37,400,000	32,677,686	0.87	0.71
- claw-back tax	42,210,924	32,443,888	27,767,041	0.86	0.66
Operating profit	40,007,906	31,106,430	33,700,993	1.08	0.84
Net financial income	-4,828,013	-6,606,000	-5,371,536	0.81	1.11
<b>Pre-tax profit</b>	35,179,893	24,500,430	28,329,456	1.16	0.81
Income tax and other taxes	4,356,615	1,500,430	1,941,407	1.29	0.45
Profit	30,823,278	23,000,000	26,388,049	1.15	0.86

**Total income included:**

- **Sales income** amounted to 340.42 million LEI, of which 46.6% (158.27 million LEI) represents **export sales income**.
- **Other operating income** amounted to 36.06 million LEI, by **9% higher** than the value recorded on 31.12.2019.
- **Income related to the costs of product stocks** was 23.68 million LEI, higher than the value recorded on 31.12.2019. The increase was determined by the revaluation of the stocks of finished products existing in the company, taking into account the prices of the medicines updated through the price correction procedure, according to the legal provisions.
- **Income generated by the entity and capitalized** amounting to 6.35 million LEI were by 36% higher compared to the value achieved in 2019.

**Total expenses included:**

- **Expenditures on raw materials and consumables** recorded the value of 131.86 million LEI, by 10% lower than the value recorded in the similar period of 2019, as a result of adapting the production activity to meet the needs of the medical system during the pandemic. The special measures implemented to protect the health of employees resulted in higher expenditures on consumables compared to expenditures made in the previous year. Among the measures taken we mention: providing employees with special protective equipment, constant sanitation and disinfection of spaces, supplementation of means of transport and modification of work schedule, work at home, adaptation of workspaces to social distance, preventive testing of employees to limit a possible contamination in the company.
- **Staff costs** on 31.12.2020 were by 9% higher compared to the value recorded in the previous year, as a result of the continuation of the project initiated in 2019 for implementing a modern ranking and salary system, in order to align the package of salary benefits to the performance level of each employee;
- **Depreciation and amortization expenses** increased by 2% compared to 2019, as a result of the investments made in modern technological equipment necessary for the production, research, quality control activities;
- **Other operating expenses** were reduced by 12% compared to 2019 and by 11% compared to the value provided in the Income & Expenditure Budget, as a result of the measures taken to reduce the expenses. Other significant operating expenses:
  - energy and water costs in the amount of 11.09 million LEI were at the level of 2019;
  - expenses with claw-back tax amounting to 27.77 million LEI were lower by 34% compared to the value recorded in 2019, as a result of the amendment of the legislation regarding the establishment of certain contributions for the financing of health expenditures and introduction of the differentiated contribution by three types of medicines, starting with the second quarter of 2020.
- **The value of financial expenses**, higher than the value of financial income determined negative **net financial income**.
  - **Value of income tax and other taxes** was lower in 2020 compared to the value recorded in 2019 as a result of the higher value of profit invested in the acquisition of technological equipment, electronic computers and peripheral equipment.

## Statement of Financial Position

INDICATORS	31.12.2019	31.12.2020	31.12.2020/ 31.12.2019
<b>ASSETS</b>			
<b>FIXES ASSETS</b>			
Tangible fixed assets	363,616,611	467,880,778	1.29
Intangible fixed assets	16,385,709	19,709,606	1.20
<b>TOTAL FIXED ASSETS</b>	<b>380,002,320</b>	<b>487,590,384</b>	<b>1.28</b>
<b>CURRENT ASSETS</b>			
Stocks	73,975,988	108,691,209	1.47
Trade and other receivables	338,159,774	260,301,297	0.77
Financial assets held for sale	0	0	
Cash and cash equivalents	1,877,409	6,329,458	3.37
<b>TOTAL CURRENT ASSETS</b>	<b>414,013,171</b>	<b>375,321,964</b>	<b>0.91</b>
<b>TOTAL ASSETS</b>	<b>794,015,491</b>	<b>862,912,348</b>	<b>1.09</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and similar debts	72,337,840	80,559,346	1.11
Amounts owed to credit institutions	125,875,879	87,521,637	0.70
Debts from current taxes and fees	13,267,396	11,187,118	0.84
Short-term provisions	0		
Investment grants	0		
<b>TOTAL CURRENT LIABILITIES</b>	<b>211,481,115</b>	<b>179,268,101</b>	<b>0.85</b>
<b>LONG-TERM LIABILITIES</b>			
Investment grants	3,079,169	2,772,880	0.90
Deferred tax	25,531,938	26,123,535	1.02
Long-term provisions	0		
Amounts owed to credit institutions	57,080,354	73,387,686	1.29
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>85,691,461</b>	<b>102,284,101</b>	<b>1.19</b>
<b>TOTAL LIABILITIES</b>	<b>297,172,576</b>	<b>281,552,201</b>	<b>0.95</b>
<b>Share capital and reserves</b>			
<b>Share capital</b>	<b>264,835,156</b>	<b>264,835,156</b>	<b>1.00</b>
Revaluation reserves	50,804,319	129,696,870	2.55
Legal reserves	13,426,761	13,426,761	1.00
Other reserves	200,655,367	224,116,120	1.12
Retained earnings	-56,432,683	-68,346,396	1.21
Distribution of profit	-7,269,283	-7,432,071	1.02
Current result	30,823,278	25,063,707	0.81
<b>TOTAL EQUITY</b>	<b>496,842,915</b>	<b>581,360,147</b>	<b>1.17</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>794,015,491</b>	<b>862,912,348</b>	<b>1.09</b>

### Patrimonial assets

The value of **fixed assets** on 31.12.2020 recorded an increase by 28% compared to the value recorded on 31.12.2019. In their structure, the value of tangible fixed

assets was higher by 29% as a result of the revaluation of the lands at the market price and the commissioning of some assets from the investment plan, and the value of the intangible fixed assets was higher by 20% compared to the same period of the previous year.

The value of stocks was higher compared to the value recorded on 31.12.2019, as a result of the change in drug prices through the price correction procedure, starting with the date of 01.07.2020.

**Receivables** amounted to 260.30 million LEI, a value lower by 23% than that recorded on 31.12.2019, being correlated both with the level of sales income and with the result of continuous measures to optimize the trade relations with our customers.

#### **Patrimonial liabilities**

**Current liabilities** amounted to 186.7 million LEI on 31.12.2020, lower by 13% compared to the value at the beginning of 2020. They include:

- short-term loans were worth 95.57 million LEI, lower 24 30% compared to the value recorded in the previous year;
- trade payables were higher by 1%;
- debts representing current taxes and fees decreased by 27%.

In the value of **long-term debts**, the important share was held by the bank loan contracted for financing the investments in the new Ointment & Suppository Plant, whose value increased by 15% compared to the value at the beginning of the year.

Equity, which represents the residual interest of the owners in the company's assets after deducting all its debts, recorded a 15% increase compared to the value recorded on 31.12.2019.

On 31.12.2020, our company did not record outstanding obligations to the state budget. The amounts due to credit institutions are presented in the following table:

<b>Amounts owed to credit institutions</b>	<b>Value on 31.12.2020</b>
Short-term debt	95,568,514 LEI
Long-term debt (interest included)	65,444,478 LEI

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**

- a) Cash flow from the **operational activity** recorded receipts from sales of goods worth 427.6 million LEI and generated payments:
- to suppliers of goods and services worth 190.9 million LEI
  - related to staff worth 101.3 million LEI,
  - of taxes, fees and assimilated payments in value of 36.3 million LEI,
  - of bank interests amounting to 5.06 million LEI.

Net flow from operational activity was worth 94.05 million LEI.

- b) Cash flow from the **investment activity** recorded payments amounting to 47.99 million LEI, both from the liquid assets from the operational activity and from

the amounts available from the long-term bank credit, for the payment of the fixed assets suppliers.

- c) Cash flow from the **financing activity** registered receipts from the long-term bank loan in value of 16.31 million LEI and generated dividend payments in the amount of 18.17 million LEI.

➤ **Procurement - an important link in the value chain**

Procurement represents an important link in the value chain that generates favorable conditions for the long term development of our business, bringing its contribution to the profitability of the company. The activity is organized to meet the needs of the company, developing business relationships both with the suppliers from Romania and from the intra- and extra-community areas.

In the context of an increased complexity and competitiveness in the world pharmaceutical market, Antibiotice has demonstrated its ability to build and maintain stable, ethical and trustworthy business partnerships with its suppliers for its own benefit and for the benefit of its employees, partners and not least of the Romanian economy in general.

In the current economical, technological and Regulatory Affairs context, the efficient management of the purchasing chain is a permanent preoccupation of our company.

The staff involved in the procurement activity has:

- to comply with the regulations and legislation in force on the procurement procedures;
- to treat impartially the suppliers in the selection process, offering them competitive contracting opportunities;
- to meet the efficiency and efficacy criteria in the supplier selection process;
- to secure the purchasing sources, by making the medium and long-term partnerships transparent and predictable;
- to diminish the risks throughout the acquisition chain, in order to ensure the continuity of the company's operations;
- to generate competitive advantages, by identifying and optimal use of suppliers' capabilities (technology, production facilities, know-how, staff experience and professionalism).

**Net profit distribution**

Distribution of the 2020 allowed the continuation of the investment process materialized in new manufacturing sites, research projects for the development of the portfolio as well as the replenishment of the reserve fund for the investments made in 2015-2016.

On 31.12.2020 Antibiotice SA recorded a net profit net of 26,388,049 LEI, proposed to be distributed as follows:

<b>Indicator</b>	<b>31.12.2019</b>	<b>31.12.2020</b>
Dividends (LEI)	20,059,405	2,219,652
Other reserves (LEI)	10,763,873	24,168,397
<b>Total</b>	<b>30,823,278</b>	<b>26,388,049</b>

The amount of 24,168,397 LEI, representing other reserves provided by law, included:

- Fiscal facilities for the profit invested in technological equipment and IT infrastructure, according to art. 22 of the Fiscal Code in the amount of 14,452,190 LEI;
- Fiscal facilities for research-development according to art. 20 of the Fiscal Code in the amount of 2,715,797 LEI;
- Other allocations provided by law, according to art. 1, letter c) of GO no. 64/2001, the sum of 7,000,410 LEI representing losses from the distribution of the profit for which an exemption was granted.

The total dividends were in the amount of 2,219,652 LEI.

The gross dividend per share for 2020 was set at 0.00330631 LEI, representing a distribution rate of 8.4% of the net profit of the fiscal year 2020.

### III. 1. 5. Corporate Governance

Performance indicators	Planned 2020	Achieved 2020
Monitoring the transparency and communication processes	100%	100%
Reviewing, evaluating and reporting the performance of administrators	100%	100%

Antibiotice S.A. is organized on the principles of corporate governance, which regulates the selection and appointment procedure of administrators and directors, as well as the functioning of the management system, seeking to strengthen the independence, accountability and professionalism of management structures, transparency and quality of publicly presented information and protection of shareholders, including the minority ones.

Management of the company is organized to meet the expectations of shareholders in terms of competitiveness, profitability and long-term value generation. A well-defined, traceable decision-making system is ensured and the delegations of attributions and competences are made in proportion to the prerogatives granted and the existing control system.

The application of the principles of good corporate governance practices in strict compliance with the recommendations of the Corporate Governance Code of the Bucharest Stock Exchange (CGC-BVB), ensures transparency and efficiency of the company's activities and processes, thus providing the framework for maximizing in the long run the value of Antibiotice shares protecting the interests of stakeholders and increasing trust in Antibiotice SA.

Our company's management considers the Corporate Governance Code an important tool for obtaining a sustainable performance, ensuring the accuracy and transparency of the company's decision-making process, through equal access of all shareholders to relevant information about the company.

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

- Corporate Governance Code
- Code of Ethics
- General Meeting of Shareholders
- Management Board
- Advisory Committees

- Executive Management
- Internal audit, Inventory Financial Control and Risk Management

### **General Meeting of Shareholders**

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.

During 2020, the Board convened five Ordinary General Meetings and three Extraordinary General Meetings of Shareholders. The decisions of these sessions can be found on the company's website at the following address: <https://www.antibiotice.ro/investitori-php/financial-information/adunari-generale-actionarilor/?raport=2020#>

### **Management Board**

Antibiotice SA 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.

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.

In 2020, the Management Board met in 15 sessions, registering a 100% presence each time, and adopted decisions that enabled it to carry out its tasks in an effective and efficient manner.

### **Management Board of Antibiotice SA on December 31, 2020**

Ioan Nani, Economist, 61 years old  
Vice-President of the Management Board and General Director  
Definitive 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 other members of the Management Board electing him as the Board's Vice President on 20.05.2020.

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

Definitive Non-Executive Administrator

At the Ordinary General Meeting of Shareholders held on April 9, 2020, Ms. Calitoiu was confirmed as a member of the Management Board, for a 4-year period.

Number of Antibiotice SA shares held - 0\*

Nicolae Stoian, Economist, 64 years old

Member of the Management Board and representative of the shareholder SIF Oltenia and other shareholders - legal entities

Definitive Non-Executive Administrator

At the Ordinary General Meeting of Shareholders held on April 9, 2020, Ms. Stoian was elected as a member of the Management Board, for a 4-year period.

Chartered accountant, tax consultant.

Number of Antibiotice SA shares held - 0\*

Lucian Timofticiuc, Physicist, 46 years old

Member of the Management Board and representative of the Ministry of Health

Definitive Non-Executive Administrator

At the Ordinary General Meeting of Shareholders held on September 16, 2020, Mr. Timofticiuc was elected as a member of the Management Board, for a 4-year period. Currently, Mr. Lucian Timofticiuc holds the position of Administrator and General Director at Vremea Noua.

Number of Antibiotice SA shares held - 0\*

Ionel Damian, Legal Adviser, 49 years old

Member of the Management Board

Interim Non-Executive Administrator

At the Ordinary General Meeting of Shareholders held on September 16, 2020, Mr. Damian was elected as an interim member of the Management Board, in accordance with the provisions of art. 641 of GEO no. 109/2011.

Executive Director of Fiscal Inspection - General Regional Directorate for Public Finances of Iasi

Number of Antibiotice SA shares held - 0\*

*\* Number of Antibiotice (ATB) shares held on December 31, 2020 according to the latest database owned by Antibiotice for 2020.*

### **Advisory Committees**

The specialized advisory committees in 2020:

- Audit Committee: Mr. Ionel Damian, Mr. Nicolae Stoian and Ms. Elena Calitoiu;
- Nomination and Remuneration Committee: Ms. Elena Calitoiu, Mr. Lucian Timofticiuc and Mr. Nicolae Stoian;
- Trade Policy Committee: Mr. Lucian Timofticiuc, Mr. Ionel Damian 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.

The **Audit Committee**, consisting of three independent non-executive administrators, held seven sessions in 2020, attended by all members of the Committee.

Among the responsibilities of the Audit Committee, we mention the following:

- performs an annual evaluation of the internal control system. The evaluation must consider the effectiveness and comprehension of the internal audit function, adequacy of the risk management and internal control reports submitted to the Audit Committee, promptness and effectiveness with which the executive management solves the deficiencies or weaknesses identified following the internal control and submission of relevant reports to the Management Board. The Audit Committee manages the conflicts of interest in connection with the transactions of the company and its subsidiaries with the affiliated parties within the meaning of the Fiscal Code;
- monitors the application of legal standards and generally accepted internal audit standards;
- receives and evaluates the reports prepared by the Internal Audit team. In exercising its main attributions and responsibilities, the Audit Committee performed the following activities:
- examines and verifies the correctness of the company's annual and interim consolidated financial statements and any other financial reports, before their submission to the Board for approval;
- analyzes the appointment, renaming or revocation of external auditors;
- periodically evaluates the efficiency, independence and objectivity of the external auditor and the way in which they provided additional services;
- monitors the activity of the Internal Audit Office to be ensured that it acts objectively and independently.

The **Nomination and Remuneration Committee** consists of three independent non-executive administrators. Its attributions and responsibilities are mainly the following:

- formulates proposals for the positions of administrator, elaborates and proposes the selection criteria of the candidates for the positions of administrator and director, recommends to the Management Board the candidates for the listed positions, formulates proposals regarding the remuneration of the administrators and directors;
- evaluates, at least once a year, the independence of the members of the Management Board;
- makes sure that the persons applying for the position of administrator have the necessary training and experience to fulfill their obligations;
- draws up an annual report on the remuneration of the administrators and directors appointed by the Board, as well as the incentives granted to them, a report that will be presented to the General Meeting of Shareholders.

In 2020, the Nomination and Remuneration Committee met in eight meetings for evaluating the activity of the administrators, remuneration policy and for selecting three members of the Management Board.

The **Trade Policy Committee**, consisting of three independent non-executive administrators, supports the Management Board in implementing the Management Plan by transposing it into appropriate trade policies.

The Trade Policy Committee analyzes trade policies, including the marketing and promotion policies, through which the company's Management Plan and the management component of the Management Plan (Business Plan) are implemented.

### **Executive management**

Antibiotice is represented by the General Director, according to the prerogatives established by the law and company's Articles of Association.

### **Internal audit, Financial inventory control, Risk management**

#### **Internal audit**

In 2020, our specialized department conducted 7 internal evaluation audit missions, according to the annual plan approved in the following fields of activity: budgetary, procurement, legal, sales and asset management, internal control system and financial-accounting system, which had general objectives adapted to each field, such as:

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

The recommendations formulated in the internal audit missions represent completions of the operating procedures and measures to intensify the control and are followed until the implementation. Thus, out of the 67 recommendations, 36 were implemented, the others being within the implementation term.

#### **Financial inventory control**

The financial inventory control developed in compliance with the legal provisions, had the following objectives:

- substantiation of the draft Income & Expenditure Budget for 2020;
- execution of the 2019 Income & Expenditure Budget;
- the method of carrying out the annual inventory of the elements of the nature of assets, liabilities and equity for 2019;
- receipts and payments in lei and foreign currency, of any nature, in cash or by bank transfer;
- rectification of the Income & Expenditure Budget for 2020;
- preparation, circulation, storage and archiving of primary, accounting and technical-operational documents;
- registration in the accounting records of the financial operations in the first semester of 2020.

The inventory financial control actions were finalized by drawing up control reports, in which the findings and the measures for improving the verified activities were presented.

Following the inventory control actions, it was found that the regulations regarding the management of stocks and the concordance between the factual and written stocks are observed, as a result of the periodic verification during the year between the quantitative and the quantitative-value records. The results of the inventory are used by the central commission designated for this purpose.

### **Risk management**

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

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

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.

In 2020, our company elaborated the Plan for implementing the control measures for significant risks related to our company's business and the General Risk Register, with the aim of minimizing the significant risks to which the company is exposed with impact on the objectives.

Specific risks identified for the organizational structures within Antibiotice SA were submitted to the Audit Committee:

### Financial risks

In terms of financial risk management, the risks to which our company is exposed are:

- **Commercial (non-payment) risk** is generated by the debtor's lack of financial liquidity and by the non-fulfillment of the payment obligation at the fulfillment of its maturity. Circumstances of non-payment risk: the large exposures of the company to the major national distributors, long collection periods caused mainly by delays with which the invoices for health services are settled by the National Health Insurance House.

The measures taken by our company to control and reduce the commercial risk include: monitoring the customer creditworthiness, diversifying the customer portfolio and requesting guaranties.

- **Liquidity risk** arises from the company's failure to honor, at any time, the short-term payment obligations.

Liquidity risk may occur in the following circumstances: lack of cash-flow generated by the gap between receipts and payments determined by the collection of receivables at maturities exceeding 300 days, fluctuations in interest rates and currency rates, volume of investments, level of taxation price of raw materials.

Our company's policy on **liquidity risk** is to maintain, as far as possible, sufficient liquid resources to meet the payment obligations as they reach maturity, to correlate the payment terms with the collection ones and obtain necessary financing through credit lines.

- **Currency risk**, a component of the financial risk, occurs frequently in the current market economy where monetary rates fluctuate under the supply and demand rule.

Exchange rate fluctuations are reflected both in the costs of imported raw materials, as well as in the prices of finished goods for export.

In order to reduce the exposure to the currency risk, our company took a series of measures such as: synchronization of import and export activities by correlating payment and collection terms, as well as correlating the weight of currencies so that the payment for the imported goods be made as close to or even simultaneous with the collection of money for the exported products.

### Legislative risk

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

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

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

#### **Human resource risk**

- **The lack on the labor market of candidates properly trained in the pharmaceutical field**

To ensure the necessary staff, the Human Resources Department continued the Perform a+, project intended to identify young talents. Now in its fifth edition, the program aims to provide practical training and selection of employees through partnerships with the lasi universities.

**Reputational risk** is defined as the current or future risk of negatively affecting the company's profits and equity determined by the unfavorable perception on the company's image.

The company's strategy is to limit the reputational risk through procedures, rules and flows specially created in this respect and through a sustained, transparent and efficient proactive communication.

**Operational risk** is the risk of loss that results either from the use of some inadequate processes, persons or internal systems that did not perform their function properly, or from external events.

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

Our company constantly monitors the operational risks in order to take measures to maintain them at an acceptable level that does not threaten its financial stability, interests of creditors, shareholders, employees, partners.

In addition to the specific risks, in the context of 2020, under the influence of the SARS-Cov 2 virus pandemic, the following risks were identified:

#### - **Risks related to the health and safety of employees**

In order to minimize these risks, organizational and technical measures have been implemented, intended to protect the health of employees and, implicitly, ensure the continuity of the company's activity.

- Difficulties in achieving the performance indicators generated by: :
  - o decrease of productive activities in areas where the physical distance of employees was not possible;
  - o reduction of the number of consumers in open circuit pharmacies and of the number of hospitalizations (hospitalizations were registered only in hospitals for patients infected with Sars-CoV virus 2);
  - o a limited access of the promotion team to doctors and pharmacists.

To minimize these risks, a number of measures have been taken, such as:

- o focus on the sales in the international market;
- o a proactive connection with our distributors;
- o online promotion: e-mail marketing campaigns, webinars, video conferences;
- o an intensified communication with the general public: launching and managing social media pages for the range of food supplements and cosmetics;
- o a careful monitoring of expenditures.

### III.2. Investments and assimilated activities for the strategic development of the platform

Performance indicators	Planned 2020	Achieved 2020
Investment program	71.75 million LEI	48.06 million LEI*

\* the difference is represented by the projects in different stages of development

According to the annual program, the investment structure in 2020 was as follows:

#### III.2.1. Development of production, research, utilities, transport and storage infrastructures

##### 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 15.51 million LEI were used in 2020. 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. During March - June, the works were stopped due to the traffic restrictions imposed by the coronavirus pandemic. The degree of achievement of this important investment objective is 92.52%.

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

In order to refurbish the manufacturing flows from the three divisions, our company invested 1.02 million LEI in 2020 for purchasing equipment, installations and laboratory equipment (out of the total of 2.28 million LEI allocated for 2020).

##### Research & Development investments

In 2020, our company invested in research-development 8.57 million LEI (out of the total amount of 11.90 million LEI, planned for 2020). Antibiotice invested in equipment and software for supporting and improving the research activities, in order to obtain new, quality, safe, efficient and competitive products.

##### Investments for rehabilitating the industrial site

In the reporting period, Antibiotice invested 14.58 million LEI (of the total annual sum of 29.13 million LEI) in the rehabilitation of auxiliary buildings and constructions, transport and storage infrastructure and logistics, maintenance infrastructure, production and distribution of utilities, as well as for the rehabilitation of land released after demolition and decommissioning.

#### III.2.2. Investments to strengthen the integrated management system and ensure continuity in environmental protection

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

Increasing the accuracy of laboratory analysis methods and reviewing monographs in pharmacopoeias 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 2020 was 1.95 million LEI (of the annual total of 2.97 million LEI).

### **III.2.3. Investments in social responsibility projects**

In 2020, 6.43 million LEI were invested in projects on the employee motivation and retention system: “Friendly Brand” which consists in arranging common spaces (locker rooms, social groups, dining rooms, training rooms) and “We live healthy in a healthy company”, a project in which the following were made: modernization of the “Penicilina” Sports Hall and the project for employees and community, named “Friendship Park” (arrangement, in the form of a park, of the area with the forest curtain in front of the factory, bordering the DN28 national road).

#### **➤ Digitization and computerization of the company's activities and processes**

Our company adapted itself to the challenges of this period, making the most of the possibilities of work, training and communication in the online environment.

Within the digitization and computerization plan, Antibiotice, considered as a priority to access software to streamline human resources activities but also to secure data and information in all the company.

## **IV Antibiotice, a responsible company involved in sustainable development**

Antibiotice SA undertakes to publish the Non-Financial Report for 2020 which will be made available to the public on the company's website ([www.antibiotice.ro](http://www.antibiotice.ro)), according to the legal requirements in force.

In 2020 also, the year of the Covid-19 pandemic outbreak, Antibiotice SA focused its social responsibility activities on the development of a sustainable, ethical and transparent business. Acting sustainably, our company creates long-term value for both their employees and their stakeholders, respecting the environment, being concerned about the health and safety of employees and supporting the communities.

Involvement of Antibiotice SA in community life is done by carrying out social responsibility programs, which are based on four pillars: health, education, environment and social matters.

#### **➤ Health**

Antibiotice SA developed social responsibility programs on improving the health of its employees and the communities in which it operates. Within these programs, education and information campaigns on health prevention were developed.

#### **Supporting our employees' health**

Since the beginning of the pandemic, Antibiotice SA set up a Health and Safety Committee, responsible for taking the necessary measures to prevent the spread of new coronavirus infections among employees, and conducted employee training and awareness campaigns.

#### **Supporting the health system**

As a gesture of solidarity with the medical system, Antibiotice SA offered financial aid and donations in medicines totaling 600,000 LEI to 11 hospitals in Romania, in the first months of the pandemic, Thus, along with the hospitals in Pascani, Onesti and Brasov, 8 hospitals in Iasi including the Regional Institute of Oncology and the Infectious Diseases Hospital, received sponsorships. Also, an important pole for treating people with Covid-19, "Prof. Dr. Matei Bals" National Institute of Infectious Diseases in Bucharest, received also help from our company, both in money and medicines. The total value of these donations was 125,000 EUR.

### **Donate blood! Put your soul to life!**

Despite all the difficulties imposed by the new coronavirus pandemic, on June 16, 2020, around World Blood Donor Day (June 14, 2020), Antibiotice SA managed in 2020 also to organize the "Donate blood! Put your soul to life!" campaign, the 19<sup>th</sup> edition, attended by 70 employees. Together, the volunteers donated 32 liters of blood, which helped save more than 150 lives. Considering the permanent need for life-saving blood in hospitals, since 2010, the "Antibiotice - Science and Soul" Foundation, in partnership with the Regional Blood Transfusion Center Iasi, organizes biannually, blood donation campaigns.

#### ➤ **Education**

Antibiotice SA has been investing, with science and soul, in the education of young people, future models of responsible behavior. Our company recognizes the role of the local community in forming and developing the company's main source of value - the well trained people - and supports the community in fulfilling this role.

### **Bookster books on the Bookcase a+ shelves**

Starting with October 30, 2020, our company offered as a free benefit to its employees passionate about reading the opportunity to access the Bookster.ro platform. The goal of the "**Bookster books on the Bookcase a+ shelves**" project is to encourage our employees to read and gain new knowledge by facilitating their and their families' access to materials such as books, articles, podcasts, etc., covering areas from personal and professional development to hobbies and fiction. Bookster is a public library that lends books to company employees through its online platform. The borrowed books are then delivered to employees, free of charge, at the office. At the end of the year, 211 employees had an account opened on Bookster.ro.

### **„Science and Soul” Scholarships**

Every year, starting from 2001, the "Antibiotice - Science and Soul" Foundation together with the "Pro Ruralis" Association offer five scholarships to students without material possibilities in rural areas, but with special skills and higher IQ. As in the year of the pandemic, 2020, school courses were held mainly online, Antibiotice SA donated a tablet to each of the five high school students from the Pedagogical High School from Iasi, with the help of which they were able to access the resources necessary in the educational process.

#### ➤ **Environment**

Antibiotice SA develops a sustainable partnership with the community by carrying out activities meant to protect the environment, being permanently concerned with improving its environmental performance.

### **Friendship Park**

On December 1, 2020, on the occasion of the National Day of Romania, our company inaugurated the "Friendship Park", a social responsibility project within the

”Antibiotice, a friendly brand” program. The project involved the arrangement of the forest curtain area, adjacent to the DN28 national road near the Valea Lupului commune. With a total area of 25,000 square meters, the park arranged in front of our company has over 1,000 trees and shrubs, lawn, pedestrian alleys, a sports field and a playground for children. The initial forest curtain raised on the site of the current Friendship Park was planted by the first Antibiotice employees, in 1955.

➤ **Social**

Antibiotice SA is involved in the community life, supporting disadvantaged groups through social programs, which in time have become traditional.

**Respect for the forerunners**

Since April 2020, in the midst of the pandemic, Antibiotice SA started taking care of 31 of its former employees. Through the “Antibiotice - Science and Soul” Foundation, 31 Antibiotice retirees in difficulty, with health problems, who cannot move, have become the beneficiaries of the “Respect for the forerunners” project, receiving basic foodstuffs delivered to their homes every two weeks.

**“Be generous! Be Santa Claus!**

Although 2020 was full of restrictions due to the pandemic, on December 17 and 18, 2020, Antibiotice SA managed, for the eighth consecutive year, to be Santa Claus for 78 children coming from needy families, with reduced material possibilities, from the counties of Iasi and Neamt. The children’s letters (aged between a few months and 15 years) sent to Santa, reached several “elves”, employees of Antibiotice SA who managed to fulfill their every wish. How, due to the pandemic, the children could not reach the tree organized at Antibiotice, Santa Claus and his elves went from house to house to share their gifts. The ”Antibiotice - Science and Soul” Foundation has been organizing annually this campaign starting from 2013, in collaboration with the Metropolitan Church of Moldova and Bucovina, Pro Vita Department, Mission Sector of the Iași Archdiocese.

The Management Report was prepared based on audited financial data according to legal requirements.

## V Conclusions

In 2020, **Antibiotice SA:**

- achieved a gross profit of 28.33 million LEI, **16% higher** compared to the value planned in the Income & Expenditure Budget;
- is the main Romanian exporter in the Vietnam market, with a traded value of approximately **10 million USD** in 2020;
- **tripled its sales** of sterile powders for injection in the **European markets**;
- **leader** in the segment of prescription and OTC generics traded in hospitals, with a 14.8% market share;
- **ranks 1<sup>st</sup> in the relevant market** in Romania, with a 13.1% value market share.

General Director  
Ioan Nani, Economist

Financial Director  
Paula Coman, Economist