

Management plan

**2023-2024**



**S.C. Antibiotice S.A. Iasi**

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# I. Presentation of the current situation

Antibiotice SA is a joint-stock company, with majority state capital, which operates in accordance with the legislation in force:

- Decision of the Council of Ministers no. 2980/1952 on the establishment of the Antibiotic Factory in Iasi;
- Government Decision no. 1200/1990, on the establishment of Antibiotice S.A. Iasi;
- Law no. 31/1990 on the trading companies;
- Government Emergency Ordinance no. 109/2011, on Corporate Governance of Public Enterprises;
- Articles of Incorporation, drawn up in accordance with the provisions of Law no. 31/1990 and GEO no. 109/2011;
- Law no. 297/2004 on the capital market;
- A.S.F. Regulation no. 5/2018 on issuers of financial instruments and market operations
- ATB Corporate Governance Code, Annex 1. CA Regulation, Annex 2. Evaluation Regulation, drawn up in accordance with the provisions of Law no. 297/2004 and the recommendations of Bucharest Stock Exchange.

## 1.1. Short history

**1955**

- Antibiotice starts its activity producing for the first time *penicillin* in Romania and South-East Europe.
- Until 1990, active substances as well as sterile products for parenteral use (injectables), ointments and suppositories were mainly produced.

**1990**

- Antibiotice becomes a joint-stock company and takes over the assets of the former Antibiotice company in Iasi (according to GD no. 1200 of November 12<sup>th</sup>, 1990).

**1992**

- Antibiotice manufactures the first medicines in tablet form.

**1993**

- Ampicillin 250 mg and Oxacillin 250 mg are the first capsules obtained from Antibiotice, on the penicillin product stream.

**1997**

- Since 16 April, Antibiotice shares (ATB symbol) have been traded on the first category of Bucharest Stock Exchange.
- SC Antibiotice SA implements an efficient quality assurance system involving strict control of the manufacturing processes.

**1999**

- SC Antibiotice SA becomes the first medicine manufacturer in Romania to obtain the Good Manufacturing Practice (GMP) certificate for the flow of powders for injectable medicines and finished products for oral use in capsule form.

**Stage 2000 - 2010:** a first quantitative stage, marked by:

- Extensive investment process (more than 30 million euros) oriented towards the modernization and acquisition of modern and competitive equipment;
- The product Nystatin (active substance) obtains FDA (US Food and medicine Administration) approval, which subsequently propels the company to the position of world leader in Nystatin production (2002).

**2005**

- Launch of the new corporate brand identity, to mark also at the image and communication level the development and positive transformations of the company, the modern character of the organization, the mission and the brand values.

**2006**

- Resources are invested in research and product development. The Centre for medicine Evaluation starts its activities, conducting Stage I clinical trials and bio-equivalence studies including for third parties.

**2007**

- The certification of the Integrated Management System (quality, environment, occupational health and safety) according to the requirements of EN ISO 9001:2015, EN ISO 14001:2015 and ISO 45001 standards is obtained;
- Antibiotice enters the cardiovascular medicine market.

**2010**

- Antibiotice delivers its first finished products in the US, a market where the company was present until 2010 only with active substances.

**Stage 2010 - 2020:** the second quantitative stage, marked by:

- FDA approval is obtained for one more two-dose injectable finished product, which allows for the expansion of exports for these penicillin injectable products to the US market.
- Antibiotice SA launches the first products in the Central Nervous System (CNS) class.

**2012**

- Antibiotice SA enters the oncology medicine market and becomes the first company in Europe to be pre-qualified by the World Health Organization for its range of anti-tuberculosis medicines
- Antibiotice SA increases its oral solid forms capacity to 400 million tablets/year.

**2013**

- Antibiotice SA receives FDA re-approval and GMP recertification for the manufacturing streams of sterile injectable powders and the Nystatin stream.
- Antibiotice takes over the number one position in the world production of the active substance

Nystatin.

- The first export of Nafcillin to the US market is recorded.
- Antibiotice opens an international representation in Chisinau, Republic of Moldova.

#### **2014-2015**

- Antibiotice SA exports Ampicillin 250 mg, 500 mg, 1 g and 2 g, powder for solution for injection/perfusion and Nafcillin 1 g and 2 g, powder for solution for injection/perfusion to the US market. During 2015 the development of the international market was supported by the completion of the approval procedure in the US market for Ampicillin and Sulbactam 1.5 g and 3 g, powder for solution for injection/perfusion.
- Antibiotice SA is expanding its business in the Republic of Serbia through its partner ATB Pharma, which represents the company in local business relations.
- Authorization continued in foreign markets, with 12 new marketing authorizations for Antibiotice brand in 5 countries in Europe, Asia and Africa, and business consolidation through the re-authorization of 10 products.
- The European (decentralized) procedure allowing simultaneous authorization in several EU Member States for Zatinex (duloxetine) 30 mg and 60 mg, capsules (medicine for the treatment of depression and neuropathic pain) has been completed.

#### **2016:**

- The Vietnam office has been opened.
- It continued international expansion of the business by obtaining 25 new marketing authorizations for Antibiotice branded products in 6 countries in Europe, Asia and Africa as well as initiating 2 European Decentralized Procedure (DCP) for simultaneous authorization in EU member countries.

#### **2017:**

- Antibiotice SA doubled its sales volume of Nystatin in the U.S. market, the most important market in the world both in terms of value and quantity;
- Antibiotice SA has become the reference standard in the American Pharmacopoeia for the product Nystatin active substance.

#### **2018**

- Distribution market in transformation and concentration (mergers, acquisitions); the company remains the main supplier in the national antibiotics tender in Romania;
- Growing sales in the international market.
- Extensive investment process.

#### **2019**

- It continued international expansion of the business achieving the highest sales growth rate in the last five years;
- Organizational redefinition of the company.

**The stage 2020-2030 will focus on:**

- Achieving business growth potential by adapting the business model to current market realities and coherently and sustainably anticipating the future in terms of: business profit, capacity use degree, market sales in the identified structure, business sustainability (environmental, quality, social and governance).
- Expansion of products on ATB territories, to develop in a favorable structure the international markets, according to the profitability criterion,
- Optimizing the commercial budget and focus on communication projects and support of brand names/umbrella brands that will be consolidated over time, moving from volume and wholesale to focus on product and individual market share;
- Improving production achievement through sales and receipts, according to the sustainability criteria per partner, with the effect of optimizing cash flow and the short and long-term credit structure;
- Strengthening the sale structure by "compliance" at the level of markets, territories, product quantity, average price of the structure, multiplication coefficient of the active substance, factor analysis by product/division criterion;
- Development of communication and sale channels according to the market trend and anticipation of online trade, promotion methods, communication with target audience;
- Strengthening the international market by participating in auctions for beta-lactam injectable products;
- Continuation of strategic investments (equipping and work on the new topical products section, equipping production flows, investments in the research and
- development of new products and acquisition of state-of-the-art laboratory equipment).

Indicators	MU	2019	2020	2021	2022	MEDIUM 2019-2022	2023	2024	2025	MEDIUM 2022 - 2025	2030**
<b>MARKET SALES</b>	<b>thousand lei</b>	<b>490</b>	<b>478</b>	<b>534</b>	<b>632</b>	<b>10%</b>	<b>724</b>	<b>852</b>	<b>1006</b>	<b>20%</b>	<b>1600</b>
<b>TOTAL REVENUES</b>		<b>432</b>	<b>407</b>	<b>415</b>	<b>535</b>	<b>8%</b>	<b>592</b>	<b>691</b>	<b>822</b>	<b>18%</b>	<b>1350</b>
<b>Gross sale revenues</b>	thousand lei	505	452	492	600		700	817	972		1540
<b>Sale revenues</b>	thousand lei	390	340	366	483	<b>8%</b>	560	660	800	<b>22%</b>	1180
Domestic market sale revenues	thousand lei	236	182	223	298		353	410	471		590
International market net sale revenues	thousand lei	152	158	142	184		207	250	329		590
Other sale revenues		1	1	2	1						
<b>GROSS PROFIT</b>	<b>thousand lei</b>	<b>35</b>	<b>28</b>	<b>30</b>	<b>42</b>	<b>6%</b>	<b>50</b>	<b>63</b>	<b>80</b>	<b>30%</b>	<b>231</b>
<b>Labor productivity (Operating revenues/no. of employees)</b>	thousand lei/ employee	305	287	294	399	<b>10%</b>	438	512	632	<b>18%</b>	908
<b>Number of staff</b>	number of employees	1415	1415	1410	1341		1350	1350	1300		1300
Taxes and fees, of which:	thousands Lei	95	91	89	100		103	118	138		170
<i><b>Claw back fee<sup>11</sup></b></i>	thousands Lei	42	28	29	31		34	40	47		56
EBITDA (Profit before interests, taxes and depreciation)	thousand lei	61	55	58	68		80	94	117		267
EBIT (Operating profit)	thousand lei	40	34	34	46		54	65	82		235
Net profit	thousand lei	31	26	30	39	<b>8%</b>	42	53	68	<b>25%</b>	203
Gross profit profitability (EBT margin)	%	9%	8%	8%	9%		9%	10%	10%		20%
Gross profit profitability + claw back	%	20%	16%	16%	15%		15%	16%	16%		24%
<b>ADDED VALUE</b>	thousand lei	211	200	185	259	<b>8%</b>	254	299	350	<b>12%</b>	635
<b>DEGREE OF INDEBTEDNESS</b>	<b>%</b>	<b>36%</b>	<b>33%</b>	<b>32%</b>	<b>25%</b>		<b>22%</b>	<b>20%</b>	<b>18%</b>		<b>25%</b>
(TOTAL DEBTS/TOTAL ASSETS)											
General liquidity		1.94	2.01	1.94	2.4		2.6	2.8	2.83		2.75
<b>NET BOOK VALUE</b>	thousand lei	502	577	605	641	<b>9%</b>	723	810	865	<b>12%</b>	1500

Notes:

\* depending on changes in the clawback tax legislation, the forecasts in the multi-annual budget will be revised

\*\* for the year 2030, on the basis of the business plan, the indicators mentioned above will be reviewed every two years, depending on the evolution of the market and the uptake of new

## 1.2. Presentation of the main indicators as at 31.12.2022

In 2022, the focus was on administrating and managing the activities of company in order to develop and increase the profitability of the business through structure. The aim was to implement modern human resources management and modernize the organizational culture, continuously adapt to the domestic and international market and develop market presence, redefine the Integrated Management System to support the sustainability of the business, ensure the internal corporate regulatory framework, ensure and maintain an effective system for evaluating professional performance and improve the risk management process.

At the same time, throughout the period, emphasis has been placed on strategic planning and monitoring of management systems in order to improve organizational functionality and efficiency and to achieve specific and overall company objectives.

Achieving the long-term goals of the company is based on the following strategic pillars:

**Pillar 1:** Strategic adaptation of human resources

**Pillar 2:** Strategic adaptation of the product portfolio

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

**Pillar 4:** Performance management

**Pillar 5:** Improving the Corporate Governance System

Antibiotice in the 2022-2030 Stage is becoming a sustainable company in all its functions, a sustainable business with responsibility towards people and the environment.

In the year 2022, the objectives and performance criteria of the executive and non-executive members of the Board of Directors of the Company are set out below:

- Non-executive members:

INDICATORS OF THE BOARD OF DIRECTORS	Degree of weighting	31.12.2022		Index	Percentage of
		Planned	Achieved		
TURNOVER (thousand lei)	5%	432.314	483.724	1.12	5.59%
GROSS PROFIT (thousand lei)	5%	32.500	41.903	1.29	6.45%
OVERDUE DEBTS (thousand lei)	5%	0	0	1.00	5.00%
TOTAL EXPENDITURE PER 1000 REVENUES	5%	928	920	1.01	5.04%

Government social policies	20%	100%	100%	1.00	20%
Establishment of risk management policies and risk monitoring	20%	100%	100%	1.00	20%
Monitoring transparency and communication processes	20%	100%	100%	1.00	20%
Reviewing, evaluating and reporting on the performance of the director and administrator	20%	100%	100%	1.00	20%

TOTAL BOARD OF DIRECTORS 100% 102,08%



- Executive members:

PERFORMANCE INDICATORS GENERAL MANAGER	Grade of weighting	31.12.2022		Index	Percentage of
		Planned	Achieved		
TURNOVER (thousand lei)	10%	432.314	483.724	1.12	11.19%
GROSS PROFIT (thousand lei)	15%	32.500	41.903	1.29	19.34%
OVERDUE DEBTS (thousand lei)	<b>15%</b>	<b>0</b>	<b>0</b>	1.00	15.00%
TOTAL EXPENDITURE PER 1000 REVENUES (lei)	10%	928	920	1.01	10.09%

Government social policies	10%	100%	100%	1.00	10.00%
Capacity use rate of not less than 60%	10%	60%	70.1%	1.17	11.68%
Achieving a minimum of 80% customer satisfaction in the domestic market	10%	80%	91.2%	1.14	11.40%
Average number of continuing vocational training hours per employee	10%	35	42.21	1.21	12.06%
Monitoring transparency and communication processes	10%	100%	100%	1	10.00%
TOTAL GENERAL MANAGER	100%				110.76%

### 1.2.1. Strategic adaptation of human resources

Performance indicators	Planned 2022	Achieved in	Achieved/Pla n
Average number of hours of continuing vocational training/employee	35	42.21	121%
Average number of staff	1350	1355	99%
Average monthly salary/employee* (net €)	810	860	107%
Labor productivity** (thousand lei)	329	377	115%
Government social policies***	100%	100%	100%

\* determined on the basis of the payroll costs of the company

\* determined as operating revenue/average number of staff

\*\* ensuring diversity in the organizational climate - equal opportunities, gender equality, employee health assessment

In the field of human resources, the year 2022 meant:

- Reorganization of organizational structures within the company according to modern HR principles, correlated with business needs
- Harmonization of the salary systems in the company according to the nature of jobs and modernization of the motivational systems adapted to the current pharmaceutical market
- Adapting motivational packages to attract and retain employees

- Developing career management implementation programmes and succession planning
- Running employee training and skill development programmes
- Implementation of HR software, Charisma
- Completing steps to launch the a+ Academy
- Implementation of the Plan to strengthen the organizational culture

### **1.2.2. Strategic adaptation of the product portfolio**

- Ensuring a sustainable and marketable portfolio by increasing the degree of innovation, both through the development of in-house research per division and through license acquisitions
- Research - development for the adaptation and sustainable strengthening of the portfolio

**The Sterile Product and Active Substance Division portfolio** includes:

- injectable products: 37 products for human use, of which:
- 35 prescription products in the therapeutic class - Anti-infectives for systemic use (19 products in the class p-lactam penicillins, 8 cephalosporins, 4 carbapenems, 2 glycopeptides, 2 other antibacterials - tetracyclines, polymyxins);
- injectable products: 35 products for human use, of which:
  - the active substance Nystatin;
  - biocidal products: 1 product with 2 forms of presentation.

During 2022 medical support and arguments have been provided as to the continuity of Nystatin in the recommendations in terms of increasing azole resistance and local guidelines to help us.

**The Topical Product Division portfolio** comprises a total of 50 products marketed in 2022, of which 48 products are for human use and 2 products for veterinary use.

In terms of the prescription type for human products, half of them are prescription products and half are over-the-counter products.

Both veterinary products are by prescription.

The products in the Topical Division portfolio are structured as follows:

- 36 products are in the form of ointments, creams, gels covering 5 therapeutic classes:
  - 21 products - dermatological disorders;
  - 9 products - muscle and osteoarticular disorders;
  - 3 products - vascular disorders;
  - 2 products - eye disorders;
  - 1 product - genitourinary disorders;
  - 1 product, with 6 forms of presentation - biocides\*.

\***Sanygel** hand sanitizer is marketed in both medical and non-medical fields, approved by the National Commission for Biocidal Products, tested in dedicated European laboratories.

- 9 products are in the form of suppositories from 4 therapeutic classes:
  - 3 products - muscle and osteoarticular disorders;
  - 2 products - digestive tract disorders;
  - 3 products - central nervous system;
  - 1 product - vascular disorders.
- 3 products are in the form of eggs, from the genitourinary apparatus class.

**The Oral Solid Form Division Portfolio** includes 67 products for use, traded in 2022.

In terms of the prescription type, 50 of them are prescription products and 17 are over-the-counter products (OTC medicines and dietary supplements).

The products in the Oral Solid Form Division portfolio, Antibiotic branded are produced both on our own manufacturing capacities and on the streams of our partner companies, comprising the following pharmaceutical forms:

- **tablets** (manufactured by 3 methods: direct compression, dry granular and wet granular) - 40 products
- **capsules** (Antibiotic has three distinct streams: penicillins, cephalosporins and non-penicillins) - 26 products
- **oral powders** in sachets - 1 product

By therapeutic class, the Oral Solid Form Product Division portfolio of medicines includes:

- Digestive tract - 11 products;
- Blood and hematopoietic organs (antithrombotic) - 1 product;
- Cardiovascular system - 15 products;
- Systemic anti-infectives - 26 products, of which: 6 penicillin **and lactam products**, 5 cephalosporins, 2 tetracyclines, 4 - quinolones and macrolides and 9 products for the treatment of tuberculosis;
- Dermatological preparations - 1 product;
- Systemic hormonal preparations - iodotherapy - 1 product;
- Musculoskeletal system - 2 product;
- Central nervous system - 8 products;
- Breathing apparatus - 1 product
- Varia - 1 product

The portfolio of this division includes 11 dietary supplements promoted under the Nutriensa® brand.

In 2022, the following actions took place:

- Advisory Board consultation of health professionals;
- up-to-date medical support for medical criteria and medical scoring for future portfolio products and support for the current ones;
- providing updated and adapted scientific support per product (guidelines, studies, meta-analyses for products in the cold and flu portfolio);
- portfolio analysis that led to the grouping of nonRX products into 4 portfolio concepts: Nutriensa, Derm A+, Raceala & Gripe, Quality Life;
- analyses that identified a number of products (new molecules/innovative formulations/new indications) for which patent and/or data exclusivity expires between 2027-2030: 91 solid oral tablet products, 24 capsules and 13 topical products.

The development of the company portfolio of new products, through in-house research and development, is carried out through 28 projects (30% Rx: 70% non-Rx): 17 projects Topical Division, 8 projects Oral Solid Form Division and 3 projects Sterile Injectables and Nystatin Division.

### **1.2.3. Business sustainability through continuous improvement of the Integrated Management System (quality, environment, occupational health and safety)**

Output indicators		Planned 2022	Achieved in 2022	2022 Achieved/Plan
ISO 9001:2015 Certification	Procurement	✓	✓	100%
	Maintenance			
ISO 45001:2018 Certification	Procurement	✓	✓	100%
	Maintenance			
ISO 14001:2015 Certification	Procurement	✓	✓	100%
Sustainability policy implementation		✓	✓	100%

In the year 2022 the following certificates were issued after the inspection by the ANMDM authority:

- GMP certificate for medicinal products for human use
- GMP certificate for clinical investigation medicines
- GMP certificate for Nystatin active substance

During November - December 2022, the recertification audit ISO 9001, ISO 14001, ISO 45001 was carried out by the certification body ISO TUV Rheinland Romania. It is an audit carried out every 3 years and was successfully completed. Audits were also carried out on suppliers of raw materials/primary packaging materials/finished products, the audits were completed without identifying critical non-conformities and they were accepted as approved suppliers for Antibiotice.

A total of 30 quality agreements have been initiated/assessed/being assessed/completed with manufacturers of active substances, finished products and Nystatin, respectively.

### **Responsibility towards the environment**

**The environmental protection activity** manages the prevention of pollution and the continuous improvement of environmental performance, working towards compliance with the requirements of environmental legislation.

In 2022, the Permit for Water Management issued by Prut Barlad Water Basin Administration and the Integrated Environmental Authorization issued by the Environmental Protection Agency of Iasi were maintained.

Environmental protection regulatory acts have also been obtained for the various projects implemented under the investment plan.

Information on environmental issues at company level was communicated to the institutions with specific attributions, and all the reports required by the authorizations held were carried out, as required by law.

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

To **monitor the quality** of the environmental factors, water quality analyses were carried out in our own laboratory and by third parties. For emissions/immissions of air pollutants, determinations have been carried out, as required by the Integrated Environmental Authorization, during 2022 (half-yearly and annual determinations, respectively) by accredited third-party laboratories.

There were no excesses of the maximum allowable concentrations set by the Integrated Environmental Authorization and the Permit for Water Management.

Antibiotice is a **responsible company** in terms of protecting the environment and proactively ensuring compliance with product safety requirements, so steps have been taken to have odor emission determinations carried out by the authorized entities.

In order to integrate the **climate change** issue into the business risk assessment and to develop the strategy of company in this area, following the legislative changes, a consultancy contract has been concluded and is being carried out according to the established timetable.

### **Waste management**

Antibiotice has **implemented a selective waste collection system**, with each production and auxiliary activity section being equipped with appropriate containers for collection.

A number of measures from the **Waste Management Plan** have also been implemented to improve waste management at the company.

At the same time, the overall targets for the recovery of packaging waste for products placed on the national market were met.

The legal requirements specific to the waste management field were met, and the **internal waste audit** for 2021 was carried out, as well as the preparation of the **Programme for the prevention and reduction of the quantities of waste generated by the activity of company**.

## Occupational health and safety

Maintaining and developing an effective occupational health and safety management system within Antibiotice is the guarantee for the creation of an optimal framework for the management and elimination of work-related risks, as well as for the improvement of environment and employees' relations.

In order to comply with the legislative provisions on the protection of employees' health, specific activity planning documents have been drawn up. Regular information on occupational health and safety has been provided to all employees, depending on the specific activity they carry out.

**Stakeholder orientation!** - shareholders, patients, business partners, health professionals, employees, authorities, from the perspective of the Integrated Management System policy

### 1.2.4. Strategic planning and performance management

Performance indicators	Planned 2022	Achieved in 2022	Achieved/Plan 2022
Turnover (thousand lei)	432	484	1.12
Gross profit (thousand lei)	32	42	1.31
Total expenditure per 1000 lei revenue (lei)	928	920	0.99
Overdue debts (thousand lei)	0	0	1.00
Capacity use rate of not less than 60%	60.20%	70%	1.17
Achieving a minimum of 80% customer satisfaction in the internal market	80%	91.2%	1.14

#### Strategy 1. Strengthening business in the domestic market

Revenues from the sale of products on the domestic market is 298.6 million lei, 32.9% higher than in 2021.

Revenues from the sale of Antibiotice products in the domestic market are in correlation with sales in the pharmaceutical market in Romania and with the evolution of the distribution channels of medicines to patients.

#### Antibiotice in the Romanian pharmaceutical market

In 2022 on the domestic market, Antibiotice SA:

- ranks 4<sup>th</sup> in consumption (boxes) in the generic prescription and OTC segment (5.2% market share);
- is the quantitative leader (UI) in the total market for ointments (20.6%), suppositories and eggs (36.1%) and injectable powders (60.1%);
- is the market leader in the generic prescription and OTC hospital segment with a market share of 13.2% reached 0.87 lei/u.i. (up 12.4% from 2021).

## Strategy 2. Internationalization of business on ATB territories and other territories

Leader in the global production of Nystatin.

**80%** of the foreign sales of finished products are generated by the US, Vietnam and European markets (UK, Denmark, Netherlands, Serbia, Lithuania, Hungary, etc.). In these countries, the company has become a traditional supplier of anti-infective medicines

Increase in 2022 vs. 2021 by 35% in volumes of sterile penicillins delivered in Europe.

**The value of sales on international markets in 2022 is 184 million lei, an increase of 25% compared to 2021.**

Approximately 60% of the export value is the supply of medicines/finished goods. Exports of Antibiotic branded medicines **grew by 14.4%** in 2022 versus 2021, reaching a level of 108.4 million lei (23.2 million Usd), well above the growth rate of the world market. The main revenues were generated in the traditional markets for Antibiotic (UK, Vietnam, Canada, USA, Denmark, Azerbaijan, Moldova, Iraq), by anti-infectives (+19%), cardiovascular (+32%), dermatological preparations.

## Strategy 3. Developing strategic partnerships

## Strategy 4. Cost management and efficient process administration

## Strategy 5. Application of business consolidation principles

## Strategy 6. Investments - sustaining the future

Indicator	MU	Planned 2022	Achieved 2022	2022 Achieved/Plan
<b>Investments for strategic development</b>				
Product portfolio description	MIL. LEI	14	12.36	0.89
Investment in new production sites*	MIL. LEI	8	7.85	0.97
<b>Investments to strengthen the business</b>				
Investments in information technology, telecommunications and digitization of processes*	MIL. LEI	9	2.1	0.23
Adaptation to the development trends of the industrial platform of the infrastructures of supply and distribution of utilities, green energy, storage of raw materials and finished products, transport and connection to the national road system	MIL. LEI	11	13.48	1.22
Investments in the modernization of the integrated management system (quality, environment, occupational health and safety)	MIL. LEI	2	1.9	0.95
Investments in upgrading existing manufacturing sites	MIL. LEI	9	9.7	1.07
Repayments of installments on investment loans	MIL. LEI	11	10.6	
<b>TOTAL</b>	<b>MIL. LEI</b>	<b>64</b>	<b>58</b>	<b>0.91</b>

### 1.2.5 Corporate Governance

Corporate governance as a complex of processes, practices, policies, regulatory framework, impacting on the conduct, management and control of the company has an important role in protecting the interests of shareholders, as it supports the maximization of long-term shareholder value in the company, and in stimulating investor attention to the company by making the activities and processes within the company more transparent and efficient.

Indicator	Planned 2022	Achieved 2022	2022 Achieved/Plan
Update of the ATB Code of Rules	X	X	100%
Implementation of the ATB Code of Rules and providing training	X	X	100%
Identification of vulnerabilities in the activities carried out on structures by Risk Management	X	X	100%
Integration of risk management with the identification of the processes carried out by the company within the Integrated Management System.	X	X	100%
Development and analysis of the integrated system for establishing, monitoring and evaluating performance	X	X	100%
Compliance with reporting and transparency obligations under corporate governance rules	X	X	100%
National Anti-Corruption Strategy 2021-2025 Compliance	X	X	100%
Securing information	X	X	100%

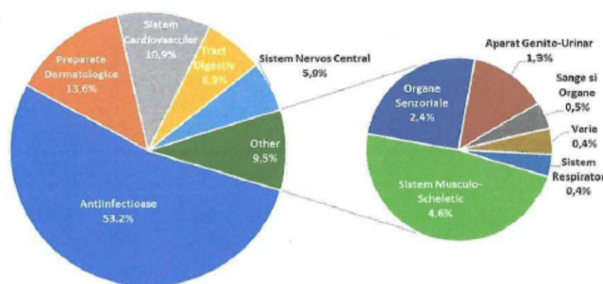


## ➤ 1.3. Statistical analysis of the domestic and international market

### Antibiotic in the Romanian pharmaceutical market

Antibiotic has consolidated its core business component - anti-infectives for systemic use, while also developing therapeutic classes where it holds important positions in the domestic market: dermatological preparations, cardiovascular system and digestive tract.

Antibiotic - value share of sales by therapeutic class - 2022



**Over-the-counter (OTC) medicines** have seen a 7.7% increase in value (from 67.8 million lei in 2021 to 73.1 million lei in 2022) and a constant consumption in boxes (4.4 million boxes in 2022).

By **market segment**, Antibiotic sales are as follows:

- **hospital**, sales increased significantly by 20.8%, from 112.4 million lei in 2021 to 135.8 million lei in 2022. Boxed consumption recorded in this segment increased by 8.7% in 2022 compared to the same period last year.
- **national chains**, value sales increased by 5.2% in 2022 compared to 2021 (from 105.9 million lei to 111.5 million lei). The number of boxes dispensed from pharmacies increased by 0.6% (reaching 9.6 million boxes in 2022).
- **independent pharmacies and mini-pharmacies**, value sales increased in 2022 by 16.1% compared to the same period last year (from 170 million lei to 197.4 million lei). The number of boxes dispensed from pharmacies increased by 9.4% (from 14.8 million boxes in 2021 to 16.2 million boxes in 2022).

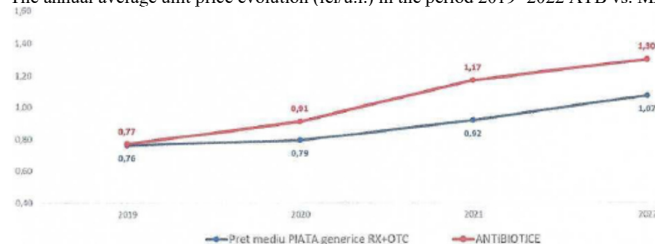
In 2022, the promotional actions of Antibiotic led to the consolidation of quantitative market shares for the promoted brands: Fluxiv ®, Saliform Forte®, Zifex Complex ® eggs, Zifex Duo ® eggs, Aceclofen® sup, Eficef ® cps, Perasin® inj, Ertapenem ATB inj, Tigeciclina ATB.

### Price as a strategic element of market adaptation

The average **market price of generic and OTC products** in 2022 was 1.07 lei/u.i. (indivisible unit), up 16.5% compared to the same period of the last year (0.92 lei/u.i.).

At the level of sale channels, the highest price of medicines in the generic and OTC product market was recorded in 2022 in the **hospital** channel: 5.32 lei/u.i., of which injectables recorded a price of 8.6 lei/u.i., up 28.6% to the last year. The **independent pharmacy** segment (**MLFI**) ranked second, with an average price in 2022 of 1.01 lei/u.i. (up 17.0% compared to 2021), and the **National Chains** recorded an average price of 0.98 lei/u.i. in 2022 (up 13.6% compared to 2021).<sup>1</sup>

The annual average unit price evolution (lei/u.i.) in the period 2019 -2022 ATB vs. MARKET



The average price of **Antibiotice** portfolio in 2022 at the indivisible unit level was 1.3 lei/u.i., up 11.3% from 1.17 lei/u.i. in 2021.

The product positioning strategy in the market is the starting point for the entire marketing mix, including product and pricing policy. The application of the strategies by market segments and promotion concepts led to an efficient portfolio structure valuation compared to the planned average price, with a 104.6% achievement rate.

In the retail segment, the focus on the development projects of the non-RX product brands in the Nutriensa range has resulted in an optimal structure, with the average price of the recovery being 0.73 lei/u.i. compared to 0.69 lei/u.i. in 2021.

In terms of sale channels, the highest price was recorded by Antibiotice in 2022 in the hospital channel: 4.38 lei/u.i., of which injectables recorded a price of 8.44 lei/u.i., up +10.4% to the last year. On the MLFI channel (mini-chain and independent pharmacies) the price recorded in 2022 was 1.08 lei/u.i., up + 10.0% compared to 2021, and in chain pharmacies, the average price in 2022 reached 0.87 lei/u.i. (an increase of 12.4% compared to 2021).

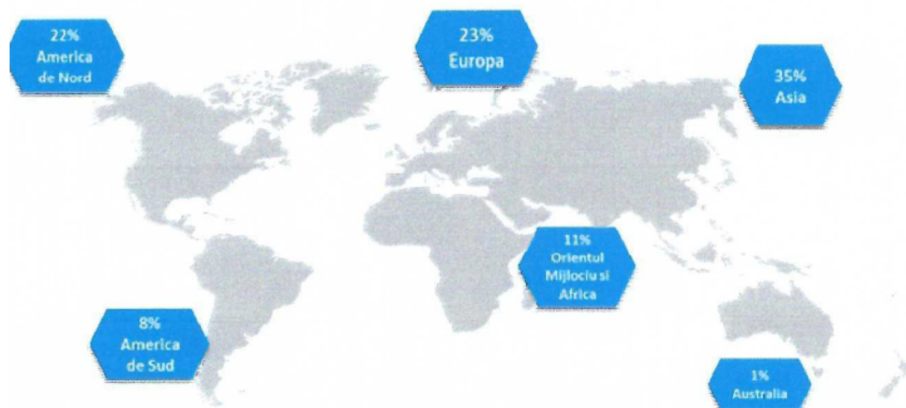
### Internationalization of the finished product business

- 80% of the foreign sales of finished products are generated by the US, Vietnam and European markets (UK, Denmark, Netherlands, Serbia, Lithuania, Hungary, etc.). In these countries, the company has become a traditional supplier of anti-infective medicines
- Increase in 2022 vs. 2021 by 35% in volumes of sterile penicillins delivered in Europe
- **The value of sales on international markets in 2022 is 185 million lei, an increase of 25% compared to 2021.**

Approximately 60% of the export value is the supply of medicines/finished goods.

<sup>1</sup> According to Cegedim Sell Out data source December

### *Share of sales on the international market (2022)*



Internationally, the year 2022 saw a gradual return of markets to pre-pandemic consumption with the lifting of restrictions on people accessing hospitals. In this context, market research firm IQVIA reports a 4.9% increase in the value of the international pharmaceutical market (e.g. Covid medicines) for 2022 compared to 2021. This trend is expected to continue over the next 4-5 years as most health systems seek to "absorb" the costs of the pandemic and compensate for new innovative therapies developed for chronic conditions, such as: Alzheimer's, Parkinson's, oncology, pain, immunology. Antibacterial therapy will follow the mid-market trend, with an estimated CAGR of 2-5% until 2026.

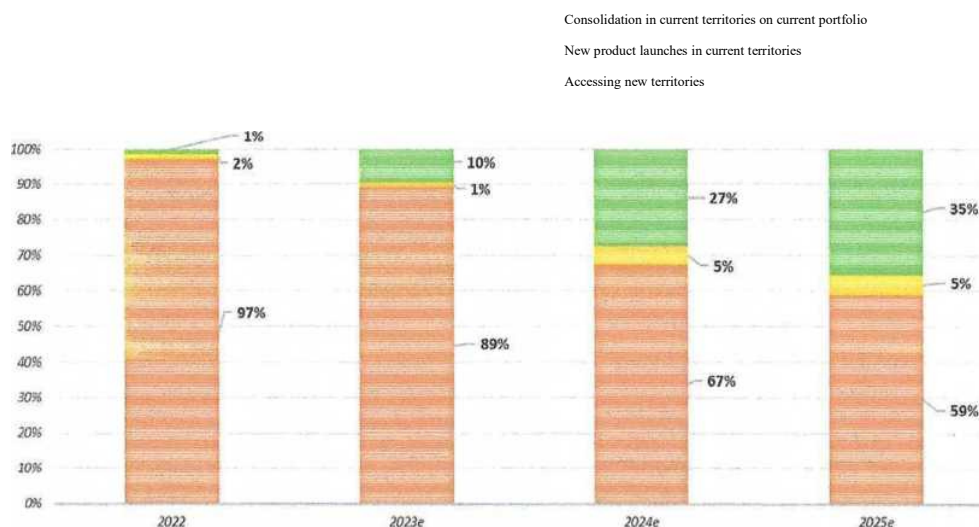
Regionally, the US market is recording one of the slowest growth rates in the last 5 years (2.6%), while accessing the 4 main European markets (France, Spain, Italy, Germany) and the UK remains a challenge for pharmaceutical companies in response to the new healthcare reforms (European harmonization of a single guideline in the treatment of hypertension - by 2025, cancer - by 2028).

Exports of Antibiotic branded medicines grew by 14.4% in 2022 versus 2021, reaching a level of 108.4 million lei (23.2 million Usd), well above the growth rate of the world market. The main revenues were generated in the traditional markets for Antibiotice (UK, Vietnam, Canada, USA, Denmark, Azerbaijan, Moldova, Iraq), by anti-infectives (+19%), cardiovascular (+32%), dermatological preparations.

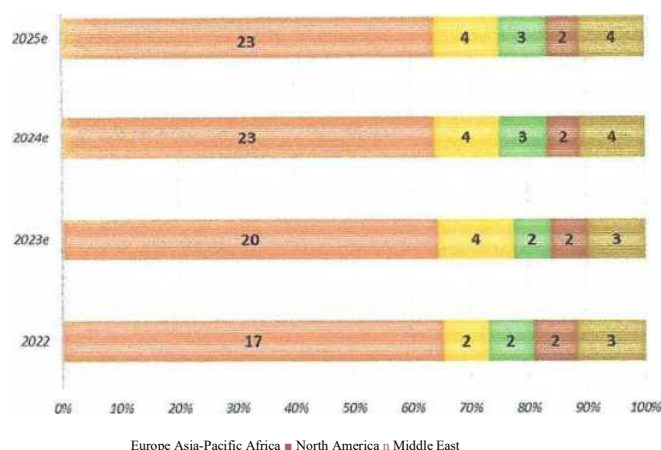
Territorially relevant in sales are markets such as: United Kingdom, Vietnam, Canada, USA, Denmark, Azerbaijan, Moldova or Iraq.

The year 2022 also came with a number of challenges from the external international economic environment (very long supply times, rising transport costs, increases in utility costs), which required permanent monitoring in the manufacturing structure, balancing sales to have continuity in the distribution of medicines to all markets, flexibility in pricing policy to resist competitive pressure in tenders.

Medium and long-term projects have also required a redefinition of the market access strategy, including implementation periods, in response to a number of legislative, economic or political changes in international markets. It can be mentioned, governmental programs that encourage the development of local production of medicines and, implicitly, increase the competitiveness of locally manufactured products in tenders (Vietnam, Saudi Arabia, Azerbaijan, Moldova), the need to harmonize the documentation of suppliers to national/ European legislative requirements with direct impact on the registration times of medicines, political and military instability in Ukraine that has imposed the postponement of the project to access this market.



EVOLUTION OF THE NUMBER AND TERRITORIES ACCESSED BETWEEN 2022-2025  
GROWTH VECTORS: EUROPE, ASIA, MIDDLE EAST



We estimate that these working conditions will also manifest themselves 2023-2025, the period for which Antibiotice has set the following sale targets in international markets: 122,0 thousand Lei (2023), 162,0 thousand Lei (2024), 200,0 thousand Lei (2025).

Export sale growth is based on three development axes: consolidation of sales in current territories on the current portfolios, new product launches in the current territories (focus on Vietnam, Moldova, Serbia, Denmark and Iraq) and access to 19 new territories through

atb® brand medicine distribution projects and out-licensing or contract manufacturing projects (France, Spain, Italy, Germany, Poland, Norway, Finland, Sweden, Bulgaria, Slovakia, Czech Republic, Georgia, Ukraine, Saudi Arabia, United Arab Emirates, Philippines, Australia, South Africa and Sub-Saharan Africa).

New projects will contribute around 40% of the value of medicines exports in 2025 (compared to 3% in 2022).

## II. Pillars supporting the Management Plan

### Pillar 1: Strategic adaptation of human resources

It involves developing and implementing strategies to motivate and retain valuable employees and attract new talent, in line with labor market trends.

Performance indicators	MU	Planned 2023	Planned 2024
Average number of hours of continuing vocational training/employee	no.	40	48
Average number of employees/year	no.	1350	1350
Average monthly salary/employee* (net €)	euro	975	1070
Labor productivity**	Thousand	422	500
Government social policies***		100%	100%

\*determined on the basis of the payroll costs of the company

\*\* determined as operating revenue/average number of staff

\*\*\* ensuring the diversity in the organizational climate - equal opportunities, gender equality, employee health assessment

### **Strategy 1. Implementing modern human resources management**

Measure 1: Analysis and redefinition of organizational structures within the company, adapted to modern HR principles, correlated with business needs and market trends.

Measure 2: Adapting motivational packages to attract and retain valuable employees (key positions) and increase retention rates

Measure 3: Employee career management and succession planning/staffing plans

Measure 4: Running employee training and skill development programmes

Measure 5: Promoting the Academia a+ platform as a knowledge management tool in the company

### **Strategy 2. Modernization of the organizational culture**

Measure 1: Optimizing the organizational climate and fostering the organizational culture towards innovation and performance

Measure 2: Increasing the information and awareness of employees and their involvement at all levels of the organizational structure through specific actions

Measure 3: Implementation of programmes to optimize the organizational climate, combined with studies to monitor the organizational culture through specific actions

## **Pillar 2: Strategic adaptation of the product portfolio**

The portfolio includes finished products - generic human medicines (Rx and non-Rx products), the active substance Nystatin, biocidal products for surface and hand disinfection, veterinary medicines and bio-fertilisers.

The portfolio of Antibiotice SA will reflect the markets in which the company operates (the Romanian market and the ATB territories) and will be identified with the main therapeutic classes and portfolio concepts, the main innovative products (prescription and over the counter) and the main pharmaceutical forms offering flexibility and diversity in terms of administration. The portfolio will be organized into branded products and only in special, well-founded cases, into non-branded products, referring here mainly to products for the treatment of rare conditions in the WHO nomenclature.

## Current portfolio

### Strategy 1. Analysis of the current portfolio and determination of the maximum growth potential on the domestic and international market

Performance indicators	MU	Planned 2023	Planned 2024
<b>Total Sell In+Export Current Portfolio</b>	Thousand Lei	721	853
Romania	Thousand	512	596
International market	Thousand	209	257

Measure 1: Analysis of therapeutic trends, medical guidelines, new efficacy and safety studies for molecules in the current portfolio of each Division to adapt to national requirements and local regulations on the ATB territories

Measure 2: Analysis of the current portfolio in terms of market evolution and the main competitors in the market, by therapeutic class

Measure 3: Analysis of the current portfolio of each Division, pharmaceutical forms in terms of value contribution and structuring them for optimal capitalization

Measure 4: Assessment of the current and future portfolio in each Division to fit and capitalization of products into portfolio projects

## Future portfolio

### Strategy 2. Developing the product portfolio by attracting new molecules

Performance indicators	MU	Planned 2023	Planned 2024
<b>Future portfolio turnover</b>	<b>Thousand</b>	<b>17.9</b>	<b>47.7</b>
Turnover produced in research	Thousand	5.1	17.4
In-licensing product turnover	Thousand	12.8	30.3

The nonRx segment is grouped into **4 portfolio concepts: *Nutriensa, Derm A+, Flue & Cold, Quality Life***. Within the ***Quality Life*** concept, sub-concepts are framed: ***Woman's Health, Family Health and Man's Health***.

Measure 1. Future portfolio development through own research (introduction of new molecules and new pharmaceutical forms - suspensions, sterile solutions, biocides)

Measure 2. Future portfolio development through identifying and developing first generic/innovative products in line with strategic development directions

Measure 3: Future portfolio development through license acquisitions

Measure 4: Establishment of prioritization criteria for the assimilation of products into the ATB portfolio

Measure 5: Establishment of a timetable for product introduction in the portfolio

### **Strategy 3. Adapting the product portfolio to the international market**

Measure 1: Assessment of the current portfolio in each ATB territory, by division, in terms of the evolution of external markets and the main competitors in those markets

Measure 2: Analysis of the current portfolio in each territory by therapeutic classes, pharmaceutical forms in terms of the value contribution brought by each ATB territory

Measure 3: Adaptation of the products to complete the portfolio in the ATB territories according to the requirements of the relevant markets

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

The Integrated Management System designed, documented and implemented at Antibiotice level integrates all the components of the business into a coherent structure, allowing the achievement of its objectives and mission. The company continuously maintains, improves and streamlines the integrated management system in accordance with the requirements of the reference standards and the organization strategy and objectives.

Output indicators		2023	2024
ISO 9001:2015 Certification	Procurement		
	Maintenance	✓	✓
ISO 45001:2018 Certification	Procurement		
	Maintenance	✓	
ISO 14001:2015 Certification	Procurement		
	Maintenance	✓	✓
Sustainability policy implementation		✓	✓



## **Strategy 1. Redefining the Integrated Management System to support business sustainability**

Measure 1: Update the business sustainability policy with reference to the Integrated Management System

Measure 2: Analysis of climate change risks and opportunities

Measure 3: Development of a new Integrated Management System (quality, environment, health) in line with the development vision of the company

Measure 4: Compliance and continuous improvement of the Quality Management System according to ISO 9001:2015 requirements

Measure 5: Compliance and continuous improvement of the Occupational Health and Safety Management System in accordance with ISO 45001:2018 requirements

Measure 6: Compliance and continuous improvement of the Environmental Management System in accordance with ISO 14001:2015 requirements

**Stakeholder orientation!** - shareholders, patients, business partners, health professionals, employees, authorities, from a sustainability policy perspective

Climate change and its associated risks are causing major changes in the interactions between socio-economic systems and the natural environment. Adapting and capitalization of new opportunities are a priority for increasing the resilience of society, the economy and the natural environment to the impacts of climate change.

In view of the fact that climate change is a reality of our times and that it is up to the current generation what legacy it will leave to the next generation, our company is aware that it must act in support of this global approach to environmental conservation, with all the necessary prevention, implementation and monitoring measures. Our business promotes sustainable development and thereby influences society and opens up growth opportunities for the company.

The ***SUSTAINABILITY STRATEGY*** outlines our vision, objectives and actions through which we continue the process of integrating sustainability into all the activities of our company. At the same time, this strategy represents the commitment of the top management to implementing sustainable practices in all our operations, including our supply chain, with the aim of mitigating the negative impacts of our activities and with a concern to create a future for new generations.

The success of this strategy is based on our partnership with our employees, customers and suppliers, and the community we want to protect and further develop. We pay particular attention to our impact on people and the environment, while setting ambitious targets to ensure both our long-term sustainable development and a significant contribution to achieving the UN Global Sustainable Development Goals.

We propose to focus our actions along the following **lines**:

***Environmental protection (protecting the future)***

In this framework, we address our main environmental protection priorities set in line with European environmental objectives. In this respect, we have set specific objectives and actions through which we want to ensure a future for both our company and the communities in which we operate.

***Human resource (healthy, trained and protected people)***

For its implementation, we set ambitious goals aimed at improving the working environment, but also at ensuring an inclusive environment that allows a harmonious development of our employees. We want to be an attractive employer and offer new generations concrete career development opportunities.

***Creating value for the community***

A satisfied community is one whose needs are met. Maintaining a constant dialogue, concern for identifying the needs of all stakeholders and implementing projects for the welfare of the community.

***Responsible and sustainable business***

Promoting good governance practices throughout our supply chain, strengthening the way we manage anti-corruption and business ethics issues, and addressing and selecting the end consumers we want to cooperate with are areas of focus that we address.

The strategy involves an integrated approach to the sustainability directions set, building on progress made so far, and includes climate, waste and water as interdependent issues, and specific strategic objectives relate to:

- achieving carbon neutrality, plastic-free and water sustainability
- providing sustainable products to our patients
- transforming the sustainability mindset across our organization
- working with industry partners to influence change in our sector

## **Pillar 4: Performance management**

Performance management is supported by the concept of strategic planning, through the implementation of management plans, interconnected and monitored in order to achieve the specific and general objectives of the company, strengthening the business in the domestic market, internationalization of the business, cost management and efficient management of processes and investments to double the business.

<b>Performance indicators</b>	<b>MU</b>	<b>Planned 2023</b>	<b>Planned 2024</b>	<b>Planned 2025</b>
Market sales	thousand lei	724	852	1006
Total revenues	thousand lei	592	691	822

Performance indicators	MU	Planned 2023	Planned 2024	Planned 2025
Gross sale revenues	mil. lei	700	817	972
Net sale revenues, of which:	mil. lei	560	660	800
Net sale revenues from the domestic market	mil. lei	353	410	471
Net sale revenues from the international market	mil. lei	207	250	329
Gross profit	mil. lei	50	63	80
Labor productivity (Operating revenue/no. of employees)	thousand lei/ employee	438	511	632
Average number of staff	number of employees	1350	1350	1300
Taxes and fees, of which	thousand lei	103	118	138
Claw back fee	thousand lei	34	40	47
EBITDA	thousand lei	80	94	117
EBIT (operating profit)	thousand lei	54	65	82
Net profit	thousand lei	42	53	68
Gross profit profitability (EBT margin)	%	9%	10%	10%
Gross profit profitability + claw back fee	%	15%	16%	16%
Added value	thousand	254	299	350
Indebtedness ratio (Total liabilities/Total assets)	%	22%	20%	18%
General liquidity		2.59	2.79	2.83
Net book value	thousand lei	723	810	865

To achieve these indicators for the period 2023-2025, the yield maximization plan is applied with the following yields:

**Yield No. 1 - Maximizing gross margin** reflects the performance of sales and production activity of the company by monitoring the maximization of sales in a given structure and the minimization of raw material expenses, monitoring consumption and negotiating prices.

**Yield no. 2 - Added value** reflects the contribution of company through the activity carried out on goods and services purchased from third parties, maximizing this yield requires monitoring of electricity, gas and water consumption, measures to reduce these expenses by investing in photovoltaic panels.

**Yield no. 3 - Operating result** characterizes the performance of the current activity of company.

**Yield no. 4 - Gross profit** characterizes the performance of the current activity of company.

#### Strategy 1. Strengthening business in the domestic market

### PRICING STRATEGIES

- A. Increasing the share of over the counter products in sales in Romania in order to reduce the impact of the claw-back tax on profitability

- B. Assimilating into the portfolio only those products that meet the price criterion above a current, higher value-added oriented level
- C. Increased registration prices in territories where Antibiotice holds Marketing authorizations.
- D. Increased prices contracted with local distributors in international markets where we are represented.
- E. Annual price adjustment in the non-RX segment and monitoring of the potential market for single and essential products.
- F. Targeting sales to the ideal, profitable structure for Antibiotice

## **MARKET STRATEGIES**

- a. Strengthening distribution partnerships and national chains in Romania  
Strengthening sales in the retail and independent pharmacy segment and maintaining share in high potential customers through Sell In and Sell Out actions of ATB commercial team, projects with distributors.
- b. Increasing the presence in the segment of National Chains through implementation of joint co-branding projects, shelf visibility, focus in recommendation.
- c. Strengthening the market sales in the Hospital segment by monitoring competition and winning tenders on ATB portfolio products.
- d. Strengthening the sale structure per distribution partner.
- e. Ongoing tracking of daily targets by customer category, due date collection and competition as a basis for adjusting product strategy.
- f. Increasing brand awareness through promotional actions
  - Strengthening the portfolio by launching new products: developing new brands or developing brands through range extensions
  - Approaching portfolio by prescription category with focus on growing nonRX brands
  - Continuation of communication campaigns on TV stations
  - Co-branding and sale partnerships with pharmacy chains or pharmacy groups
  - Identification of new consumers for portfolio products through screening programs
  - Identification of prescribing habits and treatment behaviors of physicians through testing programs
  - Strengthening the reputation, credibility and loyalty of product brands

- Increasing brand awareness among target audiences: general public and health professionals
- Strengthening partnerships with representatives of the medical community
- Increased sales of promotional products

## **Strategy 2. Internationalization of business on ATB territories and other territories**

The internationalization of the business has the following measures:

- a. the implementation of the territorial expansion plan for the consolidation of ATB territories;
- b. streamlining business models by area and optimizing the sale structure;
- c. re-alignment of current partnerships to the Nystatin range - the active substance;
- d. product portfolio development in the current ATB territories
- e. Exposure in new ATB territories in Europe, Middle East, Asia Pacific
- f. Exposure in new territories through OUT-licensing and contract manufacturing business models (This strategy aims to either access new territories by registering products from Antibiotic portfolio on behalf of international partners or contract manufacturing of products from other international manufacturers' portfolios.

## **Strategy 3. Cash-flow optimization**

By improving the cash-flow it implicitly improves the gross profit yield and secures the financial flows for the achievement of operational investment and financing activities.

Cash flow management is the mechanism for tracking cash inflows and outflows, a priority objective aimed at increasing financial independence and thus reducing interest expenses, pledging expenses and bank fees.

Cash flow management also involves minimizing foreign exchange risk by implementing a financial currency strategy to synchronize receipts and payments in the same currency, with the long-term objective of reducing exchange rate losses by achieving the volume of purchases and sales in the same currency at the same time.

## **Strategy 3. Developing strategic partnerships**

Measure 1: Development of the company portfolio through In-licensing project management

Measure 2: Development of strategic partnerships to exploit the potential of Antibiotice portfolio (Out-licensing)

Measure 3: Management of the import of raw materials and finished products

#### **Strategy 4. Cost management and efficient process administration**

Measure 1: Monthly monitoring of revenue and expenditure

Cost management is a strategic process of optimizing performance by securing resources and achieving increased bottom-line efficiency, aiming at sustainable development and managing operational risks.

The increases from one year to the next during the period 2023-2025 are based on both the increase in sales value and careful monitoring of expenses, which will lead to an increase in gross profit to a value of 80,417 thousand lei in 2025.

In terms of organizational and functional structure, the company distinguishes between production divisions that encompass productive activities and executive divisions that support production activities.

These are grouped into profit centres, revenue centres and cost centres.

Measures to manage raw material consumption (quantitatively and by value) are:

- increasing production yields (i.e. increasing the quantity produced with the same consumption of raw material) by lowering the specific consumption of the active substance for products for which the manufacturing technology allows this;
- optimizing procurement processes through efficient management of current partners so that there is flexibility in negotiation;
- analysis of the multiplication coefficients of active substances and prospecting of markets to identify new opportunities for exploitation;
- securing sources of supply by authorizing new partners;
- manufacture of maximum series sizes and implementation of the sub-series concept: raw material losses are reduced, cleaning times are reduced and available manufacturing time is increased.

#### **Strategy 5. Application of business consolidation principles**

Measure 1: Increasing company profitability

Measure 2: Reducing indebtedness

Measure 3: Increasing financing capacity to ensure long-term investment financing

#### Measure 4: Increasing preventive control capacity and reducing operational risks

Net book assets, shown in the table below, represent the heritage value of the company, i.e. the achievable assets at a given point in time. The positive and increasing value reflects a healthy economic situation, with the assets of company exceeding its debts.

	2022		2023		2024		2025	
	Thousand Lei	%	Thousand Lei	%	Thousand Lei	%	Thousand Lei	%
NET BOOK VALUE	641		723		810		865	
ADDED VALUE	259		254		299		350	
of which:								
+Ch. of a salaried nature		47%		55%		52%		48%
+ Ch. current taxes and fees		15%		16%		16%		17%
+ Net profit		15%		17%		18%		19%

The estimated values of the main asset and liability indicators result in a positive and increasing net asset value, indicating a healthy economic situation and providing the basis for efficient and effective activity.

For the period 2023-2025, the value added indicator is expected to show an upward trend, reflecting the performance of the operating activity, i.e. the difference between the value of goods produced and sold and the value of goods and services purchased and consumed.

#### Financial balance indicators

The measures taken resulted in the optimization of the value of the indicators of collection term of receivables and the payment term of debts to suppliers in order to reduce operational bank loans:

Indicator	2022	2023	2024	2025
Average time to collect receivables, of which (days):	175	159	157	153
Internal market	189	175	170	165
International market	57	61	61	61
Deadline for payment of debts to suppliers	93	95	100	100

Investment activity in research of new products, quality assurance equipment, modernization of manufacturing technologies and digitalization of activities has an impact on the value of the net cash indicator.

The value of the indebtedness ratio indicator improves as a result of the decrease in long-term bank indebtedness through the repayment of investment credit (contracted

for the financing of the objective of new topical product section), as well as due to the decrease of credit for the financing of working capital - a priority objective of the company for the next period.

### Capital structure ratios

Ratio	2022	2023	2024	2025
Fixed assets/Total assets	62%	63%	62%	62%
Inventories/Total assets	14%	12%	13%	13%
Receivables/Total assets	23%	24%	25%	25%
Equity/Total liabilities	75%	78%	80%	82%
Suppliers/Total liabilities	10%	9%	9%	9%

The analysis of the capital structure ratios reflects a careful management of assets and liabilities, with the values being at the optimal level recommended in the literature for manufacturing companies.

CONAN AND HOLDER MODEL			2022	2023	2024	2025
Current assets	MIL. LEI	Ac	324	340	383	407
Inventories	MIL. LEI	S	122	114	130	139
Current assets - Inventories	MIL. LEI	Ac-S	201	226	253	268
Total debts	MIL. LEI	Dt	215	201	197	193
Permanent capital	MIL. LEI	Cpm	721	793	870	914
Total assets	MIL. LEI	At	856	924	1007	1058
Financial expenditure	MIL. LEI	Chf	15	14	14	13
Turnover	MIL. LEI	As for the	484	561	660	800
Staff expenditure	MIL. LEI	Chp	123	140	154	169
Operating gross surplus	MIL. LEI	Ebe	98	74	96	121
Added value	MIL. LEI	Please	259	254	299	350
R1	%	Ebe/Dt	45.58%	36.71%	48.71%	62.53%
R2	%	Cpm/At	84.20%	85.81%	86.39%	86.39%
R3	%	(Ac-S)/At	23.51%	24.47%	25.13%	25.33%
R4	%	Chf/Ca	3.16%	2.49%	2.05%	1.66%
R5	%	Chp/Va	47.43%	55.27%	51.60%	48.38%
$Z=0.24XR1 +0.22xR2+0.16XR3-0.87XR4-0.1XR5$			0.26	0.24	0.28	0.32

$Z > 0.16$  Very good financial situation

### Strategy 6. Investments - sustaining the future

#### Measure 1: Investments for strategic development

- 1.1. Investments in strategic portfolio development
- 1.2. Investments in the provision and development of R&D infrastructure
- 1.3. Investments in new production sites



## Measure 2: Investments to strengthen the business

- 2.1. Investments in information technology, telecommunications and process digitization
- 2.2. Adapting to trends in industrial platform development
- 2.3. Investments in the integrated management system

Indicator	MU	2023	2024
<b>Investments for strategic development</b>		<b>17.5</b>	<b>28.5</b>
Product portfolio description	MIL. LEI	17	11
Investment in new production sites*	MIL. LEI	0.5	17.5
<b>Investments to strengthen the business</b>			
Investments in information technology, telecommunications and digitization of processes*	MIL. LEI	9.6	15
Adaptation to the development trends of the industrial platform of the infrastructures of supply and distribution of utilities, green energy, storage of raw materials and finished products, transport and connection to the national road system	MIL. LEI	33	35
Investments in the modernization of the integrated management system (quality, environment, occupational health and safety)	MIL. LEI	4.3	5
Investments in upgrading existing manufacturing sites	MIL. LEI	13	2.7
Repayments of installments on investment loans	MIL. LEI	10.7	10.7
<b>TOTAL</b>	<b>MIL. LEI</b>	<b>88.1</b>	<b>96.9</b>

## Pillar 5: Improving the Corporate Governance System

Corporate governance as a complex of processes, practices, policies, regulatory framework, impacting on the conduct, management and control of the company has an important role in protecting the interests of shareholders, as it supports the maximization of long-term shareholder value in the company, and in stimulating investor attention to the company by making the activities and processes within the company more transparent and efficient.

### Strategy 1. Ensuring the internal corporate regulatory framework

*Measure 1: Continuous updating of company codes, training and monitoring their implementation*

**Strategy 2. Monitoring the selection and appointment of management bodies and the implementation of actions under the responsibility of the company**

Measure 1: Enforcement and compliance with AGM and BoD decisions on the selection of governing bodies, according to legal regulations

### **Strategy 3. Ensuring and maintaining an effective performance appraisal system**

Measure 1: Ensuring traceability of performance indicators of the Board of directors through the development of multi-annual management plans

Measure 2: Ensuring the functionality of the performance monitoring system of company and regular reporting on its effectiveness.

### **Strategy 4. Ensuring transparency in communication to investors, with equal treatment of all shareholders**

Measure 1: Compliance with the investor reporting plan as required by law

Measure 2: Adherence to the National Anti-Corruption Strategy 2021-2025

### **Strategy 5. Improving the risk management process to protect the assets of company**

Measure 1: Identification of risks and opportunities in the activities carried out, by organizational structure

Measure 2: Adapting the internal control system to risk management

Measure 3: Commercial (non-payment) risk management

Measure 4: Ensuring a system to protect data and information

Measure 5: Ensuring the legal framework for carrying out the activity in legal conditions and protecting the heritage

<b>Indicator</b>	<b>2023</b>	<b>2024</b>
Update of the ATB Code of Rules	✓	✓
Implementation of the ATB Code of Rules and providing training	✓	✓
Identification of vulnerabilities in the activities carried out on structures by Risk Management	✓	✓
Integration of risk management with the identification of the processes carried out by the company within the Integrated Management System.	✓	✓
Development and analysis of the integrated system for establishing, monitoring and evaluating performance	✓	✓
Compliance with reporting and transparency obligations under corporate governance rules	✓	✓
National Anti-Corruption Strategy 2021-2025 Compliance	✓	✓
Securing information	✓	✓

These pillars represent the development directions of the company for the period 2021 - 2030 and will be implemented year by year with measures and actions to meet the objectives and performance criteria being supported by multi-year investment programs.

### III. Conclusions

The Management Plan for the period 2023-2024 reflects the vision of the Directors in terms of the administration and management of activities in the best interests of the Company. It is an integral part of the "Business Plan 2021-2030". It is a strategic tool for continuous adaptation to the domestic and international market, for development and increased profitability of the business with quantified targets in the Annex.

The Board of Directors has defined key indicators reflecting its commitment to achieving the priority objectives.

The evolution of the company in the previous period, the way in which obstacles were overcome and solutions for business growth were identified are the guarantee for the 2021-2030 period to achieve the following goals:

- maximizing the yields;
- optimizing the sale structure on the ATB territories;
- sustainability and durability of the business;
- standardization and streamlining of processes;
- maximizing the market potential for the products in the portfolio;
- company cost management in the sense of balancing activities;
- diversification of funding sources, sizing of the partner lending system and of the loans attracted to support current activities and investment programs.

Lucian TIMOFTICIUC, Chairman of the Board of Directors	<i>(Illegible signature)</i>
Ioan NANI Vice-Chairman of the Board of Directors, General Manager,	<i>(Illegible signature)</i>
Ionel DAMIAN, non-executive administrator representing the Ministry of Health	<i>(Illegible signature)</i>
Catalin Codrut POPESCU, non-executive director	<i>(Illegible signature)</i>
Mihai TRIFU, non-executive director	<i>(Illegible signature)</i>
Lucian TIMOFTICIUC, Chairman of the Board of Directors	<i>(Illegible signature)</i>
Ioan NANI Vice-Chairman of the Board of Directors, General Manager,	<i>(Illegible signature)</i>

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I, the undersigned BĂROIU DIANA, sworn translator, authorized by the Ministry of Justice of Romania by License no. 15360/02.02.2006 for English and Japanese, hereby certify the accuracy of **the translation from Romanian to English**, that the text submitted to me has been completely, with no omissions, and that the content and meaning of the document have not been distorted after being translated.

Sworn translator, BĂROIU DIANA

