

Hello,

We will start today's meeting.

My name is Cerasela Moraru. I am responsible for the Investor Relations Officer.

We would like to thank you for your interest in participating in this teleconference to present the half-yearly financial results for 2021.

Today, the company Antibiotice will be presented by: PAULA COMAN (Financial Director), LIVIU VATAVU (Legal and Corporate Governance Director), MIHAELA NITU (Financial Manager), MIHAELA OBREJA (Risk Management and Investor Relations Manager), BOGDAN TURCA (National Sales Manager).

In the opening of today's meeting, my colleagues will present the financial results.

For us, only this presentation will be shared.

I want to mention that the meeting is recorded and for transparency the recording will be disseminated on the company's website.

That being said, because time is very precious to everyone, I give the floor to Mrs. Coman, mentioning that, at the end of the presentation, there will be a question and answer session. Please!

Hello,

I would like to bring to your attention the fact that Antibiotice carried out its activity in the first semester based on the principles of standardization and streamlining of the processes of maximizing the market potential, reducing operating costs, especially those conventionally constant by the balanced sizing of supplier credit and by reducing the period of receivables collection, as well as reducing financial expenses.

The activity was carried out through the three divisions that have five production plants: Sterile Products & APIs Division that integrates the Parenteral and Biosynthesis plants, Topical Products Division that integrates the Ointments & Suppositories Plant, the Oral Solid Products Division including the Capsules Plant and Tablets Plant.

The manufacturing flows of these five plants are the following:

The Sterile Products & APIs Division has 2 manufacturing flows:

- one for active substances, a biosynthesis process unique in the country, as well as
- the process for manufacturing beta-lactam sterile powders for injection.

The Topical Products Division has manufacturing flows for ointments, creams, gels as well as the manufacturing flow for suppositories and pessaries. The Oral Solid Products Division has four manufacturing flows, three of them in the Capsules Plant (penicillin capsules, non-beta-lactam capsules and cephalosporin capsules) and one in the Tablets Plant. Each of these

divisions has its own portfolio, its own operating budget, meant to increase their market share and implicitly to maximize the turnover and profitability.

The product portfolio of the Sterile Products & APIs Division comprises the active substance Nystatin, biocidal products included in our portfolio last year during the pandemic and 34 injectable products for human use, of which 32 with prescription, 17 anti-infectives for systemic use, 9 cephalosporins, 4 carbapenems and 2 other antibacterials.

The Topical Products Division includes 50 products, of which 48 are for human use and 2 for veterinary use.

Of these 48, 36 are in the form of ointments, creams, gels, covering 5 therapeutic classes, 9 are in the form of suppositories of 4 therapeutic classes and 3 are pessaries of the genitourinary system class.

These products are supported in our activities by the research activity, activity that is also designed and carried out by the 3 divisions so that for the Sterile Products Division the research activity has 9 projects in progress, of which 7 are RX and 2 biocides, for the Topical Products activity there are 21 projects of which 7 are RX, 7 non-RX and 7 medical devices, and for the Oral Solid Products Division there are 13 projects, of which 11 RX and 2 non-RX. We made the general presentation of all our activities by divisions, manufacturing flows and products, in order to prove the complexity of our activities, emphasizing once again our effort to maintain and improve the quality of our over 150 products, to reduce the quality incidents, if any, support the activities developed for our employees' health and safety, while protecting responsibly the environment. We inform you that this activity is continuous and concerns us throughout the days, from 1<sup>st</sup> to 31<sup>st</sup> of each month.

In supporting the production-research activities, the quality is paramount, that is why we continuously support the certifications and recertifications made by the Romanian and international regulatory authorities. During the first semester, we were concerned to obtain the ISO13485/2016 certification for medical devices, both certification on management system and certification on each medical device.

We are concerned about the health and safety at work of our employees, so that during the first semester we established a vaccination center within the Clinical Studies Center, with 2 flows so as to reduce the incidence of sick colleagues in the company, as well as to encourage the participation of the local community in vaccination, so that between January and June, 18 thousand doses were administered.

We are responsible for the environment, meeting the requirements of environmental legislation for preventing pollution and managing the environmental issues.

In the first half of the current year, we obtained the authorization issued by the Romanian Waters Administration, we obtained the renewal of the integrated environmental authorization by completing the study evaluating the impact of the activity on the population's health, in collaboration with the Regional Center of Public Health.

The respective study was prepared according to the regulations in the field, to the Order of the Minister of Health 119/2014 with the amendments and completions up to date. The quality of environmental, air, water, soil and groundwater factors are continuously monitored in our own laboratories and certified by third parties. The analyses regarding the emissions of air pollutants, as well as the determinations regarding the water quality in the pre-treatment and evacuation station in the evacuation system to the municipal sewerage system were certified and are compliant, and no exceedances of the maximum concentration allowed were registered.

All these are possible only by involving the company's employees and the management's attention is directed towards increasing employee retention and attract competitive employees from the labour market so we have optimized the system of evaluation, reward and motivation of the employees during this period. We have established 4 stages of this process. The analysis stage of the strategic personnel took place in the first semester, following that the stages of reanalysing the motivational package and identifying new benefits be realized in the second semester. The value of the fluctuation rate indicator due to voluntary departures at the level of the first semester was 2.26%, and the maximum value established for this objective in 2021 is 5%.

We are also concerned with the continuous training of the staff, it is a condition of good manufacturing practice in carrying out our activity, that is why it is a continuous activity. In the first semester, an average number of 18 hours of training per employee was performed, the topics being pharmacovigilance, rules of good manufacturing practice as well as those related to the management of digital skills processes. The training hours were completed by online webinars on professional topics.

At the same time, we are interested in improving the organizational climate and orienting the organizational culture towards innovation and performance, which led during the first semester to a study diagnosing the climate of employee satisfaction at work. The results of this study will be discussed and we will establish measures that will be communicated in the third quarter. We are constantly concerned to communicate both in the organization and outside it, with 5 pillars of communication established in the company Antibiotice: a company worth working for, living healthy in a healthy company, we spent a lifetime working for life, Antibiotice - a friendly and responsible brand, Antibiotice is a company oriented towards knowledge and performance, Antibiotice Romanian tradition and continuity.

All these are supported by the responsible activities in our community, as I was telling you we started and we got involved in the vaccination campaign, we participated in courses in which the specialist explains why the decision is yours regarding the vaccination campaign, we are involved for more than 10 years in a "Donate blood" campaign, we plant trees in the community to increase our involvement in the community and the oxygen supply in the community and we have projects to support disadvantaged children from the Iasi community through the program "The power of the deed", supported by the Antibiotice - "Science and Soul" Foundation, we are concerned with supporting families with limited material possibilities and families with many children (9-11 in each family).

We are careful both in terms of technological processes in the use of flammable, explosive or toxic materials so we organize security and protection services and monitor them closely to see if they meet the criteria for their actions 24 hours a day so as to minimize or to avoid having areas with danger of fire, explosion or to somehow spill dangerous substances in the environment.

Next, I will ask my colleague, TURCA BOGDAN, to tell us about the sales activity during the first semester:

Hello,

As you probably know, our sales cover both the domestic and the foreign markets.

Unfortunately, my colleague DELIA, who deals with the international market, is not present at the moment, so I will say a few words about the international market myself.

There are some extremely important things that were achieved during this period, one would be the registration of a number of 16 new products, prescription medicines in two of the countries where we have representative offices, namely three of them in the Republic of Moldova and 13 in Ukraine.

The finished products sales, and here I mean medicines, because we are also present in the international market with active substances, so the finished products sales represent 64% of the total exports and amount to a value of 43.5 million lei, increasing by more than 10.2% compared to the budgeted level for this period, but again very important, there is an increase of 26.5% compared to the same period last year. There was also a consolidation of long-term partnerships with local distributors by expanding the activity in certain representative offices and here we are talking especially about Vietnam, where we have new distributors and Ukraine, also with 2 new distributors.

We continue to carry out both corporate and product promotional projects that aim to increase the brand awareness. We also carry out promotional projects for patients and here we are talking only about OTCs, non-RX products as we call them, and medical devices.

We also optimized the sales structure in terms of quantity for reaching the best price/demand coverage ratio, in the case of Nystatin.

For the domestic market there are some things that stand out this year as well, namely the fact that we still occupy the first place on the relevant market, we have a market share of over 13.5%, we are quantitative leaders in pharmaceutical ointments with a market share of 19.8%, and we are also leaders in the pharmaceutical form of suppositories and pessaries where we have a market share of 31.6%, and for injectable powders of 62.9%.

We rank 4<sup>th</sup> in the segment of prescription and OTC generic drugs, with a market share of 4.1%.

We are leaders in the segment of prescription and OTC generic drugs sold in hospitals, on the hospital channel, where we have a market share of 15.7%.

Another very good thing compared to last year, we occupy the 18<sup>th</sup> place at the level of the total pharmaceutical market, with a market share of 1.81%, 3 positions higher than the 21<sup>st</sup> place occupied last year.

These are the main things to emphasize from the sales point of view in the Antibiotice company and I ask Mrs. PAULA COMAN to continue with the financial data.

During the first semester, the turnover achieved was 163.4 million LEI, compared to a planned budget of 160 million LEI.

The gross profit achieved is 18.8 million LEI, compared to a planned value of 18.35 million LEI, which led to a profitability of gross profit of 12%, but taking into account the Claw-back tax amounting to 13.5 million lei, the profitability rate together with the Claw-back expense is 20.4%.

As for the structure of assets, they were realized up to the amount of 873 million lei compared to a budget of 864 million lei.

We achieved a general solvency ratio of 13%, as a ratio between total assets and total debts, which was 278.8 million lei.

The general liquidity ratio as a ratio between current assets and current liabilities is 2.07%, the ratio being 377.3 million lei compared to 181.9 million lei.

The quick liquidity rate as a ratio between assets minus inventories divided by current liabilities, current assets are 377.3 million LEI as I told you earlier, inventories are 121.4 million LEI, current liabilities are 181.9 million LEI.

The customer collection period is 248 days, the budgeted one was 268 days, the one made last year at the same period was 352 days. Reducing the period of receivables collection is a constant concern of ours in this period, starting January 1<sup>st</sup>, and at the same time we want to extend the periods of payment of commercial debts to suppliers. It was budgeted 81 days, the achieved payment duration was 83, considering that last year at the same period, it was 64 days.

Regarding the fixed assets at the end of the period, i.e. 30.06.2021, they were worth 495.9 million lei, 2% more than at the beginning of the period, of which tangible assets are 470 million lei and intangible assets are 25.8 million lei. I would like to mention that most of the intangible assets consist of our product development projects, projects that once matured will have a marketing and selling authorization.

As far as the investment activity is concerned, during the same period we carried out works on the clean rooms and the installations related to these clean rooms in the ointments and suppositories plant. As you know it is a project of ours that we have been running for 3 years and at the end of this year we will put it into operation and we will also have the regulatory audit from the Regulatory Authority in this field. We cannot manufacture if we do not have this qualification.

At the same time, we adapted the infrastructure of food services and distribution of utilities, transport and connection to the national road system, warehouse of raw materials and finished products so that all this logistics infrastructure be sustainable and ready for our future projections. We wish to reach a turnover of 700 million lei until 2027, so that in order to support this income growth we must be prepared with all the necessary infrastructure.

During the first semester we substantiated and started the project of digitization and computerization of the company, both in terms of securing information within the company and upgrading the existing software.

I could say that besides this information, the company does not register outstanding obligations to the state budget and as you have seen, the audit report is unqualified.

Thank you!

MORARU CERASELA :

Next, there is a question and answer session, so we are waiting for your questions:

Please!

If there are no questions...

BACEANU CONSTANTIN:

The presentation was correct, we can also find the reported data, generally speaking the evolution of the company is very good.

MORARU CERASELA:

Thank you!

Before entering the meeting we received a question to which we want to answer.

The question was:

FLORIN TURCAS

“Net cash flows from operations are highly variable, both the semi-annual and annual ones. For example, in the first semester of 2018-2021 you registered -18, +20, +44, +10 million lei. What measures do you envisage to control cash-flow?”

Thank you!

PAULA COMAN:

I want to mention the fact that our company is highly exposed because our sales in hospitals represent of 50% of the turnover value. Hospitals have a different purchasing regime than the one in the RX market, meaning that our products are offered for sale through tenders. Tenders that are most often held in the fourth quarter of the year, with collections in certain periods of the following year.

As I was saying, 50% of the turnover is represented by hospital products, last year for example the hospitals were closed for normal activities, so that the consumption of antibiotic products decreased, which was seen both in the turnover and is also reflected this year, in the collection figures. We are evaluating the portfolio for hospitals, both in Romania and in the Antibiotice territories and in Europe so that we can increase the sales volume in order to have a greater dispersion of sales during the months of the year. We are also concerned to increase the turnover both through an increase of each product in the Romanian market and in the markets where Antibiotice has representative offices, respectively in Moldova, Vietnam, Ukraine and Serbia.

We will launch the sales in Ukraine at the beginning of next year, now we have an ongoing product authorization procedure, at the moment we have 16 registered products and 10 marketing authorizations.

Thank you!

MORARU CERASELA:

If you have any further questions, please ask:

Another question is « What profit does Antibiotice have from Nystatin and what profit do American manufacturers of Nystatin-based drugs get? »

COMAN PAULA:

The profit margin of Nystatin is 24%.

The profit of US manufacturers of nystatin-based drugs is not known to us because it is difficult to obtain this information from the competitive market.

MORARU CERASELA:

If there are no more questions, thank you very much for participating in this teleconference and we wish you a beautiful day and a pleasant week-end!

Thank you, have a nice day!