

Mihaela Obreja

Hello!

Thank you all for joining the conference call organized by the ANTIBIOTICE company for presenting the Q I 2022 results.

The conference call is attended by the following Antibiotice representatives: Ms. Paula Coman - Financial Director, Mr. Ovidiu Bățața - Marketing & Sales Director and Mr. Liviu Vatavu - Legal & Corporate Governance Director.

First, I'll give the floor to Mr. Liviu Vatavu :

Liviu Vatavu

Hello! Thank you for participating in our meeting which is included in the calendar of events. Today we will follow our schedule and present the Q1 Management Report and the Financial Results.

Before giving the floor to my colleagues, I would like to tell you that I received 10 questions from Mr. Florin Turcas. To some of these questions you will receive all those present the answers, in the presentations that you will hear. If our materials do not contain all the answers to the questions you have sent, we will discuss them later, we will forward the answers to Mr. Florin Turcas as requested.

I ask my colleagues to take over the discussion, to present the Management Report and the 1st quarter Financial Statements.

Ovidiu Bățața

Hello, everyone ! You will see on the screen a Power Point presentation, we will insist where the Management Report presents key messages related to the activity performed in the first quarter, and I will start by saying that everything Antibiotice achieved in the first quarter of 2022 was the result of our strategies and actions, based on a long-term business plan followed day by day this year and in the years to come and based on the indicators included in the Income & Expenditure Budget for 2022 and following three years. In the first quarter, Antibiotice continued to implement the management measures included in the Strategic Organization and Development Plan. The activity of the whole company is grouped into five major themes, as you know it well, because we have been communicating with you for some time on this topic, we call them pillars included in this Strategic Organization and Development Plan. One of the most important pillars for our business is the *Strategic Adaptation of Human Resources*. I will ask Ms. Paula Coman to insist a little here, I will take over from the subsidiary activities, Marketing & Sales.

Paula Coman

Hello, everyone ! Strategic adaptation of human resources in the first quarter aimed at analyzing and redefining the organizational structures within the company, adapting

them to the modern principles of human resources and correlating these needs with the business.

- We optimized the structure of the marketing & sales teams in line with the market dynamics, taking into account the product prescription type;
- We adapted the recruitment method to increase the staff retention;
- We balanced the salary systems according to the nature of the jobs and according to the motivation system adapted to the current pharmaceutical market ;
- We implemented a employee career and succession plan management;
- We conducted training programs for enhancing the skills of our employees within the platform Academia A+, which has two components:
 - Technical College A+ operational at the time of speaking
 - Business School.

Both components are designed to attract people, employees who are better trained and prepared for the Pharma industry, being also ways to continuously train employees, to move from one level of professional training to another and to other jobs in the company.

The impact of the actions taken was quantified in the average number of hours of continuous professional training per employee, which reached 5.26 hours from the planned 5 hours and a staff retention of 99% while the estimation was 90%.

In this process of adapting our human resources to be in line with the Antibiotice business, we have been continuously conducting actions for modernizing the organizational culture, implementing the results of the climate study developed in 2021.

I give the floor to my colleague, Ovidiu Bataga.

Ovidiu Bățața

Yes, thank you ! Regarding another pillar of major importance in this long-term plan, the strategic adaptation of the product portfolio, we plan to enrich our portfolio by our own research and in-licensing projects. In the first quarter we analyzed the current portfolio in order to evaluate its maximum growth potential in the domestic and international market, in the targeted areas. We analyzed the therapeutic trends, as you well know, the pharmaceutical market settled down after 2019, 2020, even 2021 and the consumption trends changed. For this reason we had to update the information in order to be able to see things in perspective. We also analyzed the market, a rather fragile market, and the main competitors taking into account the portfolios and therapeutic areas. Our company divided its manufacturing processes in three divisions and we balance evenly our product portfolio to cover these divisions because we want to perform on a balanced structure. The three divisions are :

- Sterile Products & APIs Division
- Oral Solid Products Division

- Topical Products Division

Like I said, we assimilate new molecules in our portfolio primarily through own research, it is an applied research related to the generic medicines, there are unique combinations but also generic products including the existing molecules. Besides the well-known pharmaceutical dosage forms, our company being the leader in the Romanian market, I would also enumerate other pharmaceutical forms such as ointments, suppositories, sterile beta-lactam antibiotics which confirm our presence in all the hospitals in Romania.

Other categories of products are also under research-development, I would list here cosmetics and medical devices included in our potential future portfolio, a portfolio in accordance with the strategic directions we want to develop in the long term. We will enrich the antiinfectives class with oral products and sterile powders for injection and we also develop dermatologicals, cardiovasculars, medicines for the digestive system and for women's health, and biocides. At the end of last year we launched the biocidal products extremely useful in the pandemic period.

In 2022, we have a plan including 28 projects to assimilate products in portfolio through our research, 12 of them being for the international market. In the first quarter, as a stage of this plan, our specialists conducted activities for 14 projects of new products for the international market and another 8 products from which 7 for the Topical Products Division and 1 product for the Sterile Products & APIs Division.

In this quarter we continued to conduct clinical studies for two topical products, one OTC in the clinical stage and the second one, a prescription-only medicine for which the clinical study's protocol is about to be approved by the National Agency for Medicines and Medical Devices. In this quarter we started also the third study, an observational, post-marketing study for a prescription topical product.

Another direction of developing our portfolio is the license acquisition, because we want to move faster, to sell and be present in the market as soon as possible. By purchasing licenses we are able to assimilate new products in our portfolio in a short amount of time.

Three products were already contracted in the Q1 and we wish to enrich our cold & flu portfolio, a new component in the Antibiotice portfolio, intending to start selling these products somewhere at the end of the current year and, starting with 2023, we aim as OTCs to have a 40% share in our portfolio, as estimated in our perspective plan.

Business Sustainability is another basic pillar for our activities. Everything that Antibiotice achieves could never be achieved, except through a sustainable business, in agreement with the community, in accordance with environmental policies, health and product quality and especially, in accordance with the strategy on long-term, to maintain the business for many years to come.

Stakeholder orientation is an approach that we practice in our relationship with investors, but more than that, we want to harmonize the company's actions, which result from indicators and from our strategic actions, with the community, so as I said, through

communication policies with the shareholders and other target audiences and by making ourselves better understood in these audiences.

Another important pillar in the activity is the performance management. As I told you, we do actions, we derive these actions from the strategy and automatically we must follow a performance in time of these actions. There are some long-term goals that were followed also in the first quarter, i.e. to consolidate the business in the domestic market, to internationalize the business in the ATB territories where we have found potential for our portfolio. We want to conclude, we develop strategic partnerships, and here I would refer to the approach of some territories that mean added value for our figures. The United States is a priority market for us as well as the developed EU countries and the Great Britain where we sell more in international tenders. We are also concerned with efficiently managing the costs and resources, we apply the principles of consolidating our business on the long run and, of course, we make investments for supporting the whole process.

Antibiotice managed to exceed the planned targets, you probably saw in the financial statements, our sales exceeded by 54% our estimations in the first quarter. Out of the total value of 128.3 million LEI, 86 million LEI was the value recorded in the domestic market while 42.2 million LEI represented the value recorded in the international market. We also managed to consolidate the manufacturing plan, which supports these sales premises, 128.3 million LEI with a variation by 5% higher, compared to the value achieved in the similar period of the previous year.

Investments represent the support for this plan. I will ask Mrs. Paula Coman to go into a little more detail.

Paula Coman

- Investments are the basis of our continuous, present and future development and we consider them as strategic development investments, the development of the product portfolio being an important category for the sustainable consolidation of our business. In the first quarter we continued the investments in the applied research projects in order to obtain new, quality and safe products, efficient and competitive in the market. Another category in terms of investments are the new production sites, our goal this year is to put into operation the Topical Products Plant.

In the first quarter of the year we tested the operation of the clean rooms installations, trying to obtain the parameters specific for these types of manufacturing sites. These activities are in an advanced stage of achievement, and after completion, the National Agency for Medicines and Medical Devices will approve this manufacturing site.

Another category of investments aims at consolidating our business, i.e. our projects for a smooth development of the current activities so as to continuously maintain the company's good manufacturing and operating authorizations. In order to adapt our manufacturing sites to the developing trends, we invest in information technology and process digitization, utilities infrastructure (supply and distribution), in the area of

storage of raw materials and finished products and in the connection of the transport infrastructure to the national roads that surround us. Our investments in the integrated management (quality, environment, occupational health and safety) represent another category of investments. We are constantly preoccupied to modernize the current manufacturing sites and pieces of equipment to continuously meet the requirements for maintaining the operating authorizations, those granted both by the Romanian medicines regulatory authority, as well as by the European regulatory authority and the FDA regulatory authority, as long as we are present in the European and American markets. We comply with European and American directives on the counterfeiting of medicines by using our medicine security systems so that when our medicinal products are placed in the market, there is no doubt about the manufacturer of the medicine.

Here are some financial indicators:

In the first quarter, total income amounted to 133.9 million LEI, higher by 21% compared to the planned value and higher by 54% compared to the previous year.

Total expenses amounted to 105.8 million LEI, by 28% higher compared to the value achieved in the previous year. The efficiency of the entire activity is reflected by the indicator *total expenses at 1,000 lei total income*, in value of 915 lei, a lower value than the planned one, i.e. 959 lei or than the value recorded in 2021 (950 lei).

Compared to the planned value of the total income and total expenses, the gross profit was 11.4 million LEI corresponding to a 8.5 % higher profit rate than the budgeted one and the profit plus the claw-back tax amounted to 19.25 million LEI in the Q I, with a business return of 14%. It is known that the claw-back tax is a contribution to some health expenses, which are required to be paid quarterly by all holders of marketing authorizations for medicines, who participate with medicines in the national health program for medicines with or without their personal contribution, used in outpatient treatment on prescription in open-circuit pharmacies, for medicines used in hospital treatment, as well as for medicines used in medical services in dialysis centers. They are borne by the single national fund of social health insurance, from the budget of the Ministry of Health. So it is a tax imposed by the State Budget that, quarterly, our company pays in the second month of the next reporting quarter.

I will present below the structure of assets and liabilities. In the QI, Antibiotice recorded fixed assets of 511.3 million LEI, of which property, plant and equipment of 480.4 million LEI and intangible assets of 31 million LEI. In the intangible assets we have the research projects in progress which are higher by 4% than at the beginning of the year.

Current assets amounting to 401.64 million LEI were by 10% higher than in the same period of the previous year and by 4% higher than at the beginning of the year.

In their structure, the trade receivables were in value of 250 million LEI, the value of 121 million LEI represented the stocks, from which the raw materials were in value of 46 million LEI, production in progress in value of 9 million LEI and finished products amounted to 41.6 million LEI. As regards the liabilities of the company, the current debts were 210.9 million LEI, by 18% higher than in the same period of the previous year and 6% higher than on January 1, of which the commercial debt amounted to 99 million LEI,

while the amounts due to credit institutions were 94.9 million LEI. These amounts due to credit institutions included both the operational credit (85 million lei) and the first 12 months of the loan rates.

In April, we reimbursed 20 million lei from the operational credit which led to an improvement in the degree of indebtedness.

As regards the long-term debts, the amount of 88.5 million LEI included the amounts due to credit institutions, i.e. 55 million LEI (I was telling you we have had the investment loan for the next 8 years), deferred income tax of 31 million LEI and investment grants of 2.3 million LEI.

Regarding the cash flow, in the analyzed period we planned to collect from customers 67.4 million LEI and we collected 102.8 million LEI, while the payments in lei amounted to 68.4 million LEI (the planned amount was 66 de million LEI). As regards the export currencies, meaning dollars and euros, the values achieved were 40,6 million LEI and the payments were of equal value. In this period we made pyments of 13.22 million LEI to our investment suppliers.

The cash surplus was 20.63 million LEI which we reimbursed in the operating loan in April.

These being said, liquidity indicators improved, we recorded 2.05% compared to the percentage obtained in the previous year (1.90%).

Degree of indebtedness was 24.44%, compared to 28.38% in the previous year.

Turnover speed for client debit items, in other words the average number of collection days was 206 days compared to 288 days in the previous year, while the fixed assets turnover ratio was 0.25 compared to 0.14 in the previous year.

I give the floor to my colleague, to continue about the performance of the Corporate Governance.

Liviu Vatavu

The 5th pillar on which the company's activity is carried out is *Corporate Governance*. Through this activity, the company manages to fully regulate the activity carried out for the other 4 pillars presented so far.

The Corporate Governance establishes the regulatory framework for the company's activities and the evaluation framework for these activities. In our company, the administrators, general director, executive directors and managers carry out their activity based on performance indicators. These performance indicators are established by the shareholders through the General Meeting of Shareholders, subsequently they are taken over by the General Director, executives and middle managers.

The Corporate Governance Pillar has established procedures and measures for the periodic evaluation of these activities so that the shareholders are aware and can be periodically informed about the degree of accomplishment of what they have decided for our current activity.

Another element that is part of Corporate Governance is that of Risk Management, we try to anticipate the risks each structure in our company face. We have identified the risks and we have action plans. During the first quarter, there were no unanticipated risks that could significantly affect our activity reported to you today.

The communication with the investors, with the company's shareholders is a continuous preoccupation of the Corporate Governance activity, we try to carry it out as we have committed ourselves, in compliance with the communication calendar approved by the shareholders and by the regulatory authorities.

Another activity included in the Corporate Governance in the first quarter is the company's adherence to the National Anticorruption Strategy for the period 2021-2025. There is a plan for adhering to the National Anticorruption Strategy, a series of measures being adopted by our company and will be implemented in order to maintain and increase our good reputation and develop partnerships only with the distributors and with other participants in the pharmaceutical market that meet the honesty criteria.

Behind these brief presentations, there are reports that can be made available to those interested.

Any other things to be reported by my colleagues? Any questions?

Mihaela Obreja

Do you have any questions?

Andrei Puscaragiu

How do you estimate the impact of inflation on your activity in 2022?

Paula Coman

In carrying out our activity during 2022, we have implemented a cost management plan, so as to minimize as much as possible, both the price increases for utilities that started in the fourth quarter of the previous year, and the possible price increases for basic raw materials. We have a program for regulating and evaluating consumption in all our activities, as well as a program for implementing alternative sources of supply, so that we can counteract either price increases or supply disruptions. This is our daily concern. In May the impact of price increases was lower than estimated. We will try to be present in all purchases and in all sales, so as to reduce the impact of price increases.

Andrei Puscaragiu

Thank you for your answer. I have a further question.

As regards the future increases in materials, salaries, I wanted to ask you to what extent you can include this increase in the prices you practice when selling medicines, in other words, how flexible is the selling price?

Paula Coman

The prices of RX medicines, those with a medical prescription, which are also charged with a claw-back tax, are capped by the Ministry of Health, they can be adjusted once a

year, based on the Order of the Minister of Health, but the increase is possible only in compliance with the adjustment parameter which is the ratio between EURO and LEU. Therefore, the prices of RX drugs manufactured by Antibiotice are not flexible and are not related to increases in raw materials or utilities.

Non-Rx products instead have a different regime and Ovidiu Băţaga will describe it:

Ovidiu Băţaga

Here I want to complete, there are more strategies that we address in this year's sales, and this is just the beginning. We want to sell more over-the-counter products, I was telling you that in our long-term strategic development plan, we aim somewhere towards a 40% share of this segment for which we do not have to pay the claw-back tax and, obviously, our approach will help our business on the long run. In the current year we have been trying to balance the sales structure, trying to increase the share of OTCs as already mentioned.

We want to optimize our future portfolio by assimilating more over-the-counter medicines developed by our R & D specialists or by in-licensing. Through all the OTC range, through the cold & flu portfolio mentioned earlier we intend to control inflation and all the related risks mentioned by Ms. Paula Coman.

The most important strategy supporting the portfolio development and performance management refers to the internationalization of our portfolio. We want to exploit any potential of the business projects started several years ago in the ATB territories, we want to consolidate and increase our business in the long run in all the countries in which we operate.

Andrei Puscaragiu

Thank you, and I'd just have two more questions, if you don't mind. A first question, maybe you provided the information and I apologize if I force you to give it again: What is the current share of Rx medicines in total sales?

Ovidiu Băţaga

This year, 25% share is our goal for OTCs, the difference of 75% being covered by prescription-only medicines.

Andrei Puscaragiu

I understand. So that's the goal for this year. And do you think that you will be able to meet it?

Ovidiu Băţaga

In the first quarter, we are on schedule, we have quarterly targets and our indicators look good.

Andrei Puscaragiu

I understand. And my last question: Do you consider that the Income & Expenditure Budget approved in February 2022 for the current year is still feasible, given the recent

developments with inflation in particular? So do you still keep those IEB targets, in terms of income and profitability?

Paula Coman

Yes, we want to overcome them under certain conditions, the conditions including the cost efficiency.

Andrei Puscaragiu

I understand. Okay, thank you very much for the answers!

Mihaela Obreja

Thank you, too!

Andrei Puscaragiu

Good bye, have a good day!

Mihaela Obreja

Any questions?

Thank you for participating and see you in the next quarter.

Have a good day!