

- Hello!

Welcome to the teleconference for the presentation of the preliminary results on 31.12.2023.

On behalf of Antibiotice, the teleconference is attended by:

Mrs. Paula COMAN - Financial Director

Mr. Ovidiu BATAGA - Marketing and Sales Director

Mrs. Delia RACOVEANU - International Market sales Manager

Mrs. Mihaela NITU - Financial Manager

We would like to make it clear that the teleconference is being recorded. A presentation on the preliminary situation for 2022 will run on the screen, but the sales colleagues will refer to the income, and the financial director will present the preliminary financial indicators for 2022.

To begin with, I give the floor to Mr. Ovidiu BATAGA

- Hello,

On this presentation that will start running, I will also make a few mentions of the material you received as a written text and I will also refer to the pharmaceutical market in Romania vis-a-vis the evolution from 2022 versus last year. We aimed to maintain the balances we started in the new development stage 2021-2030. We had a plan to sell in a balanced structure on the 3 divisions on which the platform has recently been resettled: the sterile division, the topical division and the oral solid forms division. We proposed to approach the market as it is also segmented by hospital and retail, the retail component along with the component of national chains and independent and regional pharmacies.

As an impact in the pharmaceutical market, we have maintained the positions gained in the last period, those of the quantitative leader on the pharmaceutical market in the ointment form with a quantitative market share of 20.6%, in suppositories and ovules of 36.1 %, and for injectable powders with a quantitative market share of 60.1%.

I would say that the pharmaceutical market in which we were present had a 2-digit growth rate and recovered after the post-pandemic period, both in the hospital and retail segments.

An impact that goes beyond our control was also related to the cost-volume contracts, which if in 2020-2021 represented about 10% of the pharmaceutical market, in 2022, when some innovative molecules entered the market, the share

of these structures represented 15%, so that the relevant market and the market of molecules in which our product portfolio is present had a growth rate of about 18%.

Antibiotice recorded a sell-out of 444.7 million lei, up 14.5% compared to 2021, and the plan we proposed was exceeded. We are on the trend that Antibiotice wants to achieve in a business plan and to double the sales figures. As a value share in the therapeutic classes, because we also analyze these aspects, we maintain the core business in the area of anti-infectives with over 50% - 53.2%, and recently we have also conceptually developed other portfolio components, on the relevant classes in the market pharmacy - the cardiovascular system, the dermatological preparations and the digestive tract, which together - all 4 represent over 85% of the pharmaceutical market.

We also have a portfolio that comes with a novelty. Concepts are developed according to certain portfolio categories, in the Derma+ range as we call them and in the Nutriensa range. You probably saw last year an Antibiotice commercial campaign on TV, and radio, where certain brands increase their notoriety from one year to the next. We want to be present with these products in the entire pharmaceutical market, including in the area of national chains where the competition is fierce.

We managed to develop the potential of the products over 136 million lei with a rate of about 20% over that obtained the previous year. The products of interest to us, I repeat once again, are those from the core business and we pay great attention to them; there are also the products that are promoted and there are also the commercial products. Some of them are brought from other sites, others are manufactured on the Antibiotice platform. I would mention a few, where there are relevant markets and where we will also develop international markets. My colleague Delia will also refer to this aspect. The products are: amoxiplus, ampiplus, colistin, the range of penicillin, oxacillin, moldamine. These are injectable products that are sold all over the world and they add value to the Antibiotice business.

Delia, would you develop a bit on the export....

Mrs. Delia RACOVEANU

- Yes, in the international area, the year 2022 witnessed a gradual return of the international markets to the consumption prior to the pandemic period, together with the lifting of the restrictions to the population on accessing hospitals. In this context, the international market monitoring company IQVIA, reported for the year 2022 an increase of approximately 5% in the value of the pharmaceutical market, compared to the previous year, a trend that is expected to be maintained in the next 4-5 years. On this trend, Antibiotice managed to exceed its planned objectives for 2022 and register a 14.4% increase in sales of

finished products, at a level of 108 million lei, approximately \$23.2 million, thus exceeding the pace of the market growth.

- The main revenues were recorded in the traditional markets for our company and here we refer to the United Kingdom, Canada, Vietnam, the United States, Denmark, Azerbaijan, Moldova and Iraq for the drugs in the class of injectable powders and in the anti-infective drugs, where we record a growth rate of approximately 20%, and 32% for the cardiovascular and also for dermatological preparations. The year 2022 is part of our long-term plan in the company's vision until 2030; the development of the sales area of finished products on international markets is based on 3 development axes:

- One of them is the consolidation of sales in the current territories on the portfolios we have in these countries;

- The second direction is to launch new products in the current territories. In 2022 we registered and launched new products in Moldova, Serbia, Iraq and Denmark;

- The third direction is that of accessing new territories and until 2030 we plan 19 more new territories to be approached through projects for the distribution of drugs under the Antibiotice brand, but also throughout licensing or contract-manufacturing projects. We estimate that all these projects will contribute approximately 40% of the turnover in the future, and last year, 2 of the projects in the new territories were achieved. It is about accessing the market in Saudi Arabia and South Africa.

Mrs. Paula COMAN

- Next, I will present the indicators of the preliminary financial results at the end of 2022. As our colleagues said, we focused our attention on the efficiency and sustainable development of the company. This focus on efficiency was based on a plan to maximize returns to achieve the balance between sales, production, expenses and the result of the activity. These yields are expressed by the gross margin, which represents the difference between the sales both from the production manufactured on the platform and from the products manufactured on other sites. From these revenues, the expenses for raw materials and products made on other sites are deducted, determining this gross margin that we sought to maximize in the sense that it was achieved in a percentage of 61.1% in 2021, budgeted at the level of 60.55% and achieved in 2022 based on the preliminary results of 65.22%.

The added value is another yield that we monitor in order to maximize; if we subtract from the gross margin the expenses for the external services, energy, gas and water expenses, the added value results, which at the level of 2021 was

184.5 million lei, that budgeted for the year 2022, it was at the level of 208.7 million lei, achieved at the level of 259 million lei.

Another monitored yield is the gross result which is achieved at the level of 41.9 million lei compared to 32.5 million lei budgeted and 30 million lei in the previous year.

Simultaneously with the achievement of the returns regarding the company's activity, we aimed for the whole year 2022 to reduce the exposure of Antibiotice in the banking system, in the sense that at the beginning of the year we had 76.4 million lei in operational credits, and at the end of the year the operational credit was at the level of 23 million. This balance led to a decrease in the degree of indebtedness.

If in 2021 the value was 32%, we had an estimate in the budget of 29%, we achieved 25%, which is what led to an improvement of the general liquidity at the level of 2.39 times, compared to 2 - the budget and 1 ,9 - in the previous year. From this balance, the receivables collection periods obtained at the level of 2022 were 175 days, compared to the budgeted level of 202 days and compared to the previous year to 240 days; the payment period for suppliers was 93 days, compared to the budgeted level of 95 days and the previous year's 86 days.

We believe these indicators show that have reached the objectives set out in the yield maximization plan and this will continue in the following years, so that we can maximize as much as we can, on each individual yield, in Antibiotice's activity.

Thank you!

Mrs. Mihaela OBREJA

- If you have questions, I don't know, now or in writing? Will you receive them later, what do you think? Are there any questions or not?
- Hello, my name is Turcas Florin.

I congratulate you for the good results you obtained; it can be seen on the graph of the stock exchange that it went very well, I would like you to comment plainly, without figures, each of you, how you felt the year 2022 was and how do you think the year 2023 will be. Will it be difficult? Will it be fine? Please give us absolutely general observations. How was your activity in relation with the clients, with the state and with suppliers? Please develop on this topic.

Mr. Ovidiu BATAGA

- Yes, I will start speaking about the operational component of the sale. It was not an easy year, you are probably well informed about what was happened around the world, that were closely related to this armed conflict, which is not

impossible to expand, and also to the delays in the circuits of supply, manufacturing and payment. These events had an impact around the world and also in Romania and we had to overcome these processes that got worse. However, we as a company and as a team can state that we managed to counteract and above all to prevent an unfavorable impact in terms of figures and on our structures by taking measures in due time, because, somehow, from experience, we can better anticipate when things take a less favorable turn. Fortunately for us, the market, i.e. the pharmaceutical market, had experienced an upward trend. There are industries that do not experience these growth rates or such a good international impact and Antibiotice tried to keep up with these trends and the figures speak for themselves, of course. Another argument for us is that we have a number of consolidated partners with whom we have been working together for many years and we are consolidating commercial relations, and this gives us courage to have ambitions and optimism in the future in achieving the intended indicators. But, to put it shortly, it is not very easy to do this and the pharmaceutical industry constantly demands special attention on a daily basis.

Mrs. Delia RACOVEANU

- The conflict near our country has impacted the international economic environment. We noticed the longer durations in the supply of raw materials, even of packaging. By long durations, we mean the doubling thereof, up to 3-6 months. There is also the increase in both the sea and air transport costs and the increase of the utility costs.
- All these factors required a permanent monitoring in the manufacturing structure, because a large share in the international sales are the auctions and the contracts concluded with government institutions that must be observed, so we had to balance our sales to create a dynamic in the main markets of the United States, the UK and Vietnam; we also had to be flexible in the pricing policy, because there is a lot of competition in these international auctions, there are a lot of competitors and we also noticed that in the long term, there could be delays generated by the international authorities in the area of the approval and the registration of our medicines in various countries; we call it market-access impact, because many countries have started to encourage through government programs the development of the local production of medicines and implicitly the increase of the competitiveness of those products. These countries are: Saudi Arabia, Vietnam, Azerbaijan and even Moldova. They strengthened the legislation regarding the harmonization of the product documentation to European or American standards. The political and military instability in Ukraine had a major impact and there was a postponing of projects. Ukraine was one of the countries in which we wanted to launch a number of 24

products, which we have registered. For now, this project is put on hold and we will analyze it step by step, depending on the evolution in the area.

Since 2019 we have consolidated a long term portfolio strategy of territoriality defining in which countries to go, with which products, so that we can reach our previously mentioned objectives, i.e. approximately 40% of the estimated turnover in the perspective of 2030 should be generated by new projects, which we started to implement from 2022.

Mrs. Paula COMAN

- As my colleagues said, the market was not really convenient in terms of sales, as we wanted, especially since at the beginning of the year we have experienced spectacular increases in the prices of energy, gas and water that impacted our production activity overwhelmingly. Also, the prices of the products based on glass, aluminum, and cardboard have increased. The increase was over 25%. As Mr. Ovidiu BATAGA said we managed to balance the increases of the raw materials prices through partnerships, that is, to discuss with our partners and make partnerships for longer periods so that we can be less impacted by an increase in prices year by year.
- I mentioned earlier the areas which were impacted mostly. All this has made us to analyze very carefully both the manufacturing structures and the structures of products purchased from other sites so that we can achieve our objectives.

The objectives made us analyze monthly or every two weeks, or whenever needed so that we could make the best decision at that time. This proved to us that in the case of a difficult market, if we are careful to all the aspects of our activity, (when I say everything I mean from the purchase, the quantity we purchase, the moment we make the purchase, the purchase price, the time of manufacture - when the gas price is optimal to manufacture, when the labor force is accessible to work, i.e. not to be very busy or relaxed in what they do) we can obtain the results you saw. But that does not mean that the activities in the year 2023 or the future will not show us that every time a disruptive factor appears, we should not take other measures compared to the ones we took in 2022.

Mrs. Mihaela Obreja

- Are there any other questions?

Mr. Florin Turcas

Thank you for the on-play answers! I believe these considerations to be more important than the figures themselves as the figures themselves vary and they are not always relevant.

I would like to ask two more questions:

Why does the crisis of antibiotic medicines happen in the winter, when people are looking for them? Why can't this issue be solved by making stocks? That would be my last question, thank you!

Mr. Ovidiu Bataga

- Yes, I will provide you here with some details.

For each winter season, a consumption is anticipated, as every year there is a trend, a history in which the consumption is generated by flu, colds and the winter seasons means from September until March not calendar wise but in a seasonal sense of the influenza, the consumption is estimated and each competitor in this market makes his own strategy. The medicines for such a consumption are provided by more players in such a market. There are 20 portfolios providing products that have to be available in every pharmacy, every day.

Portfolios meaning from throat lozenge to antiviral injections and a combination thereof.

There are international players in this market who do not set for Romania stocks in accordance with the consumption trend or pace of the moment. As an exception this year, there were increases in such viruses and the consumption of related medicines; the need for such medicines almost doubled for the pace that this virus infection had; somewhere in January-February the medical checks tripled compared to the similar situation in 2021 and 2022 and I think you have seen that in the media.

The impact of the Covid pandemic was reduced and then other viruses appeared which are related to pneumonia and bronchitis that impact the whole population, from infants to the elderly.

And this was noticed. As a result, the Ministry of Health tried to compensate for these deficiencies. We also have forecasts to take over certain product projects implicitly on the Romanian market, and also on the International market and we

will be able to compensate for some of these shortages. We did not have these medicines in our portfolio, they will be novel products. To summarize, the lack of medicines that you also noticed is due to the foreign manufacturers, who, I repeat, do not export their products in amounts that meet the need for the medicinal products consumption at the pace required by some countries and thus they choose at a given moment not to support the health systems of these countries and this was plain to see.

It was a lack of medicines across Europe not only across Romania. This was partially explained by the circuit delays that I previously mentioned. In order for the products to arrive from China and India, because the companies who supply the active substances necessary for the manufacture of these products come from these countries, the supply chains needed flexibility and this was no longer the case; therefore, delays occurred. These delays combined with a high increase rate in viruses led to shortages in the supply of medicines and the population was a bit impacted on this issue. We hope that the lessons will be learned and the next year there will be enough medicines in the pharmacies to help patients get treated on time in a beneficial way for each individual.

Mrs. Mihaela Obreja

- Are there any more questions?

Okay, if there are no more questions, we thank you for your participation and we are looking forward for the next conference when we will present the results for the First Quarter of 2023!

Have a good day!

Bye-bye!