

Presentation of Q1 2023 Financial Results

Mr. Liviu VATAVU

Hello and welcome to the teleconference for the presentation of the financial results for Q1 of 2023.

On behalf of Antibiotice, the following people will take part in today's teleconference:

Mrs. Stefania ALEXANDRU – Executive Director, Planning and Strategic Marketing Unit

Mr. Darius AGAFITEI – Executive Director, International Sales Unit

Mrs. Mihaela NITU – Manager, Financial Department

Liviu VATAVU – Executive Director, Legal Department and Corporate Governance Unit

It is worth stating that the teleconference is being recorded.

Today's meeting is part of our financial calendar that we sent to the capital market at the beginning of 2023. It is a meeting that is part of the VEKTOR project. Maybe someday we will have a face-to-face meeting with you, all interested investors, a meeting that will be more dynamic and more interactive.

Today's meeting will be online, and we will present and send to you this material with the first quarter financial results.

My wish and my request are that when you feel it is necessary, when you have questions feel free to ask. We answer any questions you have today, related to the financial results, of course.

Mr. Emil IONESCU

Ok, so the Q&A session will not be at the end, it's right during the presentation.

Mr. Liviu VATAVU

If you somehow feel the need for clarification, or if you want to ask specific questions, you can interrupt us at any time.

Mr. Emil IONESCU

I got that, thank you!

Mr. Liviu VATAVU

We are happy to answer your questions. I do the overview of our company, although I am sure that you as shareholders have this information. The shareholding structure is formed by the Ministry of Health, which, on behalf of the Romanian state, holds 53.02% of the shares.

The second largest shareholder, in terms of the number of shares held, is SIF Oltenia with 27.04%, a group of individual shareholders own 12.5% of the total shares, and another group consisting of legal entities, funds of pensions, privately managed funds and other legal entities, hold the rest of 7.44%.

We have been listed on the Stock Exchange for 26 years, during which the total value of the shares that were traded is over 600 million lei, and as of today, the stock market capitalization is 372 million lei.

An average price of our share is somewhere around 0.58 lei per share.

The financial results in the first quarter are an integral part of our business plan, which runs on a 2020-2024 stage with a forecast and projects for the period 2024-2030. In this 2020-2030 time frame we proposed, under the project "The Future Together - Viitorul impreuna", a

balanced capitalization of our production capacities, an increase in the degree of occupancy between 70% and 75-80 %, we proposed a physical market share in Romania from 5.2% to 6.5%, a turnover from 110 million euros to 250 million euros, a profitability from 10 million euros to 50 million euros.

Since we are talking about “The Future Together” project, we stand by our employees, we have proposed to increase the average net income per employee from 975 euros as of today to 2,100 euros, an increase in labor productivity from 84,000 euros to 230,000 euros. We want an integration in the value chain of the European pharmaceutical industry; we are part of the structure of the European pharmaceutical market and we want to stay there, we want to contribute to its development through the projects that the entire European Union proposes and which are discussed more and more frequently in the last period in public space.

We want an integration in the European effort to solve the problems of the health system and to participate in the European production of raw materials, a topic that has become a priority in recent years, after the pandemic period. Then the situation was plain to see: the export of certain activities in the area of China and India not only had favorable effects on the environment, it also had a negative effect on the workforce and on our independence in many ways. And Antibiotice aims to be active and join the European Union effort to relocate the production of active substances on its own territory.

Mr. Emil IONESCU

If I may, here is a question.... Your proposals are very bold and I'm glad, because that's how a listed company should be, but in order for profitability to increase so much, you rely, first of all, I suspect, on export, where there is no claw-back tax, right? How could profitability increase so much in 6 years...that is fivefold?

Mr. Liviu VATAVU

In the data that we will present next you will find detailed explanations of these plans. I have only presented a synthesis to a summary, but my colleagues will take over the discussion and they will provide answers to your very questions.

Mr. Emil IONESCU

Then I better ask questions at the end, after we see the presentation.

Mr. Liviu VATAVU

It might be better that way. I ask Stefania to take over the discussion and add more complete, more detailed information.

Mrs. Stefania ALEXANDRU

I'll start by answering your question:

To increase profitability for the next period until 2030 we really rely on the internationalization aspect, which is not impacted by the claw-back tax, but also on the assimilation of products with an average price higher than the one we capitalize on at the moment. We also have a plan to maximize returns by which we aim to reduce some expenditure chapters and we want the assimilation of over-the-counter products that are exempt from that claw-back tax, which at the moment stand for a substantial value.

Next, I will present the main achievements in the 1st quarter on the domestic market. To get to what we have in our presentation, I will explain a little about the market context.

The total market in the first quarter of 2023 was worth 7 billion lei with an increase compared to the previous year by 16.9%. Of this market, the prescription and over-the-counter generics

segment accounts for around 46%, respectively it is worth 3.3 billion and had a growth of 13.9% during the period under review. Of this segment of prescription and over-the-counter generics, prescription drugs represent somewhere around 40.9% with a value of 1.3 billion lei, that is an increase of 16.4%. During this period Antibiotice experienced a sell-out value at the exit from closed and open circuit pharmacies of 130 million lei, up by 21% compared to last year. In the prescription segment, where 85% of sales are on the domestic market, we have a value of 110.9 million lei, up by 22% compared to the previous period.

All these increases lead us to maintain our 4th place in the consumption of boxes in the segment of generic prescription and OTC drugs in Romania, with a market share of 5.8%; we are also the 4th place and value in the same segment. We are still the quantitative leader in indivisible units, in topical forms, ointments, suppositories and pessaries, but also injectable powders, on the segment of injectable anti-infectives. We are the quantitative leader for the first three months in the capsule pharmaceutical form and we are the value leader in the hospital segment. During the first quarter, a significant weight was still represented by the segment of anti-infectives, which during this first quarter also experienced an increase in the market demand that was significantly higher compared to the previous period.

The medicinal products in the portfolio of injectables, beta-lactam penicillin products and also oral anti-infectives had an increase and a higher demand compared to last year. The growth we registered was also determined by the sale of new products from the portfolio, assimilated across all three divisions.

Concerning the oral products there is Equilibra Plus, which is an extension of Equilibra, the current brand, Remiflu, which is part of the Cold and Flu concept; on the oral products segment we also have the Simbiflora range, which is also part of the oral products segment. Regarding the topical products, we launched a range of Tinero AZ dermatocosmetics and an extension to the current Clafen range, Clafen rapid, and in the sterile products segment, in the first quarter we launched injectable Vancomycin, in two forms of presentation.

In terms of sales through sales channels, Antibiotice experienced a value increase of 5.3% in the hospital segment, with a value of 34.9 million lei; in national chains it recorded an increase of 14.2% up to a value of 31.7 million lei, and on independent and mini-pharmacies we recorded an increase of 36%, that is 63.5 million lei. Next, I will ask my colleague from the international and business development department to present the evolution to you.

Mr. Emil IONESCU

If you'd be so kind, I need a clarification. By "chains", do you actually mean "warehouses"?

Mrs. Stefania ALEXANDRU

"National chains" means the pharmacy segment, that is sales to patients. And national chains represent the sales made by Catena, Dr. Max, Dona, Help.net, not distributed, but only by pharmacies.

Mrs. Stefania ALEXANDRU

Our database is CEGEDIM Romania, from which we purchase the sell-out sales reports in pharmacies.

Mr. Darius AGAFITEI

Hello! Here is some information about our activity and I will break it down for you.

During the first quarter on the international market we achieved revenues worth 64 million lei with an increase of approximately 50% compared to the similar period in 2022.

The growth was recorded in the main markets in which we operate: North America, where we have a 40% share, Europe with a 60% share of our sales, Asia-Pacific with a 15% share and the Middle East with a 5% share.

We started projects on these markets a few years ago and we are consolidating them and we also grow these markets. As part of our plans, including The Future Together project, these are the main markets where we want to operate.

Regarding the export of finished products, we achieved sales of 34.5 million lei with an increase of 45% compared to the previous period. The main increases are achieved on the market of the United States, on the market of Great Britain, in Denmark, Vietnam and Iraq. The sales in these countries represented an increase of approximately 39-40% compared to the previous period.

The increases were mainly determined by higher quantities delivered on the segment of anti-infective drugs, sterile powders, capsules and tablets, cardiovascular and anti-infective products, penicillins (Ampicillin, Flucloxacillin, Nafcillin and penicillin combinations (Ampicillin/Sulbactam Amoxicillin/ Clavulanate, Piperacillin/Tazobactam).

We are trying to reach our goal of 30-35% market share; now we are somewhere at 25%, in the countries where we capitalize these products.

Regarding the export of the range of active substances based upon biotechnologies derived from streptomycines noursei for pharmaceutical use, detailed in compacted nystatin, micronized nystatin and standard nystatin, we have consolidated sales in the markets where we operate. We are present in 70 countries with these active substances.

Mr. Emil IONESCU

Do you have competition here? Is Nystatin licensed? Can other companies produce it?

Mr. Darius AGAFITEI

We sure do have competition over these products. There are two strong competitors at global level, but through the projects and partnerships we have, thanks to the strategies we approach, we manage to consolidate the market and even to grow.

Mr. Liviu VATAVU

It is not an innovative product for which we would have an exclusive license, it is not a genetic product; it is an active substance which is difficult to manufacture; there is competition over it, but we are a manufacturing company.

Mr. Darius AGAFITEI

We have strong partners and they are present globally. If you have any more questions, we will gladly answer them.

Mr. Liviu VATAVU

Thank you, Darius. To summarize, we sell finished products and active substances on the international market.

Mr. Darius AGAFITEI

Concerning the finished products, we generally have injectable products but we want to develop all the pharmaceutical forms. We have areas, countries that we have targeted and selected based on well-defined criteria together with our partners, so that we can materialize the increases we have experienced in recent years and consolidate them in the years to come.

We sell 37-40% of the export in important states of the United States of America, which is our main market.

Mr. Liviu VATAVU

We participate in auctions, we win auctions, we sell our products in highly regulated, highly competitive countries, in the UK, for instance. In these countries the Antibiotice products are ranked first in some auctions but this is not true for all of them. We win important contracts and we have long-term projects. This is one of the pillars on which our projects, such as The Future Together are based, in order to have the growth that we forecast and anticipate that we will achieve. Thank you, Darius! Mihaela, you have the floor.

Mrs. Mihaela NITU

Hello again!

As a summary of what my colleagues presented in relation to sales in the domestic and international market, I would like to point out that for the total of the 1st quarter of 2023 at the company level, the sales revenues were recorded both on the domestic market and on the international market worth 178.7 million lei approximately 39% higher than the level recorded in the 1st quarter of 2022. The export value of finished products and Nystatin active substance is 64.8 million lei, higher by approximately 50% compared to the level recorded in the first quarter of 2022. All recorded revenues correlated with the level of expenses, led to a gross profit of 25.7 million lei, more than double the profit made in the similar period of the previous year. At the company level, a yield maximization plan is developed, which includes measures to be implemented, which are carefully evaluated, in order to adapt to the economic conditions, to achieve the objectives of yield maximization and sustainable business development. Within the plan to maximize the returns, economic indicators are followed, which are known in the specialized literature as intermediate management balances.

These indicators are the gross margin, the value added, the operating profit, the gross profit and the net profit.

- The gross margin renders the performance of the company's sales and production activity. Due to the measures implemented in the first quarter of 2023 to consolidate the sales both on the domestic market and on the international market, alongside the cost management measures, at the end of the first quarter of 2023, the gross margin recorded a value of 105.38 million lei, 13% higher in compared to the planned level and 18% higher compared to the value from the similar period of the previous year.
- The added value is another indicator that we constantly monitor and which expresses what the company adds to the economic circuit through its own activity. On 31.03.2023 the level of this indicator was 84.64 million lei, 34% higher compared to the planned value of 63.15 million lei and 11% higher compared to the level on 31.03.2022.
- The operating result characterizes the performance of the company's current activity; the value achieved on 31.03.2023 was 26.54 million lei, above the planned level of 13.03 million lei and above the level recorded on 31.03.2022.
- The gross result reflects the performance of the company's global activity; it registers a level of 25.76 million lei, above the planned level of 12.05 million lei and above the level recorded in the similar period of the previous year, of 11.4 million lei.

In the first quarter from the gross result we paid the profit tax and that led to a net result in the amount of 22.23 million lei, also above the level planned and above the level recorded in the similar period of the previous year.

As regards the patrimonial situation of the company, as of 31.03.2023, we have a total of immobilized assets of 38.16 million lei, over and above the level recorded at the beginning of

2023; the increase was due to both the investments made in tangible immobilizations, but especially to the investments made in intangible assets. Here it is very important to point out the fact that Antibiotice carries out research and development activity in projects for pharmaceutical products; the level of these intangible assets increased from 35 million to 38 million at the reference date.

Regarding the investments made in tangible immobilizations, I would like to emphasize the fact that in the first quarter investments were made both for the strategic development of the business and for the development of the business. In terms of strategic development, the most important investments are those for the equipment needed in the research-development activity.

We have grouped the investments for the business consolidation into several categories, as follows:

- Investments in information technology, telecommunications and the digitization of processes;
- Investments for the adaptation to the development trends of the industrial platform, of the utility supply and distribution infrastructures, the storage of raw materials and finished products, transport and connection to the national road system;
- Investments in the Integrated Management System (Quality, Environment, Sustainability, Health and Safety at Work, as well as
- Investments in the modernization of existing sites and equipment from the company's heritage.

In the analyzed period, in the structure of the current assets, there was a fairly significant increase in trade receivables by 65 million, these are in contractual terms.

In correspondence with the increase in trade receivables, there was an increase in debts by 22.5 million lei in trade debts as well as in debts owed to banking institutions.

Mr. Emil IONESCU

If you allow me and please excuse me for interrupting you... I saw somewhere in the balance sheet, regarding the receivables, there were uncollected receivables, which are no longer expected to be collected, in a fairly large amount, right?

Mrs. Mihaela NITU

All the receivables are in contractual collection terms, we do not have overdue receivables in the amount of 264,9mil lei.

Mr. Emil IONESCU

So, the entire value of the receivables is in the contractual terms....

Mr. Liviu VATAVU

But, Mihaela... The value of receivables has also increased because we experience higher sales.

Mrs. Mihaela NITU

Yes, that's what I was about to say. Practically, the amount of receivables of 264.9 million lei is higher than that of the previous year, but it is correlated with the level of sales achieved during this period.

Mr. Liviu VATAVU

If we have higher sales, we also have higher cash values. We do not sell products whose value can be collected immediately. With us, the payment terms are according to the medicine market, a few tens of days in the best case. And then, of course, with the increase in sales, the value that remains to be collected also increases. But all are in contractual terms.

Mr. Emil IONESCU

I understand, thank you!

Mrs. Mihaela NITU

From the structure of current liabilities, I would like to point out the liabilities from taxes and current charges, which have increased by the comparative amount since the beginning of the year and here we have the value added tax generated in the third month of the quarter, as sales led to the payment debt and we also have the value of the profit tax, which we paid for the first quarter of 2023.

As a synthesis of all the mentioned indicators, we calculated the indicators of the current liquidity, the degree of indebtedness, the days' sales outstanding ratio and the non-current fixed assets turnover ratio.

Regarding the current liquidity indicator, it reflects the company's ability to pay the current debts from the current assets. Compared to the similar period of the previous year, there is an improvement in this indicator, the degree of indebtedness is calculated as borrowed capital and in the borrowed capital we have bank debts related to the company's own capital. There is also an improvement of this indicator compared to the similar period.

Starting with the year 2021, the company repays the investment loan and hence there is a favorable impact on the level of this indicator. Also the fact that the short-term bank loans are smaller is a positive thing.

The days' sales outstanding ratio registers a level of 163 days, below the level recorded for the previous year. Here I would like to mention the fact that measures were taken to speed up the rate of collection of claims from the domestic market and these measures led to the improvement of the claims term of collection. The non-current fixed assets turnover ratio expresses the efficiency with which the assets are used in the current activity of the company. Also, this indicator, compared to the year 2022, registered an improvement.

Thank you! If you have any questions, please feel free to ask...

Mr. Liviu VATAVU

We have reached the end of the material; I thank all my colleagues and I thank you also. This is the material that we proposed to present today and we are ready for an open discussion with you. That's why I ask both participants to ask us the questions that they deem necessary.

Mr. Emil IONESCU

May I start? First of all, congratulations for the extraordinary result of the first quarter and for that of last year - it is the first time that I am here; related to this I want to ask you: can you keep going on with the same rate of growth that you have had in the first trimester of 2023?

Mrs. Stefania ALEXANDRU

We will have an increase compared to the last year but we don't think it will be as significant as the one from the first quarter, because this increase was also influenced by a higher increase in all the products in the anti-infective portfolio.

Mr. Liviu VATAVU

We have a budgeted increase, we have indicators that we will fulfill, we are convinced of this as we have done every year, the pace of the first quarter was slightly higher than planned, which we actually anticipated; we do not know if we will maintain the same overtaking, but we will definitely fall within the indicators we have proposed ourselves to achieve.

Mr. Emil IONESCU

I understand. And in the long term, related to those (indicators) up should achieve until 2030, you told me that you will get there mainly through export and that you will start to compete with BIOFARM and the companies who make products that are not subject to that tax...

Mrs. Stefania ALEXANDRU

We will also strengthen our core-business portfolio, i.e. the portfolio of anti-infective products. Yes, this is an important component that we will focus on in the future.

Mr. Liviu VATAVU

We didn't set out to compete with anyone, we set out to develop our product portfolio on each product structure, that is, the products with medical prescription, the over-the-counter products and the supplements we have in our portfolio.

There is an analysis made for the profitability of each sector in this portfolio, which my colleagues perform and they propose the development of each segment in our portfolio so that the growth is the same we present in our plans until 2030.

Mr. Emil IONESCU

I understand. Well, I wish to your company to be successful and let's hope that those figures will be achieved or at least partially if not completely. Your reports are quite clear and the presentation was quite clear and I, for one, have no further questions.

Mr. Liviu VATAVU

In order to increase the degree of trust, I want to remind you that we, at Antibiotice, have always worked based on medium and long-term plans; we had business plans initiated in 2000, 2010 and 2020 in which we reached our indicators. This is the reason why we are optimistic and we believe that these The Future Together projects until 2030 have a high degree of realism.

Mr. Emil IONESCU

Do you mean that in the first quarter the demand was higher because this is the flu season and that in the summer the demand for anti-infectives was lower and that the same rhythm will not be maintained? The strict quarter-to-quarter comparisons may reveal similar results - Q II 2023 compared to Q II 2022. There may be a similar increase.

Mrs. Stefania ALEXANDRU

There will be an increase in the second quarter compared to last year, but we do not expect it to be major regarding the anti-infective products segment, which mainly occurred in the first quarter.

Mr. Florin TURCAS

I also have a few questions. Tell me, please, how much of this increase is due to the inflation and how much of it is due to the increase in physical sales?

More precisely, if I take from your report that average monthly price/box - 1.36/1.14, this is the strict effect of inflation...

Mrs. Stefania ALEXANDRU

No, this is not an increase, so to speak. On the one hand, based on the inflation update, but it comes from a product sales structure, namely an increase in sales on products with an average capitalization price higher than the average price. On the other hand, we also have new products that we have assimilated into the portfolio, which in turn come with an average price higher than the previous average price and also, we are always rethinking the price policy at the product level and we are making updates on certain segments when appropriate. That is an update on the competition and the market.

Mr. Florin TURCAS

I understand. And then how much is due to the inflation and how much to the physical sales?

Mrs. Stefania ALEXANDRU

We would say that somewhere around 90% is due to the sales structure and not to the inflation.

Mr. Florin TURCAS

Perfect! The second question is: how did you take advantage of the war in Ukraine? How will you take advantage of it?

Mr. Liviu VATAVU

Could you be a bit more specific?

Mr. Florin TURCAS

Since there is a war in Ukraine, I am sure that there is a greater demand for antibiotics, various drug substances. The demand may be much higher, let's say, than during peacetime and perhaps the supply is more difficult to be achieved. Can you do anything more about it than during peacetime?

Mr. Liviu VATAVU

We have a representative office in Ukraine, we have partnerships...

Mr. Darius AGAFITEI

We have partnerships with one of the largest distributors in the area, we have done some work in Ukraine, we tried to help with the situation there...

Taking advantage is out of the question, we aim to help the medical system in Ukraine through the products we have registered. We have 15 products in our portfolio registered there, we hope that the situation there will calm down and we can continue the development of this

project that we started 2-3 years ago by registering the products. Now we have the APPs, we have done some works even in the first quarter, our teams are still there, we work with them and we try to carry out the activities in the current conditions.

Mr. Liviu VATAVU

We somehow combined the humanitarian side, we sent aid to Ukraine, to the commercial side. Regarding the commercial side, we have our partnerships and there is a prudential side to which our quality as traders binds us; because of this state of war there are also certain risks, including the risk of non-payment. We have contracts, insurance policies and all the receivables we have to collect from Ukraine are insured, and this is a factor that does not hinder us, but it makes us prudent related to doing business in Ukraine. We are trying to combine the humanitarian side with the commercial side and we have business plans for Ukraine. I don't know if I answered your question fully. If not, please let me know.

Mr. Florin TURCAS

Yes, that's fine, thank you very much.

Mr. Liviu VATAVU

Please, if there are other questions, other comments, we are eager to know the opinion of the investors.

If there are no more questions, comments, recommendations, we thank you for your interest and for your time today.

Mr. Emil IONESCU

We thank you and we congratulate you for the results and for the transparency that you have shown lately and we hope that you will continue with the extraordinary results, or as close to them as possible.

Mr. Liviu VATAVU

We want to achieve that and we are optimistic about it. The next meeting we hope that we will have the same positive things to say, the same results to report and that you will have the same approach. Once again, thank you very much! Have a great day! Goodbye!