

Presentation of financial results for Quarter 1 2021

Hello!

Now, when only a screen and the privilege of technology barely manage to replace your physical presence in this room, we would like to thank you for your interest in participating in this quarterly meeting organized by the Antibiotice's management.

My name is **Cerasela Moraru** and I am an Investor Relations Officer within Antibiotice.

In today's teleconference, on behalf of the company, I have the pleasure to welcome:

- ✓ Mrs. Paula Coman, Financial Executive Director;
- ✓ Mr. Ovidiu Bataga, Strategic Planning and Business Management Executive Director;
- ✓ Mr. Bogdan Nicolae, Human Resources Director;
- ✓ Mrs. Mihaela Nitu, Financial Manager; and
- ✓ Mrs. Mihaela Obreja, Risk Management and Investor Relations Manager.

In the opening of today's meeting, I will kindly ask my colleague, Mrs. Mihaela Obreja, to present a brief history of our company and its presence on the Romanian Capital Market.

Mrs. Mihaela Obreja:

The main stages in our company's evolution:

1955-1990 - the first manufacturer of penicillin in Romania and in South-Eastern Europe was founded;

1991-2000 - Antibiotice becomes a joint stock company. The company's shares are listed on the Bucharest Stock Exchange;

2001-2010 - Intense investment process in modernizing activities; The obtaining of the FDA authorization for Nystatin; The Antibiotice shares are included in the BET index.

2011-2015 - Intensification of international activity; World leader in the production of Nystatin; Opening of its own Clinical Studies Center.

2016-2020 -The company becomes a member of the Association for Investor Relations; It has invested in new manufacturing sites.

Antibiotice S.A. on the capital market

Antibiotice S.A. is listed in the Premium category of the main segment of the Bucharest Stock Exchange, under the ATB symbol.

Since the listing on the stock exchange on April 16, 1997, the stock market capitalization has increased 14 times, from 24 million lei, in 1997, to 336 million lei, in 2021.

The first transaction was made at a reference price of 0.3500 lei / share. The historical maximum was reached on July 10, 2007, with the price of 2.1700 lei / share, and the historical minimum of 0.0650 lei / share was registered on June 8, 2000.

In the shareholding structure, the majority participation is held by the Ministry of Health - 53.0173%, followed by the significant shareholder SIF Oltenia, with a holding of 23.0714% of the company's share capital.

A member of ARIR since 2019, Antibiotice S.A. obtained the maximum grade for two consecutive years, when evaluating the VEKTOR indicator - the indicator of communication with investors of companies listed on the Bucharest Stock Exchange and it obtained 3rd place in the Best

Company IR category - retail choice, granting a mark for communication, openness, transparency and quality of information.

Antibiotice, a responsible company

The involvement of Antibiotice SA in the community it is done by carrying out social responsibility programs, which are based upon four pillars: health, education, social and environment protection.

Antibiotice has developed social responsibility programs on improving the health of the employees and has set up a vaccination center against the SARS-VOC2 virus.

Our company has invested in the education of young people with science and soul by offering scholarships to children in rural areas.

Antibiotice carries out activities meant to protect the environment and it is constantly concerned with improving its environmental protection performance.

Socially, Antibiotice is involved in the community life, by supporting disadvantaged groups through social programs.

Next, Mr. Ovidiu Bataga - Strategic Planning and Business Management Executive Director will present to us the long-term perspectives of the company:

An important part of our activity is perspective-bound and we are always oriented towards having a solid construction plan, called Strategic Organization and Development Plan. It aims at a stage of 7 - 8 years; we try to guide the company towards an organic development and we have set a few goals:

- doubling the turnover;
- achieving a gross profit at a level of at least 10% of the turnover;
- the internationalization of the business, as we have managed lately to achieve, but our goal is to reach half of the total turnover;
- strengthening the position of world leader for the Nystatin active substance;
- an important strategy for us is to streamline activities through digitization and computerization. All the company's processes are involved in this project;
- in parallel, we will optimize in the same way the number of employees, with a structure adapted to the period, given the times we live in and the perspective of the coming years;
- and especially we would like to consolidate the added value of the company, starting from a level of 200 to 300 million lei, that is approximatively 60 million de euro.

According to estimates, at the level of the year 2025 we want to reach a turnover of 500 million lei; last year we achieved approximately 340 million lei.

We estimate the gross profit at the level of 46 million lei.

The added value of the company is also related to the claw-back tax that we, since 2011, we are obliged to report it to the Ministry of Health and to pay it.

At the level of the year 2025 the claw-back tax is estimated to amount 33 million lei. The grievance worth 70 million lei gross profit in the year 2028 will be built in stages, with annual milestones and we will consolidate the business in such a way as to reach it.

Certainly, we will not be able to achieve this plan and achieve these objectives, without a consolidation of the business on managerial measures. At the company level there are six executive positions and other support positions, grouped in the form of consolidation pillars.

They are not necessarily in an order as a ranking, they are all equally important. However, the strategic listing of Human Resources and the Strategic Adaptation of the product portfolio remain some consolidation vectors, on which the long-term business will be based. We will achieve these things, of course, with a continuous improvement of the integrated management system, strategically planning the business and managing the performance and progress in indicators and all this will be done under the umbrella of a Corporate Governance system.

At the level of Pillar 1 there are some consolidation strategies, there are probably measures beyond these words, but at the synthetic level, this is what the plan looks like. We will continuously adapt the human resource, once we modernize and refurbish the platform. We will not stand still, you know well that in the Pharma market, investments are a common denominator of resistance in this market. We will adapt our human resources as a result of digitalization and computerization.

We will try to increase the digital competence of each responsible person within the company and, in parallel not separately, we will adapt the organizational culture, because the human resource will adapt to the period, even to a post COVID evolution, so that the competencies will have to increase for performance and consolidation.

The product portfolio is the one that will give us the consistency of the business and the figures will actually be based on a number of new products, after the establishment of the growth potential of the current portfolio.

We have set ourselves important goals for this year as well; we want to develop certain brands through promotion, including through media promotion. We will develop the portfolio in several important directions, we will strengthen the therapeutic classes where we already run businesses and especially, we will internationalize the business, including where we have already opened offices and we will develop complementary markets to the Romanian market.

The product Nystatin active substance remains an important part of this gear and we will develop especially the United States market and we will strengthen the Asian part of this business.

As I said before, there is an integrated management system in which all the company's processes work synergistically. This system is primarily focused on the idea of quality, environment and occupational health and safety. There are mandatory regulatory conditions, but nevertheless, we will not last in time without consolidating them. We will continue to take care of the health of our employees; as my colleague said, we have developed a vaccination center on which we will further strengthen the way to control this pandemic and we will also solve the problems related to occupational safety and environmental policy in such a way as to show a concern for the community and for the employees at the same time.

At the level of strategy and performance indicators, there is a pillar that is to be consolidated. The strategic planning and performance management will have to set the stages for those previously mentioned goals to be achieved. And here we have an activity dedicated to this subject, which will aim to consolidate over time a process and an evaluation system that will lead to indicators.

Pillar 5 is related to the improvement of the Corporate Governance system, yes, which is related to the improvement of performance evaluation systems and a general framework in which all company processes operate, starting from the executive management and the selection of the Management Board members up to the codes that govern our activity, the Code of Ethics that every employee in the company observes and a code of good practices for the activities of any kind performed within the company.

Next, my colleague, Mrs. Paula Coman, Financial Executive Director, will present the indicators reported at the level of the first quarter, we report them under pillar 4, Strategic Planning and Performance Management.

Mrs. Paula Coman, Financial Executive Director:

As you have already heard, over the next 8 years, Antibiotice aims to become a stronger company, developed in three directions:

- well-trained employees each of them at the right place.
- products adapted to the growth rate of the market, both at the level of Romania as well as internationally, where we are recognized as a manufacturer of anti-infective products, of the Nystatin product and where we want to become important in the production of topical and dermatological products by putting into operation the site that we have been developing for 4 years. The pandemic has hold us off for a while, but in September we will have the authorization by the Romanian Regulatory Authority for this flow and then we will launch in production and automatically in the market. At the same time, we are preparing with clinical trials, which are necessary for the sale of these topical products in the international market, so that we have a good consolidation of sales in the following 8 years.
- in addition to investing in products and people, we invest in research, both in terms of product development and brands, while also investing in the professional development of our research colleagues and in the development of laboratories that support these activities. At the same time, we will implement digitization, in the sense that we want a correlation of all flows, in a single database, so that reporting is easy and easy to make decisions in the company's operational flows.

Starting from all this, the financial indicators, you have probably already seen them, because I reported them; the turnover at the level of the first quarter is 68 million lei, with a gross profit of 4,3 million lei, an expense on the claw-back fee of 6.7 million lei, an EBITDA worth 10.9 million lei.

The financial balances of the company are reached by the net accounting assets at the level of 573 million lei - planned and 581.3 million lei - achieved. The current liquidity, the current assets / the current liabilities, is 2.05, the degree of indebtedness is 28.38%, the turnover rate of receivables is 288 days and the fixed assets turnover is 0.14.

In addition to these economic indicators, at the level of the first quarter, we have a market share of 13.2% from the relevant market, the internationalization represents 50% of the turnover and we were close to our community through the vaccination center so that by the end of March, in the vaccination center we have organized an immunization with 8000 de doses. Thank you for your attention!

Mrs. Cerasela Moraru:

On today's agenda, we have a Q&A session and if you have any questions you want to ask the company's management, please do so.

Mr. Lucian Popa, SIF BANAT CRISANA

The questions I will ask will be from the shareholders' viewpoint.

We appreciate your medium/long term strategic plan (5-8 years) in which I noticed the increase of the turnover, more specifically, its doubling, in terms of estimates or company plans, which is to be appreciated. But the first quarter of both 2020 and 2021 shows a decrease of the turnover and, if on export the things seem to be going well, domestically one cannot speak about a decrease but of a drop, because compared to the first quarter of last year you have sales 36% lower, which is very little. Would you be so kind as to tell me what is happening on the domestic market, or what is the cause for this: the portfolio or the promotion?

Mr. Ovidiu Bataga - Strategic Planning and Business Management Executive Director

Yes, the corrections in the numbers that you see in the indicators are closely related to the evolution of the pharmaceutical market in Romania which is rebalanced after this pandemic context, as our company sales medicines to hospitals with a major share in our turnover. The sales to hospitals have been severely affected since April, or even since last year; these corrections continue even today in the sense that this number of hospital admissions at the level of hospitals as well as the actual consumption of products in physical units and in values, has been consistently reduced. Only the patients who were related in this way or another to this pandemic and to the treatments related to COVID passed the supreme test of hospitalizations. Our company has a general-purpose portfolio, we are on the range of anti-infectives with broad spectrum antibiotic products, which is less complete in terms of treating the COVID and these viral infections. As a result, these two consistent factors led to declining sales.

It was not necessarily a lack of promotion or a lack of products in the portfolio, but in this context, with what we had to offer to the market, we somehow corrected the sales figure in hospitals with 30%. Overall, the international component and the retail component experienced an increase, they were relatively constant but also on a growth trend, with a growth rate; overall this plan level was not reached in 2020 at the level of the first quarter, but our orientation is to correct this approach and we are always looking for solutions to succeed in growing. We hope that by the end of the year, the return to normalcy that you see in the press, in the government strategy, and we are caught in it, we want it; this return to normalcy is supposed to bring the sales to a level previously obtained in 2019.

However, the market is settling down, we can see it, we feel the change, we are in permanent discussions with our partners, both domestically and internationally and we understand that a consumption at the level of previous years will no longer be possible. That is why a major long-term strategy is to complete the portfolio. We have to reorient ourselves; we have to complete with new ideas, products that are on demand and which are on a growth potential. It will probably take some time, to authorize a medicinal product; this it is not easy to do, it takes

several years, but starting this year there will be changes in our teams, in order for the strategy to be consolidated.

Mr. Lucian Popa, SIF BANAT CRISANA

I understand, the market, in general, has not decreased so much, we monitor the other pharmaceutical companies too; this is probably related to the hospital market and the hospital consumption.

Mr. Ovidiu Bataga, Strategic Planning and Business Management Executive Director

In 2020 compared to 2019, the total market experienced an increase of 1.3%. There is probably a component of innovative products and the generic market. We rank four in the generic medicines market. We maintain an important market share, somewhere at 13.2% in the relevant market. It is possible that access to new treatments, to new therapies may have produced changes in the market, in the sense that the change in the market is actually made for a smaller number of innovative products that are aimed at viral treatments, hepatitis and diseases such as cancer and others of the same kind, which we do not have in our portfolio. We also follow these aspects. We analyzed the RX and nonRX structure component, over-the-counter medicines and nonprescription medicines. The OTC medicines part was strongly impacted last year because patients no longer accessed the pharmacy as they once did and the RX component clearly experiences a negative correction because of the hospital component, the prescription medicines within the hospital. We will see this year, in Q1 the market returned a little, but not at the level of the previous year, we somehow exceeded the market trend, we got from the 21st place to the 18th place, so it is a good sign for us. We will continue to monitor this situation, we must correct the negative turnover trend.

Mr. Lucian Popa, SIF BANAT CRISANA

I noticed in the paper that a good part is the sale of goods - 21 million lei. What goods are we talking about?

Mrs. Paula Coman, Financial Executive Director

It is about the Antibiotice products, Antibiotice brand products, with Antibiotice MA, that Antibiotice produces on other manufacturing sites in Europe, in China and in South-East Asia. The moment we joined the European Union, we have aligned ourselves with the conditions of good European practice, which have forbidden us to manufacture products from several therapeutic classes with a potential impact on people's health on the same manufacturing flow. Please allow me to explain: if on one flow we manufactured penicillin products (ampicillin, ampicillin amoxi with clavulanate) and cephalosporin products - Cefort, for instance, we had to outsource the market of Cefort, because the European rule of good practice did not allow us to overlap the two classes of medicines on the same flow.

This is the reason why we have products manufactured in Denmark, Italy or in South-East Asia.

Mr. Lucian Popa, SIF BANAT CRISANA

And where you sell them? On the export or in the domestic market?

Mrs. Paula Coman, Financial Executive Director

They are sold in Romania for the most part. They are in the hospital market in Romania, but the difference is the manufacturing process, for which, normally, according to the rule of good

practice, we had to have a dedicated flow. It would have been almost impossible to manufacture three more flows in a few years' time.

Mr. Lucian Popa, SIF BANAT CRISANA

Can you not have them manufactured in Romania? Aren't the costs lower for their manufacture in Romania? I mean to outsource the manufacturing to other domestic companies.

Mrs. Paula Coman, Financial Executive Director

Our company is the only company in Romania to manufacture this type of products.

Mr. Lucian Popa, SIF BANAT CRISANA

Thank you!

Mr. Ovidiu Bataga, Strategic Planning and Business Management Executive Director

In Romania no other company has any manufacturing flow for sterile products packaged in vials in order to be able to help us with this approach.

Mr. Lucian Popa, SIF BANAT CRISANA

I have one more question concerning the working capital. I can notice you have a high bank debt - 165 million lei - which, for a pharmaceutical company is a little too much, if we compare it to other companies, I mean. Under these conditions, the debt rotation is at 288 days and the inventories on a decline in turnover rose during the first quarter. What measures do you take or have you taken to optimize both stocks and receivables? A better management would be reflected in lower credit and lower credit costs.

Mrs. Paula Coman, Financial Executive Director

Yes, concerning the receivable we have modified the commercial contracts with our domestic partners in the sense that we have contractually reduced the collection period by 30 days. In terms of sales, we are in a continuous connection with our partners, because at the end of the year there is a fund of products for them of a certain level, respectively of 5 months of stocks, and at this moment, on March 31, we are in a position to tell you that we have 3.7 months of stock, so we improve this indicator.

In terms of credits, it is an investment loan worth 15 million euros in total mass of loans, which was used for the commissioning of the investment for topical products; as I previously mentioned, it amounts to 75 million lei from the credit. It is an investment loan with repayment in the following 10 years.

Mr. Lucian Popa, SIF BANAT CRISANA

Okay, but you have 100 million on a short term, which... This is the working capital.

Mrs. Paula Coman, Financial Executive Director

We have 100 millions amount of credits, but 85 million were accessed at the end of March and in the future we aim for the indicator to decrease by 20 million by the end of the year.

Mr. Lucian Popa, SIF BANAT CRISANA

My idea was that there was room for optimization to reduce this financial pressure on the company and improve the numbers globally; after all, we, the shareholders, are interested in the value that you create; from this perspective, we are not only interested in the employees, the state, the banks and so on, but also in the shareholders.

Mrs. Paula Coman, Financial Executive Director

This is the very reason why I was telling you that by the end of the year we are looking for a reduction in exposure in the operating credits, so that to decrease the interest paid to the banks, in favor of the shareholder, of course.

Mr. Lucian Popa, SIF BANAT CRISANA

Yes, in the end, we are interested in the results, and I noticed that you have three pillars in the strategic plan: the staff, the products and the research. I believe that the promotion pillar would also be necessary for Antibiotice. I can feel or I can see that in terms of promotion, Antibiotice has a bit of lag compared to its competitors and from here... an increased growth of the turnover is not achievable without promotion on the Pharma market which is highly competitive.

Mr. Ovidiu Bataga, Strategic Planning and Business Management Executive Director

This is true. You are right, we have an umbrella brand under which we work on this chapter you talked about, we have the umbrella brand called Nutriensa. It covers a range of dietary supplements that we sell to the market. I don't know whether you saw it on TV, our company had a media campaign in December, we continued it during March and April on a product called Fluxiv. We have it as a product in the OTC range, both in the cream and tablet form. This product is intended for the vascular system component. We will continue this approach; we plan to have three media campaigns this year. We did not manage to do this during the past three years, but this year we will change this strategy. We figured out that in order to develop brands in Romania, as long as our competition uses consistent TV advertising and other promotion policies, we need to have a similar approach to develop our business organically and consistently. But this year you will see this change; again, we already have the product on Q4 and Q1. We will continue, we plan to have two products in a media campaign in Q4. We already have a promotion team (about 51 medical representatives) structured by therapeutic classes of interest. We had to resume the face-to-face meetings with personalities in the medical field. It did not happen last year; we need to resume things strategically to consolidate our business. You are right, it's in our work plan on the table, and we'll continue to work on it.

Mr. Lucian Popa, SIF BANAT CRISANA

Thank you, I have no more questions.

Mrs. Cerasela Moraru

Mr. Crisan Marius, who fails to get in touch with us, asks us a question: "How comes that a pharmaceutical products company such as Biofarm SA manages, with only a quarter of Antibiotice's number of employees, to achieve a profit four times higher than Antibiotice's profit?"

Mr. Ovidiu Bataga - Strategic Planning and Business Management Executive Director

Yes, I would try to answer to the first part of your question because I am in charge of the sales activities. Biofarm has 100% of the portfolio oriented towards the OTC, this a nonprescription area. Also, this company is a no claw-back tax payer. If we were to look to our case, to what it means to have net profit plus the claw-back tax, we would not have figures four times higher, but in terms of an absolute figure, we would overcome this profit value. In the product portfolio this company does not have the products that are impacted by this very high tax level, which rose to even 25% during the past years; this is an argument that manages to rise this added value even higher. There is also a question there that needs answering: "In which market do we rank 18th?"

We rank 18th on the whole Romanian pharmaceutical market. We have a market share of 1.85%. We ranked 21st last year. During Q1 we managed to climb three positions given that we also managed to better cover the market. It is possible that some important top players may have had some problems. But it is honorable for us, because we would like to strengthen this position; we are actually competing with Pfizer, with GlaxoSmithKline, with companies that have gone global for a very long time.

Mrs. Paula Coman, Financial Executive Director

I would like to add a few things to the information regarding Biofarm. In terms of turnover, they sell OTC products and dietary supplements, the capitalization prices are free in the market, while Antibiotice has in the structure of its portfolio 85% prescription products, with regulated prices and very strict rules. The prices in the market of prescription products are approved by the Ministry of Health. In our evolution, from 2016 onwards, there have been significant changes in the sense that, in 2016, a Ministerial Order forced us to cut prices by 40-50% because the price approval rule had changed. Besides this, there are actually eight pharmaceutical factories within Antibiotice, of which the Nystatin manufacturing flow has a significant impact in terms of the number of employees involved in its manufacturing. This is a biosynthesis manufacturing process which takes the product from a microorganism to a substance with effects in the antifungal area; in the manufacturing process there is a need for specialized employees, chemical engineers, operators, biologists, as well as enough employees trained in the area of utilities, because there is a need on the manufacturing flow for an air of a certain quality, for steam, for demineralized water, for cold, for a certain temperature, for gas for atomization. So almost ten forms of utilities are used in the manufacturing process and we produce them all on our platform, so that the processes are not similar to those at Biofarm.

Mrs. Moraru Cerasela

If you have no more questions, we thank you kindly for participating in this meeting and we wish you to have a nice day.

Mr. Lucian Popa, SIF BANAT CRISANA

Thank you and I wish you good luck!