

## ***Transcript Q3 2022***

- Hello, I am Liviu VATAVU, the Corporate Governance Director of Antibiotice. We are here with the investors attending physically and on-line our quarterly meeting. I see Mr. Florin Turcas, Mr. Lucian Popa, Mr. Claudiu Demian. Hello, everyone!
- Hello!

### ***Liviu VATAVU***

- On behalf of Antibiotice, the following will participate in this meeting: Mrs. Paula Coman, Financial Director; Mr. Ovidiu Bataga, Marketing & Domestic Sales Director; Mr. Darius Agafitei, Export & Business Development Director; Mrs. Delia Racoveanu - Export Manager, Mr. Sebastian Costea, Investments & Strategic Projects Manager; Mrs. Mihaela Murariu, Human Resources Director and our colleagues who provide support for this meeting. Would you like to tell us anything before starting? Do we have your consent to record this discussion?

### ***Florin Turcas, Lucian Popa, Claudiu Demian***

- Yes, yes, yes for sure!

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### ***Liviu VATAVU***

- Thank you very much! We will start to present our report. To begin with, I would like to ask Mrs. Murariu, our Human Resources Director to present her part of the report.

### ***Mihaela MURARIU***

- Thanks a lot! In the human resources area, our main priority is the strategic adaptation of human resources, with two missions:
  1. to implement a modern human resources management;
  2. to modernize our organizational culture.

Currently, we have over 1,300 employees, practically 3 generations, covering a diversity of professions, the chemical engineers, physical chemists, economists, pharmacists, biologists having the largest share.

In order to realize this modern human resource management, our objective is to orient our employees towards knowledge and performance under the Academia a+, a concept initiated this year on the two components:

- Technical College A+;
- Business School.

We aim to complete activities that will offer future specialists the opportunity to develop their skills and assimilate useful knowledge for a career in the pharmaceutical industry.

In practice, these activities within the Academia a+ are intended at establishing new partnerships with the academic environment, conducting selection and qualification programs at the workplace, as well as conducting induction, integration and professional career management programs.

We aim to complete activities that will offer future specialists the opportunity to develop their skills and assimilate useful knowledge for a career in the pharmaceutical industry.

As an indicator that confirms to us what it means to invest in orientation towards knowledge and performance for employees it is the average number of hours of professional training, which was basically planned for the January-September period at an average number of 25 hours of professional training. Our target was more than exceeded, reaching an average of 30.36 hours.

Another indicator that shows us the focus on all these activities related to the staff structure refers to the degree of staff retention; this was achieved at a percentage level of 96%.

The organizational culture part is oriented towards innovation, towards performance, the satisfaction of all stakeholders; practically here we work on the application and implementation of organizational climate studies and depending on these statistics results, we work on action plans so that we can optimize, year after year and succeed in modernizing the organizational culture.

Thank you!

### ***Liviu VATAVU***

- Thank you, Mihaela!

Are there any questions from you for this part of the presentation? Or maybe you want to address the questions cumulatively at the end?

We would like this meeting to be interactive; if you have questions during the presentation, feel free to ask them; now I would like Ovidiu Bataga to introduce us.

- Hello, everyone!

Another important pillar for our consolidation structure and for the future business plan that we are actually developing starting with the year 2022 is related to the permanent adaptation of the product portfolio. Nothing can be achieved in terms of performance if we do not have a portfolio adapted to the market and if it is not balanced between a domestic market structure and an international market structure. It is also stated in the presentation and we always communicate about a series of concepts under which we group this portfolio. The portfolio, first of all, is distinguished from the viewpoint of the type of prescription in OTC products and RX type medical prescription products.

The OTC products have a chance to be made known to the general public as well, in a much more diverse and varied way via a range of tools. We tried to group them under one name so that this communication would be easier for us and the general public. We very much insist on a consolidation of the portfolio of the Nutriensa umbrella brands; here we include all food supplements in the sales structure and we also want to develop the portion of the core business that is in the concept from a+. We are national leaders in the manufacture of ointments and suppositories and we want to develop a new portfolio of data based on this concept, in the immediate future.

We also have a rich portfolio of medicines for women's health, which is very clearly defined at the market level. Family health and Quality Life are projects for the future, together with cold and flu project related medicines, representing a very well-established portfolio at the market level, not only in Romania.

Regarding the portfolio with medical prescription medicines in our sales component, the grouping by classes is also in order of priorities and structure weights. The systemic use products are representative for us, covering this range somewhere at 40% of the sale. We also manufacture medicines that are dermatological preparations and we are the market leader. We also have projects for the digestive tract and metabolism, cardiovascular system, musculoskeletal system medicines and for several other classes totaling 12 classes addressed in such portfolios.

In addition to the product component for human medication, we are also active in the business component of the Nystatin active substance. It comes in several dosage forms: standard Nystatin, micronized Nystatin and feed-grade Nystatin. It is an active substance for which Antibiotice has long been recognized as a world leader. We hold about 50% of the market share of this market and it is a project through which the finished products extract a lot of value on the world market level. In addition, starting this year, we tried to outline other business components.

Recently, we have been focusing on products of the biofertilizer type. It is a range of portfolio prepared for the ecological agriculture, which is still trending in the whole European Union. Veterinary products have been our concern lately and we want to complete the portfolio with forecasted sales for the next 2 years and the biocidal products that we had prepared since the pandemic and which are now trying to consolidate the market both in hospitals and in large retail. Also, we try to bring in new molecule projects, both through our own research capacity and through the business development capacity.

We are trying to get the things balanced here. There are 28 projects undergoing the research stage and 24 products that we are trying to bring from other sites. They strengthen our manufacturing and sales structure; we have permanently talked about our orientation towards a balanced structure on the 3 divisions that exist within Antibiotice Iasi.

In the sterile division, there are 3 ongoing projects, in the topical division there are 17 projects, in the oral division, where there are capsules and tablets - 8 projects, and in the in-licensing area where the business development activity is oriented towards core anti-infective businesses - 10 projects, cardiovascular - 8 projects, musculoskeletal - 2 projects, respiratory system, alimentary tract and metabolism and central nervous system, 2 each, or 1 product. There is a permanent evolution in the portfolio. We constantly look at the market and see what opportunities occur and we try to make them work as quickly as possible. None of this could be achieved if an Integrated management system did not work very well within Antibiotice. Here we aim for the Antibiotice business to be continuous, to be sustainable and to have rigorous yields.

The sustainability component is followed in 6 chapters:

- Regarding the quality of the products, we offer the market quality products, there is no doubt about it.

- We have a responsibility towards the environment through CSR projects and the care towards the community;
- We look at the quality of the environmental factors in order not to disturb in any way the nature surrounding our company from the viewpoint of the community, the environment and health and safety at work component;
- We also manage waste - it is a very fashionable component, I would say, in collecting waste and making it profitable in a very economical way;
- With regard to the core business component, we communicate as a friendly and responsible brand through a preventive campaign; you will see it this week when we celebrate the anniversary of the “Global Antibiotic Consumption Prevention Week”, that we will have several actions intended for the general public and we try to prevent the chaotic consumption of antibiotics. This is because we need antibiotics to treat diseases and by no means to be taken without the prior recommendation of a physician.

We follow performance indicators for the Antibiotice business in such a way as to consolidate the business in the long term, not only to enjoy the results today, but also to have a time horizon in which to consolidate these results. Some consolidations that we managed to exploit successfully this year are mentioned in the presentation:

- we rank 1<sup>st</sup> in the relevant market of the molecules we have in our portfolio with a market share of 13%;
- as I said before, we are the quantitative leader in the form representative for us, as a portfolio, of ointments and suppositories, ovules, as well as injectable medicines (one vial out of 3 is sold from the Antibiotice portfolio on the Romanian market),
- we are also a leading company in the segment of generics with prescription and OTCs sold in hospitals, with a similar market share, somewhere around 13.4%,
- and in terms of generics with prescription and OTCs, we rank 4<sup>th</sup> with a share of 5.2%.

The superior returns on the sales segments are also presented: on the hospital segment - 27% compared to last year, on pharmaceutical chains - 7.2% and on the other retail type - independent pharmacies and mini-chains 18%; we are somehow consolidating our presence in the 8000 pharmacies and more than 500 hospitals at the level of the Romanian market.

We also use the price as a strategic tool and some references are presented that one can also find in the Directors' Report; we compare ourselves with the market, but more with the molecules that we exploit successfully. There are also connotations regarding the price system in Romania, which refers the innovator to a maximum of 65% for a generic medicine. One can also see from this evolution that we tried to maximize these references and consolidate from one year to the next a much more efficient structure in terms of price and value presence in the market. Year after year, we hope that this indicator will be more oriented towards the pharmaceutical market, but also with a structure that we can value better.

Regarding the performance of Antibiotice on the international market, a very important increase was achieved this year, both in the finished product component, where the increase was 37% and also in that of active substances. As I said, Nystatin represents us at

the world leader level, on the world market, with an increase of 66%, in total, a cumulative export with an increase of over 51%, up to the value of 141.7 million lei.

The traditional markets, where we have been selling for a very long time, have provided us with a positive feed-back to this sales structure: Vietnam is the second country after Romania, in the Antibiotice business component; also the expansion in new territories, for instance in the Great Britain, where we are successful in national auctions by area and Saudi Arabia, a new territorial component, where some products from previous years were registered.

Are there any questions?

- Thank you, Ovidiu! Ovidiu is ready to answer your questions, he wants to have a discussion on these presented topics. Ovidiu, Delia, Darius, if you have questions about the sales area, please ask them.
- I'm Florin Turcas. I want to ask you if you have antivirals. Do you manufacture antiviral medicines or not?

***Ovidiu BATAGA***

- No. We have eight manufacturing flows, but unfortunately for us none of them are set to manufacture antivirals!

***Florin TURCAS***

- There would be a demand for antiviral medicines. Why don't you insist on developing these products?

***Ovidiu BATAGA***

- Yes, this subject is undergoing analysis. We also know about the shortages in the market on pharmaceutical suspensions and on the antibiotic medicines for children, we are now analyzing this portfolio development. We hope to be able to bring them from other sites, even if we internally do not have a flow prepared for this. What we are doing these days is to try to recover some of the gap that the market seems to experience during this period.

***Florin TURCAS***

- I understand. I have one more topic:  
Both on the Bloomberg terminal and on investing.com, under R&D (Research & Development) you are granted a "0". I don't know how you report this or why you are granted a "0" because it is clear that you have research - development concerns, but these concerns should somehow be communicated to the public. Likewise, regarding the ESG score on Bloomberg, there are topics like "you don't protect children" or "you don't care about the public's response". You should send the information to the market.

### ***Ovidiu BATAGA***

- We have a Sustainability Report. This is public information. It is also displayed on our website; we were also qualified at the country level in the top 10 for this way of reporting. Yes, we will analyze what you said. We are sure that things can get better and that probably certain chapters need to be improved, but in the sustainability communication, which means non-financial reporting that is not about numbers, but about the projects that we run, we state that we communicate with the market about these topics, but we will improve them. We probably need to improve the communication.

### ***Paula COMAN***

- I am Paula Coman. You should know that in the above-mentioned report there is a chapter about research and development, about the projects that we develop internally, in-house and the team of 100 fellow pharmacists, chemical engineers, PhDs and PhD students who participate in the creation of generic products, but this is true for our portfolio development.

### ***Florin TURCAS***

- Maybe you don't report this accounting information as research and development, or maybe you should contact them and explain to them that you have this concern. It is clear that you do have this concern, but this must not remain unknown to investors. I will email you their report and it is almost wrong. Thank you!

### ***Liviu VATAVU***

- If there are no more questions for Ovidiu...

### ***Lucian POPA***

- I also have a few questions. I am Lucian POPA from SIF Banat-Crisana. Speaking of the international market, I have noticed important increases recently, please elaborate a bit on the prospects. Where do you think the best prospects are? Are they on the growth of established products that you have? Do you also have new products that you are thinking of introducing? Which markets are more attractive, with better potential?

### ***Liviu VATAVU***

- Delia RACOVEANU, our export manager, will answer your questions.

### ***Delia RACOVEANU***

- Hello!

During the first 9 months, the growth of finished products, medicinal products, at the level of the international market, was organic. We report increases in the medicines from the sterile division in particular, that is injectable anti-infective drugs, for which we are recognized worldwide, on reference markets such as the United States, the UK, Vietnam, but also as a result of the increases in the unit prices for capitalization through the negotiation of previously concluded contracts. In July, as my colleague also stated, we accessed a new market with a very high potential for future development and also the markets in Albania and Malta; certainly, these are smaller markets but with a good potential especially on products from the anti-infective and dermatology portfolio. In the current markets, where Antibiotice wants to develop and strengthen its presence in the future, we note several projects that were started in 2019 and the implementation of which will begin in 2023. And here, the main project relates to the Scandinavian countries and it involves 4 countries, namely Denmark, Norway, Finland and Sweden in which we forecast a development horizon of 5 years with a portfolio of 12 anti-infective, cardiovascular and dermatology products. Another project is to access European markets, which are highly regulated markets both in terms of legislation and product and price policy. Here we nominate Poland, Germany, France and Italy. These are markets that we will gradually access as of mid-next year. In Asia, where our presence has been consolidated for at least 10 years in Vietnam, we reach market shares of over 40% for the main anti-infective products and we are working with the authorities of that country to access the market in the Philippines for the acceptance of two products. So, we estimate that from next year we will be present on a new market in Asia.

#### ***Lucian POPA***

- Okay, thank you! I have another question related to the new ointments and suppositories plant. Can you estimate what value it can bring to the turnover in the coming years?

#### ***Ovidiu BATAGA***

- Yes, of course, we have a business plan that is guided by this investment from the moment of the conception until its implementation. The plant aims to manufacture 350 tons. We try to exploit in a balanced way all the international market component as well as the domestic market component. The maximum value that we can assume for this project is somewhere around 200 million lei, from the billion that we announced to the market as a business component for the year 2030. We are currently working on the technological transfer of the portfolio from the old plant to the new plant and we are also working to enhance the product projects to reach the international territories and to exploit successfully the price and value component of each one there. We are working on it; we will communicate on this topic permanently.

#### ***Liviu VATAVU***

- Thank you, Ovidiu. Were your questions answered? Are you okay with that?

**Lucian POPA**

- Yes, I would have one more question related to the product distribution, if I may. This year there are additional financing risks. You managed to reduce the balance of the bank debt, which is very good. My question is this: do you foresee increased risks related to distributors, because you work with them and this translates into large amounts of money and during the first semester the customer-related provisions translated into large amounts of money? What would be the risks of these provisions becoming irreversible, if any?

**Ovidiu BATAGA**

- Yes, during the current year we applied a prudent policy. We are in a permanent collaboration with the partners that have become traditional for the Antibiotice business; we work with the largest partners in Romania in the distribution field - some have national chains; I think you are referring to the current change that is taking place in the market through the integration of the Gedeon Richter and PharmaFarm chain into a national partner.
- Fortunately for us, this year we managed to greatly minimize our exposure to these distributors. We are not dependent on absolutely any of them, it is a balanced situation; we managed to collect even better from the market, contrary to the trends, I would say, at the general level of the pharma market and we will continue to strengthen this aspect. Regarding the provisions you mentioned, our policy will continue to be strengthened, but they are not reflected as risks in the receipts. We also have insurance policies and guarantees for the entire balance that we expose in the pharmaceutical market both nationally and internationally. We never work uncovered. Our policy will also be strengthened from this view point; I would say and perhaps I may sound unreasonable, that the degree of risk of non-payment is close to zero.

**Lucian POPA**

- Thank you, I hope it will be so!

**Ovidiu BATAGA**

- Yes, we are aware of what we are doing and our policy is in line with what I said earlier. It has worked for us so far; we hope to further the consolidation process.

**Lucian POPA**

-Okay, thank you!

**Liviu VATAVU**

- Thank you, Ovidiu!

**Florin Turcas**

- I have a question: You mentioned at some point the “products made on other manufacturing sites”. What does that mean because the amount is quite large, in the Report on page 18?



***Ovidiu BATAGA***

- Yes, this is information about the products that we manufacture on other sites, because they cannot be manufactured on our company's 8 flows on the platform in the city of Iasi, but they are part of the portfolio and they are made under the same GMP conditions of authorization and quality as stipulated by the requirements of the world market. We respect all the requirements from this viewpoint.

***Florin Turcas***

- But have you rented production lines from other manufacturers? Do others work for you, or what do you mean?

***Ovidiu BATAGA***

- Absolutely. The MA is in an Antibiotice patrimony and the manufacturing is carried out by a partner from another site. It is a practice at the level of the pharmaceutical market. No manufacturer in the world produces everything on its own flows because this is simply impossible. Solutions are sought for the assimilation in the portfolio by the manufacturing of products on a different site.

***Florin Turcas***

- Is it a kind of Lohn in textiles?

***Ovidiu BATAGA***

- No, it has nothing to do with that. This kind of manufacture is made with valid, authorized substances; it respects quality requirements. So no, it has nothing to do with it.

***Florin Turcas***

- I understood this, but do you provide them with all they need? And do they process the medicines and do you take them back? Or how does it work?

***Ovidiu BATAGA***

- Yes, it is a complex manufacturing process, which has other duties specific to the pharmaceutical market. It is not like any other industry.

***Florin Turcas***

- It's clear, I understood, but the financial system, how does it work?

***Ovidiu BATAGA***

- I don't know if I understand your question very well, but it is about planning the manufacturing as we would do it here in our company; there is nothing specific about it, except for the fact that products are simply manufactured on another site.

### ***Paula COMAN***

- And we pay the full cost of this manufacturing to our partner, without getting involved in the active substance, in the packaging and in his manpower. We pay a price for the finished product. But “finished” is a kind of misnomer, because we are releasing the batch, that is, we are still undergoing some stages in the manufacturing process to ensure the quality and medical efficiency of the product.

### ***Florin Turcas***

- I understand, ok, thank you!

### ***Liviu VATAVU***

- We go ahead with the presentation of our report. Mrs. Paula Coman, you have the floor for the financial area.

### ***Paula COMAN***

- Our company's sales are supported by the production activity, which during the first 9 months is worth 374 million lei, across the 3 divisions and balanced in terms of value: the Sterile Products and Active Substances Division represents 35.3% of this value, the Oral Solid Forms Division - 37% and the Topical Products Division - 27.7%. All this is possible by supporting the activities through business consolidation investments, which during the first 9 months were worth 32.37% million lei in the 2 categories of investments:
  - Investments for the business consolidation - 20.4 million lei and
  - Investments in the strategic development by developing the product portfolio through licensing and our own research - 7.8 million lei and investments in new manufacturing sites (topical production plant) - 4.14 million lei.

From the viewpoint of the financial situation, the revenues of the period are 361 million lei, the operating profit is 35.6 million lei and the net profit is 29.5 million lei.

This performance was achieved through a 2-year program implemented within our company regarding the maximization of returns, a program that involves the maximization of incomes through the analysis of sales structures with higher profit margins and through a dimensioning, an analysis and a restructuring of expenses, an optimization that led us to a lower consumption of utilities, a lower financial expense in terms of interest and the repayment of operational credits, so that the gross profit of the period is 32.5 million lei, which led to liquidity indicators of 2.4 times, to a debt ratio of 18% which was obtained through a faster collection of receivables and a repayment of operational credits, a speed customer debit turnover of 174 days, an EBITDA of 51.6 million lei, a return on invested capital of 4.66%, a return on gross profit of 8.9% and a return on net profit of 8.1%.

**Liviu VATAVU**

- Thank you, Mrs. Coman. Do you have any requests, questions, clarifications for Mrs. Coman?

**Florin Turcas**

- I have a couple of questions. It is written somewhere in the report that the labor productivity has increased by 62%. This is probably true and this is fantastic, but it should be explained. What did you do to increase it so much, or why wasn't the productivity good until now?

**Paula COMAN**

- The number of employees decreased by 50 employees and the company's revenues increased by 47%.

**Liviu VATAVU**

- It is a mathematical calculation with these variables and the result has changed. Thank you very much Mrs. COMAN. Other questions? Ovidiu, do you have any other clarifications?

**Ovidiu BATAGA**

- Yes, I wanted to intervene. I saw that I received a request by mail from Mr. Florin Turcas, related to KEI Europe, so it is a report made by Americans. It's a concern of ours as well, related to the claw-back tax and the reimbursement for medicines. This is the essence of this report.  
It's a very consistent report, I'm actually going to read it in-depth, but in essence, it relates to the concerns from the US perspective regarding the innovative products, the reimbursement method of these new molecules that intervene in the markets and the countries that buy the products in these portfolios and also from the claw-back perspective.

**Liviu VATAVU**

- Yes, and there was also a concern related to the disclosure of some information...

**Ovidiu BATAGA**

- Yes, even with commercial intent, that which are provided behind the clinical studies. Of course, we are always in contact with this information. From the view point of the claw-back tax, I would make a few amendments. It is even mentioned in the study that starting with 2020, the claw-back tax introduced in 2011 has been redefined. We are constantly dealing with this topic. Even when we talk about the portfolio or the performance, we try to sell in a balanced way in Romania as a country with an impact from this claw-back tax, precisely to deal with this tax which is not very small, somewhere around 20% or 15% when we are talking about the domestic production. So far, we have managed to make a salable structure that can handle this tax; it is also a concern at the system level how to find the balance

there. We are trying to succeed through the portfolio and through the valorization of the goods, how to make this tax fit.

From the reimbursement point of view, I would say that the share of prescription products in our structure, which is somewhere around 83%, is covered by the compensation lists and implicitly, when we sell products for the needs of patients in the cardio class, in the dermatology class or in hospitals, for as it is a core business for us, there is reimbursement on our medicines. From the viewpoint of the access to innovative medicines, we cannot say, but we have also watched carefully in the Romanian market, this year, compared to the last period, new molecules for innovative treatments have appeared and I think that it is a better access than before. But, we will analyze more carefully, I intend to read this study even if it has 517 pages, but I think this is an interesting concern for the analysts in the USA, because they kind of set the trend in the world market and then they have to constantly deal with these stages. I thank you for the document, because it is very interesting.

***Liviu VATAVU***

- I understand that part of the concerns that the people from foreign markets have are also the concerns that we have. We somehow find ourselves in this area of interest.

***Ovidiu BATAGA***

- We, as a market that follows the trend set by the world market, after all, cannot compare ourselves to the US market.

***Liviu VATAVU***

- Once again, I thank my colleagues who presented their documents, we also thank our investors who took the time to participate in the meeting and for the questions they asked us. If you feel the need to send us your thoughts, questions or recommendations, we are here to answer them.

***FlorinTURCAS***

- I would like you to estimate how you will finish the year, just as before or will there be more surprises?

***Paula COMAN***

- Our estimates are that we will follow the same trend from the previous 3 quarters of 2022. There are a lot of variables that we could not identify; our estimates are that we will maintain the trend, but no one can say now what will happen in 45 days.

***FlorinTURCAS***

- Thank you!

***Ovidiu BATAGA***

- We have no issues with the contracts that we have in progress both on the domestic market and on the international market until the end of the year. We believe that we will strengthen our business even more. Probably a resettlement between quarters is permanently necessary in the financial balances that Mrs. Coman knows better and then the sales rhythms must come to support this financial consolidation effort, but from the perspective of the sales, we know that we have reached our goals set for the current year.

***Liviu VATAVU***

- That is, Mrs. Coman's optimism is supported by the good relationship with our partners.

***Florin TURCAS***

- That's perfect! I wish you all the best and good luck!

***Liviu VATAVU***

- Thank you once again! We hope to see you at our next meeting! Have a good day!

***Florin TURCAS, Lucian POPA***

- Goodbye!