

# **Conference call with investors and analysts - presentation of the 2024 Quarterly Report**

On behalf of Antibiotice SA, the following are taking part in the conference call:

Mrs. Paula Coman- Financial Director

Mrs. Stefania Alexandru - Director - Strategic Planning and Portfolio Management

Mr. Vatavu Liviu - Legal & Corporate Governance Director

Mr. Ovidiu Bataga - National Sales Director

Mr. Sebastian Costea - Executive Manager for Strategic Investments and Sustainability

Mr. Razvan Tataru - Investor Relations and Risk Management Manager

## **Questions and answers:**

**Mrs. Daniela Mandru, Financial Analysis Director - Swiss Capital**

Good morning and thank you for the introduction!

I would like you to give us some details related to the nine months period. I noticed that the expenses for the services performed by third parties, protocol and promotion have increased quite consistently from 20.5 million last year to 27.8 million this year. Could you, please, give us a rationale for these increases and maybe an outlook for the whole year on this category of costs? After that I will have a few more questions but let's take them one by one because I want us to go a little bit to the pages presented.

**Mrs. Stefania Alexandru, Director - Strategic Planning and Portfolio Management**

In terms of the promotional expenses recorded during the first nine months, these were made for media promotion, carried out for the positioning of the NON-RX products and the promotion of products to healthcare professionals.

**Mrs. Daniela Mandru, Financial Analysis Director - Swiss Capital**

The growth is 40% a year and then it is a consistent growth, versus the growth in turnover. I am asking, in terms of evolution, maybe in the last quarter these expenses will be reduced to moderate the weight, the annual growth or will they not?

**Mr. Ovidiu Bataga - National Sales Director**

To clarify this, in the service contracts we include several expense chapters. One chapter is related to the development of the notoriety of some brand names, some

umbrella brands and the notoriety of the company. Implicitly, this notoriety helps us sell, but it is not in such a close and direct correlation with the pace of turnover. I could mention a few brand names that you are certainly also seeing in this stage of the fourth quarter in the media. We insist a lot on the development of topical products, where we can mention the Saliform range and we rely on it as an element of future sales. There is also a range called Simbiflora probiotics, and it is present today in a media project.

It supports Antibiotice's concern to promote the healthy consumption of antibiotics, along with these probiotics, and you will always see in social-media campaigns and even in the media-TV-radio campaigns the brands that we want to develop in the 2024-2030 business plan. The rhythm of sales concerns the entire portfolio, but we can assure you that these media campaigns will bring the due notoriety to these brand names at a much faster pace than the pace of the turnover. This process has its own pace, there are no immediate results; the results are not synchronous and they will be seen in a future stage. That is, if we do promotion today, the effects are not immediate. They are seen in the consumption of the following months and years as a notoriety that must grow.

**Mrs. Stefania Alexandru, Director - Strategic Planning and Portfolio Management**

Here I would like to make a comment. On products in promotional campaigns such as Zimba, which are still running in the media, we managed to increase the market share by seven percentage points. For the Saliform range by three percentage points versus the same period last year and on the Simbiflora range by two percentage points.

**Mr. Liviu Vatavu, Legal and Corporate Governance Director**

So, did each promotional campaign achieve its objectives?

**Mrs. Stefania Alexandru, Director - Strategic Planning and Portfolio Management**

Yes. All the marketing/promotional campaigns on the over-the-counter portfolio have recorded/brought the expected results.

**Mr. Liviu Vatavu, Legal and Corporate Governance Director**

These promotional campaigns will have the expected results, but not immediately. We will see them in the following period.

**Mrs. Daniela Mandru, Financial Analysis Director - Swiss Capital**

Now, regarding the page with the figures, I think this is page 17, with the plan for 2030... We are looking at the average income per employee. Here the things are clear; it is divided by the estimated income by the number of employees. I am interested in the costs. I initially saw in your business plan for 2030 the evolution to an average cost per employee of 1500 euros in 2030, after which, I think that in the ESG report this value increased to 2500 euros average per employee in 2030, by cost. Maybe you

can develop a little on this or maybe I did not understand the figures well. What is actually the strategy and what did you take into account in your estimates for 2030 with the average cost per employee?

**Mrs. Stefania Alexandru, Director - Strategic Planning and Portfolio Management**

This correlation between the average number of employees, revenues and the average income per employee clearly depends on all the currently ongoing planned investments, that is new production plants, the development of the research center, that is why we believe that the number of employees at the moment, at least in the current scenario, would be 1430 for the period of 2030 and the forecasted revenues ensure that we can have an average income per employee of 2100 euros.

**Mrs. Daniela Mandru, Financial Analysis Director - Swiss Capital**

Yes, but I was asking about the average cost per employee. When I read your strategy, you initially had a target of 1500 euros per employee; then I saw a different target of 2500 euros per employee. And then the question is: in this business plan what is the cost per employee, 1500 euros or 2500 euros?

Alright, now if you have a forecasted average/net income per employee of 2100 euros, it would be a bit out of place to give an average cost per employee of 2500 euros, that is, above the income.

**Mrs. Paula Coman, Financial Director**

There were different periods of substantiation of our forecasts, now that we have arranged the investments that we just talked about, the staff structure is changing in the sense that the number of highly qualified people is increasing; there is also digitalization of manufacturing flows that are automated, so it influences the cost. Therefore, I will ask you to no longer refer to the 2500 euros but to the 2100 euros announced now.

**Mrs. Daniela Mandru, Financial Analysis Director - Swiss Capital**

Yes, but I'm talking about costs and you're talking about revenue. I'm asking you about the average net cost per employee, not the average net revenue - the employee expense, the average net.

**Mrs. Paula Coman, Financial Director**

You should know that here we are referring to the average income per employee. The cost is 43% higher because it includes all the taxes and fees that we know at this time. As long as the average net income per employee is announced here, this means the value that the person receives and the difference between this value and the cost that you are asking us about is 43% more, which actually means the income tax which is 10%, 10% for health and 25% for pensions.

**Mrs. Daniela Mandru, Financial Analysis Director - Swiss Capital**

When you say average net income per employee, I actually thought you were taking the turnover divided by..., I didn't do the calculation. This is actually a cost.

**Mrs. Paula Coman, Financial Director**

Exactly.

**Mrs. Daniela Mandru, Financial Analysis Director - Swiss Capital**

Now I understand too. I didn't understand the first time.

**Mrs. Paula Coman, Financial Director**

Thus is an average net cost to which taxes and fees related to this average cost are added. We looked at it from the employee's viewpoint, not the company's, which is why we used the term average net income here.

**Mrs. Daniela Mandru, Financial Analysis Director - Swiss Capital**

Yes, yes. I understand now. Thank you!

Then let's move to page 18. Yes, to page 18. Please tell me if I got it right, here are investments in production facilities. These would be the 4 new production lines, the ones made with 100 million euros estimated in investment?

**Mr. Liviu Vatavu, Legal and Corporate Governance Director**

Our colleague, Mr. Sebastian Costea, Executive Manager for Strategic Investments and Sustainability, joined us and we asked him to answer this question.

**Mr. Sebastian Costea, Executive Manager for Strategic Investments and Sustainability**

Hello! On this slide you can see all the investments that are now in the manufacturing flows, those that are worth 100 million euros. Yes, the answer is "Yes".

**Mrs. Daniela Mandru, Financial Analysis Director - Swiss Capital**

Yes, the answer is "Yes". Should I understand that the first revenues from these investments would come sometime in 2029, right? - The research pilot, the technology transfer, after which some revenues would also come in 2027. I'm looking over precisely what you presented - the average value of domestic and international sales.

**Mr. Sebastian Costea, Executive Manager for Strategic Investments and Sustainability**

These are excerpts ... of the investment substantiation.

**Mrs. Daniela Mandru, Financial Analysis Director - Swiss Capital**

Yes, so the first revenues would come in 2027 - 21 million lei estimated and in 2029 71 million, after which all the rest would come after 2030, in 2031. Is that correct?

**Mr. Sebastian Costea, Executive Manager for Strategic Investments and Sustainability**

Yes, yes, yes!

**Mrs. Daniela Mandru, Financial Analysis Director - Swiss Capital**

Yes, it's clear. It's pretty clear now, I understand.

At the moment, in 9 months or maybe if you have an estimate for the whole year, what is the value in millions of lei, the sales value of critical pharmaceutical products? Maybe you have data for the nine month period.

**Mrs. Stefania Alexandru, Director - Strategic Planning and Portfolio Management**

I don't know right now, to tell you the truth, possibly 30%, yes. I can't confirm it now, but I can get back to you with the amount.

**Mrs. Daniela Mandru, Financial Analysis Director - Swiss Capital**

30% of the reported turnover, right? That is the sales of 50 critical products. As I understand it, there are currently 25 critical molecules and a portfolio of 50 critical products.

**Mrs. Stefania Alexandru, Director - Strategic Planning and Portfolio Management**

Right now there are 25 molecules and 50 critical products.

**Mrs. Daniela Mandru, Financial Analysis Director - Swiss Capital**

Yes, okay! Thank you very much! That's all from me.

**Mr. Liviu Vatavu, Legal and Corporate Governance Director**

Thank you!

Mr. Ciornei Marius, I understand that you would like to ask us questions. Are they sent in writing?

We have the following question from Mr. Cristian Petre: "Can you provide details on the evolution of expenses regarding the third-party production and the energy expenses?"

**Mrs. Paula Coman, Financial Director**

Yes. The third-party production relates to the expenses incurred to bring our products manufactured on other sites into our portfolio. We cannot manufacture these products in Romania and we cannot manufacture all the pharmaceutical forms existing on the market. That is why we have partner sites that manufacture our

products, with our logo on them. We put these products on the market, we sell them. This is the structure of the third-party production. The energy expenses decreased during 2024 because we have put the 2.5 MW Photovoltaic plant into operation in March of the current year and this had the effect of reducing our power consumption from the classic network.

**Mr. Liviu Vatavu, Legal and Corporate Governance Director**

Thank you! We hope we have answered Mr. Cristian Petre's question. If it is necessary to make any further clarifications, we are waiting for such a request in writing. I can see that this is a means of communication. If there are no further questions from the people connected online, we will try to answer the questions that we received in writing from Mr. Florin Turcas IFB FINWEAT SA. I understand that we do not have further online questions.

Mr. Marius Ciornei would like to ask some questions. Please speak up....

**Mr. Marius Ciornei, BVB Investor Retail**

Yes, if you can hear me, please confirm.

**Mr. Liviu Vatavu, Legal and Corporate Governance Director**

Yes, we can hear you.

**Mr. Marius Ciornei, BVB Investor Retail**

Yes, alright. First question: in the 9-month report, page 6. I'm neither a chemist, nor a biologist or a pharmacist, so please explain to me in simple words what you mean by oral solid form, topical forms and sterile products. I also don't know what an active substance is.

**Mrs. Stefania Alexandru, Director - Strategic Planning and Portfolio Management**

The oral solid forms are: tablets and capsules - penicillin capsules, non-penicillin capsules and cephalosporin capsules. The topical forms are: ointments, creams, gels, suppositories and pessaries. The sterile product forms are: parenteral injectable products divided into vials.

**Mr. Marius Ciornei, BVB Investor Retail**

So, simply put, vials and IVs, right?

**Mrs. Stefania Alexandru, Director - Strategic Planning and Portfolio Management**

No! Vials, vials!

**Mrs. Paula Coman, Financial Director**

Sterile powder vials, only powders. The manufacturing flow announced by us in the investment plan will manufacture vial, vials containing liquid. We now have powder

vials. They are sterile powders, water or serum is used for dilution and injections are made.

**Mr. Marius Ciornei, BVB Investor Retail**

I understand. So the injections are made from this product.

On page number 2, in the chart with the company's current shareholding, as of 30.09.2024, you have two segments there that I did not see in the charts from previous reports, namely: other legal entities with 1.9% and the Shareholders' Association with 0.065%. Please elaborate on why they could not be found in the previous charts.

**Mr. Liviu Vatavu, Legal and Corporate Governance Director**

It was just a matter of how we were making the graphs, the shareholder structure did not change. The Antibiotice SA Shareholders Association has existed among shareholders since 1995 and we considered it interesting to highlight this entity separately. And did you say individuals or...?

**Mr. Marius Ciornei, BVB Investor Retail**

No, this thing related to the Shareholders Association, (for example I am a shareholder too) - you mean the employees, I assume?

**Mr. Liviu Vatavu, Legal and Corporate Governance Director**

Yes, in 1995, according to the legislation in force at that time, an association was established consisting of about 2,000 individuals, all Antibiotice employees, who purchased various packages. Well, "packages" may be an overstatement.

**Mr. Marius Ciornei, BVB Investor Retail**

Yes, they were retail shareholders but they were employees.

**Mr. Liviu Vatavu, Legal and Corporate Governance Director**

Yes, and the total number of shares is 438,000 shares.

**Mr. Marius Ciornei, BVB Investor Retail**

And who are the "other legal entities" - 1.92%?

**Mr. Liviu Vatavu, Legal and Corporate Governance Director**

These are all legal entities and we would not have enough time to highlight them distinctly, because they are in such a large number.

**Mr. Marius Ciornei, BVB Investor Retail**

No, the percentage is 1.928%, almost 2%.

**Mr. Liviu Vatavu, Legal and Corporate Governance Director**

There are 172 legal entities.

**Mr. Marius Ciornei, BVB Investor Retail**

Are these pension funds or mutual investment funds...?

**Mrs. Paula Coman, Financial Director**

In the previous graphs it was the sum of these two, now they are divided.

**Mr. Marius Ciornei, BVB Investor Retail**

Yes, yes. I got it.

I would like you to elaborate in terms of the operating income, in terms of turnover you have 506 million lei, income in the IEB, after which you have a breakdown: you sold 380 million domestically and 200 million internationally, that is, about 580 million lei. I do not understand the difference between 506 and 580; I do not understand how you broke it down there. What is the real figure, 506 or 580 million lei?

**Mrs. Stefania Alexandru, Director - Strategic Planning and Portfolio Management**

The figures are real. I mean all the figures that are related to the income from the sale of products and active substances in gross value exiting Antibiotice. Then, the figures we present in reports when we talk about the domestic market when we display charts and developments are related to sales to patients, on the reporting source Cegedim Sell-Out Romania.

Along the way, it is about stocks both in distributors and in pharmacies.

**Mrs. Paula Coman, Financial Director**

So, more explicitly: when we present Antibiotice's situation in the Romanian market, we refer to a figure that we take from a Cegedim report and there, that figure, has in it both the distributor's and the pharmacy's margin. When we talk about our turnover that goes to distributors, that's where the income from the financial statements is. In order to be transparent and to show the market that we are interested in each product individually, we make presentations with market sales and we take the reference from a third party that evaluates the pharmaceutical market in Romania so that we cannot transform the turnover in that sale into the same reference of Antibiotice's turnover. We take the information exactly as it is presented in the Cegedim report. But when we refer to Antibiotice, the figures there have in them, I repeat once again, both the distributor's margin and the pharmacy's margin.

**Mr. Marius Ciornei, BVB Investor Retail**

Yes, so the figure we should work with when analyzing your IEB is 511 million.



**Mrs. Paula Coman, Financial Director**

Exactly!

**Mr. Marius Ciornei, BVB Investor Retail**

The one you have in the IEB. I understand, so the one which is in the report, because there were two figures and I didn't understand, so I needed this explanation.

I want to ask you again, do you have a little bit over 200 million lei from export and you have a yearly growth of 16%. Where does that growth come from? Does it come from the active substances or from the finished products? I mean the 16% growth.

**Mrs. Paula Coman, Financial Director**

It comes from both categories of products sold internationally, but for the finished products, a large part of the sales is related to products that are auctioned in the areas where we sell them: in the UK and in the Nordic countries. That is why we aim to expand from year to year on various markets in order to have a greater availability of products in Europe and in other areas.

**Mr. Marius Ciornei, BVB Investor Retail**

Yes, now that we're talking about the international market. In the report you talk about Australia, that you started promotion and sales in Australia, is it a small percentage, or why didn't you mention it?

**Mrs. Paula Coman, Financial Director**

Yes, it's the first sale of injectable products in Australia.

**Mrs. Stefania Alexandru, Director - Strategic Planning and Portfolio Management**

There was only one month of sales, that's why it is included in the 9-month reports; we're going to consolidate the number of products and sales in that territory as well.

**Mr. Marius Ciornei, BVB Investor Retail**

I also want to ask you out of curiosity, since you sell in Latin America, South America and in the Middle East, that is, over very long distances, how is it done here?

The goods leave from the city of Iasi. How do you reach such remote locations? Is it by sea, in containers or how do you actually transport the products?

**Mr. Ovidiu Bataga, National Sales Director**

The contracts with customers who pick up our goods at the Antibiotice factory's gate apply Incoterms clauses. They are quite varied, but in most cases the criterion of taking over from the supplier is applied.

**Mr. Marius Ciornei, BVB Investor Retail**

This means that you make the product available to the customer at the factory gate in the city of Iasi. Is their responsibility to transport it?

**Mr. Ovidiu Bataga, National Sales Director**

There are maritime, air and road options; so all options are used.

**Mr. Marius Ciornei, BVB Investor Retail**

Yes, there are Incoterms clauses. So for the most part you sell at the factory gate, so you don't have any problems with logistics, you don't have any issues related to that.

How do you ensure your workforce, as we know there is a problem in Romania with the workforce?

If you could briefly tell us once again, what collaborations do you have in the city of Iasi with educational institutions? Do you fund them?

**Mrs. Stefania Alexandru, Director - Strategic Planning and Portfolio Management**

In slide 11 of the presentation made today, I mentioned exactly this, that to be sure that we have a specialized workforce for the industry we are part of in the future, we have signed partnerships with university and pre-university educational institutions, we have master's programs, the Perform A+ program, dual education, internships, plus the labor market.

**Mr. Marius Ciornei, BVB Investor Retail**

So I understand that in the city of Iasi you have a chemistry specializing high school and its graduates are hired as chemical operators for production, in your plants?

**Mrs. Stefania Alexandru, Director - Strategic Planning and Portfolio Management**

These are dual education classes, meaning we train them at our place. These are high school classes, but we train the pupils at our factory.

**Mr. Marius Ciornei, BVB Investor Retail**

They are coming to you for internship, I understand.

I also want to ask you if you have had good opportunities or will you have in the future opportunities to open production capacities in foreign countries?

**Mrs. Paula Coman, Financial Director**

In the previous period, we thought about several options to do this, to try to open manufacturing flows in foreign countries, but for the next 10 years, we will focus on strengthening the capacities here in the city of Iasi because this is easier to follow, to implement and to bring to fruition.

**Mr. Marius Ciornei, BVB Investor Retail**

I understand.

Since you have had a lot of investments in the last 3 years and you still have as many investments until 2030, then I would focus on the next year. What else do you intend to develop in the city of Iasi related to production capacities, storage, investments that you will make for next year alone?

**Mr. Sebastian Costea, Executive Manager for Strategic Investments and Sustainability**

The company's strategic investments are presented, which involve the development of new research flows, each project listed here is undergoing an implementation phase; for example the last logistics-based project will be delivered at the beginning of next year, so each of these projects that we have presented are undergoing a development stage.

We are in the study substantiation stage, we hope to enter the contracting stage for some, two of the manufacturing flows are already contracted; next year the specific activities for the implementation of the projects will be carried out.

**Mr. Marius Ciornei, BVB Investor Retail**

Thank you very much!

**Mr. Liviu Vatavu, Legal and Corporate Governance Director**

We will read the questions we received in writing from Mr. **Florin Turcas IFB FINWEAT SA**

**Question number 1:** The third quarter of the year is regularly weaker than the previous one. Why?

**Mrs. Stefania Alexandru, Director - Strategic Planning and Portfolio Management**

The third quarter falls within a specific rhythm for the markets in which we operate, even if it may seem weaker at first glance, it is in line with our sales plans; so we do not necessarily consider it weaker, but rather it takes into account the specifics of consumption on each market and market segment.

**Mr. Liviu Vatavu, Legal and Corporate Governance Director**

**Question number 2:** The sales of products made on other manufacturing sites are 24% of the turnover, and the corresponding profit represents 65% of the gross profit. Do others work more profitably? Can you please elaborate on how the system works? Shouldn't you propose an M&A policy to the GMS?

**Mrs. Stefania Alexandru, Director - Strategic Planning and Portfolio Management**

Here we believe that you referred to the gross margin, respectively to the expenses made with the purchases from other sites, compared to the income made with the

products from other sites and so we arrive at a percentage of 65% gross margin. If we perform the same calculation on the production made on our own sites, we will find that the gross margin is similar for both product categories as it can be seen in the cascade of the intermediate management balances, it is at 67% for the first 9 months of the year according to planning.

**Mr. Liviu Vatavu, Legal and Corporate Governance Director**

**Question number 3:** The working capital changes are unfavorable at 9 months. Why?

**Mrs. Paula Coman, Financial Director**

The working capital at 9 months has a structure of 34% stocks, 59% receivables and 6% cash. At the end of the 6 months of the year, the structure was different with 12% cash because in June we accessed the long-term investment credit, which was used during the third quarter, so you can also see the debts are 14% lower. Therefore it is not unfavorable, but we are on a different structure and the activities happened differently.

**Question number 4:** You have investments worth 52 million lei in 2024. What do they consist of? How much do you still have to invest?

**Mrs. Paula Coman, Financial Director**

Please look at page 21 of the Administrators' Report where the investments made in the first 9 months of the year are exemplified, which are worth 78.5 million lei. The 52 million, in fact, are on page 8 of the financial statements and they relate to the payments made for the investments achieved in the January-September period.

**Question number 5:** Next to the data on September 30, 2023, the notation "revised" appears. What did the revision consist of?

**Mrs. Paula Coman, Financial Director**

There is a typo regarding the revised data, next to the 2023 data the notation revised appears, it should have been written unrevised, it is a typo.

**Question number 6:** How much of the increase in unit prices is due to inflation? How do you see the future evolution?

**Mrs. Stefania Alexandru, Director - Strategic Planning and Portfolio Management**

Regarding the evolution of the average unit price, this is not influenced by an inflation adjustment, but it is due to the sales structure, which was a favorable structure leading to the increase in the average unit price compared to the similar period last year. Obviously, we want to maintain an upward trend in the average unit price as an evolution.

**Mr. Razvan Tataru, Investor Relations and Risk Management Manager**

**Question number 7:** I saw that in the 2023 Non-Financial Report you mentioned the policy against child labor exploitation. Can you convince Bloomberg to review their ESG files as well? Maybe you should highlight the chapters where inaccuracies occur.

Regarding this topic, we are currently working on the sustainability statement for 2024. We assure you that we have taken into account all the recommendations from the Bloomberg, Ecovadis and Sustainalytics assessments and the sustainability statement for 2024 will be published at the beginning of 2025 together with the financial statements.