

Teleconference with analysts and investors for the presentation of the preliminary results of 2023

Mr. Liviu VATAVU

Hello!

Welcome to the teleconference for the presentation of the preliminary results of 2023! On behalf of Antibiotice, the following are participating in the teleconference:

- Mrs. Paula COMAN - Financial Director - CFO;
- Mr. Ovidiu BATAGA - Executive Director - Domestic Sales;
- Mrs. Stefania ALEXANDRU - Strategic Planning and Performance Management Director
- Mr. Liviu VATAVU - Legal and Corporate Governance Director and
- Mrs. Mihaela OBREJA - Risk Management and Investor Relations Manager.

We would like to start this meeting as the time is 11 o'clock. We have a presentation material running on our screen and I give the floor to Mrs. Stefania Alexandru, Strategic Planning and Performance Management Director.

Mrs. Stefania ALEXANDRU

On the domestic and international markets, Antibiotice lasi:

- recorded a rate of 24% compared to the previous year.
- recorded a 28% increase in turnover achieved on the domestic market, thus strengthening the company's profitability structure.
- recorded an increase of 18% in the export turnover compared to the previous year.

We had total investments of 98.05 million lei for the business consolidation and strategic development.

We signed a financing agreement in the form of a loan granted through the InvestEU facility, for the achievement of the Investment Program of Antibiotice S.A., a part of the "The Future Together" Business Plan.

We obtained the co-financing in the amount of 4.1 million lei for the development of a green energy production capacity.

We attracted non-refundable funds worth 85 million lei for a production capacity of sterile products, solutions and topicals.

We maintain our leading position in the manufacture of pharmaceutical forms, topical and injectable powders.

We are on a leading in the segment of hospitals, prescription generic drugs and OTCs.

We achieved a net profit of 79.1 million lei, compared to 38.5 million lei recorded the previous year.

The ATB share price increased from 0.54 lei per share to 1.55 lei per share, to a maximum in 2023.

In 2023, the company's portfolio was enriched with a number of 12 products from several therapeutic classes that came to complete the OTC products' portfolio related to the Nutriensa concept, to the cold and flu concept, to the portfolio of OTC dermatological products and to the portfolio of anti-infectives intended for hospital use.

Mr. Liviu VATAVU

We kindly ask our guests or participants to confirm that we hear each other. Can you hear us?

Mr. Catalin ELISEI

I can hear you loud and clear. Hello, everyone!

Mr. Liviu VATAVU

Would you be so kind as to introduce yourself briefly?

Mr. Catalin ELISEI

Sure, I'm Catalin Elisei, I'm a recent investor in Antibiotice; I'd say I've been following the evolution of the company for a year and I'm sorry I didn't begin doing it sooner. I really appreciate the way you started the development or this program development, the name escapes me now, do you have a generic name for this...?

Mr. Liviu VATAVU

The name is "The Future Together".

Mr. Catalin ELISEI

This is it! I am very interested to see how the company will evolve in the coming years. I also have a question...

Mr. Liviu VATAVU

Sure, this is one of our requests to you. When you have a question, you can go ahead and interrupt us, we really enjoy having a dialogue with you.

Mr. Catalin ELISEI

Thank you!

Mr. Liviu VATAVU

Mister Nedesan?

Hello!

Hi! I am Ciprian NEDESAN and I am an Antibiotice investor. I will also have some questions along the way.

Mr. Liviu VATAVU

Thank you kindly!

We also have Mr. Viorel Ciociu present here, only on chat.

Alright, let's move on. Do you have any questions or do you want us to elaborate on a topic from the first part of the presentation?

Mr. Catalin ELISEI

Regarding the sales, I would like to clarify something, speaking of the indication you gave in the most recently released documents; I mean in the document in which you presented the budget, but also now in the latest document, you talk about the objective to increase the figure by 50% of the business in the next 3 years. My understanding is that at the end of 2026, your turnover will be 50% higher than that of 2023, and here I would like you to confirm it.

Further on, you also stated that in 2030 or that the result of 2023 encourages you to believe in your objective of doubling the turnover by 2030.

I want to know if my understanding is correct.

Also, I would like to better understand what the main driver for this increase will be. Will you succeed to do so with the help of the market or will the foreign market have an increasing share and with the help of sales on the foreign market will you be able to reach these two goals?

Mr. Liviu VATAVU

Sure, thank you!

Mrs. Alexandru, you have the floor!

Mrs. Stefania ALEXANDRU

Yes, Mr. Elisei, you got that right. We do intend to increase the total turnover by 50% by the year 2026, from 600 million, the figure we recorded at the end of 2023 to 900 million.

Your second question was about the main growth drivers.

The main drivers of the turnover growth are the increase in our presence on international markets and the share will remain approximately constant with the one we have this year; however, it means a significant increase in export in the absolute value as well. Likewise, another driver will be the enrichment of the portfolio on established therapeutic classes, that is the portfolio of dermatological products, the cold and flu medicines portfolio and the portfolio of anti-infective medicines.

On the domestic market, we intend to maintain, as we have pointed out, the leading position related to the topical products segment, the injectable powder products segment and the leading position in the hospital segment.

Mr. Ovidiu BATAGA

Yes, this was meant to follow in the presentation; the market component is related to the answer to your question on how we will increase the turnover.

Just as we achieved an overtaking of the market in 2023, we tried to maintain our position and even to strengthen it. One can see in this very slide (5) that we exceeded the rate at which the market grew on each individual channel. It is a still double-digit consolidated growth; there are not many pharmaceutical markets in the world that lead this pace, but Romania experiences an organic growth and a strong development, the allocation per capita still needs to increase and for that there is still a lot of work to be done for the increase of sales.

Whether we will maintain our market share remains to be seen, but our products portfolio is rich enough to address each sales segment. One can see that in 2023, both in the hospital and in the retail segment composed of national chains and regional and independent pharmacies, we were well above this market pace.

Mr. Liviu VATAVU

Let us ask our guests if they are satisfied with this answer, if we have provided enough information or if they still need further clarifications.

Mr. Catalin ELISEI

That was clear enough for me.

What is not clear to me is whether from an evolutive standpoint - because I made a kind of forecast, based on the indications you gave and what it seems to me here is that - I believe - you will have a total turnover increase of 17% in 2024, of 15% and 11% in 2026 and so that if you double it in 2030 you will end up with a sub-unit increase. Now this is one scenario - you probably don't know exactly either - but regarding the growth rate, I would have expected the export to be the one helping you from one point onward to reach this goal because the local market, as you said, is growing, but I expect that you will reach a "cruising speed" here faster than the potential of the foreign market.

So, in the long run, where do you see an increase in turnover?

If we consider the year 2030, will the increase be 7%, 8%, 10%, as an average?

Mrs. Stefania ALEXANDRU:

- I will answer that in a moment.

Mr. Catalin ELISEI:

- Because if we look at the budget you presented, in 2024 you start from a 17% increase, according to the budget or maybe a little lower; I think you will do better than the budgeted amount.

Mrs. Stefania ALEXANDRU: - We want to always have better and better indicators. So, at the moment as a compound of the annual growth rate, if we look at the 2023-2026 stage versus the 2026-2030 stage, the growth rate would be 14.5% for the first stage and then of 12% in the subsequent stage, divided in a balanced way between the domestic market and the international market.

Mr. Catalin ELISEI: - By balanced you mean.....?

Mrs. Stefania ALEXANDRU: - I mean percentages. These rates of 14.5% and 12% that I told you about, as rates, are somehow equal between the domestic and the international markets.

Mr. Catalin ELISEI: -OK, thank you!

Mrs. Stefania ALEXANDRU: - As regards the multiplication of the turnover, in absolute value, the increase is higher, in fact it is not higher for export, it is sensibly equal between the export and the international market, as well as that of the domestic and international multiplication. What I said about the rhythms are kept even in absolute values when it comes to the degree of multiplication.

Mr. Catalin ELISEI: - Yes, and the share of exports, if we think about the impact of exports in the total turnover, do you think that the ratio will remain the same or do you see an increase in the ratio of exports in the total turnover?

Mrs. Stefania ALEXANDRU: - For the moment, the scenario taken into account involving the indicators until 2030 is for the share of exports to remain at 35%.

Mr. Catalin ELISEI: -Thank you!

Mr. Liviu VATAVU: - Thank you, Mrs. Alexandru! Mr. Bataga, you have the floor.

Mr. Ovidiu BATAGA: - Yes, there were a few more things to say about markets. In Romania, we will consolidate the positions obtained recently; we are leaders on the hospital segment in the generic areas, we also reached the 2nd place in the sale of the number of boxes of capsules, where there is a segmental consumption of anti-infectives. We still rank 4th, and we would like to maintain this ranking for generic drugs with prescription and for non-RXs and we are still the quantitative leader for the sales of our ointments, suppositories and injectable powders. In the next slide, we will also see our presence on the international markets, where we will consolidate, as Mrs. Alexandru said, the share of exports in the total turnover beyond 35%. There are already some traditional markets for us; on the left side of the slide you can see Vietnam and Europe; there are areas where we have already been present for some time and we are consolidating ever higher sales; for example we reached 7 million dollars in Vietnam and we will continue to grow on that market. We will also want to approach other countries; we are already present in the auctions in Great Britain and in the United States with a large part of our portfolio of injectable products. We also want to access new markets from the European Union area, countries such as: Hungary, Poland and Georgia. These countries have a potential and we will have to be present there.

Of course, in the future, the United States market will remain a focus for our sales and beyond the 7 million dollars we achieved, we will have to increase this value. If there are any other questions...

Mr. Liviu VATAVU: - Yes, let's have a short break, let's wait for questions, if there are any.

Mr. Ciprian NEDISAN: - How do you see your evolution on foreign markets? Do you focus on developing a certain market more or a certain country, the United States or Vietnam as you stated earlier?

Mr. Ovidiu BATAGA: - Yes, there are 4 sales agencies which we operate: one is in Vietnam, another is in the Republic of Moldova, another is in Serbia, the other is in Ukraine. In Ukraine, we have put the project on hold, because there is a conflict zone there, but not indefinitely, there are sales that can be opportunistic. Instead, our permanent focus will be to develop the market of Vietnam and the neighboring countries; this is the second market for us after the Romanian market. The third market is the market of the United States, which also has a certain potential, beyond the auction in hospitals and the western area, the European market, where the UK is currently the destination for our sales - we have a solid presence in the hospital auctions. These increases will be both organic and dynamic and they will represent an increasingly large share in our figures. These are the main ones; it does not mean that there are no other territories to which we will try to sell.

Mr. Liviu VATAVU: - Thank you very much! Shall we move on or are there any other questions?

Mr. Ciprian NEDISAN: - I am curious to find out more about the deliveries to the USA and Vietnam...

Mr. Liviu Vatavu: - How do we make deliveries? Is that what you mean?

Mr. Ciprian Nedisan: - Yes. I mean those countries are quite far away.

Mr. Ovidiu Bataga: - We deliver both via sea transport and air transport, depending on the trade negotiations taking place, as long as...

Mr. Liviu Vatavu: - There are situations where the partner provides the transport, there are situations where we provide the transport; sometimes the partner needs information to participate in certain auctions, then we choose the faster option by sea or by plane.... if this was what you wanted to know...

Mr. Ciprian Nedisan: - Yes, yes, and one more thing: in relation to the external sales, in terms of percentage, how often do you sell to hospitals or states and how often do you sell through pharmacies or other...?

Mr. Ovidiu Bataga: - Yes, the sales of injectable medicines hold a large share, so we have always focused on being present, just as we hold a leading position in Romania, to hold important positions on foreign markets for injectable medicines. These are mostly sales of injectable medicines, but we cannot state that in the structure of sales, the injectable medicines are sold mainly to hospitals. We focus equally to the retail sales structures; in our portfolio we have products which we sell in Romania and we want to sell these products internationally but we are also present on the retail market.

Mr. Ciprian Nedisan: - Ok, thank you!

Mr. Liviu Vatavu: - Thank you! Mrs. Paula Coman, our CFO has the floor.

Mrs. Paula Coman: - As you have already seen the financial data, the net turnover for 2023 is 601 million lei, up from 483 million in 2022. The gross profit is 92.2 million lei, up from 41.9 million of lei.

The monitored indicators, both the income and the expenditure structures have been made available to you; I will now deal with the current liquidity, as current assets; the short-term

bank debts are 13.18 compared to 9.87 in 2022. The total bank debts to EBITDA are 0.53 compared to 0.91 in 2022; the total bank debts to equity are 0.08 compared to 0.12 and the debt ratio as a ratio between total debt and total assets is 25% just as in 2022.

As you have seen, in 2023 we focused on increasing returns, both in terms of income growth and profitability. If you have any other questions, please ask, we are here to answer them.

Mr. Catalin Elisei: - I have a question related to the profitability rates. We have obviously noticed an improvement in these rates in the last two years and the concern in this regard is obvious. Now, if we look at the plan for the following 3 years, how do you see the evolution of EBITDA? I saw that the EBITDA margin in 2023 - I don't remember if you mentioned it - was somewhere close to 20% which - I think - you have not obtained such a result since 2013; so, it is a very good result, as far as I can understand that in financial terms and that in 2024 you hope for an EBITDA margin above 20%. According to my calculations, this is around 22%.

Mrs. Paula Coman: - 22.

Mr. Catalin Elisei: - Pardon me?

Mrs. Paula Coman: - Yes, that's right, you calculated correctly.

Mr. Catalin Elisei: - Yes, 22.3% to be exact. If we were to look at the next 3 years.... Subsequently, as we discussed earlier and on sales, in the perspective of 2030, how would you see this margin? Because I expect an improvement, but there is definitely a cruising speed; is there a limit that you will try to maintain in the long run? I was curious how you see this limit in the next 3 years and until 2030?

Mrs. Paula Coman: - I will answer that in a moment.

Mr. Liviu Vatavu: - Just a second, please! Our colleagues are prepared with the databases, they are going through them right now.

Mr. Catalin Elisei: - Sure, I'll wait.

Mr. Liviu Vatavu: - Shall we ...?

Mr. Catalin Elisei: - That would be a question related to this margin.

Mrs. Paula Coman: - The maximum at this moment is 24%, in our projections until 2030. This does not mean that year after year we will not evaluate both the markets and our potential.

Mr. Catalin Elisei: - Do you mean the EBITDA margin?

Mrs. Paula Coman: - Yes.

Mr. Catalin Elisei: - Is 24% the goal you have in mind?

Paula Coman: - Yes, yes, for the present time.

Mr. Catalin Elisei: - Now, I understand. In any case, that would be the improvement, from what you projected in 2024. 22.3 to 24% is an important increase.

Mrs. Paula Coman: - That is true...

Mr. Catalin Elisei: - The second question relates to the capital expenditures. I saw that for 2024 there is an ambitious plan of 154 million; please confirm if this is the figure that I noted. Is it correct?

Mrs. Paula Coman: - It is correct.

Mr. Catalin Elisei: - I also noticed an increase until 2026 up to 180 million.

Mrs. Paula Coman: - Yes.

Mr. Catalin Elisei: - And the first question related to CapEx is: how do you plan to finance it? Because...

Mrs. Paula Coman: - Surely, if you follow us, you saw during the year 2023 that we obtained financing both from the Ministry of Finance for state aid of 85 million lei and a loan of 25 million euros from the European Investment Bank "Project for sterile solutions and sterile topical medicines" and there is research involved in this project as well; this is a 200 million lei project. Also, we received financing from the Ministry of Energy for photovoltaic panels to a smaller extent, it's true, worth 4 million of lei. The amounts entering the financial flow starting with 2024 and during the implementation period of this project of 200 million are planned for the next 3 years. So, the financing for these projects that you saw in the investment plan is partially provided from sources which we have already told you about and a part of the investment plan will be financed from our own sources. This is true both in the form of using the profit for tax-deductible laboratory equipment and devices according to the Fiscal Code, as well as through our own direct financing.

Mr. Catalin Elisei: - Thank you! Could you tell me what the cost would be regarding the loan provided by the European Bank? Could you disclose this piece of information?

Mrs. Paula Coman: - I'm sorry, I cannot disclose this piece of information to you.

Mr. Catalin Elisei: - Then maybe you can provide us some guidance related to the cost of the loan, an average cost to consider in future projections? I mean an average cost of what we call "Debt". If you can't do that now, I can send you an email and...

Mrs. Paula Coman: - Yes, please do.

Mr. Catalin Elisei: - That is fine. And also related to CapEx, if we consider the years 2027-2030, how does your forecast look in terms of CapEx? I mean, until 2026 things are clear, you already showed the figures: 154, 175, 181 million, but starting with 2027?

Mrs. Paula Coman: - For the projects that we know at this moment, the values will be approximately equal to those of the years 2024, 2025, 2026 - more or less - it depends a lot on our ability to put into operation on time the investments already started. Because we also have the ability to open several investments at once. And as we put into operation the projects we have opened, they will be proportional in terms of values as in the period of 2027-2030.

Mr. Catalin Elisei: - That's what I thought too, the average of the 3 years until 2026 shows a Capex of 170 million as an average and I thought that from 2027-2030, this average would

somehow be below 100 million, assuming that it would still be an extraordinary effort to be able to....

Mrs. Paula Coman: - It depends, you know, when we started the topical medicines project in 2018, our projections indicated that somewhere at the end of 2020 we would put them into operation, but the market showed us that we did not succeed, for reasons well known to everyone. So, at this moment, we state that we have estimates, we have projects, it's just that we will assess them every year depending on our ability to successfully complete our ongoing investment projects.

Mr. Catalin Elisei: - Alright, thank you!

Mr. Liviu Vatavu: - Thank you! Mr. Bataga, do you still have further information to provide?

Mr. Ovidiu Bataga: - No, I don't.

Mr. Liviu Vatavu: - Mr. Nedisan, do you have further questions?

Mr. Ciprian Nedisan: - I do. In the 4th quarter you had a net decrease, what were the reasons for this?

Mrs. Paula Coman: - You know that in the 4th quarter all companies make provisions, they check their history for unused vacation days, unpaid receivables, stocks, so that the result of the 4th quarter is a mix between the actual result and the provisions made for the sustainability of the business in the future.

Mr. Ciprian Nedisan: - So, were special provisions made that are not usually made?

Mr. Paula Coman: - A provision superior to the estimated one was made for the participation of employees in the profit, considering that the profit is higher than the budgeted one, a little more was foreseen for the vacations, a little more that is a few millions, the vacations not taken by our employees, as you have seen, there was an effort both in terms of production and sales; this effort materialized in a higher income and profit, but at the expense of unused vacation days, and then the result of the 4th quarter looks as you see it yourself.

Mr. Ciprian Nedisan: - Thank you!

Mr. Catalin Elisei: - I also noticed in the 4th quarter a sharp increase in the expenses with raw materials and consumables, from which I concluded that some stocks were necessary to be able to start the following year.

Mrs. Paula Coman: - Right. That's how it happened, because at the beginning of 2023 it was very difficult for us to maintain the pace of sales requests and then we advanced the purchase a little, so that for the first quarter of 2024 we would be better prepared.

Mrs. Stefania Alexandru: - First, as you have noticed, the delivery terms for the raw materials needed for production have already increased a lot because of all the conflicts that unfold worldwide. We are already experiencing delays compared to what we had before as delivery time - somewhere around 3-4 months - compared to what we previously estimated as delivery time. That's why we also took steps further, in order to have products available on the market in due time. Secondly, in the summer time there are two months

during which the installations are overhauled and that's why then there are no such significant expenses with raw materials and consumables; also, during the overhaul period the production is decreases. Then, in the 4th quarter we accelerate the pace.

Mr. Catalin Elisei: - So, practically for the year 2024, do you estimate an increase in prices for these raw materials that you use, or you don't?

Mrs. Paula Coman: - No, we don't. The transport expenses increased by 12% because they became much more rigorous in ensuring that the transport was also sustainable and some routes have also become longer, because we no longer deliver products through the Red Sea; thus, the transport routes extended by 4,000 nautical miles.

Mrs. Paula Coman: - In terms of price, at least for now we do not have increases in the prices of raw materials.

Mr. Catalin Elisei: - Thank you! As for other operating expenses, in the 4th quarter we saw a significant increase; it is true that we reached the level of the 1st quarter, but there I did not manage to see what the main driver was. Also, could you give me the piece of information now? If not, I can get back to you by email.

Mr. Liviu Vatavu: - We await your questions by email and complete the discussion session.

Mr. Catalin Elisei: - Alright.

Mr. Liviu Vatavu: - Is that okay with you?

Mr. Catalin Elisei: Yes, sure. It is alright. Thank you for all the answers!

Mr. Liviu Vatavu: - Good. We also thank you! We intended today's meeting to involve a real dialogue. We do want all our investors to experience the transparency we provide about what we do; we believe that today's meeting provided transparent information and we thank you for your availability and for your time; we invite you to send us any additional questions via email to the addresses you already know.

Mrs. Mihaela Obreja: - And we are waiting for you at the next teleconferences.

Mr. Catalin Elisei: - The pleasure is ours and I hope you will also organize an Open Doors Day at Antibiotice.

Mrs. Mihaela Obreja: - Sure!

Mrs. Liviu Vatavu: - We will do so. Thank you and have a nice day!

Mr. Catalin Elisei: - Have a nice day, too! Thank you! Bye-bye!

Mr. Ciprian Nedisan: Thank you! Bye-bye!