

THE FOOD SUPPLEMENT MARKET IS NOT CRISIS- PROOF, BUT WE ARE!

THE BIOTECHUSA GROUP
ANNUAL REPORT

2023



CONTENT

Lead	1	Product development – on the boundary between the food and pharmaceutical industry	18
Overview of current trends and how the market presented itself	1	The benefits of in-house product development	19
Learning from crises – key challenges in 2023	2	Trends, feedback and country-specific customer need	19
„We march on regardless of the difficult path” – Assessment by CEO Bálint Lévai	2	Current trends – natural ingredients, environmental awareness, plant-based nutrition	20
Double-digit growth – trade and economic results	3	Marketing	20
Omnichannel is the route to success	4	The BioTechUSA and Scitec Nutrition mission and brand messages	20
Best-selling products	4	BioTechUSA marketing – strategy, key results, campaigns	20
Changing consumer habits – demand for premium products remains strong	5	Influencers, the heralds of lasting lifestyle change	21
B2C results in domestic and foreign trade – fierce competition and expanding store network	5	Events and roadshows	21
B2B results – private label products on the shelves of chain stores and wholesalers	7	Scitec Nutrition marketing – strategy, key results, campaigns	22
Saturated market, varying raw material prices	7	Influencers to promote gym training	22
E-commerce – webshops on the rise	8	Events and roadshows	22
BioTechUSA and Scitec Nutrition	8	Brand extension – the self-designed Apparel business is taking off	23
Builder and VitaminShop	9	Graphic design trends	23
ShakerStore	10	Corporate communications, media campaigns, awards, lists	23
Increasing efficiency, improving working conditions and modernisation in supply areas	10	Corporate social responsibility – giving back to the community	27
Focus on development and capacity building	10	Human resources policy – an international multinational corporation with the values of a family business	30
Building extension and process optimisation at the Group’s headquarters in Szada	11	Corporate culture and staff retention strategy	30
Organisational development, modernisation and increase in staff retention capacity at the Group’s headquarters in Dunakeszi	12	Key human policy achievements	30
A billion-forint investment, an automated warehouse and new social blocks	13	Securing the workforce in blue-collar jobs	31
Process improvements to ensure supply chain efficiency	14	The BioTechUSA Group vision	31
Quality management is part of everyday life	15	The future has begun	31
Procurement and stock value optimisation	17	Expansionary ambitions	31
Operation – renovation of the old office building on Huszti street has been completed	18	„We are all in the same boat”	32

LEAD

Despite the unexpected challenges of a turbulent market environment, the BioTechUSA Group continued to grow last year following record profits in 2022, increasing its revenue by 15% to 236.4 million euros. The investment of nearly 13 million euros and the 120 new products launched not only meet current needs, but also lay the foundation for future plans in medium and long term. Despite high-cost levels, the Company's financial position improved last year as EBITDA, i.e. earnings before interest, tax, depreciation and amortisation, increased by more than 8% year on year to 27.36 million euros. Let's look at the details:

Five brands on a shared journey

103 COUNTRIES

49 ONLINE SHOPS

307 STORES

4,500 PARTNERS

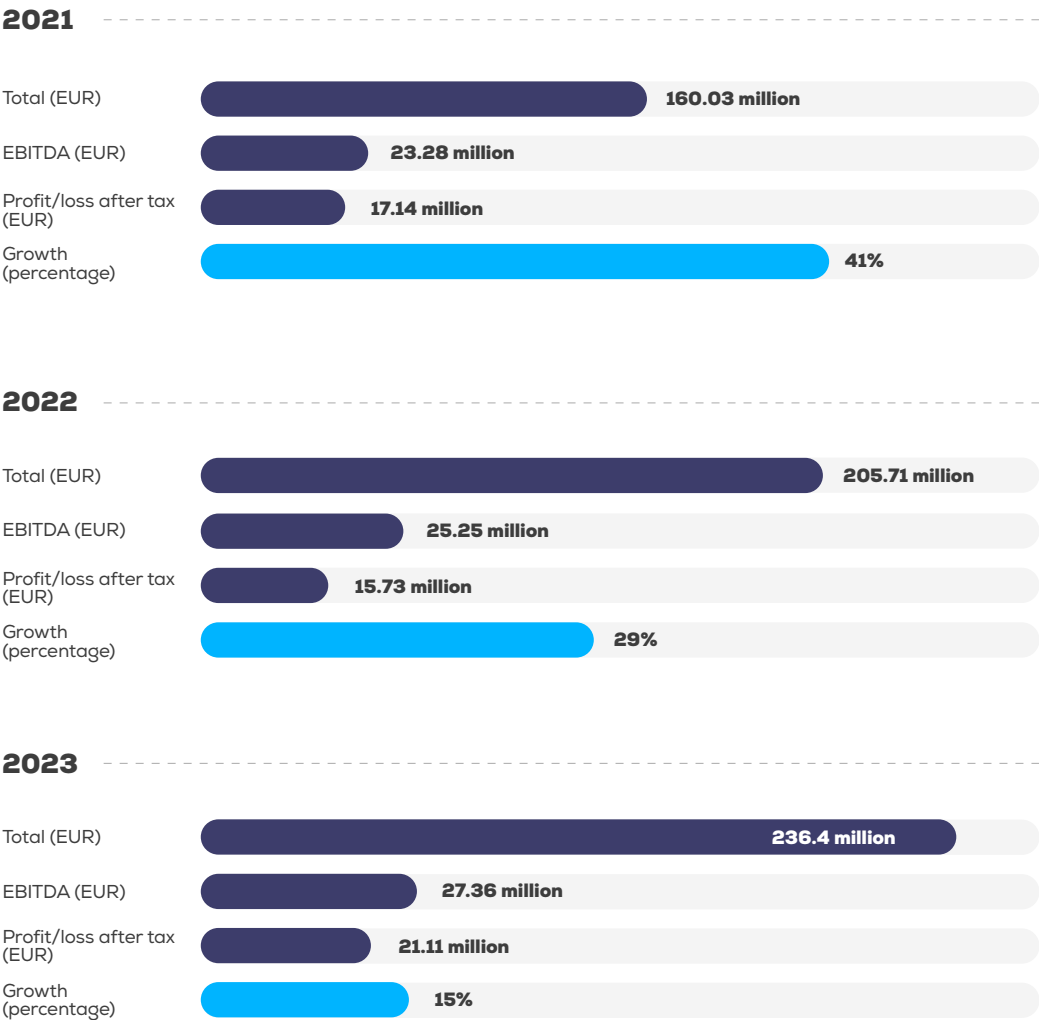
1,800 EMPLOYEES

EUR 236.4 MILLION IN SALES

EUR 27.36 MILLION EBITDA

15% INCREASE IN TURNOVER
compared to 2022

Continuous double-digit growth





“The food supplement market is not crisis-proof, but we stand as a crisis-proof company on the market”.

Overview of current trends and how the market presented itself

The market for food supplements has moved from gyms to sports fields on the one hand, and to homes and workplaces on the other. A growing proportion of health-conscious consumers recognise the importance of a healthy lifestyle, including a carefully selected varied and diverse diet, in achieving a high-quality, sporty life and active old age. To complement this, there is a wide variety of food supplements we can use. Protein powders are still the most searched products on the market, but by now the product portfolio built around these core products are broader than ever. The popularity of food supplements continued to rise last year, with more and more special foods appearing alongside technical supplements, such as capsules and pills. However, customer habits changed in parallel with the economic environment, and all areas had to adapt to keep the Company on the path of sustainable development.

Learning from crises – key challenges in 2023

“The food supplement market is not crisis-proof, but we stand as a crisis-proof company on the market”. This is the best way to sum up BioTechUSA’s year in 2023, after the Group had to deal with several obstacles that it had not previously encountered. The perception of the year was fundamentally determined by the fact that:

- we learn five to six times more during a crisis than during economic booms, and that’s true for any company;
- while in a stable, predictable economic environment we typically concentrate on competitors; in times of crisis we tend to focus on ourselves, on improving our own processes;
- people became more health-conscious, which built a consumer base, allowing the market to grow organically;
- at the same time, the rising price and the hectic availability of raw materials made sourcing and production more difficult;
- with good management, the significance of stocks rose within a sort time period;



- in an era of crises, volatile energy prices have brought the need to balance supply chains to the fore;
- one of the challenges was to manage wage costs in a high-inflation environment;
- while the labour market is extremely tight, turnover in industry remains high;
- to compensate for all this, as a self-financing company, we also had to ensure that unforeseen capital needs were covered.

“We march on regardless of the difficult path”

Assessment by CEO Bálint Lévai

„The pandemic period primarily tested the Group’s commercial footing, while the energy crisis and high inflation, as indirect effects of the war, challenged the Group on the manufacturing side. Yet the two periods were similar in that protein stockpiling by many producers recalled the panic buying associated with the COVID-19 virus. Although creatine, amino acids and various vitamins are equally important ingredients, it was not easy to face two- or even three-fold protein prices even with a carefully thought-out sourcing strategy drawn up. In these and similar crisis situations, the key factor is clearly the team.

Our philosophy is that if an individual’s area is affected by any internal or external impact, it should not be dealt with in isolation, but that everyone should put forward their ideas, thinking together with partner departments and management, so that the best proposals and, ultimately, decisions are made. There is a lot more riding on the quality of communication than anyone would think. If we can move in the same direction, we will find it easier to reach our goals, whatever the nature of the challenge ahead. Just as online shops lent a competitive advantage during the pandemic, the extensive physical store network was the engine of growth following the post-lockdown awakening. Over the course of the past year, we had to deal with the fact as a team that as consumer prices rise – not only in Hungary, but in Europe and even worldwide – consumers are becoming more health-conscious, but also more careful with their expenses. While the growth trajectory for premium products remained stable, the demand side in all other product categories was transformed. There have always been and always will be ups and downs, but we have continued to march despite the difficult course. This is why I believe that if the BioTechUSA Group’s journey is

„If the BioTechUSA Group's journey is a marathon, we are only at kilometer 5 of 42.”

a marathon, we are only at kilometer 5 of 42. In other words, the journey is far from over, but this also means that we have a lot of room for development, and there are still many untapped opportunities in several markets. Achieving „only” 10-20% growth over the next ten years would not be unsatisfactory, but we have more ambitious plans.

The opportunities within the Group are attractive to investors, but we want to continue to run BioTechUSA as a 100% Hungarian-owned family business. At the same time, we maintain our conservative approach to business, and in that spirit we continue to reinvest the money we generate and grow within our means, so that we are not at the mercy of either future changes or any investor, because we feel comfortable being the masters of our own destiny. In our favour is the fact that, despite operating in one market, our sales revenue is highly diversified: the real value of our 80% export weight is that we already have a turnover of hundreds of millions of euros in more than 20 destinations. And we are not stopping here: our investments, such as technology and product development, and the ongoing training of our staff are all aimed at ensuring that we have a bigger slice of the international cake in addition to domestic demand.”





DOUBLE-DIGIT GROWTH – TRADE AND ECONOMIC RESULTS

The Company consists of five different brands, and the marketing and product development strategies and objectives of each brand are designed to cover as many target segments and consumer needs as possible in the fitness and beauty industry:

- with the motto „The Feeling of Success“, **BioTechUSA** motivates ordinary people to achieve their individual goals, whether it's toning, endurance sports or making a lasting lifestyle change;
- with the slogan „Make a Difference“, **Scitec Nutrition** serves as the brand for people with a long-term commitment to gym training;
- **Builder** – a webshop in Hungary with a heritage of over 20 years of online food supplements sale;
- **the VitaminShop** – a multi-brand online store for vitamin consumers;
- **ShakerStore** – our brand which

It is a great achievement that, even in times of crisis, the Company achieved a 15% increase in B2B and B2C sales compared to the exceptionally high turnover of the base period one year earlier. However, it should be noted that even with the unchanged dominant Hungarian presence, export activities already generate about 80% of the sales revenue, so the future development arc of the BioTechUSA Group is essentially defined by its performance in foreign markets. Responding well to changing consumer habits, the Group had a strong year in both domestic and foreign trade.

While maintaining its market leadership in Hungary, it has increased its share as an exporter in key destinations such as France, Germany and Poland. In addition to regional markets, it grew dynamically in southern Europe, including Spain, Portugal and Greece, and in the north in Norway and Iceland. Outside Europe, the massive growth achieved in countries such as Iraq and Vietnam continues to be remarkable. One of the keys to sustainable development is an even greater emphasis on staff training in physical stores, while in e-commerce, Amazon and Facebook Marketplace are becoming an increasingly important pillar alongside the Company's own online shops.

Omnichannel is the route to success

A few years ago, many people equated dietary supplements with protein powders, but this has long been overcome by the industry's elite manufacturers and distributors, led by BioTechUSA. There is a growing number of people who regularly consume a variety of amino acid and vitamin preparations and food supplements in addition to whey protein, not to mention protein bars and lifestyle products.

As wide as the range of products is, the sales model is equally diverse: the Group pursues an omnichannel strategy, i.e. it is proactively present on all possible platforms, covering all the bases: products are available offline and online, in its own and partner online stores and shops, in gyms, supermarkets, hypermarkets and discount chains, chemists, petrol stations and pharmacies alike. The Company's approach is to create long-term value rather than pursuing short-term goals, and the path to this is paved with omnichannel solutions: a strategy that results in sustainably efficient sales, with the highest volumes and level of profitability.

Best-selling products

BioTechUSA™

TOP 5

Portfolio of 2,000 products

Iso Whey Zero

whey protein isolate

100% Pure Whey

whey protein complex



Zero Bar
protein bar

Arthro Forte

food supplement pill

BCAA Zero

amino acid product



SCITEC NUTRITION®

TOP 5

Portfolio of 2,000 products

100% Whey Protein

Professional

whey protein concentrate

Multi-Pro Plus

multifunctional vitamin product



Collagen Liquid

food supplement drink

100% Creatine Monohydrate

creatine product



Mega Daily One

multifunctional vitamin product

Changing consumer habits – demand for premium products remains strong

Expanding horizons: food supplements are now sought not only by professional bodybuilders, but also by the „conscious lifestyle“ enthusiasts. The emergence of new customers is having a noticeable impact on the sales of health-conscious products and, accordingly, the role of these lifestyle categories within the assortment; thus, their weight in terms of sales revenue is expected to grow dynamically in the following years. In line with the philosophy of BioTechUSA and Scitec Nutrition, the Company strives to uphold consumer loyalty not only through periodic promotions and unique discounts, but by primarily providing premium-quality products that remain highly demanded despite the global economic downturn. We have also seen an increase in demand for mono-component products. Consumers are becoming increasingly more aware of what they are buying, and they are carefully considering which products are best suited to their goals.





B2C results in domestic and foreign trade – fierce competition and expanding store network

Along the entire B2C sales pipeline, including the Amazon sales channel, BioTechUSA and Scitec Nutrition products both saw a significant sales increase. What's behind this phenomenon?

- In France, the Group has become a top 3 player in the industry, practically leading the market.
- In the German and Austrian markets, BioTechUSA and Scitec Nutrition have taken joint position at the top, but narrowing the field to online store sales, it is visible that private brands and brands with large influencer bases perform better in these countries. The network also reached a milestone with the opening of its 100th international store in 2023, bringing the number of BioTechUSA Group stores to 307 operating in 8 countries.
- Once the Group had established a foothold in Spain, the first store was followed by five more.
- In France, an additional 13 units were added to the map, but the Company was not idle in German-speaking regions either: in Germany, 10 new stores (9 BioTechUSA, 1 Scitec Nutrition) await customers, but the former brand is also available in Austria in two additional commercial units.
- The aforementioned Scitec Nutrition store opened to the general public in Germany in November is the first in foreign markets. On the international scene, Slovakia had the most varied retail landscape, with one opening accompanied by one relocation and two reconstructions.

2024 is expected to see more than 50 store openings: 15 in both France and Germany, 8 in Spain and 5 in both Poland and Italy, with the latter adding another country to the Group's list of previously untouched destinations. The Group has plans to open 2 stores in both neighbouring Austria and Slovakia, and if the start button is pressed in Romania, it could immediately bring about the opening of 5-10 stores. In the meantime, the network in Hungary could realistically expand with 6-7 Scitec Nutrition and 1-2 BioTechUSA stores.

Continuously expanding network of stores

45 new store openings

307 stores

in 8 countries

Hungary

BioTechUSA 103

SCITEC
NUTRITION 80

BUILDER 2

Germany

B 30  1

Poland

B 4

France

B 40

Netherlands

B 1

Slovakia

B 30

Austria

B 10

Spain

B 6



However, quantitative growth gains real value if matched by the quality of service and a higher level of customer experience, and to this end the Group places great emphasis on training its consultants – both domestically and in export markets. The priority is to ensure that employees are up to date with the latest information and provide a personalised service that meets the needs of customers and the values of the Group.

In this spirit, e-learning has been elevated to a new level, launching in Germany in November last year, while in France – and Slovakia – it has already reached almost 100% uptake, with the exception of new entrants. In the latter two areas, the fact that a new training provider was responsible for e-learning greatly contributed to the success. The training was also extended to franchise partners in Hungary and has been very well received. The curriculum is constantly updated in response to market needs and generational changes, as well as feedback from employees. This shows that the training material is more colourful and easier to absorb than before, which sends a message to the Company that it was worth optimising the various modules, favouring a varied approach to the new content over a dry curriculum.

B2B results – private label products on the shelves of chain stores and wholesalers

In the food retail sector – supplying to hypermarkets, supermarkets and discount chains – following the trends unfolding due to the high-inflation environment BioTechUSA is increasingly offering private label solutions in addition to the manufacturer's brand to more and more chain stores. This may have contributed to the Company's significant growth in cooperation with store chains, despite consumers being more and more conscious on their spending. In addition, presence in chain stores in several export markets has increased substantially, for example, in Germany (Familia, Markant) and Denmark (Bilka, Føtex, Helsam).

The Group continues to be the market leader as a wholesaler in Hungary through its two brands, BioTechUSA and Scitec Nutrition. These brands are available in all major gym networks, but it was still key to expand distribution channels. Moreover, as it was experienced during the pandemy, consumers were buying groceries less, although when they did, they typically also spent more.

This trend has been maintained by the war, the energy crisis and the steep rise in consumer prices, which has affected the number of customers. The company managed to overcome this trend by gaining new consumers in which promotional days and periodic promotions played a key role.



Sales on every platform



Saturated market, varying raw material prices

Many external markets are fairly saturated, meaning that competition is fierce, and raw material prices have seen large fluctuations within a short period of time. Protein prices varied by a factor of two to three, while prices for amino acid and vitamin preparations showed smaller, but also significant price swings. This is the reason why besides a good procurement strategy and stockpiling, adapting quickly to unforeseen challenges were crucial. In each country, well-functioning, direct partnerships have played a key role. The Russian-Ukrainian war and all of its economic consequences have been reflected well beyond the two countries concerned through the lens of BioTechUSA, in the UK, Ireland, Scandinavia, but also in Greece to the south and in several markets outside the EU. As an exporter, the Group has not only been faced with escalating energy prices, and hence high fuel prices, but also with the aforementioned inflated rates and supply problems – and the impact this all has on consumers. However, even in this turbulent economic environment, we have managed to stay on a growth path, which is a significant achievement in itself, and:

- The company – which had a great year in respect of BioTechUSA and Scitec Nutrition – also ranked in the top five in the B2B segment in Poland.
- In Central and Eastern Europe, the Group was able to increase the visibility of BioTechUSA and Scitec Nutrition as a company among the top 3 industry manufacturers in Slovakia and the Czech Republic, both in physical stores and online.
- In the Balkan states, distributors have seen significant growth, and brand building has also been greatly helped by participation in events in the region.
- Despite the armed conflict, the Company expanded its markets in the Ukraine and Russia, relying on dependable foreign market partners to continue its export activities.
- BioTechUSA is going full steam ahead in Southern Europe: the Group is leading the market in Greece, but after huge expansions, it is now also in the top six in the Spanish and Portuguese markets.
- Looking northwards, the past year has been particularly successful in Norway and Iceland, as well as in Ireland, where the Group has also settled on a growth path.
- Outside Europe, the dynamism of the Vietnamese market remains striking, but after a lengthy preparatory process, the company has managed to enter the Iraqi market with very promising results – with both brands.

E-commerce – webshops on the rise

BioTechUSA and Scitec Nutrition

The 11 BioTechUSA online shops outperformed the growth rate of the European online retail market, the growth of which was clearly driven by export markets and increased brand awareness. In addition to attracting new customers, retaining existing buyers and encouraging them to buy more was of cardinal importance. This is why the loyalty scheme has now been launched in Slovakia and Spain, in addition to the Hungarian, German, Austrian, Polish and French markets.

Meanwhile, the Amazon sales channel is skyrocketing last year: Amazon sales have also been launched in Belgium, the Netherlands and Poland, but preparation for expansion outside the EU is also underway. Both brands, BioTechUSA and Scitec Nutrition, have their own Amazon branding, with independent content production aligned with the platform. Building on the positive experiences thus far, B2C trade in other major marketplaces is also being launched.

The 37 online shops of Scitec Nutrition, Builder and VitaminShop significantly contributed to the gross sales revenue of the group. In this channel, Scitec Nutrition greatly surpassed its e-commerce performance of the previous year, with impressive growth in Hungary, Germany, Croatia and Romania.

Company-owned online shops – 49 online shops in 20 countries

BioTechUSA™



**SCITEC®
NUTRITION**



BUILDER



vitaminSHOP.hu

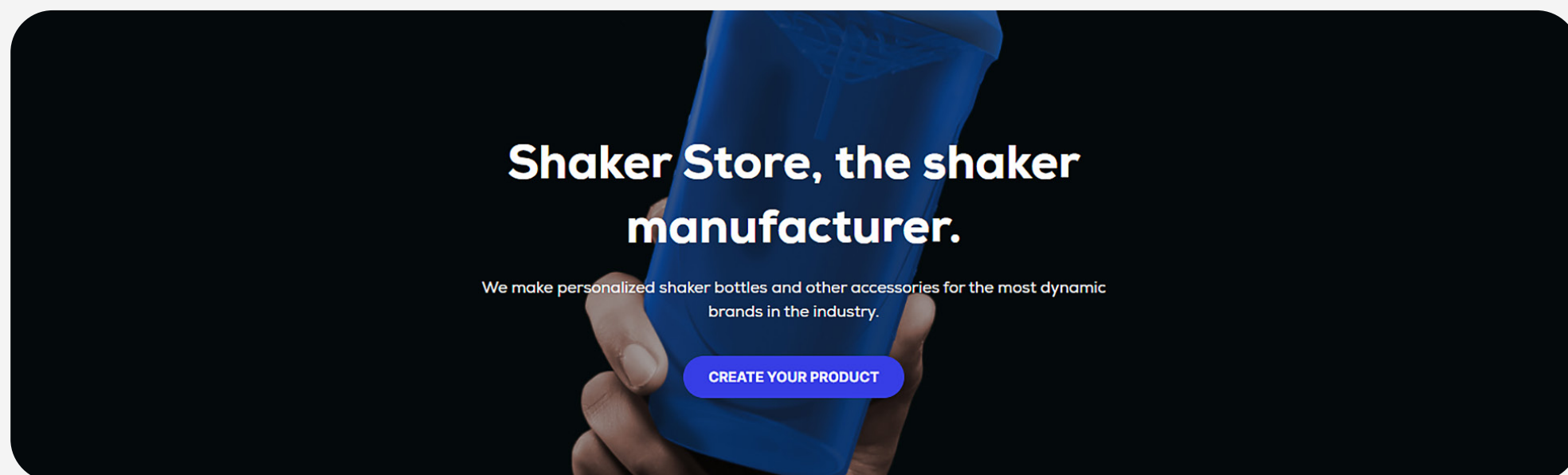


Builder and VitaminShop

Builder's private label food supplement portfolio is justified by the brand's intention to compete with entry-level-priced products from competitors. It was also an important goal to increase the market share of Builder Supplements, which was launched in 2022, and the way to achieve this besides customer acquisition is through customer satisfaction. This is why the Group has set its sights on more new content and a better user experience, which is delivered on new advertising platforms such as TikTok, in addition to high-traffic channels. VitaminShop, focusing on the Hungarian market at the time, is building its customer base with special offers and professional articles to help customers choose the right products.

ShakerStore

The Group produces products with a unique logo for gyms and dietary supplement distributors across Europe under the ShakerStore brand. The brand is present in 44 countries with 732 partners, with the company's own transport coordinator organising deliveries. With ShakerStore, BioTechUSA now covers the whole of Europe, but its largest partners are in Germany. It also has a strong presence in the UK, the US and the Middle East. In addition to Wave and Wave+ shakers, the demand is also high for bottles, gallons and pillboxes, but clothing and textile products such as gym bags, towels and various T-shirts, tank tops and hoodies are also selling well.



INCREASING EFFICIENCY, IMPROVING WORKING CONDITIONS AND MODERNISATION IN SUPPLY AREAS

The BioTechUSA Group has established its own manufacturing facilities and logistics centre in Szada and Dunakeszi, with a total useful floor area of nearly 44,000 square metres and a storage capacity of 24,000 pallets. The manufacturing and packaging of the vast majority of its products takes place here, with an annual production capacity of 20 million bars, 20,000 tonnes of powder and 1 billion capsules and pills. Few food supplement and speciality food companies in the world can claim to have their own factory and logistics centre, which enables the Group to produce unique, high-quality products and to fulfill consumer needs quickly and flexibly while meeting high quality standards. The Szada manufacturing base typically produces BioTechUSA products, while the Dunakeszi plant is responsible for the production of Scitec Nutrition products and meeting the majority of the demand from the contract manufacturing business. At the same time, to ensure efficient use of labour, the two plants work together on given projects to support each other in satisfying customer demand for stock replenishment on time. Cooperation and communication between the two production sites is excellent.

Driven by the need to optimise logistics processes and costs, the Group made a strategic decision to take a major step: BioTechUSA set up a central logistics base at its site in Szada in Pest County. For many years, Scitec Nutrition's warehouse had been operating in a leased property in Ezred street in Budapest's 4th District. However, with the lease expiring at the end of 2023, instead of a renewing the lease, a central logistics base was brought to life, following a complex two-year investment programme. Moving the stock from Ezred street to Szada was a major challenge and required careful preparation, but the integration has enabled the Company to serve customers worldwide from a single location.

Focus on development and capacity building

In terms of both logistics and production, the biggest challenge of the past year has been securing and retaining the right workforce. Blue-collar staff turnover is an ongoing problem that has to be tackled on a daily basis. Thus, it has become a priority for the Group to provide a quality working environment and an appropriate benefits package that enables production and logistics to perform at a high level. Wage levels at the regional sites have been set by the Group to be competitive with companies in the surrounding area. Labour shortages may put a Company under pressure and trigger developments. In particular, this involves a constant review of operational processes to streamline production and logistics, eliminating redundant operations. In addition, capacity increases and optimum use of plants are supported by mechanisation projects.



Building extension and process optimisation at the Group's headquarters in Szada

The Szada logistics centre, built in 2007, has grown enormously in the last year, with extensions and internal structural transformations. From a work organisation point of view, carrying out these changes was challenging in parallel with day-to-day operations. The logistics department's workload increased throughout the year, culminating in the relocation of the warehouse from Ezred street. Periodic promotions and the need to meet deadlines for high-volume export consignments, many of which required special handling, have led to a hectic workload, which has entailed a constant challenge in terms of both staff numbers and lead times.

There has been considerable interest over the past year in presenting the logistics centre and manufacturing facilities. To meet demand, the Group regularly organised logistics plant and factory tours for partners, influencers and new employees. During such visits, representatives of the BioTechUSA Group demonstrated how the products are made – from receipt of the raw materials to product dispatch – organised tastings and also provided the opportunity to visit the analytical laboratory.

The production plant in Szada, which has been operating since 2014, has been continuously expanded in recent years, and has undergone numerous internal renovations. The focus in 2023 was on process optimisation. In the course of a production review, a significant part of the ancillary processes in the plant were also automated, allowing every step of production to be tracked in the ERP system, thus supporting the work performed with an appropriate reporting system. Underperforming processes were investigated, and an action plan was implemented in place for self-development. Production has minimal unplanned downtime, production schedules are flexibly aligned with demand, yet well planned, with low scrap rates. The efficiency of the factories is reflected in the fact that there are minimal shortages of finished products, but balanced and financeable stock levels. The labour shortage also contributed to the Group's decision to continue with the mechanisation projects of previous years in order to organise the existing workforce more efficiently. It continuously develops its staff, with a focus on providing them with an internal career path and, thus, a predictable future. It is significant that the number of employees at the Szada plant did not increase, but the production volume did.





The Multi-user system allows the logistics and production staff in Szada and at the two production plants to also work in other areas, contributing to balanced workforce management and alleviating possible periodic overloads. The shortage of staff at the end of the year put the company in a situation where an unprecedented practice was introduced: BioTechUSA offered staff working at the Huszti street site in Budapest's 3rd District the opportunity to work weekends at the logistics centre and production plants on a project-by-project basis. This initiative was an unexpectedly popular among employees. The unusual solution also helped to build team spirit, as it allowed colleagues from the central site to get to know the regional sites, their work processes and the people working there.

Last year, the technical development team was also established at the Szada plant, meaning that most of the mechanisation projects are now being designed and built in-house. The capacity expansion was supported by the commissioning of several production machines last year, but also by the modernisation of much of the existing equipment and machinery.

Organisational development, modernisation and increase in staff retention capacity at the Group's headquarters in Dunakeszi

2023 also posed many challenges for the production plant in Dunakeszi. As early as the end of 2022, the company initiated several operational investments to modernise its manufacturing environment, which were completed by the end of last year. Among the investment projects, the modernisation of the water and sewerage system and the construction of the Ecolab and RO (reverse osmosis) water network have significantly contributed to developing production, and several other process improvement projects have been launched or completed. Most of these had already been developed and implemented at the Szada base, but it was necessary to take into account the different location and the specific needs of the Dunakeszi production plant. Dehumidification equipment to help the capsule production process run more smoothly has enabled faster, downtime-free production of this type of product.



Even though there were tangible signs of labour shortages at the Dunakeszi plant, the increasing workload was mitigated by a constant review of production processes and by mechanisation projects. The base was understaffed for most of the year. Organisational development was of high priority, departments were restructured, tasks and responsibilities were modified, and more attention was paid to creating and maintaining a healthy corporate culture. This included motivating employees and listening to their ideas. Wages were steadily increased throughout the year by the employer, as in Szada, in order to attract new staff and retain existing workforce. The turnover rate does not exceed the average for manufacturing companies in Hungary, but attracting, training and retaining new employees requires a lot of effort and priority attention. The BioTechUSA Group plants exclusively employ their own workforce.

Last year, a finished goods warehouse was also set up in Dunakeszi to provide dedicated support to the contract manufacturing business, and this is where partners now collect the bulk of products from contract manufacturing activities. The company also carries out contract manufacturing in Szada, but this is primarily the profile of the plant in Dunakeszi.

Our manufacturing and logistics centres

USEFUL FLOOR AREA: NEARLY 44,000 SQM

STORAGE CAPACITY: 24,000 PALLETS

ANNUAL PRODUCTION CAPACITY:

20,000 TONNES OF POWDER

20 MILLION BARS

1 BILLION CAPSULES AND PILLS

A billion-forint investment, an automated warehouse and new social blocks

Last year, a temperature-controlled raw material warehouse was added to the Szada logistics centre, doubling the raw material storage capacity. The Group has also expanded its finished goods warehouse, building a new, partially temperature-controlled warehouse nave, with added gallery, from which export shipments are dispatched. At the same time, the Company has restructured the entire finished goods warehouse area to ensure that logistics processes run smoothly and optimally. The warehouse nave, which was previously used for storing finished goods and is located directly next to the production plant, has been given a new function and will be used to create a new state-of-the-art facility for the production of complex protein bars.

BioTechUSA also converted the warehouse nave to provide small batch deliveries, adding a gallery to increase the number of packaging lines and manipulation space, maximising the available space. Meanwhile, ShakerStore has also moved up a level with a new office and warehouse.

In the logistics area, a new four-storey social block was built. The new block includes several offices, meeting rooms, changing rooms, social rooms, a canteen, a management office and meeting room, as well as a gym on two levels. With the opening of the new building section, colleagues' social welfare and the working environment have been greatly improved.

One of the key achievements of the past year has been the commissioning and operation of an automated finished goods warehouse operating under the goods-to-person principle, which cuts product picking time, thereby reducing the time customer orders spend at the logistics site. The investment and the related infrastructure, software and process developments were implemented with a total budget of nearly 2.5 million euros, for which the Company also received more than 600,000 euros in state grants.

The Group has also paid particular attention to maintaining and upgrading the condition of its facilities, and such investment projects continued last year at the Szada production plant. A new compressor housing and machine shop were built, and several conservation repairs were carried out during the annual shutdown.



The production machinery fleet was expanded, with a new capsule filler machine increasing the production volume, and new equipment was also purchased to increase the capacity of the powder filling and packaging units. Thanks to the development activities of the in-house technical development team, numerous production machines and equipment have been built and upgraded in-house.

In early 2021, the Group's management decided to significantly increase protein bar production capacity. Procurement of the necessary bar production line and related equipment has started, as well as the construction and engineering of the necessary building section. The system is expected to be ready for trial operation in autumn 2024. This year's tasks include the expansion of the social block, the changing rooms and the dining areas, which will also allow for an increase in staff numbers.

Last year, a number of technological and building modernisation activities were carried out at the Dunakeszi production plant. The building's water and sewerage network was renovated, and an Ecolab cleaning system and RO water usage point were installed to increase washing efficiency. In order to increase production efficiency, new industrial dehumidification equipment has been installed and ancillary units have been integrated into existing production equipment to enable certain production lines to be run with a smaller workforce. The forklift fleet at the Dunakeszi site was also renewed last year.

In 2023, the Group also submitted a tender for energy development, under which it received non-reimbursable funding of approximately 514,000 euros at a grant intensity of 43.5%. One highlight of the project is the installation of a solar panel system, which will be able to provide approximately 30% of the annual electricity consumption at both the Szada and Dunakeszi sites. In the spirit of lighting modernisation, the light sources in Szada and Dunakeszi that have not yet been replaced will be replaced by modern LED solutions. At the Dunakeszi plant, heating modernisation will also continue with the installation of new boilers. In addition, a new compressor and refrigeration dryer have been installed at the Szada plant. By using waste heat from the compressor to produce hot water, the compressor saves on energy consumption, and by recovering the flue gas energy from the warehouse dark heaters, operational efficiency is increased.

Automatic order picking warehouse

450 SQM FLOOR AREA

6 CONTROL CONSOLES

300,000 PRODUCTS STORED

9,600 CRATES ON 2 LEVELS

60,000 ORDERS PER MONTH

8 ORDERS PICKED PER MINUTE

APPROXIMATELY EUR 2.5 MILLION INVESTED WITH MORE THAN EUR 600,000 IN STATE GRANTS



Process improvements to ensure supply chain efficiency

The Group's Process Development and Optimisation Department is responsible for the majority of the developments in the ERP system and process improvements related to the needs of the business areas, from planning to project-level implementation. Most of the department's process development activities are related to the supply chain, such as manufacturing, logistics, purchasing and quality management, but it also supports the processes in the economic and commercial areas, as well as the processes of the Product Development and Authorisation Department.

The Supply Chain IFS Backoffice Group operates within the department, and deals with the management and maintenance of company basic and master data, product recipes, the development of a data backbone for operational processes, the calculation of cost prices, production controlling and support activities for users in IFS processes.

The Process Development and Optimisation Department is also responsible for forecasting future expected sales against sales targets, production planning, process-level coordination of large-scale production projects, planning material flows in Szada and Dunakeszi and inventory management.

One of the key activities of the past year was the stock optimisation project, which aimed to establish the optimal level of the overall company stock value and to define the basic principles thereof. The project began with a situation assessment at the beginning of the year, followed by a series of steps to modify or override previous operational processes, in cooperation with the departments concerned. Among other things, the Company reviewed and restructured the inventory booking logic of the ERP system, freeing up inventory. It also reviewed and redefined the stocking policy for raw and packaging materials, the stocking processes of the contract manufacturing business and the level of stock in stores and with partners. The previous practice of rolling out new products has also changed, but economic analyses linked to production now also contribute to a rational product portfolio.

A major project in 2023 was the development of the logical processes required for the operation of the automated warehouse in Szada and the linking of the warehouse's internal inventory manage-

ment system to the ERP system. The next step after commissioning was to design and implement developments based on the experience gained during live operation. The project managers worked in close cooperation with the management and staff of the logistics department in Szada, as well as with the contractor's staff.

The relocation of the Ezred street site also placed a significant burden on the Process Development and Optimisation Department, as processes had to be converted to a single-site operation. The production of language labels for outbound shipments is a major burden on Szada logistics. In this context, one of the major works of the past year was the automation of the supplement label printing system, which allows for more efficient use of the workforce and the acceleration and simplification of a very labour-intensive process.

The department's development work also includes the reprogramming and integration into the Company's system of a robotic arm for palletising finished cartons from the production line at the Dunakeszi site.



Quality management is part of everyday life

Quality is part of everyday life in both factories: the Company is not preparing for audits but lives its daily life according to the requirements set by the standards. BioTechUSA Group pays particular attention to hygiene, fault-free production and the manufacture of quality products. As a result, last year's audits, whether supervisory or unannounced audits, were completed with outstanding results.

In 2023, in addition to one unannounced IFS Food audit, there were 11 scheduled review audits at the Company. The Company works under the same standards at both the Szada and Dunakeszi sites:

- ISO 9001,
- ISO 22000,
- FSSC 22000,
- and IFS Food.

*„On average,
200,000 tests are
carried out each
year here.
The result of the
unannounced IFS
Food audit was 99%.“*

In addition, an independent certifier verifies whether the Company complies with the Global Guide to Good Manufacturing Practice for Supplements – GMP – guidelines and the HALAL dietary practices. The result of the unannounced IFS Food audit was 99%, and the result of the scheduled IFS Food audit was 98.65%. The other supervisory audits were also completed with success.

Last year, 17 internal audits were also carried out to check the conformity of food safety standard points, such as:

- compliance with personal and industrial hygiene standards,
- the monitoring of critical control points,
- the existence of and compliance with work instructions,
- the training plan and its implementation,
- compliance of the operating environment, water and air,
- the process of mitigating the risk of foreign materials and process implementation,
- traceability,
- the allergen risk reduction process and process implementation,
- the process and existence of supplier and service provider qualification,
- the existence of a food fraud vulnerability assessment,
- the existence of and compliance with site security requirements,
- a vigilance test,
- as well as the implementation of monitoring for measuring instruments.

A significant change in the past year was the establishment of a two-storey central analytical laboratory in Szada, which has enabled the testing of raw materials and certain finished products for both sites in one location. With the establishment of the central laboratory, staff working at the Dunakeszi site were integrated, resulting in more efficient work in terms of resource management.

On average, 200,000 tests are carried out each year here, including in-process quality control, packaging material testing, analytical, physical, chemical and sensory controls in internal laboratories and active ingredient and microbiological tests in external accredited laboratories. The quality management department has a staff of 40 people, of which 11 are working on a dedicated basis in Dunakeszi, 21 in Szada and 8 more on a two-site basis.

Quality above all else

**40-STRONG QUALITY
MANAGEMENT TEAM**

**MORE THAN 200,000
TESTS PER YEAR**

**AN AVERAGE OF NEARLY
1,000 TESTS PER DAY**

**12 EXTERNAL AND 17 INTERNAL
AUDITS PER SITE PER YEAR**



In terms of resource management, the main achievement of the year was the automation of the administrative processes of the Quality Management Department. All test results are recorded in the ERP system, making analysis and retrieval quick, easy and accurate. Results from external laboratories are loaded into the ERP system without any manual recording. These processes also contribute to the automatic generation of quality certificates for outbound shipments. One of the results of the past year is the process control of kosher and vegan production with site-specific conditions, with integration into good manufacturing practices.

Based on the training plan, internal quality management and food safety sessions are regularly organised at both sites, as well as on an ad hoc basis if necessary. The Group is continuously improving the quality approach of its manufacturing staff and has launched a self-developed training portal for this purpose. The company pays particular attention to the professional development of its quality management staff through thematic training within the department, but they also regularly attend external programmes such as professional conferences. The latter may be motivated by new requirements related to standards, changes in food safety, quality or even food regulation.





Procurement and stock value optimisation

The core activity of the Procurement Department is ensuring raw and packaging materials for production and the finished products purchased, as well as the procurement of materials for production and logistics operations and the management of indirect procurement projects.

Last year, the company encountered extremely high prices on the whey protein market at the beginning of the year, followed by a sudden and rapid drop, only to see prices soar again after a long absence of lows. Finding the appropriate strategy and the right rhythm required special attention in the Procurement Department. In addition, the market for creatine feedstock, which is a key ingredient in the product range, has become more hectic than ever. In this area, the past year began with very high prices and rather limited availability. Later, prices gradually declined and then, unexpectedly, there was a period of shortage and a parallel rise in prices, making it very difficult to buy. At the same time, the Group saw it as a favourable situation that in 2023, the prices of several raw materials fell to unprecedented levels, and good entry points enabled it to conclude contracts in strategically important segments that are competitive in the long term. In addition to the volume growth in branded products, purchasing also kept pace with the rapid development of the contract manufacturing business. The area contributed to the success of a number of priority manufacturing projects, backed by long-standing and fair business relationships with suppliers.

In the indirect procurement area, the task was typically to meet demand from production and IT. In addition, the calls for tender for the selection of logistics service providers, plant cleaning services or mobile communications operators have also been a major challenge. No less emphatic was the establishment of the 2024 energy contracts, which was preceded by a thorough and continuous examination of energy price developments. One of the key projects of the past year was the optimisation of the overall company inventory value, where the Procurement Department was given a key task in rationalising the stock level of raw and packaging materials and finished goods purchased.

Operation – renovation of the old office building on Huszti street has been completed

The company opened 45 stores across Europe, while it had “only” 41 store construction, relocation and closure projects in 2022 through the BioTechUSA, Scitec Nutrition and Builder brands. In this context, even greater emphasis was placed on optimal work organisation, due to the simultaneous execution of multiple projects.

In addition, the renovation of the old office building on Huszti út – located right next to the new office building (delivered in 2020) that won the Office of the Year Grand Prize – has been completed and staff have already started moving in. As a result of the investment, from February 2024, employees have access to a modern, more comfortable and welcoming office environment. The building includes two floors of offices, exclusive meeting rooms, cosy community spaces and a fitness and boxing hall on the ground floor with changing rooms, a sauna and a relaxation room with a salt wall, all contributing to an even healthier lifestyle for staff.



Modern working environment

1,500 SQM TOTAL USABLE BUILT-UP AREA

APPROX. 170 NEW WORKSTATIONS

3 STOREYS

1 EXCLUSIVE MEETING ROOM PER OFFICE LEVEL

470 SQM GYM UNIT

SAUNA

RELAXATION ROOM WITH SALT WALL



PRODUCT DEVELOPMENT – ON THE BOUNDARY BETWEEN THE FOOD AND PHARMACEUTICAL INDUSTRY

Food supplements are foodstuffs, but this statement is, in itself, so simplistic that it quickly leads to misconceptions. In terms of purpose, appearance and consumption patterns, food supplements are often more similar to medicine than food. Just think of capsules and pills, which are not produced by using everyday food technology processes. These are, therefore, products that are regulated as a specific category of foodstuffs, with many of their elements and phases of production corresponding to that of pharmaceutical formulations, but with a specific physiological effect beyond the consumption experience. There are several areas of expertise that anyone wishing to engage in food supplement development needs to be well versed in.



The benefits of in-house product development

Customer needs are investigated by a dedicated product development team of 39 people, including a food engineer, food safety specialist, bioengineer, biologist, dietician, nutritionist, pharmacist and doctor.

Beyond sugar and lactose-free products, the current portfolio also offers varieties suitable for people with a gluten intolerance or vegan diets. The Group develops the flavours of its products to make their consumption an enjoyable and varied experience. In addition to the traditional food supplement formulas, pills and capsules, there is growing demand for fortified foods, which are similar in appearance and enjoyment value to regular foods for general consumption, but have proven positive physiological effects in addition to their nutritional function.

Both external and internal effects are important, thus the direction of product development can be driven as much by market demand as the implementation of ideas generated in-house. The foundation lies in the continuous monitoring of market changes and consumer needs, which includes analysing competitor activities, tracking changes in supply and monitoring consumer preferences and buying habits. New international market trends are both an opportunity and a challenge, and the BioTechUSA Group aims to track these, but in a manner that makes appropriate use of all available information to identify what really deserves more attention and, as a result, bring these products to market in time. Ideas generated within the Group most often come from Management, as well as the Marketing and Product Development departments. However, it is also essential in these cases that consideration be given, before starting development, to ensure that newly launched products have a successful and long life cycle.

Trends, feedback and country-specific customer needs

The rise of food supplements has continued in the past year, with more and more food-like products appearing alongside technical supplements such as capsules and pills. As regards formulas, gummies are a big hit, but ready-to-eat products have also become indispensable, linked to the

„The direction of product development is determined by a growing consumer focus on natural ingredients.“

fact that manufacturers are targeting an increasingly wide range of consumers. Interestingly, old ingredients such as collagen have come back into the limelight, but new ones are also demanding a place, such as ashwagandha. Seeing the popularity of this ingredient, the Group launched the Ashwa+ product, which was supplemented with additional plant extracts such as ginseng and green tea. The dominant players on the market are constantly watching each other with a wary eye, and the pool of competitors has expanded from single-product manufacturers to major powers.

Feedback on existing products is key, received through both the Marketing and Sales departments and through the online store. This is also helped by franchise shop staff, who use a questionnaire to collect information from customers about the reception of new products. Such consumer feedback has led, for example, to the introduction of the apple pie-flavoured 100% Pure Whey, which started out as a seasonal product but grew to become incredibly popular. It is also important to take into account consumer needs in terms of flavours and packaging, in order to ensure diversity and practicality. At times, the flavour palette or packaging may be adjusted to align with local trends, which vary from country to country, in order to adapt to local markets and consumer expectations. In Germany, for example, there is a particular preference for clear protein products and 1 kg packs.

Current trends – natural ingredients, environmental awareness, plant-based nutrition

BioTechUSA Group has developed several new products, while others have been phased out of the current range. Last year, the processes and methodology to be developed came under the spotlight, which also entailed revising old practices. The direction of product development is determined by a growing consumer focus on natural ingredients. There is a clear preference for products that follow the principles of healthy and natural nutrition, meaning that reducing the number of additives has also become a key consideration. Ease of preparation is also an essential aspect in fast-paced everyday life. At the same time, demand for vegan products has fallen, but plant-based nutrition remains an important segment. We have also seen a sharp increase in consumer awareness of environmental issues. They are showing an interest in environmentally friendly packaging solutions and recyclable packaging, which is one of the Company's strategic goals for the years ahead.

MARKETING

The BioTechUSA and Scitec Nutrition mission and brand messages

The BioTechUSA Group's mission is to motivate millions around the world to live more conscious and sporty lives through its products and with the help of its more than 20 years of expertise. With the motto „The Feeling of Success”, the BioTechUSA brand motivates ordinary people to achieve their individual goals: whether it's getting in shape, endurance sports or making a lasting lifestyle change. Whereas Scitec Nutrition, with the slogan „Make a Difference”, addresses people with a long-term commitment to gym training.

While the main objective of the marketing work behind BioTechUSA was to showcase the versatility of products through creative campaigns that debunked myths and perceptions, in Scitec Nutrition's case the motivation was to promote gym training and to link it to the brand. This was the message that was primarily conveyed by brands in Hungary and across Europe, as the campaigns each told a story.





BioTechUSA marketing – strategy, key results, campaigns

As a prerequisite for international expansion in this economically unstable environment, the marketing team has been stabilised with outstanding professionals. The Company wants to bring the brand closer to current and future consumers.

This is why ordinary people, including colleagues, have been featured in several campaigns, such as the Best Shape of Our Lives campaign for instance. In addition, their campaign video „One shaker, so many goals”, also shown on international markets, won the special prize for the best long-form video awarded by IAB Hungary.

Influencers, the heralds of lasting lifestyle change

Last year’s biggest reinforcement on the Hungarian market came in the form of Ramóna Lékai-Kiss, with whom the Company signed a long-term partnership deal in March. Being not just one of the most employed presenters, but also known for her sporty, health-conscious lifestyle, she easily fits into BioTechUSA’s brand communications.

For the second year running, the Group has been working with one of the biggest talents in international football, Real Madrid’s Rodrygo Goes. The 23-year-old Brazilian international striker has also been regularly stating on his own channels that the partnership has had a positive impact on his performance. Last year, BioTechUSA forged an even closer relationship with him, compiling his most used products and making them available to the general public in a bundle – „Rodrygo’s Favourites”.

BioTechUSA also launched its own official Spotify channel at the end of 2023: working out was synced with music by DJ Asco. This allows consumers – who can also make selections based on the form of exercise or their current mood – to get to know the influencers’ favourite tracks, starting with the fitness legend with almost 9 million Instagram followers, Ulisses Jr a favourite among fitness fans.



Events and roadshows

The Company is constantly experimenting with new formats and using new platforms to get its message across that health-conscious, sporty living doesn't start in the gym, but with everyday choices. This is why the BioTechUSA team participated at Balaton Sound, to show that it's possible to „party” consciously, and why it partnered with Forbes on Makers Day to raise awareness about the importance of physical health in addition to mental health. Balaton Sound also hosted a meet-up for influencers working with the Company, which is organised every summer as a multi-day public meeting with a variety of activities.

Scitec Nutrition marketing – strategy, key results, campaigns

Last year, the company ran three major brand awareness campaigns, including the integrated campaigns in February and May, as well as the Ageless international activity in September, which highlighted that lifting weights is for everyone, regardless of age. In each case, the aim was for the creative and the message to differentiate Scitec Nutrition from other brands through the story behind each campaign.

Influencers to promote gym training

The number of Scitec Nutrition athletes and influencers has reached 180, with a clear goal of having global influencers with a following of millions, as well as local micro and nano influencers. Last year saw French IFBB Pro bodybuilder Morgan Aste as well as fitness stars Ania Malys and Amanda Essen join the team. In 2023, the focus was on TikTok, seeking out opinion leaders and content creators who could authentically deliver Scitec Nutrition's transformational „Make a Difference” message to their followers.



Events and roadshows

The past year was again about shaping and forming the bodybuilding community, with the aim of bringing everyday heroes together with their role models. In this spirit, the first weekend in August once again brought the most muscular weekend of the summer, Muscle Beach, where, in addition to the competitions, the public had the opportunity to meet Hungarian and international Team Scitec athletes and even train together in the outdoor gym. For the first time in the history of the event, the Company also launched a charity programme together with the Hungarian Charity Service of the Order of Malta.

There are also an increasing number of entrants to the Power Challenges, a weight training-focused mass sport where everyone has to challenge themselves by completing five basic exercises (squat, bench press, deadlift, chest press and pull-up (men) or standing bicep curl (women)) and beating their own scores. The competitions attracted more than 500 participants, ranging from 18-year-old boys and girls to 75-year-old pensioners.

Of course, no year would be complete without Scitec Nutrition's flagship event, Superbody. More than 100 athletes competed in 11 categories for the Superbody title in front of an audience of more than 1,300 spectators, it being the throne of amateur Hungarian bodybuilding. Scitec Nutrition has also sponsored several events abroad, such as EVLS Prague Pro and Romania Muscle Fest. In addition to Hungary, further integrated campaigns are also planned for 2024 in Germany and France. The Scitec Nutrition team intends to support partners and distributors with additional marketing materials and roadshows to further promote gym training.

Motivating millions to make a lifestyle change

260 ATHLETES AND INFLUENCERS

58 FACEBOOK PAGES

31 INSTAGRAM ACCOUNTS

15 YOUTUBE CHANNELS

4 TIKTOK ACCOUNTS

MORE THAN 70 MILLION FOLLOWERS

46 EVENTS

Brand extension – the self-designed Apparel business is taking off

Apparel was rolled out using all of the tools of the omnichannel strategy, with the slogan „Body in Style“. In this context, BioTechUSA opened its largest exclusive, 110-square-metre store in Hungary, in Allee shopping centre, where customers can find all of the company’s products, from food supplements to its company-designed Apparel clothing line, which has only been available online until now.

Nothing demonstrates the momentum better than the fact that sales increased by 65% compared to the 2022 baseline. Women’s clothing continues to be a magnet for shoppers, helping it to take a bigger slice of the sales pie, but there is also huge potential in the new men’s collection, which debuted in October and whose items claimed top-selling spots in the very first week. The fixed assortment continues to expand with new colours and styles, and the new direction is clearly defined by figure-shaping items, which are also designed in-house.

In addition to the above, the Company is also collaborating with several teams, with the aim of involving as many of them as possible in further campaigns for the burgeoning clothing brand.

Graphic design trends

The Company has also kept up to date with the latest trends on the graphic design front, shaping the look and feel of the brands. Over the past year, several of the public space campaigns mentioned were ongoing, and the brand message was also supported by creative visual elements – keeping the clean, modern design of premium brands in mind. One of the current trends is the growing use of animations in advertising, a creative tool for visualising brands, as they enhance static graphics, whether it’s campaign, product or price communication creatives, or social media appearances.



CORPORATE COMMUNICATIONS, MEDIA CAMPAIGNS, AWARDS, LISTS

In 2023, the Group's customer relations, PR and corporate communications activities were characterised by premiumisation and the reinforcement of Hungarian brand recognition for both the BioTechUSA and Scitec Nutrition brands, while maintaining the outstanding number of appearances and impressions of previous years. Last year, the Company's media monitoring and evaluation methodology was renewed; a total of 30 media campaigns were managed, resulting in more than 600 media impressions with an outstanding organic paid-free rate (92% and 8%). The primary focus of the media campaigns was to reinforce BioTechUSA's role as a trendsetter and as an expert within the industry, with a strong emphasis on lifestyle, economic, professional and healthcare topics, as well as increasing brand presence in regional media, radio and television, in addition to national online news portals.



This year, key media campaigns included:

- regular campaign announcements sent out on behalf of the BioTechUSA Group on major international marketing campaigns, to FMCG and brand market magazines and collaboration announcements on priority CSR projects;
- building Scitec Nutrition's press presence, with a focus on breaking down stereotypes about bodybuilders and bringing gym training closer to ordinary people. To this end, it regularly reported on events organised by the brand in videos (e.g. Muscle Beach, Power Challenge) and made the brand even more likeable through hero content (Béla Kathi);
- the launch – in the spirit of transparency – of the Annual Report format, integrating the results of all areas, and its presentation at a press conference to which all major business media and news portals were invited;
- an interview with Dr György János Velkey, President of the Hungarian Hospital Association and Director General of Bethesda Children's Hospital, and the co-owners of the Group, Bálint and Balázs Lévai, about the challenges of the healthcare system and the opportunities for support from large corporations;
- publishing a call for consumers to vote on which hospitals should be modernised and upgraded;
- the inauguration of the Company's premium category store in the Allee shopping centre in the summer of 2023, with brand ambassadors, models, influencers and dozens of media representatives in attendance. The press event also included a fashion show, which presented the new Apparel clothing collection of 100 clothing items to the public;

Awards and press contacts

**MORE THAN 600
MEDIA APPEARANCES
AND IMPRESSIONS**

30 PRESS CAMPAIGNS

IN 150 DIFFERENT MEDIA



- the initiation of social dialogue on topics such as disability and inclusiveness, mental health protection, responsible lifestyle change, endometriosis, eating disorders, healthy body image, prostate cancer prevention and the importance of regular screening.

In 2023:

- the Company was awarded the Best Managed rating;
- the Company placed second in the competition for the country's most dog-friendly offices;
- the Company won the DreamJobs Lovable Workplace Award for the third time;
- the Company's digital learning solution entry was one of the best in the Employee Experience category in the HRBEST competition;
- the Company won the Superbrands Award, similarly to previous years;
- the Company's „BioTechUSA Lifestyle Day & Charity 2022 – Together Against Eating Disorders” entry was a finalist for the Doing Good – CSR Award;
- the Company's Clear Collagen Professional drink powder won the Readers' Choice Award in the Beauty Innovation of the Year category at the Marie Claire Beauty Awards.

The BioTechUSA Group regularly contributes data to influential economic and business lists.

In 2023, the company was featured on, among others:

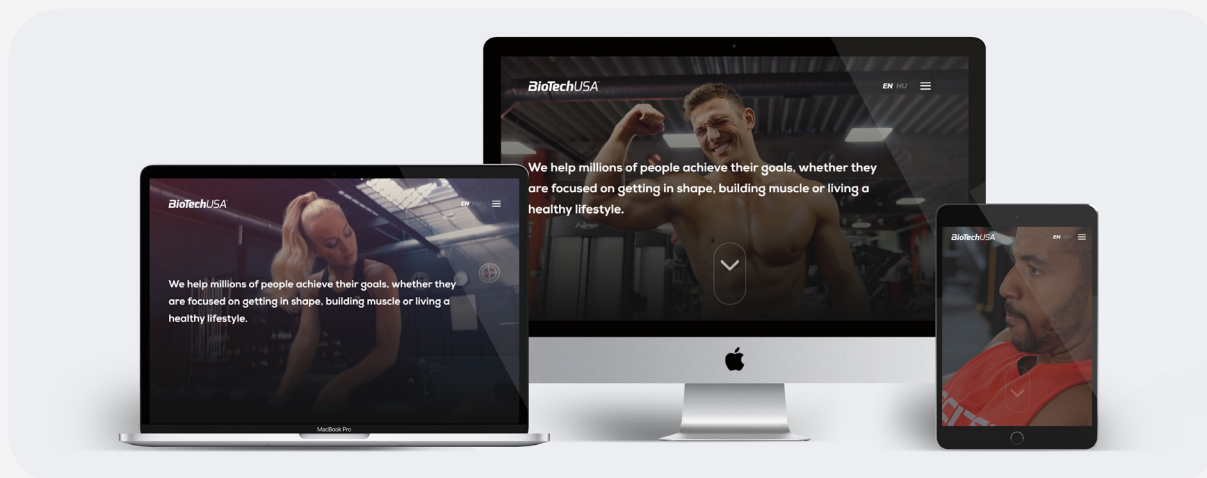
- Forbes and Google's joint Digital Heroes top e-commerce list,
- Forbes Hungary's list of the 100 most valuable Hungarian-owned companies, ranked 20th,
- HVG's TOP 500 list of Hungarian companies with the highest turnover, where it ranked 273rd in 2023, and 54th in the wholesale section,
- Figyelő's TOP 200 list of Hungary's largest companies in 2023,
- the Forbes Big Gains list, ranked 6th,
- as well as the Forbes list of the most valuable family-owned Hungarian companies, in the prestigious 12th position.

The above results were mainly achieved by an in-house team, with agency support only used on a case-by-case basis and where justified.

In terms of corporate communications, in 2023 the company increased the volume and visibility of external and internal corporate news; information on trade, partnerships, marketing and CSR campaigns, store openings, manufacturing, logistics, product development, quality management, investments, human resources processes and events organised by the Company were regularly shared on its platforms. BioTechUSA Group started to place greater emphasis at a strategic level on developing internal communication and employer branding functions, which contribute greatly to employee engagement and improved staff turnover figures. At the same time, it also started to internationalise its LinkedIn pages, where it produces bilingual content with pictures and videos 3-4 times a week, as well as on the websites, Facebook and Instagram pages of the various brands. Last year, the Company also laid the UX plans for an image film and B2B parent group site integrating all five brands, which are currently in the development phase, and revamped its CSR site showcasing CSR activities. It also put a strong emphasis on communication support for senior executives and their company owners, building their personal brand, through presentations and application materials.

As far as the future is concerned, in 2024 the company plans to increase the volume of media events organised: on the one hand, it will offer select, top business media an exclusive press visit to its manufacturing and logistics centre in Szada to present the developments and social blocks completed; and, on the other hand, it will inaugurate its old office building, which was modernised last year and equipped with a gym, in the context of a press conference, accompanied by an HR communication campaign. In the future, it will place particular emphasis on staff programmes and on holding expert press discussions on CSR topics that are close to its heart. Two media weeks will be held in 2024, offering exclusive interview opportunities for newsrooms with the company's owners and senior executives. Finally, the important plan for the Group to present, in an understandable and entertaining format, is the entire product development, manufacturing, logistics and quality assurance journey of its products, from the idea stage to the customer's cart, and to respond quickly and comprehensively to trends in the food supplement industry in the media.

„The Group's customer relations, PR and corporate communications activities were characterised by premiumisation and reinforcement.“



CORPORATE SOCIAL RESPONSIBILITY – GIVING BACK TO THE COMMUNITY

The BioTechUSA Group's corporate social responsibility programme was launched in 2021, when the donation strategy was developed, initially solely for the BioTechUSA brand. In 2022-23, the Company created dedicated websites, images, slogans and charity merchandise; clarified the legal background for grant and aid contracts; established the necessary production and logistics processes; enabled its customers to fundraise via the online shop; signed contracts with numerous charity ambassadors; and established long-term partnerships with major Hungarian NGOs and hospitals. In addition, the Company laid the foundations for the Scitec Nutrition brand CSR strategy in 2023.

The BioTechUSA Group donated 83,000 boxes of products, cash, rehabilitation, diagnostic and therapeutic equipment up to the end of 2023, with a value of more than EUR 910,000. Its charitable initiatives have been implemented through 51 CSR campaigns, supporting 144 organisations to date. These activities have resulted in hundreds of media impressions and community activities, not only providing a platform for those who are less visible, but also launching education and awareness-raising campaigns with the involvement of external experts. There has been a strong focus on providing information on health promotion in a fun, easy-to-understand, easy-to-apply manner, and on continuously improving people's health literacy.

This year, key campaigns included:

- supporting the Hungarian Hospital Association, 91 hospital institutions and 5,000 emergency care workers with the largest donation in its history on International Nurses Day. The cooperation highlighted the indispensability of a career in nursing;
- being a key supporter of Endometriosis Awareness Month;
- successfully concluding the „Be ballsy!” initiative, which involved the PSA screening of 1,000 people, and also contributing to a mobile screening bus and an online educational publication on men's health;
- raising and donating a record amount at the BioTechUSA NN Ultrabalaton Charity event, which was used to modernise hospital facilities;

CSR – fully aware of our responsibility

**51 EDUCATION AND
AWARENESS-RAISING
CAMPAIGNS**

**144 ORGANISATIONS
SUPPORTED**

OVER € 910,000 IN AID

**83,000 BOXES OF
PRODUCTS DONATED**

**AND THERAPEUTIC
AND REHABILITATION
EQUIPMENT PURCHASED
FOR HOSPITALS**



- launching a CSR programme called Scitec Nutrition Good-hearted Bodybuilders in Action, in the framework of which the Company implemented a series of nationwide programmes in cooperation with the Hungarian Charity Service of the Order of Malta, with multiple stops and rolling over to 2024. This highlighted the key role of collective exercise in the integration of young and older people with disabilities, mobility impairments and disadvantages, and in creating a more inclusive society;
- Publishing an online self-help manual (unique in Hungary) for people with eating disorders and their families to support therapeutic treatment together with Semmelweis University;
- starting an acceleration programme for the first time, in partnership with Scale Impact, to support the development of the Nevetnikék Foundation for two years, which aims to facilitate children's time in hospital through playful activities.

BioTechUSA's charity ambassadors Jenő Kiss, Virág Kiss and Diána Kovács-Nyári played a major role in the above initiatives, as did Scitec Nutrition's good-hearted bodybuilders Kornél Bohos, Béla Kathi, Barbara Lukács, László Szmereka and Péter Rakonczás, who supported civil initiatives not only with their continuous presence, but also with vitamin donations during their Christmas influencer campaign.

Our charity ambassadors



Virág Ferentzy-Kiss
World Fitness Champion



Diána Kovács-Nyári
actress



Jenő Kiss
2x Mr. Universe bodybuilder

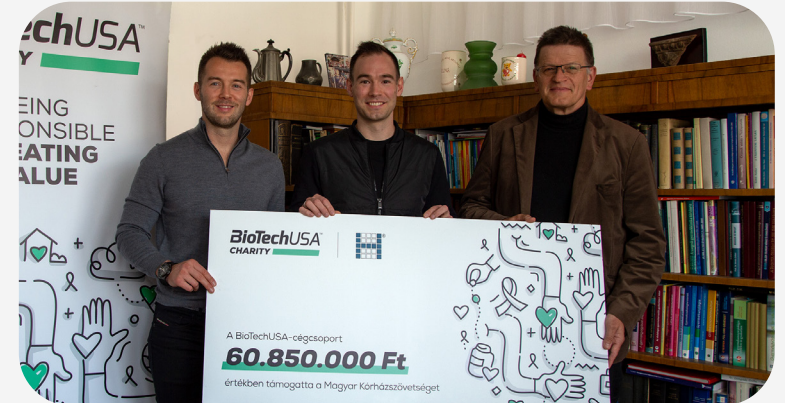
Good-hearted Bodybuilders in Action team:

Béla Kathi, Kornél Bohos, László Szmereka, Péter Rakonczás and Barbara Lukács



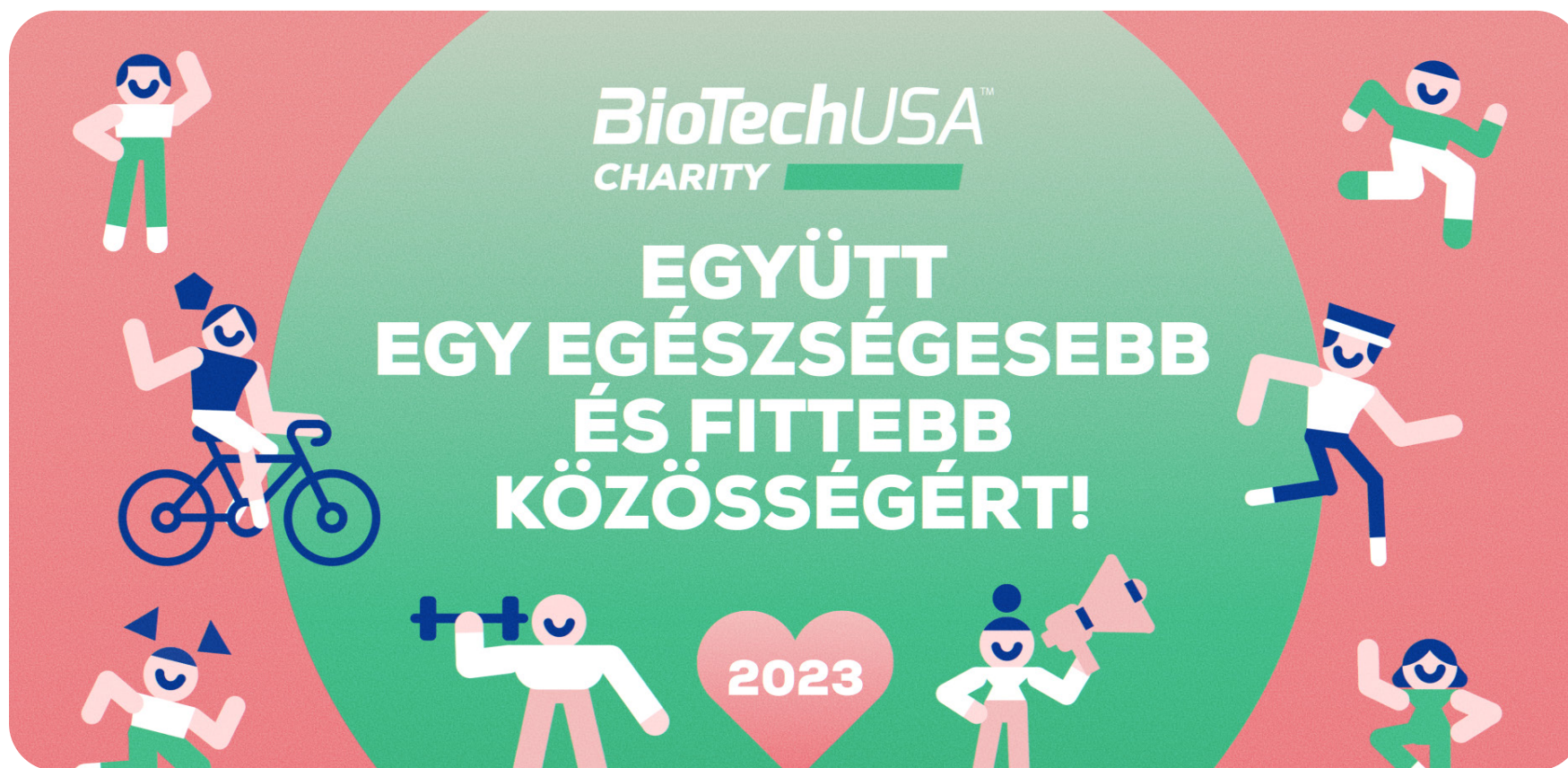
In 2023, the BioTechUSA Group worked with partners such as:

- Bethesda Children's Hospital
- Budapest Bike Maffia
- Civil Impact Academy
- Dr. Jenő Manninger National Institute of Traumatology (OBSI)
- Együtt Könnyebb (Easier Together) Foundation for Women's Health
- Hungarian Baptist Aid
- Hungarian Charity Service of the Order of Malta
- Hungarian Food Bank Association
- Hungarian Hospital Association
- MentsManust Movement
- Municipality of Szada
- Nevetnikék Foundation
- Óbuda-Békásmegyer Local Youth Government (ÓBÍÖK)
- Peter Cerny Foundation
- Scale Impact
- Semmelweis University
- SUHANJ! Foundation
- Szent György University Teaching Hospital of Fejér County
- Van Helyed (You Belong!) Foundation for a Common Future



Looking ahead, in 2024, the Company will shift from one-off donations to a greater focus on long-term value creation and engaging its staff, as well as on improving the investability of its partners by ensuring resources, launching acceleration programmes, developing the services of foundations through expertise and providing free training for the Hungarian civil society.

Together for a healthier and fitter community! The BioTechUSA Group's 2023 Corporate Social Responsibility Commitment



International group with a family approach

1,800 EMPLOYEES

AVERAGE AGE OF 34

AVERAGE SERVICE TIME OF 4.64 YEARS

**56% BLUE-COLLAR
VS 44% WHITE-COLLAR STAFF**

**53% FEMALE
VS 47% MALE STAFF**



HUMAN RESOURCES POLICY – AN INTERNATIONAL MULTINATIONAL CORPORATION WITH THE VALUES OF A FAMILY BUSINESS

The Company has long been multinational in size, but the atmosphere has remained family-like, which is still seen as an outstanding value at BioTechUSA. For example, white-collar employees can spend two days (of their choice) at their home office, thus maintaining a work-life balance. From the very beginning, its credo has been to be independent of market conditions, to stand by its values and to act accordingly. It also provides continuous training, development and advancement opportunities for all, and supports the integration of staff through its mentoring programme.

Corporate culture and staff retention strategy

Last year, the Group continued the HR transformation process started, and increased the knowledge and experience of its staff through internal and external training. One parallel challenge was to retain the workforce and meet the need to expand quickly and efficiently: while many manufacturing industries stopped or closed down, BioTechUSA expanded. Wage competition has become fiercer than ever before, and the company has been careful not to fall behind, which it has succeeded in doing through repeated wage hikes in the factory and logistics areas. Attending job fairs for other employers that are closing down has also proved to be a good opportunity.



Operational processes have been further automated and the potential of artificial intelligence is being considered. The tactic of being one step ahead, based on trends and dynamics, is now a priority in HR, while greater emphasis has also been placed on leadership training, with the launch of the Leadership Excellence programme. The BioTechUSA Group will support employer branding processes and community building with dedicated resources in 2024.

Key human policy achievements

- A new careers site and HR information portal was launched, with the latter helping to automate the onboarding of new colleagues.
- The e-learning portal was expanded, giving all Hungarian retail workers full access to the corporate interface, and their training was digitalised and automated.
- Digital community forums were created, which are now characterised by more interactive news sharing and faster, more dynamic communication, making the community space not one-way but responsive.
- The HR organisation was restructured to create a three-pillar middle management layer, with the separation of new recruitment and talent nurturing, a separate operations layer and dedicated pillars for culture and organisational development.

Securing the workforce in blue-collar jobs

By closing the leased warehouse in Ezred street, one of the main objectives was to keep most of the employees working there at the Szada base. It was essential for the Group to retain the dedicated colleagues who have been working for Scitec Nutrition for many years, to offer them a predictable and secure future and to provide the necessary workforce in Szada to ensure a smooth transition. The success of the relocation project is demonstrated by the fact that nearly 100% of staff agreed to make the move, and subsequent attrition rates remained low. This was supported by training provided by the Company to facilitate the transition to a new job, the organisation of orientation for transitioning staff, motivational tools to promote the decision and bus services to facilitate commuting. The increased number of employees made it necessary to build and deliver a new social block in Szada to ensure adequate working conditions. After the merger, cooperation between colleagues proved to be excellent.

THE BIOTECHUSA GROUP VISION

The future has begun

In the words of management guru Peter F. Drucker, “The best way to predict the future is to create it”. With this in mind, the BioTechUSA Group is moving forward with the idea of investing at least 10-12 million euros in the future, mainly in the areas of manufacturing and logistics, but also in the commercial segment, which is set to grow with the opening of an increasing number of physical stores and online shops. Similarly, energy efficiency is still a key issue, and the Group is looking for further ways to save.

Expansionary ambitions

Last year, turnover grew by 15%, and the owners expect this momentum to continue. Growth is likely to continue to be driven by the expansion of the international store network, as well as wholesale growth in EU markets and the Central and Eastern European region, including the territories of the post-Soviet states. Last year, the Group also made progress despite the temporary difficulties caused by high raw material prices and tighter financial conditions in markets such as that of Chile, Vietnam and Italy. As the global decline in purchasing power left a lasting impact, 2024 promises to be a difficult year. At the same time, the expansionary plans include the further broadening of the store network with more than 50 new stores, many of which will serve consumers abroad. Destinations such as Saudi Arabia, Egypt and Algeria have already made a significant contribution to the increase in sales revenue in 2023. In these markets, the company’s primary strategy was to achieve higher sales volumes by introducing packaging labelled in the language of the given country.

Among the annual investment plans, the two most important projects are the construction of the protein bar production plant in Szada and the energy project. Trial commissioning of the project is expected to take place in autumn 2024. The works are progressing at full speed, but in the meantime, completion of the technological part of the building section, mechanical engineering, installation of the automatic filling systems and installation of the appropriate ventilation system are all tasks to be resolved, in addition to the structural modifications. The planning and implementation





of the energy efficiency development project will cover a two-year period, with the most significant point being the installation of a solar panel system in Szada and Dunakeszi. This project could also be completed by the end of 2024.

Learning from the lessons of 2023, the focus in 2024 will remain on optimising inventories, including the value of raw and packaging materials and finished products stored at regional sites. Moreover, based on the experiences of previous years, the rather hectic labour market environment is expected to persist in 2024–2025. Retaining existing staff and attracting new, committed colleagues who can be relied upon for the long term will remain a priority.

„We are all in the same boat”

“It is a necessary part of a family business that there is potentially a working relationship between either parent and child or two siblings. Our case is only interesting for the outside world because the Group has grown in the meantime. For us, it is a huge advantage that we have always been able to work together, and we can still work together today, and we expect to continue to do so for a long time to come. We have the utmost trust in each other and in our colleagues, founded – despite the family link – on professionalism combined with being humble in our work. Over the years, each family member has become an excellent professional in their respective field. Our core values are the same, which means our business goals are not very different either. With one phone call, we can make decisions of such weight that managers elsewhere have to consider at length. For all strategic decisions, I can say that we are all in the same boat, with loyal, talented and highly skilled colleagues turning the paddles.”

A stylized, handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke.

BÁLINT LÉVAI
CEO

Prepared by: the BioTechUSA Group's Corporate Communications, PR and CSR Department

Technical proofreader: Balázs Gyöngyösi

Contact: communications@biotechusa.com

Website: <https://biotechusagroup.com/>

Translated by Edimart Language Solutions



BioTechUSA™

SCITEC®
NUTRITION

BUILDER

SHAKERSTORE

vitaminSHOP.hu