

Q1 2016 Quarterly Report

Date of report: **May 13, 2016**

Name of the issuing entity: **Antibiotice SA**

Registered office: **1 Valea Lupului Street, Iasi, zip code 707410, <http://www.antibiotice.ro>**

E-mail: **relatiicuinvestitorii@antibiotice.ro**

Telephone/facsimile number: **0232 209000 / 0232 209633**

Tax identification code: **RO1973096**

Trade Register reference number: **J22/285/1991**

Subscribed and paid-up capital: **67,133,804 lei**

Regulated market on which the issued securities are traded: **Bucharest Stock Exchange**

The company's strategies for 2016-2017 include the development of the scientific and research activities, of partnerships in the most important international markets, and of the portfolio by assimilating new products. All these actions will result in long-term business consolidation and profit increase both in the internal market and the international one.

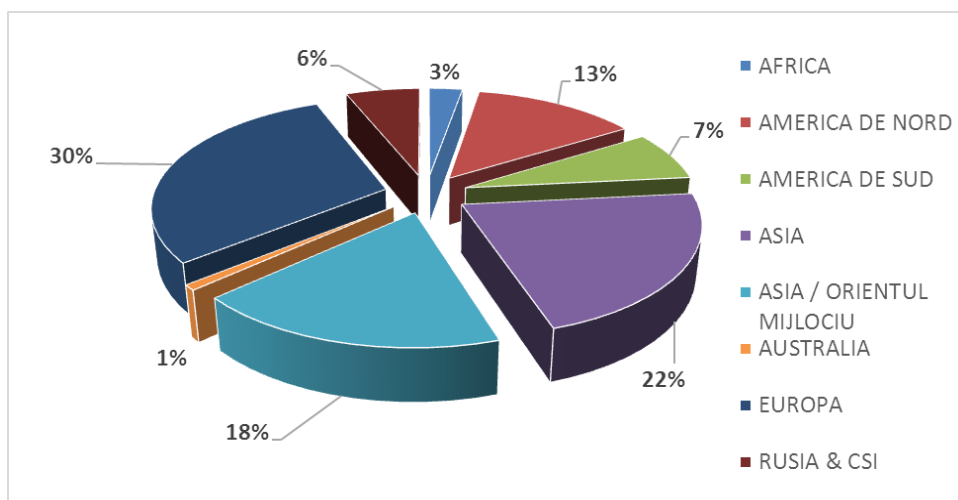
During the first quarter of 2016, the company continued its strategy of expanding the portfolio of products designed to improve the quality of life and assimilated a dietary supplement intended for healthier blood circulation. Moreover, three CNS products were launched in the same quarter.

Antibiotice Iasi consolidated its position in the market segments of **anti-infectives and dermatologicals** (for which the company ranks 1st in the market of prescription and OTC generics). At the same time, the company availed itself of the therapeutic trends and developed new products intended for the alimentary tract and metabolism, nervous system and cardiovascular system. Such products are both therapeutically valuable and of interest for the Romanian healthcare system.

Tapping into the consumption trends, Antibiotice reported increases in the sales of non-prescription drugs, which accounted for approximately 15% of the total sales in 2016 Q1. (according to Cegedim).

In terms of sold units, the company maintained its leadership in the segment of ointments (28% market share), suppositories (40% market share) and powders for injection (75% market share). Compared to the previous year, for the manufacturing of capsules, the company climbed one position to the 2nd place in terms of volumes, earning a market share of 8%.

At the end of the first quarter, Antibiotice succeeded in achieving the objective set for the international market, reporting sales of 5.9 million USD, by 4% higher than in the similar period of 2015, in the following territories:



The company's strategy for the international market is to consolidate its business in the traditional markets and approach new strategic markets, both developed and emerging.

Antibiotice SA carried out its operations in line with the objectives and indicators established in the Income and Expenditure Budget (IEB).

Statement of comprehensive income - a 21% increase of the gross profit

In Q1 2016, the sales revenues amounted to 55.1 million lei, up by 5% compared to 2015, when they amounted to 52.6 million lei, and by 1% compared to the budgeted value, as a result of the continuous effort made by the company to consolidate the business.

Statement of comprehensive income (LEI)	31.03.2015	IEB Q1 2016	31.03.2016	2016/2015	2016/IEB
1	2	3	4	5	6
Sales revenues	52.640.963	54.515.000	55.091.005	1,05	1,01
Other operating revenues	7.526.537	6.610.000	6.679.613	0,89	1,01
Income associated with product stock costs	16.965.591	16.965.000	15.681.077	0,92	0,92
Revenues from capitalized activity of the entity	708.435	480.000	424.560	0,60	0,88
Expenditure on raw materials and consumables	24.993.301	29.723.000	30.950.114	1,24	1,04
Expenditure on staff	16.548.071	16.931.000	17.193.002	1,04	1,02
Expenditure on depreciation and amortization	3.696.311	3.930.000	4.419.080	1,20	1,12
Other operating expenses	24.501.747	21.511.000	17.187.543	0,70	0,80
Operating profit	8.102.095	6.475.000	8.126.516	1,00	1,26
Net financial income	-2.005.419	-344.000	-744.615	0,37	2,16
Pre-tax profit	6.096.676	6.131.000	7.381.901	1,21	1,20
Profit tax expenses	35.080	980.000	243.414	6,94	0,25
Profit	6.061.596	5.151.000	7.138.487	1,18	1,39

➤ The expenditure on raw materials and consumables (30.95 million lei) increased by 24% compared to the same time interval of 2015 because of the increase in production and the manufacturing and sales plan.

- The **staff costs (17.2 million lei)** increased by 4% compared to Q1 2015.
- The **expenditure on depreciation and amortization (4.4 million lei)** increased due to the reevaluation of buildings and lands at the end of 2015 (fixed assets are reevaluated every three years).
- The **other operating expenses (17.2 million lei)** decreased by 30% compared to Q1 2015 and by 20% compared to the values indicated in the IEB, due to the changes in commercial marketing strategies.
- The **operating profit (8.1 million lei)** reached the same level like in 2015, but increased by 26% compared to the budgeted level.

The consistent implementation of the management plans and continuous monitoring of all divisions led to the obtaining of a **gross profit of 7.4 million lei**, by **21% higher** compared to 2015 and the estimated value in the IEB.

The **net profit** amounted to **7.1 million lei**, **up by 18%** compared to the similar time interval of 2015 and **by 39%** compared to the IEB values.

Statement of financial position

On 31.03.2016, the company's assets reached 536 million lei, down by 2% compared to the beginning of the year.

ASSETS	31/12/2015	31/03/2016	
FIXED ASSETS			
Tangible assets	205.945.190	204.268.319	0,99
Intangible assets	9.730.186	10.210.546	1,05
Equity investment			
TOTAL FIXED ASSETS	215.675.376	214.478.865	0,99
CURRENT ASSETS			
Stocks	60.290.277	86.856.055	1,44
Trade and similar receivables	231.314.744	230.192.463	1,00
Financial assets held for sale	220	0	0,00
Cash and cash equivalents	37.381.974	4.476.543	0,12
TOTAL CURRENT ASSETS	328.987.215	321.525.061	0,98
TOTAL ASSETS	544.662.591	536.003.926	0,98
LIABILITIES			
CURRENT LIABILITIES			
Trade and similar payables	71.391.757	60.402.849	0,85
Amounts owed to credit institutions	41.778.509	40.870.689	0,98
Liabilities from current taxes	8.989.373	5.431.438	0,60
Short-term provisions	7.179.938	7.088.711	0,99
TOTAL CURRENT LIABILITIES	129.339.577	113.793.687	0,88
LONG-TERM LIABILITIES			
Subsidies for investments	3.193.972	3.124.078	0,98
Deferred tax	19.479.158	19.297.791	0,99
Long-term provisions	0		
TOTAL LONG-TERM LIABILITIES	22.673.130	22.421.870	0,99
TOTAL LIABILITIES	152.012.707	136.215.557	0,90
Share capital and reserves			
Share capital	264.835.156	264.835.156	1,00
Reevaluation reserves	19.909.157	19.157.191	0,96
Legal reserves	13.426.761	13.426.761	1,00

Other reserves	133.303.701	133.303.701	1,00
Reported result	-66.003.714	-38.072.926	0,58
Current result	27.178.823	7.138.485	0,26
TOTAL EQUITY	392.649.884	399.788.369	1,02
TOTAL EQUITY AND LIABILITIES	544.662.591	536.003.926	0,98

The current assets decreased by 2% compared to the beginning of the time interval due to the decrease in cash from 37.4 million lei to 4.5 million lei and increase in the stocks designed to ensure a proper selling rhythm during the two months of the general overhaul (July and August).

The current liabilities dropped by 12% compared to the beginning of 2015 as a result of both the decrease by 15% of the trade payables and by 2% of the short-term credits.

The company has not reported any credits exceeding one year and has paid all the financial liabilities owed to the state budget on due date.

At the beginning of the period, cash and cash equivalents were 37.4 million lei. Cash receipts from operating activities amounted to 51.2 million lei. Cash payments to suppliers of goods and services were 53.5 million lei and those to and on behalf of employees were 16.5 million lei. At the same time, our company paid 9.5 million lei, representing VAT, taxes and bank interests.

Payments amounting to 3.8 million lei were made for tangible and intangible assets from the investing activity. Short-term loans amounting to 0.92 million lei were reimbursed from the financing activity.

By the end of the time interval, the cash and cash equivalents reached 4.5 million lei.

The main diagnostic indicators of the company highlight the financial balance and continued concern for business efficiency.

Indicator	Calculation method	31.03.2015	31.03.2016
Current liquidity	Current assets/Current liabilities	2.51	2.83
Indebtedness	Loan capital/Equity x 100	15%	10%
Accounts receivable turnover ratio	Average accounts receivables/Sales Revenues x time	404 days	390 days
Fixed assets turnover ratio	Sales revenues/Fixed Assets	0.27	0.26

The financial statements of the first quarter have not been audited by the financial auditors. They will be audited at the end of the first semester, according to the appropriate concluded agreement.

Between 26 and 29.01.2016, the National Sanitary Veterinary and Food Safety Authority (NSVFSA) inspected the manufacturing lines dedicated to veterinary products (i.e. vials with powder for suspension for injection and ointments) for the renewal of the GMP certificates.

The inspection was conducted by two NSVFSA inspectors and aimed at verifying the compliance of the manufacturing lines with the applicable GMP requirements. Since no critical or major nonconformity was identified, the inspectors approved the renewal of the GMP certificate.

In the first quarter, the company was audited by 4 customers (re)evaluating it as a supplier of Nystatin API. The auditors concluded that Antibiotice complied with the GMP requirements, the personnel were well trained in the manufacturing and control requirements, and the appropriate documentation was very well drafted.

Research & Development

Four new Marketing Authorizations were received during the first quarter of 2016 (2 products in 2 strengths), 3 for the internal market and 1 for the EU. In addition, the R&D team completed the documentation for starting a new decentralized procedure (DCP).

To the purpose of updating the drug product portfolios designed for the internal market and international one, a number of 26 R&D projects were conducted. Five of these projects have reached an advanced stage of research and the related documentation will be submitted to the National Agency for Medicines and Medical Devices (NAMMD) by the end of the year. In addition, two bioequivalence studies were performed at the clinical trial center. A number of 27 application dossiers for marketing authorization / marketing authorization renewal were submitted with different international regulatory agencies.

The drug products developed by in-house research belong to the therapeutic classes identified as strategic for the company, i.e. anti-infectives, cardiovasculars, dermatologicals.

To ensure continuity in the manufacturing activities and performance of the operations in the manufacturing plants and other areas in optimal conditions, the company hired 18 new people to replace the retired personnel.

In order to achieve the objectives for 2016 described in the Business Plan 2016-2020, our efforts were focused on improving the employees' performance by providing training programs tailored to each activity, designed to address their identified needs and in conformity with the applicable legislation.

During the first quarter of the year, 40% of the employees with university education from the units below attended training sessions on different topics.

Marketing and Sales - Internal Market Unit

- ✓ The “*Conquest of Everest*” *Teambuilding* for the entire unit
- ✓ *Product and medical promotion* training sessions held by specialist doctors for the key account hospital and medical representatives for cardiovascular, anti-infective, CNS and dermatological products
- ✓ *Graphic design* for the team of the Communication and Image Promotion dept.

International Business Unit

- ✓ *Business negotiation* - organized by the Romanian Banking Institute for the teams of the Import, Export, Business Development, Technical and Production departments
- ✓ *Agreements in the pharmaceutical industry* - compliance with GMP regulations, organized by Concept Heidelberg for the teams of the Legal Counseling Office and Import departments.

Medical Unit

- ✓ The *Microbiome & Health Workshop*, organized by the Austrian Centre of Industrial Biotechnology for the team of the Biotechnological Research dept.
- ✓ *Variations to the marketing authorizations in the EU* organized by Management Forum for the Regulatory Affairs team
- ✓ *Seminar on patent cooperation treaties* organized by the State Office for Inventions and Trademarks for the Intellectual Property Office team

Financial Unit

- ✓ The National Seminar on Accounting and Finance organized by Rentrop and Straton for the teams of the Financial, Accounting, and Economic Analysis departments

- ✓ Legislation Course on wage policies organized for the Payroll Office team

Antibiotice SA IASI is permanently concerned with the increase of the sales revenues by enhancing exports and reducing costs.

Conclusions

Antibiotice in Q1 2016:

- Increase of sales revenues by 5%;
- Increase of the gross profit by 21%;
- 2nd place for the volumes of capsules sold.

Vice-president of the Board,
General Manager,
ec. Ioan NANI

Financial Director,
ec. Paula Luminita Coman