Antibiotice
Știință și suflet

Report on first quarter 2017
Report date: **15 May 2017**
Name of issuing company: **Antibiotice SA**
Headquarters: **Iaşi, str. Valea Lupului nr. 1, zip code 707410**
http://www.antibiotice.roactionariat@antibiotice.ro
Telephone/fax no. : **0232 209000 / 0232 209633**
Unique registration code in the Trade Register Office: **RO1973096**
No. in the Trade Register: **J22/285/1991**
Subscribed and paid-up capital: **67,133,804 RON**
The regulated market trading the securities issued: **Bucharest Stock Exchange**

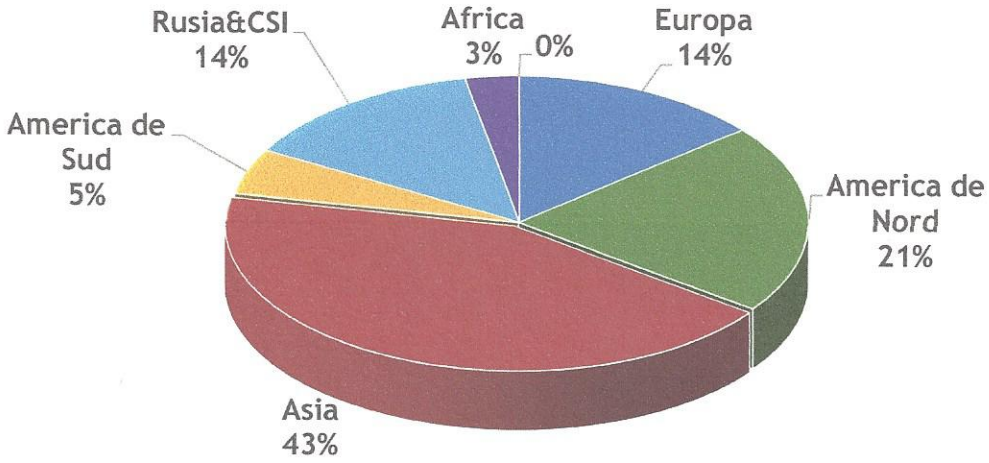
The company's strategies in 2017 include the development of scientific and research activities, the development of partnerships on the main international markets, the development of the portfolio through the assimilation of new products as well as the increase of the presence of Antibiotice in pharmacies through the orientation of both the sales structure and the promotion policy towards valuable therapeutic drugs. All this will lead to long-term business consolidation and profit growth, both domestically and internationally.

Antibiotice portfolio efficiently combines traditional products that continue to respond successfully to patients' needs and products to improve the quality of life as a result of the population's tendency to focus more on preventive therapies at the expense of treatments. With a growth rate of 24.1% in the first quarter of 2017, above the pace of the non-prescription drug market, OTC segment performance puts Antibiotice on the 18th place in the rankings of companies selling these portfolios.

The products that are the essence of the portfolio have maintained their leadership position in the first quarter of this year: the first place in consumption for pharmaceutical forms - injectable powders, suppositories and ointments. Antibiotice has also strengthened its position on the anti-infectives and dermatological products segment, for which it is ranked no. 1 in the prescription drug market and OTCs.

Taking advantage of the consumption trends, Antibiotice recorded increases higher than the market rhythm on valuable therapeutic areas and interest for the Romanian healthcare system: cardiovascular system: + 47% increase in the value of the portfolio compared to the first quarter of 2016 in the context of the market increasing to 7.1%, central nervous system: + 20% increase compared to the first quarter of 2016, as the market for this class increased by 8.7%.

Antibiotice Iasi in Q1 2017 sales on foreign markets worth $ 7.10 million, up approximately 21% over the same period of 2016, in the following geographic areas:



The increase in exports was represented by sales of finished products, especially in south east Asia, the United States. And Russia, CIS. The value of finished product exports grew by 44% in 2017 compared to the similar period of 2016, with the main products being marketed as anti-infectives, drugs for the digestive tract and cardiovascular products. Regarding the sale of Nystatin active substance, we strengthened our position on the US market, a strategic market for Antibiotics in order to maximize the product's profitability.

Antibiotice Iasi carried out its activity during the first quarter of 2017 in the spirit of achieving the objectives and indicators established through the Budget of Income and Expenses.

Statement ofthe global result

Sales revenues in the first quarter of 2017 recorded 55.4 million lei, a 1% increase compared to 2016 when 55 million lei were registered. Sales revenue on the first quarter reported:

Statement of the global result (LEI)	31.03.2016	BVC Q I 2017	31.03.2017	2017/ 2016	2017/ BVC
1	2	3	4	5=4/2	6=4/3
Sales revenue	**55,091,005**	**57,307,000**	**55,416,199**	**1.01**	**0.97**
Other operating revenue	6,679,613	4,933,000	4,290,879	0.64	0.87
Income relative to product stocks	15,681,077	16,634,000	17,219,207	1.10	1.04
Income generated by the capitalized activity	424,560	353,000	298,086	0.70	0.84
Expenses with raw materials and consumables	30,950,114	27,052,000	27,969,927	0.90	1.03
Personnel expenses	17,193,002	18,964,000	18,063,402	1.05	0.95
Expenses with amortization and depreciation	4,419,080	4,832,000	4,590,823	1.04	0.95
Other operating expenses	17,187,543	20,250,000	21,031,538	1.22	1.04
Operating profit	**8,126,516**	**8,129,000**	**5,568,681**	**0.69**	**0.69**
Net financial income	-744,615	-692,000	-224,140	0.30	0.32
Profit before tax	**7,381,901**	**7,437,000**	**5,344,541**	**0.72**	**0.72**
Expenses with income tax	243,414	1,189,920	43,348	0.18	0.04
Profit	**7,138,487**	**6,247,080**	**5,301,193**	**0.74**	**0.85**

➢ **Expenses with raw materials and consumables** (RON 27.97 million) reduced by 10% compared to the same period of 2016 due to both the decrease in production and the structure of production and sales.

➢ **Personnel expenses (18.06 million lei)** up 5% first quarter of 2016 and from the values approved in the Budget of Incomes and Expenditures in 2017, making a saving of 0.9 million lei.

➢ **Expenses with amortization and depreciation (4.59 million lei)** up by 4% compared with the same period last year.

➢ **Other operating expenses (21.03 million lei)** - up 22% compared to the same interval in 2016 and up 4% compared to values in the Income and expenditure budget, rise due to the value of the claw back clause higher by 37 % (2.1 million lei) compared to 2016 and higher than the planned value by 30%.

Gross profit amounting to **5.34** million lei is **down 28%** both compared to 2016 and the planned value in the Revenue and Expenditure Budget, a decrease due to the higher value of the clawback tax, whose value is 1.8 million more compared to the budgeted level and 2.1 million lei higher than in 2016.

Net profit amounting to 5.3 million lei decreasing by **26%** compared to the same period of 2016 and 15% lower compared to the values of the Income and Expense Budget.

For 1st semester the company estimates to reach indicators as per the Revenue and Expenditure Budget.

Statement of the financial position

On 31.03.2017 company assets reached 561.38 million lei, up 5% compared to the start of the year.

	01.01.2017	31.03.2017	
ASSETS			
FIXED ASSETS			
Tangible assets	206,702,347	210,557,623	1.02
Intangible assets	10,139,458	10,532,544	1.04
TOTAL FIXED ASSETS	**216,841,805**	**221,090,167**	**1.02**
CURRENT ASSETS			
Stocks	60,195,101	85,443,316	1.42
Trade and similar receivables	242,456,065	242,683,884	1.00
Financial assets for sale	0		
Cash and cash equivalents	13,902,686	12,166,996	0.88
TOTAL CURRENT ASSETS	**316,553,852**	**340,294,196**	**1.07**
TOTAL ASSETS	**533,395,657**	**561,384,363**	**1.05**
LIABILITIES			
CURRENT LIABILITIES			
Trade and similar debt	49,045,370	47,603,733	0.97
Amounts owed to banks	40,705,967	60,922,920	1.50
Liabilities generated by taxes and charges	11,486,302	12,352,264	1.08
Short-term provisions	1,418,895	4,705,743	3.32
TOTAL LIABILITIES	**102,656,534**	**125,584,660**	**1.22**
LONG-TERM LIABILITES			

Subsidies for investments	2,914,396	2,845,617	0.98
Deferred tax	18,758,368	18,586,534	0.99
Long-term provisions	0		
TOTAL LONG-TERM LIABILITIES	**21,672,764**	**21,432,151**	**0.99**
TOTAL LIABILITIES	**124,329,298**	**147,016,811**	**1.18**
Share capital and reserves			
Share capital	**264,835,156**	**264,835,156**	1.00
Revaluation reserves	16,925,870	16,200,396	0.96
Legal reserves	13,426,761	13,426,761	1.00
Other reserves	146,528,189	146,528,189	1.00
Reported result	-63,020,428	-31,924,143	0.51
Current result	30,370,811	5,301,193	0.17
TOTAL EQUITY	**409,066,359**	**414,367,552**	**1.01**
TOTAL EQUITY AND DEBT	**533,395,657**	**561,384,363**	**1.05**

Current assets increased by 7% compared to the beginning of the period by increasing the value of inventories to ensure sales rhythm during the overhaul period of the company that takes place in July and August. Current debts are up 22% compared to early 2016 due to the 50% increase in short-term loans (current lines).

The company does not record credits over one year. The company has paid in due time all liabilities due to the state budget.

Cash flow

The level of cash and cash equivalents at the beginning of the period was 17.81 million lei. Cash receipts from operating activities amounted to 64.06 million lei. Cash payments to suppliers of goods and services amounted to 39.18 million lei, and to and on behalf of employees or in relation to the staff of 16.04 million lei.

At the same time, 13.29 million lei were paid in cash, representing taxes, charges and bank interest.

From the investment activity payments for tangible and intangible assets of 3.19 million lei were made. From the financing activity were repaid short-term loans worth of 0.70 million lei.

At the end of the period the level of cash and cash equivalents was 10 million lei. The company's main diagnostic indicators highlight the financial balance and continued concern for business efficiency.

Index	Method to compute	31.03.2016	31.03.2017
Current liquidity	Current assets/Current liabilities	**2.83**	**2.71**
Degree of debt	Borrowed capital/ Equity x 100	**10%**	**14.7%**
Rotation speed of client debits	Average customer balance / Sales revenue x Time	**390 days**	**413 days**
Rotation speed of fixed assets	Sales revenue/Fixed assets	**0.26**	**0.25**

The financial statements for the first quarter were not audited by the financial auditor, this operation being carried out at the first semester.

On the first trimester of 2017, between 06-14 March 2017, the US FDA carried an inspection

to verify the compliance of the Quality Management System with the cGMP specific requirements for manufacturing lines in the Parenteral Products Plant (aseptically prepared injectables) and the Biosynthesis Plant (Nystatin active substance). The inspection was completed without critical remarks.

For the development of a portfolio of medicines for the domestic and international market, 31 new research and development projects run in 2017, 11 products being in final research stages, with submission to the licensing authorities by the end of the year. The R & D activity materialized in the first quarter of 2017 by obtaining 4 new Marketing Authorizations, 3 drugs in 4 concentrations, 3 marketing authorizations for the internal market and 1 MA for the international market and the documentation to launch a new decentralized European procedure (DCP) was finalized.

In order to ensure the necessary conditions for the achievement of the 2017 objectives of the Business Plan 2017-2020, 31 employees were recruited to replace the retired staff and training programs were organized for each specialized department in accordance with the needs identified on the organizational structures, programs designed to increase employee performance.

Out of the themes approved by the Annual Training Plan with external lecturers, training sessions were held in the first quarter for the specialized staff within the following structures:

Medical Unit

- Training on the evolution of the food supplements market within the Prevention 360 Conference fo
- Nutraceutica - International Salon of Special Food and Nutrition - organized by Distinct Image for th

Marketing and Domestic Market Sales

- "Self-Awareness" Personal Development Course - organized by DE Leadership Consult for Hospital Sales Staff
- Master Excel course - organized by Connect Events in order to develop the skills for using software
- Market and business training organized by Flexability Management for Promotion and Sales staff

Administrative Unit

Training for the medical staff of the Medical Cabinet- organized by Euromedical Recovery

- "Anti-Corruption Prevention Expert" course - organized by Expert Aktiv Group for Legal Counseling Staff
- Training and authorization course in the field of Occupational Health and Safety - organized by the Center for Training and Professional Development

The Engineering and Investment Unit and the Technical and Production Unit

- "Energy market and Energy Efficiency " Seminar - organized by ANCER & SMER in order to assimilate information on the evolution of the energy market and the legislative changes in the energy market for the staff of the Office Engineering and Equipment Qualification
- Certification and licensing courses for staff with responsibilities in specific regulatory fields (ISCIR, RSL-IR)

Human Resource Management

- The "Expert in Work Legislation and Wage" course - organized by OK Service Corporation to improve employees in HR and to know the specific legislative changes.

58 employees were involved in the training programs carried out in the first quarter.

Antibiotice IASI is constantly concerned with increasing sales revenue by expanding exports and reducing costs.

Conclusions

Antibiotice on first quarter 2017:

- **Increasing sales revenue on exports by 21%**

President of the Management Board,
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Vicepresident of the Board,
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ec. Ioan NANI

Economic Director,
ec. Paula Luminita COMAN