

## First Quarter Report 2018

Report date: **May 14, 2018**

Name of issuing company: **Antibiotice SA**

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

E-mail: **[relatiicuinvestitorii@antibiotice.ro](mailto:relatiicuinvestitorii@antibiotice.ro)**

Telephone /fax no.: **0232 209000 / 0232 209633**

Unique Registration Code with the Trade Registry Office: **RO1973096**

Order Number in the Trade Register: **J22/285/1991**

Subscribed and paid-up share capital: **67.133.804 LEI**

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

Our company's strategies in 2018 include developing the scientific & research activities, developing the partnerships in the main international markets, developing our portfolio by assimilating new products as well as by increasing the presence of the Antibiotice medicines in the pharmacies by focusing both the sales structure and promotion policy towards therapeutically valuable medicines. All of these will consolidate our business in the long run and will increase our profit both domestically and internationally.

Antibiotice has been going on consolidating its business in Romania, being the main manufacturer of generic anti-infectives and leader in the production of topical medicines. It also develops new alternatives for the treatment of cardiovascular, dermatological and CNS diseases as well as for the prophylaxis and increase of the life quality.

After the first 3 months of the current year, with a sale value of 82.9 million LEI, our company ranks 16<sup>th</sup> among the pharmaceutical companies in Romania, recording a 2.19% marketshare, higher by one position as compared to 2017. Antibiotice has also been maintaining its fourth place among the manufacturers of prescription generic medicines and over-the-counter medicines (OTCs).

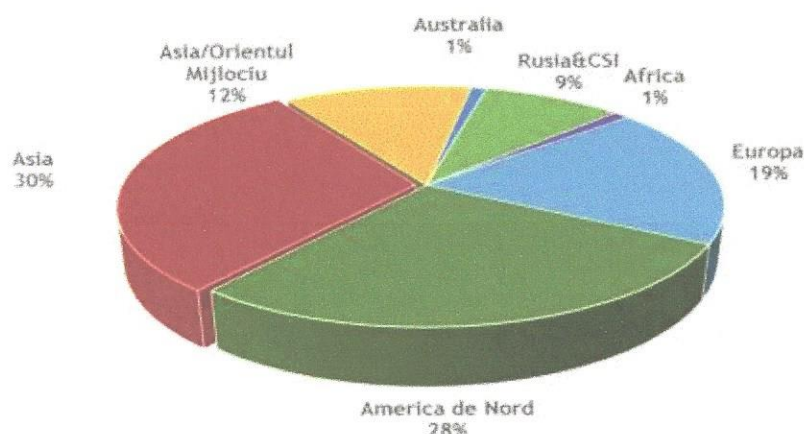
In the first quarter of 2018 the upward trend recorded on the OTC segment was maintained (19 % being the average annual growth rate recorded in the period 2016-2018). The performance recorded in this segment ranks Antibiotice on the 18<sup>th</sup> place among the companies trading these portfolios.

Our core products maintained their leading position also in the first quarter of the current year: the first place in consumption for injectable powders, suppositories and ointments. Antibiotice has also consolidated its position in the segment of anti-infectives and dermatologicals, ranking first in the prescription medicine & OTC market.

Taking into account the consumption trends, our company has been recording a growth rate higher than the market growth rate in the valuable therapeutic areas of interest to the Romanian health system: cardiovascular system: a 44% increase of the portfolio in terms of value compared to the Q1 2017 in the context in which the market for this therapeutic class increased by 10.7%, central nervous system: higher by 22% in terms of value compared to the Q1 2017 while the market for this therapeutic class increased by 5.7%.

Data source: Sell Out (Cegedim Q I )

In the Q1 2018, Antibiotice made sales of 7.90 million USD in the external markets, higher by about 11% compared to the same period in 2017, in the following geographical areas:



Asia: 30 %  
 Asia/ Middel East: 12%  
 Australia: 1 %  
 Russia & CIS: 9%  
 Africa: 1%  
 Europe: 19%  
 North America: 28%

Export growth was mainly driven by the sales of Nystatin in the external markets. The US was the most important market for Nystatin where the exports almost tripled compared to the same period in 2017. The main destinations for our finished products were: South-East Asia, Europe and Russia-CIS. The main finished products traded in the Q1 2018 belong to the following therapeutic classes: antiinfectives, cardiovasculars and medicines for the digestive tract.

Antibiotice lași developed its activity in the Q1 2018 in the spirit of achieving the objectives and indicators established in the Income & Expense Budget.

### **Statement of Comprehensive Income**

Sales revenues in the Q1 2018 recorded a value of 59.2 million LEI, higher by 7% compared to 2017 when the figure recorded was 55.4 million LEI and higher by 6% compared to the figure forecasted in IEB for that period.

Statement of Comprehensive Income (LEI)	31.03.2017	BVC 2018 Q I	31.03.2018	2018/ 2017	2018/ BVC
1	2	3	4	5=4/2	6=4/3
Sales income	55,416,199	56,101,000	59,220,464	1.07	1.06
Other operating income	4,290,879	4,779,000	10,234,373	2.39	2.14
Income related to product stock costs	17,219,207	16,068,000	14,149,596	0.82	0.88
Income form the work performed by the entity and capitalised	298,086	320,000	765,128	2.57	2.39
Costs of raw materials and consumables	27,969,927	29,615,000	31,624,850	1.13	1.07



Staff costs	18,063,402	20,377,000	20,535,077	1.14	1.01
Amortization & depreciation expenses	4,590,823	5,100,000	4,847,956	1.06	0.95
Other operating expenses	21,031,538	18,564,000	23,530,705	1.12	1.27
<b>Operating profit</b>	<b>5,568,681</b>	<b>3,612,000</b>	<b>3,830,976</b>	<b>0.69</b>	<b>1.06</b>
Financing costs	-224,140	-432,000	-571,013	2.55	1.32
<b>Pre-tax profit</b>	<b>5,344,541</b>	<b>3,180,000</b>	<b>3,259,964</b>	<b>0.61</b>	<b>1.03</b>
Profit tax expenses	43,348	509,000	0	0.00	0.00
<b>Profit</b>	<b>5,301,193</b>	<b>2,671,000</b>	<b>3,259,964</b>	<b>0.61</b>	<b>1.22</b>

Structurally, the main expenses of the company are:

➤ **Cost of raw materials and consumables (31.62 milioane LEI)** grew by 13% compared to the same period of the previous year and by 7% compared to the value forecasted in the Income & Expense Budget due to increasing by 10 % the production value as well as its structure.

➤ **Staff costs (20.54 million LEI)** higher by 14% compared to Q1 2017 due to the wage increases granted in May 2017 and higher by 1% compared to the values approved in the Income & Expense Budget for 2018.

➤ **Other operating expenses (23.53 million LEI)** - by 12% higher compared to the same period of 2017 and by 27% higher than the values established in the Income & Expense Budget. This increase was caused by increasing the clawback tax to 10.1 million LEI compared to 7.7 million LEI in 2017, the percentage of the first quarter reaching 24.13% compared to 19.86% in 2017.

➤ **Gross profit in the first quarter 2018 was 3.26 million LEI, higher by 3 % compared to the value planned in the Income & Expense Budget** and by 39% lower than the gross profit achieved in the same period of the the previous year. This value is determined by the clawback tax which represents 28 % of the profit estimated for 2018.

➤ **Net profit in value of 3.26 million LEI** increased by 22% compared to the value established in the Income & Expense Budget

### **Statement of financial position**

On 31.03.2018, our company's assets reached the level of 607.71 million LEI, by 6 % higher compared to the beginning of the year.

	01.01.2018	31.03.2018	
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
Tangible fixed assets	223,242,890	223,792,870	1.00
Intangible fixed assets	13,107,622	13,389,378	1.02
<b>TOTAL FIXED ASSETS</b>	<b>236,350,512</b>	<b>237,182,248</b>	<b>1.00</b>
<b>CURRENT ASSETS</b>			
Stocks	67,264,546	102,262,215	1.52
Commercial and similar receivables	264,212,743	264,752,465	1.00
Financial assets held for sale	0		
Cash and cash equivalents	5,107,743	3,508,994	0.69
<b>TOTAL CURRENT ASSETS</b>	<b>336,585,032</b>	<b>370,523,674</b>	<b>1.10</b>
<b>TOTAL ASSETS</b>	<b>572,935,544</b>	<b>607,705,922</b>	<b>1.06</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			

Commercial and similar debt	55,535,974	72,630,478	1.31
Amounts owed to credit institutions	69,731,310	84,091,508	1.21
Tax and current tax liabilities	9,792,887	10,147,367	1.04
Short-term provisions	0		
Subsidies for investments	326,246	76,984	0.24
<b>TOTAL CURRENT LIABILITIES</b>	<b>135,386,417</b>	<b>166,946,337</b>	<b>1.23</b>
<b>LONG-TERM LIABILITIES</b>			
Subsidies for investments	2,498,889	2,721,957	1.09
Deferred tax	18,172,398	18,172,398	1.00
Long-term provisions	0		
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>20,671,287</b>	<b>20,894,355</b>	<b>1.01</b>
<b>TOTAL LIABILITIES</b>	<b>156,057,704</b>	<b>187,840,692</b>	<b>1.20</b>
<b>Share capital and reserves</b>			
<b>Share capital</b>	<b>264,835,156</b>	<b>264,835,156</b>	<b>1.00</b>
Revaluation reserves	14,556,141	14,556,141	1.00
Legal reserves	13,426,761	13,426,761	1.00
Other reserves	162,134,513	162,134,513	1.00
Reported result	-71,633,085	-38,347,305	0.54
Current result	33,558,354	3,259,964	0.10
<b>TOTAL EQUITY</b>	<b>416,877,840</b>	<b>419,865,230</b>	<b>1.01</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>572,935,544</b>	<b>607,705,922</b>	<b>1.06</b>

**Current assets** increased by 10% compared to the beginning of the year, due to the increase in value of raw material purchases to ensure the needed volume of finished products to be sold in the period in which the manufacturing of the ointments and suppositories will be transferred in the new manufacturing plant.

Current liabilities recorded a value of 166.95 million LEI, higher by 23% compared to the beginning of 2018 due to a 21 % increase of the short-term loans (current credit lines) and due to the increases of the debts to the suppliers (purchases for the extra-production of ointments and suppositories).

Our company does not record credits over one year.

Our company paid in due time all debts due to the state budget.

Name of indicator	Calculation method	31.03.2017	31.03.2018
Current liquidity	Current assets/Current liabilities	2.71	2.22
Degree of indebtedness	Loan capital/Equity x 100	14.7%	20.03%
Turnover speed for client debit items	Average customer balance/Sales income x Time	413 days	370 days
Rotation speed of fixed assets	Sales income/Fixed assets	0.25	0.25

The company's main diagnostic indicators highlight the financial balance and continued concern for business efficiency. Although current liquidity declined from 2.71 in the first three months of 2017 to 2.22 in the Q1 2018 and the indebtedness rate slightly grew from 14.7% in 2017 to 20.03%, this is a consequence of the increase in the liquidity requirement by increasing the claw back together with the extension of the period of settlement of the funds from the National Health Insurance House on average by 60 days.



### **Cash flow**

The level of cash and cash equivalents at beginning of the period was -64.62 million LEI, representing credit lines worth 69.73 LEI from which 5.11 million LEI remained unused in the bank accounts from the same credit lines. Cash receipts from operating activities were of 77.16 million LEI. Cash payments to suppliers of goods and services were of 48.92 million LEI and those to and on behalf of employees, in connection with the staff were of 19.90 million LEI.

At the same time, cash payments of 11 million LEI were made, representing taxes, bank charges and interests.

From the investment activity payments for tangible and intangible assets of 13.27 million LEI were made.

At the end of the period the level of cash and cash equivalents was -80,58 million LEI, representing credit lines amounting to 84.09 million LEI from which 3.51 million LEI remained unused in the bank accounts from the same credit lines.

The financial statements for the first quarter were not audited by the financial auditor, This operation is to be carried out for the first semester of 2018.

In the first quarter of 2018, in the period 13-14.02.2018, NAMMD inspected the compliance of the Quality Management System with the specific EU GMP requirements for the manufacturing flows in the Ointment & Suppository Plant: non-sterile products - semisolid dosage forms (ointments, creams, gels) and sterile products - semisolid dosage forms (ophthalmic ointments).

The inspection was completed without critical remarks.

To renew the portfolio of medicines for the domestic and international market, 33 new research & development projects has been running in 2018: antiinfectives (8 products), cardiovasculars (5 products), dermatologicals (7 products), genito-urinary medicines (1 product), medicines for the respiratory apparatus (1 product), digestive tract medicines (2 products) as well as products for prophylaxis and quality of life in the category of food supplements, cosmetics and OTC medicines (10 products). At the same time, because the regulatory authorities finalized the documentation evaluation, in the first quarter of 2018 two new food supplements were notified on the domestic market and 15 new medicines in 25 concentrations obtained marketing authorizations for the international markets.

In order to ensure the necessary conditions for reaching the objectives for 2018 included in the Business Plan 2018 -2020, 19 new people were employed for replacing the staff who left the company and specific training programs were organized for each specialized department, in accordance with the needs identified in the organizational structures, programs meant to increase the employees' performances.

In the first quarter of 2018, training sessions dealing with topics approved in the Annual Training Plan were held by external lecturers for a number of 98 specialists within the company.

### **Conclusions**

#### **Antibiotice in QI 2018:**

- Sales income higher by 7% compared to 2017;
- Increased export sales revenue by 11%;
- Net profit higher by 22 % compared to the values estimated in the Income and Expense Budget, taking into account a clawback tax of 10.1 million LEI.

Our company's executive management is worried about the unprecedented rise of the clawback tax in the last 6 months that will not be absorbed in low prices in the near future and will cause declining product profitability, endangering the company's business.

Vice-President of Management Board,  
General Manager,  
Ioan NANI

Financial Director,  
Paula Luminita COMAN

## CURRENT REPORT

According to:

- Law no. 297/2004 amended and supplemented by the provisions of the Law 10/2015 and GEO 90/2014 and CNVM regulations issued for applying this law
- Financial Surveillance Authority Regulation no. 6/2014 for amending and supplementing the National Securities Commission Regulation no. 1/2006 on issuers and securities transactions, as well as for supplementing the National Securities Commission Regulation no. 6/2009 on the exercise of certain rights of shareholders in the general meetings of trading companies.

## Significant event report:

### Notice of availability for the Annual Report on 31 March 2018

*Antibiotice Iași* informs the investors that the *report on 31.03.2018* is available through the *Bucharest Stock Exchange* and *Financial Surveillance Authority* as well as on our website: [www.antibiotice.ro](http://www.antibiotice.ro) (Investors/Financial Information/Financial Reports - 2018, 3 months).

We mention that the above-mentioned report can also be obtained at our company's headquarters (Investor Relations, phone no. 0232 209570, fax 0372 065633, e-mail: [relatiicuinvestitorii@antibiotice.ro](mailto:relatiicuinvestitorii@antibiotice.ro)).

General Director,  
ec. Ioan NANI

Financial Director,  
ec. Paula-Luminița COMAN



**Statement of financial position****03/ 31/2018**

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**Statement of Comprehensive Income**  
**03/ 31/2018**

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