

CURRENT REPORT

Report date: **26.02.2020**

Name of issuing company: Antibiotice SA.

Headquarters: Iași, str. Valea Lupului nr. 1, zip code 707410, <http://www.antibiotice.ro>

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Unique registration code in the Trade Register Office: RO1973096.

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

Subscribed and paid-up capital: 67,133,804 RON.

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

Important event to report:

2019 Preliminary Report

Antibiotice SA is the most important Romanian manufacturer of generic medicines, a national and international reference brand which has been continuing its mission of producing quality, safe and efficient medicines to give people the hope of a healthy life.

Organized into three divisions (Sterile Products & Active Substances, Solid Oral Dosage Forms and Topicals) comprising the eight manufacturing flows, our company recorded in 2019 **sales revenues** of 389.71 million LEI, by 7% higher than the value recorded in 2018.

Our company's continuous efforts for increasing its income and managing its expenses have been aiming at **maintaining its profitability** under the current legislative conditions that have led to a significant increase in the claw-back tax.

In 2019 Antibiotice's export sales recorded the highest growth rate in the last 5 years

In 2019, the exports accounted for 40% of our company's turnover, reaching 152,1 million LEI, up 25% compared to the value recorded in 2018 (123.8 million LEI), reaching the fastest rate of growth in the last five years. The main growth engine was the export of finished products in the territories where Antibiotice opened its representative offices, the value of these exports recording an increase past 65% compared to 2018, reaching a value of 44.4 million LEI.

Strengthening our company's leading position in the market of the active substance Nystatin is reflected in the upward sales trend in the last 5 years. The selling target for this product was fully achieved through a continuous management of costs, quantities manufactured and strategic partners with the main customers.

Domestically, Antibiotice recorded sales amounting to 335.9 million LEI, a level comparable to that recorded in 2018.

The main therapeutic classes that recorded in 2019 significant increases in terms of value, compared to 2018, were: dermatological preparations, medicinal products for central nervous system, genitourinary system, respiratory system.

In 2019, Antibiotice SA:

- maintained its leading position in the segment of generics & OTCs sold in hospitals, with a 15.6% market share;
- was the leader in terms of volume of the following pharmaceutical dosage forms: ointments (23.9%), suppositories (42.5%), and powders for injection (72.9%);
- ranked the 6th in the segment of generics & OTCs (a 4.53 % market share) , selling 31 million boxes at an average price of 10.81 LEI/box which represented 22% of the consumption of this segment and the 20th in the total pharmaceutical market (a 1.89% market share).

In 2019, the Antibiotice portfolio was promoted to scientific events organized in partnership with the main medical professional bodies. Promotional actions were also carried out for health professionals, doctors and pharmacists, which aimed to increase the good reputation of our company brand as well as the product brands from the following classes: anti-infectives for systemic use, dermatological preparations, medicines for genito-urinary system, musculoskeletal system and the Nutriensa® range of dietary supplements.

These events promoted our products belonging to the following portfolios: Hospital & Partners, Dermatologicals and the Quality of Life, the latter including the Women's Health and Nutriensa concepts.

Hospital&Partners is the portfolio for hospitals, the promotion focusing on the development of good practices in the use of antibiotics, supported by the campaign "Antibiotics of the Third Millennium".

Moldamin - the first recommendation in the prevention of acute joint rheumatism and rheumatic carditis.

2019 meant the completion of the research project, obtaining of the Marketing Authorization and resumption of the manufacture of Moldamin®, a recognized brand lasting for almost 60 years in our company's portfolio. Moldamin® returns in a new formula, created in compliance with the modern formulation principles, containing the same active substance, benzatin benzyl penicillin, but other excipients. Moldamin® is a retard penicillin (with delayed release) and is the first-line medicine in infections where it is necessary to provide prolonged antibiotic concentrations, such as in respiratory infections (streptococcal angina - red throat, otitis, sinusitis), venereal diseases (syphilis), skin infections (erysipelas). It is also the first recommendation in the prevention of acute joint rheumatism and rheumatic carditis.

"Quality of Life" is the concept defined in medicine as being the physical, mental and social well-being as well as the ability of the individual to perform his/her usual tasks. Quality of life = prevention + treatment to maintain a normal biological

condition. In this context, our company's portfolio comprises, under the "Quality of Life" concept, therapeutic solutions for treating different conditions in the following therapeutic areas: cardiovascular, genito-urinary, musculoskeletal, dermatological, digestive tract as well as remedies designed to maintain the body's homeostasis such as dietary supplements.

"Women's Health" - by this concept, Antibiotice aims to strengthen the identity of its portfolio intended for preventing and treating the diseases in obstetrics - gynecology. As a communication platform for the "Women's Health" concept, regional scientific events were held at which gynecologists and family doctors were invited.

Nutriensa® - Nutriensa® is an umbrella brand for the dietary supplements manufactured by Antibiotice from ingredients of the highest quality, in unique combinations, to maintain the health of each system in the human body: central nervous system, digestive tract, peripheral vascular system, musculoskeletal system: Equilibra®, Fezivit C®, Fluxiv® tablets, Fluxiv® cream, Lejer®, Silithor®, Soriso®, Sprinten®. - Nutriensa image

All the dietary supplements produced by Antibiotice are based on the experience of our researchers being manufactured to the quality standards for medicinal products.

Our company evolves domestically and internationally by ensuring a sustainable portfolio through investments in new products developed in the in-house research-development capabilities, in accordance with the current therapeutic trends.

The Antibiotice's development strategy of the product portfolio is mainly focused on the medicinal products having a quality recognized for over 64 years, but also products aimed at maintaining the well-being and health of the population.

Global result statement

Indicator	31.12.2018	31.12.2019	31.12.2019 / 31.12.2018
1	2	3	4=3/2
Sales income	364,576,466	389,710,740	1.07
Other operating income	45,405,000	33,008,685	0.73
Income related to the cost of product stocks	-1,259,715	4,564,960	-3.62
Income generated by the entity and capitalized	3,489,144	4,660,869	1.34
Expenditure on raw materials and consumables	138,844,375	146,016,104	1.05
Staff costs	90,864,735	102,852,132	1.13
Amortization and depreciation expenses	20,237,870	21,416,603	1.06
Other operating expenses	122,951,124	121,652,509	0.99
Operating profit	39,312,791	40,007,906	1.02
Net financial income	-4,224,180	-4,828,013	1.14
Pre-tax profit	35,088,611	35,179,893	1.00
Income tax and other taxes	784,823	4,356,615	5.55
Profit	34,303,788	30,823,278	0.90

The value of **other operating income** amounted to 33 million LEI, by 27.30% lower than the value recorded in 2018.

Income generated by the entity and capitalized amounted to 4.66 million LEI, by 33% higher than the value recorded in 2018.

These results made possible the promotion of a new payroll system, able to correlate the benefits with each employee's performance level. This increased the staff costs to 102.85 million LEI in 2019, by 13 % higher than the value recorded in 2018 (90.86 million LEI), bringing to the fore the importance of the human resource in carrying out our company's activities.

Amortization and depreciation expenses amounted to 21.42 million LEI, up 5.82% compared to the value recorded in 2018. In 2019, our company highly invested in the new Ointment & Suppository Plant, but being an ongoing investment, the impact on depreciation expense will be reflected after the investment is put into service.

In the composition of **other operating expenses**, the value of energy and water expenses increased by 19%, from 9.3 million LEI to 11.1 million LEI, an increase due to electricity tariffs. Our contribution to the finance of some health expenses (claw-back tax) increased by 12.9% as well.

The value of **net financial income** is negative, due to the superiority of the financial expenses represented by the interest paid for the bank credits, in comparison with the financial income.

As a result of the revenues and expenses recorded, **the gross profit** recorded in 2019 amounted to 35.2 million LEI, having about the same level as the one recorded in 2018.

The amount of 77.39 million LEI which represents the gross profit and clawback tax for 2019, is up 8% compared to 2018 (71.57 million LEI). This demonstrates our performance in improving the processes.

Expenses with the profit tax and other taxes were higher in 2019 compared to 2018 as a result of the reduction in the fiscal incentives, mainly determined by the diminution of the value of the non-taxable income and profit invested in the acquisition of technological equipment, electronic computers and peripherals, machines and cash registers, control and invoicing devices, computer programs, as well as software licenses.

As a result of the revenues and expenses recorded, the **2019 net profit** amounted to **30.8 million LEI**.

Total assets recorded on 31.12.2019 amounted to 792.61 million LEI, up 12% compared to the value recorded on 31.12.2018, as shown by the financial position statement. In their composition, **tangible assets** rose significantly by 17%, as a result of the intense investment process carried out in 2019 for building the new plant for topical products.

The value of stocks recorded on 31.12.2019 was up 12% compared to the previous year as a result of the purchase of raw materials necessary for an additional

production made by the existent Ointment & Suppository Plant to ensure the continuity of sales during the period when the transition from the current flow to the new manufacturing flow will be done.

Commercial and similar receivables recorded on 31.12.2019 were up 8 % compared to the value recorded in 2018.

Consistent with the value of total assets, the value of **equity and debt** increased by 12% compared to the value recorded on 31.12.2018.

In their composition, the **long-term bank credit** recorded a significant increase (114%). This credit is necessary to provide the financial resources for building the new manufacturing plant and purchasing the necessary equipment compliant with the serialization requirements.

Financial Position Statement

INDICATORS	31.12.2018	31.12.2019	31.12.2018/ 31.12.2019
1	2	3	4=3/2
ASSETS			
FIXED ASSETS			
Tangible assets	310,640,665	363,616,611	1.17
Intangible assets	15,028,716	16,385,709	1.09
TOTAL FIXED ASSETS	325,669,381	380,002,320	1.17
CURRENT ASSETS			
Stocks	64,964,662	72,573,359	1.12
Trade and similar receivables	313,094,458	338,159,774	1.08
Cash and cash equivalents	2,376,682	1,877,409	0.79
TOTAL CURRENT ASSETS	380,435,802	412,610,542	1.08
TOTAL ASSETS	706,105,183	792,612,862	1.12
LIABILITIES			
CURRENT LIABILITIES			
Commercial and similar debts	67,171,084	63,785,810	0.95
Amounts owed to credit institutions	100,729,229	125,875,879	1.25
Debts from current taxes	10,421,393	13,267,396	1.27
Short-term provisions	0	7,149,401	
Subventions for investments	637,008	0	
TOTAL CURRENT LIABILITIES	178,958,714	210,078,486	1.17
LONG -TERM LIABILITIES			
Subventions for investments	2,489,791	3,079,169	1.24
Deferred tax	25,266,930	25,531,938	1.01
Amounts owed to credit institutions	26,662,433	57,080,354	2.14
TOTAL LONG-TERM LIABILITIES	54,419,154	85,691,461	1.57
TOTAL LIABILITIES	233,377,868	295,769,947	1.27
Share capital and reserves			
Share capital	264,835,156	264,835,156	1.00
Revaluation reserves	53,459,597	50,804,319	0.95
Legal reserves	13,426,761	13,426,761	1.00
Other reserves	190,422,002	200,655,367	1.05
Retained earnings	-60,182,699	-56,432,683	0.90
Distribution of profit	-23,537,290	-7,269,283	0.27
Current result	34,303,788	30,823,278	0.89
TOTAL EQUITY	472,727,315	496,842,915	1.05
TOTAL EQUITY AND LIABILITIES	706,105,183	792,612,862	1.12

Subsidies for investments are included in the long-term liabilities, representing the amounts collected in 2019 for the project: „Modernization of Energy Consumption in Industrial Consumers”, co-financed from European funds, with the objective of reducing the specific energy consumption. Their value recorded on 31.12.2019 was 3.08 million LEI, by 24% higher than the one recorded in the previous year.

Conclusions:

International sales amounted to 152.1 million LEI, **higher by 25 %** compared to the value recorded in 2018.

2019 - the first year in which the **sales of finished products** in the international markets significantly exceeded the sales of the active substance Nystatin, recording an increase of 65% compared to the previous year;

Sales revenues higher by 7% compared to the same period of 2018;

Operating profit amounted to 41.56 million LEI, **higher by 6%** than the value recorded in 2018.

Pre-tax profit amounted to 35,2 million LEI, given that the claw back tax reached the value of 42.2 million LEI;

Moldamin® returns in the medical practice in a new formula, representing the first-line medicine for infections in which prolonged antibiotic concentrations are required.

General Director,
Ioan NANI, Economist

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Paula COMAN, Economist