

## Preliminary Report 2018

Antibiotice is today the most important manufacturer of generic medicines, a nationally and internationally recognized Romanian brand which continues its mission to make quality medicines more affordable to patients and more accessible to healthcare professionals.

In 2018, following its strategic objectives with a special emphasis on the business internationalization, Antibiotice marked an 8% increase in the sales revenue (27,492,453 LEI) compared to 2017. Our company recorded also a net profit higher by 2% compared to 2017, reaching the value of 34,075,644 LEI.

The 2018 financial results reflect a wide-ranging activity management program meant to reduce the considerable impact generated by the **claw-back tax** which increased by 25% compared to 2017, reaching the value of **36,484,667 LEI**.

**The increase in sales revenue** was mainly due to the **sales in the international market** that recorded **higher values by 6%**. In 2018, the main growing market for our company was Asia, as a result of opening its own office in Vietnam through which our company achieved higher sales by 37%. The products which generated in 2018 significant increases in export were Ampicillin with sulbactam, Amoxicillin capsules, Glycerin for adults and Nafcillin.

The North American market have become for the active substance Nystatin the main growth pole, being followed by South America and Middle East.

In the domestic market, Antibiotice SA maintained its leading position in the hospital segment with a 18.01% market share, a slight increase compared to the previous year.

As regards the generics and OTCs, our company ranked third, with a 5.1% market share while it ranked 16th in terms of the total pharmaceutical market, with a 2.11% market share.

The products sold in 2018 enabled our company to maintain its leading position in terms of indivisible units sold on the ointment segment (26.3% market share), suppositories (42.1% market share) and powders for injections (71.9% market share).

In the top of non-prescription (OTC) medicines and dietary supplements, Antibiotice ranks 13<sup>th</sup> among a total of 221 companies, one position higher compared to 2017, the growth percentage recorded on this segment being 14.4%, equal to the one recorded by the total market (14.4%).

In 2018, the share of sales of OTC medicines to pharmacies and hospitals grew to 20.3% compared to 19% in 2017, 16% in 2016 and 13% in 2015, the high-performing products being from the range Fluxiv®, Sprinten® and the range Glycerin.

The production made in 2018 was higher by 13% compared to the previous year and caused expenditures on raw materials and consumables higher by 9%, an increase caused also by the increase in import prices for acquisitions.

In 2018, faithful to a responsible employer policy, our staff expenses were higher by 6% compared to 2017 as a result of 2017 wage increases with effect in 2018.

Amortization and depreciation expenses increased by 18% as a result of the commissioning of the equipment purchased according to the investment plan, in order to modernize the company's activity.

Other operating expenses recorded a 8% increase due to the increase in the clawback tax up to 36,484,667 LEI and due to the increased utility tariffs in 2018 (electricity 29%, methane gas 7%, water 6%).

**Operating profit** had a value of **39,042,929 LEI**, **higher by 5%** compared to 2017.

**After-tax profit** was worth **34,075,644 LEI**, **higher by 2%** compared to 2017.

	Financial year		2018/ 2017
	31.12.2017	31.12.2018	
A	1	2	3=2/1
Revenue from sales	336,904,666	364,397,119	1.08
Other operating income	37,796,667	45,162,677	1.19
Income related to the cost of product stocks	4,235,363	-1,259,715	-0.30
Income generated by the entity and capitalized	1,850,831	3,489,144	1.89
Expenditure on raw materials and consumables	127,072,000	138,844,375	1.09
Staff costs	85,897,194	90,864,735	1.06
Amortization and depreciation expenses	17,098,098	20,237,870	1.18
Other operating expenses	113,395,172	122,799,316	1.08
<b>Operating profit</b>	<b>37,325,063</b>	<b>39,042,929</b>	<b>1.05</b>
Net financial income	-1,963,633	-4,224,180	2.15
<b>Pre-tax profit</b>	<b>35,361,430</b>	<b>34,818,749</b>	<b>0.98</b>
Income tax expenses	1,803,076	743,105	0.41
<b>Profit</b>	<b>33,558,354</b>	<b>34,075,644</b>	<b>1.02</b>

### Assets

The current assets of 2018 are higher than the short-term debts and permanent capital (equity and long-term debt) exceeds the fixed assets, which shows that the company meet the principle of aligning the maturity of assets and liabilities.

- **Fixed assets** recorded an increase of 38% compared to the previous year as a result of both the investment process in 2018 and the result of the reevaluation of the buildings (according to the Fiscal Code Art.460 and the Company's Accounting Policies).
- **Inventory** value slightly decreased by 3%; these are managed according to the stock regulations established within our company.
- **The receivables** increased by 18%, of which the trade receivables related to the turnover increased by 14%, the difference representing advances for the acquisition of fixed assets according to the investment plan.

### Liabilities

The financing policy for the investments made within our company in 2018 has led to a 32 % growth of current debts, from 135.386.417 LEI to 178.917.540 LEI, influencing the economic indicators as follows:

- an increase in indebtedness degree (amounts owed to credit institutions / equity) from 17% to 27%, up to the level budgeted at the beginning of the year;
- a 13% increase in equity compared to 2017;
- a supraunitary current liquidity (2.12), which falls within the recommended limits.

<b>ASSETS</b>	<b>31.12.2017</b>	<b>31.12.2018</b>	
<b>FIXED ASSETS</b>			
Tangible assets	223,242,890	310,612,082	1.39
Intangible assets	13,107,622	15,028,716	1.15
<b>TOTAL FIXED ASSETS</b>	<b>236,350,512</b>	<b>325,640,798</b>	<b>1.38</b>
<b>CURRENT ASSETS</b>			
Stocks	67,264,546	64,964,661	0.97
Trade and other receivables	264,212,743	312,915,111	1.18
Cash and cash equivalents	5,107,743	2,376,682	0.47
<b>TOTAL CURRENT ASSETS</b>	<b>336,585,032</b>	<b>380,256,454</b>	<b>1.13</b>
<b>TOTAL ASSETS</b>	<b>572,935,544</b>	<b>705,897,252</b>	<b>1.23</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Commercial and similar debts/liabilities	55,535,974	62,172,843	1.12
Amounts owed to credit institutions	69,731,310	100,729,229	1.44
Tax and current tax liabilities	9,792,887	10,386,727	1.06
Short-term provisions	0	4,998,241	
Investment subsidies	326,246	630,500	1.93
<b>TOTAL CURRENT LIABILITIES</b>	<b>135,386,417</b>	<b>178,917,540</b>	<b>1.32</b>
<b>LONG-TERM LIABILITIES</b>			
Short-term provisions	2,498,889	2,496,299	1.00
Deferred tax	18,172,398	25,277,141	1.39
Amounts owed to credit institutions		26,662,433	
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>20,671,287</b>	<b>54,435,873</b>	<b>2.63</b>
<b>TOTAL LIABILITIES</b>	<b>156,057,704</b>	<b>233,353,413</b>	<b>1.50</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	52,485,679	3.61
Legal reserves	13,426,761	13,426,761	1.00
Other reserves	162,134,513	190,518,732	1.18
Reported result	-71,633,085	-82,798,133	1.16
Current result	33,558,354	34,075,644	1.02
<b>TOTAL EQUITY</b>	<b>416,877,840</b>	<b>472,543,839</b>	<b>1.13</b>
<b>TOTAL ASSETS AND LIABILITIES</b>	<b>572,935,544</b>	<b>705,897,252</b>	<b>1.23</b>

### Conclusions:

- a 8% increase in the sales revenue compared to 2017
- a 6% increase in the international sales compared to 2017
- a 2% increase in the net profit compared to 2017

2019 is under the sign of further internationalizing our business, strengthening our sales in Romania and elaborating a supportive plan for the coming years as there are no legislative measures to lower the claw back tax, this burden having a high potential risk of lowering the company's medium and long-term development.

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