

2020 Preliminary Report

In the context of 2020, marked by the effects of the SARS-CoV-2 virus pandemic, Antibiotice identified solutions to achieve its strategic objectives included in the Business Plan and to ensure the people's health. Our company enriched its portfolio with biocides and medicinal products for the treatment of COVID-19 - associated diseases (Paracetamol, Novocalmin), took the necessary measures for social distancing and maintaining the health of its employees. In order to ensure the business continuity, Antibiotice adapted its strategy to the new market conditions as follows:

A. Development of its international business component

Our international sales in the analyzed period amounted to 158.27 million LEI, by 4% higher compared to 2019. The share of exports in the company's turnover increased to 46.60% in 2020 compared to 39% in 2019.

In 2020, Antibiotice SA succeeded internationally in:

- ✓ becoming the main Romanian exporter in the Vietnam market, with a traded value of about 10 million USD;
- ✓ tripling the sales of sterile powders for injection in the European markets;
- ✓ strengthening the sales of Nystatin in the markets from Asia, Australia, North America and Africa.

Evolution of pharmaceutical market in Romania¹

In 2020, the value of medicines released to the patients in Romania amounted to 18.05 billion LEI (distribution price), by 1.3% higher compared to 2019. Consumption as a number of boxes was relatively constant, i.e. 625.6 million boxes.

The peak of sales was recorded in March; in April and May, a major contraction in consumption occurred on all the sales channels, as a result of the restrictions applied with the entry into force of the state of emergency and subsequently the state of alert. This is

¹ According to CEGEDIM Sell Out Romania December 2020

explained by to the sharp decline in the number of consumers in the open-circuit pharmacies but also in the number of hospitalizations (also some hospitals with different profiles and specialties were turned into hospitals for patients infected with the new coronavirus).

Starting with September, our company's sales reestablished its pace , recording an increase of 6.7%, compared to the similar period of the previous year. November distinguished with the most significant increases in sales after the state of emergency, compared to the similar period of the previous year: 16.7% in terms of value and 10.7% in terms of quantity (no. of boxes).

Evolution of the relevant pharmaceutical market of Antibiotice SA

The relevant market of the products from the Antibiotice portfolio recorded in the analyzed period an increase of 5.7% (from 2.3 to 2.4 billion LEI). Consumption grew by 4%, a number of 161.8 million boxes being released by pharmacies in 2020, compared to 155.6 million boxes in 2019.

Prescription medicines (Rx) had in 2020 a share of 50.1% of the total value sales and 54.6% of the total consumption of medicines (no. of boxes). They recorded in the analyzed period a decrease in value of 1.3%, from 1.23 billion LEI in 2019 to 1.21 billion LEI in 2020 and a quantitative decrease of 4% from 92 to 88 million of boxes.

Non-prescription (OTC) medicines recorded a value increase of 13.7% (from 1.06 billion LEI in 2019 to 1.21 billion LEI in 2020) and their consumption increased by 15.6% (from 63.5 million of boxes in 2019 to 73.4 million of boxes in 2020).

A. Antibiotice in the Romanian pharmaceutical market

Antibiotice SA followed the market trend in 2020. Value of sales from the Antibiotice portfolio amounted to 318.6 million LEI, lower by 5.2% compared to 2019 (336 million LEI). In terms of quantity, our company recorded a decrease of 15.9% from 31 to 26 million of boxes.

In 2020, in the domestic market, Antibiotice SA:

- ✓ ranked 1st in the relevant market, with a 13.1% value market share;
- ✓ was the leader in terms of quantity for the following pharmaceutical dosage forms: ointments (22.5%), suppositories and pessaries (37.5%) and powders for injection (65.3%);
- ✓ ranked 7th in the segment of prescription generic medicines and OTCs (3.97% market share);
- ✓ was the leader in the segment of prescription generic medicines and OTCs sold in hospitals, with a 14.8% market share.

In terms of value, the Hospital segment was most affected in the context of the pandemic, recording a decrease of 10.3%, from 84.7 million LEI in 2019 to 75.9 million LEI in 2020. This evolution was similar to that of the relevant market. The number of units sold by Antibiotice in hospitals decreased by 27.8% from 1.7 million of boxes in 2019 to 1.3 million of boxes in 2020.

In solidarity with the Romanian health system and in the context of the the SARS-CoV-2 virus pandemic, Antibiotice kept in constant contact with the distributors, so that there were no syncope in the supply of medicines to hospitals and pharmacies, ensuring optimal stocks to allow the fulfillment of orders in the shortest time.

Also, in order to meet the specific needs of the health system in this period, Antibiotice adapted its manufacturing structure and produced biocides for surfaces: *a+Oxy* Disinfectant solution for surfaces, 1 and 5 liters, *a+ Complex* Disinfectant solution for surfaces, 1 and 5 liters, as well as Paracetamol tb 500 mg and Novocalmin tb 500 mg, molecules for COVID-19 associated therapy.

As a gesture of solidarity with the medical system, Antibiotice offered both financial aid and donations in medicines, for 11 hospitals in Romania.

On 31.12.2020, our company recorded a total income of 380.39 million LEI, total expenses amounting to 352.06 million LEI, reaching a gross profit of **28.33 million LEI**, by **16% higher** compared to the value from the rectified Income & Expenditure Budget.

1. Comprehensive Income Statement

INDICATORS	31.12.2019	BVC 2020	31.12.2020	31.12.2020/ IEB 2020	31.12.2020/ 31.12.2019
1	2	3	4	5=4/3	6=4/2
Sales income	389,710,740	376,961,000	340,424,276	0.90	0.87
Other operating income	33,008,685	39,222,000	36,062,333	0.92	1.09
Income related to the costs of product stocks	4,564,960	8,900,000	23,676,949	2.66	5.19
Income from the activity performed by the entity and capitalized	4,660,869	5,000,000	6,351,872	1.27	1.36
Expenditures on raw materials and consumables	146,016,104	145,900,000	131,864,599	0.90	0.90
Expenses with employee benefits	102,852,132	109,105,366	111,822,960	1.02	1.09
Depreciation and amortization expenses	21,416,603	23,500,000	21,794,224	0.93	1.02
Other operating expenses	121,652,509	120,471,204	107,332,654	0.89	0.88
Operating profit	40,007,906	31,106,430	33,700,993	1.08	0.84
Net financial income	-4,828,013	-6,606,000	-5,371,536	0.81	1.11
Pre-tax profit	35,179,893	24,500,430	28,329,456	1.16	0.81
Income tax and other taxes	4,356,615	1,500,430	3,265,749	2.18	0.75
Profit	30,823,278	23,000,000	25,063,707	1.09	0.81

The main indicators from the Comprehensive Income Statement were as follows:

- **Sales income** amounted to 340.42 million LEI;
- **Other operating income** amounted to 36.06 million LEI, by **9% higher** than the value recorded on 31.12.2019;

- **Income related to the costs of product stocks** was 23.67 million LEI, higher than the value recorded on 31.12.2019. The increase was determined by the revaluation of the stocks of finished products existing in the company, taking into account the prices of the medicines updated through the price correction procedure, according to the legal provisions.
- **Income from the activity performed by the entity and capitalized** in value of 6.35 million LEI was higher by 36% compared to the value achieved in 2019;
- **Expenditures on raw materials and consumables** recorded the value of 131.86 million LEI, by 10% lower than the value recorded in the similar period of 2019, as a result of adapting the production activity to meet the needs of the medical system during the pandemic. The special measures implemented to protect the health of employees resulted in higher expenditures on consumables compared to expenditures made in the previous year. Among the measures taken we mention: providing employees with special protective equipment, constant sanitation and disinfection of spaces, supplementation of means of transport and modification of work schedule, work at home, adaptation of workspaces to social distance, preventive testing of employees to limit a possible contamination in the company.
- **Staff costs** on 31.12.2020 were by 9% higher compared to the value recorded in the previous year, as a result of the continuation of the project initiated in 2019 for implementing a modern ranking and salary system, in order to align the package of salary benefits to the performance level of each employee;
- **Depreciation and amortization expenses** increased by 2% compared to 2019, as a result of the investments made in modern technological equipment necessary for the production, research, quality control activities;
- **Other operating expenses** were reduced by 12% compared to 2019 and by 11% compared to the value provided in the Income & Expenditure Budget, as a result of the measures taken to reduce the expenses;
- The value of financial expenses, higher than the value of financial income determined negative **net financial income**.

2. Statement of Financial Position

INDICATORS	31.12.2019	31.12.2020	31.12.2020/ 31.12.2019
ASSETS			
FIXES ASSETS			
Tangible fixed assets	363,616,611	467,880,778	1.29
Intangible fixed assets	16,385,709	19,709,606	1.20
TOTAL FIXED ASSETS	380,002,320	487,590,384	1.28
CURRENT ASSETS			
Stocks	73,975,988	108,691,209	1.47
Trade and other receivables	338,159,774	260,301,297	0.77

Financial assets held for sale	0	0	
Cash and cash equivalents	1,877,409	6,329,458	3.37
TOTAL CURRENT ASSETS	414,013,171	375,321,964	0.91
TOTAL ASSETS	794,015,491	862,912,348	1.09
LIABILITIES			
CURRENT LIABILITIES			
Trade and similar debts	72,337,840	80,559,346	1.11
Amounts owed to credit institutions	125,875,879	87,521,637	0.70
Debts from current taxes and fees	13,267,396	11,187,118	0.84
Short-term provisions	0		
Investment grants	0		
TOTAL CURRENT LIABILITIES	211,481,115	179,268,101	0.85
LONG-TERM LIABILITIES			
Investment grants	3,079,169	2,772,880	0.90
Deferred tax	25,531,938	26,123,535	1.02
Long-term provisions	0		
Amounts owed to credit institutions	57,080,354	73,387,686	1.29
TOTAL LONG-TERM LIABILITIES	85,691,461	102,284,101	1.19
TOTAL LIABILITIES	297,172,576	281,552,201	0.95
Share capital and reserves			
Share capital	264,835,156	264,835,156	1.00
Revaluation reserves	50,804,319	129,696,870	2.55
Legal reserves	13,426,761	13,426,761	1.00
Other reserves	200,655,367	224,116,120	1.12
Retained earnings	-56,432,683	-68,346,396	1.21
Distribution of profit	-7,269,283	-7,432,071	1.02
Current result	30,823,278	25,063,707	0.81
TOTAL EQUITY	496,842,915	581,360,147	1.17
TOTAL EQUITY AND LIABILITIES	794,015,491	862,912,348	1.09

Patrimonial assets

The value of **fixed assets** on 31.12.2020 recorded an increase by 28% compared to the value recorded on 31.12.2019. In their structure, the value of tangible fixed assets was higher by 29% as a result of the revaluation of the lands at the market price, and the value of the intangible fixed assets was higher by 20% compared to the same period of the previous year.

The value of stocks was higher compared to the value recorded on 31.12.2019, the increase being justified by the revaluation of stocks of finished products, as a result of the change in drug prices through the price correction procedure, starting with the date of 01.07.2020.

Receivables amounted to 260.30 million LEI, a value lower by 23% than that recorded on 31.12.2019, being correlated both with the level of sales income and with the result of continuous measures to optimize the trade relations with our customers.

Patrimonial liabilities

Current liabilities amounted to 179.27 million LEI on 31.12.2020, lower by 15% compared to the value at the beginning of 2020. In their structure:

- short-term loans were worth 87.52 million LEI, lower by 30% compared to the value recorded in the previous year;
- trade payables were higher by 11%;
- debts representing current taxes and fees decreased by 16%.

In the value of **long-term debts**, the important share was held by the bank loan contracted for financing the investments in the new Ointment & Suppository Plant, whose value increased by 19% compared to the value at the beginning of the year.

On 31.12.2020, our company did not record outstanding obligations to the state budget.

3. Cash flow

1. The cash flow from the **operational activity** recorded receipts from sales of goods worth 427.6 million LEI and generated payments:
 - to suppliers of goods and services worth 190.9 million LEI,
 - related to staff worth 101.3 million LEI,
 - of taxes, fees and assimilated payments in value of 36.3 million LEI,
 - of bank interests amounting to 5.06 million LEI.

Net flow from operational activity was worth 94.05 million LEI.

2. The cash flow from the **investment activity** recorded payments amounting to 47.99 million LEI, both from the liquid assets from the operational activity and from the amounts available from the long-term bank credit, for the payment of the fixed assets suppliers.
3. Cash flow from the **financing activity** registered receipts from the long-term bank loan in value of 16.31 million LEI and generated dividend payments in the amount of 18.17 million LEI.

The main **economic-financial indicators** on 31.12.2020 highlights a balanced financial situation, the values being at the optimal level recommended in the literature.

Current liquidity expresses the ability to turn the current assets into cash. **Turnover speed for client debit items** expresses the number of days in which the company collects the receivables, the registered value being according to the commercial conditions agreed with the partners. **Turnover rate of fixed assets** expresses the efficiency of using the fixed assets, the registered value being above the reference value. **Financial autonomy rate** expresses the financial independence of the company. **Return on assets** measures the efficiency of the capital allocated in the fixed assets and current assets of the company. **Return on equity** expresses the return on capital invested by shareholders.

Indicators	Calculation method	Reference value	31.12.2019	31.12.2020
Current liquidity	Current assets / Current liabilities	2	1.96	2.09
Level of indebtedness	Borrowed capital / Equity * 100	<50%	37%	28%
Turnover speed for client debit items	Average customer balance / Sales revenue * 360	depends on the field of activity	297 days	273 days
Turnover rate of fixed assets	Sales Income / Fixed assets	depends on the field of activity	1.02	0.69
Financial autonomy rate	Equity / Total liabilities	>1	1.67	2.06
Return on assets (ROA)	Net profit / Total assets		3.88%	2.90%
Return on equity (ROE)	Net income / Equity		6.20%	4.31%

Conclusions:

In 2020 Antibiotice SA:

- recorded a gross profit of **28.33 million LEI**, by 16% higher compared to the value planned in the Income & Expenditure Budget;
- was the main Romanian exporter in Vietnam, with a value traded of approximately 10 million USD;
- tripled its sales of sterile powders for injection in the European markets;
- was the leader in the segment of prescription generic medicines and OTCs traded in hospitals, with a 14.8% market share;
- ranked 1st in the relevant market in Romania, with a 13.1% market share.

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