Antibiotice
Știință și suflet

First Quarter Report 2015
Date of the report: **14 mai 2015**
Name of the issuing entity: **Antibiotice SA**
Head office: **Iasi, str. Valea Lupului nr. 1, cod postal 707410, http://www.antibiotice.ro**
E-mail: **actionariat@antibiotice.ro**
Phone/fax number: +4**0232 209000 / +40232 209633**
Unique Registration Code at the Trade Registry Office: **RO1973096**
Order number in the Trade Register: **J22/285/1991**
Subscribed and paid-up share capital: **67.133.804 lei**
The regulated market on which the issued securities are traded: **Bucharest Stock Exchange**

The main goals pursued by the company's management during the first three months of 2015 were the increase in the turnover of the pharmacies and distribution stocks, as well as the profit maximization, which increased by 15% compared to the first quarter of the previous year. Thus, the sales of finished products from the pharmacy to the patient increased by 26.5% compared to the same period of 2014, while the outflows from distribution to pharmacies were timed at a growth rate of maximum 10% compared to the same quarter of the previous year. These important achievements could be performed by delaying the outputs of finished products to distribution, the sales teams of the distributors and the company being trained in destocking the market.

At the same time, the company has been geared towards capitalizing on a profit-maximizing product structure, precisely in order to absorb the increase of the claw-back tax by over 24% compared to the budgeted amount. The company notes that during 2014 has paid a claw-back tax 60% higher than in the previous year and is worried about the 24% increase of this tax during the first quarter of 2015 compared to the fourth quarter of 2014.

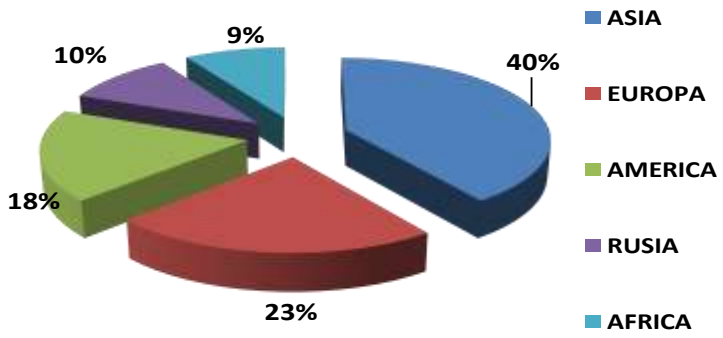
During the first quarter of 2015, the company completed its portfolio with 3 cardiovascular products and a systemic anti-infective class product.

Antibiotice Iasi continues to strengthen its position on the **anti-infective** products segment (for which it holds the 1st place in the generic anti-infective drugs market) and it asserts as a manufacturer of new therapeutical and interesting medicinal products for the Romanian healthcare system in the **digestive tract, central nervous system and cardiovascular** areas.

By diminishing the stocks in the market, the company could achieve its production on the 8 production streams, so that starting with the second quarter it would be possible to resume the turnover growth, from this point of view the prospects of realizing the turnover for 2015 of RON 323 million.

The sales revenue of RON 52.6 million experienced an increase of 3% over the estimated revenues and expenses budget.

Antibiotice Iasi, at the end of the first quarter of 2015, achieved its sales target of USD 5.6 million in the following geographical areas:



	No.	Financial exercise	
		31.03.2014	31.03.2015
A	B	1	2
Sales income	1	60.551.502	52.640.963
Other operating revenues	2	3.657.530	7.526.537
Income related to product stock costs	3	14.533.113	16.965.591
Capitalized income from the activity of the entity	4	318.282	708.435
Expenditure on raw materials and consumables	5	27.517.525	24.993.301
Staff costs	6	16.701.280	16.548.071
Expenditure with amortization and depreciation	7	4.561.677	3.696.311
Other operating expenses	8	21.544.000	24.501.747
Profit from exploitation	9	**8.735.945**	**8.102.095**
Net financial income	10	-2.742.102	-2.005.419
Profit before tax	11	**5.993.843**	**6.096.676**
Profit tax expense	12	723.249	35.080
Profit	13	**5.270.594**	**6.061.596**

- **The expenditure on raw materials** and consumables (RON 25 million) dropped by 9% over the same period of the year 2014 due to both the manufacturing structure and the decrease in consumption.

- **The staff costs (RON 16.5 million) decreased by 1% compared to** the first quarter of 2014**.**
- **The tax and tax expenses (RON 8.5 million)** – an increase by 60% due to the claw back tax in the fourth quarter of 2014, amounting to RON 8.1 million. In the first quarter of 2015 the claw-back tax rate is up by 24% from the budgeted amount and higher by RON 3 million compared to the 2014 I quarter.

The **gross profit** is RON **6.1** million up by 2% compared to 2014 and above the planned level in BVC by 16%.

The **net profit** of RON 6.06 million **increased by** 15% compared to the same period of 2014.

The situation of the financial position

On March 31, 2015, the company's assets reached RON 518.4 million, up by 3% compared to the beginning of the year.

ASSETS	01.01.2015	31.03.2015	2015/2014
Fixed assets	**196.493.836**	**197.096.252**	**1.00**
Tangible assets	188.576.994	188.795.539	1.00
Intangible assets	7.916.842	8.300.713	1.05
Investments in equity instruments			
Current assets	**307.152.860**	**321.311.492**	**1.05**
Stocks	57.284.464	80.980.200	1.41
Commercial receivables	232.062.022	230.328.429	0.99
Financial assets for sale	140	140	1.00
Cash and cash equivalents	17.806.234	10.002.723	0.56
TOTAL ASSETS	**503.646.696**	**518.407.744**	**1.03**
EQUITY AND LIABILITIES			
Equity			
Subscribed share capital	264.835.156	264.835.156	1.00
Revaluation reserves	4.158.471	3.867.903	0.93
Legal reserves	13.189.007	13.189.007	1.00
Other reserves	118.149.425	118.149.425	1.00
Reported result	(67.139.797)	(35.710.490)	0.53
Current result	31.138.739	6.061.596	0.19
Total equity	**364.331.001**	**370.392.597**	**1.02**
Long-term debt			
Investment grants	3.521.762	3.431.251	0.97
Deferred tax	16.636.682	16.537.855	0.99
Long-term provisions	-		
Total long-term debt	**20.158.444**	**19.969.106**	**0.99**
Current debts			
Commercial and other debts	46.916.170	57.249.068	1.22
Short-term loans	54.783.341	54.081.861	0.99
Tax and current tax liabilities	12.436.407	11.767.839	0.95
Short-term provisions	5.021.334	4.947.273	0.99
Total current liabilities	**119.157.252**	**128.046.041**	1.07
Total debt	**139.315.696**	**148.015.147**	**1.06**
Total equity and debt	**503.646.697**	**518.407.744**	**1.03**

The current assets increased by 5% compared to the beginning of the period due to the increase in the value of stocks to ensure the sales rate during the review period of the company that takes place in July and August.

The current debts are down by 7% from the beginning of 2014 due to the 22% increase in the commercial debts in order to supply raw materials for achieving production until the revision.

The company has paid in due time all liabilities due to the state budget.

The level of cash and cash equivalents at the beginning of the period was RON 17.8 million. The cash receipts from operating activities amounted to RON 64.1 million. The cash payments to suppliers of goods and services amounted to RON 39.2 million and those to and on behalf of employees, in relation to staff amounted RON 16 million.

At the same time, the cash payments of RON 10.4 million were made, representing taxes and bank interest.

From the investment activity, payments for tangible and intangible assets were made amounting RON 3.2 million.

From the financing activity were short-term loans were refunded amounting to RON 0.7 million.

At the end of the period the level of cash and cash equivalents was RON 10 million.

Name of indicator	Calculation method	31.03.2014	31.03.2015
Current liquidity	Current assets/Current liabilities	**2.41**	**2.51**
Level of indebtedness	Borrowed capital/Equity x 100	**20%**	**15%**
Speed of customer flow rotation	Average Customer Balance/Sales Income x Time	**367 days**	**404 days**
Speed of rotation of fixed assets	Sales/Fixed Assets	**0.31**	**0.27**

- The current liquidity during the first quarter of 2015 is higher than the first quarter of 2014;
- The company does not record credits over 1an.

The financial statements for the first quarter were not audited by the financial auditor, and this operation was carried out according to the contract at the first semester.

During the reported period, the following took place:

The **GMP recertification inspection** of manufacturing lines, dated 01-04.04.2014:

- Tablets, film-coated tablets, including those for clinical investigation,
- Penicillin capsules, including those intended for clinical investigation,
- Cephalosporin capsules, including those intended for clinical investigation,
- Non-penicillin capsules, including those intended for clinical investigation,
- Ointments, creams and gels,
- Suppositories, including those intended for clinical investigation.

The inspection was carried out by the **WHO** and the National Medicines and Medical Devices Agency for the GMP recertification and the manufacturing and import re-authorization of the Company.

The **GCP** (Good Clinical Practice), **GLP** (Good Laboratory Practice), and **GMP** (Good Manufactured Practice) inspection of the partial line of medicinal products for human use for clinical investigation (secondary packaging line-labeling of primary and secondary containers) - Center for Drug Evaluation.

The inspection was carried out by 3 NAMMD inspectors from 20 to 22 January 2015 for the purpose of re-authorizing the partial manufacture of medicinal products for human use for clinical investigation.

During the reported period, the company was audited for the purpose of increasing exports, as follows:

- the recertification audit of the integrated management system (Quality, Environment, Occupational Health and Safety) by Lloyd's Register Quality Assurance certification body;
- Audit by Panpharma, France, on the sterile injectable manufacturing line; the purpose of the audit was to assess the compliance with the GMP and regulatory requirements specific to manufacturing and controlling products for Panpharma under the manufacturing and control contract in which Antibiotice is the beneficiary of the contract;
- Audit by SMART, South Africa on the tablets manufacturing line; the purpose of the audit was to assess the compliance with GMP and regulatory requirements specific to the manufacturing and control of products under the manufacturing contract, in which Antibiotice is the beneficiary of the contract.
- Audit by **Perrigo, UK**, to qualify Antibiotice as a provider of Nystatin active substance;
- The audit by **Smart Pharmaceuticals (South Africa)** to evaluate Antibiotice as a beneficiary under contract for tablets and film-coated tablets;
- Audit by **Actavis** Iceland to qualify Antibiotice as a provider of Nystatin active substance.
- Audit by **Rephine** for Polfa Poland, to qualify Antibiotice as a supplier of Nystatin active substance.
- Audit by **Hospira Australia & New Zealand** to qualify Antibiotice as a contract beneficiary for product manufacturing and control;
- Audit by **Sagent, USA** for the product Ampicillin USP 4 doses;
- During January 22 to 23, 2015 the audit by **DSM, the Netherlands** took place.

The conclusions of the inspections and audits were that Antibiotice observed the specific GMP requirements, and the good knowledge of the manufacturing and control requirements that the staff possessed, as well as the quality of the documents presented were also appreciated.

With a view to sustaining sales for 2015 and in the first quarter of 2015, the company has achieved 5 re-authorizations on the domestic market and 1 MA on the foreign markets. The decentralized authorization procedure (DAP) has been completed for a new CNS-class product in various EU member states.

In 2015 research will be launched for 20 new pharmaceutical products, research that will diversify the company's portfolio in the short and medium term. New drugs will be developed in various pharmaceutical forms: tablets, capsules, topical medicines, injectable medicines adapted to current therapies and market demands. The medicines made by our company’s own research will be marketed both domestically and on the foreign markets.

By the end of the year, our company’s own R & D activity will be accomplished by finalizing 10 new products, whose marketing documentation will be sent to the regulatory authorities domestically and abroad.

In order to achieve the objectives for the year 2015 and the implementation of the measures of the Business Plan for 2015-2017, in the first quarter a total of 10 persons with higher education were proposed to collaborate for the development of the Promotion - Commercial activity of the Marketing and Domestic Sales Unit and the Research & Development Department.

The average number of the budgeted staff for the year 2015 has not been increased.

In order to achieve professional performance - the prerequisite for increasing the competitiveness and quality of our business, our concerns are reflected in human resource development projects with training programs in each direction, according to the needs identified for each organizational structure and in close correlation with the community legislative changes applicable to the domestic law.

From the themes included in this plan, during the first quarter training sessions for 35% of the specialized staff with higher education within the following structures were held:

Marketing and Domestic Market Sales Unit

- product training and medical promotion for the Antibiotice promotion team, supported by specialist doctors (for key account hospital and medical representatives of the Cardio, Anti-infective, Central Nervous System and Dermatological preparations classes).
- training and development program for sales teams through an experienced company in the pharma field (for sales representatives and key account hospitals, distributors and pharmacy chains).

The Medical Unit:

- course on variations management and application of the European legislation in the field to maintain marketing authorizations, requirements for the application of legislation in countries in Africa, Latin America, Asia, Russia and CIS countries, Middle East - organized by Informa Life Science in London, for Regulatory Affairs staff.
- participation at the PHARM Connect 2015 Congress - meetings and seminars on pharmaceutical and biotechnology topics for the Technological Development staff.
- EudraVigilance course - electronic reports in pharmacovigilance, organized by NAMMD - for employees from Portfolio Management and Public Health Policies.

Export Department, Business Development Department, Import Department:

- Course „Impact of INCOTERMS 2010 on Commercial Contracts" supported by the Romanian Banking Institute for employees in Import, Export, Business Development, Legal, Technical and Production. The course provided practical working tools for knowing the contractual terms of delivery of goods, risks, insurance, and security rules in international commerce.

Technical, Production and Quality Unit:

- Compression equipment presentation workshop in the pharmaceutical industry organized by Korsch AG Berlin (for employees in Quality Assurance, Pharmaceutical Formulation, Technical and Production Units and Tablets Plant).

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

Vice-president of the Management Board,
General Manager,
ec. Ioan NANI

Economic Manager,
ec.Paula Luminita Coman