



Annual Report — 2017

— *To be a key partner in the development and implementation of efficient, integrated and innovative solutions for healthcare access.*

www.quilaban.pt



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Index

— *Innovation and efficiency are central elements in our culture, positioning us to respond positively to the permanent challenges in the global health market.*

04

— Annual
Report

06

Quilaban

08

Mission, vision and
values

12

The year under review

13

Economic and
financial performance

16

Future projects

18

— Financial
performance

over 40 years
promoting
healthcare

1940

Setting up of **Vitor Hugo da Silva Cordeiro** (pharmaceutical distribution)

1974

Setting up of **Quilaban, Lda**
Import and marketing of in vitro
diagnostic and biotechnology
solutions

2004

Launch of the **Orthopaedics**
business

2005

Launch of the **Point-of-Care**
(POC) and **Veterinary**

2007

Launch of **Export business** and
activities in **Angola** with the
setting up of **Australpharma**

2010

Enlargement of the business to
Healthcare Consumables (**OHC**)

2013

Setting up of **Pharma Trading**
Private Limited - India

Transformation of Quilaban into a
Public Limited Company

Setting up of **MDS** -
Mozambique

Merger of the POC, VET and
OHC areas into the **Healthcare**
business unit

Setting up of
Tecnosaude - **Angola**

2014

Rebranding by Quilaban

40
ANOS



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2015

Setting up of **Quilaban** in
Namibia and **MDS** in **Guinea-**
Bissau and broadening of the
international customer base

2016

Acquisition of **TDS** -
Tecnologias e Diagnóstico
na Saúde

2017

Setting up of **Approcare**

—
Our strong business and entrepreneurial culture, our values forged over 40 years, and our service dynamics are the important foundations of the successful future we wish to build.

Quilaban was founded in 1974, born from a business project oriented towards the import and marketing of *in vitro* diagnostic solutions, based on the experience from pharmaceutical distribution business built by Victor Hugo da Silva Cordeiro in 1940.

Celebrating multiple partnerships in the diagnostics field over the years, some of them lasting for over 20 years, Quilaban leads its activity with demanding professional and business standards, positioning itself as a reference partner in this market, both for the clients, and the entities it represents.

The entrepreneurial vision of its founder led to Quilaban's integration in new business areas, always promoting access to health as the fundamental link of the supply chain for healthcare products and medicines.

In 2004, it joined the Orthopaedic business, and in 2005, the point of care and veterinary business areas.

The combination of multiple skills in the area of health, and the wish to continue to promote the company's growth, led to its first foreign venture in 2007 starting exports to Angola.

Later, in 2013, its international presence expanded to Mozambique Quilaban India which is dedicated to the sourcing of medicinal products of Indian origin to African markets, with quality products and competitive prices, was founded that same year.

In 2015, Quilaban's export dynamics gained new momentum, initiating exports to several African and European countries, and to East Timor as early as 2017.

As a result of its international identification of the best suppliers in each market, Quilaban currently acquires products in 21 different countries, and exports to 13 countries.

Quilaban operates as a partner in the healthcare sector, promoting access to health by providing pharmaceutical distribution, diagnostics, healthcare, sourcing and international logistic solutions.

The key to our success and longevity is the extraordinary dedication of our employees, who work passionately on a daily basis to identify appropriate solutions that meet our clients' needs.

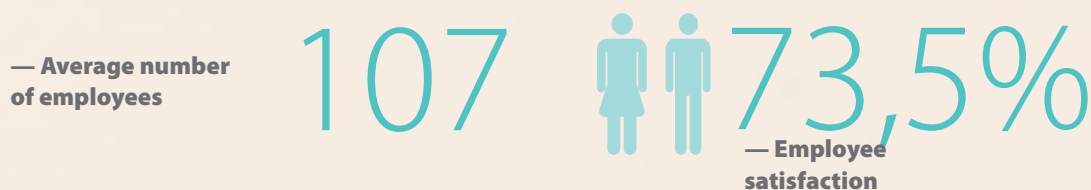
Our strong business and entrepreneurial culture, our values forged over 40 years, and our service dynamics are the important foundations of the successful future we wish to build.



Quilaban in numbers

— Growth in Turnover

€28,4M ^{— 2017} ▼ -4,1%



mission, vision and values

— mission

To create value through health promotion.

We promote health through the provision of customer-oriented solutions based on consulting, representation and distribution in the areas of medicine, diagnostics and healthcare.



— vision

To be a key partner in the development and implementation of efficient, integrated and innovative solutions for healthcare access.

Our knowledge and experience in local healthcare markets, our people's skills and our strong partnership culture made us a reference in healthcare promotion.

Innovation and efficiency are key elements within our culture, and we position ourselves to positively respond to the global challenges in the health market.

We are committed to our customers, to meeting their needs and exceeding their expectations.



— values

partnership

We promote cooperation and integration of skills through partnerships based on trust and transparency.

efficiency

We are focused in maximizing the value generated on the resources allocation.

simplicity

We develop simple solutions and promote an easy relationship with our partners.

innovation

Innovation is a key aspect of our culture, through which we are creative and unique in our approaches and solutions.

quality

We are committed to the continuous improvement of everything we do and we use high quality standards as reference.

service

We are passionate about providing services, on a consistent and determined way, to all our customers, fulfilling what has been promised.

The main performance indicators of 2017 showed positive signs of recovery and rebalancing of the world economy.

**the year
under review**

— 2017 in synthesis

The year 2017 is characterized by the extraordinary dynamics of Quilaban and its related companies.

We faced the challenges and difficulties identified by the end of 2016 with an energetic and determined approach, aware of the challenges, but focused on the objectives undertaken for this year.

Based on the theme "Communication", the development of our activities in 2017 was supported by the involvement of our people in building new opportunities, facing hardships as a stimulus to find new paths and solutions.

All strategic goals were followed by the launch and implementation of initiatives that support the growth and overall improvement of our performance in 2017.

The initiatives to build proximity and partnership relations with our clients led to attracting new clients, the launch new products and services, tapping into new markets, participating in fairs and events, the overall improvement of service levels, the launch of new businesses, the response to international tenders, and the review and adjustment of our product portfolios were decisive for the **turnover increase**.

We reached strengthened **profitability** through optimal purchasing conditions, purchase planning, maximizing payment discounts with suppliers, monitoring and managing sales margins, developing competitive commercial offers that combined volume and price, and seizing international sourcing opportunities. The review of our offers and portfolios which to meet the African markets' needs was also geared towards this goal.

Many initiatives also took place to promote the Organization's **efficiency** in multiple areas. These include reorganizing the stock management service model for pharmacy clients, reorganizing warehouse spaces, distribution services, purchase planning, and merchandise reception. The promotion of new organization models also constitutes an important contribution towards this goal, namely through master data management, improvement in IT support tools, project management methods, alignment and prioritization of the Organization's projects, and the reorganization of the Regulatory Affairs and Technical Management Department.

Generating **cash** was quite present as a target in our approaches to stock management, credit control, and treasury planning and management. In fact, the reformulation of the stock management model for pharmacy clients, associated with a centralized procurement process to support pharmacies, the resolution of returns to suppliers and the launch of initiatives for the disposal of low rotation stocks within the Healthcare area, resulted in a positive impact in our stock quality level. The management of the available credit lines improved the overall funding cost, and the insurance of cash availability to finance new needs prevented us from possible contingencies.

Happy people was the new strategy objective set out for 2017. Important contributions to this framework resulted from the implementation of the new organization model, and the extended training programme in various areas, with special focus on leadership. The "Positive Energy" dynamic promoted initiatives for fostering relationships between the people within the Organization, which included saints, a picnic, a children's work visit day, communication workshops, among others, as well as the reorganisation of the work spaces, clearly contributed to achieve this goal.

We seek to maintain and promote sustainable and responsible business practices, with a positive impact on the Community. Transparency, quality, development of national and international business, management accuracy, and proximity to our business partners, are all important factors that build our **notoriety**, and to which we are deeply committed.

economic and financial performance

— results	2016	Tx. Cresc.	2017	Tx. Cresc.
Revenue	29 630 487	-5,8%	28 429 027	-4,1%
Gross profit	8 939 410	8,2%	9 723 870	8,8%
% of revenue	30,17%		34,20%	
EBITDA	3 124 019	9,3%	3 828 602	22,6%
% of revenue	10,54%		13,47%	
Trading profit	2 321 678	12,2%	3 202 183	37,9%
% of revenue	7,84%		11,26%	
Profit for the year	972 563	47,3%	1 844 292	89,6%
% of revenue	3,28%		6,49%	

EBITDA = Trading profit before depreciation and amortisation
Amounts in Euros

Quilaban's **turnover** decreased € 1.2 million in 2017, to a total amount of € 28.4 million, representing a 4.1% decrease compared to 2016.

The main driver of this variation was the degradation of our turnover by € 1.3 million in the Pharma area, due to the reorganization of the pharmacy distribution model.

In Exports, as a result of the constraints felt in Angola (due to the country's economic and financial crisis), sales decreased € 0.3 million, representing a 4.3% drop compared to 2016. The Angolan and Mozambican markets represent about 78.1% of export sales.

Diagnostics had a € 0.7 million turnover growth, representing a 10.7 % increase over the previous year, due to the increased market penetration of some products, the investment in new methods of identification of microorganisms, and the strong commercial dynamic combined with the introduction of new, innovative, and high value-added solutions to our clients.

The Healthcare area registered a sales increase of € 0.4 million over the previous year, as a result of the sales increase in the "diabetes" and "clinical consumables" segments, which compensated the reduction in the "veterinary" segment.

Despite the reduction in sales, the gross profit increased 8.8% compared to the previous financial year, which represents a profit growth of € 0.8 million, with the gross margin increasing 4.0 percentage points, reaching 34.2% of the business volume.

In terms of number of units transacted, there was a 5.3% growth over the previous year, with a total of 7.6 million units. The number of units transacted in the Exports area increased by around 658 thousand units compared to the previous year, while the Pharma area decreased by about 271 thousand units.

EBITDA registered a 22.6% increase over the previous year to € 3.8 million, and with it the improvement of the EBITDA margin to 13.47%, resulting from the changes made to sales and markets, the improvement in gross margins, and the reduction of operating costs by approximately 5.7%.

In terms of **trading results**, amounting to € 3.8 million in absolute terms, its value showed a 37.9% growth compared to the previous year, with trading profitability increasing from 7.84% in 2016 to 11.26% in 2017.

External supplies and services amounted to about € 2.1 million and remained under the same level as the previous year.

In 2017, staff cost registered a 5.0% increase compared to the previous year, representing an increase of € 0.2 million. This resulted from the company's functional reorganization, with the aim of strengthening internal skills and ensuring the compliance of the service levels provided to clients with the desired standards of excellence, and with the payment of performance premiums following the achievement of objectives.

As a result of the hard work in credit monitoring and control started in 2016 and continued in 2017, especially by tracking client ratings through access to specialized information, limiting supplies to clients with incidents or degradation of their economic and financial situation, and concluding debt recognition and settlement agreements with debtor clients, we were able to reduce our adjustments to client debts in about € 51 thousands.

Following the application of the equity method to the various subsidiaries, there was a € 0.4 million profit in 2017 for companies in Angola and India, and an impairment recorded in financial investments of about € 0.4 million concerning the companies in Namibia and Madeira.

The **profit before tax**, amounting to € 2.2 million, registered a 78.8% increase compared to the previous year, primarily resulting from the facts described above. It should be noted that the depreciation and amortization expenses decreased 21.9% over the previous year, and the finance costs decreased 6.3%, as a result of a lower average debt.

The tax charge for the financial year had a positive impact of approximately € 248 thousand, obtained through a tax benefit that resulted from the investment in the venture capital fund (*BlueCrow Innovation Fund I*).

The **net profit for the financial year** was € 1.8 million, registering an 89.6% growth compared to 2016, the best result ever in the history of the company.

In financial terms, and taking into account a quite demanding year of 2017, the company's progression is positive overall.

Assets increased from € 0.5 million to € 31.1 million, financed by the increase in **equity** by € 1.8 million, and the reduction in global **liabilities** by € 1.4 million.

Liquidity indicators continue to present good levels of coverage for current liabilities.

— liquidity	2016	2017
Current liquidity ratio	1,28	1,07
Reduced liquidity ratio	1,03	0,88

Current liquidity ratio = Current assets / Current liabilities
Reduced liquidity ratio = (Current assets - Inventories) / Current liabilities

As for **debt indicators**, the financial autonomy ratio of over 35% stands out, reflecting the effort of an efficient asset management, and the shareholders' investment in the increase of the company's equity capital, namely by not paying any dividends. Also, worth highlighting was the improvement of the financial independence ratio, and the reduction of the debt-to-equity ratio.

— debt indicators	2016	2017
Financial autonomy ratio	30,20%	35,66%
Financial independence ratio	43,26%	55,43%
Debt-to Equity Ratio	1,80	1,36

Financial autonomy ratio = Total equity / Total assets
Financial independence ratio = Total equity / Total liabilities
Debt-to Equity Ratio = Interest-bearing liabilities / Total equity

Profitability indicators show significant improvements. The 6.6% return on sales resulted from the improvement in gross margins and the control of operational costs, the reduction of depreciation costs, and the reduction of financial expenses.

The return on equity was 19.93%, showing significant improvement compared to the previous year, largely due to the improved profitability in the operational result.

Within the **activity indicators**, the lower net asset rotation resulted mainly from the increase in the shareholding and

— activity indicators	2016	2017
Net assets rotation	0,95	0,90
Average stock days	70	67
Average trade debtors days	167	163
Average trade creditors days	49	50

Net assets rotation = Annual sales / Net assets
Average stock days = Inventories / Purchases x 365
Average trade debtors days = Trade debtors / Turnover with VAT x 365
Average trade creditors days = Trade creditors / (Purchases + Ext.Supl.Serv.) with VAT x 365

financial investment items, much due to the supplementary capital payments for the subsidiaries in Madeira and the investment in the venture capital fund (*BlueCrow Innovation Fund I*).

The average trade debtor days, as in the previous year, was reduced by 4 days, reaching an average of 167 days. This value is affected by the impact of the delay in performing cash transfers from Angola to Portugal, and the delay in receivables from the public sector.

The average trade credits days increased 1 day compared to the previous year, standing at 50 days.

The average stock days was reduced by 3 days, resulting of the effort to reduce investment in inventories that totalled € 3.4 million, with a balance reduction of about € 0.5 million in 2017.

— profitability indicators	2016	2017
Return on sales	3,34%	6,60%
Return on equity	11,53%	19,93%
Return on assets	3,17%	5,93%

Return on sales = Net profit for the period / Sales
Return on equity = Net profit for the period / Total equity (previous year)
Return on assets = Net profit for the period / Total assets

Cash flows were positive driven operating cash flow of € 4.7 million, € 0.4 million less than in 2016.

The negative cash flows from investment activities, in the amount of € 1.8 million, correspond for the most part, as mentioned earlier, to the investments in the reinforcement of our technological infrastructure, the supplementary payments to the companies in Madeira, and the investment in the venture capital fund (*BlueCrow Innovation Fund I*). The negative financing flows, amounting to € 2.7 million, resulted essentially from the payment of interest on financing of about € 1.1 million, and the reduction of debt by € 1.6 million.

future projects

For 2018, we launched the theme “Relationships of Trust”, based on 4 key dimensions: - Relationship; Competence; Reliability; Integrity.

These 4 dimensions will also be the framework of the main axis of our operation.

We will work intensively on the dynamics of the relationship with our clients and other business partners, seeking to deeply understand their needs and the reality of their businesses, so that we can put our skills and capabilities at the service of the co-creation of innovative and added-value solutions, which differentiate us and promote our joint growth and profitability.

We will continue to promote internal, external, and institutional communication as means of fostering the relationship between all stakeholders.

At the level of competence, we will review the organization's current functional competencies model, in order to make it more dynamic, creating a stronger reference point for each employee, promoting a more structured development and opportunities for career development.

We will continue to invest significantly in the development of our Employee's skills, but also in sharing responsibilities with our business partners, and using the Quilaban Academy as a vehicle of excellence for this purpose.

A continuous process review, the creation of automatic mechanisms to produce indicators that free our employees, so they act in a preventive and dynamic manner, a continuous optimization of the logistics platform, and the orientation towards quality of service, are dimensions that will receive special attention and intervention in 2018. Thus, we hope to increase the reliability of our practices.

At the level of integrity, we will continue to work on the guidance of a strict code of conduct, committed to building long-term relationships. The broad and systematic dissemination of the Organization's values, and the recognition of the people who embody them, will be part of our approach to this dimension.



financial performance



— balance sheet

Values expressed in EURO

	31-12-2017	31-12-2016
— assets		
<i>Non-current assets:</i>		
Tangible fixed assets	6 657 158,08	6 650 757,81
Intangible assets	593 423,83	414 657,04
Investments in associate and joint ventures	4 266 676,94	3 890 086,62
Other financial assets	1 100 468,11	344 178,84
	12 617 726,96	11 299 680,31
— current assets:		
Inventories	3 377 925,52	3 854 886,05
Trade debtors	14 140 940,06	14 949 340,01
Taxes receivable	-	3 159,36
Other receivables	319 757,74	172 085,44
Prepayments and accrued income	167 081,16	149 300,46
Cash and cash equivalents	478 671,65	219 532,49
	18 484 376,13	19 348 303,81
— total assets	31 102 103,09	30 647 984,12
— equity and liabilities		
Equity:		
Share capital	6 000 000,00	6 000 000,00
Other equity instruments	52 400,00	52 400,00
Legal reserves	447 000,00	398 000,00
Other reserves	2 907 977,43	1 984 414,19
Retained earnings	(682 081,74)	-
Adjustments on financial assets	522 503,63	(152 813,49)
	9 247 799,32	8 282 000,70
Profit for the year	1 844 292,07	972 563,24
Non-controlling interests	-	-
— total equity	11 092 091,39	9 254 563,94
Liabilities:		
Non-current liabilities:		
Provisions	63 340,22	-
Borrowings	2 690 143,75	6 323 454,50
	2 753 483,97	6 323 454,50
Current liabilities:		
Trade creditors	3 170 650,12	3 300 174,29
Customers advance	-	123 911,91
Taxes payable	427 661,95	376 160,78
Borrowings	12 382 787,48	10 355 997,69
Other payables	1 156 656,72	913 721,01
Accruals and deferred income	118 771,46	-
	17 256 527,73	15 069 965,68
—total liabilities	20 010 011,70	21 393 420,18
— total equity and liabilities	31 102 103,09	30 647 984,12

— income statement

Values expressed in EURO

	31-12-2017	31-12-2016
— income and expenses		
Revenue	28 429 027,11	29 630 486,89
Operating subsidies	3 480,06	12 584,00
Imputed gains/losses on subsid., assoc. and joint ventures	383 357,94	1 183 200,58
Work for the entity itself	35 187,76	55 905,16
Cost of goods sold and materials consumed	(18 705 157,61)	(20 691 076,87)
External supplies and services	(2 171 861,53)	(2 174 989,88)
Staff costs	(4 029 727,21)	(3 837 292,93)
Inventories impairment (losses/reversals)	(64 084,28)	-
Trade receivables impairment (losses/reversals)	51 296,97	(36 515,79)
Provisions (increases/decreases)	(63 340,22)	-
Impairment of non-depreciable investments (losses/reversals)	(439 724,55)	(833 479,96)
Fair value (increases/decreases)	1 424,66	(17,49)
Other income and gains	801 291,01	377 774,92
Other expenses and losses	(402 568,08)	(562 559,43)
— operating profit before depreciation and amortisation (=EBITDA)	3 828 602,03	3 124 019,20
Depreciation and amortisation	(626 419,51)	(802 340,82)
— operating profit (before finance costs and tax)	3 202 182,52	2 321 678,38
Finance costs	(1 045 999,17)	(1 116 077,54)
— profit before tax	2 156 183,35	1 205 600,84
Tax	(311 891,28)	(233 037,60)
— net profit/(loss) for the period	1 844 292,07	972 563,24



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