



REPORT 1st SEMESTER 2012

of the Board of Administration
Farmaceutica REMEDIA S.A.

Farmaceutica REMEDIA S.A.

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C.I.F. : RO2115198; Capital social subscris și varsat: 10.608.980 RON
IBAN: RO31 VBBU 2511 BU03 0110 2701, VOLKSBANK București, sucursala Apolodor

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According to the National Securities Commission Regulation no. 1/2006

Date of report: 31.07.2012

Company name: **Farmaceutica REMEDIA S.A.**

Subscribed share capital: **RON 10.608.980**
 Paid-in share capital: **RON 10.608.980**
 Registered office: **DEVA, 43 Dorobanților Street
 postal code 330160**

Telephone / Fax: **+40 254 223 260 / +40 254 226 197**

No. and date of registration
 With the Trade Registry Office: **J20/700/25.07.1991**
 Single tax registration code: **RO2115198**

Securities: **RMAH shares**
 (Registration certificate no. 1470 / 04.05.2009)
 Type: **Common Nominal**
 Registration date: **17.03.1997**
 Nominal value/share: **RON 0,10**
 Entry in NSC book: **1636**
 Total number of shares: **106.089.800**
 National Securities Commission
 code of shares **16368**

Lei

Registration	Date	Number of shares	Value of issue
1	10.11.1999	3.370.107	337.010,70
2	06.09.2001	1.500.000	150.000,00
3	23.07.2003	42.402	4.240,20
4	05.01.2006	5.696.471	569.647,10
5	21.12.2007	87.905.969	8.790.596,90
6	08.04.2009	7.574.851	757.485,10
	TOTAL	106.089.800	10.608.980,00

Organized market on which the securities are traded:

Starting with 5.02.2009, 2nd category of Bucharest Stock Exchange.

The total value on the market at the date of 12.07.2012 is RON 27.689.437,8.

The value of one RMAH share is RON 0,261 (at the date of 12.07.2012).

1. The economic and financial situation of the company at the end of the 1st semester 2012 is as follows:

RON

Indicator	30.06.2011	30.06.2012	Variation %
FIXED ASSETS	26.536.382	36.414.744	+37,22%
Intangible assets	1.805.017	1.632.364	-9,57%
Tangible assets	24.346.834	33.292.820	+36,74%
Financial assets	384.531	1.489.560	+287,37%
CURRENT ASSETS	120.066.282	134.940.634	+12,39%
Stocks	21.605.530	29.369.443	+35,93%
Debts *	81.622.231	96.766.299	+18,55%
- clients*	81.263.842	95.625.823	+17,67%
Cash and bank	16.838.521	8.804.892	-47,71%
CURRENT DEBTS**	117.239.336	129.041.297	+10,07%
- suppliers	105.883.903	122.300.398	+15,5%
LONG TERM DEBTS	393.097	666.933	+69,66%
- bank loans	0	0	
EQUITY CAPITAL	28.874.882	40.766.685	+41,18%
Share capital	10.608.980	10.608.980	0,00%
Premium share	757.485	757.485	0,00%
Revaluation reserves	8.516.945	17.571.464	+106,31%
Reserves	6.410.946	8.884.711	+38,59%
Current result	2.748.386	3.132.966	+13,99%
Reported result	0	0	
Own shares	167.860	188.921	+12,55%

(*) including provisions for receivables impairment

(**) Farmaceutica REMEDIA S.A. utilized at the date of 30.06.2012 the amount of EUR 300.000 from a total facility in value of EUR 3.200.000 provided by Volksbank. The difference in value of EUR 2.900.000 can be used anytime when needed.

The value of the tangible assets considerably increased with 36,74% comparing to the same period of the last year due to the revaluation of the owned buildings and lands at the value of the market. The plus of approx. RON 9 millions results from the value of the tangible assets and from the increase of the revaluation reserves from RON 8,5 millions to RON 17,5 millions. The intangible assets are the unattenuated part from the used softwares and from the commercial found acquired together to the takeover of some new pharmacies. Therefore, in the 1st semester of 2012 the commerce founds of the following pharmacies were acquired: Sf. Nectarie Iasi, Sf. Isidor Ighiu (former Farma Cardia, 95% owned by Farmaceutica REMEDIA S.A.) and Sf. Varlaam Simeria (former Cosmifarm, 95% owned by Farmaceutica REMEDIA S.A.). The value of the financial assets, mainly represented by letters of guarantee and participants to the social capital of other companies, increased due to the accounting transfer at the end of the year 2011 of the participants to the

companies owned by Farmaceutica REMEDIA S.A. from the category “intangible assets” in the category “financial assets”.

Regarding the category “current assets”, the stocks, mainly consisting in merchandise stocks, increased with 36%, due to sales and stocks increase from the new opened pharmacies. Following the stocks optimization policy, the number of storage days at the date of 30.06.2012 maintained to 54 days, similar to the situation at the date of 30.06.2011, with beneficial influences to the company’s cash flow.

Taking into consideration the difficulties registered in money collections from the health system, the debts registered an 18,55% increase in value of RON 96.766.299 at the date of 30.06.2012. This was possible due to the implementation and development of a strict credit control policy. 99% from the total debts are clients of goods.

At the date of 30.06.2012 Farmaceutica REMEDIA S.A. disposed of monetary availability in value of RON 8,8 millions (approx. Euro 2 millions).

Current debts (<1 year), including debts to the goods providers, have a share of 95% and reached the value of RON 129.041.297 at the date of 30.06.2012 (+ 10,07% comparing to the same period of the last year).

Medium and long term debts (>1 year) increased with 69,66% from RON 393.097 at the date of 30.06.2011 to RON 666.933 at the date of 30.06.2012. This increase is explained by the acquisition, through financial leasing contracts, of new transport utilities, adapted to the legislation requirements in terms of medicines distribution.

Equity capital registered 41,18% increase comparing to the same period of the last year, mainly due to the fields and lands revaluation (+ RON 9 millions), constitution of reserves from the profit of the year 2011 and from the net profit registered at the date of 30.06.2012.

Farmaceutica REMEDIA S.A had the following provisions at the date of 30.06.2012:

RON

Provisions for clients debts depreciation	5.695.635
Provisions for risks and expenses	904.059
TOTAL PROVISIONS	6.599.694

Provisions for clients’ debts depreciation were created for a balance older than 365 days with 0 or very low collection probability.

Provisions for risks and expenses cover the losses generated by the stealing from Timisoara warehouse (RON 117.990 – ongoing investigation) and the managers bonuses corresponding to the year 2011 which will be paid during the 2nd semester 2012 (RON 786.069).

The result of the financial exercise at the end of the 1st semester 2012 shows a **net profit in value of RON 3.132.966**, representing 13,99% increase comparing to the result registered at the date of 30.06.2011 (RON 2.748.386).

Incomes from the net sales of goods are in value of RON 106.104.690, RON 12.988.711(+13,95%) higher than the value registered at the date of 30.06.2011, due to the opening of new pharmacies and to the performances of the sales departments.

The total expenses registered approx. 12,91% increase comparing to the same period of 2011, in the same time with the increase of the total incomes (+ 12,86 %).

Lei

Indicator	30.06.2011	30.06.2012	Variation %
Sales of goods *	93.115.979	106.104.690	+13,95%
Other operating incomes	2.613.407	2.812.738	+7,63%
Financial incomes including:	1.048.328	307.053	-70,71%
- Exchange rate differences	915.715	170.911	-81,34%
TOTAL INCOMES	96.777.714	109.224.481	+12,86%
Expenses on goods (net) **	76.980.232	88.367.065	+14,79%
Expenses on personnel	8.458.002	9.721.511	+14,94%
Other operating expenses including:	6.952.636	7.029.989	+1,11%
- Provisions expenses	919.141	9.122	-99%
- Provisions incomes	-197.532	-1.154.365	+484,39%
Financial expenses including:	944.759	266.521	-71,79%
- Exchange rate differences	718.764	217.543	-69,73%
TOTAL EXPENSES	93.335.629	105.385.086	+12,91%
Income tax	693.699	706.429	+1,84%
NET RESULT	2.748.386	3.132.966	+13,99%

(*) Including the commercial discounts offered

(**) Including the commercial discounts received

During the examined period any segments of activity were not stopped or alienated.

Repatriation of the net sales of goods on segments of activity:

RON – 1st semester 2012

Remedia pharmacies *	37.713.649	35,54%
Pharmacies distribution & KA **	38.086.950	35,89%
Distribution to hospitals & Private clinics	13.613.909	12,83%
Warehouse & other operations	15.627.134	14,73%
Other sales	1.063.048	1,01%
Total	106.104.690	100,00 %

(*) including pharmacies from the group

(**) including Sibmedica

The situation of the declared and paid dividends for the 1st semester 2012:

RON

Dividends balance on 01.01.2012	Dividends 2011	Paid dividends	Balance dividends on 30.06.2012
989.764,72	2.121.796	226.485,62	2.885.075,1

The amount of RON 2.121.796 is represented by the part of dividends from the profit of the year 2011 which was distributed to the shareholders by the General Meeting of Shareholders dated 11.04.2012. These will be distributed starting with 01.08.2012, according to the same decision of the General Meeting of Shareholders. The payment of dividends realized during the 1st semester 2012 (RON 226.485,62) refers to dividends before 2011.

The financial results at the date of 30.06.2012 are not audited.

2. The analyses of the company activity

The main risks that may affect the development in good conditions of the company activity are the risks of insufficiency in debts collection, the currency risk and the legislative unpredictability.

The impact of the currency risk diminished due to the transition of the medicines acquisition in RON starting with 01.04.2009. Therefore, the currency exposure of the company considerably diminished to approx. Euro 1,3 millions (out of which Euro 300.000 euro are bank loans and the rest represents currency debts to the suppliers) .

The risk of insufficiency in debts collection increased due to insufficient funds and Health Insurance Houses payment terms which exceeded 300 days. Under these circumstances, we believe that some of the 2.500 pharmacies - clients will face difficulties in the payment of the due amounts to Farmaceutica REMEDIA S.A.

During the first part of 2012 the average debt recovery was 160 days, comparing to 173 days in the first part of the year 2011.

For the same period, the payment of debts to the suppliers was made on 239 days, comparing to 229 days in the first half of 2011. The evolution of the two indicators had a significant impact on the company's cash-flow.

For the following period, the top management of Farmaceutica REMEDIA S.A. shall consider the following directions of action in order to achieve the objectives established by the Budget of Incomes and Expenses for 2012.

- To maintain the commercial margin as difference between the incomes from sales of goods and the cost of sold goods, by devoting more attention to the direct contracts with the pharmaceutical producers.
- To increase the volume of sales and therefore to receive higher discounts from the suppliers.
- To increase the stocks turnover, this favourably influences company costs and cash-flow.
- Detailed analysis on profit centres of the income and expenses accounts.
- Strong development of the offer of logistic services.

In the same time, the following measures were taken in order to secure and accelerate the debts recovery:

- Goods delivery only to the partners that comply with the contract payment terms
- Payment guarantees from the clients (mainly assignments of debts and endorsed promissory notes)
- Notification of the partners who do not comply with the contractual clauses related to the payments to Farmaceutica REMEDIA S.A.
- Development of credit control department
- Litigation of the partners with high flow and more than 60 days overdue debts.

Farmaceutica REMEDIA S.A. capital investments during the 1st semester 2012 were focused on:

- rebranding some of the own pharmacies
- reparations to the buildings of the own pharmacies
- acquisition of new transportation, according to the legal requests
- acquisition of the trading fund of Sf. Nectarie pharmacy from Iasi.

3. Changes that influence the social capital and the administration of the commercial society.

The shareholding structure of Farmaceutica REMEDIA S.A. at the date of 02.04.2012:

Shareholder	Owned shares	%
TARUS Valentin Norbert	70.080.850	66,0580
AHG VERMOGENVERWALTUNGS GmbH COTTBUS DEU	17.486.191	16,4824
INDIVIDUALS	9.321.507	8,7864
LEGAL ENTITIES	9.201.252	8,6730
TOTAL	106.089.800	100,00

The nominal value / share of RON 0,10 remained unchanged since 5.12.1996. The rights of the securities holders of Farmaceutica REMEDIA S.A. are unaltered.

The company is free for trading. Farmaceutica REMEDIA S.A. was promoted to the 2nd category of Bucharest Stock Exchange on February 5th, 2009.

Starting with 11.03.2011, Farmaceutica REMEDIA S.A. is managed by a board of Administration composed of 3 members:

1. President of the Board of Administration: TARUS Valentin - Norbert, Austrian citizen.
2. Member of the Board of Administration: CHIRITA Zoe, Romanian citizen.
3. Member of the Board of Administration: DOMUTA Florin George, Romanian citizen.
DOMUTA Florin George - administrator was replaced by BANCIU Mircea, Romanian citizen, on 11.04.2012.

The assignment of the 3 administrators expires on 30.04.2015.

4. Important transactions

Farmaceutica REMEDIA S.A owned a number of 778.366 shares at the date of 30.06.2012, out of which 249.000 shares acquired in 2012. These shares will be distributed for free to the members of the Board of Administration, directors and department managers, as a reward for the results obtained in 2010. This action will end in August 2012.

5. Consolidated results

Farmaceutica REMEDIA S.A. owns 100% from the social parts of the local distributor SIBMEDICA S.R.L. (Sibiu and surroundings), 95% from the social parts of COSMIFARM S.R.L., HEALTH FARM S.R.L., BLOC MAGNOLIA S.R.L., FARMA CARDIA S.R.L. pharmacies, as well as 80% from the social parts of DOM PROSAN S.R.L. pharmacy.

Taking into consideration the reduced cumulated percentage (under 5%) of the indicators (total actives, debts, equity capital, net turnover and net result) of the 6 entities in the same indicators of Farmaceutica REMEDIA S.A., the management of the latter decided not to consolidate the financial situations of the 7 companies. Actually, the commercial companies COSMIFARM S.R.L. and FARMA CARDIA S.R.L. have de facto stopped their activity in June 2012 by selling their trading found, stocks and assets to Farmaceutica REMEDIA S.A. SIBMEDICA S.R.L. renounced to engros medicines distribution, by transferring this activity to Farmaceutica REMEDIA S.A. In order to fully inform all interested persons, the financial situations of the 6 companies at the date of 30.06.2012 will be available online on Farmaceutica REMEDIA S.A. website starting with 20.08.2012.

6. Signatures

President of the Board of Administration,

Valentin - Norbert TARUS

General Manager,

Robert Mihail PELOIU