



**ANNUAL REPORT 2015**  
**UNCONSOLIDATED**  
Of the Board of Administrators  
Farmaceutica REMEDIA S.A.

**Farmaceutica REMEDIA S.A.**

Registered Office: Deva 330160, 43 Dorobantilor Str., Hunedoara County,

Branch Office: Bucharest 041836, district 4, 78 Metalurgiei Blvd., Telephone/fax: +40 21 321 16 40

Telephone /fax: +40 40 254 223 260 [remedia@remedia.ro](mailto:remedia@remedia.ro) [www.remedia.ro](http://www.remedia.ro);

Trade Registry: J20/700/1991, single tax identification code R02115198; Share capital: RON 10.608.980

IBAN: R031 VBBU 2511 BU03 0110 2701, VOLKSBANK Bucharest

## UNCONSOLIDATED ANNUAL REPORT 2015

### Of the Board of Administrators

### Farmaceutica REMEDIA S.A.

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

Subscribed share capital: **RON 10,608,980**  
Paid-in share capital: **RON 10,608,980**  
Registered office: **DEVA, No. 43 Dorobantilor Street**  
Telephone / Fax: **0254 223 260 / 0254 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**

	Date	Number of shares	Value (RON)	Explanations
1	10.11.1999	3,370,107	337,010.70	Initial state capital, including land as in-kind contribution
2	06.09.2001	1,500,000	150,000.00	Cash contribution of V.TARUS RoAgencies
3	23.07.2003	42,402	4,240.20	Merger – capital of Ditafarm Trading – absorbed company
4	05.01.2006	5,696,471	569,647.10	Merger – capital of V.TARUS RoAgencies – absorbed company
5	21.12.2007	87,905,969	8,790,596.90	Capital increase – shareholders with right of first refusal
6	04.05.2009	7,574,851	757,485.10	Capital increase – AHG Simcor Industry S.R.L
	<b>TOTAL</b>	<b>106,089,800</b>	<b>10,608,980</b>	

Organized securities trade market:

#### **Bucharest Stock Exchange – Standard Category**

The total value on the market at the date of 11.03.2016 is RON 21,324,049.80.

The value of one RMAH share is RON 0.201 (at the date of 11.03.2016)

## 1. Analysis of the company's activity

### 1.1. General overview

Farmaceutica REMEDIA S.A. is a national distributor with a network of 8 distribution warehouses, a chain of 100 pharmacies and local distribution offices, and an infant care store; it also provides marketing and promotion services for medicines.

Farmaceutica REMEDIA S.A. was founded on July 25<sup>th</sup>, 1991 as a commercial company, entirely state owned, by the reorganization of the Pharmaceutical Office Deva. On October 13<sup>th</sup>, 2000, V.TARUS RoAgencies S.R.L. acquired from FPS the majority share package (55.802%). In January 2006, Farmaceutica REMEDIA S.A. merged by absorption with V.TARUS RoAgencies S.R.L.

Farmaceutica REMEDIA S.A. was not involved in any mergers during the year 2015.

According to Law 95/2006 republished in August 2015, the commercial societies cannot perform both wholesale and retail medicaments distribution activities (Art. 800 para 2). Therefore, Farmaceutica REMEDIA S.A. transferred its wholesale pharmaceutical distribution activities together with ancillary activities (logistic services, regulatory affairs, etc.) to Farmaceutica REMEDIA Distribution & Logistics S.R.L., a company owned entirely (100%) by Farmaceutica REMEDIA S.A, keeping the operation of the own 100 pharmacies chain.

During the same period, Farmaceutica REMEDIA S.A. did not dispose of any assets of significant value (buildings, lands, shares, etc.). In October 2015, the company acquired 12 pharmacy licenses in Bucharest. As a consequence of the change of its main object of activity as imposed by the above mentioned law, the company had to buy back from the market 300,100 shares for a price of RON 0.3753 per share, as established by a certified assessor.

On December 31<sup>st</sup> 2015, Farmaceutica REMEDIA S.A. held majority interest (100%) in Farmaceutica REMEDIA Distribution & Logistics S.R.L., former Sibmedica S.R.L., a company whose activity was suspended on December 16<sup>th</sup> 2013 and restarted under a new name on January 19<sup>th</sup> 2015.

### 1.2. Elements of general evaluation

Farmaceutica REMEDIA S.A.'s financial results corresponding to the financial year 2015 show a net profit of RON 760,325 and a net turnover of RON 243,811,465. Other operating revenues were registered (RON 1,107,145), consisting mainly of balance adjustments for partners and inventory, penalties and asset sales (motor vehicles), as well as financial revenues amounting to RON 2,803,836 (mainly exchange rate differences).

The total costs were RON 246.962.121, out of which:

- Operating expenses – RON 244,087,303, out of which:
  - 211,542,312 represents the net cost of sold goods (including commercial discounts received)
- Financial expenses – RON 2,874,818, out of which:
  - RON 30,021 – paid interests,

- RON 2,736,972 – exchange rate differences
- RON 107,825 – losses from the liquidation of participations (Bloc Magnolia S.R.L.)

Taking into consideration that the value of the medicines and pharmaceutical products market is approx. EUR 3 billion (in 2015), we estimate the market share of Farmaceutica REMEDIA S.A. at under 2%.

The financial results of Farmaceutica REMEDIA S.A. were negatively influenced in 2015 by the following factors:

- Delaying medicine price discounts over several months (from April to July) despite being announced from the beginning of 2015. The company had to decrease its stock of products whose prices were about to be discounted, having a negative impact over the supply of its own pharmacies and third party pharmacies.
- Transferring the wholesale distribution activities to another company (Farmaceutica REMEDIA Distribution & Logistics S.R.L.). This transfer meant progressively closing our 8 warehouses and re-licensing them for the new company. Therefore, each warehouse was closed for at least 40 days, having a negative impact on sales and expenses (products were transported from a warehouse to another).
- Decrease of prescription medicines prices, starting from July 1<sup>st</sup> 2015, by about 15%.
- Increase of the claw back tax paid by the manufacturers (by about 26%) forced them to significantly reduce the discounts granted to distributors, having an important negative impact on their margin.

On December 31<sup>st</sup> 2015, the company's liquidities (available in bank accounts and in cash registers) amounted to RON 13,811,407. At the same date, the company had a multi-currency credit line amounting to EUR 3.2 million at its disposal, out of which EUR 2.1 million was used (bank guarantees of good standing).

### 1.3. Evaluation of company's revenues

The revenues from sales of goods reached the value of RON 246,861,600 (99.08% from turnover) with the following allocation on distribution channels:

- |                                |  |
|--------------------------------|--|
| - REMEDIA pharmacies:          | RON 80,884,762 (32.77% from total sales) |
| - Distribution to pharmacies:  | RON 22,652,549 (9.18%)                   |
| - Distribution to hospitals:   | RON 66,201,615 (26.82 %)                 |
| - Warehouses distribution:     | RON 64,955,289 (26.31 %)                 |
| - Other distribution channels: | RON 12,167,385 (4.92%)                   |

The value-added activities (invoiced to third parties) and rents generated the following operating revenues in value of RON 2,296,864, out of which:

- Logistic and warehousing services: RON 1,105,967 (0.45% from turnover)
- Rents: RON 650,213 (0.26 %)
- Registration and clinical trials monitoring: RON 295,263 (0.12%)

#### 1.4. Evaluation of the goods procurement

Farmaceutica REMEDIA S.A. consolidated the centralized procurement process in collaboration with other partners, in order to obtain the best commercial conditions of the market (discounts and payment terms).

Farmaceutica REMEDIA S.A. acquired pharmaceutical and para-pharmaceutical products from 154 suppliers during 2015, out of which:

- Direct acquisition from international manufacturers/suppliers 61
- Direct acquisition from local manufacturers/suppliers 34
- Indirect acquisition from local suppliers 59

The share of the suppliers out of the total value of acquisition is:

- Direct acquisition from international manufacturers/suppliers: 76%
- Direct acquisition from local manufacturers/suppliers: 5%
- Indirect acquisition from local suppliers: 19%

On 31.12.2015 the company's stocks were of RON 9,409,782, 99.9% of which were represented by goods. This value, which is significantly lower in comparison to previous years, was influenced by the fact that the company can only carry out retail activities since December 31<sup>st</sup> 2015.

#### 1.5. Evaluation of aspects related to company personnel

Until June 30<sup>th</sup> 2015, when the process of transfer of the wholesale distribution activities to Farmaceutica REMEDIA Distribution & Logistics S.R.L., Farmaceutica REMEDIA S.A. had approximately 500 employees. Their distribution by departments was the following:

- Remedia pharmacies – 300 people
- Distribution to pharmacies – 32 people (sales agents and telephone sales representatives)
- Distribution to hospitals – 8
- Warehouses logistics – 52
- Transport logistics - 35
- Support and management departments (Accounting, IT, Administration, HR, Control, etc.) – 73

Of the 500 employees, approximately 50% have a higher education degree (Pharmacy – 122, Medicine – 2, Economics – 25, Technical – 31, Legal 4, other specializations – 65).

On December 31<sup>st</sup> 2015, when the activity transfer process was finished, Farmaceutica REMEDIA S.A. had 330 employees, of which 300 in pharmacies and 30 in support and management departments.

FARMACEUTICA REMEDIA S.A. has no trade union. There are 4 employees' representatives who participate in the bargaining of the collective agreement and represent the employees in dealing with the Company.

## **1.6. Evaluation of aspects related to the environmental impact of the Company's core business.**

Farmaceutica REMEDIA S.A. complies with the relevant legislation regarding environmental protection. There are no litigations concerning an infringement of the environmental protection legislation.

## **1.7. Evaluation of the sales activity**

The logistics centers from Bucharest and Deva supply and deliver to REMEDIA Pharmacies across the entire country. Approx. 2,000 pharmacies and hospitals were supplied from the 8 logistics centers.

The company has no significant reliance on a single customer. In the top of goods customers, the 1<sup>st</sup> position is 7.1% (Hunedoara Insurance House), and the first 20 customers together achieve 36.9 % from the total sales.

## **1.8. Evaluation of development activity**

Farmaceutica REMEDIA S.A. opened 3 new pharmacies and local distribution offices in 2015 in Ialomita county (Cazanesti, Reviga and Valea Macrisului) and acquired 12 pharmacy licenses in Bucharest in October, pharmacies which will be opened progressively until March 2016. 3 local distribution offices were closed (Lesnic, Mintia, Lopadea) due to profitability reasons.

All the pharmacy premises were equipped according to REMEDIA Pharmacies standards.

Increasing profitability by listening to customers, understanding their needs, allows us to offer customers competitive prices and a large array of products. Thus, in 2015 the number of customers in our pharmacies increased by 18% (compared to 2014), exceeding 62,000 per week. At the same time, the number of loyal customers who used the REMEDIA loyalty cards increased by 9%.

We monitor the prices and stocks on a daily basis. Approximately 1,500 new products were introduced in the portfolio in 2015.

Online purchases have experienced a strong upward trend in urban population, which is why Farmaceutica REMEDIA S.A. developed the online sales platform so as to prepare all the necessary mechanisms for implementing this type of sales for the moment when the legislation will allow the sale of medicine on the internet.

The customers of Farmaceutica REMEDIA S.A. have access to safe products from certified suppliers, ensuring the highest quality standard for medicines. Strictly observing the "Good Supply Practices" and offering safe medicine for patients is the standard conduct of our company. Strictly observing the quality assurance mechanism by Farmaceutica REMEDIA S.A. lead to reporting zero incidents with counterfeit products during 2015.

Farmaceutica REMEDIA S.A. continued during 2015 its retrofitting process, both in logistics centers and in own pharmacies. It consisted both in providing new

equipment (furniture, motor vehicles, computers, illuminated billboards) and in permanently improving the two software systems.

### **1.9. Evaluation of risk management activity**

The main categories of risks identified in 2015 were the following:

- Risk of non-collection of receivables
- Risk of cash flow
- Currency risk

Perhaps paradoxically, the reduction of the settlement term of arrears in the healthcare system (to approximately 70 days in 2015) caused difficulties for many small chains and independent pharmacies, obliging them, in their turn, to pay earlier for the medicines purchased from distributors. A significant increase in the cases of insolvency among independent pharmacies was noticed especially after the reduction of medicine prices in the summer of 2015.

The currency risk has greatly diminished once the great international manufacturers were obligated to sell medicines in RON (spring of 2009).

In order to counter the risk of non-collection of receivables and cash flow, the management of Farmaceutica REMEDIA S.A. took a series of measures, such as:

- Periodically reviewing (every 6 months) the credit limits for all customers, automatically blocking in the IT system sales to customers whose credit limits have not been reviewed.
- Conducting more often debt and financial situation analyses of customers
- Employing additional personnel in control departments with greater responsibilities with respect to the establishment and control of credit limits, the stock management, the initiation and pursuit of legal actions against debtors and the debt recovery.
- Strictly controlling costs with positive impact on cash flow.

### **1.10. Prospects on the Company's activity**

It is very likely that the financial difficulties of independent pharmacies will worsen in 2016, given another possible reduction of the price of medicines. In this context, the difficulties that especially independent pharmacies are faced with create market opportunities in terms of finding new forms of collaboration, acquisitions and mergers.

On the other hand, the capital expenses will be strictly done based on the Investments Budget and within the limits of cash assets, without any consequence to the operational activity.

At the end of the first quarter of 2016, the 12 pharmacies acquired at the end of last year will be fully operational, and they will significantly contribute to achieving the financial indicators.

## 2. Company's fixed (non-current) assets

The fixed assets (at the remaining value) amount to **RON 38,221,450** and have the following structure:

**RON 30,626,613 – Tangible assets** (land, buildings, plant and machinery, motor vehicles, commercial furniture, etc.)

**RON 6,902,208 – Intangible assets** (pharmacies licenses and software licenses)

**RON 692,629 – Financial assets** (deposits created, guarantees paid, bank letters of guarantee from the company's funds - not from credits).

The buildings and land account for 90% of the tangible assets. The buildings and land were revalued at the market level in December 2011, and an added value of approximately EUR 2.2 million resulted, amount found in the balance sheet under the headings "Land and buildings" and "Revaluation reserves" respectively. The valuation conducted at the end of 2015 revealed a slight increase (about RON 80,000) of these fixed assets, increase properly reflected in the financial situations at 31.12.2015.

Since 2012, for the class of "Land and buildings" tangible assets, the Company has switched the accounting model from the cost-based to the revaluation model, with a significant impact on the annual profit.

## 3. Shares and shareholding

The market on which the securities issued by Farmaceutica REMEDIA S.A. were traded in 2015 was the Bucharest Stock Exchange, Standard category.

Farmaceutica REMEDIA S.A.'s share capital is divided into **106,089,800** nominal shares, amounting to RON 0.1/share, having the following synthetic ownership structure at 30.06.2015 (information provided by the Central Depository):

Shareholders	No. of shares	Percentage of share capital (%)
TARUS Valentin-Norbert	70,555,514	66.5055
AHG ERVERMOGENSVERWALTUNGS GEGESMBH COTTBUS DEU	17,486,191	16.4824
NATURAL PERSONS	8,337,066	7.8585
LEGAL ENTITIES	9,711,029	9.1536
Total	106,089,800	100.0000

## 4. Dividends

Considering the net profit of 2015, the Board of Administrators has proposed to direct to legal reserves the amount of RON 38,016 (5% of the net profit) while 32.75% (RON 248,995) will remain at the disposal of the Company in the form of reserves, while the rest of 62.25% (RON 473,314) is undistributed profit.

In the medium term, the Company intends to distribute at least 50% of the net profit as dividends.



The amount of dividends payable (distributed from the profit), paid and accrued (remaining unpaid) is as follows:

	2012	2013	2014	2015	2016**
Initial balance	989,765	1,941,411	1,941,229	2,114,415	217,459
Gross dividends distributed	2,121,796*	2,121,796*	1,591,347	1,591,347	0
Tax on dividends paid	300,997	128,289	96,232	96,217	
Dividends paid	869,153	1,993,689	1,321,929	3,392,086	
Dividends payable	1,941,411	1,941,229	2,114,415	217,459	

\*From previous year's profit

\*\*Proposal

The Company had no 300,100 own shares as at 31.12.2015.

The Company does not have subsidiaries and has not issued bonds or other debt securities.

## 5. Management of Farmaceutica REMEDIA S.A.

In 2015, Farmaceutica REMEDIA S.A. was run by a Board of Administrators consisting of 3 non-exclusive members, of which one member is independent, in the following composition:

1. **“TARUS” - Valentin Norbert TARUS e.U.**– President of the Board of Administrators, represented by Valentin Norbert TARUS.

He graduated from the Polytechnic Institute, has post-graduate degrees in foreign trade and management and he completed various business management courses and seminars.

Mr. TARUS has an experience of over 30 years in executive and management positions in production and foreign trade units and in the management of his own businesses. He was appointed President of the Board of Administrators of Farmaceutica REMEDIA S.A. on 12.03.2007. The expiry date of his office is 30.04.2015.

In the last 5 years he has served as Managing Director of the Company:  
TARUS & Partner KG Austria, Leopold Moses G. 4/2/46.

He was not involved in bankruptcy proceedings, seizure or winding-up in his capacity as member of an administrative, management or supervisory body or as general partner. He was not convicted of fraud in the past 5 years and no official public sanction was ordered against him. He has never been prevented by any court from acting as member of an administrative, management or supervisory body of an issuer or from intervening in the management or conduct of business of an issuer in the last 5 years.

He held 66.5055% of the shares in Farmaceutica REMEDIA S.A. as at 31.12.2015.

The administrator office was extended from May 1<sup>st</sup> 2015 to April 30<sup>th</sup> 2017.

## 2. **FLEISCHER Paula** – member of the Board of Administrators

She graduated in 2005 the Faculty of Marketing-Management of the “Lucian Blaga” University in Sibiu, and in 2010, the “Vasile Goldis” University of Medicine and Pharmacy in Arad – Pharmacy department. Attended advanced professional training courses and conferences.

Between 1993 and 1999 she was a sales agent at Dita Prompt Farm Deva, and then she was an administrator of the same company until 2004. Between 2005 and 2007 she was the Director of Remedia Pharmacies for Farmaceutica REMEDIA S.A.

Between 12.03.2007 and 12.03.2011 she was appointed member of the Board of Administrators of Farmaceutica REMEDIA S.A.

She is currently an administrator of S.C. Gerofarm Exim S.R.L.

The current administrator office is valid between 01.05.2015 and 30.04.2014; Ms. Fleischer is replacing Mr. Banciu.

She was not involved in bankruptcy proceedings, seizure or winding-up in her capacity as member of an administrative, management or supervisory body or as general partner. She was not convicted of fraud in the past 5 years and no official public sanction was ordered against her. She has never been prevented by any court from acting as member of an administrative, management or supervisory body of an issuer or from intervening in the management or conduct of business of an issuer in the last 5 years.

She held 76,143 shares in Farmaceutica REMEDIA S.A. as at 31.12.2015

3. **BANCIU Mircea** – member of the Board of Administrators

He graduated from the Academy of Economic Studies of Bucharest – Faculty of International Economic Relations, Department of Management in Tourism Economy and International Trade, in 1996.

He has been the administrator of Wolf Tehnomed S.R.L. of Deva, company specializing in the distribution of medical devices and supplies, since 2009. He has extensive experience in logistics and administrative activities, international trade and international trade policies, and in the management and marketing of tourism and trade activities. He was appointed member of the Board of Administrators of Farmaceutica REMEDIA S.A. on 11.04.2012. His office expired on 01.05.2015.

He was not involved in bankruptcy proceedings, seizure or winding-up in his capacity as holder of the abovementioned positions. He was not convicted of fraud in the past 5 years and no official public sanction was ordered against him. He has never been prevented by any court from acting as member of an administrative, management or supervisory body of an issuer or from intervening in the management or conduct of business of an issuer in the last 5 years.

He held no shares in Farmaceutica REMEDIA S.A. as at 31.12.2015.

4. **CHIRITA Zoe** – member of the Board of Administrators

She graduated from the Faculty of International Economic Relations, Academy of Economic Studies of Bucharest, in 1977, and in 1982 she graduated from the Faculty of Law of the University of Bucharest.

During **1990-1991** she worked in Business Development with Imkometal. She held the position of Manager of the General Administration Department of Rominko AG until 1993. During 1993-1994 she was the General Director of Cyroco company, and then held the same position at V.TARUS RoAgencies SRL until 2006. She was appointed member of the Board of Administrators of Farmaceutica REMEDIA S.A. on 12.03.2007. Her administrator office was renewed on 01.05.2015 and is valid until 30.04.2017.

She was not a member of any administrative, management or supervisory body or a general partner in any other company at any moment in the past 5 years and she was not involved in bankruptcy proceedings, seizure or winding-up in her capacity as holder of the abovementioned positions. She was not convicted of fraud in the past 5 years and no official public sanction was ordered against her. She has never been prevented by any court from acting as member of an

administrative, management or supervisory body of an issuer or from intervening in the management or conduct of business of an issuer in the last 5 years.

She held 496,143 shares in Farmaceutica REMEDIA S.A. as at 31.12.2015.

The executive management was conducted by a General Director, to whom department managers and managers report. In the financial exercise 2015 the executive management was conducted by:

#### **1. PELOIU Robert- Mihail**

- office of General Director until 30.04.2017
- office of Financial Manager for an indefinite period of time

He graduated from the Academy of Economic Studies of Bucharest – Finance, Banks and Accounting, in 1994.

During June 1994 – September 1997 he worked as an economist, and then as General Accounting Manager with TAROM S.A. He served as Investment Officer with MONYINVEST S.A. (brokerage company) until May 1998, then as Financial Manager with the same company until May 1999. From May 1999 to May 2000 he held the position of Branch Accountant Coordinator with TELEMobil S.A. From June 2000 to September 2001 he was the Financial Manager of COMPANIA DE DISTRIBUȚIE NAȚIONAL S.A. (Interbrew Romania). He occupied the same position in ONT CARPATI S.A. and TRANSILVANIA TRAVEL S.A. From May 2005 until the merger with Farmaceutica REMEDIA S.A. he served as Financial Manager with V.TARUS RoAgencies, and he has occupied the same position with Farmaceutica REMEDIA S.A. after the merger. He attended advanced professional training courses and conferences. Administrator of SIBMEDICA S.R.L. (Farmaceutica REMEDIA Distribution & Logistics S.R.L.) until 01.02.2016.

He was not involved in bankruptcy proceedings, seizure or winding-up in his capacity as member of an administrative, management or supervisory body or as general partner. He was not convicted of fraud in the past 5 years and no official public sanction was ordered against him. He has never been prevented by any court from acting as member of an administrative, management or supervisory body of an issuer or from intervening in the management or conduct of business of an issuer in the last 5 years.

He held 405,270 shares in Farmaceutica REMEDIA S.A. as at 31.12.2015.

## 6. Affiliates of Farmaceutica REMEDIA S.A.

On the reporting date, the list of affiliates of Farmaceutica REMEDIA S.A. includes the following:

- Valentin-Norbert TARUS - Austrian citizen
- "TARUS" - Valentin Norbert TARUS e.U. – Austrian individual undertaking
- Farmaceutica REMEDIA D&L S.R.L.(former SIBMEDICA S.R.L. )
- TARUS MEDIA S.R.L.
- GEROFARM S.R.L.
- SOCIETATEA FARMACEUTICA MAGHERU S.R.L.
- RALF FARMACIE S.R.L.
- IMOBILIARA MAGHERU S.R.L.

## 7. Corporate governance

The corporate governance structures operated normally in 2015, with the administration and representation of the company falling under the competence and responsibility of the members of the Board of Administrators (BA) and the General Director.

Farmaceutica REMEDIA S.A. respects the rights of shareholders, treats them in a fair manner and any change in the rights conferred is submitted for approval in general meetings.

The company's website - [www.remedia.ro](http://www.remedia.ro) , updated, provides shareholders and potential investors with information and access, both in Romanian and English, to the documents of the General Meeting of Shareholders, financial statements, current reports of Bucharest Stock Exchange, dividends, the policies implemented in accordance with the provisions of the new Corporate Governance Code valid since 04.01.2016, etc.; the following documents updated in 2015 may be found on the website, in the section for investor relations:

- Reports of the Board of Administrators
- Quarterly, half-yearly and annual financial statements for 2015
- Decisions of the General Meeting of Shareholders and current reports of Bucharest Stock Exchange for 2015
- Shareholders' rights
- Corporate Governance including the following chapters:
  - a) Memorandum of Association (approved by the Decision of the Board of Administrators no. 58/09.12.2014)
  - b) Board and Committees
  - c) Policies and Regulations approved in the Meetings of the BA of 10.12.2015 and 14.12.2015 as follows:
    - The internal rules of the Board of Administrators
    - Remuneration policy
    - Dividend distribution policy
    - Policy on transactions with companies with which Farmaceutica REMEDIA SA has close relations, whose value is equal to or exceeds 5% of net assets
    - Policy on endorsing various forms of artistic and cultural expression, sporting,

## educational or science activities

- The status of compliance with the provisions of the new Corporate Governance Code of Bucharest Stock Exchange at 31.12.2015 – based on the reporting to the Bucharest Stock Exchange of 07.01.2016 by which Farmaceutica REMEDIA S.A. declares and makes continuous efforts to fully comply with the new Code, which can be viewed at <http://www.remedia.ro/wp-content/uploads/2016/01/tabel.pdf> and [http://www.bvb.ro/infocont/infocont16/RMAH\\_070116\\_ro.pdf](http://www.bvb.ro/infocont/infocont16/RMAH_070116_ro.pdf)

During the 2015 financial year, the Chairman of the Board of Administrators convened 17 (seventeen) meetings of the Board of Administrators, legally assembled.

The members of the Board of Administrators attended these meetings in person, by phone or e-mail, according to the Memorandum of Association and the Internal Rules of the Board of Administrators, where the following were presented, discussed and approved, as applicable:

- financial reports, annual commercial policy;
- convocations of the General Meeting of Shareholders;
- the policy on the distribution of dividends to the shareholders;
- electing the Chairman of the BA and of the Audit, Remuneration and Appointing Committees and the annual report of the Audit and Remuneration Commission; the Audit Committee assessed the internal control system, analysing the efficiency and reach of the internal audit function, the degree of adequacy of the risk management and internal control reports presented by the Audit Committee of the Board and the expedience and efficiency with which the executive management solves issues or deficiencies identified following the internal control and the reports presented to the Board; the report of the Remuneration Committee describes the essential elements of the related remuneration policy and the amendments made in 2015 following the separation of the retail and wholesale activities;
- meetings with investors and analysts: “Get to know the business on its own territory” on 15.04.2015, where the financial results for the financial year 2014 were presented and a TC with the investors and analysts on 03.11.2015, where the financial results for 9 months of 2015 were analysed;
- the transfer of wholesale distribution activities and related services from Farmaceutica REMEDIA SA to Farmaceutica REMEDIA Distribution & Logistics SRL, in accordance with Law 96/2006, art. 800 (2) republished in 2015;
- opening new pharmacies and closing non-profitable work points;
- purchasing 7 pharmacies and 5 licences from MC Serv Tour SRL belonging to the ADM Farm SRL group;
- buying back the shares from SAI SIRA based on the report of GBF Research (independent authorised assessor);

Following the meetings of the Board of Administrators, 36 decisions were issued, communicated to the relevant departments for implementation and fulfilment.

## 8. Accounting and financial situation (non-consolidated situations)

### Farmaceutica REMEDIA

<b>Income Statement (RON)</b>	<b>dec.-14</b>	<b>dec.-15</b>
Sales of goods	251,725,100	246,861,600
Discounts given	-7,049,756	-5,346,999
<b>Net Sales</b>	<b>244,675,344</b>	<b>241,514,601</b>
COGS	214,507,425	218,706,983
Discounts Received	-5,823,922	-7,163,671
<b>Net COGS</b>	<b>208,683,503</b>	<b>211,543,312</b>
<b>Gross Margin</b>	<b>35,991,841</b>	<b>29,971,289</b>
Gross Margin (%)	14.71%	12.41%
Other Operating Revenues	3,538,059	3,404,009
Personnel	-20,422,870	-18,549,060
Other Operating Expenses	-12,899,964	-13,015,062
<b>Total Operating Expenses</b>	<b>-33,322,834</b>	<b>-31,564,122</b>
<b>EBITDA</b>	<b>6,207,066</b>	<b>1,811,176</b>
EBITDA Margin	2.54%	0.75%
Depreciation	-1,134,521	-968,861
Bad debts lost	-383,273	-4,473,125
Provisions - net	-1,139,919	4,462,117
<b>EBIT</b>	<b>3,549,353</b>	<b>831,307</b>
EBIT Margin	1.45%	0.34%
Financial Revenues	873,899	2,803,836
Financial Expenses	-557,362	-2,874,818
Financial income	316,537	-70,982
<b>EBT</b>	<b>3,865,890</b>	<b>760,325</b>
EBT Margin	1.58%	0.31%
Tax on Profit	-809,947	0
<b>Net Profit</b>	<b>3,055,943</b>	<b>760,325</b>
Net Profit Margin	1.25%	0.31%

**Farmaceutica REMEDIA  
Balance Sheet(RON)**

	<b>dec.-14</b>	<b>dec.-15</b>
<b>Total Assets</b>	<b>151,559,888</b>	<b>128,107,798</b>
Cash	12,950,666	13,811,407
A/R	62,550,709	65,591,716
Inventory	36,355,784	9,409,782
Expenses in advance	71,505	112,345
Other Current Assets	1,230,824	961,098
<b>Total Current Assets</b>	<b>113,159,488</b>	<b>89,886,348</b>
Tangible Assets	31,326,413	30,626,613
Intangible Assets	4,151,401	6,902,208
Financial Investments	2,922,586	692,629
<b>Total Long-Term Assets</b>	<b>38,400,400</b>	<b>38,221,450</b>
A/P	102,773,485	83,738,650
Other ST payables	2,855,692	3,104,339
Payables to shareholders	2,114,415	217,459
ST Loans*	81,996	60,002
<b>Current Liabilities</b>	<b>107,825,588</b>	<b>87,120,450</b>
LT Loans*	547,045	258,033
Other LT liabilities	1,209,566	1,209,566
<b>LT Liabilities</b>	<b>1,756,611</b>	<b>1,467,599</b>
Provisions	<b>116,596</b>	<b>116,596</b>
Share capital	10,608,980	10,608,980
Reserves	28,196,170	28,033,848
Profit	3,055,943	760,325
<b>Equity</b>	<b>41,861,093</b>	<b>39,403,153</b>
<b>Total Liabilities &amp; Equity</b>	<b>151.559.888</b>	<b>128,107,798</b>

\*including financial leasing

The financial situations were audited by the independent financial auditor.



## 9. Economic and financial ratios

\*Thousand RON

LIQUIDITY AND WORKING CAPITAL	31.12.2014	31.12.2015
<b>current liquidity (Current assets/Current liabilities)</b>	<b>1.05</b>	<b>1.03</b>
Current assets *	113,159	89,886
Current liabilities *	107,826	87,120
<b>indebtedness (Borrowed capital/Equity x 100)</b>	<b>1.5 %</b>	<b>0.8%</b>
Borrowed capital * (including leasing)	629	318
Equity *	41,861	39,403
<b>days receivable outstanding (average customer balance/turnover *365)</b>	<b>113 days</b>	<b>107 days</b>
Average customer balance *	76,766	71,432
Net turnover *	246,843	243,811
<b>days payable outstanding (average supplier balance/cogs*365)</b>	<b>190 days</b>	<b>165 days</b>
Average supplier balance *	111,514	98,937
Cost of goods sold *	214,507	218,707
<b>Inventory turnover (average inventory balance/cogs * 365)</b>	<b>56 days</b>	<b>47 days</b>
Average inventory balance	32,937	27,927
Cost of goods sold	214,507	218,707
<b>turnover of fixed assets (turnover/fixed assets)</b>	<b>6.43</b>	<b>6,38</b>
Net turnover *	246,843	243,811
Fixed assets *	38,400	38,221
<b>Gross profit margin (%) (gross profit/net sales)</b>	<b>1.57%</b>	<b>0.31%</b>
Gross profit *	3,866	760
Net turnover *	246,843	243,811

### Notes:

<sup>1)</sup> **Current liquidity** – this ratio reflects a strong payment capacity, therefore a low risk, certifying that the Company is able to cover short-term liabilities on account of receivables and available cash.

<sup>2)</sup> **Indebtedness** – expresses the effectiveness of credit risk management, indicating potential funding or liquidity problems, with impact on the honouring of commitments undertaken. The value of 0.8% shows that the Company has no funding or liquidity problems. The ratio experienced an upward evolution from 1.5% at the end of 2014.

<sup>3)</sup> **Days receivable outstanding** – expresses the effectiveness of the Company in collecting its receivables, namely the number of days until the date on which debtors pay their debts to the Company. Considering the specificity of collection of receivables in the distribution of medicines, we believe that 107 days is a reasonable value.

<sup>4)</sup> **Days payable outstanding** – is the average period in which suppliers are paid.

- 5) The value of the **number of days of inventory storage** ratio (47 days) may be considered to fit the specificity of the activity and is close to the one required by the internal procedures of the Company (45 days).
- 6) **Turnover of fixed assets** – expresses the effectiveness of fixed asset management, by examining the turnover generated by a certain amount of fixed assets. The ratio maintained approximately the same level compared to the same period of the previous year.

**The financial situations and ratios above indicate a good financial balance of the Company, providing the prerequisites for a profitable development in 2016.**

Bucharest, March 15<sup>th</sup>, 2016

Board of Administrators,  
President  
"TARUS" - Valentin Norbert TARUS e.U.

General Director,  
Robert – Mihail PELOIU