



UNCONSOLIDATED ANNUAL REPORT 2016

**Board of Administrators of
Farmaceutica REMEDIA S.A.**

Farmaceutica REMEDIA S.A.

Registered office: Deva 330160, Str. Dorobantilor 43, Hunedoara County
Branch office: Bucharest, 041836, sector 4, Bld. Metalurgiei 78, Telephone/fax +40 21 321 16 40
Telephone/fax: + 40 254 223 260 remedia@remedia.ro, www.remedia.ro
Trade Register J20/700/1991, Tax Identification Number: RO2115198; Share capital: 10.608.980
RON
IBAN: R033 RZBR 0000 0600 0266 5747, RAIFFEISEN UNIRII Bucharest

UNCONSOLIDATED ANNUAL REPORT 2016

Board of Administrators of Farmaceutica REMEDIA S.A.

A. Name of the commercial company: **Farmaceutica REMEDIA S.A.**

Subscribed share capital: **10.608.980 Lei**
Paid-up share capital: **10.608.980 Lei**
Registered office: **DEVA, Str. Dorobantilor nr. 43,**
Tel. / Fax: **0254 223 260 / 0254 226 197**
No. and date of registration with the T.R.O.: **J20/700/25.07.1991**
Tax Identification Number: **R02115198**

Securities: **RMAH shares (Registration certificate No. 1470/04.05.2009)**
Type: **Dematerialised Nominative Common**
Date of registration: **17.03.1997**
Nominal value/share: **0.10 Lei**
Position in the R.N.S.C. Register: **1636**
Total number of shares: **106.089.800**
R.N.S.C. code of shares: **16368**

	Date	Number of shares	Issue value (Lei)	Explanations
1	10.11.1999	3.370.107	337.010,70	Initial capital of the state, including land contributed in kind
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 – acquired company
4	05.01.2006	5.696.471	569.647,10	Merger - capital of V.TARUS RoAgencies – acquired company
5	21.12.2007	87.905.969	8.790.596,90	Capital increase – shareholders with pre-emption right
6	04.05.2009	7.574.851	757.485,10	Capital increase – AHG Simcor Industry S.R.L.
	TOTAL	106.089.800	10.608.980	

Organised market on which securities are traded:

Bucharest Stock Exchange - standard category

The total market value on 13.03.2017 is of 21.217.960 Lei

The value of a RMAH share is of 0,20 Lei. (on 13.03.2017)

1. Activity Analysis

1.1. Overview

Farmaceutica REMEDIA S.A. was established in 25 July 1991 as a commercial company with fully state-owned capital by reorganisation of Oficiul Farmaceutic Deva. On 13.10.2000, V.TARUS RoAgencies S.R.L. has purchased from FPS the majority shares package (55.802 %). In January 2006, Farmaceutica REMEDIA S.A. merged by absorption with V.TARUS RoAgencies S.R.L.

According to the law 95/2006 republished in August 2015, commercial companies can no longer carry out at the same time wholesale and retail activities of drugs. (Art. 800 paragraph 2). Thus, Farmaceutica REMEDIA S.A. transferred to Farmaceutica REMEDIA Distribution & Logistics S.R.L., **a company owned 100%**, the wholesale distribution activities of drugs (by a network of 8 warehouses) together with related activities (logistical services, recordings, promotion and marketing of drugs, etc.), keeping the operation of the chain of 100 pharmacies and local distribution offices.

Thus, on 31.12.2016 Farmaceutica REMEDIA S.A. holds majority participations (100%) with the Farmaceutica REMEDIA Distribution & Logistics S.R.L. Company, former Sibmediaca S.R.L., a company with suspended activity since 16.12.2013 and reactivated under the new name on 19.01.2015.

Following the change of the main activity object imposed by the laws above mentioned, the company was forced to buy back from the market (in 2015) a number of 300100 shares at a price of 0,3753 lei/share, a price established by an authorised assessor.

During 2016, Farmaceutica REMEDIA S.A. did not participate in mergers.

During the same period, the two companies have not alienated assets of significant value (buildings, lands, shares etc.).

1.2. General Assessment Elements

The financial results of Farmaceutica REMEDIA S.A. for the financial year 2016 indicate a net profit of 242.313 Lei, at a net turnover of 87.998.778 Lei. Other operating revenues were also recorded (787.235 Lei), mainly assets sales (pharmacy licences and vehicles) and penalties, as well as financial revenues in the amount of 488.258 Lei (mainly rate differences).

Total costs amounted (excluding tax on profit) are 88.980.270 Lei, of which:

- Operating expenses –88.495.202 Lei, of which:
 - 66.875.008 Lei represent the net cost of goods sold (including commercial discounts received)
- Financial expenses –485.069 Lei, of which:
 - 5.886 Lei – paid interests,
 - 479.182 Lei – rate differences

Considering the drugs and pharmaceutical products market of approximately EUR 3 billion (in 2016), we estimate the market share of the company Farmaceutica REMEDIA S.A. below 1%.

The financial results of Farmaceutica REMEDIA S.A. were negatively influenced during 2016 by the following aspects:

- Results below expectations of newly acquired pharmacies in Bucharest, all these pharmacies generating losses. We believe that these pharmacies need 2-3 years to be able to generate profit. Opening a pharmacy is strictly regulated by law and can be done over a period of 30-90 days from licence acquisition. An operating space must be searched for, the lease contract of this space must be negotiated, which must be furnished and sanitised. Opening a pharmacy can be done only following the inspection from the Ministry of Health, College of Pharmacists and CASMB (*Bucharest Health Insurance House*).
- The process of separating the wholesale activities from retail activities to comply with the legislation in force. In fact, many of the economic processes specific to each of the companies had to be built from zero (departments, information systems, information flows, procedures etc.).
- The size of the claw back fee paid by manufacturers, with a significant negative impact on their margin.

On 31.12.2016, the liquidities of companies (available in bank accounts and cashiers) amounted to 16.320.130 Lei. On the same date, the company had available (together with Farmaceutica REMEDIA Distribution & Logistics) a multi-currency credit line of 3,2 million euros, of which used amounts (bank guarantee letters for the proper execution of contracts) by FRDL with a value of 944.212 euros.

1.3. Assessment of Company Revenues

Revenues from the sales of goods reached the value of Lei 85.919.400 Lei (97,5 % of the gross turnover) with the following allocation by distribution channels:

- | | |
|---------------------------|--|
| - West Pharmacies | 46.652.343 Lei (54,30 % from the total sales of goods) |
| - Central part Pharmacies | 13.625.283 Lei (15,86 %) |
| - Bucharest Pharmacies | 13.655.473 Lei (15,89 %) |
| - East-South Pharmacies | 11.937.034 Lei (13,89 %) |
| - Other sales | 49.267 Lei (0,06 %) |

From the value-added activities (invoiced to third parties) and rents, operating revenues were recorded in the amount of 2.189.985 Lei, of which:

- | | |
|----------------------|--------------------------------------|
| - rents collected | 1.914.755 Lei (2,17 % from turnover) |
| - marketing on-shelf | 246.025 Lei (0,1%) |

1.4. Assessment of Goods Procurement

The two companies have consolidated the centralised procurement process, including in collaboration with other partners (mainly with FRDL), for the purpose of obtaining the best trading conditions in the market (discounts and payment deadlines) and of extending the portfolio of manufacturers.

In 2016, pharmaceutical and para-pharmaceutical products of a number of approximately 200 manufacturers were purchased, out of which 134 external manufacturers.

The selection of suppliers was carried out so that to satisfy both the diversified request of all distribution channels and the internal profitability requirements.

REMEDIA S.A. Pharmacies were supplied in a major manner until September 2016 from Farmaceutica REMEDIA Distribution & Logistics S.R.L (FRDL) warehouses, when the computer interface with other national distributors was completed. Starting with October 2016, the supply of pharmacies from other major distributors began, so that the share of procurement from FRDL warehouses decreased by approximately 80% from the total of goods supplied in December 2016 reaching in March 2017 at approximately 55%. In the case of the pharmacies chain (FR), the decision to supply a certain manufacturer from a distributor or another is strictly made on competitive bases. Thus, a call to tender is launched for periods of 3-6 months, for each manufacturer, to 2-3 distributors, the purchase decision being made strictly on economic bases (prices, offered discounts, payment deadlines, and the capacity of delivering deficient products are analysed).

On 31.12.2016, stocks of goods of the company, out of which a share of 99,9% is represented by goods, amounted to 12.306.982 Lei. This value, much diminished vs previous years, represents only the stocks in pharmacies, as since 31.12.2015 the society cannot perform the retail sales anymore.

1.5. Assessment of the aspects related with the company personnel

Farmaceutica REMEDIA S.A. had until 30.06.2015, when the transfer process of wholesales activities to Farmaceutica REMEDIA Distribution & Logistics SRL started, around 500 employees.

Upon 31.12.2016, after finalizing of the transfer process of the activities, Farmaceutica REMEDIA S.A. remained with a number of 357 employees, out of which 303 in pharmacies and 54 in support and management departments.

Out of the 357 employees, 169 (47,33%) have a university degree (141 Pharmacy, 12 Economic, 10 Technical, 6 other specialisations).

In Farmaceutica REMEDIA S.A. there is no workers' committee. They have 4 employees participating in the negotiation of the collective labour agreement and who represent the employees in relations with companies.

1.6. Assessment of Aspects related with the Impact of the Basic Activity of the Company on the Environment.

Farmaceutica REMEDIA S.A. complies with the relevant environmental protection legislation. There are no disputes with regard to the violation of the environmental protection legislation.

1.7. Assessment of the Sale Activity

The main clients of Farmaceutica REMEDIA S.A. are County Health House, CASMB and OPSNAJ. Out of the total sales of goods (without VAT) of 85.919.400 lei, the invoices (without VAT) to the Health Houses represented 33.154.235 Lei (38,6%).

There is no significant dependency of the company towards a single client. In the top of the clients, the share of the position 1 is 18,23% (Hunedoara County Health House – 15.661.033 Lei without VAT), the first 18 realizing together a share of 38,6 % of the total sales (without VAT).

1.8. Assessment of the Development Activity

During 2016, Farmaceutica REMEDIA S.A. purchased a number of 5 pharmacy licences in Bucharest, these being added to the 12 pharmacy licences purchased in 2015 and to the three pharmacy licences purchased prior to 2015. On 31.12.2016, in Bucharest, 21 Remedia pharmacies were operational, one of them functioning based on a licence borrowed on a free basis on a period of two years.

Due to the unsatisfactory results, two pharmacies were sold (from Lupeni and Uricani) and the pharmacies of Carasova (Caras Severin County) and Arpasu de Sus (Sibiu County) were closed, as well as the offices from Magura (Dambovita County), Valea Macrisului (Ialomita County), Lopadea (Alba County) and Lapugiu (Hunedoara County).

All the spaces necessary for opening pharmacies were arranged in compliance with the standards of REMEDIA Pharmacies.

Online purchases have a strong upward trend in urban population and for this reason Farmaceutica REMEDIA S.A. developed the on-line sales platform to prepare all the mechanisms necessary for carrying out this type of sales for the time in which the legislation will allow the marketing of drugs on the internet.

Farmaceutica REMEDIA S.A. also continued in 2016 the modernisation process in the own pharmacies. It consisted both in endowments with new equipment (furniture, automobile means, computers, illuminated signs) and in continuous improvement of used software systems.

1.9. Assessment of the Risk Management Activity

The main risk categories identified in 2016 were:

- Risk of non-collecting receivables
- Cashflow risk

- Currency risk

Perhaps paradoxically, reducing the deadline for the settlement of arrears from the health system (to approximately 70 days in 2016), put many small chains and independent pharmacies in difficulty, being obliged, in turn, to pay more rapidly the drugs purchased from distributors. A significant multiplication of cases of insolvency declaration among independent pharmacies was noticed, especially after the episode of prices reduction in drugs from the summer of 2015.

Together with the obligation of large international manufacturers to sell drugs in lei (in the spring of 2009) the currency risk was significantly diminished.

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

- Periodic reanalysis (6 months) of credit limits of all customers
- Analysis with an increased frequency of debits and of financial statements of customers
- Employment of additional personnel within control departments with increased duties in what concerns the establishment and control of credit limits, stocks management, initiating and tracking court proceedings against debtors as well as the recovery of debts.
- Strict cost control with positive impact on the cash-flow.

1.10. Elements of Perspective on the Company's Activity

There is a high probability that during 2017, financial difficulties of independent pharmacies to be accentuated, also considering here a new possible reduction in the price of drugs. In this context, the difficulties encountered especially by independent pharmacies, create market opportunities for finding new forms of collaboration, acquisitions and mergers.

On the other hand, capital expenses will be performed strictly based on the investment budget and within the available funds, without affecting the operational activity.

2. Fixed assets of companies

Fixed assets (at the remained value) are in the amount of **38.935.138 Lei**, having the following structure:

30.217.062 Lei – Tangible assets (lands, buildings, equipment, means of transportation, commercial furniture etc.)

8.133.659 Lei – Intangible assets (pharmacies licences and software licences)

584.418 Lei – Financial assets (set up deposit accounts, paid guarantees, bank guarantee letters from the company funds).

Within the tangible assets, a share of 94,66 % is represented by the buildings and lands. In December 2011, buildings and lands were reassessed at the market level, resulting a surplus value of approximately 2,2 million Euros, an amount that is found in the balance sheet in sections « Lands and Buildings », respectively, « Revaluation Reserves ». The assessment at the end of 2016 emphasized a slight appreciation (approximately 200.000 lei) of these assets. (lands + 91.918 lei, buildings +116.238 lei, buildings – 6.500 lei).

Starting with 2012, for the tangible assets class “Lands and Buildings”, the Company passed from the cost-based accounting model to the revaluation model with a significant impact on annual profit.

3. Shares and shareholding

The market on which securities were negotiated in 2016 issued by Farmaceutica REMEDIA S.A. was the Bucharest Stock Exchange, Standard category.

Farmaceutica REMEDIA S.A. shares are registered shares in the amount of 0,1 lei/ share, with a number of **106.089.800** shares with the following ownership synthetic structure on 11.04.2016, (information provided by the Depozitarul Central):

Shareholders	No. of shares	Share from the share capital (%)
TARUS Valentin-Norbert	70.555.514	66,5055
AHG VERMOGENSVERWALTUNGS GESMBH COTTBUS DEU	17.486.191	16,4824
NATURAL PERSONS	8.327.066	7,8491
LEGAL PERSONS	9.721.029	9,1630
Total	106.089.800	100,0000

On 31.12.2016, the company owned 300.100 own shares.

The company does not own branches and did not issue bonds or other debt securities.

4. Dividends

Considering the net profit amount obtained in 2016 (242.313 lei), the Board of Administrators proposed the distribution to the legal reserve of the amount of 14.700 Lei (6,07% from the net profit), the rest of 227.613 lei (93.93%) being allocated to dividends. Also, the amount of 473.314 lei remained undistributed from the profit of 2015 will be allocated to dividends as well. Thus, the total amount proposed to be distributed to shareholders as dividends will be of 700.927 lei.

On the medium term, the company intends to keep the distribution policy to dividends of at least 50 % from the net profit.

The amount of dividends due (distributed from profit), paid and accrued (remained unpaid) is presented as follows:

	2013	2014	2015	2016	2017**
Initial balance	1.941.411	1.941.229	2.114.415	217.459	205.414
Distributed gross dividends	2.121.796*	1.591.347*	1.591.347*	0	700.927***
Tax on dividends paid	128.289	96.232	96.217	0	
Paid dividends	1.993.689	1.321.929	3.392.086	12.045	
Dividends to be paid	1.941.229	2.114.415	217.459	205.414	

*From the profit of the previous year

**Proposal

***From the profit of years 2016 and the previous

5. Farmaceutica REMEDIA S.A. Management

During 2016, Farmaceutica REMEDIA S.A. was led by a Board of Administrations composed of 3 non-executive members, of which one is also an independent member, in the following composition:

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

He graduated the Polytechnic Institute, and post-university specialisations in foreign trade and management, as well as various courses and business management seminars. Mr TARUS has an experience of over 30 years in executive and management positions in productive units, foreign trade and own business management. On 12.03.2007, he was appointed president of the Board of Administrators of Farmaceutica REMEDIA S.A. The mandate expiry date is 30.04.2017.

In the last 5 years, he occupied the position of director at the commercial company: TARUS & Partner KG Austria, Leopold Moses G. 4/2/46.

He was not associated with the bankruptcy, seizure, or liquidation procedure in the quality given by the position of member of an administrative, management or supervisory body or general partner. He was not convicted for fraud in the past 5 years, nor an official public sanction was pronounced against him. He was never prevented by a court from acting as the 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 past 5 years.

He owned on 31.12.2016, 66,5055 % of the shares of Farmaceutica REMEDIA S.A.

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

She graduated in 2005 the Faculty of Marketing – Management within the “Lucian Blaga” University of Sibiu, and in 2010 the “Vasile Goldiș” University of Medicine and Pharmacy of Arad – Pharmacy Department. During the period 1993-

1999 she held the position of sales representative at Dita Prompt Farm Deva, and later she held the position of administrator within the same company until 2004. During the period 2005-2007, she served as Remedia Pharmacies Director within Farmaceutica REMEDIA S.A. Between 12.03.2007 and 12.03.2011, she was appointed member in the Board of Administrators of Farmaceutica REMEDIA S.A.

Currently, she also holds the position of administrator at S.C. Gerofarm Exim S.R.L.

The current administrator mandate is valid on the period 01.05.2015 - 30.04.2017, Mrs Fleischer replacing Mr Banciu.

She was not associated with the bankruptcy, seizure, or liquidation procedure in the quality given by the position of member of an administrative, management or supervisory body or general partner. She was not convicted for fraud in the past 5 years, nor an official public sanction was pronounced against her. She was never prevented by a court from acting as the 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 past 5 years.

On 31.12.2016 she owned 76.143 shares at Farmaceutica REMEDIA S.A.

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

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

During the period **1990-1991**, she was Business Development within Imkometal. Until 1993, she held the position of Manager of the General Administration Department at Rominko AG. During the period 1993-1994, she held the position of General Director at Cyroco Company, and until 2006, she held the same position at the V.TARUS RoAgencies SRL company. On 12.03.2007, she was appointed member in the Board of Administrators of Farmaceutica REMEDIA S.A. The mandate of administrator was renewed on 01.05.2015 with the validity date 30.04.2017.

She was not associated with the bankruptcy, seizure, or liquidation procedure in the quality given by the position of member of an administrative, management or supervisory body or general partner. She was not convicted for fraud in the past 5 years, nor an official public sanction was pronounced against her. She was never prevented by a court from acting as the 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 past 5 years.

She owned on 31.12.2016 – 496.143 shares at Farmaceutica REMEDIA S.A.

The executive management was provided by a general director who has under its subordination departmental directors and managers. In the financial year 2016, the executive management was provided by:

1. **PELOIU Robert- Mihail**

- mandate of General Director until 30.04.2017
- mandate Financial Director on unlimited period

He graduated the Bucharest University of Economic Studies – Finance, Banking and Accounting, in 1994.

During the period June 1994 – September 1997, he worked as Economist and afterwards as General Accounting Director within the TAROM S.A. company. Until May 1998, he was an Investment Officer at MONYNVEST S.A. (a brokerage company), and afterwards, he held the position of Financial Director within the same company until May 1999. During the period May 1999 – May 2000, he held the position of Branch Accountant Coordinator at the TELEMobil S.A. Company. From June 2000 and until September 2001, he was a Financial Director at COMPANIA DE DISTRIBUȚIE NAȚIONAL S.A. (Interbrew Romania). He also held the same position in the ONT CARPATI S.A. and TRANSILVANIA TRAVEL S.A. companies. Since May 2005 and until the merger with Farmaceutica REMEDIA S.A., he was a Financial Director at V.TARUS RoAgencies, and after the merger, he holds the same position at Farmaceutica REMEDIA S.A. He held the position of Administrator of the commercial company SIBMEDICA S.R.L. (Farmaceutica REMEDIA Distribution & Logistics S.R.L.) until 01.02.2016.

He was not associated with the bankruptcy, seizure, or liquidation procedure in the quality given by the position of member of an administrative, management or supervisory body or general partner. He was not convicted for fraud in the past 5 years, nor an official public sanction was pronounced against him. He was never prevented by a court from acting as the 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 past 5 years.

On 31.12.2016 he owned 405.270 shares of Farmaceutica REMEDIA S.A.

Management of Farmaceutica REMEDIA Distribution & Logistics S.R.L.

According to Art. 8 (Decisions, administration, representation and control) of the Articles of Incorporation of Farmaceutica REMEDIA Distribution & Logistics S.R.L, the company management is provided by the Sole Shareholder (Farmaceutica REMEDIA S.A.), in its own behalf or through the 2 appointed administrators.

The Company administrators presented above will work together, by joint signature, any of their decision are to be made only unanimously. In case of divergence between them, the decision will be made by the Sole Shareholder or, as appropriate, by the shareholders who represent the absolute majority of the share capital, the two administrators being obliged to fulfil it precisely. In the exceptional case where one of the company's administrators finds it impossible, even momentarily, to take part in the deliberations, which refer to one or several urgent matters, and failure to fulfil them would cause significant damage to the company, the decision will be made by the only administrator able to actually take part in the administration, with prior notification of the Sole Shareholder, its unique signature being valid and opposable.

6. Affiliated Persons of the Commercial Society Farmaceutica REMEDIA S.A.

On the report date, the list of persons affiliated to the company Farmaceutica REMEDIA S.A. is composed of:

- Valentin-Norbert TARUS – an Austrian citizen
- "TARUS" - Valentin Norbert TARUS e.U. – an Austrian individual enterprise
- 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.
- EVITA MEDICAL S.R.L.

7. Corporate Governance

In 2016, the Corporate Governance structures operated normally, Company's administration and representation being of the competence and under the responsibility of the members of the Board of Administrators (BA) and of the general director.

Farmaceutica REMEDIA S.A. complies with the rights of shareholders, providing them a fair treatment and submitting for approval any modification of the conferred rights, in the general meetings, in compliance with the Internal procedure updated on 22.07.2016, as well as with the legal regulations.

Company website - www.remedia.ro, in an updated version, which provides information and access conditions in Romanian and English languages to the GMS documents, financial statements, current reports on BSE, dividends, implemented policies in compliance with the provisions of the Corporate Governance Code of 4.01.2016, for shareholders and potential investors, contains in the section dedicated to relations with investors the following documents updated in 2016:

- Reports of the Board of Administrators
- Quarterly, biannual and annual financial statements for 2016
- GMS decisions and BSE current reports from 2016
- Shareholders' rights
- Corporate Governance including the following chapters:
 - a) Articles of Incorporation (approved by the EGMS Decision 58/09.12.2014 and updated according to the BA Decision 223/5.12.2016)
 - b) Council and Committees
 - c) Policies and Regulations, as follows:
 - Internal regulation of the Board of Administrators
 - Remuneration policy

- Dividends distribution policy
- Policy of transactions with the companies with whom Farmaceutica REMEDIA SA has close relations, whose value is equal with or higher than 5% from net assets
- The policy on supporting various forms of artistic and cultural expression, sports, educational or scientific activities

- The stage of compliance with the provisions of the new Corporate Governance Code of BSE, reported at BSE on 7.01.2016, by which Farmaceutica REMEDIA S.A. declares and makes continuous efforts to fully comply with the new Code - <http://www.remedia.ro/wp-content/uploads/2016/01/tabel.pdf> and http://www.bvb.ro/infocont/infocont16/RMAH_070116_ro.pdf.

Part of the reported nonconformities were solved during 2016, such as appointing a secretary of the Council. The rest of the measures foreseen for compliance are started and are to be completed during 2017, such as for example choosing the Board of Administrators composed of 5 members, Policy on the forecasts within the limits of legal regulations.

During the financial year 2016, the President of the Board of Administrators convened 11 (eleven) meetings, statutory met, of the Board of Administrators. The members of the Board of Administrators attended in person, by phone or by e-mail, according to the Articles of Incorporation and to the Internal Regulation of the Board of Administrators, in these meetings in which the following were presented, discussed and approved, as appropriate:

- financial reports, annual commercial policy;
- GMS convocations;
- the Audit Committee assessed the internal control system, analysing the effectiveness and coverage of the internal audit function, the adequacy of risk management reports and internal control reports presented by the Audit Committee of the Board and promptness and effectiveness with which the executive management settles the problems or deficiencies identified following the internal control and the reports submitted to the Board; the Remuneration Committee report describes the essential afferent elements of the remuneration policy and the modifications occurred in 2016 following the implementation of the separation of wholesale activities from retail activities;
- meetings with investors and analysts: "Business at home" on 20.04.2016, an occasion where the financial results related to the previous financial year 2015 and a TC with the investors and analysts on 16.11.2016 were presented, in which the financial results on 9 months for 2016 were analysed;
- consolidation of the transfer of wholesale distribution activities and of ancillary services from Farmaceutica REMEDIA SA to Farmaceutica REMEDIA Distribution & Logistics SRL, according to Law 96/2006, art. 800 (2) republished in 2015;
- opening a new pharmacy and closing the non-profitable working points;
- Code of Conduct and Business Ethics version 2 updated for Farmaceutica REMEDIA SA

Following the meetings of the Board of Administrators, a number of 27 decisions were issued, communicated to the resort departments for implementation and fulfilment.

8. Financial-Accounting Situation (Consolidated Statements)

Farmaceutica REMEDIA		
Income Statement	dec.-16	dec.-15
(RON)		
Sales of goods	85,919,400	246.861.600
Discounts given	-110,606	-5.346.999
Net Sales	85,808,794	241.514.601
COGS	68,009,897	218.706.983
Discounts Received	-1,134,889	-7.163.671
Net COGS	66,875,008	211.543.312
Gross Margin	18,933,786	29.971.289
Gross Margin (%)	22.07%	12,41%
Other Operating Revenues	2,977,220	3.404.009
Personnel	-13,447,200	-18.549.060
Other Operating Expenses	-7,776,532	-13.015.062
Total Operating Expenses	-21,223,732	-31.564.122
EBITDA	687,274	1.811.176
EBITDA Margin	0.80%	0,75%
Depreciation	-494,842	-968.861
Bad debts lost	305,557	-4.473.125
Provisions - net	-207,177	4.462.117
EBIT	290,812	831.307
EBIT Margin	0.34%	0,34%
Financial Revenues	488,258	2.803.836
Financial Expenses	-485,069	-2.874.818
Financial income	3,189	-70.982
EBT	294,001	760.325
EBT Margin	0.34%	0.31%
Tax on Profit	-51,688	0
Net Profit	242,313	760.325
Net Profit Margin	0.28%	0.31%

Farmaceutica REMEDIA
Balance Sheet(RON)

	dec.-16	dec.-15
Total Assets	73,543,423	128.107.798
Cash	16,320,130	13.811.407
A/R	5,702,234	65.591.716
Inventory	12,306,982	9.409.782
Expenses in advance	67,823	112.345
Other Current Assets	211,115	961.098
Total Current Assets	34,608,284	89.886.348
Tangible Assets	30,217,062	30.626.613
Intangible Assets	8,133,659	6.902.208
Financial Investments	584,418	692.629
Total Long-Term Assets	38,935,139	38.221.450
A/P	30,952,680	83.738.650
Other ST payables	1,328,641	3.104.339
Payables to shareholders	205,414	217.459
ST Loans*	0	60.002
Current Liabilities	32,486,735	87.120.450
LT Loans*	0	258.033
Other LT liabilities	1,273,137	1.209.566
LT Liabilities	1,273,137	1.467.599
Provisions	0	116.596
Share capital	10,608,980	10.608.980
Reserves	28,932,258	28.033.848
Profit	242,313	760.325
Equity	39,783,551	39.403.153
Total Liabilities & Equity	73,543,423	128.107.798

*including financial leasing

The financial unconsolidated statements were audited by the financial independent auditor.

9. Economic-Financial Indicators 2016

*Thousand Lei

LIQUIDITY AND WORKING CPAITAL	31.12.2016	31.12.2015
current liquidity (Current assets / Current debts)	1,07	1,03
Current assets *	34.608	89.886
Current debts *	32.487	87.120
indebtedness degree (Borrowed capital / Equity x 100)	0 %	0.8%
Borrowed capital * (including leasing)	0	318
Equity *	39.784	39.403
turnover speed for client debit items (average customers balance/turnover*365)	50 zile	107 zile
Average customers balance *	12.100	71.432
Net turnover *	87.999	243.811
Debts turnover speed (average suppliers balance/cogs*365)	205 zile	165 zile
Average suppliers balance *	38.130	98.937
Cost of goods sold *	68.010	218.707
Stock turnover speed (average stocks balance/cogs * 365)	55 zile	47 zile
Average stocks balance	10.205	27.927
Cost of goods sold	68.010	218.707
fixed assets turnover speed (turnover/fixed assets)	2,26	6,38
net turnover *	87.999	243.811
Fixed assets *	38.935	38.221
Gross profit margin (%) (gross profit/net sales)	0,33%	0,31%
Gross profit *	294	760
Net turnover *	87.999	243.811

Notes:

1) **Current liquidity** – indicator level reflects a good payment capacity, therefore a reduced risk, certifying that the companies are capable of covering their short-term debts based on receivables and available cash

2) **The indebtedness degree** expresses effectiveness of credit risk management, indicating potential financing, liquidity, problems, with influences in the honour of assumed commitments. The value indicates that the society doesn't have any problem regarding the cash flow and liquidity. The indicator has a positive trend from 0,8% by the end of 2015.

3) **Turnover speed for client debit items** expresses the effectiveness of the company in collecting its receivables, respectively the number of days until the date on which debtors pay their debts to the company. Considering the specificity of collection in medicaments distribution we appreciate that 50 days is a reasonable one.

4) **Debts turnover speed** represents the average period in which suppliers are paid.

5) The value of the indicator **Days on hand** (55 days) can be considered that it fits in the activity specific and slightly exceeds the limit imposed by the company's internal procedures (45 days).

6) **Fixed assets turnover speed** expresses the effectiveness of the fixed assets management, by examining the turnover generated by a certain quantity of fixed assets. The indicator depreciated due to the transfer of cca 2/3 turn over to another company (FRDL).

The evaluation of the above indicators (2016 vs 2015) 2016 was a transition period for the transfer of cca 2/3 of the activity to another society has to be considered.

The financial statements and indicators presented above indicate a good balance of the company, providing the premises of a profitable development during 2017.

Bucharest, 15 March 2017

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

General Director,
Robert – Mihail PELOIU