



## **ANUAL REPORT 2019 UNCONSOLIDATED**

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

### **Farmaceutica REMEDIA S.A.**

Registered office: Deva 330160, No. 2 Nicolae Balcescu Bld. (former No. 43 Dorobantilor Street), Hunedoara County, Telephone: + 40 254 223 260, Fax: +40 254 226 197  
Branch office: Bucharest, 041836, sector 4, No. 78 Metalurgiei Blvd., Telephone/fax: + 40 213 211 640 [remedia@remedia.ro](mailto:remedia@remedia.ro), [www.remedia.ro](http://www.remedia.ro)  
Trade Register J20/700/1991, TIN: RO2115198; Share capital: RON 10.608.980  
IBAN: RO33 RZBR 0000 0600 0266 5747, Raiffeisen Unirii, Bucharest

## UNCONSOLIDATED ANNUAL REPORT 2019

### 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, No. 2 Nicolae Balcescu Blvd,**  
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.
	<b>TOTAL</b>	<b>106.089.800</b>	<b>10.608.980</b>	

Organised market on which securities are traded:

**Bucharest Stock Exchange - standard category**

The total market value on 05.03.2020 is of 50.710.924,4 Lei

The value of a RMAH share is of 0,478 Lei (on 05.03.2020)

## 1. Activity analysis

### 1.1. Overview

Farmaceutica REMEDIA S.A. (« the Company ») is a commercial company with registered office in Deva, No. 2 Nicolae Balcescu Bld. (former Str. Dorobantilor 43), Hunedoara County, Romania.

It was established on 25 July 1991 as a commercial company with fully state-owned capital by reorganisation of the Deva Pharmaceutical Office. On 13.10.2000, V.TARUS RoAgencies S.R.L. 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.

On **01 January 2016**, Farmaceutica REMEDIA S.A. completed the transfer to Farmaceutica REMEDIA Distribution & Logistics S.R.L., **a company owned 100%**, of 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.

Although the legal provision on the separation of activities was abrogated, Farmaceutica REMEDIA decided to keep the two legal entities.

In this context, as at 31.12.2019 Farmaceutica REMEDIA S.A. held majority participations (100%) to the company Farmaceutica REMEDIA Distribution & Logistics S.R.L. .

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 established by an authorised assessor.

During 2019, Farmaceutica REMEDIA S.A. did not attend in mergers.

During the same period, the company did not alienate assets of significant value (buildings, lands, shares etc.) except for the following pharmacy licenses:

- one license held in Târgoviște city
- seven licenses from Bucharest
- two licenses held in Iași

### 1.2. Elements of general assessment

The financial results of Farmaceutica REMEDIA S.A. for the fiscal year 2019 indicate a net profit of 2.563.206 Lei, at a net turnover of 104.200.954 Lei. Other operating income (4.707.939 Lei) was also registered, mainly assets sales (pharmacy licences), as well as financial income in the amount of 2.226.990 Lei (mainly dividends).

Total costs (exclusively corporate tax) raised at the amount of 108.466.538 Lei, out of which:

- Operating expenses – 108.455.823 Lei, of which:
  - 80.697.761 Lei represent the net cost of merchandise sold (including commercial discounts received)
- Financial expenses – 10.715 Lei, of which:
  - 6.262 Lei – cash discounts in advance,

○ 4.453 Lei – exchange rate differences

Considering the market of drugs and pharmaceutical products of over 3.5 billion EUR (in 2019), we estimate the market share of the Farmaceutica REMEDIA S.A. company to under 1%.

On 31.12.2019, company liquidities (available in bank accounts and in cashiers) amounted to 8.967.374 Lei. On the same date, the company had available (together with FRDL) a multicurrency credit line of 10 million EUR, of which amounts used exclusively by FRDL -27.704.194 lei (performance bond letters for contracts and guarantees for suppliers' payment – 27.384.960 lei and amounts drawn from the credit line – 319.234 lei)

### 1.3. Assessment of company income

Income from the sale of merchandise reached the value of 102.002.604 Lei (97,89 % from the turnover) with the following allocation on distribution areas:

- West Pharmacies 49.992.753 Lei (49,02 % from the total of sales of merchandise)
- Centre Pharmacies 14.498.626 Lei (14,22 %)
- Bucharest Pharmacies 27.028.199 Lei (26,50 %)
- South-East Pharmacies 10.287.697 Lei (10,09 %)
- Other sales 195.329 Lei ( 0,20 %)

From the value added activities (invoiced to third parties) and rents, operational income was registered in the amount of 2.198.350 Lei, of which:

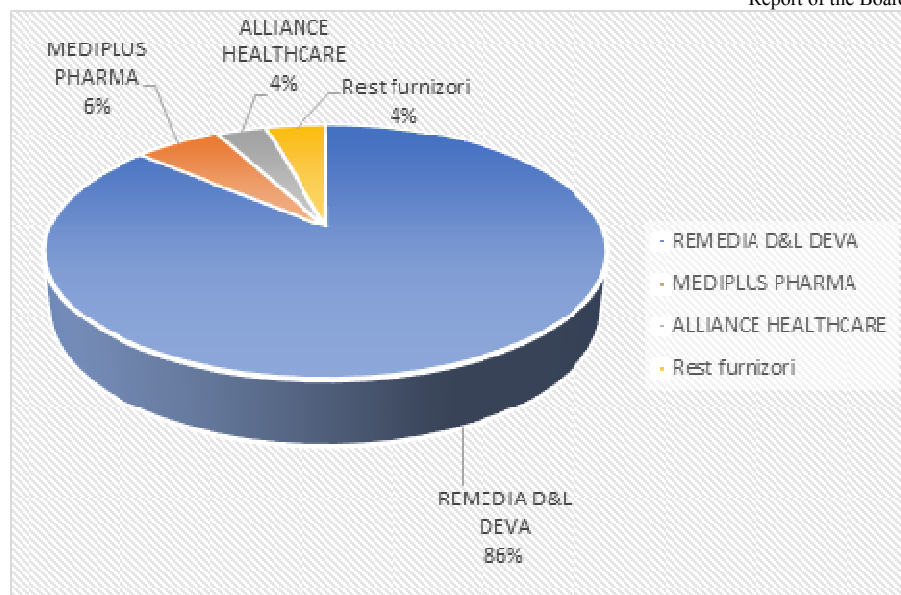
- rents (including to FRDL) 1.631.216 Lei (1,57 % from the turnover)
- shelf marketing 512.505 Lei (0,50%)

### 1.4. Assessment of merchandise purchases

**REMEDIA Pharmacies** were mainly supplied through the distributor Farmaceutica Remedia Distribution & Logistics (FRDL), the acquisitions performed through it representing 86% from the total of acquisitions realised in 2019. This approach had as result a faster supply of pharmacies by reducing the delivery times and a better presence of deficient products in pharmacies.

Acquisitions were registered through 51 suppliers, distributors of pharmaceutical products and parapharmaceutical suppliers, childcare products, technical-medical and dermatocosmetic products.

The share of acquisitions by suppliers is emphasized in the graph below:



*Rest furnizori – rest of suppliers*

During 2019, within the pharmacies network, new indicators were implemented and monitored with the purpose of making more effective the rotation duration of stocks, to reduce the volume of expired products and to improve the working capital.

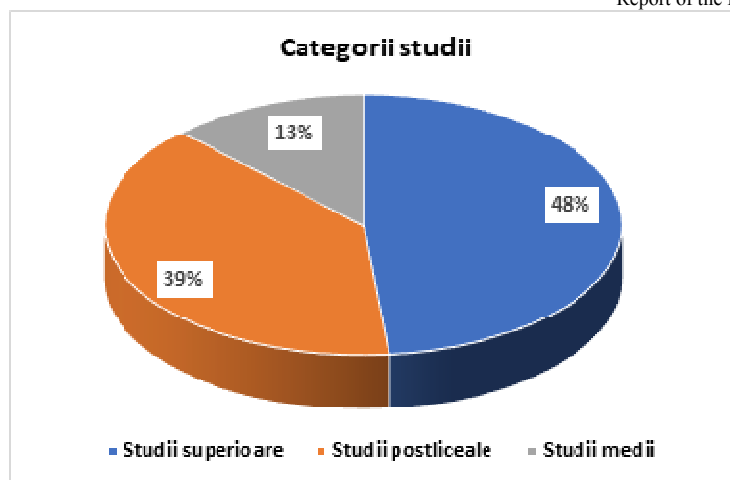
The planning of acquisitions was realised per category of product and manufacturers in order to ensure a better continuity in stock of products and to concentrate the volume of acquisitions per strategic manufacturers.

On 31.12.2019 company stocks, of which a share of 99,9% was represented by merchandise, amounted to 12.667.433 Lei, decreasing by 14,22% as compared to the same period last year.

#### **1.4. Assessment of legal aspects related to the company personnel**

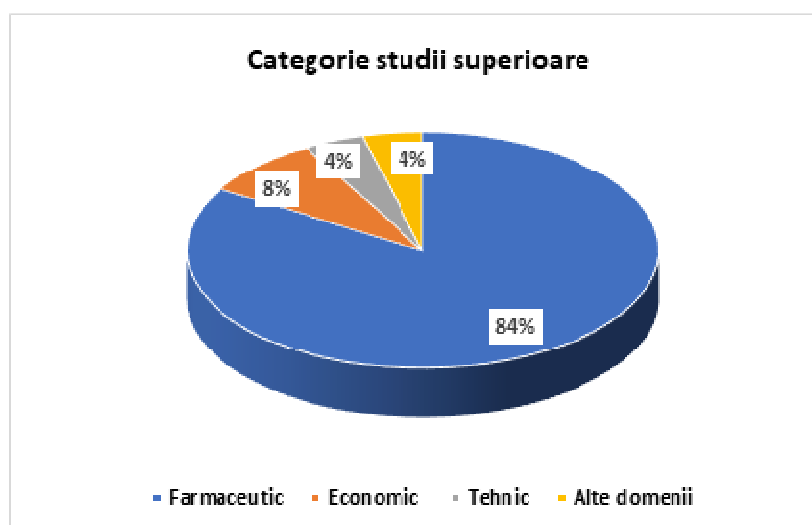
At the end of 2019, Farmaceutica REMEDIA S.A., registered a number of 353 employees, of which 312 personnel within pharmacies (88,38%) and the rest of 41 being employees of the support and management departments.

Out of the 353 employees, 171 have higher education (48% from the total of employees), 138 have post-secondary education (39%), and the rest of 44 persons have secondary education (13%).



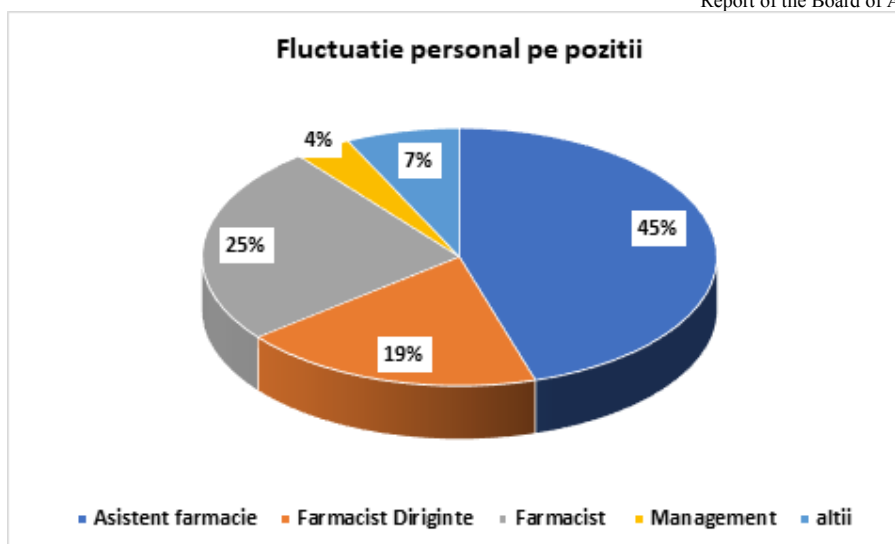
*Categorii studii – categories of studies; studii superioare – higher education, studii postliceale – post-secondary education, studii medii – secondary education*

Of the 171 employees with higher education, 143 (83.62%) have studies in the pharmaceutical field, 14 (8.1%) in the economic field, 7 (4%) in the technical field, and 7 (4%) in other fields.



*Categorie studii superioare – category of higher education*

In 2019, the personnel fluctuation indicator in Farmaceutica REMEDIA S.A. was of 23%, the highest fluctuation being on the position of pharmacist assistant – 38 persons (45%), followed by the position of pharmacist – 21 persons (25%), managing pharmacist – 16 persons (19%), management – 3 persons (7%).



*Fluctuație personal pe poziții - Fluctuation of personnel on positions, asistent farmacie – pharmacy assistant, farmacist – pharmacist, alții - others*

In Farmaceutica REMEDIA S.A. there is no union of employees. They have 3 representatives of employees who participate in the negotiation of the collective labour agreement and who represent the employees in relations with the company.

#### **1.6. Evaluation of the aspects related to the impact of the basic activity of the company on the environment.**

Farmaceutica REMEDIA S.A. complies with the legislation in the field concerning the environmental protection. There are no disputes concerning the breach of the legislation on environmental protection.

The company contributes to the environmental protection by the selective collection of waste resulted from its own activity. In 2019, over 9 tons of waste, carton packaging and paper, and approximately 1,8 tons of waste coming from plastic packaging for recovery according to the legal regulations in force were handed over to authorised companies.

The services for the monitoring and managing of waste at national level are outsourced to a specialised supplier, who drafts the necessary documents and reports them within the deadline to the Agency for County Regional Environmental Protection.

Farmaceutica REMEDIA collects expired drugs, including those taken over from the population, handing over in a centralised manner to the authorised companies for their destruction according to the legal norms approx. 1,3 tons. At the same time, REMEDIA pharmacies collect waste selectively.

In compliance with the EU Directives in April 2019, Farmaceutica REMEDIA did not purchase anymore plastic transport bags and biodegradable or recyclable bags have been introduced, thus implementing measures to reduce waste and comply with the relevant legislation

## 1.7. Evaluation of the sales and marketing activity

The main customers of Farmaceutica REMEDIA S.A. are the County Health Houses, CASMB and OPSNAJ house. From the total of merchandise sales (without VAT) of 102.002.604 lei, the invoices (without VAT) to health houses represented 34.287.121 Lei (33,62%). There is no significant dependence of the company on a single client. In the top of merchandise clients, the share of position 1 is of 14,97% (Hunedoara County Health House – 15.264.295 Lei without VAT), the first 15 realising together a share of 33,62% from total sales (without VAT).

In 2019 the company developed partnerships on the marketing segment with manufacturers such as: GSK Consumer Healthcare, Sanofi, Reckitt Benckiser, Biofarm, Terapia, Antibiotice Iasi, Farmec, Allergika, Auriga etc., in order to access commercial conditions and additional budgets meant to stimulate sales and to and to help patients with new products and competitive prices.

During 2019 a special attention was paid to increasing the quality of services provided to patients, following the participation of the personnel to specialty classes, e-learning actions carried out in partnership with manufacturers, round-tables and other profile events.

The main purpose of REMEDIA Pharmacies was to make their clients loyal through dedicated periodical campaigns, by special offers, by direct and continuous access to a correct information and by providing reliable treatment alternatives.

In 2019 as compared to 2018, REMEDIA Pharmacies recorded an increase in net sales by approx. 5,4% and an increase in the number of units sold by 0,5%, from 5.453.548 units (2018) to 5.478.981 units (2019).

In order to realise the sales plans and the margin, the following strategical objectives were pursued:

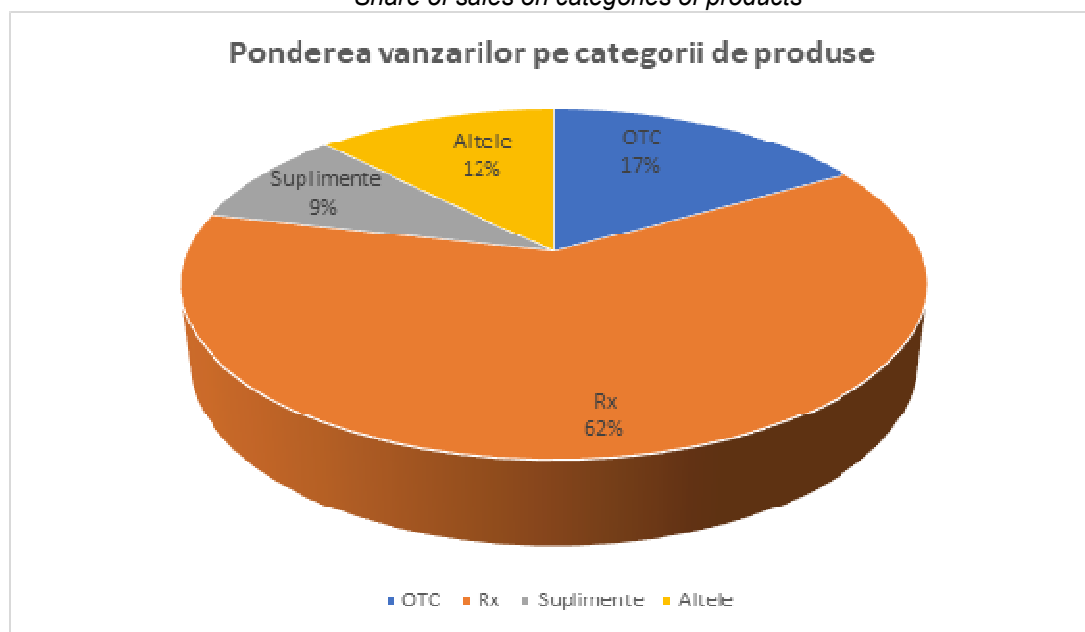
- Careful monitoring of sales and orientation towards most profitable products from the category they are part of;
- Associated recommendation to increase the sales volume;
- Development of partnerships with manufacturers by accessing campaigns and additional budgets but also by running common projects together with them;
- Promotional campaigns dedicated to the final patient (promotional offers, packages, local radio campaigns in Deva, samples etc);

In what concerns the sale on categories, in 2019 a value increase of approximately 12% is recorded on products not requiring a medical prescription for release (non-RX), a category comprising OTC, food supplements, medical devices etc.



The share of sales by categories of products is emphasized in the graph below:

*Share of sales on categories of products*



*Suplimente – suplimente, altele – others*

The monitoring of sales orients with priority the personnel from pharmacies to the increasing effectiveness and retention of patients by providing associated recommendations and health advices, in partnership with information and medical guidance centres for the health of patients.

The company carried out marketing campaigns in partnership with manufacturers such as for example: Antibiotice, Bayer, Biofarm, Boiron, GSK, Hipocrate, Reckitt Benckiser, Sanofi- Zentiva, Terapia, Zdrovit, Walmark, Farmec, Allergika, Auriga, servicii de e-learning cu Terapia, GSK OTC, GEDEON, STADA, Paul HARTMANN, Polisano Pharmaceuticals, local radio ads in Deva etc. in order to increase sales and to come in the support of patients with new products and competitive prices.

In order to make effective and to realise the sales plan the margin, as well as to increase the quality of services offered to patients of REMEDIA Pharmacies, the management activity was organised on two areas – Area 1 (West Area) and Area 2 (East Area), the structure being coordinated by a National Sales and Marketing Manager, having in competence four Area Managers.

The total number of customers of REMEDIA Pharmacies was maintained at approx. 3 million bonuses annually and a number of loyal customers of approx. 200.000 (cards), as a result of the rigorous monitoring of the process of issuing loyalty cards in line with the implementation of GDPR rules.

Providing safe drugs for patients represents the standard conduct of our companies.

Strict compliance with the quality assurance mechanism by Farmaceutica REMEDIA S.A. has led reporting to zero incidents with counterfeit products during 2019, according to the European Directive No. 2011/62/EU on counterfeit drugs, respectively the drugs serialisation process, and maintained in 2018 a GS1 licence certificate.

## 1.8. Evaluation of the development activity

Farmaceutica REMEDIA S.A. continued in 2019 the modernisation process in its own pharmacies as well. It consisted both in continuous improvement of the two software systems used, and in endowments with new equipment (furniture, computers, light commercials).

All spaces necessary for opening and modernisation of pharmacies were arranged in compliance with the requirements of REMEDIA Pharmacies, the increase of visibility and adaption to the clients' needs by equipping with open space counters, computers, scanners, light commercials.

Development of computer systems:

- Implementing the serialization process according to the legal provisions (SNVM)
- Implementing the electronic punctuality system of employees in pharmacies.
- Implementing the automatic order to FRDL.
- Implementing the real-time reporting of transactions on the BICARD platform ([www.bicard.ro](http://www.bicard.ro)).
- Modernization of the communications infrastructure (server upgrade).
- The automation of taking over the invoices of customers from the management program to the accounting program was continued
- Modernization of automatic data exchanges between FR and FRDL (stocks/orders/invoices)
- Automatic reports for management.

Online shopping has a strong ascendant trend among urban population and for this reason Farmaceutica REMEDIA S.A. continued the activity on the online sales platform.

In parallel, campaigns were launched on socialisation networks to increase the visibility of REMEDIA Pharmacies, ensuring the easier access to products, as well as informing customers on new products, as well as of promotions and campaigns carried out by the company.

During December 2019, two units were relocated in Bucharest Deva. (Vitan and REMEDIA BABY).

## 1.9. Evaluating the activity on risk management

The main risks categories identified in 2019 were:

- Risk of non-collection of receivables
- Cashflow risk
- Currency risk

Over 90% from Farmaceutica REMEDIA customers represent the County Health Houses, CASMB, OPSNAJ, Farmaceutica REMEDIA Distribution & Logistics and natural persons – customers of pharmacies. Thus, although in the last months of the year there have been delays to the payment of invoices by Health Houses, we can say that the risk of non-collection is extremely reduced.

Together with the obligation of large international manufacturers to sell drugs lei (in the spring of 2009) the currency risk decreased greatly, especially that direct purchases of merchandise in currency are insignificant.

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

- Employing additional personnel within the control departments with increased attributions concerning the verification of stocks, stocks management, initiating and monitoring the court proceedings of debtors as well as the recovery of debts.
- Strict control of costs, within the budgeted amounts, with a positive impact on cash-flow.

### 1.10. Elements of perspective on the company's activity

In what concerns the retail activity, the company aims at optimising the pharmacies network through possible relocations in proximity premises, where it will be necessary, by continuing the professionalization process of the personnel from pharmacies, improving the IT infrastructure, increasing and diversifying the portfolio of products and last but not least improving the services at the level of patients.

Also, the company intends to focus on online trade by developing its own solution or by partnerships with companies specialised in e-commerce.

In the context in which the pharmaceutical retail is in full consolidation process, REMEDIA evaluates with priority a series of options of collaboration by association with regional players, medium-sized on the pharma market, in order to create together a partnership that remains competitive in relation to the accelerate polarisation of the market.

As communicated, the Board of Administrators is mandated to identify and negotiate the attraction of investors, acquisitions and strategic mergers.

In what follows, REMEDIA will also monitor the specialisation process on market niches to ensure the maximum expertise, innovating products and services in cardiovascular, haematology, oncology, dermato-cosmetics field etc. in order to increase satisfaction of partners involved in the chain of health services.

We will pay a special attention to the increase of the quality of processes. We propose to consolidate the digital transformation of the company and to optimise the services by the development of new platforms – BI, machine learning, B2B, e-shop – and integration of IT&C platforms - WMS, TMS, ERP.

At the same time, we continue the process to make more effective the activities of pharmacies by professional promotions, the reduction of operation costs and rents, until the suspension of locations that do not realise a positive result.

## 2. Fixed assets of the company

**Fixed assets** (at the remained value) are in the amount of **37.650.247 Lei** having the following structure:

**32.094.496 Lei - Tangible assets** (lands, constructions, equipment, means of transportation, commercial furniture etc.)

**5.008.565 Lei - Intangible assets** (pharmacies licences and software licences)

**547.187 Lei - Financial assets** (constituted deposits, paid guarantees).

Within tangible assets, a share of 97,42% is represented by constructions and lands. They are evaluated at market level, each year, by an authorised assessor. The evaluation at the end of 2019 emphasized an appreciation of 1.842.244 lei of these assets. (lands + 406.557 lei, constructions +1.435.687,33 lei).

**Starting with 2012, for the class of tangible assets “Lands and buildings”, the Company passed from the accounting model based on cost 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 negotiated in 2019 was the Bucharest Stock Exchange, Standard category.

The shares of Farmaceutica REMEDIA S.A. are nominative shares in the amount of 0.1 lei/ share, in a number of **106.089.800** shares with the following synthetical property structure as at 31.12.2019, (information provided by the Depozitarul Central):

Shareholders	No. of shares	Share from the share capital (%)
<b>TARUS Valentin-Norbert</b>	<b>69.494.616</b>	<b>65,5055</b>
<b>PAVEL Ionica - Mirela</b>	<b>25.724.330</b>	<b>24,2477</b>
<b>Others</b>	<b>10.870.854</b>	<b>10,2468</b>
<b>Total</b>	<b>106.089.800</b>	<b>100,0000</b>

As at 31.12.2019, the company held 300.100 own shares.

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

### 4. Dividends

**Considering the quantum of the net profit obtained in 2019 (2.563.206 lei), the Board of Administration proposed the distribution to the legal reserve the amount of 133.467 Lei (5,21% from the net profit), to dividends the amount of 2.121.796 Lei (82,78%) and to other reserves the amount of 307.943 Lei (12,02%).**

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

The quantum of corresponding dividends (distributed from the profit), paid and accrued (remained unpaid) are presented as follows:

	2016	2017	2018	2019	2020
Initial balance	217.459	205.414	214.756	241.226	209.353
Distributed gross dividends	0	700.927**	1.060.898	1.591.347	2.121.796*
Tax per dividends paid	0	34.415	52.675	78.995	

Paid dividends	12.045	657.170	981.753	1.544.225	
Dividends to be paid	205.414	214.756	241.226	209.353	

\* Proposal

\*\*from the profit of 2016 and reserves

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

In the fiscal year 2019, Farmaceutica REMEDIA S.A. was managed by a Board of Administrators in the following competence:

Crt. No.	1.01-31.01.2019	31.01-30.04.2019	1.05-03.06.2019	18.06-30.04.2020
1	"TARUS" - Valentin-Norbert TARUS e.U", represented by Mr. Valentin-Norbert TARUS	"TARUS" - Valentin-Norbert TARUS e.U", represented by Mr. Valentin-Norbert TARUS	"TARUS" - Valentin-Norbert TARUS e.U", represented by Mr. Valentin-Norbert TARUS	"TARUS" - Valentin-Norbert TARUS e.U", represented by Mr. Valentin-Norbert TARUS
2	SERFAL MANAGEMENT SRL, represented by Mr. Sergiu FALA	SERFAL MANAGEMENT SRL, represented by Mr. Sergiu FALA	NOEL CONSULTING SRL, represented by Mr. Petru CRACIUN	NOEL CONSULTING SRL, represented by Mr. Petru CRACIUN
3	Zoe CHIRITA	Zoe CHIRITA	WINSOFT SOLUTIONS SRL represented by Mrs. Ruxandra IACOBAS	Lucian-Valentin CODREANU
4	Corneliu POLL	Alexandru-Andrei IACOBAS		
5	DUBAU Alin-Mihai	DUBAU Alin-Mihai		

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

Mr TARUS graduated the Polytechnic Institute, and has post-university specialisations in foreign trade and management as well as various classes and seminars for business management.

He has an experience of over 30 years in execution and management positions in productive units, foreign trade and management of his own businesses.

On 12.03.2007, he was appointed the president of the Board of Administrators of Farmaceutica REMEDIA S.A. The date of expiry of his mandate is 30.04.2020.

In the last 5 years, he fulfilled the position of manager in the commercial company:

**"TARUS" - Valentin Norbert TARUS e.U.**, Austria, Leopold Moses G. 4/2/46, Vienna

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 held on 31.12.2019, 65,5055 % from the shares of Farmaceutica REMEDIA S.A.

The mandate of administrator was renewed on the period 01.05.2018 - 30.04.2019.

1. **Lucian-Valentin CODREANU** - member of the Board of Administrators, non-executive administrator, independent, President of the Audit Committee, member of the Remuneration Committee and of the Nomination Committee

Economist with an experience of over 20 years in the pharmaceutical industry, with executive and non-executive positions on all levels of the pharmaceutical industry (production, distribution and retail), Lucian is a former shareholder of Labormed and of the Ecofarmacia pharmacies chain, former Commercial Manager at Terapia and Labormed, as well as former General Manager at Pharmafarm.

For 6 years, Lucian has been involved in consulting activities for the pharmaceutical industry.

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 31.12.2019 he did not own shares at Farmaceutica REMEDIA S.A.

3. **NOEL CONSULTING SRL** represented by **Petru CRĂCIUN** - member of the Board of Administrators, member of the Remuneration Committee and the Nomination Committee.

Graduate of the Faculty of Pharmacy of UMF Carol Davila Bucharest, worked for a short time as a pharmacist and then returned to the faculty, to teach several years Physics and Pharmaceutical Informatics.

In 1994 he founded the first market research company in the field of medicines in Romania, GLOBAL PHARMA, which joined in association with Exmarket and Associates International in 1996. The company gained market recognition with its products and services, firstly with PHARMA & HOSPITAL REPORT, the first national audit of drug sales in Romania, followed by territorial sales data, CRM projects, prescribing data and qualitative market research.

After selling the company to the Cegedim group in 2001, he continued to lead the activity of the local organisation, CEGEDIM ROMANIA, contributing – with a diverse and competitive portfolio – to the development of the entire pharmaceutical field. The purchase of PHARMEC HEALTHCARE SOFTWARE (re-named as CEGEDIM RX) in 2010 and the creation of CEGEDIM SERVICE CENTER in 2017 are other realisations from his mandate in the Cegedim group, which ended in 2018.

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 31.12.2019 he did not own shares at Farmaceutica REMEDIA S.A.

The executive management was ensured by a general manager that has in its subordination departmental directors and managers. In the fiscal year 2019, the executive management was ensured by Mrs **CHIRITA Zoe** until 30.04.2019 and by **TARUS Valentin** starting with 01.05.2019.

## 6. **Affiliated Persons of the Commercial Company Farmaceutica REMEDIA S.A.**

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

- Valentin-Norbert TARUS - Austrian citizen
- "TARUS" - Valentin Norbert TARUS e.U. – Austrian individual enterprise
- Farmaceutica REMEDIA Distribution & Logistics S.R.L. (former SIBMEDICA S.R.L.)
- TARUS MEDIA S.R.L.
- IMOBILIARA MAGHERU S.R.L.

## 7. **Corporate Governance**

In 2019, the corporate governance structures operated normally, the Company administration and representation being within the competence and responsibility of the members of the Board of Directors (CA) and the General Manager.

Farmaceutica REMEDIA S.A. complies with the shareholders' rights, providing them with a fair treatment and submitting for approval any modification of the rights conferred at the general meetings, as well as of the legal regulations.

Company website - [www.remedia.ro](http://www.remedia.ro) – provides information and access conditions, in Romanian and English languages, at the GMS documents, financial statements, current reports to BSE, dividends, policies implemented in compliance with the provisions of the Corporate Governance Code of 4.01.2016.

The **Investors Relations** section [www.remedia.ro/investitori/](http://www.remedia.ro/investitori/) was updated in 2019 according to the ARIR communication vectors for shareholders and potential investors, as follows:

- **Current reports**, according to the FSA Regulation No. 5/2018;
- **Shareholders' information** – the section includes information about General

Meetings in preparation and Decisions of the OGMS/EGMS, Financial Calendar, Dividends and Shareholders' rights;

- **Financial information** – this section includes the Reports of the Board of Administrators and the quarterly, half-yearly and annual Financial Statements, for the years 2014/2015/2016/2017/2018/2019, both in IRIS electronic format and in IFRS EXCEL format;

- **Non-financial reporting** – according to the OMFP provisions No. 2844 / 2016;

- **Shares evolution** – online price for rmah shares;

- **Investors news** – internal news and news from the press regarding the issuer;

- **Events and presentations** – events and TC organised with potential investors, shareholders, financial analysts, representatives of the press, such as for example “Sa cunoastem business-ul la el acasa” on 24.04.2019”;

- **Corporate governance** - includes all the documents according to the provisions and **ARIR** communication vectors:

a) Updated Articles of Association of 4.12.2019;

b) The stage of compliance with the Corporate Governance Code of BSE during 2016-2019 (attached to the Current Report to BSE of 08.11.2019);

b) Council and Management;

c) Policies and Vectors:

- Remuneration policy, updated on 1.09.2019;
- Internal regulation of the Board of Administrators;
- Policy of transactions with companies with which Farmaceutica REMEDIA SA has tight relations, whose value is equal to or greater than 5% of net assets;
- Dividend distribution policy;
- Corporate Governance Regulation;
- Code of conduct and ethics, updated on 18.12.2019;
- Policy regarding the support of different forms of artistic and cultural expression, sports, educational or scientific activities;
- Measures and procedures for the prevention of fraud and corruption, updated on 27.02.2019;
- Policies regarding financial forecasts and risks;
- Internal regulation of the Board of Administrators of Farmaceutica REMEDIA

- **Analysts** – contains the list of institutions that regularly publish analysis reports about the financial results of Farmaceutica REMEDIA S.A.

During the financial year 2019, the President of the Board of Administrators convened 16 (sixteen) meetings, statutory met, of the Board of Administrators.

The members of the Board of Administrators participated in person, by telephone or e-mail, according to the Articles of Association and the Internal Regulation of the Board of Administrators, to these meetings in which the following were presented, discussed, and approved as appropriate:

- quarterly, half-yearly and annual financial reports;
- organisational chart of Farmaceutica REMEDIA SA;
- annual commercial policy, marketing and sales strategies;



- GMS convocations;
- activity of the Audit Committee: the Board of Administrators evaluated the internal control system, analysing the effectiveness and the coverage of the internal audit position, the degree of adequacy of risk management and internal control reports presented by the Audit Committee and the promptness and effectiveness with which the executive management settles problems or deficiencies identified following the internal control and the reports presented to the attention of the Board;
- activity of the Remuneration Committee: the reports of this committee describe the essential elements of the afferent remuneration policy and the updated occurred in 2019 in compliance with the company's remuneration policy; updated according to ARIR communication vectors;
- relocation and sale of licenses of REMEDIA pharmacies;

Following the meetings of the Board of Administrators, a number of 35 (thirty five) decisions were issued communicated to resort departments for implementation and fulfilment.

## 8. Accounting financial statement (unconsolidated statements)

<b>Farmaceutica REMEDIA</b>		
<b>Income Statement</b>	<b>dec.-18</b>	<b>dec.-19</b>
<b>(RON)</b>		
Sales of goods	96,765,975	102,002,604
Discounts given	0	0
<b>Net Sales</b>	<b>96,765,975</b>	<b>102,002,604</b>
COGS	78,452,769	82,210,052
Discounts Received	-2,812,187	-1,512,291
<b>Net COGS</b>	<b>75,640,582</b>	<b>80,697,761</b>
<b>Gross Margin</b>	<b>21,125,393</b>	<b>21,304,843</b>
Gross Margin (%)	21.83%	20.89%
Other Operating Revenues	3,844,342	6,906,288
Personnel	-16,935,305	-18,515,966
Other Operating Expenses	-7,409,386	-8,843,765
<b>Total Operating Expenses</b>	<b>-24,344,691</b>	<b>-27,359,731</b>
<b>EBITDA</b>	<b>625,044</b>	<b>851,400</b>
EBITDA Margin	0.65%	0,83%
Depreciation	-427,195	-324,583
Provisions - net	-2,779	54,370

Bad debts lost	-64,393	-128,118
<b>EBIT</b>	<b>130,677</b>	<b>453,069</b>
EBIT Margin	0.14%	0,44%
Financial Revenues	2,071,58	2,226,990
Financial Expenses	-5,086	-10,715
Financial income	2,066,495	2,216,275
<b>EBT</b>	<b>2,197,173</b>	<b>2,669,344</b>
EBT Margin	2,27%	2.62%
Tax on Profit	-56,152	-106,138
<b>Net Profit</b>	<b>2,141,021</b>	<b>2,563,206</b>
Net Profit Margin	2.21%	2.51%

**Farmaceutica REMEDIA**  
**Balance Sheet(ROn)**

	<b>dec.-18</b>	<b>dec.-19</b>
<b>Total Assets</b>	<b>70,700,525</b>	<b>74,598,483</b>
Cash	2,573,340	8,967,374
A/R	15,069,833	14,980,027
Inventory	14,766,284	12,667,433
Expenses in advance	56,946	54,346
Other Current Assets	284,734	279,056
<b>Total Current Assets</b>	<b>32,751,137</b>	<b>36,948,236</b>
Tangible Assets	30,281,566	32,094,496
Intangible Assets	7,089,522	5,008,564
Financial Investments	578,301	547,187
<b>Total Long-Term Assets</b>	<b>37,949,388</b>	<b>37,650,247</b>
A/P	25,246,920	25,921,795
Other ST payables	1,796,124	2,251,565
Payables to shareholders	241,226	209,353
ST Loans*	0	0
<b>Current Liabilities</b>	<b>27,284,270</b>	<b>28,382,713</b>
LT Loans*	0	0
Other LT liabilities	1,374,199	1,668,296
<b>LT Liabilities</b>	<b>1,374,199</b>	<b>1,668,296</b>
Provisions	<b>10,449</b>	<b>0</b>

Share capital	10,608,980	10,608,980
Reserves	29,281,606	31,375,288
Profit	2,141,021	2,563,206
<b>Equity</b>	<b>42,031,607</b>	<b>44,547,474</b>
<b>Total Liabilities &amp; Equity</b>	<b>70,700,525</b>	<b>74,598,483</b>

\*including financial leasing

The financial statements were audited by the independent financial auditor.

## 9. Economic-financial indicators

\*Thousand Lei

LIQUIDITY AND WORKING CAPITAL	31.12.2018	31.12.2019
<b>current liquidity (Current assets/Current liabilities)</b>	<b>1,2</b>	<b>1,3</b>
Current assets	32.694	36.894
Current liabilities	27.295	28.383
<b>degree of indebtedness (Borrowed capital / Equity x 100)</b>	<b>0 %</b>	<b>0 %</b>
Borrowed capital (including leasing)	0	0
Equity	42.032	44.547
<b>turnover speed for client debit items (average customer balance/turnover *365)</b>	<b>47 days</b>	<b>44 days</b>
Average customer balance	12.625	12.672
net turnover	99.035	104.201
<b>Turnover speed of liabilities (average suppliers balance/cogs*365)</b>	<b>125 days</b>	<b>106 days</b>
Average suppliers balance	25.934	23.350
Cost of merchandise sold	75.641	80.698
<b>Turnover speed of stocks (average stock balance/COGS * 365)</b>	<b>68 days</b>	<b>60 days</b>
Average stocks balance	14.049	13.251
Cost of merchandise sold	75.641	80.698
<b>turnover speed of fixed assets (turnover/fixed assets)</b>	<b>2,61</b>	<b>2,77</b>
net turnover	99.035	104.201
Fixed assets	37.949	37.650
<b>Gross profit margin (%) (gross profit/net sales)</b>	<b>2,22%</b>	<b>2,57%</b>
Gross profit	2.197	2.669
Net turnover	99.035	104.201

**Notes:**

1) **Current liquidity** – the indicator level reflects a good payment capacity, therefore a reduced risk for creditors, certifying that the company is capable of covering its short-term liabilities based on receivables and cash availabilities. The indicator evolved positively both as compared to the same period last year (1,2) and as compared to September 2019 (1,28).

2) **Degree of indebtedness** expresses the effectiveness of credit risk management, indicating potential financing, liquidity problems, with influences in honouring the assumed commitments. The value of 0% indicates that the company has no financing or liquidity problems. In the calculation of this indicator, the borrowed capital comprises both bank loans and finance lease liabilities.

3) **Turnover speed for client debit items** expresses company effectiveness in collecting its receivables, respectively the number of days until the date on which debtors pay their liabilities to the company. Considering the dynamics of sales and the specificity of the collection of receivables in the distribution of drugs, we believe that the value of 44 days is normal under the given conditions. (43 days in September 2019 and 47 days on 31.12.2018)

4) **Turnover speed of liabilities** represents the average period in which suppliers are paid. In 2019, payments to suppliers were made much faster than in 2018, especially in the case of FRDL.

5) The value of the **No. of days on hand indicator** (60 days), can be considered that it falls within the activity specificity, exceeding the limit imposed by the company internal procedures (45 days). The indicator evolved positively both as compared to the same period last year (68 days) and as compared to 30.09.2019 (62 days).

6) **Turnover speed of fixed assets** expresses the effectiveness of the management of fixed assets, by examining the turnover generated by a certain quantity of fixed assets. The indicator expresses a weak use of fixed assets, although it positively evolved from 2,61 to 2,77.

Bucharest, 10 March 2020

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