



PRELIMINARY ANNUAL REPORT 2013

**Of the Board of Administration
Farmaceutica REMEDIA S.A.**

Farmaceutica R E M E D I A S.A.

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

Branch Office: Bucharest 041836, District 4, 78 Metalurgiei Blvd., Phone /Fax: +40 21 321 1640

Phone/Fax: + 40 254 223 260 remedia@remedia.ro, 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, Apolodor Branch

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Of the Board of Administration

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

No. and date of registration with the **J20/700/25.07.1991**

Trade Registry Office:

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**

Registration	Date	Number of shares	Value of issue (RON)
1	10.11.1999	3.370.107	337.010,70
2	06.09.2001	1.500.000	150.000,00
3	23.07.2003	42.402	4.240,20
4	05.01.2006	5.696.471	569.647,10
5	21.12.2007	87.905.969	8.790.596,90
6	04.05.2009	7.574.851	757.485,10
	TOTAL	106.089.800	10.608.980

Organized market on which the securities are traded:

2nd category of Bucharest Stock Exchange

The total value on the market at the date of 05.02.2014 is RON 29.864.278,7

The value of one RMAH share is RON 0,2815 (at the date of 05.02.2014)

1. Analysis of the company's activity

1.1. General overview

Farmaceutica REMEDIA S.A. is dynamic national distributor with a network of 8 distribution warehouses, a chain of 73 pharmacies and local distribution offices, an infant care store, providing marketing and medical promotion services.

Farmaceutica REMEDIA S.A. was founded on July 25, 1991 as a commercial company, entirely state owned, by the reorganization of the Pharmaceutical Office Deva. On October 13, 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, nor has it been subject to any significant reorganization during the year 2013. During the same period, Farmaceutica REMEDIA S.A. did not acquire or dispose of any assets of significant value (buildings, lands, shares etc).

The commerce fund (represented by the pharmacies operating licenses) of the companies owned by Farmaceutica REMEDIA S.A. (Sibmedica S.R.L. and DomProsan S.R.L.) was transferred by sale to Farmaceutica REMEDIA S.A. in February 2013.

The activity of the two companies mentioned above was suspended in the second semester of 2013, meaning that on December 31st 2013 Farmaceutica REMEDIA S.A. no longer held controlling interest in any company in business.

1.2. Elements of general evaluation

Farmaceutica REMEDIA S.A. preliminary results corresponding to the financial exercise 2013 indicate a net profit in value of RON 3.039.305 and a net turnover of RON 237.836.043. Other operating incomes were registered (RON 1.192.114), mainly balance adjustments for partners and asset sales (the commerce fund from Calarasi and motor vehicles).

The total costs were in value of RON 236.480.219, out of which:

- Operating expenses – RON 235.393.092, out of which:
 - 201.189.317 represents the net cost of sold goods (including commercial discounts received)
- Financial expenses – RON 1.087.127, out of which:
 - RON 115.709 – paid interests;
 - RON 200.958 – rate differences.

o RON 770.460 – interest liquidation

Taking into consideration that the value of the pharmaceutical market (medicines and pharmaceutical products) is approx. Euro 3billion (in 2013), we estimate the market share of Farmaceutica REMEDIA S.A. at under 2%.

The company liquidities (available in bank accounts and cashiers) were in value of RON 16.201.051 on 31.12.2013. At the same date, the company had an available credit line in value of Euro 3,2 million, out of which Euro 1.8 million were used (bank letters of good standing).

1.3. Evaluation of company's income

The income from sales of goods reached the value of RON 240.642.729 (98,63% from turnover) with the following allocation on distribution channels:

- REMEDIA pharmacies:	RON 83.717.158 (34,78% from total sales)
- Distribution to pharmacies:	RON 75.337.094 (31,31%)
- Distribution to hospitals:	RON 39.883.397 (16,57%)
- Warehouses distribution:	RON 20.487.331 (8,51%)
- Other distribution channels:	RON 21.217.751 (8,82%)

From value-added activities (invoiced to third parties) and rents were registered the following operating incomes in value of RON 3.324.723, out of which:

- Marketing activities:	RON 1.112.120 (0,46% from turnover)
- Logistic and warehousing services:	RON 999.273 (0,41%)
- Rents:	RON 669.094 (0,27%)
- Registration and clinical trials monitoring:	RON 346.307 (0,14%)
- Shelf promotion:	RON 154.790 (0,06%)

1.4. Evaluation of the goods procurement

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

Farmaceutica REMEDIA S.A. acquired pharmaceutical and parapharmaceutical products from 176 suppliers during 2013, out of which:

• Direct acquisition from external manufacturers/suppliers:	58
• Direct acquisition from local manufacturers/suppliers:	35
• Indirect acquisition from local suppliers:	83

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

- Direct acquisition from external manufacturers/suppliers: 71%
- Direct acquisition from local manufacturers/suppliers: 5%
- Indirect acquisition from local suppliers: 24%

On 31.12.2013 the company's stocks, 99,8% represented by the goods, were in value of RON 24.430.312, down by 33,84 % comparing to the same period of the last year (RON 36.634.450). This decrease is due to the better stock management both in the chain of pharmacies, and in the company's warehouses, with a significant positive impact on the company's cash-flow.

1.5. Evaluation of the sales activity

The warehouses from Bucharest and Deva supplied and delivered to REMEDIA Pharmacies the entire ordered quantity of products. The sales were effected to approx. 2,000 pharmacies and hospitals through 8 distribution warehouses.

The company has no significant reliance on a single customer. In the top of goods customers, the 1st position is 9,11% (Hunedoara Insurance House), and the first 20 together achieve 31,56 % from total sales.

Farmaceutica REMEDIA S.A. opened seven new pharmacies and local distribution offices in 2013 as follows:

- Sf. Iuliana Pharmacy Alba Iulia – Alba county
- Sf. Grigorie Teologul Office in Ciofliceni – Ilfov county
- Corvin Office in Toplita – Hunedoara county
- Sf. Bartolomeu Pharmacy in Arpasu de Sus – Sibiu county
- Sf. Benedict Pharmacy in Cartisoara – Sibiu county
- St Benedict Office in Scoreiu – Sibiu county
- REMEDIA Baby baby care store in Deva – Hunedoara county

All the necessary spaces for pharmacy openings were equipped according to Farmaciile REMEDIA standards.

The following were also opened:

- Sf. Filimon Pharmacy in Jurilovca – Tulcea county
- Sf. Spiridon Pharmacy in Arpasu de Jos – Sibiu county
- Sf Spiridon Office in Porumbacu de Sus – Sibiu county

by transferring the commerce fund from the companies owned by Farmaceutica REMEDIA S.A. (Sibmedica S.R.L. in Sibiu and DomProsan S.R.L. in Jurilovca Tulcea county).

2. Accounting and financial situation

FarmaceuticaRemedia

Income Statement

(Lei)

	dec.-11	dec.-12	dec.-13
Sales of goods	204,809,363	237,864,788	240,642,729
Discounts given	-5,346,772	-4,957,049	-6,131,409
Net Sales	199,462,591	232,907,739	234,511,320
COGS	168,539,206	198,729,747	204,358,915
Discounts Received	-2,874,666	-2,188,939	-3,169,598
Net COGS	165,664,540	196,540,808	201,189,317
Gross Margin	33,798,051	36,366,931	33,322,003
Gross Margin (%)	16.94%	15.61%	14.21%
Other Operating Revenues	4,675,655	5,989,001	4,516,837
Personnel	-17,162,547	-20,431,968	-20,149,812
Other Operating Expenses	-11,276,814	-13,959,674	-13,320,391
Total Operating Expenses	-28,439,361	-34,391,642	-33,470,203
EBITDA	10,034,345	7,964,290	4,368,637
EBITDA Margin	5.03%	3.42%	1.86%
Depreciation	-1,748,977	-932,370	-1,066,922
Provisions - net	-2,716,454	-269,060	333,350
EBIT	5,568,914	6,762,860	3,635,065
EBIT Margin	2.79%	2.90%	1.55%
Financial Revenues	1,768,925	820,064	939,059
Financial Expenses	-1,937,879	-749,193	-1,087,127
Financial income	(168,954)	70,871	(148,068)
EBT	5,399,960	6,833,731	3,486,997
EBT Margin	2.71%	2.93%	1.49%

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Tax on Profit	-1,322,511	-1,279,888	-447,692
Net Profit	4,077,449	5,553,843	3,039,305
Net Profit Margin	2.04%	2.38%	1.30%

The financial results of the year 2013 were significantly affected by the following provisions:

- RON 130.000 – provision for covering the stocks of expired/close to expiry products.
- RON 147.526 – provision made during the year for covering the losses resulted from non-paying customers. Thus, on December 31st 2013 the total provision reached RON 7.043.161
- RON 90.239 – provision for write-down of tangible assets

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Balance Sheet(Lei)

	dec.-11	dec.-12	dec.-13
Total Assets	162,942,722	198,216,808	159,310,562
Cash	15,082,162	13,642,995	16,201,051
A/R	85,659,466	107,381,626	79,692,495
Inventory	24,358,494	36,634,450	24,236,934
Expenses in advance	20,020	48,514	54,782
Other Current Assets	1,518,870	2,714,029	1,280,421
Total Current Assets	126,639,012	160,421,614	121,465,683
Tangible Assets	33,822,864	33,878,300	31,906,105
Intangible Assets	1,145,553	2,746,125	3,111,745
Financial Investments	1,335,293	1,170,769	2,827,029
Total Long-Term Assets	36,303,710	37,795,194	37,844,879
A/P	113,976,233	145,687,079	112,602,284
Other ST payables	2,192,394	2,836,209	1,986,715
Payables to shareholders	989,765	1,941,410	1,941,229
ST Loans	3,455,760	3,793,712	23,247
Current Liabilities	120,614,152	154,258,410	116,553,475
LT Loans	537,635	477,928	829,631
Other LT liabilities	0	1,534,922	1,209,566
LT Liabilities	537,635	2,012,850	2,039,197

Provisions	1,955,616	827,484	397,856
Share capital	10,608,980	10,608,980	10,608,980
Reserves	25,148,890	24,955,241	26,671,749
Profit	4,077,449	5,553,843	3,039,305
Equity	39,835,319	41,118,064	40,320,034
Total Liabilities & Equity	162,942,722	198,216,808	159,310,562

The Large amounts to be received from the customers (A/R) and to be paid to suppliers (A/P) are a feature of pharma distribution, considering that normally, during 2013, the collection of the amounts due for goods delivery was made at a term of over 8 months (annual average).

Bucharest - February 7, 2014

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

General Manager,
Robert-Mihail PELOIU