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Remedia
Farmaceutica REMEDIA S.A.

POLICY ON FINANCIAL FORESIGHT AND RISKS FORECASTS

The forecasting policy has the role, through the objectives of the future activity, to specify the company economic and financial policy. Thus, the proportions in the exploitation activity are established, the company's strategy and financial policy is implemented, with positive influences on the operational activities and the economic and financial phenomena.

The foresight policy in the financial field appears as a probabilistic evaluation of the future evolution of some phenomena. Thus, anticipation of positive and negative flows over short and medium periods provides reasonable assurance about financial management and maintaining financial balance before immobilizing large amounts of capital.

1. Functions and objectives of the financial forecast

The forecast is a process by which organizations try to anticipate change and adapt in such a way as to achieve the objectives of the society. Financial forecasting should facilitate current management as well as company development.

The forecast is a forward-looking activity and represents the process of setting goals and what needs to be done to achieve these goals.

The challenge in the planning / forecasting process is to make decisions that will secure the future of the organization. Planning is a process that does not end with the creation of a plan, but continues with its implementation, bearing in mind that in the implementation and control phase, the plan may require improvements or modifications designed to make it more effective.

The beneficiaries of the financial forecasts are:
- Shareholders;
- Management;
- Creditors / Financiers (suppliers / banks);
- Environment / Business Partners.

Upon the financial forecast process, the rational organization of engross and retail sales and marketing activities, acquisitions, logistics, transportation, investments, services, full use of the technical, material and financial potential, contractual and financial obligations in relation to business partners, the state and banks, the specific pharmaceutical market regulations and the external context are targeted.

The financial forecast process preparing is based on the correlations between the economic and social objectives, on the one hand, and the financial ones, on the other hand, on increasing the efficiency of the activity, on identifying and immobilizing the internal reserves, on strengthening the functioning of society on the basis of efficiency and profitability, on the increase of initiative, autonomy and responsibility in the use of the patrimony as well as of the own and borrowed funds.

In the financial management of the company, forecasting tools, perform several functions such as planning function, control function, ensuring the profitability, liquidity, financial balance and optimal capital management.

2. Financial forecasting tool. Types of budges

The financial forecast presents the following forms:
- medium and long term strategic forecasting;
- short-term forecasting.

The medium and long term forecast refers to the competitive, technological and strategic aspects of the company's leadership and involves a longer time horizon. It refers to issues such as company mission or organizational goals. Medium and long-term strategic plans are carried out by managers at the top hierarchical levels of society.

Strategic forecast is a continuous operation involving all departments of the company.

It is reflected in strategic objectives reviewed annually. The main objectives refer to the company's position in the pharmaceutical market, plans to launch new products and diversification of services addressed to both partners and end-customers, finding alternative suppliers for the main products and raw materials involved in the sales process, etc.

The short-term forecast consists of budgeting. Budgets can be classified into two main categories: operating budgets and financial budgets.

The Operating budgets include in their structure: the sales plan for goods, the plan for the supply of pharmaceuticals and raw materials and materials involved in the distribution of pharmaceutical products, the plan of services related to the basic activity.

The Financial budgets are presented in the following main forms:
a) the general budget of the company or the budget of income and expenses;
b) investment and financing budget;
c) cash flow.

a) Income and expense budget: reflects the synthesis indicators for all categories of activities, income, expenses and financial results. This budget is prepared annually on the basis of the information provided by the departments of the company, having the mission of a general management tool of its management.

The income and expense budget is subject to the approval of the General Meeting of Shareholders.
In order to reach the annual target, the monthly amounts are budgeted and income and expense adjustments are made to achieve the annual targets.

b) **Investment and financing budget**: reflects the investment and financing plan. The investment budget is subject to the approval of the General Meeting of Shareholders and its execution is monitored monthly by the departments involved and the finance department.

c) **The forecasted cash flow** or cash flow shows the cash inflows or outflows and cash equivalents in the analyzed period.

The forecasted cash flow is prepared on the basis of the operating budget and investment plan and is influenced by the stock policy and timing of collection and

expected payouts.
In conclusion, the treasury budget plays a particularly important role in optimally managing the company's own borrowed and leased financial resources, and cash inflows or outflows of cash must ensure the financial balance of the business.
A realistic forecast and the achievement of the proposed objectives are essential for the development of society and maintaining it in a competitive market.

RISK

The risk represents any event, action / inaction, situation or behavior with unfavorable impact on society.
The categories of risks identified in the company Farmaceutica REMEDIA SA:

The operational risks: Clients becoming insolvent, supplier credit limits
- financial risks: devaluation
- risks arising from legislative changes in the regulation of prices for medicines, with a direct impact on the stock;
- Risks from staff fluctuations: Impact on assuring the continuity of efficient deployment of both engross and retail
- risks generated by the functioning of the IT systems according to the strategic objectives approved by the company: with impact on ensuring the implementation of efficient functioning mechanisms of the current activities of the company.

Risk Components:

- probability of occurrence;
- the impact level (ie the severity of the consequences and their duration).

The purpose and stages of risk analysis

The scope:

a) Identify dangers in the company
b) Identify whether internal controls or business conduct can prevent, eliminate or minimize hazards;
c) Assess the structure / evolution of internal control a firm's framework

The steps:

- analyzing the activity of the structure
- identifying and evaluating significant risks with impact on financial activity;
- checking the existence of internal controls, internal control procedures, as well as their assessment;
- evaluating weaknesses, quantifying and dividing them by risk classes;

The significant risks found in previous years will also be taken into account each time, by the case.

The risk measurement

Risk measurement depends on the likelihood of occurrence and the severity of the consequences. Measuring instruments are criteria of appreciation.

Probability measurement, criteria of appreciation
The possibility of occurrence of the risk is expressed as follows:
- low probability,
- medium probability,
- High probability.

APRECITION CRITERIA

a) Determining vulnerability (qualitative assessment)
All vulnerability factors such as:
- human potential;
- the complexity of the findings;
- existing technical means

Vulnerability is appreciated on a scale of values, such as:
- low (level 1)
- average (level 2)
- high (level 3)

b) Organization of internal control
The result of the internal quality control analysis performed can be expressed as follows:
- adequate internal control (level 1)
- insufficient internal control (level 2)
- internal control with serious deficiencies (level 3)

c) Measuring the severity of the consequences of the event- The impact level (quantitative assessment):
Impact level represents the effects of risk, especially financial, in the case of its occurrence and can be expressed as follows:
- low impact (level 1)
- moderate impact (Level 2)
- high impact (Level 3)

d) Concrete risk assessment
Risk analysis is the centralized list of objectives, defined by the aspects of the specific elements and the associated risks. Depending on the priorities and the frequency, the characteristic elements used in the risk analysis will be given different levels of importance as follows:
The features:

Organizational Elements	**Characteristic Elemente (specific to the field)**
Financial System	1. Transaction Value 2. Transaction Volume 3. Expenditure/income Value
Overview System	1. System Complexity 2. System Stability, possibly, the opportunity to change it 3. Factors characteristic of the system 4. Areas where fraud is possible 5. Effective staff in running the system / rotation of staff 6. System Information
Impact to the system	1. Effect to other systems 2. System effect of the future events and decisions

Management and control	1. intern control quality in the system 2. Staff Ethics 3. Management stability 4. New staff no, w/o experience 5. Efficacity of subordinated departments 6 Efficacity of the staff managing income, organizing activities and cultural events, etc.

President of the Administration Board

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"REMEDIA"
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