

Farmaceutica REMEDIA S.A.
Unconsolidated financial statements concluded as at 31.12.2018

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STATEMENT OF COMPREHENSIVE INCOME (RON)

		31-dec-17	31-dec-18
Net turnover	NOTE 4	90,661,306	99,034,548
Incomes from the sale of merchandise		88,498,095	96,765,975
Commercial discounts granted		-3,359	0
Incomes from services provided and rents		2,166,570	2,268,573
Other operating incomes		1,653,693	1,575,769
OPERATING INCOMES - TOTAL		92,314,998	100,610,318
Material expenses	NOTE 5	69,848,561	77,335,847
Expenses on merchandise		69,780,055	78,452,769
Commercial discounts received		-1,447,268	-2,812,187
Expenses with raw materials and consumables		743,421	791,987
Alte material expenses		123,065	289,283
Expenses with energy and water		649,288	613,995
Personnel expenses	NOTE 6	14,534,238	16,935,305
Salaries and allowances		11,615,214	14,988,333
Expenses with insurance and social protection		2,578,694	458,816
Other personnel expenses		340,330	1,488,156
Amortisations and provisions		489,585	494,367
Amortisations		330,723	427,195
Net provisions		-553,000	2,779
Losses from receivables		711,862	64,393
Other operating expenses	NOTE 7	6,554,871	5,714,121
Expenses on external benefits		5,072,238	4,857,559
Expenses with other duties, taxes and similar levies		454,557	514,987
Other expenses		1,028,077	341,575
OPERATING EXPENSES - TOTAL		91,427,256	100,479,640
OPERATING RESULT		887,742	130,678
Financial incomes	NOTE 8	692,607	2,071,581
Interest incomes		5,234	2,693
Incomes from exchange rate differences		20,479	543
Incomes from dividends		501,882	2,002,851
Discounts for advance payments		165,013	65,494
Other financial incomes		0	0
Financial expenses	NOTE 8	18,905	5,086
Interest expenses		0	0
Expenses from exchange rate differences		1,457	1,236
Discounts for advance payments		17,448	3,850
Other financial expenses		0	0

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FINANCIAL RESULT		673,703	2,066,495
TOTAL INCOMES		93,007,605	102,681,899
TOTAL EXPENSES		91,446,161	100,484,726
GROSS RESULT	NOTE 9	1,561,445	
Corporate tax		270,689	2,197,173
TOTAL NET PROFIT of which distributable		1,290,756	56,152
Company's shareholders		1,290,756	2,141,021
Minority interest			
Other elements of the comprehensive result			
Revaluation of tangible assets			
Tax afferent to other elements of comprehensive income			
Minority interest			
COMPREHENSIVE INCOME AFFERENT TO THE PERIOD - TOTAL of which attributable:		1,290,756	2,141,021
Company's shareholders		1,290,756	2,141,021
Minority interest			
Result per share (in Lei)			
- Basic		0,0122	0,0202
- Diluted		0,0122	0,0202

President of the Board of Administrators
"TARUS" - Valentin Norbert TARUS e.U.
by representative

Valentin – Norbert TARUS

Chief Financial Officer

Robert PELOIU

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STATEMENT OF FINANCIAL POSITION – unconsolidated (Lei)		31-Dec-18	31-Dec-17
ASSETS			
Fixed assets		37,949,388	38,534,906
Tangible assets	NOTE 10	23,938,413	25,043,231
Real estate investments	NOTE 10	6,343,153	5,652,468
Software licenses	NOTE 11	9,028	25,410
Pharmacy licenses	NOTE 11	7,080,494	7,257,638
Participations held in group companies	NOTE 12	292,320	289,320
Participations held in companies outside the group	NOTE 12	5,316	8,316
Deposits and guarantees paid	NOTE 12	258,523	258,523
Current assets		32,694,191	29,435,049
Stocks	NOTE 13	14,766,284	13,011,127
Trade receivables	NOTE 14	15,069,833	11,320,032
Other receivables	NOTE 14	284,734	128,888
Cash and cash equivalents	NOTE 15	2,573,340	4,975,002
Accrued expenses		56,946	74,524
TOTAL ASSETS		70,700,525	68,044,479
EQUITIES AND LIABILITIES			
Equities		42,031,608	41,048,321
Share capitals	NOTE 16	10,921,209	10,921,209
Issuance premiums		757,485	757,485
Reserves	NOTE 17	28,746,608	28,581,800
Current result		2,141,021	1,290,800
Result carried forward	NOTE 19	0	0
Result carried forward - restatement		-312,229	-312,229
Profit distribution		-109,859	-78,072
Own shares	NOTE 21	-112,628	-112,628
Long-term liabilities		1,374,199	1,399,221
Liabilities from financial leasing	NOTE 22	0	0
Provisions	NOTE 23	0	0
Liabilities with deferred profit tax		1,374,199	1,399,221
Current liabilities		27,294,718	25,596,937
Bank loans	NOTE 24	0	0
Liabilities from financial leasing	NOTE 22	0	0
Suppliers and other assimilated liabilities	NOTE 25	25,246,920	23,810,600
Provisions	NOTE 23	10,449	0
Liabilities with current tax	NOTE 25	0	78,999
Other short-term liabilities	NOTE 25	2,037,350	1,707,338
Total liabilities		28,668,917	26,996,158

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TOTAL EQUITIES AND LIABILITIES	70,700,525	68,044,479
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President of the Board of Administrators

"TARUS" - Valentin Norbert TARUS e.U.
by representative

Valentin – Norbert TARUS
Chief Financial Officer

Robert PELOIU

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STATEMENT OF CHANGES IN EQUITY (RON)

	Share capital	Legal reserves	Revaluation reserves	Other reserves	Issuance premiums	Result carried forward	Current result*	Own shares	TOTAL
Balance as at 01.01.2017	10,921,209	1,434,979	15,320,656	11,546,467	757,485	-312,229	227,613	-112,628	39,783,552
Profit transfer 2016 at the result carried forward						227,613	-227,613		0
Profit distribution 2016 at dividends						-227,613			-227,613
Result 2017							1,290,756		1,290,756
Transfer reserves at dividends				-473,314					-473,314
Profit distribution 2017 to the legal reserve		78,072					-78,072		0
Revaluation of buildings and lands			801,025						801,025
Deferred tax			-126,084						-126,084
Balance as at 31.12.2017	10,921,209	1,513,051	15,995,597	11,073,153	757,485	-312,229	1,212,684	-112,628	41,048,322

* including account 129 distribution of profits

Chief Financial Officer

Robert PELOIU

Farmaceutica REMEDIA S.A.
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STATEMENT OF CHANGES IN EQUITY (RON) – continuation

	Share capital	Legal reserves	Revaluatio n reserves	Other reserves	Issuance premium s	Result carried forward	Profit distributi on	Current result*	Own shares	TOTAL
Balance as at 01.01.2018	10,921,209	1,513,051	15,995,597	11,073,153	757,485	-312,229	1,290,756	-78,072	-112,628	41,048,322
Profit transfer 2017 (FR) to result carried forward						1,212,684	1,212,684			0
Profit distribution 2017 (FR) to dividends										-1,060,898
Profit distribution 2017 (FR) to reserves				151,786		-151,786				0
Result 2018							2,141,021			2,141,021
Legal reserve 2018		109,859						-109,859		0
Closure of account 129 (legal reserve 2017)							-78,072	78,072		0
Inflows buildings+lands			-210,024							-210,024
Revaluation of buildings and lands			88,165							88,165
Deferred tax			25,022							25,022
Balance as at 31.12.2018	10,921,209	1,622,910	15,898,760	11,224,939	757,485	-312,229	2,141,021	-109,859	-112,628	42,031,608

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SITUATIA FLUXURILOR DE TREZORERIE (RON)

2018

Cash flows from operating activities	
Collections from the sale of goods and from the provision of services	106,823,656
Other cash inflows	459,068
Payments to suppliers of goods and services	(91,906,512)
Payments to and on behalf of employees (including taxes on salaries)	(15,574,226)
Corporate tax payments	(211,425)
Payments of other taxes and fees	(2,659,504)
Paid interests	0
Collected interests (current account)	2,693
Other cash outflows	(2,088,679)
Total operating cash flow	(5,154,928)
Cash flow from investment activities	
Collections from the sale of long-term assets and financial investments	1,809,856
Collected interests (from deposits)	0
Collected dividends	2,002,851
Payments for the acquisition of long-term assets	(76,979)
Total cash flow from investments	3,735,728
Cash flow from financing activities	
Short-term loan withdrawals (including interests)	0
Repayment of short-term loans	0
Net foreign exchange differences	(709)
Financing received from shareholders	0
Repayments of long-term loans, including interest	0
Payments to shareholders (dividends)	(981,753)
Payments of own shares	0
Total cash flow from financing	(982,462)
Total cash flow	(2,401,662)
Cash at the beginning of the period	4,975,002
Cash at the end of the period	2,573,340

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NOTE 1 INFORMATION ABOUT THE COMPANY

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.

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 the 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 has decided to keep the two legal entities.

In this context, as at 31.12.2018, Farmaceutica REMEDIA S.A. held majority participations (100%) to the company Farmaceutica REMEDIA Distribution & Logistics S.R.L.

During 2018, Farmaceutica REMEDIA S.A. did not attend in mergers.

In the same period, the company did not alienate assets of significant values (buildings, lands, shares etc) with the following exceptions:

- one of the two operating licenses of a pharmacy, held in Alba-Iulia
- part of (104,62 sqm) an immovable held in Deva

NOTE 2 BASES FOR THE PREPARATION OF FINANCIAL STATEMENTS

Conformity statement

The financial statements of the company were prepared in compliance with the provisions of Order No. 2844/2016 for the approval of Accounting regulations in compliance with the International Financing Reporting Standards (IFRS), adopted by the European Union, applicable to commercial companies whose securities are admitted to trading on a regulated market, with all subsequent modifications and clarifications.

For all the periods up to the year concluded as at 31 December 2011, including, the company prepared the financial statements in compliance with the Romanian Accounting Standards (RAS). The financial statements for the year concluded as at 31 December 2012 are the first financial statements drafted in compliance with the International Financing Reporting Standards (IFRS), as adopted by the European Union.

Financial statements as at 31.12.2018 were approved by the Board of Administrators of the Company as at 19.03.2019.

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Bases of valuation

The financial statements were prepared based on the historical cost, except for the buildings and lands that are assessed at their fair value (market value determined by valuation by an expert valuator). The historic cost is generally based on the fair value of counterperformance carried out in exchange for the assets.

The company presents in financial statements at the fair value all the components of asset and liability items for which valuation at the fair value is imposed, the methods used for its determination being inventory and revaluation (IFRS 13).

Thus, buildings (comprised in the Tangible assets and real estate investments class) and the lands owned by the Company are annually assessed by an independent authorised valuator, ANEVAR (*National Association of Romanian Valuers*) member, having a recent and relevant experience in what concerns localisation and the category of investment subject to valuation.

Since 2015, the used revaluation method was the gross income multiplier method (quantifying the present value of future anticipated benefits produced to the owner obtained by property rental). The values were estimated based on public market studies, and correlation was realised based on several criteria, the most important being the number of inhabitants of the locality where the property is located.

Valuations of tangible assets were classified at level 2 as their values are comparable to the similar ones from the active market, are adjusted and are directly observable - IFRS 13.93 (b).

The company does not have financial instruments that would imply the use of other fair value estimation methods.

During 2018, there were no events and circumstances that would lead to the recognition of a loss from a significant depreciation of tangible assets.

Functional and presentation currency

Financial statements are presented in LEI (RON), this being the functional currency of the Company. The entire financial information is presented in LEI.

Principle of activity continuity

Financial statements were prepared based on the principle of activity continuity, which implies that the company, in a foreseeable future, will normally confirm its activity, without undergoing bankruptcy, liquidation or significant reduction of the activity.

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Comparative statements

Certain amounts in the statement of financial position, statement of comprehensive income, statement of treasury flows, statement of changes in equity, as well as in explanatory notes, were reclassified to ensure comparability between previous years and the current year.

Estimations and professional judgments

The preparation of IFRS financial statements involves the use of professional judgment by the management, estimates and assumptions that may affect the application of accounting policies and the reported value of assets, liabilities, incomes and expenses. Under these conditions, the actual results may differ from the estimated values. The estimates and assumptions underlying them are periodically reviewed. The review of accounting estimates is recognised during the period in which the estimation was reviewed and during the future affected. The following are critical professional judgments/reasoning which the Company management made with a significant impact on the values recognised in financial statements:

- Life span of fixed assets
- deferred taxes
- Provisions
- Reporting on segments

Changes in accounting policies

The adoption for the first time of new or reviewed standards

The adopted accounting policies are consistent to those applied for the previous financial year, and adapted to the following new interpretations, amendments to the existing standards and interpretations issued by the Commission of International Accounting Standards (IASB) adopted by the European Union.

IASB issued the Annual Improvements of IFRS – Cycle 2014 – 2016, which represent a collection of changes in the IFRS.

New standards, interpretations and amendments that entered into force in 2018 were applied without having a significant impact on financial statements:

IFRS 1 - The adoption for the first time of International Accounting Standards: Elimination of short-term reliefs for entities applying for the first time;
IFRS 2 – Payments based on actions: Classification and assessment of payment transactions based on actions;
IFRS 4 Insurance contracts: approaching or postponing the overlapping to eligible financial assets;

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IFRS Financial instruments: additional modifications for the introduction of a new depreciation model of anticipated losses modifications limited to the classification and assessment requirements of financial assets;
IFRS 15 incomes from contracts with customers: clarifications, replacement IAS 18;
IAS 11 Constructions contracts – replaced with IFRS 15 ;
IAS 28 Investments in associated entities and in joint ventures (reviewed): Assessment of an associated company or of a common company at the fair value;
IAS 39 Financial instruments, recognition and assessment: replacement with IFRS 9;
IAS 40 Real estate investments: Transfers of properties;
IFRIC 13 Loyalty programs for customers: replaced by IFRS 15;
IFRIC 15 Agreements for real estate constructions, replaced with IFRS 15;
IFRIC 18 Transfer of goods from customers, replaced with IFRS 15;
IFRIC 22 Foreign exchange transactions and early analytics: issuance;
Conceptual framework for financial reporting 2018.

Application of new standards, interpretations and amendments, which enter into force at or after the date of 01 January 2019 by Annual improvements of IFRS – Cycle 2015– 2017 or other amendments did not have a significant impact on financial statements:

IFRS 3 Combinations of enterprises – from 01.01.2019 and from 01.01.2020
IFRS 4 Insurance contracts: replacement with IFRS 17 from 01.01.2021
IFRS 9 Financial instruments: classifications of financial assets – from 01.01.2019
IFRS 11 – Common agreements (amendment)- 01.01.2019
IFRS 16 Leasing: replacement IAS 17 – from 01.01.2019
IAS 1 Presentation of financial statements (modified): definitions – 01.01.2020
IAS 8 Accounting policies, modifications of accounting estimates and errors – 01.01.2020
IAS 12 Profit tax: IFRIC 23 and modifications – from 01.01.2019
IAS 19 Benefits of employees: planning of modification, reduction of settlement – from 01.01.2019
IAS 28 – Investments in associated entities and in joint ventures: long-term interests – from 01.01.2019
IFRIC 4 Determination whether a contract is for leasing: replacement with IFRS 16– from 01.01.2019
IFRIC 23 Uncertainty towards treatments on income tax: issuance – from 01.01.2019

Bases of consolidation

The company owns participations in other companies, within which it has control over financial and operational policies. An entity is consolidated if, based on the

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evaluation of its relations with the Company, it is found that it is controlled by the Company. A list of significant investments in other companies is presented in NOTE 12.

NOTE SIGNIFICANT ACCOUNTING POLICIES

Incomes recognition

Incomes represent the gross inflow of economic benefits during the period generated within the performance of the normal activities of an entity, under the form of inflows of assets or increase in the assets value, or decrease of liabilities, which result in increases of equities, other than those obtained by contributions from capital owners.

Incomes include both incomes, and gains.

Incomes are evaluated at the fair value of the equivalent value received or that can be received (IAS 18).

Incomes from the sale of goods are reduced with returns, commercial rebates and other similar discounts. Incomes from the sale of goods are recognised when goods are delivered, and the legal title is transferred, respectively when significant risks and benefits afferent to the property right are transferred to the buyer.

Incomes from the provision of services are recognised in the accounting year in which the services are provided.

Incomes from rents is recognised in compliance with the provisions of relevant rental contracts.

Interest income is recognised on a monthly basis using the effective interest method and are included in the profit and loss account to the Financial incomes.

Incomes from dividends are recognised when the shareholder's right to receive the payment was established.

Recognition of expenses

Expenses represent the reduction of economic benefits recorded during the accounting period in the form of outflows or decreases in the value of assets, or increases in liabilities determining reductions of equities, other than those resulted from their distribution to shareholders.

Currency conversions

In financial statements, currency transactions, other than the functional currency of the entity (RON), are recognised at the current exchange rate on the date of transactions. At the end of each reporting period, monetary items expressed in a foreign currency are converted to the current exchange rates (NBR) from that date.

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Monetary assets and liabilities expressed in currency as at 31 December 2018 are evaluated in RON using the exchange rate valid on the date of concluding the financial year, respectively 1 EUR = 4,6639 RON ; 1 USD = 4,0736 RON.

Exchange rate differences afferent to the monetary elements are recognised in the profit and loss account at the time of occurrence.

Non-monetary elements accounted for at the fair value in a foreign currency are converted at the current rates from the date on which the fair value was established. Non-monetary elements evaluated at a historical cost in a foreign currency are not converted.

Government grants

Government grants are recognised when there is the reasonable safety that the grant will be received, and all the afferent conditions will be met.

Capital grants, including non-monetary grants evaluated at the fair value are recognised as grants for investments and are recognised in the balance sheet as advance income; this is resumed in incomes depending on the registration of expenses with asset amortisation or when the asset is ceded.

The company did not benefit from grants.

Taxes

Current corporate tax

Corporate tax for the current period is presented at the value to be paid by tax authorities and is reported in tax statements according to the legislation in force, the percentage applied over the taxable profit being of 16%.

Deferred corporate tax

The elements regarding the deferred corporate tax are recognised in correlation with the support transaction to other elements of the comprehensive result or in the case of Farmaceutica REMEDIA S.A. - directly in equities (IAS 12.15 - 45 – Recognition of deferred tax liabilities and receivables).

Receivables and liabilities regarding deferred tax are compensated if there is a legal right of compensation of receivables regarding the current tax with the liabilities on current tax, and deferred taxes refer to the same taxable entity and to the same fiscal authority.

Value added tax

The company applies two calculation rates of the value added tax, respectively 9% and 19% corresponding to the nature of the taxable basis (e.g. for drugs, the applicable rate is of 9%).

The applicable VAT rate on rental income is of 19%, the Company appropriately notifying the fiscal authority in this respect.

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The net value of recoverable or payable VAT is included as a as part of receivables and liabilities in the statement of financial position.

Tangible assets

Prior to the date of 31.12.2011 tangible assets were recorded in the balance sheet at the historical cost (purchase or construction price), less cumulative amortisation.

The historical cost was revalued in compliance with the Government Decisions: GD 945/1990, GD 26 A 992, GD 500 /1994, GD 983 /1998 based on indices established by the respective normative acts and GD 403 /2000 and GD 1553/2004, based on the general price index, to restate the net accounting value of assets to a level that better reflects their market value.

A revaluation surplus is recorded in other elements of the comprehensive result and thus credited in the revaluation reserve of buildings, within equities. However, to the extent that it resumes a revaluation deficit for the same assets previously recognised in the profit and loss account, the increase is recognised in the profit and loss account. A revaluation deficit is recognised in the profit and loss account, unless an existing surplus previously recorded for the same asset is compensated, recognised in the reserve from the revaluation of assets (according to IAS 16). Moreover, the cumulative amortisation on the date of evaluation is eliminated from the accounting value of the asset and the net amount is restated to the revalued value of the asset. Upon cessation, any remained revaluation reserve referring to the respective asset to be sold is transferred to the result carried forward.

As a method of accounting for tangible assets (starting with the financial year 2011) the revaluation model for and lands and the model based on cost for the other classes of tangible assets were used.

In the case of tangible assets to which the cost model was applied, for the calculation of amortisation, the straight line amortisation method was used.

Assets being under financial leasing (utility vehicles and cars) are depreciated over their life span on the same basis as similar assets being under property.

Tangible assets owned are subject to depreciation tests to detect the case in which their accounting value cannot be fully recovered. When the accounting value of an asset is higher than the recoverable amount, the asset is appropriately adjusted (IAS 36 – Depreciation of assets) by setting up a provision.

For the new fixed assets, such as installations, cars and measurement and control devices, life spans were established considering the estimated level of

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use based on the use of the asset capacity.

The life spans used are the following:

Buildings and constructions	30-50 years
Equipment and installations	7-24 years
Means of transportation	4- 5 years
Calculation technique	2 -3 years
Office furniture and equipment	5-15 years

Investments in progress are amortised starting with the month prior to the following commissioning.

Expenses with maintenance and repairs of tangible assets are recognised in the profit and loss account at the time of their execution, and improvements leading to the optimisation of their exploitation and framing within the legal norms are capitalised.

Leasing contracts

The company had concluded only financial leasing contracts that have as object means of transportation for merchandise.

Financial leasing significantly transfers to the company all risks and benefits afferent to the ownership right on the good in leasing regime, and are capitalised in the beginning of the leasing contract at the contractual value and are revaluated at the end of each financial year. Financing expenses are recognised as financing costs in the profit and loss account during the leasing contract (IAS 17 – Leasing contracts).

Together with the transfer of wholesale activities to FRDL, the financial leasing contracts were also transferred, so that as at 31.12.2018, the company no longer had in progress any financial or operational leasing contract.

Borrowing costs

Borrowing costs that are directly attributed to the purchase, construction or production of an asset are capitalised as part of the cost of the respective asset. All the other borrowing costs are recorded on expenses during the period in which they intervene.

Borrowing costs represent interests and other costs incurred by the Company for borrowing funds.

The Company was not indebted for the acquisition, construction or production of an asset.

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Real estate investments (IAS 40)

Real estate properties partially or entirely used to obtain rental income were classified as “**real estate investments**”. In the case of properties partially used by the Company and partially leased, the value of the real estate investment was proportionally determined with the surface allocated for rental to third parties as it is presented in NOTE 10. Real estate investments are presented in financial statements at the fair value, reflecting the market conditions at the end of the reporting period and do not include the transaction costs which it can bear in case of sale (IAS 40).

Thus, buildings classified as real estate investments owned by the Company are annually valued by an independent authorised valuator, ANEVAR member, having a recent and relevant experience in what concerns the localisation and category of the real estate investment subject to valuation.

In 2018, the revaluation method used was the gross income multiplier method (quantifying the present value of future anticipated benefits produced to the owner from property rental). The values were estimated based on public market studies, and correlation was realised based on several criteria, the most important being the number of inhabitants of the locality where the property is located. Valuations of real estate investments were classified at level 2 as their values are comparable to those on the active market, are adjusted and are directly observable - IFRS 13.93 (b).

During 2018, there were no events and circumstances that would lead to the recognition of a loss from a significant depreciation of real estate investments.

Intangible assets

Intangible assets are initially valued at cost (IAS 38 – Intangible assets and IAS 36 – Depreciation of assets). Life span durations of intangible assets are evaluated as being definite or indefinite.

Intangible assets with the definite useful life are amortised on the economic life and are depreciated whenever there are indications of depreciation of intangible asset.

The expense with amortisation of this type of intangible assets is recognised in the profit and loss account.

Intangible assets of the type of purchased software programs are linearly amortised within a period of 1-3 years.

In the category of intangible assets with an indefinite life span, operating authorisations for the pharmacy activity (**pharmacy licenses**) are included. According to the legislation in force, the number of these authorisations is limited after several criteria from which the most important is the demographic criterion. Operating authorisations are valued at the acquisition cost, have an infinite useful life, are transmissible (have a price) and are not amortised. In some cases, costs generated by the purchase of pharmacy licenses were capitalised.

During 2018, there were no events and circumstances that would lead to the recognition of a loss from a significant depreciation of intangible assets.

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Financial instruments and risk management (IFRS 7)

Assets or financial liabilities are valued at the fair value plus the costs of the transaction that can be directly attributed to the purchase/issuance of the asset or the financial liability (IAS 39 – Financial instruments).

The Company does not own a tradable financial assets portfolio.

The company holds majority participations in a company and minority participations in other two companies. These financial assets are not listed on a regulated market and are presented at the purchase value without being revaluated.

Cash and cash equivalents are short-term liquid assets and are found in the cash available in cashier's offices, and current bank accounts and deposits with a maturity of less than one year.

In order to ensure optimal cash flow, the company and has, together with FDRL, an open multi-currency credit line of 10 million euros, mainly used by FRDL for the issuance of letters of guarantee of participation/performance bond issued in favour of clients and for work capital.

The main politics on financial instruments and risk management are presented in NOTE 29 and NOTE 32.

Stocks

The stock of merchandise (pharmaceutical and para-pharmaceutical products) represent over 99.9% from the total stock of the Company. In the accounting statements, merchandise stocks are emphasized at the entry cost which includes, apart from the acquisition price, import fees, transportation and, when applicable, received discounts. Stocks are valued at the end of the period at the lowest value between the cost and the net realisable value (IAS 2 – Stocks).

Starting with 2011, in the cost of stored merchandise, future certain discounts are also introduced. The net realisable value is the sale price estimated under normal business conditions, less the estimated completion costs and sales costs.

Within own pharmacies, stocks of drugs and para-pharmaceutical products are emphasized at retail sale price (purchase price + trade markup + VAT).

Stocks being largely represented by drugs managed strictly on the basis of manufacturing batches (according to the legislation in force), at the inventory outflow, the FEFO method is used (first expired, first out), and in the case of the existence of two batches with the same expiry date, the FIFO method is used (first in, first out).

Establishing the quantities actually existing in the stock is realised by using the permanent inventory method. The company periodically carries out the inventory of stocks to determine whether they are deteriorated, have slow motion

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or if the net realizable value decreased, proceeding, if necessary, with the required adjustments.

The Company does not hold stocks of pledged merchandise in the liabilities account.

The information on stocks is presented in NOTE 13 (IAS 2.36 – Stocks – information presentation).

Provisions

A provision is recognised if, following a previous event, the Company has a present, legal or implicit obligation, which can be estimated in a reliable manner and which will generate an outflow of economic benefits for its settlement (IAS 37 – Provisions, contingent liabilities and contingent assets).

The expense related to any provision is presented in the profit and loss account.

Provisions are reviewed on the date of each balance sheet and adjusted to reflect the best current estimation of the management in this regard. If, for the settlement of an obligation, an outflow of resources is no longer probable, the provision is cancelled by resumption to income.

Provisions for disputes are recognised when the management estimates that cash outflows will be necessary, following unfavourable disputes. The Company did not have a significant risk of cash outflow following disputes.

The Company has provisions constituted for the depreciation of current assets (merchandise, debtors and doubtful clients), as well as for risks and expenses (lack of cash in the cashier's office). The provisions constituted in 2018 are related to the inventories carried out during the year at the pharmacy in Giurgiu.

The provisions for doubtful clients are recognised based on the analysis of balances older than 6 months. For the clients being in bankruptcy or with a low probability of collection, provisions are constituted. When the loss becomes certain (judge's decision of radiation from the Trade Register) balances are recognised as costs and, concomitantly, the provision previously constituted is reversed. A statement of company provisions is found in NOTE 23.

The Company did not constitute a provision for the claw back fee, as it does not have the legal obligation to incur on costs its amount, not carrying out a pharmaceutical products production activity.

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Employees benefits (IAS 19)

a) Pensions plan

All Company employees are included in the Pensions Plan of the Romanian state, some of the employees also contributing to the private pensions plans (pillar II or III).

In this context, the Company carries out payments to the Romanian state in the account of its employees.

The Company has no other pensions plan or plan for granting benefits after retirement is applied, apart from those previously mentioned.

Company contributions to the Pensions Plan of the Romanian state are incurred on costs on a monthly basis, in the month for which these contributions are due.

According to the Collective Labour Contract, employees retiring for the age limit will receive an allowance equal to 2 gross salaries, taking as a base the last gross salary of the employee.

b) Other benefits of employees

All employees on an 8-hour labour contract benefit from food vouchers according to the legislation in force.

Also, in compliance with the Collective Labour Contract, all employees benefit from fixed bonuses on the occasion of Easter and Christmas, as well as from holiday bonuses.

Also, in compliance with the Individual Labour Contract, employees individually fired benefit from an allowance equal to the last gross salary, if they have a seniority of 1-3 years, 2 gross salaries if they have a seniority of 3-6 years and 3 gross salaries if the seniority exceeds 6 years. In the case of collective dismissals, the granted compensation is similar to the one for individual dismissal.

The Company's policy for other long-term employee benefits is to recognise gains and losses during the period in which they appear in the profit and loss account.

c) Annual bonuses of directors and members of the Board of Administrators

Directors and the members of the Board of Administrators of the Company benefit from annual bonuses based on mandate contracts (depending on the achievement of certain performance indicators) or decisions of the Board of Administrators.

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Dividends

Dividends distribution to Company's shareholders is registered in the financial statements in the year in which they were approved by the General Meeting of Shareholders, therefore, they are not recognised as liabilities at the end of the reporting period. The calculation and highlighting of dividends are realised considering the provisions of IAS 10 – Events subsequent to the reporting period.

The Company does not distribute cumulative preferential dividends.

The statement of dividends is presented in NOTE 18.

Affiliated parties

Parties are considered affiliated when one of them has the capacity to control or influence significantly the other party by ownership, contractual rights, family relationships or otherwise. Affiliated parties also include main shareholders of the company, management members, members of the Board of Administrators and the members of their families, parties with which they jointly control other companies, benefits plans, subsequent to employment for company employees.

The details on transactions with affiliated parties are separately presented in NOTE 27.

Equities

Equities present the right of shareholders on company assets after subtracting all liabilities. They comprise: capital contributions, capital premiums, reserves, result carried forward and the result of the financial year.

Capital contributions

Farmaceutica REMEDIA S.A. was established in 1991 as a commercial company with fully state-owned capital. In 2006, the Company merged by absorption with V.TARUS RoAgencies SRL. In 2007, the Company proceeded to capital increase by the subscription of shares. In 2009, the company was listed in the 2nd category of BSE.

Evolution of the share capital:

	Date	Number of shares	Issuance value (Lei)	Explanations
1	10.11.1999	3.370.107	337.010,70	Initial capital of the state, including the land contributed in nature

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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 – disappearing company
4	05.01.2006	5.696.471	569.647,10	Merger - capital of V.TARUS oAgencies – disappearing 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	

Considering that by the valuation carried out on the date of the merger of the two companies, any revaluation surplus that occurred in prior periods was eliminated and any other share capital increase was carried out after the date of 31 December 2003, the share capital was not subject to adjustment with the inflation index according to IAS 29 – Financial reporting in hyperinflationary economies.

Result carried forward

The accounting profit remained after the distribution of the share of 5% to the legal reserve, within the limit of 20% from the share capital is taken over within the result carried forward at the beginning of the financial year following the one for which the annual financial statements are prepared, from where it is to be distributed on the other legal destinations.

Profit distribution is realised in the next financial year, according to the approval of distribution within the GMS meeting.

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Reserves

The company presents in the financial statements in the reserves category values representing the legal reserve, the reserve from revaluation of buildings and lands held and the reserve constituted from the net profit from previous years as a basis at the company's disposal.

Result per share

The company presents the result per share by dividing the profit or loss attributable to shareholders to the number of shares. The statement of the result per share is presented in the Statement of comprehensive income.

Reporting on segments (IFRS 8)

Segmentation of company's activity is mainly realised on activity lines and detailed on geographical regions, as presented in NOTE 28. The calculation takes into account the risks and benefits directly and indirectly attributable to each segment.

Considering the specific of distributed merchandise and of services offered by the company, a correlation of them between the geographic regions and clients has no relevance.

Accounting errors

The correction of significant errors afferent to the previous financial years does not determine the modification of financial statements of those financial years. In the case of errors afferent to previous financial years, their correction does not require the adjustment of the comparative information presented in the financial statements. Any impact on the comparative information regarding the financial position and the financial performance, respectively the modification of the financial position, is presented in the explanatory notes and adjusted in the result carried forward during the year.

NOTE 4 INCOMES FROM SALES AND OTHER OPERATING INCOMES

Operating incomes are realised from the sale of merchandise – mainly drugs and para-pharmaceutical products, as well as from provided services and rents, as presented below:

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description	2017	2018
NET TURNOVER, of which:	90.661.306	99.034.548
incomes from the sale of merchandise, of which:	88.498.095	96.765.975
- sales of Remedia pharmacies	88.394.116	96.765.975
- other distribution channels	103.979	0
commercial discounts granted	(3.359)	0
incomes from services provided and rents, of which:	2.166.570	2.268.573
- logistic services and store keeping		
- rents	1.635.696	1.606.511
- marketing services	508.663	466.551
- other services	22.211	195.391

Other operating incomes

description	2017	2018
Invoiced penalties	20.024	23.881
sales of tangible assets	1.569.264	1.522.887
reconciliation of suppliers' balances		
other incomes	64.405	29.001
TOTAL	1.653.693	1.575.769

NOTE 5 MATERIAL EXPENSES

Description	2017	2018
Cost of merchandise *	68.332.788	75.640.582
Utilities	649.288	613.995

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Fuels	237.066	271.911
Spare parts	37.905	41.129
Consumables	468.449	478.947
Inventory items	123.065	289.283
TOTAL	69.848.561	77.335.847

* net value obtained by adjustment with the received discounts

NOTE 6 PERSONNEL EXPENSES

Personnel expenses have the following composition:

Description	2017	2018
Gross salaries and allowances	10.973.471	14.988.333
Expenses with insurances and social protection	2.578.694	458.816
- Insurance contribution for labour		338.338
- Other expenses on insurance and social protection expenses		120.478
Other personnel expenses	982.073	1.488.156
- PFA /PFI (<i>authorized natural person/independent natural person</i>)	240.757	439.760
- Meal tickets/gift	641.743	802.707
- Fund for disabled persons	99.573	245.689

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TOTAL	14.534.238	16.935.305
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The costs (including fees) with remuneration in 2018 2017 of the Board of Administrators and of the General Director were in a total of de 950.000 lei.

NOTE 7 OTHER OPERATING EXPENSES

Description	2017	2018
Repairs	173.670	149.831
Rents	3.518.243	3.329.142
Insurance	99.079	28.295
Post and telecommunications	158.833	156.488
Displacements and transport	82.110	95.803
Advertisement	50.211	26.594
Protocol	57.737	95.778
Donations and sponsorships	13.800	13.500
Other taxes and fees	454.557	514.987
Bank fees	95.494	114.203
Other services provided by third parties	747.171	798.603
Other operating expenses	1.103.966	390.898
TOTAL	6.554.871	5.714.121

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NOTE 8 NET FINANCIAL INCOMES

Description	2017	2018
Interest income	5.234	2.693
Interest expenses	0	0
Incomes from exchange rate differences	20.479	543
Expenses from exchange rate differences	(1.457)	(1.236)
Advance payments discounts	(17.448)	(3.850)
Advance collections discounts	165.013	65.494
Received dividends	501.882	2.002.851
Rezultat	673.703	2.066.495

NOTE 9 EXPENSES WITH CORPORATE TAX

In the calculation of the corporate tax, the influence of non-deductible costs was considered, of non-taxable income (including reversals of provisions) and tax facilities.

Description	2017	2018
total incomes	93.007.605	102.681.899
total expenses (without corporate tax)	91.446.161	100.484.726
gross accounting result	1.561.445	2.197.173
deductions	408.762	537.048
non-taxable income	1.108.866	2.083.091
non-deductible expenses	1.734.240	858.289
tax result	1.778.056	435.324
corporate tax	284.489	69.652

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tax reductions	13.800	13.500
total current corporate tax	270.689	56.152

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NOTE 10 TANGIBLE ASSETS & REAL ESTATE INVESTMENTS

10.1 TANGIBLE ASSETS

	Lands	Buildings and other constructions	Technical installations and cars	Equipment and vehicles	Furniture	Assets under progress	Advances for fixed assets	Total
as at 01 January 2017	3.706.991	19.482.874	247.586	4.916.179	2.258.283	0	31.491	30.643.404
Inflows/revaluations	651.323	318.910	7.313	0	25.719		7.318	1.010.583
Transfer of real estate investments		-238.822						-238.822
Outflows		-223.192	-211.624	-1.964.110	-16.780	0	0	-2.415.706
as at 31 December 2017	4.358.314	19.339.770	43.275	2.952.069	2.267.222	0	38.809	28.999.459
Inflows/revaluations	275.341	257.812	20.874	1.035.597	43.306		47.334	1.680.264
Transfer of real estate investments		-690.685						-690.685
Outflows	-70	-626.454		-1.218.957	-171.976		-46.723	-2.064.180
as at 31 December 2018	4.633.584	18.280.443	64.149	2.768.709	2.138.551	0	39.420	27.924.858

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* exclusively real estate investments

10.1 TANGIBLE ASSETS (continuation)

Cumulative amortisation	Lands	Buildings and other constructions *	Technical installations and cars	Equipment and vehicles	Furniture	Total
as at 01 January 2017	0	0	348.650	4.220.447	1.270.889	5.839.986
year amortisation				140.546	168.210	308.756
cumulative amortisation affrent to outflows				-2.175.734	-16.780	-2.192.514
as at 31 December 2017	0	0	348.650	2.185.259	1.422.319	3.956.228
year amortisation				218.816	194.158	412.973
cumulative amortisation affrent to outflows				-210.782	-171.976	-382.758
as at 31 December 2018	0	0	348.650	2.193.293	1.444.450	3.986.443

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10.2 REAL ESTATE INVESTMENTS (RON)

10.2 INVESTITII IMOBILIARE (RON)

la 01 ianuarie 2017 5,413,646

transferuri 238,822

la 31 decembrie 2017 5,652,468

transferuri 690,685

la 31 decembrie 2018 6,343,153

Localitate	Adresa	Supraf. Inch. mp	Supraf. Totala mp	Chirie fara Tva -EUR-	valoare reevaluata la 31.12.2018 lei-	% supraf. inchiriata	Val. investitii imobiliare
DEVA	SF. GHEORGHE, str. Pta Victoriei nr 3	28	393	420.00	966,065	29.00%	280,159
		38		684.00			
		48		864.00			
	SF. STEFAN str. 22 Dec	60	187	450.00	502,134	42.00%	210,896
		18.62		140.00			
	SF. MARIA, str. Mihai Eminescu nr 13A	64	214	420.00	657,096	49.10%	322,634
		41		450.00			
	REMEDIA DEPOZIT, str Dorobantilor nr. 43	500	3576,2	2,500.00	2,357,411	33.00%	777,945
680		1,600.00					
	complex comercial Koglaniceanu	177	177	600.00	326,073	100%	326,073
DOBRA	SF. PETRU, str.30 Decembrie, bl.36	60	133,86	120.00	187,181	44.80%	83,857
ALBA IULIA	IZ. TAMADUIRII, str. Iuliu Maniu nr.4, bl.280	120	317	450.00	956,794	37.90%	362,625
VATA	SF. PARASCHIVA, str. Crisului nr.36	75	215.76	500.00	241,266	34.80%	83,961
HATEG	SF. TREIME, Ovidiu Densuseanu	51	377,41	400.00	528,061	42.90%	226,538
		56		448.00			
		55		440.00			
		str. Horea nr.5	47	72,63	212.00	146,335	64,71%
	PIATA UNIRII	35	60	210.00	83,950	58.30%	48,943
CLUJ	str. FAGULUI nr.1	95	207	250.00	630,687	100,00%	630,687
		112		325.00			
SIMERIA	SF. ANDREI, str. Avram Iancu nr.1	30	377.41	252.00	579,763	38.10%	220,890
		23.8		167.00			
		36		216.00			
		5		100.00			
		33		231.00			
		16		120.00			
PETROSANI	SF. GAVRIL, str. Timisoara nr.7	86	174.56	20.00	381,013	49.30%	187,839
BUCURESTI	BD. METALURGIEI, NR.78	2173	5340	13.85	4,556,547	41,9%	1,909,193
		65		325.00			
BRASOV	Str. Zizinului	572	572	2.00	576,234	100%	576,234
TOTAL		5,400.42	8,234.73		13,676,610		6,343,153

Januarie – January; decembrie – December; transferuri – transfers; localitate – locality; adresa – address; supraf. inch. – leasable area; supraf. totala mp – total area sq. m.; chirie fara TVA – rent without VAT; valoare reevaluată la - revalued value as at; % supraf. inchiriata – leased area; val. investitii imobiliare - real estate investments value

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NOTE 11 INTANGIBLE ASSETS (RON)

11.1 SOFTWARE LICENSES

	Software license	Amortisation	Remained value
as at 01 January 2017	453.623	420.503	33.120
inflows	14.258	21.968	
transfers			
outflows			
as at 31 December 2017	467.881	442.471	25.410
inflows	1.673	18.055	
transfers			
outflows	-5.307	-5.307	
as at 31 December 2018	464.248	455.219	9.028

**11.2 PHARMACIES
LICENSES**

	Pharmacies licenses	Amortisation	Total
as at 01 January 2017	8.100.540	0	8.100.540
inflows			
transfers			
outflows	-842.902		
as at 31 December 2017	7.257.638	0	7.257.638
inflows			
transfers			
outflows	-177.144		
as at 31 December 2018	7.080.494	0	7.080.494

In 2018, one of the two pharmacy licenses held in Alba-Iulia was sold.

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NOTE 12 FINANCIAL ASSETS AT FAIR VALUE

Name	value
Participations of group companies, of which:	292.320
FRDL (SIBMEDICA S.R.L.)	292.320
Participations of companies outside the group * of which:	5.316
EUROM BANK (LEUMI BANK)	2.413
BODY FARM S.R.L.	2.903
Deposits and guarantees paid	280.665
TOTAL	578.301

* Companies over which Farmaceutica REMEDIA S.A. does not have control and does not influence their decisions.

NOTE 13 STOCKS

The stock of merchandise (pharmaceutical and para-pharmaceutical products) represents over 99,9 % from the total of stocks of Farmaceutica Remedia S.A.

Description	31-dec-2017	31-dec-2016	31-dec-2018
Merchandise in warehouses	0	34.100	0
Merchandise in pharmacies*	18.728.159	18.213.779	21.515.844
Adjustments	0	0	(43.922)
Other stocks	3.984	22.552	3.434
Trade mark-up	(3.976.272)	(4.214.955)	(4.661.898)
VAT not applicable	(1.744.744)	(1.748.494)	(2.047.174)
TOTAL	13.011.127	12.306.982	14.766.284

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* at retail price

NOTE 13 STOCURI (continuation)

Name	Balance as at 01.01.2018		inflows	outflows	Balance as at 31.12.2018	
	Debit	Credit			Debit	Credit
Materials	3.984		315.963	316.514	3.434	
Inventory items			289.283	289.283		
Merchandise in custody						
Merchandise in pharmacies	18.728.159		109.090.720	106.303.035	21.515.844	
Merchandise in warehouses	0		0	0	0	
Other merchandise	0		0	0	0	
Trade markup		3.976.272	18.994.453	18.308.826		4.661.898
Provisions for the depreciation of merchandise			43.922			43.922
VAT non-negotiable merchandise		1.744.744	9.841.832	9.539.402		2.047.174
Total	18.732.143	5.721.016	128.734.341	134.757.060	21.519.278	6.752.994

Balance: 14.766.284

*at retail price

NOTE 14 TRADE RECEIVABLES AND OTHER RECEIVABLES

Description	31-dec-2017	31-dec-2016	31-dec-2018
TRADE RECEIVABLES:	11.320.032	5.702.234	15.069.833
clients	14.684.609	9.531.647	18.373.626
adjustments for trade receivables	(3.364.576)	(3.971.560)	(3.303.794)
intra-group receivables	0	142.148	0
OTHER RECEIVABLES:	128.888	211.115	284.734
Medical leaves to recover	22.407	25.594	105.969
Corporate tax	0	36.066	76.274

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court costs to be recovered afferent to disputes under progress	41.438	51.241	40.135
other receivables	65.043	98.214	62.356

NOTE 15 CASH AND CASH EQUIVALENTS

	31-dec-2017	31-dec-2016	31-dec-2018
Accounts in banks in RON	3.654.009	14.987.259	1.520.412
Accounts in banks in currency	745.708	880.045	479.064
Cash deposit RON	575.285	452.826	567.414
Other values			6.450
Total cash and cash equivalents	4.975.002	16.320.130	2.573.340

NOTE 16 SHARE CAPITAL

Shareholders	31-dec-2018			16- feb- 2018		
	No. of shares	Nominal value	%	No. of shares	Nominal value	%
TARUS VALENTIN-NORBERT	69.494.616	6.949.462	65,5055	70.555.514	7.055.551	66,5055
PAVEL IONICA-MIRELA	25.708.094	2.570.809	24,2324	19.348.588	1.934.859	18,2379
NATURAL PERSONS	5.064.383	506.438	4,7737	7.519.677	751.968	7,0880
LEGAL PERSONS	5.822.707	582.271	5,4885	8.666.021	866.602	8,1686
TOTAL	106.089.800	10.608.980	100	106.089.800	10.608.980	100

NOTE 17 RESERVES

	<u>31-dec-2018</u>	<u>31-dec- 2017</u>
Legal reserves	1.622.910	1.513.051
Other reserves	11.224.939	11.073.153
Revaluation reserves tangible assets	15.898.760	15.995.596
TOTAL	28.746.609	28.581.800

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In what follows, the nature and the purpose of each reserve within the share capital are described:

Legal reserves: according to law 31/1990, at the closure of each financial year at least 5% is taken over, applied over the accounting profit, before determining the corporate tax, of which non-taxable incomes are deducted and the expenses related to these non-taxable incomes are added, until it reaches the fifth part from the subscribed and paid-up share capital or from the patrimony, as appropriate, according to the organisation and functioning laws.

Fixed assets revaluation reserves: when the accounting value of a tangible asset increases as a result of revaluation, then the increase must be recognized in other elements of the comprehensive result and cumulated in equities, with title of revaluation surplus. Revaluation reserves cannot be distributed and cannot be used at the share capital increase. Other reserves include reserves representing tax facilities, as well as reserves constituted from profits in previous years.

NOTE 18 DIVIDENDS

The evolution of dividends distributed and paid in the last 5 years is presented as follows:

	2014	2015	2016	2017	2018
Initial balance	1.941.229	2.114.415	217.459	205.414	214.756
Distributed gross dividends	1.591.347*	1.591.347*	0	700.927**	1.060.898*
Paid tax on dividends	96.232	96.217	0	34.415	52.675
Paid dividends	1.321.929	3.392.086	12.045	657.170	981.753
Payment dividends	2.114.415	217.459	205.414	214.756	241.226

* from the profit of previous year

** from the profit of 2016 and reserves

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NOTE 19 RESULT CARRIED FORWARD

	2017	2018
Balance at the beginning of the year	0	0
Profit transfer 2016	227.613	
Profit distribution 2016	-227.613	
Profit transfer 2017		1.212.684
Profit distribution 2017		-1.212.684
Balance at the end of the year *	0	0

NOTE 20 PROFIT DISTRIBUTION

As at 31.12.2018, the Company recorded a net profit of 2.141.021,34 Lei, which is proposed for distribution as follows:

- o legal reserve to be constituted: 109.859 Lei
- o dividends: 1.591.347 Lei
- o other reserves: 439.815,34 Lei

NOTE 21 OWN SHARES

In 2015, following the change of the main activity object imposed by the Law No. 95/2006, republished in August 2015, (Art. 800 para. 2), the Company had to buy back from the market a number of 300.100 shares at a price established by an authorised assessor.

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NOTE 22 LEASING

As at 31 December, the company no longer had any leasing contract in progress.

NOTE 23 PROVISIONS

Name of the provision	Balance at the beginning of the financial year	Transfers		Balance at the end of the financial year
		in the account	from the account	
PROVISIONS FOR CURRENT ASSETS:	3.364.576	53.113	60.783	3.356.907
provision for expired merchandise	0	43.922	0	43.922
provision for doubtful clients	3.364.576		60.783	3.303.794
provision for the depreciation of debtors	0	9.191		9.191
PROVISIONS FOR RISKS AND EXPENSES:	0	10.449	0	10.449
Provision for VAT afferent to expired merchandise	0	10.449	0	10.449
GRAND TOTAL	3.364.576	63.562	60.783	3.367.356

NOTE 24 COMMITMENTS

The company has opened with BANCA TRANSILVANIA a multi-currency credit line for working capital. The credit line can be also used by FRDL.

Objective	Credit line - financing of working capital
Amount	10.000.000 EUR
Maturity	31 Mai 2019
Guarantees	Security interest in real property over company immovables
Used CL 31.12.2018	5.704.377,23 EUR
Restricted CL 31.12.2018	5.704.377,23 EUR
CL to be used 31.12.2018	4.295.622,77 EUR

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As at 31.12.2018, the amount used from the credit line (exclusively by FRDL), respectively EUR 5.704.377,23 is entirely afferent to the letters of guarantee for participation and performance bond issued in favour of clients, as well as for letters of payment guarantee issued in favour of merchandise suppliers. This amount is not interest-bearing and is emphasized only in a non-accounting manner, not being an exigible debt.

NOTE 25 TRADE AND OTHER LIABILITIES

description	31-dec-2017	31-dec-2018
suppliers, of which:	23.810.600	25.246.920
merchandise suppliers	23.670.197	25.107.794
assets suppliers	140.403	139.125
other current liabilities, of which:	1.707.338	2.037.350
Salaries, afferent taxes and other debts to employees	1.200.177	1.431.026
dividends	214.756	241.226
market VAT	207.236	262.225
other taxes and fees	8.378	6.716
other creditors	76.791	96.157

Salaries of December 2018 and afferent taxes were liquidated in January 2019.

Other taxes and charges” are represented by Ecotax, which were also paid in January 2019.

“Other creditors” represent guarantees paid by tenants and managerial personnel.

NOTE 26 DISPUTES

The Company has disputes open as claimant, mainly for the recovery of amounts of commercial nature from clients whose debits exceeded the due date.

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NOTE 27 PRESENTATION OF TRANSACTIONS WITH AFFILIATED PARTIES

Transactions consisted of sales and purchases of merchandise, as well as in the provision of services, as follows:

partner	object of contract	contract year	REMEDIA sales	REMEDIA purchases	client balance	supplier balance
Magheru Pharmacy	sale/purchase of merchandise	2009	0	0	0	0
Farmaceutica REMEDIA Distribution&Logistics	sale/purchase of merchandise/auto, rental of premises and auto	2015 2016	1.706.149	70.658.084	0	19.378.674
Tarus Media	services of medical promotion /premises rents	2006	26.501	115.032	7.067	60.512
Imobiliara Magheru	lease of spaces	2006	0	282.088	0	781

For the transactions carried out with affiliated parties, no guarantees over receivables or liabilities are constituted.

The main shareholder of Farmaceutica REMEDIA S.A. - Valentin Norbert TARUS holds shares in the company Tarus Media S.R.L. of Bucharest. The company Farmaceutica Magheru S.R.L. is owned 100% by Tarus Media S.R.L.

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Note 18 Reporting on activity segments

	West region	Centre region	Bucharest region	South-West region	Other operations	Premises/auto rents	Provided services	TOTAL* 2018
Net turnover	48,677,934	14,600,975	22,951,615	11,005,122	75,508	1,606,510	116,765	99,034,429
Incomes from the sale of merchandise	48,432,005	14,526,337	22,800,577	10,931,548	75,508			96,765,975
Commercial discounts granted	0	0	0	0	0	0	0	0
Incomes from services provided and rents	245,929	74,638	151,038	73,574	0	1,606,510	116,765	2,268,454
Other operating incomes					1,636,671			1,636,671
OPERATING INCOMES - TOTAL	48,677,934	14,600,975	22,951,615	11,005,122	1,712,179	1,606,510	116,765	100,671,100
Expenses with merchandise	37,697,633	11,059,310	18,312,962	8,490,734	79,941	0	0	75,640,580
Expenses on merchandise	39,041,915	11,405,460	19,069,522	8,854,574	81,296	0	0	78,452,767
Commercial discounts received	-1,344,282	-345,150	-756,560	-363,840	-1,355	0	0	-2,812,187
Gross margin from the sale of merchandise	10,734,372	3,467,027	4,487,615	2,440,814	-4,433	0	0	21,125,395
Other operating costs	9,997,217	3,020,495	8,356,179	3,011,475	334,209	176,959	3,301	24,899,835
Direct costs	7,354,492	2,259,359	2,259,359	2,431,384	334,209	132,514	63	19,419,954
Logistics costs	0	0	0	0	0	0	0	0
Promotion costs	714	219	219	238	0	0	0	1,885
Indirect costs	2,642,011	760,917	760,917	579,853	0	44,445	3,328	5,477,996
OPERATING EXPENSES - TOTAL	47,694,850	14,079,805	26,669,141	11,502,209	414,150	176,959	3,301	100,540,415
Operating result	983,084	521,170	-3,717,526	-497,087	1,298,029	1,429,551	113,464	130,685
Financial result								2,066,488
Gross result								2,197,173
Corporate tax								56,152
Net profit								2,141,021
*includes unallocated amounts								
ASSETS								
Fixed assets	1,336,374	332,371	4,289,101	1,122,648	0	0	0	37,949,388
Tangible assets								23,938,413
Real estate investments								6,343,153
Software licenses								9,028
Pharmacy licenses	1,336,374	332,371	4,289,101	1,122,648				7,080,494
Financial assets at fair value								
Current assets	6,766,519	1,783,626	3,693,668	1,571,165	0	0	0	32,751,137
Stocks								14,766,284
Trade receivables								15,069,833
Other receivables								284,734
Cash and cash equivalents								2,573,340
Accrued expenses								56,946

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TOTAL ASSETS	8,102,893	2,115,997	7,982,770	2,693,813	0	0	0	70,700,525
*include unallocated amounts								
EQUITIES AND LIABILITIES								
Equities	983,084	521,170	-3,717,526	-497,087	1,298,029	1,429,551	113,464	42,031,608
Share capital								10,608,980
Issuance premiums								757,485
Reserves								28,746,608
Current result	983,084	521,170	-3,717,526	-497,087	1,298,029	1,429,551	113,464	2,141,021
Result carried forward								0
Profit distribution								-109,859
Own shares								-112,628
Long-term liabilities	0	0	0	0	0	0	0	1,374,199
Liabilities from financial leasing								0
Provisions of risks and expenses								0
Liabilities with deferred corporate tax								1,374,199
Current liabilities	0	0	0	10,449	0	0	0	27,294,719
Bank loans								0
Liabilities from financial leasing								0
Suppliers and other assimilated liabilities								25,246,920
Provisions of risks and expenses				10,449				10,449
Liabilities with current tax								0
Other short-term liabilities								2,037,350
Total liabilities	0	0	0	10,449	0	0	0	28,668,918
TOTAL EQUITIES AND LIABILITIES	983,084	521,170	-3,717,526	-486,638	1,298,029	1,429,551	113,464	70,700,525
*include unallocated amounts								

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NOTE 29 OBJECTIVES AND POLICIES FOR MANAGING FINANCIAL RISK

Financial risk management

The Company is exposed to a series of financial risks such as:

- Capital risk
- Market risk (which includes the currency risk, the interest rate risk and the price risk)
- Credit risk
- Liquidity risk

The management of the Company, by the measures taken, tries to minimize the possible adverse effects that might affect the financial results of the Company.

Capital risk

The management objectives in what concerns the administration of Company's equities include:

- Continuity of company activity
- Optimal dimensioning of capitals for the reduction of its cost.

The capital of the Company comprises short-term or long-term liabilities, which include loans, liabilities to suppliers and equities comprising share capital, reserves, current result and result carried forward. The Company can review its capital structure on a regular basis by the levers that are at hand. (payment of dividends to shareholders, issuance of new shares, sale of assets for the purpose of liabilities reduction etc).

The main indicator based on which the Company monitors the capital is the indebtedness degree calculated as the ratio between the borrowed capital (from bank and leasing institutions) and equities. The statement of the "indebtedness degree" indicator as at 31.12.2018 is presented as follows:

	31.12.2017	31.12.2018
Borrowed capital	0	0
Equities	41.048.322	42.031.608
Indebtedness degree	0%	0%

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Currency risk

Company's exposure to the currency risk is exclusively given by monetary items such as trade receivables, trade liabilities and loans in currency. The company was mainly exposed to the currency risk for the payments to leasing companies, as well as at the purchases carried out in currency. In 2018, the company did not purchase in foreign currency and the leasing contracts were transferred to FRDL.

Considering that the share of liabilities/receivables in foreign currency is very low, reasonable fluctuations of exchange rates will not produce significant effects in future financial statements.

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

Assets and monetary liabilities expressed in currency on the date of the report are presented as follows:

Description	31.12.2017		31.12.2018	
	EURO	USD	EURO	USD
Trade receivables	748	0	748	0
Trade liabilities	9.375	190	10.938	190
Bank loans	0	0	0	0
Financial leasing	0	0	0	0

Interest rate risk

The company does not have significant interest-bearing assets, income and cash flows not being substantially influenced by the changes in interests exchange rates from the market.

The company has opened only one multi-currency credit line for which the interest is calculated depending on the ROBOR or EURIBOR rate at 3 months, depending on the currency used. Considering the very low degree of indebtedness of the Company, it is appreciated that reasonable fluctuations of the interest rate will not produce significant effects in future financial statements.

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Price risk

The company is preponderantly trading ethical drugs whose maximum price is fixed by the Romanian authorities. The updating of those prices, in compliance with the legislation in force, is carried out on an annual basis.

In the last period, pressure is noticed from the competition, which is countered by discounts and prices and diversifying and improving the quality of the services offered.

In order to compensate with the price reductions, the policy adopted by the Company is to obtain additional discounts from the suppliers by the careful selection of them, correlated with the optimisation of stocks.

Credit risk

Credit risk represents the financial loss risk for the Company which appears if a client fails to meet its contractual obligations. The company is mainly exposed to credit risk occurred from sales to clients.

In the current market conditions of Romania, the distribution of drugs is based on lending. Due to the transfer of wholesale activities to FRDL, the risk of non-collection of receivables disappeared to the largest extent. The settlement deadline with Health Houses was in 2018 of approximately 90 days.

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

- Analysis with increased frequency of debits and financial statements of clients
- Employing additional personnel within the control departments with increased attributions in what concerns stocks management, initiating and pursuing court proceedings of debtors as well as the recovery of debits.
- Strict control of costs with a positive impact on cash-flow.

Capital expenses will be carried out strictly based on the Investment budget and within the limit of cash availability, without affecting the operational activity.

On the other hand, difficulties encountered especially by independent pharmacies, create market opportunities in the direction of finding new forms of collaboration, acquisitions and mergers.

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Liquidity risk

Liquidity risk appears from the management by the Company of current assets and of financing expenses and reimbursements for its debit instruments.

The Company policy is to make ensure it will always have enough cash in order to be able to meet its payment obligations upon maturity. In order to reach this objective, cash availability is maintained (or in the credit line) to meet the needs of payments. The company sufficient liquid resources to honour its obligations under all the expected reasonable circumstances.

Company liabilities (trade liabilities and other liabilities, loans, financial leasing) are classified by the company management in short-term liabilities (due in less than 12 months) and medium and long-term liabilities (due within a period of 13-48 months). The company has no due liabilities older than 48 months after the date of the report.

Liabilities distribution after the maturity date 0-12 months, respectively 13-48 months is appropriately presented in the Statement of financial position (“current liabilities”, respectively “long-term liabilities”)

Bank liquidities

A significant amount from the cash availability of the Company is in banks in the form of demand deposits or cash. The Company is working mainly with Raiffeisen Bank, Banca Transilvania, and the State Treasury. The commercial and lending conditions offered by the banks to which the Company has bank accounts opened are periodically analysed by the management of the financial accounting department.

Operational risk

Operational risk is the risk of occurrence of direct or indirect losses coming from a wide range of causes associated to processes, personnel, Company infrastructure, as well as from external factors, such as those coming from the legal and regulatory requirements and from the generally accepted standards on the organisational behaviour. Operational risks come from all the operations of the Company.

The main responsibility in the development of control instruments related to operational risk belongs to the management of the Company. The directions for the development of operational risk management standards are:

- drafting operational continuity plans
- alignment to the regulatory and legal requirements

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- periodical analysis of operational risk to which the Company is exposed and adapting the procedures and the manner of performing controls for preventing identified risks
- identification of operational losses concomitantly with the generation of proposals for remediation of causes that determined them
- preventing the risk of disputes
- mitigating risks, including by using insurance where appropriate
- development and professional training

NOTE 30 SOURCES OF ESTIMATION UNCERTAINTY

Preparing the financial statements of the Company imposes the management to make estimations and hypotheses affecting the values in relation to income, expenses, assets and liabilities, as well as the notes accompanying them and to present contingent liabilities at the end of the reporting period. These estimations and hypotheses determine an uncertainty that may cause a significant future adjustment of accounting values.

Assumptions and other sources of uncertainty in estimation, presented in compliance with IAS 1.125 are related to estimations that impose the management the most difficult, subjective and complex reasoning.

The following are critical professional judgments/reasoning which the Company management has done with a significant impact on the values recognised in financial statements:

- Lifespan of fixed assets (NOTE 3)
- Deferred taxes (NOTE 3)
- Provisions (NOTE 23)
- Reporting on segments (NOTE 28)

In the case of provisions for the depreciation of merchandise, as a principle, the value of expired merchandise is taken into account, existing on the date of the balance sheet, to which the value of merchandise in stock on the balance sheet date was added and which is supposed to expire in the next 6 months, considering the average monthly sale of the last quarter from the year for which the balance sheet was concluded.

Considering that the main sources of estimation uncertainty (risk of receivables non-collection, depreciation of stocks, other expenses) were forecasted by the management and appropriate provisions were recorded, we appreciate that there is no significant risk for the accounting value of assets and liabilities to fundamentally change in the next financial year.

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Evaluation of the objectives, policies and procedures of the capital management entity

The policy of the company is to include in equities the following:

- share capital: 106.089. 800 shares * 0,01 ron/deed = 10.608.980 ron
- issuance premiums
- legal reserves and other reserves
- current result
- result carried forward
- own shares

The Company was not the object of provisions imposed from the outside regarding capital in 2018.

NOTE 31 EVENTS SUBSEQUENT TO THE REPORTING PERIOD

There were no significant events subsequent to the closure of the financial year 2018.

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NOTE 32 – ECONOMIC-FINANCIAL INDICATORS

Thousand Lei

LIQUIDITY AND WORKING CAPITAL	31.12.2018
current liquidity (Current assets/Current liabilities)	1,2%
Current assets *	32.694
Current liabilities *	27.295
degree of indebtedness (Borrowed capital/Equity x 100)	0,0 %
Borrowed capital * (including leasing)	0
Equity *	42.032
turnover speed for client debit items (average customer balance/turnover *365)	47 days
Average customer balance *	12.625
net turnover *	99.035
Turnover speed of liabilities (average suppliers balance/cogs*365)	125 days
Average suppliers balance *	25.934
Cost of merchandise sold*	75.641
Turnover speed of stocks (average stock balance/cogs * 365)	68 days
Average stocks balance	14.049
Cost of merchandise sold	75.641
Turnover speed of fixed assets (turnover/fixed assets)	2,61
net turnover *	99.035
Fixed assets *	37.949
Gross profit margin (%) (gross profit/net sales)	2,22 %
Gross profit *	2.197
Net turnover *	99.035

Note:

1) **Current liquidity** – indicator level reflects a good payment capacity, therefore a reduced risk, certifying that the company is capable of covering its short-term liabilities based on receivables and cash availability. The indicator evolved positively from 1,15% to 31.12.2017.

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 indicates that the company has no financing or liquidity problems.

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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 specific for the collection of receivables in the distribution of drugs, we believe that the value of 47 days is a normal one under the given conditions. The indicator has strongly depreciated from 31 days to 31.12.2017.

4) **Turnover speed of liabilities** represents the average period in which suppliers are paid. The indicator was maintained at the same value as last year.

5) The value of the **No. of days on hand** indicator (68 days) has involved from 66 days in 2017, being far from the one imposed by the internal procedures of the company (45 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 has evolved positively from 2,35 to 2,61.

Farmaceutica REMEDIA S.A.

President of the Board of Administrators
"TARUS" Valentin Norbert TARUS e.U.

Chief Financial Officer
Robert PELOIU

by representative

Valentin Norbert TARUS