



CONSOLIDATED ANNUAL REPORT 2018

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

Farmaceutica REMEDIA S.A.

Registered office: Deva 330160, No. Dorobantilor Street, Hunedoara County

Branch office: Bucharest, 041836, 4th City District, No. 78 Metalurgiei Blvd., Telephone/fax +40 21 321 16 40

Telephone/fax: + 40 254 223 260 remedia@remedia.ro, www.remedia.ro

Trade Register J20/700/1991, TIN: RO2115198; Share capital: RON 10.608.980

IBAN: R033 RZBR 0000 0600 0266 5747, RAIFFEISEN UNIRII Bucharest,

CONSOLIDATED ANNUAL REPORT 2018

Board of Administrators of Farmaceutica REMEDIA S.A.

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

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

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

	Date	Number of shares	Issue value (Lei)	Explanations
1	10.11.1999	3.370.107	337.010,70	Initial capital of the state, including land contributed in kind
2	06.09.2001	1.500.000	150.000,00	Cash contribution of V.TARUS RoAgencies
3	23.07.2003	42.402	4.240,20	Merger - capital of Ditafarm Trading – acquired company
4	05.01.2006	5.696.471	569.647,10	Merger - capital of V.TARUS RoAgencies – acquired company
5	21.12.2007	87.905.969	8.790.596,90	Capital increase – shareholders with pre-emption right
6	04.05.2009	7.574.851	757.485,10	Capital increase – AHG Simcor Industry S.R.L.
	TOTAL	106.089.800	10.608.980	

Organised market on which securities are traded:

Bucharest Stock Exchange - standard category

The total market value on 21.02.2019 is of 47.103.871,2 Lei

The value of a RMAH share is of 0,444 Lei.(as at 21.02.2019)

1. Activity analysis

1.1. Overview

The consolidated financial statements of 2018 comprise the results of the companies:

- **Farmaceutica REMEDIA S.A. and,**
- **Farmaceutica REMEDIA Distribution & Logistics S.R.L. , a company owned 100 % by Farmaceutica REMEDIA S.A.**

On **25 July 1991**, Farmaceutica REMEDIA S.A. was established as a commercial company with fully state-owned capital by reorganisation of the Oficiul Farmaceutic Deva, established in 1957.

On **13 October 2000**, V.TARUS RoAgencies S.R.L. purchased from FPS the majority shares package (55,802 %).

On **01 January 2006**, Farmaceutica REMEDIA S.A. merged by absorption with V.TARUS RoAgencies S.R.L.

According to the law 95/2006 republished in August 2015, commercial companies can no longer carry out at the same time wholesale and retail activities of drugs. (Art. 800 paragraph 2).

On **01 January 2016**, Farmaceutica REMEDIA S.A. completed the transfer to Farmaceutica REMEDIA Distribution & Logistics S.R.L., **a company owned 100%**, of the wholesale distribution activities of drugs (by a network of 8 warehouses) together with related activities (logistical services, recordings, promotion and marketing of drugs, etc.), keeping the operation of the chain of 100 pharmacies and local distribution offices.

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

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

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

During 2018, Farmaceutica REMEDIA S.A. or Farmaceutica REMEDIA Distribution & Logistics S.R.L did not attend in mergers.

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

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

1.2. Elements of general evaluation

The consolidated financial results of Farmaceutica REMEDIA S.A. for the financial year 2018 indicate a **net profit of 3.048.136 Lei**, at a **net turnover of 464.043.563 Lei**. Other operating income were also recorded (1.789.002 Lei), mainly sales of assets (licences of pharmacies and real estates), as well

as financial income in the amount of 156.052 Lei (mainly discounts received for the advance payment and rate differences).

The total costs (excluding corporate tax) amounted to the value of 462.305.588 Lei, of which:

- Operating expenses – 462.115.492 Lei of which:
 - 411.412.084 Lei is the net cost of sold merchandise (including received commercial discounts)
- Financial expenses – 190.096 Lei, of which:
 - 33.527 Lei – paid interests,
 - 71.071 Lei – rate differences
 - 85.497 Lei – discounts paid for advance collections

Considering the market of drugs and pharmaceutical products of over 3.5 billion euros (in 2018), we estimate the market share of the Farmaceutica REMEDIA S.A. Company to approximately 3%.

On 31.12.2018, the liquidities of companies (available in bank accounts and cash registers) amounted to 3.525.871 Lei. On the same date, the company had available (together with FRDL) a multicurrency credit line of 10 million euros, of which used amounts (bank guarantee letters for the good performance of contracts and guarantees for payment to suppliers) exclusively by FRDL in the amount of 5.704.377,23 euros (26.604.645 Lei)

1.3. Evaluation of company's incomes

The incomes from the sale of merchandise reached the value of 463.200.718 Lei (99,33 % from the gross turnover) with the following allocation of distribution channels:

- Farmacii Remedia 96.765.975 Lei (20,89 % from the total of merchandise sales)
 - Distribution 244.288.309 Lei (52,74 %)
 - Distribution to hospitals 99.187.839 Lei (21,41 %)
 - Other distribution channels * 22.958.595 Lei (4,96 %)
- *(storehouse, Pentron, miscellaneous)

From the activities with added value (invoiced to third parties) and rents, operating income was registered in the amount of 3.141.153 Lei, of which:

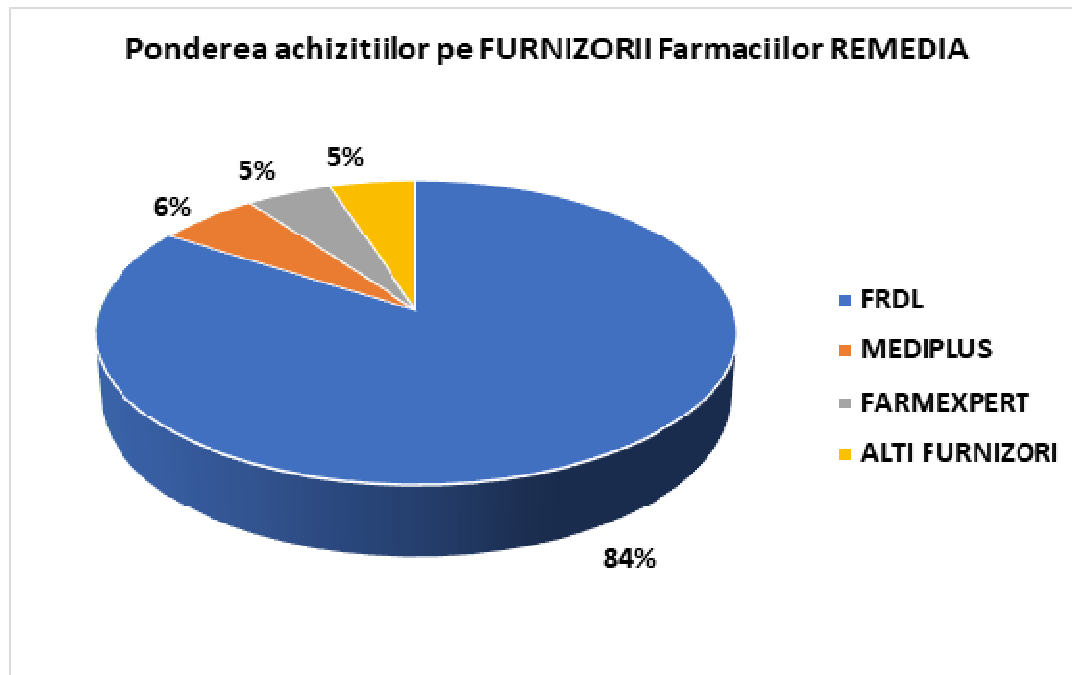
- logistics and warehousing services 1.036.994 Lei (0,23% from gross turnover)
- collected rents 510.595 Lei (0,11 %)
- shelf marketing 466.551 Lei (0,1%)
- clinical studies 144.195 Lei (0,03 %)

1.4. Evaluation of purchases of merchandise

In 2018, the two companies maintained and consolidated their centralised purchases process. Thus, in REMEDIA Pharmacies, purchases

were carried out especially through the distributor FARMACEUTICA REMEDIA DISTRIBUTION & LOGISTICS (FRDL) reaching a share of over 80% as forecasted, and in parallel, the direct collaboration with top 3 pharmaceutical distributors was continued, for added operativity in terms of defect and access to deficient products.

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



Alti furnizori – other suppliers

The consolidation of the centralised purchases process at group level significantly improved the parameters of REMEDIA pharmacies on the following levels:

- Maximising business conditions and accessing additional discount thresholds;
- Increasing the degree of honouring defective products;
- Extending the portfolio of products available upon demand in its own warehouse;
- Operativity in the processing of orders and ensuring the continuity of products in stock;
- Planning purchases, respectively sales per category of product and manufacturers;
- Consolidating the portfolio and establishing the target margin per category of product;

The strategy and the performance of purchases activities for FARMACEUTICA REMEDIA DISTRIBUTION & LOGISTICS considered the following aspects:

- Implementing the Contracts Monitoring procedure (monitoring the performance of contracts within the agreed parameters, in order to maximise commercial benefits, to reach aimed volume targets)
- Planning and carrying out the supply activity to optimise the gross commercial margin; (focusing the purchases volume on strategic manufacturers)
- Quarterly increase in the market share for the distribution of 80% of the direct foreign and indigenous manufacturers with whom we are in a direct contract. Accessing competitive commercial conditions that were at the basis of the expensive increase of sales on the pharmacies Distribution channel.
- A great variety of products and suppliers, as well as a better presence on the stock of products as compared to previous years.
- Starting the implementation of a new **Warehouse Management System**, with a role in optimising the stock level, of storage spaces and the resources involved, as well as a role in the resupply and control of stock movements within warehouses. The new WMS will provide solutions for: it automates and optimises the activities for the reception, storage, collection and dispatch of merchandise providing real-time information regarding the status of stocks and of the storage spaces.
- Enhancing the effectiveness of the stocks rotation duration for the Pharmacies distribution channel. Monitoring stock KPI: stock rotation duration below 45 days; progressive improvement of the indicator seniority of a stock that is not run;

As at 31.12.2018, the stocks of merchandise of the two companies, of which a share of 99,9% is represented by the merchandise, amounted to 98.186.559 Lei.

1.5. Evaluation of aspects related to the company's personnel

Together, Farmaceutica REMEDIA S.A. and Farmaceutica REMEDIA Distribution & Logistics S.R.L had as at 31.12.2018 a number of 624 employees. Their distribution on departments was the following:

- Remedia Pharmacies – 335 persons
- FRDL sales department – 74
- FRDL logistics department (warehouses and transport) - 111
- Support and management departments (Accounting, IT, Administrative, HR, Control, Marketing etc) – 104

Of the 624 employees, 45% have higher education studies, 34% have secondary studies and 21% have average studies.

In Farmaceutica REMEDIA S.A. or Farmaceutica REMEDIA Distribution & Logistics S.R.L. there is no union of employees. They have 3 representatives of employees who participate in the negotiation of the collective labour agreement and who represent the employees in relations with the companies.

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

Farmaceutica REMEDIA S.A. and Farmaceutica REMEDIA Distribution & Logistics S.R.L. comply with the legislation in the field concerning the environmental protection. There are no disputes concerning the breach of the legislation on environmental protection.

The companies contribute to the environmental protection by the selective collection of waste resulted from its own activity. In 2018, over 12 tons of waste, carton packaging and paper were handed over to authorised companies, coming from plastic packaging for recovery according to the legal regulations in force.

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

Farmaceutica REMEDIA collects expired drugs, including those taken over from the population, handing over in a centralised manner to the authorised companies for their destruction according to the legal norms.

In compliance with the EU Directives adopted at the beginning of 2018, Farmaceutica REMEDIA replaced in 2018 the plastic transport bags of 15 microns with bags of min. 50 microns and we introduced biodegradable bags, thus implementing measures to reduce waste and to comply with the legislation in the field.

1.7. Evaluation of the sales and marketing activity

Farmaceutica REMEDIA Distribution&Logistics SRL aimed and succeeded to be the distributor with national coverage that serves most efficiently the small rural and urban areas, thus ensuring the necessary of drugs for independent pharmacies in the segment above mentioned.

The distribution at national level is ensured through 9 logistics centres, operating at high quality standards. In 2018, a new logistics centre was opened in Galati.

The turnover run on the 2 distribution channels in 2018 realised a significant increase in relation to the pharmaceutical market, which reported an increase of approximately 10%, according to CEGEDIM.

The increase in the turnover realised in 2018 in relation to the previous year is the following:

Distribution channel	Increase 2018 Vs 2017
Retail distribution	57.26%
Hospital distribution	12.77%

The performance of the sales figure is based on the improvement of the FRDL position on the market, increasing the market share within direct manufacturers, a better logistical coverage at national level and increasing the number of active customers in the portfolio by 29.94% as compared to the portfolio of active customers in 2017.

The receivables of the entire portfolio of customers belonging to the channel of Retail/Distribution of pharmacies is ensured through Euler Hermes, thus eliminating the risk of non-collection of receivables.

The process for the consolidation of the retail activity continued in 2018, especially for **REMEDIA Pharmacies** being on the logistics routes of FRDL. Particular attention was paid to pharmacies in Bucharest.

The monitoring of sales orients with priority the personnel from pharmacies to the increasing effectiveness and retention of patients through the experimental implementation of the “flow clients” system for counselling, providing associated recommendations and health advices, in partnership with information and medical guidance centres for the health of patients.

The company carried out marketing campaigns in partnership with manufacturers such as for example: Antibiotice, Bayer, Biofarm, Boiron, GSK, Hipocrate, Reckitt Benckiser, Sanofi, Terapia, Zdrovit, Walmark, Farmec, Allergika, Auriga, Mind Ballance, e-learning services with Berlin-Chemie, Fitermann, Montavit, Servier, Stada, local radio ads in Deva etc. in order to increase sales and to come in the support of patients with new products and competitive prices.

In order to make effective and to realise the sales plan the margin, as well as to increase the quality of services offered to patients of REMEDIA Pharmacies, the management activity was organised on two areas – Area 1 (Deva Area) and Area 2 (Bucharest Area), the structure being coordinated by a National Sales and Marketing Manager, having in its componence two Zonal Managers, which have in their subordination five and respectively four Zonal Coordinators of pharmacies. In the IVth quarter of 2018, the management on Area 2 (Bucharest) was reorganised on two Area Sales Managers to make effective the activity in Bucharest.

The total number of customers of REMEDIA Pharmacies increased, together with the purchase of pharmacies in Bucharest, by 8% totalising approx. 3 mil vouchers annually, and the number of loyal customers reached approx. 200,000 (cards), increasing by approx. 8%, from which the no. of new cards is increasing by approx. 28% in 2018 vs 2017.

The customers of the two companies have access to safe products from certified suppliers, ensuring for drugs the highest quality standard and the strict compliance with the “Good Distribution Rules”.

Providing safe drugs for patients represents the standard conduct of our companies. Strict compliance with the mechanism of ensuring quality has led reporting to zero incidents with counterfeit products in 2018.

At consolidated level, there is no significant dependency of the companies towards only one customer. The share in sales of position 1 is of 3,93% - Fundeni Clinical Institute followed closely by Hunedoara County Health House with a share of 3,36%. The first 20 customers realise together a share of 30,67 % from the total sales of merchandise.

1.8. Evaluation of the development activity

The two companies continued also during 2018 the modernisation process both in logistics centres and in transport activities, and in their own pharmacies, by the continuous improvement of IT systems used and endowment with new equipment, as follows:

- The increase of the storage area at national level: relocation of the warehouse of Iasi from 120 sqm to 500 sqm, opening the warehouse in Galati 400 sqm, relocation of the warehouse in Craiova from 200 sqm to 500 sqm;
- Developing the car fleet by the purchase of 15 new FORD Transit utility cars equipped with a system for maintaining the Carrier temperature
- Developing computer systems:
 - a. In-house development and implementation of a claims reporting system, as well as tracking/monitoring in their settlement
 - b. The purchase of a computer system for managing the warehouse of WMS type
 - c. Developing and improving the TMS transport management system
 - d. Developing and implementing an electronic invoice archiving system
 - e. Developing and implementing a consent archiving electronic system for the processing of personal data, according to GDPR
- Optimising the flows by initiating the capital repair of the conveyor belt installed in the Bucharest warehouse, replacing the PLC conveyor with an updated one that allows interfacing with WMS and the work stations at national level
- Purchase for the logistics structure of Zebra screening equipment used together with the WMS system
- Purchase of transport boxes
- Replacing the data systems at the level of local warehouses
- Adaption to the legislative requirements, respectively change of cash registers
- Modernisation of the communications infrastructure (new mail server)
- Automation of taking-over of customers invoices from the management program in the Accounting program
- Modernisation of automatic exchanges of data between FR and FRDL (stocks/orders/invoices)
- Automatic reports for the management
- Securing the internal exchange of information (headquarter - pharmacies) (according to GDPR and not only)
- The first "real" inventory with intelligent terminals where unique bar codes are used on packaging

By the development of the logistical services component for the implementation of the European Directive No. 2011/62/EU on counterfeit drugs, respectively the implementation of the drugs serialisation process, Farmaceutica REMEDIA and Farmaceutica REMEDIA Distribution & Logistics obtained in 2018 a GS1 licence certificate, attesting the membership in the global organization GS1 Romania.

Making effective the logistical costs by searching and finding the best delivery variants, together with the WMS implementation (warehouse management system) and TMS (Transport Management System) were the main objectives of 2018.

All spaces necessary for the opening and modernisation of pharmacies were arranged in compliance with the requirements of REMEDIA Pharmacies, increasing visibility and adapting to the needs of customers by the equipment with open space counters, computers, scanners, light commercials.

Online shopping have a strong ascendant trend among urban population and for this reason Farmaceutica REMEDIA S.A. as well initiated the development of the on-line sales platform for the preparation of all mechanisms necessary for the realisation of sales for the time in which the legislation will allow commercialisation of drugs on the internet.

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

1.9. Evaluating the activity on risk management

The main risks categories identified in 2018 were:

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

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

In the case of FRDL, receivables are ensured to a top insurer and, thus, the risk of non-collection is reduced in this case as well.

In order to counteract the cash-flow risk, the two companies have available a multicurrency credit line in the amount of 10 million euros. It is used mainly for issuing performance bond letters and in favour of suppliers of merchandise but also to cover the work capital necessary when needed.

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

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

- Periodical reanalysis (6 months) of the credit limits of all clients, together with ensuring the balances for the risk of non-collection at a top company in the field.
- Analysis with increased frequency of debits and financial statements of clients
- Employing additional personnel within the control departments with increased attributions concerning the establishment and control of credit limits, management of stocks, initiating and monitoring the court proceedings of debtors as well as the recovery of debts.
- Strict control of costs with a positive impact on cash-flow.

1.10. Elements of perspective on the company's activity

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

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

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

We will pay a special attention to the increase of the quality of processes.

We propose to consolidate the digital transformation of the company and to optimise the services by the development of new platforms – BI, machine learning, B2B, e-shop – and integration of IT&C platforms - wms, tms, ERP.

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

2. Fixed assets of companies

Fixed assets (at the remained value) are in the amount of **39.029.412 Lei** having the following structure:

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

7.150.766 Lei - Intangible assets (pharmacies licences and software licences)

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

Within tangible assets, a share of 94,13% is represented by the constructions and lands. They are evaluated at market level, each year, by an authorised assessor. The evaluation at the end of 2018 emphasized an appreciation of 107.623 lei of these assets. (lands + 275.341 lei, constructions +226.122 lei, constructions– 393.840 lei).

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

3. Shares and shareholding

The market on which the securities issued by Farmaceutica REMEDIA S.A. were negotiated in 2018 was the Bucharest Stock Exchange, Standard category.

The shares of Farmaceutica REMEDIA S.A. are nominative shares in the amount of 0.1 lei/ share, in a number of **106.089.800** shares with the following synthetical property structure as at 31.12.2018, (information provided by the Depozitarul Central) :

Shareholders	No. of shares	Share from the share capital (%)
TARUS Valentin-Norbert	69.494.616	65,5055
PAVEL Ionica - Mirela	25.708.094	24,2324
NATURAL PERSONS	5.064.383	4,7737
LEGAL PERSONS	5.822.707	5,4885
Total	106.089.800	100,0000

As at 31.12.2018, the company held 300.100 own shares.

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

4. Dividends

Considering the quantum of the net profit obtained by FR in 2018 (2.141.021 lei), the Board of Administration proposed the distribution to the legal reserve the amount of 109.859 Lei (5,13% from the net profit), to dividends the amount of 1.591.347 Lei (74,33%) and to other reserves the amount of 439.815 Lei (20,54%).

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

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

	2015	2016	2017	2018	2019
Initial balance	2.114.415	217.459	205.414	214.756	241.226
Distributed gross dividends	1.591.347	0	700.927**	1.060.898	1.591.347*
Tax per dividends paid	96.217	0	34.415	52.675	
Paid dividends	3.392.086	12.045	657.170	981.753	
Dividends to be paid	217.459	205.414	214.756	241.226	

*Proposal

****from the profit of 2016 and reserves**

In the case of Farmaceutica REMEDIA Distribution & Logistics S.R.L., the Board of Administration proposes the distribution of the net profit (2.986.594,14 Lei) on the following destinations:

- 2.000.000 Lei – dividends to be paid to Farmaceutica REMEDIA S.A.
- 986.594,14 Lei – non-distributed profit

5. Management of Farmaceutica REMEDIA S.A.

Until 30.04.2018, Farmaceutica REMEDIA S.A. was managed by a Board of Administrators composed of 5 non-executive members, of which one is an independent member, in the following compenence:

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

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

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

On 12.03.2007, he was appointed the president of the Board of Administrators of Farmaceutica REMEDIA S.A. The date of expiry of his mandate is 30.04.2015.

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

TARUS & Partner KG Austria, Leopold Moses G. 4/2/46.

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

He held on 31.12.2018, 65,5055 % from the shares of Farmaceutica REMEDIA S.A.

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

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

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

During the period **1990-1991**, she was Business Development within Imkometal. Until 1993, she held the position of Manager of the General Administration Department at Rominko AG.

During the period 1993-1994, she held the position of General Director at Cyroco Company, and until 2006, she held the same position at the V.TARUS RoAgencies SRL company.

On 12.03.2007, she was appointed member in the Board of Administrators of Farmaceutica REMEDIA S.A. The mandate of administrator was renewed on 01.05.2017 with the validity date 30.04.2019.

She speaks fluently English and Russian languages.

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

She owned as at 31.12.2018 – 1.143 shares at Farmaceutica REMEDIA S.A.

3. **BANCIU Mircea** – member of the Board of Administrators

He works within the companies owned by Valentin-Norbert TARUS since 1996. Bachelor of Economic Sciences of the Bucharest University of Economic Studies, Faculty of International Economic Relations, specialisation Management in the economy of tourism and international trade, in 1996.

He has a rich experience in the logistical and administrative activity, international trade and international trade policies, as well as in the management and marketing of tourist and trade activities.

He speaks English language fluently. He is passionate about instrumental music: piano and bass guitar. The mandate of administrator was terminated on 30.04.2018.

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

As at 31.12.2018 he did not own shares at Farmaceutica REMEDIA S.A.

4. BACIU Ioan – member in the Board of Administrators

He graduated in 1999 the Faculty of Law of the “Spiru Haret” University of Bucharest. Bachelor of Laws at the Bucharest University – Faculty of Law in 2000. Since October 2016 – Ph.D. student.

Since November 2000 and until September 2005, he worked within several law practices. Since September 2005, he is a senior attorney-at-law of the private partnership of attorneys-at-law RUBIN MEYER DORU & TRANDAFIR affiliated with HERZFELD & RUBIN, P.C., NEW YORK

Since September 2013, he is a member of the Group of experts in public procurement of the European Commission. The mandate of administrator is valid until 30.04.2018.

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

As at 31.12.2018 he did not own shares at Farmaceutica REMEDIA S.A.

5. CHIVU Corina-Andreea – member in the Board of Administrators

In September 2012, she graduated the Faculty of Pharmacy of the “Carol Davila” Medicine and Pharmacy University with the specialisation pharmacy. In 2016, she obtained the specialisation « Clinical pharmacy »

During the period October 2012 – July 2014, she worked within the Dona Pharmacies.

Since August 2014, she works within Farmaceutica REMEDIA, initially occupying the position of Acquisitions Pharmacist, subsequently being promoted to Quality Manager. The mandate of administrator was valid until 30.04.2018.

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

As at 31.12.2018 she did not own shares at Farmaceutica REMEDIA S.A.

Starting with the date of 01.05.2018, the administrators Chivu Corina, Baciu Ioan and Banciu Mircea were replaced by:

3. **SERFAL Management S.R.L.** – member of the Board of Administrators
represented by Sergiu FALA.

He graduated the Law Faculty within the “Babes-Bolyai” University and has a Master’s Degree in German Studies at the same university.

He began his activity as human resources manager at EBS Software Romania (currently NTT Data).

Since 2002, he joined the company LIDL Stiftung in Germany where he worked for 3 years in the field of sales and expansion. In 2007 he founded LIDL Romania and in 2011 he coordinated the integration of Plus stores in the LIDL network.

As the member of the Board of Administrators of LIDL Romania, he coordinated the Expansion, Constructions, Internal Acquisitions and Logistics Departments.

He speaks fluently German, English, French and Russian. In 2017, he graduated the GM Masterclass Academy modules organised by CBC Romania.

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

As at 31.12.2018 he did not own shares at Farmaceutica REMEDIA S.A.

The mandate of administrator covers the period 01.05.2018 – 30.04.2019

4. **DUBAU Alin** – member of the Board of Administration

He practices the profession of lawyer within the Bucharest Bar since January 2007. The law practice he manages provides consultancy and legal representation services exclusively to companies. He has a relevant experience in the recovery of receivables and forced execution, insolvency, guarantees, company contracts, mergers and acquisitions, alternative settlement of disputes, compliance.

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

As at 31.12.2018 he did not own shares at Farmaceutica REMEDIA S.A.

His mandate of administrator covers the period 01.05.2018 – 30.04.2019

5. **IACOBAS Alexandru** – provisional member of the Board of Administrators

He graduated the Bucharest Academy of Economic Studies section Economic Cybernetics, Statistics and Informatics in 2004.

During the period 2001 – 2016 he established and managed as the General Manager the WinSoft group of companies with an annual turnover of one million Euros. He is the creator of the management pharmacies program PharmaOriginal purchased by 1,300 customers during 15 years.

He speaks fluently English, French and Italian languages.

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

As at 31.12.2018, he did not own shares at Farmaceutica REMEDIA S.A.

His mandate of administrator covers the period 01.02.2019 – 30.04.2019. He replaced in the position of administrator Mr POLL Corneliu (resigned) (mandate 01.05.2018 – 31.01.2019)

The executive management was provided by a general manager that has in his subordination departmental directors and managers. In the financial year 2018 the executive management was provided by **Mrs CHIRITA Zoe**.

The management of Farmaceutica REMEDIA Distribution & Logistics S.R.L.

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

The Company Administrators shown above will work together, by conjunct signature, any decision of theirs following to be made only unanimously. In case of divergence between them, the decision will be made by the Sole Shareholder or, as appropriate, by the shareholders representing the absolute majority of the share capital, the two administrators being obliged to bring it to completion. In the exceptional situation in which one of the company's representatives is found unable, even momentarily, to take part in deliberations, and they concern one or more urgent acts, whose fulfilment might cause the company a significant damage, the decision will be able to be made by the only administrator able to actually take part in the

administration, with prior notification of the Sole Shareholder, its unique signature being valid and opposable.

6. Affiliated persons of the commercial company Farmaceutica REMEDIA S.A.

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

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

7. Corporate governance

In 2018, the corporate governance structures operated normally, the Company administration and representation being within the competence and responsibility of the members of the Board of Directors (CA) and the General Manager.

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

Company website - www.remedia.ro – provides information and access conditions, in Romanian and English languages, at the GMS documents, financial statements, current reports to BSE, dividends, policies implemented in compliance with the provisions of the Corporate Governance Code of 4.01.2016 for shareholders and prospect investors, it contains in the section dedicated to relations with investors the following subsections, updated in 2018:

- **Current reports**, according to the FSA Regulation No. 5/2018;
- **Shareholders' information** – the section includes information about General Meetings in preparation and Decisions of the OGMS/EGMS, Financial Calendar, Dividends and Shareholders' rights;
- **Financial information** – this section includes the Reports of the Board of Administrators and the quarterly, half-yearly and annual Financial Statements, for the years 2014/2015/2016/2017/2018;
- **Corporate governance** – this section includes all documents necessary and sufficient to ensure the compliance with the provisions of the Corporate

Governance Code of BSE, updated according to the Current Report to BSE of 07.11.2018 (attached), by which Farmaceutica REMEDIA S.A. declares and makes continuous efforts to fully comply with the new Code.

During 2018, the rest of reported nonconformities were also settled, as well as the Policies on the forecasts and financial risks implemented in 5.11.2018.

Also, the Corporate Governance Regulation was updated on 22.10.2018, as well as the Measures and procedures for the prevention of fraud and corruption on 18.12.2018, in compliance with the legal provisions in force.

During the financial year 2018, the President of the Board of Administrators convened 16 (sixteen) meetings, statutory met, of the Board of Administrators.

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

- quarterly, half-yearly and annual financial reports;
- organisational chart of Farmaceutica REMEDIA SA;
- annual commercial policy, marketing and sales strategies;
- GMS convocations;
- activity of the Audit Committee: the Board of Administrators evaluated the internal control system, analysing the effectiveness and the coverage of the internal audit position, the degree of adequacy of risk management and internal control reports presented by the Audit Committee and the promptness and effectiveness with which the executive management settles problems or deficiencies identified following the internal control and the reports presented to the attention of the Board;
- activity of the Remuneration Committee: the reports of this committee describe the essential elements of the afferent remuneration policy and the updated occurred in 2018 in compliance with the company's remuneration policy;
- meetings with investors and analysts: "Sa cunoastem business-ul la el acasa" (*Let us know business on its territory*) on 26.04.2018, an occasion on which the financial results for the financial year were presented 2017;
- relocation of REMEDIA pharmacies, sale of licenses and closure of non-profitable work points;

Following the meetings of the Board of Administrators, a number of 32 (thirty two) decisions were issued communicated to resort departments for implementation and fulfilment.

Also in the **Corporate governance** section, the following documents are found:

- a) Updated Articles of Incorporation of 5.12.2016;
- b) Council and Committees;
- c) Policies and Regulations, as follows:
 - Internal Regulation of the Board of Administrators;
 - Remuneration policy;
 - Policy for the distribution of dividends;

- Policy of transactions with companies with whom Farmaceutica REMEDIA SA has tight relations, whose value is equal to or higher than 5% from the net assets;
- Policy regarding the support of different forms of artistic and cultural expression, sports, educational or scientific activities;
- Policies on forecasts and financial risks.

8. Accounting financial statement (consolidated statements)

Farmaceutica REMEDIA		
Income Statement	dec.-17	dec.-18
(RON)		
Sales of goods	351.354.340	463.200.718
Discounts given	-2.742.148	-2.298.309
Net Sales	348.612.192	460.902.409
COGS	314.539.008	421.485.590
Discounts Received	-7.792.888	-10.073.506
Net COGS	306.746.120	411.412.084
Gross Margin	41.866.072	49.490.325
Gross Margin (%)	12,01%	10,74%
Other Operating Revenues	4.491.883	4.930.155
Personnel	-25.346.354	-31.786.780
Other Operating Expenses	-15.409.998	-18.022.452
Total Operating Expenses	-40.756.352	-49.809.232
EBITDA	5.601.603	4.611.248
EBITDA Margin	1,61%	1,00%
Depreciation	-752.782	-764.201
Bad debts lost	-711.924	-146.391
Provisions - net	466.404	16.416
EBIT	4.603.301	3.717.072
EBIT Margin	1,32%	0,81%
Financial Revenues	364.844	156.052
Financial Expenses	-244.563	-190.096
Financial income	120.281	-34.043

EBT	4.723.582	3.683.028
EBT Margin	1.35%	0.80%
Tax on Profit	-958.210	-634.893
Net Profit	3.765.372	3.048.136
Net Profit Margin	1.08%	0.66%

Balance Sheet(RON)	dec.-17	dec.-18
Total Assets	203.590.867	294.395.558
Cash	10.042.684	3.525.871
A/R	104.041.931	150.720.279
Inventory	49.050.883	98.186.559
Expenses in advance	200.008	312.481
Other Current Assets	970.890	2.620.956
Total Current Assets	164.306.396	255.366.146
Tangible Assets	31.212.706	31.082.924
Intangible Assets	7.355.142	7.150.766
Financial Investments	716.623	795.723
Total Long-Term Assets	39.284.471	39.029.412
A/P	152.641.012	241.058.212
Other ST payables	4.573.425	5.044.104
Payables to shareholders	214.756	241.226
ST Loans*	19.336	36.938
Current Liabilities	157.448.529	246.380.480
LT Loans*	91.209	18.105
Other LT liabilities	1.399.221	1.374.199
LT Liabilities	1.490.430	1.392.304
Provisions	0	10.449
Share capital	10.608.980	10,608,980
Reserves	30.277.556	32.955.209
Profit	3.765.372	3.048.136
Equity	44.651.908	46.612.325
Total Liabilities & Equity	203.590.867	294.395.558

*including financial leasing

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

9. Economic-financial indicators 2018

*Thousand Lei

LIQUIDITY AND WORKING CAPITAL	FR	FRDL
current liquidity (Current assets/Current liabilities)	1,20	1,01
Current assets*	32.694	241.821
Current liabilities*	27.295	238.478
degree of indebtedness (Borrowed capital / Equity x 100)	0 %	1,18%
Borrowed capital* (including leasing)	0	55
Equity*	42.032	4.663
turnover speed for client debit items (average customer balance/turnover *365)	47 days	111 days
Average customer balance*	12.625	130.974
net turnover *	99.035	432.554
Turnover speed of liabilities (average suppliers balance/cogs*365)	125 days	177 days
Average suppliers balance*	25.934	195.269
Cost of merchandise sold - net	75.641	402.062
Turnover speed of stocks (average stock balance/COGS * 365)	68 days	56 days
Average stocks balance	14.049	61.826
Cost of merchandise sold - net	75.641	402.062
turnover speed of fixed assets (turnover/fixed assets)	2,61	575
net turnover*	99.035	432.554
Fixed assets*	37.949	752
Gross profit margin (%) (gross profit/net sales)	2,22%	0,83%
Gross profit*	2.197	3.565
Net turnover*	99.035	432.554

Note:

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

FRDL, the indicator presents a medium risk, especially that it slightly degraded as compared to the same period of the previous financial year (from 1,02)

- 2) **Degree of indebtedness** expresses the effectiveness of credit risk management, indicating potential financing, liquidity problems, with influences in honouring the assumed commitments. In the case of FR there is no risk, whereas for FRDL, the value of the indicator indicates a low risk. As compared to the same period of last year, the indicator evolved positively (from 3%). In the calculation of this indicator, the borrowed capital comprises both bank loans and finance lease liabilities.
- 3) **Turnover speed for client debit items** expresses company effectiveness in collecting its receivables, respectively the number of days until the date on which debtors pay their liabilities to the company. Considering the dynamics of sales and the specificity of the collection of receivables in the distribution of drugs, we consider that the value of the indicator is normal for both companies under the given conditions. As compared to the same period last year, the indicator degraded in both FR (from 31 days) and FRDL (from 106 days).
- 4) **Turnover speed of liabilities** represents the average period in which suppliers are paid. In the previous financial year, FR paid its suppliers in average at 127 days and FRDL at 153 days.
- 5) The value of the **No. of days on hand** indicator (68, 56 days respectively) can be considered that it falls within the specifics of the activity in the case of FRDL and exceeding the limit imposed by the internal procedures of the company (45 days) in the case of FR. As compared to the end of last year, the indicator strongly degraded in the case of FRDL (from 36 days) while in FR, it was maintained close to the same level (66 days in 2017).
- 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. In the case of FR, the indicator expresses a weak use of fixed assets, although it positively evolved from 2,35 to 2,61.

Bucharest, 13 March 2019

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