Remedia
FARMACEUTICA REMEDIA S.A.

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:

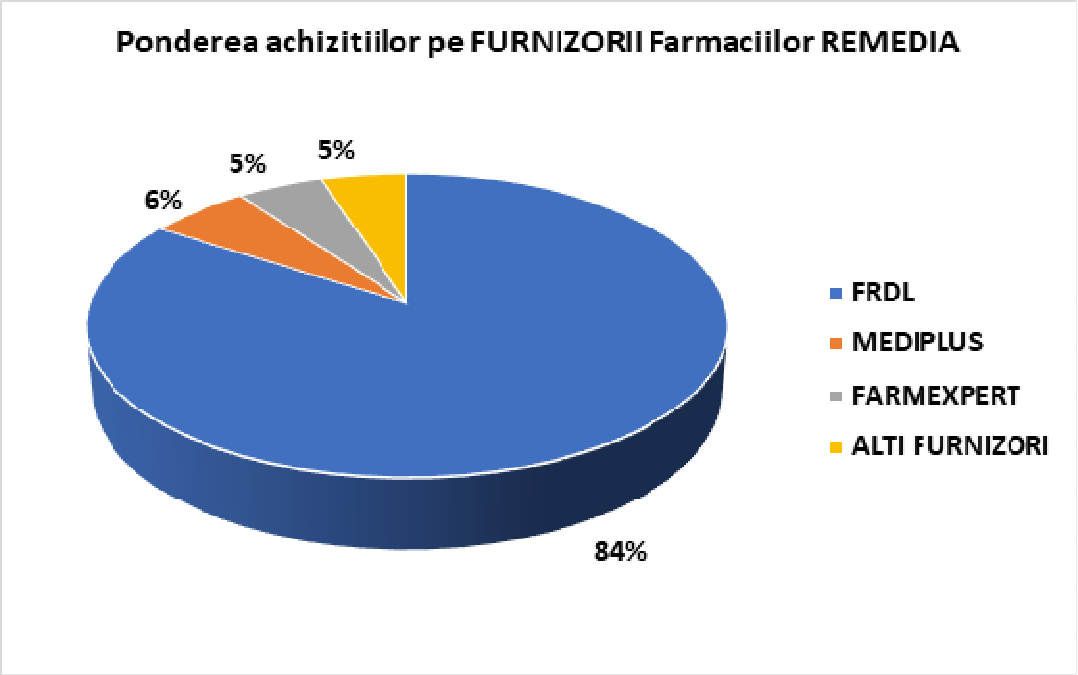
- logistics and warehousing services 1.036.994 Lei (0,23% from gross turnover)
- collected rents 510.595 Lei (0,11 %)
- shelf marketing 466.551 Lei (0,1%)
- clinical studies 144.195 Lei (0,03 %)

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 componence:

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 (RON)	**dec.-17**	**dec.-18**
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.

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STATEMENT OF COMPREHENSIVE INCOME - consolidated (Lei)

		31-Dec-17	31-Dec-18
Net turnover	**NOTE 4**	**351,225,960**	**464.043.563**
Incomes from the sale of merchandise		351,354,340	463.200.718
Commercial discounts granted		-2,742,148	-2.298.309
Incomes from services provided and rents		2,613,767	3.141.153
Other operating incomes		**1,878,116**	**1.789.002**
OPERATING INCOMES - TOTAL		**353,104,076**	**465.832.565**
Material expenses	**NOTE 5**	**310,756,560**	**416.453.146**
Expenses with merchandise		314,539,008	421.485.590
Commercial discounts received		-7,792,888	-10.073.506
Expenses with raw materials and consumables		2,685,701	3.511.913
Other material expenses (inventory objects)		320,759	507.550
Expenses with energy and water		1,003,979	1.021.599
Personnel expenses	**NOTE 6**	**25,346,354**	**31.786.780**
Salaries and allowances		20,323,482	28.575.417
Expenses with insurance and social protection		4,511,578	936.197
Other personnel expenses		511,293	2.275.166
Amortisation and provisions		**998,302**	**894.177**
Amortisation		752,782	764.201
Net provisions		-466,404	-16.416
Losses from receivables		711,924	146.391
Other operating expenses	**NOTE 7**	**11,399,560**	**12.981.390**
Expenses on external benefits		9,417,589	11.419.953
Expenses with other duties, taxes and similar levies		632,621	868.262
Other expenses		1,349,350	693.175
OPERATING EXPENSES - TOTAL		**348,500,775**	**462.115.492**
OPERATING RESULT		**4,603,301**	**3.717.073**
Financial incomes	**NOTE 8**	**364,844**	**156.052**
Interest income		6,890	5.834
Incomes from exchange rate differences		62,073	53.578
Incomes from dividends		1,882	2.851
Discounts for advance payments		294,000	93.790
Other financial incomes		0	0
Financial expenses	**NOTE 8**	**244,563**	**190.096**
Interest charges		33,784	33.527
Expenses from exchange rate differences		111,936	71.071
Advance collections discounts		98,843	85.497

Other financial expenses		0	0
FINANCIAL RESULT		**120,282**	**-34.043**
TOTAL INCOME		**353,468,920**	**465.988.617**
TOTAL EXPENSES		**348,745,338**	**462.305.588**
GROSS RESULT	**NOTE 9**	**4,723,582**	**3.683.029**
Corporate tax		958,210	634.893
TOTAL NET PROFIT of which distributable		**3,765,372**	**3.048.136**
Company's shareholders		3,765,372	3.048.136
Minority interest			
Other elements of the comprehensive result		**0**	**0**
Other elements of comprehensive income			
Tax afferent to other elements of comprehensive income			
Minority interest			
COMPREHENSIVE INCOME AFFERENT TO THE PERIOD - TOTAL of which attributable:		**3,765,372**	**3.048.136**
Company's shareholders		3,765,372	3.048.136
Minority interest			
Result per share (in Lei)			
- basic		0.0355	0.0287
- diluted		0.0355	0.0287

"TARUS" - Valentin Norbert TARUS e.U.

by representative
Valentin – Norbert TARUS

STATEMENT OF FINANCIAL POSITION - consolidated (Lei)

		31-Dec-17	31-Dec-18
ASSETS			
Fixed assets		**39,284,471**	**39.029.412**
Tangible assets	NOTE 10	25,560,239	24.739.772
Real estate investments	NOTE 10	5,652,468	6.343.153
Software licenses	NOTE 11	97,504	70.272
Pharmacy licenses	NOTE 11	7,257,638	7.080.494
Participations held in group companies	NOTE 12	286,520	289.520
Participations held in companies outside the group	NOTE 12	8,316	5.316
Deposits and guarantees paid	NOTE 12	421,787	500.887
Current assets		**164,106,388**	**255.053.665**
Stocks	NOTE 13	49,050,883	98.186.559
Trade receivables	NOTE 14	104,041,931	150.720.279
Other receivables		970,890	2.620.956
Cash and cash equivalents	NOTE 15	10,042,684	3.525.871
Accrued expenses		**200,008**	**312.481**
TOTAL ASSETS		**203,590,867**	**294.395.558**
EQUITIES AND LIABILITIES			
Equities		**44,651,908**	**46.612.325**
Share capital	NOTE 16	10,921,209	10,921,209
Issuance premiums		757,485	757,485
Reserves	NOTE 17	28,810,771	28.975.578
Current result		3,765,372	3.048.136
Result carried forward	NOTE 19	900,000	3.444.632
Result carried forward - restatement		-312,229	-312,229
Profit distribution		-78,072	-109.859
Own shares	NOTE 21	-112,628	-112,628
Long-term liabilities		**1,490,429**	**1.402.753**
Liabilities from financial leasing	NOTE 22	91,209	18.105
Provisions	NOTE 23	0	10.449
Liabilities with deferred profit tax		1,399,221	1.374.199
Current liabilities		**157,448,529**	**246.380.480**
Bank loans	NOTE 24	0	0
Liabilities from financial leasing		19,336	36.938
Suppliers and other assimilated liabilities		152,641,012	241.058.212
Provisions		0	0
Liabilities with current tax		282,919	193.515
Other short-term liabilities	NOTE 25	4,505,262	5.091.815

Total liabilities	**158,938,959**	**247.783.233**
TOTAL EQUITIES AND LIABILITIES	**203,590,867**	**294.395.558**

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

STATEMENT OF CHANGES IN EQUITY

	Share capital	Legal reserves	Revaluation reserves	Other reserves	Issuance premiums	Result carried forward	Profit distribution	Current result*	Own shares	TOTAL
Balance as at 01.01.2017	10,921,209	1,435,539	15,320,656	11,547,194	757,485	-290,122	-14,700	1,268,025	-112,628	40,832,658
Repositioning of treatments for profit account 2016						-22,107		-101,971		79,864
Profit transfer 2016 (FR) to result carried forward						227,613		-227,613		0
Profit distribution 2016 (FR) to dividends						-227,613				-227,613
closure of account 129 (legal reserve 2016) FR							14,700	-14,700		0
Legal reserve 2017 FR		78,072						-78,072		0
Profit transfer 2016 (FRDL) to result carried forward						1,127,683		-1,127,683		0
Profit distribution 2016 (FRDL)				227,683		-727,683				-500,000
Accounting result 2017 FR+FRDL								4,335,388		4,335,388
Transfer reserves to dividends (FR)				-473,314						-473,314
Retreatment of profit account 2017						500,000		-570,016		-70,016
Revaluation of buildings and lands			801,025							801,025
Deferred tax			-126,084							-126,084
Balance as at 31.12.2017	10,921,209	1,513,611	15,995,597	11,301,563	757,485	587,771	-78,072	3,765,372	-112,628	44,651,908

STATEMENT OF CHANGES IN EQUITY – continuation

	Share capital	Legal reserves	Revaluation reserves	Other reserves	Issuance premiums	Result carried forward	Profit distribution	Current result*	Own shares	TOTAL
Balance as at 01.01.2018	**10,921,209**	**1,513,611**	**15,995,597**	**11,301,563**	**757,485**	**-587,771**	**-78,072**	**3,765,372**	**-112,628**	**44,651,908**
Repositioning of treatments for profit account 2017						-500,000		570,017		70,017
Profit transfer 2017 (FR) to result carried forward						1,212,684		-1,212,684		0
Profit distribution 2017 (FR) to dividends						-1,060,898				-1,060,898
Profit distribution 2017 (FR) to other reserves						-151,786				0
Closure of account 129 (legal reserve 2017) FR							78,072	-78,072		0
Profit transfer 2017 (FRDL) to result carried forward						3,044,633		-3,044,633		0
Profit transfer 2017 (FRDL) to dividends						-2,000,000				-2,000,000
Accounting result 2018 FR +FRDL								5,127,615		5,127,615
Legal reserve 2018 (FRDL)		109,859					-109,859			0
Retreatment of profit account 2018						2,000,000		-2,079,479		-79,479
Outputs 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**	**1,623,470**	**15,898,760**	**11,453,349**	**757,485**	**3,132,403**	**-109,859**	**3,048,136**	**-112,628**	**44,612,325**

President of the Board of Administrators

“TARUS” Valentin Norbert TARUS e.U.
by representative
Valentin - Norbert TARUS

STATEMENT OF TREASURY FLOWS

	Consolidated **2018**
Cash flows from operating activities	
Collections from the sale of goods and from the provision of services	466,068,222
Other cash inflows	889,631
Payments to suppliers of goods and services	(423,991,330)
Payments to and on behalf of employees (including taxes on salaries)	(29,889,433)
Corporate tax payments	(800,571)
Payments of other taxes and fees	(14,955,027)
Paid interests	(30,591)
Collected interests (current account)	5,834
Other cash outflows	(3,672,968)
Total operating cash flow	**(6,376,232)**
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	2,851
Payments for the acquisition of long-term assets	(987,531)
Total cash flow from investments	**825,176**
Cash flow from financing activities	
Short-term loan withdrawals	75,252,442
Repayment of short-term loans	(75,252,442)
Net foreign exchange differences	15,996
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	**(965,757)**
Cash flows from operating activities	
Total cash flow	**(6,516,813)**
Cash at the beginning of the period	**10,042,684**
Cash at the end of the period	**3,525,871**

NOTE 1 INFORMATION ON CONSOLIDATED COMPANIES

1.1. Reporting entity

Farmaceutica REMEDIA S.A.

Farmaceutica REMEDIA S.A. (« the Company ») is a commercial company with registered office in Deva, 43 Dorobantilor Str., Hunedoara County, Romania.

It was established in 25 July 1991 as a commercial company with fully state-owned capital by reorganisation of Oficiul Farmaceutic Deva. On 13.10.2000, 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..

Following the change of the main activity object imposed by the abovementioned legislation, the company had to redeem from the market (in 2015) a number of 300.100 shares at a price established by an authorised valuator.

As at 31.12.2018, Farmaceutica REMEDIA S.A. did not hold majority participations or significant influences in other companies, except for the one previously mentioned.

1.2. Other entities participation in the consolidation

Farmaceutica REMEDIA Distribution & Logistics S.R.L.

Farmaceutica REMEDIA Distribution & Logistics S.R.L., former Sibmedica S.R.L. had the activity suspended since 16.12.2013, up to 19.01.2015, a date on which it was reactivated under the new name. The company is held 100% by Farmaceutica REMEDIA S.A.

The main activity carried out by Farmaceutica REMEDIA Distribution & Logistics S.R.L is the wholesale distribution of drugs, and as related activities, there are the logistics services and drugs registrations.

Farmaceutica REMEDIA Distribution & Logistics S.R.L. is a national distributor with a network of 9 warehouses located in Bucharest, Deva, Brasov, Craiova, Pitesti, Targu Mures, Timisoara, Iasi and Galati.

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

In the same period, the two companies 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 at Alba-Iulia
- part of (104,62 sqm) an immovable held in Deva

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NOTE 2 BASES FOR THE PREPARATION OF FINANCIAL STATEMENTS

Conformity statement

The consolidated financial statements of the reporting 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).

The financial statements as at 31.12.2018 of the reporting entity were approved by the Board of Administrators of the Company as at 19.03.2019.

There are no significant differences between the value of economic-financial indicators determined according to the accounting directives and those resulted by the application of the IFRS provisions.

The consolidated financial statements are audited, as well as the financial statements of each entity that entered the consolidation perimeter.

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 consolidated companies present 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 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 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).

Companies do 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.

Balances and transactions within the group, as well as any other unrealised incomes or expenses resulted from transactions within the group are eliminated at the preparation of consolidated financial statements. Unrealised profits or losses afferent to transactions with associated entities accounted for using the equity method are eliminated in compensation for the investment with the associated entity to the extent of the owned percentage.

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 continue its activity, without undergoing bankruptcy, liquidation or significant reduction of the activity.

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 financial statements according to IFRS or the National Reporting Standards 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
- Cost of merchandise sold by the reporting company (FR) and supplied from FRDL

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 2015 – 2017, 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;

IFRS 9 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 reporting company owns participations of 100% in the consolidated company, within which it has control over financial and operational policies. An entity is consolidated if, based on the evaluation of its relations with the Company, it is found that it is controlled by the Company.

As at 31.12.2018, Farmaceutica REMEDIA S.A. did not hold majority participations or significant influences in other companies, except for the consolidated company.

A list of participations held is presented in NOTE 12.

NOTE 3 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, 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 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.

Monetary assets and liabilities expressed in currency as at 31 December 2018 are evaluated in RON using the exchange rate (NBR) 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 FR, 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.

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 asset

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 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 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

Leasing contracts have as object means of transportation for merchandise and are only financial leasing contracts.

Financial leasing significantly transfers to the company all risks and benefits afferent to the ownership right on the good in leasing regime, 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).

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 Entities for borrowing funds.

Entities were not indebted for the acquisition, construction or production of an asset.

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 for carrying out the activity and partially leased by companies for carrying out the activity 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 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 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.

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).

Entities do not own a tradable financial assets portfolio.

The reporting company holds majority participations in only one 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, current bank accounts and deposits with a maturity of less than one year.

The reporting company and the consolidated company have a multi-currency credit line opened in common in the amount 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% from the total stock of entities. In the accounting statements, merchandise stocks are emphasized at the entry cost which includes, apart from the acquisition price, import fees, transportation and, when appropriate, discounts received or the future certain ones. 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 goods, certain future 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.

In the case of retail sales, in 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 or if the net realizable value decreased, proceeding, if necessary, with the required adjustments.

Entities 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, an entity 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. Entities did not have a significant risk of cash outflow following disputes.

Entities have 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 of Giurgiu). Provisions constituted in 2018 are related to the inventories carried out during the year at the pharmacy from 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 constituted provisions is found in note 23.

Employees benefits (IAS 19)

a) **Pensions plan**

All employees of consolidated Companies 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 companies carry out payments to the Romanian state in the account of its employees.

No other pensions plan or plan for granting benefits after retirement is applied, apart from the one mentioned in the previous paragraph.

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.

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, holiday bonus, as well as fixed bonuses on the occasion of legal holidays.

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.

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

Directors and the members of the Board of Administrators of the reporting Company and of the consolidated one benefit from annual bonuses based on

mandate contracts (depending on the achievement of certain performance indicators) or decisions of the Board of Administrators.

Dividends

Dividends distribution to 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.

No cumulative preferential dividends are distributed.

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 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.

The evolution of the share capital of the reporting company is presented below:

	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

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.

Farmaceutica REMEDIA Distribution&Logistics SRL was established in 1993 under the name of Sibmedica SRL, having a share capital of 12 Lei.

In 2008, Farmaceutica REMEDIA S.A. has fully purchased the shares.

Considering the application of IAS 29 – “Financial reporting in hyperinflationary economies” and the presentation of results for the restatement of operations carried out during the hyperinflationary economy period in the financial statements drafted according to IFRS, the analysis of the inflationary impact on the share capital was carried out, resulting an adjustment percentage of 2,94%.

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.

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 distribution channels, 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 on various distribution channels, as well as from provided services and rents, as presented below:

description	2018	2017
NET TURNOVER, of which:	**464.043.563**	**351.225.960**
incomes from the sale of merchandise, of which:	**463.200.718**	**351.354.340**
- Sales of Remedia pharmacies	96.765.975	88.498.095
- distribution to hospitals	99.187.839	87.954.599
- distribution	244.288.309	160.711.904
- other distribution channels	22.958.595	14.189.742
commercial discounts granted	**(2.298.309)**	**(2.742.148)**
incomes from services provided and rents, of which:	**3.141.153**	**2.613.767**
- logistic services and store keeping	1.038.115	1.125.694
- rents	510.595	511.437
- shelf promotion	466.551	508.663
- marketing and recordings (RA)	259.163	232.793
- other services	866.728	235.180

Other operating income

description	2018	2017
penalties	57.013	20.024
sales of tangible assets	1.522.887	1.569.264
inventory pluses	89.028	204.570
other incomes	19.457	0
penalties	100.617	84.258
TOTAL	**1.789.002**	**1.878.116**

NOTE 5 MATERIAL EXPENSES

Description	2018	2017
Cost of merchandise *	411.412.084	306.746.120
Utilities	1.021.599	1.003.979
Fuel	2.024.411	1.473.094
Spare parts	553.520	388.640
Consumables	933.982	823.968
Inventory items	507.550	320.759
TOTAL	**416.453.146**	**310.756.560**

* net value obtained by adjustment with the received discounts

NOTE 6 PERSONNEL EXPENSES

Personnel expenses have the following composition:

Description	2018	2017
Gross salaries and allowances	**28.575.417**	**19.308.774**
Expenses with insurances and social protection	**936.197**	**4.511.578**
- Insurance contribution for labour	645.024	
- Other expenses on insurance and social protection expenses	291.173	
Other personnel expenses	**2.275.166**	**1.526.002**
- Meal tickets/gift	1.298.336	1.014.709

- PFA /PFI *(authorized natural person/independent natural person)*	529.760	330.757
- Fund for disabled persons	447.070	180.536
TOTAL	**31.786.780**	**25.346.354**

The costs (including fees) with remuneration in 2018 of the Board of Administrators of FR, of the General Director, and of the two administrators of FRDL were in a total amount of 1.465.869 lei.

NOTE 7 OTHER OPERATING EXPENSES

Description	**2018**	**2017**
Repairs	684.612	565.430
Rents	4.412.487	4.131.089
Insurance	838.997	658.986
Post and telecommunications	428.918	345.851
Displacements and transport	1.141.835	654.974
Advertisement	443.038	242.332
Protocol	347.416	209.231
Donations and sponsorships	185.921	76.188
Other taxes and fees	868.262	632.621
Bank fees	358.690	258.169
Other services provided by third parties	2.763.960	2.351.527
Other operating expenses	507.254	1.273.162
TOTAL	**12.981.390**	**11.399.560**

NOTE 8 FINANCIAL RESULTS

Description	2018	2017
Interest income	5.834	6.890
Interest expenses	(33.527)	(33.784)
Incomes from exchange rate differences	53.578	62.073
Expenses from exchange rate differences	(71.071)	(111.936)
Incomes from dividends	2.851	1.882
Advance payments discounts	93.790	294.000
Advance collections discounts	(85.497)	(98.843)
Result	**(34.043)**	**120.282**

NOTE 9 EXPENSES WITH CORPORATE TAX

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

Description	2018	2017
total income	465.988.617	353.468.920
total expenses (without corporate tax)	462.305.588	348.745.338
gross accounting result	**3.683.029**	**4.723.582**
IFRS adjustments	2.079.479	570.016
deductions	537.048	408.762
non-taxable income	2.205.087	1.296.156
non-deductible expenses	1.936.364	2.876.303
tax result	**4.956.737**	**6.464.983**

corporate tax	793.078	1.034.397
tax reductions	158.185	76.188
Total current corporate tax expenses	**634.893**	**958.209**

NOTE 10

TANGIBLE ASSETS AND REAL ESTATE INVESTMENTS

	Lands	Buildings and other constructions	Technical installations and cars	Equipment and vehicles	Furniture	Real estate investments	Assets under execution	Advances for fixed assets	Total
as at 01 January 2017	**3.706.991**	**19.482.874**	**294.336**	**5.601.974**	**2.272.448**	**5.413.646**	**0**	**31.491**	**36.803.759**
inflows	651.323	318.910	108.293	213.445	35.969		0	7.318	1.335.258
transfers		(238.822)				238.822			
outflows		(223.192)	(211.624)	(1.964.110)	(16.780)			0	(2.415.706)
as at 31 December 2017	**4.358.314**	**19.339.770**	**191.005**	**3.851.309**	**2.291.637**	**5.652.468**	**0**	**38.809**	**35.723.311**
inflows	275.341	257.812	369.297	1.138.220	147.146		0	47.334	2.235.150
transfers		(690.685)				690.685			0
outflows	(70)	(626.454)	0	(1.218.957)	(171.976)			(46.723)	(2.064.180)

as at 31 December 2018	**4.633.585**	**18.280.443**	**560.302**	**3.770.572**	**2.266.807**	**6.343.153**	**0**	**39.420**	**35.894.282**

NOTE 10

TANGIBLE ASSETS AND REAL ESTATE INVESTMENTS (continuation)

Cumulative amortisation	Lands	Buildings and other constructions	Technical installations and cars	Equipment and vehicles	Furniture	Total
as at 01 January 2017	**0**	**0**	**355.571**	**4.414.374**	**1.275.056**	**6.045.001**
amortization of the year			12.587	473.057	172.474	658.118
cumulative amortisation afferent to outflows				(2.175.734)	(16.780)	(2.192.514)
la 31 December 2017	**0**	**0**	**368.158**	**2.711.697**	**1.430.750**	**4.510.605**
amortization of the year			92.604			
cumulative amortisation				389.018	201.888	683.510
afferent to outflows				(210.782)	(171.976)	(382.758)
as at 31 December 2018	0	0	**460.762**	**2.889.933**	**1.460.662**	**4.811.357**

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%	94,679
	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

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

NOTE 11

11.1 SOFTWARE LICENSES

	Software licenses	Amortisation	Remained value
as at 01 January 2017	**547.584**	**425.596**	**121.988**
Inflows	70.180	94.665	
outflows			
as at 31 December 2017	**617.764**	**520.261**	**97.504**
inflows	57.293	84.525	
outflows	5.307	5.307	
as at 31 December 2018	**669.750**	**599.479**	**70.272**

11.2 LICENSES OF PHARMACIES

	Licenses of pharmacies	Amortisation	Total
as at 01 January 2017	**8.100.540**	**0**	**8.100.540**
Inflows			
outflows	842.902		
as at 31 December 2017	**7.257.638**	**0**	**7.257.638**
inflows			
outflows	177.144		
as at 31 December 2018	**7.080.494**	**0**	**7.080.494**

NOTE 12 FINANCIAL ASSETS AT THEIR FAIR VALUE

Name	value
Farmaceutica REMEDIA Distribution&Logistics SRL	289.520
Participations of companies outside the group *	5.316
Letters of guarantee for participation /performance bond	87.109
Guarantees suppliers utilities/merchandise/rents	413.778
TOTAL	**795.723**

* Companies over which Farmaceutica REMEDIA S.A. does not have control and does not influence their decisions (EUROM BANK/LEUMI BANK and BODY FARM S.R.L.).

NOTE 13 STOCKS

Description	31-dec-2017	31-dec-2016	31-dec-2018
Merchandise in warehouses	36.311.263	24.836.638	83.526.032
Merchandise in pharmacies*	18.728.159	18.213.779	21.515.844
Adjustments	(273.886)	(187.290)	(270.800)
Other stocks	6.363	24.253	124.556
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	**49.050.883**	**36.923.931**	**98.186.559**

* at retail price

NOTE 14 TRADE RECEIVABLES AND OTHER RECEIVABLES

Description	31-dec-2017	31-dec-2018
TRADE RECEIVABLES:	**104.041.931**	**150.720.279**
clients	107.490.348	154.135.714
adjustments for trade receivables	(3.448.417)	(3.415.436)
OTHER RECEIVABLES:	**970.890**	**2.620.956**
discounts to be received from merchandise suppliers	776.644	2.008.424
court costs to be recovered afferent to	41.838	42.206

disputes under progress		
other receivables (vat, corporate tax, medical leaves)	152.408	570.326

NOTE 15 CASH AND CASH EQUIVALENTS

	31-dec-2017	**31-dec-2016**	**31-dec- 2018**
Accounts in banks in RON	8.435.813	17.244.558	2.130.178
Accounts in banks in currency	895.307	1.022.497	521.279
Cash deposit RON	711.564	548.496	867.964
Other values			6.450
Total cash and cash equivalents	**10.042.684**	**18.815.551**	**3.525.871**

NOTE 16 SHARE CAPITAL

	31-dec-2018			**16- feb- 2018**		
Shareholders	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**

Retreatment of the share capital was carried out according to IAS 29 “Financial reporting in in hyperinflationary economies”, resulting an adjustment in a total value of 312.229 lei.

NOTE 17 RESERVES

	31-dec-2017	31-dec- 2018
Legal reserves	1.513.611	1.623.470
Other reserves	11.301.564	11.453.348
Revaluation reserves tangible assets	15.995.596	15.898.760
TOTAL	**28.810.771**	**28.975.578**

Legal reserve: 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

Evolution of dividends distributed and paid in the last 5 years:

	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

NOTE 19 RESULT CARRIED FORWARD

	2017	2018
Balance at the beginning of the year	**-290.122**	**587.771**
Profit transfer 2016	1.355.296	
Profit distribution 2016	-955.296	
Profit transfer 2017		4.257.317
Profit distribution 2017		-3.212.684
Retreatment of dividends FRDL->FR	477.893	1.500.000
Balance at the end of the year	**587.771**	**3.132.403**

NOTE 20 PROFIT DISTRIBUTION

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

- Legal reserve to be constituted: 109.859 Lei
- dividends: 1.591.347 Lei
- other reserves: 439.815 Lei

As at 31.12.2018 the net profit realised by Farmaceutica REMEDIA Distribution&Logistics SRL, in the amount of 2.986.594,14 Lei is proposed to be distributed on the following destinations:

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

NOTE 21 OWN SHARES

In 2018, the Company did not purchase or sell 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.

NOTE 22 LEASING

As at 31 December 2018, FRDL had under progress one contract of financial leasing that has as object means of transportation for the distribution of merchandise.

Description	31 –dec- 2018	31 –dec - 2017
Maximum 1 year	36.938	19.336
More than 1 year but less than 5 years	18.105	91.209
Current value of debts –financial leasing	**55.043**	**110.545**

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:	**3.722.303**	**155.914**	**182.791**	**3.695.426**
provision for expired merchandise	273.886	118.922	122.008	270.800
provision for doubtful clients	3.448.417	27.801	60.783	3.415.435
provision for the depreciation of debtors	0	9.191	0	9.191
PROVISIONS FOR RISKS AND EXPENSES:	**0**	**10.449**	**0**	**10.449**
Provision for VAT expired merchandise	0	10.449	0	10.449
GRAND TOTAL	**3.722.303**	**166.363**	**182.791**	**3.705.875**

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
1.562 1	

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-2018**	**31-dec-2017**
suppliers, of which:	**241.058.212**	**152.641.012**
merchandise suppliers	240.886.509	152.500.609
assets suppliers	171.703	140.403
other current liabilities, of which:	**5.091.815**	**4.505.262**
salaries and afferent taxes	2.756.334	2.289.427
dividends	241.226	214.756
other taxes and charges	1.952.531	1.893.625

other creditors	141.724	107.454

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

Other taxes and charges" are represented by VAT to be paid and by ecotax, which were also paid in January 2019.

"Other creditors" represent guarantees paid by tenants and managerial personnel.

NOTE 26 DISPUTES

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

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.

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

- Valentin-Norbert TARUS - Austrian citizen
- ''TARUS'' - Valentin Norbert TARUS e.U. – Austrian individual enterprise
- Farmaceutica REMEDIA Distribution&Logistics S.R.L.
- TARUS MEDIA S.R.L.

- SOCIETATEA FARMACEUTICA MAGHERU S.R.L.
- IMOBILIARA MAGHERU S.R.L.

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

Note 18 Reporting on activity segments

	Hospitals and clinics	Distribution	Other distribution channels**	REMEDIA pharmacies	Provided services and rents	Other operations	**TOTAL* 31.12.2018**
Net turnover	**99,177,279**	**243,236,950**	**21,722,206**	**97,311,154**	**2,595,974**	**0**	**464,043,563**
Incomes from the sale of merchandise	99,187,839	244,288,309	22,958,595	96,765975	0	0	**463,200,308**
Commercial discounts granted	-10,560	-1,051,359	-1,236,389	0	0	0	**-2,298,308**
Incomes from services provided and rents	0	0	0	545,179	2,595,974		**3,141,153**
Other operating incomes	0	0	0	0	0	1,789,002	**1,789,002**
OPERATING INCOMES - TOTAL	**99,177,279**	**243,236,950**	**21,722,206**	**2,311,580**	**2,595,974**	**1,789,002**	**465,832,565**
Expenses with merchandise	**91,044,685**	**224,659,726**	**21,528,094**	**75,640,580**	**0**	**-1,461,001**	**411,412,084**
Expenses on merchandise	95,164,264	226,608,781	22,931,968	78,452,767	0	-1,672,190	**421,485,590**
Commercial discounts received	-4,119,579	-2,949,055	-1,403,874	-2,812,187	0	-211,189	**-10,073,506**
Gross margin from the sale of merchandise	**5,319,105**	**18,577,224**	**194,112**	**21,125,396**	**0**	**1,461,001**	**49,490,326**
Other operating costs	**5,319,105**	**17,413,245**	**760,906**	**24,385,366**	**649,269**	**2,175,518**	**50,703,409**
Direct costs	1,256,499	7,051,749	3,297	18,955,053	561,861	2,175,518	**30,003,977**
Logistics costs	2,090,522	6,736,691	408,867	0	0	0	**9,236,080**
Indirect costs	1,972,084	3,624,805	348,742	5,430,313	87,408	0	**11,463,352**
OPERATING EXPENSES - TOTAL	**96,363,790**	**242,072,971**	**22,289,000**	**100,025,946**	**649,269**	**714,517**	**462,115,493**
Operating result	**2,813,489**	**1,163,979**	**-566,794**	**-2,714,792**	**1,946,705**	**1,074,485**	**3,717,072**
Financial result							**-34,043**
Gross result							**3,683,029**
Corporate tax							634,893
Net profit							**3,048,136**

*includes unallocated amounts
**storehouse+Pentron+miscellaneous

NOTE 29 OBJECTIVES AND POLICIES FOR MANAGING FINANCIAL RISK

Financial risk management

Companies are 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 companies, by the measures taken, tries to minimize the possible adverse effects that might affect the financial results of Companies.

Capital risk

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

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

The capital comprises liabilities, which include loans, cash and cash equivalents 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:

	31.12.2018	**31.12.2017**
Borrowed capital*	55.043	110.545
Equities	46.612.325	44.651.908
Indebtedness degree	0,12%	0,25%

*including financial leasing

Currency risk

Companies' exposure to the currency risk is exclusively given by monetary items such as trade receivables, trade liabilities and loans. Companies are mainly exposed to the currency risk for the payments to leasing companies, as well as at the purchases carried out in currency.

Considering that the share of liabilities in foreign currency is relatively reduced, 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.

A small part of the Companies' purchases is realised in EURO and USD. At the same time, the Companies' exports merchandise in EURO.

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

Description	**31.12.2018**		**31.12.2017**	
	EURO	USD	EURO	USD
Trade receivables	176.951		218.566	
Trade liabilities	822.033	190	606.658	190
Bank loans				
Financial leasing	11.802		23.724	

Interest rate risk

Companies do 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 reporting company has opened only one 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 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.

Price risk

The companies are 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 granting discounts and diversifying and improving the quality of the services offered.

The policy adopted by the Companies 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.

The company adopted the policy to trade only with reliable partners and obtaining sufficient guarantees as means to mitigate risks of financial losses due to failure to meet the obligations by third parties. For its clients, the Company established lending limits and requests payment guarantee instruments, such as promissory notes guaranteed by the administrator, checks and receivables assignment contracts.

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:

- Periodic reanalysis (6 months) of credit limits of all clients, together with the provision of 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 in what concerns the establishing and control of credit limits, 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

Liquidity risk

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

The Companies' 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 Companies' sufficient liquid resources to honour their obligations under all the expected reasonable circumstances.

Companies' 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 Companies have no due liabilities more 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 Companies is in banks in the form of demand deposits or cash. The Companies are working mainly with Raiffeisen Bank, Banca Transilvania, and the State Treasury. The commercial and lending conditions offered by the banks to which the Companies have 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, Companies 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 Companies.

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

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

- periodical analysis of operational risk to which the Companies are 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)
- Cost of merchandise sold by FR and supplied from FRDL

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.

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

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

- share capital
- issuance premiums
- legal reserves and other reserves
- current result
- result carried forward
- own shares

Companies were not the object of provisions imposed from the outside regarding capital in 2017.

NOTE 31 EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Until the date of preparing the report, no events subsequent to the reporting period are known that would influence financial statements.

NOTE 32 – ECONOMIC-FINANCIAL INDICATORS

*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	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	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.

Farmaceutica REMEDIA S.A.

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

by representative

Valentin Norbert TARUS

INTERAUDIT

Remedia Farmaceutica REMEDIA S.A. | Intrare / Ieșire / Contract / Procedură | Număr 55021 | Data 26.03.2019

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of FARMACEUTICA REMEDIA S.A.

Opinion

1. We have audited the accompanying consolidated financial statements of FARMACEUTICA REMEDIA S.A. ("Company"), comprising the consolidated statement of financial position as of 31st of December 2018, the consolidated statement of comprehensive income, the consolidated cash flow statement, the statement of changes in equity for the year 2018 and also a summary of the significant accounting policies and the related explanatory notes.
2. The consolidated financial statements at 31 December 2018 include:
   - Net Asset / Total Equity: 46.612.325 lei
   - Net profit for the year: 3.048.136 lei
3. In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of FARMACEUTICA REMEDIA S.A., and the result of their operations and their cash flows as of December 31st 2018 in accordance with OMFP no.2844/2016 regarding Accounting Principles according to the International Financial Reports Standards.

Basis for opinion

4. We have conducted our audit according to the International Audit Standards. Our responsibilities, based on the standards, are detailed in the "Auditor's responsibility" section of the report. We are independent, according to the Romanian relevant ethical standards and we have accomplished our ethic responsibilities accordingly. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Highlighting some aspects

5. In our professional reasoning, the main issues that formed the basis of our opinion on the consolidated financial statements are:
   - Goodwill sales. As presented in Note 11 "Intangible Assets", the Company sold goodwill representing pharmacy licenses worth 177 thousand lei. Our audit procedures included, among other things, evaluating the sales profit for these transactions.
   - Tangible Assets. The company owns tangible assets and investment property amounting to 42237 thousand lei and have recorded accumulated depreciation amounting to 4811 thousand lei (Note 10 "Tangible assets and real estate investments"). In order to identify the impairment indices of the tangible assets, management should make an estimate of the recoverable amount of the asset to be compared to the net book value. Our audit tests included analysis result evaluation made by an independent appraisal, assumptions that formed the basis of the calculations of the assets analysis, analysis of the useful lives and the depreciation method.

- Stock evaluation. Stock situation is presented in Note 13 "Inventories", their value at 31.12.2018 is of 98187 thousand lei. These stocks consist mainly of goods in pharmacies and warehouses. The valuation of the inventories cost is made at the lowest of the acquisition cost and the net realizable value and includes the acquisition price and the trade discounts received. Audit procedures included testing the existence of stockpiles, analyzing stocks impairment, the possibility of the existence of negative margins in terms of net realizable value, the accounting for changes in inventory.
- Claims. The total value of claims is 153341 thousand lei, as presented in Note 14 "Trade receivables and other receivables". Trade receivables have been adjusted with the value of the doubtful receivables taking into account the risk of non-payment and the degree of cash collection. Audit tests included mainly the analyses of the value adjustments to receivables and sample testing of receivables balance.
- Transactions with affiliated parties. In Note 27 "Presentation of transactions with affiliated parties" are mentioned the related legal entities and also the total value of the transactions and balance in 2018, which are analyzed mostly in audit tests.
- Treasury. Note 15 "Cash and cash equivalents" shows the components of cash in bank accounts and cash registers at 31.12.2018, totaling 3526 thousand lei. Audit procedures included the inventory of cash and getting confirmations from banks regarding account balances and significant transactions. The company registered an important decrease of the treasury comparing to 31.12.2017.
- Income. The main category of income earned by the company is sales to population through pharmacies, presented in Note 4 "Revenues from sales and other operating income", with a total of 465833 thousand lei. Taking into account the risks related to revenue recognition, completeness and correctness of their registration, audit tests conducted included evaluation principles under IAS 18 "Revenue", assessing the existence and effectiveness of their internal controls, comparative analysis of gross margin, adjustments analysis.

Other information - Administrators' Report

6. Administrators are responsible for compiling and presenting other information. That other information includes the Directors' Report, but does not include the auditor's financial statements and report, nor the non-financial statement.

   Our opinion on the financial statements does not cover this other information and, unless it is explicitly mentioned in our report, we do not express any assurance as to its conclusion.

   Administrators are responsible for preparing and presenting the Administrators' report in accordance with OMFP no. 2844/2016 and for such internal control as the administrator consider it necessary to enable the preparation and presentation of the Administrators' report that are free from material misstatement, whether due to fraud or error. Administrators' report is not part of the financial statements.

   Regarding the financial statements for the financial year ended 31 December 2018, it is our responsibility to read the Administrators' Report and, in this regard, to assess whether there are significant inconsistencies between the Administrators' Report and the financial statements, if the Administrators' Report includes in all material aspects, the information requested by OMFP no. 2844/2016, annex 1, chapter 3, paragraphs 15-19 and chapter 4, paragraphs 26-28 on Accounting Regulations on International Financial Reporting Standards, and if based on our knowledge and understanding acquired during the audit of financial statements of the

Company and in its environment, the information included in the Administrator's Report have significant errors. Based on our ongoing activity, we note that:

- in the Administrators' Report we have not identified any information that is not consistent, in all material respects, with the information presented in the attached financial statements;
- the above mentioned Administrators' Report includes, in all material respects, information required by Order no. 2844/2016, appendix 1, section 3, paragraphs 15-19 and Chapter 4, paragraphs 26-28 of the Accounting Regulations on International Financial Reporting Standards;
- based on our knowledge and understanding acquired during the audit of the financial statements for the financial year ended December 31st 2018 regarding the Company and its environment, we did not identify information included in the Administrators' Report that is materially misstated.

Responsibilities of the management and those responsible for governance for the financial statements

7. Management is responsible for preparing financial statements that give a true and fair image and in accordance with Order no. 2844/2016 and for such internal control as management deems necessary to permit preparation of financial statements free from material misstatement, whether due to fraud or error.
8. In preparing the financial statements, management is responsible for assessing the Company's ability to continue its business, to present, if applicable, business continuity and use-of-business accounting, unless the management intends to liquidate the Company or stop operations, or have no realistic alternative outside of them.
9. The persons responsible for governance are responsible for overseeing the financial reporting process of the Company.

Auditor's responsibilities in an audit of financial statements

10. Our objectives are to obtain reasonable assurance that the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISA will always detect significant misstatement, if any. Distortions may be caused either by fraud or by error and are considered significant if reasonable assumptions can be made that they, individually or collectively, will influence the economic decisions of users made on the basis of these financial statements.
11. As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism during the audit. Also:
    - We identify and evaluate the risks of material misstatement of financial statements, whether due to fraud or error, we design and execute audit procedures in response to those risks, and obtain sufficient audit evidence to provide a basis for our opinion. The risk of not detecting significant misstatement caused by fraud is higher than the failure to detect a significant misstatement caused by error, as fraud may imply secret, false, deliberate omissions, false statements, and avoidance of internal control.
    - We understand the internal audit relevant to the audit, in order to design audit procedures that are appropriate to the circumstances, but without the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- We evaluate the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by management.
- We formulate a conclusion on the suitability of management's use of accounting based on the continuity of activity, and we determine, based on the audit evidence obtained, whether there is significant uncertainty about events or conditions that could generate significant doubts about the Company's ability to continue their activity. If we conclude that there is significant uncertainty, we need to draw attention in the auditor's report on the accompanying financial statements or, if these statements are inappropriate, to give a modified opinion. Our findings are based on audit evidence obtained by the date of the auditor's report. However, future events or conditions may cause the Company not to continue operating on a business continuity basis.
- We evaluate the presentation, structure and content of financial statements, including disclosures, and if the financial statements reflect the transactions and events underlying them in a manner that results in a fair presentation.
- We inform those responsible for governance, among other things, the planned scope and timing of the audit and the main findings of the audit, including any significant deficiencies in internal control, which are identified during the audit.
- We obtain sufficient and appropriate audit evidence about the financial information of the Group's entities or business activities in order to express an opinion on the consolidated financial statements. We are responsible for coordinating, supervising and performing the group audit. We are solely responsible for our audit opinion.

Report on other legal and regulatory provisions

12. We have been appointed by the General Assembly of Shareholders on April 26th , 2018 to audit the consolidated financial statements of Farmaceutica Remedia SA for the financial year 2018. We confirm that during this period we have not provided to the Company restricted non audit services, art. 5 paragraph 1 of EU Regulation No.537 / 2014.

Other issues

13. This Independent Auditor's Report is addressed solely to the Company's shareholders, and has been conducted to report those issues that we need to report in a financial audit report, and not for other purposes. To the extent permitted by law, we do not accept and assume responsibility only to the Company and its shareholders as a whole for our audit, for this report, or for our opinion.
14. This report is based on the audit engagement partner Carmela Bobocea.

Bucharest, Romania
26th of March 2019

On behalf of **INTERAUDIT S.R.L.**
Registered at the Chamber of Financial Auditors of Romania
No.775/2006

Auditor: CARMELA BOBOCEA
Registered at the Chamber of Financial Auditors of Romania
No.1657/2006

S.C. INTERAUDIT S.R.L. INTERAUDIT BUCURESTI - ROMÂNIA

Camera Auditorilor Financiari din România Bobocea Carmela Nr. 1657

Remedia
FARMACEUTICA REMEDIA S.A.

UNCONSOLIDATED 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,

UNCONSOLIDATED 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: **RO2115198**

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

Farmaceutica REMEDIA S.A. (« the Company ») is a commercial company with registered office in Deva, No. 43 Dorobantilor Street, Hunedoara County, Romania.

It was established on 25 July 1991 as a commercial company with fully state-owned capital by reorganisation of the Oficiul Farmaceutic Deva. On 13.10.2000, V.TARUS RoAgencies S.R.L. purchased from FPS the majority shares package (55,802 %). In January 2006, Farmaceutica REMEDIA S.A. merged by absorption with V.TARUS RoAgencies S.R.L.

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

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

In this context, as at 31.12.2018, 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. did not attend in mergers.

During the same period, the company has 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 financial results of Farmaceutica REMEDIA S.A. for the financial year 2018 indicate a net profit of 2.141.021 Lei, at a net turnover of 99.034.548 Lei. Other operating income were also recorded (1.575.769 Lei), mainly sales of assets (licences of pharmacies and part of a real estate), as well as financial income in the amount of 2.071.581Lei (mainly dividends and discounts received for the advance payment).

The total costs (excluding corporate tax) amounted to the value of 100.484.726 Lei of which:

- Operating expenses – 100.479.640 Lei of which:
  - 75.640.582 Lei is the net cost of sold merchandise (including received commercial discounts)
- Financial expenses – 5.086 Lei of which:
  - 3.850 Lei – discounts for advance collections,

- 1.236 Lei – rate differences

Considering the market of drugs and pharmaceutical products of over 3 billion euros (in 2018), we estimate the market share of the Farmaceutica REMEDIA S.A. Company to approximately 1%.

On 31.12.2018, the liquidities of the company (available in bank accounts and cash registers) amounted to 2.573.340 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) 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 96.765.975 Lei (97,71 % from the turnover) with the following allocation of distribution areas:

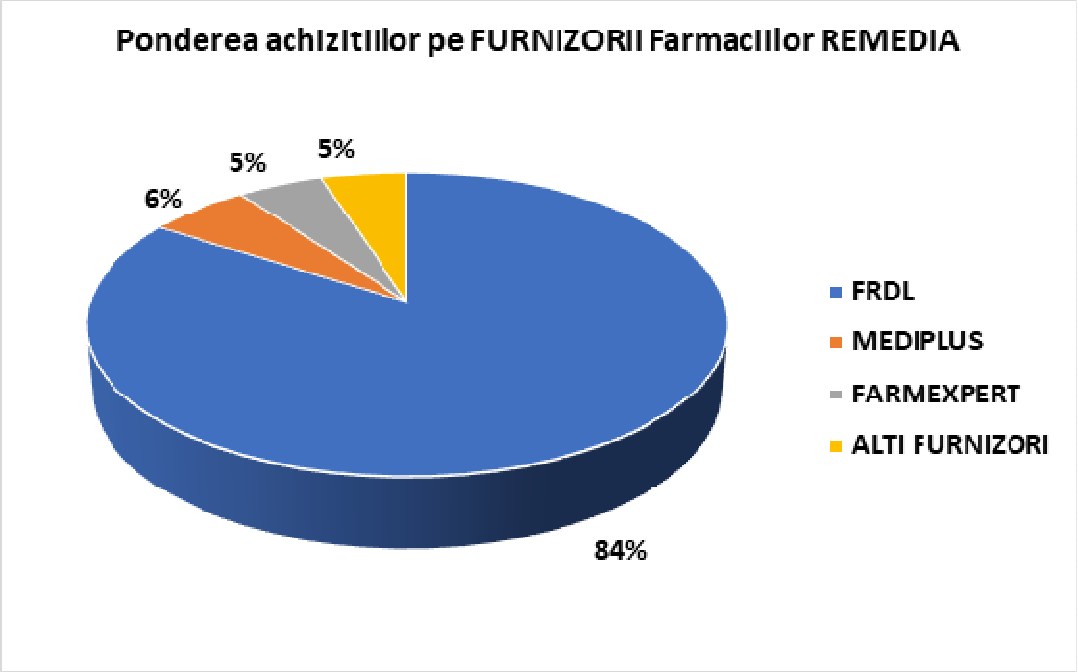
- West Pharmacies 48.432.005 Lei (50,05 % from the total of merchandise sales)
- Centre Pharmacies 14.526.337 Lei (15,01 %)
- Bucharest Pharmacies 22.800.577 Lei (23.56 %)
- South-East Pharmacies 10.931.548 Lei (11,30 %)
- Other sales 75.508 Lei (0,08 %)

From the activities with added value (invoiced to third parties) and rents, operating income was registered in the amount of 2.268.573 Lei of which:

- rents (including to FRDL) 1.606.511 Lei (1,62 % from the turnover)
- shelf marketing 466.551 Lei (0,47%)

1.4. Evaluation of purchases of merchandise

in REMEDIA Pharmacies, purchases were carried out especially through the FRDL distributor, 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;

As at 31.12.2018, company stocks, of which a share of 99,9% was represented by merchandise, amounted to 14.766.284 Lei, increasing by 13,49% as compared to the same period last year.

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

At the end of 2018, Farmaceutica REMEDIA S.A., recorded a number of 375 employees, of which 335 personnel within pharmacies (89,34%), and the rest of 40 persons being employees of support and management departments.

Of the 375 employees, 173 have higher education studies (46% from the total of employees), 153 have secondary studies (41%), and the rest of 49 persons have average studies (13%).

Of the 173 employees with higher education studies, 138 (80%) have studies in the pharmaceutical field, 12 (7%) in in the economic field, 9 (5%) in the polytechnic field, and 14 (8%) in other fields.

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

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

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

The company contributes to the environmental protection by the selective collection of waste resulted from its own activity. In 2018, over 8 tons of waste, carton packaging and paper were handed over to authorised companies 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, and hands them over in a centralised manner to the authorised companies for their destruction according to the legal norms approx. 5.4 tons. At the same time, REMEDIA pharmacies collect waste selectively.

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 biodegradable bags were introduced, thus implementing measures to reduce waste and to comply with the legislation in the field.

1.7. Evaluation of the sales and marketing activity

The main customers of Farmaceutica REMEDIA S.A. are the County Health Houses, CASMB and OPSNAJ house. From the total of merchandise sales (without VAT) of 96.765.975 lei, the invoices (without VAT) to health houses represented 33.328.256 Lei (34,44%). There is no significant dependence of the company on a single client. In the top of merchandise clients, the share of position 1 is of 16,06% (Hunedoara County Health House – 15.542.102 Lei without VAT), the first 15 realising together a share of 34,44 % from the total sales (without VAT).

In 2018, the company developed partnerships on the marketing segment with manufacturers such as: GSK Consumer Healthcare, Sanofi, Reckitt Benckiser, Biofarm, Terapia, Antibiotice Iasi, Farmec, Allergika, Auriga etc, in order to access commercial conditions and additional budgets meant to stimulate sales and to and to help patients with new products and competitive prices.

During 2018, a special attention was paid to increasing the quality of services provided to patients, following the participation of the personnel to specialty classes, e-learning actions carried out in partnership with manufacturers, round-tables and other profile events.

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

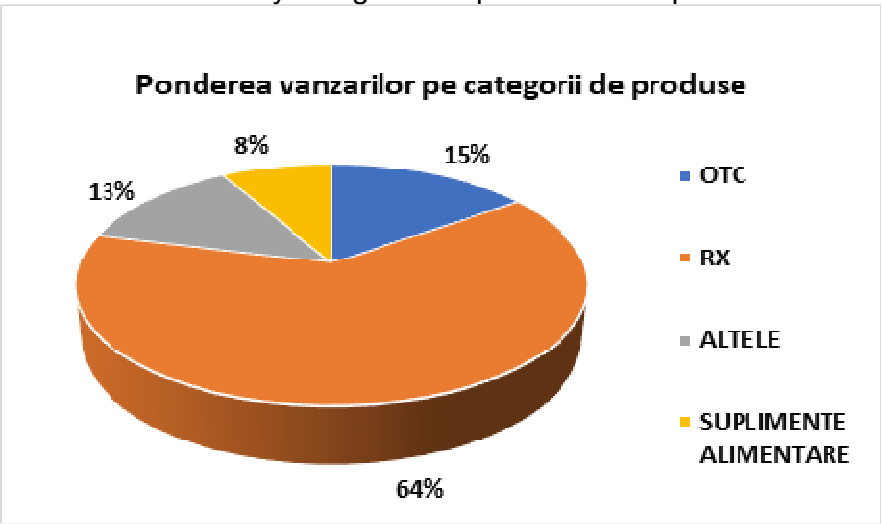
In 2018, as compared to 2017, REMEDIA Pharmacies recorded an increase in net sales by approx. 10% and an increase in the number of units sold by 2%, from 5.360.975 units (2017) to 5.453.548 units (2018).

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

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

In what concerns the sale on categories, in 2018 a value increase of approximately 12% is recorded on products not requiring a medical prescription for release (non-RX), a category comprising OTC, food supplements, medical devices etc.

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



Altele – others, suplimente alimentare – food supplements

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, Zentiva, 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.

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

Strict compliance with the quality assurance mechanism by Farmaceutica REMEDIA S.A. has led reporting to zero incidents with counterfeit products during 2018. In order to implement the European Directive No. 2011/62/EU on counterfeit drugs, respectively the drugs serialisation process, Farmaceutica REMEDIA obtained in 2018 the GS1 licence certificate, attesting the membership to the GS1 Romania global organisation.

1.8. Evaluation of the development activity

Farmaceutica REMEDIA S.A. continued in 2018 the modernisation process in its own pharmacies as well. It consisted both in continuous improvement of the two software systems used, and in endowments with new equipment (furniture, computers, light commercials).

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

Development of computer systems:

- adaption to the legislative requirements respectively changing the cash registers
- modernisation of the communications infrastructure (new mail server)

- automating the takeover of customer invoices from the management program into the accounting program
- modernising automatic data exchanges with the FRDL partner (stocks/orders/invoices)
- automatic report for the management
- securing the internal exchange of information (headquarter - pharmacies) (according to GDPR and not only)
- in-house development and implementation of a claims reporting system, as well as for tracking/monitoring in their settlement
- the first "real" inventory with intelligent terminals where unique bar codes are used on packaging
- development and implementation of an electronic archiving system of consents to process personal data, according to GDPR

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.

Due to unsatisfactory results, a pharmacy was sold (from Alba Iulia).

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.

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

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

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

1.10. Elements of perspective on the company's activity

In 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 the company

Fixed assets (at the remained value) are in the amount of **37.949.388 Lei** having the following structure:

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

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

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

Within tangible assets, a share of 96,62 % is represented by 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.

2. 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 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

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 componence:

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 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.**

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

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

- Valentin-Norbert TARUS - Austrian citizen
- ''TARUS'' - Valentin Norbert TARUS e.U. – Austrian individual enterprise
- Farmaceutica REMEDIA Distribution & Logistics S.R.L. (former SIBMEDICA S.R.L.)
- TARUS MEDIA S.R.L.
- 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 (RON)	**dec.-18**	**dec.-17**
Sales of goods	96,765,975	88,498,095
Discounts given	0	-3,359
Net Sales	**96,765,975**	**88,494,736**
COGS	78,452,769	69,780,055
Discounts Received	-2,812,187	-1,447,268
Net COGS	**75,640,582**	**68,332,787**
Gross Margin	**21,125,393**	**20,161,949**
Gross Margin (%)	21.83%	22.78%
Other Operating Revenues	3,844,342	3,820,263
Personnel	-16,935,305	-14,534,238
Other Operating Expenses	-7,409,386	-8,070,646
Total Operating Expenses	**-24,344,691**	**-22,604,884**
EBITDA	**625,044**	**1,377,328**
EBITDA Margin	0.65%	1.56%
Depreciation	-427,195	-330,723
Provisions - net	-2,779	553,000
Bad debts lost	-64,393	-711,862
EBIT	**130,677**	**887,743**
EBIT Margin	0.14%	1.00%
Financial Revenues	2,071,58	692,607
Financial Expenses	-5,086	-18,905
Financial income	2,066,495	673,702
EBT	**2,197,173**	**1,561,445**
EBT Margin	2,27%	1.76%
Tax on Profit	-56,152	-270,689
Net Profit	**2,141,021**	**1,290,756**

Net Profit Margin	2.21%	1.46%

Farmaceutica REMEDIA Balance Sheet(RON)	**dec.-18**	**dec.-17**
Total Assets	**70,700,525**	**68,044,479**
Cash	2,573,340	4,975,002
A/R	15,069,833	11,320,032
Inventory	14,766,284	13,011,127
Expenses in advance	56,946	74,524
Other Current Assets	284,734	128,888
Total Current Assets	**32,751,137**	**29,509,573**
Tangible Assets	30,281,566	30,695,699
Intangible Assets	7,089,522	7,283,048
Financial Investments	578,301	556,159
Total Long-Term Assets	**37,949,388**	**38,534,906**
A/P	25,246,920	23,810,600
Other ST payables	1,796,124	1,571,581
Payables to shareholders	241,226	214,756
ST Loans*	0	0
Current Liabilities	**27,284,270**	**25,596,937**
LT Loans*	0	0
Other LT liabilities	1,374,199	1,399,221
LT Liabilities	**1,374,199**	**1,399,221**
Provisions	**10,449**	**0**
Share capital	10,608,980	10,608,980
Reserves	29,281,606	29,148,585
Profit	2,141,021	1,290,756
Equity	**42,031,607**	**41,048,321**
Total Liabilities & Equity	**70,700,525**	**68,044,479**

*including financial leasing

Financial statements were audited by the independent financial auditor.

9. Economic-financial indicators

*Thousand Lei

LIQUIDITY AND WORKING CAPITAL	31.12.2018	31.12.2017
current liquidity (Current assets/Current liabilities)	**1,2**	**1,15**
Current assets	32.694	29.435
Current liabilities	27.295	25.597
degree of indebtedness (Borrowed capital / Equity x 100)	**0 %**	**0 %**
Borrowed capital (including leasing)	0	0
Equity	42.032	41.048
turnover speed for client debit items (average customer balance/turnover *365)	**47 days**	**31 days**
Average customer balance	12.625	7.728
net turnover	99.035	90.661
Turnover speed of liabilities (average suppliers balance/cogs*365)	**125 days**	**127 days**
Average suppliers balance	25.934	23.695
Cost of merchandise sold	75.641	68.333
Turnover speed of stocks (average stock balance/COGS * 365	**68 days**	**66 days**
Average stocks balance	14.049	12.370
Cost of merchandise sold	75.641	68.333
turnover speed of fixed assets (turnover/fixed assets)	**2,61**	**2,35**
net turnover	99.035	90.661
Fixed assets	37.949	38.535
Gross profit margin (%) (gross profit/net sales)	**2,22%**	**1,72%**
Gross profit	2.197	1.561
Net turnover	99.035	90.661

Note:

1) **Current liquidity** – the indicator level reflects a good payment capacity, therefore an average risk, 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.

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.

3) **Turnover speed for client debit items** expresses company effectiveness in collecting its receivables, respectively the number of days until the date on which debtors pay their liabilities to the company. Considering the dynamics of sales and the specificity of the collection of receivables in the distribution of drugs, we believe

that the value of 47 days is a normal one under the given conditions. The indicator 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 approximately the same value as last year.

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

Bucharest, 15 March 2019

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

STATEMENT OF GLOBAL RESULT
ON DECEMBER 31st 2018 - unconsolidated
(all the sums are expressed in RON unless otherwise specified)

	31-Dec-18	31-Dec-17
Net turnover	**99,034,548**	**90,661,305**
Revenues from sales of goods	96,765,975	88,498,095
Trade discountes granted	0	-3,359
Revenues from services rendered and rents	2,268,573	2,166,570
Other operating revenues	**1,575,769**	**1,653,693**
OPERATING REVENUES - TOTAL	**100,610,318**	**92,314,998**
Material expenses	**77,335,847**	**69,848,561**
Goods-related expenses	78,452,769	69,780,055
Trade discounts received	-2,812,187	-1,447,268
Raw materials and consumable expenses	791,987	743,421
Other material expenses	289,283	123,065
Energy and water expenses	613,995	649,288
Staff expenses	**16,935,305**	**14,534,238**
Salaries and compensations	14,988,333	10,973,471
Social insurance and protection expenses	458,816	2,578,694
Other staff expenses	1,488,156	982,073
Depreciation and provisions	**494,367**	**489,585**
Depreciations	427,195	330,723
Net provisions	2,779	-553,000
Losses from receivables	64,393	711,862
Other opereting expenses	**5,714,121**	**6,554,872**
Outsourcing expenses	4,857,559	5,072,238
Other duties, taxes and similar levies expenses	514,987	454,557
Other expenses	341,575	1,028,077
OPERATING EXPENSES - TOTAL	**100,479,640**	**91,427,256**
OPERATING RESULT	**130,678**	**887,742**
Financial revenues	**2,071,581**	**692,608**
Interest revenues	2,693	5,234
Revenues from exchange rate differences	543	20,479
Revenues from dividends	2,002,851	501,882
Discounts pay in advance	65,494	165,013
Other financial expenses	0	0
Financial expenses	**5,086**	**18,905**
Interest expenses	0	0
Expenses from exchange rate difference	1,236	1,457
Discounts encashment in advance	3,850	17,448
Other financial expenses	0	0
FINANCIAL RESULT	**2,066,495**	**673,703**
TOTAL REVENUES	**102,681,899**	**93,007,606**
TOTAL EXPENSES	**100,484,726**	**91,446,161**
GROSS RESULT	**2,197,173**	**1,561,445**
Income tax	56,152	270689
TOTAL NET PROFIT, of which attributable :	**2,141,021**	**1,290,756**

Company's shareholders	2,141,021	1,290,756
Minority interest		
Comprehensive income afferent to the period - total, of which attributable :	**2,141,021**	**1,290,756**
Company's shareholders	2,141,021	1,290,756
Minority interest		
Result per share (Lei)		
basic	0.0202	0.0122
diluted	0.0202	0.0122

President of the Board of Administration

Director Financiar

"TARUS" - Valentin Norbert TARUS e.U.

Represented by

Robert - Mihail PELOIU

Valentin - Norbert TARUS

STATEMENT OF FINANCIAL POSITION - unconsolidated
ON DECEMBER 31st 2018

(all the sums are expressed in RON unless otherwise specified)

	31-Dec-18	31-Dec-17
ASSETS		
Fixed assets	**37,949,388**	**38,534,906**
Tangible asstes	23,938,413	25,043,231
Investment property	6,343,153	5,652,468
Software licenses	9,028	25,410
Pharmaceutical licenses	7,080,494	7,257,638
Participations held in group companies	292,320	289,320
Participations held in companies outside the group	5,316	8,316
Financial assets	280,665	258,523
Current assets	**32,694,191**	**29,435,049**
Stocks	14,766,284	13,011,127
Trade receivables	15,069,833	11,320,032
Other receivables	284,734	128,888
Cash and cash equivalents	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 capital	10,921,209	10,921,209
Share premium	757,485	757,485
Reserves	28,746,608	28,581,800
Current profit or loss (result)	2,141,021	1,290,756
	0	0
Reported result- retreading	-312,229	-312,229
Profit or loss (result) carried forward	-109,859	-78,072
Own shares	-112,628	-112,628
Non-current liabilities	**1,374,199**	**1,399,221**
Financial lease liabilities	0	0
Provisions	0	0
Deferred tax liabilities	1,374,199	1,399,221
Current liabilities	**27,294,718**	**25,596,937**
Bank loans	0	0
Financial lease liabilities	0	0
Suppliers and other similar liabilities	25,246,920	23,810,600
Provisions	10,449	0
Current tax liabilities	0	78,999
Other current liabilities	2,037,350	1,707,338
Total liabilities		
	28,668,917	**26,996,158**
TOTAL EQUITY AND LIABILITIES	**70,700,525**	**68,044,479**

President of the Board of Administration

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

Valentin - Norbert TARUS

Director Financiar
Robert - Mihail PELOIU

INTERAUDIT

Remedia Farmaceutica REMEDIA S.A. | Intrare ~~Ieșire~~ ~~Contract~~ ~~Procedură~~ | Număr 55020 | Data 26.03.2019

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of FARMACEUTICA REMEDIA S.A.

Opinion

1. We have audited the accompanying financial statements of FARMACEUTICA REMEDIA S.A. ("Company"), comprising the individual statement of financial position as of 31st of December 2018, the individual statement of comprehensive income, the individual cash flow statement, the statement of changes in individual equity for the year 2018 and also a summary of the significant accounting policies and the related explanatory notes.
2. The individual financial statements at 31 December 2018 include:
   - Net Asset / Total Equity: 42.031.608 lei
   - Net profit for the year: 2.141.021 lei
3. In our opinion, the financial statements present fairly, in all material respects, the financial position of FARMACEUTICA REMEDIA S.A., and the result of their operations and their cash flows as of December 31st 2018 in accordance with OMFP no.2844/2016 regarding Accounting Principles according to the International Financial Reports Standards.

Basis for opinion

4. We have conducted our audit according to the International Audit Standards. Our responsibilities, based on the standards, are detailed in the "Auditor's responsibility" section of the report. We are independent, according to the Romanian relevant ethical standards and we have accomplished our ethic responsibilities accordingly. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Highlighting some aspects

5. In our professional reasoning, the main issues that formed the basis of our opinion on the consolidated financial statements are:
   - Goodwill sales. As presented in Note 11 "Intangible Assets", the Company sold goodwill representing pharmacy licenses worth 177 thousand lei. Our audit procedures included, among other things, evaluating the sales profit for these transactions.
   - Tangible Assets. The company owns tangible assets and investment property amounting to 34268 thousand lei and have recorded accumulated depreciation amounting to 3956 thousand lei (Note 10 "Tangible assets and real estate investments"). In order to identify the impairment indices of the tangible assets, management should make an estimate of the recoverable amount of the asset to be compared to the net book value. Our audit tests included analysis result evaluation made by an independent appraisal, assumptions that formed the basis of the calculations of the assets analysis, analysis of the useful lives and the depreciation method.
   - Stock evaluation. Stock situation is presented in Note 13 "Inventories", their value at 31.12.2018 is of 14766 thousand lei. These stocks consist mainly of goods in pharmacies and

warehouses. The valuation of the inventories cost is made at the lowest of the acquisition cost and the net realizable value and includes the acquisition price and the trade discounts received. Audit procedures included testing the existence of stockpiles, analyzing stocks impairment, the possibility of the existence of negative margins in terms of net realizable value, the accounting for changes in inventory.

- Claims. The total value of claims is 15355 thousand lei, as presented in Note 14 "Trade receivables and other receivables". Trade receivables have been adjusted with the value of the doubtful receivables taking into account the risk of non-payment and the degree of cash collection. Audit tests included mainly the analyses of the value adjustments to receivables and sample testing of receivables balance.
- Transactions with affiliated parties. In Note 27 "Presentation of transactions with affiliated parties" are mentioned the related legal entities and also the total value of the transactions and balance in 2018, which are analyzed mostly in audit tests.
- Treasury. Note 15 "Cash and cash equivalents" shows the components of cash in bank accounts and cash registers at 31.12.2018, totaling 2573 thousand lei. Audit procedures included the inventory of cash and getting confirmations from banks regarding account balances and significant transactions. The company registered an important decrease of the treasury comparing to 31.12.2017.
- Income. The main category of income earned by the company is sales to population through pharmacies, presented in Note 4 "Revenues from sales and other operating income", with a total of 100610 thousand lei. Taking into account the risks related to revenue recognition, completeness and correctness of their registration, audit tests conducted included evaluation principles under IAS 18 "Revenue", assessing the existence and effectiveness of their internal controls, comparative analysis of gross margin, adjustments analysis.

Other information - Administrators' Report

6. Administrators are responsible for compiling and presenting other information. That other information includes the Directors' Report, but does not include the auditor's financial statements and report, nor the non-financial statement.
   Our opinion on the financial statements does not cover this other information and, unless it is explicitly mentioned in our report, we do not express any assurance as to its conclusion.
   Administrators are responsible for preparing and presenting the Administrators' report in accordance with OMFP no. 2844/2016 and for such internal control as the administrator consider it necessary to enable the preparation and presentation of the Administrators' report that are free from material misstatement, whether due to fraud or error. Administrators' report is not part of the financial statements.
   Regarding the financial statements for the financial year ended 31 December 2018, it is our responsibility to read the Administrators' Report and, in this regard, to assess whether there are significant inconsistencies between the Administrators' Report and the financial statements, if the Administrators' Report includes in all material aspects, the information requested by OMFP no. 2844/2016, annex 1, chapter 3, paragraphs 15-19 and chapter 4, paragraphs 26-28 on Accounting Regulations on International Financial Reporting Standards, and if based on our knowledge and understanding acquired during the audit of financial statements of the Company and in its environment, the information included in the Administrator's Report have significant errors. Based on our ongoing activity, we note that:

- in the Administrators' Report we have not identified any information that is not consistent, in all material respects, with the information presented in the attached financial statements;
- the above mentioned Administrators' Report includes, in all material respects, information required by Order no. 2844/2016, appendix 1, section 3, paragraphs 15-19 and Chapter 4, paragraphs 26-28 of the Accounting Regulations on International Financial Reporting Standards;
- based on our knowledge and understanding acquired during the audit of the financial statements for the financial year ended December 31st 2018 regarding the Company and its environment, we did not identify information included in the Administrators' Report that is materially misstated.

Responsibilities of the management and those responsible for governance for the financial statements

7. Management is responsible for preparing financial statements that give a true and fair image and in accordance with Order no. 2844/2016 and for such internal control as management deems necessary to permit preparation of financial statements free from material misstatement, whether due to fraud or error.
8. In preparing the financial statements, management is responsible for assessing the Company's ability to continue its business, to present, if applicable, business continuity and use-of-business accounting, unless the management intends to liquidate the Company or stop operations, or have no realistic alternative outside of them.
9. The persons responsible for governance are responsible for overseeing the financial reporting process of the Company.

Auditor's responsibilities in an audit of financial statements

10. Our objectives are to obtain reasonable assurance that the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISA will always detect significant misstatement, if any. Distortions may be caused either by fraud or by error and are considered significant if reasonable assumptions can be made that they, individually or collectively, will influence the economic decisions of users made on the basis of these financial statements.
11. As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism during the audit. Also:
    - We identify and evaluate the risks of material misstatement of financial statements, whether due to fraud or error, we design and execute audit procedures in response to those risks, and obtain sufficient audit evidence to provide a basis for our opinion. The risk of not detecting significant misstatement caused by fraud is higher than the failure to detect a significant misstatement caused by error, as fraud may imply secret, false, deliberate omissions, false statements, and avoidance of internal control.
    - We understand the internal audit relevant to the audit, in order to design audit procedures that are appropriate to the circumstances, but without the purpose of expressing an opinion on the effectiveness of the Company's internal control.
    - We evaluate the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by management.

- We formulate a conclusion on the suitability of management's use of accounting based on the continuity of activity, and we determine, based on the audit evidence obtained, whether there is significant uncertainty about events or conditions that could generate significant doubts about the Company's ability to continue their activity. If we conclude that there is significant uncertainty, we need to draw attention in the auditor's report on the accompanying financial statements or, if these statements are inappropriate, to give a modified opinion. Our findings are based on audit evidence obtained by the date of the auditor's report. However, future events or conditions may cause the Company not to continue operating on a business continuity basis.
- We evaluate the presentation, structure and content of financial statements, including disclosures, and if the financial statements reflect the transactions and events underlying them in a manner that results in a fair presentation.
- We inform those responsible for governance, among other things, the planned scope and timing of the audit and the main findings of the audit, including any significant deficiencies in internal control, which are identified during the audit.

Report on other legal and regulatory provisions

11. We have been appointed by the General Assembly of Shareholders on April 26th , 2018 to audit the financial statements of Farmaceutica Remedia SA for the financial year 2018. We confirm that during this period we have not provided to the Company restricted non audit services, art. 5 paragraph 1 of EU Regulation No.537 / 2014.

Other issues

12. This Independent Auditor's Report is addressed solely to the Company's shareholders, and has been conducted to report those issues that we need to report in a financial audit report, and not for other purposes. To the extent permitted by law, we do not accept and assume responsibility only to the Company and its shareholders as a whole for our audit, for this report, or for our opinion.
13. This report is based on the audit engagement partner Carmela Bobocea.

Bucharest, Romania
26th of March 2019

On behalf of **INTERAUDIT S.R.L.**
Registered at the Chamber of Financial Auditors of Romania
No.775/2006

Auditor: CARMELA BOBOCEA
Registered at the Chamber of Financial Auditors of Romania
No.1657/2006

S.C. INTERAUDIT S.R.L. INTERAUDIT BUCUREŞTI - ROMÂNIA

Camera Auditorilor Financiari din România Bobocea Carmela Nr. 1657

Remedia
Farmaceutica REMEDIA S.A.

Statement of 24 April 2019
of responsible persons within the commercial company
Farmaceutica REMEDIA S.A.
for the Annual Report 2018

In accordance with the legal provisions in force regarding issuers and transactions with securities, the undersigned, as the person responsible in the company Farmaceutica REMEDIA S.A., to my knowledge, hereby declare:

1. Unconsolidated Financial Statements and Annual Consolidated Financial Statements of Farmaceutica REMEDIA S.A. which ended on 31 December 2018 for the year 2018, prepared in accordance with the applicable accounting standards, provides a true and fair view of the assets, liabilities, financial position and profit and loss account.

2. The Board of Directors' reports shall include a proper analysis of the developer's performance and performance, as well as a description of the main risks and uncertainties specific to the business carried out.

Function	Name	Responsibility period	Signature
Chairman of the Board of Directors	**„TARUS" - Valentin Norbert TARUS e.U", reprezentat de Valentin-Norbert TARUS**	01.01.2018-30.04.2019	
Member of the Board of Directors - General Manager	**Zoe CHIRIŢĂ**	01.01.2018-30.04.2019	
Member of the Board of Directors	**SERFAL Management S.R.L.**	01.05.2018-30.04.2019	
Member of the Board of Directors	**DUBAU Alin**	30.05.2018-30.04.2019	
CFO	**Robert PELOIU**	01.01.2018-31.12.2018	

Bucharest, on April 24, 2019

Remedia
Farmaceutica REMEDIA S.A.

Intrare
Ieșire
~~Contract~~
~~Procedură~~
Număr 28862
Data 7.11.2018

Remedia
Farmaceutica REMEDIA S.A.

Status of the compliance to the provisions of the new BVB Corporate Governance Code as of 2 October 2018

Governance Code provisions	Compliance	Does not comply or partially complies	Explanation of non-conformity and envisaged measures
A.1 All companies should have internal regulation of the Board which includes terms of reference/responsibilities for Board and key management functions of the company, applying, among others, the General Principles of Section A.	YES		
A.2 Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	YES		
A.3 The Board of Directors or the Supervisory Board should have at least five members.	YES		
A.4 The majority of the members of the Board of Directors should be non-executive. At least one member of the Board of Directors or Supervisory Board should be independent, in the case of Standard Tier companies. Not less than two non-executive members of the Board of Directors or Supervisory Board should be independent, in the case of Premium Tier Companies. Each member of the Board of Directors or Supervisory Board, as the case may be, should submit a declaration that he/she is independent at the moment of his/her	YES		

Governance Code provisions	Compliance	Does not comply or partially complies	Explanation of non-conformity and envisaged measures
nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/she is considered independent in character and judgement.			
A.5 A Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate.	YES		
A.6 Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board.	YES		
A.7 The company should appoint a Board secretary responsible for supporting the work of the Board.	YES		
A.8 The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.		Partially complies	The members of the Board are annually evaluated in conformity with the key performance indicators as defined in the internal politics and in their mandate contracts. The annual report of the Board includes information related to the remuneration policy and its implementation published on the web page of the society. The Board will re-examine the provisions A8 mainly as regards the policy/guidance referring to the Board evaluation.
A.9 The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.	YES		
A.10 The corporate governance statement should contain information on the precise number of the independent members of the Board of	YES		

Governance Code provisions	Compliance	Does not comply or partially complies	Explanation of non-conformity and envisaged measures
Directors or of the Supervisory Board.			
A.11 The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.	YES		Additional information: The society is STANDARD category and set up a nomination committee with majority of members formed of non-executives and one independent member.
B.1 The Board should set up an audit committee, and at least one member should be an independent non-executive. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven and adequate auditing or internal control system and the corporate governance practices.	YES		Additional information: The board set up an audit committee of three members, out of which two are the independent and non-executive.
B.2 The audit committee should be chaired by an independent non-executive member.	YES		
B.3 Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.	YES		
B. The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.	YES		
B.5 The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.	YES		Additional information: The audit committee evaluate the conflicts of interests in transactions of the company and its subsidiaries with related parties is done based on the transfer prices dossier.
B.6 The audit committee should evaluate the efficiency of the internal control system and risk management system.	YES		
B.7 The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.	YES		

Governance Code provisions	Compliance	Does not comply or partially complies	Explanation of non-conformity and envisaged measures
B.8 Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by cyclical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.	YES		
B.9 No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	YES		
B.10 The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Board's audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.	YES		
B.11 The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	YES		
B.12 To ensure the fulfilment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer	YES		
C.1 The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review	YES		
D.1 The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all	YES		

Governance Code provisions	Compliance	Does not comply or partially complies	Explanation of non-conformity and envisaged measures
relevant information of interest for investors, including:			
D.1.1 Principal corporate regulations: the articles of association, general shareholders' meeting procedures;	YES		
D.1.2 Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions;	YES		
D.1.3 Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least as provided at item D.8 – including current reports with detailed information related to non-compliance with the present Code;	YES		
D.1.4 Information related to general meetings of shareholders: the agenda and supporting materials; the procedure approved for the election of Board members; the rationale for the proposal of candidates for the election to the Board, together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including the decisions taken;	YES		
D.1.5 Information on corporate events, such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a timeframe that enables investors to make investment decisions;	YES		
D.1.6 The name and contact data of a person who should be able to provide knowledgeable information on request;	YES		
D.1.7 Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports.	YES		
D.2 A company should have an annual cash distribution or dividend policy, proposed by the CEO or the Management Board and adopted by the Board, as a set of directions the company intends to follow	YES		

Governance Code provisions	Compliance	Does not comply or partially complies	Explanation of non-conformity and envisaged measures
regarding the distribution of net profit. The annual cash distribution or dividend policy principles should be published on the corporate website.			
D.3 A company should have adopted a policy with respect to forecasts, whether they are distributed or not. Forecasts means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual or quarterly reports. The forecast policy should be published on the corporate website.	YES		
D.4 The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.	YES		
D.5 The external auditors should attend the shareholders' meetings when their reports are presented there.	YES		
D.6 The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	YES		
D.7 Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	YES		
D.8 The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial	YES		

Governance Code provisions	Compliance	Does not comply or partially complies	Explanation of non-conformity and envisaged measures
indicators, both on quarter-on-quarter and year-on-year terms.			
D.9 The Society will organise annually minimum two meetings / TCs with analysts and stakeholders. The information presented by this occasion will be published in section Investor relation on the webpage of the Society at the date of the meetings/TCs.	YES		
D.10 In case a Society sustains different forms of artistic and cultural expression, sport activities, educational or scientific activities and considers that their impact to the innovative character and competitiveness of the Society, are part of its mission and development strategy, it will publish the policy referring to its activity in this field.			

CHAIRMAN OF THE BOARD OF ADMINISTRATORS

„TARUS" – Valentin Norbert TARUS e.U.
Represented by
Valentin – Norbert TARUS

General Director,

Zoe CHIRITĂ