



CONSOLIDATED ANNUAL REPORT 2019

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

Farmaceutica REMEDIA S.A.

Registered office: Deva 330160, No. 2 Nicolae Balcescu Bld. (former No. 43 Dorobantilor Street), Hunedoara county

Telephone: + 40 254 223 260, Fax: +40 254 226 197

Branch office: Bucharest, 041836, 4th City District, No. 78 Metalurgiei Blvd., Telephone/fax +40 213 211 640
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 2019

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. 2, Nicolae Balcescu Bd.**
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 05.03.2020 is of 50.710.924,4 Lei

The value of a RMAH share is of 0,478 Lei.(as at 05.03.2020)

1. Activity analysis

1.1. Overview

The consolidated financial statements of 2019 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 Deva Pharmaceutical Office, 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 31.12.2019, 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 2019, Farmaceutica REMEDIA S.A. or Farmaceutica REMEDIA Distribution & Logistics S.R.L did not attend in mergers.

During the same period, the company did not alienate assets of significant value (buildings, lands, shares etc.) except for the following pharmacy licenses:

- one license held in Târgoviște city
- seven licenses from Bucharest
- two licenses held in Iași

1.2. Elements of general evaluation

The consolidated financial results of Farmaceutica REMEDIA S.A. for the financial year 2019 indicate a **net profit of 2.441.116 Lei**, at a **net turnover of 446.411.283 Lei**. Other operating income were also recorded (5.715.974 Lei), mainly sales of assets (licences of pharmacies), as well as financial

income in the amount of 394.880 Lei (mainly discounts received for the mainly dividends from uncontrolled companies and rate differences).

The total costs (excluding corporate tax) amounted to the value of 449.399.205 Lei, of which:

- Operating expenses – 448.323.839 Lei of which:
 - 391.719.351 Lei is the net cost of sold merchandise (including received commercial discounts)
- Financial expenses – 1.075.366 Lei, of which:
 - 557.660 Lei – paid interests,
 - 83.134 Lei – operational leasing interests (IFRS 16)
 - 208.961 Lei – exchange rate differences
 - 225.610 Lei – paid discounts for advance collections

Considering the market of drugs and pharmaceutical products of over 3.5 billion euros (in 2019), we estimate the market share of the Farmaceutica REMEDIA S.A. Company to approximately 3%.

On 31.12.2019, the liquidities of companies (available in bank accounts and cash registers) amounted to 10.275.736 Lei. On the same date, the companies (FR and FRDL) had available a multicurrency credit line of 10 million euros, of which used amounts exclusively by FRDL -27.704.194 lei (bank guarantee letters for the good performance of contracts and guarantees for payment to suppliers) - 27.384.960 lei and amounts drawn from the credit line as well as the working capital – 319.234 lei.

1.3. Evaluation of company's incomes

The incomes from the sale of merchandise reached the value of 444.493.627 Lei (99,23 % from the gross turnover) with the following allocation of distribution channels:

- Farmacii Remedia 102.002.604 Lei (22,95 % from the total of merchandise sales)
 - Distribution 219.502.800 Lei (49,39 %)
 - Distribution to hospitals 105.962.049 Lei (23,84 %)
 - Other distribution channels * 17.026.175 Lei (3,83 %)
- *(storehouse, Pentron, miscellaneous)

From the activities with added value (invoiced to third parties) and rents, operating income was registered in the amount of 3.473.641 Lei, of which:

- logistics and warehousing services 1.414.947 Lei (0,32% from gross turnover)
- collected rents 583.270 Lei (0,13 %)
- shelf marketing 512.505 Lei (0,12%)
- marketing services (FRDL) 647.606 Lei (0,15 %)
- clinical studies 232.630 Lei (0,06 %)

1.4. Evaluation of acquisitions of merchandise

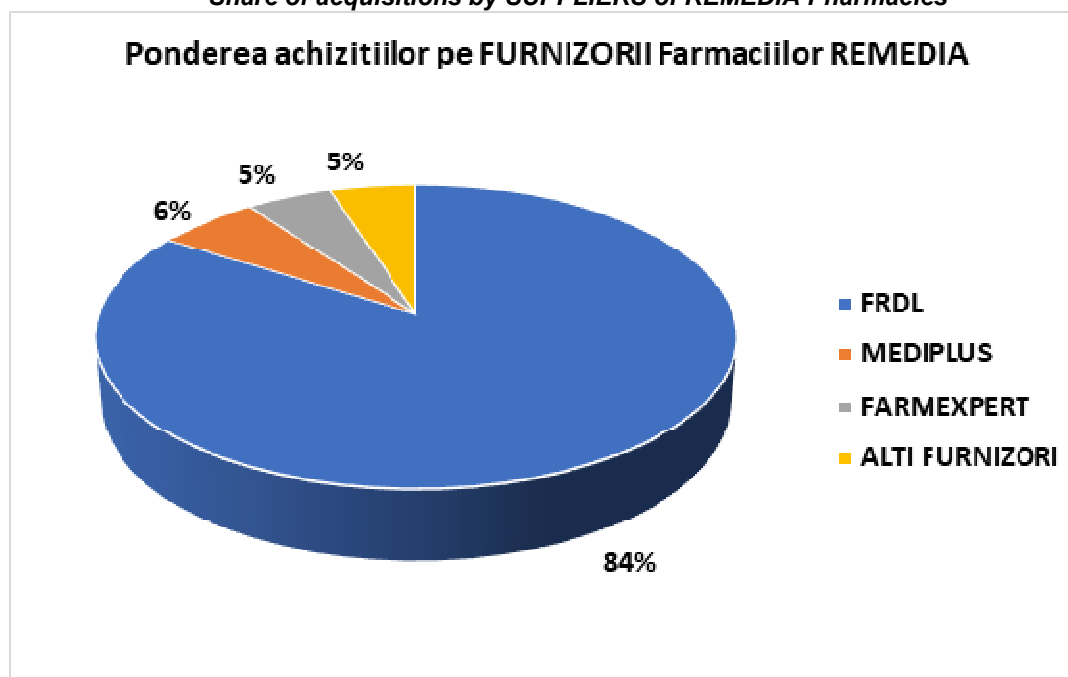
In 2019, the two companies maintained their centralised acquisitions process started in 2017.

REMEDIA Pharmacies were mainly supplied through the distributor Farmaceutica Remedia Distribution & Logistics (FRDL), the acquisitions performed through it representing 86% from the total of acquisitions realised in 2019. This approach had as result a faster supply of pharmacies by reducing the delivery times and a better presence of deficient products in pharmacies.

Acquisitions were registered through 51 suppliers, distributors of pharmaceutical products and parapharmaceutical suppliers, childcare products, technical-medical and dermatocosmetic products.

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

Share of acquisitions by SUPPLIERS of REMEDIA Pharmacies



Alti furnizori – other suppliers

During 2019, within the pharmacies network, new indicators were implemented and monitored with the purpose of making more effective the rotation duration of stocks, to reduce the volume of expired products and to improve the working capital. The planning of acquisitions was realised per category of product and manufacturers in order to ensure a better continuity in stock of products and to concentrate the volume of acquisitions per strategic manufacturers.

For **Farmaceutica Remedia Distribution & Logistics SRL**, planning and carrying out the supply activity in 2019 had as a strategy to support the objectives provided in the annual sales plan and to maximise the gross commercial margin.

We worked with supply indicators (frequency of orders and number of stock loading days) that had as their purpose to reduce the over-stock, the increase the rotation speed of products and, by default, to improve the cash flow.

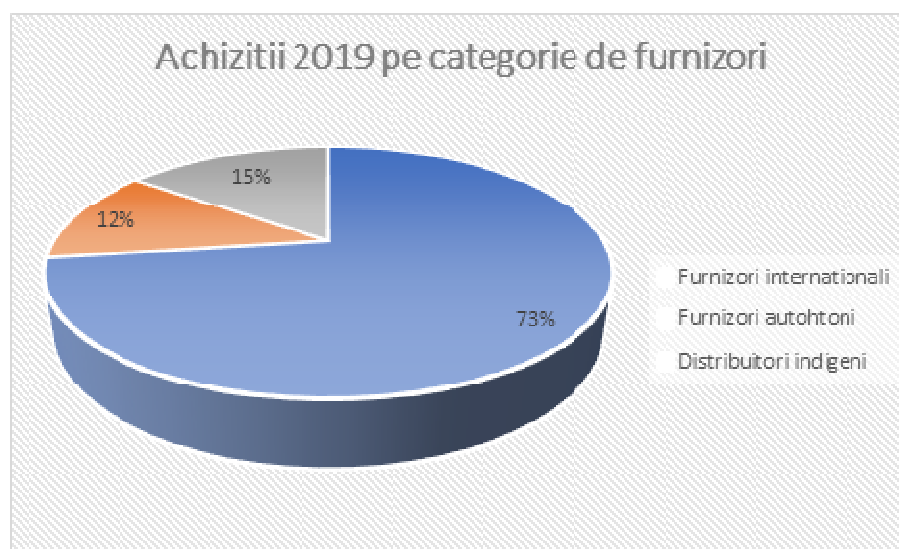
Acquisitions were realised based on the total monthly sales forecast and at manufacturer level, a process that helped to establish a unitary supply direction for the company and provided the basis to allocate the necessary resources to orient the organisation towards reaching the objectives.

The importance of the orders planning process:

- ensured predictability in carrying out the volumes agreed with manufacturers;
- ensured a better presence on the stock of products and an optimal structure of the stock;
- generated a better cash flow.

The structure of acquisitions in 2019 within FRDL was the following:

<i>Category of suppliers</i>	<i>Net figure of acquisitions 2019 RON</i>	<i>%</i>
International suppliers	264,455,515	72.82%
Domestic suppliers	44,490,042	12.25%
Indigenous distributors	54,226,714	14.93%
	363,172,271	



The FRDL stock on 31.12.2019 was of 62.032.067 Lei, a stock covering the necessary for approximately one and a half month of sale in relation to the turnover realised by the company in the IVth quarter.

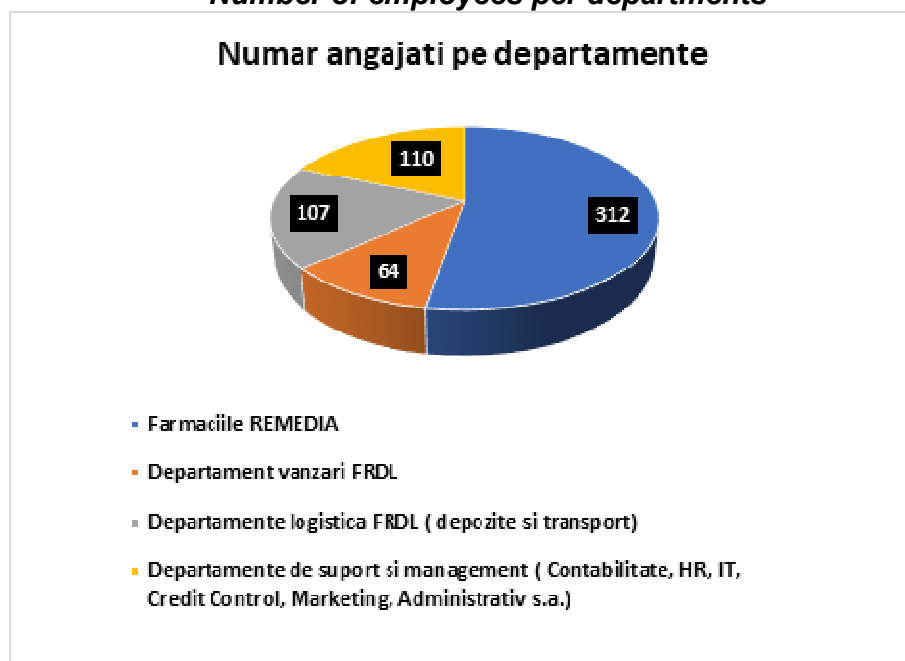
On 31.12.2019 stocks of merchandise of the two companies, of which a share of 99,9% is represented by merchandise, amounted to 74.812.167 Lei.

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 593 employees. Their distribution on departments was the following:

- Remedia Pharmacies – 312 persons
- FRDL sales department – 64
- FRDL logistics department (warehouses and transport) - 107
- Support and management departments (Accounting, IT, Administrative, HR, Control, Marketing , Administrative etc.) – 110

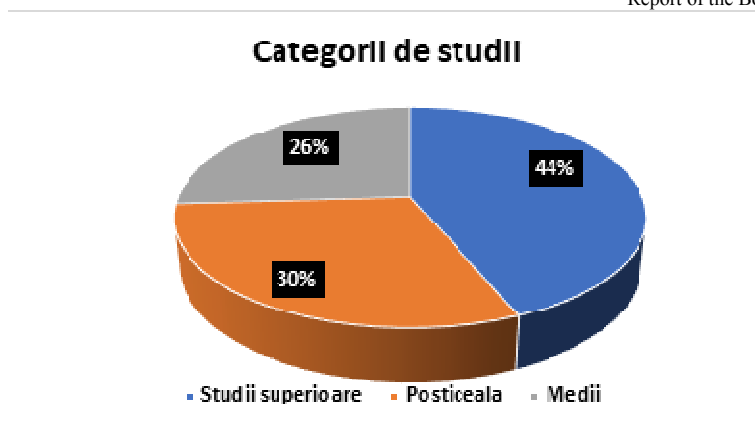
Number of employees per departments



REMEDIA Pharmacies, FRDL Sales Department, FRDL Logistics Department (warehouses and transport), Support and Management Departments (Accounting, HR, IT, Credit Control, Marketing, Administrative etc.)

Of the 593 employees, 44% have higher education studies, 30% have secondary studies and 26% have average studies.

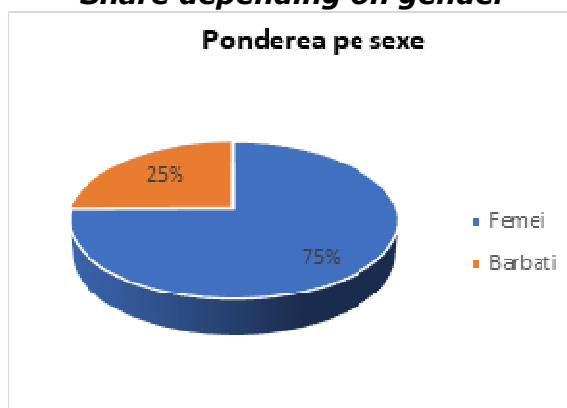
Category of studies



Higher studies, secondary studies, average studies

REMEDIA promotes a fair policy for the promotion of all categories of staff, regardless of gender, religious or other orientation or disadvantaged persons.

Share depending on gender



Women, men

The risks identified by REMEDIA are related to the accentuated personnel fluctuation with impact in ensuring the effective performance, especially of retail activities, but also of distribution activities.

In 2019, the fluctuation indicator in REMEDIA was of 35%, higher in the retail and distribution area (assistant pharmacist – 18%, sales representative – 14 %, pharmacist - 14%, telephone sales operator 12%, management – 10%, managing worker – 10%, others (support – HR, marketing, administrative etc.) – 10%, managing pharmacist – 8%, driver – 4 %.)

Personnel fluctuation depending on positions



Lucrator gestionar – Warehouse keeper worker, alții – others

Following the high degree of fluctuation, especially in the first part of the year in the distribution and logistics area, the human resources department acted in the directions listed below.

1. Recruitment and selection

The recruitment and selection of personnel continues to represent a challenge, the labour market being dictated by candidates, choosing the new work place by studying very carefully the employer and its conditions.

By the recruitment and selection process, we aim at identifying and attracting inside the company valuable candidates as the main competitive advantage in the long term.

Internal recruitment is a transparent process, which communicates the interest of REMEDIA to increase and develop its own employees.

The competition in the pharmaceutical market is high, personnel migration with a pharmaceutical qualification is constantly growing, as well as the migration of personnel in the sales area.

During 2019, the process to identify appropriate candidates for the available jobs was a main objective for the Human Resources Department. Most of the recruitment projects were oriented to the positions of pharmacists, assistant pharmacists, field sales representatives and telephone sales operator.

Recruitments were performed through recruitment sites as well as through internal recommendations.

1. Promoting performing employees in management positions

At REMEDIA we encourage employees to develop personally and professionally as we want to promote performing employees in higher positions.

We promote our own employees following the participation in assessment centres by which their abilities and skills will be checked, but also the match with the job profile. The annual assessment of performances has an important role in promoting employees as well.

2. Training and development

2019 was focused towards the development of skills and accumulating new knowledge.

Thus, the sales force had the opportunity to accumulate and refresh its knowledge by participating in personal and professional training classes throughout 2019.

In Farmaceutica REMEDIA S.A. and 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 2019, over 9 tons of waste, carton packaging and paper, and approximately 1,8 tons of waste coming from plastic packaging for recovery according to the legal regulations in force were handed over to authorised companies.

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 approx. 1,3 tons. At the same time, REMEDIA pharmacies collect waste selectively.

In compliance with the EU Directives in April 2019, Farmaceutica REMEDIA did not purchase anymore plastic transport bags and biodegradable or recyclable bags have been introduced, thus implementing measures to reduce waste and comply with the relevant legislation.

1.7. Evaluation of the Sales and Marketing Activity

Farmaceutica REMEDIA Distribution&Logistics SRL (FRDL) 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.

Together with the consolidation in 2018 of the FRDL position of distributor with national coverage and in 2019 the turnover on the main distribution channels: retail and hospitals was maintained in a slight ascending trend in relation to the previous year, as follows:

<i>Distribution Channel</i>	<i>Increase 2019 Vs 2018</i>
Retail Distribution	4%
Hospitals Distribution	7%

The FRDL position on the market was maintained in 2019 by the relocation of two of the 9 logistics centres in larger premises and ensuring the maintenance of collaboration with the same number of active customers in the portfolio. The receivables of the entire portfolio of customers belonging to the Retail/Pharmacies distribution channel is ensured through Euler Hermes, thus eliminating increasing the risk of non-collection of receivables.

The process for the consolidation of the retail activity continued in 2019 for **REMEDIA Pharmacies** being on the logistics routes of FRDL. Thus, in 2019, as compared to 2018, own pharmacies registered a net sales increase by approx. 5,4% and an increase in the number of units sold by 0,5% from 5.453.548 units (2018) to 5.478.981 units (2019).

The main purpose of REMEDIA Pharmacies was to make customers become loyal through dedicated periodic campaigns, by special offers, by direct and continuous access to correct information and by offering reliable treatment alternatives, as well as offering health advices in partnership with medical information and guidance 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, servicii de e-learning cu Terapia, GSK OTC, GEDEON, STADA, Paul HARTMANN, Poliano Pharmaceuticals, e-learning services with 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.

The total number of customers of REMEDIA Pharmacies was maintained at approx. 3 million annual vouchers and a loyal customer number of about 200,000 (cards), following the rigorous monitoring of the process of issuing loyalty cards in line with the implementation of the GDPR rules.

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

Strict compliance with the quality assurance mechanism by Farmaceutica REMEDIA S.A. led to the reporting of zero incidents with counterfeit products during 2019, according to European Directive No. 2011/62/EU, of the drug serialization process and maintained in GS1 license certificate in 2019.

At consolidated level, there is no significant dependency of the companies towards only one customer. The share in sales of position 1 is of 4,82% - Fundeni Clinical Institute followed closely by Hunedoara County Health House with a share of 3,44%. The first 20 customers realise together a share of 27,79 % from the total sales of merchandise (without VAT).

1.8. Evaluation of the development activity

The two companies continued also during 2019 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 Craiova warehouse from 200 sqm to 500 sqm, relocation of Timisoara warehouse from 300 sqm to 545 sqm; at the Bucharest warehouse, the cold storage space was extended by another 24 cm;
- Developing the car fleet by the purchase of 8 new RENAULT Trafic/Master utility cars equipped with a system for maintaining the Carrier/ThermoKing temperature.
- Developing computer systems:
 - a. In-house development and implementation of a claims reporting system, as well as tracking/monitoring in their settlement
 - b. Developing and improving the computer system for managing the warehouse of WMS type
 - c. Developing and improving the TMS transport management system
 - d. Developing the electronic invoice archiving system
 - e. Implementing a unique product code verification program (serialization)
 - f. Implementing the serialization process according to the legal provisions (SNVM)
 - g. Implementing the electronic punctuality system of employees in pharmacies.
 - h. Implementing the real-time reporting of transactions on the BICARD platform (www.bicard.ro).
 - i. Modernization of the communication infrastructure (upgrade server).
 - j. The automation of taking over the invoices of customers from the management program to the accounting program was continued
 - k. Modernization of automatic data exchanges between FR and FRDL (stocks/orders/invoices)
 - l. Automatic reports for management
- Optimising the flows by completing the capital repair of the conveyor belt installed in the Bucharest warehouse, and 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 for the serialization module
- Purchase of transport boxes, unique codification and integration in the TMS management transport system
- Replacing the data systems at the level of local warehouses: lot/product per geocode
- Automation of taking-over of customers invoices from the management program in the Accounting program
- Securing the internal exchange of information (headquarter - pharmacies) (according to GDPR and not only)
- The first inventory with intelligent terminals in logistics centres that use unique barcodes 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 2019 a GS1 licence certificate, for the rest of 7 warehouses and their registration to OSMR (*Drug Serialization Organization in 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 2019.

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 has a strong ascendant trend among urban population and for this reason Farmaceutica REMEDIA S.A. continued the activity on the online sales platform.

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 customers 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 2019 were:

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

Over 90% from Farmaceutica REMEDIA customers represent the County Health Houses, CASMB, OPSNAJ, Farmaceutica REMEDIA Distribution & Logistics and natural persons – customers 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 customers, 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 customers
- 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 what concerns the retail activity, the company aims at optimising the pharmacies network through possible relocations in proximity premises, where it will be necessary, by continuing the professionalization process of the personnel from pharmacies, improving the IT infrastructure, increasing and diversifying the portfolio of products and last but not least improving the services at the level of patients.

Also, the company intends to focus on online trade by developing its own solution or by partnerships with companies specialised in e-commerce.

Another strategic direction for company development is continuing the distribution activity improvement process. In this area, we take into consideration the extension of the products portfolio, so as to become the supplier with a complete products portfolio, the improvement of the pharmacies coverage degree, the strengthening of the marketing and sales team and the B2B integration with as many pharmacies as possible to improve the access flow to drugs.

We will grant special attention to the efficiency of the logistics activity, including to the implementation of technical solutions to improve the quality of services provided to partners.

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 communicated, the Board of Administrators is mandated to identify and negotiate the attraction of investors, acquisitions and strategic mergers.

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 continue the process to make more effective the activities of pharmacies 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 **39.948.736 Lei** having the following structure:

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

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

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

Within tangible assets, a share of 91,79% 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 2019 emphasized an appreciation of 1.842.244 lei of these assets. (lands + 406.557 lei, constructions +1.435.687,33 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 2019 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 31.12.2019, (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	25.724.330	24,2477
Others	10.870.854	10,2468
Total	106.089.800	100,0000

As at 31.12.2019, 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 2019 (2.563.206 lei), the Board of Administration proposed the distribution to the legal reserve the amount of 133.467 Lei (5,21% from the net profit), to dividends the amount of 2.121.796 Lei (82,78%) and to other reserves the amount of 307.943 Lei (12,02%).

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:

	2016	2017	2018	2019	2020
Initial balance	217.459	205.414	214.756	241.226	209.353
Distributed gross dividends	0	700.927**	1.060.898	1.591.347	2.121.796*
Tax per dividends paid	0	34.415	52.675	78.995	
Paid dividends	12.045	657.170	981.753	1.544.225	
Dividends to be paid	205.414	214.756	241.226	209.353	

*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 (1.790.041 Lei) on the following destinations:

- 900.000 Lei – dividends to be paid to Farmaceutica REMEDIA S.A.
- 890.041 Lei – non-distributed profit

5. Management of Farmaceutica REMEDIA S.A.

In the fiscal year 2019, Farmaceutica REMEDIA S.A. was managed by a Board of Administrators in the following compoence:

Crt. No.	1.01-31.01.2019	31.01-30.04.2019	1.05-03.06.2019	18.06-30.04.2020
1	"TARUS" - Valentin-Norbert TARUS e.U", represented by Mr. Valentin-Norbert TARUS	"TARUS" - Valentin-Norbert TARUS e.U", represented by Mr. Valentin-Norbert TARUS	"TARUS" - Valentin-Norbert TARUS e.U", represented by Mr. Valentin-Norbert TARUS	"TARUS" - Valentin-Norbert TARUS e.U", represented by Mr. Valentin-Norbert TARUS
2	SERFAL MANAGEMENT SRL, represented by Mr. Sergiu FALA	SERFAL MANAGEMENT SRL, represented by Mr. Sergiu FALA	NOEL CONSULTING SRL, represented by Mr. Petru CRACIU	NOEL CONSULTING SRL, represented by Mr. Petru CRACIU
3	Zoe CHIRITA	Zoe CHIRITA	WINSOFT SOLUTIONS SRL represented by Mrs. Ruxandra IACOBAS	Lucian-Valentin CODREANU
4	Corneliu POLL	Alexandru-Andrei IACOBAS		
5	DUBAU Alin-Mihai	DUBAU Alin-Mihai		

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

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

He 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 30.04.2020.

In the last 5 years, he fulfilled the position of manager in the commercial company: "TARUS" - Valentin Norbert TARUS e.U., 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 31.12.2019, 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.

1. **Lucian-Valentin CODREANU** - member of the Board of Administrators, non-executive administrator, independent, President of the Audit Committee, member of the Remuneration Committee of and of the Nomination Committee

Economist with an experience of over 20 years in the pharmaceutical industry, with executive and non-executive positions on all levels of the pharmaceutical industry (production, distribution and retail), Lucian is a former shareholder of Labormed and of the Ecofarmacia pharmacies chain, former Commercial Manager at Terapia and Labormed, as well as former General Manager at Pharmafarm.

For 6 years, Lucian has been involved in consulting activities for the pharmaceutical industry.

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.

On 31.12.2019 he did not own shares at Farmaceutica REMEDIA S.A.

3. **NOEL CONSULTING S.R.L.** represented by **Petru CRĂCIUN** - member of the Board of Administrators, member of the Remuneration Committee and the Nomination Committee.

Graduate of the Faculty of Pharmacy of UMF Carol Davila Bucharest, worked for a short time as a pharmacist and then returned to the faculty, to teach several years Physics and Pharmaceutical Informatics.

In 1994 he founded the first market research company in the field of medicines in Romania, GLOBAL PHARMA, which joined in association with Exmarket and Associates International in 1996. The company gained market recognition with its products and services, firstly with PHARMA & HOSPITAL REPORT, the first national audit of drug sales in Romania, followed by territorial sales data, CRM projects, prescribing data and qualitative market research.

After selling the company to the Cegedim group in 2001, he continued to lead the activity of the local organisation, CEGEDIM ROMANIA, contributing – with a diverse and competitive portfolio – to the development of the entire pharmaceutical field. The purchase of PHARMEC HEALTHCARE SOFTWARE (re-named as CEGEDIM RX) in 2010 and the creation of CEGEDIM SERVICE CENTER in 2017 are other realisations from his mandate in the Cegedim group, which ended in 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.

On 31.12.2019 he did not own shares at Farmaceutica REMEDIA S.A.

The executive management was ensured by a general manager that has in its subordination departmental directors and managers. In the fiscal year 2019, the executive management was ensured by Mrs **CHIRITA Zoe** until 30.04.2019 and by **TARUS Valentin** starting with 01.05.2019.

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

According to Art. 8 (Decisions, administration, representation and control) of the articles of Association of Farmaceutica REMEDIA Distribution & Logistics S.R.L, the company management is provided by the Sole Shareholder (Farmaceutica REMEDIA S.A.), in its own name and by sole administrator appointed in the person of Mrs Ruxandra Cornelia TICA.

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.
- IMOBILIARA MAGHERU S.R.L.

7. Corporate governance

In 2019, 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.

The **Investors Relations** section www.remedia.ro/investitori/ was updated in 2019 according to the ARIR communication vectors for shareholders and potential investors, as follows:

- **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 2014/2015/2016/2017/2018/2019, both in IRIS electronic format and in IFRS EXCEL format;
- **Non-financial reporting** – according to the OMFP provisions No. 2844 / 2016;
- **Shares evolution** – online price for rmah shares;
- **Investors news** – internal news and news from the press regarding the issuer;
- **Events and presentations** – events and TC organised with potential investors, shareholders, financial analysts, representatives of the press, such as for example "Sa cunoastem business-ul la el acasa" on 24.04.2019";
- **Corporate governance** - includes all the documents according to the provisions and **ARIR** communication vectors:

a) Updated Articles of Association of 4.12.2019;

b) The stage of compliance with the Corporate Governance Code of BSE during 2016-2019 (attached to the Current Report to BSE of 08.11.2019);

b) Council and Management;

c) Policies and Vectors:

- Remuneration policy, updated on 1.09.2019;
- Internal regulation of the Board of Administrators;
- Policy of transactions with companies with which Farmaceutica REMEDIA SA has tight relations, whose value is equal to or greater than 5% of net assets;
- Dividend distribution policy;
- Corporate Governance Regulation;
- Code of conduct and ethics, updated on 18.12.2019;
- Policy regarding the support of different forms of artistic and cultural expression, sports, educational or scientific activities;
- Measures and procedures for the prevention of fraud and corruption, updated on 27.02.2019;
- Policies regarding financial forecasts and risks;
- Internal regulation of the Board of Administrators of Farmaceutica REMEDIA

- **Analysts** – contains the list of institutions that regularly publish analysis reports about the financial results of Farmaceutica REMEDIA S.A.

During the financial year 2019, 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 Association 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 2019 in compliance with the company's remuneration policy; updated according to ARIR communication vectors;
- relocation and sale of licenses of REMEDIA pharmacies;

Following the meetings of the Board of Administrators, a number of 35 (thirty five) decisions were issued communicated to resort departments for implementation and fulfilment.

8. Accounting financial statement (consolidated statements)

Farmaceutica REMEDIA		
Income Statement	dec.-19	dec.-18
(RON)		
Sales of goods	444.493.627	463.200.718
Discounts given	-1.555.985	-2.298.309
Net Sales	442.937.642	460.902.409
COGS	399.002.857	421.485.590
Discounts Received	-7.283.506	-10.073.506
Net COGS	391.719.351	411.412.084
Gross Margin	51.218.291	49.490.325
Gross Margin (%)	11,56%	10,74%
Other Operating Revenues	9.189.616	4.930.155
Personnel	-34.791.624	-31.786.780
Other Operating Expenses	-20.601.131	-17.728.643
Total Operating Expenses	-55.392.755	-49.515.423
EBITDA	5.015.152	4.905.057
EBITDA Margin	1,13%	1,06%
Depreciation	-1.251.491	-1.024.565
Bad debts lost	-241.503	-146.391
Provisions - net	281.261	16.416
EBIT	3.803.418	3.750.517
EBIT Margin	0,86%	0,81%
Financial Revenues	394.880	156.052
Financial Expenses	-1.075.366	-238.804
Financial income	-680.485	-82.752
EBT	3.122.933	3.667.765
EBT Margin	0,71%	0,80%
Tax on Profit	-681.817	-634.893
Net Profit	2.441.116	3.032.873
Net Profit Margin	0,55%	0,66%

dec.-19

dec.-18

Balance Sheet(RON)

Total Assets	260.369.939	296.347.737
Cash	10.275.736	3.525.871
A/R	74.812.167	150.720.279
Inventory	132.399.134	98.186.559
Expenses in advance	343.549	312.481
Other Current Assets	2.590.617	2.620.956
Total Current Assets	220.421.203	255.366.146
Tangible Assets	34.062.441	33.035.103
Intangible Assets	5.212.290	7.150.766
Financial Investments	674.005	795.723
Total Long-Term Assets	39.948.736	40.981.591
A/P	202.648.537	241.058.212
Other ST payables	4.966.280	5.044.104
Payables to shareholders	209.353	241.226
ST Loans*	337.166	36.938
Current Liabilities	208.161.336	246.380.480
LT Loans*	1.478.785	18.105
Other LT liabilities	1.668.296	3.350.436
LT Liabilities	3.147.081	3.368.541
Provisions	0	10.449
Share capital	10.608.980	10,608,980
Reserves	36.011.427	32.946.414
Profit	2.441.116	3.032.873
Equity	49.061.523	46.588.267
Total Liabilities & Equity	260.369.939	296.347.737

*including financial leasing

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

9. Economic-financial indicators 2019

*Thousand Lei

LIQUIDITY AND WORKING CAPITAL	FR	FRDL
current liquidity (Current assets/Current liabilities)	1,30	1,02
Current assets*	36.894	203.450
Current liabilities*	28.383	200.158
degree of indebtedness (Borrowed capital / Equity x 100)	0%	7,57%
Borrowed capital* (including leasing)	0	337
Equity*	44.547	4.453
turnover speed for client debit items (average customer balance/turnover *365)	44 days	119 days
Average customer balance*	12.672	134.833
net turnover *	104.201	413.201
Turnover speed of liabilities (average suppliers balance/cogs*365)	106 days	179 days
Average suppliers balance*	23.350	187.331
Cost of merchandise sold - net	80.698	381.035
Turnover speed of stocks (average stock balance/COGS * 365)	60 days	61 days
Average stocks balance	13.251	63.410
Cost of merchandise sold - net	80.698	381.035
turnover speed of fixed assets (turnover/fixed assets)	2,77	474
net turnover*	104.201	413.201
Fixed assets*	37.650	871
Gross profit margin (%) (gross profit/net sales)	2,57%	0,58%
Gross profit*	2.669	2.366
Net turnover*	104.201	413.201

Note:

1) **Current liquidity** – the indicator level reflects a good payment capacity, therefore a reduced risk for creditors, certifying that the companies are capable of covering their short-term liabilities based on receivables and cash availabilities. The indicator evolved positively both as compared to the same period last year (1,2) and as compared to September 2019 (1,28) to FR. In the case of FRDL, the indicator slightly improved as compared to December 2018 (1,01) and kept the same value as compared to September 2019 (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 degraded (from 1,18%). 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. For FR, the indicator had the following evolution; 43 days on September 2019 and 47 days on December 2018. In the case of FRDL, the indicator improved as compared to September 2019 (=121 days) and depreciated as compared to the same period last year (= 111 days).

4) **Turnover speed of liabilities** represents the average period in which suppliers are paid. In the previous financial year (2018), FR paid its suppliers in average at 125 days and FRDL at 177 days.

5) The value of the **No. of days on hand** indicator (60, 61 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. In the case of FRDL, the indicator depreciated as compared to the same period last year (56 days) and improved as compared to September 2019 (=64 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. In the case of FR, the indicator expresses a weak use of fixed assets, although it positively evolved from 2,61 to 2,77.

Bucharest, 10 March 2020

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