



CONSOLIDATED ANNUAL REPORT 2020

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

Farmaceutica REMEDIA S.A.

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Trade Register J20/700/1991, TIN: RO2115198; Share capital: RON 10,608,980

IBAN: RO33 RZBR 0000 0600 0266 5747, Raiffeisen Unirii, Bucharest

CONSOLIDATED ANNUAL REPORT 2020

Board of Administrators of

Farmaceutica REMEDIA S.A.

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

Subscribed share capital: **10.608.980Lei***
Paid-up share capital: **10.608.980Lei***
Registered office: **DEVA, Bd. Nicolae Balcescu nr. 2,**
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 (Reg. 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	10.608.980,00	

Organised market on which securities are traded:

Bucharest Stock Exchange - Standard category

The total market value on 10.03.2021 is of 94.419.922 Lei

The value of a RMAH share is of 0.89 Lei. (on 10.03.2021)

*The share capital is of 9.548.082 on 24.02.2021 (according to the EGMS Decision No.76)

1. Activity analysis

1.1. Overview

The consolidated financial statements of 2020 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 of pharmaceutical products, drugs promotion and marketing 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 31.12.2020, 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 2020, Farmaceutica REMEDIA S.A. or Farmaceutica REMEDIA Distribution & Logistics S.R.L did not attend in mergers.

During the same period, the company alienated assets related to 52 pharmacy licenses held in Bucharest and in Alba, Arad, Dambovita, Dolj, Giurgiu, Hunedoara, Ilfov, Ialomița, Mureș, Timiș counties.

1.2. Elements of general evaluation

The consolidated financial results of Farmaceutica REMEDIA S.A. for the financial year 2020 indicate a **net profit of 37.771.574 Lei**, at a **net turnover of 441.478.105 Lei**. Other operating income were also recorded (41.325.403 Lei), following the transfer of 52 licences to Help Net, as well as financial income in the amount of 312.150 Lei (mainly dividends from uncontrolled companies, exchange rate differences and discounts for advance payments).

Total costs (excluding corporate tax) amounted to 440.347.042 Lei, of which:

- Operating expenses – 439.940.926 Lei of which:
 - 390.944.038 Lei is the net cost of sold merchandise (including received commercial discounts)
- Financial expenses – 406.117 Lei of which:
 - 102.776 Lei – paid interests,
 - 68.916 Lei – operational leasing interests (IFRS 16)
 - 79.464 Lei – exchange rate differences
 - 154.960 Lei – paid discounts for advance collections

Considering the market of drugs and pharmaceutical products of over 3.7 billion euros (in 2020), we estimate the market share of the Farmaceutica REMEDIA S.A. Company to approximately 3%.

On 31.12.2020, companies liquidities (available in bank accounts and cash registers) amounted to 34.350.414 Lei. On the same date, the companies (FR and FRDL) had available a multicurrency credit line of 53,6 million LEI, used on 31.12.2020 exclusively for bank guarantee letters for auctions and for the good performance of contracts, as well as for guarantees for payment to suppliers of merchandise.

1.3. Evaluation of company's income

The net income from the sale of merchandise reached the value of 438.804.422 Lei (99,4 % from the net turnover) with the following allocation on distribution channels:

- Remedias Pharmacies 61.752.389 (14,07 % from the total of net sales of merchandise)
 - Distribution 255.074.789 Lei (58,13 %)
 - Hospital 118.052.821 Lei (26,91 %)
 - Other distribution channels * 3.924.423 Lei (0,89 %)
- *(storehouse, sundries)
- From the activities with added value (invoiced to third parties) and rents, operating income was registered in the amount of 2.673.683 Lei, of which:
 - logistics and warehousing services 1.222.198 Lei (0,27% from net turnover)
 - invoiced rents 940.142 Lei (0,21 %)
 - shelf marketing (FR) 208.015 Lei (0,04%)
 - marketing services (FRDL) 115.182 Lei (0,02%)
 - clinical studies 188.146 Lei (0,04 %)

1.4. Evaluation of the sales and marketing activity

Farmaceutica REMEDIA Distribution & Logistics SRL (FRDL) consolidated its position of national distributor which most efficiently serves independent pharmacies, medium and small urban areas, but also rural areas.

The distribution at national level is ensured through 9 logistics centres, which operate at high quality standards and ensure daily deliveries, up to 2 times a day in the University cities.

Pharmacy orders are promptly taken over and processed by a team of 50 sales representatives, both by telephone and on field.

The turnover, on the main distribution channels: retail and hospitals, maintained its ascending evolution in relation to last year, in the difficult context created by the sanitary crisis caused by the Covid-19 pandemic.

Growth achieved on the 2 main business channels compared to the previous year:

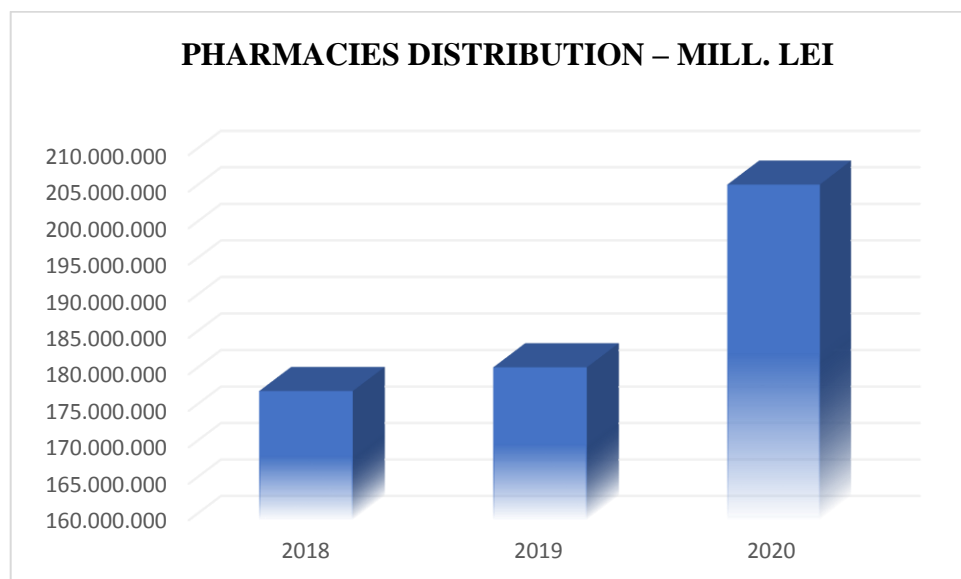
<i>Distribution channels</i>	<i>Increase 2020 Vs 2019</i>
Retail distribution	5.9%
Hospitals distribution	11.5%

The turnover performance is based on the improvement of the company's position on the market, analysing the data from the market to increase market share within the direct producers.

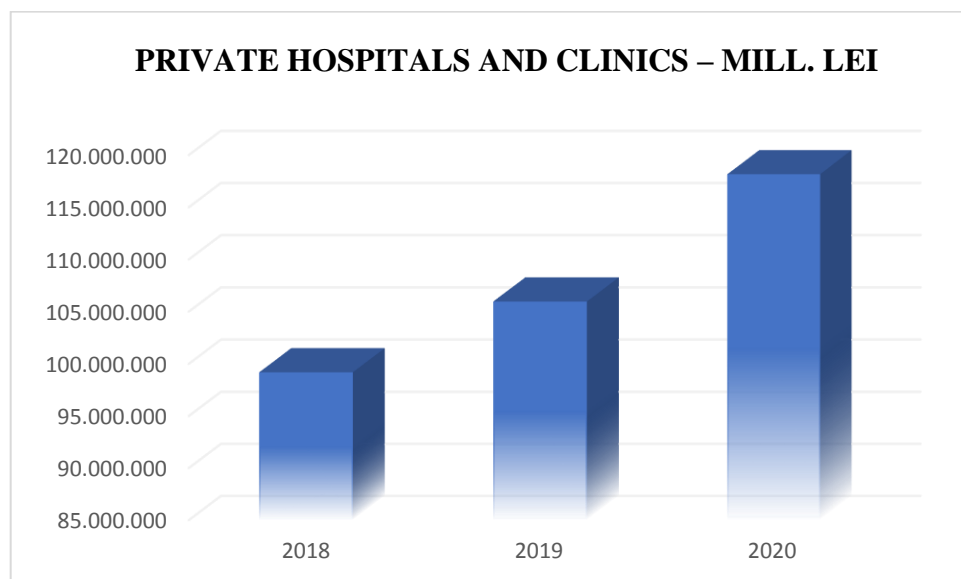
In order to increase sales and support patients with new products and competitive prices, the company was based on specific marketing actions, launching weekly spot campaigns, on a series of top manufacturers in the pharmaceutical market, listing and promoting new products and strategic portfolios, campaigns in partnership with manufacturers such as Labormed, GSK OTC, Therapy, Stada, Berlin Chemie, G.L. Pharma, AC Helcor.

Providing safe medicines to our patients represents the standard conduct of our companies.

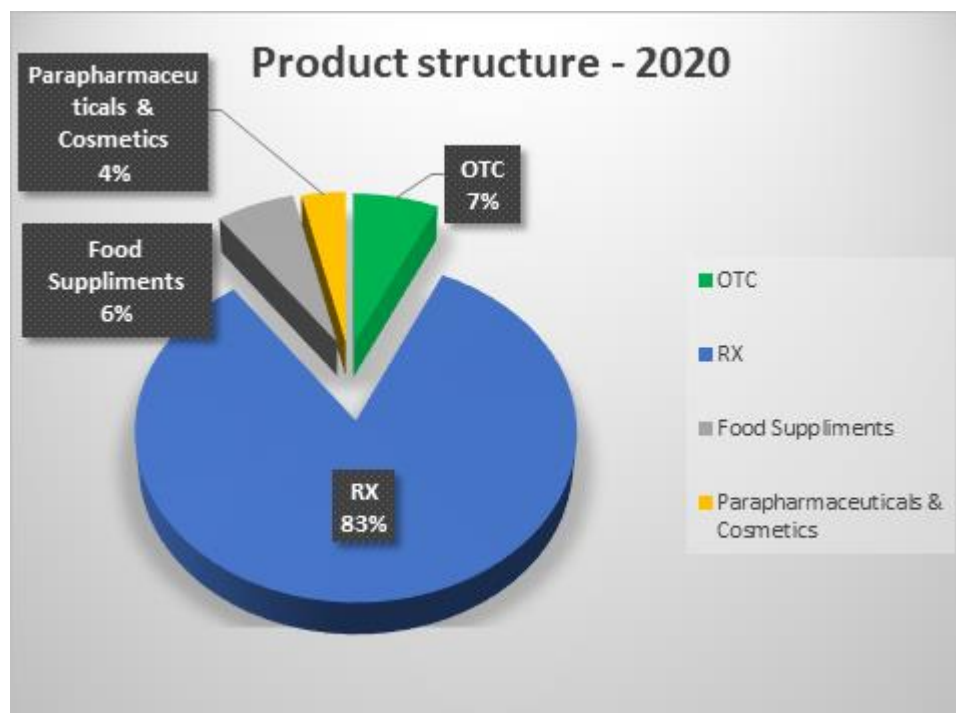
Evolution of the sales figure generated by the Pharmacy Division in the last 3 years:



Evolution of the sales figure generated by the Hospitals Division in the last 3 years:



The sales mix in 2020 for Farmaceutica REMEDIA Distribution & Logistics SRL:



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

The sales made by REMEDIA pharmacies stood at 61.8 million lei without VAT in 2020, 39% below the previous year, following the transfer of the 52 pharmacies to Help Net, part of the German group PHOENIX, a process completed on 31.07.2020;

In 2020, characterised by the COVID-19 pandemic, both the distribution and the retail company assumed the role of being in the front line and providing support to both customers and patients.

During the COVID-19 pandemic, REMEDIA Pharmacies put the patient first, providing direct and continuous access to the necessary medication by preparing and issuing prescriptions sent online by family physicians, ensuring correct information, health advice, in partnership with medical information and guidance centres for the health of the patients.

REMEDIA pharmacies were among the first in the country to provide patients with high quality disinfectants, developed by our pharmacists in our own laboratories, as well as Covid-19 rapid antigen tests through the online platform.

Providing safe medicines and effective protective materials for patients is the standard conduct of our companies.

1.5 Evaluation of acquisitions of merchandise

In 2020 the two companies maintained their centralised acquisitions process started in 2017.

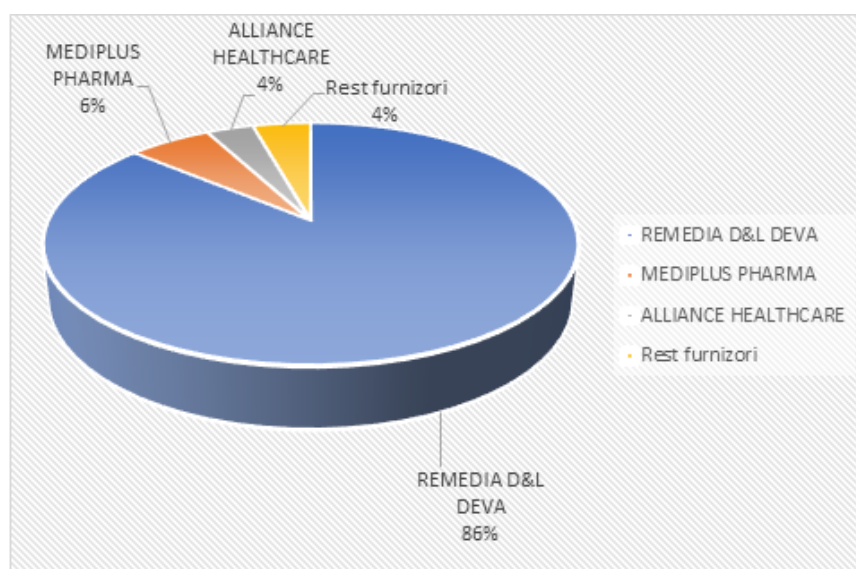
REMEDIA Pharmacies were mainly supplied through the distributor Farmaceutica REMEDIA Distribution & Logistics (FRDL), the acquisitions performed through it representing 86% from the total of acquisitions realised in 2020. This approach had as result a faster supply of pharmacies by reducing the delivery times and a better presence of deficient products in pharmacies.

The strategy on 2020 considered the following aspects:

- Planning of purchases, respectively, of the sales, per category of product and manufacturers;
- Establishing the target margin per product category;
- improving the margin by consolidating the portfolio, condensing acquisitions and sales on Rx Generic and Non Rx products with the best margin;
- Condensation of acquisitions on the most profitable portfolios; framing at higher discount volumes;
- Efficiency of stock rotation time; (Implementing and monitoring stock KPIs, DRS vs. target, Ageing, critical BBD level)

Acquisitions were registered through 35 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:



Rest furnizori – rest of suppliers

For **Farmaceutica Remedia Distribution & Logistics SRL**, the procurement planning mechanism took into account the following requirements:

- ensuring the continuity in stock of the products in the order of their strategic importance;
- evaluation of storage times and stock levels for products in the portfolio;
- establishing maximum quantitative stock levels for each product, resulting in the improvement of the cash flow available to the company.

The procedure for Monitoring procurement contracts - core business goods was implemented. The procedure describes the process of placing orders and monitoring stocks carried out in the Procurement Department.

The purpose of this process is to monitor and optimize the level of stocks, anticipate future needs, improve the efficiency and effectiveness of contracts, the performance of staff in the Procurement Department.

It also ensures the identification of deviations from the performance standards established within the organization, the implementation and monitoring of appropriate corrective actions.

Performance indicators within the Procurement Department:

1. Missing Products: The indicator measures the sales loss generated by

- lack of stock
- an insufficient level of stock

It is calculated as a percentage (%) in terms of number and value.

2. Overstock: The indicator measures the stock volume with a DRS higher than 2, at company level.

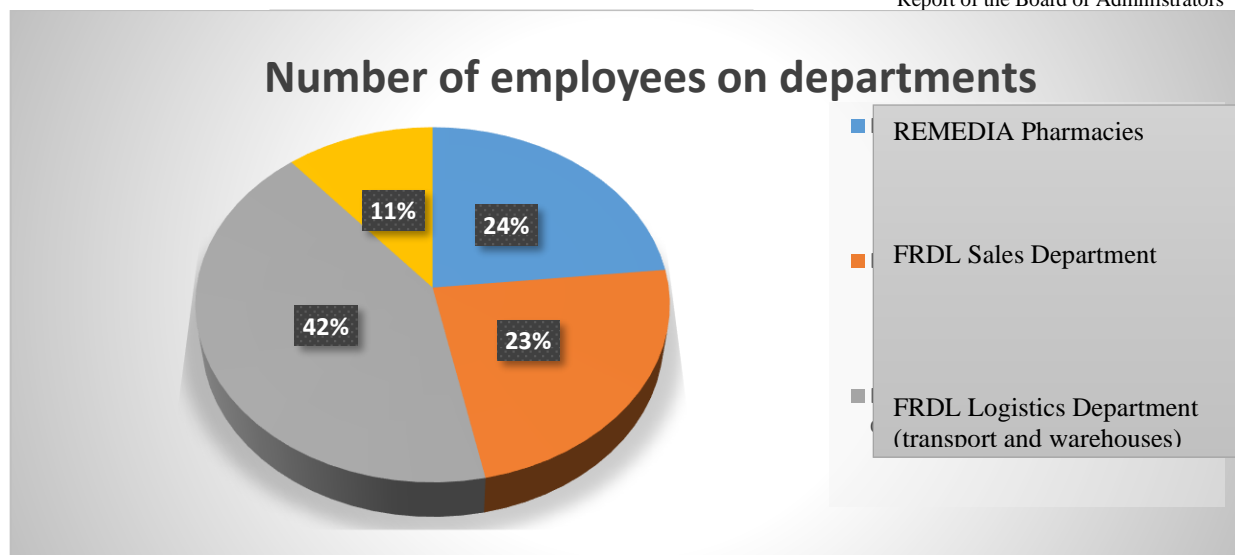
It is calculated as a percentage (%) in terms of number and value.

On 31.12.2020, the stocks of merchandise of the two companies, of which a share of 99,9% is represented by merchandise, amounted to 35.077.188 Lei.

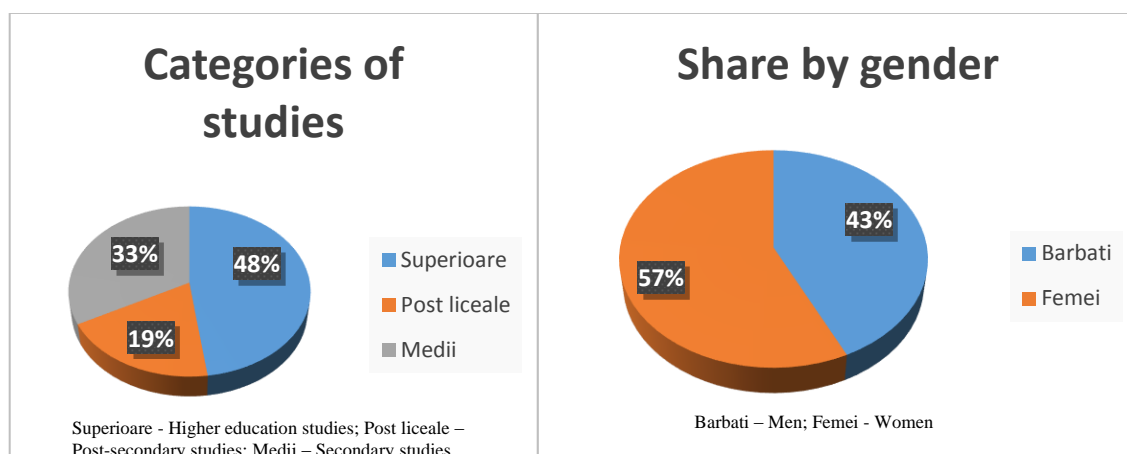
1.6. Evaluation of aspects related to the company's personnel

Together, Farmaceutica REMEDIA S.A. and Farmaceutica REMEDIA Distribution & Logistics S.R.L had as at 31.12.2020 a number of 261 employees. Their distribution on departments was the following:

- Remedia Pharmacies – 61 persons
- FRDL sale departments – 61
- FRDL logistics departments (warehouses and transport) - 110
- Support and management departments (Accounting, HR, IT, Credit Control, Marketing, Administrative etc.) – 29



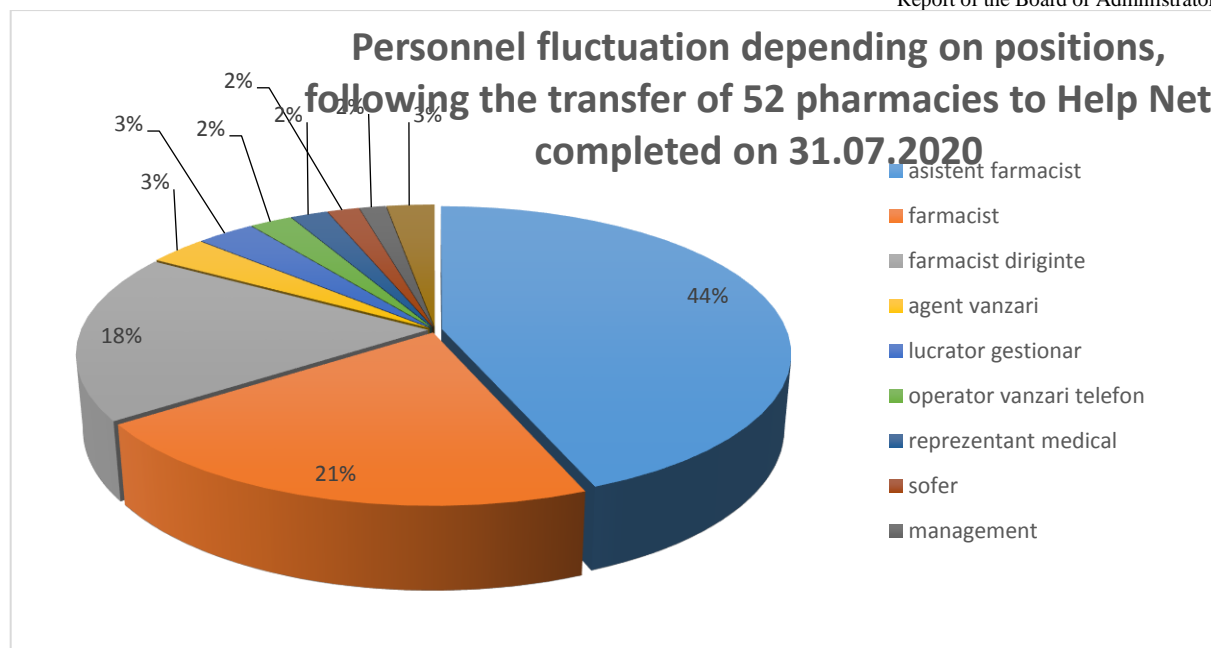
Of those 261 employees, 44% have higher education studies, 30% have post-secondary studies and 26% have secondary studies.



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

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 2020, the fluctuation indicator in REMEDIA was of 81% (assistant pharmacist – 44%, sales representative – 3%, pharmacist - 21%, telephone sales operator 2%, management – 2%, managing worker – 3%, others (support – HR, marketing, administrative etc.) – 3%, managing pharmacist – 18%, driver – 2%). 52% of the fluctuation indicator is due to the transfer of 52 pharmacies to Help Net Pharma, completed on 31.07.2020.



Asistent farmacist – assistant pharmacist, farmacist - pharmacist, farmacist diriginte – managing pharmacist, agent vânzări – sales agent, lucrător gestionar – managing worker, operator vânzări telefon – telephone sales operator, reprezentant medical – medical representative, șofer - driver

Following the high degree of fluctuation, the human resources department acted in the directions listed below.

1.6.1. Recruitment and Selection

The recruitment and selection of personnel continues to represent a challenge, the labour market being dictated by candidates, choosing the new workplace 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 2020, 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.

1.6.2. 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.

1.7. 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 2020, over 8.3 tons of waste, carton packaging and paper, and approximately 0,8 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 County Regional Agency for 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. 2.5 tons. At the same time, REMEDIA pharmacies collect waste selectively.

In compliance with the EU Directives adopted ever since April 2019, Farmaceutica REMEDIA did not purchase anymore plastic transport bags and biodegradable or recyclable bags were introduced, thus implementing measures for the purpose of reducing waste and of complying with the legislation in the field.

Starting with December 2020, REMEDIA started a new project with a company authorised for the selective collection of batteries and small electronics for recycling, by positioning in the REMEDIA work points, some containers specially designed for this purpose.

1.8. Evaluation of logistics and development activity

The two companies continued also during 2020 the modernisation process in the logistics centres and in the transport activities, by the continuous improvement of the computer systems used and endowment with new equipment, as follows:

- Developing computer systems:
 - a. Running the process for the development and improvement of the computer system for managing the warehouse of WMS type;
 - b. Developing the electronic invoice archiving system;
 - c. Implementing a unique product code verification program (serialization);

- d. Implementing the serialization process according to the legal provisions (SNVM), the company having since 2019 a GS1 licence certificate for warehouses and their registration with OSMR;
 - e. Modernization of automatic data exchanges at the level of REMEDIA group (stocks/orders/invoices).
- Replacing the data systems at the level of local warehouses: lot/product per geocode

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 logistics objectives of 2020.

The main objectives for the development of logistics and IT activities for 2021:

- Implementation of the latest version for management software (ERP);
- Optimization of flows by finalizing the capital repair of the conveyor belt (conveyor) installed in the Bucharest warehouse and updating the PLC conveyor software and interfacing with WMS;
- Acquisition for the logistics structure of Zebra scanning equipment used together with the WMS system for KPI tracking (reception, serialization, storage, collection, verification, packaging);
- Acquisition of transport boxes and integration in the TMS transport management system;
- The first inventory with intelligent terminals in logistics centres that use unique barcodes on packaging;

REMEDIA is actively involved in the fight against the pandemic of the century by offering test solutions for SARS-CoV-2, which aim at diagnosing, monitoring infection and epidemiological triage, as well as by providing protection materials.

Particular attention is paid to increasing the quality of processes, monitoring GDPR procedures and securing the exchange of information for compliance with EU Regulation 2016/679 on the protection of individuals with regard to the processing of personal data.

1.9. Activity evaluation regarding the quality aspects

In **REMEDIA Pharmacies**, a quality management system is implemented in order to document the best practices for satisfying the requirements and expectations of patients in compliance with the Pharmacy Law no. 266/2008, as further amended and supplemented, as well as of all the legal provisions in force issued by the regulatory authorities in the pharmaceutical field, being certified ISO 9001: 2015.

The Quality Manual is a basic document of quality management, which, by its procedures, defines responsibilities and work methods being based on the rules of

good pharmaceutical practice whose application guarantee that the services provided by the pharmaceutical personnel are appropriate, effective and patient-oriented.

In 2020, the following procedures were reviewed:

- a) those that were based on the reauthorisation of pharmacies by the Pharmacists' College
- b) operational

In the wholesale distribution activity within REMEDIA, the procedures were implemented and complied with in order for the distribution activity to be carried out at the highest quality standards, according to ISO 9001:2015 and the Good Distribution Practice Guide.

In 2020, there were no changes with impact on the distribution activity, the major concern was focused on submitting documentation in order to renew the GDP certificates for the two logistics centres, Deva and Bucharest and for the work points: Pitești, Brașov and Tg. Mureș.

The Distribution Notice for medical devices and the Authorization for the distribution of psychotropic drugs and narcotics was renewed.

From the SMC point of view:

- the Quality Management Manual - MA 1MC was revised, which, starting June 2020, came into force with Ed1/Rev3;
- a new List of controlled documents for the new coding system of System Procedures and Standard Operating Procedures was proposed and approved;
- a number of 12 Standard Operating Procedures were reviewed and disseminated starting with POS 01 Control of documents and records Ed1/Rev2;
- the Serialization program was changed to a more efficient and easier to use program;
- the audits of external partners ended with audit reports without critical or major nonconformities;

The investments made during 2020 consisted of:

- purchase of a new cold room for the Bucharest Operational headquarters;
- purchase of 10 new Renault Trafic freight cars and 2 Renault Master 2 cars that were equipped according to the GDP requirements regarding the transport of drugs;
- changing the temperature and humidity monitoring systems in the Brașov and Pitești work points and in the Deva headquarters;
- renovation of the Brașov working point space (PR office organisation, reorganisation of Receipt and Delivery spaces, change of the burglar alarm system);
- modernization of the fire alarm and extinguishing installation of the Bucharest Operational Centre according to the new ISU standards;

1.10. Evaluating the activity on risk management

The main risks categories identified in 2020 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, due to the observance of the payment term by the Health Houses, in 2020, we can say that the non-collection risk is extremely low.

In the case of Farmaceutica REMEDIA Distribution & Logistics, 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 53,6 million LEI. It is used mainly for the issuance of performance securities for participation in auctions and performance security, as well as for the payment 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.

1.11. Elements of perspective on the company's activity

The 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.

REMEDIA will continue 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.

As a digital solution in the direction of automation and optimization of pharmaceutical processes, REMEDIA initiated in 2020 the promotion in Romania in partnership with the company BD Rowa, of the implementation of robots for pharmacies, hospitals and pharmaceutical warehouses.

The implementation of robots at the level of pharmacies generates the optimization of the flow of supply, storage, organization and delivery, leading to the increase of the pharmaceutical service, the satisfaction of requirements and a better advice of clients.

The company also intends to focus on the area of online commerce by developing its own solution and through partnerships with companies specializing in e-commerce.

At the same time, we continue the process of streamlining the activity of regional pharmacies by reducing operating costs and rents, continuing the process of personnel professionalisation, the increase and diversification of the portfolio of products and last but not least improving services at patient level.

In conclusion, there were no critical or major deficiencies in the quality management system that would jeopardize the distribution activity.

2. Fixed assets of companies

The fixed assets (at the remained value) are in the amount of **40.256.854 Lei**, having the following structure:

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

338.426 Lei - Intangible assets (pharmacies licences and software licences)
2.308.374 Lei - Financial assets (constituted deposits, paid guarantees).

Within tangible assets, a share of 92,72 % 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 2020 emphasized an appreciation of 3.608.025 lei of these assets. (lands + 296.796 lei, constructions +3.311.229 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 2020 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 31.12.2020, (information provided by the Depozitarul Central):

Shareholders	No. of shares	Share from the share capital (%)
TARUS Valentin-Norbert	86,478,025	81,5140
Others	19,611,775	18,4860
Total	106.089.800	100,0000

As at 31.12.2020, 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 2020 by FR (28.236.449 lei), the Board of Administration proposed the distribution to the legal reserve the amount of 365.419 Lei (1,2% from the net profit), to dividends the amount of 14.277.108 Lei (50,58%) and to other reserves the amount of 13.093.922 Lei (46,39%), and the amount of 500.000 (1,8%) remains as non-distributed profit.

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	2021
Initial balance	217.459	205.414	214.756	241.226	209.353	117.155
Distributed gross dividends	0	700.927**	1.060.898	1.591.347	2.121.796*	14.277.108*
Tax per dividends paid	0	34.415	52.675	78.995	104.900	
Paid dividends	12.045	657.170	981.753	1.544.225	2.109.093	
Dividends to be paid	205.414	214.756	241.226	209.353	117.155	

* 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 (2.385.812 Lei) on the following destinations:

- 1.500.000 Lei – dividends to be paid to Farmaceutica REMEDIA S.A.
- 885.812 Lei – non-distributed profit

5. Management of Farmaceutica REMEDIA S.A.

In the fiscal year 2020, Farmaceutica REMEDIA S.A. was managed by a Board of Administrators in the following compenence:

Crt. No.	18.06-30.04.2020	1.05.2020-3.08.2020	3.08.2020-31.12.2020
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
2	NOEL CONSULTING SRL, represented by Mr. Petru CRACIUN	Adrian-Marcel PARVU	Adrian-Marcel PARVU
3	Lucian-Valentin CODREANU	NOEL CONSULTING SRL, represented by Mr. Petru CRACIUN	Elena CODREAN of 23.12.2020

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 30.04.2021.

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 31.12.2020, 81,5140 % from the shares of Farmaceutica REMEDIA S.A.

- 2. 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 during the period 1.01.2020-30.04.2020

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 31.12.2020, he did not own shares at Farmaceutica REMEDIA S.A.

- 3. NOEL CONSULTING SRL** represented by **Petru CRĂCIUN** – member in the Board of Administrators, member of the Remuneration and Nomination Committee during the period 1.01.2020-3.08.2020
Graduate of the Faculty of Pharmacy of UMF Carol Davila Bucharest, where he taught Physics and Pharmaceutical Informatics for several years.
In 1994 he founded the first market research company in the field of medicines in Romania, GLOBAL PHARMA, and after the sale of the company to the Cegedim group in 2001, he continued to lead the activity of the CEGEDIM ROMANIA organization until 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 31.12.2020 he did not own shares at Farmaceutica REMEDIA S.A.

- 4. Adrian-Marcel PARVU**, member of the Board of Administrators, independent non-executive administrator, President of the Audit Committee, member of the Remuneration and Nomination Committee during 1.04.2020-31.12.2020

Graduate of the Faculty of Economics and Business Management, German section, from Babeş Bolyai University in Cluj-Napoca, with a Bachelor's and Master's degree in International Affairs and the Faculty of Law from Babeş Bolyai University in Cluj-Napoca. He has been a member of the Cluj Bar since 2014, practicing as the owner of his own law firm. He is fluent in German and English.

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 31.12.2020, 0,1472 % of the shares of Farmaceutica REMEDIA S.A.

- 5. Elena CODREAN**, member of the Board of Administrators, non-dependent executive administrator, member of the Audit Committee, Remuneration and Nomination during 23.12.2020-31.12.2020

Graduate of the Bucharest University of Economic Studies, Bucharest, specialisation Accounting and Management Informatics, she worked as an economist at multinational companies such as "HPT Humbel Productiontehnik", and as Financial Controller at "Key Safety Systems". She attended postgraduate training and certification courses in the economic field at CECCAR, Romania and in the field of human resources. You speak fluent English.

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.

On 31.12.2020 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 2020, the executive management was provided by Mr **Valentin - Norbert TARUS**.

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 was provided in 2020 by the Sole Associate (Farmaceutica REMEDIA S.A.), in its own name and by sole administrator 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 Distribution & Logistics S.R.L.
- TARUS MEDIA S.R.L.
- IMOBILIARA MAGHERU S.R.L.

7. Corporate governance

In 2020 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 2020 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; Following the legal regulations in the context of the Covid 19 pandemic - Decree No. 195/16.03.2020, FSA recommendations, etc. issued during 2020 -, Farmaceutica REMEDIA SA expressly encouraged the shareholders to exercise their voting right by correspondence and to use electronic means of remote interaction;
- **Financial information** – this section includes the Reports of the Board of

Administrators and the quarterly, half-yearly and annual Financial Statements, for the years 2014-2020, both in IRIS electronic format and in IFRS EXCEL format;

- **Non-financial reporting** - according to the provisions of OMFP No. 2844/2016;
- **Evolution of shares** – *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 on 13.08.2020 and 15.11.2020”;
- **Corporate governance** - includes all the documents according to the provisions and **ARIR** communication vectors:

a) Articles of Association;

b) The stage of compliance with the Corporate Governance Code of BSE during 2016-2020 (attached to the Current Report to BSE of 05.05.2020);

b) Board and Management;

c) Policies and Vectors:

- Remuneration policy, updated on 11.09.2020;
- 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;
- Regulation of the Audit, Remuneration and Nomination Committee on 11.09.2020
- Code of conduct and ethics;
- 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;
- Policies regarding financial forecasts and risks;
- Internal regulation of the Board of Administrators of Farmaceutica REMEDIA
- Environmental Policy of the company issued on 16.10.2020.

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

During the financial year 2020, the President of the Board of Administrators convened 18 (eighteen) meetings, statutory gathered, of the Board of Administrators.

The members of the Board of Administrators participated in person, by telephone, TC o 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 convenings and resolutions;
- the transfer of 52 REMEDIA pharmacies to Help Net, member of the Phoenix German group on 31.07.2020, based on the approval of the Competition Council of 30.06.2020;
- risks and measures in organizing the activity in the Covid-19 pandemic context;
- 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;

Following the meetings of the Board of Administrators, a number of 26 (twenty-six) decisions were issued communicated to resort departments for implementation and fulfilment during 2020.

8. Accounting financial statement (consolidated statements)

Farmaceutica Remedia		
Income Statement	dec.-20	dec.-19
(RON)	consolidated	consolidated
Sales of goods	439.903.203	444.493.627
Discounts given	-1.098.781	-1.555.985
Net Sales	438.804.422	442.937.642
COGS	399.816.634	399.002.857
Discounts Received	-8.872.597	-7.283.506
Net COGS	390.944.038	391.719.351
Gross Margin	47.860.384	51.218.291
Gross Margin (%)	10,91%	11,56%
Other Operating Revenues	43.999.086	9.189.616
Personnel	-27.575.662	-34.791.624
Third Party Expenses		
Transport		
Consumables		
Maintenance		
Rent		
Other Operating Expenses	-18.776.051	-20.601.131
Total Operating Expenses	-46.351.714	-55.392.755
EBITDA	45.507.757	5.015.152
EBITDA Margin	10,37%	1,13%
Depreciation	-1.103.087	-1.251.491
Provisions - net	-408.691	281.261
Bad debts lost	-1.133.396	-241.503
EBIT	42.862.583	3.803.418
EBIT Margin	9,77%	0,86%
Financial Revenues	312.150	394.880
Financial Expenses	-406.117	-1.075.366
Financial income	-93.967	-680.485
EBT	42.768.616	3.122.933
EBT Margin	9,75%	0,71%
Tax on Profit	-4.997.042	-681.817
Net Profit	37.771.574	2.441.116
Net Profit Margin	8,61%	0,55%
Avg. Discount Given		
Avg. Discount Received		

**Farmaceutica Remedia
Balance Sheet (RON)**

	dec.-20	dec.-19
	consolidated	consolidated
Total Assets	244.463.046	260.369.939
Cash	34.350.414	10.275.736
A/R (clients)	130.201.748	74.812.167
Inventory	35.077.188	132.399.134
Expenses in advance	1.236.574	343.549
Other Current Assets	3.340.268	2.590.617
Total Current Assets	204.206.192	220.421.203
Tangible Assets	37.610.054	34.062.441
Intangible Assets	338.426	5.212.290
Financial Investments	2.308.374	674.005
Total Long-Term Assets	40.256.854	39.948.736
A/P (suppliers)	159.154.783	202.648.537
Other ST payables	2.246.002	4.966.280
Payables to shareholders	117.155	209.353
ST Loans*		337.166
Current Liabilities	161.517.940	208.161.336
LT Loans*	867.718	1.478.785
Other LT liabilities	2.246.739	1.668.296
LT Liabilities	3.114.456	3.147.081
Provisions		0
Share capital	10.608.980	10.608.980
Reserves & others	31.450.096	36.011.427
Profit	37.771.574	2.441.116
Equity	79.830.650	49.061.523
Total Liabilities & Equity	244.463.046	260.369.939

*including financial leasing

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

9. Economic-financial indicators 2020

LIQUIDITY AND WORKING CAPITAL	FR	FRDL
current liquidity (Current assets/Current liabilities)	9,26	1,03
Current assets	29.376.485	175.670.137
Current liabilities	3.172.399	169.731.286
degree of indebtedness (Borrowed capital / Equity x 100)	0%	0%
Borrowed capital (including leasing)	0	0
Equity	73.672.543	5.938.851
turnover speed for client debit items (average customer balance/turnover *366)	52 days	111 days
Average customer balance	9.172.151	125.432.624
net turnover	63.833.250	411.345.503
Turnover speed of liabilities (average suppliers balance/cogs*366)	99 days	158 days
Average suppliers balance	13.556.169	164.940.588
Cost of merchandise sold	50.039.120	381.342.557
Turnover speed of stocks (average stock balance/cogs * 366)	55 days	39 days
Average stocks balance	7.620.605	41.192.245
Cost of merchandise sold	50.039.120	381.342.557
turnover speed of fixed assets (turnover/fixed assets)	1.31	863
net turnover	63.833.250	411.345.503
Fixed assets	48.725.139	476.522
Gross profit margin (%) (gross profit/net sales)	51,09%	0,72%
Gross profit	32.616.522	3.002.781
Net turnover	63.833.250	411.345.503

Notes:

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 as compared to the same period last year (1,3) at FR. In the case of FRDL, the indicator slightly improved as compared to December 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 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 - 44 days in December 2019. In the case of FRDL, the indicator improved as compared to December 2019 (=119 days).

4) **Turnover speed of liabilities** represents the average period in which suppliers are paid. In the previous financial year (2019), FR paid its suppliers in average at 106 days and FRDL at 179 days.

5) The value of the **No. of days on hand** indicator can be considered that it falls within the specifics of the activity. In the case of FR, the indicator evolved positively as compared to the same period last year (60 day). In the case of FRDL, the indicator improved as compared to December 2019 (=61 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.

Bucharest, 10 March 2020

Board of Administrators,

President
"TARUS" - Valentin Norbert TARUS e.U.