

Farmaceutica REMEDIA S.A. – Consolidated financial statements concluded as at 31.12.2020

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STATEMENT OF COMPREHENSIVE INCOME - consolidated (Lei)		31-Dec-20	31-Dec-19
Net turnover	NOTE 4	441.478.105	446.411.283
Incomes from the sale of merchandise		439.903.203	444.493.627
Commercial discounts granted		-1.098.781	-1.555.985
Incomes from services provided and rents		2.673.683	3.473.641
Other operating incomes		41.325.403	5.715.974
OPERATING INCOMES - TOTAL		482.803.508	452.127.257
Material expenses	NOTE 5	394.820.160	396.555.288
Expenses with merchandise		399.816.634	399.002.857
Commercial discounts received		-8.872.597	-7.283.506
Expenses with raw materials and consumables		2.585.406	3.280.573
Other material expenses (inventory objects)		195.392	375.959
Expenses with energy and water		1.095.323	1.179.406
Personnel expenses	NOTE 6	27.575.662	34.791.624
Salaries and allowances		24.616.138	31.316.319
Expenses with insurance and social protection		1.151.057	1.048.237
Other personnel expenses		1.808.468	2.427.068
Amortisation and provisions		2.645.174	1.211.734
Amortisation		1.103.087	1.251.491
Net provisions		408.691	-281.261
Losses from receivables		1.133.396	241.503
Other operating expenses	NOTE 7	14.899.929	15.765.194
Expenses on external benefits		8.659.416	11.500.775
Expenses with other duties, taxes and similar levies		771.985	830.513
Other expenses		5.468.528	3.433.906
OPERATING EXPENSES - TOTAL		439.940.926	448.323.839
OPERATING RESULT		42.862.583	3.803.418
Financial incomes	NOTE 8	312.150	394.880
Interest income		18.494	11.293
Incomes from exchange rate differences		55.588	170.002
Incomes from dividends		66.733	204.905
Discounts for advance payments		171.335	8.681
Other financial incomes		0	0
Financial expenses	NOTE 8	406.117	1.075.366
Interest charges		102.776	557.660
Operational leasing interests (IFRS16)		68.916	83.134
Expenses from exchange rate differences		79.464	208.961
Advance collections discounts		154.960	225.610
Other financial expenses			0

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FINANCIAL RESULT		-93.967	-680.485
TOTAL INCOME		483.115.658	452.522.138
TOTAL EXPENSES		440.347.042	449.399.205
GROSS RESULT	NOTE 9	42.768.616	3.122.933
Corporate tax		4.997.042	681.817
TOTAL NET PROFIT of which distributable		37.771.574	2.441.116
Company's shareholders		37.771.574	2.441.116
Minority interest			
Other elements of the comprehensive result			0
Other elements of comprehensive income			
Tax afferent to other elements of comprehensive income			
Minority interest			
COMPREHENSIVE INCOME AFFERENT TO THE PERIOD - TOTAL of which attributable:		37.771.574	2.441.116
Company's shareholders		37.771.574	2.441.116
Minority interest			
Result per share (in Lei)			
- basic		0,36	0,0230
- diluted		0,36	0,0230

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

by representative
Valentin – Norbert TARUS

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STATEMENT OF FINANCIAL POSITION - consolidated (Lei)		31-Dec-20	31-Dec-19
ASSETS			
Fixed assets		40.256.854	39.948.736
Tangible assets	NOTE 10	28.316.243	25.824.336
Real estate investments	NOTE 10	8.204.038	6.808.175
Operational leasing assets		1.089.773	1.429.930
Software licenses	NOTE 11	124.790	207.353
Pharmacy licenses	NOTE 11	213.636	5.004.938
Participations held in group companies	NOTE 12	289.520	289.520
Participations held in companies outside the group	NOTE 12	5.316	5.316
Deposits and guarantees paid	NOTE 12	2.013.538	379.169
Current assets		202.969.618	220.077.654
Stocks	NOTE 13	35.077.188	74.812.167
Trade receivables	NOTE 14	130.201.748	132.399.134
Other receivables		3.340.268	2.590.617
Cash and cash equivalents	NOTE 15	34.350.414	10.275.736
Accrued expenses		1.236.574	343.549
TOTAL ASSETS		244.463.046	260.369.939
EQUITIES AND LIABILITIES			
Equities		79.830.650	49.061.524
Share capital	NOTE 16	10.921.209	10.921.209
Issuance premiums		757.485	757.485
Reserves	NOTE 17	34.803.056	31.092.868
Current result		37.771.574	2.441.116
Result carried forward	NOTE 19	-3.632.398	4.407.169
Result carried forward - restatement		-312.229	-312.229
Profit distribution		-365.419	-133.467
Own shares	NOTE 21	-112.628	-112.628
Long-term liabilities		2.246.739	3.147.081
Liabilities from financial leasing	NOTE 22		0
Liabilities from operational leasing			1.478.785
Provisions	NOTE 23		0
Liabilities with deferred profit tax		2.246.739	1.668.296
Current liabilities		162.385.658	208.161.335
Bank loans	NOTE 24		319.234
Liabilities from financial leasing			17.932
Liabilities from operational leasing		867.718	
Suppliers and other assimilated liabilities		159.154.783	202.648.537
Provisions			0

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Liabilities with current tax		124.581	138.801
Other short-term liabilities	NOTE 25	2.238.576	5.036.832
Total liabilities		164.632.396	211.308.416
TOTAL EQUITIES AND LIABILITIES		244.463.046	260.369.939

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STATEMENT OF CHANGES IN EQUITY

	Share capital	Legal reserves	Revaluation reserves	Other reserves	Issuance premiums	Result carried forward	Profit distribution	Current result	Own shares	TOTAL
Balance as at 01.01.2019	10.921.209	1.623.470	15.898.760	11.453.348	757.485	-3.123.609	-109.859	3.032.873	-112.628	46.588.269
Repositioning of treatments for profit account 2018						-2.000.000		2.079.479		79.479
Profit transfer 2018 (FR) to result carried forward						2.031.162		-2.031.162		0
Profit distribution 2018 (FR) to dividends						-1.591.347				-1.591.347
Profit distribution 2018 (FR) to other reserves				438.815		-439.815				0
Closure of account 129 (legal reserve 2017) FR							109.859	-109.859		0
Profit transfer 2018 (FRDL) to result carried forward						2.986.594		-2.986.594		0
Profit transfer 2017 (FRDL) to dividends						-2.000.000				-2.000.000
Retreatment of dividends FRDL->FR 2018						2.000.000				2.000.000
Accounting result 2019 FR +FRDL								4.353.247		4.353.247
Legal reserve 2019 FR		133.467					-133.467			0
Retreatment of profit account 2019						0		-1.912.131		-1.912.131
Outputs buildings + lands			-4.140							-4.140
Revaluation of buildings and lands			1.842.244							1.842.244
Deferred tax			-294.097							-294.097
Operational leasing retreatment (IFRS 16) 2018						-15.263	15.263			0
Balance as at 31.12.2019	10.921.209	1.756.937	17.442.767	11.893.163	757.485	4.094.940	-133.467	2.441.116	-112.628	49.061.524

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STATEMENT OF CHANGES IN EQUITY – continuation

	Share capital	Legal reserves	Revaluation reserves	Other reserves	Issuance premiums	Result carried forward	Profit distribution	Current result	Own shares	TOTAL
Balance as at 01.01.2020	10.921.209	1.756.937	17.442.767	11.893.163	757.485	4.094.940	-133.467	2.441.116	-112.628	49.061.524
Repositioning of treatments for profit account 2019						-2.000.000		1.912.131		-87.869
Profit transfer 2019 (FR) to result carried forward						2.429.739		-2.429.739		0
Profit distribution 2019 (FR) to dividends						-2.121.796				-2.121.796
Profit distribution 2019 (FR) to other reserves				307.943		-307.943				0
Closure of account 129 (legal reserve 2019) FR							133.467	-133.467		0
Profit transfer 2019 (FRDL) to result carried forward						1.790.041		-1.790.041		0
Profit transfer 2018 (FRDL) to dividends										0
Retreatment of dividends FRDL->FR 2020										0
Accounting result 2020 FR +FRDL								30.622.262		30.622.262
Legal reserve 2020 (FRDL)		365.419					-365.419			0
Retreatment of profit account 2020						0		6.927.256		6.927.256
Outputs buildings + lands										0
Revaluation of buildings and lands			3.615.269							3.615.269
Deferred tax			-578.443							-578.443
Retreatment of result carried forward 2020					-7.581.143				-7.581.143	
Operational leasing retreatment (IFRS 16) 2020						-222.056		222.056		0
Accounting errors correction 2019						-26.410				-26.410
Balance as at 31.12.2020	10.921.209	2.122.356	20.479.593	12.201.106	757.485	-3.944.628	-365.419	37.771.574	-112.628	79.830.650

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STATEMENT OF TREASURY FLOWS

	Consolidated 12 months 2020
Cash flows from operating activities	
Collections from the sale of goods and from the provision of services	484.879.345
Other cash inflows	2.023.553
Payments to suppliers of goods and services	-451.351.893
Payments to and on behalf of employees (including taxes on salaries)	-27.470.222
Corporate tax payments	-5.011.262
Payments of other taxes and fees	-13.355.077
Paid interests	-102.608
Collected interests (current account)	18.494
Other cash outflows	-3.153.976
Total operating cash flow	-13.523.647
Cash flow from investment activities	
Collections from the sale of long-term assets and financial investments	39.901.718
Collected interests (from deposits)	0
Collected dividends	66.733
Payments for the acquisition of long-term assets	-80.451
Total cash flow from investments	39.888.000
Cash flow from financing activities	
Short-term loan withdrawals	1.850.0000
Repayment of short-term loans	-1.881.9234
Net foreign exchange differences	23.585
Financing received from shareholders	0
Repayments of long-term loans, including interest	0
Payments to shareholders (dividends)	-1.994.027
Payments of own shares	0
Loans granted between subsidiaries	0
Total cash flow from financing	-2.289.675
Total cash flow	24.074.677
Cash at the beginning of the period	10.275.737
Cash at the end of the period	34.350.414

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NOTE 1 INFORMATION ON CONSOLIDATED COMPANIES

1.1. Reporting entity

Farmaceutica REMEDIA S.A.

Farmaceutica REMEDIA S.A. (« the Company ») is a commercial company with registered office in Deva, No. 2 Nicolae Balcescu Bld. (former Str. Dorobantilor 43), Hunedoara County, Romania.

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

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

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

In this context, as at 31.12.2019 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 abovementioned legislation, the company had to redeem from the market (in 2015) a number of 300.100 shares at a price established by an authorised valuator.

As at 31.12.2019, Farmaceutica REMEDIA S.A. did not hold majority participations or significant influences in other companies, except for the one previously mentioned.

1.2. Other entities participation in the consolidation

Farmaceutica REMEDIA Distribution & Logistics S.R.L.

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

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

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

During 2020 Farmaceutica REMEDIA S.A. or Farmaceutica REMEDIA Distribution & Logistics S.R.L did not participate in mergers.

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During the same period, the company alienated assets related to 52 pharmacy licenses held in Bucharest and in the counties of Alba, Arad, Dambovita, Dolj, Giurgiu, Hunedoara, Ilfov, Ialomita, Mures, Timis.

NOTE 2 BASES FOR THE PREPARATION OF FINANCIAL STATEMENTS

Conformity statement

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

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

The financial statements as at 31.12.2020 of the reporting entity were approved by the Board of Administrators of the Company as at 10.03.2020.

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

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

Bases of valuation

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

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

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

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

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

Companies do not have financial instruments that would imply the use of other fair value estimation methods.

During 2020, there were no events and circumstances that would lead to the recognition of a loss from a significant depreciation of tangible assets.

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

Functional and presentation currency

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

Principle of activity continuity

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

Comparative statements

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

Estimations and professional judgments

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

- Life span of fixed assets
- Deferred taxes
- Provisions
- Reporting on segments
- Cost of merchandise sold by the reporting company (FR) and supplied from FRDL

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Changes in accounting policies

The adoption for the first time of new or reviewed standards

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

IASB issued the Annual Improvements of IFRS – Cycle 2015 – 2017, which represent a collection of changes in the IFRS.

New standards, interpretations and amendments that entered into force in 2019 were applied without having a significant impact on financial statements:

IFRS 3 Business combinations;

IFRS 9 Financial instruments: financial assets classifications;

IFRS 11 Common agreements (amendment)

IFRS 16 Leasing: replacement of IAS 17

IAS 12 Tax profit – IFRIC 23 and modifications;

IAS 17 Leasing was replaced by IFRS 16

IAS 19 Employees' benefits: Planning of modification, reduction or settlement

IAS 28 Investments in associated entities and in joint ventures: long-term interests;

IFRIC 4 Determining whether a contract is for rent; replacement with IFRS 16

IFRIC 23 Incertitude to treatments on income tax

Application of new standards, interpretations and amendments, which enter into force at or after the date of 01 January 2020 by Annual improvements of IFRS – Cycle 2015 – 2017 or other amendments did not have a significant impact on financial statements:

IFRS 3 Combinations of enterprises – from 01.01.2020

IFRS 4 Insurance contracts: replacement with IFRS 17 from 01.01.2021

IFRS 7 Financial instruments: reporting: modification on the interest reference rate from 01.01.2020

IFRS 17 – Insurance contracts: from 01.01.2021

IAS 1 Presentation of financial statements (modified): definitions – from 01.01.2020 and classification of debts from 01.01.2022

IAS 8 Accounting policies, modifications of accounting estimates and errors from 01.01.2020

Bases of consolidation

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

As at 31.12.2020, Farmaceutica REMEDIA S.A. did not hold majority participations or significant influences in other companies, except for the consolidated company.

A list of participations held is presented in NOTE 12.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

Incomes recognition

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

Incomes include both incomes, and gains.

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

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

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

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

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

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

Recognition of expenses

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

Currency conversions

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

Monetary assets and liabilities expressed in currency as at 31 December 2020 are evaluated in RON using the exchange rate (NBR) valid on the date of concluding the financial year, respectively 1 EUR = 4,8694 RON ; 1 USD = 3,9660 RON.

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

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

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Government grants

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

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

The company did not benefit from grants.

Taxes

Current corporate tax

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

Deferred corporate tax

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

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

Value added tax

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

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

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

Tangible assets

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

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

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

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

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

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

The assets under operational leasing (utility cars and cars) were retreated according to IFRS 16.

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

For the new fixed assets, such as installations, cars and measurement and control devices, life spans were established considering the estimated level of use based on the use of the asset capacity.

The life spans used are the following:

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

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

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

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Leasing contracts

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

Financial leasing significantly transfers to the company all risks and benefits afferent to the ownership right on the good in leasing regime, are capitalised in the beginning of the leasing contract at the contractual value and are revaluated at the end of each financial year. Financing expenses are recognised as financing costs in the profit and loss account during the leasing contract (Operational leasing contracts were retreated according to IFRS 16 which replaced IAS 17 – Leasing contracts).

Borrowing costs

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

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

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

Real estate investments (IAS 40)

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

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

In 2020, the revaluation method used was the gross income multiplier method (quantifying the present value of future anticipated benefits produced to the owner from property rental). The values were estimated based on public market studies, and correlation was realised based on several criteria, the most important being the number of inhabitants of the locality where the property is located. Valuations of real estate investments were classified at level 2 as their values are comparable to those on the active market, are adjusted and are directly observable - IFRS 13.93 (b).

During 2020 there were no events and circumstances that would lead to the recognition of a loss from a significant depreciation of real estate investments.

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Intangible assets

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

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

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

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

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

During the same period, the company alienated assets related to 52 pharmacy licenses held in Bucharest and in the counties of Alba, Arad, Dambovita, Dolj, Giurgiu, Hunedoara, Ilfov, Ialomita, Mures, Timis.

Financial instruments and risk management (IFRS 7)

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

Entities do not own a tradable financial assets portfolio.

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

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

The reporting company and the consolidated company have a multi-currency credit line opened in common in the amount of 10 million euros, mainly used by FRDL for the issuance of letters of guarantee of participation/performance bond issued in favour of clients and for work capital.

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

Stocks

The stock of merchandise (pharmaceutical and para-pharmaceutical products) represent over 99% from the total stock of entities. In the accounting statements, merchandise stocks are emphasized at the entry cost which includes, apart from the acquisition price, import fees, transportation and, when appropriate, discounts received

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or the future certain ones. Stocks are valued at the end of the period at the lowest value between the cost and the net realisable value (IAS 2 – Stocks). Starting with 2011, in the cost of stored goods, certain future discounts are also introduced.

The net realisable value is the sale price estimated under normal business conditions, less the estimated completion costs and sales costs.

In the case of retail sales, in own pharmacies, stocks of drugs and pharmaceutical products are emphasized at retail sale price (purchase price + trade markup + VAT).

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

Establishing the quantities actually existing in the stock is realised by using the permanent inventory method. The company periodically carries out the inventory of stocks to determine whether they are deteriorated, have slow motion or if the net realizable value decreased, proceeding, if necessary, with the required adjustments.

Entities hold stocks of pledged merchandise in the liabilities account. The information on stocks is presented in NOTE 13 (IAS 2.36 – Stocks – information presentation).

Provisions

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

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

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

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

Entities have provisions constituted for the depreciation of current assets (merchandise, debtors and doubtful clients) as well as for risks and expenses.

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

A statement of constituted provisions is found in note 23.

Employees benefits (IAS 19)

a) Pensions plan

All employees of consolidated Companies are included in the Pensions Plan of the Romanian state, some of the employees also contributing to the private pensions plans (pillar II or III). In this context, the companies carry out payments to the Romanian state in the account of its employees.

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

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

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

b) Other benefits of employees

All employees on an 8-hour labour contract benefit from food vouchers according to the legislation in force, holiday bonus, as well as fixed bonuses on the occasion of legal holidays.

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

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

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

Dividends

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

No cumulative preferential dividends are distributed.

The statement of dividends is presented in NOTE 18.

Other information, implications of the COVID-19 pandemic on the annual report

In the current context generated by the COVID 19 pandemic based on the information available to it, the company considers that there are no significant

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uncertainties for the continuation of the activity and there are no indications that would lead to a depreciation of the assets held.

The impact that the COVID-19 pandemic had on the company's activity during the reported period was not likely to significantly influence the financial performance.

The company has sufficient own financial resources to ensure financial stability, there is no risk of liquidity or negative influences on cash flows.

The company's management has as permanent objectives the analysis of the future impact of the pandemic on the financial performance and the taking of adequate measures to reduce the related risks

Affiliated parties

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

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

Equities

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

Capital contributions

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

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

	Date	Number of shares	Issuance value (Lei)	Explanations
1	10.11.1999	3.370.107	337.010,70	Initial capital of the state, including the land contributed in nature
2	06.09.2001	1.500.000	150.000,00	Cash contribution of V.TARUS RoAgencies
3	23.07.2003	42.402	4.240,20	Merger – capital of Ditafarm Trading – disappearing company

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4	05.01.2006	5.696.471	569.647,10	Merger - capital of V.TARUS RoAgencies – disappearing company
5	21.12.2007	87.905.969	8.790.596,90	Capital increase – shareholders with pre-emption right
6	04.05.2009	7.574.851	757.485,10	Capital increase – AHG Simcor Industry S.R.L.
	TOTAL	106.089.800	10.608.980	

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

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

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

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

Result carried forward

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

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

Reserves

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

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Result per share

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

Reporting on segments (IFRS 8)

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

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

Accounting errors

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

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NOTE 4 INCOMES FROM SALES AND OTHER OPERATING INCOMES

Operating incomes are realised from the sale of merchandise on various distribution channels, as well as from provided services and rents, as presented below:

description	2020	2019
NET TURNOVER, of which:	441.478.105	446.411.283
incomes from the sale of merchandise, of which:	439.903.203	444.493.627
- Sales of Remedia pharmacies	61.752.389	102.002.604
- distribution to hospitals	118.194.101	105.962.048
- distribution	256.032.288	219.502.800
- other distribution channels	3.924.424	17.026.175
commercial discounts granted	(1.098.779)	(1.555.985)
incomes from services provided and rents, of which:	2.673.683	3.473.641
- logistic services and store keeping	1.222.198	1.414.947
- rents	940.142	583.270
- shelf promotion		512.505
- marketing and recordings (RA)	323.197	880.236
- other services	188.146	82.683

Other operating income

description	2020	2019
penalties	39.905	181.808
sales of tangible assets	39.902.568	4.679.073
inventory pluses	0	752.004
revaluation of tangible assets	0	0
other incomes	1.382.931	103.089
TOTAL	41.325.403,00	5.715.974

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NOTE 5 MATERIAL EXPENSES

Description	2020	2019
Cost of merchandise *	390.944.038	391.719.351
Utilities	1.095.323	1.179.406
Fuel	1.669.007	2.070.592
Spare parts	332.095	477.314
Consumables	584.303	732.666
Inventory items	195.394	375.959
TOTAL	394.820.160	396.555.288

* net value obtained by adjustment with the received discounts

NOTE 6 PERSONNEL EXPENSES

Personnel expenses have the following composition:

Description	2020	2019
Gross salaries and allowances	24.616.138	31.316.319
Expenses with insurances and social protection	924.674	1.048.237
Insurance contribution for labour	556.953	708.344
Other expenses on insurance and social protection expenses	367.721	339.893
Other personnel expenses	2.034.850	2.427.068
- Meal tickets/gift	744.620	1.494.825
- PFA /PFI (<i>authorized natural person/independent natural person</i>)	463.000	447.425
Fund for disabled persons	827.230	484.818
TOTAL	27.575.662	34.791.624

The costs (including fees) with remuneration in 2020 of the Board of Administrators of FR, of the General Director, and of the FRDL administrator were in a total amount of 457.280 lei.

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NOTE 7 OTHER OPERATING EXPENSES

Description	2020	2019
Repairs	500.548,00	572.018
Rents	2.671.067,00	4.014.451
Insurance	737.869,00	790.398
Post and telecommunications	310.801,00	486.310
Displacements and transport	110.015,00	1.756.116
Advertisement	76.363,00	213.852
Protocol	163.126,00	278.711
Other taxes and fees	771.984,00	830.513
Donations and sponsorships	132.766,00	
Bank fees	352.811,00	461.146
Other services provided by third parties	3.744.067,00	2.927.773
Other operating expenses	5.328.512,00	3.433.906
TOTAL	14.899.929,00	15.765.194

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NOTE 8 FINANCIAL RESULTS

Description	2020	2019
Interest income	18.493,00	11.293
Interest expenses	-171.692,00	(640.794)
Incomes from exchange rate differences	55.588,00	170.002
Expenses from exchange rate differences	-79.464,00	(208.961)
Incomes from dividends	-154.960,00	204.905
Advance payments discounts	171.335,00	8.681
Advance collections discounts	66.733,00	(225.610)
Result	-93.967,00	(680.485)

*retreated according to IFRS 16

NOTE 9 EXPENSES WITH CORPORATE TAX

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

Description	2020	2019
total income	483.115.658	452.522.138
total expenses (without corporate tax)	440.347.042	449.399.205
gross accounting result	42.768.616	3.122.933
IFRS adjustments	11.771.993	1.912.131
deductions	614.591	458.049
non-taxable income	966.733	2.486.166
non-deductible expenses	6.526.607	2.518.091
tax result	35.941.906	4.608.940
corporate tax	5.556.218	737.427
tax reductions	-559.177	55.610
Total current corporate tax expenses	4.997.042	681.817

*retreated according to IFRS 16

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NOTE 10

TANGIBLE ASSETS AND REAL ESTATE INVESTMENTS

	Lands	Buildings and other constructions	Technical installations and cars	Equipment and vehicles	Furniture	Operational leasing assets	Advances for fixed assets	Total
<u>as at 01 January 2019</u>	<u>4.633.584</u>	<u>18280443</u>	<u>560.302</u>	<u>3.770.572</u>	<u>2.266.805</u>	<u>-</u>	<u>39.420</u>	<u>29.551.126</u>
inflows	406.557	1639268	45.314	5.666	106.652	1.544.551	296.426	2.405.166
transfers		-465022						-465.022
outflows		-37856		-164.613	-18928		-210.005	-412474
<u>as at 31 December 2019</u>	<u>5.040.141</u>	<u>19.416.833</u>	<u>605.616</u>	<u>3.611.625</u>	<u>2.354.529</u>	<u>1.544.551</u>	<u>125.841</u>	<u>32.699.136</u>
inflows	297.826	4.391.024	45.750	231.525	117.397		610.222	5.693.744
transfers		-1.395.863						-1.395.863
outflows	-1.030	-1.079.796	-79.213	-141.897	-850.508		-28.239	-2.180.683
<u>as at 31 December 2020</u>	<u>5.336.937</u>	<u>21.332.198</u>	<u>572.153</u>	<u>3.701.253</u>	<u>1.621.418</u>	<u>1.544.551</u>	<u>707.824</u>	<u>34.816.334</u>

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NOTE 10 TANGIBLE ASSETS AND REAL ESTATE INVESTMENTS (continuation)

	Cumulative amortisation	Operational leasing	Lands	Buildings and other constructions	Technical installations and cars	Equipment and vehicles	Furniture	Total
<u>as at 01 January 2019</u>					460.762	2.889.933	1.460.661	4.811.356
amortization of the year					168.282	261.631	220.574	650.487
cumulative amortisation affherent to outflows						-116.449	-15.142	-131591
<u>as at 31 December 2019</u>				0	629.044	3.035.115	1.666.093	5.330.252
amortization of the year		454.777			131.462	201.850	187.514	975.603
cumulative amortisation affherent to outflows					-12.290	-171.536	-711.713	-895.539
<u>as at 31 December 2020</u>		454.777			748.216	3.065.429	1.141.894	5.410.316

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10.2 REAL ESTATE INVESTMENTS (RON)

10.2 REAL ESTATE INVESTMENTS (RON)

as at 01 January 2019	6.343.153
transfers	465.022
as at 31 December 2019	6.808.175
transfers	1.395.863
as at 31 December 2020	8.204.038

Town	Address	Area Inch.	Total area mp	Rent without VAT	Reevaluated value as at 31.12.2020 - lei-	% rented area	Real estate investments value
		mp		-EUR-			
ABRUD	Str.Piata Eroilor nr 6 ap i	164	164	700	204.515	1	204.515
ARAD	Str.Voinicilor nr 38 bl 245 ap 25	73	73	1.500	613.544	1	613.544
	Str. Zorilor nr 1 bl 280 sc C nr 4	164	164	1.500	612.747	1	612.747
ALBA IULIA	Str.Nicolae Titulescu bl 280	130	130	950	388.073	1	388.073
BLAJ	Str.Piata 1848 nr 21	202	202	1.000	292.164	1	292.164
DEVA	str. Pta Victoriei nr 3	28	393	420	2.065.996	1	599.139
		38		722			
		199		3.000			
		48		912			
	SF.STEFAN str. 22 Dec	60	187	450	1.108.560	1	465.595
		109		1.800			
		19		200			
	SF. MARIA, str. Mihai Eminescu nr 13A	109	214	1.800	918.045	0	450.760
		41		450			
	REMEDIA DEPOZIT, str Dorobantilor nr. 43	500	3576,2	2.500	2.157.154	0	711.861
		680		1.600			
		Koglaniceanu	177	177	600	244.667	1
	Str Horea nr 5	75	154	500	406.698	0	195.215
	Str 1 DECEMBRIE BL 4	106		450			
DOBRA	Str.. 1 DECEMBRIE BL 4	60	166	132	152.944	1	68.519
VATA	SF PARASCHIVA	75	216	500	322.403	0	112.196
HATEG	SF. TREIME, Ovidiu Densuseanu	51	377,41	434	837.196	1	359.157
		56		504			
		126		1.200			
		55		468			
	str. Horea nr.5	47	72,63	259	90.629	64,71%	58.646
HATEG	PIATA UNIRII	35	60	228	73.114	1	42.625
HUNEDOARA	STR VIORELE NR 6	115	230	1.300	422.710	0	251.512
	Bdul 1848 nr 7	152	226	700	348.597	1	234.222
	Str.Republicii nr 10 bl D8	95	95	1.000	409.030	1	409.030
CLUJ	STR FAGULUI NR 1	95	207	320	449.933	100,00%	449.933
		112		380			
SIMERIA	SF. ANDREI	30	377	252	733.921	1	279.624
		94		700			
		24		179			
		36		216			
		5		110			
		33		231			
PETROSANI	str.Timisoarei nr 7	86	175	20	395.941	0	195.199
PERIS	Str.Principala nr 507	124	124	207	258.740	1	258.740
BUCURESTI	BD.METALURGIEI, NR.78	2.173	5.340	14	5.048.929	41,9%	2.115.501
	TARUS MEDIA	65		325			
BRASOV	Str.Zizinului	572	572	2	701.895	1	701.895
TOTAL		7.236	9.645	30.733	17.147.102		8.204.038

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NOTE 11

11.1 SOFTWARE LICENSES

	Software licenses	Amortisation	Remained value
as at 01 January 2019	669.749	599.479	70.270
Inflows	215.837	78.755	
Transfers			
Outflows			
as at 31 December 2019	885.586	678.234	207.352
Inflows	13.475	96.637	
Transfers			
Outflows		600	
as at 31 December 2020	899.061	774.271	124.790

**11.2 LICENSES OF
PHARMACIES**

	Licenses of pharmacies	Amortisation	Total
as at 01 January 2019	7.080.494	0	7.080.494
Inflows			
Transfers			
Outflows	-2.075.556		-2.075.556
as at 31 December 2019	5.004.938	0	5.004.938
Inflows			
Transfers			
Outflows	-4.791.302		-4.791.302
as at 31 December 2020	213.636	0	213.636

- In 2020, the company alienated assets afferent to 52 pharmacy licenses held in Bucuresti and in Alba, Arad, Dambovita, Dolj, Giurgiu, Hunedoara, Ilfov, Ialomita, Mures and Timis counties

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NOTE 12 FINANCIAL ASSETS AT THEIR FAIR VALUE

Name	value
Farmaceutica REMEDIA Distribution & Logistics SRL	289.520
Participations of companies outside the group *	5.316
Letters of guarantee for participation /performance bond	8.537
Guarantees suppliers utilities/merchandise/rents	2.005.001
TOTAL	2.308.374

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

NOTE 13 STOCKS

Description	31-Dec-20	31-dec-2019
Merchandise in warehouses	33.283.345	61.987.654
Merchandise in pharmacies*	2.600.870	18.591.653
Adjustments	0	0
Other stocks	3.176	47.581
Trade mark-up	-582.366	(4.068.093)
VAT not applicable	-227.837	(1.746.630)
TOTAL	35.077.188	74.812.167

* at retail price

NOTE 14 TRADE RECEIVABLES AND OTHER RECEIVABLES

Description	31-dec-2020	31-dec-2019
TRADE RECEIVABLES:	130.201.749	132.399.134
trade receivables	133.617.185	135.814.570
adjustments for trade receivables	-3.415.436	(3.415.436)
OTHER RECEIVABLES:	3.340.268	2.590.617
Medical leaves to be recovered	202.787	1.620.919
court costs to be recovered afferent to disputes under progress	41.583	42.326
VAT to be recovered	90.878	
other receivables	3.014.211	927.372
provision for receivables depreciation	-9.191	

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NOTE 15 CASH AND CASH EQUIVALENTS

	31-dec-2018	31-dec- 2019	31 - dec. - 2020
Accounts in banks in RON	2.130.178	8.528.285	33.712.159
Accounts in banks in currency	521.279	686.277	451.026
Cash deposit RON	867.964	1.051.587	185.356
Cash at home in foreign currency			1.873
Other values	6.450	7.750	0
Total cash and cash equivalents	3.525.871	10.273.899	34.350.414

NOTE 16 SHARE CAPITAL

31-dec-2020		
Shareholders	No. of shares	% of share capital
TARUS Valentin - Norbert	86.478.025	81,5140
OTHERS	19.611.775	18,4860
TOTAL	106.089.800	100,0000

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

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NOTE 17 RESERVES

	<u>31-dec-2019</u>	<u>31-dec- 2020</u>
Legal reserves	1.756.937	2.122.356
Other reserves	11.893.164	12.201.107
Revaluation reserves tangible assets	17.442.767	20.479.593
TOTAL	31.092.868	34.803.056

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

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

NOTE 18 DIVIDENDS

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

	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*
Paid tax on dividends	0	34.415	52.675	78.995	104.900
Paid dividends	12.045	657.170	981.753	1.544.225	2.109.093
Payment dividends	205.414	214.756	241.226	209.353	117.155

* from the profit of previous year

** from the profit of 2016 and reserves

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NOTE 19 RESULT CARRIED FORWARD

	2020	2019
Balance at the beginning of the year	2.431.226	3.123.609
Profit transfer 2019	3.319.778	5.017.756
Profit distribution 2019	-2.429.738	-4.031.162
Profit transfer 2018		
Profit distribution 2018		
Retreatment of dividends FRDL->FR	0	0
Accounting corrections	-26.410	
Retreatment of IFRS 16	-7.239.485	-15.263
Balance at the end of the year	-3.944.629	4.094.940

NOTE 20 PROFIT DISTRIBUTION

As at 31.12.2020, the Company recorded a net profit of 28.236.449 Lei, which is proposed for distribution as follows:

- Legal reserve to be constituted: 365.419 Lei
- dividends: 14.277.108 Lei
- other reserves: 13.093.922 Lei
- undistributed profit: 500.000 LEI

As at 31.12.2020 the net profit realised by Farmaceutica REMEDIA Distribution & Logistics SRL, in the amount of 1.790.041 Lei is proposed to be distributed on the following destinations:

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

NOTE 21 OWN SHARES

In 2020, the Company did not purchase or sell own shares. In 2015, following the change of the main activity object imposed by the Law No. 95/2006, republished in August 2015, (Art. 800 para. 2), the Company had to buy back from the market a number of 300.100 shares at a price established by an authorised assessor.

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NOTE 22 LEASING

As of December 31st, 2020, the company did not have ongoing financial leasing contracts.

Description	31 –dec- 2020	31 –dec - 2019
Maximum 1 year	0	17.932
More than 1 year but less than 5 years	0	0
Current value of debts –financial leasing	0	17.932

Also, FRDL has under progress several operational leasing contracts, contracts that were retreated according to IFRS 16.

NOTE 23 PROVISIONS

Name of the provision	Balance at the beginning of the financial year	Transfers		Balance at the end of the financial year
		in the account	from the account	
PROVISIONS FOR CURRENT ASSETS:	3.468.549	408.691	43.922	3.833.318
provision for expired merchandise	43.922	276.998	43.922	276.998
provision for doubtful clients	3.415.436	131.693	0	3.547.129
provision for the depreciation of debtors	9.191	0	0	9.191
PROVISIONS FOR RISKS AND EXPENSES:	10.449	31.781	10.449	31.781
Provision for VAT expired merchandise	10.449	0	10.449	0
Provision for interest related to debts to group companies		31.781		31.781
GRAND TOTAL	3.478.998	440.472	54.371	3.865.099

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NOTE 24 COMMITMENTS

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

Objective	Credit line - financing of working capital
Amount	56.600.000 Lei
Maturity	31 Mai 2021
Guarantees	Security interest in real property over company immovables
Used CL 31.12.2020	0 Lei
Restricted CL 31.12.2020	5.830.877 LEI for FR
Exclusively for BLG	34.326.882 LEI for FRDL
CL to be used 31.12.2020	16.442.241 LEI

As at 31.12.2020, the amount used from the credit line is afferent to the letters of guarantee for participation and performance bond issued in favour of clients, letters of payment guarantee issued in favour of merchandise suppliers. The amounts afferent to guarantee letters are not interest-bearing and are emphasized only in a non-accounting manner, not being an exigible debt.

NOTE 25 TRADE AND OTHER LIABILITIES

description	31-dec-2020	31-dec-2019
Commercial debts, of which:	159.154.783	202.648.537
merchandise suppliers	159.015.458	202.249.311
assets suppliers	139.325	365.802
other current liabilities, of which:	2.238.576	5.036.832
salaries and afferent taxes	1.347.890	2.863.314
dividends	117.155	209.353
VAT to be paid	467.895	1.795.788
other taxes and charges	144	7.167
other creditors	305.492	161.210

Salaries of December 2020 and afferent taxes were liquidated in January 2021.

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“Other taxes and charges” are represented by ecotax, which were also paid in January 2021.

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

NOTE 26 DISPUTES

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

NOTE 27 PRESENTATION OF TRANSACTIONS WITH AFFILIATED PARTIES

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

partner	object of contract	contract year	REMEDIA sales	REMEDIA purchases	client balance	supplier balance
Farmaceutica REMEDIA Distribution & Logistics	sale/purchase of merchandise/auto, rental of premises and auto	2015 2016	1.360.311	54.311.859	30.228	1.323.735
Tarus Media	services of medical promotion /premises rents	2006	35.200	24.438	13.240	60.512

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

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

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

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Note 28 Reporting on activity segments

	Hospitals and clinics	Distribution	Other distribution channels**	REMEDIA pharmacies	Provided services and rents	Other operations	TOTAL* 31.12.2020
Net turnover	118.052.821	255.074.789	3.924.424	61.752.389	2.673.683	0	441.478.106
Incomes from the sale of merchandise	118.194.101	256.032.288	3.924.424	61.752.389	0	0	439.903.202
Commercial discounts granted	-141.280	-957.499	0	0	0	0	-1.098.779
Incomes from services provided and rents			0	0	2.673.683	0	2.673.683
Other operating incomes		1.015.479	0	0	338.062	39.971.863	41.325.404
OPERATING INCOMES - TOTAL	118.052.821	256.090.268	3.924.424	61.752.389	3.011.745	39.971.863	482.803.510
Expenses with merchandise	112.324.106	233.531.218	3.580.164	50.039.120	0	-8.530.572	390.944.036
Expenses on merchandise	117.757.895	235.433.136	3.660.904	51.154.844	0	-8.190.145	399.816.634
Commercial discounts received	-5.433.789	-1.901.918	-80.740	-1.115.724	0	-340.426	-8.872.597
Gross margin from the sale of merchandise	5.728.715	22.559.050	344.260	11.713.269	3.011.745	39.971.863	83.328.902
Other operating costs	7.286.349	18.621.653	156.934	16.577.262	941.120	5.413.572	48.996.890
Direct costs	2.126.700	6.153.840	1.061	12.232.142	736.678	3.534.942	24.785.363
Logistics costs	3.449.424	7.666.334	86.119	0	0	1.144.770	12.346.647
Indirect costs	1.710.225	4.801.479	69.754	4.345.120	204.442	733.860	11.864.880
OPERATING EXPENSES - TOTAL	119.610.455	252.152.871	3.737.098	66.616.382	941.120	-3.117.000	439.940.926
Operating result	-1.557.634	3.937.396	187.326	-4.863.993	2.070.625	43.088.863	42.862.584
Financial result							-93.967
Gross result							42.768.616
Corporate tax							4.997.042
Net profit							37.771.574

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NOTE 29 OBJECTIVES AND POLICIES FOR MANAGING FINANCIAL RISK

Financial risk management

Companies are exposed to a series of financial risks such as:

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

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

Capital risk

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

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

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

The main indicator based on which the Company monitors the capital is the indebtedness degree calculated as the ratio between the borrowed capital (from bank and leasing institutions) and equities. The statement of the "indebtedness degree" indicator as at 31.12.2020:

	31.12.2018	31.12.2019
Borrowed capital*	0	337.166
Equities	79.830.650	49.061.524
Indebtedness degree	0,0 %	0,69%

*including financial leasing

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Currency risk

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

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

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

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

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

Description	31.12.2020		31.12.2019	
	EURO	USD	EURO	USD
Trade receivables	517.087	0	334.307	
Trade liabilities	433.196	10.938	416.888	190
Bank loans	0	0		
Financial leasing	0	0	3.752	

Interest rate risk

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

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

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Price risk

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

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

The policy adopted by the Companies is to obtain additional discounts from the suppliers by the careful selection of them, correlated with the optimisation of stocks.

Credit risk

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

In the current market conditions of Romania, the distribution of drugs is based on lending.

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

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

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

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Liquidity risk

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

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

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

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

Bank liquidities

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

Operational risk

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

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

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

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

NOTE 30 SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

- Lifespan of fixed assets (NOTE 3)
- Deferred taxes (NOTE 3)
- Provisions (NOTE 23)
- Reporting on segments (NOTE 28)
- Cost of merchandise sold by FR and supplied from FRDL
- Retreatment of operational leasing contracts according to IFRS 16

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

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

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

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

Companies were not the object of provisions imposed from the outside regarding capital in 2020.

NOTE 31 EVENTS SUBSEQUENT TO THE REPORTING PERIOD

On 11.01.2021, Farmaceutica REMEDIA SA completed a share repurchase operation. The number of shares redeemed at 11.01.2021, according to FSA Decision 1486/16.12.2020 is 10.608.980 shares, representing 10% of the share capital; The total number of shares subscribed under the Offer: 10.608.981 shares, representing 100% of the Offer; the total amount paid by the bidder: 6.397.216,89 lei; the purchase price: 0,6 Lei per share
The share capital is 9.548.082 as at 24.02.2021 (according to EGMS Decision no.76).

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NOTE 32 – ECONOMIC-FINANCIAL INDICATORS

*Thousand Lei

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 *365)	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*365)	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 * 365)	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

Note:

1) **Current liquidity** – the indicator level reflects a good payment capacity, therefore a reduced risk for creditors, certifying that the company is capable of covering its short-term liabilities based on receivables and cash availabilities. The indicator evolved positively compared to the same period last year (1,3) to 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.

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- 3) **Turnover speed for client debit items** expresses company effectiveness in collecting its receivables, respectively the number of days until the date on which debtors pay their liabilities to the company. Considering the dynamics of sales and the 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 on 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 positively evolved compared to the same period last year (60 days). 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.

Farmaceutica REMEDIA S.A.

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

by representative
Valentin Norbert TARUS