



CONSOLIDATED ANNUAL REPORT 2021

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

Farmaceutica REMEDIA S.A.

Registered office: Deva 330040, Nicolae Balcescu Bld. no 2 (former No. 43 Dorobantilor Street), Hunedoara County, Telephone: + 40 254 223 260, Fax: +40 254 226 197

Branch office: Bucharest, 041836, sector 4, Bld. Metalurgiei 78, Telephone/fax: + 40 213 211 640
remedia@remedia.ro, www.remedia.ro

Trade Register J20/700/1991, TIN: RO2115198; Share capital: RON 9.548.082

IBAN: RO61 BTRL RONC RT00 G713 3302, Transilvania Bank, Bucharest

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

CONSOLIDATED ANNUAL REPORT 2021

Board of Administrators of Farmaceutica REMEDIA S.A.

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

Subscribed share capital: **9.548.082Lei**
Paid-up share capital: **9.548.082Lei**
Registered office: **DEVA, Nicolae Balcescu Bld. no 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: **RO2115198**

Securities: **RMAH shares (Reg. certificate No. AC-1470-7/17.06.2021)**
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: **95.480.820**
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. |
| 7 | 09.06.2021 | - 10.608.980 | - 1.060.898,00 | Reduction of share capital - repurchase of shares followed by their cancellation |
| | TOTAL | 106.089.800 | 10.608.980,00 | |

Organized market on which securities are traded:

Bucharest Stock Exchange - Standard category

The total market value on 15.03.2022 is of 60.152.916 Lei, at a value of a 0,63 Lei/RMAH share

1. Activity analysis

1.1. Overview

The consolidated financial statements of 2021 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 **July 25th 1991**, it was established as a commercial company with fully state-owned capital by reorganization of Oficiul Farmaceutic Deva.

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

On **January 1st 2006**, Farmaceutica REMEDIA S.A. merged by absorption with V. TARUS RoAgencies S.R.L.

According to Law 95/2006, republished in August 2015, companies were prohibited from carrying out, at the same time, wholesale and retail distribution of medicines. (Art. 800 paragraph 2). Therefore,

On **January 1st 2016** Farmaceutica REMEDIA S.A. completed the transfer to Farmaceutica REMEDIA Distribution & Logistics S.R.L., a new company, 100% owned, of the wholesale distribution activities of medicines together with related activities (logistic services, registration of pharmaceutical products, promotion and marketing of medicines, etc.), Farmaceutica REMEDIA S.A. kept the operation of the chain of pharmacies and local offices.

Following the change of the main activity object imposed by the above-mentioned legislation, the company had to redeem from the market (in 2015) a number of 300.100 shares at a price established by an authorized evaluator.

During the year 2021 Farmaceutica REMEDIA S.A. did not participate in mergers.

On **January 11th 2021**, Farmaceutica REMEDIA SA completed a share buyback operation followed by a reduction of share capital. The number of buyback shares on 11.01.2021, according to FSA Decision 1486/16.12.2020 is 10.608.980 shares, representing 10% of the share capital. Total number of shares subscribed in the operation: 10.608.981 shares, representing 100% of the Offer. The total amount paid by Farmaceutica REMEDIA was 6.397.216 Lei. Repurchase price: 0,6 Lei per share. The share capital, after the repurchase operation, followed by the annulation of the repurchased shares and the reduction of the share capital, is Lei 9.548.082.

On **June 7th 2021** the Trade Register Office has registered the reduction of the share capital of Farmaceutica REMEDIA SA.

On **June 17th 2021** the Financial Supervisory Authority issued the Certificate of Registration of Financial Instruments no. AC-1470-7, which completed the operation of reducing the share capital from 10.608.980 Lei to 9.548.082 Lei.

The reduction of the share capital was also registered with the Central Depository S.A., the Bucharest Stock Exchange and was communicated to the capital market.

In 2021 Farmaceutica REMEDIA bought 2 pharmaceutical licenses and opened 2 pharmacies in Bucharest, on Aviatiei Blvd and at the operational headquarters, on Metalurgiei Blvd.

1.2. Elements of general evaluation

The consolidated financial results of Farmaceutica REMEDIA S.A. for the financial year 2021 indicate a **net profit of 7.233.158 Lei** on a **net turnover of 477.102.652 Lei**. Other operating income (847.324 Lei) was also recorded, mainly from the sale of a commercial space, as well as financial income worth 220.698 Lei (mainly dividends from non-controlled companies, exchange rate differences and discounts for advance payments).

469.537.538 Lei - total costs (excluding corporate tax), of which:

- **469.159.957** - Operating expenses, of which:
 - 436.237.410 Lei is the net cost of sold merchandise (including received commercial discounts)
- **377.581** - Financial expenses, of which:
 - 109.560 Lei – operational leasing interests (IFRS 16)
 - 74.186 Lei – exchange rate differences
 - 193.835 Lei – paid discounts for advance collections

As of 31.12.2021, the liquidity of the companies (available in bank accounts and in cash offices) has reached 24.217.749 Lei. On the same date, the companies (FR and FRDL) had at their disposal a multi-currency credit line in the amount of 74,6 million Lei, used on 31.12.2021 exclusively for bank letters of guarantee for tenders and for the good performance of contracts, as well as for guarantees for the payment of goods suppliers.

1.3. Evaluation of company's income

472.826.661 Lei - The net income from the sale of merchandise (99,1 % from the net turnover) with the following allocation on distribution channels:

- 290.693.511 Lei - Distribution
- 170.284.051 Lei - Hospitals
- 7.606.797 Lei - Remedia Pharmacies
- 4.242.302 Lei - BD Rowa robots sales

- **4.275.991 Lei** - From the activities with added value, of which:
 - 1.648.824 Lei - logistics and warehousing services
 - 1.550.681 Lei - invoiced rents
 - 831.227 Lei - marketing and other services
 - 245.259 Lei - clinical studies

1.4. Evaluation of the sales and marketing activity

The company's main line of business is the distribution of medicines. REMEDIA has consolidated its position as a national distributor by diversifying its product portfolio, increasing the number of customers such as independent pharmacies and regional

chains, ensuring nationwide distribution on the Romanian pharmaceutical market and maintaining its position in the top 10 national distributors.

REMEDIA customers in 2021:

- 2.342 pharmacy legal entities and 4.627 affiliated working points;
- 527 health units/hospitals (public and private).

Nationwide distribution has been optimized by reducing the number of local warehouses and ensuring national coverage through 7 logistics hubs, of which:

- 2 main warehouses: Bucharest and Deva
- 5 local warehouses: Brasov, Craiova, Iasi, Pitesti, Timisoara

During 2021 it was aimed to improve the number of deliveries made to customers, so this is being achieved:

- 10 deliveries per week to customers located up to 25 km around the 7 logistic hubs (Bucharest, Pitesti, Brasov, Deva, Craiova, Timisoara, Iasi).
- 5 deliveries per week in the county seat cities, where we do not have logistic hubs and to customers located between 25 and 200 km around the logistic hubs.
- 3 deliveries per week to customers located outside these areas

Market data 2021 vs 2020:

According to the results of the Pharma & Hospital Report, Cegedim Customer Information, in 2021 the pharmaceutical market sales recorded a value growth of 9,4% in the pharmacy segment and 26,08% in the hospital segment. On the total market, the value growth of sales in 2021 compared to 2020 is 11,97%.

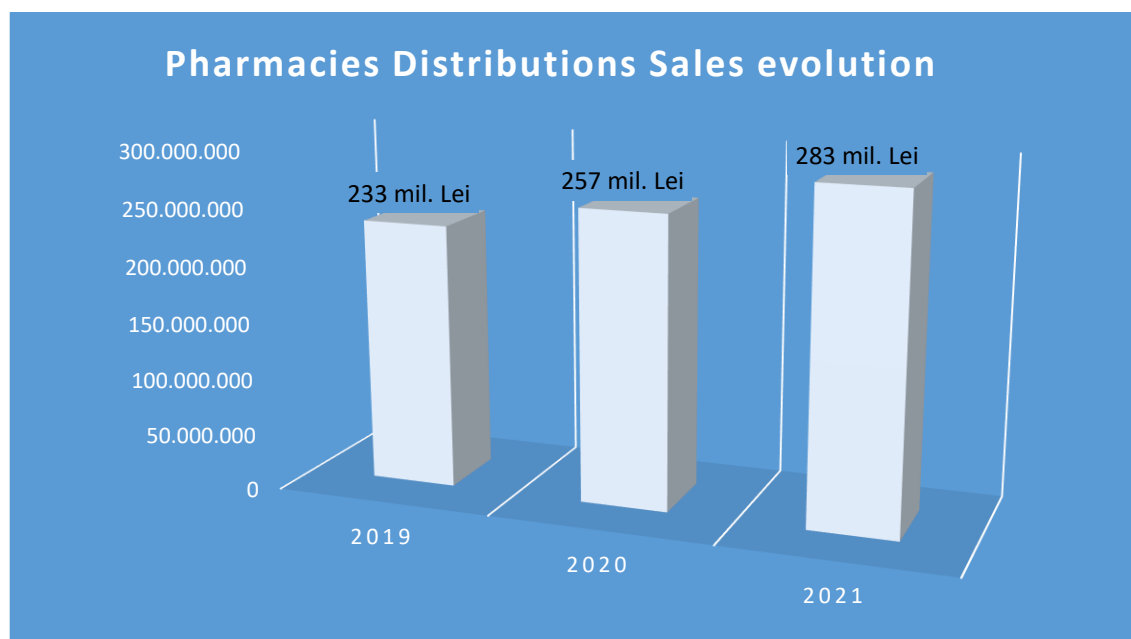
| Branch | Pharmaceutical market 2021 Lei | Pharmaceutical market 2020 Lei | evolutie on 2021 vs 2020 | Evolutie FRDL 2021 vs 2020 | FRDL Sales 2021 | FRDL Sales 2020 |
|--------------|--------------------------------|--------------------------------|--------------------------|----------------------------|--------------------|--------------------|
| Total | 23.234.229.151 | 20.749.722.522 | 11,97% | 20,75% | 460.977.562 | 375.019.671 |
| Retail | 19.202.571.446 | 17.552.066.544 | 9,40% | 9,99% | 290.693.511 | 256.870.867 |
| Hospitals | 4.031.657.705 | 3.197.655.977 | 26,08% | 44,13% | 170.284.051 | 118.148.804 |

FRDL recorded an increase in sales compared to the previous year, exceeding the average market sales growth, according to CEGEDIM data mentioned above.

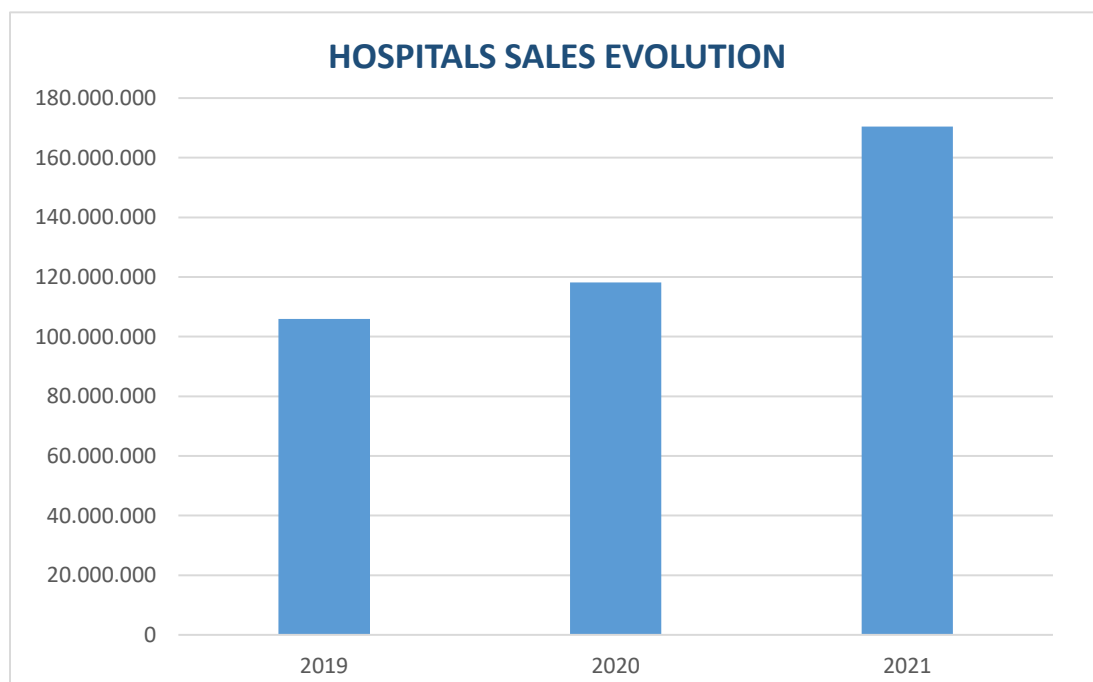
The increase in sales was achieved as a result of the diversification of the marketed portfolio and the improvement of the services offered to customers.

REMEDIA's recipe for success involves combining professionalism and modern technology with flexibility and promptness in customer relations.

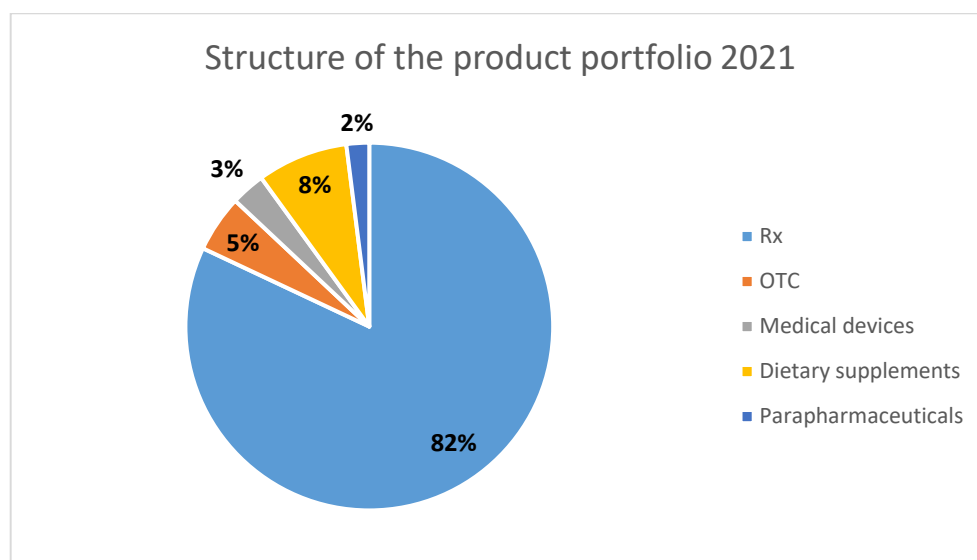
The evolution of the sales turnover generated by Distribution Pharmacies over the last 3 years is shown in the graph below:



Evolution of sales generated by the Hospitals business line over the last 3 years:



Structure of the product portfolio sold by REMEDIA in 2021:



Constant analysis of the market, continuous monitoring of the evolution of the specific domestic and international environment have allowed REMEDIA to adapt in real time to market requirements, managing to meet the needs of its customers at a high level of professionalism.

REMEDIA's success is based on:

- portfolio diversification
- increase in the number of products sold, by more than 15% compared to the previous year
- increasing the share of independent pharmacy customers to 46%.
- ensuring continuity and availability of stock
- use of information sources: CEGEDIM, ANMDM, EMEA, FDA, WHO, IMS
- development of an interoperable database to allow the optimization of product accessibility for: availability, product continuity in stock and, last but not least, portfolio.

The receivables of the entire portfolio of customers belonging to the pharmacy distribution line is insured through the insurance company Euler Hermes, thus eliminating the risk of non-collection of receivables, with costs of 695.170 Lei, representing 0,2% of sales.

7.606.796 Lei were the sales achieved in 2021 through the 25 REMEDIA pharmacies in 7 (seven) counties, especially in Hunedoara, Alba and Sibiu. These were at 15% of 2020 sales, following the transfer of 52 REMEDIA pharmacies to Help Net, part of the German PHOENIX group.

Again in 2021, the second year of the pandemic, REMEDIA has taken on the role of being at the forefront and supporting both customers and patients in the fight against the pandemic.

Therefore, REMEDIA was the first Distributor to bring to its portfolio the full range of the highest quality COVID rapid tests, accredited by the European Commission and ANMDM.

At the same time, REMEDIA pharmacies have facilitated direct and continuous access to the necessary medication by drafting and issuing prescriptions submitted online by family physicians, ensuring accurate information and health advice to patients.

REMEDIA pharmacies were among the first in the country to provide patients with disinfectants, Covid-19 rapid antigen tests and FFP2 masks, both in pharmacies and through the online platform.

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

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

1.5 Evaluation of acquisitions of merchandise

As a strategic partner for a number of manufacturers active on the Romanian pharmaceutical market, REMEDIA currently collaborates with world leaders in manufacturing, research and innovation, as well as with national leaders in pharmaceutical manufacturing: we have over 100 foreign and domestic manufacturers in our portfolio. Thereby, REMEDIA offers its customers a portfolio of more than 4,000 articles.

In order to develop the REMEDIA product portfolio we have permanent focuses in the following directions:

- permanent collaboration with the registration and clinical trials department to identify new products of interest for the local market;
- active involvement in the product registration process.

The mechanism of the procurement planning strategy takes into account the following requirements:

- ensuring the continuity in stock of products in the order of their importance in sales
- evaluation of stocking times and stock levels for the products in the portfolio
- increasing the number of stock days for products in short supply on the market
- optimizing stock levels to ensure availability for a larger number of customers/patients

- setting maximum quantitative stock levels for each product, resulting in improved cash flow for the company.

The procedure for monitoring contracts for the main line of business has been improved. The procedure describes the process of launching orders and monitoring stocks carried out by the acquisition department.

The procedure for classifying products according to the monthly presence of products in stock has been created. Its purpose is to monitor and optimize stock levels, anticipate future needs and improve the efficiency and effectiveness of contracts and the performance of acquisition department staff.

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

Performance indicators set for the procurement department are:

1. Missing products: The indicator measures the loss of sales generated by the lack of stock.

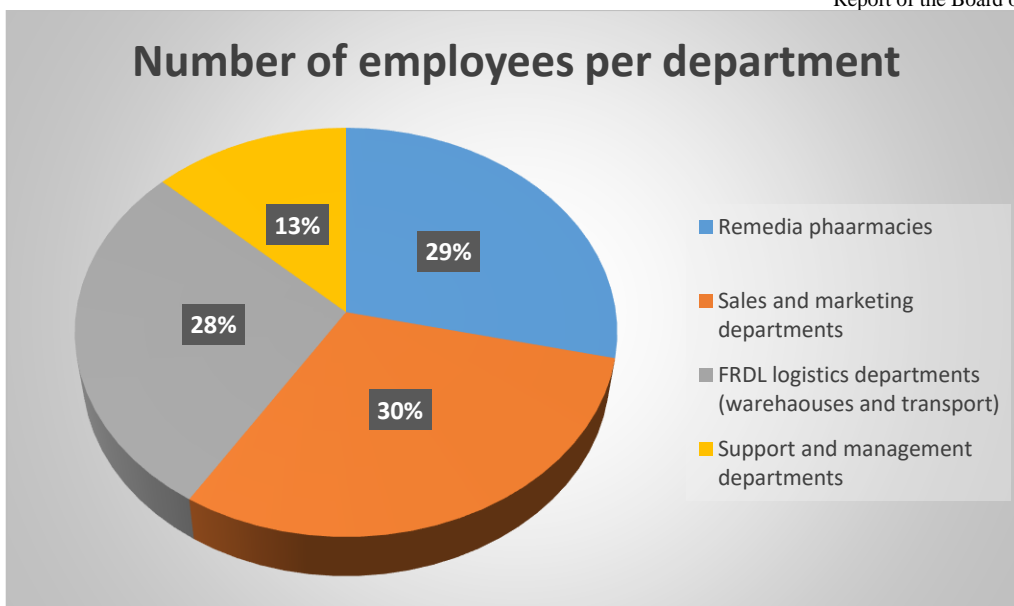
2. Overstock: The indicator measures the volume of stock with a STD (stock turnover duration) greater than 2, at company level.

As of 31.12.2021, the stocks of goods of the two companies, of which 99,6% is represented by merchandise, reached the amount of 40.600.994 Lei, and parts and components dedicated to BD Rowa robots totaled 162.020 Lei (0,4%).

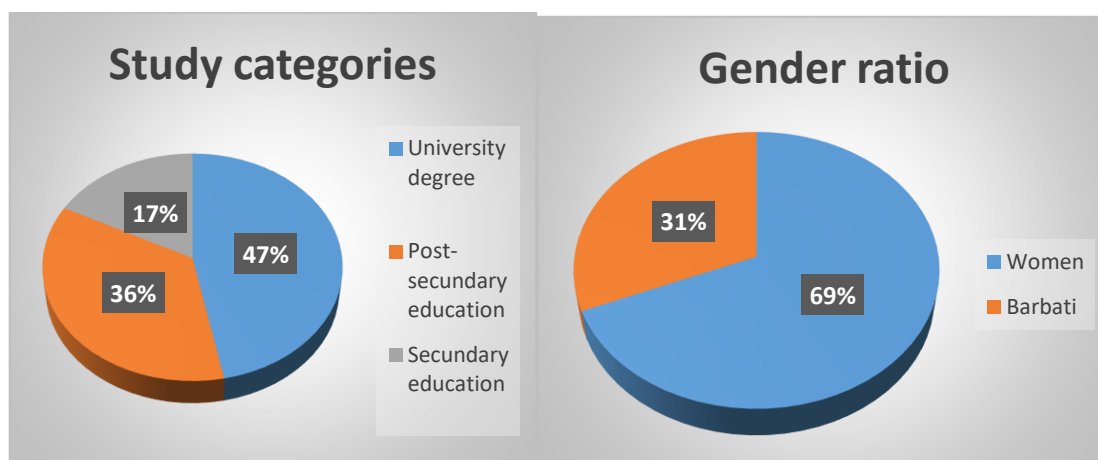
1.6. Evaluation of aspects related to the company's personnel

Farmaceutica REMEDIA S.A. and Farmaceutica REMEDIA Distribution & Logistics S.R.L had together 224 employees as of 31.12.2021. Their distribution by department was as follows:

- Remedia Pharmacies - 64 persons
- Sales and marketing departments - 68
- FRDL logistics departments (warehouses and transport) - 63
- Support and management departments (Accounting, HR, IT, Administration, Management, etc.) – 29.



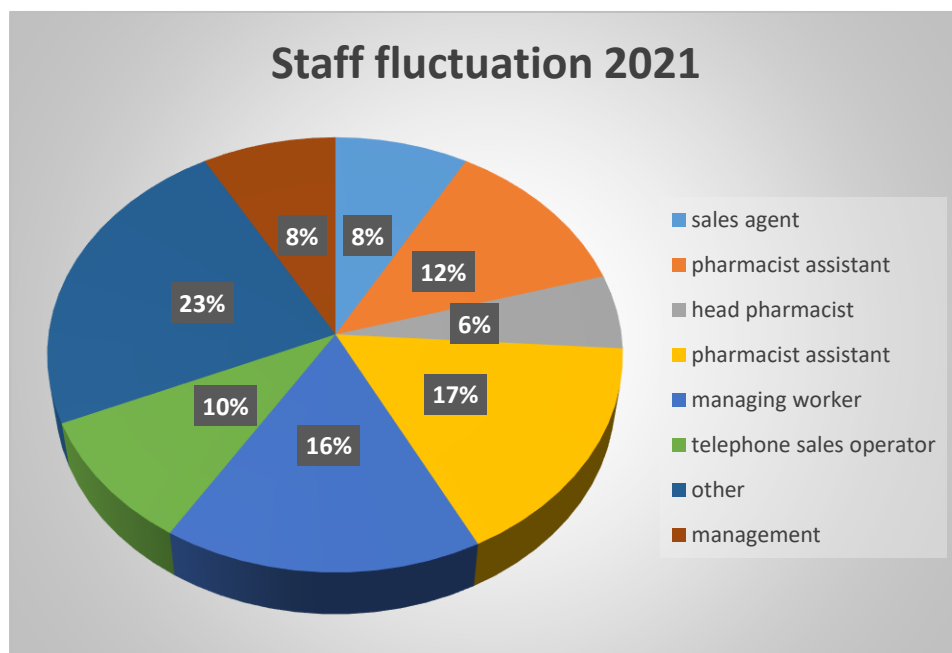
Of the 224 employees, 47% have a university degree, 36% have a post-secondary education and 17% have a secondary education.



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

The risks identified by REMEDIA are related to the lack of specialized staff coupled with the fluctuation of staff which has an impact on ensuring the efficient running of distribution and retail activities in particular.

In 2021, the fluctuation indicator in REMEDIA was 30% (number of employees leaving during 2021, compared to the average number of employees in 2021), of which 8% is due to the closure of the activity of the warehouses in Galati and Targu Mures.



In order to consolidate the staff in the company, the HR department has acted in the directions listed below

1.6.1. Recruitment and Selection

The objective of the Human Resources Service is to obtain, through recruitment and selection activities, the required number and quality of employees, while minimizing the related costs. In this perspective, REMEDIA's priority is to promote internally the qualified personnel for the available positions within the company, internal recruitment being a transparent process, through which its own employees can develop professionally.

Methods by which internal promotion of staff is carried out:

- direct advancement of the employee within the same department;
- transferring an employee from one department to another;
- internal advertisement of an open position.

1.6.2. Promoting performing employees in management positions

REMEDIA encourages employees to develop personally and professionally, because we aim to promote high-performing employees to higher positions with rigorously set goals.

We promote our own employees after participating in assessment centers where their skills and competences are checked, as well as the match with the job profile. An

important role in the promotion of employees is also played by the annual performance evaluation.

The advantages and purposes of annual evaluation are:

- To motivate employees towards better results, improving their performance
- To have a basis for setting salary raise criteria
- To establish a clear relationship, based on constructive feedback, transparency and clarity, between manager and employee
- Have a clear picture of each employee's career path.

Evaluation grid

The evaluation grid is carried out on a form in which numerical or qualitative answers are filled in for various competences and indicators, such as scores from 1 to 4, or from very bad to very good, for performance in completing projects, deadlines, etc. At the end, the scores can be weighted, but a simple graph also draws attention to extreme points that need improvement.

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 of environmental protection. There are no litigations regarding the violation of the environmental protection legislation.

The company contributes to the protection of the environment through the selective collection of the waste resulting from its activity. In 2021, more than 6,1 tons of cardboard and paper packaging waste and about 0,7 tons of plastic packaging waste were handed over to the authorized companies for recovery in accordance with the legal regulations in force.

Waste monitoring and management services at national level are outsourced to a specialized provider, who prepares the necessary documents and reports them to the County Regional Environmental Protection Agency on time.

REMEDIA collected about 4,6 tons expired medicines, including those taken from the population, handed over centrally to the authorized companies for their destruction, according to the legal norms. REMEDIA pharmacies also collect waste selectively.

In accordance with the EU Directives adopted since April 2019, REMEDIA has stopped purchasing plastic carrier bags and has introduced biodegradable or recyclable bags, thus implementing measures to reduce waste and comply with the relevant legislation.

Starting in December 2020, REMEDIA launched a new project with a licensed company to selectively collect batteries and small electronics for recycling, by positioning specially designed bins at REMEDIA work points.

1.8. Evaluation of logistics and development activity

The two companies continued during 2021 the process of modernizing and optimising the activities of its logistics centers and transport activities, by continuously improving the information systems used and equipping them with new equipment, as follows:

➤ Developing computer systems:

- a. Replacing data systems at local warehouse level: batch/product per geocode
- b. Optimization of workflows by completing the capital repair of the conveyor belt installed in the Bucharest warehouse.
- c. Purchase for the logistic structure of Zebra scanning equipment, used together with the WMS system for KPI tracking (serialization, storage, replenishment, inventory);

Logistics cost efficiency by seeking and finding the best delivery options, together with the development and improvement of WMS (warehouse management system) & TMS (Transport Management System) were the main logistics objectives of 2021.

The main objectives for the development of logistics and IT activities for 2022 are:

- Optimization of flows by updating the conveyor PLC software and interfacing with WMS;
- Design of new storage spaces at the Bucharest warehouse, in order to equip it with a robot to optimize the supply flow;
- Reorganization of the workflows in the Bucharest and Deva warehouses;

1.9. Activity evaluation regarding the quality aspects

The work on quality aspects was ensured by a professional and continuously improved team, consisting of 6 Responsible Pharmacists, 7 Substitute Responsible Pharmacists and a quality auditor.

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

The Quality Manual is a basic document of quality management, which through its procedures defines responsibilities and working methods based on the rules of good pharmaceutical practice whose application guarantees that the services provided by pharmaceutical staff are appropriate, efficient and patient-oriented.

In 2021 were revised the procedures:

- a) which were the basis for the reauthorization of pharmacies by the College of Pharmacists
- b) operational procedures

In the wholesale distribution activity within REMEDIA, procedures have been implemented and respected, so that the distribution activity is carried out at the highest quality standards, according to SR EN ISO 9001:2015 and according to the Good Practice Guidelines for Wholesale Distribution of Medicines for Human Use.

In 2021 the major preoccupation was focused on obtaining the GDP recertification of the two main logistic centers, Deva and Bucharest, as well as the working points: Pitesti and Brasov.

In order to reduce pollution and the company's carbon footprint, it was decided to outsource the transport service for most of the working points, keeping its own fleet for the two main warehouses, Deva and Bucharest, as well as for the Pitesti working point.

In 2021, ISO recertification was obtained, according to SR EN ISO 9001:2015. In terms of meeting the requirements of the environmental standard SR EN ISO 14001:2015, the own fleet has been switched to petrol fuel.

As a result of the financial analysis of the profitability of the company's working points, it was decided to close the working points in Targu Mures and Galati, which was done in compliance with the requirements of Good Distribution Practice.

Within the Pharmacovigilance activity, the simulation of the Business Continuity Plan was carried out together with the IT Department.

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

1.10. Evaluating the activity on risk management

The main risk categories identified in 2021 were:

- Risk of non-collection of receivables
- Cashflow risk
- Risk of cyber attacks

Over 90% of REMEDIA pharmacies' sales to individual customers are reimbursed by the County Health Houses, the Bucharest Health House, OPSNAJ. Thus, thanks to the timely payment by the Health Houses, in 2021, we can say that the risk of non-payment is extremely low.

The current uncertain geo-political context leads us to look with caution at this aspect, thus the receivables of REMEDIA Distribution & Logistics Pharmaceuticals are insured by Euler Hermes and the risk of non-recovery is also low in this case.

To counter the cash-flow risk, the two companies have a multi-currency credit line of 74,6 million Lei at their disposal. This is mainly used for issuing letters of guarantee for participation in tenders and good execution, as well as for payment in favor of suppliers of goods, but also to cover working capital requirements when needed.

In order to prevent 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. has taken a series of measures such as:

- Periodic review (every 6 months) of the credit limits of all customers (for 2022 the review will be done quarterly), together with the insurance of balances for the risk of non-collection with a prestigious firm in the field.
- More frequent analysis of clients' debts and financial situations
- Strict control of costs with a positive impact on cash flow.

1.11. Elements of perspective on the company's activity

The main objectives of the company are to develop and improve the distribution activity, expand the product portfolio, increase the reach of pharmacies, strengthen the sales team and integrate digital B2B with as many pharmacies as possible. In this way we intend to remain a comprehensive product portfolio provider and optimize the flow of access to medicines.

Special attention will be paid to the optimization of logistics activities, including the implementation of technical solutions to improve the quality of service provided to partners.

In the context of a consolidating pharmaceutical retail sector at national level, REMEDIA is evaluating as a priority a number of options for collaboration through association with regional, medium-sized players in the pharmaceutical market, in order to create together a partnership that will remain competitive in relation to the accelerated polarization of the market. REMEDIA will also continue the process of developing partnerships with independent pharmacies.

At the same time, we continue the process of optimizing the presence of regional pharmacies by reducing operating costs and rents, continuing the process of professionalization of staff, increasing and diversifying the product portfolio and, last but not least, improving the pharmaceutical services offered to patients.

Special attention will be paid to increasing the quality of processes. We aim to strengthen the digital transformation of the company and optimize services by developing new platforms - BI, machine learning, B2B, e-shop - and integrating IT&C platforms - WMS, TMS, ERP.

As a digital solution towards automation and optimization of pharmaceutical processes, REMEDIA, in partnership with BD Rowa™, launched in October 2021 the first Smart Robot installed at the REMEDIA pharmacy in Bd. Metalurgiei no. 78, Bucharest.

REMEDIA also installed 4 robotic systems, including configurations of two robots each, during 2021, worth about 5 million lei (excluding VAT).

BD Rowa™, with over 11,000 robots installed in 55 countries, with a market share of 60-65% globally, is currently the world leader in pharmacy, warehouse and hospital automation solutions.

REMEDIA sells solutions for pharmacies, tailored to the needs of space, customers or products, and offers configurable robot models, depending on the available space, identifying customized solutions to solve the problems faced by pharmacies.

REMEDIA provides installation, commissioning and training of the beneficiaries, as well as the service of the robotic equipment installed with its own teams, specialized by the manufacturer BD Rowa.

Automation of pharmacy processes, by optimising the flow of supply, storage and delivery, increases patient access to care and reduces pressure on the NHS.

REMEDIA will continue, in partnership with BD Rowa, the implementation of robots for pharmacies, hospitals and pharmaceutical warehouses in Romania, Bulgaria and Moldova.

In this regard, REMEDIA will initiate marketing activities through the platform www.pharmacy-automation.ro to facilitate communication with both pharmacists and customers and answer questions about the benefits of robotic pharmacy.

Another priority objective of the company is to develop online sales by implementing its own solution in partnership with companies specialized in e-commerce.

The REMEDIA platform, www.farmaciiileremedia.ro, runs on a content management system with an e-commerce component that enables sales, product portfolio diversification and secure online transactions.

Communication with the company's own IT management system ensures the real-time transfer of data on products, orders, stock and customer invoicing.

The IT solution is based on software packages that are efficient in design and implementation and result in flexible products with very good response times. Customers will be able to choose the delivery method and subscribe to certain products with cyclical delivery according to preference (e.g., children's products), view order or subscription history.

Focused on customer satisfaction, the online sales platform provides a quick and easy shopping experience that allows easy navigation through all product categories as well as promotion of target products. We also focus on displaying related products to allow customers to choose from a richer offering.

In parallel, social media campaigns have been launched to ensure easier access to products, to inform customers about new products, promotions and campaigns run by the company, as well as the benefits of pharmacy automation processes through robots.

2. Fixed assets of companies

42.655.089 Lei represent **Fixed assets** (at the remaining value) having the following structure:

41.463.376 Lei - Tangible fixed assets (land, buildings, equipment, means of transport, commercial furniture, etc.)

767.967 Lei - Intangible fixed assets (pharmacy licenses and software licenses)

423.746 Lei - Financial fixed assets (deposits made, guarantees paid).

Within tangible fixed assets, buildings and land account for 96%. These are valued at market level each year by an authorized valuer. The valuation at the end of 2021 showed an appreciation of 1,809,849 lei for these fixed assets. (land + 77,827 lei, buildings +1,732,022 lei).

From 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 shares issued by Farmaceutica REMEDIA SA were traded in 2021 on the regulated market of the Bucharest Stock Exchange, Standard category.

Farmaceutica REMEDIA S.A. shares are registered shares with a value of 0,1 Lei/share, in the number of 95.480.820 shares with the following synthetic ownership structure as of 31.12.2021, (information provided by the Central Depository):

| Shareholders | No. of shares | Share from the share capital (%) |
|-------------------------------|-------------------|----------------------------------|
| Valentin-Norbert TARUS | 80.496.847 | 84,3068 |
| Natural persons | 13.487.235 | 14,1256 |
| Legal entities | 1.496.738 | 1,5676 |
| Total | 95.480.820 | 100 |

As of 31.12.2021, Farmaceutica REMEDIA SA had a total number of 3.297 shareholders, of which:

- 3.277 natural persons, with a total percentage of 98,43% of the share capital (of which 84,31% held by Mr. Valentin TARUS)

- 20 legal entities, with a total percentage of 1,57% of the share capital.

According to the territorial criteria, in the top 5 counties where REMEDIA shareholders come from are the following counties:

- Hunedoara: 1.819 shareholders

- Bucharest: 356 shareholders
- Alba: 242 shareholders
- Cluj: 101 shareholders
- Timis: 57 shareholders

On 11.01.2021, Farmaceutica REMEDIA SA completed a share buyback operation, followed by the cancellation of shares and the reduction of share capital. A number of 10.608.980 shares, i.e. 10% of the share capital, were repurchased at a price of 0.6 Lei/share, for a total amount of 6.397.216 Lei. The share capital resulting after the operation of repurchase, cancellation of shares and reduction is Lei 9.548.082. The operation was registered with the Trade Register Office, the Financial Supervisory Authority, the Central Depository SA, the Bucharest Stock Exchange and was communicated to the capital market.

The company has no subsidiaries and has not issued bonds or other debt securities.

4. Dividends

For 2021, the Board of Administrators has proposed the distribution of 4.759.036 Lei to dividends, in order to grant a gross dividend of 0,05 lei/share.

Thus, the Board of Administrators proposed the distribution of the net profit obtained in 2021 in the amount of Lei 859.155 to dividends, as well as the distribution to dividends of Lei 3.899.881 from the previous year's profit.

In the medium term, the company intends to maintain the policy of distributing at least 50% of the net profit to dividends.

The amount of dividends due (distributed from profit), paid and accrued (unpaid) is as follows

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|-------------------------------|---------|---------|-----------|-----------|-----------|------------|------------|
| Initial ballance | 217.459 | 205.414 | 214.756 | 241.226 | 209.353 | 117.155 | 327.582 |
| Brotto dividends distribution | 0 | 700.927 | 1.060.898 | 1.591.347 | 2.121.796 | 14.277.108 | 4.759.036* |
| Tax on the paid dividends | 0 | 34.415 | 52.675 | 78.995 | 104.900 | 711.866 | |
| Paid dividends | 12.045 | 657.170 | 981.753 | 1.544.225 | 2.109.093 | 13.354.815 | |
| Dividends to be paid | 205.414 | 214.756 | 241.226 | 209.353 | 117.155 | 327.582 | |

* 859.155 of current year's profit

* 3.899.881 of previous year's profit

In the case of Farmaceutica REMEDIA Distribution & Logistics S.R.L., the Board of Administrators proposes the distribution of the net profit (8.304.980 Lei) on the following destinations:

- 5.000.000 Lei - dividends to be paid to Farmaceutica REMEDIA S.A.

- 304,980 Lei - other reserves
- 3.000.000 Lei - undistributed profit

5. Management of Farmaceutica REMEDIA S.A.

During the financial year 2021, Farmaceutica REMEDIA S.A. was led by a Board of Administrators with the following composition:

| Nr.crt. | 01.01.2021 – 30.04.2021 | 01.05.2021 – 31.12.2021 |
|---------|---|---|
| 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 |
| 2 | Adrian-Marcel PARVU | NIPA STEURBERATUNG SRL, Represented by Mr. Adrian-Marcel PARVU |
| 3 | Elena CODREAN | Elena CODREAN |

1. 'TARUS' - Valentin Norbert TARUS e.U.– Chairman of the Board of Administrators represented by Valentin Norbert TARUS, executive director, non-independent, member of the Audit Committee and Chairman of the Remuneration and Nomination Committee for the period 15.04.2021-30.04.2023

In the 1990s he laid the foundation for the first companies in Romania specialized in distribution, import, export, consulting and marketing of pharmaceutical products. In 2000 he acquired from FPS the majority of shares of Farmaceutica REMEDIA S.A., developing a successful business with national coverage and integrated services: marketing and distribution of medicines, as well as retail through the REMEDIA chain of pharmacies (taken over in 2020 by Phoenix Group).

He studied Chemical Engineering - Technologies for Organic and Pharmaceutical Substances at the Polytechnic Institute of Bucharest and completed postgraduate studies in Foreign Trade, with a dissertation on world trade in medicines.

In the last 5 years he has served as a director in the trading company:
"TARUS" - Valentin Norbert TARUS e.U., Leopold Moses G. 4/2/46.

He has not been associated with bankruptcy, receivership or liquidation proceedings in the capacity of member of an administrative, management or supervisory body or general partner. Has not been convicted of fraud within the last 5 years and has not had an official public sanction pronounced against him. Has never been prevented by a court from acting as a member of an administrative, management or supervisory body of an issuer or from interfering in the management or conduct of the affairs of an issuer during the last 5 years.

As of 31.12.2021 he owned 84,3068% of the shares of Farmaceutica REMEDIA S.A.

2. NIPA STEURBERATUNG SRL, represented by **Adrian-Marcel PARVU** member of the Board of Administrators, non-executive director, independent, Chairman of the Audit Committee, member of the Remuneration and Nomination Committee for the period 15.04.2021-30.04.2023.

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

He has not been associated with bankruptcy, receivership or liquidation proceedings in the capacity of member of an administrative, management or supervisory body or general partner. He has not been convicted of fraud within the last 5 years, nor has he had an official public sanction pronounced against him. Has never been prevented by a court from acting as a member of an administrative, management or supervisory body of an issuer or from interfering in the management or conduct of the affairs of an issuer during the last 5 years.

As of 31.12.2021, he did not hold any shares in Farmaceutica REMEDIA S.A.

3. Elena CODREAN, member of the Board of Administrators, non-independent executive administrator, member of the Audit Committee, Remuneration and Nomination during 23.12.2020-30.04.2023

Graduate of the Bucharest University of Economic Studies, Bucharest, specialization 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 31.12.2021 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 2021, 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 2021 by the Sole Associate (Farmaceutica REMEDIA S.A.), in its own name and by through the administrators Ruxandra Cornelia TICA and Elena CODREAN.

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 2021 the corporate governance structures operated normally, the Company administration and representation being within the competence and responsibility of the members of the Board of Administrators (BA) and the General Manager.

Farmaceutica REMEDIA 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.

Farmaceutica REMEDIA is among the companies that have offered the **highest dividend yields in recent years**, the average dividend yield offered was 5.26% over the last 10 years, 5.51% over the last five years and 7.66% over the last three years. REMEDIA ranks fourth in a ranking of stocks that have offered the highest dividend yields over the past three years.

Company's 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.

In 2021, Farmaceutica REMEDIA obtained the **highest score, 10**, for meeting the **VEKTOR criteria**, an assessment conducted by **ARIR** (Association for Investor Relations on the Romanian Stock Exchange), which examines the implementation of good corporate governance and investor communication practices.

The **Investor Relations section**, www.remedia.ro/investitori/ has been **reorganized and updated in 2021** according to ARIR's communication guidelines for shareholders and potential investors, as follows:

- **Shareholder information** - the section includes information about the upcoming General Meetings and OGM/EGM Resolutions, Financial Calendar, Dividends and Shareholders' rights; in the context of the Covid 19 pandemic, also taking into account the ASF recommendations, issued during 2021, Farmaceutica REMEDIA SA encouraged shareholders to exercise their right to vote by mail and to use electronic means of remote interaction

- **Financial information** - this section includes the Board of Administrators' Reports and the quarterly, half-yearly and annual Financial Statements for the years 2012-2021, both in electronic IRIS format and in IFRS EXCEL format;

- **Analysts** - contains the list of institutions that regularly publish analysis reports

on the financial results of Farmaceutica REMEDIA S.A.

- **Current reports**, published in accordance with ASF Regulation no. 5/2018;
- **Share evolution** - online price of RMAH shares, with direct link to the BVB website;
- **Events and presentations** - events and teleconferences organized with investors, shareholders, financial analysts, press representatives on 16.04.2021, 13.08.2021;

A **new section** of the company's website has been created - **News** - where internal and press news about the company are presented;

With the reorganization of the section related to investors, a **new section** entitled **Corporate Governance** has been created, which includes all documents according to ARIR's provisions and communication guidelines:

- a) Updated Articles of Incorporation;
- b) Status of compliance with the BVB Corporate Governance Code for the period 2016-2021;
- c) Board of Administrators; which in addition to the presentation of the Board also includes the Regulations of the Audit, Remuneration and Nomination Committees;
- d) Policies and Vektors:
 - Remuneration policy, updated on 15.04.2021;
 - Internal rules of the Board of Administrators;
 - Policy on transactions with companies with which Farmaceutica REMEDIA SA has close relations whose value is equal to or greater than 5% of net assets;
 - Dividend distribution policy;
 - Corporate Governance Regulations;
 - Code of Conduct and Ethics;
 - Policy on the support of various forms of artistic and cultural expression, sports, educational or scientific activities;
 - Measures and procedures for the prevention of fraud and corruption;
 - Policy on financial forecasting and risks;
 - Internal regulations of the Board of Administrators of Farmaceutica REMEDIA
 - Environmental Policy of the company.

Taking into account the ongoing preoccupation for improving the company's sustainability performance, a **subsection, ESG**, has been created within the Corporate Governance section, which includes information related to the company's activities in the areas of **Environmental, Social and Governance**, where non-financial / sustainability reports are also published.

In **November 2021**, Farmaceutica REMEDIA SA received an **ESG Risk Rating** of **16.7** according to the **Sustainalytics assessment**, classified as a **LOW risk** of facing a significant financial impact due to ESG factors.

During the financial year 2021, the President of the Board of Directors convened 11 (eleven) meetings, statutorily convened, of the Board of Administration.

The members of the Board of Administrators attended these meetings in person, by telephone, teleconference or e-mail, in accordance with the Articles of Incorporation and the Rules of Procedure of the Board of Administrators, where they were presented,

discussed and approved as appropriate:

- quarterly, half-yearly and annual financial reports;
- annual commercial policy, marketing and sales strategies;
- AGM notices and resolutions;
- opening of two pharmacies in Bucharest and acquisition of licenses for their operation;
- opening of a new line of activity - marketing of pharmacy robots in partnership with BD Rowa;
- REMEDIA joining ARIR;
- extension of the number of Board members from 3 to 5;

- the work of the **Audit Committee**: The Board of Directors evaluated the system of internal control, reviewing the effectiveness and comprehensiveness of the internal audit function, the adequacy of risk management and internal control reports presented by the Board's Audit Committee, and the timeliness and effectiveness with which executive management addresses issues or deficiencies identified through internal control and reports presented to the Board; To achieve one of the Company's primary objectives;

- The activity of the **Remuneration and Nomination Committee**: the reports of this committee describe the essential elements of the related remuneration policy and the updates occurred in 2021 in accordance with the remuneration policy of the company, updated in accordance with the ARIR communication vektors; Considering the European and national regulations and taking into account the Remuneration Policy approved by the AGM of 15. 04.2021, the Remuneration Committee has prepared a Remuneration Report, which presents the activities carried out in 2021, analyzing, evaluating, implementing and monitoring the elements of the Remuneration Policy and provides an overview of the remuneration granted in 2021.

Following the meetings of the Board of Directors, a total of 21 (twenty-one) decisions were issued and communicated to the relevant departments for implementation and fulfilment during 2021.

8. Accounting financial statement (consolidated statements)

| Farmaceutica Remedia | | |
|---------------------------------|---------------------|---------------------|
| Income Statement | dec.-21 | dec.-20 |
| (RON) | consolidated | consolidated |
| Sales of goods | 474.530.058 | 439.903.203 |
| Discounts given | -1.703.397 | -1.098.781 |
| Net Sales | 472.826.661 | 438.804.422 |
| COGS | 444.975.920 | 399.816.634 |
| Discounts Received | -8.738.510 | -8.872.597 |
| Net COGS | 436.237.410 | 390.944.038 |
| Gross Margin | 36.589.251 | 47.860.384 |
| Gross Margin (%) | 7,74% | 10,91% |
| Other Operating Revenues | 5.123.315 | 43.999.086 |
| Personnel | -19.465.138 | -27.575.662 |
| Third Party Expenses | | |
| Transport | | |
| Consumables | | |
| Maintenance | | |
| Rent | | |
| Other Operating Expenses | -11.666.209 | -18.776.051 |
| Total Operating Expenses | -31.131.347 | -46.351.714 |
| EBITDA | 10.581.218 | 45.507.757 |
| EBITDA Margin | 2,24% | 10,37% |
| Depreciation | -1.198.795 | -1.103.087 |
| Provisions - net | -423.647 | -408.691 |
| Bad debts lost | -168.758 | -1.133.396 |
| EBIT | 8.790.019 | 42.862.583 |
| EBIT Margin | 1,86% | 9,77% |
| Financial Revenues | 220.698 | 312.150 |
| Financial Expenses | -377.581 | -406.117 |
| Financial income | -156.883 | -93.967 |
| EBT | 8.633.136 | 42.768.616 |
| EBT Margin | 1,83% | 9,75% |
| Tax on Profit | -1.399.978 | -4.997.042 |
| Net Profit | 7.233.158 | 37.771.574 |
| Net Profit Margin | 1,53% | 8,61% |

| Farmaceutica Remedia | | |
|---------------------------------------|---------------------|---------------------|
| Balance Sheet (RON) | dec.-20 | dec.-19 |
| | consolidated | consolidated |
| Total Assets | 251.072.707 | 244.463.046 |
| Cash | 24.217.749 | 34.350.414 |
| A/R (clients) | 137.629.452 | 130.201.748 |
| Inventory | 40.600.994 | 35.077.188 |
| Expenses in advance | 2.186.689 | 1.236.574 |
| Other Current Assets | 3.782.734 | 3.340.268 |
| Total Current Assets | 208.291.710 | 204.206.192 |
| Tangible Assets | 41.463.376 | 37.610.054 |
| Intangible Assets | 767.967 | 338.426 |
| Financial Investments | 423.746 | 2.308.374 |
| Total Long-Term Assets | 42.655.089 | 40.256.854 |
| A/P (suppliers) | 176.037.147 | 159.154.783 |
| Other ST payables | 2.383.400 | 2.246.002 |
| Payables to shareholders | 327.582 | 117.155 |
| ST Loans* | | |
| Current Liabilities | 178.622.218 | 161.517.940 |
| LT Loans* | 1.339.435 | 867.718 |
| Other LT liabilities | 2.544.268 | 2.246.739 |
| LT Liabilities | 3.883.703 | 3.114.456 |
| Provisions | 217.307 | |
| Share capital | 9.548.082 | 10.608.980 |
| Reserves & others | 51.442.329 | 31.450.096 |
| Profit | 7.233.158 | 37.771.574 |
| Equity | 68.223.569 | 79.830.650 |
| Total Liabilities & Equity | 251.072.707 | 244.463.046 |

*including financial leasing

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

9. Economic-financial indicators 2021

| LIQUIDITY AND WORKING CAPITAL | FR | FRDL |
|---|-----------------|-----------------|
| current liquidity (Current assets/Current liabilities) | 2,02 | 1,06 |
| Current assets | 19.936.593 | 190.723.981 |
| Current liabilities | 9.878.372 | 178.516.708 |
| degree of indebtedness (Borrowed capital / Equity x 100) | 0% | 0% |
| Borrowed capital (including leasing) | 0 | 0 |
| Equity | 55.326.909 | 12.743.831 |
| Turnover speed for client debit items (average customer balance/turnover *365) | 60 days | 101 days |
| Average customer balance | 2.383.346 | 130.768.931 |
| Net turnover | 14.513.188 | 469.548.632 |
| Turnover speed of liabilities (average suppliers balance/cogs*365) | 224 zile | 138 days |
| Average suppliers balance | 5.957.020 | 163.704.683 |
| Cost of merchandise sold | 9.673.476 | 431.919.771 |
| Turnover speed of stocks (average stock balance/cogs * 365) | 75 days | 32 days |
| Average stocks balance | 2.010.796 | 37.631.360 |
| Cost of merchandise sold | 9.673.476 | 431.919.771 |
| Turnover speed of fixed assets (turnover/fixed assets) | 0,32 | 1613 |
| Net turnover | 14.513.188 | 469.548.632 |
| Fixed assets | 45.871.850 | 290.975 |
| Gross profit margin (%) (gross profit/net sales) | 5,92 % | 2,06% |
| Gross profit | 859.155 | 9.704.958 |
| Net turnover | 14.513.188 | 469.548.632 |

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.

2) **Degree of indebtedness** expresses the effectiveness of credit risk management, indicating potential financing, liquidity problems, with influences in honoring 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.

4) **Turnover speed of liabilities** represents the average period in which suppliers are paid.

5) The value of the **No. of days on hand** indicator can be considered that it falls within the specifics of the activity.

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, 15 March 2022

Board of Administrators,

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