



CONSOLIDATED ANNUAL REPORT 2022

**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 2022

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	95.480.820	9.548.082,00	

Organized market on which securities are traded:

Bucharest Stock Exchange - Standard category

The total market value on 20.03.2023 is of 59.961.955 Lei, at a value of a 0,6280 Lei/RMAH share

1. Activity analysis

1.1. Overview

The consolidated financial statements of 2022 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.
- PHARMA EXPERTSPEDITION S.R.L., a company in which Farmaceutica REMEDIA S.A. holds 50% of the share capital

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.

In **February 2022**, Farmaceutica REMEDIA SA sold 3 pharmaceutical licenses related to the pharmacies in Ghermanesti, Reviga, Motaieni and the office in Vulcana de Sus, and in **June 2022** it opened, in Deva, Drogheria HOREA.

In **April 2022**, Farmaceutica REMEDIA SA purchased a 50% participation in the share capital of the Romanian legal entity PHARMA EXPERTSPEDITION S.R.L., with registered office in Bucharest, Bd. Metalurgiei, nr. 130E, Sector 4, registered at the Commercial Register of Bucharest with nr. J40/20206/2005, with TIN 18178346, in order to develop and strengthen the distribution and logistics activity.

In this context, on **31.12.2022** Farmaceutica REMEDIA S.A. held a majority participation (100%) in the company Farmaceutica REMEDIA Distribution & Logistics S.R.L. and a 50% participation in the company PHARMA EXPERTSPEDITION S.R.L.

In **August 2022**, Farmaceutica REMEDIA Distribution & Logistics SRL closed the logistics warehouse in Timisoara, as a result of decreasing sales in the Timisoara area and increasing operating costs.

During 2022 Farmaceutica REMEDIA S.A. did not participate in mergers.

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 5.809.133 Lei** on a **net turnover of 535.850.640 Lei**. Other operating income (3.350.123 Lei) was also recorded, mainly from the real estate investments, as well as financial income worth 844.866 Lei (mainly dividends from non-controlled companies, exchange rate differences and discounts for advance payments).

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

- **532.454.817** - Operating expenses, of which:
 - 486.756.096 Lei is the net cost of sold merchandise (including received commercial discounts)
- **532.927** - Financial expenses, of which:
 - 62.476 Lei – operational leasing interests (IFRS 16)
 - 179.995 Lei – exchange rate differences
 - 172.434 Lei – paid discounts for advance collections

As of 31.12.2022, the liquidity of the companies (available in bank accounts and in cash offices) has reached 18.083.345 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 31.12.2022 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

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

- 309.227.368 Lei - Distribution
- 203.848.403 Lei - Hospitals
- 10.587.770 Lei - Remedia Pharmacies
- 4.497.197 Lei - BD Rowa robots sales

- **7.689.902 Lei** - From the activities with added value, of which:
 - 5.470.220 Lei - logistics and warehousing services
 - 1.634.483 Lei - invoiced rents
 - 456.258 Lei – BD Rowa services and other services
 - 128.941 Lei - clinical studies and registrations

1.4. Evaluation of the sales and marketing activity

The company's main line of business is the nationwide distribution of medicines. REMEDIA has consolidated its position as a national distributor by increasing its product portfolio, diversifying its services to customers such as independent pharmacies and regional chains, ensuring availability and continuity in stock for over 4.000 items: medicines and parapharmaceutical products.

REMEDIA customers in 2022:

- 2.361 pharmacy legal entities and 4.745 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 6 logistics hubs, of which:

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

All our actions were based on the needs and requirements of our customers.

Through constant investigation and analysis of the market, continuous monitoring of the evolution of the specific domestic and international environment, we have adapted in real time to market requirements.

The marketing and promotion services of Farmaceutica REMEDIA Distribution & Logistics portfolio are offered to pharmaceutical companies in various therapeutic areas: cardiovascular and diabetes, dermato-cosmetic, family medicine and paediatrics, neo-natology, cardioplegia and transplantation.

Marketing and promotion activities are also supported by the publications The British Medical Journal - Romanian edition, ranked among the top national specialized journals since 1998, Medica Academica, published since 2009 under the patronage of the Romanian Academy of Scientists and Maedica, a Journal of Clinical Medicine, since 2016, under the patronage of the Carol Davila University of Medicine, Bucharest.

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

REMEDIA's online sales platform, www.farmacileremedia.ro, is focused on customer satisfaction, provides an easy and fast shopping experience that allows easy navigation through all product categories, as well as promotion of target products.

In parallel, social media campaigns have been launched to provide 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

Market data 2022 vs 2021:

According to the results of the Pharma & Hospital Report, Cegedim Customer Information, in 2021 pharmaceutical market sales grew by 7.2% in units and 20.2% in value in the pharmacy segment, and by 7% in units and 24% in value in the hospital segment.

The accelerated growth of the value market is due to the listing of innovative drugs used in the treatment of serious diseases with an extremely high cost of therapy, products that REMEDIA does not have in its portfolio.

FRDL recorded a 10% increase in sales over the previous year, structured as follows:

	FRDL Sales 2022	FRDL Sales 2021	FRDL sales 2020	Growth 2022 vs 2021
Total	520.578.793	466.852.707	375.019.671	10%
Retail	316.730.390	296.568.656	256.870.867	6%
Hospitals	203.848.403	170.284.051	118.148.804	16%

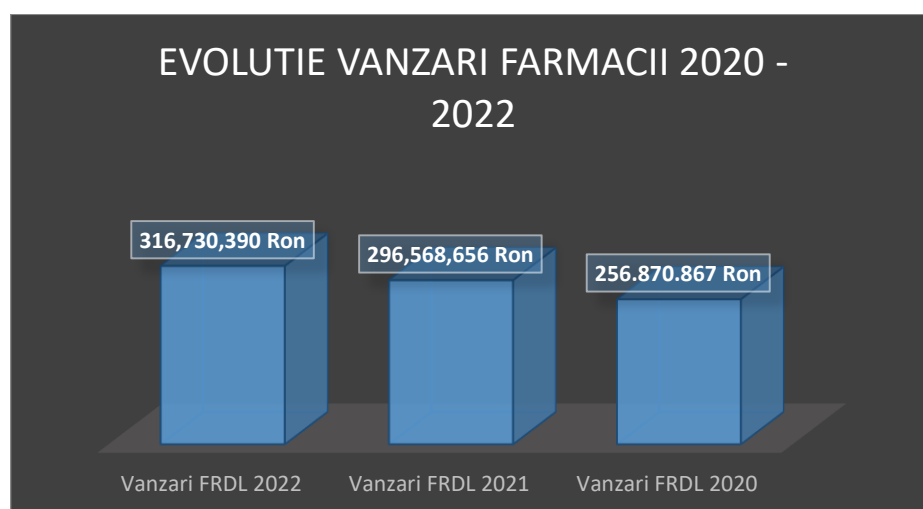
Our success is based on:

- Increasing the number of products that are sold;
- Focusing on independent pharmacy customers and targeting available stock resources with priority to this customer segment.
- Prioritizing medium and small pharmacy customers with less access to medicines;
- Reliable information sources and thorough market analysis. (CEGEDIM, ANM, EMEA, FDA, WHO, IMS).

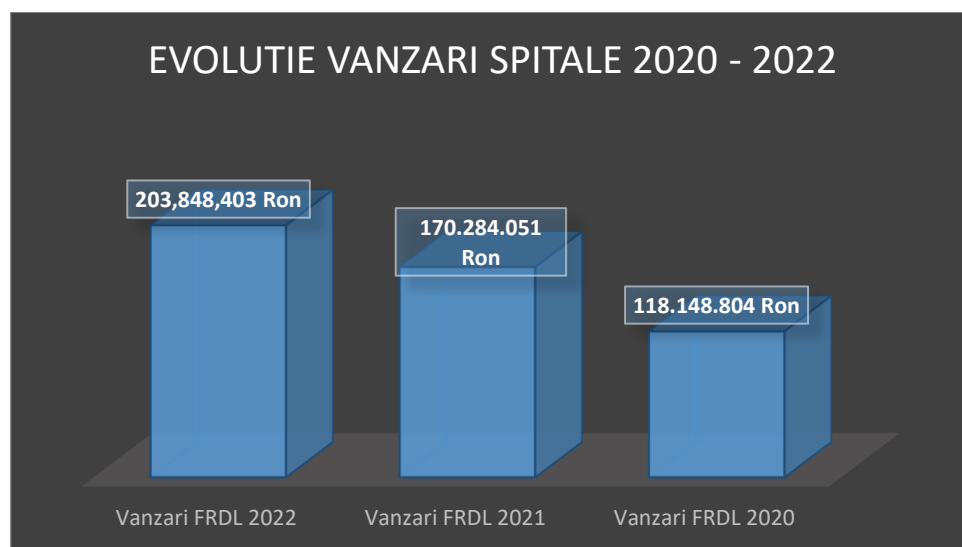
In 2022, the distribution of medicines faced challenges at peak levels, marked by discontinuities in the supply chain even for common products.

REMEDIA has put in place a stock retention system for scarce products, delivered in insufficient quantities, widening access to them to as many customers as possible in an equitable manner, but at a maximum quantity of units per product. In this way, we limit the effect of the tendency of certain pharmacies to overstock themselves with scarce products to the expense of others who no longer have access to medicines due to stock-outs.

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:



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

The receivables of the entire portfolio of customers belonging to the pharmacy distribution line is insured through the insurer Euler Hermes, thus eliminating the risk of non-collection of receivables, with costs of 769.044 Lei, representing 0,15% of sales.

10.587.770 Lei were the sales achieved in 2022 through the **24 REMEDIA pharmacies** in 5 (five) counties, especially in Hunedoara, Alba and Sibiu, including the online pharmacy.

At the same time, REMEDIA pharmacies facilitated direct and continuous access to the necessary medication by preparing and issuing prescriptions submitted online by family doctors, ensuring correct information and health advice to patients.

In 2022, REMEDIA pharmacies enrolled in both the Potassium Iodide distribution program and the pharmacy-based population vaccination program.

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 several 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 2022 Remedia focused on diversifying the product portfolio, strengthening the relationship with the current portfolio of suppliers and opening new partnerships with international and indigenous manufacturers in order to provide our customers with a wide range of medicines.

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 considers the following requirements:

- ensuring the continuity of products in stock;
- a better retention of the product in stock, over a longer period and in parallel a better national availability;
- evaluation of stocking times and stock levels for the products in the portfolio;
- setting maximum quantitative stock levels for each product, resulting in improved cash flow for the company.

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.

Performance indicators set for the procurement department are:

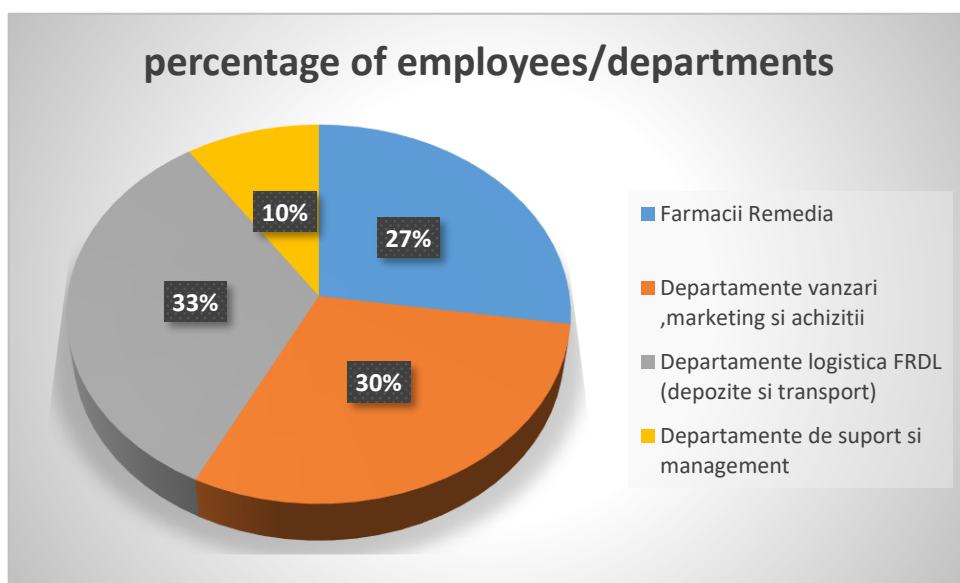
- Missing products: The indicator measures the loss of sales generated by the lack of stock.
- Overstock: The indicator measures the volume of stock with a STD (stock turnover duration) greater than 3, at company level.
- Expired: the indicator measures the amount of expired, uncompensated products supported by the company.

As of 31.12.2022, the stocks of goods of the two companies, of which 99,6% is represented by merchandise, reached the amount of 44.601.189 Lei, and parts and components dedicated to BD Rowa robots totaled 161.125 Lei.

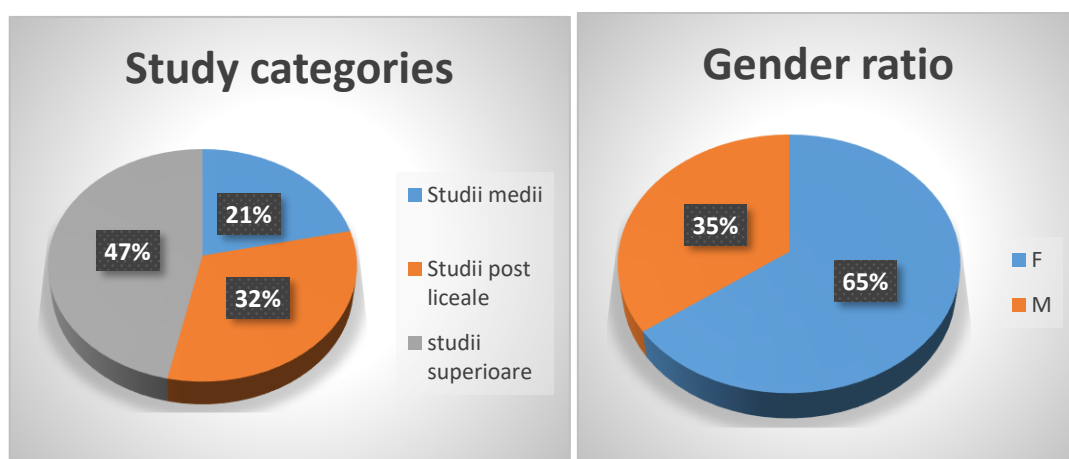
1.6. Evaluation of aspects related to the company's personnel

Farmaceutica REMEDIA S.A. and Farmaceutica REMEDIA Distribution & Logistics S.R.L had together 223 employees as of 31.12.2022. Their distribution by department was as follows:

- Remedia Pharmacies - 61 persons
- Sales and marketing departments - 67
- FRDL logistics departments (warehouses and transport) - 74
- Support and management departments (Accounting, HR, IT, Administration, Management, etc.) – 21.



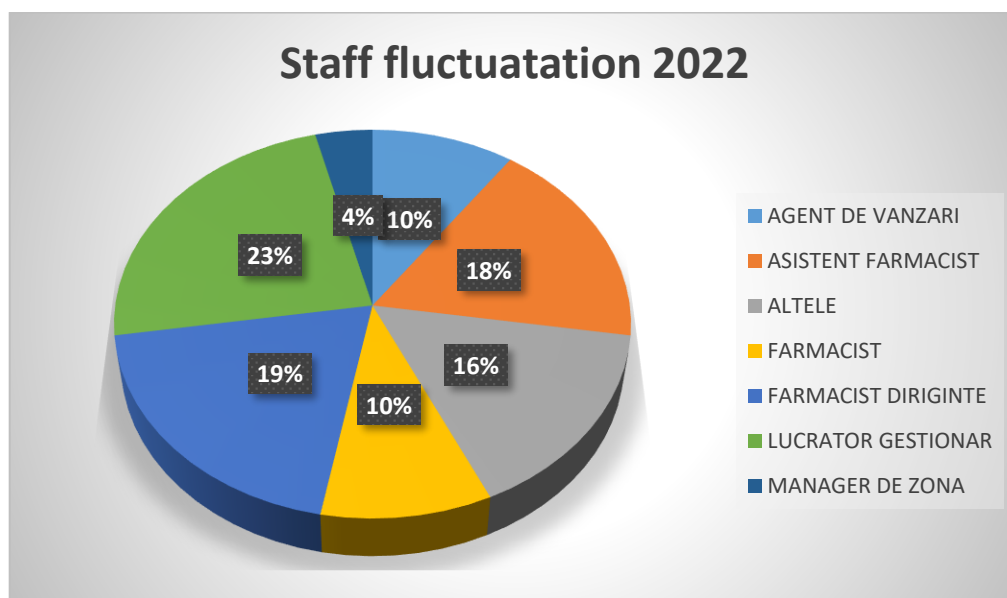
Of the 223 employees, 47% have a university degree, 32% have a post-secondary education and 21% have a secondary education.



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 2022, the fluctuation indicator in REMEDIA was 23,18% (number of employees leaving during 2022, compared to the average number of employees in 2022), of which 2,27% is due to the closure of the activity of the warehouses in Timisoara.



In order to consolidate the staff in the company, the HR department has acted in the following directions.

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 2022, more than 2 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 Pharmaceuticals collects expired medicines, including those taken from the population, handing over centrally (in 2022 about 2 tons) to the companies authorized for their destruction, according to legal norms.

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.

Starting in September 2022, REMEDIA started a new project with a licensed company for the collection and recycling of toner and chip printer cartridges, managing to recycle a quantity of about 0.6 tons.

The partnership with BD Rowa offers digital solutions for the optimal functioning of the pharmacy and takes steps towards the pharmacy of the future: the "green pharmacy". Storing and releasing medicines are processes that the BD Rowa robot takes over. We have installed such robots in eight pharmacies in Romania and five pharmacies in Slovakia; digitalization will continue.

At the REMEDIA Metalurgiei 78 pharmacy, the BD Rowa robot frees up pharmacists' time for patient counseling, our customers' children have the opportunity to develop their creative side during counseling in the specially designed place.

Farmaceutica REMEDIA SA has allocated in 2022 the necessary funds for the implementation of an environmental management system (EMS) according to SR EN ISO 14001:2015, which is to be certified in the first half of 2023.

As BD Rowa offers digitized solutions for optimal vertical and horizontal operation of the entire supply chain, as well as robot lines for storage and distribution of medium/slow moving products in distribution centers, at the end of 2022 the decision was taken to integrate such a robot line within the central warehouse in Bucharest. The measure is part of the closure of some of the secondary warehouses in order to reduce the carbon footprint of FRDL.

Farmaceutica REMEDIA Distribution & Logistics SRL has implemented an environmental management system according to SR EN ISO 14001:2015, certified by RINA -SIMTEX OC. FRDL SRL has allocated funds also for this year to maintain the certification and improve the EMS.

1.8. Evaluation of logistics and development activity

The two companies continued during 2022 the process of modernization and streamlining of activities in logistics centers and optimization of flows in the pharmacy network.

- It continued the development of IT systems started a year ago by continuously improving the IT systems used and equipping them with new equipment, as follows:
 - 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 DataLogic scanning equipment, used together with the WMS system for KPI tracking (serialization, storage, replenishment, inventory);
 - d. Interfacing the TMS application with the PES carrier's TMS application, with information about parcels, receipts, and delivery status;

e. In 2022, ISO certification was maintained, according to SR EN ISO 9001:2015. In terms of meeting the requirements of the environmental standard SR EN ISO 14001:2015, the company's own fleet has been converted mainly to petrol fuel;

f. Logistics cost efficiency by searching 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 2022;

Outsourcing of transport and delivery activities was achieved through the acquisition of 50% of Pharma Expertspedition SRL which, following the joint venture, has developed its own network of 11 transport hubs, with us working with ten of them.

This way the cars are loaded to capacity, including for cold transport, serving more customers on one transport route, and the carbon footprint of the deliveries is greatly reduced.

The main objectives for the development of logistics and IT activities for 2023 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 has been ensured by a professional and continuously improved team (which is trained annually in GDP), consisting of 6 Responsible Pharmacists, 7 Substitute Responsible Pharmacists and a quality auditor.

A quality management system is implemented in REMEDIA pharmacies and next year it will be 20 years old. It is kept updated and improved in order to document the best practices for meeting the requirements and expectations of patients in compliance with the Pharmacy Law no. 266/2008, with subsequent amendments and additions, as well as all legal provisions in force issued by the regulatory authorities in the pharmaceutical field and compliance with ISO 9001: 2015 being certified by RINA-SIMTEX OC. REMEDIA management has allocated the necessary funds to maintain the certification status and improve the SMC for the current year, 2023.

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 2022 were revised the procedures:

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

The policy in the field of pharmaceutical service quality within REMEDIA Pharmacies consists in the delivery of medicines and other health products of guaranteed quality, accompanied by adequate information and advice for the patient, constantly improving the services, in order to ensure the highest level of patient satisfaction.

The partnership with BD Rowa offers digitized solutions for optimal pharmacy operation by storing and dispensing medicines by BD Rowa's robot and takes steps towards the pharmacy of the future. As part of the collaboration we have installed such robots in eight different pharmacies and will continue to digitize.

At REMEDIA Metallurgy 78 pharmacy, BD Rowa robot manages to free up pharmacists' time for customer counseling.

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 2022 the major preoccupation was focused on obtaining the GDP recertification of the two logistic points, Iasi and Craiova.

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. Outsourcing of transport and distribution activities was realized through the acquisition of 50% of PHARMA EXPERTSPEDITION SRL, that, after the association, has developed its own network of nodes, of which we work with more than ten of them

In 2022, the ISO certification according to SR EN ISO 9001:2015 was maintained. 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 point in Ghiroda, Timis county, which was carried out in compliance with the requirements of Good Distribution Practice.

During 2022 the company was externally audited by the partners UCB and Gebro, both for the part of compliance with the GDP Wholesale Guidelines and pharmacovigilance aspects, and by the partner Bayer for both the distribution contract and the contract for transport to Moldova. All external audits have been fully completed.

We performed a second party audit at the transport provider PHARMA EXPERTSPEDITION SRL regarding transport routes, means and nodes, with focus on transport and cold storage, respectively the existence of valid qualification reports according to GDP and ANMDMR requirements. The audit ended with a compliance plan accepted by the partners following the audit reports.

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 deficiencies in our company's quality management system that would endanger the distribution activity, and the major deficiencies have been fully remedied.

1.10. Evaluating the activity on risk management

The main risk categories identified in 2022 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 2022, 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 2023 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 the automation and optimization of pharmaceutical processes, REMEDIA, in partnership with BD Rowa™, after the launch in October 2021 of the first Smart Robot installed at the REMEDIA pharmacy in Bd. Metalurgiei no. 78, Bucharest, continued during 2022 the implementation of 4 (four) more robotic systems in pharmacies in Romania worth about 5 million lei (excluding VAT).

REMEDIA provides installation, commissioning, and training of beneficiaries, as well as service and maintenance of robotic equipment with its own teams, specialized by BD Rowa manufacturer. The professionalism of our own technical team qualified REMEDIA to install 5 (five) more robots in private pharmacies in Slovakia.

BD Rowa™, with more than 12.000 robots installed in more than 60 countries, from Japan to Argentina, with a market share of about 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.

Automating pharmacy processes by optimizing supply, storage and dispensing flows increases patient access to care and reduces pressure on the national health system.

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

To this purpose, REMEDIA is developing the www.pharmacy-automation.ro platform both to facilitate communication with pharmacists and customers and to answer questions related to the advantages offered by robotic pharmacy, as well as to inform on the directions in the digital transformation and increase the safety and efficiency of medication management from pharmacy to bedside in hospital units.

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.farmaciiileredia.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.

Through the Regulatory Affairs (RA) activity, we provide a wide range of services for the registration of medicines, medical devices, food supplements and cosmetics in Romania, for international partners from Germany, Austria, Finland, Czech Republic, etc.

During 2022, for the Pharmaceutical Registration (RA) activity, we have observed an increase in the complexity of the legislative requirements in this area, which is reflected in the work of the RA department.

2. Fixed assets of companies

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

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

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

1.378.116 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 2022 showed an appreciation of 1.534.563 lei for these fixed assets. (land + 116.685 lei, buildings +1.417.879 lei).

3. Shares and shareholding

The shares issued by Farmaceutica REMEDIA SA were traded in 2022 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 31.12.2022, (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	13.075.139	13,6940
Legal entities	1.908.834	1,9992
Total	95.480.820	100

As of 31.12.2022, Farmaceutica REMEDIA SA had a total number of 3.341 shareholders, of which:

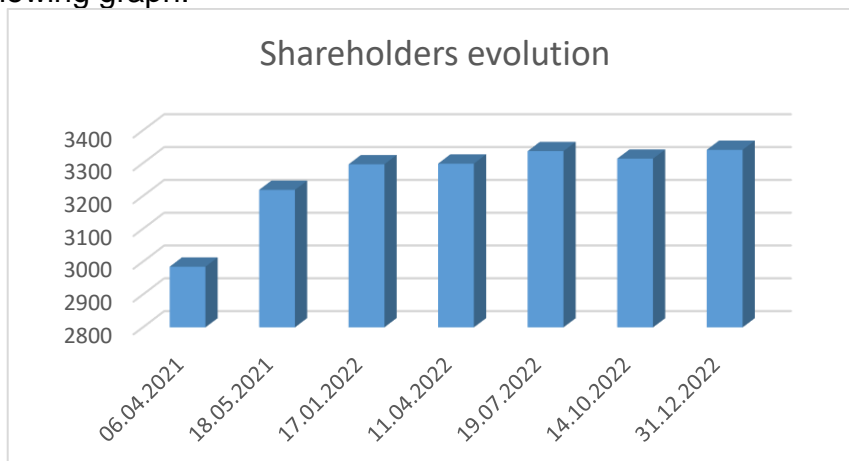
- 3.321 natural persons, with a total percentage of 98,01% of the share capital (of which 84,31% held by Mr. Valentin TARUS)
- 20 legal entities, with a total percentage of 1,99% of the share capital.

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

- Hunedoara: 1.816 shareholders
- Bucharest: 383 shareholders
- Alba: 244 shareholders
- Cluj: 111 shareholders
- Iasi: 55 shareholders

Over the last 2 years the number of REMEDIA shareholders has steadily increased, so that while in 2021, at the reference date for the AGM on 15.04.2021, 2985 shareholders were registered, at the end of 2022 a total of 3341 shareholders were registered with the Central Depository.

The evolution of the number of shareholders over the last 2 years is shown in the following graph:



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

4. Dividends

For 2022, the Board of Administrators has proposed the distribution of 4.615.815 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 2.916.026 to dividends, as well as the distribution to dividends of Lei 1.699.789 from the 2021 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	2023
Initial balance	217.459	205.414	214.756	241.226	209.353	117.155	327.582	379.265
Gross dividends distribution	0	700.927	1.060.898	1.591.347	2.121.796	14.277.108	4.759.036	4.615.815 *
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		

* 2.916.026 din profitul anului curent

* 1.699.789 din profitul anului anterior

In the case of Farmaceutica REMEDIA Distribution & Logistics S.R.L., the Board of Administrators proposes the distribution of the net profit (7.537.371 Lei) on the following destinations:

- 5.000.000 Lei - dividends to be paid to Farmaceutica REMEDIA S.A.
- 2.537.731 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.	01.01.2022 – 31.12.2022
1	"TARUS" - Valentin Norbert TARUS e.U., Represented by Mr. Valentin-Norbert TARUS
2	NIPA CONSULTANCY SRL (formerly NIPA STEURBERATUNG SRL), Represented by Mr. Adrian-Marcel PARVU
3	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 31.12.2022 he owned 84,3068% of the shares of Farmaceutica REMEDIA S.A.

2. NIPA CONSULTANCY SRL (formerly 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 31.12.2022, 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 31.12.2022 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 2022 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.
- PHARMA EXPERTSPEDITION SRL

7. Corporate governance

In 2022 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 - <https://corporate.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 2022, Farmaceutica REMEDIA obtained, for the second consecutive year, **the maximum score, 10**, for meeting the **VEKTOR criteria**, an assessment conducted by ARIR (Association for Investor Relations on the Romanian Stock Exchange), which examines the adoption of good corporate governance practices and communication with investors.

The **Investor Relations section**, www.remedia.ro/investitori/ has been **updated in 2022** according to ARIR communication **vektors** 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, 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 2012-2022, both in electronic IRIS, IFRS EXCEL and ESEF formats;

- **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** - 4 (four) teleconferences organized quarterly with investors, shareholders, financial analysts, representatives of the press, as well as participation in an event organized by the Investors Club on the capital market on 17.05.2022;

- **News**, featuring internal and press news about the issuer;

- **Corporate governance**, which includes all documents according to ARIR communication provisions and guidelines:

a) Updated Articles of Incorporation;

b) Status of compliance with the BVB Corporate Governance Code for the period 2016-2022;

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;
- 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, updated on 12.09.2022;
- Corporate Governance Regulations;
- Code of Conduct and Ethics, updated on 29.07.2022;
- 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, updated on 29.07.2022;
- Policy on financial forecasting and risks;
- Internal regulations of the Board of Administrators of Farmaceutica REMEDIA
- Environmental Policy of the company, updated on 12.09.2022.

Constantly concerned with improving the company's sustainability performance, within the Corporate Governance section, the ESG subsection includes information related to the company's activities in the areas of Environmental, Social and Governance, where non-financial / sustainability reports are also published. Farmaceutica REMEDIA SA has 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 2022, the President of the Board of Directors convened 21 (twenty-one) 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;
- - the sale of four pharmacy licenses, the opening of a drugstore in Deva, the closure of the logistics center in Timisoara;
- - marketing of hospital pharmacy robots in partnership with BD Rowa;
- - the launch of a share buy-back operation to run a Stock Option Plan to reward and retain employees.

- 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;

- 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 2022 in accordance with the remuneration policy of the company, the Remuneration Committee has prepared a Remuneration Report, which presents the activities carried out in 2022, analyzing, evaluating, implementing and monitoring the elements of the Remuneration Policy and provides an overview of the

remuneration granted in 2022.

Following the meetings of the Board of Directors, a total of 32 (thirty-two) decisions were issued and communicated to the relevant departments for implementation and fulfilment during 2022.

8. Accounting financial statement (consolidated statements)

Farmaceutica Remedia		
Income Statement	dec.-22	dec.-21
(RON)	consolidated	consolidated
Sales of goods	530.960.392	474.530.058
Discounts given	-2.799.654	-1.703.397
Net Sales	528.160.738	472.826.661
COGS	495.526.556	444.975.920
Discounts Received	-8.770.460	-8.738.510
Net COGS	486.756.096	436.237.410
Gross Margin	41.404.642	36.589.251
Gross Margin (%)	7,84%	7,74%
Other Operating Revenues	11.040.025	5.123.315
Personnel	-22.132.735	-19.465.138
Third Party Expenses		
Transport		
Consumables		
Maintenance		
Rent		
Other Operating Expenses	-19.498.589	-11.666.209
Total Operating Expenses	-41.631.324	-31.131.347
EBITDA	10.813.343	10.581.218
EBITDA Margin	2,05%	2,24%
Depreciation	-4.016.528	-1.198.795
Provisions - net	279.307	-423.647
Bad debts lost	-330.175	-168.758
EBIT	6.745.946	8.790.019
EBIT Margin	1,28%	1,86%
Financial Revenues	844.833	220.698
Financial Expenses	-532.927	-377.581

Financial income	311.906	-156.883
EBT	7.057.852	8.633.136
EBT Margin	1,34%	1,83%
Tax on Profit	-1.248.719	-1.399.978
Net Profit	5.809.133	7.233.158
Net Profit Margin	1,10%	1,53%
Avg. Discount Given		
Avg. Discount Received	0	
Profit/sales own pharmacies		
Profit/sales third parties		

Farmaceutica Remedia		
Balance Sheet(ROn)	dec.-22	dec.-21
	consolidated	consolidated
Total Assets	286.204.891	251.072.707
Cash	18.083.345	24.217.749
A/R (clients)	173.704.309	137.629.452
Inventory	46.262.314	40.600.994
Expenses in advance	829.696	2.186.689
Other Current Assets	2.840.680	3.782.734
Total Current Assets	241.720.345	208.417.618
Tangible Assets	42.308.176	41.463.376
Intangible Assets	798.254	767.967
Financial Investments	1.378.116	423.746
Total Long-Term Assets	44.484.546	42.655.089
A/P (suppliers)	209.969.435	176.037.146
Other ST payables	2.882.047	2.383.400
Payables to shareholders	327.582	327.582
ST Loans*		
Current Liabilities	213.179.064	178.748.127
LT Loans*	1.199.245	1.339.435
Other LT liabilities	3.175.842	2.544.268
LT Liabilities	4.375.086	3.883.703
Provisions	217307,02	217307,02
Share capital	9.548.082	9.548.082

Reserves & others	53.076.219	51.442.329
Profit	5.809.133	7.233.158
Equity	68.433.434	68.223.569
	0	0
Total Liabilities & Equity	286.204.891	251.072.707

*Including financial leasing

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

9. Economic-financial indicators 2022

LIQUIDITY AND WORKING CAPITAL	FR	FRDL	PES
current liquidity (Current assets/Current liabilities)	2,24	1,07	0,35
Current assets	14.367.922	229.095.410	551.729
Current liabilities	6.402.052	214.334.551	1.583.039
degree of indebtedness (Borrowed capital / Equity x 100)	0,00%	0,00%	0,00%
Borrowed capital (including leasing)	0	0	
Equity	52.586.442	15.281.202	253.660
Turnover speed for client debit items (average customer balance/turnover *365)	64 days	103 days	40 days
Average customer balance	3.232.502	147.601.492	665.000
Net turnover	18.307.055	522.663.449	5.994.397
Turnover speed of liabilities (average suppliers balance/cogs*365)	68 days	31 days	
Average suppliers balance	2.406.105	41.124.468	
Cost of merchandise sold	12.981.677	481.954.299	
Turnover speed of stocks (average stock balance/cogs * 365)	208 days	139 days	
Average stocks balance	7.410.150	182.965.276	
Cost of merchandise sold	12.981.677	481.954.299	
Turnover speed of fixed assets (turnover/fixed assets)	0,38	2.456	5
Net turnover	18.307.055	522.663.449	5.994.397
Fixed assets	47.370.124	212.777	1.202.651
Gross profit margin (%) (gross profit/net sales)	16 %	2%	-5%
Gross profit	2.918.586	8.786.090	-279.047
Net turnover	18.307.055	522.663.449	5.994.397

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 the companies of the group, 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, 20 March 2023

Board of Administrators,

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