

Farmaceutica REMEDIA S.A. – Consolidated financial statements concluded as at 31.12.2022

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Farmaceutica REMEDIA S.A.

STATEMENT OF COMPREHENSIVE INCOME - consolidated (Lei)

| | | 31.12.2022 | 31.12.2021 |
|--|---------------|--------------------|--------------------|
| Net turnover | NOTE 4 | 535.850.640 | 477.102.652 |
| Incomes from the sale of merchandise | | 530.960.392 | 474.530.058 |
| Commercial discounts granted | | -2.799.654 | -1.703.397 |
| Incomes from services provided and rents | | 7.689.902 | 4.275.991 |
| Other operating incomes | | 3.350.123 | 847.324 |
| OPERATING INCOMES - TOTAL | | 539.200.763 | 477.949.976 |
| Material expenses | NOTE 5 | 491.419.460 | 439.090.190 |
| Expenses with merchandise | | 495.526.556 | 444.975.920 |
| Commercial discounts received | | -8.770.460 | -8.738.510 |
| Expenses with raw materials and consumables | | 3.485.778 | 1.974.561 |
| Other material expenses (inventory objects) | | 142.418 | 98.937 |
| Expenses with energy and water | | 1.035.168 | 779.281 |
| Personnel expenses | NOTE 6 | 22.132.735 | 19.465.138 |
| Salaries and allowances | | 19.309.357 | 17.271.209 |
| Expenses with insurance and social protection | | 903.217 | 795.612 |
| Other personnel expenses | | 1.920.161 | 1.398.317 |
| Amortisation and provisions | | 4.067.397 | 1.791.200 |
| Amortisation | | 4.016.528 | 1.207.986 |
| Net provisions | | -279.307 | 414.456 |
| Losses from receivables | | 330.175 | 168.758 |
| Other operating expenses | NOTE 7 | 14.835.225 | 8.813.429 |
| Expenses on external benefits | | 10.711.430 | 7.478.877 |
| Expenses with other duties, taxes and similar levies | | 1.934.291 | 990.377 |
| Other expenses | | 2.189.505 | 344.175 |
| OPERATING EXPENSES - TOTAL | | 532.454.817 | 469.159.957 |
| OPERATING RESULT | | 6.745.946 | 8.790.019 |
| Financial incomes | NOTE 8 | 844.833 | 220.698 |
| Interest income | | 386.605 | 22.071 |
| Incomes from exchange rate differences | | 99.868 | 13.220 |
| Incomes from dividends | | 79.826 | 140.333 |
| Discounts for advance payments | | 257.985 | 45.074 |
| Other financial incomes | | 20.549 | 0 |

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| | | | |
|---|---------------|--------------------|--------------------|
| Financial expenses | NOTE 8 | 532.927 | 377.581 |
| Interest charges | | 99.822 | 0 |
| Operational leasing interests (IFRS16) | | 62.476 | 109.560 |
| Expenses from exchange rate differences | | 179.995 | 74.186 |
| Advance collections discounts | | 172.434 | 193.836 |
| Other financial expenses | | 18.200 | 0 |
| | | | |
| FINANCIAL RESULT | | 311.906 | -156.883 |
| | | | |
| | | | |
| TOTAL INCOME | | 540.045.595 | 478.170.674 |
| TOTAL EXPENSES | | 532.987.744 | 469.537.538 |
| | | | |
| | | | |
| GROSS RESULT | NOTE 9 | 7.057.852 | 8.633.136 |
| Corporate tax | | 1.248.719 | 1.399.978 |
| TOTAL NET PROFIT of which distributable | | 5.809.133 | 7.233.158 |
| Company's shareholders | | 5.809.133 | 7.233.158 |
| Minority interest | | | |
| | | | |
| Other elements of the comprehensive result | | | |
| Revaluation of tangible fixed assets | | | |
| Tax afferent to other elements of comprehensive income | | | |
| Minority interest | | | |
| COMPREHENSIVE INCOME AFFERENT TO THE PERIOD - TOTAL of which attributable: | | 5.809.133 | 7.233.158 |
| Company's shareholders | | 5.809.133 | 7.233.158 |
| Minority interest | | | |
| | | | |
| Result per share (in Lei) | | | |
| - basic | | 0,0608 | 0,0758 |
| - diluted | | 0,0608 | 0,0758 |

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

by representative
Valentin – Norbert TARUS

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**STATEMENT OF FINANCIAL POSITION - consolidated
(Lei)**

| | | 31.12.2022 | 31.12.2021 |
|--|---------|--------------------|--------------------|
| ASSETS | | | |
| Fixed assets | | 44.484.546 | 42.655.089 |
| Tangible assets | NOTE 10 | 24.760.379 | 21.313.782 |
| Real estate investments | | 16.545.703 | 18.657.330 |
| Operational leasing assets | | 1.002.094 | 1.492.264 |
| Software licenses | NOTE 11 | 109.054 | 78.768 |
| Pharmacy licenses | NOTE 11 | 689.200 | 689.200 |
| Participations held in group companies | NOTE 12 | 588.620 | 292.320 |
| Participations held in companies outside the group | NOTE 12 | 5.916 | 5.316 |
| Deposits and guarantees paid | NOTE 12 | 783.580 | 126.110 |
| | | | |
| Current assets | | 240.890.648 | 206.230.930 |
| Stocks | NOTE 13 | 46.262.314 | 40.600.994 |
| Trade receivables | NOTE 14 | 173.704.309 | 137.629.452 |
| Other receivables | | 2.840.680 | 3.782.734 |
| Cash and cash equivalents | NOTE 15 | 18.083.345 | 24.217.749 |
| | | | |
| Accrued expenses | | 829.696 | 2.186.689 |
| | | | |
| TOTAL ASSETS | | 286.204.891 | 251.072.707 |
| | | | |
| EQUITIES AND LIABILITIES | | | |
| Equities | | 68.433.434 | 68.223.569 |
| Share capital | NOTE 16 | 9.860.311 | 9.860.311 |
| Issuance premiums | | 757.485 | 757.485 |
| Reserves | NOTE 17 | 39.953.756 | 44.055.097 |
| Current result | | 5.809.133 | 7.233.158 |
| Result carried forward | NOTE 19 | 12.477.605 | 6.742.374 |
| Result carried forward - restatement | | -312.229 | -312.229 |
| Profit distribution | | 0 | 0 |
| Own shares | NOTE 21 | -112.628 | -112.628 |
| | | | |
| Long-term liabilities | | 3.175.842 | 2.544.268 |
| Liabilities from financial leasing | NOTE 22 | | |
| Liabilities from operational leasing | | | |
| Provisions | NOTE 23 | | |
| Liabilities with deferred profit tax | | 3.175.842 | 2.544.268 |
| | | | |
| | | | |
| Current liabilities | | 214.595.615 | 180.304.871 |

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| | | | |
|---|----------------|--------------------|--------------------|
| Bank loans | NOTE 24 | | |
| Liabilities from financial leasing | | 421.384 | |
| Liabilities from operational leasing | | 777.861 | 1.339.435 |
| Suppliers and other assimilated liabilities | | 209.969.435 | 176.037.147 |
| Provisions | | 217.307 | 217.307 |
| Liabilities with current tax | | 155.049 | -50.770 |
| Other short-term liabilities | NOTE 25 | 3.054.580 | 2.761.752 |
| | | | |
| Total liabilities | | 217.771.457 | 182.849.139 |
| | | | |
| TOTAL EQUITIES AND LIABILITIES | | 286.204.891 | 251.072.707 |

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STATEMENT OF CHANGES IN EQUITY

| | Share | Legal | Revaluation | Other | Issuance | Result | Profit | Current | Own | TOTAL |
|---|------------|-----------|-------------|------------|----------|-----------------|--------------|-------------|----------|-------------|
| | capital | reserves | reserves | reserves | premiums | carried forward | distribution | result | shares | |
| Balance as at 01.01.2021 | 10.921.209 | 2.122.356 | 20.479.593 | 12.201.106 | 757.485 | -3.944.628 | -365.419 | 37.771.574 | -112.628 | 79.830.650 |
| Repositioning of treatments for profit account 2020 | | | | | | 7.136.751 | | -7.149.313 | | -12.562 |
| Profit transfer 2020 (FR) to result carried forward | | | | | | 27.871.030 | | -27.871.030 | | 0 |
| Profit distribution 2020 (FR) to dividends | | | | | | -14.277.108 | | | | -14.277.108 |
| Profit distribution 2020 (FR) to other reserves | | | | 13.093.922 | | -13.093.922 | | | | 0 |
| Closure of account 129 (legal reserve 2020) FR | | | | | | | 365.419 | -365.419 | | 0 |
| Profit transfer 2020 (FRDL) to result carried forward | | | | | | 2.385.812 | | -2.385.812 | | 0 |
| Profit transfer 2020 (FRDL) to dividends | | | | | | -1.500.000 | | | | -1.500.000 |
| Accounting result 2021 FR +FRDL | | | | | | | | 9.164.136 | | 9.164.136 |
| Retreatment of profit account 2021 | | | | | | 1.930.978 | | -1.930.978 | | 0 |
| Outputs buildings + lands | | | | | | | | | | 0 |
| Retreatment reported result | | | | | | -312.229 | | | | -312.229 |
| Revaluation of buildings and lands | | | 1.760.139 | | | | | | | 1.760.139 |
| Correction of accounting errors 2020 (FR) | | | | | | -24.902 | | | | -24.902 |
| Repurchase own shares | -1.060.898 | | | -5.304.490 | | | | | 0 | -6.365.388 |
| Deferred tax | | | -297.529 | | | | | | | -297.529 |
| Operational leasing retreatment (IFRS 16) 2020 | | | | | | 258.362 | | | | 258.362 |
| Balance as at 31.12.2021 | 9.860.311 | 2.122.356 | 21.942.203 | 19.990.538 | 757.485 | 6.430.144 | 0 | 7.233.158 | -112.628 | 68.223.569 |

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STATEMENT OF CHANGES IN EQUITY – continuation

| | Share | Legal | Revaluation | Other | Issuance | Result | Profit | Current | Own | TOTAL |
|---|------------------|------------------|-------------------|-------------------|----------------|-------------------|--------------|------------------|-----------------|-------------------|
| | capital | reserves | reserves | reserves | premiums | carried forward | distribution | result | shares | |
| Balance as at 01.01.2022 | 9.860.311 | 2.122.356 | 21.942.203 | 19.990.538 | 757.485 | 6.430.144 | 0 | 7.233.158 | -112.628 | 68.223.569 |
| Repositioning of PES balance 2021 | | 20 | | | | 232.388 | | | | 232.408 |
| Repositioning of retreatments for profit account 2021 | | | | | | -2.086.604 | | 1.930.977 | | -155.627 |
| Profit transfer 2021 (FR) to result carried forward | | | | | | 859.155 | | -859.155 | | 0 |
| Profit distribution 2021 (FR) to dividends | | | | -3.899.880 | | -859.155 | | | | -4.759.035 |
| Profit distribution 2021 (FR) to other reserves | | | | | | | | | | 0 |
| Closure of account 129 | | | | | | | | | | 0 |
| Profit transfer 2021 (FRDL) to result carried forward | | | | | | 8.304.980 | | -8.304.980 | | 0 |
| Profit transfer 2021 (FRDL) to dividends | | | | | | -5.000.000 | | | | -5.000.000 |
| Profit transfer 2021 (FRDL) to other reserves | | | | 304.980 | | -304.980 | | | | 0 |
| Accounting result 2022 FR +FRDL | | | | | | | | 10.174.350 | | 10.174.350 |
| Retreatment of profit account | | | | | | 4.365.217 | | -4.365.217 | | 0 |
| Outputs buildings + lands | | | | | | | | | | 0 |
| Revaluation of buildings and lands | | | -506.460 | | | | | | | -506.460 |
| Accounting errors correction | | | | | | | | | | 0 |
| Purchase of own shares | | | | | | | | | | 0 |
| Deferred tax | | | | | | | | | | 0 |
| Operational leasing retreatment (IFRS 16) | | | | | | 224.230 | | | | 224.230 |
| Balance as at 31.12.2022 | 9.860.311 | 2.122.376 | 21.435.743 | 16.395.639 | 757.485 | 12.165.375 | 0 | 5.809.133 | -112.628 | 68.433.434 |

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STATEMENT OF TREASURY FLOWS

| | Consolidated 12 months 2022 |
|---|---|
| Cash flows from operating activities | |
| Collections from the sale of goods and from the provision of services | 547.239.304 |
| Other cash inflows | 26.234.825 |
| Payments to suppliers of goods and services | -520.745.709 |
| Payments to and on behalf of employees (including taxes on salaries) | -20.051.312 |
| Corporate tax payments | -1.285.506 |
| Payments of other taxes and fees | -9.078.149 |
| Paid interests | -65.890 |
| Collected interests (current account) | 386.605 |
| Other cash outflows | -24.622.509 |
| Total operating cash flow | -1.988.341 |
| Cash flow from investment activities | |
| Collections from the sale of long-term assets and financial investments | 197.700 |
| Collected interests (from deposits) | 0 |
| Collected dividends | 79.826 |
| Payments for the acquisition of long-term assets | -38.016 |
| Total cash flow from investments | 239.510 |
| Cash flow from financing activities | |
| Short-term loan withdrawals | 0 |
| Repayment of short-term loans | 0 |
| Net foreign exchange differences | -54.864 |
| Financing received from shareholders | 0 |
| Repayments of long-term loans, including interest | 0 |
| Payments to shareholders (dividends) | -4.470.000 |
| Payments of own shares | 0 |
| Total cash flow from financing | -4.524.864 |
| Total cash flow | -6.273.695 |
| Cash at the beginning of the period | 24.217.749 |
| Cash at the beginning of the associated period | 139.292 |
| Cash at the end of the period | 18.083.345 |

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NOTE 1 INFORMATION ON CONSOLIDATED COMPANIES

1.1. Reporting entity

Farmaceutica REMEDIA S.A.

Farmaceutica REMEDIA S.A. (« the Company ») is a commercial company with registered office in Deva, No. 2 Nicolae Balcescu Bld. (former Str. Doro0bantilor 43), Hunedoara County, Romania.

On **July 25th 1991**, it was established as a commercial company with fully state-owned capital by reorganisation 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 2022 Farmaceutica REMEDIA S.A. did not participate in mergers.

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.

1.2. Other entities participation in the consolidation

Farmaceutica REMEDIA Distribution & Logistics S.R.L.

Farmaceutica REMEDIA Distribution & Logistics S.R.L., former Sibmedica S.R.L. had the activity suspended since 16.12.2013, up to 19.01.2015, a date on which it

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was reactivated under the new name. The company is held 100% by Farmaceutica REMEDIA S.A.

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

Farmaceutica REMEDIA Distribution & Logistics S.R.L. is a national distributor with a network of 7 warehouses located in Bucharest, Deva, Brasov, Pitesti, Craiova, Timisoara, Iasi.

PHARMA EXPERTSPEDITION S.R.L.

PHARMA EXPERTSPEDITION S.R.L. was established in 2005, and as of April 2022, Farmaceutica REMEDIA S.A. holds 50% of the share capital.

The main activity of PHARMA EXPERTSPEDITION S.R.L. is the transport of pharmaceutical products, with a modernized fleet of 54 vehicles, and storage of pharmaceutical products in transit through 11 local warehouses equipped with temperature control and monitoring system, according to the standard of good storage practice.

During 2022, Farmaceutica REMEDIA S.A., Farmaceutica REMEDIA Distribution & Logistics S.R.L and PHARMA EXPERTSPEDITION S.R.L. did not participate in mergers

NOTE 2 BASES FOR THE PREPARATION OF FINANCIAL STATEMENTS

Conformity statement

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

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

The financial statements as at 31.12.2022 of the reporting entity were approved by the Board of Administrators of the Company as at 15.03.2022.

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

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

Bases of valuation

The financial statements were prepared based on the historical cost, except for the buildings and lands that are assessed at their fair value (market value determined by

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valuation by an expert valuator). The historic cost is generally based on the fair value of counter-performance carried out in exchange for the assets.

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

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

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

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

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

During 2022, there were no events and circumstances that would lead to the recognition of a loss from a significant depreciation of tangible assets.

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

Functional and presentation currency

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

Principle of activity continuity

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

Comparative statements

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

Farmaceutica REMEDIA S.A. – Consolidated financial statements concluded as at 31.12.2022

Estimations and professional judgments

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

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

Changes in accounting policies

The Company's financial statements have been prepared in accordance with:

- Accounting Act No. 82/1991, republished and updated;
- the provisions of the Order of the Minister of Public Finance No. 2844/2016, approving the Accounting Regulations in accordance with International Financial Reporting Standards, applicable to companies whose securities are admitted to trading on a regulated market, as subsequently amended and clarified.

These individual financial statements have been prepared in accordance with the recognition, measurement and measurement criteria of International Financial Reporting Standards, Interpretations and International Accounting Standards (collectively referred to as "IFRSs") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union ("adopted IFRSs").

The financial statements for the year ended 31.12.2022 comprise the statement of financial position, Statement of comprehensive income, statement of cash flows, statement of changes in equity and explanatory notes.

The principal accounting policies applied in the preparation of the financial statements have been applied consistently.

The preparation of the financial statements in accordance with adopted IFRS requires the use of certain critical accounting estimates. It also requires management to use judgement in the process of applying the Company's accounting policies.

Areas involving a higher degree of complexity and application of such judgements or where assumptions and estimates have a significant impact on the financial statements.

These provisions correspond to the requirements of International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). Effects of changes in foreign exchange rates, in respect of functional currency. For the purposes of preparing these financial statements in accordance with Romanian legislative requirements, the Company's functional currency is considered to be RON ("Romanian Leu").

The Company's management considers as functional currency, as defined by IAS 21 - The Effects of Changes in Foreign Exchange Rates

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New accounting regulations

The following amendments to existing standards and new interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current period:

Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures - Reform of the Interest Rate Benchmark - Phase 2. They were adopted by the EU on 15 January 2020, and are applicable for periods beginning on or after 1 January 2021.

Amendments to IFRS 4 Insurance Contracts - Extension of the temporary exemption from the application of IFRS 9. The expiry date of the temporary exemption from the application of IFRS 9 has been extended for annual periods beginning on or after 1 January 2023.

Amendments to IFRS 16 Leases adopted by the EU on 30 August 2021 and effective after 30 June 2021.

From 1 January 2018, the Company has applied **IFRS 15 Revenue from Contracts with Customers**. IFRS 15 establishes a five-step model to be applied for revenue recognition arising from a contract with a customer (with limited exceptions), regardless of the type of transaction or industry. The requirements of the standard will also apply to the recognition and measurement of gains and losses on the sale of certain non-operating assets that are not the result of the entity's ordinary activities (e.g. the sale of property, plant and equipment and intangible assets). Extended disclosure will be provided, including disaggregation of total income, information about performance obligations, changes in contract balances of asset and liability accounts between periods and key rationales and estimates.

The Company earned income in the current year from the rental of premises to other companies and income is measured at the fair value of net receipts. Revenue from rental of space is recognised when there is an obligation to enter into a contract, i.e. if the following conditions have been met:

- The parties to the contract have approved the contract in writing
- The company can identify the rights of each party in respect of the services to be transferred
- The company can identify the payment terms for the rent
- The contract has commercial content

Based on the internal assessment of the possible impact resulting from the application of IFRS 15 we consider that the business continuity supported by the two aspects mentioned above, namely the increase in the number of tenants and the extension of their existing contracts, is clear; no significant effect has been identified in these financial statements.

New standards, amendments and interpretations issued by the IASB and adopted by the EU:

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Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (all issued on 14 May 2020) - applicable for periods beginning on or after 1 January 2022.

IFRS 17 Insurance Contracts (issued 18 May 2017); including Amendments to IFRS 17 (issued 25 June 2020) - applicable for periods beginning on or after 1 January 2023.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued 12 February 2021) - effective for periods beginning on or after 1 January 2023.

Amendments to IAS 1 Presentation of Financial Statements and Practice Statement 2 IFRSs: Presentation of Accounting Policies (published 12 February 2021) - effective for periods beginning on or after 1 January 2021.

The Company anticipates that the adoption of these standards and amendments to existing standards will not have a significant impact on the Company's financial statements in the period of initial application.

There are no other IFRS or IFRIC interpretations not yet effective that could have a material impact on the Company's financial statements.

Bases of consolidation

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

As at 31.12.2022, Farmaceutica REMEDIA S.A. did not hold majority participations or significant influences in other companies, except for the consolidated companies.

A list of participations held is presented in NOTE 12.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

Incomes recognition

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

RECOGNITION OF REVENUE ACCORDING TO IFRS 15 (replaces IAS 18 - Revenue)

Revenue is recognized when the significant risks and rewards of ownership of the assets are transferred to the customer. Revenue amounts do not include sales taxes (VAT),

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but include trade discounts granted. Financial discounts granted to customers (discounts) reduce the amount of the Company's revenue.

The Company recognizes revenue when its amount can be measured reliably, when it is probable that it will produce future economic benefits to the entity, and when specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered reliably measurable until all contingencies relating to sales have been resolved. The Company bases its estimates on historical results, taking into account the type of customer, the type of transaction and the specific elements of each contract.

Revenue from services rendered is recognized in the period in which they are rendered and in line with the stage of completion.

Interest income is recognized periodically on a pro rata basis as the income is earned, on an accrual basis.

Revenue from rental income and/or rights to use assets is recognized on an accruals basis, as contractually agreed.

Dividends distributed to holders of shares, proposed or declared after the date of the financial statements, are recognized as dividend income when the shareholder's right to receive them is established.

Revenue represents the gross inflow of economic benefits during the period arising in the ordinary course of an entity's business in the form of inflows of assets or increases in the value of assets, or decreases in liabilities, resulting in increases in equity, other than those arising from contributions from equity holders.

Fair value is the amount at which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

Since 1 January 2018, IFRS 15 on contracts with customers came into force. In some cases, IFRS 15 may require changes to current systems and may affect some aspects of transactions.

IFRS 15 is a complex standard that introduces much more prescriptive requirements than were previously in IAS 18- Revenue, IAS 11 Construction Contracts and therefore may lead to changes in revenue recognition policies.

Based on IAS 18, revenue was measured at the fair value of the consideration received or receivable, less rebates or discounts. Revenue from the sale of goods was recognized when all of the following conditions were met:

- The entity has transferred to the buyer the significant risks and rewards of ownership of the assets;
- The entity no longer manages the assets sold at the level it would normally have done if it had owned them, nor does it have effective control over them;
- The amount of revenue can be measured reliably;

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- It is probable that economic benefits associated with the transaction will flow to the entity;
- The costs incurred or to be incurred in connection with the transition can be measured reliably.

IFRS 15 focuses instead on the identification of obligations and makes a clear distinction between obligations that are satisfied 'at a point in time' and those that are satisfied 'over a period of time', this being determined by the manner in which control of the goods or services is transferred to the customer.

Under IFRS 15 it means that we may have revenue recognized over a period for some outcomes that have been accounted for as assets under IAS 18.

Revenue is measured in accordance with IFRS 15 - Revenue from contracts with customers.

IFRS 15 establishes a five-step model for recording revenue from contracts with customers:

- Step 1: Identify the contract with a customer
- Step 2: Identifying the payment obligations in the contract
- Step 3: Determining the transaction price
- Step 4: Allocate the transaction price for the performance obligations in the contract
- Step 5: Recognizing revenue as the company fulfils a performance obligation

The company has contracts with customers for the delivery of goods (pharmaceutical and parapharmaceutical products, and robots) and contracts for the provision of services (logistics services, rents, and robot assembly and maintenance work).

The customer is analyzed within the control department by accessing data from platforms offering this service, e.g. "Company list" and by requesting credit reports from specialized companies.

For all private clients related to the goods distribution activity, the company uses as credit limit the amount granted by the insurance company with which the company has a contract.

The company identifies the terms of payment and the rights of each party in terms of regarding the goods and services, it is established that it has commercial content, and the parties have approved the contract and undertake to fulfil their obligations according to the payment terms for the goods and services transferred.

The Company evaluates the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer a distinct good or service to the customer.

Performance obligations are explicitly stated in the contract.

The company considers the terms of the contract and its usual business practices in determining the transaction price.

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The transaction price is the amount of consideration to which the company expects to be entitled in exchange for the transfer of the promised goods or services to the customer, not including VAT or other taxes.

For the purposes of determining the transaction price, the company assumes that the goods or services will be transferred to the customer as promised under the existing contract and that this contract will not be cancelled, renewed or amended.

The individual (specific) selling price of a good or service is the price at which the good or service would be sold separately. When it is not directly observable, it can be determined:

- by reference to the market price (adjusted market valuation approach);
- through electronic auctions organized on the SEAP platform for public hospital customers the reference price is established
- by adding a margin to the cost that the entity expects to incur for the performance of that obligation

In accordance with IFRS 15, revenue is recognized in the amount that reflects the consideration to which an entity expects to be entitled in exchange for the transfer of goods or services to a customer.

Under IFRS 15, revenue will be recognized when a customer obtains control of the goods.

In the case of contracts with customers, the sale of goods and other assets (pharmaceutical robots) is generally expected to be the only performance obligation, revenue recognition occurs at a point in time when control of the asset is transferred to the customer, i.e. when the goods are delivered/put into service in accordance with the terms of the contract.

In the case of sales of goods in the retail environment directly to the physical customer, it is estimated that the adoption of IFRS 15 will have no impact on the Company's revenue and profit or loss. These are recorded at the time of the sale to the customer - natural person, based on the invoice and the monthly cash register Z report.

The income related to the goods - RX type medicines exclusively, for which the co-payment of the goods is provided by the contracts with CNAS are recognized in the month in which the patient has taken possession of the goods, on the basis of the invoices issued to the Health Houses.

Interest income is recognized monthly using the effective interest method and is included in the profit and loss account under financial income.

Dividend income is recognized when the shareholder's right to receive payment has been established.

Recognition of expenses

Expenses represent the reduction of economic benefits recorded during the accounting period in the form of outflows or decreases in the value of assets, or increases

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in liabilities determining reductions of equities, other than those resulted from their distribution to shareholders.

Currency conversions

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

Monetary assets and liabilities expressed in currency as at 31 December 2022 are evaluated in RON using the exchange rate (NBR) valid on the date of concluding the financial year, respectively 1 EUR = 4,9224 RON; 1 USD = 4,6477 RON.

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

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

Government grants

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

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

The company did not benefit from grants.

Taxes

Current corporate tax

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

Deferred corporate tax – IAS 12

The elements regarding the deferred corporate tax are recognized in correlation with the support transaction to other elements of the comprehensive result or in the case of FR, directly in equities (IAS 12 – Recognition of deferred tax liabilities and receivables).

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

Deferred tax liabilities are the amounts of income tax payable in future periods in respect of taxable temporary differences (paragraph 5 of IAS 12). These deferred tax liabilities are recognized when:

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- the carrying amount of an asset exceeds its tax base;
- the carrying amount of a liability is less than its tax base.

When calculating deferred tax, the company takes into account the provisions of IAS

12.

Deferred tax assets and liabilities are recognized when the carrying amount of an asset or liability in the statement of financial position differs from the tax base.

Value added tax

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

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

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

Tangible assets

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

The historical cost was revalued in compliance with the Government Decisions: GD 945/1990, GD 26/1992, GD 500 /1994, GD 983 /1998 based on indices established by the respective normative acts and GD 403 /2000 and GD 1553/2004, based on the general price index, to restate the net accounting value of assets to a level that better reflects their market value.

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

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

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

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

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

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

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

The life spans used are the following:

| | |
|--------------------------------|---------------|
| Buildings and constructions | 32 - 48 years |
| Equipment and installations | 6 - 12 years |
| Means of transportation | 4 - 6 years |
| Calculation technique | 2 - 4 years |
| Office furniture and equipment | 9 - 15 years |

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

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

Leasing contracts

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

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

Borrowing costs

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

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

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

Real estate investments (IAS 40)

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

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

In 2022, the revaluation method used was the gross income multiplier method (quantifying the present value of future anticipated benefits produced to the owner from property rental). The values were estimated based on public market studies, and correlation was realized based on several criteria, the most important being the number of inhabitants of the locality where the property is located. Valuations of real estate investments were classified at level 2 as their values are comparable to those on the active market, are adjusted and are directly observable - IFRS 13.93 (b).

During 2022 there were no events and circumstances that would lead to the recognition of a loss from a significant depreciation of real estate investments.

Intangible assets

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

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

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

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

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

During 2022 there were no events and circumstances that led to the recognition of a significant impairment loss on intangible assets.

Financial instruments and risk management (IFRS 7)

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

Entities do not own a tradable financial assets portfolio.

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

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

The reporting company and the consolidated company have a multi-currency credit line opened in common in the amount of 11 million euros, mainly used by FRDL for the issuance of letters of guarantee of participation/performance bond issued in favor of clients and for work capital.

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

Stocks

The stock of merchandise (pharmaceutical and para-pharmaceutical products) represents over 99% from the total stock of entities. In the accounting statements, merchandise stocks are emphasized at the entry cost which includes, apart from the acquisition price, import fees, transportation and, when appropriate, discounts received or the future certain ones. Stocks are valued at the end of the period at the lowest value between the cost and the net realizable value (IAS 2 – Stocks). Starting with 2011, in the cost of stored goods, certain future discounts are also introduced.

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

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

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

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

Entities hold stocks of pledged merchandise in the liabilities account.

The information on stocks is presented in NOTE 13 (IAS 2.36 – Stocks – information presentation).

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Provisions

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

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

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

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

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

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

A statement of constituted provisions is found in note 23.

Employees benefits (IAS 19)

a) Pensions plan

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

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

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

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

b) Other benefits of employees

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

Employees individually fired benefit from an allowance equal to the last gross salary, if they have a seniority of 2-4 years, 2 gross salaries if they have a seniority of 4-6 years

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and 3 gross salaries if the seniority exceeds 6 years. In the case of collective dismissals, the granted compensation is similar to the one for individual dismissal.

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

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

Dividends

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

No cumulative preferential dividends are distributed.

The statement of dividends is presented in NOTE 18.

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

In the current context generated by the COVID 19 pandemic based on the information available to it, the company considers that there are no significant uncertainties for the continuation of the activity and there are no indications that would lead to a depreciation of the assets held.

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

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

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

Affiliated parties

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

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

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Equities

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

Capital contributions

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

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

| | Date | Number of shares | Issuance value (Lei) | Explanations |
|---|--------------|-------------------|----------------------|--|
| 1 | 10.11.1999 | 3.370.107 | 337.010,70 | Initial capital of the state, including the land contributed in nature |
| 2 | 06.09.2001 | 1.500.000 | 150.000,00 | Cash contribution of V.TARUS RoAgencies |
| 3 | 23.07.2003 | 42.402 | 4.240,20 | Merger – capital of Ditafarm Trading – disappearing company |
| 4 | 05.01.2006 | 5.696.471 | 569.647,10 | Merger - capital of V.TARUS RoAgencies – disappearing company |
| 5 | 21.12.2007 | 87.905.969 | 8.790.596,90 | Capital increase – shareholders with pre-emption right |
| 6 | 04.05.2009 | 7.574.851 | 757.485,10 | Capital increase – AHG Simcor Industry S.R.L. |
| 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 | |

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

Farmaceutica REMEDIA Distribution & Logistics SRL was founded under the name Sibmedica SRL, a company established in 1993, with activity suspended on 16.12.2013 and reactivated under the new name on 19.01.2015, with a share capital of 120 Lei. In 2008, Farmaceutica REMEDIA S.A. has fully purchased the shares.

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

Result carried forward

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

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

Reserves

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

Result per share

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

Reporting on segments (IFRS 8)

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

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

Accounting errors

The correction of significant errors afferent to the previous financial years does not determine the modification of financial statements of those financial years. In the case of errors afferent to previous financial years, their correction does not require the adjustment of the comparative information presented in the financial statements. Any impact on the comparative information regarding the financial position and the financial performance,

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respectively the modification of the financial position, is presented in the explanatory notes and adjusted in the result carried forward during the year.

NOTE 4 INCOMES FROM SALES AND OTHER OPERATING INCOMES

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

| description | 2022 | 2021 |
|--|--------------------|--------------------|
| NET TURNOVER, of which: | 535.850.640 | 477.102.652 |
| incomes from the sale of merchandise, of which: | 530.960.392 | 474.530.058 |
| - Sales of Remedia pharmacies | 10.587.770 | 7.606.797 |
| - other distribution channels_Bd Rowa | 4.497.197 | 4.242.302 |
| - distribution to hospitals | 203.849.609 | 170.284.051 |
| - distribution | 312.025.816 | 284.088.269 |
| - other distribution channels | | 8.308.639 |
| commercial discounts granted | -2.799.655 | -1.703.397 |
| incomes from services provided and rents, of which: | 7.689.902 | 4.275.992 |
| - logistic services and store keeping | 5.470.220 | 2.276.842 |
| - rents | 1.634.483 | 1.550.680 |
| - shelf promotion | 456.258 | |
| - marketing and recordings (RA) | 128.941 | 448.470 |
| - other services | | |

Other operating income

| description | 2022 | 2021 |
|--------------------------------|------------------|----------------|
| penalties | 45.135 | 5.299 |
| sales of tangible assets | 267.029 | 507.560 |
| inventory pluses | | 0 |
| revaluation of tangible assets | | 0 |
| other incomes | 3.037.959 | 334.465 |
| TOTAL | 3.350.123 | 847.324 |

NOTE 5 MATERIAL EXPENSES

| Description | 2022 | 2021 |
|-----------------------|-------------|-------------|
| Cost of merchandise * | 486.756.096 | 436.237.410 |
| Utilities | 1.035.167 | 779.282 |
| Fuel | 2.732.165 | 1.361.198 |

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| | | |
|-----------------|--------------------|--------------------|
| Spare parts | 304.700 | 163.571 |
| Consumables | 448.914 | 449.792 |
| Inventory items | 142.418 | 98.937 |
| TOTAL | 491.419.460 | 439.090.190 |

* Net value obtained by adjustment with the received discounts

NOTE 6 PERSONNEL EXPENSES

Personnel expenses have the following composition:

| Description | 2022 | 2021 |
|--|-------------------|-------------------|
| Gross salaries and allowances | 19.309.357 | 17.271.209 |
| Expenses with insurances and social protection | 903.217 | 600.477 |
| Insurance contribution for labor | 375.208 | 389.599 |
| Other expenses on insurance and social protection expenses | 528.009 | 210.878 |
| Other personnel expenses | 1.920.161 | 1.593.452 |
| - Meal tickets/gift | 605.400 | 500.000 |
| - PFA /PFI (<i>authorized natural person/independent natural person</i>) | 667.240 | 717.021 |
| Fund for disabled persons | 647.521 | 376.431 |
| TOTAL | 22.132.735 | 19.465.138 |

The costs (including fees) with remuneration in 2022 of the Board of Administrators of FR, of the General Director, and of the FRDL administrator were in a total amount of 427.000 lei.

NOTE 7 OTHER OPERATING EXPENSES

| Description | 2022 | 2021 |
|-----------------------------|--------------|-----------|
| Repairs | 357.010 | 404.544 |
| Rents | 1.276.555,04 | 1.157.880 |
| Insurance | 945.941 | 829.584 |
| Post and telecommunications | 321.470 | 276.277 |
| Displacements and transport | 256.443 | 109.238 |
| Advertisement | 45.380 | 37.992 |
| Protocol | 116.100 | 101.033 |
| Other taxes and fees | 258.381 | 153.600 |
| Donations and sponsorships | 1.934.291 | 990.377 |

Farmaceutica REMEDIA S.A. – Consolidated financial statements
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| | | |
|--|-------------------|------------------|
| Bank fees | 335.741 | 336.723 |
| Other services provided by third parties | 7.056.790 | 4.225.607 |
| Other operating expenses | 1.931.123 | 190.575 |
| TOTAL | 14.835.225 | 8.813.429 |

NOTE 8 FINANCIAL RESULTS

| Description | 2022 | 2021 |
|---|----------------|-----------------|
| Interest income | 386.605 | 22.071 |
| Interest expenses/leasing op (IFRS) | -162.298 | -109.560 |
| Incomes from exchange rate differences | 99.868 | 13.220 |
| Expenses from exchange rate differences | -179.995 | -74.187 |
| Incomes from dividends | -172.434 | -193.836 |
| Advance payments discounts | 257.985 | 45.075 |
| Advance collections discounts | 79.826 | 140.334 |
| Other financial incomes | 20.549 | |
| Other financial expenses | -18.200 | |
| Result | 311.906 | -156.883 |

*Retreated according to IFRS 16

NOTE 9 EXPENSES WITH CORPORATE TAX

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

| Description | 2022 | 2021 |
|---|---------------------|-------------------|
| total income | 540.045.595 | 478.170.674 |
| total expenses (without corporate tax) | 532.987.744 | 469.537.538 |
| gross accounting result | 7.057.851,78 | 8.633.136 |
| IFRS adjustments | 4.365.216 | 1.930.978 |
| deductions | 3.921.838 | 442.159 |
| non-taxable income | 7.639.791 | 1.649.523 |
| non-deductible expenses | 6.532.750 | 1.639.102 |
| tax result | 6.394.189 | 10.111.534 |
| corporate tax | 1.668.014 | 1.723.609 |
| tax reductions | -419.295 | -323.631 |
| Total current corporate tax expenses | 1.248.719 | 1.399.978 |

*retreated according to IFRS 16

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NOTE 10

TANGIBLE ASSETS AND REAL ESTATE INVESTMENTS

| | Lands | Buildings and other constructions | Technical installations and cars | Equipment and vehicles | Furniture | Operational leasing assets | Advances for fixed assets | Total |
|--------------------------------------|-------------------------|---|--|---------------------------|-------------------------|----------------------------------|---------------------------------|--------------------------|
| <u>as at 01 January 2021</u> | <u>5.336.937</u> | <u>21.332.198</u> | <u>572.153</u> | <u>3.701.253</u> | <u>1.621.418</u> | <u>1.544.551</u> | <u>707.824</u> | <u>34.816.334</u> |
| inflows | 78.864 | 4.101.691 | 78.543 | 679.270 | 37.719 | 1.221.661 | 1.245.282 | 7.443.030 |
| transfers | | -10.453.290 | | | | | | -10.453.290 |
| outflows | -1.036 | -562.117 | | -304.028 | | | -1.918.557 | -2.785.738 |
| <u>as at 31 December 2021</u> | <u>5.414.765</u> | <u>14.418.482</u> | <u>650.696</u> | <u>4.076.495</u> | <u>1.659.137</u> | <u>2.766.212</u> | <u>34.549</u> | <u>29.020.336</u> |
| inflows | 119.187 | 3.952.065 | 38.951 | 2.366.840 | 40.234 | | 460.070 | 6.977.347 |
| transfers | | 2.111.626 | | | | | 0 | 2.111.626 |
| outflows | -919 | -4.397.188 | | | 500 | -187.047 | | -4.584.654 |
| <u>as at 31 December 2022</u> | <u>5.533.033</u> | <u>16.084.985</u> | <u>689.647</u> | <u>6.443.335</u> | <u>1.699.871</u> | <u>2.579.165</u> | <u>494.619</u> | <u>33.524.655</u> |

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NOTE 10 TANGIBLE ASSETS AND REAL ESTATE INVESTMENTS (continuation)

| Accumulated amortisation | Lands | Buildings and other constructions | Technical installations and cars | Equipment and vehicles | Furniture | Total |
|--|-------|---|--|------------------------------|-------------------------|-------------------------|
| <u>as at 01 January 2021</u> | | | <u>748.216</u> | <u>3.520.206</u> | <u>1.141.894</u> | <u>5.410.316</u> |
| amortization of the year | | | | 974.420 | 132.604 | 1.107.024 |
| cumulative amortisation affherent to outflows | | | | | 303.050 | 303050 |
| <u>as at 31 December 2021</u> | | | <u>748.216</u> | <u>4.494.626</u> | <u>971.448</u> | <u>6.214.290</u> |
| amortization of the year | 211 | | 1.024.365 | 436.045 | 87.271 | 1.547.892 |
| cumulative amortisation affherent to outflows | | | | | | 0 |
| <u>as at 31 December 2022</u> | 211 | | <u>1.772.581</u> | <u>4.930.671</u> | <u>1.058.719</u> | <u>7.762.182</u> |

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10.2 REAL ESTATE INVESTMENTS (RON)

| As at 31.12.2021 | | 18.657.330 | | | | | |
|------------------|--|-------------------------|------------------|-------------------------------|------------------------------------|---------------|------------------------------|
| As at 31.12.2022 | | 16.545.703 | | | | | |
| City | Adress | Rented area (sqm) mp | Total area (sqm) | Rent except VAT(EUR) -EUR- | Revaluated value, 31.12.2022 (lei) | % rented area | Real estate investment value |
| ABRUD | Str.Piata Eroilor nr 6 ap i | 163,71 | 163,71 | 735,7 | 174.402 | 100% | 174.402 |
| ARAD | Str.Voinicilor nr 38 bl 245 ap 25 | 73 | 73 | 1576,8 | 655.164 | 100% | 655.164 |
| | Str. Zorilor nr 1 bl 280 sc C nr 4 | 164,2 | 297 | 1576,5 | 620.178 | 100% | 620.178 |
| ALBA IULIA | Str.Nicolae Titulescu bl 280 | 130,77 | | 1200 | 619.886 | 100% | 619.886 |
| | | | | | | | 0 |
| BLAJ | Str.Piata 1848 nr 21 | 201,67 | 201,67 | 1051 | 311.473 | 100% | 311.473 |
| DEVA | str. Pta Victoriei nr 3 | 48 | 336 | 1008 | 2.143.757 | 79% | 1.693.568 |
| | | 152 | | 2700 | | | |
| | | 66 | | 1452 | | | |
| | | 60 | | 500 | | | |
| | SF.STEFAN str. 22 Dec | 88 | 167,4 | 1471,4 | 906.415 | 100,00% | 906.415,00 |
| | | 19 | | 210,2 | | | |
| | | 109 | | 150 | | | |
| | 41 | | 500 | | | | |
| | REMEDIA DEPOZIT, str Dorobantilor nr. 43 | 500 | 3576,2 | 2627,5 | 2.233.178 | 14,40% | 321.577,63 |
| | | 15 | | 50 | | | |
| | Str Horea nr 5 | 75 | 154 | 550 | 451.153 | 49% | 221.064,97 |
| DOBRA | Str 1 DECEMBRIE BL 4 | 106 | 166 | 473 | 166.315 | | |
| | Str.. 1 DECEMBRIE BL 4 | 60 | | 150 | | 100,00% | 166.315,00 |
| VATA | SF PARASCHIVA | 75 | 184 | 530 | 218.197 | 40,80% | 89.024,44 |
| HATEG | SF. TREIME, Ovidiu Densuseanu | 51 | 355 | 475 | 914.671 | 81,00% | 740.883,51 |
| | | 56 | | 550 | | | |
| | | 125,68 | | 1261,2 | | | |
| | | 55 | | 515 | | | |
| HATEG | PIATA UNIRII | 35 | 93 | 250 | 81.632 | 37,50% | 30.612,00 |
| HUNEDOARA | STR VIORELE NR 6 | 115 | 239 | 1366,3 | 643.570 | 48,10% | 309.557,16 |
| | Bdul 1848 nr 7 | 152 | 185 | 735,7 | 305.335 | 82,20% | 250.985,37 |
| | Str.Republicii nr 10 bl D8 | 95,25 | 95,25 | 1051 | 436.776 | 100,00% | 436.776,00 |
| CLUJ | STR FAGULUI NR 1 | 205 | 205 | 1500 | 712.043 | 100,00% | 712.043,00 |
| SIMERIA | SF. ANDREI | 30 | 305 | 264,852 | 672.922 | 78,20% | 526.225,00 |
| | | 94,37 | | 735,7 | | | |
| | | 36 | | 227,016 | | | |
| | | 24 | | 190,4 | | | |
| | | 5 | | 110 | | | |
| | | 16 | | 130 | | | |
| | | 33 | | 227,016 | | | |
| BUCURESTI | BD.METALURGIEI, NR.78 | 2173 | 5340 | 14558,45 | 14.212.184 | 41,9% | 5.954.905,10 |

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| | | | | | | | |
|--------|---------------|---------|---------|----------|------------|------|------------|
| | TARUS MEDIA | 65 | | 341,58 | | | |
| BRASOV | Str.Zizinului | 572 | 572 | 2096,75 | 811.969 | 100% | 811.969,00 |
| TOTAL | | 6085,65 | 9282,03 | 46839,86 | 28.283.899 | | 16.545.703 |

NOTE 11

11.1 SOFTWARE LICENSES

| | Software licenses | Amortisation | Remained value |
|-------------------------------|-------------------|------------------|----------------|
| as at 01 January 2021 | 899.061 | 774.271 | 124.790 |
| Inflows | 44.209 | 90.231 | |
| Transfers | | | |
| Outflows | | | |
| as at 31 December 2021 | 943.270 | 864.502 | 78.768 |
| Inflows | 170.588 | 140.302 | |
| Transfers | | | |
| Outflows | | | |
| as at 31 December 2021 | 1.113.858 | 1.004.804 | 109.054 |

11.2 LICENSES OF PHARMACIES

| | Licenses of pharmacies | Amortisation | Total |
|-------------------------------|------------------------|--------------|----------------|
| as at 01 January 2021 | 213.636 | 0 | 213.636 |
| Inflows | 475.564 | | 475.564 |
| Transfers | | | |
| Outflows | | | |
| as at 31 December 2020 | 213.636 | 0 | 213.636 |
| Inflows | 475.564 | | 475.564 |
| Transfers | | | |
| Outflows | | | |
| as at 31 December 2021 | 689.200 | 0 | 689.200 |

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

In 2021 the company bought two licenses in Bucharest worth 475.564 Lei.

In 2022 the Company sold 3 pharmacy licenses related to the pharmacies of Ghermanesti, Reviga, Motaieni and Vulcana de Sus.

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NOTE 12 FINANCIAL ASSETS AT THEIR FAIR VALUE

| Name | value |
|--|----------------|
| Participations of companies inside the group | 588.620 |
| of which: | |
| FRDL(SIBMEDICA) | 289.520 |
| PES (PHARMA EXPERTSPEDITION SRL) | 299.100 |
| Participations of companies outside the group | 5.916 |
| of which: | |
| EUROM BANK* | 2.413 |
| BODY FARM* | 2.903 |
| PES (PHARMA EXPERTSPEDITION SRL) | 600 |
| Deposits and paid guarantees | 783.580 |
| Total | 423.746 |

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

NOTE 13 STOCKS

| Description | 31-Dec-22 | 31-dec-2021 |
|-----------------------------------|-------------------|-------------------|
| Merchandise in warehouses | 44.274.232 | 38.283.683 |
| Merchandise in pharmacies* | 2.999.307 | 3.370.554 |
| Merchandise in warehouses/BD Rowa | 161.126 | |
| Adjustments | -191.166 | 0 |
| Other stocks | | 0 |
| Trade mark-up | -728.047 | -748.885 |
| VAT not applicable | -253.138 | -304.358 |
| TOTAL | 46.262.314 | 40.600.994 |

* at retail price

| Name | Balance as at 01.01.2022 | | Inflows | Outflows | Balance as at 31.12.2022 | |
|-----------------------------------|--------------------------|---------|-------------|-------------|--------------------------|---------|
| | Debit | Credit | | | Debit | Credit |
| Materials | | | 33.750 | 33.750 | | |
| Objects of inventory | | | 47.316 | 47.316 | | |
| Merchandise in custody | | | | | | |
| Merchandise in pharmacies | 3.370.554 | | 11.519.667 | 11.890.914 | 2.999.307 | |
| Merchandise in warehouses/BD Rowa | 162.020 | | 4.196.706 | 4.197.601 | 161.126 | |
| Merchandise in warehouses | 38.350.043 | | 504.362.221 | 498.438.032 | 44.274.232 | |
| Other merchandise | | | | | | |
| Trade mark-up | | 748.885 | 2.090.432 | 2.111.270 | | 728.047 |

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| | | | | | | |
|---|-------------------|------------------|--------------------|--------------------|-------------------|------------------|
| Provisions for merchandise depreciation | | 228.379 | 932.571 | 969.786 | | 191.166 |
| VAT not applicable | | 304.358 | 993.691 | 1.044.911 | | 253.138 |
| Total | 41.882.617 | 1.281.622 | 524.176.354 | 518.733.580 | 47.434.665 | 1.172.351 |

NOTE 14 TRADE RECEIVABLES AND OTHER RECEIVABLES

| Description | 31-dec-2022 | 31-dec-2021 |
|---|--------------------|--------------------|
| TRADE RECEIVABLES: | 173.704.309 | 137.629.452 |
| trade receivables | 180.407.935 | 141.331.539 |
| adjustments for trade receivables | -3.535.077 | -3.702.087 |
| OTHER RECEIVABLES: | 2.840.680 | 3.782.734 |
| Medical leaves to be recovered | 127.838 | 198.836 |
| court costs to be recovered afferent to disputes under progress | 41.367 | 0 |
| VAT to be recovered | 242.606 | 167.470 |
| other receivables | 2.428.869 | 3.416.428 |
| provision for receivables depreciation | | |

NOTE 15 CASH AND CASH EQUIVALENTS

| | 31 - dec - 2020 | 31 - dec - 2021 | 31 - dec - 2022 |
|--|-------------------|-------------------|-------------------|
| Bank accounts in RON | 33.712.159 | 23.390.882 | 17.933.320 |
| Bank accounts in CURRENCY | 451.026 | 1.672.991 | 54.368 |
| Cash deposit RON | 185.356 | 152.136 | 92.635 |
| Cash deposit other CURRENCY | 1.873 | 1.740 | 2.472 |
| Other values | 0 | 0 | 550 |
| Total cash and cash equivalents | 34.350.414 | 24.217.749 | 18.083.346 |

NOTE 16 SHARE CAPITAL

31-dec-2022

| Shareholders | No. of shares | % of share capital |
|--------------------------|-------------------|--------------------|
| TARUS Valentin - Norbert | 80.496.847 | 84,3068 |
| OTHERS | 14.983.973 | 15,6932 |
| TOTAL | 95.480.820 | 100,0000 |

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

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NOTE 17 RESERVES

| | <u>31-dec-2022</u> | <u>31-dec- 2021</u> |
|--------------------------------------|--------------------|---------------------|
| Legal reserves | 2.122.376 | 2.122.356 |
| Other reserves | 17.088.702 | 19.990.539 |
| Revaluation reserves tangible assets | 20.742.678 | 21.942.202 |
| TOTAL | 39.953.756 | 44.055.097 |

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

Fixed assets revaluation reserves: when the accounting value of a tangible asset increases as a result of revaluation, then the increase must be recognized in other elements of the comprehensive result and cumulated in equities, with title of revaluation surplus. Revaluation reserves cannot be distributed and cannot be used at the share capital increase.

Other reserves include reserves representing tax facilities, as well as reserves constituted from profits in previous years.

NOTE 18 DIVIDENDS

Evolution of dividends distributed and paid in the last 6 years:

| | 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 |
| Distributed gross dividends | 0 | 700.927 | 1.060.898 | 1.591.347 | 2.121.796 | 14.277.108 | 4.759.036 | 4.615.815 * |
| Paid tax on 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 | | |
| Payment dividends | 205.414 | 214.756 | 241.226 | 209.353 | 117.155 | 327.582 | | |

* 2.916.026 of the current year's profit

* 1.699.789 from previous year's profit

NOTE 19 RESULTS CARRIED FORWARD

| | 2021 | 2020 |
|---|------------------|-------------------|
| Balance at the beginning of the year | 6.430.145 | -3.944.627 |
| Profit transfer 2021 | 9.396.523 | 37.393.593 |

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| | | |
|---------------------------------------|-------------------|--------------------|
| Profit distribution 2021 | -6.164.135 | -28.871.030 |
| Retreatment of dividends FRDL->FR | | 0 |
| Accounting corrections | | -337.141 |
| Retreatment of IFRS 2021 | -2.502.843 | 2.189.350 |
| Balance at the end of the year | 12.165.376 | 6.430.145 |

NOTE 20 PROFIT DISTRIBUTION

As at 31.12.2022, the Company recorded a net profit of 2.916.026 Lei, which is proposed for distribution as follows:

- dividends: 2.916.026 Lei

As at 31.12.2022 the net profit realized by Farmaceutica REMEDIA Distribution & Logistics SRL, in the amount of 7.537.371 Lei is proposed to be distributed on the following destinations:

- dividends to be paid to Farmaceutica REMEDIA S.A. – 5.000.000 lei
- non-distributed profit – 2.537.731 lei

As at 31.12.2022, PHARMA EXPERTSPEDITION SRL recorded a negative result.

NOTE 21 OWN SHARES

In 2015, following the change of the main activity object imposed by the Law No. 95/2006, republished in August 2015, (Art. 800 para. 2), the Company had to buy back from the market a number of 300.100 shares at a price established by an authorised assessor.

NOTE 22 LEASING

As at 31 December 2022, the Company did not have any leasing contract in progress.

FRDL has a number of operating leases outstanding, which have been restated in accordance with IFRS 16

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NOTE 23 PROVISIONS

| Name of the provision | Balance at the beginning of the financial year | Transfers | | Balance at the end of the financial year |
|--|--|----------------|------------------|--|
| | | in the account | from the account | |
| PROVISIONS FOR CURRENT ASSETS: | 3.939.657 | 934.395 | 1.147.811 | 3.726.241 |
| provision for expired merchandise | 228.379 | 932.571 | 969.786 | 191.164 |
| provision for doubtful clients | 3.702.087 | 1.824 | 168.834 | 3.535.077 |
| provision for the depreciation of debtors | 9.191 | | 9191 | 0 |
| PROVISIONS FOR RISKS AND EXPENSES: | 349.088 | 50.000 | 65.890 | 333.198 |
| Provision for VAT expired merchandise | 217.307 | 0 | 0 | 217.307 |
| Provision for interest related to debts to group companies | 131.781 | 50.000 | 65.890 | 115.891 |
| GRAND TOTAL | 4.288.745 | 984.395 | 1.213.701 | 4.059.439 |

NOTE 24 COMMITMENTS

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

| | |
|---|--|
| Objective | Credit line - financing of working capital |
| Amount | 74.600.000 Lei |
| Maturity | 09 February 2023 |
| Guarantees | Security interest in real property over company immovables |
| Used CL 31.12.2022 | 0 Lei |
| Restricted CL 31.12.2022 Exclusively for BLG | 3.811.739 LEI for FR 70.788.261 LEI for FRDL |
| CL to be used 31.12.2022 | 0 LEI |

As at 31.12.2022, the amount used from the credit line is afferent to the letters of guarantee for participation and performance bond issued in favor of clients. The amounts afferent to guarantee letters are not interest-bearing and are emphasized only in a non-accounting manner, not being an exigible debt.

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NOTE 25 TRADE AND OTHER LIABILITIES

| description | 31-dec-2021 | 31-dec-2020 |
|---|--------------------|--------------------|
| Commercial debts, of which: | 209.969.435 | 176.037.147 |
| merchandise suppliers | 209.830.310 | 175.898.020 |
| assets suppliers | 139.125 | 139.125 |
| other current liabilities, of which: | 3.426.936 | 2.761.752 |
| salaries and afferent taxes | 900.867 | 826.392 |
| dividends | 379.265 | 327.582 |
| VAT to be paid | 687.478 | 1.131.067 |
| other taxes and charges | 155.049 | 191.836 |
| other creditors | 1.304.277 | 284.875 |

Salaries of December 2022 and afferent taxes were liquidated in January 2023.
“Other taxes and charges” are represented by ecotax, which were also paid in January 2023.

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

NOTE 26 DISPUTES

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

NOTE 27 PRESENTATION OF TRANSACTIONS WITH AFFILIATED PARTIES

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

| partner | object of contract | contract year | REMEDIA sales | REMEDIA purchases | client balance | supplier balance |
|---|--|----------------------|----------------------|--------------------------|-----------------------|-------------------------|
| Farmaceutica REMEDIA Distribution & Logistics | sale/purchase of merchandise/auto, rental of premises and auto | 2015 2016 | 1.131.347 | 7.503.022 | 41.832 | 3.419.445 |
| Pharma ExpertSpedition | merchandise transport services | | 0 | 2.479.893 | 0 | 0 |
| Tarus Media | services of medical promotion /premises rents | 2006 | 23.015 | | 1.752 | |

On 31.12.2022, the single associate, Farmaceutica Remedia SA has granted a loan to Farmaceutica REMEDIA Distribution&Logistics SRL, in the amount of 5.000.000 lei, with maturity on 30.06.2023 and with an interest rate of 1%/year, necessary to increase trading volumes and to develop new partnerships with suppliers of goods.

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

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

- Valentin-Norbert TARUS - Austrian citizen
- "TARUS" - Valentin Norbert TARUS e.U. – Austrian individual enterprise
- Farmaceutica REMEDIA Distribution & Logistics S.R.L.
- TARUS MEDIA S.R.L.
- IMOBILIARA MAGHERU S.R.L.
- PHARMA EXPERTSPEDITION SRL

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NOTE 28 Reporting on activity segments

| RON except VAT | | Hospitals & clinics | Distribution | Other distribution channels | REMEDIA pharmacies | Provided services and rents | BD ROWA Robots | TOTAL * 31.12.2022 |
|--|--|---------------------|--------------------|-----------------------------|--------------------|-----------------------------|------------------|--------------------|
| | | | | | E-commerce | | | |
| Net turnover | | 203.848.403 | 300.035.388 | 9.191.979 | 10.587.770 | 7.234.784 | 4.952.315 | 535.850.639 |
| | Incomes from the sale of merchandise | 203.849.609 | 302.833.720 | 9.192.096 | 10.587.770 | 0 | 4.497.197 | 530.960.392 |
| | Commercial discounts granted | -1.206 | -2.798.332 | -117 | 0 | 0 | | -2.799.655 |
| | Incomes from services provided and rents | | | 0 | 0 | 7.234.784 | 455.118 | 7.689.902 |
| Other operating incomes | | | 0 | 0 | 0 | 3.350.122 | | 3.350.122 |
| OPERATING INCOMES - TOTAL | | 203.848.403 | 300.035.388 | 9.191.979 | 10.587.770 | 10.584.906 | 4.952.315 | 539.200.762 |
| | | | | | 0 | | | |
| Expenses with merchandise | | 199.360.624 | 266.504.109 | 8.796.679 | 8.784.076 | -886.993 | 4.197.601 | 486.756.096 |
| | Expenses on merchandise | 203.994.712 | 270.156.326 | 9.091.665 | 8.860.642 | -774.389 | 4.197.601 | 495.526.557 |
| | Commercial discounts received | -4.634.088 | -3.652.217 | -294.986 | -76.566 | -112.603 | | -8.770.460 |
| Gross margin from the sale of merchandise | | 4.487.779 | 33.531.279 | 395.300 | 1.803.694 | 8.121.776 | 299.597 | 48.639.425 |
| | | | | | 0 | | | 0 |
| Other operating costs | | 3.489.176 | 27.642.613 | 236.219 | 7.842.835 | 5.704.769 | 783.105 | 45.698.718 |
| | Direct costs | 2.465.711 | 18.486.895 | 0 | 2.880.755 | 4.106.333 | 684.059 | 28.623.753 |
| | Logistics costs | 570.240 | 5.925.326 | 170.539 | 0 | | | 6.666.105 |
| | Indirect costs | 453.225 | 3.230.392 | 65.680 | 4.962.080 | 1.598.437 | 99.046 | 10.408.860 |
| OPERATING EXPENSES - TOTAL | | 202.849.800 | 294.146.722 | 9.032.898 | 16.626.911 | 4.817.777 | 4.980.706 | 532.454.814 |
| | | | | | | | | 0 |
| Operating result | | 998.603 | 5.888.666 | 159.081 | -6.039.142 | 5.767.129 | -28.391 | 6.745.948 |
| Financial result | | | | | | | | 311.906 |
| Gross result | | | | | | | | 7.057.852 |
| | Corporate tax | | | | | | | -1.248.719 |
| Net Profit | | | | | | | | 5.809.133 |

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NOTE 29 OBJECTIVES AND POLICIES FOR MANAGING FINANCIAL RISK

Financial risk management

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

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

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

Capital risk

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

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

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

The main indicator based on which the Company monitors the capital is the indebtedness degree calculated as the ratio between the borrowed capital (from bank and leasing institutions) and equities. The statement of the "indebtedness degree" indicator as at 31.12.2022:

| | 31.12.2022 | 31.12.2021 |
|---------------------|-------------------|-------------------|
| Borrowed capital* | 0 | 0 |
| Equities | 68.433.434 | 68.223.569 |
| Indebtedness degree | 0,0 % | 0,0 % |

*including financial leasing

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Currency risk

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

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

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

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

| Description | 31.12.2022 | | 31.12.2021 | |
|-------------------|----------------|------------|----------------|------------|
| | EURO | USD | EURO | USD |
| Trade receivables | 634.290 | 190 | 497.490 | 0 |
| Trade liabilities | 517.078 | | 690.768 | 190 |
| Bank loans | 0 | 0 | 0 | 0 |
| Financial leasing | 0 | 0 | 0 | 0 |

Interest rate risk

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

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

Price risk

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

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

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

Credit risk

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

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

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

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

- Periodic reanalysis (6 months) of credit limits of all clients (for 2023 the analysis will be quarterly), together with the provision of balances for the risk of non-collection at a top company in the field.
- Analysis with increased frequency of debits and financial statements of clients
- Employing additional personnel within the control departments with increased attributions in what concerns the establishing and control of credit limits, stocks management, initiating and pursuing court proceedings of debtors as well as the recovery of debits.
- Strict control of costs with a positive impact on cash-flow

Liquidity risk

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

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

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

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

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Bank liquidities

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

Operational risk

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

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

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

NOTE 30 SOURCES OF ESTIMATION UNCERTAINTY

Preparing the financial statements of the Company imposes the management to make estimations and hypotheses affecting the values in relation to income, expenses, assets and liabilities, as well as the notes accompanying them and to present contingent liabilities at the end of the reporting period.

These estimations and hypotheses determine an uncertainty that may cause a significant future adjustment of accounting values.

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

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

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

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

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

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

- share capital: 95.480.800 shares * 0,01 ron/share = 9.548.082 ron
- issuance premiums
- legal reserves and other reserves
- current result
- result carried forward
- own shares

Companies were not the object of provisions imposed from the outside regarding capital in 2022.

NOTE 31 EVENTS SUBSEQUENT TO THE REPORTING PERIOD

On 02.03.2023, Farmaceutica REMEDIA SA completed a share repurchase operation carried out for the purpose of a Stock Option Plan. The number of shares repurchased on 02.03.2022, according to ASF Decision 122/08.02.2023 is 2.864.425 shares, representing 3% of the share capital. Total number of shares subscribed in the operation: 2.864.425 shares, representing 100% of the Offer. The total amount paid by Farmaceutica REMEDIA was 2.148.319 Lei. Repurchase price: 0,75 Lei per share.

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NOTE 32 – ECONOMIC-FINANCIAL INDICATORS

| 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 |

Note:

1) **Current liquidity** – the indicator level reflects a good payment capacity, therefore a reduced risk for creditors, certifying that the companies are capable of covering their short-term liabilities based on receivables and cash availabilities.

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

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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

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

by representative
Valentin – Norbert TARUS