

REPORT ON THE AUDIT OF INDIVIDUAL FINANCIAL SITUATIONS

FARMACEUTICA REMEDIA S.A.

**THE REPORT
AUDITOR
INDEPENDENT**

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March 22, 2024

INDEPENDENT AUDITOR'S REPORT

To,

SHAREHOLDERS OF FARMACEUTICA REMEDIA S.A.

OPINION

1. We audited the financial statements of the company FARMACEUTICA REMEDIA S.A. ("The Company"), which include the Statement of financial position as of December 31, 2023, the Statement of comprehensive income, the Statement of cash flow, the Statement of changes in equity for the financial year as of this date as well as a summary of significant accounting policies and other explanatory notes.
2. The individual financial statements on December 31, 2023 are identified as follows:

• Net assets/Total equity	52,856,662 lei
• Financial year result/Net profit	4,374,862 lei

3. In our opinion, the individual financial statements present a true picture of the financial position on December 31, 2023 of FARMACEUTICA REMEDIA S.A., as well as the result of its operations and its cash flows for the financial year ended on this date, in accordance with Minister of Finance no. 2844/2016 for the approval of the Accounting Regulations in accordance with the International Accounting Reporting Standards (IFRS).

Basis for opinion

3. We conducted our audit in accordance with the International Standards on Auditing ("ISA") and Law no. 162/2017 ("the Law"). Our responsibilities under these standards are described in detail in the "Auditor's Responsibilities in an Audit of Financial Statements" section of our report.

We are independent from the Company, according to the Code of Ethics for Professional Accountants issued by the International Ethical Standards Board for Accountants (IESBA code), according to the ethical requirements that are relevant to the audit of financial statements in Romania, including the Law, and we have fulfilled our ethical responsibilities according to these requirements and according to the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Highlighting some aspects

4. The main aspects that, based on our professional judgment, formed the basis of our opinion on the unconsolidated financial statements are:

The principle of business continuity

The economic climate correlated with the uncertainties generated by the geopolitical context in Ukraine, by the restrictions imposed at the international level on the Russian Federation, respectively Belarus, and the energy crisis implicitly determines the existence of a risk related to the possibility of unpredictable developments regarding the level of economic and financial indicators of society, respectively : interruption of energy supply, significant price variations, disruption of distribution chains, intensification of cyber attacks, the risk of increasing borrowing costs or limiting access to financing. The management of the Company's financial situation depends on how management approaches future socio-economic events and conditions presented in the difficult environment in which it operates.

The company has already taken specific measures to ensure the health and safety of its employees. In addition to the human risk, the pandemic also poses an economic risk to the company's future operations. On the date of the audit report, the Company took specific measures to ensure that the company's activity runs smoothly.

Through the impact analysis of the events subsequent to the date of the financial statements, it was found that there was no degree of uncertainty on the continuity of the Company's activity.

Our audit opinion does not contain a reservation in relation to the said aspect.

Key audit matters

6. The key audit matters are those matters which, based on professional judgment, had the greatest importance in performing the audit of the financial statements and were addressed in the context of the audit of the financial statements as a whole and in the formation of our opinion on them and we do not provide an opinion separately on these key issues.

Key audit issues	Approach within the audit mission
<p><u><i>Income assessment</i></u></p> <p>We identified the recognition of operating revenues as a key audit matter because revenues represent one of the Company's key performance indicators and therefore there is an inherent risk in their recognition by management to meet specific objectives or expectations.</p>	<p>Our audit procedures for evaluating revenue recognition included the following:</p> <ul style="list-style-type: none"> • Testing the effectiveness of the Company's key controls to prevent and detect fraud and errors in revenue recognition. This procedure included testing the controls for revenue recognition based on the services performed by reference to a sample of transactions; • Inspection of contracts with customers, on a sample basis, to understand the terms of the lease transactions, to assess whether the company's revenue recognition criteria were in accordance with the requirements of the accounting standards in force; • Evaluation, on a sample basis, of the recognition in the financial period corresponding to the revenues recorded near the end of the financial year, by

	<p>comparing the selected transactions with the relevant documentation;</p> <ul style="list-style-type: none">• Obtaining confirmations of customer balances at the end of the year, on a sample basis;• Reviewing the sales ledger after the end of the financial year to identify significant credit notes issued and inspecting the relevant documentation to assess whether the related revenue has been accounted for in the appropriate financial period;• In the financial year 2023, the economic activity of the company registered an increase compared to previous years, but this fact also required the performance of additional audit diligences in order to issue the audit opinion;• Issuing an audit opinion required the identification of values and amounts that significantly influence the values from the annual financial statements and which are in the category of values that require additional procedures on the part of the auditor to reduce the audit risk;• Obtaining and evaluating responses received from Company management and discussing potential exposures with Company management. In this sense, special attention was paid to the analysis of the company's development strategy for the next period: optimizing flows by updating the PLC conveyor software and interfacing with WMS, designing new storage spaces at the Bucharest warehouse in order to equip them with a robot to streamline the flow of supply, the reorganization of cargo flows in Bucharest and Deva warehouses.• <i>Revenues.</i> The total revenue achieved by the company was 26,367,003 lei, of which sales of goods were worth 11,370,803 lei, revenue from services provided and rent 4,009,129 lei and other operating revenue worth 5,573,817 lei, financial revenue 5,413,254 lei being presented in Explanatory notes to the Financial Statements. Taking into account the risks related to revenue recognition, the completeness and correctness of their registration, the audit tests performed included the evaluation of the principles according to IFRS 15 "Revenue recognition", the evaluation of the existence and effectiveness of internal controls, the comparative analysis of the gross margin, the analysis of adjustments.
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<ul style="list-style-type: none"> • <u>Revision of International Financial Reporting Standards (IFRS):</u> <ul style="list-style-type: none"> • IFRS 15 - Revenue from contracts with customers; • IFRS 16 - Leasing contracts; • IFRS 40 - Real estate investments; • IFRS 3 - Business combinations; • <u>IFRS 15- Revenue from contracts with customers</u> 	<ul style="list-style-type: none"> • The financial statements as of 31.12.2023 were drawn up in accordance with International Financial Reporting Standards (IFRS) <p>Our audit procedures included:</p> <ul style="list-style-type: none"> • The association of Farmaceutica Remedia SA with Pharma Expert Spedition SRL, based on the investment agreement dated 16.12.2021, considering that the decisions are taken unanimously by the 2 associates who each own 50% of the shares; • The Pharma Expert Spedition SRL company is jointly controlled according to IFRS 11, it is an association-type entity with jointly controlled legal personality; • The investment in this entity was correctly accounted for using the equity method ("Equity method") according to the requirements of IFRS 11 and IAS 28. <p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Application of the 5-step model for all income categories; • Variable components of the price (commercial discounts, sales with right of return); • Marginal costs of obtaining a contract; • Modification of the contract; <p>According to IFRS 15, a contract falls within the scope of the standard only when all of the following criteria are met:</p> <ul style="list-style-type: none"> • the parties to the contract have approved the contract and undertake to fulfill their obligations; • the rights of each party regarding the goods or services to be transferred as well as the terms of payment can be identified; • the contract has commercial content; and • it is likely that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. <p>The clients of Farmaceutica Remedia S.A. are the health centers, natural and legal persons, and the Company has a practice of concluding contracts, signed in writing. Contracts entered into are for multiple goods or services and clearly detail each good or service and related terms and conditions. The contract also includes a detailed description of the price, payment terms and other key terms and conditions regarding the performance of the contract.</p>
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<p>• <u>IFRS 16- Leasing contracts</u></p> <p>Key aspects:</p> <ul style="list-style-type: none"> • Identification of leasing contracts (based on the elements of the definition of a leasing contract). Extraction of the relevant data required for the application of the standard (separate leasing and non-leasing components) <ul style="list-style-type: none"> • Establishing the rental period • The interest rate • Subletting • Recognition and evaluation <p>• <u>Sale of 2 pharmaceutical licenses</u></p> <ul style="list-style-type: none"> • In February 2023, Farmaceutica Remedia SA sold 1 pharmaceutical license related to Remedia Aviației pharmacy in Bucharest. • In December 2023, Farmaceutica Remedia SA transferred, by sale to Farmaceutica Remedia Distribution & Logistics SRL 1 pharmaceutical license related to Remedia Metalurgiei pharmacy in Bucharest. <p>• <u>Share redemption- Program Stock Option Plan</u></p>	<p>Our audit procedures included documenting, analyzing and evaluating leases in accordance with IFRS 16.</p> <ul style="list-style-type: none"> • The leasing contracts were identified. According to IFRS16.9 - a contract is or contains a lease if it conveys to the lessee the right to control the use of an identified asset for a period of time in exchange for consideration; • Lease contracts convey the right to control the use of goods; • The company revised the rental contracts with suppliers in force in the financial year 2023; • Lease term: The start date is the date on which the lessor makes available a supporting asset for use by the lessee, which, in some cases, may be earlier than the date stipulated in the lease (for example, the date on which the leased space is modified by the lessee before the commencement of operations at the leased location); • The implicit interest rate in the leasing contract is specific to the lessor and depends on the initial fair value of the underlying asset and the lessor's expectation of the residual value of the asset at the end of the leasing contract; • The company does not sublet premises. • Recognition and evaluation: The company applies the IFRS 16 Standard. • Leasing operations are correctly reflected in accounting; <p>For this key audit aspect we performed several audit procedures, including:</p> <ul style="list-style-type: none"> ○ We verified sales by verifying contracts for pharmaceutical licenses and related receipts; ○ I checked their presentation in the financial statements. <ul style="list-style-type: none"> • On 02.03.2023, Farmaceutica REMEDIA SA completed a share buyback operation carried out with the aim of running a Stock Option Plan type program. The number of shares redeemed 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 SA was 2,148,319 Lei. Redemption price: 0.75 Lei per share.
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<ul style="list-style-type: none"> • <u>Valuation of fixed assets</u> 	<ul style="list-style-type: none"> • For this key audit aspect, we performed several audit procedures, including: <ul style="list-style-type: none"> • The audit tests carried out included the analysis of the result of the asset evaluation carried out by an independent evaluator, the assumptions that were the basis of the calculations made by him, the analysis of the degree of use of the assets, the analysis of the duration of use and the method of calculating depreciation. • Fixed assets represent 49,600,603 lei (remaining value) and have the following structure: <ul style="list-style-type: none"> o Tangible fixed assets in the amount of 43,690,842 lei representing land, buildings, equipment, means of transport, commercial furniture, etc. o Intangible assets worth 254,260 lei representing pharmacy licenses and software licenses; o Financial fixed assets in the amount of 5,655,500 lei representing established deposits, paid guarantees; • Within tangible assets, a weight of 94.9% is represented by buildings and land. They are valued at market price every year by an authorized valuer. The evaluation at the end of 2023 highlighted an appreciation of 2,621,130 lei of these fixed assets, of which: <ul style="list-style-type: none"> o Lands: + 317,402 lei; o Construction: + 2,303,728 lei.
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Management's responsibilities for financial statements

7. The management of the company is responsible for the preparation and faithful presentation of these financial statements in accordance with the Order of the Minister of Public Finance no. 2844/2016. This responsibility includes: designing, implementing and maintaining an internal control relevant to the preparation and faithful presentation of financial statements that do not contain significant distortions due to fraud or error; selection and application of appropriate accounting policies; the development of reasonable accounting estimates in the given circumstances.

8. In preparing the financial statements, the management is responsible for evaluating the Company's ability to continue its activity, for presenting, if necessary, aspects related to the continuity of the activity and for the use of accounting based on the continuation of the activity, unless the management is intends to liquidate the Company or cease operations, or has no other realistic alternative.

9. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities in an audit of financial statements

10. Our responsibility is to express an opinion on these financial statements, based on the audit performed. We performed the audit according to the International Auditing Standards adopted by the Romanian Chamber of Financial Auditors. These standards require that we comply with the Chamber's ethical requirements, plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

Our objectives are to obtain reasonable assurance about whether the financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement, if any. Misstatements can be caused either by fraud or error and are considered material if it can reasonably be expected that they, individually or cumulatively, will influence the economic decisions of users, taken on the basis of these financial statements.

11. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain sufficient appropriate audit evidence to provide a basis for our opinion. The risk of not detecting a material misstatement due to fraud is higher than that of not detecting a material misstatement due to error, because fraud may involve collusion, forgery, intentional omissions, misrepresentations and avoidance of internal control.
- We understand the internal control relevant to the audit, with a view to designing audit procedures appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- We evaluate the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and the related information presentations made by the management.
- Form a conclusion on the appropriateness of management's use of going concern accounting and determine, based on the audit evidence obtained, whether a significant uncertainty exists regarding events or conditions that could cast significant doubt on the ability Company to continue its activity. If we conclude that a material uncertainty exists, we must draw attention in the auditor's report to the related disclosures in the financial statements or, if those disclosures are inadequate, modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company to stop operating on a going concern basis.
- We evaluate the presentation, structure and content of the financial statements, including disclosures, and the extent to which the financial statements reflect the underlying transactions and events in a manner that results in a fair presentation.
- We communicate to those charged with governance, among other things, the planned scope and timing of the audit, as well as key audit findings, including any significant internal control deficiencies, that we identify during the audit.

Report on other legal and regulatory provisions

12. We were appointed by the General Meeting of Shareholders on 20.04.2022 to audit the financial statements of Farmaceutica Remedia SA for the financial year 2023. We confirm that during this period we did not provide prohibited non-audit services for the Company, art.5 para.l from EU Regulation no. 537/2014.

Other aspects

13. This report of the independent auditor is addressed exclusively to the shareholders of the company as a whole. Our audit was performed to express an opinion to the company's management regarding the material aspects that a financial audit report should contain, and for no other purpose. To the extent permitted by law, we do not accept or assume responsibility except to the company and its shareholders, as a whole, for our audit, for this report or for the opinion formed.

14. The partner of the audit mission on the basis of which this report was drawn up is Sergiu Cobîrzan.

Other information – Report of Administrators

15. Administrators are responsible for the preparation and presentation of other information. That other information includes the Directors' Report, but does not include the financial statements and the auditor's report thereon, nor the Non-Financial Statement.

Our opinion on the financial statements does not cover this other information and, unless explicitly mentioned in our report, we do not express any kind of assurance conclusion about them.

Administrators are responsible for the preparation and presentation of the Administrators' Report in accordance with OMFP no. 2844/2016 and for that internal control that the administrators consider necessary to allow the preparation and presentation of the Administrators' Report that does not contain significant distortions due to fraud or error. The administrators' report is not part of the financial statements.

In connection with the audit of the financial statements for the financial year ended on December 31, 2023, our responsibility is to read the Administrators' Report and, in this endeavor, to assess whether there are significant inconsistencies between the Administrators' Report and the financial statements, if the Administrators' Report includes, in all significant aspects, the information required by OMFP no. 2844/2016, annex 1, chapter 3, points 15-19 and chapter 4, points 26-28 regarding the Accounting Regulations regarding the International Financial Reporting Standards, and if based on our knowledge and understanding acquired during the audit of the financial statements regarding the Company and its environment, the information included in the Administrators' Report is significantly erroneous. Based on the activity carried out, we confirm that:

- in the Administrators' Report we have not identified any information that is not consistent, in all significant aspects, with the information presented in the attached financial statements;
- The administrators' report identified above includes, in all significant aspects, the information required by OMFP no. 2844/2016, annex 1, chapter 3, points 15-19 and chapter 4, points 26-28 regarding the Accounting Regulations regarding the International Financial Reporting Standards;
- based on our knowledge and understanding acquired during the audit of the financial statements for the financial year ended on December 31, 2023 regarding the Company and its environment, we have not identified any information included in the Directors' Report that is significantly erroneous.

Regarding the Remuneration Report, based on our knowledge and understanding of the Company and its environment, acquired during the audit of the individual financial statements for the financial year ended on December 31, 2023, we report that it has been drawn up, in all aspects significant, in accordance with the provisions of Law 24/2017, paragraphs 106-107, and we have not identified significant distortions in the manner of its preparation.

ec. Sergiu COBIRZAN – Financial auditor
*Registered in the Public Register of auditors
financial and audit firms with number AF 4517*

In the name:
PREMIER CLASS AUDIT S.R.L.
*Registered in the Public Register of auditors
financial and audit firms with number FA 1195
Cluj Napoca, România 22.03.2024*

Autoritatea pentru Supravegherea Publică a
Activității de Audit Statutar (ASPAA)
Firma de Audit:
PREMIER CLASS AUDIT SRL
Registrul Public Electronic: FA1195

Autoritatea pentru Supravegherea Publică a
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