



Consolidated Annual Report

Financial year 2020
Pilulka Lékárny, a.s.

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LÉKÁRNA



Introduction

Dear shareholders,

let me present to you the Consolidated Annual Report of Pilulka Lékárny, a.s. and its subsidiaries in the Czech Republic, Slovakia and Romania for the financial year 2020. For our Company, it was another very successful year marked by significant, but not the unplanned, growth. The pharmaceutical market not only in the Czech Republic is facing major changes, which our Company also perceives as great opportunities. The situation in Slovakia is very similar, the pharmaceutical market as well as the entire healthcare system is undergoing gradual, inevitable digitization. Romania, our newest market, which we entered practically only two years ago, continues to grow rapidly and we are happy to be part of it. Compared to previous years, the year 2020 was affected by two significant events, one of which was fully under the direction of our Company and the other to which we were exposed without our intervention. In 2020, it became clear how important it was for a Company of our type to always be on the side of patients and customers and reassure them that they were not alone.

- In the first quarter of 2020, a threat of a pandemic broke out with the gradual spread of SARS-CoV-2 (a new coronavirus) around the world. In February, it also began to affect the pharmaceutical market in the countries where our Company operates. Due to the onset of the pandemic, our Company had to speed up some digitization and automation processes, ensure cooperation with local delivery services and volunteers, and in the short term there was a significant increase in customer interest and revenue. The situation did not end until the end of 2020, and we are convinced that next year will be affected by it. In the case of our Company, which operates mainly in the online and technology area, this impact will be rather positive.

- The second significant event in 2020 was the entry of Pilulka Lékárny a.s. into the Prague Stock Exchange START market. In October 2020, a very successful initial public offering (“IPO”) of our Company took place, investors’ interest in shares was more than five times higher than the offer of subscribed shares. The shares price continued to rise after the IPO.

E-commerce and technology. The main activity that we focused on in 2020 and will continue to do so is the online sale of pharmacy and related goods and services under the Pilulka brand in the Czech Republic, Slovakia and Romania.

Pharmacies stores. We did not slow down even in the area of operation of pharmacies stores in 2020, although pharmacies stores are no longer strategically or in terms of volume the most important part of the Company. It is known that we operate our own network of pharmacies stores only on our domestic market in the Czech Republic. We ended the year 2020 with 32 pharmacies stores under the Pilulka Lékárna logo. Apart from our pharmacies, the number of Pilulka Partner pharmacies have started increasing rapidly to reach a total number 125 at the end of the year. Thanks to them our Company significantly strengthens market penetration.

B2B cooperation. In 2020, we terminated our activities under the CoPharm brands in the Czech Republic and Top Farma in the Slovak Republic. We managed to include a significant part of the CoPharm network in the Pilulka Partner project. This was another strategic achievement, the implementation of which we have already decided in 2018.

The Company continued to focus on quality cooperation with suppliers, especially from pharmaceutical Companies, manufacturers of food supplements, sports nutrition, cosmetics, children’s needs and other categories related to prevention and a healthy lifestyle.

Pilulka.cz is the largest mail-order pharmacy in the Czech Republic, the mobile application Pilulka is the most successful and consumer-rated pharmacy application on the Czech market on both the Apple iOS platform and Google's Android. We will continue to develop innovative services also in the coming years. We feel that we are a leader in this segment, and we do not give up this role, which sets the rules and defines the market. We are an innovator whose goal is to improve the customer experience and bring modern trends to the pharmacy segment, whether it is self-transport, testing through self-collection kits or offered advisory and service for patients and customers in pharmacies sotres and online.

In 2020, there was a very significant staff reinforcement both at the level of management and at the level of employees in general. It is still true that the greatest value of the Company are smart, active and inspiring people who provide services under the Pilulka brand every day.

In the future, we want to continue fulfilling our mission, which is to improve the comfort of our customers' life, especially in the field of health care. We will continue to be extremely pro-customer, invest in rapid growth, expand and bring innovative projects to market. We have a year ahead of us, perhaps years to be affected by the COVID pandemic, which has irreversibly changed people's lives and accelerated the digitization of all human activities. Our long-term vision is to be the dominant provider of pharmacy care in Central Europe and to change the perception of the pharmacy as a place where patients are only treated to a place where the words prevention, healthy lifestyle, nutrition or screening have priority.





Other facts and events

The consolidation group Pilulka Lékárny a.s. did not have any research and development expenses.

None of the Companies in the consolidation group Pilulka Lékárny a.s. acquired their own shares.

In the area of labor relations, all Companies from the consolidation group Pilulka Lékárny a.s. placed emphasis on the development and training of employees in addition to fulfilling all legal obligations.

Companies from the consolidation group Pilulka Lékárny a.s. handle hazardous waste. Hazardous waste is collected and disposed of on the basis of contractual arrangements with suppliers who have valid authorizations to dispose of this waste. Waste is treated in accordance with legal standards.

The majority shareholders (with a total share of voting rights greater than 75%) decided in March 2021 to change the option program approved in 2020. Based on this decision, the shares for the option program will be subscribed for preferentially during the exercise of the option.

In 2021, the Group also decided on a new option program for current employees. Under this option program, employees could acquire up to 25 thousand new shares of CZK 1 each, which would increase the Company's share capital.

The Group bought a minority share (30%) in Pilulka Online S.R.L. and thus became its sole shareholder. The transfer of ownership of the business share took place on 1 January 2021. On 7 January 2021, the Group paid RON 13,500 for this share.

ŽIVOT
LIFE

MUŽ & ŽENA
MAN & WOMAN

ZUBY
TEETH

KAŠEL
COUGH

RÝMA & OČI & UŠI
NOSE & EYES & EARS

Na předpis

CHŘIPKA
FLU

NACHLAZENÍ
COLD

BOLEST
PAIN

SPECIAL OFFER

PRVNÍ POMOC FIRST AID

ČAJE TEA





In May 2021, the amendment to the contract on credit line was signed with Ceska sporitelna, a.s., which increases the credit line for operative financing (overdraft) by CZK 37 000 thousand.

There were no other events after the balance sheet date that would have a material impact on the financial statements as at 31 December 2020.

Prague, 4 June 2021



Ing. Petr Kasa

Member of the Board of Pilulka Lékárny a.s.

Information about the company

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Pilulka Lékárný a.s.

**Consolidated Financial Statements
31 December 2020**

Company: Pilulka Lékárny a.s.
Identification number: 03615278
Legal Form: Join-stock Company
Business activity: Purchase and sale of medicines and food supplements
Balance sheet date: 31 December 2020
Date of preparation of the financial statements: 4 June 2021

CONSOLIDATED BALANCE SHEET

(in thousands of CZK)

		31. 12. 2020	31.12.2019 (adjusted)
	Assets	497,979	344,505
B.	Fixed assets	116,737	113,230
B.I.	Intangible fixed assets	53,646	49,793
B.II.	Tangible fixed assets	35,194	33,170
B.III.	Long-term investments	-	97
B.IV.	Positive consolidation difference	28,545	30,883
B.V.	Negative consolidation difference	(648)	(713)
C.	Current assets	377,708	225,625
C.I.	Inventories	90,623	76,633
C.II.	Receivables	155,304	139,398
C.II.1	Long-term receivables	3,234	3,753
C.II.2	Short-term receivables	152,070	135,645
C.IV.	Cash	131,781	9,594
D.	Prepayments and accrued income	3,534	5,650
	Liabilities and equity	497,979	344,505
A.	Equity	227,793	37,674
A.I.	Share capital	2,500	2,000
A.II.	Share premium and capital contributions	389,332	175,112
A.IV.1	Retained earnings / Accumulated losses	(94,023)	(50,564)
A.IV.2	Restatement of retained earnings	(48,159)	(43,386)

A.V.	Profit / (loss) without minority interests	(21,857)	(45,488)
	of which: Profit / (loss) for the current period	(21,857)	(45,488)
B. + C.	Liabilities	279,924	312,368
B.	Provisions	5,622	-
C.	Liabilities	274,302	312,368
C.I.	Long-term liabilities	3,206	41,953
C.II.	Short-term liabilities	271,097	270,416
C.I.2 + C.II.2	of which Liabilities to credit institutions	24,606	76,210
D.	Accruals and deferred income	-	316
E.	Minority equity	(9,738)	(5,853)
E.I.	Minority share capital	73	72
E.II.	Minority capital funds	(15)	94
E.III.	Minority funds from profit, including retained earnings and accumulated losses	(6,011)	(765)
E.IV.	Minority profit of the current period	(3,785)	(5,254)

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CONSOLIDATED INCOME STATEMENT

(in thousands of CZK)

		2020	2019 (adjusted)
	Item		
I.	Sales of own products and services	107,187	72,391
II.	Sales of goods	1,673,029	1,166,466
A. + B. + C.	Cost of sales incl. changes in inventories of finished goods and work in progress	1,582,033	1,111,590
D.	Staff costs	166,635	146,104
E.	Value adjustments in operating activities	19,102	19,024
	Settlement of positive consolidation difference	2,337	2,337
	Settlement of negative difference	65	65
III.	Operating income - other	5,551	7,029
F.	Operating expenses - other	14,668	11,717
*	Consolidated operating result	1,057	(44,821)
V.	Income from other long-term investments	-	72
VI.	Interest and similar income	28	18
J.	Interest and similar expenses	2,531	3,631
VII.	Other financial income	930	112
K.	Other financial expenses	24,577	3,801
*	CONSOLIDATED FINANCIAL RESULT	(26,150)	(7,230)
**	Consolidated net profit / (loss) before taxation	(25,093)	(52,051)
L.	Tax on profit or loss	549	(1,308)

***	Consolidated net profit / (loss) for the financial period	(25,642)	(50,743)
	of which: profit / (loss) without minority interests	(21,857)	(45,488)
	Minority interests on profit / (loss)	(3,785)	(5,254)
	Consolidated net profit / (loss)	(25,642)	(50,742)

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of CZK)

	Share capital	Share premium	Other capital funds	Retained earnings (+) / Accumulated losses (-)	Restatements of re- tained earnings (+/-)	Total
Balance as at 31 December 2018	2,000	-	113,530	(49,614)	-	65,916
Adjustment of prior years	-	-	-	-	(43,386)	(43,386)
Balance as at 1 January 2019	2,000	-	113,530	(49,614)	(43,386)	22,530
Profit or loss (adjusted)	-	-	-	(45,488)	-	(45,488)
Increase in other capital funds	-	-	61,582	-	-	61,582
Exchange rate differences from the translation of a foreign consolidated company and other	-	-	-	(950)	-	(950)
Balance as at 31 December 2019	2,000	-	175,112	(96,052)	(43,386)	37,674
Adjustment of 2019 profit	-	-	-	4,773	(4,773)	-
New shares emission	500	211,500	-	-	-	212,000
Profit or loss	-	-	-	(21,857)	-	(21,857)
Exchange rate differences from the translation of a foreign consolidated company and other	-	-	2,720	(2,744)	-	(24)
Balance as at 31 December 2020	2,500	211,500	177,832	(115,880)	(48,159)	227,793

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CONSOLIDATED STATEMENT OF CASH FLOW

(in thousands of CZK)

		2020	2019 (adjusted)
	Cash flows from operating activities		
	Consolidated net profit /(loss) before tax	(25,093)	(52,051)
A.1.	Adjustments for non-cash movements:	30,745	16,977
A.1.1.	Depreciation and amortisation of fixed assets	19,102	19,024
A.1.2.	Settlement of consolidation differences	2,272	2,337
A.1.3.	Change in provisions	3,040	-
A.1.4.	(Profit)/loss from disposal of fixed assets	15	11,879
A.1.6.	Net interest expense/(income)	2,531	3,631
A.1.7.	Other non-cash movements	3,785	(19,894)
A.*	Net cash flow from operating activities before tax and changes in working capital	5,652	(35,074)
A.2.	Working capital changes:	4,242	12,839
A.2.1.	Change in receivables and prepayments	(14,608)	(7,830)
A.2.2.	Change in short-term payables and accruals	32,840	30,457
A.2.3.	Change in inventories	(13,990)	(9,789)
A.**	Net cash flow from operating activities before tax	9,894	(22,235)
A.3.	Interest paid	(2,531)	-
A.4.	Interest received	-	18
A.5.	Income tax paid	27	(127)
A.***	Net cash flow from operating activities	7,390	(22,344)
	Cash flows from investing activities		

B.3.	Acquisition of fixed assets	(27,647)	(48,710)
B.4.	Proceeds from sale of fixed assets	15	-
B.***	Net cash flow from investing activities	(27,632)	(48,710)
	Cash flows from financing activities		
C.1.	Change in long- and short-term liabilities	(51,604)	5,693
C.2.	Changes in equity:	194,057	61,582
C.2.1.	Cash inflow from the increase of share capital	194,057	61,582
C.***	Net cash flow from financing activities	142,453	67,275
	Impact of foreign currency translation on cash	(24)	-
	Net increase/ (decrease) in cash and cash equivalents	122,187	(3,779)
	Cash and cash equivalents at the beginning of the year	9,594	13,373
	Cash and cash equivalents at the end of the year	131,781	9,594



Pilulka Lékárný a.s.

**Consolidated Financial Statements
31 December 2020**

1. Scope of consolidation

The group of companies consists of the controlling Company Pilulka Lékárny a.s. (“Company” or “Controlling Company”) and its subsidiaries (“Consolidation Unit” or “Group”). The definition of these companies is presented below.

The main business of the Group are:

- operation of internet portals Pilulka.cz, Pilulka.sk and Pilulka.ro,
- operation of store pharmacies,
- distribution of medicinal products
- the alliance network of pharmacies Pilulka Partner, which is a network of pharmacies operated by independent pharmacists cooperating with the Group in marketing and distribution on the basis of a franchise agreement.

The group is a leading player in the pharmacy field in Central and Eastern Europe and a top and key member of a group of technology companies focused on pharmacy. The technological character of the Group is based on connecting the online and offline world of pharmacy with help of technology.

The existence of the novel coronavirus causing the COVID-19 disease was confirmed in early 2020 and has spread globally. The pandemic and especially the restrictive measures taken in order to mitigate the health impacts have caused disruptions to businesses and economic activities and have affected the Group’s operations in the year ending 31 December 2020.

During the pandemic, the Group plays key role in the supply of medicines and medical goods. The COVID-19 pandemic in 2020 had a significant positive effect on the Group’s activities. There was a significant increase in demand for pharmaceuticals, to which the Group was able to respond in a matter of days by increasing capacity and providing key services, even for at-risk patients and the elderly. The combination of remote services and distance supplies of medical goods proves to be practically irreplaceable in times of quarantine and physical restraint. Although the Group perceives that macroeconomic changes are taking place as a result of COVID-19, which may lead to a general decline in demand, the demand for basic pharmaceutical products (medicines, medical and healthcare needs) meeting essential human needs is not affected by market developments. The COVID-19 pandemic and its economic and social consequences may represent another opportunity for the Group.

1.1. Controlled companies

For the purposes of consolidation, a controlled company is a company in which the Controlling company exercises a controlling influence through:

- the direct or indirect exercise of more than 50% of the voting rights of a controlled company, or
- demonstrable control of operational and strategic policies while the management company is shareholder or partner at the same time in a given company.

These companies are consolidated using the full consolidation method.

1.2. Consolidation of controlled, managed foreign companies

Balance sheets and all accounting information relating to foreign companies included in the consolidation have been translated at the exchange rate of the Czech National Bank as at the date of the consolidated financial statements. The profit and loss accounts have been translated at the average exchange rate of the Czech National Bank for the calendar year for which the consolidated financial statements are prepared.

1.3. Definition of the consolidation unit

Controlling Company

Pilulka Lékárny a.s. (“the Company”) was incorporated on 3 December 2014 by the Municipal Court in Prague, Section B, insert 20249 and has its registered office at Drahobejlova 1073/36, Libeň, 190 00 Prague 9. The Company’s identification number is 036 15 278.

The consolidated financial statements are prepared for the following companies:

Companies controlled, managed

Company name	Registered office	Country	Share of basic capital
Pilulka.sk a.s.	Podunajská 27, 821 06 Bratislava	SK	100 %
Pilulka Online S.R.L.	Nicolae Tizulescu Street, Nr. 2, Spade CA1, office Nr.1	RO	70 %
TOP Farma s.r.o.	Ivánska cesta 65, 821 04 Bratislava	SK	100 %
KICI s.r.o.	Drahobejlova 1073/36, 190 00 Praha 9 Libeň	CZ	100 %
Lékárna U Nádraží s.r.o.	Čs. Armády 1566, 470 01 Česká Lípa	CZ	100 %



Intragroup merger – domestic merger by absorption

Effective from 1 June 2020, the management company Pilulka Lékárny a.s. was merged with companies within the Group:

- Pilulka Distribuce s.r.o.
- CoPharm a.s.
- LÉKÁRNA NA STŘEDISKU s.r.o.
- Lékárna Starý Plzeňec s.r.o.
- PM PHARMA s.r.o.
- TODA, s.r.o.

These companies ceased to exist (“dissolving companies”), were erased from the Commercial Register and the Company Pilulka Lékárny a.s. became their legal successor. As a result of the merger, all the assets of the merging companies were transferred to the Company as the successor company.

The appointed date of the merger in the sense of the provisions § 70 letter c) of Act on Transformations of Commercial Companies and Cooperatives No. 125/2008 Coll. (“Act on Transformations”) and on the basis of the merger project is 1 January 2020. From this date, the actions of the dissolving companies are considered to have taken place from an accounting point of view on behalf of the Company. The effective date of the merger, i.e. the date of dissolution of the dissolving companies and the date of takeover of all assets and rights and liabilities by the Company, is the date of entry of the merger into the Commercial Register.

The entire transaction is described in the opening balance sheet prepared as of 1 January 2020, for which an auditor’s report was issued on 1 June 2020.

2. Accounting policies

2.1. Consolidated financial statements basis of preparation

The consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Principles in the Czech Republic relevant for large companies and have been prepared under the historical cost convention.

2.2. Consolidation system

Controlled companies are consolidated using the full consolidation method. The full consolidation method includes the items in the balance sheet, profit and loss accounts and cash flows from the financial statements of the Company and consolidated

entities in full, after their eventual exclusion, reclassification and adjustment, in the consolidated balance sheet and consolidated profit and loss accounts and cash flow statements. Mutual receivables, payables, income and expenses are fully excluded. Profit from the sale of assets between Group companies is fully excluded.

The financial statements of all companies included in the consolidation were prepared as at 31 December 2020. For the purposes of consolidation, significant accounting procedures were unified within the consolidation group. These accounting policies are described below.

2.3. Consolidation differences

The consolidation difference is the difference between the acquisition cost of share of a consolidated company and its valuation based on the share participation of the consolidating company in the equity fair value, that arises as a difference between the fair values of the assets and the fair values of the foreign capital at the acquisition date or the date of further increase in the share participation (further acquisition of securities or shares). The day of acquisition is the date from which controlling and management entity begins to effectively apply relevant influence over the consolidated company. The consolidation difference is depreciated in accordance with Czech Accounting Standard no. 020 by a straight-line depreciation over 15 years.

2.4. Tangible and intangible assets

All intangible (and tangible) assets with a useful life longer than one year and a unit cost of more than CZK 3 thousand are treated as intangible and tangible fixed assets.

Purchased intangible and tangible fixed assets are initially recorded at cost, which includes all costs related to their acquisition.

Intangible and tangible fixed assets are amortised/depreciated applying the straight-line method over their estimated useful lives as follows:

Tangible and intangible fixed assets	Estimated useful life
Software	5 year
Goodwill	5 year
Technical impairment	according to the duration of the lease agreement
Valuation difference	15 years





The amortisation/depreciation plan is updated during the useful life of the intangible and tangible fixed assets in the case of change of expected useful life.

A provision for impairment is created when the carrying value of an asset is greater than its estimated recoverable amount. The estimated recoverable amount is determined based on expected future cash flows generated by this asset.

Repairs and maintenance expenditures for tangible fixed assets are expensed as incurred. Technical improvements of tangible fixed assets are capitalised.

2.5. Inventories

Purchased inventories are stated at the lower of cost and net realisable amount. Cost includes all costs related with its acquisition (mainly transport costs, customs duty, etc.). The actual costs method is applied for all disposals.

2.6. Receivables

Receivables are stated at nominal value less a provision for doubtful amounts. A provision for doubtful amounts is created on the basis of an ageing analysis and an individual evaluation of the credit worthiness of the customers.

2.7. Foreign currency translation

Transactions denominated in a foreign currency are translated and recorded at the rate of exchange ruling as at the transaction date.

Cash, receivables and liabilities balances denominated in foreign currencies have been translated at the exchange rate published by the Czech National Bank as at the balance sheet date. All exchange gains and losses on cash, receivables and liabilities balances are recorded in the income statement.

2.8. Changes in accounting policies and corrections of prior-period errors

Changes to accounting policies (inclusive of deferred tax impact) and corrections of errors arising from incorrect accounting or unrecorded expenses and income in prior periods, if material, are recorded in the financial statements on line Restatements of retained earnings.

2.9. Provisions

The Company recognises provisions to cover its obligations or expenses, when the nature of the obligations or expenses is clearly defined and it is probable or

certain as at the balance sheet date that they will be incurred, however their precise amount or timing is not known. The provision recognised as at the balance sheet date represent the best estimate of expenses that will be probably incurred, or the amount of liability that is required for their settlement.

The Company recognises a provision for its income tax payable which is presented net of advances paid for the income tax. If advances paid are higher than the estimated income tax payable, the difference is recognised as a short-term receivable.

2.10. Revenue recognition

Sales are recognised upon the delivery of products and customer acceptance and are stated net of discounts and value added tax.

Sales are recognised as at the date the services are rendered and are stated net of discounts and value added tax.

2.11. Related parties

The Consolidation Group's related parties are considered to be the following:

- parties, which directly or indirectly control the Consolidation Group, their subsidiaries and associates;
- members of the Consolidation Group's or parent Consolidation Group's statutory and supervisory boards and management and parties close to such members, including entities in which they have a controlling or significant influence;
- subsidiaries and associates and joint-venture companies.

2.12. Leasing

The costs of assets held under both finance and operating leases are not capitalised as fixed assets. Lease payments are expensed evenly over the life of the lease. Future lease payments not yet due are disclosed in the notes but not recognised in the balance sheet.

2.13. Interest expense

Interest expense on borrowings to finance the acquisition of intangible and tangible fixed assets are capitalised during the period of completion and preparation of the asset for its intended use. Other borrowing costs are expensed.

2.14. Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. A deferred tax asset is recognised if it is probable that sufficient future taxable profit will be available against which the asset can be utilised.

2.15. Cash flow statement

The Company has prepared the Cash-flow statement using the indirect method. Cash equivalents represent short-term liquid investments, which are readily convertible for a known amount of cash.

2.16. Subsequent events

The effects of events, which occurred between the balance sheet date and the date of preparation of the consolidated financial statements, are recognised in the consolidated financial statements in the case that these events provide further evidence of conditions that existed as at the balance sheet date.

Where significant events occur subsequent to the balance sheet date but prior to the preparation of the consolidated financial statements, which are indicative of conditions that arose subsequent to the balance sheet date, the effects of these events are quantified and disclosed but are not themselves recognised in the consolidated financial statements.



3. Intangible fixed assets

(CZK'000)	1 January 2020	Additions / transfers	Disposals	31 December 2020
Cost				
Software	60,088	16,909	(192)	76,805
Goodwill	4,282	-	-	4,282
Intangible fixed assets in the course of construction	882	1,772	-	2,654
Total	65,252	18,681	(192)	83,741
Accumulated amortisation				
Software	13,886	13,972	(192)	27,666
Goodwill	1,573	856	-	2,429
Total	15,459	14,828	(192)	30,095
Net book value	49,793			53,646

(CZK'000)	1 January 2019 - adjusted	Additions / transfers	Disposals	31 December 2019 - adjusted
Cost				
Software	34,610	28,652	(3,174)	60,088
Goodwill	4,282	-	-	4,282
Intangible fixed assets in the course of construction	463	419	-	882
Total	39,355	29,071	(3,174)	65,252
Accumulated amortisation				
Software	8,256	8,804	(3,174)	13,886
Goodwill	499	1,074	-	1,573
Total	8,755	9,878	(3,174)	15,459
Net book value	30,600			49,793

4. Tangible fixed assets

(CZK'000)	1 January 2020	Additions / transfers	Disposals	31 December 2020
Cost				
Constructions	2,815	186	(46)	2,955
Equipment	22,792	7,426	(2,358)	27,860
Valuation difference on acquired assets	16,467	1,732	-	18,199
Tangible fixed assets in the course of construction	415	(378)	(37)	-
Total	42,489	8,966	(2,441)	49,014
Accumulated depreciation				
Constructions	371	402	(47)	726
Equipment	5,406	4,006	(1,015)	8,397
Valuation difference on acquired assets	3,542	1,155	-	4,697
Total	9,319	5,563	(1,062)	13,820
Net book value	33,170			35,194

(CZK'000)	1 January 2019	Additions / transfers	Disposals	31 December 2019
Cost				
Constructions	2,425	477	(87)	2,815
Equipment	14,869	9,769	(1,846)	22,792
Valuation difference on acquired assets	19,017	400	(2,950)	16,467
Tangible fixed assets in the course of construction	-	415	-	415
Total	36,311	11,061	(4,883)	42,489
Accumulated depreciation				
Constructions	90	368	(87)	371
Equipment	4,302	2,740	(1,636)	5,406
Valuation difference on acquired assets	2,932	3,560	(2,950)	3,542
Total	7,324	6,668	(4,673)	9,319
Net book value	28,987			33,170

5. Positive consolidation difference

(CZK'000)	1 January 2020	Settlement	31 December 2020
Companies			
Pilulka.sk	15,132	(1,081)	14,051
Pilulka Online	2,358	(168)	2,189
KICI	1,152	(105)	1,047
Lékárna U Nádraží	2,882	(206)	2,676
Ostatní	9,359	(777)	8,582
Total	30,883	(2,337)	28,545

(CZK'000)	1 January 2019	Settlement	31 December 2019
Companies			
Pilulka Distribuce	3,832	(319)	3,514
CoPharm	1,238	(103)	1,134
TODA	2,156	(154)	2,002
PM Pharma	1,460	(105)	1,355
Lékárna Starý Plzenec	762	(51)	711
Lékárna Na Středisku	689	(46)	643
Pilulka.sk	16,213	(1,081)	15,132
Pilulka Online	2,526	(168)	2,358
KICI	1,257	(105)	1,152
Lékárna U Nádraží	3,088	(206)	2,882
Total	33,221	(2,338)	30,883

6. Negative consolidation difference

(CZK'000)	1 January 2020	Settlement	31 December 2020
Companies			
TOP Farma	(713)	65	(648)
Total	(713)	65	(648)

(CZK'000)	1 January 2019	Settlement	31 December 2019
Companies			
TOP Farma	(778)	65	(713)
Total	(778)	65	(713)

7. Inventories

Inventories consist of goods in stock in pharmacies stores and distribution warehouses intended for sale via e-shop. As at 31 December 2020, a provision for inventories in the amount of CZK 50 thousand was created within the consolidation group. As at 31 December 2019, no provision for inventories was posted.

8. Receivables

Trade receivables as at 31 December 2020 amounted to CZK 118,338 thousand (as at 31 December 2019: CZK 86,349 thousand)

Estimated receivables as at 31 December 2020 amounted to CZK 28,381 thousand (as at 31 December 2019: CZK 27,220 thousand) and represents in particular the expected invoicing of supplier volume bonuses.

The provision for doubtful receivables as at 31 December 2020 was CZK 153 thousand (as at 31 December 2019: CZK 1,451 thousand).

Receivables as at 31 December 2020 have not been covered by guarantees and none of them are due after more than 5 years.

The consolidation unit does not record any receivables and contingent receivables that are not reported in the balance sheet.

The consolidation unit did not record any income tax advances from legal entities as at 31 December 2020 and 31 December 2019.

9. Equity

Approved and issued shares:

	31 December 2020		31 December 2019	
	Amount (pieces)	Accounting value (CZK'000)	Amount (pieces)	Accounting value (CZK'000)
Ordinary shares in the amount of CZK 1, fully paid	2,500,000	2,500	2,000,000	2,000

No shareholder owns more than a 20% stake as at 31 December 2020.

The registered capital of the controlling company Pilulka Lékárny a.s. is divided into 2,500,000 registered ordinary shares held in book - entry form, with a nominal value of CZK 1. At the General Meeting, while voting there is one vote for every CZK 1 of the nominal value of the share.

The controlling company is not part of any higher consolidation group.

The controlling company prepares consolidated financial statements. The consolidated financial statements can be obtained at the registered office of the Management Company.

During the accounting period ended as at 31 December 2020, the Controlling Company issued 500,000 shares with a nominal value of CZK 1. In connection with the issue of new shares, the Controlling Company recorded a premium in the amount of CZK 211,500 thousand.

The general meeting of shareholders approved the financial statements for 2019 and decided about the allocation of the loss incurred in 2019 on 21 May 2020.

Up to the date of preparation of these financial statements, the Company has not proposed allocation of the consolidated loss incurred in 2020.

From 1 January 2020, the Group recognizes the costs of developing the customer base in the period in which they were incurred. The carrying amount of related intangible assets as at 31 December 2019 was recognized in equity (Restatements of retained earnings).





Within the account 426 - Restatements of retained earnings, the Group recorded an incorrect difference between the estimated assets that were created for the return bonuses of the withdrawn goods and the turnover bonuses actually invoiced.

The comparative figures as at 31 December 2019 have been restated in accordance with Interpretation of the National Accounting Council I-30.

In 2020, the management company created an option program for employees. Under this program, it made a commitment to provide selected employees with a number of shares specified in the share option agreement. Stock options are exercisable in September 2023.

10. Provisions

The Group created provisions in 2020 to cover its liabilities in the amount of CZK 5,622 thousand (as at 31 December 2019: CZK 0 thousand).

11. Payables, commitments and contingent liabilities

Trade and other payables have not been secured against any assets of the Company and are not due after more than 5 years.

Total non-cancellable future commitments in respect of operating leases (not recorded in the consolidated balance sheet) amounted to CZK 73,563 thousand as at 31 December 2020 (as at 31 December 2019: CZK 97,039 thousand). Based on the precautionary principle, the value of these future liabilities is quantified at the final effective date of the contracts.

A bank guarantee from Česká spořitelna a.s. in the total amount of CZK 3,917 thousand was provided to the Controlling Company of the Group.

The management of the Group is not aware of any contingent liabilities of the Group as at 31 December 2020. Liabilities to credit institutions

12. Liabilities to credit institutions

Bank loans can be broken down as follows:

	Guarantee	Interest rate (%)	Currency	Balance as at 31 December 2020 (CZK'000)	Balance as at 31 December 2019 (CZK'000)
Overdraft	see below	1M PRIBOR + 2,35%	CZK	-	48,156
Revolving	see below	1M PRIBOR + 2,54%	CZK	20,000	20,000
Investment	see below	3M PRIBOR + 1,95 až 2,55%	CZK	4,606	8,054
Total bank loans				24,606	76,210

All the above loans are provided by Česká spořitelna, a.s.

None of these loans has a maturity of more than 5 years.

Loans are subject to certain contractual conditions. Breach of these terms and conditions may result in the immediate maturity of the loans. The Group met these conditions based on the consolidated financial statements of the Group as at 31 December 2020.

The Company's inventories and trade receivables, third party guarantee and bill of exchange for the Česká spořitelna a.s., with „no protest“ clause serve as collateral or guarantee for the above-mentioned loans. The total net book value of inventories and trade receivables was 31 December 2020

CZK 177,073 thousand (as at 31 December 2019: CZK 138,811 thousand).



13. Revenue analysis

Revenue analysis:

(CZK'000) 2020	Czechia	Slovakia	Romania	Total
Marketing services	57,459	17,137	-	74,596
Paid transport	15,908	7,025	2,103	25,036
Dispensation fees	7,544	11	-	7,555
Total sales of own products and services	80,911	24,172	2,103	107,187
Sales of goods - offline sales (pharmacies store)	436,315	7,203	-	443,518
Sales of goods - online sales (e-shop)	809,721	374,225	45,565	1,229,511
Total sales of goods	1,246,036	381,428	45,565	1,673,029

(CZK'000) 2019 - (adjusted)	Czechia	Slovakia	Romania	Total
Marketing services	41,266	14,544	-	55,810
Paid transport	6,640	3,460	709	10,809
Dispensation fees	5,758	14	-	5,772
Total sales of own products and services	53,664	18,018	709	72,391
Sales of goods - offline sales (pharmacies store)	377,862	9,804	-	387,666
Sales of goods - online sales (e-shop)	535,671	223,967	19,162	778,800
Total sales of goods	913,533	233,771	19,162	1,166,466

The Group changed its approach to reporting reverse bonuses from suppliers in 2020, which now reduce the cost of goods sold. This approach better reflects the nature of the back bonuses. The comparative data for 2019 have been adjusted.

14. Employees

	2020		2019	
	number	(CZK'000)	number	(CZK'000)
Emoluments to the Statutory Body	2	359	1	-
Emoluments to members of the Supervisory Board	3	-	3	-
Wages and salaries to other management	12	6,734	8	4,119
Wages and salaries to other employees	268	116,096	255	103,760
Social security costs		39,674		34,516
Other social costs		3,772		3,709
Wages and salaries total	285	166,635	267	146,104

The Company's management includes senior staff members directly reporting to the statutory body.

No loans, credits, deposits, advances, no securities or other benefits were provided to Statutory Representatives as at 31 December 2020 and 2019.

Company cars are made available for use by the Statutory Representatives of the Consolidation Group

15. Income tax

The income tax expense analysis:

(CZK'000)	2020	2019
Current tax expense	(27)	123
Deferred tax expense	576	(1,431)
Total income tax expense	549	(1,308)

When calculating income tax, the management company claimed part of the tax losses from previous years. The tax liability for 2020 is zero.

Deferred tax was calculated using a tax rate of 19% (tax rate for 2020 and subsequent years) for Czech entities and 21% for Slovak entities.

The deferred tax asset / (liability) analysis:

(CZK'000)	31 December 2020	31 December 2019
Deferred tax asset / (liability) arising from:		
Difference between accounting and tax net book value of fixed assets	838	(118)
Provisions and impairments	1,537	-
Tax losses carried forward	5,689	7,118
Net deferred tax asset	8,064	7,000

A potential net deferred tax asset of CZK 8,064 thousand as at 31 December 2020 as at 31 December 2019: CZK 7,001 thousand), was accounted only in part related to Pilulka.sk (CZK 1,993 thousand), has not been recognised as it is not probable that future taxable profit will be available against which the unused tax credits can be utilised.

The Group has tax losses as at 31 December 2020 of CZK 29,332 thousand, of which CZK 5,885 thousand can be utilised up to 2021, CZK 13,607 thousand to 2023 and CZK 9,840 thousand to 2024.



16. Extraordinary income and expenses in terms of its size or origin

The controlling company Pilulka Lékárny a.s. entered the stock exchange market - PX Start of the Prague Stock Exchange in 2020. In this context, the consolidation unit reported financial costs in 2020 related to admission to the stock exchange in the amount of CZK 17,943 thousand.

17. Subsequent events

The majority shareholders (with a total share of voting rights greater than 75%) decided in March 2021 to change the option program approved in 2020. Based on this decision, the shares for the optional program will be subscribed preferentially when exercising the option.

In 2021, the management company also decided on a new optional program for existing employees. Under this optional program, employees could acquire up to 25 thousand of new shares of CZK 1 each, which would increase the share capital of the Management Company.

The Group bought a minority share (30%) in Pilulka Online S.R.L. and thus became her only shareholder. The transfer of ownership of the business took place on 1 January 2021. On 7 January 2021, the Group paid RON 13,500 for this share.

In May 2021, the amendment to the contract on credit line was signed with Ceska sporitelna, a.s., which increases the credit line for operative financing (overdraft) by CZK 37 000 thousand.

No other events have occurred subsequent to year-end that would have a material impact on the consolidated financial statements as at 31 December 2020.

4 June 2021

Ing. Petr Kasa
Member of the Board of Directors

Ing. David Staněk
Chief Financial Director



Independent auditor's report

to the shareholders of Pilulka Lékárny a.s.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Pilulka Lékárny a.s., with its registered office at Drahobejlova 1073/36, Praha (the "Company") and its subsidiaries (together the "Group") as at 31 December 2020, of the Group's consolidated financial performance and consolidated cash flows for the year ended 31 December 2020 in accordance with Czech accounting legislation.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2020,
- the consolidated income statement for the year ended 31 December 2020,
- the consolidated statement of changes in equity for the year ended 31 December 2020,
- the consolidated statement of cash flows for the year ended 31 December 2020, and
- the notes to the consolidated financial statements including significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with the Act on Auditors and Standards on Auditing of the Chamber of Auditors of the Czech Republic (together the "Audit regulations"). These standards consist of International Standards on Auditing as supplemented and modified by related application guidance. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

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Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted by the Chamber of Auditors of the Czech Republic and with the Act on Auditors. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and Act on Auditors.

Other information

The board of directors is responsible for the other information. As defined in Section 2(b) of the Act on Auditors, the other information comprises the consolidated annual report but does not include the consolidated financial statements and auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge about the Group obtained in the audit or otherwise appears to be materially misstated. In addition, we assessed whether the other information has been prepared, in all material respects, in accordance with applicable legal requirements, i.e. whether the other information complies with the legal requirements both in terms of formal requisites and the procedure for preparing the other information in the context of materiality.

Based on the procedures performed in the course of our audit, to the extent we are able to assess it, in our opinion:

- the other information describing the facts that are also presented in the consolidated financial statements is, in all material respects, consistent with the consolidated financial statements; and
- the other information has been prepared in accordance with the applicable legal requirements.

In addition, in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the other information. We have nothing to report in this regard.

Responsibilities of the board of directors and supervisory board of the Company for the consolidated financial statements

The board of directors is responsible for the preparation of the consolidated financial statements that give true and fair view in accordance with Czech accounting legislation and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The supervisory board of the Company is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements 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 the Audit regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Audit regulations, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors and supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

4 June 2021

PricewaterhouseCoopers Audit, s.r.o.
represented by

A blue ink signature of Jan Musil, written in a cursive style.

Jan Musil

A blue ink signature of Martin Peterka, written in a cursive style.

Martin Peterka
Statutory Auditor, Licence No. 2469

This report is addressed to the shareholders of Pilulka Lékárny a.s.