

# **Consolidated Annual Report**

**Financial year 2022**

**Pilulka Lékárny a.s.**

## *Translation note*

*This version of our report is a translation from the original, which was prepared in the Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over this translation.*

## 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 2022.

After two years, 2022 was the very first year that can be described as “post-covid”. Comparative sales levels from 2020 and 2021 were very high, particularly in the antigen testing, protective equipment, disinfection and other medical device categories, which saw huge increase in customer interest with the onset of the SARS-CoV-2 global coronavirus pandemic in early 2020.

Despite several negative events that affected retail sales (the start of the war in Ukraine, increase in energy prices and consumer concerns of high inflation), we managed to achieve growth in 2022 in a market, that overall declined compared to the previous two years, although we had planned for higher growth. We are convinced that this is only a temporary phenomenon that will not last much longer. In the coming years, we expect market growth to return to the usual figures of the “pre-covid” years.

**E-commerce and technology.** The main activity we focused on as in previous years and will continue to do so, is the online sale of pharmacy and related health and healthy lifestyle goods and services under the Pilulka brand in the Czech Republic, Slovakia, Romania, Hungary and Austria. We have worked to further improve our sales tools, websites and mobile applications. The company also makes great efforts to develop internal systems that are invisible to customers but are the company's driving force.

**Pharmacies stores.** In 2022, we continued to optimise the network of pharmacy stores under the Pilulka brand. The number of own pharmacy stores has again decreased by several branches. At the end of 2022 we operated 23 branches, the number of partner pharmacies was 84 at the end of the year. From the company's long-term strategic point of view, this model seems to be more suitable for a sustainable business model in the Czech Republic and other follow-up projects in the future.

**B2B cooperation.** The company continues to focus on quality cooperation with suppliers, especially from pharmaceutical companies, manufacturers of food supplements, sports nutrition, cosmetics, maternal and childcare needs and other categories related to prevention and a healthy lifestyle. The Pilulka mobile application is, like in previous years, best-rated pharmacy application by consumers on the Czech market, both on the Apple iOS platform and on Android platform. We will continue to develop innovative services in the coming years. In our opinion, 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 who aims to improve the customer experience and bring modern trends to the pharmacy segment.

**Foreign expansion.** In 2022, we devoted great efforts to strengthening the company's position within the Central European region. We have been working all year on the preparatory work leading up to the launch of our services on the Hungarian and Austrian markets in the fourth quarter of 2022. These activities have not impacted revenues or profits in 2022 yet, but in terms of future investments, these were key projects, especially in IT (web applications, mobile websites, mobile applications, preparation of back-office systems) and logistics (preparation and expansion of new warehouses in Olomouc and Bratislava). An interesting fact of the expansion into Austria and Hungary is that we serve both new markets from shared distribution centres. Austria from the newly opened distribution centre in Olomouc (together with part of the Czech Republic) and Hungary from the distribution centre in Bratislava.

**Pilulka Lab.** In 2022, we continued our Pilulka Lab activities. It is designed for technology start-ups in the early seed and growth phases, operating in the field of e health: artificial intelligence, medical data, healthcare, blockchain and active life. We are aware that in the coming years there will be a dramatic digitisation of all health sectors, especially in the area of preventive care. Our company wants to be there, ideally in the form of strategic partnerships with the most interesting projects on the European market. We currently have two very innovative projects in our portfolio - Carebot (AI project in the field of X-ray image analysis) and Vitadio (eHealth project in the field of diabetes treatment).

**Plus Care.** From 2021 we are working on our own eHealt project - Plus Care. The initial idea is based on the application, which covers cooperation between the patient, the doctor, the pharmaceutical company and the health insurance company. By the end of 2022, we have launched our first collaborations with pharmaceutical companies, employers and public and private health insurers. The number of active users exceeded 10,000 for the first time this year. We will continue, not only within this project, to be extremely pro-customer we will also invest in rapid growth, expand and bring innovative projects to market. 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.

None of the companies in the consolidation group Pilulka Lékárny a.s. have an organizational unit abroad.

In the area of labour relations, all companies from the consolidation group Pilulka Lékárny a.s. placed emphasis on the development and employees training 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 on the basis of contractual arrangements with suppliers who have valid authorisations to dispose of this waste. Waste is treated in accordance with legal standards.

On 24 January 2023 the Controlling Company entered into an Office Lease Agreement with Balabenka Office Building, s.r.o. The Controlling Company's headquarters will be relocated to the office space specified in this Agreement as at 1 April 2023. On March 29<sup>th</sup> 2023, the Controlling Company changed its registered office at the Registry Court to a new address, namely Českomoravská 2408/1, 190 00 Prague 9, Libeň.

In the beginning of 2023, the Company started a preparation for a secondary public offering of shares on the Prague Stock Exchange Start. The Company expects the new capital to be subscribed in middle of the year 2023. The Company states that, in its working capital combined with the expected proceeds from the secondary public offer will be sufficient to meet the Company's current requirements and needs.

No other events have occurred after the balance sheet date that would have a material impact on the financial statements as at 31 December 2022.

Prague, 4 April 2023



Petr Kasa  
Member of the Board of Directors of Pilulka Lékárny a.s.

# Report on relations pursuant to Section 82 of Act No. 90/2012 Coll. of Pilulka Lékárny a.s. for the 2022 financial year

The Board of Directors of Pilulka Lékárny a.s., with its registered office at Drahobejlova 1073/36, 190 00 Prague, ID 036 15 278 registered in the Commercial Register kept by the Municipal Court in Prague, Section B, File 20249 (in this Report also the “Company”) prepared the following Report on Relations within the meaning of Section 82 of Act No. 90/2012 Coll., on Business Corporations (in this Report also the “Corporation Act”), for the accounting period of the calendar year 2022 (hereinafter “Relevant period”).

## 1. Structure of relations between parties in the Group as at 31 December 2022



## 2. Parties in the Group

### Controlling Parties

According to the information available to the Company's Board of Directors acting with due managerial care, throughout the relevant period, the Company was part of the Group, the Controlling Parties of which are listed below.

#### **Petr Kasa**

permanent residence: Počeradská 1149/48, Dolní Chabry, 184 00, Prague 8

#### **Martin Kasa**

permanent residence: Třeboradická 1283/13, Kobylisy, 182 00, Prague 8

#### **Marek Krajčovič**

permanent residence: Domkovská 2555/54, Horní Počernice, 193 00, Prague 9

#### **ALL-STAR HOLDING LIMITED, ID C 43151**

registered office: 20 CANNON ROAD, SANTA VENERA, SVR 9039, MALTA

Note: As Controlling Parties are listed shareholders with a share of more than 10% in the share capital (as at the date of preparation of the financial statements) who, as parties acting in concert according to Section 78 of the Business Corporations Act, jointly dispose of a share of the voting rights within the meaning of Section 75(3) of the Business Corporations Act (as at the date of preparation of the financial statements).

## Controlled Parties

### **KICI s.r.o.**

ID: 278 91 054

File number: C 124561 kept by the Municipal Court in Prague

Registration date: 24 April 2007

Registered office: Drahobejlova 1073/36, Libeň, 190 00, Prague 9

### **Plus Care s.r.o.**

ID: 117 67 642

File number: C 354257 kept by the Municipal Court in Prague

Registration date: 23 August 2021

Registered office: Drahobejlova 1073/36, Libeň, 190 00, Prague 9

### **Pilulka Lab s.r.o.**

ID: 287 33 347

File number: C 359163 kept by the Municipal Court in Prague

Registration date: 21 October 2010

Registered office: Drahobejlova 1073/36, Libeň, 190 00, Prague 9

### **Pilulka.sk a.s. (SK)**

ID: 47 235 225

Section Sa, file: 5371/B

Registration date: 4. 8. 2011

Registered office: Pestovateľská 17796/3, Bratislava - municipal district of Ružinov 821 04

### **TOP FARMA s. r. o. (SK)**

ID: 46 076 077

Section Sro, file: 71606/B

Registration date: 19.03.2011

Registered office: Pestovateľská 17796/3, Bratislava - municipal district of Ružinov 821 04

### **Pilulka Online S.R.L. (RO)**

ID: 396 23 896

File number: J40/7927/2020

Registration date: 13.07.2018

Registered office: Bucharest, 53-55 Drumul Osiei St., 6th District Romania

### **Pilulka.hu KFT (HU)**

ID: 32089770-2-41

File number: 01-09-406088

Registration date: 13.09.2022

Registered office: Váci út 47. Budapest 1314

## 3. The structure of relationships, the role of the Controlled Party, the method and means of control

### The structure of relationships

Pilulka Lékárny a.s. is controlled according to Section 2. Controlling parties. The parties mentioned in this section do not have other activities in the main subject of activity – i.e. retail sale of medicines and operation of pharmacies. These competitive restrictions are specified in the Articles of Association.

## The method and means of control

The control is realised by the direct exercise of voting rights at the General Meeting of the Controlled party and the granting of management instructions.

### 4. Overview of legal acts taken at the instigation or in the interest of the Controlling Party or related parties

During the Relevant period, the Company and its subsidiaries make legal acts at the instigation or in the interest of the Controlling Party or other parties (controlled by the Controlling Party), which would involve assets exceeding more than 10% of the Company's equity in value of CZK 18,554 thousand reported in the financial statements as at 31 December 2021.

- During the year, the Company capitalised its loans presented in note 5 in the subsidiary Pilulka.sk a.s. in the amount of CZK 19,619 thousand;
- The Company has provided performance under the loan agreements presented in Note 5 to the subsidiary Pilulka Online S.R.L. in the amount of CZK 23,222 thousand.

### 5. Overview of mutual agreements concluded between the Controlling Party and its related parties

Contracts with the Controlling Party valid in the year

#### **Contract with Controlling Party Petr Kasa**

- Agreement on the performance of the Board of Directors' member function from 31 December 2020;
- Agreement on the provision of advisory services with Clareo a.s., ID: 284 55 339, where Petr Kasa is the sole shareholder from 6 January 2021.

#### **Contract with Controlling Party Martin Kasa**

- Agreement on the performance of the Board of Directors' member function from 31 December 2020;
- Agreement on the provision of advisory services with Kovářská s.r.o., ID: 290 53 048, where Martin Kasa is the sole shareholder from 6 January 2021.

#### **Contract with Controlling Party Marek Krajčovič**

- Agreement on the provision of advisory services with MK Advisory s.r.o., ID: 242 32 661, where Marek Krajčovič is the sole shareholder from 3 January 2020;
- Amendment No. 1 to Agreement on the provision of advisory services from 6 January 2021.

#### **Contract with Controlling Party ALL-STAR HOLDING LIMITED**

- No contract is registered.

## Contracts with Controlled Party

### **Contract with the Controlled Party KICI s.r.o.**

- Loan agreement between KICI s.r.o. as lender and the Company as borrower dated 1 January 2018 for the amount of CZK 2,000,000 till 31 December 2020;
- Surcharge agreement outside the Basic Capital dated 28 February 2021;
- Loan agreement between the Company as lender and KICI s.r.o. as borrower dated 1 March 2021 for the amount of CZK 4,000,000 till 31 March 2021;
- Loan agreement between the Company as lender and KICI s.r.o. as borrower dated 1 March 2021 for the amount of CZK 2,000,000 till 31 March 2022;
- Framework loan agreement between the Company as lender and KICI s.r.o. as borrower dated 15 June 2021 for the amount of CZK 10,000,000;
- Amendment No. 1 from 9 December 2022 to framework loan agreement dated 15 June 2021.

### **Contract with the Controlled Party Plus Care s.r.o.**

- Service agreement dated 30 August 2021;
- Sublease agreement dated 30 August 2021;
- Loan agreement between the Company as lender and Plus Care s.r.o. as borrower dated 9 September 2021 for the amount of CZK 500,000 till 30 September 2021;
- Framework loan agreement between the Company as lender and Plus Care s.r.o. as borrower dated 20 September 2021 for the amount of CZK 10,000.00;
- Amendment No. 1 from 9 December 2022 to framework loan agreement dated 20 September 2021.

### **Contract with the Controlled Party Pilulka Lab s.r.o.**

- Loan agreement between the Company as lender and Lékárnou U Nádraží s.r.o. (now Pilulka Lab s.r.o.) as borrower dated 7 January 2019 for the amount of CZK 3,000,000 till 31 December 2020;
- Framework loan agreement between the Company as lender and Pilulka Lab s.r.o. as borrower dated 20 December 2021 for the amount of CZK 16,644,000;

### **Contract with the Controlled Party Pilulka.sk a.s. (SK)**

- Loan agreement between the Company as lender and Pilulka.sk a.s. (previous Herbia a.s.) as borrower dated 21 June 2019 for the amount of EUR 350,000 till 30 June 2020;
- Loan agreement between the Company as lender and Pilulka.sk a.s. as borrower dated 2 June 2021 for the amount of EUR 700,000 till 31 August 2021;
- Amendment No. 1 dated 20 August 2021 loan dated 2 June 2021;
- Service agreement dated 5 January 2022;
- Cooperation agreement dated 6 January 2022;
- Loan agreement between the Company as lender and Pilulka.sk a.s. as borrower dated 28 April 2022 for the amount of EUR 150,000 till 31 May 2022;
- Loan agreement between the Company as lender and Pilulka.sk a.s. as borrower dated 12 April 2022 for the amount of EUR 200,000 till 30 April 2022;
- Surcharge agreement outside the Basic Capital dated 3 October 2022;
- Surcharge agreement outside the Basic Capital dated 30 November 2022;

- Surcharge agreement outside the Basic Capital dated 31 December 2022.

### **Contract with the Controlled Party Top Farma s.r.o. (SK)**

- No contract is registered.

### **Contract with the Controlled Party Pilulka Online S.R.L. (RO)**

- Loan agreement between the Company as lender and PILULKA ONLINE S.R.L. as borrower dated 17 September 2019 for the amount of RON 140,000 with a maturity of 5 years from the conclusion of the contract;
- Loan agreement between the Company as lender and PILULKA ONLINE S.R.L. as borrower dated 30 July 2019 for the amount of RON 140,000 with a maturity of 5 years from the conclusion of the contract;
- Loan agreement between the Company as lender and PILULKA ONLINE S.R.L. as borrower dated 18 July 2019 for the amount of RON 140,000 with a maturity of 5 years from the conclusion of the contract;
- Loan agreement between the Company as lender and PILULKA ONLINE S.R.L. as borrower dated 20 June 2019 for the amount of RON 140,000 with a maturity of 5 years from the conclusion of the contract;
- Loan agreement between the Company as lender and PILULKA ONLINE S.R.L. as borrower dated 19 May 2019 for the amount of RON 140,000 with a maturity of 5 years from the conclusion of the contract;
- Loan agreement between the Company as lender and PILULKA ONLINE S.R.L. as borrower dated 23 April 2019 for the amount of RON 140,000 with a maturity of 5 years from the conclusion of the contract;
- Loan agreement between the Company as lender and PILULKA ONLINE S.R.L. as borrower dated 31 March 2019 for the amount of RON 140,000 with a maturity of 5 years from the conclusion of the contract;
- Loan agreement between the Company as lender and PILULKA ONLINE S.R.L. as borrower dated 24 October 2019 for the amount of RON 140,000 with a maturity of 5 years from the conclusion of the contract;
- Loan agreement between the Company as lender and PILULKA ONLINE S.R.L. as borrower dated 28 November 2019 for the amount of RON 294,333 with a maturity of 5 years from the conclusion of the contract;
- Loan agreement between the Company as lender and PILULKA ONLINE S.R.L. as borrower dated 15 March 2020 for the amount of RON 200,000 with a maturity of 5 years from the conclusion of the contract;
- Loan agreement between the Company as lender and PILULKA ONLINE S.R.L. as borrower dated 23 September 2020 for the amount of RON 140,000 with a maturity of 5 years from the conclusion of the contract;
- Loan agreement between the Company as lender and PILULKA ONLINE S.R.L. as borrower dated 27 October 2020 for the amount of RON 300,000 with a maturity of 5 years from the conclusion of the contract;
- Loan agreement between the Company as lender and PILULKA ONLINE S.R.L. as borrower dated 20 November 2020 for the amount of EUR 168,300 with a maturity of 5 years from the conclusion of the contract;
- Service agreement dated 6 January 2021;



- Loan agreement between the Company as lender and PILULKA ONLINE S.R.L. as borrower dated 7 January 2021 for the amount of RON 450,000 with a maturity of 5 years from the conclusion of the contract;
- Loan agreement between the Company as lender and PILULKA ONLINE S.R.L. as borrower dated 27 January 2021 for the amount of RON 375,000 with a maturity of 5 years from the conclusion of the contract;
- Loan agreement between the Company as lender and PILULKA ONLINE S.R.L. as borrower dated 27 April 2021 for the amount of RON 380,000 with a maturity of 5 years from the conclusion of the contract;
- Loan agreement between the Company as lender and PILULKA ONLINE S.R.L. as borrower dated 3 June 2021 for the amount of RON 500,000 with a maturity of 5 years from the conclusion of the contract;
- Loan agreement between the Company as lender and PILULKA ONLINE S.R.L. as borrower dated 25 August 2021 for the amount of RON 150,000 with a maturity of 5 years from the conclusion of the contract;
- Loan agreement between the Company as lender and PILULKA ONLINE S.R.L. as borrower dated 30 September 2021 for the amount of RON 1,600,000 with a maturity of 5 years from the conclusion of the contract;
- Loan agreement between the Company as lender and PILULKA ONLINE S.R.L. as borrower dated 30 September 2021 for the amount of EUR 35,113.50 with a maturity of 5 years from the conclusion of the contract;
- Loan agreement between the Company as lender and PILULKA ONLINE S.R.L. as borrower dated 30 September 2021 for the amount of RON 507,598 with a maturity of 5 years from the conclusion of the contract;
- Loan agreement between the Company as lender and PILULKA ONLINE S.R.L. as borrower dated 1 October 2021 for the amount of RON 420,000 with a maturity of 5 years from the conclusion of the contract;
- Loan agreements in total amount of CZK 42,471 thousand on 3 November 2021 were a part of increase in the share capital in total amount of RON 5,862,042.33, EUR 667,372 and CZK 107,850;
- Loan agreement between the Company as lender and PILULKA ONLINE S.R.L. as borrower dated 9 November 2021 for the amount of RON 660,000 with a maturity of 5 years from the conclusion of the contract;
- Loan agreement between the Company as lender and PILULKA ONLINE S.R.L. as borrower dated 7 January 2022 for the amount of RON 772,650 with a maturity of 5 years from the conclusion of the contract;
- Loan agreement between the Company as lender and PILULKA ONLINE S.R.L. as borrower dated 10 February 2022 for the amount of RON 1,106,000 with a maturity of 5 years from the conclusion of the contract;
- Loan agreement between the Company as lender and PILULKA ONLINE S.R.L. as borrower dated 25 March 2022 for the amount of RON 410,000 with a maturity of 5 years from the conclusion of the contract;
- Loan agreement between the Company as lender and PILULKA ONLINE S.R.L. as borrower dated 21 April 2022 for the amount of RON 600,000 with a maturity of 5 years from the conclusion of the contract;
- Loan agreement between the Company as lender and PILULKA ONLINE S.R.L. as borrower dated 24 May 2022 for the amount of RON 650,000 with a maturity of 5 years from the conclusion of the contract;
- Loan agreement between the Company as lender and PILULKA ONLINE S.R.L. as borrower dated 14 September 2022 for the amount of RON 300,000 with a maturity of 5 years from the conclusion of the contract;

- Loan agreement between the Company as lender and PILULKA ONLINE S.R.L. as borrower dated 25 October 2022 for the amount of RON 300,000 with a maturity of 5 years from the conclusion of the contract;
- Loan agreement between the Company as lender and PILULKA ONLINE S.R.L. as borrower dated 30 November 2022 for the amount of RON 250,000 with a maturity of 5 years from the conclusion of the contract; and
- Loan agreement between the Company as lender and PILULKA ONLINE S.R.L. as borrower dated 19 December 2022 for the amount of RON 300,000 with a maturity of 5 years from the conclusion of the contract.

### **Contract with the Controlled Party Pilulka.hu KFT (HU)**

- Loan agreement between the Company as lender and Pilulka.hu kft as borrower dated 13 October 2022 for the amount of EUR 20,000 EUR with the possibility of an additional EUR 30,000 with a maturity of 5 years from the conclusion of the contract.

### **6. Assessment of detriment to the Controlled Party and its compensation**

The Controlled Party did not suffer any detriment as a result of acting at the instigation or in the interest of the Controlling Entity or its related parties, or from the concluded contractual relations.

### **7. Evaluation of advantages and disadvantages, including possible risks, if any, of relations with the Controlling Party and its related parties**

The Controlling Party and its related parties derive benefits in particular, due to their stronger economic background. These relationships do not entail any disadvantages or risks for the Controlling Party and its related parties.

### **8. Confidentiality of information**

Confidential information that cannot be made public is considered to be information and facts that are part of the trade secret of the Company, Controlling Party, the Controlled Party and related parties, as well as information that has been marked as confidential by any of these parties. Furthermore, it is all information from business dealings that could be in itself or in connection with other information or facts to the detriment of any of the listed persons.

### **9. Conclusion**

The Board of Directors of the Company states that it has exercised due managerial care to ascertain the group of related parties for the purposes of this report on relations, in particular by asking the Controlling Party about the group of persons controlled by this party.

The Board of Directors of the Company believes that monetary benefits, resp. the considerations provided based on the relations between related parties described above was at arm's length.

Prague, 4 April 2023



Petr Kasa, Member of the Board of Directors  
Pilulka Lékárny a.s.



## Independent Auditor's Report

To the shareholders of Pilulka Lékárny a.s.

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### 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 Českomoravská 2408/1a, Praha (the "Company") and its subsidiaries (together the "Group") as at 31 December 2022, and of the Group's consolidated financial performance and consolidated cash flows for the year ended 31 December 2022 in accordance with Czech accounting legislation, and
- the separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of the Company's financial performance and cash flows for the year ended 31 December 2022 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 2022,
- the consolidated income statement for the year ended 31 December 2022,
- the consolidated statement of changes in equity for the year ended 31 December 2022,
- the consolidated statement of cash flows for the year ended 31 December 2022, and
- the notes to the consolidated financial statements including significant accounting policies and other explanatory information.

The separate financial statements of the Company comprise:

- the balance sheet as at 31 December 2022,
- the income statement for the year ended 31 December 2022,
- the statement of changes in equity for the year ended 31 December 2022,
- the statement of cash flows for the year ended 31 December 2022, and
- the notes to the separate financial statements including significant accounting policies and other explanatory information.

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### 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 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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PricewaterhouseCoopers Audit, s.r.o., registered seat Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic, Identification Number: 40765521, registered with the Commercial Register kept by the Municipal Court in Prague, Section C, Insert 3637, and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic under Licence No. 021.

## **Independence**

We are independent of the Group and the Company 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 the Act on Auditors.

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## **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 annual report but does not include the consolidated and separate financial statements (together the “financial statements”) and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge about the Group and the Company 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 financial statements is, in all material respects, consistent with the 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 the Company 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.

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## **Responsibilities of the board of directors and supervisory board of the Company for the financial statements**

The board of directors is responsible for the preparation of the financial statements that give a 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board of directors is responsible for assessing the Group’s and the Company’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 the Company 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.

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## **Auditor’s responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the 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 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 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 control.
- Obtain an understanding of internal control 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 and the Company's internal control.
- 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 and the Company'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 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 or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the notes, and whether the 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 April 2023

PricewaterhouseCoopers Audit, s.r.o.  
represented by



Jan Musil



Eva Bajerová  
Statutory Auditor, Licence No. 2549

# ***Pilulka Lékárny a.s.***

Consolidated financial statements

31 December 2022

## **Translation note**

This version of our report is a translation from the original, which was prepared in the Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over this translation.

Company name: Pilulka Lékárny a.s.

Identification number: 036 15 278

Legal form: joint-stock company

Primary business: Purchase and sale of medicines and food supplements

Balance sheet date: 31 December 2022

Date of preparation of the financial statements: 4 April 2023

## CONSOLIDATED BALANCE SHEET

(in thousand Czech crowns)

Ref.		31.12.2022	31.12.2021
	<b>ASSETS</b>	<b>605,963</b>	<b>589,136</b>
<b>B.</b>	<b>FIXED ASSETS</b>	<b>196,910</b>	<b>175,193</b>
B.I.	Intangible fixed assets	89,772	82,809
B.II.	Tangible fixed assets	74,355	62,434
B.III.	Long-term investments	9,175	4,050
B.IV.	Positive consolidation difference	24,126	26,483
B.V.	Negative consolidation difference	(518)	(583)
<b>C.</b>	<b>CURRENT ASSETS</b>	<b>405,277</b>	<b>411,568</b>
C.I.	Inventories	187,208	155,251
C.II.	Receivables	197,396	184,710
C.II.1	Long-term receivables	1,101	2,972
C.II.2	Long-term receivables	196,295	181,738
C.IV.	Cash	20,673	71,607
<b>D.</b>	<b>PREPAYMENTS AND ACCRUED INCOME</b>	<b>3,776</b>	<b>2,375</b>
	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>605,963</b>	<b>589,136</b>
<b>A .</b>	<b>EQUITY</b>	<b>140,139</b>	<b>204,376</b>
A.I.	Share capital	2,521	2,500
A.II.	Share premium and capital contributions	388,711	390,292
A.IV.1	Retained earnings or (accumulated losses)	(186,155)	(162,921)
A.IV.2	Restatements of retained earnings		-
A.V.	Profit / (loss) for the current period	(64,938)	(25,495)
	out of which: profit / (loss) for the current period	(64,938)	(25,495)
<b>B. + C.</b>	<b>LIABILITIES</b>	<b>467,018</b>	<b>384,111</b>
<b>B.</b>	<b>Provisions</b>	<b>8,461</b>	<b>14,967</b>
<b>C.</b>	<b>Payables</b>	<b>458,557</b>	<b>369,144</b>
C.I.	Long-term payables	24,926	21,453
C.II.	Short-term payables	433,631	347,691
C.I.2 + C.II.2	out of which: liabilities due to financial institutions	84,760	21,343
<b>D.</b>	<b>ACCRUALS AND DEFERRED INCOME</b>	<b>12</b>	<b>924</b>
<b>E.</b>	<b>MINORITY EQUITY</b>	<b>(1,206)</b>	<b>(275)</b>
E.I.	Minority share capital	60	60
E.II.	Minority capital contributions	6	6
E.III.	Minority reserves from profit incl. Retained earnings or (accumulated losses)	(452)	(166)
E.IV.	Minority profit / (loss) for the current period	(820)	(175)

Company name: Pilulka Lékárny a.s.  
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Primary business: Purchase and sale of medicines and food supplements  
Balance sheet date: 31 December 2022  
Date of preparation of the financial statements: 4 April 2023

## CONSOLIDATED INCOME STATEMENT

(in thousand Czech crowns)

		2022	2021
	<b>Text</b>		
I.	Sales of product and services	189,386	141,184
II.	Sales of goods	2,257,912	2,239,113
A. + B. + C.	Cost of sales incl. Own work capitalised	2,187,702	2,142,702
D.	Staff costs	259,323	224,076
E.	Value adjustments in operating activities	50,822	22,785
	Amortisation of positive consolidation difference	2,357	12,168
	Amortisation of negative consolidation difference	65	65
III.	Operating income - other	17,577	32,347
F.	Operating expenses - other	12,410	24,964
*	<b>CONSOLIDATED OPERATING RESULT</b>	<b>(47,674)</b>	<b>(13,986)</b>
VI.	Interest and similar income	206	714
J.	Interest and similar expenses	4,764	777
VII.	Other financial income	(158)	369
K.	Other financial expenses	11,621	10,996
*	<b>CONSOLIDATED FINANCIAL RESULT</b>	<b>(16,337)</b>	<b>(10,690)</b>
**	<b>CONSOLIDATED NET PROFIT / (LOSS) AFTER TAX</b>	<b>(64,011)</b>	<b>(24,676)</b>
L.	Tax on profit or loss	1,747	994
***	<b>Consolidated net profit / (loss) for the financial period</b>	<b>(65,758)</b>	<b>(25,670)</b>
	out of which: Net profit / (loss) net of minority interests	(64,938)	(25,495)
	Minority net profit / (loss)	(820)	(175)
	<b>CONSOLIDATED NET PROFIT / (LOSS)</b>	<b>(65,758)</b>	<b>(25,670)</b>



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## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousand Czech crowns)

	Share capital	Share premium	Other capital contributions	Retained earnings or (accumulated losses)	Restatement of retained earnings	Total
<b>As at 1 January 2021</b>	<b>2,500</b>	<b>211,500</b>	<b>177,832</b>	<b>(115,880)</b>	<b>(48,159)</b>	<b>227,793</b>
Correction 2020	0	0	0	-48,159	48,159	0
Issue of shares	0	0	0	0	0	0
Net profit / (loss) for the current period	0	0	0	-25,495	0	-25,495
FX differences from recalculation of foreign consolidated companies and other	0	0	960	1,118	0	2,078
<b>As at 31 December 2021</b>	<b>2,500</b>	<b>211,500</b>	<b>178,792</b>	<b>(188,416)</b>	<b>-</b>	<b>204,376</b>
Issue of shares	21	-	-	-	-	21
Net profit / (loss) for the current period	-	-	-	(64,938)	-	(64,938)
FX differences and other	-	-	(1,581)	2,261	-	680
<b>As at 31 December 2022</b>	<b>2,521</b>	<b>211,500</b>	<b>177,211</b>	<b>(251,093)</b>	<b>-</b>	<b>140,139</b>

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## CONSOLIDATED STATEMENT OF CASH FLOW

(in thousand Czech crowns)

Ref.	TEXT	2022	2021
	<b>Cash flows from operating activities</b>		
	<b>Net consolidated result before tax</b>	<b>- 64,011</b>	<b>- 24,676</b>
A.1.	Adjustments for non-cash movements:	51,380	43,256
A.1.1.	Depreciation and amortisation of fixed assets	50,822	22,785
A.1.2.	Consolidation differences settlement	2,292	12,103
A.1.3.	Change in provisions and provisions for impairment	- 6,276	8,078
A.1.4.	Profit from sales of fixed assets	95	52
A.1.6.	Net interest expense	4,558	63
A.1.7.	Other non-cash movements	- 111	175
<b>A.*</b>	<b>Net cash flow from operating activities before tax and changes in working capital</b>	<b>- 12,631</b>	<b>18,580</b>
A.2.	Non-cash working capital changes:	- 20,960	6,153
A.2.1.	Change in receivables and prepayments	- 14,087	- 28,247
A.2.2.	Change in payables and accruals	25,084	99,028
A.2.3.	Change in inventories	- 31,957	- 64,628
<b>A.**</b>	<b>Net cash flow from operating activities before tax</b>	<b>- 33,591</b>	<b>24,733</b>
A.3.	Interest paid	- 4,764	- 63
A.4.	Interest received	206	0
<b>A.***</b>	<b>Net cash flow from operating activities</b>	<b>- 38,149</b>	<b>24,670</b>
	<b>Cash flows from investing activities</b>		
B.3.	Acquisition of fixed assets	- 76,770	- 82,132
B.4.	Proceeds from sale of fixed assets	95	52
<b>B.***</b>	<b>Net cash flow from investing activities</b>	<b>- 76,675</b>	<b>- 82,080</b>
	<b>Cash flows from financing activities</b>		
C.1.	Change in long- and short-term liabilities from financing activities	4,658	- 3,263
C.2.	Changes in equity:	21	0
C.2.1.	Cash inflow from the increase of share capital	21	0
<b>C.***</b>	<b>Net cash flow from financing activities</b>	<b>4,679</b>	<b>- 3,263</b>
	Foreign exchange gains/losses	452	499
	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>- 109,693</b>	<b>- 60,174</b>
	<b>Cash and cash equivalents at the beginning of the year</b>	<b>71,607</b>	<b>131,781</b>
	<b>Cash and cash equivalents at the end of the year</b>	<b>- 38,086</b>	<b>71,607</b>

## **1. Scope of consolidation**

### **1.1. Introductory information about the Company**

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 in the Note 1.3.

The main business of the Group are:

- operation of internet portals Pilulka.cz, Pilulka.sk a Pilulka.ro, Pilulka.hu and Pilulka.at;
- 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.

### **1.2. Controlling company**

Pilulka Lékárny a.s. is the controlling company of the consolidated group as at 31 December 2022 and 2021. 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 main business is the same as the Group's business.

### **1.3. 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.

### **1.4. Current economic situation**

The current economic situation is being impacted mainly by the war in Ukraine which broke out on 24 February 2022, including the related sanctions against Russia, then by disrupted supply chains, an energy crisis, uncertainty on the commodities and financial markets and finally by negative trends in key macroeconomic indicators with consequences on business, such as the inflation rate, growth of interest rates, volatility of foreign exchange rates and others.

The Group's management has evaluated the impact of the current economic situation on its business with the following conclusion(s): The Group operates in relatively non-cyclical industry. The demand for basic pharmaceutical products (medicines, health and medical supplies) that satisfy basic human needs is not affected by market development. Therefore, the Group assesses the risk associated with the current economic situation and energy crises as low. Current economic situation and energy crisis may lead to a partial decrease in demand for products such as food supplements, sports nutrition products, etc., which represent about 25% of online sales. On the contrary, the Group expects that sales of over-the-counter medicinal products, which represent about 10% of online sales, may increase.

### **1.5. Definition of the consolidated unit**

#### Controlling Company

Pilulka Lékárny a.s. was the Controlling Company as at 31 December 2022 and 2021.

The consolidated financial statements are prepared for the following companies:

**Companies controlled, managed**

<b>Company name</b>	<b>Registered office</b>	<b>Country</b>	<b>% of capital</b>
Pilulka.sk a.s.	Pestovateľská 17796/3, 821 04 Bratislava – municipal district of Ružinov	Slovakia	100
Pilulka Online S.R.L.	Bucharest, 53 (55) Drumul Osiei St., 6th District Romania	Romania	100
TOP Farma s.r.o.	Pestovateľská 17796/3, 821 04 Bratislava – municipal district of Ružinov	Slovakia	100
KICI, s.r.o.	Drahobejlova 1073/36, 190 00 Prague 9 Libeň	Czech Republic	100
Pilulka Lab s.r.o.	Drahobejlova 1073/36, 190 00 Prague 9 Libeň	Czech Republic	70
Plus Care s.r.o.	Drahobejlova 1073/36, 190 00 Prague 9 Libeň	Czech Republic	100
Pilulka.hu Kft *	Váci út 47. Budapest 1314	Hungary	100

\*) In connection with its entry into the Hungarian market, the Company established Pilulka.hu Kft in Hungary in 2022.

## **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 2022. For the purposes of consolidation, significant accounting procedures were unified within the consolidation group. These accounting policies are described below.

The balance sheet of foreign companies included in the consolidation have been translated at the exchange rate of the Czech National Bank as at the balance sheet date. The profit and loss statements of foreign companies included in the consolidation were translated at the average exchange rate of the Czech National Bank for the calendar year for which the consolidated financial statements are prepared.

### **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 differences are reported on the line Positive (or Negative) consolidation difference and are depreciated on a straight-line basis over 15 years.

### **2.4. Minority interest**

Minority interest represents interests in the controlled entities, i.e. shares in share capital, capital contributions, funds from profit, retained earnings or accumulated losses from previous years and profit or loss for the current accounting period. Minority interest in controlled companies whose fair value

of equity is negative is only reported to the extent that it is highly probable to anticipate compensation for losses from minority shareholders.

## **2.5. Consolidation of foreign controlled companies**

Balance sheets and profit and loss statements relating to foreign companies included in the consolidation were converted at the exchange rate of the Czech National Bank on the date of the financial statements.

## **2.6. Tangible and intangible fixed 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:

<b>Tangible and intangible fixed assets</b>	<b>Estimated useful life</b>
Software	3 - 5 years
Goodwill	5 years
Technical improvements of buildings	according to the duration of the lease agreement
Equipment	5 years
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 intangible and tangible fixed assets are capitalised.

## **2.7. 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 first-in-first-out method is applied by the Company for all disposals (so-called FIFO).

A provision is created for slow-moving and obsolete inventory based on an analysis of turnover and an individual evaluation of inventories.

## **2.8. 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.

## **2.9. Cash and cash equivalents**

Cash and cash equivalents include cash in hand, stamps and vouchers and cash in banks, including bank overdrafts.

Cash equivalents are short-term highly liquid investments that can be exchanged for a predictable amount of cash and no significant changes of value over time are expected. Cash equivalents are, for example, deposits with a maturity of less than 3 months from the date of acquisition and liquid debt securities traded in public markets.

## **2.10. 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.

## **2.11. 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.

## **2.12. 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.

## **2.13. Revenue analysis**

Sales are recognised upon the delivery of goods 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.

## **2.14. 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.

## **2.15. 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.

## **2.16. 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.

### **2.17. Deferred tax expense**

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. Deferred tax asset is recognised if it is probable that sufficient future taxable profit will be available against which the asset can be utilised.

### **2.18. Cash-flow statement**

The Group 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.

### **2.19. 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 2022	Foreign exchange differences	Additions / transfers	Disposals	31 December 2022
<b>Cost</b>					
Software	110,615	(430)	54,753	(5)	164,933
Goodwill	4,282	-	-	(133)	4,149
Intangible fixed assets in the course of construction	11,503	-	(11,503)	-	-
<b>Total</b>	<b>126,400</b>	<b>(430)</b>	<b>43,250</b>	<b>(138)</b>	<b>169,082</b>
<b>Accumulated amortisation</b>					
Software	40,306	(297)	35,327	(5)	75,331
Goodwill	3,285	-	827	(133)	3,979
<b>Total</b>	<b>43,591</b>	<b>(297)</b>	<b>36,154</b>	<b>(138)</b>	<b>79,310</b>
<b>Net book value</b>	<b>82,809</b>				<b>89,772</b>

(CZK'000)	1 January 2021	Additions / transfers	Disposals	31 December 2021
<b>Cost</b>				
Software	76,805	33,810	-	110,615
Goodwill	4,282	-	-	4,282
Intangible fixed assets in the course of construction	2,654	8,849	-	11,503
<b>Total</b>	<b>83,741</b>	<b>42,659</b>	<b>-</b>	<b>126,400</b>
<b>Accumulated amortisation</b>				
Software	27,666	12,640	-	40,306
Goodwill	2,429	856	-	3,285
<b>Total</b>	<b>30,095</b>	<b>13,496</b>	<b>-</b>	<b>43,591</b>
<b>Net book value</b>	<b>53,646</b>			<b>82,809</b>

### 4. Tangible fixed assets

(CZK'000)	1 January 2022	Foreign exchange differences	Additions / transfers	Disposals	31 December 2022
<b>Cost</b>					
Constructions	2,901	(23)	-	-	2,878
Equipment	60,526	(771)	28,358	(523)	87,590
Adjustment to acquired fixed assets	17,167	-	-	(1,710)	15,457
Tangible fixed assets in the course of construction	916	(38)	37	-	915
<b>Total</b>	<b>81,510</b>	<b>(832)</b>	<b>28,395</b>	<b>(2,233)</b>	<b>106,840</b>
<b>Accumulated depreciation</b>					
Constructions	980	(22)	63	-	1,021
Equipment	12,631	(70)	13,102	(523)	25,140
Adjustment to acquired fixed assets	5,465	-	2,570	(1,710)	6,325
<b>Total</b>	<b>19,076</b>	<b>(92)</b>	<b>15,735</b>	<b>(2,233)</b>	<b>32,486</b>
<b>Net book value</b>	<b>62,434</b>				<b>74,355</b>



<b>(CZK'000)</b>	<b>1 January 2021</b>	<b>Additions / transfers</b>	<b>Disposals</b>	<b>31 December 2021</b>
<b>Cost</b>				
Constructions	2,955	-	(54)	2,901
Equipment	27,860	34,205	(1,539)	60,526
Adjustment to acquired fixed assets	18,199	-	(1,032)	17,167
Tangible fixed assets in the course of construction	-	916	-	916
<b>Total</b>	<b>49,014</b>	<b>35,454</b>	<b>(2,563)</b>	<b>81,510</b>
<b>Accumulated depreciation</b>				
Constructions	726	254	-	980
Equipment	8,397	5,773	(1,539)	12,631
Adjustment to acquired fixed assets	4,697	1,792	(1,024)	5,465
<b>Total</b>	<b>13,820</b>	<b>7,819</b>	<b>(2,563)</b>	<b>19,076</b>
<b>Net book value</b>	<b>35,194</b>			<b>62,434</b>

## **5. Positive consolidation difference**

<b>(CZK'000)</b>	<b>2022</b>	<b>2021</b>
<b>As at 1 January</b>	<b>26,483</b>	<b>28,545</b>
Impact of acquisitions during accounting period	-	10,106
Depreciation of positive consolidation difference	(2,357)	(12,168)
<b>As at 31 December</b>	<b>24,126</b>	<b>26,483</b>

## **6. Negative consolidation difference**

<b>(CZK'000)</b>	<b>2022</b>	<b>2021</b>
<b>As at 1 January</b>	<b>(583)</b>	<b>(648)</b>
Depreciation of negative consolidation difference	65	65
<b>As at 31 December</b>	<b>(518)</b>	<b>(583)</b>

## **7. Inventories**

Inventories consist of goods in stock in pharmacies stores and distribution warehouses intended for sale via e-shop. As at 31 December 2022, a provision for inventories in the amount of CZK 719 thousand was created within the consolidation group (as at 31 December 2021: CZK 597 thousand).

## **8. Receivables**

Trade receivables as at 31 December 2022 amounted to CZK 142,294 thousand (as at 31 December 2021: CZK 156,332 thousand).

Estimated receivables as at 31 December 2022 amounted to CZK 39,610 thousand (as at 31 December 2021: CZK 19,638 thousand) and represents in particular the expected invoicing of supplier volume bonuses.

The provision for doubtful receivables as at 31 December 2022 was CZK 23 thousand (as at 31 December 2021: CZK 114 thousand).

Unsettled receivables 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 2022 and 31 December 2021.

## 9. Equity

The Group is fully owned by the parent company Pilulka Lékárny a.s., registered in the Czech Republic.

Authorised and issued share capital:

	31 December 2022		31 December 2021	
	No. of pieces	Carrying value (CZK'000)	No. of pieces	Carrying value (CZK'000)
Ordinary shares of CZK 1, fully paid	2,521,000	2,521	2,500,000	2,500

No shareholder owns more than a 20% share as at 31 December 2022.

The registered capital of the Controlling Company Pilulka Lékárny a.s. is divided into 2,521,000 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.

In the connection with realization of option program for the year 2021, there was an increase in the number of shares by 20,934 shares and increase of the Share capital by CZK 21 thousand.

The Controlling Company is not part of any higher consolidation group.

On 10 March 2022 the General Meeting decided to increase the Company's share capital by CZK 18,375 by issuing 18,375 new listed ordinary registered shares issued in book-entry form with a nominal value of CZK 1 each. Furthermore, it decided to increase the Company's share capital by CZK 36,076 by issuing 36,076 new listed ordinary registered shares issued in book-entry form with a nominal value of CZK 1 each. These decisions to increase the share capital relate to existing option programs, the subscription of these share was not proceed in 2022.

The General Meeting approved the financial statements of the Management Company and the consolidated financial statements for the year 2021 and decided about the distribution of the profit for the year 2021. Based on this decision, the profit of the year 2021 was used to cover the Accumulated losses.

Until the date of preparation of these financial statements, the Company has not proposed allocation of the loss incurred in 2022.

## 10. Provisions

In 2022, the Group created provisions to cover its liabilities due to untaken leave and the option program in the amount of CZK 8,461 thousand (as at 31 December 2021: CZK 14,967 thousand).

## 11. Payables, commitments and contingent liabilities

Trade and other payables have not been secured against any assets of the Company (except loans stated in Note 12) 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 90,792 thousand as at 31 December 2022 (as at 31 December 2021: CZK 62,189 thousand). Based on prudent approach, the value of these future liabilities is calculated at the final effective date of the contracts.

A bank guarantee from Česká spořitelna a.s. for the Controlling Company of the Consolidation Unit in the total amount of CZK 9,155 thousand (as at 31 December 2021: CZK 4,815 thousand) was provided to third parties.

The management of the Group is not aware of any contingent liabilities of the Group as at 31 December 2022 and 2021.

## 12. Bank loans and other borrowings

Analysis of the bank loans:

				Balance as at 31 December 2022	Balance as at 31 December 2021
	Collateral	Interest rate (%)	Currency	(CZK'000)	(CZK'000)
Revolving	see below	1M PRIBOR + 2.54 to 2.64%	CZK million	20,000	20,000
Investment	see below	3M PRIBOR + 1.95 to 2.55%	CZK million		1,343
Overdraft	see below	1M PRIBOR + 1.80%	CZK million	58,760	
Investment	see below	fixed rate 9.1%	CZK million	6,000	
<b>Total bank loans</b>				<b>84,760</b>	<b>21,343</b>

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

None of these loans have a maturity longer than 5 years.

Loans are subject to certain covenants. Breach of these covenants may result in the immediate maturity of the loans. On 3 April 2023, Česká spořitelna a.s. provided the Company with a so-called waiver by which the bank declares, that failure to comply with the covenants will not be considered a breach of the Company's contractual obligations, that it will not assert any consequences arising from the breach of contracts, including the enforcement of collateral, and that a breach of the covenants within the period specified above will not be considered as a reduction of the Company's creditworthiness or treated as a negative fact in future business cooperation between the Company and the bank.

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 pledged inventories and trade receivables was as at 31 December 2022 CZK 273,512 thousand (as at 31 December 2021: CZK 239,887 thousand).

## 13. Revenue analysis

Revenue analysis:

(CZK'000)					
2022	Czechia	Slovakia	Romania	Hungary	Total
Marketing services	75,758	28,827	85	-	104,670
Paid transport	33,039	8,926	4,551	-	46,516
Dispensation fees	6,784	2	-	-	6,785
Other	26,859	4,555	-	-	31,414
<b>Total sales of own products and services</b>	<b>142,440</b>	<b>42,310</b>	<b>4,636</b>	<b>-</b>	<b>189,386</b>
Sales of goods					
- offline sales (pharmacies store)	317,064	3,718	-	-	320,783
- online sales (e-shop)	1,367,294	500,363	69,473	-	1,937,130
<b>Total sales of goods</b>	<b>1,684,358</b>	<b>504,081</b>	<b>69,473</b>	<b>-</b>	<b>2,257,912</b>

(CZK'000)

<b>2021</b>	<b>Czechia</b>	<b>Slovakia</b>	<b>Romania</b>	<b>Total</b>
Marketing services	65,963	22,862	204	89,029
Paid transport	30,237	6,025	4,237	40,499
Dispensation fees	6,680	3	-	6,683
Other	4,973	-	-	4,973
<b>Total sales of own products and services</b>	<b>107,853</b>	<b>28,890</b>	<b>4,441</b>	<b>141,184</b>
Sales of goods				
- offline sales (pharmacies store)	405,500	2,537	-	408,037
- online sales (e-shop)	1,302,307	459,012	69,757	1,831,076
<b>Total sales of goods</b>	<b>1,707,807</b>	<b>461,549</b>	<b>69,757</b>	<b>2,239,113</b>

## 14. Transactions with related parties

During 2022, the Company had costs with related parties for consulting and advisory services in the amount of CZK 11,457 thousand (for 2021: CZK 9,788 thousand).

## 15. Employees

	<b>2022</b>		<b>2021</b>	
	<b>number</b>	<b>(CZK'000)</b>	<b>number</b>	<b>(CZK'000)</b>
Emoluments to the Board of Directors / Statutory Body	2	721	2	721
Emoluments to members of the Supervisory Board	3	-	3	-
Wages and salaries to other management	22	14,956	14	10,995
Wages and salaries to other employees	356	176,051	344	154,980
Social security costs		61,991		52,343
Other social costs		5,604		5,037
<b>Wages and salaries total</b>	<b>383</b>	<b>259,323</b>	<b>363</b>	<b>224,076</b>

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

No loans, credits, deposits, advances were provided to the members of the Board of Directors and Supervisory Board of the Company as at 31 December 2022 and 2021, except for the wages and salaries and option program (Notes 9 and 14).

Company cars are made available for use by the members of the Board of Directors and other management employee.

## 16. Income tax

The income tax expense analysis:

<b>(CZK'000)</b>	<b>2022</b>	<b>2021</b>
Current tax expense	(1)	871
Deferred tax expense	1,748	123
<b>Total income tax expense</b>	<b>1,747</b>	<b>994</b>

The Controlling Company's tax liability for 2022 is nil.

Deferred tax was calculated using a tax rate of 19% (tax rate for 2022 and subsequent years) for Czech entities and 21% for Slovak entities.

The deferred tax asset analysis:

(CZK'000)	31 December 2022	31 December 2021
<b>Deferred tax asset / (liability) arising from:</b>		
Difference between accounting and tax net book value of fixed assets	694	160
Provisions	5,064	3,028
Tax losses carried forward	14,680	9,675
<b>Net deferred tax asset</b>	<b>20,438</b>	<b>12,863</b>

A potential net deferred tax asset of CZK 20,438 thousand as at 31 December 2022 (as at 31 December 2021: CZK 12,863 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. In 2021 was accounted only in part related to Pilulka.sk in amount of CZK 1,769 thousand.

As at 31 December 2022, the Group had tax losses of CZK 89,853 thousand, of which CZK 1,015 thousand can be utilised up to 2023, CZK 3,340 thousand to 2024, CZK 3,102 thousand to 2025, CZK 16,647 thousand to 2026, CZK 27,634 thousand to 2027, CZK 20,944 thousand to 2028 and CZK 17,171 thousand to 2029.

As at 31 December 2021, the Group had tax losses of CZK 59,858 thousand, of which CZK 136 thousand can be utilised up to 2022, CZK 3,527 thousand to 2023, CZK 4,527 thousand to 2024, CZK 2,525 thousand to 2025, CZK 16,174 thousand to 2026, CZK 11,380 thousand to 2027 and CZK 21,589 thousand to 2028.

## 17. Cash-flow statement

Cash and cash equivalents disclosed in the Cash-flow statement can be analysed as follows:

(CZK'000)	31 December 2022	31 December 2021
Cash in hand	1,581	1,679
Cash at banks	19,092	69,928
Bank overdrafts	(58,759)	0
<b>Total cash and cash equivalents</b>	<b>(38,086)</b>	<b>71,607</b>

## 18. Subsequent events

On 24 January 2023 the Controlling Company entered into an Office Lease Agreement with Balabenka Office Building, s.r.o. The Controlling Company's headquarters will be relocated to the office space specified in this Agreement as at 1 April 2023. On March 29<sup>th</sup> 2023, the Controlling Company changed its registered office at the Registry Court to a new address, namely Českomoravská 2408/1, 190 00 Prague 9, Libeň.

In the beginning of 2023, the Company started a preparation for a secondary public offering of shares on the Prague stock exchange Start. The Company expects the new capital to be subscribed in middle of the year 2023. The Company states that, in its working capital combined with the expected proceeds from the secondary public offer will be sufficient to meet the Company's current requirements and needs.

No other events have occurred subsequent to year-end that would have a material impact on the consolidated financial statements as at 31 December 2022.

4 April 2023



Petr Kasa  
Member of the Board of Directors



David Staněk  
Chief Financial Director

# ***Pilulka Lékárný a.s.***

Financial statements

31 December 2022

## **Translation note**

This version of our report is a translation from the original, which was prepared in the Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over this translation.

Company name: Pilulka Lékárny a.s.  
Identification number: 036 15 278  
Legal form: joint-stock company  
Primary business: Purchase and sale of medicines and food supplements  
Balance sheet date: 31 December 2022  
Date of preparation of the financial statements: 4 April 2023

## BALANCE SHEET

(in thousand Czech crowns)

Ref.	ASSETS	Row	31.12.2022			31.12.2021
			Gross 1	Provision 2	Net 3	Net 4
a	b	c				
	<b>TOTAL ASSETS</b>	<b>001</b>	<b>623,355</b>	<b>(90,786)</b>	<b>532,569</b>	<b>483,843</b>
<b>B.</b>	<b>Fixed assets</b>	<b>003</b>	<b>288,232</b>	<b>(90,557)</b>	<b>197,675</b>	<b>143,925</b>
<b>B. I.</b>	<b>Intangible fixed assets</b>	<b>004</b>	<b>147,108</b>	<b>(66,844)</b>	<b>80,264</b>	<b>74,358</b>
B. I. 2.	Royalties	006	142,959	(62,865)	80,094	61,859
B. I. 2. 1.	Software	007	142,959	(62,865)	80,094	61,859
B. I. 3.	Goodwill	009	4,149	(3,979)	170	996
B. I. 5.	Advances paid and intangible fixed assets in the course of construction	011	-	-	-	11,503
B. I. 5. 2.	Intangible fixed assets in the course of construction	013	-	-	-	11,503
<b>B. II.</b>	<b>Tangible fixed assets</b>	<b>014</b>	<b>75,724</b>	<b>(23,713)</b>	<b>52,011</b>	<b>38,934</b>
B. II. 1.	Land and constructions	015	2,150	(293)	1,857	1,920
B. II. 1. 2.	Constructions	017	2,150	(293)	1,857	1,920
B. II. 2.	Equipment	018	57,201	(17,095)	40,106	24,434
B. II. 3.	Adjustment to acquired fixed assets	019	15,458	(6,325)	9,133	11,702
B. II. 5.	Advances paid and tangible fixed assets in the course of construction	024	915	-	915	878
B. II. 5. 2.	Tangible fixed assets in the course of construction	026	915	-	915	878
<b>B. III.</b>	<b>Long-term investments</b>	<b>027</b>	<b>65,400</b>	<b>-</b>	<b>65,400</b>	<b>30,633</b>
B. III. 1.	Investments - subsidiaries and controlling party	028	9,017	-	9,017	6,289
B. III. 2.	Loans and borrowings - subsidiaries and controlling party	029	53,873	-	53,873	21,834
B. III. 5.	Other long-term investments in securities	032	2,510	-	2,510	2,510
<b>C.</b>	<b>Current assets</b>	<b>037</b>	<b>331,908</b>	<b>(229)</b>	<b>331,679</b>	<b>338,095</b>
<b>C. I.</b>	<b>Inventories</b>	<b>038</b>	<b>130,352</b>	<b>(206)</b>	<b>130,146</b>	<b>98,202</b>
C. I. 3.	Finished goods and goods for resale	041	130,352	(206)	130,146	98,202
C. I. 3. 2.	Goods for resale	043	130,352	(206)	130,146	98,202
<b>C. II.</b>	<b>Receivables</b>	<b>046</b>	<b>191,953</b>	<b>(23)</b>	<b>191,930</b>	<b>173,826</b>
C. II. 2.	Short-term receivables	057	191,953	(23)	191,930	173,826
C. II. 2. 1.	Trade receivables	058	143,389	(23)	143,366	141,685
C. II. 2. 2.	Receivables - subsidiaries and controlling party	059	-	-	-	10,399
C. II. 2. 4.	Receivables - other	061	48,564	-	48,564	21,742
C. II. 2. 4. 3.	Taxes - receivables from the state	064	2,508	-	2,508	-
C. II. 2. 4. 4.	Short-term advances paid	065	2,398	-	2,398	1,944
C. II. 2. 4. 5.	Estimated receivables	066	39,610	-	39,610	18,463
C. II. 2. 4. 6.	Other receivables	067	4,048	-	4,048	1,335
<b>C. IV.</b>	<b>Cash</b>	<b>075</b>	<b>9,603</b>	<b>-</b>	<b>9,603</b>	<b>66,067</b>
C. IV. 1.	Cash in hand	076	1,534	-	1,534	1,677
C. IV. 2.	Cash at bank	077	8,069	-	8,069	64,390
<b>D.</b>	<b>Prepayments and accrued income</b>	<b>078</b>	<b>3,215</b>	<b>-</b>	<b>3,215</b>	<b>1,823</b>
D. 1.	Prepaid expenses	079	3,215	-	3,215	1,823

Ref.	LIABILITIES AND EQUITY	Row	31.12.2022	31.12.2021
a	b	c	5	6
	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>082</b>	<b>532,569</b>	<b>483,843</b>
<b>A.</b>	<b>Equity</b>	<b>083</b>	<b>151,112</b>	<b>185,538</b>
<b>A. I.</b>	<b>Share capital</b>	<b>084</b>	<b>2,521</b>	<b>2,500</b>
A. I. 1.	Share capital	085	2,521	2,500
<b>A. II.</b>	<b>Share premium and capital contributions</b>	<b>088</b>	<b>273,079</b>	<b>290,116</b>
A. II. 1.	Share premium	089	211,500	211,500
A. II. 2.	Capital contributions	090	61,579	78,616
A. II. 2. 1.	Other capital contributions	091	177,211	177,211
A. II. 2. 2.	Assets and liabilities revaluation	092	(105,658)	(88,621)
A. II. 2. 4.	Differences from mergers and demergers	094	(9,974)	(9,974)
<b>A. IV.</b>	<b>Retained earnings / Accumulated losses</b>	<b>099</b>	<b>(107,078)</b>	<b>(116,792)</b>
A. IV. 1.	Retained earnings or (accumulated losses)	100	(107,078)	(116,792)
<b>A. V.</b>	<b>Profit / (loss) for the current period</b>	<b>102</b>	<b>(17,410)</b>	<b>9,714</b>
<b>B. + C.</b>	<b>Liabilities</b>	<b>104</b>	<b>381,457</b>	<b>297,700</b>
<b>B.</b>	<b>Provisions</b>	<b>105</b>	<b>6,140</b>	<b>12,416</b>
B. 4.	Other provisions	109	6,140	12,416
<b>C.</b>	<b>Payables</b>	<b>110</b>	<b>375,317</b>	<b>285,284</b>
<b>C. I.</b>	<b>Long-term payables</b>	<b>111</b>	<b>24,800</b>	<b>21,343</b>
C. I. 2.	Liabilities due to financial institutions	115	24,800	21,343
<b>C. II.</b>	<b>Short-term payables</b>	<b>126</b>	<b>350,517</b>	<b>263,941</b>
C. II. 2.	Liabilities due to financial institutions	130	59,960	-
C. II. 3.	Short-term advances received	131	3,206	9,293
C. II. 4.	Trade payables	132	269,728	233,050
C. II. 8.	Liabilities - other	136	17,623	21,598
C. II. 8. 3.	Liabilities to employees	139	10,019	9,647
C. II. 8. 4.	Liabilities for social security and health insurance	140	4,995	4,562
C. II. 8. 5.	Taxes and state subsidies payable	141	914	4,295
C. II. 8. 6.	Estimated payables	142	1,072	2,877
C. II. 8. 7.	Other liabilities	143	623	217
<b>D.</b>	<b>Accruals and deferred income</b>	<b>147</b>	<b>-</b>	<b>605</b>
D. 2.	Deferred income	149	-	605



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Date of preparation of the financial statements: 4 April 2023

## INCOME STATEMENT

(in thousand Czech crowns)

Ref. a	TEXT b	Row c	Accounting period	
			2022	2021
			1	2
<b>I.</b>	<b>Sales of products and services</b>	<b>01</b>	<b>153,490</b>	<b>122,678</b>
<b>II.</b>	<b>Sales of goods</b>	<b>02</b>	<b>1,686,559</b>	<b>1,711,216</b>
<b>A.</b>	<b>Cost of sales</b>	<b>03</b>	<b>1,619,214</b>	<b>1,635,450</b>
A. 1.	Cost of goods sold	04	1,286,756	1,328,424
A. 2.	Raw materials and consumables used	05	28,438	22,631
A. 3.	Services	06	304,020	284,395
<b>C.</b>	<b>Own work capitalised</b>	<b>08</b>	<b>(6,079)</b>	<b>(6,718)</b>
<b>D.</b>	<b>Staff costs</b>	<b>09</b>	<b>198,099</b>	<b>177,115</b>
D. 1.	Wages and salaries	10	145,201	131,287
D. 2.	Social security, health insurance and other costs	11	52,898	45,828
D. 2. 1.	Social security and health insurance costs	12	49,011	42,163
D. 2. 2.	Other costs	13	3,887	3,665
<b>E.</b>	<b>Value adjustments in operating activities</b>	<b>14</b>	<b>41,505</b>	<b>16,995</b>
E. 1.	Value adjustments of fixed assets	15	41,661	16,763
E. 1. 1.	Depreciation, amortisation and write off of fixed assets	16	41,661	16,763
E. 2.	Provision for impairment of inventories	18	(65)	271
E. 3.	Provision for impairment of receivables	19	(91)	(39)
<b>III.</b>	<b>Operating income - other</b>	<b>20</b>	<b>5,821</b>	<b>18,416</b>
III. 1.	Sales of fixed assets	21	56	20
III. 3.	Other operating income	23	5,765	18,396
<b>F.</b>	<b>Operating expenses - other</b>	<b>24</b>	<b>(239)</b>	<b>10,367</b>
F. 1.	Net book value of fixed assets sold	25	16	-
F. 3.	Taxes and charges	27	-	54
F. 4.	Operating provisions and complex prepaid expenses	28	(6,276)	8,078
F. 5.	Other operating expenses	29	6,021	2,235
<b>*</b>	<b>Operating result</b>	<b>30</b>	<b>(6,630)</b>	<b>19,101</b>
IV.	Income from long-term investments - shares	31	-	60
IV. 1.	Income from investments - subsidiaries or controlling party	32	-	60
G.	Cost of shares sold	34	-	1,441
VI.	Interest and similar income	39	3,990	1,417
VI. 1.	Interest and similar income - subsidiaries or controlling party	40	3,943	1,006
VI. 2.	Other interest and similar income	41	47	411
J.	Interest and similar expenses	43	4,662	777
J. 2.	Other interest and similar expenses	45	4,662	777
VII.	Other financial income	46	(360)	279
K.	Other financial expenses	47	9,748	8,925
<b>*</b>	<b>Financial result</b>	<b>48</b>	<b>(10,780)</b>	<b>(9,387)</b>
<b>**</b>	<b>Net profit / (loss) before tax</b>	<b>49</b>	<b>(17,410)</b>	<b>9,714</b>
<b>**</b>	<b>Net profit / (loss) after tax</b>	<b>53</b>	<b>(17,410)</b>	<b>9,714</b>
<b>***</b>	<b>Net profit / (loss) for the financial period</b>	<b>55</b>	<b>(17,410)</b>	<b>9,714</b>
<b>*</b>	<b>Net turnover for the financial period</b>	<b>56</b>	<b>1,849,500</b>	<b>1,854,066</b>

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## STATEMENT OF CASH FLOWS

(in thousand Czech crowns)

Ref. a	TEXT b	Accounting period	
		2022	2021
		1	2
	<b>Cash flows from operating activities</b>		
	<b>Net profit / (loss) before tax</b>	<b>(17,410)</b>	<b>9,714</b>
A. 1.	Adjustments for non-cash movements:	35,861	25,794
A. 1. 1.	Depreciation and amortisation of fixed assets	41,661	16,763
A. 1. 2.	Change in provisions and provisions for impairment	(6,432)	8,310
A. 1. 3.	(Profit)/loss from sales of fixed assets	(40)	1,361
A. 1. 5.	Net interest expense/(income)	672	(640)
<b>A *</b>	<b>Net cash flow from operating activities before tax and changes in working capital</b>	<b>18,451</b>	<b>35,508</b>
A. 2.	Non-cash working capital changes:	(35,672)	1,125
A. 2. 1.	Change in receivables and prepayments	(29,804)	(30,159)
A. 2. 2.	Change in payables and accruals	26,011	66,377
A. 2. 3.	Change in inventories	(31,879)	(35,093)
<b>A **</b>	<b>Net cash flow from operating activities before tax</b>	<b>(17,221)</b>	<b>36,633</b>
A. 3.	Interest paid	(4,662)	(777)
A. 4.	Interest received	3,990	1,417
<b>A ***</b>	<b>Net cash flow from operating activities</b>	<b>(17,893)</b>	<b>37,273</b>
	<b>Cash flows from investing activities</b>		
B. 1.	Acquisition of fixed assets	(60,840)	(53,286)
B. 2.	Proceeds from sale of fixed assets	56	20
B. 3.	Loans and borrowings to related parties	(41,225)	(42,471)
<b>B ***</b>	<b>Net cash flow from investing activities</b>	<b>(102,009)</b>	<b>(95,737)</b>
	<b>Cash flows from financing activities</b>		
C. 1.	Change in long- and short-term liabilities from financing activities	4,658	(3,263)
C. 2.	Changes in equity:	21	-
C. 2. 1.	Cash inflow from the increase of share capital	21	-
<b>C ***</b>	<b>Net cash flow from financing activities</b>	<b>4,679</b>	<b>(3,263)</b>
	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(115,223)</b>	<b>(61,727)</b>
	<b>Cash and cash equivalents at the beginning of the year</b>	<b>66,067</b>	<b>127,794</b>
	<b>Cash and cash equivalents at the end of the year</b>	<b>(49,156)</b>	<b>66,067</b>

Company name: Pilulka Lékárny a.s.  
Identification number: 036 15 278  
Legal form: joint-stock company  
Primary business: Purchase and sale of medicines and food supplements  
Balance sheet date: 31 December 2022  
Date of preparation of the financial statements: 4 April 2023

## STATEMENT OF CHANGES IN EQUITY

(in thousand Czech crowns)

	Share capital	Share premium	Other capital contributions	Assets and liabilities revaluation	Differences from mergers and demergers	Retained earnings or (accumulated losses)	Restatement of retained earnings	Total
<b>As at 1 January 2021</b>	<b>2,500</b>	<b>211,500</b>	<b>177,211</b>	<b>(41,271)</b>	<b>(9,974)</b>	<b>(68,633)</b>	<b>(48,159)</b>	<b>223,174</b>
Revaluation of investment in controlled entities using the equity method	-	-	-	(47,350)	-	-	-	(47,350)
Net profit/(loss) for the current period	-	-	-	-	-	9,714	-	9,714
Restatement of retain earnings	-	-	-	-	-	(48,159)	48,159	-
<b>As at 31 December 2021</b>	<b>2,500</b>	<b>211,500</b>	<b>177,211</b>	<b>(88,621)</b>	<b>(9,974)</b>	<b>(107,078)</b>	<b>-</b>	<b>185,538</b>
Revaluation of investment in controlled entities using the equity method	-	-	-	(17,037)	-	-	-	(17,037)
Issue of shares	21	-	-	-	-	-	-	21
Net profit/(loss) for the current period	-	-	-	-	-	(17,410)	-	(17,410)
<b>As at 31 December 2022</b>	<b>2,521</b>	<b>211,500</b>	<b>177,211</b>	<b>(105,658)</b>	<b>(9,974)</b>	<b>(124,488)</b>	<b>-</b>	<b>151,112</b>

## **1. General information**

### **1.1. Introductory information about the 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 primary business activities are:

- operation of internet portals Pilulka.cz, Pilulka.sk, Pilulka.ro, Pilulka.hu and Pilulka.at,
- 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.

These financial statements have been prepared standalone basis. The Company also prepares consolidated financial statements. The consolidated financial statements are prepared for the following companies (hereinafter referred to as the “Group”):

- Pilulka Lékárny a.s.
- Pilulka.sk a.s.
- Pilulka Online S.R.L.
- TOP Farma s.r.o.
- KICI s.r.o.
- Pilulka Lab s.r.o.
- Plus Care s.r.o.
- Pilulka.hu Kft.

Further information of the companies is disclosed in Notes 5.

The Company is not a member/shareholder with unlimited liability in any undertaking.

### **1.2. Current economic situation**

The current economic situation is being impacted mainly by the war in Ukraine which broke out on 24 February 2022, including the related sanctions against Russia, then by disrupted supply chains, an energy crisis, uncertainty on the commodities and financial markets and finally by negative trends in key macroeconomic indicators with consequences on business, such as the inflation rate, growth of interest rates, volatility of foreign exchange rates and others.

The Company’s management has evaluated the impact of the current economic situation on its business with the following conclusion(s): The Company operates in relatively non-cyclical industry. The demand for basic pharmaceutical products (medicines, health and medical supplies) that satisfy basic human needs is not affected by market development. Therefore, the Company assesses the risk associated with the current economic situation and energy crises as low. Current economic situation and energy crisis may lead to a partial decrease in demand for products such as food supplements, sports nutrition products, etc., which represent about 25% of online sales. On the contrary, the Company expects that sales of over-the-counter medicinal products, which represent about 10% of online sales, may increase.

## **2. Accounting policies**

### **2.1. Basis of preparation**

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

## **2.2. Tangible and intangible fixed 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:

<b>Tangible and intangible fixed assets</b>	<b>Estimated useful life</b>
Software	3 - 5 years
Goodwill	5 years
Technical improvements of buildings	according to the duration of the lease agreement
Equipment	5 years
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 intangible and tangible fixed assets are capitalised.

## **2.3. Long-term financial assets**

Long-term financial assets consist of shares in controlled entities, long-term loans and other long-term shares.

Investments in subsidiaries represent shares in enterprises that are controlled or managed by the Company ("the subsidiary").

Shares in subsidiaries are valued using the equity method. Under this method, an equity interest is measured at cost, which is adjusted to an amount equal to the Company's equity interest in the subsidiary or associate at the balance sheet date. The revaluation of the share using the equity method is accounted for against the Company's equity.

Securities and interests that will be held by the Company for an indefinite period of time and that may be sold in the event that the Company needs money are classified as available-for-sale securities. They are included in non-current assets unless the Company's management intends to dispose of them within 12 months of the balance sheet date. In this case, they are included in current assets. The Company's management determines the nature of the securities and interests at the time of their acquisition and reassesses it on a regular basis.

All securities and investments are initially recorded at cost, including transaction costs. Held-to-maturity investments are subsequently accounted for at amortised cost. Other investments are subsequently accounted for at fair value.

## **2.4. 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 first-in-first-out method is applied for all disposals, (so-called FIFO).

A provision is created for slow-moving and obsolete inventory based on an analysis of turnover and individual evaluation of inventories.

## **2.5. 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.

## **2.6. Cash and cash equivalents**

Cash and cash equivalents include cash in hand, stamps and vouchers and cash in banks, including bank overdrafts.

Cash equivalents are short-term highly liquid investments that can be exchanged for a predictable amount of cash and no significant changes of value over time are expected. Cash equivalents are, for example, deposits with a maturity of less than 3 months from the date of acquisition and liquid debt securities traded in public markets.

## **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 of 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 on financial statements 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 future 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 Company's related parties are considered to be the following:

- Parties, which directly or indirectly control the Company, their subsidiaries and associates;
- Parties, which have directly or indirectly significant influence on the Company;
- Members of the Company's or parent company'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.

Material transactions and outstanding balances with related parties are disclosed in Notes 13 Related-party transactions and 14 Employees.

### **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 expense**

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. 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 financial statements, are recognised in the 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 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 financial statements.

### 3. Intangible fixed assets

(CZK'000)	1 January 2022	Additions / transfers	Disposals	31 December 2022
<b>Cost</b>				
Software	92,213	50,751	(5)	142,959
Goodwill	4,282		(133)	4,149
Intangible fixed assets in the course of construction	11,503	(11,503)		-
<b>Total</b>	<b>107,998</b>	<b>39,248</b>	<b>(138)</b>	<b>147,108</b>
<b>Accumulated amortisation</b>				
Software	30,354	32,516	(5)	62,865
Goodwill	3,286	826	(133)	3,979
<b>Total</b>	<b>33,640</b>	<b>33,342</b>	<b>(138)</b>	<b>66,844</b>
<b>Net book value</b>	<b>74,358</b>			<b>80,264</b>

(CZK'000)	1 January 2021	Additions / transfers	Disposals	31 December 2021
<b>Cost</b>				
Software	61,634	30,579	-	92,213
Goodwill	4,282	-	-	4,282
Intangible fixed assets in the course of construction	2,654	8,849	-	11,503
<b>Total</b>	<b>68,570</b>	<b>39,428</b>	<b>-</b>	<b>107,998</b>
<b>Accumulated amortisation</b>				
Software	20,701	9,653	-	30,354
Goodwill	2,429	857	-	3,286
<b>Total</b>	<b>23,130</b>	<b>10,510</b>	<b>-</b>	<b>33,640</b>
<b>Net book value</b>	<b>45,440</b>			<b>74,358</b>

### 4. Tangible fixed assets

(CZK'000)	1 January 2022	Additions / transfers	Disposals	31 December 2022
<b>Cost</b>				
Constructions	2,150			2,150
Equipment	34,700	22,946	(445)	57,201
Adjustment to acquired fixed assets	17,167		(1,709)	15,458
Tangible fixed assets in the course of construction	878	37		915
<b>Total</b>	<b>54,895</b>	<b>22,983</b>	<b>(2,154)</b>	<b>75,724</b>
<b>Accumulated depreciation</b>				
Constructions	230	63		293
Equipment	10,266	7,274	(445)	17,095
Adjustment to acquired fixed assets	5,465	2,569	(1,709)	6,325
<b>Total</b>	<b>15,961</b>	<b>9,906</b>	<b>(2,154)</b>	<b>23,713</b>
<b>Net book value</b>	<b>38,934</b>			<b>52,011</b>



(CZK'000)	1 January 2021	Additions / transfers	Disposals	31 December 2021
<b>Cost</b>				
Constructions	2,150	-	-	2,150
Equipment	23,446	12,532	(1,278)	34,700
Adjustment to acquired fixed assets	18,191	-	(1,024)	17,167
Tangible fixed assets in the course of construction	-	878	-	878
<b>Total</b>	<b>43,787</b>	<b>13,410</b>	<b>(2,302)</b>	<b>54,895</b>
<b>Accumulated depreciation</b>				
Constructions	167	63	-	230
Equipment	7,147	4,397	(1,278)	10,266
Adjustment to acquired fixed assets	4,696	1,793	(1,024)	5,465
<b>Total</b>	<b>12,010</b>	<b>6,253</b>	<b>(2,302)</b>	<b>15,961</b>
<b>Net book value</b>	<b>31,777</b>			<b>38,934</b>

## 5. Long-term financial assets

Shares in controlled entities

31 December 2022	Cost (CZK'000)	Carrying value (CZK'000)	% of capital	2022 net profit/(loss)* (CZK'000)	Net assets* (CZK'000)	2022 dividend income (CZK'000)
<b>Foreign entities</b>						
<b>Pilulka.sk a.s.</b> Pestovateľská 17796/3, Bratislava 821 04	60,913	8,528	100	(16,581)	8,528	-
<b>Pilulka Online S.R.L.*</b> Bucharest, 53-55 Drumul Osiei St., 6th District Romania	48,329	-	100	(18,329)	(23,777)	-
<b>TOP Farma, s.r.o.*</b> Pestovateľská 17796/3, Bratislava 821 04	100	429	100	(3)	429	-
<b>Pilulka.hu Kft.*</b> Váci út 47. Budapest 1314 Hungary	180	59	100	(127)	59	-
<b>Domestic entities</b>						
<b>KICI, s.r.o.</b> Drahobejlova 1073/36, Libeň, 190 00, Prague	1,771	-	100	(191)	(79)	-
<b>Pilulka Lab s.r.o.*</b> Drahobejlova 1073/36, Libeň 2 190 00, Prague	3,362	-	70	(2,734)	(3,922)	-
<b>Plus Care s.r.o.*</b> Drahobejlova 1073/36, Libeň 2 190 00, Prague	20	-	100	(8,079)	(7,968)	-
<b>Total</b>		<b>9,017</b>				-

\* Unaudited

During 2022, the Company capitalised its loans in the subsidiary Pilulka.sk in the amount of CZK 19,619 thousand. Related cash flow is reflected in the Statement of Cash flows on the row Loans and borrowings to related parties.

The Company established its Hungarian subsidiary Pilulka.hu Kft. in 2022.

31 December 2021	Cost (CZK'000)	Carrying value (CZK'000)	% of capital	2021 net profit/(loss)* (CZK'000)	Net assets* (CZK'000)	2021 dividend income (CZK'000)
<b>Foreign entities</b>						
<b>Pilulka.sk a.s.</b> Pestovateľská 17796/3, Bratislava 821 04	41,327	5,584	100	(860)	5,584	-
<b>Pilulka Online S.R.L.*</b> Bucharest, 53-55 Drumul Osiei St., 6th District Romania	48,329	-	100	(22,121)	(6,026)	-
<b>TOP Farma, s.r.o.*</b> Pestovateľská 17796/3, Bratislava 821 04	100	446	100	(3)	446	-
<b>Domestic entities</b>						
<b>KICI, s.r.o.</b> Drahobejlova 1073/36, Libeň, 190 00, Prague	1,771	112	100	35	112	-
<b>Pilulka Lab s.r.o.*</b> Drahobejlova 1073/36, Libeň 2 190 00, Prague	3,362	-	70	(956)	(1,288)	-
<b>Plus Care s.r.o.*</b> Drahobejlova 1073/36, Libeň 2 190 00, Prague	20	147	100	127	147	-
<b>Total</b>		<b>6,289</b>				-

The Company provided loans to its subsidiaries in the aggregate value of CZK 53,873 thousand as at 31 December 2022 (31 December 2021: CZK 32,233 thousand). Out of this amount CZK 53,873 is presented as a long-term part on the line "Loans and advances - controlled or controlling entity" (as at 31 December 2021: CZK 21,834 thousand) and CZK nil thousand as a short-term part (as at 31 December 2021: CZK 10,399 thousand) on the line "Receivables - controlled or controlling entity". Based on current long-term plans, the Company anticipates that loans provided to subsidiaries will be repaid.

## 6. Inventories

Inventories consist of goods in stock at pharmacies and in a distribution warehouse intended for sale through the e-shop. The Company created a provision for inventories as at 31 December 2022 of CZK 206 thousand (as at 31 December 2021: CZK 271 thousand).

## 7. Receivables

Trade receivables as at 31 December 2022 amounted to CZK 143,366 thousand (as at 31 December 2021: CZK 141,685 thousand). Overdue receivables as at 31 December 2022 amounted to CZK 27,263 thousand (as at 31 December 2021: CZK 15,349 thousand).

The provision for doubtful receivables as at 31 December 2022 was CZK 23 thousand (as at 31 December 2021: CZK 114 thousand).

Estimated receivables mainly represent the expected invoicing of supplier volume bonuses.

Unsettled receivables have not been covered by guarantees and none of them are due after more than 5 years.

The Company has no receivables nor provided any guarantees which are not included in the balance sheet.

As at 31 December 2022 and 31 December 2021, the Company did not recognise any corporate income tax advances.

## 8. Equity

Authorised and issued share capital:

	31 December 2022		31 December 2021	
	No. of pieces (in thousand)	Carrying value (CZK'000)	No. of pieces (in thousand)	Carrying value (CZK'000)
Ordinary shares of CZK 1, fully paid	2,521	2,521	2,500	2,500

No shareholder owns more than a 20% share as at 31 December 2022.

The registered capital of Pilulka Lékárny a.s. is divided into 2,520,934 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.

In the connection with realization of option program for the year 2021, there was an increase in the number of shares by 20,934 shares and increase of the Share capital by CZK 21 thousand.

The Company is not part of any higher consolidation group.

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

On 10 March 2022 the General Meeting decided to increase the Company's share capital by CZK 18,375 by issuing 18,375 new listed ordinary registered shares issued in book-entry form with a nominal value of CZK 1 each. Furthermore, it decided to increase the Company's share capital by CZK 36,076 by issuing 36,076 new listed ordinary registered shares issued in book-entry form with a nominal value of CZK 1 each. These decisions to increase the share capital relate to existing option programs, the subscription of these share was not proceed in 2022.

The General Meeting approved the financial statements of the Management Company and the consolidated financial statements for the year 2021 and decided about the distribution of the profit for the year 2021. Based on this decision, the profit of the year 2021 was used to cover the Accumulated losses.

Until the date of preparation of these financial statements, the Company has not proposed allocation of the loss incurred in 2022.

## 9. Provisions

The Company created provisions in 2022 to cover its liabilities in the amount of CZK 6,140 thousand (as at 31 December 2021: CZK 12,416 thousand).

## 10. Payables, commitments and contingent liabilities

Trade and other payables (except loans stated in Note 11) 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 balance sheet amounted to CZK 75,949 thousand as at 31 December 2022 (as at 31 December 2021: CZK 48,948 thousand). Based on the prudent approach, the value of these future liabilities is calculated at the final effective date of the contracts.

A bank guarantee from Česká spořitelna a.s. in the total amount of CZK 9,155 thousand (as at 31 December 2021: CZK 4,815 thousand) was provided to the third parties.

The management of the Company is not aware of any contingent liabilities of the Company as at 31 December 2022 and 2021.

## 11. Bank loans and other borrowings

Analysis of the bank loans:

				Balance as at 31 December 2022	Balance as at 31 December 2021
	Collateral	Interest rate (%)	Currency	(CZK'000)	(CZK'000)
Revolving	see below	1M PRIBOR + 2.54 to 2.64%	CZK million	20,000	20,000
Investment	see below	3M PRIBOR + 1.95 to 2.55%	CZK million		1,343
Overdraft	see below	1M PRIBOR + 1.80%	CZK million	58,760	
Investment	see below	fixed rate 9.1%	CZK million	6,000	
<b>Total bank loans</b>				<b>84,760</b>	<b>21,343</b>

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

None of these loans have a maturity longer than 5 years.

There are certain contractual conditions (covenants) in relation to the loans. Violation of these terms and conditions may lead to repayment of loans.

Loans are subject to certain covenants. Breach of these covenants may result in the immediate maturity of the loans. On 3 April March 2023, Česká spořitelna a.s. provided the Company with a so-called waiver by which the bank declares, that failure to comply with the covenants will not be considered a breach of the Company's contractual obligations, that it will not assert any consequences arising from the breach of contracts, including the enforcement of collateral, and that a breach of the covenants within the period specified above will not be considered as a reduction of the Company's creditworthiness or treated as a negative fact in future business cooperation between the Company and the bank.

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 pledged inventories and trade receivables was 31 December 2022 CZK 273,512 thousand (as at 31 December 2021: CZK 239,887 thousand).

## 12. Revenue analysis

Revenue analysis:

(CZK'000)	2022	2021
<b>Services</b>		
Marketing services	75,748	66,735
Paid transport	33,039	30,237
Dispensation fees	6,784	6,680
Other	23,344	2,848
Within the Group	14,575	16,178
<b>Total sales of own products and services</b>	<b>153,490</b>	<b>122,678</b>
<b>Goods</b>		
Offline sales (pharmacies store)	317,064	405,500
Online sales (e-shop)	1,369,495	1,305,716
<b>Total sales of goods</b>	<b>1,686,559</b>	<b>1,711,216</b>

### 13. Related-party transactions

<b>(CZK'000)</b>	<b>2022</b>	<b>2021</b>
<b>Revenues</b>		
Sales of services	16,512	16,178
Sales of goods	4,832	3,409
Income from shares	-	60
Interest income	3,943	1,006
<b>Total</b>	<b>25,287</b>	<b>20,653</b>
<b>Costs</b>		
Purchase of goods for resale	3,032	20,668
Other services	10,937	10,796
<b>Total</b>	<b>13,969</b>	<b>31,464</b>

The following related party balances were outstanding as at:

<b>(CZK'000)</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
<b>Receivables</b>		
Trade receivables	26,550	11,249
Loans provided (see note 5)	53,873	32,233
<b>Total</b>	<b>80,423</b>	<b>43,482</b>
<b>Payables</b>		
Liabilities to companies within the consolidation group	196	14
Out of which:		
Trade payables	196	14
Other payables	-	-
<b>Total</b>	<b>196</b>	<b>14</b>

The loans receivable and payable bear interest at market interest rates.

No loans, credits, advances were provided to the members of the Board of Directors nor Supervisory Board as at 31 December 2022 and 31 December 2021 except for wages and salaries and share option program (note 8 and 14).

Company cars are made available to the members of the Board of Directors and other senior staff members for business trips only.

### 14. Employees

	<b>2022</b>		<b>2021</b>	
	<b>number</b>	<b>(CZK'000)</b>	<b>number</b>	<b>(CZK'000)</b>
Emoluments to the Board of Directors / Statutory Body	2	721	2	721
Emoluments to members of the Supervisory Board	3	-	3	-
Wages and salaries to other management	9	4,908	8	4,881
Wages and salaries to other employees	264	139,572	251	125,685
Social security costs		49,011		42,163
Other social costs		3,887		3,665
<b>Wages and salaries total</b>	<b>275</b>	<b>198,099</b>	<b>261</b>	<b>177,115</b>

The Company's other management includes senior staff members directly reporting to the statutory body. Option program is described in Notes 8.

## 15. Income tax

The Company had no tax expense in 2022 and 2021.

The deferred tax was calculated at 19% (the rate enacted for 2022 and subsequent years).

The deferred tax asset analysis:

(CZK'000)	31 December 2022	1 January 2021
<b>Deferred tax (liability) / asset arising from:</b>		
Difference between accounting and tax net book value of fixed assets	450	160
Provisions	1,210	2,359
Tax losses carried forward	3,473	327
<b>Net deferred tax asset</b>	<b>5,133</b>	<b>2,846</b>

A potential net deferred tax asset of CZK 5,133 thousand as at 31 December 2022 (as at 31 December 2021: CZK 2,846 thousand), has not been recognised due to its immateriality.

The Company has tax losses as at 31 December 2022 of CZK 18,278 thousand, of which CZK 1,684 thousand can be utilised up to 2024 and CZK 16,594 thousand can be utilised up to 2027.

## 16. Cash-flow statement

Cash and cash equivalents disclosed in the Cash-flow statement can be analysed as follows:

(CZK'000)	31 December 2022	31 December 2021
Cash in hand	1,534	1,677
Cash at banks	8,069	64,390
Bank overdrafts	(58,759)	0
<b>Total cash and cash equivalents</b>	<b>(49,156)</b>	<b>66,067</b>

## 17. Subsequent events

On 24 January 2023 the Company entered into an Office Lease Agreement with Balabenka Office Building, s.r.o. The Company's headquarters will be relocated to the office space specified in this Agreement as of 1 April 2023. On March 29<sup>th</sup> 2023, the Company changed its registered office at the Registry Court to a new address, namely Českomoravská 2408/1, 190 00 Prague 9, Libeň.

In the beginning of 2023, the Company started a preparation for a secondary public offering of shares on the Prague stock exchange Start. The Company expects the new capital to be subscribed in middle of the year 2023. The Company states that, in its working capital combined with the expected proceeds from the secondary public offer will be sufficient to meet the Company's current requirements and needs.

No other events have occurred subsequent to year-end that would have a material impact on the financial statements as at 31 December 2022.

4 April 2023



Petr Kasa  
Member of the Board of Directors



David Staněk  
Chief Financial Director