

# Consolidated Annual Report

Financial year 2021

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.*

## **Content of the Annual Report**

- Introduction
- Other facts and events
- Report on Relations pursuant to Section 82 of Act No 90/2012 Coll. for accounting period of year 2021
- Independent auditor's report to the shareholders of Pilulka Lékárny a.s.
- Consolidated financial statements for the accounting period of year 2021
- Standalone financial statements for the accounting period of year 2021

## 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 2021.

When the global SARS-CoV-2 coronavirus pandemic broke out in early 2020, we could not imagine how this would affect our business. In 2021, it was already clear that the situation on the one hand could help us a lot, but on the other hand it will slow down our expansion plans. In the area of classic e-commerce in the markets in the Czech Republic, Slovakia and Romania, we witnessed a significant shift in the market from classic retail to the digital environment, not only thanks to the pandemic. Especially in the first half of 2021, we experienced several extreme months, which were reflected in the overall results of 2021. On the other hand, we originally planned for 2021 some preparatory steps to expand into new markets. However, due to very limited travel opportunities, we had to defer these plans. Because of these limits, the acceleration of business in Romania was also a little slower than we expected. Overall, we rate 2021 as positive year, as the company was able to meet all the key metrics we set, especially turnover and profit before interests, depreciation/amortization and taxes.

**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 and Romania. 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 2021, we continued to optimize the network of pharmacy stores under the Pilulka brand. The number of own pharmacy stores has again decreased by several branches, but the number of partner pharmacies is growing significantly. From the company's long-term strategic point of view, this model seems to be more suitable both for scaling to other countries and for a sustainable business model in the Czech Republic and other follow-up projects in the future.

**B2B cooperation.** The company continued 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 the most successful and best-rated pharmacy application by consumers on the Czech market, both on the Apple iOS platform and on Google Android. 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, whether it is self-transport, testing through self-collection kits or offered advice and service for patients and customers in pharmacy stores and online.

**Pilulka Lab.** In 2021, we launched the Pilulka Lab subsidiary project. 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 digitization 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.

**Plus Care.** In the future, we want to fulfil our mission, which is to improve the comfort of our customers' lives, especially in the field of health care. That is why Pilulka Lékárny a.s. established a subsidiary Plus Care s.r.o. in 2021. It covers cooperation between the patient, the doctor, the pharmaceutical company and the health insurance company.

We will continue 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. And this applies not only to the pharmacy store, but also to the innovative digital one.

#### **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 have an organizational unit abroad.

In the area of labor 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 authorizations to dispose of this waste. Waste is treated in accordance with legal standards.

The General Meeting held on 10 March 2022 decided to change the share option program approved in 2020. Based on this approval, the shares for this option program will be subscribed for preferentially during the exercise of the option.

Furthermore, this General Meeting also approved a new share option program which can be exercised according to 2022 financial results. Under this share option program, employees could acquire 18,375 new shares of CZK 1 each, which would increase the Company's share capital. The program is expected to be exercised in 2023.

The Company signed a lease agreement for another e-shop warehouse.

In late February 2022 ongoing political tension between Russia and Ukraine escalated in a conflict with a military invasion of Russian forces in Ukraine. The worldwide reaction to Russia's violation of international law and aggression against Ukraine was the imposition of extensive sanctions and limitations on business activity. We consider these acts as non-adjusting post balance sheet events. Overall effect of the recent development is increased volatility in the financial and commodity markets, as well as consequences on the economy in general. Business risks, including the adverse effects of economic sanctions on Russia, business disruptions (including supply chains), increased cyber-attacks, the risk of breaches of legal and regulatory rules and much more, are difficult to assess and their overall impact and potential effects are currently unknown.

No other events have occurred after the balance sheet date that would have a material impact on the consolidated financial statements as at 31 December 2021.

Prague, 14 April 2022

A handwritten signature in blue ink, appearing to read "Petr Kasa".

Petr Kasa

Member of the Board 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 2021 accounting period**

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 2021 (hereinafter “Relevant period”).

## 1. Structure of relations between parties in the Group as at 31 December 2021



## 2. Parties in the Group

### 2.1 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 (hereinafter “the Group”).

#### **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: Only shareholders acting in concert according to Sections from 74 to 78 of Act No. 90/2012 Coll. With a share of more than 10% in the share capital of the Company as at the date of preparation of the financial statements are listed as Controlling Parties.

## 2.2 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 August 2011

Registered office: Pestovateľská 17796/3, Bratislava – Ružinov 821 04 city district

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

ID: 46 076 077

Section Sro, File: 71606/B

Registration date: 19 March 2011

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

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

ID: 396 23 896

File number: J40/7927/2020

Registration date: 13 July 2018

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



### **3. The structure of relationships, the role of the Company, the method and means of control**

#### **3.1 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.

#### **3.2 The method and means of control**

The control is realized by the direct exercise of voting rights at the General Meeting of the Company and the granting of management instructions.

#### **3.3 The role of the Company within the Group**

The Company is the parent company of the group. Its dominant role is to manage and finance the Group.

### **4. Overview of legal acts taken at the instigation or in the interest of the Controlling Party or other parties (controlled by the Controlling Party)**

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 22,779 thousand reported in the latest financial statements as at 31 December 2020.

- Payments resulting from loan agreements referred to in Note 5 amounting CZK 42,471 thousand.
- Increase of the share capital of Pilulka Online S.R.L. (RO) according to the agreement on the increase of the share capital in Note 5 in the amount of CZK 47,401 thousand.

### **5. Overview of mutual agreements concluded within the Group**

#### **5.1 Contracts between the Company and the Controlling Party**

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

- Agreement on the performance of the Board of Directors' member function.
- Agreement on the provision of advisory services with Clareo a.s., ID: 284 55 339, where Petr Kasa is the sole shareholder.

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

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

#### **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.

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

- No contract is registered.

### **5.2 Contracts between the Company and the Controlled Parties**

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

- Framework loan agreement dated June 15, 2021
- Loan agreement dated March 1, 2021
- Loan agreement dated March 1, 2021
- Surcharge agreement outside the Basic Capital dated February 28, 2021

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

- Loan agreement dated September 9, 2021
- Sublease agreement dated August 30, 2021
- Framework loan agreement dated September 20, 2021

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

- Loan Agreement dated December 20, 2021

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

- Loan Agreement dated June 2, 2021
- Cooperation Agreement dated January 3, 2020

#### **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 dated January 27, 2021
- Loan agreement dated October 1, 2021
- Loan agreement dated November 9, 2021
- Loan agreement dated September 30, 2021
- Loan agreement dated September 30, 2021
- Loan agreement dated April 27, 2021
- Loan Agreement dated January 7, 2021
- Loan Agreement dated June 3, 2021
- Loan agreement dated August 25, 2021
- Loan agreement dated September 3, 2021
- Share capital increase agreement.
- Cost re-invoicing agreement.

## **6. Assessment of detriment and its compensation**

The Company did not suffer any detriment as a result of acting at the instigation or in the interest of the Controlling Entity or its controlled entities, or from the concluded contractual relations.

## **7. Evaluation of advantages and disadvantages, including possible risks, if any, of relations within the Group**

The companies in the Group derive benefits in particular, due to their stronger economic background. These relationships do not entail any disadvantages or risks for the Company.

## **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 and the Controlled Party, 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 Controlled and controlling 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 within the Group described above was at arm's length.

Prague, 14 April 2022



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 Drahobejlova 1073/36, Libeň, Praha 9 (the "Company") and its subsidiaries (together the "Group") as at 31 December 2021, of the Group's consolidated financial performance and consolidated cash flows for the year ended 31 December 2021 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 2021, of the Company's financial performance and cash flows for the year ended 31 December 2021 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 2021,
- the consolidated income statement for the year ended 31 December 2021,
- the consolidated statement of changes in equity for the year ended 31 December 2021,
- the consolidated statement of cash flows for the year ended 31 December 2021, 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 2021,
- the income statement for the year ended 31 December 2021,
- the statement of changes in equity for the year ended 31 December 2021,
- the statement of cash flows for the year ended 31 December 2021, 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 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 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 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 controls.
- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal controls.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's 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.

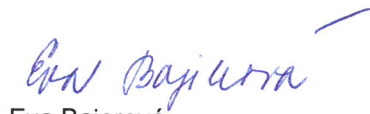
We communicate with the board of directors and supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

14 April 2022

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 2021**



Company name: Pilulka Lékárny a.s.

Identification number: 036 15 278

Legal form: joint-stock company

Primary business: purchase and sale of drugs and provision of health services - pharmacy care

Balance sheet date: 31 December 2021

Date of preparation of the financial statements: 14 April 2022

## CONSOLIDATED BALANCE SHEET

(in thousand Czech crowns)

Ref.		31.12.2021	31.12.2020
	<b>ASSETS</b>	<b>589 136</b>	<b>497 979</b>
<b>B.</b>	<b>FIXED ASSETS</b>	<b>175 193</b>	<b>116 737</b>
B.I.	Intangible fixed assets	82 809	53 646
B.II.	Tangible fixed assets	62 434	35 194
B.III.	Long-term investments	4 050	-
B.IV.	Positive consolidation difference	26 483	28 545
B.V.	Negative consolidation difference	(583)	(648)
<b>C.</b>	<b>CURRENT ASSETS</b>	<b>411 568</b>	<b>377 708</b>
C.I.	Inventories	155 251	90 623
C.II.	Receivables	184 710	155 304
C.II.1	Long-term receivables	2 972	3 234
C.II.2	Long-term receivables	181 738	152 070
C.IV.	Cash	71 607	131 781
<b>D.</b>	<b>PREPAYMENTS AND ACCRUED INCOME</b>	<b>2 375</b>	<b>3 534</b>
	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>589 136</b>	<b>497 979</b>
<b>A .</b>	<b>EQUITY</b>	<b>204 376</b>	<b>227 793</b>
A.I.	Share capital	2 500	2 500
A.II.	Share premium and capital contributions	390 292	389 332
A.IV.1	Retained earnings or (accumulated losses)	(162 921)	(94 023)
A.IV.2	Restatements of retained earnings	-	(48 159)
A.V.	Profit / (loss) for the current period	(25 495)	(21 857)
	out of which: profit / (loss) for the current period	(25 495)	(21 857)
<b>B. + C.</b>	<b>LIABILITIES</b>	<b>384 111</b>	<b>279 924</b>
<b>B.</b>	<b>Provisions</b>	<b>14 967</b>	<b>5 622</b>
<b>C.</b>	<b>Payables</b>	<b>369 144</b>	<b>274 302</b>
C.I.	Long-term payables	21 453	3 206
C.II.	Short-term payables	347 691	271 097
C.I.2 + C.II.2	out of which: liabilities due to financial institutions	21 343	24 606
<b>D.</b>	<b>ACCRUALS AND DEFERRED INCOME</b>	<b>924</b>	<b>-</b>
<b>E.</b>	<b>MINORITY EQUITY</b>	<b>(275)</b>	<b>(9 738)</b>
E.I.	Minority share capital	60	73
E.II.	Minority capital contributions	6	(15)
E.III.	Minority reserves from profit incl. Retained earnings or (accumulated losses)	(166)	(6 011)
E.IV.	Minority profit / (loss) for the current period	(175)	(3 785)

Company name: Pilulka Lékárny a.s.

Identification number: 036 15 278

Legal form: joint-stock company

Primary business: purchase and sale of drugs and provision of health services - pharmacy care

Balance sheet date: 31 December 2021

Date of preparation of the financial statements: 14 April 2022

## CONSOLIDATED INCOME STATEMENT

(in thousand Czech crowns)

		2021	2020
	<b>Text</b>		
I.	Sales of product and services	141 184	107 187
II.	Sales of goods	2 239 113	1 673 029
A. + B. + C.	Cost of sales incl. Own work capitalised	2 142 702	1 582 033
D.	Staff costs	224 076	166 635
E.	Value adjustments in operating activities	22 785	19 102
	Amortisation of positive consolidation difference	12 168	2 337
	Amortisation of negative consolidation difference	65	65
III.	Operating income - other	32 347	5 551
F.	Operating expenses - other	24 964	14 668
*	<b>CONSOLIDATED OPERATING RESULT</b>	<b>(13 986)</b>	<b>1 057</b>
VI.	Interest and similar income	714	28
J.	Interest and similar expenses	777	2 531
VII.	Other financial income	369	930
K.	Other financial expenses	10 996	24 577
*	<b>CONSOLIDATED FINANCIAL RESULT</b>	<b>(10 690)</b>	<b>(26 150)</b>
**	<b>CONSOLIDATED NET PROFIT / (LOSS) AFTER TAX</b>	<b>(24 676)</b>	<b>(25 093)</b>
L.	Tax on profit or loss	994	549
***	<b>Consolidated net profit / (loss) for the financial period</b>	<b>(25 670)</b>	<b>(25 642)</b>
	out of which: Net profit / (loss) net of minority interests	(25 495)	(21 857)
	Minority net profit / (loss)	(175)	(3 785)
	<b>CONSOLIDATED NET PROFIT / (LOSS)</b>	<b>(25 670)</b>	<b>(25 642)</b>

Company name: Pilulka Lékárny a.s.

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## CONSOLIDATED STATEMENT OF CASH FLOW

(in thousand Czech crowns)

Ref.	TEXT	2021	2020
	<b>Cash flows from operating activities</b>		
	<b>Net consolidated result before tax</b>	<b>(24 676)</b>	<b>(25 093)</b>
A.1.	Adjustments for non-cash movements:	43 256	30 745
A.1.1.	Depreciation and amortisation of fixed assets	22 785	19 102
A.1.2.	Amortisation of positive/negative consolidation difference	12 103	2 272
A.1.3.	Change in provisions and provisions for impairment	8 078	3 040
A.1.4.	Profit from sales of fixed assets	52	15
A.1.6.	Net interest expense	63	2 531
A.1.7.	Other non-cash movements	175	3 785
<b>A.*</b>	<b>Net cash flow from operating activities before tax and changes in working capital</b>	<b>18 580</b>	<b>5 652</b>
A.2.	Non-cash working capital changes:	6 153	4 242
A.2.1.	Change in receivables and prepayments	(28 247)	(14 608)
A.2.2.	Change in payables and accruals	99 028	32 840
A.2.3.	Change in inventories	(64 628)	(13 990)
<b>A.**</b>	<b>Net cash flow from operating activities before tax</b>	<b>24 733</b>	<b>9 894</b>
A.3.	Interest paid	(63)	(2 531)
A.5.	Income tax paid	-	27
<b>A.***</b>	<b>Net cash flow from operating activities</b>	<b>24 670</b>	<b>7 390</b>
	<b>Cash flows from investing activities</b>		
B.3.	Acquisition of fixed assets	(82 132)	(27 647)
B.4.	Proceeds from sale of fixed assets	52	15
<b>B.***</b>	<b>Net cash flow from investing activities</b>	<b>(82 080)</b>	<b>(27 632)</b>
	<b>Cash flows from financing activities</b>		
C.1.	Change in long- and short-term liabilities from financing activities	(3 263)	(51 604)
C.2.	Changes in equity:	-	194 057
C.2.1.	Cash inflow from the increase of share capital	-	194 057
<b>C.***</b>	<b>Net cash flow from financing activities</b>	<b>(3 263)</b>	<b>142 453</b>
	Foreign exchange gains/losses	499	(24)
	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(60 174)</b>	<b>122 187</b>
	<b>Cash and cash equivalents at the beginning of the year</b>	<b>131 781</b>	<b>9 594</b>
	<b>Cash and cash equivalents at the end of the year</b>	<b>71 607</b>	<b>131 781</b>

Firma: Pilulka Lékárny a.s.  
 Identifikační číslo: 036 15 278  
 Právní forma: Akciová společnost  
 Předmět podnikání: Nákup a prodej léčiv a potravinových doplňků  
 Rozvahový den: 31. prosince 2021  
 Datum sestavení účetní závěrky: 14. dubna 2022

## 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 2020 adjusted</b>	<b>2 000</b>	<b>-</b>	<b>175 112</b>	<b>(96 052)</b>	<b>(43 386)</b>	<b>37 674</b>
Restatement 2019	-	-	-	4 773	(4 773)	-
Issue of shares	500	211 500	-	-	-	212 000
Net loss for the current period	-	-	-	(21 857)	-	(21 857)
FX differences from recalculation of foreign consolidated companies and other	-	-	2 720	(2 744)	-	(24)
<b>As at 31 December 2020</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>
Restatement of retained earnings	-	-	-	(48 159)	48 159	-
Net loss for current period	-	-	-	(25 495)	-	(25 495)
FX differences from recalculation of foreign consolidated companies and other	-	-	960	1 118	-	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>

## 1. Scope of consolidation

The group of companies consists of the controlling Company Pilulka Lékárny a.s. ("Company" or "Controlling Company") and its subsidiaries ("Consolidation Unit" or "Group"). The definition of these companies is presented in the Note 1.3.

The main business of the Group are:

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

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

The pandemic and especially the restrictive measures taken in order to mitigate the health impacts have caused disruptions to businesses and economic activities and have affected the Group's operations in the year ending 31 December 2021.

During the pandemic, the Group plays key role in the supply of medicines and medical goods. The COVID-19 pandemic in 2021 had a positive effect on the Group's activities. There was a significant increase in demand for pharmaceuticals products. The combination of remote services and distance supplies of medical goods proves to be practically irreplaceable in times of quarantine and physical restraint. Although the Group perceives that macroeconomic changes are taking place as a result of COVID-19, which may lead to a general decline in demand, the demand for basic pharmaceutical products (medicines, medical and healthcare needs) meeting essential human needs is not affected by market developments. The COVID-19 pandemic and its economic and social consequences may represent another opportunity for the Group.

### 1.1. Controlled companies

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

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

These companies are consolidated using the full consolidation method.

### 1.2. Consolidation of controlled, managed foreign companies

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

average exchange rate of the Czech National Bank for the calendar year for which the consolidated financial statements are prepared.

### 1.3. Definition of the consolidation unit

#### Controlling Company

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

The consolidated financial statements are prepared for the following companies:

#### Companies controlled, managed

Company name	Registered office	Country	Share of basic capital (in %)
Pilulka.sk a.s.	Podunajská 27, 821 06 Bratislava	Slovakia	100
Pilulka Online S.R.L.*	Nicolae Tizulescu Street, Nr. 2, Spade CA1, office Nr.1	Romania	100
TOP Farma s.r.o.	Ivánska cesta 65, 821 04 Bratislava	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

\* The Company increased its share in Pilulka Online S.R.L. and became the sole shareholder.

\*\* During 2021, the company Lékárna U Nádraží s.r.o. changed its name to Pilulka Lab s.r.o.

## 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.

Management has considered the impact of the novel coronavirus causing the Covid-19 disease when assessing the valuation of assets and liabilities and going concern assumptions.

### 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 2021. 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. Tangible and intangible assets

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

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

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

Tangible and intangible fixed assets	Estimated useful life
Software	5 years
Goodwill	5 years
Technical impairment	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 tangible fixed assets are capitalised.

## **2.6. 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.

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

## **2.7. 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.

## **2.8. 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.

## **2.9. 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 the line Restatements of retained earnings.

## **2.10. 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.



### **2.11. Revenue recognition**

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.

### **2.12. 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.

### **2.13. 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.

### **2.14. 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.

### **2.15. Deferred tax**

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

### **2.16. 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.

### **2.17. 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 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>

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

#### 4. Tangible fixed assets

(CZK'000)	1 January 2021	Additions / transfers	Disposals	31 December 2021
<b>Cost</b>				
Constructions	2,955	-	(54)	2,901
Equipment	27,860	34,205	(1,539)	60,526
Valuation difference on acquired assets	18,199	-	(1,032)	17,167
Tangible fixed assets in the course of construction	-	916	-	916
		<b>35,45</b>		
<b>Total</b>	<b>49,014</b>	<b>4</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
Valuation difference on acquired 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>

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

#### 5. Positive consolidation difference

(CZK'000)	2021	2020
<b>Opening balance as at 1 January</b>	<b>28,545</b>	<b>30,882</b>
Impact of acquisitions during accounting period	10,106	-
Depreciation of positive consolidation difference	(12,168)	(2,337)
<b>Closing balance as at 31 December</b>	<b>26,483</b>	<b>28 545</b>

The positive consolidation difference arising from the purchase of the remaining 30% share in the subsidiary Pilulka Online S.R.L was fully written off in 2021.

#### 6. Negative consolidation difference

(CZK'000)	2021	2020
<b>Opening balance as at 1 January</b>	<b>(648)</b>	<b>(713)</b>
Depreciation of negative consolidation difference	65	65
<b>Closing balance as at 31 December</b>	<b>(583)</b>	<b>(648)</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 2021, a provision for inventories in the amount of CZK 597 thousand was created within the consolidation group (as at 31 December 2020: CZK 50 thousand).

## 8. Receivables

Trade receivables as at 31 December 2021 amounted to CZK 156,332 thousand (as at 31 December 2020: CZK 118,338 thousand).

Estimated receivables as at 31 December 2021 amounted to CZK 19,638 thousand (as at 31 December 2020: CZK 28,381 thousand) and represents in particular the expected invoicing of supplier volume bonuses.

The provision for doubtful receivables as at 31 December 2021 was CZK 114 thousand (as at 31 December 2020: CZK 153 thousand).

Receivables are not 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 2021 and 31 December 2020.

## 9. Equity

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

Approved and issued shares:

	31 December 2021		31 December 2020	
	No. of pieces	Carrying value (CZK'000)	No. of pieces	Carrying value (CZK'000)
	2,500,00			
Ordinary shares in the amount of CZK 1, fully paid	0	2,500	2,500,000	2,500

No shareholder owns more than a 20% share as at 31 December 2021.

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

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

On 16 June 2021, the general meeting of shareholders approved the Controlling Company's financial statements for 2020 and decided about the allocation of the loss incurred in 2020 as stated in the Statement of Changes in Equity in the Company's financial statements as at 31 December 2021.

Up to the date of preparation of these financial statements, the Company has not proposed allocation of the consolidated profit incurred in 2021.

In 2020, the Controlling Company approved a share option program with the expected realisation in 2023. Furthermore, in 2021, the Company approved a share option program for employees. Under this program, it made a commitment to provide selected employees with a number of shares specified in the share option agreement. Stock options are exercisable in 2022.

## 10. Provisions

In 2021, the Group created provisions to cover its liabilities due to untaken leave and the option program in the amount of CZK 14,967 thousand (as at 31 December 2020: CZK 5,622 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 62,189 thousand as at 31 December 2021 (as at 31 December 2020: CZK 73,563 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 4,815 thousand (as at 31 December 2020: CZK 3,917 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 2021 and 2020.

## 12. Liabilities to credit institutions

Bank loans can be broken down as follows:

	Guarantee	Interest rate (%)	Currency	Balance as at 31 December 2021 (CZK'000)	Balance as at 31 December 2020 (CZK'000)
Revolving	see below	1M PRIBOR + 2.54% to 2.64%	CZK	20,000	20,000
Investment	see below	3M PRIBOR + 1.95 to 2.55%	CZK	1,343	4,606
<b>Total bank loans</b>				<b>21,343</b>	<b>24,606</b>

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

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

Loans are subject to certain contractual conditions. Breach of these terms and conditions may result in the immediate maturity of the loans. The Group met these conditions based on the consolidated financial statements of the Group as at 31 December 2021.

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 2021 CZK 239,887 thousand (as at 31 December 2020: CZK 177,073 thousand).

### 13. Revenue analysis

Revenue analysis:

**(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>

**(CZK'000)**

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

### 14. Transaction with related parties

During 2021, the Company had costs with related parties for consulting and advisory services in the amount of CZK 9,788 thousand (for 2020: CZK 8,302 thousand).

## 15. Employees

	2021		2020	
	number	(CZK'000)	number	(CZK'000)
Emoluments to the Statutory Body	2	721	2	359
Emoluments to members of the Supervisory Board	3	-	3	-
Wages and salaries to other management	14	10,995	12	6,734
Wages and salaries to other employees	344	154,980	268	116,096
Social security costs		52,343		39,674
Other social costs		5,037		3,772
<b>Wages and salaries total</b>	<b>363</b>	<b>224,076</b>	<b>285</b>	<b>166,635</b>

The Company's 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 2021 and 2020, except for the wages and salaries and option program (Notes 9, 14 and 17).

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

## 16. Income tax

The income tax expense analysis:

(CZK'000)	2021	2020
Current tax expense	871	(27)
Deferred tax expense	123	576
<b>Total income tax expense</b>	<b>994</b>	<b>549</b>

The Controlling Company claimed part of the tax losses carried forward when calculating income tax. The tax liability of the Controlling Company for 2021 is nil.

Deferred tax was calculated using a tax rate of 19% (tax rate for 2021 and subsequent years) for Czech entities and 21% for Slovak entities.

The deferred tax asset analysis:

(CZK'000)	31 December 2021	31 December 2020
<b>Deferred tax asset / (liability) arising from:</b>		
Difference between accounting and tax net book value of fixed assets	160	838
Provisions and impairments	3,028	1,537
Tax losses carried forward	9,675	5,689
<b>Net deferred tax asset</b>	<b>12,863</b>	<b>8,064</b>

A potential net deferred tax asset of CZK 12,863 thousand as at 31 December 2021 (as at 31 December 2020: CZK 8,064 thousand) was accounted only in part related to Pilulka.sk in amount of CZK 1,769 thousand (as at 31 December 2020: CZK 1 993 thousand), the remaining part 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.

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.

As at 31 December 2020, the Group had tax losses of CZK 29,332 thousand, of which CZK 5,885 thousand can be utilised until 2021, CZK 13,607 thousand to 2023 and CZK 9,840 thousand to 2024.

## 17. Subsequent events

The General Meeting held on 10 March 2022 decided to change the share option program approved in 2020. Based on this approval, the shares for this option program will be subscribed for preferentially during the exercise of the option. Furthermore, this General Meeting also approved a new share option program which can be exercised according to 2022 financial results. Under this share option program, employees could acquire 18,375 new shares of CZK 1 each, which would increase the Company's share capital. The program is expected to be exercised in 2023.

The Company signed a lease agreement for another e-shop warehouse.

In late February 2022 ongoing political tension between Russia and Ukraine escalated in a conflict with a military invasion of Russian forces in Ukraine. The worldwide reaction to Russia's violation of international law and aggression against Ukraine was the imposition of extensive sanctions and limitations on business activity. We consider these acts as non-adjusting post balance sheet events. Overall effect of the recent development is increased volatility in the financial and commodity markets, as well as consequences on the economy in general. Business risks comprising adverse effects of economic sanctions imposed on Russia, business interruptions (including supply chain), increased occurrences of cyber-attacks, legal and regulatory compliance risk and many other are difficult to assess and the full nature and possible effects of these are unknown.

No other events have occurred subsequent to year-end that would have a material impact on the consolidated financial statements as at 31 December 2021.

14 April 2022



Petr Kasa  
Member of the Board of Directors



David Staněk  
Chief Financial Officer



**Pilulka Lékárny a.s.**

**Financial statements**

**31 December 2021**

**Translation note**

This version of the financial statements 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 the financial statements 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 drugs and provision of health services - pharmacy care  
Balance sheet date: 31 December 2021  
Date of preparation of the financial statements: 14 April 2022

## BALANCE SHEET

(in thousand Czech crowns)

Ref.	ASSETS	Row	31.12.2021			31.12.2020
			Gross 1	Provision 2	Net 3	Net 4
a	b	c				
	<b>TOTAL ASSETS</b>	<b>001</b>	<b>533 829</b>	<b>(49 986)</b>	<b>483 843</b>	<b>450 287</b>
<b>B.</b>	<b>Fixed assets</b>	<b>003</b>	<b>193 526</b>	<b>(49 601)</b>	<b>143 925</b>	<b>108 783</b>
<b>B. I.</b>	<b>Intangible fixed assets</b>	<b>004</b>	<b>107 998</b>	<b>(33 640)</b>	<b>74 358</b>	<b>45 440</b>
B. I. 2.	Royalties	006	92 213	(30 354)	61 859	40 933
B. I. 2. 1.	Software	007	92 213	(30 354)	61 859	40 933
B. I. 3.	Goodwill	009	4 282	(3 286)	996	1 853
B. I. 5.	Advances paid and intangible fixed assets in the course of construction	011	11 503	-	11 503	2 654
B. I. 5. 2.	Intangible fixed assets in the course of construction	013	11 503	-	11 503	2 654
<b>B. II.</b>	<b>Tangible fixed assets</b>	<b>014</b>	<b>54 895</b>	<b>(15 961)</b>	<b>38 934</b>	<b>31 777</b>
B. II. 1.	Land and constructions	015	2 150	(230)	1 920	1 983
B. II. 1. 2.	Constructions	017	2 150	(230)	1 920	1 983
B. II. 2.	Equipment	018	34 700	(10 266)	24 434	16 299
B. II. 3.	Adjustment to acquired fixed assets	019	17 167	(5 465)	11 702	13 495
B. II. 5.	Advances paid and tangible fixed assets in the course of construction	024	878	-	878	-
B. II. 5. 2.	Tangible fixed assets in the course of construction	026	878	-	878	-
<b>B. III.</b>	<b>Long-term investments</b>	<b>027</b>	<b>30 633</b>	<b>-</b>	<b>30 633</b>	<b>31 566</b>
B. III. 1.	Investments - subsidiaries and controlling party	028	6 289	-	6 289	7 277
B. III. 2.	Loans and borrowings - subsidiaries and controlling party	029	21 834	-	21 834	24 289
B. III. 5.	Other long-term investments in securities	032	2 510	-	2 510	-
<b>C.</b>	<b>Current assets</b>	<b>037</b>	<b>338 480</b>	<b>(385)</b>	<b>338 095</b>	<b>338 828</b>
<b>C. I.</b>	<b>Inventories</b>	<b>038</b>	<b>98 473</b>	<b>(271)</b>	<b>98 202</b>	<b>63 380</b>
C. I. 3.	Finished goods and goods for resale	041	98 473	(271)	98 202	63 380
C. I. 3. 2.	Goods for resale	043	98 473	(271)	98 202	63 380
<b>C. II.</b>	<b>Receivables</b>	<b>046</b>	<b>173 940</b>	<b>(114)</b>	<b>173 826</b>	<b>147 654</b>
C. II. 2.	Short-term receivables	057	173 940	(114)	173 826	147 654
C. II. 2. 1.	Trade receivables	058	141 799	(114)	141 685	113 693
C. II. 2. 2.	Receivables - subsidiaries and controlling party	059	10 399	-	10 399	1 707
C. II. 2. 4.	Receivables - other	061	21 742	-	21 742	32 254
C. II. 2. 4. 4.	Short-term advances paid	065	1 944	-	1 944	2 608
C. II. 2. 4. 5.	Estimated receivables	066	18 463	-	18 463	28 381
C. II. 2. 4. 6.	Other receivables	067	1 335	-	1 335	1 265
<b>C. IV.</b>	<b>Cash</b>	<b>075</b>	<b>66 067</b>	<b>-</b>	<b>66 067</b>	<b>127 794</b>
C. IV. 1.	Cash in hand	076	1 677	-	1 677	2 178
C. IV. 2.	Cash at bank	077	64 390	-	64 390	125 616
<b>D.</b>	<b>Prepayments and accrued income</b>	<b>078</b>	<b>1 823</b>	<b>-</b>	<b>1 823</b>	<b>2 676</b>
D. 1.	Prepaid expenses	079	1 823	-	1 823	2 676

Ref.	LIABILITIES AND EQUITY	Row	31.12.2021	31.12.2020
a	b	c	5	6
	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>082</b>	<b>483 843</b>	<b>450 287</b>
<b>A.</b>	<b>Equity</b>	<b>083</b>	<b>185 538</b>	<b>223 174</b>
<b>A. I.</b>	<b>Share capital</b>	<b>084</b>	<b>2 500</b>	<b>2 500</b>
A. I. 1.	Share capital	085	2 500	2 500
<b>A. II.</b>	<b>Share premium and capital contributions</b>	<b>088</b>	<b>290 116</b>	<b>337 466</b>
A. II. 1.	Share premium	089	211 500	211 500
A. II. 2.	Capital contributions	090	78 616	125 966
A. II. 2. 1.	Other capital contributions	091	177 211	177 211
A. II. 2. 2.	Assets and liabilities revaluation	092	(88 621)	(41 271)
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>(116 792)</b>	<b>(107 176)</b>
A. IV. 1.	Retained earnings or (accumulated losses)	100	(116 792)	(59 017)
A. IV. 2.	Restatements of retained earnings	101	-	(48 159)
<b>A. V.</b>	<b>Profit / (loss) for the current period</b>	<b>102</b>	<b>9 714</b>	<b>(9 616)</b>
<b>B. + C.</b>	<b>Liabilities</b>	<b>104</b>	<b>297 700</b>	<b>227 113</b>
<b>B.</b>	<b>Provisions</b>	<b>105</b>	<b>12 416</b>	<b>4 338</b>
B. 4.	Other provisions	109	12 416	4 338
<b>C.</b>	<b>Payables</b>	<b>110</b>	<b>285 284</b>	<b>222 775</b>
<b>C. I.</b>	<b>Long-term payables</b>	<b>111</b>	<b>21 343</b>	<b>3 093</b>
C. I. 2.	Liabilities due to financial institutions	115	21 343	3 093
<b>C. II.</b>	<b>Short-term payables</b>	<b>126</b>	<b>263 941</b>	<b>219 682</b>
C. II. 2.	Liabilities due to financial institutions	130	-	21 513
C. II. 3.	Short-term advances received	131	9 293	2 540
C. II. 4.	Trade payables	132	233 050	166 660
C. II. 8.	Liabilities - other	136	21 598	28 969
C. II. 8. 3.	Liabilities to employees	139	9 647	7 606
C. II. 8. 4.	Liabilities for social security and health insurance	140	4 562	3 801
C. II. 8. 5.	Taxes and state subsidies payable	141	4 295	4 743
C. II. 8. 6.	Estimated payables	142	2 877	12 557
C. II. 8. 7.	Other liabilities	143	217	262
<b>D.</b>	<b>Accruals and deferred income</b>	<b>147</b>	<b>605</b>	<b>-</b>
D. 2.	Deferred income	149	605	-

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## INCOME STATEMENT

(in thousand Czech crowns)

Ref. a	TEXT b	Row c	Accounting period	
			2021 1	2020 2
<b>I.</b>	<b>Sales of products and services</b>	<b>01</b>	<b>122 678</b>	<b>95 153</b>
<b>II.</b>	<b>Sales of goods</b>	<b>02</b>	<b>1 711 216</b>	<b>1 231 582</b>
<b>A.</b>	<b>Cost of sales</b>	<b>03</b>	<b>1 635 450</b>	<b>1 158 405</b>
A. 1.	Cost of goods sold	04	1 328 424	929 160
A. 2.	Raw materials and consumables used	05	22 631	17 597
A. 3.	Services	06	284 395	211 648
<b>C.</b>	<b>Own work capitalised</b>	<b>08</b>	<b>(6 718)</b>	<b>-</b>
<b>D.</b>	<b>Staff costs</b>	<b>09</b>	<b>177 115</b>	<b>132 978</b>
D. 1.	Wages and salaries	10	131 287	99 352
D. 2.	Social security, health insurance and other costs	11	45 828	33 626
D. 2. 1.	Social security and health insurance costs	12	42 163	30 759
D. 2. 2.	Other costs	13	3 665	2 867
<b>E.</b>	<b>Value adjustments in operating activities</b>	<b>14</b>	<b>16 995</b>	<b>13 873</b>
E. 1.	Value adjustments of fixed assets	15	16 763	15 171
E. 1. 1.	Depreciation, amortisation and write off of fixed assets	16	16 763	15 171
E. 2.	Provision for impairment of inventories	18	271	-
E. 3.	Provision for impairment of receivables	19	(39)	(1 298)
<b>III.</b>	<b>Operating income - other</b>	<b>20</b>	<b>18 416</b>	<b>2 754</b>
III. 1.	Sales of fixed assets	21	20	16
III. 2.	Sales of raw materials	22	-	1
III. 3.	Other operating income	23	18 396	2 737
<b>F.</b>	<b>Operating expenses - other</b>	<b>24</b>	<b>10 367</b>	<b>11 036</b>
F. 1.	Net book value of fixed assets sold	25	-	24
F. 3.	Taxes and charges	27	54	92
F. 4.	Operating provisions and complex prepaid expenses	28	8 078	4 338
F. 5.	Other operating expenses	29	2 235	6 582
<b>*</b>	<b>Operating result</b>	<b>30</b>	<b>19 101</b>	<b>13 197</b>
IV.	Income from long-term investments - shares	31	60	1 396
IV. 1.	Income from investments - subsidiaries or controlling party	32	60	1 396
G.	Cost of shares sold	34	1 441	-
VI.	Interest and similar income	39	1 417	921
VI. 1.	Interest and similar income - subsidiaries or controlling party	40	1 006	838
VI. 2.	Other interest and similar income	41	411	83
J.	Interest and similar expenses	43	777	2 070
J. 1.	Interest and similar expenses - subsidiaries or controlling party	44	-	139
J. 2.	Other interest and similar expenses	45	777	1 931
VII.	Other financial income	46	279	855
K.	Other financial expenses	47	8 925	23 942
<b>*</b>	<b>Financial result</b>	<b>48</b>	<b>(9 387)</b>	<b>(22 840)</b>
<b>**</b>	<b>Net profit / (loss) before tax</b>	<b>49</b>	<b>9 714</b>	<b>(9 643)</b>
<b>L.</b>	<b>Tax on profit or loss</b>	<b>50</b>	<b>-</b>	<b>(27)</b>
L. 1.	Tax on profit or loss - current	51	-	(27)
<b>**</b>	<b>Net profit / (loss) after tax</b>	<b>53</b>	<b>9 714</b>	<b>(9 616)</b>
<b>***</b>	<b>Net profit / (loss) for the financial period</b>	<b>55</b>	<b>9 714</b>	<b>(9 616)</b>
<b>*</b>	<b>Net turnover for the financial period</b>	<b>56</b>	<b>1 854 066</b>	<b>1 332 661</b>

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## STATEMENT OF CASH FLOWS

(in thousand Czech crowns)

Ref.	TEXT	Accounting period	
		2021	2020
a	b	1	2
	<b>Cash flows from operating activities</b>		
	<b>Net profit / (loss) before tax</b>	<b>9 714</b>	<b>(9 643)</b>
A. 1.	Adjustments for non-cash movements:	25 794	17 972
A. 1. 1.	Depreciation and amortisation of fixed assets	16 763	15 171
A. 1. 2.	Change in provisions and provisions for impairment	8 310	3 040
A. 1. 3.	(Profit)/loss from sales of fixed assets	1 361	8
A. 1. 4.	Dividend income	-	(1 396)
A. 1. 5.	Net interest expense/(income)	(640)	1 149
<b>A *</b>	<b>Net cash flow from operating activities before tax and changes in working capital</b>	<b>35 508</b>	<b>8 329</b>
A. 2.	Non-cash working capital changes:	1 125	11 955
A. 2. 1.	Change in receivables and prepayments	(30 159)	(21 547)
A. 2. 2.	Change in payables and accruals	66 377	39 950
A. 2. 3.	Change in inventories	(35 093)	(6 448)
<b>A **</b>	<b>Net cash flow from operating activities before tax</b>	<b>36 633</b>	<b>20 284</b>
A. 3.	Interest paid	(777)	(2 070)
A. 4.	Interest received	1 417	921
A. 5.	Income tax paid	-	27
A. 6.	Dividends received	-	1 396
<b>A ***</b>	<b>Net cash flow from operating activities</b>	<b>37 273</b>	<b>20 558</b>
B. 1.	Acquisition of fixed assets	(53 286)	(26 987)
B. 2.	Proceeds from sale of fixed assets	20	16
B. 3.	Loans and borrowings to related parties	(42 471)	(6 523)
<b>B ***</b>	<b>Net cash flow from investing activities</b>	<b>(95 737)</b>	<b>(33 494)</b>
C. 1.	Change in long- and short-term liabilities from financing activities	(3 263)	(55 235)
C. 2.	Changes in equity:	-	194 057
C. 2. 1.	Cash inflow from the increase of share capital	-	194 057
<b>C ***</b>	<b>Net cash flow from financing activities</b>	<b>(3 263)</b>	<b>138 822</b>
	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(61 727)</b>	<b>125 886</b>
	<b>Cash and cash equivalents at the beginning of the year</b>	<b>127 794</b>	<b>1 908</b>
	<b>Cash and cash equivalents at the end of the year</b>	<b>66 067</b>	<b>127 794</b>

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## 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 2020</b>	<b>2 000</b>	-	<b>177 211</b>	<b>(40 567)</b>	<b>(9 973)</b>	<b>(59 017)</b>	-	<b>69 654</b>
Restatement of retained earnings	-	-	-	-	-	-	(48 159)	(48 159)
<b>As at 1 January 2020 adjusted</b>	<b>2 000</b>	-	<b>177 211</b>	<b>(40 567)</b>	<b>(9 973)</b>	<b>(59 017)</b>	<b>(48 159)</b>	<b>21 495</b>
Issue of shares	500	211 500	-	(704)	-	-	-	211 296
Net profit/(loss) for the current period	-	-	-	-	-	(9 616)	-	(9 616)
Rounding	-	-	-	-	(1)	-	-	(1)
<b>As at 31 December 2020</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 investments in subsidiaries and associates	-	-	-	(47 350)	-	-	-	(47 350)
Net profit/(loss) for the current period	-	-	-	-	-	9 714	-	9 714
Restatement of retained 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>185 538</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 and Pilulka.ro,
- operation of store pharmacies,
- distribution of medicinal products,
- the alliance network of pharmacies Pilulka Partner, which is a network of pharmacies operated by independent pharmacists cooperating with the Group in marketing and distribution on the basis of a franchise agreement.

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

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.

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

During the pandemic, the Company plays key role in the supply of medicines and medical goods. The COVID-19 pandemic in 2021 had a positive impact on the Company's and Group's activities. There was a significant increase in demand for pharmaceuticals products. Although the Company perceives that macroeconomic changes are taking place as a result of COVID-19, which may lead to a general decline in demand, the demand for basic pharmaceutical products (medicines, medical and healthcare needs) meeting essential human needs is not affected by market developments. The COVID-19 pandemic and its economic and social consequences may represent another opportunity for the Company.

## 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.

Management has considered the impact of the novel coronavirus causing the COVID-19 disease when assessing the valuation of assets and liabilities and going concern assumptions.

## 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:

Tangible and intangible fixed assets	Estimated useful life
Software	5 years
Goodwill	5 years
	according to the duration of the lease
Technical impairment	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 of the intangible and tangible fixed assets.

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.

Shares in controlled entities represent shares in business corporations that are controlled or managed by the Company (hereinafter also referred to as a “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.

## 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.



## **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. 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.

## **2.7. 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.

## **2.8. 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.

## **2.9. Revenue recognition**

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.

## **2.10. 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 and/or significant influence;
- subsidiaries.

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

#### **2.11. Leases**

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.

#### **2.12. 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.

#### **2.13. Deferred tax**

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

#### **2.14. 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.

#### **2.15. 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 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>

(CZK'000)	1 January 2020	Additions / transfers	Disposals	31 December 2020
<b>Cost</b>				
Software	45,317	16,509	(192)	61,634
Goodwill	4,282	-	-	4,282
Intangible fixed assets in the course of construction	882	1,772	-	2,654
<b>Total</b>	<b>50,481</b>	<b>18,281</b>	<b>(192)</b>	<b>68,570</b>
<b>Accumulated amortisation</b>				
Software	10,760	10,133	(192)	20,701
Goodwill	1,573	856	-	2,429
<b>Total</b>	<b>12,333</b>	<b>10,989</b>	<b>(192)</b>	<b>23,130</b>
<b>Net book value</b>	<b>38,148</b>			<b>45,440</b>

#### 4. Tangible fixed assets

(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
Valuation difference on acquired assets	18,191	-	(1,024)	17,167
Advances paid for tangible fixed assets 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
Valuation difference on acquired 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>

(CZK'000)	1 January 2020	Additions / transfers	Disposals	31 December 2020
<b>Cost</b>				
Constructions	2,021	129	-	2,150
Equipment	18,909	4,702	(165)	23,446
Valuation difference on acquired assets	16,467	1,724	-	18,191
Tangible fixed assets in the course of construction	378	(378)	-	-
<b>Total</b>	<b>37,775</b>	<b>6,177</b>	<b>(165)</b>	<b>43,787</b>
<b>Accumulated depreciation</b>				
Constructions	139	28	-	167
Equipment	4,196	3,116	(165)	7,147
Valuation difference on acquired assets	3,542	1,155	-	4,696
<b>Total</b>	<b>7,877</b>	<b>4,299</b>	<b>165</b>	<b>12,010</b>
<b>Net book value</b>	<b>29,898</b>			<b>31,777</b>

## 5. Long-term financial assets

Shares in controlled entities:

31 December 2021	Cost (CZK'000)	Net book value (CZK'000)	Share capital (%)	Economic result 2021* (CZK'000)	Equity* (CZK'000)	Income from profit shares in 2021 (CZK'000)
<b>Foreign</b>						
<b>Pilulka.sk a.s.</b>						
Pestovateľská 17796/3, Bratislava 821 06	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 06	100	446	100	(3)	446	-
<b>Domestic</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>				-

\*unaudited

In 2021, the Company increased its share in Pilulka Online S.R.L. and became the sole shareholder. At the same time, in 2021 it capitalized the provided loans and trade receivables from the subsidiary in the amount of CZK 47,401 thousand.

During 2021, Lékárna U Nádraží s.r.o. was renamed to Pilulka Lab s.r.o.

31 December 2020	Cost (CZK'000)	Net book value (CZK'000)	Share capital (%)	Economic result 2020* (CZK'000)	Equity as at 31 December 2020* (CZK'000)	Income from profit shares in 2020 (CZK'000)
<b>Foreign</b>						
<b>Pilulka.sk a.s.</b>						
Pestovatelská 17796/3, Bratislava 821 06	41,327	6,803	100	1,478	6,803	-
<b>Pilulka Online S.R.L.*</b>						
Bucharest, 53-55 Drumul Osiei St., 6th District Romania	846	-	70	(12,442)	(32,239)	-
<b>TOP Farma, s.r.o.*</b>						
Pestovatelská 17796/3, Bratislava 821 06	474	474	100	47	474	1,068
<b>Domestic</b>						
<b>KICI s.r.o.*</b>						
Drahobejlova 1073/36, Libeň, 190 00, Prague	1,471	-	100	(1,201)	(223)	328
<b>Lékárna U Nádraží s.r.o.*</b>						
Československé armády 1566/2, 470 01 Česká Lípa	4,803	-	100	(376)	(174)	-
<b>Total</b>		<b>7,277</b>				<b>1,396</b>

\*unaudited

The Company provided loans to its subsidiaries in the aggregate value of CZK 32,233 thousand as at 31 December 2021 (31 December 2020: CZK 25,996 thousand). Out of this amount CZK 21,834 thousand is presented as a long-term part on the line "Loans and advances - controlled or controlling entity" (as at 31 December 2020: CZK 24,289 thousand) and CZK 10,399 thousand as a short-term part (as at 31 December 2020: CZK 1,707 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 2021 of CZK 271 thousand (as at 31 December 2020 the Company did not create a provision for inventories).

## 7. Receivables

Trade receivables as at 31 December 2021 amounted to CZK 141,685 thousand (as at 31 December 2020: CZK 113,693 thousand). Overdue receivables as at 31 December 2021 amounted to CZK 15,349 thousand (as at 31 December 2020: CZK 14,351 thousand).

The provision for doubtful receivables as at 31 December 2021 was CZK 114 thousand (as at 31 December 2020: CZK 153 thousand).

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

Unsettled receivables as at 31 December 2021 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 2021 and 31 December 2020, the Company did not recognise any income tax advances.

## 8. Equity

Approved and issued shares:

	31 December 2021		31 December 2020	
	Amount (CZK'000)	Accounting value (CZK'000)	Amount (CZK'000)	Accounting value (CZK'000)
Ordinary shares in the amount of CZK 1, fully paid	2,500	2,500	2,500	2,500

No shareholder owns more than a 20% share as at 31 December 2021.

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

The 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.

The general meeting of shareholders approved the financial statements for 2020 and decided about the allocation of the loss incurred in 2020 of CZK as presented in the Statement of Changes in Equity on 16 July 2021.

Up to the date of preparation of these financial statements, the Company has not proposed distribution of the profit earned in 2021.

In 2020, the Company approved an share option program with expected realisation in 2023. Furthermore, in 2021, the Company approved an share option program for employees. Under this program, it made a commitment to provide selected employees with a number of shares specified in the share option agreement. Stock options out of this option program are exercisable in 2022.

## 9. Provisions

The Company created provisions in 2021 to cover its liabilities in the amount of CZK 12,416 thousand (as at 31 December 2020: CZK 4,338 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 48,948 thousand as at 31 December 2021 (as at 31 December 2020: CZK 57,385 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 4,815 thousand (as at 31 December 2020: CZK 3,917 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 2021 and 2020.

## 11. Liabilities to credit institutions

Bank loans can be broken down as follows:

				Balance as at 31 December 2021 (CZK'000)	Balance as at 31 December 2020 (CZK'000)
	Guarantee	Interest rate (%)	Currency		
Revolving	see below	1M PRIBOR + 2.54 to 2,64%	CZK	20,000	20,000
Investment	see below	3M PRIBOR + 1.95 to 2.55%	CZK	1,343	4,606
<b>Total bank loans</b>				<b>21,343</b>	<b>24,606</b>

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

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

Loans are subject to certain contractual conditions (covenants). Breach of these terms and conditions may result in the immediate maturity of the loans. The Company met these conditions based on the consolidated, audited financial statements.

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 2021 CZK 239,887 thousand (as at 31 December 2020: CZK 177,073 thousand).



## 12. Revenue analysis

Revenue analysis:

<b>(CZK'000)</b>	<b>2021</b>	<b>2020</b>
<b>Services</b>		
Marketing services	66,735	54,181
Paid transport	30,237	15,908
Dispensation fees	6,680	7,544
Other	2,848	254
Within the Group	16,178	17,266
<b>Total sales of own products and services</b>	<b>122,678</b>	<b>95,153</b>
<b>Goods</b>		
- offline sales (pharmacies store)	405,500	421,018
- online sales (e-shop)	1,305,716	810,564
<b>Total sales of goods</b>	<b>1,711,216</b>	<b>1,231,582</b>

## 13. Related-party transactions

<b>(CZK'000)</b>	<b>2021</b>	<b>2020</b>
<b>Revenues</b>		
Sales of services	16,178	17,520
Sales of goods	3,409	1,244
Income from shares	60	1,396
Interest income	1,006	838
<b>Total</b>	<b>20,653</b>	<b>20,998</b>
<b>Costs</b>		
Purchase of goods for resale	20,668	5,280
Interest expense	-	139
Finance expense	-	2,505
Other services	10,796	1,431
<b>Total</b>	<b>31,464</b>	<b>9,355</b>

The Company recognised the following balances with related parties:

(CZK'000)	31 December	
	2021	31 December 2020
<b>Receivables</b>		
Trade receivables	11,249	9,875
Loans provided (see note 5)	32,233	25,996
<b>Total</b>	<b>43,482</b>	<b>35,871</b>
<b>Liabilities</b>		
Liabilities to companies within the consolidation group	14	43
Out of which:		
Trade payables	14	42
Other payables	-	1
<b>Total</b>	<b>14</b>	<b>43</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 2021 and 31 December 2020 except for wages and salaries (note 14) and share option program (note 8 and 16).

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

## 14. Employees

	2021		2020	
	number	CZK'000	number	CZK'000
Emoluments to the Board of Directors	2	721	2	359
Emoluments to members of the Supervisory Board	3	-	3	-
Wages and salaries to other management	8	4,881	8	4,496
Wages and salaries to other employees	251	125,685	211	94,497
Social security costs		42,163		30,759
Other social costs		3,665		2,867
<b>Wages and salaries total</b>	<b>261</b>	<b>177,115</b>	<b>220</b>	<b>132,978</b>

The Company's management includes senior staff members directly reporting to the statutory body. Option program is described in Notes 8 and 16.

## 15. Income tax

The income tax expense analysis:

(CZK'000)	2021	2020
Current tax expense	-	(27)
<b>Total income tax expense</b>	<b>-</b>	<b>(27)</b>

When calculating income tax, the Company claimed part of the tax losses from previous years. The tax liability for the year 2021 is zero. The deferred tax was calculated at 19% (the rate enacted for 2021 and subsequent years).

The deferred tax asset analysis:

<b>(CZK'000)</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>Deferred tax (liability) / asset arising from:</b>		
Difference between accounting and tax net book value of fixed assets	160	856
Provisions and impairments	2,359	824
Tax losses carried forward	327	4,390
<b>Net deferred tax asset</b>	<b>2,846</b>	<b>6,070</b>

A potential net deferred tax asset of CZK 2,846 thousand as at 31 December 2021 (as at 31 December 2020: CZK 6,070 thousand), has not been recognised due to its immateriality.

The Company has tax losses as at 31 December 2021 of CZK 1,684 thousand, which can be utilised up to 2024.

## 16. Subsequent events

The General Meeting held on 10 March 2022 decided to change the share option program approved in 2020. Based on this approval, the shares for this option program will be subscribed for preferentially during the exercise of the option. Furthermore, this General Meeting also approved a new share option program which can be exercised according to 2022 financial results. Under this share option program, employees could acquire 18,375 new shares of CZK 1 each, which would increase the Company's share capital. The program is expected to be exercised in 2023.

The Company signed a lease agreement for another e-shop warehouse.

In late February 2022 ongoing political tension between Russia and Ukraine escalated in a conflict with a military invasion of Russian forces in Ukraine. The worldwide reaction to Russia's violation of international law and aggression against Ukraine was the imposition of extensive sanctions and limitations on business activity. We consider these acts as non-adjusting post balance sheet events. Overall effect of the recent development is increased volatility in the financial and commodity markets, as well as consequences on the economy in general. Business risks comprising adverse effects of economic sanctions imposed on Russia, business interruptions (including supply chain), increased occurrences of cyber-attacks, legal and regulatory compliance risk and many other are difficult to assess and the full nature and possible effects of these are currently unknown.

No other events have occurred subsequent to year-end that would have a material impact on the financial statements as at 31 December 2021.

14 April 2022



Petr Kasa  
Member of the Board of Directors



David Staněk  
Chief Financial Officer