UAB „Ilsanta“
Vilnius

Auditor's opinion on
the financial statements for
the year ended December 31, 2022

UAB „Rödl & Partner"

Audit, accounting,
tax and legal consulting

Tilto str.1
LT-01101 Vilnius, Lithuania
Phone: +370 (5) 2123590
E-mail: vilnius@roedl.com
Internet: www.roedl.de

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Rödl & Partner UAB
Tilto g.1, LT-01101 Vilnius, Lithuania

T +370 5 212 35 90
vilnius@roedl.com

CONTACT
Aleksas Jonika
aleksas.jonika@roedl.com

INDEPENDENT AUDITOR'S REPORT

To the shareholder of UAB "Ilsanta"

Opinion

We have audited the financial statements of UAB "Ilsanta" (the Company), which comprise the statement of financial position as at December 31, 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with the Law of the Republic of Lithuania on accounting and financial reporting, and International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA's). 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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the requirements of the Law on audit of the financial statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the information included in the Company's annual report for 2022, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as specified below.

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 obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In addition, our responsibility is to consider whether information included in the Company's annual report for the financial year for which the financial statements are prepared is consistent with the financial statements and whether the annual report has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of the financial statements, in our opinion, in all material respects:

- The information given in the Company's annual report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Company's annual report has been prepared in accordance with the requirements of the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Law of the Republic of Lithuania on accounting and financial reporting, and International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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 ISAs 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 ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

Aleksas Jonika

Auditor
Auditor's certificate No. 000577

June 13, 2023

UAB "Rödl & Partner"
Audit company certificate No. 001304

Vilnius, Republic of Lithuania

The report is an English translation of the original Lithuanian. In the event of discrepancies between the two reports, the Lithuanian version prevails.

REPORTING PERIOD

Year which ended on 31 December 2022.

DETAILS OF THE COMPANY

The annual report of Ilsanta UAB (hereinafter referred to as the Company), legal entity code: 110498671, registered office at Saltoniškių str. 29, Vilnius, for the financial year ended on 31 December 2022 has been prepared by the Management of the Company following the Law of the Republic of Lithuania on financial statements of Entities No. IX-575 of 06/11/2001 and other legal acts.
The Company has branches in Latvia and Estonia (hereinafter referred to as the Company). The Company has no representative offices. Contact information of the Company and its branches is provided in more detail in the General Part of the explanatory notes to the financial statements 2022.

MANAGEMENT OF THE COMPANY

The share capital of the Company amounts to EUR 2 372 thousand. The share capital of the Company is divided into 8 179 200 ordinary registered shares. The nominal value of one share is EUR 0.29. The capital is fully formed. No acquisitions and transfers of shares were registered during the reporting period. As of 31 December 2022, Pharmasanta Group UAB held 100% of the Company's shares. During the reporting financial year, the Company did not acquire shares of other companies.

At the end of the reporting period, the management bodies of the Company are: the General Meeting of Shareholders and the General Director.

Changes in the Company's organizational structure took place during the reporting year in order to ensure internal control, risk management and more efficient management of the functions assigned to employees.

Until 28 November 2022, the management bodies of Ilsanta UAB were: the General Meeting of Shareholders, the Management Board and the General Director. The management board consisted of: Linas Valentukevičius (Chairman of the Management Board), Tomas Godelis (Member of the Management Board) and Andris Eglitis (Member of the Management Board). Tomas Godelis held the position of General Director. On 28 November 2022, by the sole shareholder's decision No. 20221128/1, the Company's management board was disbanded from 29 November 2022, the supervisory board was not formed, and Linas Valentukevičius took the position of General Director of Ilsanta UAB.

Management positions held by Linas Valentukevičius as of 31 December 2022: Chairman of the Management Board of Pharmasanta Group UAB (company code: 304689987, registered office address: Saltoniškių str. 29, LT-08105 Vilnius); the sole shareholder and Director of LV Pharma UAB (company code: 305776345, registered office address: Saltoniškių str. 31, LT-08105 Vilnius); Member of the Management Board in the company Nordic Metrology Science UAB (company code: 120229395, registered office address: Dariaus ir Girėno str. 23, Vilnius). The main workplace – until 29 November 2022, he held the position of Manager of Strategic Planning, and from 30 November 2022 he holds the position of General Director of Ilsanta UAB.

NATURE OF THE MAIN ACTIVITIES

The main activity of the Company is wholesale of medical goods, medicinal products and equipment.

The Company has the following certificate confirming compliance with ISO standards: Quality management system ISO 9001: 2015 certificate and wholesale distribution license No. 0107, which authorizes the wholesale distribution of medicinal products. In compliance with the Order of the Minister of the Environment of the Republic of Lithuania of 28 June 2011 No. D1-508 "On the Application of the Lists of the Products for the Procurement of which the Environmental Criteria shall be applicable for the Procurement of Goods, Services, or Works, Environmental Criteria, and the Application of Environmental Criteria to be Applied by the Contracting Organizations when Procuring the Procurement of Goods, Services or Works", and to properly participate in green public procurement performed by contracting authorities, the Company has implemented compliance with the requirements of the environmental management system by introducing LST EN ISO 14001: 2015 standard in the reporting year.

In 2022, Ilsanta, UAB, continued its operations as distributor of Boston Scientific Corporation, Stryker, Acist, Getinge and other suppliers' products in the Baltics and remained one of the leading distributors of medical goods in Lithuania.

FINANCIAL INFORMATION

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU. Main financial indicators:

Item name	2022	2021	Change	
			Amount, EUR	%
Assets	17 820 821	16 505 790	1 315 031	8
Equity	11 102 486	9 991 126	1 111 360	11
Liabilities	6 718 335	6 514 664	203 671	3
Sales income	20 554 992	20 273 774	281 218	1
Cost of sales	(15 364 271)	(15 238 944)	(125 327)	1
Gross profit	5 190 721	5 034 830	155 891	3
Operating expenses	(4 230 999)	(3 660 737)	(570 262)	16
Results from financing activities	101 940	54 839	47 101	86
Net result	1 111 360	1 372 463	(261 103)	(19)
Gross profit ratio	25%	25%	-	-
Net profit ratio	5%	7%	-	-2

Gross income in 2022 amounted to EUR 20 555 thousand and increased by 1% compared to 2021. Cost of sales in 2022 amounted to EUR 15 364 thousand and increased by 1% compared to 2021, but the Company's gross profit ratio remained unchanged and was 25%.

In 2022, the Company earned gross profit of EUR 1 111 thousand which is 19% less compared to 2021. The decrease in the indicator for the reporting year was influenced by the increased operating expenses and corporate income tax expense. More details are provided in the Notes 15, 18 of the explanatory notes of the Company.

At 31 December 2022, total assets of the Company amounted to EUR 17 821 thousand and increased by 8% in comparison with 2021. The increase in this item resulted from the increase in the items of the Company's fixed assets, inventories and receivables.

As of 31 December 2022, inventories increased by 14% compared to 2021 and at the end of the reporting year amounted to EUR 3 264 thousand.

As of 31 December 2022, trade receivables increased by 1% compared to 2021 and amounted to EUR 3 508 thousand.

As of 31 December 2022, cash and cash equivalents decreased by 24% and amounted to EUR 1 245 thousand.

Short-term financial liabilities amounted to EUR 6 014 thousand and increased by 8% compared to 2021.

As of 31 December 2022, payables and accrued expenses increased by 3% and amounted to EUR 3 644 thousand.

At 31 December 2022, the Company had 35 employees (31 December 2021 – 32). The change in the number of employees is related to the changes and development of the organizational structure of the Company.

FINANCIAL RISK MANAGEMENT

To ensure sufficient resources and / or allocate them fairly, Ilsanta UAB prepares a budget and monitors it.

Short-term liquidity risk is managed by maintaining committed credit lines and overdrafts and borrowing within the Company.

In management of foreign exchange risk, wherever possible, the Company's transactions are concluded in Euro.

Risk of relations with lenders:
- The risk that the Company will not be able to borrow on favourable terms as a result of its actions and that this would increase borrowing costs, which would prevent the Company from carrying out its plans in full;
- The risk of relations with the credit institutions is managed in accordance with the Company's internal procedures.

Financial risk management is disclosed in Note 21 of the Company's explanatory notes to the financial statements 2022.

BUSINESS PLANS AND FORECASTS OF THE COMPANY

In 2023, the Company plans to continue focusing on its core activities, increasing turnover and pursuing profit growth in the Baltic countries, taking into account the changes in the political, economic, social and technological environment, and optimization of the Company's operations and costs.

The Company's data are disclosed in more detail in the Company's financial statements of the reporting year.

Linas Valentukevičius
General Director

Vilnius, Republic of Lithuania

13 June 2023

ILSANTA UAB
Company code: 110498671, address: Saltoniškių str. 29, Vilnius

STATEMENT OF FINANCIAL POSITION
31/12/2022

	Notes	2022 EUR	2021 EUR
ASSETS			
Non-current assets:			
Property, plant and equipment	4	1 812 425	506 882
Goodwill and other intangible assets	5	2 832 212	2 833 219
Deferred tax assets	18	35 409	26 505
Financial assets	19	160 000	160 000
Total non-current assets		**4 840 046**	**3 526 606**
Current assets:			
Inventory	6	3 263 665	2 862 480
Trade receivables	7; 19	3 507 506	3 481 247
Loan to shareholder	19	3 647 509	4 570 655
Prepayments, other receivables and deferred charges	19; 20	1 293 733	389 491
Prepaid corporate income tax		23 420	33 370
Cash and cash equivalents	8	1 244 942	1 641 941
Total current assets		**12 980 775**	**12 979 184**
TOTAL ASSETS		**17 820 821**	**16 505 790**
EQUITY AND LIABILITIES			
Capital and reserves:			
Share capital	9	2 371 968	2 371 968
Legal reserve		237 197	237 197
Retained earnings		8 493 321	7 381 961
Total equity		**11 102 486**	**9 991 126**
Non-current liabilities:			
Deferred tax liabilities	18	-	-
Financial liabilities	10	414 272	828 560
Leasing (financial) and other lease liabilities	11	289 618	116 573
Total non-current liabilities		**703 890**	**945 133**
Current liabilities:			
Payables and accrued expenses	12	3 644 337	3 528 600
Financial liabilities	10	2 181 588	1 827 273
Leasing (financial) and other lease liabilities	11	188 520	213 658
Total current liabilities		**6 014 445**	**5 569 531**
Total liabilities		**6 718 335**	**6 514 664**
TOTAL EQUITY AND LIABILITIES		**17 820 821**	**16 505 790**

The accompanying explanatory notes are an integral part of these financial statements.

These financial statements were approved and signed on 13 June 2023.

Linas Valentukevičius
General Director

Ligita Germanavičiūtė
Chief Accountant

ILSANTA UAB
Company code: 110498671, address: Saltoniškių str. 29, Vilnius

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 December 2022

	Notes	2022 EUR	2021 EUR
Sales income	13	20 554 992	20 273 774
Cost of sales	14	(15 364 271)	(15 238 944)
Gross profit		**5 190 721**	**5 034 830**
Operating expenses	15	(4 230 999)	(3 660 737)
Revenue from sale of property, plant and equipment		-	-
Other income	16	141 365	23 801
Operating profit		**1 101 087**	**1 397 894**
Net foreign exchange profit		63 836	24 755
Financial income		167 397	94 801
Financial cost	17	(129 293)	(64 717)
Profit before tax		**1 203 027**	**1 452 733**
Corporate income tax expenses	18	(91 667)	(80 270)
Net profit		**1 111 360**	**1 372 463**

The accompanying explanatory notes are an integral part of these financial statements.

These financial statements were approved and signed on 13 June 2023.

Linas Valentukevičius
General Director

Ligita Germanavičiūtė
Chief Accountant

ILSANTA UAB
Company code: 110498671, address: Saltoniškių str. 29, Vilnius

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 December 2022

	Share capital EUR	Legal reserve EUR	Retained earnings EUR	In total EUR
Balance				
As at 1 January 2021	**2 371 968**	**237 197**	**6 009 498**	**8 618 663**
Net profit	-	-	1 372 463	1 372 463
Transfer to legal reserve	-	-	-	-
Balance				
As at 31 December 2021	**2 371 968**	**237 197**	**7 381 961**	**9 991 126**
Net profit	-	-	1 111 360	1 111 360
Transfer to legal reserve	-	-	-	-
Balance				
As at 31 December 2022	**2 371 968**	**237 197**	**8 493 321**	**11 102 486**

The accompanying explanatory notes are an integral part of these financial statements.

These financial statements were approved and signed on 13 June 2023.

Linas Valentukevičius
General Director

Ligita Germanavičiūtė
Chief Accountant

ILSANTA UAB
Company code: 110498671, address: Saltoniškių str. 29, Vilnius

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 December 2022

	2022 EUR	2021 EUR
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	1 111 360	1 372 463
Non-monetary items adjustments for:		
Corporate income tax expenses	91 667	80 270
Depreciation	316 673	294 246
Finance income	(167 397)	(94 801)
Interest costs	125 911	57 304
Other financial costs	3 382	7 413
Net foreign exchange (gain) loss	(63 836)	(24 755)
Net (gain) on disposal of fixed assets	-	-
Change in allowance for inventory net realisable value	95 843	9 692
Other non-monetary items	-	-
	1 513 603	1 701 832
Movements in working capital:		
(Increase) decrease in trade receivable	(26 259)	(866 118)
(Increase) decrease in prepayments and deferred charges	250 040	324 924
Decrease in inventories	(497 028)	(906 404)
(Decrease) in payables and accrued expenses	115 737	35 708
Cash generated from operations	1 356 093	289 942
Interest paid	(125 911)	(57 304)
Corporate income tax paid	(91 131)	(77 849)
Net cash generated by operating activities	**1 139 051**	**154 789**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment, intangible assets	(1 237 963)	(76 703)
Proceeds from disposal of property, plant and equipment, intangible assets	-	3 114
Interest received	-	-
Net cash generated by investing activities	**(1 237 963)**	**(73 589)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan granted to related party	(17 050)	(3 853 820)
Loan repaid by related party	17 050	980 000
Paid out dividends	-	-
Liabilities under lease agreements (IFRS 16)	(194 848)	(156 087)
Proceeds from borrowings	354 315	2 457 982
Repayments of borrowings	(414 288)	(34 524)
Bank guarantee deposit amount paid	-	(160 000)
Proceeds from financial lease	(39 884)	(13 579)
Other financial expenses paid	(3 382)	(7 413)
Net cash used in financing activities	**(298 087)**	**(787 441)**
Net (decrease) increase in cash and cash equivalents	**(396 999)**	**(706 241)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**1 641 941**	**2 348 182**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**1 244 942**	**1 641 941**

The accompanying explanatory notes are an integral part of these financial statements.

These financial statements were approved and signed on 13 June 2023.

Linas Valentukevičius
General Director

Ligita Germanavičiūtė
Chief Accountant

1. GENERAL INFORMATION

Ilsanta UAB (thereafter „the Company") was registered on 10 May 1993. The main activity of the Company is wholesale of medical goods, medicinal products and equipment. Company's website www.ilsanta.lt, e-mail: info@ilsanta.lt

The address of its registered office is as follows:
Saltoniškių str. 29
Vilnius, 01112
Lithuania

Addresses of the Company's branches:

Country of Company's branches	Address
Latvia	Lielirbes iela 1, Riga LV 1046
Estonia	Kadaka tee 133-27 12915 Tallinn, Eesti/Estonia

At 31 December 2022, the Company had 35 employees (31 December 2021 – 32).

The Company has the wholesale distribution license which entitles it to engage in distribution of medicinal products, it has the ISO 9001:2015 quality management system certificate and has implemented the LST EN ISO 14001:2015 environmental management system standard.

Banks: Luminor bank AS, Swedbank AB.

The Company's management is disclosed in the Company's annual report for the reporting year.

Audit company: Rödl & Partner UAB.

GENERAL ACCOUNTING AND CONSOLIDATION PRINCIPLES

The Company's financial statements include the financial statements of the branches of Ilsanta UAB located in Latvia and Estonia (hereinafter referred to as the Company). Transactions between the Company and its branches, the balances of these transactions and the related income and expenses are eliminated.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and taking into account the requirements of the national laws and other regulations relating to the Company's activities. They are based on the concept of historical cost. The preparation of financial statements in compliance with the IFRS requires the use of certain significant accounting estimates. The Management is also responsible for making decisions regarding the application of accounting principles for the Company and its branches. The main accounting principles applied in the preparation of the financial statements of the Company are set out below. These accounting principles are applied consistently to all periods presented in the statements, unless provided otherwise. The Company's financial statements have been prepared on a going concern basis. The Company systematically applied accounting principles that are the same as in previous years. There were no significant changes in accounting estimates and corrections of errors in the preparation of the Company's financial statements for the reporting year.

Figures in the statements are provided in Euro.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

2.1. Initial application of new amendments to the existing standards effective for the current reporting period

IFRS standards or interpretations effective for the first time for the year ended 31 December 2022:

- Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2021 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022): irrelevant for the Company;
- Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021). An amendment to IFRS 16 published in May 2020 provides an optional practical measure (exemption) that allows lessees to not assess whether a COVID-19-related rent concessions resulting in a reduction in rent payable on or before 30 June 2021 was a lease change. The amendment issued on 31 March 2021 was extended for the effectiveness period of this practical measure (exception) from 30 June 2021 to 30 July 2022: irrelevant for the company

No significant impact on the Company.

IFRS standards or interpretations effective for annual periods beginning on or after 1 January 2023:

- IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016);
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IFRS);
- IFRS 17, Insurance Contracts (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2022);
- Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2021 and effective for annual periods beginning on or after 1 January 2023);
- Amendments to recommendation for practical application of IAS 1 and IFRS 2 – Disclosure of accounting policy (issued on 12 February 2022 and effective for annual periods beginning on or after 1 January 2023) not yet endorsed;
- Amendments to IAS 8, Definition of accounting estimates (issued on 12 February 2022 and effective for annual periods beginning on or after 1 January 2023);
- Deferred corporate income tax related to the assets arising from one transaction and liabilities - Amendments to IAS 12 (issued on 07 May 2022 and effective for annual periods beginning on or after 1 January 2023);
- Possibility for insurers relating to transition for application of the standard who apply IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2022 and effective for annual periods beginning on or after 1 January 2023);
- Amendments to IFRS 16 - Lease liability arising from sale and leaseback transactions (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024);
- Classification of liabilities as current or non-current – Amendments to IAS 1 (first issued on 23 January 2020, subsequently amended on 15 July 2020 and 31 October 2022, finally effective for annual periods beginning on or after1 January 2024);

The Company assesses whether the new amendments would affect its financial statements.

3. A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and legal regulations on accounting and financial reporting of the Republic of Lithuania.

Basis of preparation
The financial statements have been prepared on the historical cost basis, except certain items as described below (e.g. at fair value, at net realizable value or with a deduction of impairment). The principal accounting policies adopted are set out below.

The accompanying financial statements are presented in Euros (EUR).

Goodwill
Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

After initial recognition goodwill acquired in a business combination is to be carried at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Property, plant and equipment and intangible assets (excluding goodwill)
Property, plant and equipment and intangible assets are stated at cost less accumulated depreciation/amortisation and any accumulated impairment losses, if any.

Depreciation/amortisation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation/amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation/amortisation is calculated using the following expected useful lives:

Equipment	3–5	years
Vehicles	3–6	years
Other property, plant and equipment asset	2–10	years
Intangible assets	3–5	years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no sufficient assurance that ownership will be acquired at the end of the financial lease, the asset is depreciated over the shorter of the lease term and its useful life.

Subsequent repair costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognized in profit or loss in the period in which they are incurred.

Property plant and equipment under the lease agreements are accounted according to IFRS 16 - Leases, see Article 2.1.

Impairment of property, plant and equipment and intangible assets other than goodwill
At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whatever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. The impairment loss is recognized immediately as profit (loss) in the profit (loss) statement or other comprehensive income statement, unless the asset is carried at a revalued amount. In that case, the impairment loss is accounted for as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. Reversals of impairment losses are recognized immediately in profit or loss, unless the asset is carried at a revalued amount. In that case, reversal of the impairment loss is accounted for as a revaluation increase.

Inventory
Inventories are stated at the lower of cost or net realizable value. Cost is calculated using the FIFO method. Net realisable value represents the estimated selling price for inventories less estimated costs of completion and costs necessary to make the sale.

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The provisions are reviewed at each balance sheet date and adjusted in order to present the most reasonable current estimate. In the cases when the effect of the time value of money is significant, the amount of provision is the current value of costs, which are likely to be needed to cover the liability. Where discounting is used, provision increase reflecting the preceding period of time is recognized as interest expenses.

Leasing
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

<u>The Company as lessee</u>
Assets held under finance leases are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss. Contingent rentals are recognised as expenses in the periods in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Financial assets
Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Effective interest rate method
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities
Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

Other financial liabilities
Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and cash in bank, demand deposits, and other short-term highly liquid investments with original maturities of three months or less which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Income recognition
Revenue is measured at the fair value of the consideration received or receivable for the goods or services, net of customer returns and rebates.

Sale of goods
Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Company has transferred to the buyer the control over the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably and expected to be recovered.

Income from interest
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Foreign currencies
Transactions denominated in foreign currency other than Euros (EUR) are translated into EUR at the official Bank of Lithuania exchange rate on the date of the transaction, which approximates the prevailing market rates. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are included in profit or loss for the period.

As at 31 December, the following rates of principal currencies were used:

2022	2021
EUR 1 = USD 1,0666	EUR 1 = USD 1,1334
	EUR 1 = GBP 0,8393

Taxes
Corporate income tax expense represents the sum of the tax currently payable and deferred tax.

Current corporate income tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit and loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Corporate income tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. In 2022 and 2021 the corporate income tax rate applied to the Company is 15%.

Deferred tax
Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or will be enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the period
Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in profit or loss and other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in profit or loss and other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

From 1 January 2018, the Latvian corporate income tax corresponds to the cash flow principle, i.e. corporate income tax is payable on the distribution of profits that are treated as dividends or contingent profits. The tax is payable following 20% /80% rule, where the net amount is multiplied by 20% /80% to calculate the tax.

Related parties
A related party is a person or entity that complies with any of the following conditions:

a. A person or a close member of that person's family is related to the Company if that person:
   i. has control or joint control of the Company;
   ii. has significant influence over the Company; or
   iii. is a member of the key management personnel of the Company or of a parent of the Company.

b. A company is related to the Company if any of the following conditions applies:
   i. Both companies are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
   ii. associated companies or joint activity partners of companies belonging to the same group and companies whose companies are considered to be associated companies of the same group.
   iii. Joint activity partners of the joint activity partner.
   iv. Associated companies of the joint activity partner.
   v. The company which saves and pays pensions and other benefits to employees of the company or legal entity related to it upon termination of employment. If the Company itself administers such benefit plans, then companies that subsidize such benefit plans are considered as related companies.
   vi. The company is controlled by or controls a person identified in (a).

vii. A person identified in (a) (i) has significant influence over the Company or is a member of the key management personnel of the Company or of a parent company.
viii. [effective for annual periods beginning on or after 1 July 2018] The company that provides management personnel services to the Company or its parent company, or a company that is part of the same group as the company that provides such services.

Subsequent events
Subsequent events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post balance sheet events that are not adjusting events are disclosed in the notes when material.

Reserves
Legal reserve
A legal reserve is compulsory under the legislation of the Republic of Lithuania. Annual transfers of not less than 5% of net profit, are compulsory until the reserve reaches 10% of the share capital.

Contingencies
Contingent liabilities are not recognised in the financial statements, except for contingent liabilities associated with acquisitions. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but it is disclosed in the financial statements when it is probable that income or economic benefits will be received.

The Company's Critical accounting judgments and key sources of estimation uncertainty
In the application of the Company's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Estimates and assumptions
The key assumptions concerning the future, and other key sources of estimation uncertainty at the date of statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of property, plant and equipment
The Company makes an assessment, at least annually, whether there are any indications that property, plant and equipment have suffered any impairment. If that is the case, the Company makes an impairment test in accordance with the accounting policy set out in Note 3. The recoverable amount of cash-generating units is determined based on value-in-use calculations. As at 31 December 2022 and 2021, there were no indications that property, plant and equipment might be impaired.

Impairment of goodwill
Following the accounting policy set out in Note 3, the Company tests annually whether goodwill has suffered any impairment. Recoverable amounts for cash generating units are based on value in use, which is calculated from cash flow projections for 5 years using data from the Company's internal forecasts. The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected changes in margins. Management estimates discount rates using pre-tax rates that reflect current market assessment of the time value of money and the risks specific to the cash-generating units. Changes in selling prices and direct costs are based on past experience and expectations of future changes in the market.

Impairment of financial assets
At each balance sheet date, the Company reviews the financial assets to determine whether there is any indication that those assets have suffered an impairment loss. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. As at 31 December 2022 and 2021, impairment loss was not recognized.

Deferred tax assets
Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4. PROPERTY, PLANT AND EQUIPMENT

As at 31 December, property, plant and equipment consisted of the following:

4.1. Vehicles, equipment and other assets

	Vehicles	Other property, plant and equipment	Equipment	Advance payments	Total
	EUR	EUR	EUR	EUR	EUR
Cost					
As at 1 January 2021	**154 472**	**705 378**	**290 516**	-	**1 150 366**
Acquisitions	-	79 633	10 673	-	90 306
Adjustments	-	30 026	(7 165)	-	22 860
Disposals and retirements	(9 342)	-	-	-	(9 342)
As at 31 December 2021	**145 130**	**815 036**	**294 024**	-	**1 254 190**
Acquisitions	6 153	17 008	442 713	668 482	1 134 356
Transfer from Inventory	-	103 607	-	-	103 607
Disposals and retirements	-	(509 411)	(24 278)	-	(533 689)
As at 31 December 2022	**151 283**	**426 240**	**712 459**	**668 482**	**1 958 464**
Accumulated depreciation					
As at 1 January 2021	**77 395**	**657 186**	**158 505**	-	**893 086**
Depreciation	27 137	53 667	48 834	-	129 638
Disposals and retirements	(6 228)	-	-	-	(6 228)
Adjustments	-	30 026	(7 166)	-	22 860
As at 31 December 2021	**98 304**	**740 879**	**200 173**	-	**1 039 356**
Depreciation	26 283	39 934	56 034	-	122 251
Disposals and retirements	-	(509 411)	(24 278)	-	(533 689)
Adjustments	-	-	-	-	-
As at 31 December 2022	**124 587**	**271 402**	**231 929**	-	**627 918**
Carrying amount					
As at 31 December 2021	**46 826**	**74 157**	**93 851**	-	**214 834**
As at 31 December 2022	**26 696**	**154 838**	**480 530**	**668 482**	**1 330 546**

Adjusting entries were made in the cost of assets and accumulated depreciation items in 2021 by eliminating the differences between synthetic and analytical accounting data.

4.2. Property plant and equipment under the lease agreements

In accordance with IFRS 16, all property plant and equipment under the lease agreements has been accounted as non-current assets and liabilities, see Notes 4 and 11.

	Real estate EUR	**Vehicles EUR**	**In total EUR**
Cost as at 1 January 2021	**196 492**	**125 694**	**322 186**
Acquisitions	26 227	108 242	134 469
Depreciation (-)	(79 000)	(85 607)	(164 607)
Carrying amount as at 31 December 2021	**143 719**	**148 329**	**292 048**
Acquisitions	341 988	41 258	383 246
Depreciation (-)	(100 366)	(93 049)	(193 415)
Carrying amount as at 31 December 2022	**385 341**	**96 538**	**481 879**

As at 31 December, the carrying amount of the assets being acquired under finance lease was as follows:

	2022 EUR	**2021 EUR**
Vehicles	-	31 229

The Company uses impaired non-current tangible assets with the following acquisition value at 31 December:

	2022 EUR	**2021 EUR**
Other property, plant and equipment	222 256	652 093
Vehicles	5 263	-
Equipment	77 705	81 553
In total	**305 224**	**733 646**

5. GOODWILL AND OTHER INTANGIBLE ASSETS

As at 31 December, goodwill and other intangible fixed assets consisted of the following:

	Goodwill EUR	**Other intangible assets EUR**	**In total EUR**
Cost			
As at 1 January 2021	**3 544 583**	**9 099**	**3 553 682**
Acquisitions	-	-	-
Adjustments	(713 378)	27 860	(685 518)
As at 31 December 2021	**2 831 205**	**36 959**	**2 868 164**
Acquisitions	-	-	-
Adjustments	-	-	-
As at 31 December 2022	**2 831 205**	**36 959**	**2 868 164**
Amortization and impairment losses			
As at 1 January 2021	**713 378**	**6 079**	**719 457**
Amortization	-	1 006	1 006
Adjustments	(713 378)	27 860	(685 518)
As at 31 December 2021	**-**	**34 945**	**34 945**
Amortization	-	1 007	1 007
Adjustments	-	-	-
As at 31 December 2022	**-**	**35 952**	**35 952**
Carrying amount			
31 December 2021	**2 831 205**	**2 014**	**2 833 219**
31 December 2022	**2 831 205**	**1 007**	**2 832 212**

Adjusting entries were made in the cost of assets and accumulated depreciation items in 2021 by eliminating the differences between synthetic and analytical accounting data.

Since 2020, the Company does not charge goodwill for amortization purposes; see Note 18 Corporate income tax expense.

The Company tests goodwill for impairment annually or more frequently if there are indications that goodwill might be impaired.

The goodwill of EUR 2 831 205 that was recognized after the merger of LSA-2 UAB was not impaired. The recoverable amount of the Ilsanta UAB activities was assessed by reference to the cash-generating unit's value in use during the next five-year period. Effective discount rate of 7,78% was used when calculating NPV of future cash flows. This discount rate assumed cost of debt 3,42%, cost of equity 10,33%, leverage ratio 1,65% and corporate income tax rate 15%.

The key assumptions used in the value in use calculations for the Company activities are as follows:

Forecasted sales	Management believes that the sales will increase by +/- 2% over the next five years;
Forecasted gross margin	Management believes that the budget gross margin will be almost consistent with that of prior years and will equal to 24%;
Operating expenses	Management believes that the annual growth of operating expenses is +/- 8 percent in 2024 and 5 percent in subsequent years.

As at 31 December, the cost of fully amortized intangible assets was as follows:

	2022 EUR	2021 EUR
Other intangible assets	33 939	33 939
In total	**33 939**	**33 939**

6. INVENTORIES

As at 31 December, inventories consisted of the following:

	2022 EUR	2021 EUR
Goods purchased for resale	3 599 223	3 103 872
Less: write-down to net realisable value	(335 558)	(241 392)
In total	**3 263 665**	**2 862 480**

As at 31 December, inventories held in consignments stocks consisted of the following:

	2022 EUR	2021 EUR
Goods purchased for resale	1 120 637	835 351
In total	**1 120 637**	**835 351**

As at 31 December 2022, all Company's inventories were pledged under the overdraft, credit and guarantee agreements concluded with Luminor bank AS (Note 9).

7. TRADE RECEIVABLES

As at 31 December, trade receivables consisted of the following:

	2022 EUR	2021 EUR
Trade receivables (domestic)	547 366	820 324
Trade receivables (foreign)	2 960 140	2 660 923
	3 507 506	3 481 247
Less: provisions for doubtful trade receivables	-	-
In total	**3 507 506**	**3 481 247**

At 31 December 2022, the Company did not have any receivables that would be subject to impairment.

As at 31 December 2022, all Company's claims were pledged under the overdraft, credit and guarantee agreements concluded with Luminor bank AS (Note 9).

8. CASH AND CASH EQUIVALENTS

As at 31 December, cash and cash equivalents consisted of the following:

	2022 EUR	2021 EUR
Cash in banks	1 244 176	1 641 536
Cash on hand	766	405
In total	**1 244 942**	**1 641 941**

9. SHARE CAPITAL

As at 31 December 2022, authorized share capital comprised of 8 179 200 ordinary shares with the par value of EUR 0.29 each. All shares are fully paid.

As at 31 December 2022, 100% of the Company's shares were hold by Pharmasanta Group UAB, a company incorporated and existing under the law of Republic of Lithuania, company code 304689987, having its registered office at Saltoniškių str. 29, Vilnius, the Republic of Lithuania.

As at 31 December, shareholders of the Company were as follows:

	Proportion of ownership			
	2022		2021	
Shareholder	**Number of ordinary shares**	**%**	**Number of ordinary shares**	**%**
Pharmasanta Group UAB	8 179 200	100	8 179 200	100
In total	**8 179 200**	**100**	**8 179 200**	**100**

As at 31 December, all Company's shares were pledged under the overdraft, credit and guarantee agreements concluded with Luminor bank AS (Note 10; 19). The Company plans to distribute dividends from retained earnings in 2022 and prior years. The amount of the planned distribution dividends: EUR 2.3 million.

10. FINANCIAL LIABILITIES

As at 31 December, financial liabilities consisted of the following:

	2022 EUR	2021 EUR
Luminor bank AS (overdraft)	1 767 300	1 412 985
Luminor bank AS (credit agreement)	828 560	1 242 848
Total financial liabilities	**2 595 860**	**2 655 833**
Less: non-current financial liabilities	414 272	828 560
Total current financial liabilities	**2 181 588**	**1 827 273**

All financial liabilities are in euros.

As at 31 December 2022, the financial liabilities were secured by pledging 100% of the Company's shares (Note 9). The Company fully fulfilled its obligations to Luminor Bank AS.

11. LEASING (FINANCIAL) AND OTHER LEASE LIABILITIES

As at 31 December 2022 and 2021, the Company had outstanding finance lease liabilities related to the acquisition of vehicles and other assets.

As at 31 December, the liabilities under finance leases and for other leased assets are as follows:

	2022 EUR	2021 EUR
Liabilities to the leasing company	-	52 098
Other leased assets	478 138	278 133
Total liabilities	**478 138**	**330 231**
Less: long-term liabilities		
Liabilities to the leasing company	-	-
Other leased assets	289 618	116 573
Total short-term liabilities	**188 520**	**213 658**

For the year ended 31 December 2022, the floating interest rate of 2% and 3 months EURIBOR was applicable. In accordance with changes in IFRS 16 the Company applied 2,55-3,56% discounted cash flows to other leased assets.

The Company has valid premises rent agreements as at 31 December 2022. The lease of the office premises may be terminated according to the conditions stipulated in the agreements, which include the notice period and the termination fee.

The Company has valid vehicle rent agreements as at 31 December 2022.

All lease obligations are denominated in EUR. In 2022, the Company has fully paid its leasing (financial lease) obligations.

The fair value of the Company's lease obligations approximates their carrying amount. The Company's obligations under finance leases are secured by the lessors' title to the leased assets.

12. PAYABLES AND ACCRUED EXPENSES

As at 31 December, payables and accrued expenses consisted of the following:

	2022 EUR	2021 EUR
Trade payables	3 043 448	2 744 509
Liabilities related with labour relations	229 803	214 915
Accrued vacation reserve	292 489	404 536
Taxes	1 686	61 174
Payable to custom	-	-
Advances received	-	-
Other accrued expenses	76 911	103 466
In total	**3 644 337**	**3 528 600**

13. SALES INCOME

For the year ended 31 December, sales by geographical segments, irrespective of the origin of the goods consisted of the following:

	2022 EUR	2021 EUR
Latvian branch	11 191 532	10 600 176
Lithuania	7 647 500	8 291 495
Estonian branch	1 715 960	1 382 103
In total	**20 554 992**	**20 273 774**

14. COST OF SALES

For the year ended 31 December, cost of sales consisted of the following:

	2022 EUR	2021 EUR
Cost of goods sold	15 197 949	15 069 102
Warehouse rent expenses	43 174	44 275
Depreciation	42 977	56 882
Transportation and custom expenses	80 171	68 685
In total	**15 364 271**	**15 238 944**

15. OPERATING EXPENSES

For the year ended 31 December, operating expenses consisted of the following:

	2022 EUR	2021 EUR
Marketing expenses	1 675 189	1 212 377
Staff cost (including related taxes)	1 428 427	1 628 768
Insurance, legal and other services	315 176	257 843
Depreciation	273 695	237 364
Expenses for business trips	90 899	36 725
Write down of inventory to net realizable value	95 843	9 692
Transportation expenses	10 806	30 421
Communication and other expenses	24 862	24 053
Office expenses	31 268	18 755
Taxes (excluding corporate income tax)	17 093	15 079
Other operating expenses	267 741	189 660
In total	**4 230 999**	**3 660 737**

16. OTHER INCOME

For the year ended 31 December, other income consisted of the following:

	2022 EUR	2021 EUR
Service sale	-	-
Other	141 365	23 801
In total	**141 365**	**23 801**

17. COSTS OF FINANCING ACTIVITIES

For the year ended 31 December, costs of financing and investing activities consisted of the following:

	2022 EUR	2021 EUR
Interest costs	125 911	57 305
Other finance cost	3 382	7 412
In total	**129 293**	**64 717**

In 2022, the bank charged 3 to 3,5 percent annual interest with 6-month EURIBOR depending on the type of transaction.

18. CORPORATE INCOME TAX EXPENSES

Reconciliation of corporate income tax expenses / (benefit) at the statutory rate to corporate income tax (benefit)/expenses at the Company's effective rate is as follows:

	2022 EUR	%	2021 EUR	%
Profit before tax	1 203 027		1 452 733	
Corporate income tax expense calculated at effective corporate income taxes rate	(135 488)	11	(93 455)	6
Tax effect of non-taxable income and non-deductible expense	236 059	20	176 697	12
Corrections of previous period	-		(2 280)	
Deferred corporate income tax income/expense	(8 904)	-	(692)	-
Corporate income tax income/expense	**(91 667)**	**8**	**(80 270)**	**6**

The components of corporate income tax expense are as follows:

	2022 EUR	2021 EUR
Current corporate income tax expense (Lithuanian company and Latvian branch)	(100 571)	(80 962)
Deferred corporate income tax expense (Lithuania)	8 904	692
Corporate income tax income/expense	**(91 667)**	**(80 270)**

The change in deferred tax asset is as follows:

	2022 EUR	2021 EUR
DEFERRED TAX ASSETS:		
Vacation reserve	375	943
Write-downs for inventory to net realisable value	35 829	24 152
IFRS 16 influence	(45)	660
Cost of goods sold	(750)	750
TOTAL DEFERRED TAX ASSETS	**35 409**	**26 505**
IFRS 16 influence	-	-
DEFERRED TAX LIABILITIES	**-**	**-**
Less: write-downs of deferred tax assets	-	-
Net deferred tax assets	**35 409**	**26 505**

From the year 2020 company does not apply depreciation of goodwill for DTA and CIT purposes.

19. RELATED PARTY TRANSACTIONS

As at 31 December 2022 and for the year then ended related party transactions were as follows:

Related party	Payables to related party EUR	Other amounts receivable from related party EUR	Loan receivable from related party EUR	Interest receivable from related party EUR	Purchases from related party EUR	Sales to related party EUR
Pharmasanta Group UAB	-	-	3 381 572	265 937	-	-
Vertas Management AB *	-	-	-	-	1 544	-
Saltoniškių verslo centras AB	3 132	-	-	-	184 706	-
LV Pharma UAB	-	-	-	-	9 520	-
Releva UAB	3 249	-	-	-	56 622	-
Novel Clinic Assets OÜ**	-	21 747	-	-	-	12 167
Procyone FZE***	-	1 154 282	-	-	-	-
Wellgem Biopharma UAB	-	38 906	-	-	-	38 906

All transactions with related parties are carried out in accordance with the market principles.
Guarantee of Vertas Management AB under the credit agreement signed with Luminor Bank AB, see Note 10.
** Novel Clinic Assets OÜ compensates the guarantee interest, which is accounted for in the Company's financial assets according to the guarantee agreement signed by the Company with the bank in 2021. The deposit amount is EUR 160 000.
*** Procyone FZE assumed Nativita's obligations to the Company under loan agreements in EUR and USD currency, see note 21.

As at 31 December 2021 and for the year then ended related party transactions were as follows:

Related party	Payables to related party EUR	Other amounts receivable from related party EUR	Loan receivable from related party EUR	Interest receivable from related party EUR	Purchases from related party EUR	Sales to related party EUR
Pharmasanta UAB	-	-	3 381 572	145 938	-	-
Vertas Management AB *	-	-	-	-	1 058	-
Saltoniškių verslo centras AB	1 890	-	-	-	84 104	-
LV Pharma UAB	-	-	-	-	1 870	-
Releva UAB	4 852	-	-	-	58 225	-
4 Kliinik Eeti OÜ*	-	9 580	-	-	-	9 580
Nativita*	-	-	1 013 248	29 897	-	-

* Novel Clinic Assets OÜ compensates the guarantee interest, which is accounted for in the Company's financial assets according to the guarantee agreement signed by the Company with the bank in 2021. The deposit amount is EUR 160 000.

For the year ended 31 December, the remuneration of the Company's management was as follows:

	2022 EUR	2021 EUR
Remuneration of management	158 657	207 719
Average number of managers per year	3	3

Remuneration of top management includes all personal compensations and benefits related to General Director and managers of two branches. As at 31 December 2022, accumulated but not yet paid bonuses amounted to EUR 77 656, as at 31 December 2021, they amounted to EUR 130 016.

Pursuant to the law, the Company applies a rate of 1,77% of social insurance contributions to wages. All wages of the Company's executives are classified as current liabilities.

20. PREPAYMENTS, OTHER AMOUNTS RECEIVABLE AND COSTS FOR FUTURE PERIODS

	2022 EUR	2021 EUR
Prepayments	83 978	377 660
Other amounts receivable	1 209 755	11 831
Total	**1 293 733**	**389 491**

21. FINANCIAL RISK MANAGEMENT

The Company is exposed to financial risks in its operations, i.e. credit risk, liquidity risks and market risk. To manage the above-mentioned risks, the Company seeks to minimize potential adverse effects which could negatively impact financial performance of the Company.

Credit risk

As at 31 December 2022 and 2021, the maximum exposures to credit risk consisted of the following:

	2022 EUR	2021 EUR
Financial assets:		
Trade receivables	3 507 506	3 481 247
Loans	3 647 509	4 570 655
Other amounts receivable	1 154 282	-
Cash and cash equivalents	1 244 942	1 641 941
In total	**9 554 239**	**9 693 843**

Financial assets include trade receivables, granted loans and cash and cash equivalents. The credit risk of the Company is relatively low because the main buyers are reliable customers and the loan risk is controlled at the Group level. The Company does not have any significant credit risk concentration, because of having numerous customers.

Liquidity risk

The liquidity risk is managed by planning the cash flows of Company's. In order to minimize the liquidity risk, cash flow forecasts are prepared. Overdraft and credit line agreements are used to manage the difference between the risks of late coverage of receivables and the short-term cash flows (proceeds and payments).

When concluding credit contracts, the Company follows the following principles: the amount of liquid assets and unused credit lines and credits in the bank accounts must cover the current liabilities of the Company, including the current portion of long-term borrowings.

Market risk

Interest rate risk
The borrowings with floating interest rates expose the Company to cash flow interest rate risk.

The Company has borrowings with floating interest rates, related to EURIBOR.

Foreign currency exchange risk
In order to manage foreign currency exchange risk, the Company concludes loan agreements, purchase/sale contracts in EUR and USD currencies.

The fair value of financial assets and liabilities

The Company's principal financial assets and liabilities, not carried at fair value, are trade and other accounts receivable, trade and other payables.

Fair value is defined as the amount at which the instrument could be exchanged between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

According to the management, the balance value of the Company's financial assets and liabilities (not carried at fair value) is approximately equal to their fair value.

Capital management

The primary objectives of the Company's capital management are to ensure that the Company complies with externally imposed capital requirements and that the Company maintains healthy capital ratios in order to support its business and to maximize the Company's value to shareholders.

The Company manages its capital structure and makes adjustments to it taking account of changes in economic conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Company may propose the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company is obliged to upkeep its equity ratio of not less than 50% of its share capital, as imposed by the Law on Companies of the Republic of Lithuania. There were no other externally imposed capital requirements on the Company.

The Company monitors capital using equity to liabilities ratio. Equity consists of shares, share premiums, reserves, retained earnings attributable to equity owners.

The calculation of equity to current liabilities ratio is presented below:

	2022 **EUR**	**2021** **EUR**
Equity	11 102 486	9 991 126
Current liabilities	6 014 445	5 569 531
Equity to current liabilities ratio	**185%**	**179%**

22. POTENTIAL FUTURE COMMITMENTS AND CONTINGENCIES

As at 31 December 2022, the Company was not involved in any legal proceedings which in the opinion of management would have a material impact on the financial statements.

23. POST BALANCE SHEET EVENTS

In 2023, the Company signed an amendment to the Credit Line in the Bank Account Agreement with the bank, by which the credit repayment date was extended.

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Sidevahendid

Liik	Sisu
Telefon	**+372 6828892**
Faks	**+372 6828890**
E-posti aadress	**info@ilsanta.ee**