MEDIKA d.d. and its subsidiaries

ANNUAL REPORT
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
for the year ended 31 December 2024

Note: This format is not official format for public announcement.

MEDIKA d.d., Zagreb, and its subsidiaries

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MEDIKA d.d., Zagreb, and its subsidiaries

MANAGEMENT REPORT

In 2024, the Medika Group (the "Group") generated consolidated revenue in the amount of EUR 832,447 thousand, which is EUR 81,959 thousand more than in the previous year. Consolidated operating profit amounts to EUR 23,317 thousand, which is EUR 81 thousand less than in the previous year.

Consolidated profit before tax basis amounts to EUR 24,830 thousand, and consolidated net profit amounts to EUR 20,311 thousand, which is EUR 231 thousand more than the result achieved in 2023.

By analysing the individual operating segments (note 6 in the financial statements), 45.5% of total consolidated income was generated in pharmacies (2023: 45.0%), of which 10.7% in own pharmacies (2023: 10.5%). At the same time, 40.5% of total consolidated income was generated in hospitals (2023: 42.7%).

Total consolidated assets amount to EUR 478,587 thousand and recorded an increase of 7.4% from the prior year. In the structure of consolidated assets, the amount of fixed assets increased by 7.4% compared to the prior year, which was the most significantly affected by the increase in assets with the right to use. The amount of consolidated current assets increased by 7.5% which was the most significantly affected by increase in trade receivables and inventories. Consolidated current assets account for 81.5% of total assets. Accounts receivable and other receivables are the most significant item of total consolidated assets and are higher by 18.6% compared to the previous year.

Total consolidated loan debt amounts to EUR 35,205 thousand and relates entirely to short-term borrowing (note 26).

The equity-to-assets ratio is 26% and shows that the Group finances 26% of its total assets from own resources.

The consolidated result is presented in the statement of comprehensive income on page 145 of the financial statements.

Research activities and expected future development of the Group

The Company will maintain the distribution of medicinal products and medical devices as its principal activity and boost the operations involving those products that constitute the Company's core business.

The development strategy of the ZU Ljekarne Prima Pharme is to expand the network of pharmacies throughout the territory of the Republic of Croatia.

Treasury shares

At 31 December 2024, Medika d.d. held 1,240 shares, which represents 4.11% of the total number of shares. The nominal value of each individual share is EUR 920.

Subsidiaries and associates

The Company has a 100% owned subsidiary Zdravstvena ustanova (ZU) Ljekarne Prima Pharme.

ZU Ljekarne Prima Pharme is 49% owner of ZU Ljekarne Jagatić.

The company does not have branch offices.

Related parties

The Company with the majority of voting rights, i.e. the parent company Auctor d.o.o., holds an ownership interest of 48.04%, i.e. 50.10% shares with voting rights.

Pliva Hrvatska d.o.o., Zagreb, has an ownership interest of 25.32% and 26.41% of the voting rights over the Company.

Risks

Credit risk

The most significant market risk for the Group is the long collection period for trade receivables, especially HZZO (Croatian State Health Insurance) related receivables. Therefore, a significant amount of working capital is not available, which significantly affects the cash flow and timely settlement of the Group's liabilities. As the receivables represent, directly or indirectly, amounts owed by/from state institutions, their collection should not be regarded as probable of default risk. This indirectly increases the need for additional financing, which means additional operating costs.

Credit risk arises primarily from trade receivables. The risk is higher when dealing with privately owned pharmacies. Hospitals, on the other hand, have longer collection deadlines, but the risk of non-settlement is almost nil.

Price risk

A constant decrease in the prices of prescription medicinal products on the HZZO list and the HZZO administrative approach in determining the prices and margins is a further risk. In order to reduce this risk, the Group has focused on expanding the lines of products that are not limited by law in respect of the price of the product.

Risks (continued)

Foreign exchange risk

In accordance with the Decision on the announcement of the introduction of the euro as the official currency in the Republic of Croatia (published in the "Official Gazette" No. 85/22), the euro becomes the official monetary unit and legal tender in the Republic of Croatia on 1 January 2023, and consequently the Company has no significant currency risk.

Interest rate risk

The Group's interest rate risk arises from received and granted short-term and long-term borrowings, in conditions of variable interest rates. Variable-rate borrowings expose the Group to the interest-rate cash flow risk. Fixed-rate borrowings expose the Group to the interest-rate fair value risk.

A part of the Group's assets are interest-bearing assets, as a result of which its revenue and investing cash flows depend on fluctuations in market interest rates.

CORPORATE GOVERNANCE STATEMENT

Medika d.d. as a company listed on the official market of the Zagreb Stock Exchange, applies the Corporate Governance Code of the CFSSA (Croatian Financial Services Supervisory Agency) and the Zagreb Stock Exchange, which will be published on the website of the Zagreb Stock Exchange.

The key components of the internal control and risk management system in the area of financial reporting include the following: The main elements of the internal control and risk management system relating to financial reporting include

- An appropriate organisational structure at all levels, with appropriate segregation of duties and defined levels of powers;
- Internal controls integrated into business processes and activities;
- A comprehensive set of accounting policies and procedures governing the preparation of annual report in accordance with International Financial Reporting Standards adopted by the European Union.

The Company is not involved in any mutual-shareholding relationship with other companies, it has no securities with special rights or securities with voting rights restriction.

Corporate governance structure

Medika is a joint-stock company based on the dualistic governance model and its governing bodies are the following:

- General Assembly
- Supervisory Board
- Management Board

General Assembly

The General Assembly decides in the matters specified by the law and the Company's Statute which it also adopts, as well as decides on the use of the profit, on the increase and decrease in share capital, elects and dismisses members of the Supervisory Board members, it provides note of release to the members of the Management and the Supervisory Board, appoints an external auditor and performs other tasks in accordance with the Law and the Company's Statute.

Supervisory Board

The Supervisory Board oversees (supervises) the management of the Company's affairs. To this end, it reviews and examines the business records, accounts and documentation of the Company. The Supervisory Board appoints members of the Management board and provides its consent with certain Management decisions, such as strategic plans, business plans, financial statements and major investments. The Supervisory Board submits its report on the supervision over the management of the Company's affairs to the General Assembly to which it also presents decision proposals for adoption. The Supervisory Board consists of seven members. As a general rule, regular Supervisory Board meetings are held quarterly. The Supervisory Board may decide on matters, i.e. cast vote by telephone. The term of office of the Supervisory Board members is governed by the Company's statute and expires at the closing of the General Assembly meeting in which approvals of action are granted for the third business year after their election.

The members of the Supervisory Board are as follows: Mr Oleg Uskoković, Chairman, Mr Mihael Furjan, Vice Chairman; Members: Mr Damjan Možina, Mr Jozef Harviš, Mr Josef Pilka, Mrs Tanja Kragulj Mežnarić, and Mr Ivica Roso.

CORPORATE GOVERNANCE STATEMENT (continued)

Corporate governance structure (continued)

Management Board

The Management Board determines business plans and controls the implementation, co-ordinates the activities of individual organisational units of the Company and their compliance with current needs and business plans, reports to the Supervisory Board about the operational developments and activities, profitability and efficiency, significant transactions and events as well as other matters specified in the Statute.

The Management Board of Medika has three members: Mr Jasminko Herceg, President of the Management Board, Mr Matko Galeković, Member of the Management Board and Mr Jakov Jaki Radošević, Member of the Management Board, who independently and individually represent the Company.

Audit Committee

The Audit Committee was established by a decision of the Supervisory Board. The activities of the Audit Committee is regulated by the Audit Act, the Companies Act, the Accounting Act and other regulations. The term of office of the Audit Committee members coincides with the term of office for the Supervisory Board.

The Audit Committee consists of: Mr Josef Pilka, President, Mr Oleg Uskoković and Mr Dalibor Briški.

MEDIKA d.d., Zagreb, and its subsidiaries

STATEMENT OF RESPONSIBILITIES OF THE MANAGEMENT BOARD ON THE SUSTAINABILITY STATEMENT

According to the provisions of Articles 32 and 36 of the Accounting Act (NN 135/24), the Management Board is responsible for the preparation of the consolidated Sustainability Report in accordance with the European Sustainability Reporting Standards (ESRS) and for:

- preparation of disclosures in the section "Disclosures in accordance with Article 8 of Regulation 2020/852 (Taxonomy Regulation)" of the consolidated Sustainability Report in accordance with the reporting requirements of Article 8 of EU Regulation 2020/852 (EU Taxonomy Regulation)
- design, implementation, and maintenance of internal control systems that the Management Board deems necessary to enable the preparation of the consolidated Sustainability Report, free from material misstatements due to fraud or error, and
- selection and application of appropriate sustainability reporting methods, as well as making reasonable judgments and estimates regarding individual sustainability disclosures, considering the circumstances.

The Management Board is also responsible for the design and implementation of the process for identifying information disclosed in the consolidated Sustainability Report in accordance with the ESRS, and for disclosing this process in the section *"ESRS 2; IRO-1 Description of the process for identifying and assessing significant impacts, risks, and opportunities"* and *"IRO-2 – Disclosure requirements in ESRS covered by the undertaking's sustainability statement"* in the consolidated Sustainability Report. This responsibility includes:

- understanding the context in which the Group's activities and business relationships take place and understanding the affected stakeholders;
- identification of actual and potential impacts (both negative and positive) related to sustainability issues, as well as risks and opportunities that affect, or could reasonably be expected to affect the Group's financial position, financial performance, cash flows, access to financing or cost of capital in the short, medium, or long term;
- assessment of the significance of the identified impacts, risks, and opportunities related to sustainability issues by selecting and applying appropriate materiality thresholds, and
- making assumptions that are reasonable under the circumstances.

The consolidated Sustainability Report on pages 7 to 131 was approved by the Management Board on 12 March 2025.

Signed on behalf of the Management Board on 12 March 2025.

Jasminko Herceg *President of the Management Board*	Matko Galeković *Member of the Management Board*	Jakov Jaki Radošević *Member of the Management Board*

SUSTAINABILITY STATEMENT OF MEDIKA D.D. AND ITS SUBSIDIARIES FOR THE YEAR 2024

INTRODUCTION BY THE MANAGEMENT BOARD

Dear Readers,

It is with great pleasure that we present to you our first edition of the Sustainability Statement, prepared in accordance with the European Sustainability Reporting Standards (ESRS). This edition reflects our commitment to transparency, accountability, and continuous improvement in business practices aligned with the highest standards.

Our previous two non-financial reports, prepared in accordance with the Global Reporting Initiative (GRI) Standards, have provided us with quality preparation and adaptation to new requirements.

We are aware that recent years have brought significant changes in the economy, legislation, and society, which further motivates us to adapt and proactively face new challenges.

During this adaptation process, we have recognized our material impacts, risks and opportunities that guide the adaptation of our business strategy towards sustainability.

In 2024, Medika once again confirmed its status as the leading pharmaceutical wholesaler in Croatia, proving that it continues to build stable and sustainable growth and development on the foundations of its rich tradition and experience.

Our core business is to supply pharmacies, health institutions, hospitals, health centers, clinics, veterinary clinics, dental offices, pharmaceutical wholesalers, and specialized stores with the widest range of products. Relying on our century-old tradition and an innovative business approach, Medika sets new standards in service quality and systematically invests in the development of sustainable approaches to contribute to environmental and climate protection, as well as the development of society and the prosperity of communities.

To ensure the availability and quality of our products and services to everyone in the market, we must ensure that our business is successful, sustainable, and resilient. Therefore, we build a stimulating work environment, investing in the well-being and professional development of our employees. We take responsibility for our environmental footprint and strive to minimize our impact on the environment to protect the planet and its resources. We strictly adhere to ethical business practices to build trust with our stakeholders. We expect our business partners to respect the highest standards, as they are also part of our value chain and play an important role in our impacts.

In the coming periods, we will continue to enhance our environmental, social, and governance (ESG) policies to ensure an even higher level of service quality, employee satisfaction, and all stakeholders in the healthcare value chain, thereby ensuring an appropriate competitive advantage.

On behalf of the Management, I would like to thank all employees of the Medika Group for their dedication, expertise, and tireless work that form the foundation of our success. Their commitment, innovation, and team spirit enable us to continually grow, set higher standards, and shape a better future.

I also thank our customers, business partners, and all stakeholders for their trust and long-term cooperation. Only through joint effort, vision, and responsible business can we continue to build a successful, secure, and sustainable future for all of us.

President of the Management Board
Jasminko Herceg

ESRS 2

BP-1- General basis for preparation of the sustainability statement

The Consolidated Sustainability Statement for the year 2024, alongside the Financial Report, provides all stakeholders of Medika d.d. ("the Company") and its subsidiaries (collectively "the Group") with an in-depth view of the operations, processes, and the ways in which the Medika Group manages material impacts, risks and opportunities, as well as its operational approach to sustainable development, projects, and initiatives implemented by the organization to manage its material environmental, social, and governance factors more effectively.

The Group's Sustainability Statement for 2024 is prepared in accordance with the Accounting Act (Official Gazette 85/24, 145/24) and the European Sustainability Reporting Standards (ESRS) as per the Corporate Sustainability Reporting Directive (CSRD).

This report covers the companies of the Medika Group (hereinafter referred to as "the Group"): Medika d.d. (hereinafter referred to as "the Company") and Ljekarne Prima Pharme (hereinafter referred to as "the Institution" or "pharmacy branches"). The company Primus nekretnine d.o.o., which is part of the Group, is not included in the sustainability report as the Company decided in February 2024 to terminate Primus nekretnine d.o.o. through a shortened procedure without liquidation, and ceased operations during 2024. Data for this company were not considered since it had no operations, owned no real estate, and had no employees. The report includes Medika d.d. and all subsidiaries consolidated within the financial report (pages 145-194), ensuring consistency and comprehensiveness of all operations.

The content of this report is based on the results of the double materiality assessment conducted in 2024 in accordance with the requirements outlined in CSRD and ESRS. This assessment identifies material environmental, social, and governance (ESG) impacts, risks and opportunities while addressing the interests of various stakeholders of the Group. The double materiality assessment serves as the foundation for prioritizing the most important sustainability topics for disclosure.

In this report, certain data are presented disaggregated, i.e., unconsolidated, to ensure the most accurate and transparent information. This method of presentation allows for a more detailed insight into different business segments, representing the actual state in both the Company and the Institution. It also contributes to a more precise evaluation of sustainability achievements in each business segment. Disaggregated data, besides presenting the real situation, provide stakeholders of the Group with information tailored to their specific interests and needs. The disaggregation is clarified when presenting such information.

The Sustainability Report provides key information on operations at the Group level. Due to the complexity of data collection from the value chain, the Group has decided to apply the transitional provisions from point 133 of ESRS 1 for the first three years of sustainability reporting.

These transitional provisions allow a company to limit information on higher and lower levels of the value chain to those already available within the company, such as internal and publicly available data. It is not mandatory to include information on higher and lower levels of the value chain when publishing indicators, except those required by other EU regulations, as stated in Appendix B of ESRS 2.

ESRS 2 (continued)

BP-1- General basis for preparation of the sustainability statement (continued)

Since this is the first year of reporting, Medika has not directly included stakeholders from its upstream and downstream value chain. Therefore, the published policies, actions, targets, and indicators do not include information from these parts of the value chain. In future periods, the plan is to start collecting information from the entire value chain and include it in the reporting.

The Group has not omitted any information related to intellectual property, know-how, experience, or the results of innovations, nor information about upcoming events or matters under negotiation.

BP-2 - Disclosures in relation to specific circumstances

The Group has adopted definitions for short-term, medium-term, and long-term time horizons, aligned with ESRS 1 6.4 and operational and strategic planning processes. For the purposes of sustainability reporting, the short-term time horizon is equivalent to the reporting period that Medika applies in its financial statements. The medium-term time horizon covers up to five years following the short-term time horizon, in line with the strategic horizon of the Group's business planning. The long-term time horizon includes any period beyond the medium-term. These definitions have been applied to maintain consistency between the disclosure of sustainability information and the Group's financial reporting practices, ensuring alignment with internal planning and decision-making frameworks.

Acquiring information on indicators from the value chain has proven to be a challenging task with a high degree of uncertainty. Aside from the Greenhouse Gas (GHG) emissions indicators for Scope 3, the Group does not have indicators from the value chain. Given that there are no precise indicators or measurable data directly from the value chain, the Group has been unable to accurately assess the relevance of these sources to its value chain. Over the next two years, the Group will establish data collection systems from its key stakeholders in the value chain (suppliers, business partners, local communities, as well as customers and end-users) to improve the accuracy and completeness of data coming from the value chain itself. Scope 3 greenhouse gas emissions for categories 1 (Purchased goods and services), 2 (Capital goods), 4 (Upstream transportation and distribution), and 9 (Downstream transportation) have been calculated based on estimates using the spend based approach and applying appropriate factors for calculation through financial expenditure.

The Group used generally accepted emission factors from databases approved by the GHG Protocol, such as Exiobase, USEEIO, and DEFRA, which do not introduce a high level of uncertainty in the calculations. For the calculation of categories 1, 2, 4, and 9, the spend incurred by the Group in 2024 was used. Consequently, the spend data is not uncertain.

Given that this is the first reporting period conducted in accordance with the ESRS, all previous sustainability information is not directly comparable with the current report, nor has it been audited. This lack of comparability arises from differences in methodologies used in past reports compared to the standardized approach under the ESRS.

ESRS 2 (continued)

BP-2 - Disclosures in relation to specific circumstances (continued)

Due to the new data calculation methodology according to ESRS, the Group has implemented new data collection methods that differ from previous methods, allowing for more precise and detailed reporting but preventing direct comparisons with data previously published in annual reports. Considering these circumstances, if significant errors or amendments occur in this report, they will be published in the next reporting period.

The Group includes information from Article 8 of Regulation 2020/852 (the Taxonomy Regulation) in this Sustainability Report. The details required by the Taxonomy Regulation are presented in the thematic section of the report related to environment (pages 51-62).

The Group has utilized the transitional provision under ESRS 1 10.4, which allows for the omission of disclosure requirements that are being gradually introduced and identified as material. This includes the following disclosure requirements: SBM-1 item 40. sub-items (b) and (c), SBM-3 item 48. sub-item (e), E1-9, which pertains to the expected financial effects of material physical and transition risks and potential opportunities related to climate; E5-6, which concerns the expected financial effects of impacts, risks and opportunities associated with resource use and the circular economy; S1-13, which involves training and skills development; and S1-15, which relates to work-life balance.

GOV-1 – The role of administrative, management, and supervisory bodies

Corporate Governance Structure

The company is a dualistic joint-stock company and has the following bodies:

- General Assembly
- Supervisory Board
- Management Board

General Assembly

The General Assembly decides on matters defined by the Law and the Company's Articles of Association, including, among others, adopting the Articles of Association, deciding on the use of profits, deciding on capital increases and reductions, electing and dismissing members of the Supervisory Board, granting discharge to the members of the Management Board and the Supervisory Board, appointing an external auditor, and performing other duties in accordance with the Law and the Company's Articles of Association.

Supervisory Board

The Supervisory Board oversees the management of the Company's affairs and, for this purpose, reviews and examines the Company's business books and documentation. The Supervisory Board appoints the Company's Management Board and gives consent to certain decisions of the Management Board, such as strategic plans, business plans, financial statements, and significant investments. The Supervisory Board submits a report on the supervision of the Company's affairs to the General Assembly and makes proposals for decisions to the General Assembly. The Supervisory Board consists of seven members. Regular meetings of the Supervisory Board are typically convened once every three months. For important and urgent matters, the Supervisory Board can make decisions at meetings held by telephone.

ESRS 2 (continued)

GOV-1 – The role of administrative, management, and supervisory bodies (continued)

Supervisory Board (continued)

The term of office for members of the Supervisory Board is regulated by the Company's Articles of Association and lasts until the conclusion of the General Assembly meeting at which the discharge for the third (3rd) business year after their election to the Supervisory Board is decided, not counting the business year in which they were elected.

The Supervisory Board consists of: Mr. Oleg Uskoković, Chairman, Mr. Mihael Furjan, Deputy Chairman, members: Mr. Damjan Možina, Mr. Jozef Harviš, Mr. Josef Pilka, Ms. Tanja Kragulj Mežnarić, and Mr. Ivica Roso.

	Percent (%)
Independent members of the supervisory board	-

Management Board

The Management Board establishes business plans and monitors their implementation, coordinates the activities of individual organizational units of the Company and their alignment with current needs and business plans, reports to the Supervisory Board on the progress of operations, business profitability, significant business activities, and other matters in accordance with the provisions of the Articles of Association.

The Management Board of Medika is multi-member: Mr. Jasminko Herceg, Chairman of the Board, Mr. Matko Galeković, Board Member, and Mr. Jakov Jaki Radošević, Board Member, who independently and individually represent the company.

	Number
Gender diversity in the board (average ratio of women to men among board members)	-

Audit Committee

The Audit Committee was established by a decision of the Supervisory Board. The work of the Audit Committee is regulated by the Audit Act, the Companies Act, the Accounting Act, and other regulations. The term of the Audit Committee is aligned with the duration of the term of the Supervisory Board.

The Audit Committee consists of Mr. Josef Pilka, Chairman, Mr. Oleg Uskoković, and Mr. Dalibor Briški.

ESRS 2 (continued)

GOV-1 - The role of administrative, management, and supervisory bodies (continued)

Below, in addition to the previous information, all management and supervisory bodies are shown separately for the companies within the Group. Gender diversity in the management and supervisory bodies is presented collectively for all companies within the Group.

Administrative, management, supervisory bodies	Medika	Ljekarne Prima Pharme
Number of executive members	3	1
Number of non-executive members	8	5

Members of administrative, management and supervisory bodies	Percent (%)
Men	88%
Women	12%
Other	-

Information on the representation of employees and other workers in the administrative, management, and supervisory bodies of Medika

The Company has a Works Council, whose role includes participating in decision-making related to workers' rights and interests. One member of the Works Council is a member of the Supervisory Board. The workers' representative on the Supervisory Board is Mr. Ivica Roso. In the Institution, the Independent Union – HUS Ljekarne Prima Pharme operates.

Management Council of Ljekarne Prima Pharme

The Management Council of Ljekarne Prima Pharme manages the institution and consists of five members. In 2024, these members were: Jasminko Herceg, Matko Galeković, Jakov Jaki Radošević, Željka Radalj and Filip Šarunić. The Chairman and members of the Management Council are appointed by Medika as the founder of Ljekarne Prima Pharme.

The Principal of Ljekarne Prima Pharme

The principal organizes and manages operations, represents and acts on behalf of Ljekarne Prima Pharme, and is responsible for the legality of the work of Ljekarne Prima Pharme. The professional work of Ljekarne Prima Pharme is led by the principal in collaboration with the Expert Council. The principal is Ivan Gregov, Master of Pharmacy (mag. Pharm).

Other Mandatory Bodies of Ljekarne Prima Pharme

The Expert Council of Ljekarne Prima Pharme is an advisory body to the principal. The principal appoints and dismisses the Expert Council and its Chair.

ESRS 2 (continued)

GOV-1 – The role of administrative, management, and supervisory bodies (continued)

Biographies of Supervisory Board Members

Oleg Uskoković, Chairman of the Supervisory Board

Oleg Uskoković began his legal career after graduating from the Faculty of Law in Zagreb in 1994. After completing his internship, he briefly worked as a lawyer in a law office in 1997.

At the end of 1998, he was one of the founders of the law firm Korušić, Hrg, and Uskoković j.t.d., the legal predecessor of today's law firm Uskoković & Partners d.o.o., which was restructured in 2008. Although the law firm handles all branches of law, Oleg Uskoković's main areas of expertise are commercial law, company law, M&A, and legal business consulting. Oleg Uskoković is a senior partner and director at the law firm Uskoković & Partners d.o.o., based in Varaždin, with branches in Zagreb and Dubrovnik. Since mid-2019, he has also served as the director of Auctor d.o.o., managing the strategy of companies within the Auctor system and companies in his portfolio. He also holds the position of chairman or member of the supervisory board in companies such as Medika d.d., Aminess d.d., Nexe d.d., Glas Slavonije d.d., Drvoproizvod d.o.o., Pan Parket d.o.o., and others. Additionally, Oleg Uskoković is a member of the Audit Committee of Medika d.d.

Mihael Furjan, Deputy Chairman of the Supervisory Board

Mihael Furjan has served as the President of the Management Board of Pliva Hrvatska d.o.o., a member of the Teva Group, since 2015, and he is responsible for Pliva's operations in Croatia and the Southeast Europe region.

He developed his expertise in various areas of the pharmaceutical industry, holding positions such as Director of Biotechnology Projects in Research and Development, Director of New Product Launches in the Strategic Marketing Department, and Senior Director of Corporate Products in the Business Development Department. Following these roles, he became responsible for the entire product lifecycle and led the European team for project management and market support. In 2009, he left Pliva and continued his career as Executive Director at the Croatian Post, responsible for the Postal Division. Before returning to Pliva, from 2010, he served as Executive Director of a global generics company in Switzerland, responsible for the international product portfolio.

Throughout his career, he also held the position of President of the Association of Drug Manufacturers at the Croatian Employers' Association, and since 2021, he has served as the President of the Croatian Employers' Association. In December 2024, he announced his resignation from the position of President of the Management Board of Pliva, and he will remain in the position until the end of March 2025.

ESRS 2 (continued)

GOV-1 – The role of administrative, management, and supervisory bodies (continued)

Biographies of Supervisory Board Members (continued)

Damjan Možina, Member of the Supervisory Board

Since 2004, Damjan Možina has held the position of Sales Director for the Eastern European region at Krka d.d., Novo Mesto, Slovenia. He has extensive experience in sales, the development of marketing activities, and the positioning of over-the-counter medicines (OTC medicines). He plays an active role in the management and supervisory boards of companies in various countries and in various marketing associations. Since 2011, he has served as the Deputy Chairman of the Supervisory Board of Medika and as a member of the Supervisory Board since 2023.

He graduated in 1987 from the Faculty of Economics in Ljubljana and completed an MBA in 1997 at the Faculty of Economics and Business in Maribor, further specializing in sales and marketing. He also holds a certificate for membership in management and supervisory boards.

Jozef Harviš, Member of the Supervisory Board

Jozef Harviš is a dentist and an experienced public health expert from Slovakia. His main focus is the sustainability of healthcare institutions, hospitals, and private clinics. He began his career as a dentist and manager of financial sustainability at Audacia Klinik in the Czech Republic. In 2010, he started working at his own clinic, Hardent, in Prague, Czech Republic, where he continues to work to this day.

He graduated from the Faculty of Medicine at Pavol Jozef Šafárik University in Košice in 2006.

Josef Pilka, Member of the Supervisory Board

Josef Pilka is an experienced finance expert from the Czech Republic. His main focus is corporate finance, banking, and business valuations.
He began his career at RSM CZ, one of the leading licensed professional institutes for business valuation in the Czech Republic. In 2008, he joined the strategy department of Unipetrol, a major petrochemical company in Central and Eastern Europe, where he participated in various M&A and restructuring projects.
Since 2013, he has worked at J&T as a project manager responsible for actively monitoring investments in various sectors. In 2017, he moved to J&T Bank in Croatia, where he serves as the head of investment banking and leads M&A and project financing in the region. Since 2020, he has continued his career at J&T Private Equity Group Limited.

He graduated with a degree in Business Administration from the University of Economics in Prague in 2007.

In addition to being a member of the Supervisory Board of Medika d.d., Josef Pilka also serves as the Chairman of Medika d.d.'s Audit Committee.

ESRS 2 (continued)

GOV-1 – The role of administrative, management, and supervisory bodies (continued)

Biographies of Supervisory Board Members (continued)

Tanja Kragulj Mežnarić, Member of the Supervisory Board

Tanja Kragulj Mežnarić is employed as a lawyer at the law firm Uskoković & Partners d.o.o. Her experience and area of expertise lie in corporate and commercial law, which includes legal consulting on various investment projects, structuring strategic partnerships, and specific share/interest purchase and sale agreements, as well as business and claims, company and business restructuring, and matters related to the capital market (stocks, bonds, and other securities). She also has significant experience in domestic and international arbitrations. In relation to, but not limited to, the aforementioned areas, she has successfully advised on and/or executed numerous mergers, acquisitions, legal due diligence, and a wide range of contracts and other documentation related to the above.

She graduated in 2002 from the Faculty of Law at the University of Zagreb.

Ivica Roso, Member of the Supervisory Board

Ivica Roso began his career as a transport manager at Farmacon d.o.o. in Osijek. When Farmacon was merged into Medika d.d. in 2008, he joined the Osijek business center, continuing as a transport manager. Since 2017, he has served as the logistics manager in the Osijek Business Center. At Medika, he leverages his extensive experience to improve organizational processes and propose enhancements for operational efficiency. Since 2023, he has been a member of the Supervisory Board as a representative of the Works Council, elected by the employees of Medika.

Biography of an Audit Committee Member

(The Chairman of the Audit Committee is Josef Pilka, who is also a member of the Supervisory Board of Medika d.d., and Oleg Uskoković is the Chairman of the Supervisory Board of Medika and a member of the Audit Committee of Medika.)

Dalibor Briški is one of the members of Medika's Audit Committee. He graduated from the Faculty of Economics in Zagreb in 1992, where he also defended his scientific master's thesis in 2004. He has been a certified auditor and a member of the Croatian Chamber of Auditors since 2002.

He began his career at Zagrebačka banka d.d. and later served as the finance director in several companies. From 2004 to 2009, he was the finance sector director at Medika d.d.

From 2009 to 2016, he was a partner at the auditing firm Gmc-unitreu Croatia, and thereafter, until 2024, he was the managing partner at Grant Thornton Croatia. He is currently a partner at the auditing firm Apex Audit and Consulting d.o.o. Throughout his career, he has managed audits of large and medium-sized companies and international branches in Croatia. He has participated in numerous important projects such as due diligence, valuations, restructuring, and the evaluation of investment projects.

As part of the Croatian Chamber of Auditors' training programs, he has educated himself on the preparation of sustainability reports, as well as the regulations and standards related to the auditing of sustainability reports by auditors.

ESRS 2 (continued)

GOV-1 – The role of administrative, management, and supervisory bodies (continued)

Biographies of Management Board Members

Jasminko Herceg is the Chairman of the Management Board of Medika d.d., responsible for finance, internal audit, legal and HR affairs, human resources, and investment development and management.

He graduated from the Faculty of Economics in Zagreb in 1992.

He began his rich career in 1992 at Zagrebačka banka d.d., working until 1999 as a project manager in the Investment Sector. Additionally, he spent a brief period in 1996 at Hrvatski hoteli i ljetovališta d.o.o., owned by Zagrebačka banka. In 1999, he joined Privredna banka Zagreb, holding various positions, including Deputy Chief Financial Officer.

He joined Medika in 2004, initially serving as a Management Board member, and in 2008 he became the Director, taking on the responsibility for the company's strategic leadership. Since 2019, he has served as Chairman of the Management Board. Continuously improving his knowledge of corporate governance, he has attended training such as Corporate Governance and ESG Development organized by the Zagreb Stock Exchange. He actively contributes to the development dynamics of the pharmaceutical industry in Croatia. Since 2012, he has been the President of the Association for Wholesale Trade of Pharmaceutical Products and Orthopaedic Aids at the Croatian Chamber of Commerce. He is also a member of the Council of Members of the Croatian Employers' Association and an active representative of Croatian wholesalers in the European Healthcare Distribution Association (GIRP).

He is recognized for his significant competencies, such as business world vision, the development of key market collaborations, and tactical planning, enabling him to successfully lead the company and contribute to industry development.

Matko Galeković is a member of the Management Board of Medika d.d., responsible for sales, marketing, representation, and digital business. He holds extensive experience in the wholesale pharmaceutical business. He graduated from the Faculty of Pharmacy and Biochemistry at the University of Zagreb in 1998, earning a Master of Pharmacy degree. He pursued postgraduate studies in organization and management at the Faculty of Economics in Zagreb. He continues to enhance his skills in sales, business negotiation, and digital skills through various specialized IT courses. Additionally, he has improved his knowledge of corporate governance by attending the Corporate Governance and ESG Development training organized by the Zagreb Stock Exchange.

After completing his studies, he began his career in the pharmaceutical industry. From 1998 to 2002, he worked at Pliva d.d., gaining experience as a technologist in pharmaceutical production, actively participating in the construction of a new highly automated plant and the SAP project as a key user.

In 2002, he joined Farmacija d.d., later renamed PHOENIX Farmacija d.d., where he participated in various projects, including the implementation of CRM systems and PHARMOS-SAP as a key user. He also became a member of the Supervisory Board of Farmacija d.d., later Phoenix Farmacija d.d., and served as Vice-Chairman of the Shareholders' Assembly.

ESRS 2 (continued)

GOV-1 – The role of administrative, management, and supervisory bodies (continued)

Biographies of Management Board Members (continued)

His professional journey continued in 2005 when he became the Sales Director at PHOENIX Farmacija d.d. in Zagreb, responsible for implementing business plans, organizing and developing sales, coordinating marketing activities, and managing business relationships with key customers. He also participated in the company's restructuring process following its acquisition by the Phoenix group.

He joined Medika in 2008, first as the Sales Sector Director, and since 2019, he has been a Management Board member. His rich experience, expertise in sales management and development, and continuous improvement have enabled him to become a key leader in the industry.

Jakov Jaki Radošević is a member of the Management Board of Medika d.d., responsible for procurement, logistics, and IT, with a rich 30-year experience in the pharmaceutical industry. He graduated from the Faculty of Pharmacy and Biochemistry at the University of Zagreb in 1995, earning a Master of Pharmacy degree. He continued his academic journey at the Faculty of Economics in Zagreb, completing a postgraduate professional study in business marketing management in 2004, earning a Master Specialist in Economics degree. He further enhanced his knowledge of corporate governance by attending the Corporate Governance and ESG Development training organized by the Zagreb Stock Exchange.

He began his professional career at Oktal Pharma d.o.o., spending 12 years in various positions, including Executive Director of the Procurement and Warehouse Department. He joined Medika d.d. in 2007 as the Procurement Sector Director, and since 2019, he has been a Management Board member responsible for procurement.

He has dedicated his professional career to developing and improving pharmacy and pharmacy services in Croatia through organizing various events that bring together participants from the pharmaceutical industry.

Biography of the Director of Ljekarne Prima Pharme

Ivan Gregov is the Director of Ljekarne Prima Pharme, responsible for organizing work and professionally leading the Institution, which includes contracting with the Institute.

He graduated from the Faculty of Pharmacy and Biochemistry at the University of Zagreb in 2005, earning a Master of Pharmacy degree. In 2013, he completed his business skills at Cotrugli Business School in Zagreb, obtaining an MBA degree through the EMBA program. He has enhanced his skills in sales and business negotiation through the TEVA EMIA SFE (2011-2012) and TEVA Europe Early Talent Program (2013-2014).

He began his professional career in 2006 at the pharmaceutical company Pliva Hrvatska d.o.o., holding various high managerial positions in Croatia and abroad. In 2015, he continued his career in the Medika Group as the Director of Ljekarne Prima Pharme, and from January 1, 2025, he will also assume the position of Procurator of Medika for defining and approving human resources management policies and strategies. He continuously improves his knowledge of corporate governance and has attended the Corporate Governance and ESG Development training organized by the Zagreb Stock Exchange. In addition, he actively contributes to the development dynamics of the pharmaceutical industry in Croatia and was elected President of the HUP-Pharmacists Association in 2021.

ESRS 2 (continued)

GOV-1 – The role of administrative, management, and supervisory bodies (continued)

Monitoring of Impacts, Risks and Opportunities

Members of the management board and the director of the Accounting and Finance department are responsible for overseeing impacts, risks and opportunities related to sustainability at the highest management level. The director of the accounting and finance department is responsible for managing impacts, risks and opportunities and is involved in daily monitoring, management, and oversight activities. They propose improvement measures to the Management Board. The Management Board plays a key role in managing, controlling, and overseeing impacts, risks and opportunities. The Management Board reviews and approves the company's sustainability policies, covering environmental, social, and governance (ESG) aspects. The Supervisory and Audit Committees are informed about impacts, risks and opportunities annually. The responsibility for impacts, risks and opportunities is not prescribed by the Company's regulations but is assigned by the Management Board to the director of the accounting and finance department. Specific controls and procedures for managing impacts, risks and opportunities have not yet been applied.

In the upcoming periods, the Group will implement targeted controls and procedures for managing impacts, risks and opportunities that will be integrated with other internal functions, and set target values related to material impacts, risks and opportunities.

The Group does not currently have formal procedures for managing impacts, risks and opportunities in the procedures of the Management Board and Supervisory Board, nor has a system of controls for impacts, risks and opportunities or double materiality assessment been implemented, but it will be introduced in the coming periods.

The Management Board plays a key role in identifying and addressing material impacts, risks and opportunities for sustainability. The Management Board possesses or can access appropriate skills and expertise to oversee sustainability issues through the following measures:

- The Accounting and Finance Department, together with the director of the Accounting and Finance Department, is responsible for conducting double materiality analysis, ensuring regulatory compliance, engaging stakeholders, and implementing sustainability objectives. These experts report to and provide targeted insights to the Management Board.
- In preparation for new regulatory standards, including the ESRS and the Corporate Sustainability Reporting Directive (CSRD), the Group has conducted training for members of the sustainability working group and senior management to deepen their understanding of regulations and sustainability frameworks.
- The Supervisory Board includes members with substantial academic and professional experience who are seasoned leaders in the industry, thereby ensuring a strong understanding of strategic and operational challenges.

ESRS 2 (continued)

GOV-1 – The role of administrative, management, and supervisory (continued)

Monitoring of Impacts, Risks and Opportunities (continued)

- Material impacts, risks and opportunities have been identified through collaboration between internal experts and the Management Board for each ESRS topic. For environmental topics, the quality, environmental protection, and logistics departments were involved under the Management Board member responsible for procurement. For workforce-related issues, the legal department and human resources department were engaged under the Chairman of the Management Board, along with a representative from the Works Council. For consumer and end-user issues, the Management Board member responsible for sales, the IT department, quality departments, procurement department, and Management Board members responsible for these segments participated. For governance topics, the Management Board and legal department were involved. The Director, along with all departments of Ljekarne Prima Pharme, was involved in pharmacy operations. The Management Board and the Director played a key role in confirming material topics.
- Additionally, the Management Board and certain experts from various departments responsible for IT management, logistics, quality, occupational safety, procurement, sales, and finance participated in additional internal training and education to deepen their knowledge and skills on these topics. This ensures that administrative and management bodies have access to the experts and expertise needed to manage material impacts, risks and opportunities.

A larger number of the Company's employees, including administrative and management bodies, participated in a webinar on "Energy Management according to ISO 50001" in 2024. Through this education, they acquired key knowledge on ways to save energy and manage it successfully. Additionally, all employees of the Company who use computer systems, including administrative and management bodies, in their work tasks, underwent training in "Information Security 2024," thereby receiving important information in the field of data protection and information security. Besides the aforementioned, other professional trainings conducted relate to Anti-Corruption Policy Guidelines, the Code of Ethics, Quality and Environmental Management, Personal Data Protection Policy (GDPR), Introduction of New Employees to the Job, Employee Training, Nonconformity Management, Handling Counterfeiting, and many others.

The role and expertise of the Management Board and Supervisory Board in matters of business conduct

The role of the Management Board regarding business conduct is prescribed by the Rules of Procedure for the Management Board, which regulate the tasks, responsibilities, organization, operation, and decision-making of the Company's Management Board as part of the corporate governance process. In the event of non-compliance related to a breach of business conduct, the Management Board is obliged to inform the Supervisory Board. The expertise of the members of the Management Board, Directors, and members of the Supervisory Board in matters of business conduct stems from years of experience in leadership positions, as well as access to various trainings.

The Administrative Council of Prima Pharma Pharmacies is chaired by the President of the Administrative Council, while the Director of Prima Pharma Pharmacies ensures the professional and technical conditions for work, without voting rights. Decisions of the Administrative Council are made by a majority of the votes of its members, and the implementation of decisions is ensured by the Director. The Director represents and acts on behalf of the Pharmacies and makes business decisions that are not within the competence of the Administrative Council. Additionally, the Director enters into contracts with the Institute, proposes the work program, investment plan, and procurement plan for the current year to the Administrative Council. Moreover, the Director appoints the Expert Council and the President of the Expert Council.

ESRS 2 (continued)

GOV-2 – Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies

The Management Board, Principal, Supervisory Board, and Audit Committee are informed about sustainability issues through established reporting mechanisms:

- ESG reporting is provided annually during scheduled sessions of the Management Board, Supervisory Board, and Audit Committee, as well as on an ad hoc basis when significant changes occur.
- The responsibility for informing these bodies has been assumed by the accounting and finance department, along with the department director, who will deliver timely reports to them.
- Reporting conducted during the year 2024 included the presentation of the results from the double materiality assessment, which provided an overview of material impacts, risks opportunities, and further steps for developing the sustainability strategy and report.

In 2024, a double materiality analysis was conducted, led by the Director of the Accounting and Finance Department, and the Management was regularly informed about the double materiality process. Additionally, the Management, Director, Supervisory Board, and Audit Committee were involved in the validation process of the significance of impacts, risks and opportunities. Given the extensive nature of the process, the administrative, management, and supervisory bodies addressed all identified material impacts, risks and opportunities this year, and a detailed list can be found in the table *"Overview of Material Impacts, Risks and Opportunities of Medika (IRO)*" (see SBM-3). In future periods, the Group will incorporate the identified material impacts, risks and opportunities into the oversight of the strategy, the risk management process, and decisions regarding major transactions.

GOV-3 – Integration of sustainability-related performance in incentive schemes

Incentive programs and remuneration policies are not linked to sustainability matters for the Management Board and the Supervisory Board. Climate issues are not included in the compensation of members of the Management Board and the Supervisory Bord.

GOV–4 – Statement on due diligence

In line with the ESRS requirements, the Group plans to establish a detailed due diligence process for managing sustainability issues in future periods. Given the high level of uncertainty in the value chain, the Group used external sources for due diligence in the first reporting year. The Group included reports from the largest suppliers, employee satisfaction surveys, customer satisfaction analyses, communication with regulators, and practices of similar companies in the sector in the value chain assessment. It also considered sector-specific materiality analyses from ESG rating agencies such as MSCI, S&P Global, ISS ESG, Sustainalytics, and Moody's, as well as sector-specific material topics according to the SASB reporting standard. This process identified areas for improvement that will be implemented over the next two years, in accordance with the Transitional Provision ESRS 1 10.2, to ensure a comprehensive due diligence process in accordance with ESRS. The following table shows how the Group applies the core elements of due diligence for people and the environment and where they are presented in this sustainability report.

ESRS 2 (continued)

GOV–4 – Statement on due diligence (continued)

The following table shows how the Group applies the core elements of due diligence for people and the environment and where they are presented in this sustainability report.

Key elements of the due diligence process	Parts in the sustainability report
1. Inclusion of the due diligence process in management, strategy and business model	GOV-2, p.20 GOV-3, p. 20 SBM-3, p. 30-41
2. Collaboration with affected stakeholders	GOV-2, p. 20 SBM-2, p. 26-29 IRO-1, p. 41-46
3. Identifying and assessing negative impacts on people and the environment	IRO-1, p. 41-46 SBM-3, p. 30-41
4. Taking actions to mitigate negative impacts on people and the environment	Data on actions specified in the thematic standards (E1-3 – p. 65-66, E5-2 – p. 76., S1-4 – p. 86-90, S4-4 – p. 104-107)
5. Monitoring the effectiveness of these actions	-

GOV–5 – Risk management and internal controls over sustainability reporting

The Group does not have a risk register, risk management system, or internal controls related to sustainability reporting, and plans to establish them in the upcoming reporting periods. In addition, in future reporting periods, the Group will integrate the results of its risk assessment and internal controls related to the sustainability reporting process into the appropriate internal functions and procedures, as well as the periodic reporting to the Management Board, Supervisory Board, and Audit Committee.

In 2024, the main goal of the Group was to successfully implement the European Sustainability Reporting Standards (ESRS) and align processes with their requirements.

SBM-1 - Strategy, business model and value chain

The Company is a leading pharmaceutical wholesale company established in 1922 in the Republic of Croatia, headquartered in Zagreb at Capraška 1. Its core activities include sale, storage, and distribution of human and veterinary medicines, medical products, equipment and dental aids, cosmetics, dietary, hygiene, and other products intended for the healthcare market.

Through quality and reliable distribution, Medika contributes to public health and the overall healthcare system, strengthening its position as a leading player and indispensable partner in the health domain. With its wide range of products, Medika supplies pharmacies, healthcare institutions, hospitals, health centers, clinics, medical practices, pharmaceutical wholesale companies, and specialized stores.

ESRS 2 (continued)

SBM-1 - Strategy, business model and value chain (continued)

Pharmaceutical activities are conducted in the largest pharmacy chain in the Republic of Croatia - Prima Pharma Pharmacies, which, by providing pharmaceutical care in its 80 pharmacy branches, represents a significant part of the primary healthcare for the population.

Wholesale

The primary activities of the wholesale division include the sale, storage, and distribution of the product range offered by Medika. This range includes medicines for human and veterinary needs, medical products, equipment and dental aids, dietary, cosmetic, hygiene, and other products intended for the healthcare market. In terms of product assortment, medicines account for the largest portion of sales, approximately 85 percent. The primary customers of the wholesale product range are pharmacies and hospitals, as well as other entities such as veterinary clinics, dental offices, health centers, polyclinics, and other pharmaceutical wholesale companies.

In addition to these fundamental logistical services and its own product range, Medika is also the representative of the Italian natural cosmetics line L'erbolario in the domestic market. Furthermore, the brand has been exported to Montenegro and Bosnia and Herzegovina for many years.

Medika has recognized the challenges of digitalization and modern processes, and in 2022, it developed a digital platform called Pharmeria. Over the past two years, Pharmeria has boasted the largest pharmacy network with over 280 pharmacy units, offering more than 5,000 products. Within a year, Pharmeria became a reliable destination for finding drugstore and pharmacy products. What sets this platform apart from similar online shops is the ability to pick up orders for free at a selected pharmacy. Orders can also be delivered to a home address. Given that education is the key to health, in addition to offering a wide and verified range of products, Pharmeria is a platform that provides its users with expert and educational advice. The vision is to become a unique health platform in the near future, where users can, in just a few clicks, find all useful advice related to health, nutrition, motherhood, and similar topics while purchasing their favourite products.

The dominant market where Medika operates is the Republic of Croatia. Over 99% of Medika's total revenue is generated from sales in the Croatian market, with a smaller presence in the markets of Lithuania, Bosnia and Herzegovina, Montenegro, North Macedonia, and Slovenia. With the aim of developing its wholesale business and implementing innovative solutions, the process of digitalization continues, aiming to increase business efficiency and accessibility. Currently, several aspects of the business have been identified as candidates for digitalization.

Retail

Retail activities are manifested in the operations of the pharmacy units of Ljekarne Prima Pharma. Ljekarne Prima Pharme are an indispensable part of the healthcare chain in Croatia. Currently, Ljekarne Prima Pharme comprise 80 pharmacy branches. During 2024, the former Ljekarne Šeremet began operating as branches of Ljekarne Prima Pharme.

ESRS 2 (continued)

SBM-1 - Strategy, business model and value chain (continued)

Retail (continued)

The retail segment includes pharmacy activities that ensure the supply and preparation of magistral (custom-made) and galenic (standardized) preparations. Supply involves the retail sale of medicines, which includes ordering, storing, and dispensing prescription and over-the-counter medicines under an agreement with the Croatian Health Insurance Fund (HZZO), as well as the preparation and dispensing of magistral and galenic preparations of verified quality.

Additionally, retail involves supplying homeopathic products, medical products, baby food and dietary products, cosmetics, and other health protection products as specified by the Croatian Chamber of Pharmacists (HLJK). The supply of medical products is offered to patients, healthcare institutions, other legal entities, and healthcare professionals in private practice.

Pharmacy activities are also perceived as providing advice regarding the prescription and proper use of medicines, medical, homeopathic, and dietary products. Pharmaceutical care is conducted through the collaboration of pharmacists and other healthcare professionals to achieve better pharmacotherapeutic outcomes, promote the rational use of medicines and medical products, and actively participate in disease prevention and health protection. As with the entire Group, the quality offered in pharmacy branches adheres to the highest standards and is intended to provide the best possible consumer experience. The pharmaceutical care offered by the pharmacy branches, in addition to cost rationalization for certain therapeutic protocols, enhances pharmacotherapy procedures to achieve all therapeutic goals, as well as monitor, avoid, or reduce potential side effects of medicines. Avoiding interactions, therapeutic duplication, or the occurrence of allergies are also subjects of pharmaceutical care offered, which is applied through patient education to ensure adherence to therapeutic protocols. On a daily basis, we work on improving the effect of clinical treatment and implementing preventive measures to preserve and protect the health of all customers and patients.

The Group employs 1,032 employees, and all employees work within the territory of the Republic of Croatia.

The Group is not active in the fossil fuel sector, chemical production, controversial weapons, or the cultivation and production of tobacco.

Elements of the Group's strategy related to sustainability factors

The company aims to meet environmental and social expectations while maintaining growth in business performance indicators. Key challenges include managing global risks and regulatory compliance, with a focus on improving ESG performance management and transparency. The Group has not yet defined sustainability goals but plans to do so in upcoming periods.

Focusing on the health and safety of end-users is a vital element of the Group's business strategy related to sustainability, ensuring that the products distributed and sold meet safety and quality standards. Adapting the business model to prevent the distribution of counterfeit medical products is crucial for sustainability. This ensures that consumers receive reliable and quality products, protecting their health while also strengthening the Group's market credibility.

ESRS 2 (continued)

SBM-1 - Strategy, business model and value chain (continued)

Elements of the Group's strategy related to sustainability factors (continued)

Sustainability factors identified in the double materiality analysis will be considered in the sustainability strategy, and the business strategy will be further updated accordingly. This alignment is planned for future reporting periods.

Input data and approach to collecting, preparing, and ensuring these data

In 2024, the main goal of the Group was to successfully implement the European Sustainability Reporting Standards (ESRS) and align processes with their requirements. The first step involved familiarizing with the standards through training to understand all the requirements and indicators that needed to be monitored. An extensive assessment of the Group's current sustainability status was then conducted to identify gaps relative to ESRS requirements. Based on this, existing processes for collecting the necessary data were developed and adapted. Training sessions were organized for employees to familiarize them with new procedures and the importance of ESRS, thus initiating the process of ensuring data quality and preparing for the audit verification process. Throughout the year, a specialized sustainability working group was formed to lead the alignment process and develop a sustainability reporting plan with clearly defined timelines, responsibilities, and key objectives. A procedure was established for collecting, analyzing, and reporting data, including data on emissions and energy consumption. Additionally, a data collection process was defined, identifying potential risks in the reporting process, and mitigating measures were implemented, such as additional training on data monitoring, to minimize the possibility of errors. Internal information systems were used to collect quantitative data wherever possible. Qualitative data were provided by the responsible managers and directors, who also confirmed the final disclosures. The data control system includes a multi-step process where multiple members of the sustainability working group verify the data to ensure accuracy and consistency.

Current and expected benefits for stakeholders

The core activities of the Group include the sale, storage, and distribution of human and veterinary medicines, medical products, equipment and dental aids, cosmetics, dietary, hygiene, and other products intended for the healthcare market.

With quality and reliable distribution, the Group contributes to public health and the overall healthcare system, strengthening its position as a leading actor and indispensable partner in the health domain. With its wide range of products, the Company supplies pharmacies, healthcare institutions, hospitals, health centers, clinics, medical practices, pharmaceutical wholesale companies, and specialized stores, while Prima Pharma Pharmacies supply end-users.

ESRS 2 (continued)

SBM-1 - Strategy, business model and value chain (continued)

Key resources and overview of the value chain

The primary resources of the Group include natural resources, financial capital, qualified human resources, assets (warehouses, retail locations, transport vehicles), and technological innovations. For instance, qualified employees, including pharmacists and experts in procurement and quality, are responsible for selecting suppliers, managing the supply chain, and ensuring the quality and safety of medicines. The company has implemented quality and safety systems and secured appropriate facilities and equipment for storage and distribution, as well as necessary licenses and certifications for drug distribution such as ISO 9001 (Quality Management System), ISO 14001 (Environmental Management System), GDP (Good Distribution Practice), GMP (Good Manufacturing Practice), and HACCP (Hazard Analysis and Critical Control Points) standards. These resources enable the Group to efficiently manage the distribution, wholesale, and retail of medicines, ensuring product quality and safety for end-users. The Group invests in continuous workforce training and cutting-edge technology to ensure effective use of these resources

The Group's value chain encompasses both upstream and downstream activities. Upstream, the Group collaborates with various suppliers, predominantly manufacturers of prescription and over-the-counter medicines, as well as producers of medical devices and equipment. The procurement process is managed through existing procurement regulations and distribution agreements with general terms.

Downstream, the Group focuses on creating value for end-users by marketing medical products through its retail channels and partnerships with pharmacies, hospitals, optical shops, clinics, and polyclinics. The Group also engages in regular communication and collaboration with regulatory bodies to ensure compliance with regulations. The goal is to enhance the user experience and ensure the availability of a wide range of medical products. The main business actors in the Group's value chain are key suppliers, customers, and end-users, with a strong emphasis on building and maintaining good relations with all stakeholders.

Structure of costs and revenue of business segments, according to IFRS 8 requirements

The Group monitors the realization of revenue and gross profit through two main distribution channels: wholesale and retail.

The wholesale distribution channel consists of:

1. Pharmacies
2. Hospitals
3. Other customers, which are divided into:
    - dental offices
    - veterinary clinics
    - health centers
    - pharmaceutical wholesale companies
    - other customers (herbal pharmacies, companies, optical shops, etc.)

The retail distribution channel consists of its own pharmacies (subsidiary ZU Ljekarne Prima Pharme with its dependent subsidiaries). Information about the business segments can be found in the Notes to the Consolidated Financial Statements, Note 6 – Information about Business Segments on pages 168-171 of this annual report.

ESRS 2 (continued)

SBM-1 - Strategy, business model and value chain (continued)

Potential Impacts, Risks and Opportunities in significant sectors and their possible relationship with the business model and value chain

Most of the identified material impacts, risks and opportunities are directly linked to the Group's business model or value chain. In the environmental domain, material impacts include Scope 1 and 2 emissions related to transportation, storage of goods, and office operations, as well as refrigerants for proper drug storage and Scope 3 emissions. All these impacts arise directly from the Group's business model and the main activities of wholesale and distribution. The impact of Scope 3 emissions, which is inevitable given the business model of collaboration with manufacturers and sales of medicines, is also related to the Group's value chain. In the environmental domain, the risk of losing the ISO 14001 certification has been identified, which would prevent the Company from carrying out its main activity of wholesale and distribution.
In the social domain, the Group has identified an impact on the health and safety of end-users through the prevention of counterfeiting and illicit trade, which is directly connected to the Group's business model, namely, its wholesale and retail activities. Furthermore, in relationships with suppliers, the Group has identified the risk of hospital debts and accounts receivable collection periods, which are specific to the business model and connected to the downstream part of the company's value chain and the specifics of the public health system with which the Group collaborates. A list of all material impacts, risks and opportunities can be found in the table *"Overview of Material Impacts, Risks and Opportunities of Medika (IRO)"*

SBM-2 - Interests and views of stakeholders

In the double materiality assessment, the Group identified two main groups of stakeholders: affected stakeholders and users of sustainability statements. For each stakeholder group, specific representatives were identified and involved in the double materiality assessment process. Among internal stakeholders, representatives and internal experts who participated through interviews are considered affected stakeholders. During the validation phase of material topics, the Management Board, Supervisory Board, and Audit Committee were involved. External stakeholders were engaged through passive activities such as value chain mapping, benchmark analysis (peer companies, sector-specific material topics of reporting standards and rating agencies), and questionnaires from financial institutions, as well as collecting significant ESG information about stakeholders through reports and websites, as stated in the EFRAG (European Financial Reporting Advisory Group) Guidelines for implementing materiality assessment. Future assessments of double materiality plan to actively engage external stakeholders, as this will provide a better understanding of their impacts, risks and opportunities in the Group's value chain.

ESRS 2 (continued)

SBM-2 - Interests and views of stakeholders (continued)

The following table shows how the Group communicates with its key stakeholders on a daily basis and for the purpose of engaging in the double materiality assessment.

Key stakeholders	Purpose of engagement	Channels
Employees and Works Council	The purpose of the engagement is to ensure a healthy, safe and supportive workplace, foster a high level of employee motivation, a sense of belonging and purpose, and provide opportunities for professional growth and fair compensation.	In the dual significance assessment, representatives and internal experts were directly involved through interviews. Insights from internal experts and the workforce as an affected stakeholder shaped the impacts, risks and opportunities that the Company will address.
Consumers (buyers and end-users)	Among the Group's most important stakeholders are both consumers and end-users. We distinguish between end-users – users of pharmacy services (retail customers, patients, families and caregivers of patients) and wholesale customers (hospitals, pharmacies, wholesalers, health centers, clinics, dental practices, veterinary clinics, institutes, companies and other legal entities). The purpose of the engagement is to adapt products and services to the needs, expectations and trends of consumers and to ensure trust and loyalty through accurate information and two-way communication.	In the assessment of double significance, representatives and internal experts for cooperation with consumers and end-users were directly involved through interviews.
Shareholders	The long-term management strategy is focused on creating greater value for the share capital. The goal of communication with shareholders and investors is to provide access to information that enables analysis of the Group's results and business forecasts through regular, timely, simple, widely available, accurate, complete, consistent and relevant reporting.	Direct communication at the Supervisory Board and General Assembly and indirect communication through investor relations, financial statements and other published data. In the assessment of dual materiality, they are included in the validation phase of material topics as users of the sustainability statement.
Suppliers and partners	Creating and improving business relationships tailored to the needs of consumers and other stakeholders and contributing to current business results and long-term sustainable development goals.	Regular communication through regular meetings and visits to exchange knowledge and improve services and products and audits. In the dual materiality assessment, suppliers were involved through passive engagement – collecting significant ESG information about suppliers through reports and websites.

ESRS 2 (continued)

SBM-2 - Interests and views of stakeholders (continued)

Key stakeholders	Purpose of engagement	Channels
Regulatory and public administration bodies	During the normal course of business, the Group complies with legal requirements and cooperates with competent regulatory and other government authorities.	Regular communication and cooperation to align with regulatory requirements and public administration expectations. In the assessment of double significance, regulatory authorities and public administration were involved through monitoring of laws, EU regulations, the European Green Deal, and the National Climate Change Adaptation Strategy.
Community	The purpose of the engagement is to build and maintain good relations with the community and encourage positive changes.	Outcomes include engagement in socially responsible activities and community development initiatives.
Media	Ensure transparent and consistent communication with the public.	Regular updating and exchange of information through various media channels.

The Management Board, Supervisory Board, and Audit Committee have been informed through the presentation of the results of the double materiality analysis, which showed the perspectives and interests of affected stakeholders regarding sustainability impacts through an overview of the results of the double materiality assessment in which affected stakeholders participated (internal stakeholders through active engagement and external stakeholders through passive engagement). The Management Board, Supervisory Board, and Audit Committee validated the findings of the double materiality analysis, as well as material impacts, risks and opportunities, and they are informed about sustainability topics at least annually.

Interests and views of own workforce (S1 SBM-2)

The Group pays significant attention to the rights and interests of its employees, which is reflected in the Group's strategy and business model. The strategy and business model are determined by management, and the opinions of the workers are taking into account their rights.

The Group has established mechanisms for the swift and effective resolution of potential discrimination or other forms of unfair practices, including the appointment of a commissioner for the protection of workers' dignity. Additionally, activities are undertaken to integrate foreign workers and promote gender equality. The Group also ensures equal opportunities for all employees, regardless of gender, allowing them to showcase their skills and advance in their careers. Risks and opportunities related to working conditions, employee rights, and satisfaction are actively analyzed to identify areas needing improvement. Maintaining relationships and social dialogue with employees through regular satisfaction surveys, quarterly discussions, and communication with the Workers' Council, as well as incorporating feedback into decision-making, helps to align the strategy and business model with employee perspectives and needs wherever possible.

ESRS 2 (continued)

SBM-2 - Interests and views of stakeholders (continued)

Interests and views of consumers and end-users (S4 SBM-2)

The Group pays significant attention to the interests, perspectives, and rights of consumers and end-users, which significantly influences its strategy and business model. The Group continuously monitors customer satisfaction to understand their experiences and identify the strengths and weaknesses of the business relationship. This is achieved through regular customer satisfaction surveys regarding services and business processes, and the results are used for the ongoing improvement of the quality system.

The Group also ensures access to quality products and services through an extensive pharmacy network. Additionally, the Group focuses on responsible sales, ensuring that all products are serialized upon issuance, which allows for a quick response if needed.

ESRS 2 (continued)

SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model

Overview of Medika's material impacts, risks and opportunities (IRO)

				Location in the value chain			Time horizon		
Topic	***Sustainability issues and related IROs***	***I/R/O***	***Location in the business model***	***Upstream***	***Own Business***	***Downstream***	***Short-term***	***Mid-term***	***Long-term***
E1 Climate change	**Climate change mitigation**								
	Internal transport of goods (between warehouses) and transport of goods from warehouses to customers generates GHG emissions - Scope 1	Negative impact	Transport, logistics		●		●		
	Refrigerant media used in refrigerating chambers, refrigerators and air conditioners contain greenhouse gases that can escape into the atmosphere due to leakage. Scope 1	Negative impact	Transport, logistics, warehouse, pharmacies		●		●		
	Scope 3 GHG emissions	Negative impact	Value chain	●		●	●		
	Energy								
	For the purposes of storing goods and offices (heating/cooling, lighting), energy is consumed and GHG emissions are generated. - Scope 1 and 2	Negative impact	All business segments		●		●		
	Investment in renewable energy sources	Opportunity	Logistics, all business segments		●			●	●
E5 Resource use and circular economy	**Waste**								
	Loss of certificate necessary for GDP due to loss of ISO 14001 certificate - non-compliance with ISO 14001	Risk	Logistics		●			●	●

ESRS 2 (continued)

SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model (continued)

Overview of Medika's material impacts, risks and opportunities (IRO) (continued)

				Location in the value chain			**Time horizon**		
Topic	***Sustainability issues and related IROs***	***I/R/O***	***Location in the business model***	***Upstream***	***Own Business***	***Downstream***	***Short-term***	***Mid-term***	***Long-term***
S1 Own workforce	**Equal treatment and opportunities for all - Gender equality and equal pay for work of equal value**								
	Systematization of Salaries and Rights, Pay Equality, Maternity and Parental Rights:	Positive impact	All business segments		●		●		
	Working conditions - Health and safety								
	Labor Shortages and High Employee Turnover	Risk	Logistics		●		●		
	Working conditions - Working time								
	Lack of Warehouse Space	Risk	Logistics	●	●	●	●		
	Lack of Pharmacists Willing to Work in Pharmacies	Risk	Pharmacies		●	●	●		
	Equal treatment and opportunities for all - Training and skills development								
	Training Influences Employee Retention	Opportunity	All business segments		●		●		
	Working conditions - Adequate wages								
	Adequate Salaries and Benefits	Opportunity	All business segments		●		●		
	Working conditions - Work-life balance								
	Well-being Affects Employee Satisfaction and Retention	Opportunity	All business segments		●		●		

ESRS 2 (continued)

SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model (continued)

Overview of Medika's material impacts, risks and opportunities (IRO) (continued)

				Location in the value chain			**Time horizon**		
Topic	***Sustainability issues and related IROs***	***I/R/O***	***Location in the business model***	***Upstream***	***Own Business***	***Downstream***	***Short-term***	***Mid-term***	***Long-term***
S4 Consumers and end-users	**Information-related impacts for consumers and/or end-users - Privacy**								
	Cyber Attack on the Group's IT Infrastructure	Risk	IT, Pharmacies		●			●	●
	Personal safety of consumers and/or end-Users - Health and safety								
	Prevention of Counterfeiting and Illicit Trade	Positive impact	Sales	●	●		●		
G1 Business conduct	**Management of relationships with suppliers including payment practices**								
	Hospital debts and long collection periods	Risk	Purchase, Sales		●	●	●		

ESRS 2 (continued)

SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model (continued)

Overview of Medika's material impacts, risks and opportunities (IRO) (continued)

In 2024, the Group identified its material impacts, risks and opportunities (IRO), and in the upcoming periods, through the establishment of a sustainability strategy and sustainability-related goals, it plans to address, mitigate negative impacts, manage risks and leverage opportunities to enhance positive impacts. All material impacts are actual. For certain material impacts, the Group already implemented actions in 2024 to enhance positive effects, such as increasing material rights for employees (through salaries, various allowances, and bonuses).

To mitigate the risk of labour shortages, especially in logistics, the Company has employed a larger number of foreign workers and plans further employment of foreign and local workers in the future, as market conditions allow.

Furthermore, employees are offered various professional and other training opportunities. The risk of a pharmacist shortage is a general market issue in the Republic of Croatia, not just within the Group. To mitigate this risk, the Group is actively involved in employer branding, partnerships with the Faculty of Pharmacy and Biochemistry and its students, sponsorships, participation in events with the Faculty, and providing scholarships to 4th and 5th-year students of the Faculty.

The Company will address the risk of insufficient warehouse space by leasing 11,000 square meters of storage space, for which a preliminary contract with the lessor was signed in 2024.
By signing a cooperation agreement with IT security experts and collaborating with a consultant in this field, the Group has taken actions to address the risk of cyberattacks on IT infrastructure. To mitigate material risks associated with cyberattacks, the Company established a high-availability system using redundant systems with automatic failover, ensuring system availability during failures. Additionally, a disaster recovery plan has been implemented and is tested annually by recovering systems at an alternative location. The effectiveness of cyberattack protection actions is measured by the time the central system is unavailable to pharmacies for various reasons. The Group conducts constant employee training and adjusts systems according to trends in cybersecurity.

All these actions were partially implemented in 2024, with some to be executed in 2025. The Group will continue implementing necessary actions in future periods to manage risks mitigate negative impacts, enhance positive impacts, and leverage identified opportunities.

The Group does not expect that the identified material risks and opportunities will have an increased risk on the alignment of the values of assets and liabilities presented in the financial statements. However, the actions taken to manage these risks and enhance the positive impact and utilization of opportunities have certainly affected the increased personnel costs, depreciation, and other operating expenses in the Group's financial statements, as well as the Group's cash flows.

ESRS 2 (continued)

SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model (continued)

Overview of Medika's material impacts, risks and opportunities (IRO) (continued)

Material impacts

Topic	***Sustainability issues and related IROs***	***Negative/positive impact***	***Description***	***Affected stakeholder***	***Derived from strategy/linked to strategy***
E1 Climate change	**Climate change mitigation**				
	Internal transport of goods (between warehouses) and transport of goods from warehouses to customers generates GHG emissions - Scope 1.	Negative impact	GHG emissions released during transportation have a negative impact on climate change mitigation Refrigerants used in cold storage rooms, refrigerators and air conditioners contain greenhouse gases with a higher global warming potential (GWP) than CO2. In the event of leaks in refrigeration equipment, the gases are released into the atmosphere and contribute significantly to the increase in greenhouse gas emissions.	Nature	Comes from the strategy and business model
	Refrigerants used in cold storage rooms, refrigerators and air conditioners contain greenhouse gases that can escape into the atmosphere due to leaks - Scope 1	Negative impact		Nature	Derived from strategy – arises directly from the Group's activities

ESRS 2 (continued)

SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model (continued)

Overview of Medika's material impacts, risks and opportunities (IRO) (continued)

Material impacts (continued)

Topic	***Sustainability issues and related IROs***	***Negative/positive impact***	***Description***	***Affected stakeholder***	***Derived from strategy/linked to strategy***
E1 Climate change	Scope 3 GHG emissions	Negative impact	Greenhouse gas emissions generated in the value chain (upstream and downstream), for the purposes of the production of medicines and other products and services, transport of goods and services, business trips, waste disposal, and others (Categories according to the GHG Protocol).	Nature	Linked to the strategy - from the value chain
	Energy				
	For the purposes of storing goods and offices (heating/cooling, lighting) energy is consumed and GHG emissions are generated. - Scope 1 and 2	Negative impact	Greenhouse gas emissions are generated by using energy for heating, cooling and lighting of warehouses and offices. Electricity, natural gas and diesel (generators) are used. Energy consumption from non-renewable sources is primary.	Nature	It stems from strategy – it stems directly from activities

ESRS 2 (continued)

SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business (continued)

Overview of Medika's material impacts, risks and opportunities (IRO) (continued)

Material impacts (continued)

Topic	*Sustainability issues and related IROs*	*Negative/positive impact*	*Description*	*Affected stakeholder*	*Derived from strategy/linked to strategy*
S1 own workforce	**Equal treatment and opportunities for all - Gender equality and equal pay for work of equal value**				
	Systematization of salaries and rights, equal pay, maternity and parental leave rights	Positive impact	Equal opportunities for all employees are sought to be achieved through prescribed job descriptions and a prescribed financial framework for each position, regardless of gender, origin or other factors - a positive impact on the workforce and employee satisfaction.	Own workforce	Related to strategy – strategy includes certain aspects that affect the work environment, such as sales goals, team dynamics, or resources available to employees.
S4 Consumers and end-users	**Personal safety of consumers and/or end-users - Health and safety**				
	Preventing counterfeiting and illicit trade	Positive impact	Serialization tracking the authenticity of medicines.	Consumers and end-users	It stems from the strategy – the health and safety of end-users is the guiding principle of the Group's strategy. Preventing counterfeiting and illicit trade is a consequence of implementing the strategy.

ESRS 2 (continued)

SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model (continued)

Overview of Medika's material impacts, risks and opportunities (IRO) (continued)

Material risks and opportunities

Topic	***Sustainability issues and related IROs***	***Risk / Opportunity***	***Description***
E1 Climate changes	**Energy**		
	Investing in renewable energy sources.	Opportunity	Investing in renewable energy sources can bring medium and long-term cost savings, reducing dependence on fossil fuels. Possible opportunities are building your own photovoltaic cells or buying green electricity from the grid.
	Waste		
E5 Resource use and circular economy	Loss of certificate necessary for GDP due to loss of ISO 14001 certificate - non-compliance with ISO 14001	Risk	Possibility of losing ISO 14001 certification due to non-compliance - the certificate is necessary for GDP, which is required by suppliers for distribution in the EU.
S1 Own workforce	**Working conditions - Health and safety**		
	Labor shortage and high employee turnover	Risk	Labor shortages and high employee turnover affect the quality of work and costs.

ESRS 2 (continued)

SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model (continued)

Overview of Medika's material impacts, risks and opportunities (IRO) (continued)

Material risks and opportunities (continued)

Topic	*Sustainability issues and related IROs*	*Risk / Opportunity*	*Description*
S1 Own workforce	**Working conditions - Working time**		
	Lack of storage space	Risk	Inadequate size of storage space results in the rejection of jobs due to the impossibility of carrying them out, and thus to loss of income and difficulty in carrying out logistics operations.
	Lack of pharmacists who want to work in pharmacies	Risk	The shortage of labor (pharmacists) in pharmacies results in the closure of pharmacies and loss of income.
	Equal treatment and opportunities for all - Training and skills development		
	Employee training	Opportunity	Providing employees with education and training and caring for their well-being impacts employee satisfaction and employee retention, which results in preserving knowledge within the company and savings on onboarding new employees.

ESRS 2 (continued)

SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model (continued)

Overview of Medika's material impacts, risks and opportunities (IRO) (continued)

Material risks and opportunities (continued)

Topic	*Sustainability issues and related IROs*	*Risk / Opportunity*	*Description*
S1 Own workforce	**Working conditions - Adequate wages**		
	Adequate salaries and benefits	Opportunity	Adequate salaries for employees and concern for their well-being affect employee retention, which results in preserving knowledge within the company and savings on onboarding new employees.
	Working conditions - Work-life balance		
	Caring for employee well-being affects employee satisfaction and employee retention	Opportunity	The Group's employees have several benefits (e.g. Multisport, systematic check-ups every two years, third pillar pension insurance, reward program, childbirth allowance, anniversary awards, gift for a child, maternity, parental, sick pay, day off for the first day of school, etc.) Continuous work on additional benefits and care for well-being affects employee retention, which results in preserving knowledge within the company and savings on training new employees.

ESRS 2 (continued)

SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model (continued)

Overview of Medika's material impacts, risks and opportunities (IRO) (continued)

Material risks and opportunities (continued)

Topic	*Sustainability issues and related IROs*	*Risk / Opportunity*	*Description*
S4 Consumers and end-users	**Information-related impacts for consumers and/or end-users - Privacy**		
	Cyber-attack on the group's IT infrastructure	Risk	In the event of an IT system breach due to a cyber-attack, there may be potential data leaks, downtime, and data loss, which can be reflected in a loss of customer trust and directly affect revenue (loss of customers, repair of damage caused by an attack, ransomware, etc.).
G1 Business conduct	**Management of relationships with suppliers including payment practices**		
	Hospital debts and long collection periods	Risk	Negative working capital (failure to pay hospitals, indebtedness to distributors to pay suppliers) which can lead to defaults and increased costs.

ESRS 2 (continued)

SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model (continued)

Overview of Medika's material impacts, risks and opportunities (continued)

As part of the double materiality assessment process, the resilience of the Group's business model during this reporting period was considered with the aim of identifying, understanding and managing material impacts, risks and opportunities, specifically examining whether and how the Group can respond to them.

As one moves further downstream or upstream in the value chain, the ability to mitigate the significance of impacts, risks and opportunities becomes weaker. Since the Group has yet to establish a full due diligence process in accordance with the OECD Guidelines for Multinational Enterprises, the process of mitigating negative impacts and risks is planned as part of that process.

In the current reporting period, the Group conducted a qualitative analysis of resilience to climate risks which showed that the business model is resilient. The Group plans to conduct a quantitative analysis that will reveal more detailed information on impacts, risks and opportunities in future periods. Also, in line with the results of the qualitative resilience analysis and already identified material impacts, risks and opportunities, a sustainability strategy and goals will be established to mitigate negative impacts and risks and leverage opportunities, further developing positive impacts. No resilience analysis has been conducted for identified material impacts and risks associated with other sustainability factors.

The Group has identified material impacts, risks and opportunities for the first time in the current period. All material impacts, risks and opportunities are covered by the disclosure requirements according to the ESRS, which are described in the table "*Overview of Material Impacts, risks and Opportunities"* on pages 30 - 32 of this report, and there are no material impacts, risks and opportunities specific to the entity.

IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities

In 2024, the Group conducted a double materiality assessment in accordance with the ESRS. This process involved identifying and assessing impacts, risks and opportunities (IRO) as a basis for determining the significance of sustainability factors. The double materiality assessment addresses both impact materiality and financial materiality.

The double materiality assessment was carried out in collaboration with a range of internal stakeholders and through passive engagement with external stakeholders, covering impacts, risks and opportunities throughout the value chain—upstream activities, own operations, and downstream activities. The double materiality assessment forms the foundation for sustainability reporting, ensuring consistency in identifying and assessing sustainability topics that are critical for the Group and its stakeholders.

The methodology for conducting the double materiality assessment is outlined below.

ESRS 2 (continued)

IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities (continued)

Identification and engagement of stakeholders

As part of the double materiality assessment process, the perspectives of the Group's stakeholders were considered to gather their insights into potentially key topics for the Group. Internal stakeholders were involved, including representatives and experts from various fields, through interviews. External stakeholders were engaged through passive involvement, utilizing value chain mapping and benchmark analysis, and by collecting relevant ESG information from publicly available sources.

Identification of Impacts, Risks, and Opportunities

Based on stakeholder engagement, value chain mapping, benchmark analysis, passive involvement of other external stakeholders, and sectoral analyses, a list of potentially relevant sustainability issues was compiled. Resources, locations, and business activities were reviewed to assess actual and potential impacts, risks and opportunities within the Group's operations and value chain.

Impacts identification: Relevant impacts were identified and mapped to specific business segments, stages of the value chain, and affected stakeholders. This process followed ESRS requirements to ensure all relevant data were considered.

Risks and opportunities identification: Risks and opportunities were documented, including their origin within the value chain and financial implications (further described in Key Resources and Overview of the Value Chain on page 21). Interdependencies between impacts, risks and opportunities were considered to account for the possibility of sustainability impacts developing into financial risks or opportunities.

Assessment of impact materiality and financial materiality

After identifying and listing potential impacts, risks and opportunities, the phase of quantification and assessment of impacts, risks and opportunities was initiated.

In assessing impacts, the Group followed the materiality criteria outlined in ESRS 1. The evaluation of impacts included scale and scope criteria e, and in the case of negative impacts, irreversibility, as well as the likelihood of occurrence for potential impacts. According to ESRS 1 guidelines, the Group did not evaluate probability for actual impacts.
Impact Materiality: Impacts were assessed based on severity, which consisted of scale, scope, and irreversibility (in the case of negative impacts) and probability (in the case of potential impacts). Additionally, when it came to potential negative impacts on human rights, the severity of the impact took precedence in the assessment over the probability of that impact.

ESRS 2 (continued)

IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities (continued)

Assessment of impact materiality and financial materiality (continued)

In assessing risks and opportunities, the Group included the criteria of probability and scale of financial impact in the evaluation. The analysis considered factors likely to have a significant effect on financial results, reputation, or the ability of the company to develop its strategic objectives, such as the gradual transition to renewable energy sources where possible, the ability to retain ISO certifications, employee retention, customer privacy, and supplier relationship management. Financial Materiality: Risks and opportunities were assessed based on their scale and probability of financial consequences.

A scale from 1 to 5 was used to assess the severity of impacts. For potential impacts, in addition to the severity scale, a probability scale from 1 to 4 was employed. A scale from 1 to 5 was used to evaluate the scale of potential financial impact and the probability of risks and opportunities. The materiality threshold was set at 3.0 for impact materiality for actual impacts, 3.5 for impact materiality for potential impacts, and 3.5 for financial materiality, on a scale of 1 to 5. Impacts, risks and opportunities below these materiality thresholds are not considered significant enough to be defined as material according to section 3.2 of ESRS 1, "Material Factors and Materiality of Information." Different materiality thresholds for impact assessment result from the evaluation methodology to ensure that the assessment of actual and potential impacts is aligned. The scoring was validated by key internal stakeholders.

Thresholds were applied based on qualitative and quantitative criteria. Quantitative thresholds were used where measurable data were available, such as greenhouse gas emissions. Qualitative criteria, such as impact on reputation or stakeholder relevance, were applied if quantitative data alone were insufficient to assess materiality.

The double materiality assessment provides the Group with a framework to evaluate impacts, risks and opportunities related to sustainability across all business segments. This methodology enables the Group to identify and address priority sustainability issues, aligning with stakeholder expectations and regulatory requirements while integrating sustainability into strategic decision-making and operational management. The interconnection of impacts and dependencies with risks and opportunities was considered throughout the identification process. Each impact was analyzed to determine whether it could have a financial impact on the Group, and if so, it was classified as a risk. Dependencies were also assessed for each risk and opportunity.

Risks are considered according to their financial magnitude, including those from sustainability and other areas. Consequently, risks associated with sustainability are evaluated concerning their interdependence with financial risks (e.g., liquidity risk, credit risk, customer collection risk, price risk, macroeconomic and political risks supply chain disruption risks IT system risk, and similar).

ESRS 2 (continued)

IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities (continued)

Assessment of impact materiality and financial materiality (continued)

In future periods, mitigation strategies for identified material risks will be defined, and their progress will be monitored over time. Currently, there is no specific system applied for isolating and prioritizing impacts and risks arising from sustainability, and at this stage, tools for such assessments are not used beyond the double materiality analysis.

After the assessment results led to material impacts, risks and opportunities, they were reviewed with key stakeholders to ensure that all relevant aspects were considered. The results were then presented to the Management for validation with the aim of using the materiality assessment results to make strategic decisions in future periods. Procedures and controls have not yet been established, nor has the integration of sustainability risks into the Group's risk management system.

The process of identifying, assessing, and managing impacts, risks and opportunities within the Group was conducted by the Finance and Accounting Department. This aims to ensure that sustainability-related impacts, risks and opportunities are systematically integrated into overall risk management procedures and contribute to the evaluation of the Group's overall risk profile. Until 2024, the Group carried out materiality assessments in accordance with the Global Reporting Initiative (GRI) standards. However, the double materiality assessment according to the European Sustainability Reporting Standards (ESRS) reflects a more advanced and detailed methodology, with an emphasis on evaluating both impact materiality and financial materiality.

The materiality assessment process relies on reliable input parameters to ensure an accurate and objective evaluation. Data sources include internal metrics, such as operational reports and employee feedback, as well as external benchmarks like ESG ratings and regulatory standards, including ESRS and the EU taxonomy. The scope of the assessment encompasses the value chain, including the largest manufacturers with whom the Group collaborates, its own operations, and downstream stakeholders such as customers, end-users, and local communities. To ensure thoroughness, the process also integrates industry-specific standards and benchmarks, along with assumptions such as probability assessments and financial scale, based on historical data and future projections.

IRO-1 Climate change

As part of the double materiality analysis, the Group paid special attention to considering the impacts, risks and opportunities related to climate change. The Group identified and assessed actual and potential impacts on climate change, including efforts to calculate total greenhouse gas emissions. For the first year, publicly available information was used for all significant company locations, and high-emission scenarios were taken into account.

ESRS 2 (continued)

IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities (continued)

IRO-1 Climate change (continued)

The assessments included gross physical risks to the company, analyzed transition risks related to climate change at higher and lower levels of the value chain, with a focus on sectoral analysis in the value chain, and identified transition opportunities and risks for its own operations. All risks and opportunities were assigned time frames, according to reference documents. The process involved data collection, emissions assessment, identification of physical risks quantification, and analysis of transition risks and opportunities.

According to the results of the qualitative analysis of climate risks and the results of the double materiality assessment, the transition opportunity to switch to renewable energy sources has been recognized as financially material for the Group. In the qualitative analysis of climate risks and the double materiality assessment related to identified climate risks, potential risks from climate change consequences were identified, such as changes in wind patterns that could cause disruptions in logistics and transportation. However, the Group's business model is already diversified in such a way that all recognized risks that may arise from the effects of climate change on the Group's business model cannot cause material financial harm and were not identified as material. On the other hand, potential risks in the upper levels of the value chain, such as shortages of certain active pharmaceutical ingredients, are already mitigated by the Group through a broad portfolio of manufacturers and business partners.

At higher and lower levels in the value chain, our level of impact and ability to mitigate climate risks is lower. This is especially true because it requires proactive work with other stakeholders to ensure progress in addressing climate change in the short, medium, and long term. In future periods, the Group plans to conduct a resilience analysis that will include active engagement with participants in the value chain.

IRO-1 Resource use and circular economy

In the process of identifying material impacts, risks and opportunities related to resource use and the circular economy, the Group reviewed its assets and primarily focused on the main activities of wholesale and retail distribution of medicines. Accordingly, the Group identified waste as a material sub-topic for its operations, in terms of the risk of losing ISO 14001 certification due to potential non-compliance in waste management. The ISO 14001 certification is essential for maintaining Good Distribution Practices (GDP) certification, which suppliers require for the distribution of their products in the European Union. The process included a benchmark analysis of similar companies, discussions with internal experts, and a review of reports from major suppliers.

ESRS 2 (continued)

IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities (continued)

IRO-1 Business conduct

In the process of identifying material impacts, risks and opportunities regarding business conduct, the focus was primarily on the activities and sector of the Group as a pharmaceutical distributor. The process included a benchmark analysis of competitors, discussions with internal experts, review of supplier reports, as well as relationships with customers and all specific transaction structures in the healthcare sector in Croatia. As a result of the assessment, the material topic of supplier relationship management, including payment practices, was identified, with the risk being hospital debts and long accounts receivable collection periods.

IRO-1 Pollution, IRO-1 Water and marine resources, IRO-1 Biodiversity and ecosystems

The double materiality analysis included tangible and intangible assets, locations, and business activities of the Group to assess actual and potential impacts, risks and opportunities within its own operations and the value chain related to pollution, water and marine resources, biodiversity, and ecosystems. This was achieved through desk research and interviews with internal stakeholders and experts. Considering the first year of analysis and the Transitional Provision 10.2, which allows a three-year period for establishing data collection processes from the value chain, the Group did not conduct specific stakeholder engagement for these purposes but used publicly available information that had been collected earlier.

IRO-2 – Disclosure requirements in ESRS covered by the undertaking's sustainability statement

The Group has identified the information to be disclosed regarding its material impacts, risks and opportunities by applying the principles and criteria outlined in section 3.2 of ESRS 1, *„ Material matters and materiality of information."* The process is designed to ensure that the disclosed information effectively reflects the company's impact on sustainability, as well as its exposure to risks and opportunities that could significantly affect its business model, strategy, and financial outcomes.

The identification process began with a comprehensive assessment of double materiality, evaluating sustainability factors from two perspectives:
(1) the impact of the Group's operations on the environment, society, and governance.
(2) the financial and strategic implications of sustainability-related risks and opportunities for the Group.
The process involved inputs from multiple sources, including stakeholder consultations, regulatory requirements, industry benchmarks, and internal business data.

The identified material topics were reviewed and validated by the Company's Management Board, Supervisory Board, and Audit Committee, as well as the Director of the Institution. The Group's approach ensures that the disclosed significant information provides a comprehensive and transparent portrayal of its most material impacts, risks and opportunities in the sustainability domain, enabling stakeholders to make informed decisions and enhancing the company's commitment to transparency in sustainability reporting.

List of publication requirements fulfilled by the Group's sustainability statement		
Standard	**Request for publication**	**Page number**
ESRS 2	BP-1 – General basis for preparing sustainability statements	Page 8-9
	BP-2 – Disclosures in relation to specific circumstances	Pages 9-10
	GOV-1 – The role of administrative, management and supervisory bodies	Pages 10-19
	GOV-2 – Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	Page 20
	GOV-3 – Integration of sustainability-related performance in incentive schemes	Page 20
	GOV-4 – Statement on due diligence	Pages 20-21
	GOV-5 – Risk management and internal controls over sustainability reporting	Page 21
	SBM-1 – Strategy, business model and value chain	Pages 21-26
	SBM-2 – Interests and views of stakeholders	Pages 26-29
	SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model	Pages 30-41
	IRO-1 – Description of the process to identify and assess material impacts, risks and opportunities	Pages 41-46
	IRO-2 – Disclosure requirements in ESRS covered by the undertaking's sustainability statement	Pages 46-50
	MDR-P – Policies adopted to manage material sustainability matters	It is found in policy-related publications in thematic standards.
	MDR-A – Actions and resources in relation to material sustainability matters	It is found in announcements related to actions in thematic standards.
	MDR-M – Metrics in relation to material sustainability matters	It is found in announcements related to actions in thematic standards.
	MDR-T – Tracking effectiveness of policies and actions through targets	It is found in announcements related to actions in thematic standards.

List of publication requirements fulfilled by the Group's sustainability statement (continued)		
Standard	**Request for publication**	**Page number**
ESRS E1	ESRS 2 GOV-3 – Integration of sustainability-related performance in incentive schemes	Page 20
	E1-1 – Transition plan for climate change mitigation	Page 63
	ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model	Pages 63-64
	ESRS 2 IRO –1 – Description of the processes to identify and assess material climate-related impacts, risks and opportunities	Page 64
	E1-2 – Policies related to climate change mitigation and adaptation	Pages 64-65
	E1-3 – Actions and resources in relation to climate change policies	Pages 65-66
	E1-4 – Targets related to climate change mitigation and adaptation	Page 67
	E1-5 – Energy consumption and mix	Pages 67-68
	E1-6 – Gross Scopes 1, 2, 3 and Total GHG emissions	Pages 69-74
ESRS E2	ESRS 2 IRO-1 – Description of the process to identify and assess material pollution-related impacts, risks and opportunities	Page 46
ESRS E3	ESRS 2 IRO-1 – Description of the process to identify and assess material water and marine resources-related impacts, risks and opportunities	Page 46
ESRS E4	ESRS 2 IRO-1 – Description of the process to identify and assess material biodiversity and ecosystem-related impacts, risks dependencies and opportunities	Page 46

List of publication requirements fulfilled by the Group's sustainability statement (continued)		
Standard	**Request for publication**	**Page number**
ESRS E5	ESRS 2 IRO-1 – Description of the process to identify and assess material resource use and circular economy-related impacts, risks and opportunities	Page 45
	E5-1 – Policies related to resource use and circular economy	Page 75
	E5-2 – Actions and resources related to resource use and circular economy	Page 76
	E5-3 – Targets related to resource use and circular economy	Page 76
	E5-5 – Resource outflow - Waste	Pages 76-77
ESRS S1	ESRS 2 SBM-2 – Interests and views of stakeholders	Pages 26-29
	SBM–3 – Material impacts, risks and opportunities and their interaction with strategy and business model	Pages 78-81
	S1-1 – Policies related to own workforce	Pages 81-83
	S1-2 – Processes for engaging with own workforce and workers' representatives about impacts	Pages 83-84
	S1-3 – Processes to remediate negative impacts and channels for own workforce to raise concerns	Pages 85-86
	S1-4 – Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	Pages 86-90
	S1-5 – Targets related to material negative impacts, advancing positive impacts, and managing material risks and opportunities	Page 90
	S1-6 – Characteristics of undertaking's employees	Pages 91-92
	S1-9 – Diversity metrics	Pages 93-94
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List of publication requirements fulfilled by the Group's sustainability statement (continued)		
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	ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model	Page 97
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DISCLOSURES IN ACCORDANCE WITH ARTICLE 8 OF REGULATION 2020/852 (TAXONOMY REGULATION UREDBA)

In accordance with Article 8 of the Regulation establishing a framework to facilitate sustainable investment (EU) 2020/852 and supplementary delegated acts (EU Taxonomy), the Group is required to disclose the share of revenue (Turnover), capital expenditures (CapEx), and operational expenditures (OpEx) during the reporting period that is eligible for the EU taxonomy and aligned with the taxonomy concerning environmental objectives of climate change mitigation and adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. The Taxonomy Regulation is a key component of the European Commission's action plan to redirect capital flows towards a sustainable economy. It represents an important step towards achieving carbon neutrality by 2050, in line with the EU's climate goals, as the Taxonomy is a classification system for environmentally sustainable economic activities.

The Taxonomy Regulation was accompanied by complementary delegated acts:

- Delegated Act 2021/2139 of June 4, 2021 – establishes the list of economic activities that contribute significantly to the objectives of climate change mitigation and adaptation and that do not cause significant damage to the other environmental objectives.

- Delegated Act 2021/2178 of July 6, 2021 – describes the specifications for the content and presentation of the information to be reported by companies on environmentally sustainable activities, including the key indicators to be reported and their calculation methodology.

- Supplementary Climate Delegated Act 2022/1214 of March 9, 2022 – establishes the Technical Screening Criteria (TSC) and associated Do No Significant Harm (DNSH) criteria for the objectives of Annex 1 and Annex 2 concerning natural gas and nuclear energy activities.

- Delegated Act 2023/2486 of June 27, 2023 – establishes a list of economic activities that significantly contribute to environmental protection goals: sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, protection and restoration of ecosystems and biodiversity, and do not cause significant harm to other environmental objectives.

Economic activities can qualify as taxonomy-eligible only if they are defined in Delegated Act 2021/2139 of June 2021 and Delegated Act 2023/2486 of June 27, 2023. Activities not described in these two delegated acts are considered taxonomy-non-eligible.

Taxonomy-eligible economic activities had to be reviewed in terms of their environmental sustainability (taxonomy alignment) for the first time in 2022. According to Article 3 of Regulation (EU) 2020/852, economic activities qualify as taxonomy-aligned if they significantly contribute to one or more environmental objectives: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. Furthermore, economic activities must not significantly harm any of the other environmental objectives (DNSH = Do No Significant Harm) and must be conducted in accordance with minimum safeguards with respect to human rights and consumer rights, anti-corruption and bribery, taxation, and fair competition.

DISCLOSURES IN ACCORDANCE WITH ARTICLE 8 OF REGULATION 2020/852 (TAXONOMY REGULATION UREDBA) (continued)

Taxonomy alignment is verified using technical screening criteria for each economic activity. These criteria are defined in the Commission Delegated Regulation (EU) 2021/2139 of June 4, 2021, for economic activities that can significantly contribute to the environmental objectives of climate change mitigation and adaptation. For the remaining four environmental objectives, the technical criteria for each economic activity are defined in the Commission Delegated Regulation (EU) 2023/2486 of June 27, 2023.

A taxonomy economic activity is any economic activity not described in the delegated acts supplementing the Taxonomy Regulation.

Disclosures on sustainable activities in accordance with the EU Taxonomy

In this section of the report, the Group discloses information in accordance with Article 8 of Regulation (EU) 2020/852 establishing a framework to facilitate sustainable investment, supplemented by the Commission Delegated Regulations (EU) 2021/2139 and (EU) 2023/2486, which set out the technical screening criteria for eligible economic activities that contribute to the objectives of climate change mitigation and adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems, in accordance with the Commission Delegated Regulation (EU) 2021/2178, which prescribes the reporting methodology.

In accordance with this regulatory framework, the Group is obliged to disclose information about how and to what extent the company's economic activities can qualify as taxonomy-eligible and aligned in relation to all six environmental objectives. The eligibility and alignment of economic activities are expressed through three economic indicators: the percentage of turnover, capital expenditures, and operational expenditures.

The calculation of the share of taxonomy-eligible economic activities was conducted by comparing activities contributing to revenue and comparing environmentally eligible capital investments and operational costs of the Group with activities listed in the taxonomy. This was done according to the nomenclature of Annexes I and II of Delegated Regulation (EU) 2021/2178, NACE codes, and the associated specific descriptions.

KPIs and accounting policies

Key Performance Indicators (KPIs) include the revenue KPI (Turnover), capital expenditure KPI (CapEx), and operational expenditure KPI (OpEx). Templates specified in Annex II of the Delegated Act on disclosures are used to present the taxonomy KPIs.

Turnover

The share of the Group's economic activities aligned with the EU taxonomy in total revenue is calculated as the portion of net revenue generated from products or services, including intangible assets, related to taxonomy-aligned economic activities (numerator) divided by net revenue (denominator), as defined in Article 2, point 5 of Directive 2013/34/EU. Revenue includes income recognized in accordance with International Accounting Standard (IAS) 1, point 82, sub-point (a), as adopted by Commission Regulation (EC) No 1126/2008.

DISCLOSURES IN ACCORDANCE WITH ARTICLE 8 OF REGULATION 2020/852 (TAXONOMY REGULATION) (continued)

Turnover (continued)

Economic activities are recognized as taxonomically acceptable activities in income;

Economic activity	Description	Environmental goal*	NACE
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	Purchase, financing, renting, leasing and operation of vehicles designated as category M1 and N, both falling under the scope of Regulation (EC) No 715/2007 of the European Parliament and of the Council, or L (2- and 3-wheel vehicles and quadricycles).	CCM/CCA	H49.32, H49.39, N77.11
6.6 Freight transport services by road	Purchase, financing, leasing, rental and operation of vehicles designated as category N1, N2 or N3 falling under the scope of EURO VI, step E or its successor, for freight transport services by road.	CCM/CCA	H49.4.1, H53.10, H53.20, N77.12
7.7 Acquisition and ownership of buildings*	Buying real estate and exercising ownership of that real estate	CCM/CCA	L68

* The environmental objectives CCM (Climate change mitigation) and CCA (Climate change adaptation) refer to the environmental objectives of climate change mitigation and adaptation to climate change and are defined within Delegated Act 2021/2139 of 4 June 2021.

DISCLOSURES IN ACCORDANCE WITH ARTICLE 8 OF REGULATION 2020/852 (TAXONOMY REGULATION) (continued)

Turnover (continued)

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2024.

Fiscal year 2024	**2024**			**Substantial contribution criteria**						**DNSH criteria ("do no significant harm")**										
Economic activities	**Codes/Marks (a)**	**Absolute turnover**	**Proportion of turnover, year 2024**	**Climate change mitigation**	**Climate change adaptation**	**Water and marine resources**	**Pollution**	**Circular economy**	**Biodiversity and ecosystems**	**Climate change mitigation**	**Climate change adaptation**	**Water Climate change adaptation**	**Pollution**	**Circular economy**	**Biodiversity and ecosystems**	**Minimum safeguards**	**Taxonomy-aligned proportion of turnover year 2024**	**Category enabling activity**	**Category transitional activity**	
Text		**000 EUR**	%	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y/N	Y/N	Y/N	Y / N	Y / N	Y/N	Y/ N	%	E	T	
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned																				
-		0	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N	N	N	N	N	N	0%	-	-	
Turnover from environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**N**	**N**	**N**		**N**	**N**	**N**	**N**	**0%**	**-**	**-**
From which enabling		0	0%																	
From which transitional		0	0%																	
A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
				EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)											
6.5. Transportation by motorcycles, passenger cars and light commercial vehicles	**CCM**/CCA	48	0.01%	EL	EL	N/EL	N/EL	N/EL	N/EL								0.00%			
6.6. Freight transport services by road	**CCM**/CCA	598	0.07%	EL	EL	N/EL	N/EL	N/EL	N/EL								0.06%			
7.7. Acquisition and ownership	**CCM**/CCA	2,005	0.24%	EL	EL	N/EL	N/EL	N/EL	N/EL								0.00%			
Turnover of Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**2,651**	**0.32%**	0.32%	0%	0%	0%	0%	0%								0.06%			
Total (A.1 + A.2)		**2,651**	**0.32%**	0.32%	0%	0%	0%	0%	0%								0.06%			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
TAXONOMY-NON-ELIGIBLE ACTIVITIES Turnover of Taxonomy-non-eligible activities (B)		826,325	99.68%																	
TOTAL		**828,976**	**100%**																	

DISCLOSURES IN ACCORDANCE WITH ARTICLE 8 OF REGULATION 2020/852 (TAXONOMY REGULATION) (continued)

Turnover (continued)

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2024. (continued)

	Turnover/Total Turnover Ratio	
	Aligned	***Eligible***
CCM	*%*	*0.32%*
CCA	*%*	*0.32%*
WTR	*%*	*%*
CE	*%*	*%*
PPC	*%*	*%*
BIO	*%*	*%*

Note:
The label consists of the abbreviation of the relevant objective to which the economic activity can significantly contribute and the number of the section on the specific activity in the relevant annex relating to that objective, i.e.:

— Climate change mitigation: CCM
— Climate change adaptation: CCA
— Water and marine resources WTR
— Circular economy: CE
— Pollution prevention and control: PPC
— Biodiversity and ecosystems: BIO

Y – Yes, taxonomically acceptable and taxonomically consistent activity with a relevant environmental objective
N – No, taxonomically acceptable, but taxonomically inconsistent activity with relevant environmental objective
N/EL – not an acceptable, taxonomically unacceptable activity for the relevant environmental objective

DISCLOSURES IN ACCORDANCE WITH ARTICLE 8 OF REGULATION 2020/852 (TAXONOMY REGULATION) (continued)

Capital Expenditures

The share of capital expenditures from Article 8, paragraph 2, point (b) of Regulation (EU) 2020/852 is calculated by dividing the numerator by the denominator.

The denominator includes increases in tangible and intangible assets during the financial year, before depreciation and remeasurement, including increases resulting from revaluation and impairments for the relevant financial year, excluding changes in fair value. The denominator also includes increases in tangible and intangible assets resulting from business combinations.

Capital expenditures for non-financial entities applying International Financial Reporting Standards (IFRS) as adopted by Regulation (EC) No 1126/2008 include costs accounted for based on:
(a) IAS 16 Property, Plant and Equipment, point 73, sub-point (e), sub-subpoints i. and iii.;
(b) IAS 38 Intangible Assets, point 118, sub-point (e), sub-subpoint i.;
(c) IAS 40 Investment Property, points 76, sub-points (a) and (b) (for the fair value model);
(d) IAS 40 Investment Property, point 79, sub-point (d), sub-subpoints i. and iii. (for the fair value model);
(e) IAS 41 Agriculture, point 50, sub-points (b) and (e);
(f) IFRS 16 Leases, point 53, sub-point (h).

Leases that do not lead to the recognition of right-of-use assets are not accounted for as capital expenditures.

DISCLOSURES IN ACCORDANCE WITH ARTICLE 8 OF REGULATION 2020/852 (TAXONOMY REGULATION) (continued)

Capital Expenditures (continued)

Economic activities recognized as taxonomy-eligible in capital expenditures include;

Economic activity	Description	Environmental goal*
6.5 Transportation by motorbikes, passenger cars and light commercial vehicles	Purchase, financing, renting, leasing and operation of vehicles designated as category M1 and N, both falling under the scope of Regulation (EC) No 715/2007 of the European Parliament and of the Council, or L (2- and 3-wheel vehicles and quadricycles).	H49.32, H49.39, N77.11
6.6 Freight transport services by road	Purchase, financing, leasing, rental and operation of vehicles designated as category N1, N2 or N3 falling under the scope of EURO VI, step E or its successor, for freight transport services by road.	H49.4.1, H53.10, H53.20, N77.12
7.3 Installation, maintenance and repair of energy efficiency equipment	Individual renovation measures consisting of the installation, maintenance or repair of energy efficiency equipment.	F42, F43, M71, C16, C17, C22, C23, C25, C27, C28, S95.21, S95.22 and C33.12
7.7 Acquisition and ownership of buildings*	Buying real estate and exercising ownership of that real estate.	L68

* The environmental objectives CCM (Climate change mitigation) and CCA (Climate change adaptation) refer to the environmental objectives of climate change mitigation and adaptation to climate change and are defined within Delegated Act 2021/2139 of 4 June 2021.

DISCLOSURES IN ACCORDANCE WITH ARTICLE 8 OF REGULATION 2020/852 (TAXONOMY REGULATION) (continued)

Capital Expenditures (continued)

CapEx template for fiscal year 2024

Fiscal year 2024		2024		Substantial contribution criteria						DNSH criteria ("do no significant harm")									
Economic activities	**Codes/Marks (a)**	**Absolute Capex**	**Proportion of Capex, year 2024**	**Climate change mitigation**	**Climate change adaptation**	**Water and marine resources**	**Pollution**	**Circular economy**	**Biodiversity and ecosystems**	**Climate change mitigation**	**Climate change adaptation**	**Water and marine**	**Pollution**	**Circular economy**	**Biodiversity and ecosystems**	**Minimum Safeguards**	**Taxonomy aligned proportion of CapEx**	**Category enabling activity**	**Category transitional activity**
Text		**000 EUR**	%	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y/N	Y/N	Y / N	Y/ N	Y/ N	Y/N	Y/ N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
-		0	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N	N	N	N	N	N	0%	-	-
CapEx of environmentally sustainable activities (Taxonomy-aligned (A.1)		**0**	0%	0%	0%	0%	0%	0%	0%	**N**	**N**	**N**	**N**	**N**	**N**	**N**	**0%**	-	-
From which enabling		0	0%																
From which transitory		0	0%																
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)										
6.5. Transportation by motorbikes, passenger cars and light commercial vehicles	**CCM**/ CCA	1,186	21.44%	EL	EL	N/EL	N/EL	N/EL	N/EL								12.4 %		
7.7. Acquisition and ownership of buildings	**CCM**/ CCA	1,969	35.59%	EL	EL	N/EL	N/EL	N/EL	N/EL								14.0 %		
7.3. Installation, maintenance and repair of energy efficiency equipment	**CCM**/ CCA	91	1.64%	EL	EL	N/EL	N/EL	N/EL	N/EL								25.0 %		
6.6. Freight transport services by road	**CCM**/ CCA	110	1.99%	EL	EL	N/EL	N/EL	N/EL	N/EL								0.00 %		
CapEx of Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**3,356**	**60.67%**	60.67%	0%	0%	0%	0%	0%								51.6 %		
Total (A.1 + A.2)		**3,356**	**60.67%**	60.67%	0%	0%	0%	0%	0%								51.6 %		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities (B)		**2,176**	39.33%																
TOTAL		**5,578**	100.00%																

DISCLOSURES IN ACCORDANCE WITH ARTICLE 8 OF REGULATION 2020/852 (TAXONOMY REGULATION) (continued)

Capital Expenditures (continued)

CapEx template for fiscal year 2024 (continued)

	Ratio of capital investments/total capital investments	
	Aligned	***Eligible***
CCM	*%*	*60.67%*
CCA	*%*	*60.67%*
WTR	*%*	*%*
CE	*%*	*%*
PPC	*%*	*%*
BIO	*%*	*%*

Note:
The label consists of the abbreviation of the relevant objective to which the economic activity can significantly contribute and the number of the section on the specific activity in the relevant annex relating to that objective, i.e.:

— Climate change mitigation: CCM
— Climate change adaptation: CCA
— Water and marine resources WTR
— Circular economy: CE
— Pollution prevention and control: PPC
— Biodiversity and ecosystems: BIO

Y – Yes, taxonomically acceptable and taxonomically consistent activity with a relevant environmental objective
N – No, taxonomically acceptable, but taxonomically inconsistent activity with relevant environmental objective
N/EL – not an acceptable, taxonomically unacceptable activity for the relevant environmental objective

DISCLOSURES IN ACCORDANCE WITH ARTICLE 8 OF REGULATION 2020/852 (TAXONOMY REGULATION) (continued)

Operational Expenditures

The share of operational expenditures from Article 8, paragraph 2, point (b) of Regulation (EU) 2020/852 is calculated by dividing the numerator by the denominator.

The denominator includes direct non-capitalized costs related to research and development, building renovation measures, short-term leases, maintenance and repairs, and all other direct expenses for the daily servicing of property, plant, and equipment performed by the company or a third party to whom these tasks are entrusted, which are necessary for the proper functioning of the assets.

Economic activities recognized as taxonomy-eligible in operational expenditures include;

Economic activity	Description	Environmental goal*
6.5 Transportation by motorbikes, passenger cars and light commercial vehicles	Purchase, financing, renting, leasing and operation of vehicles designated as category M1 and N, both falling under the scope of Regulation (EC) No 715/2007 of the European Parliament and of the Council, or L (2- and 3-wheel vehicles and quadricycles).	H49.32, H49.39, N77.11
6.6 Freight transport services by road	Purchase, financing, leasing, rental and operation of vehicles designated as category N1, N2 or N3 falling under the scope of EURO VI, step E or its successor, for freight transport services by road.	H49.4.1, H53.10, H53.20, N77.12
7.3 Installation, maintenance and repair of energy efficiency equipment	Individual renovation measures consisting of the installation, maintenance or repair of energy efficiency equipment.	F42, F43, M71, C16, C17, C22, C23, C25, C27, C28, S95.21, S95.22 and C33.12
7.7 Acquisition and ownership of buildings*	Buying real estate and exercising ownership of that real estate.	L68

* The environmental objectives CCM (Climate change mitigation) and CCA (Climate change adaptation) refer to the environmental objectives of climate change mitigation and adaptation to climate change and are defined within Delegated Act 2021/2139 of 4 June 2021.

DISCLOSURES IN ACCORDANCE WITH ARTICLE 8 OF REGULATION 2020/852 (TAXONOMY REGULATION) (continued)

Operational Expenditures (continued)

OpEx template for fiscal year 2024

Fiscal year 2024	2024			Substantial contribution criteria						DNSH criteria ("do no significant harm")									
Economic activities	**Code/Marks (a)**	**Absolute OpEx**	**Proportion of OpEx**	**Climate change mitigation**	**Climate change adaptation**	**Water and marine resources**	**Pollution**	**Circural economy**	**Biodiversity and ecosystems**	**Climate change mitigation**	**Climate change adaptation e**	**Water and marine resources**	**Pollution**	**Circular economy**	**Biodiversity and ecosystems**	**Minimum Safeguards**	**Taxonomy aligned proportion of OpEx e**	**Category enabling activity**	**Category transitional activity**
				Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)										
Text		**000 EUR**	%							Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
-		0	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N	N	N	N	N	N	0.00%	-	-
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	0%	0%	0%	0%	0%	0%	0%	**N**	**N**	**N**	**N**	**N**	**N**	**N**	**0.00%**	-	-
From which enabling		0	0%																
From which transitory		0	0%																
A.2. Taxonomy eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																			
				EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)										
6.6. Freight transport services by road	**CCM**/CCA	398	16.82%	EL	EL	N/EL	N/EL	N/EL	N/EL								0.00%		
6.5. Transportation by motorbikes, passenger cars and light commercial vehicles	**CCM**/CCA	100	4.23%	EL	EL	N/EL	N/EL	N/EL	N/EL								0.00%		
7.3. Installation, maintenance and repair of energy efficiency equipment	**CCM**/CCA	91	3.85%	EL	EL	N/EL	N/EL	N/EL	N/EL								0.00%		
7.7. Acquisition and ownership of buildings	**CCM**/CCA	1,556	65.77%	EL	EL	N/EL	N/EL	N/EL	N/EL								0.00%		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy aligned activities (A.2)		**2,145**	**90.66%**	90,66%	0%	0%	0%	0%	0%								0.00%		
Total (A.1 + A.2)		**2,145**	**90.66%**	90,66%	0%	0%	0%	0%	0%								0.00%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities s (B)		221	9.34%																
TOTAL		**2,366**	100.00%																

DISCLOSURES IN ACCORDANCE WITH ARTICLE 8 OF REGULATION 2020/852 (TAXONOMY REGULATION) (continued)

Operational Expenditures (continued)

OpEx template for fiscal year 2024

	Operating cost/total operating cost ratio	
	Aligned	***Eligible***
CCM	*%*	*90,66%*
CCA	*%*	*90,66%*
WTR	*%*	*%*
CE	*%*	*%*
PPC	*%*	*%*
BIO	*%*	*%*

Note:
The label consists of the abbreviation of the relevant objective to which the economic activity can significantly contribute and the number of the section on the specific activity in the relevant annex relating to that objective, i.e.:

— Climate change mitigation: CCM
— Climate change adaptation: CCA
— Water and marine resources WTR
— Circular economy: CE
— Pollution prevention and control: PPC
— Biodiversity and ecosystems: BIO

Y – Yes, taxonomically acceptable and taxonomically consistent activity with a relevant environmental objective
N – No, taxonomically acceptable, but taxonomically inconsistent activity with relevant environmental objective
N/EL – not an acceptable, taxonomically unacceptable activity for the relevant environmental objective

ESRS E1 – CLIMATE CHANGE

E1-1 - Transition plan for climate change mitigation

The Group plans to develop a transition plan over the next 5 years, which will include actions to mitigate climate change by reducing GHG emissions and establishing a decarbonization strategy.

ESRS 2 SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model

The Group has not identified material risks associated with climate change but has recognized one transition opportunity for the gradual shift to renewable energy sources.

Based on the analysis of publicly available information and discussions with internal stakeholders during the double materiality assessment, the opportunity to transition to renewable energy sources has been recognized as financially material for the Group. In the qualitative analysis of climate risks findings from the Climate Change Adaptation Strategy in the Republic of Croatia for the period up to 2040, with a view to 2070, were considered, which accounts for two greenhouse gas concentration growth scenarios, RCP 4.5 and RCP 8.5, for physical risks and scenario RCP 2.6 for transition risks which is based on the Paris Agreement and limiting climate change to 1.5°C. The qualitative resilience analysis included the Group's own operations and an assessment of the value chain through indirect sources, showing that the Group's operations are resilient to identified climate risks which were determined not to be material through the double materiality assessment. In the double materiality assessment, potential risks from climate change consequences, such as changes in wind patterns causing logistics and transportation delays, were identified. However, the Group's business model is already diversified in such a way that all recognized risks that may arise from the effects of climate change on the Group's business model cannot cause material financial harm. On the other hand, potential risks in the higher levels of the value chain, such as shortages of certain active pharmaceutical ingredients, are already mitigated by the Group through a broad portfolio of manufacturers and business partners. Given that increasingly frequent climate changes can affect the severity of risks all identified climate risks will be continuously monitored to timely detect if they exceed the materiality threshold. The Group plans to conduct a comprehensive resilience analysis in future periods, which will include active engagement with participants in the value chain.

The transition to a low-carbon economy will lead to regulatory changes (stricter environmental regulations, requirements, and penalties), changes in customer awareness in terms of demand for more environmentally sustainable products, and technological changes that will require greater investments.

By including these assumptions in its double materiality analysis, the Group has identified a material opportunity for the gradual transition to renewable energy sources. The same timeframes used in the double materiality analysis were applied in the qualitative analysis of climate risks.

ESRS E1 – CLIMATE CHANGE (continued)

ESRS 2 SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model (continued)

Areas of uncertainty in resilience analysis

During the double materiality analysis, the Group conducted a qualitative resilience analysis. In the upcoming periods, it plans to carry out a detailed quantitative analysis to gain more precise insights and enable better management of identified risks. Some of the key sources of uncertainty include uncertainties in scientific predictions and the accuracy of climate change models, technological and regulatory changes, supply chain resilience forecasts, and other external factors.

According to the findings of the climate risk analysis, the Group will adjust its strategy to ensure continuous access to financing, which may include exploring better terms for sustainable financing and strategically transforming its business model to align with the transition to a low-carbon economy. This will enable the necessary investments to capitalize on the identified opportunity of gradually transitioning to renewable energy sources by diversifying its offerings to avoid consequences of shortages caused by climate change in the supply chain.

IRO-1 - Description of the processes to identify and assess material climate-related impacts, risks and opportunities

A detailed description of the procedures for identifying and assessing material impacts, risks and opportunities related to climate change can be found in the general disclosures section (ESRS 2) of this report and in the previous disclosure request for SBM-3.

E1-2 - Policies related to climate change mitigation and adaptation

The Group has not yet adopted a specific policy for managing material impacts, risks and opportunities related to climate change. However, the Company manages risks by following the guidelines of Good Manufacturing Practice (GMP) and Good Distribution Practice (GDP), ISO 9001 (Quality Management System), and ISO 14001 (Environmental Management System), as well as the ICH Q9 Quality Risk Management - Scientific Guideline. To ensure the effectiveness of risk management processes, as well as the quality and environmental protection systems, the Management holds meetings to evaluate these processes at least once a year. In addition to mandatory meetings, the Management may convene extraordinary reviews during the year if deemed necessary, for example, if there is an increased scope of certain activities or a major change affecting the system. The Management may also review parts of the system related to identified activities. Meeting results are documented in minutes, and activities for implementation are determined according to the M25_Corrective and Preventive Measures procedure. The minutes are approved by the Management and forwarded to all key participants, responsible persons, and employees in charge of implementing the activities.

The Management is responsible for environmental issues, ensuring all necessary human resources, and making decisions about investments in maintenance, as well as the establishment and improvement of the quality and environmental protection system across the entire Group. The Management is responsible for ensuring that quality and environmental protection indicators are established and met. Additionally, the Management highlights the importance and communicates the significance of the system, fulfilling customer requirements, legal obligations, and moral principles to ensure the successful operation and progress of the organization.

ESRS E1 – CLIMATE CHANGE (continued)

E1-2 - Policies related to climate change mitigation and adaptation (continued)

Raising awareness of the process approach, actively supporting employees involved in the quality system, promoting continuous improvement, and leading the Company and Institution are some of the duties of the Management and Director. Quality and environmental protection process managers are responsible for managing their processes in terms of efficiency, effectiveness, and process outputs, and improving them as needed. The Group's employees are educated on these topics and are expected to independently take care, respect, and adhere to the System Policy, working in accordance with the regulations outlined in the quality and environmental management system documentation.

By implementing these guidelines and practices, the Company commits to adhering to ISO 9001 (Quality Management System), ISO 14001 (Environmental Management System), ISO 50001 (Energy Management System), Good Manufacturing Practices (GMP), and Good Distribution Practices (GDP). These guidelines and practices are certified, and the certificates are available on the Company's official website and can be provided to customers, suppliers, and other interested parties upon request.
During the reporting period, the main goal of the Group was to conduct a double materiality analysis to identify material impacts, risks and opportunities, as well as material topics for reporting. In the upcoming period, the Group will focus on adopting policies to manage material impacts, risks and opportunities for all its material topics, including climate change.

E1-3 – Actions and resources in relation to climate change policies

Actions of the Company

Energy consumption reduction actions

To mitigate the negative impact of emissions from Scope 1 and 2, the Company regularly upgrades heating and cooling systems by installing more energy-efficient heating and cooling sources—VRF (Variable Refrigerant Flow) systems with an A++ energy category (PC Dugopolje in 2023, PC Rijeka in 2024). Additionally, during the reconstruction of warehouse spaces, existing fluorescent lighting fixtures are replaced with new LED technology (PC Zagreb). Similarly, the STANDBY system for powering refrigeration units uses electricity from the grid to prepare temperature conditions in the cargo space of transport vehicles to reduce fuel consumption and extend the lifespan of vehicle engines.

Additionally, related to Scope 1 emissions and the negative impact of GHG emissions from internal goods transport and transport from warehouses to pharmacies, the Company continued to renew its vehicle fleet, including transport and personal vehicles, in 2024. A total of 13 new vehicles were purchased that produce a lower amount of exhaust gases per kilometre, compliant with the EURO 6 standard.

In 2021, the Company completed the construction and commissioning of a photovoltaic power plant at its Osijek location, with the electricity produced being used for its own needs. Investment in renewable energy sources can lead to medium- and long-term cost savings and reduce dependence on fossil fuels. The Company will continue to analyze potential opportunities for constructing photovoltaic power plants in the future at other properties it owns or, if that is not possible, will consider purchasing green electricity from the grid.

ESRS E1 – CLIMATE CHANGE (continued)

E1-3 – Actions and resources in relation to climate change policies

Institution's actions

Energy consumption reduction actions

To achieve energy consumption reduction and mitigate the negative impact of energy consumption and the generation of Scope 1 and 2 emissions, sustainable building standards are considered during the planning of renovations and constructions. The aim is to ensure that the buildings have minimal negative environmental impacts. Where possible, the same type of external joinery is installed in pharmacy branches, along with Armstrong ceilings (suspended ceilings) to reduce the volume of space designated for cooling or heating, thereby minimizing the extent of these activities.
Electricity consumption is reduced by implementing the following actions:

- Replacing lighting with low-energy LED lighting in business premises and pharmacy branches,
- Replacing old air conditioning units with new, low-energy units (inverter technology air conditioners with energy ratings from A to A+). This replacement is carried out in three to five pharmacy branches annually, totalling 10 to 15 air conditioning units per year,
- Installing faucets with a water flow rate of 5 litres per minute and dual-flush toilet systems.

In 2024, during renovations in branches located in Dražice, Zagreb Kozjak, and Zadar Molatska, these actions were applied.

The importance of energy efficiency and care for the environment and communities in which the Group operates is demonstrated by its commitment to finding the best solutions for all pharmacy branches. In the new branches, Zagreb Planinska and Kastav, during the design phase of the pharmacy branch, energy-efficient heating and cooling sources—a VRF system (Variable Refrigerant Flow)—were considered.

Related to the identified negative impact of GHG emissions through the internal transport of goods and the transport of goods from warehouses to customers, the renewal of the vehicle fleet and the rationalization of business trips are intended to further contribute to reducing energy consumption (and consequently reduce the CO2 footprint in operations). In 2024, the renewal of the vehicle fleet continued with the acquisition of 8 new vehicles for the Institution's needs.

The Group continuously implements these actions and plans to continue doing so in the future. The Group will also update these actions in future reporting periods in the context of impacts, risks and opportunities, taking into account the policies it will adopt and the goals it will set.

The Group has not established target values for reducing greenhouse gas emissions. The Group has not yet adopted an action plan for actions related to climate change mitigation.

ESRS E1 – CLIMATE CHANGE (continued)

E1-4 - Targets related to climate change mitigation and adaptation

The Group has not set targets related to climate change, as it conducted a double materiality analysis for the first time in the current reporting period and identified its material impacts, risks and opportunities, as well as calculated its carbon footprint.

However, the Group monitors effectiveness through annual analyses of reduced energy (electricity, gas, fuel) and water consumption. Additionally, the Institution monitors effectiveness by tracking fuel consumption of the vehicle fleet, replacing existing heating, cooling, and ventilation systems with more efficient ones, replacing lighting fixtures with more energy-efficient options, and replacing faucets and toilet flush systems with more efficient ones.

E1-5 – Energy consumption and mix

Energy consumption and mix	**2024**
(1) Fuel consumption from coal and coal products (MWh)	-
(2) Fuel consumption from crude oil and petroleum products (MWh)	9,273.90
(3) Fuel consumption from natural gas (MWh)	420.449
(4) Fuel consumption from other fossil sources (MWh)	-
(5) Consumption of purchased or acquired electricity, heat, steam, and cooling from fossil sources (MWh)	2,339.73
(6) Total fossil energy consumption (MWh) (calculated as the sum of lines 1 to 5)	12,034.08
Share of fossil sources in total energy consumption (%)	99%
(7) Consumption from nuclear sources (MWh)	-
Share of consumption from nuclear sources in total energy consumption (%)	-
(8) Fuel consumption for renewable sources, including biomass (also comprising industrial and municipal waste of biologic origin, biogas, renewable hydrogen, etc.) (MWh)	-
(9) Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources (MWh)	-
(10) The consumption of self-generated non-fuel renewable energy (MWh)	155.91

ESRS E1 – CLIMATE CHANGE (continued)

E1-5 – Energy consumption and mix (continued)

Energy consumption and mix (continued)	2024
(11) Total renewable energy consumption (MWh) (calculated as the sum of lines 8 to 10)	155.91
Share of renewable sources in total energy consumption (%)	1%
Total energy consumption (MWh) (calculated as the sum of lines 6, 7 and 11)	12,189.99

Energy indicators do not include data on energy consumption from the previous year due to a change in the reporting methodology, which involves transitioning from the Global Reporting Initiative (GRI) standards to the European Sustainability Reporting Standards (ESRS). This change results in differences in the way data is collected and presented, making direct comparison with data from the previous year impossible.

Total energy consumption from fossil sources under the control of the Group

The consumption includes primary energy from crude oil, petroleum products, and natural gas, as well as the consumption of secondary non-renewable energy purchased externally, such as electricity and heat used for heating, cooling, lighting, and fuel use in vehicles. Energy consumption is based on invoices from suppliers of individual energy sources. The amounts of consumed natural gas have been additionally multiplied by a factor of 0.9 to convert the natural gas consumption to a lower heating value, as required by the ESRS standard. Regarding energy consumption, the Group reports only on the energy consumed during procedures owned or controlled by the company, applying the same scope used for reporting greenhouse gas emissions from scopes 1 and 2. The measurement of indicators related to fossil fuel energy consumption has not been confirmed by an external assurance provider.

Total energy consumption from renewable energy sources from own production

The Group has one photovoltaic power plant located in Osijek, and the electricity produced is used for its own needs. The consumption of this energy is based on readings from the software that monitors the plant's operation. The measurement of indicators related to energy consumption from fossil fuels has not been confirmed by an external assurance provider.

Energy intensity by net revenue

The total net revenue of the Group amounts to EUR 826,324 thousand (as shown in the consolidated statement of comprehensive income on page 145). The total energy consumption from activities in sectors that significantly impact the climate is 12,189.99 MWh.

The total energy consumption from activities in sectors that significantly impact the climate, per net revenue from activities in sectors that significantly impact the climate, is 0.015 MWh/1000 EUR.

Since the Group's activities are included in sectors that significantly impact the climate, the entire net revenue of the Group is taken into account. (46.46 Wholesale of pharmaceutical products, 47.74 Retail sale of medical preparations and orthopaedic appliances in specialized stores, 47.75 Retail sale of cosmetic and toilet products in specialized stores).

ESRS E1 – CLIMATE CHANGE (continued)

E1-6 – Gross Scopes 1, 2, 3 and total GHG emissions

The table below shows the values of greenhouse gas emissions for Scope 1, 2, and 3 for the year 2024. Target values have not been established.

Data on greenhouse gas emissions from the previous year are not included in the indicator due to a change in the calculation methodology and the application of the GHG Protocol. Additionally, there has been a change in the reporting methodology, transitioning from the Global Reporting Initiative (GRI) standards to the European Sustainability Reporting Standards (ESRS). These changes result in differences in the way data is collected and presented, making direct comparison with data from the previous year impossible.

	Retrospective				Milestones and target years			
	Base year	**Comparative**	**2024**	**% N / N-1**	**2025**	**2030**	**2050**	**Annual**
Scope 1 Greenhouse Gas Emissions								
Gross Scope 1 GHG emissions (tCO2eq)	-	-	2,105	-	-	-	-	-
Percentage of Scope 1 GHG emissions from regulated emission trading schemes (%)	-	-	-	-	-	-	-	-
Scope 2 GHG emissions								
Gross location-based Scope 2 GHG emissions (tCO2eq)	-	-	352	-	-	-	-	-
Gross market-based Scope 2 GHG emissions (tCO2eq)	-	-	1,280	-	-	-	-	-
Significant scope 3 GHG emissions								
Total Gross indirect (Scope 3) GHG emissions (tCO2eq)	-	-	120,054	-	-	-	-	-
1. Purchased goods and services	-	-	113,782	-	-	-	-	-
Optional subcategory: Cloud computing and data center services	-	-	-	-	-	-	-	-
2. Capital goods	-	-	1,239	-	-	-	-	-
3. Fuel and energy-related Activities (not included in Scope1 or Scope 2)	-	-	720	-	-	-	-	-
4. Upstream transportation and distribution	-	-	54	-	-	-	-	-
5. Waste generated in operations	-	-	130	-	-	-	-	-

ESRS E1 – CLIMATE CHANGE (continued)

E1-6 – Gross Scopes 1, 2, 3 and Total GHG emissions (continued)

	Retrospective				Milestones and target years			
	Base year	Comparative	2024	% N / N-1	2025	2030	2050	Annual
Significant scope 3 GHG emissions (continued)								
6. Business travel	-	-	88	-	-	-	-	-
7. Employee commuting	-	-	939	-	-	-	-	-
8. Upstream leased assets	-	-	354	-	-	-	-	-
9. Downstream transportation	-	-	14	-	-	-	-	-
10. Processing of sold products	Not applicable.							
11. Use of sold products	-	-	2,560	-	-	-	-	-
12. End-of-life treatment of sold products	-	-	131	-	-	-	-	-
13. Downstream leased assets	Not applicable.							
14. Franchises	Not applicable.							
15. Investments	-	-	44	-	-	-	-	-
Total GHG emissions								
Total GHG emissions (location-based) (tCO2eq)	-	-	122,511	-	-	-	-	-
Total GHG emissions (market-based) (tCO2eq)	-	-	123,439	-	-	-	-	-

In 2024, the Group calculated and reported greenhouse gas emissions for Scope 1, 2, and 3 for the first time.

ESRS E1 – CLIMATE CHANGE (continued)

E1-6 – Gross Scopes 1, 2, 3 and Total GHG emissions (continued)

Greenhouse gas intensity per net revenue

Greenhouse gas intensity per net revenue	Comparative	2024	% N / N-1
Total GHG emissions (location-based) per net revenue (tCO2eq/1000 EUR)	-	0.148	-
Total GHG emissions (market-based) per net revenue (tCO2eq/1000 EUR)	-	0.149	-

The total net revenue of the Group amounts to EUR 826,324 thousand (as shown in the consolidated statement of comprehensive income on page 145). Total greenhouse gas emissions based on location amount to 122,511 tons of CO2 equivalent. Total greenhouse gas emissions based on location per net revenue (in tons of CO2 equivalent/monetary unit) amount to 0.148 tons of CO2 equivalent/1000 EUR. Total greenhouse gas emissions based on market amount to 123,439 tons of CO2 equivalent. Total greenhouse gas emissions based on market per net revenue amount to 0.149 tons of CO2 equivalent/1000 EUR.

Greenhouse gas emissions for Scope 1 and Scope 2 have been calculated based on the provisions of the ESRS using the Greenhouse Gas Protocol, 2004 version (*The GHG Protocol Corporate Accounting and Reporting Standard, GHG Protocol Scope 2 Guidance*) based on available information within the Group.

Methodology for calculating Scope 1:

Scope 1 emissions by source were calculated using methodologies and emission factors specific to each source as follows:

Stationary Combustion (liquid and gaseous fuels): Greenhouse gas (GHG) emissions from the combustion of liquid and gaseous fuels were calculated using DEFRA emission factors. The amount of fuel consumed was multiplied by the applicable emission factor specific to the type of fuel to determine the resulting emissions. This approach accounts for direct CO_2, CH_4, and N_2O emissions from fuel use.

Refrigerants (Fugitive Emissions): Emissions from the fugitive release of greenhouse gases, such as refrigerants or leaks from equipment, were calculated using the global warming potentials (GWP) provided by the Intergovernmental Panel on Climate Change (IPCC) AR6. The amount of greenhouse gases released was multiplied by the GWP of each gas to reflect their relative impact on climate change.

Mobile Combustion (vehicles): Greenhouse gas emissions from mobile combustion sources, such as company-owned vehicles, were calculated using DEFRA emission factors. The total amount of fuel was multiplied by the relevant emission factor to determine the CO_2, CH_4, and N_2O emissions resulting from fuel combustion (from IPCC report AR 6).

ESRS E1 – CLIMATE CHANGE (continued)

E1-6 – Gross Scopes 1, 2, 3 and Total GHG emissions (continued)

Methodology for calculating Scope 1 (continued):

A conversion factor from higher heating value to lower heating value of 0.9 was applied to natural gas due to the inherent difference in how energy is measured during combustion. The conversion ratio of 0.9 is based on the difference between the total energy released during combustion (higher heating value) and the energy available when excluding the latent heat of vaporization of the water vapor produced during combustion (lower heating value).

Methodology for calculating Scope 2:

Scope 2 emissions were calculated based on the total amount of electricity delivered to the facilities or operations of the Group under its financial control. The electricity consumption data is multiplied by relevant location-based (emission factor source is IEA) and market-based emission factors (emission factor source is AIB).

Location-based Method: This method uses average grid emission factors based on the geographical location of electricity consumption, reflecting the regional energy mix.

Market-based Method: This method uses market-specific emission factors to reflect the amounts of energy obtained from renewable sources or specific contracts, ensuring that emissions reflect the type of electricity purchased.

Overview of methodology for calculating individual categories of Scope 3:

Individual categories from Scope 3 were calculated by selecting applicable methods from the Greenhouse Gas Protocol, 2004 version *(GHG Protocol Technical Guidance for Calculating Scope 3 Emissions v1.0 – Supplement to the Corporate Value Chain (Scope 3) Accounting and Reporting Standard)* based on available information. When determining the reporting boundary, it was concluded that categories 10. Processing of Sold Products, 13. Downstream Leased Assets and 14. Franchises do not need to be calculated due to the specific nature of the Group's operations, which are further explained in the information provided below.

1. Purchased goods and services: Calculated based on a spend-based method
2. Capital goods: Calculated based on a spend-based method
3. Fuel- and energy-related activities (not included in Scope 1 or 2): Calculated based on energy consumption data obtained from energy suppliers.
4. Upstream transportation and distribution: Calculated based on a spend-based method.
5. Waste generated in operations: Calculated based on a waste-type-specific method.
6. Business travel: Calculated using a method based on information about business travel, types of transport used, and the number of overnight stays.
7. Employee commuting: Calculated using a method based on average kilometers traveled and types of transport.
8. Upstream leased assets: Calculated using a method based on asset specifics (square footage) and, for some data, based on energy consumption of leased assets upstream in the value chain.

ESRS E1 – CLIMATE CHANGE (continued)

E1-6 – Gross Scopes 1, 2, 3 and Total GHG emissions (continued)

Overview of methodology for calculating individual categories of Scope 3 (continued):

9. Downstream transportation: Calculated based on a spend-based method.
10. Processing of sold products: Not applicable, as the Group does not produce semi-finished products for processing by third parties.
11. Use of sold products: Calculated based on a method involving the direct use of products in individual stages.
12. End-of-life treatment of sold products: Calculated based on data on waste type and disposal method.
13. Downstream leased assets: Not applicable, as the Group does not own assets it leases out.
14. Franchises: Not applicable, as the Group does not own franchises.
15. Investments: Calculated based on the square footage of the Ljekarne Jagatić and applicable emission factors, over which Ljekarne Prima Pharme hold a 49% share.

After calculating the total amount of greenhouse gases in Scope 3 and based on a comparison of results obtained from calculating individual categories, it was concluded that the most significant categories for the Group are Category 1: Purchased Goods and Services, and Category 11: Use of Sold Products. Category 1 generates 113,782 tCO_2 (eq), which accounts for 94.8% of the total greenhouse gases generated in Scope 3, while Category 11 generates 2,560 tCO_2 (eq), representing 2.1% of the total greenhouse gases generated in Scope 3. For the significant categories of Scope 3 (Category 1 and Category 11), primary data obtained from suppliers was not used.

Detailed methodology for calculating Category 1:
The calculation of emissions for purchased goods and services follows a spend-based methodology, using emission factors from Exiobase and USEEIO to estimate greenhouse gas (GHG) emissions. This approach evaluates emissions based on financial expenditures for goods and services using spend data for the year 2024. Emission factors from Exiobase are used as the primary source for calculating emissions associated with purchased goods. Specific emission factors are applied to each consumption category based on the purchase category description to calculate total emissions.
Since the spend data for the Group is expressed in euros, the following adjustments were applied during the calculation: Currency Conversion: To align with USEEIO emission factors for 2021, which are based on values in U.S. dollars, expenditures in euros were converted into U.S. dollars. This was achieved using the average exchange rate of the euro to the dollar for 2024 (1.082406 USD). Inflation Adjustment: Given that USEEIO emission factors are from 2021 and Exiobase emission factors are from 2022, an inflation adjustment is applied using the consumer price index (CPI) to account for price changes between 2021 and 2024 according to the CPI for the country of operation.

Excluded from Calculation: It is estimated that the spend-based quantification for key operational inputs of goods and services covers a significant portion of the emissions arising from activities related to the procurement of these goods and services. In this context, real estate leasing, utilities, energy and fuels, electricity, business travel activities, waste management activities, logistics services (transportation), and employee transportation services are excluded from Category 1, as they are covered under other Scope 3 categories.

ESRS E1 – CLIMATE CHANGE (continued)

E1-6 – Gross Scopes 1, 2, 3 and Total GHG emissions (continued)

Overview of methodology for calculating individual categories of Scope 3 (continued):

Assumptions used during calculation: It is assumed that suppliers of goods and services generate emissions in line with average industry estimates, allowing for the application of general emission factors to specialized materials where appropriate. The financial data used by the Group does not differentiate between the costs of products, transportation, and usage. Therefore, assumptions were made regarding whether these costs should be separated to account for both the product and transportation or attributed directly to the product. It was assumed that product costs include transportation costs without separating them into different categories. Exiobase emission factors are based on a 'cradle-to-gate' approach, covering the entire lifecycle of goods, including emissions from upstream transportation.

Detailed methodology for calculating Category 11:

A) Products that directly consume energy: For products that directly consume energy (fuel or electricity) during use, emissions are calculated using data on expected lifespan, usage, and the number of products sold, as well as the electricity consumed.
B) Products that contain or generate greenhouse gases: The total amount of refrigerant used is calculated by multiplying the number of products sold with the amount of refrigerant per product (serving as a gas carrier). Since the inhalers are single-use and do not require maintenance, it is assumed that all refrigerant is released during use, thereby multiplying the total refrigerant by 100%. The total refrigerant is then multiplied by the GWP (Global Warming Potential) of the refrigerant to obtain the total greenhouse gas emissions in kilograms of CO_2 equivalent.

Assumptions used during calculation: In cases where product specifications indicated variable operating times, typically up to 30 minutes per usage session, an assumption of 8 working hours per day was applied to estimate energy consumption. This assumption represents a conservative (overestimated) average for daily use and aligns with standard practices for estimating operational limitations in the absence of precise usage data. It ensures consistency in analysis while accounting for intermittent usage patterns of the devices. Assumption of 100% leakage: It is assumed that all refrigerant or gas contained in the metered-dose inhaler for single-use is released as emissions during use. Since the product is intended for single use and does not require maintenance, it is assumed that all gas will be released during the operation of the inhaler.

The measurement of GHG emission indicators has not been verified by an external body that is not the assurance provider.

ESRS E5 RESOURCE USE AND CIRCULAR ECONOMY

E5-1 – Policies related to resource use and circular economy

With the aim of contributing to resource conservation and reducing environmental impacts, the Group strives to recycle waste as much as possible and to implement a circular economy policy in the Group's operations in the coming periods. The company holds an ISO 14001 certification (Environmental Management System) and has management procedures and documents that meet the continuous certification processes required to maintain the Good Distribution Practice (GDP) certificate. The company does not have a standalone policy related to resource use and the circular economy. Given the importance of the GDP certificate for the company's operations, there is an identified risk of non-compliance with the ISO 14001 certificate, which could lead to the loss of the GDP certificate.

In addition, waste management is carried out in a legally regulated manner. In daily operations, the Group uses cardboard packaging, bubble wrap, stretch film, adhesive tape, labels, and PVC wrap tape from incoming materials. Since the Group deals with various chemicals, some of which may have negative impacts on human health, special attention is given to identifying hazardous waste and managing it. The majority of the total waste generated consists of non-hazardous waste.

Through environmental protection initiatives, the Group seeks to operate sustainably and create a progressive atmosphere within the company to encourage employees and other partners to adopt sustainable practices. To this end, waste is separated, and a digitization process has been initiated to reduce paper usage and thus paper waste. The Group has internal regulations on the operation of the waste management system, and all legal requirements in this area have been implemented. The entire organization also strives to reduce the use of cardboard packaging by using reusable plastic boxes.

Waste disposal is handled by external organizations authorized for this activity and monitored by various regulations. Additionally, the Group conducts system reviews to ensure their operations align with the Group's regulations and values. Strict documentation is maintained in the process of monitoring and collecting waste, and data is reported annually in the Environmental Pollution Register (ROO).

In all business centers and pharmacy branches, containers are provided for sorting different types of waste to ensure that as much waste as possible is recycled or processed in an energy-efficient and environmentally friendly manner, and to minimize the amount of municipal waste.

The Director of the Logistics Department is responsible for implementing these procedures, and the scope of application includes the Company. For now, the procedures do not cover the upstream and downstream value chains.

Pharmacy branches are required to allow patients to deposit waste medications, which they then dispose of properly.

The Company does not have an independent policy related to resource use and the circular economy but has management procedures and documents that meet the continuous certification processes according to ISO 14001. The ISO 14001 certificate and internal regulations on the functioning of the waste management system are directly linked to the identified material risk of losing the ISO 14001 certificate. They consider their own operations as well as the work processes of suppliers and lower levels of the value chain, through the obligation of pharmacy branches to allow patients to deposit waste medications, which they then properly dispose of.

ESRS E5 RESOURCE USE AND CIRCULAR ECONOMY (continued)

E5-2 – Actions and resources related to resource use and circular economy

The Company has not yet adopted policies and actions related to waste, as the material risk associated with the circular economy was identified during 2024 when the double materiality assessment was conducted. The Company intends to develop a plan of actions to minimize this risk in future periods.

E5-3 – Targets related to resource use and circular economy

The Company has not yet established target values related to waste. The Company plans to introduce actions related to waste in upcoming periods and, accordingly, will assign target values to these actions.

E5-5 – Resource outflows - Waste

The table below shows the total amount of waste generated by the Group's operations in tonnes, broken down by the mass diverted from disposal, the mass disposed of according to the type of treatment, and the total amount of non-recycled waste.

Waste	**Quantity (tons)**
Total amount of waste generated	589.66
Total quantity by mass diverted from disposal (hazardous waste)	17.06
Total quantity by weight diverted from disposal (non-hazardous waste)	572.61
According to the recovery process (hazardous):	
Total quantity by weight diverted from disposal - preparation for reuse	15.50
Total quantity by weight diverted from disposal - recycling	15.50
Total quantity by weight diverted from disposal - other recovery operations	-
According to the recovery procedure (non-hazardous):	
Total quantity by weight diverted from disposal - preparation for reuse	310.10
Total quantity by weight diverted from disposal - recycling	310.10
Total quantity by weight diverted from disposal - other recovery operations	-
According to the processing method (hazardous):	
Total quantity by weight to be disposed of (hazardous waste)	1.56
Total quantity by weight to be disposed of (non-hazardous waste)	262.51
According to the processing method (hazardous):	
Total quantity by mass diverted from disposal - incineration	1.02
Total quantity by mass diverted from waste disposal - disposal	0.54
Total amount by mass diverted from disposal - other disposal methods	-

ESRS E5 RESOURCE USE AND CIRCULAR ECONOMY (continued)

E5-5 – Resource outflows (continued)

Waste	Quantity (tons)
According to the processing procedure (non-hazardous):	
Total quantity by mass diverted from disposal - incineration	14.19
Total quantity by mass diverted from waste disposal - disposal	248.32
Total quantity by weight diverted from disposal - other disposal operations	-
Unrecycled waste	
Total amount of unrecycled waste	264.06
Percentage of non-recycled waste (%)	44.78%

Waste streams relevant to the activities and sector in which the Group operates

The data in the above tables include all different types of waste (e.g., waste toners, plastic packaging, cardboard, waste filters, cytostatic, chemicals, pharmaceuticals, bulky waste, mixed municipal waste...) generated at distribution sites, including pharmacies. The mentioned waste treatment methods are presented based on data provided by waste disposal collectors.

Materials present in waste

Plastics, textiles, chemicals, cytostatic, and similar materials.

Contextual information, methodology, and significant assumptions related to waste from operational business

Quantities are calculated based on records, which include accompanying documentation and invoices from service providers for the removal of mixed municipal waste. The amount of mixed municipal waste was 940,279.73 litres. In Croatia, there is no standardized way of expressing measurement units for mixed municipal waste. The total amount of mixed municipal waste in litres was converted into tonnes using a conversion factor, assuming that the total amount generated was directed for disposal. The Group systematically sorts, collects, and hands over waste to authorized collectors who have the necessary permits for further disposal, with the intention that authorized disposers will recycle it. The measurement of indicators has not been verified by an external body that is not the assurance provider.

ESRS S1 – OWN WORKFORCE

ESRS 2 SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model

Employees play a crucial role in the success of the Group. An organization can only be successful if it has motivated and engaged employees with the right qualifications. Therefore, activities are focused on encouraging employee motivation, engagement, and development, as well as promoting diversity and inclusivity in the workplace. The aim is to offer employees attractive working conditions, as well as numerous opportunities for career development and further training. Open dialogue and good relationships between management and employees are key elements of corporate culture, aiming to create a safe and healthy working environment. Based on the Group's Strategic Guidelines for the period 2023 to 2025, activities have been prepared to ensure sustainable and efficient management of the working environment and human resources.

The Group has identified a material positive impact from the systematization of salaries and equal pay rights, which is linked to the Group's business model and strategy. Equal opportunities for all employees are sought through prescribed job descriptions and financial frameworks for each position, regardless of gender, origin, and other criteria. This results in a positive impact on the workforce, directly influencing employee retention and satisfaction.

Considering the global trend of a dynamic business environment that contributes to reducing the balance between private and business life, the number of employees has been strategically increased to establish an even distribution and intensity of tasks per employee. All overtime hours are paid in accordance with the law, or working hours are redistributed. Employees also have the right to days off in accordance with the provisions of the Work Regulations.

The Group continuously works on expanding the portfolio of benefits offered to employees. In addition to Christmas and Easter bonuses, it also provides support for newborns, the death of close family members, worker disability, support for continuous sick leave longer than 90 days, jubilee awards, in-kind gifts, a candidate referral reward program, sports benefits program, scholarships for deceased workers' children, education support, accident insurance, flexible working hours where the nature of the job allows, occasional employee gatherings, favourable banking and hotel group conditions for employees, additional savings benefits in the third pillar of pension insurance, transportation allowances, and meal allowances, as well as employee reward systems in the form of cash bonuses for work results and salary supplements. For employees' children, the Group provides and ensures gifts and organizes appropriate gatherings for employees and their children. The Group also provides and ensures paid leave and days off, with special attention to parents and their need to care for children and family.

Encouraging a diverse, fair, and inclusive organization is an integral part of the Group's business strategy. The Group values diverse opinions regardless of ethnicity, race, religion, culture, gender identity or sexual orientation, gender, age, or individual ability. By respecting diversity and encouraging open dialogue on the importance of inclusivity and providing equal opportunities, employees have the opportunity to realize their potential and contribute to the overall culture of the organization, which results in greater innovation, creativity, satisfaction, and business success. Values, ethical and professional, are clearly defined within strategic documents and guidelines, and the core values of the organization, as well as the expected behavior of all team members, are implemented in the Group's documents. Through the Work Regulations, with provisions on procedures and actions for protecting workers' dignity, the Code of Ethics, and the Procedure for the Selection and Employment of New Employees, the Group ensures a fair and unbiased approach to every individual, regardless of the process or status of the individual. This enables equal opportunities and possibilities for all existing and potential employees in the future.

ESRS S1 – OWN WORKFORCE (continued)

ESRS 2 SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model (continued)

To ensure prompt and effective resolution of potential discriminatory or other forms of unfair practices in the environment, Dignity Protection Officers have been appointed, whom all employees can contact if they believe their rights have been violated in any way. In situations where the Group faced unfair and inappropriate practices, it reacted seriously and swiftly to protect the rights and dignity of individuals and implemented necessary measures to sanction individuals whose actions could be characterized as discriminatory or inappropriate in the context of organizational values and guidelines.

The Group has identified a number of material opportunities to increase employee satisfaction and retention, such as providing education and training, ensuring adequate salaries, benefits, and employee well-being. Material identified risks include labor shortages and high employee turnover in logistics, lack of warehouse space affecting logistics operations, and a shortage of pharmacists willing to work in pharmacies. All these risks and opportunities arise from dependence on the internal workforce and the business model, which are described in more detail below.

Providing education and training to employees and focusing on their well-being positively impacts employee satisfaction and retention. This leads to continuous employee engagement, preservation of knowledge within the Group, cost savings on onboarding new employees, and increased satisfaction among suppliers and customers.

Education is one of the most important strategic goals of the Group. The organization and implementation of various educational and development programs result from continuous assessment of work performance and competencies, as well as identifying the educational and developmental needs of all employees. All employees within the Group have access to educational programs and opportunities. Employees identified as having potential for growth, development, and taking on new, more responsible roles in the future, as well as key employees, are included in educational and development projects. These projects aim to develop knowledge, skills, and competencies important for managing people, business processes, and changes. In the upcoming period, the Group will continue to invest in further education and the development of its employees.

The Human Resources Department, in coordination with direct supervisors, defines the developmental needs of employees and plans education in the annual process. Each direct supervisor is responsible for proposing employees who they believe need development. To ensure opportunities for professional and personal development are available to each employee, there are organized programs at the Group level focusing on employee development, specialized education, and individual training. The results of quarterly and annual assessments of all employees include goals and plans for their personal and professional development and their inclusion in development and educational programs based on the need for developing specific knowledge, skills, and behaviors. Professional training offered through webinars is available to all employees, and other internal or external educational opportunities are offered to employees depending on the need for developing specific knowledge, skills, and behaviors.

Adequate employee salaries and attention to well-being impact employee satisfaction and retention, resulting in continuous employee engagement, preservation of knowledge within the Group, savings on onboarding new employees, and satisfaction among suppliers and customers.

The Group plans to increase benefits for employees with the aim of retaining the workforce and enhancing motivation and engagement in work, which will result in better efficiency and employee satisfaction.

ESRS S1 – OWN WORKFORCE (continued)

ESRS 2 SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model (continued)

Labor shortages and employee turnover affect work quality and satisfaction - potential costs due to errors

Labor shortages and high employee turnover present a significant challenge that directly impacts work quality, productivity, and overall employee satisfaction. High turnover can lead to reduced speed and efficiency, as new employees require additional training and adaptation to the work environment. Additionally, extra investments in new equipment, uniforms, and work attire are necessary to meet the needs of a changing workforce. Increased turnover also raises the risk of errors in job execution, which can negatively affect service quality and relationships with suppliers and customers. Existing employees face additional burdens due to the need to train new colleagues. To mitigate the negative consequences of employee turnover and maintain high workforce satisfaction, the Group has implemented a range of actions to improve working conditions. The labor market is actively monitored, and foreign workers are employed as needed, with the same conditions provided as for existing employees. This approach stabilizes the workforce and reduces pressure on existing employees, contributing to social responsibility and business sustainability. Additionally, local labor is continuously hired in line with market availability. To reduce turnover and improve work quality in the long term, continuous investment is made in employee training, providing benefits for better working conditions, and enhancing the balance between professional and private life. Internal processes are developed for faster integration of new employees, thereby reducing stress and burden on existing employees. Employee satisfaction is systematically monitored through internal surveys and discussions to timely address potential issues and adapt the Group's approach to workforce needs.

Inadequate warehouse space, combined with increasing turnover, results in the rejection of business opportunities due to the inability to execute them and complications in conducting logistics operations.

The risk associated with slower growth due to a lack of warehouse space and increased congestion in logistics, which can lead to employee dissatisfaction and stress, is currently being mitigated by renting warehouse spaces and introducing a second shift. Due to the different locations of rented warehouse spaces, there are increased costs for personnel and transportation. In the long term, the Company plans to build a new warehouse that will meet the actual needs of the business.

The shortage of workforce (pharmacists) in pharmacies results in the closure of shifts in pharmacies and loss of revenue.

The law stipulates that one of the minimum requirements for operating a pharmacy is the presence of a licensed pharmacist authorized to work independently in the pharmacy. The lack of pharmacists jeopardizes the availability of healthcare services. It is important to note that the current number of employees does not meet the optimal needs of the Institution, due to the unavailability of skilled staff and the non-competitiveness of the conditions offered by the Institution.

The lack of an optimal number of employees in certain areas, primarily pharmacists, led to occasional work interruptions or limiting operations to one shift in more than 25 pharmacies in 2024. In more than 10 pharmacies, working hours were altered or shifts were closed for extended periods (a month or more). The shortage of available staff, primarily pharmacists, has a negative impact on business revenue, as well as the obligation to provide primary healthcare across the Republic of Croatia.

ESRS S1 – OWN WORKFORCE (continued)

ESRS 2 SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model (continued)

Due to the prolonged shortage of pharmacists in the labor market, the Institution awarded scholarships to 5 fourth- and fifth-year pharmacy students in 2024, who are obligated to work for a pre-agreed period at locations as needed by the Institution upon completing their studies.

All workforce members whom the Group could significantly impact are included in the double materiality assessment. The Group does not have employees who are not in an employment relationship within its own workforce. The Group has not identified material negative effects on its own workforce. Considering the type of business and the geographical area in which the Group operates, there is no high risk of forced or child labor cases.

The Group has recognized positive effects on the workforce. It takes actions to ensure equal rights and conditions for all employees and to mitigate the risk of potential negative impacts on certain employee groups. The Group does not employ minors, which eliminates risks associated with young workers, such as inadequate work protection and violations of labor laws. Furthermore, the Group implements actions to ensure the absence of gender discrimination, which is crucial for protecting women from negative workplace impacts. These actions reduce the risk of gender inequality and ensure equal rights and opportunities for all employees.

Given the identified risks dependency on the workforce is largely limited to specific groups of workers, with high employee turnover and lack of warehouse space predominantly associated with logistics workers, while the risk of a shortage of pharmacists willing to work in pharmacies depends on the availability of interested pharmacists.

S1-1 – Policies related to own workforce

Following the results of the double materiality assessment analysis, the material positive impact related to the own workforce pertains to the systematization of salaries, rights, and pay equality, while material opportunities involve adequate salaries and benefits, employee education, and employee well-being. The Group does not have a standalone policy for these impacts and opportunities; instead, they are addressed through the Employee Salaries and Other Compensation Regulations and the Organization and Job Classification Regulations. The Group has not established a specific policy related to employee benefits, but decisions regarding employee benefits for the Company are made during management meetings and discussed with the Works Council. For employees of Ljekarne Prima Pharme, discussions are held with the Union.

The Employee Salaries and Other Compensation Regulations define salaries, salary compensations, and other payments to the Group's employees. The Organization and Job Classification Regulations establish work organization and internal work distribution, a list of job positions, specific conditions for employee allocation, and other matters significant for the successful performance of tasks and duties arising from the Company's operations. These regulations enable a clear understanding of the required skills and, accordingly, ensure pay equality for equivalent job positions. The responsibility for implementing these regulations lies with the Company's Management Board and the Principal of the Institution. When formulating these regulations, consultations were held with the representative of the Company's Works Council and the Union of Ljekarne Prima Pharme. Employees are informed about the regulations upon employment, and they are accessible on the Group's internal websites.

ESRS S1 – OWN WORKFORCE (continued)

S1-1 – Policies related to own workforce (continued)

For the identified material risks—workforce turnover, shortage of pharmacists in the market, and lack of warehouse space, which are associated with the own workforce—the Group has not developed a specific policy, nor are these risks part of the existing Regulations. However, certain actions are currently in place to mitigate these risks such as additional benefits for pharmacy staff, investments in further employee training, employee satisfaction surveys, and similar initiatives.

These Regulations encompass the entire workforce.

Human rights protection

The Group has not adopted a specific policy related to human rights protection; instead, this is regulated through the Work Regulations. The Group is obligated to apply all legal and regulatory acts related to employment relations and to establish internal acts that are in compliance with current regulations. Additionally, the Company is required to apply the Collective Agreement for the Trade Sector.

Employees have the right to file a request for rights protection against any decision, which the employer must address within the legally prescribed timeframe. The Group also has procedures and actions in place for the protection of dignity and against discrimination.

Within the Institution, the Legal and Human Resources Department, along with Payroll, monitors the compliance of regulations with these instruments.

Policies related to the own workforce are fully aligned with all legal regulations in the Republic of Croatia. Furthermore, the Universal Declaration of Human Rights by the United Nations, along with the UN Guiding Principles on Business and Human Rights, are accepted in Republic of Croatia. Respect for human rights is of utmost importance throughout all organizational structures of the Group.

Forced labor, compulsory labor, child labor, and human trafficking have not been identified as risks due to the geographical location and type of business; therefore, they are not explicitly included in the regulations but are addressed through compliance with the Labor Law.

Policy and management system for preventing workplace accidents

The Group has a policy and management system in place to prevent workplace accidents. Through this system, the Group is committed to managing processes, risks and safety in an effective and efficient manner.
Continuous education, monitoring, and implementation of safety guidelines aim to ensure a safe working environment for all employees and contractors within the Group.
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ESRS S1 – OWN WORKFORCE (continued)

S1-1 – Policies related to own workforce (continued)

Prevention of discrimination

Provisions for preventing discrimination (including harassment), promoting equal opportunities, and fostering diversity and inclusion are integral parts of the Group's internal regulations, including the Procedure and Actions for Protecting Workers' Dignity, the Work Regulations, and the Code of Ethics. These provisions cover the following grounds for discrimination: racial and ethnic origin, skin colour, gender, sexual orientation, gender identity, disability, age, religion, political opinion, national or social origin, and other forms of discrimination covered by European Union regulations and national law. The prevention of discrimination is implemented through internal acts that prescribe procedures and actions for protecting workers' dignity (Procedure and Actions for Protecting Workers' Dignity), as well as through the Work Regulations and the Code of Ethics, which provide protection against discrimination. The Group also ensures equal opportunities and procedures for all candidates through the Procedure for the Selection, Recruitment, and Employment of New Employees. The Group has not developed specific policies related to inclusion or affirmative action for individuals from groups particularly vulnerable within its own workforce, as all employees have equal rights.

S1-2 – Processes for engaging with own workforce and workers' representatives about impacts

Employees play a crucial role in the success of the Group, so activities are focused on encouraging motivation, engagement, and development of employees, as well as promoting diversity and inclusivity in the workplace. In terms of material impact associated with enabling equal opportunities for all employees, all employees are offered equal working conditions, as well as various opportunities for career development and further training. Open dialogue and good relationships between management and employees are key elements of the Group's corporate culture, aiming to create a safe and healthy working environment.

Based on the Group's Strategic Guidelines for the period from 2023 to 2025, the Group has prepared activities aimed at ensuring sustainable and efficient management of the working environment and human resources. Although there is no collective agreement, the Group has a positive attitude and openness toward collective organization and negotiation, and cooperation with the Union and the Works Council can be assessed as positive, efficient, and cooperative.

Open dialogue is encouraged and supported on a daily basis between employees and between employees and their superiors. Team leaders are expected to provide feedback to their team members at least quarterly, as part of the quarterly assessment of competencies and work performance. This also provides employees with an opportunity to give feedback to their superiors, express their opinions, and thereby align strategy with employee needs. Managers and directors receive official feedback annually, with goals and individual development plans.

The Company has an organized Works Council, whose members are elected in free, direct elections by secret ballot. The elected Works Council reflects all organizational business units and the structure of all employees (by gender, age, educational level, job roles, etc.). The elected Works Council, according to legal powers, protects and promotes workers' interests through consultation, co-decision, or negotiations with the employer on matters important for workers' position.

ESRS S1 – OWN WORKFORCE (continued)

S1-2 – Processes for engaging with own workforce and workers' representatives about impacts (continued)

The Institution has a Union representative who assumes the powers of the Works Council. Management can gain insight into workforce satisfaction and desires to maintain satisfaction and retain the workforce.

Collaboration occurs at several levels, directly with employees and through representatives in the Company's Works Council and Union. Collaboration with the Human Resources Department involves five phases: conducting satisfaction surveys and discussions with employees, informing management of collected data, making and implementing decisions, and finally reviewing the success of implemented decisions. This collaboration occurs regularly. The Company's Works Council is involved in making legal acts of the Company and decisions related to employees' employment-related matters through prior consultation and opinion. This collaboration usually occurs on a quarterly basis, at least twice a year.

In the Institution, Union members communicate suggestions to the representative via phone or email, as needed. The Union representative communicates directly with the Principal, and sometimes the Principal consults directly with pharmacy or area managers to resolve issues. This collaboration occurs as needed.

Feedback is recorded through satisfaction surveys and discussions with employees, as well as exit interviews. Employees are verbally informed about the impact of their feedback on decisions and changes. Open dialogue is encouraged and supported daily between employees and their superiors. Team leaders are expected to provide feedback to their team members at least quarterly, as part of the quarterly assessment of competencies and work performance. This also provides employees with an opportunity to give feedback to their superiors, express their opinions, and thereby align strategy with employee needs. Managers and directors receive official feedback annually, including goals and individual development plans. Employees are verbally informed about the impact of their feedback on decisions and changes.

Collaboration activities are carried out at all levels, with human resources (Legal Department, Human Resources, Management, Management Board) assigned for collaboration.

The highest responsibility for ensuring collaboration lies with members and the president of the Company's Board and the Principal of the Institution. Responsibility is delegated to human resources, directors, the legal department, members of the Works Council, and the Union representative for the Institution for specific collaborations.

ESRS S1 – OWN WORKFORCE (continued)

S1-3 – Processes to remediate negative impacts and channels for own workforce to raise concerns

The Group has not identified material negative impacts on its own workforce.

Channels for Raising Concerns

Company

There are channels and a designated representative through whom the workforce can express concerns. Employees can raise inquiries with their direct supervisors or directly with specialized departments. Suspected violations of rights can be reported to the dignity protection officer, the Legal Department, the Works Council, anonymously to a confidential person, or to third parties such as the labor inspectorate or the public prosecutor's office. Additionally, one channel for expressing concerns or dissatisfaction is the employee satisfaction survey, which is conducted regularly.

Employees have the right to appeal or file a request for protection of their rights against any decision made by the employer within 15 days of the decision being made. Depending on the resolution provided by the employer, they also have the right to seek judicial protection.

The process for handling complaints is described in internal documents and has been previously mentioned in this report (S1-1 – Policies Related to Own Workforce and S1-2 – Procedures for Collaboration with Own Workforce). All internal documents are accessible to all employees, and periodic training sessions are conducted.

The Company monitors and tracks questions submitted through the described channels within the Human Resources Department. An analysis of employee satisfaction surveys and the presentation of results are conducted to implement possible actions ensuring effectiveness.

Institution

The institution has established channels through which employees can express their concerns or needs. Employees can do this via personalized email addresses, anonymously through the institution's email, regular mail, the intranet, or by contacting the dignity protection officer.

If the Institution or individuals authorized to receive complaints receive a complaint regarding harassment, dignity protection, or discrimination, they are obliged to investigate the complaint within eight days of receipt. If they find the complaint is based on relevant facts indicating likelihood, they must take all necessary urgent measures (such as relieving the employee who filed the complaint from work obligations, removing the employee against whom the complaint was filed, and relieving the employee from duties that involve contact with the person against whom the complaint was filed) to prevent the continuation of harassment, sexual harassment, or discrimination.

ESRS S1 – OWN WORKFORCE (continued)

S1-3 – Processes to remediate negative impacts and channels for own workforce to raise concerns (continued)

Channels for Raising Concerns (continued)

Institution (continued)

In the process of investigating the complaint, the institution or individuals authorized to receive and resolve complaints related to dignity protection will interview the employee who submitted the complaint, the person alleged to have harassed or sexually harassed the employee, determine the manner and circumstances of the harassment, and gather other evidence to establish relevant facts. Measures against an employee found to have committed harassment or sexual harassment may include: a written warning, termination of a contract under which the person collaborates with the employer (e.g., freelance contract, copyright agreement), termination of the employment contract with an offer of a modified agreement, or regular or extraordinary termination of the employment contract. Policies are continuously available to employees via the intranet and notice board.

Employees within the workforce are aware of the structures and procedures for expressing concerns. Procedures are described in internal documents accessible to employees, and regular training sessions are conducted. Authorized individuals must carry out all actions, including collecting statements from employees and others, in a manner that ensures data confidentiality and privacy protection for each person.

The company has established whistleblower protection policies. Information on whistleblower protection can be found in G1-1.

S1-4 – Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions

Actions for material impacts

Based on the Group's Strategic Guidelines for the period from 2023 to 2025, activities have been prepared to ensure sustainable and efficient management of the working environment and human resources.

Equal opportunities for all employees

Values, both ethical and professional, are clearly defined within strategic documents and guidelines. The core values of the organization, as well as expected behaviours for all team members, are implemented in all Group documents. The Work Regulations, including provisions on procedures and actions for protecting workers' dignity, the Code of Ethics, and the Procedure for the Selection, Recruitment, and Employment of New Employees, ensure a fair and unbiased approach to every individual, regardless of the process or status of the individual. This enables equal opportunities and possibilities for all existing and potential employees in the future.

The effectiveness of actions is assessed through employee feedback, satisfaction surveys, monitoring turnover rates, and additional assessments of work performance, competencies, and alignment with employee values.

ESRS S1 – OWN WORKFORCE (continued)

S1-4 – Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions (continued)

Equal opportunities for all employees (continued)

The Group has not made a plan to transition to a greener, climate-neutral economy, and therefore there are no related negative impacts on its own workforce. The Group has not identified material negative impacts on the workforce.

Resources allocated to managing material impacts

The Group has identified a material positive impact from the systematization of salaries, rights, and pay equality, which is connected to the Group's business model and strategy. Equal opportunities for all employees are sought through prescribed job descriptions and financial frameworks for each position, regardless of gender, origin, and other criteria. This results in a positive impact on the workforce, directly influencing employee retention and satisfaction.

At this time, the Group does not intend to introduce special positions within the Human Resources Department to promote diversity or hiring practices. However, all employees in human resources, legal, and personnel roles, as well as all Group managers, are expected to promote diversity and act accordingly.

Regarding financial resources, certain funds are used for employee training and projects related to integrating foreign employees, and continuous education in this area is undertaken.

The Group is in the process of implementing a comprehensive human resources software system to track data related to this topic. Until now, the Group has maintained human resources data in records outside of software systems. The Group does not plan to develop new business policies and procedures, nor does it consider it necessary to create new reports or introduce new certifications related to the topic.

Actions for material risks and opportunities

The collective expected outcome of all actions to increase employee satisfaction and retention is to develop the image of a desirable employer, attract talent, retain quality employees, ensure a healthy and safe working environment, reduce sick days and absences, decrease the likelihood of unacceptable behavior in the organization, create a pleasant and stimulating atmosphere, develop employee knowledge, skills, and competencies, impact employee satisfaction, influence employee living standards, affect employee health and safety, achieve equal opportunities for employees, and influence the development and education of young people. These actions apply to all employees and are continuously implemented and adjusted according to employee needs.

Providing education and training to employees and focusing on their well-being positively impacts employee satisfaction and retention. This leads to continuous employee engagement, preservation of knowledge within the Group, cost savings on onboarding new employees, and increased satisfaction among suppliers and customers.

ESRS S1 – OWN WORKFORCE (continued)

S1-4 – Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions (continued)

Actions for material risks and opportunities (continued)

Education is one of the most important strategic goals of the Group. The organization and implementation of various educational and development programs result from continuous assessment of work performance and competencies, as well as identifying the educational and developmental needs of all employees within the Group. All employees within the Group are included in educational programs and opportunities. Employees who are assessed as having potential for growth, development, and taking on new, more responsible roles in the future, as well as key employees, are included in educational and development projects aimed at developing knowledge, skills, and competencies important for managing people, business processes, and changes. In the upcoming period, the Group will continue to invest in further education and development of its employees.

The Human Resources Department, in agreement with direct supervisors, defines the developmental needs of employees and plans education in the annual process. Each direct supervisor is responsible for proposing employees whom they believe need development. To ensure opportunities for professional and personal development are available to each employee, there are organized programs at the Group level focusing on employee development, specialized education, and individual training. The results of quarterly and annual assessments of all employees include goals and plans for their personal and professional development and their inclusion in development and educational programs based on the need for developing specific knowledge, skills, and behaviours. Professional training offered through webinars is available to all employees, and other internal or external educational opportunities are offered to employees depending on the need for developing specific knowledge, skills, and behaviours.

Adequate employee salaries and attention to well-being, aimed at achieving a balance between work and personal life - impact on employee satisfaction and retention. This results in continuous employee engagement, preservation of knowledge within the company, savings on onboarding new employees, and satisfaction among suppliers and customers.

The Group plans to increase benefits for employees to retain the workforce and enhance motivation, which will result in improved efficiency and employee satisfaction. Employees of the Group enjoy a range of benefits, including biennial health check-ups, a day off for the first day of school, Christmas and Easter bonuses, and support for various life events such as childbirth, death of a close family member, worker disability, continuous sick leave longer than 90 days, jubilee awards, in-kind gifts, a candidate referral reward program, scholarships for children of deceased workers, educational support, accident insurance, flexible working hours where job nature permits, occasional employee gatherings, favorable hotel and banking services, additional savings benefits in the third pillar of pension insurance, sports benefits program, transportation allowances, and meal allowances. The Group also has employee reward systems in the form of cash bonuses for work results and salary supplements, provides gifts for employees' children, and organizes appropriate gatherings for employees and their children.

ESRS S1 – OWN WORKFORCE (continued)

S1-4 – Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions (continued)

Labor Shortages and Employee Turnover

Labor shortages and high employee turnover present significant challenges that directly impact work quality, productivity, and overall employee satisfaction. High turnover can lead to reduced speed and efficiency, as new employees require additional training and adaptation to the work environment. Additionally, extra investments in new equipment, uniforms, and work attire are necessary to meet the needs of a changing workforce. Increased turnover also raises the risk of errors in job execution, which can negatively affect service quality and relationships with suppliers and customers. Existing employees face additional burdens due to the need to train new colleagues. To mitigate the negative consequences of employee turnover and maintain high workforce satisfaction, the Group has implemented a range of actions to improve working conditions. The labor market is actively monitored, and foreign workers are employed as needed, with the same conditions provided as for existing employees. This approach stabilizes the workforce and reduces pressure on existing employees, contributing to social responsibility and business sustainability. Additionally, local labor is continuously hired in line with market availability. To reduce turnover and improve work quality in the long term, continuous investment is made in employee training, providing benefits for better working conditions, and enhancing the balance between professional and private life. Internal processes are developed for faster integration of new employees, thereby reducing stress and burden on existing employees. Employee satisfaction is systematically monitored through internal surveys and discussions to timely address potential issues and adapt the Group's approach to workforce needs.

Inadequate warehouse space, coupled with increasing turnover, results in the rejection of business opportunities due to the inability to execute them and complicates the implementation of logistics operations.
The potential for growth is hindered by a lack of warehouse space, increased congestion in logistics, and dissatisfaction and stress among workers. Currently, risk mitigation is being carried out by renting warehouse spaces and introducing a second shift. Due to the different locations of rented warehouse spaces, the Group incurs higher costs for personnel and transportation. In the long term, the Group plans to build a new warehouse that will meet the actual business needs.

The shortage of workforce (pharmacists) in pharmacies results in the closure of shifts in pharmacies and loss of revenue. The law stipulates that one of the minimum requirements for operating a pharmacy is the presence of a licensed pharmacist authorized to work independently in the pharmacy. The lack of pharmacists jeopardizes the availability of healthcare services. It is important to note that the current number of employees does not meet the optimal needs of the institution due to the unavailability of skilled personnel and the non-competitiveness of the conditions offered by the institution. The lack of an optimal number of employees in certain areas, primarily pharmacists, in 2024 led to occasional work interruptions or limiting operations to one shift in more than 25 pharmacies. In more than 10 pharmacies, working hours or shifts were closed for extended periods (a month or more). The shortage of available staff, primarily pharmacists, thus has a negative impact on business revenue as well as the obligation to provide primary healthcare across the Republic of Croatia.

ESRS S1 – OWN WORKFORCE (continued)

S1-4 – Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions (continued)

Due to the prolonged shortage of pharmacists in the labor market, during 2024, the institution awarded scholarships to 5 fourth- and fifth-year pharmacy students who are required to work for a pre-agreed period at locations as needed by the institution upon completing their studies.

Procedures for managing material risks related to the own workforce are not integrated into the Group's risk management system.

Although the Group has not established a formalized action plan, providing benefits for employees involves a range of operational expenses such as costs for education, advertising, salary increases, expenses related to foreign workers, systematic health check-ups, jubilee awards, Christmas and Easter bonuses, support for newborns, death of a close family member, worker disability, support for continuous sick leave longer than 90 days, in-kind gifts, candidate referral reward programs, sports benefit programs, scholarships for children of deceased workers, educational support, accident insurance, occasional employee gatherings, transportation allowances, meal allowances, employee reward systems in the form of cash bonuses for work results and salary supplements, gifts for employees' children, and organized gatherings for employees with their children. These benefits are detailed in the Group's financial report (Note 7 Operating expenses). The Group will continue to implement certain actions in the upcoming periods that will impact financial resources.

S1-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

The Group has not established target values related to the material topic of its own workforce. The reason for not setting target values is that this is the first year of conducting the double materiality analysis. This process has allowed for a better understanding of key sustainability topics relevant to the Group's operations. Although the Group has certain internal target values, an analysis and plan are needed to set target values that meet the ESRS requirements.

The Group monitors the effectiveness of actions through employee satisfaction surveys, tracking turnover rates, and discussions with employees. The level of ambition the Group aims to achieve in the context of the satisfaction survey is a response rate of 65% of employees and scores of 4 or higher for each category. Surveys are conducted every two years. The turnover rate the Group strives for is below 15%. Turnover is monitored monthly and annually. Qualitative indicators also include daily conversations with employees.

ESRS S1 – OWN WORKFORCE (continued)

S1-6 – Characteristics of the undertaking's employees

Below are the data on the characteristics of the Group's employees. Due to the new data calculation methodology in accordance with ESRS, the Group has implemented new methods for data collection that differ from previous methods. This has enabled more precise and detailed reporting but prevents direct comparisons with data previously published in annual reports.

The Group does not have employees within its own workforce who are not in an employment relationship with the Group. Presentation of information on the number of employees by gender:

Gender (31.12.2024)	**Company**	**Institution**	**Group**
Male	319	36	355
Female	276	401	677
Total employees	**595**	**437**	**1.032**

Presentation of information on the number of employees by type of contract by gender

31.12.2024	**Male**	**Female**	**Company Total**
Number of employees	319	276	**595**
Permanent contract	250	259	**509**
Temporary contract	69	17	**86**
Number of employees with non-guaranteed working hours (STUDENTS)	1	1	**2**
Number of full-time employees	318	274	**592**
Number of part-time employees	1	2	**3**

31.12.2024.	**Male**	**Female**	**Institution Total**
Number of employees	36	401	**437**
Permanent contract	28	374	**402**
Temporary contract	8	27	**35**
Number of employees with non-guaranteed working hours (STUDENTS)	-	1	**1**
Number of full-time employees	32	399	**431**
Number of part-time employees	4	2	**6**

ESRS S1 – OWN WORKFORCE (continued)

S1-6 – Characteristics of the undertaking's employees (continued)

31.12.2024	Male	Female	Group Total
Number of employees	355	677	**1,032**
Permanent contract	278	633	**911**
Temporary contract	77	44	**121**
Number of employees with non-guaranteed working hours (STUDENTS)	1	2	**3**
Number of full-time employees	350	673	**1,023**
Number of part-time employees	5	4	**9**

	Company	Institution	Group
Total number of employees who left the company in the reporting period	92	62	154
Employee turnover rate in the reporting period	15.7%	14.44%	15.2%

The data on employees were collected through the Group's AKIRA portal. The turnover rate was calculated using the formula: number of employees who left the company / average number of employees throughout the year. The number of employees was used for these calculations. The employee count is reported as of the last day of the month (December 31, 2024).

The most common reasons cited by employees for leaving the Institution were the need for change or better financial conditions and relocation. For leaving the Company, employees most frequently mentioned the need for better financial conditions and finding another job of greater interest. Employees hired on a fixed-term basis are typically employed under such contracts to replace employees on maternity leave, long-term absences, or due to increased workload during certain times of the year.

The measurement of indicators related to employee characteristics (Chapter S1-6) has not been verified by an external body that is not the assurance provider.

ESRS S1 – OWN WORKFORCE (continued)

S1-9 - Diversity metrics

Gender distribution by number and percentage at the highest management level.

Gender distribution at the highest management level	Number of employees at the highest management level	Company Percentage (relative to total at the highest management level)
Male	17	59%
Female	12	41%
TOTAL	**29**	**100%**

Gender distribution at the highest management level	Number of employees at the highest management level	Institution Percentage (relative to total at the highest management level)
Male	3	23%
Female	10	77%
TOTAL	**13**	**100%**

Gender distribution at the highest management level	Number of employees at the highest management level	Group Percentage (relative to total at the highest management level)
Male	20	48%
Female	22	52%
TOTAL	**42**	**100%**

ESRS S1 – OWN WORKFORCE (continued)

S1-9 - Diversity metrics (continued)

Distribution of employees by age groups.

Company

Age group	Number of employees (total)	Percentage of employees
Under 30 years	68	11%
Between 30 and 50 years	407	68%
Over 50 years	120	20%
TOTAL	**595**	**100%**

Institution

Age group	Number of employees (total)	Percentage of employees
Under 30 years	149	34%
Between 30 and 50 years	218	50%
Over 50 years	70	16%
TOTAL	**437**	**100%**

Group

Age group	Number of employees (total)	Percentage of employees
Under 30 years	217	21%
Between 30 and 50 years	625	61%
Over 50 years	190	18%
TOTAL	**1,032**	**100%**

Top management is defined as the governing body, then one level below the governing body and, in certain departments, managers, who are two levels below the governing bodies. The indicator is calculated based on internal data collected by the Human Resources Department and provides an overview as of 31.12.2024. The data covers the entire composition of the top management within the Group.

The measurement of this indicator has not been verified by an external body that is not an assurance provider.

ESRS S1 – OWN WORKFORCE (continued)

S1-10 – Adequate wages

All employees of the Group receive wages that align with applicable benchmarks and comply with the Minimum Wage Act (NN 118/18, 120/21) and the Directive 2022/2041 of the European Parliament and the Council on adequate minimum wages in the European Union, which has been transposed into Croatian legislation through the Minimum Wage Act (NN 118/18, 120/21, 152/24).

S1-16 - Compensation metrics (pay gap and total remuneration)

The gender pay gap, defined as the difference in average pay grades between male and female employees expressed as a percentage of the average pay grade of male employees for the year 2024, is 8% for the Company. Quantitative data were calculated using payroll application data for all employees, including those who left the company during 2024. The calculation considered gross wages, contributions from and on the wage, bonuses, and in-kind compensation. The gender pay gap reflects gender diversity across different job types within the Company. The management consists solely of male members, whose earnings (including salary and annual bonuses) are significantly higher than any other paid person in the Company. In certain roles, such as driver-deliverer, no female employees were present. Given that there are more males in managerial positions compared to females, their earnings are consequently higher. Additionally, in 2024, more female employees were on maternity leave or long-term sick leave, which also affected the average gross hourly wage calculation.

The ratio of the total annual compensation of the highest-paid individual to the median total compensation for all employees (excluding the highest-paid individual) for the Company is 26. Quantitative data were calculated using payroll application data for all employees, including those who left the company during 2024. The compensation considered includes gross wages (with included contributions from and on the wage), bonuses, in-kind receipts, and non-taxable compensation such as occasional rewards, performance bonuses, Christmas bonuses, Easter bonuses, meals, and transportation. Employees on long-term sick leave, whose wages were not covered by the employer, were not included in the total working hours. The type of work and required educational qualifications also affect the hourly wage. According to the educational structure, about 80% of the Company's employees have qualifications equal to or lower than a high school diploma (SSS).

The gender pay gap for the Institution is 15%. Quantitative data were calculated using payroll application data for all employees, including those who left the Institution. The calculation considered gross wages, contributions from and on the wage, bonuses, and in-kind compensation. The gender pay gap reflects gender diversity across different job types within the Institution. In 2024, there were only 30 male employees, 12 of whom were in managerial positions, including the Principal, who receives significantly higher income compared to other employees. Other male employees include 11 pharmacists with salaries comparable to female pharmacists, but higher than the four male technicians and three male employees working as professional associates, not as sales staff. Among female employees, there is a large number of technicians who earn less than female pharmacists. The large number of female technicians also lowers the average hourly wage for female employees.

ESRS S1 – OWN WORKFORCE (continued)

S1-16 - Compensation metrics (pay gap and total remuneration) (continued)

The ratio of the total annual compensation of the highest-paid individual to the median total compensation for all employees (excluding the highest-paid individual) for the Institution is 8. Quantitative data were calculated using payroll application data for all employees, including those who left the company in 2024. Compensation includes gross wages (with included contributions from and on the wage), bonuses, in-kind benefits, and non-taxable compensation such as occasional rewards, performance bonuses, Christmas bonuses, Easter bonuses, meal allowances, and transportation. Employees on long-term sick leave, whose wages were not covered by the employer, were not included in the total working hours.

The measurement of this indicator has not been verified by an external body that is not the assurance provider.

S1-17 - Incidents, complaints and severe human rights impacts

During the reporting period, the Group did not record any reported cases of discrimination, harassment, or complaints raised by its own workforce, nor any complaints to the dignity protection officers related to violations of labor rights, equal treatment and opportunities for all, or other labor rights. Consequently, the Group did not incur any penalties, sanctions, or damages during the reporting period.

The Group did not experience any serious violations of human rights related to the workforce during the reporting period. This indicator is prepared based on internal data collected by the Legal Department of the Company and the Legal Department of the Institution, providing information up to December 31, 2024. The data encompass the entire Group.

The measurement of this indicator has not been verified by an external body that is not the assurance provider.

ESRS S4 - CONSUMERS AND END-USERS

ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model

Through the double materiality assessment, the Group identified preventing counterfeiting and illicit trade as the only impact related to consumers and end-users. This positive and actual impact stems from the business model and strategy, primarily from the value chain. The Group's strategy has been adjusted to maximize the realization of this identified positive and actual impact. In addition to sourcing goods exclusively from verified suppliers, the Group adheres to the obligation of drug authentication (serialization) to enhance patient safety regarding drug integrity. The Group complies with the applicable legal requirements of EU Directive 2011/62/EU and Delegated Regulation 2016/161/EU, which aim to combat counterfeit medicines. All prescription-only medicines placed on the market must carry a unique identifier in the form of a two-dimensional Data Matrix barcode. Drug packaging must also have tamper-evident features to prevent unauthorized opening. It is important to emphasize that the Group holds licenses and certificates for good distribution practice in wholesale trade of medicines and medical products, as well as good manufacturing practice for medicines and veterinary medical products.

The Group distinguishes between retail customers (pharmacy service users, patients, families, and patient caregivers) and wholesale customers (hospitals, pharmacies, polyclinics, healthcare institutions, dental offices, veterinary practices, and other legal entities). In the double materiality assessment, representatives and internal experts for consumer and end-user collaboration were directly involved through interviews.

Consumers and end-users subject to the positive impact of preventing counterfeiting include patients, patient families, and other healthcare system stakeholders who access products through hospitals, pharmacies, wholesalers, and polyclinics, as well as legal entities with whom the Group has procurement contracts.

The products offered by the Group are necessary for the treatment and prevention of various medical conditions. However, improper use can be harmful to people, which is why end-users rely on accurate and accessible information. Consumers and end-users of the Group's products include individuals particularly sensitive to health and the effects of marketing and sales strategies, including children and financially vulnerable individuals. Users and end consumers can also experience effects on their rights to privacy, protection of their personal data, and discrimination in the event of data breaches.

For this reason, the Group has identified a cyberattack on the Group's IT system as a material risk. In the event of an IT system breach due to a cyberattack, there could be potential leakage of personal data, leading to a loss of trust from clients on whom the Group depends. A cyberattack could also result in operational downtime, directly impacting revenues.

S4-1- Policies related to consumers and end-users

Prevention of counterfeit products – System Policy

For the long-term sustainability of the Group's business, customer and patient satisfaction is crucial, and providing high-quality, safe products is of utmost importance. The Group maintains quality through highly standardized and legally regulated processes in production, distribution, and service delivery.

ESRS S4 - CONSUMERS AND END-USERS (continued)

S4-1- Policies related to consumers and end-users (continued)

Prevention of counterfeit products – System Policy (continued)

To manage the quality of products and services in accordance with international standards and the Group's values, and to offer the best possible service to consumers while remaining competitive, the Group has aligned its operations with a range of certifications, licenses, and resolutions. These demonstrate compliance with requirements, standards, and relevant laws and regulations governing the trade of specific product types across all its locations and business centers. A reliable and safe drug supply is only possible with assured quality and safety in the supply chain.

The quality assurance systems implemented within the Group are monitored through internal audits (inspections, audits, and self-inspections) and official inspections by external bodies. The Company's quality management system is risk-based and oriented toward management in compliance with system certifications according to ISO 9001:2015 (Quality Management System), ISO 14001 (Environmental Management System), ISO 50001 (Energy Management System), GMP (Good Manufacturing Practices), and GDP (Good Distribution Practices).

The quality management system is based on fulfilling and establishing the requirements of legal regulations in the field of operations that are regulated. Beyond legal compliance, the Company's product quality and reliability are evident in its approach. The quality system and its effectiveness are subject to evaluation by the Management Board, which places significant emphasis on product and system quality. Furthermore, the level of product quality is reflected in achieved goals and results, customer satisfaction surveys showing positive outcomes, and efforts and continuous work on improving the products and services provided by the Company.

The Group implements applicable legal provisions of Directive 2011/62/EU of the European Parliament and of the Council of 8 June 2011 amending Directive 2001/83/EC on the Community code relating to medicinal products for human use, to prevent the entry of counterfeit medicines into the legal supply chain, and Commission Delegated Regulation (EU) 2016/161 of 2 October 2015. These regulations aim to combat counterfeit medicines by requiring all prescription-only medicines placed on the market to carry a unique identifier in the form of a two-dimensional Data Matrix barcode. Drug packaging must also have tamper-evident features to prevent unauthorized opening. It is important to emphasize that the Company holds licenses and certificates for good distribution practices in the wholesale trade of medicines and medical products, as well as good manufacturing practices for medicines and veterinary medical products.

Furthermore, the Group follows various regulatory recommendations that dictate operating rules within its domain, such as the Regulation on Veterinary Medicinal Products and the Regulation on the Conditions Legal Entities Must Meet for Wholesale and Retail Trade of Veterinary Medicines, Medicinal Additives, and Veterinary Medical Products, the Regulation on Good Practice in the Trade of Medicines, granting wholesale trade licenses, granting mediation licenses, and issuing good practice certificates in wholesale drug trade, among many others. In collaboration with the Croatian Agency for Medicines Verification (HOPAL), each medicine is verified through the medicine's verification program upon dispensing to the patient.

ESRS S4 - CONSUMERS AND END-USERS (continued)

S4-1- Policies related to consumers and end-users (continued)

Prevention of counterfeit products – System Policy (continued)

Business activities and their development within the Group are essential for internal operations and product development. The Group bases its business plan on risk and opportunity analysis in the field of drug importation and distribution, as well as other products in its range. All processes of special significance are continuously and periodically evaluated by monitoring performance indicators. High standards are always strived for and maintained through personnel and equipment selection. Staff are trained through continuous education programs and possess quality work experience, while equipment is procured from suitable suppliers and qualified before activation.

Finally, additional and special attention is given to the verification and control of products from entry to delivery to the user. Some of the quality indicators practiced and encouraged in operations include completed and planned (re)validations, changes initiated in operations to achieve higher standards, completion of changes within the specified timeframe, open non-conformities, corrective actions completed on time, equipment of drug batches, scrap material in production, number and daily average of issued items, number of complaints and returns of items, number of defective items relative to total issued items, achieved revenue compared to planned sales, and market share.

To ensure work quality, the Group must be critical of its operations. For this reason, efforts are made to monitor and measure success in product and service development through the Quality and Environmental Management System. Results collected through this system are analyzed and evaluated, particularly through Management's review of the quality system, quality control implementation, and monitoring achievements in procurement and sales by observing quality indicators, reviewing product quality, and implementing performance reports. The system is continuously improved based on various indicators such as sales results, customer satisfaction, supplier evaluation, costs, principal reactions, and realization of goals and tasks in protection.

Data analysis includes external indicator information such as customer opinions, product or service compliance with requirements, legislative compliance, product and process characteristics and trends, supplier information, communication results with all stakeholders, degree of goal fulfilment, and other important information about quality and environmental impact. Data is collected from various internal and external sources, processed, and then reported to the Quality and Environmental Management System Team and Management.
The Management is the highest body responsible for policy implementation at the Company level. At the Institution level, branch managers or pharmacists are responsible for supervising employees and implementing policies related to counterfeiting prevention. The quality, environmental, and energy efficiency system policy is available on the official website and is provided to customers and end consumers upon request or as needed.

Information System security policy

The Group places exceptional importance on information security and is focused on maintaining the integrity, confidentiality, and availability of its information system.

ESRS S4 - CONSUMERS AND END-USERS (continued)

S4-1- Policies related to consumers and end-users (continued)

Information System security policy (continued)

To structure its approach to information security, the Group has implemented an Information Security Management System (ISMS), demonstrating its commitment to protecting key information of the Group, employees, clients, and partners, and ensuring business continuity. This management system is based on best practices and guidelines from relevant information security standards and regulatory requirements within the Group's operational scope.

Clearly defined roles and responsibilities are crucial for effective information security management, and each employee and external collaborator has well-defined roles and responsibilities regarding information security. The organization has established a hierarchical structure with precisely defined authorities, and responsibilities are documented and regularly updated to ensure a clear division of duties.

Risk management ensures the organization's resilience to security threats. As part of the information security management system, a systematic process of identifying, assessing, and mitigating risks that could threaten the security of the information system is conducted. Threat analyses are regularly performed, and measures are defined based on the results to address security risks.

Access control to information is key to maintaining data security and confidentiality. Implemented identity and access management processes allow for the allocation, review, and revocation of access rights to information resources. Access rights and privileges are managed according to the principles of least privilege, need-to-know, least access, and segregation of duties. Multi-factor authentication is used for user access, and regular checks of allocated rights ensure compliance with the aforementioned principles.

People are often the weakest link in the security chain, so special efforts are made to educate users of the information system. By regularly conducting training and raising employee awareness about security threats, policies, and procedures, the Group addresses a key vector of cyberattacks. Special attention is given to training new employees and simulating security threats to improve resilience and responses to cyberattacks.

Clear rules for using the information system help prevent misuse and security incidents, so all system users are required to familiarize themselves with the acceptable use policy of the information system. Users must adhere to guidelines to prevent misuse and security incidents.

Information system security depends on proper management of IT infrastructure. Processes are established for identifying and classifying assets, as well as their regular maintenance and replacement.

Unforeseen situations can threaten the Group's operations, so recovery plans have been established. Disaster recovery and business continuity plans (BCP/DRP) have been developed and are regularly tested through crisis scenario simulations. Data backups are stored in separate and secure locations.

Cyber incidents are common in today's digitally connected world. Rapid and effective response to security incidents reduces their negative impact. A system for reporting, analyzing, and responding to security incidents is established. In the event of a security incident, procedures for quick detection, isolation, and remediation of problems are defined to minimize effects on operations.

ESRS S4 - CONSUMERS AND END-USERS (continued)

S4-1- Policies related to consumers and end-users (continued)

Information System security policy (continued)

Compliance with laws and standards ensures the reliability and credibility of the Group. Regular internal and external audits ensure compliance with legislative frameworks and industry standards. Security policies are adapted to changes in regulatory requirements.

To ensure the effectiveness of implemented security measures, continuous testing is conducted to verify and ensure their effectiveness. Security measures and controls are continuously tested through penetration testing, audits, and security analyses. Identified vulnerabilities are promptly addressed to increase resilience to threats.

The Group pays special attention to security risks related to third parties, ICT service providers. Security breaches by third parties can compromise the entire system, so it is essential to monitor them and ensure an appropriate level of information security. The company assesses and monitors security risks associated with third parties, including suppliers, partners, and external collaborators. Contractual obligations include security requirements, and regular audits are conducted to ensure compliance with internal standards.

Making the right security decisions requires regular analysis and reporting. Management regularly receives reports on the state of information security and makes strategic decisions based on them. The security strategy is updated in line with new threats, technological advancements, and business goals. Management is the highest body responsible for implementing the Information System Security Policy.

This approach ensures a high level of information security and the reliability and integrity of our business processes.

The system policy and the Information System Security Policy, through managing material impacts and risks encompass all consumers and end-users.

Human rights protection

The Group has not adopted a standalone Human Rights Protection Policy relevant to consumers and/or end-users, as it operates in accordance with the Consumer Protection Act, which is based on respecting fundamental human rights such as the right to information, safety, and fair treatment. This Act is aligned with the Universal Declaration of Human Rights and relates to the UN Guiding Principles on Business and Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.

The Company operates as a wholesaler, supplying the market with medicines and medical supplies. The market primarily includes legal entities, institutions, hospitals, and practitioners engaged in healthcare activities (doctor's offices and pharmacies). This supply is conducted based on signed contracts with all Company customers, allowing for complaints about services and delivered products in case of deficiencies, which the Company resolves within the timeframe specified in the contract. The contract establishes a compensation mechanism if a customer receives a product that does not meet industry standards. The Company ensures that its goods and services meet all agreed-upon or legally mandated health and safety standards for consumers, including those related to health warnings and safety information, and do not pose excessive risks to consumer health or safety in foreseeable use, misuse, or abuse.

ESRS S4 - CONSUMERS AND END-USERS (continued)

S4-1- Policies related to consumers and end-users (continued)

Human rights protection (continued)

All customers receive appropriate information about the Company's product range. If a customer is dissatisfied with the service provided, they can initiate a procedure for the amicable resolution of disputes per the contract, or in the absence of such a procedure, the customer has the right to take the dispute to the competent court.

The Company is obligated to respect human rights without discrimination, as outlined in the International Bill of Human Rights and the Declaration on Fundamental Principles and Rights at Work by the International Labour Organization, covering civil, political, economic, social, and cultural rights. These rights are widely recognized and incorporated into Croatian national legislation, which the Company, established under Croatian law, is required to comply with.

Significant issues for the Institution include the human right to access information, safety, health protection, and data privacy according to the pharmacy ethics and deontology code. The Institution must comply with the Consumer Protection Act, which prescribes patient rights and protection methods, including the right to lodge complaints. Patients have the right to file a complaint if their rights are violated. Complaints are recorded, and the patient receives a response within 15 days. According to the Institution's Work Regulations, every employee is obliged to perform their duties diligently and professionally. Sanctions, including summary dismissal, are foreseen for inappropriate, negligent, superficial, or unprofessional conduct.

Patients can also approach institutions such as the Croatian Chamber of Pharmacists (which can result in disciplinary proceedings) and the Ministry of Health (which can conduct inspections in response to complaints about pharmacy operations).

The Institution provides clear and easily accessible information about products and services, quality assurance in line with regulatory standards, non-discrimination in access to products and services, including in rural and vulnerable areas, receipt and resolution of complaints, and ethical treatment of all users. To date, the Group has not had instances of non-compliance with these principles reported further along its value chain.

The Group does not have formally established actions to ensure or provide legal remedies for human rights impacts.

S4-2 – Processes for engaging with consumers and end- users about impacts

The Company maintains potential contact with consumers through publicly available contact information. There is no formal procedure defining general collaboration with consumers. However, the Complaint Management Procedure outlines activities in cases of complaints and adverse reactions.

In the Institution, pharmacists have direct communication with consumers when dispensing medications. Consumers can also communicate via the Institution's email addresses. Pharmacists are required to document and report any adverse reactions reported by patients to HALMED (the Agency for Medicinal Products and Medical Devices).

ESRS S4 - CONSUMERS AND END-USERS (continued)

S4-2 – Processes for engaging with consumers and end- users about impacts (continued)

The Group collaborates with consumers and end-users directly through pharmacy branches by providing counselling and information during medication dispensing. It also interacts with hospitals, pharmacies, wholesalers, dental offices, veterinary stations, and other legal entities at the Group level during sales and any potential recalls through information dissemination and complaint processing. Collaboration occurs regularly with end-users in pharmacies and during serialization for customers who are not required to perform it, as well as periodically during recalls and recall simulations.

The effectiveness of collaboration is assessed through the analysis of complaints and customer satisfaction surveys. Collaboration with hospitals follows the same principle as with pharmacies—upon receiving inquiries for the supply of a medication, if the medication is available, it is delivered as soon as possible.

All sales employees are responsible for implementing procedures to prevent illicit trade and for documenting any suspicions of counterfeiting in the distribution chain. The board member responsible for sales establishes the sales strategy in consultation with the Directors of the Pharmaceutical and Hospital Sales Service, the Directors of Business Centers in Split, Rijeka, and Osijek, and the Directors of Veterinary and Dental Services. They are responsible for overseeing its application and implementation. The Director of Veterinary Services is responsible for contracting, opening, evaluating, and approving customers of veterinary-medical products, as well as for sales activities of products in the service's range. The Director of Dental Services is responsible for contracting, opening, evaluating, and approving customers. Supervisors organize the execution of processes—Pharmacists collaborate with patients as part of their role as providers of pharmaceutical care, which is defined by their job description. Pharmacists must have a license for independent work, which includes skills necessary for patient collaboration.

The effectiveness of collaboration is assessed through the analysis of complaints and customer satisfaction surveys.

S4-3 – Processes to remediate negative impacts and channels for consumers and end-users to raise concerns

The Group has not identified any material negative impact on consumers and end-users. However, recognizing the importance of a proactive approach to ensuring customer and end-user safety and satisfaction, the Group has established clear channels for expressing concerns. These channels facilitate timely response and resolution of potential issues.

The company strives to provide a channel through which consumers can express their concerns or needs via telephone sales, field sales representatives, the complaints department, and email contact. At the Institution, each pharmacy branch has a complaints book and visible notices in the pharmacy's retail space where end consumers can find information on how to file a complaint. Additionally, the website provides contact information that consumers can use. Pharmacy branches also communicate with HOPAL in case there are alerts that require a response. Wholesalers have a contact service (Complaints Service) with which pharmacists and/or the Central Procurement Service communicate in case of any concerns.

During the opening and periodic evaluation of customers, the company collects email contacts and phone numbers to facilitate seamless communication. Additionally, at the level of the pharmacy branch, contact information for service departments and/or customer managers is collected from all suppliers.

ESRS S4 - CONSUMERS AND END-USERS (continued)

S4-3 – Processes to remediate negative impacts and channels for consumers and end-users to raise concerns (continued)

The questions raised and processed are analyzed through complaints and customer satisfaction surveys after receiving a consumer complaint. At the Institution level, the effectiveness of the channels is ensured through a process of receiving and resolving complaints, which includes notifying the relevant Deputy Director and seeking a statement from the pharmacy manager to whom the complaint pertains. The Legal Department drafts a response to the complaint based on all collected information within the legal timeframe.

In the event of a complaint by patients regarding the defectiveness of a medication or another product, the supplier from whom the product was purchased is notified to potentially investigate if there is an issue with that particular batch of the medication/product. In case of suspicion about the defectiveness of a medication batch, actions are taken according to the notification from wholesalers in case certain medication batches are recalled. If a patient requests to return a purchased/dispensed medication, the procedure depends on the context: if there was no error by the pharmacist during dispensing, the medication return is not accepted. However, if there is a justified request due to an error during dispensing/sale of the medication, the return is approved for the patient, but such medication is not returned to circulation and is instead written off at the Institution's expense. The Group has not established a process for evaluating the effectiveness of legal remedies.

The Group assesses that consumers are aware of the structures and procedures for expressing concerns, as they use them in accordance with the Consumer Protection Act.
The Group periodically verifies this through sales withdrawal simulations and surveys of customer satisfaction, seeking feedback on the satisfaction with the procedures for expressing concerns and/or resolving those concerns. The Group has not established policies for protecting consumers and end-users from retaliation in case they express concerns.

S4-4 – Taking action on material impacts on consumers and end- users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions

The effect of preventing counterfeit products

The confirmation of a medicine's authenticity is legally mandated and facilitated through a pharmacy application. When dispensing medicine, it is the pharmacist's duty to unregister the medicine package from the database. If the package is not found in the database of valid medicines, an alarm is triggered to warn the pharmacist not to dispense such medicine. This prevents counterfeit medicines from reaching the patient. Each medicine box has a printed QR, 2D code containing information about the medicine. The information includes the medicine's name, batch number, expiration date, and unique identifier. The unique identifier is specific to each individual medicine box. The QR codes of each box are stored within a database (EU Hub) connected to the national system for medicine authenticity verification, HSPAL. Wholesalers, as participants in the medicine trade, verify the presence and accuracy of the QR code within the database. If the code is correct, an expected message is received, allowing the medicine box to be handled according to the request (e.g., dispensed to the customer).

Supply chains are managed through continuous audits to ensure legal and verified supply chains, preventing counterfeit medicines from entering the regular supply chain. In the event that a counterfeit is detected in the distribution chain, a process is initiated to inform all stakeholders and withdraw the disputed product.

ESRS S4 - CONSUMERS AND END-USERS (continued)

S4-4 – Taking action on material impacts on consumers and end- users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions (continued)

The effect of preventing counterfeit products (continued)

The effectiveness of actions and initiatives is monitored and evaluated through the analysis of complaints, periodic customer evaluations, and tracking of satisfaction.
The Institution cooperates exclusively with verified wholesalers and suppliers. New suppliers are approved only through a centralized process and undergo legal verification. The Institution sells only products that fall into categories that pharmacies can supply to users, in accordance with regulations. Registrations and/or available certificates, analyses, and similar documents are checked for all products ordered outside of wholesalers and not listed on the approved lists of medicines or orthopaedic and other aids by the Croatian Health Insurance Fund (HZZO). In the event of a complaint by patients regarding the defectiveness of a medication or another product, the Institution informs the supplier from whom the product was purchased to potentially investigate if there is an issue with that particular batch of the medication/product. If there is suspicion about the defectiveness of a medication batch, actions are taken according to notifications from wholesalers in case certain batches are recalled. If a patient requests to return a purchased/dispensed medication, the procedure depends on the context: if there was no error by the pharmacist during dispensing, the return is not accepted. However, if there is a justified request due to an error during dispensing/sale of the medication, the return is approved for the patient, but such medication is not returned to circulation and is instead written off at the Institution's expense.

In the context of illicit trade, medications are dispensed strictly in compliance with legal regulations and HZZO rules. Compliance is verified by reviewing pharmacy records (e.g., private prescription books) at least once a year during internal audits in all pharmacies. Pharmacists have the right and duty to refuse to dispense medication if they suspect a prescription is invalid or there is potential misuse of the medication. In cases of collaboration with legal entities, contracts are drafted to define the conditions of the cooperation, and all legal entities are checked by the Legal Department and the Accounting and Controlling Department when proposing contracts.

When it comes to preventing counterfeit goods from entering the supply chain, the Group has systems in place to identify and manage such risks through the selection process and periodic evaluation of suppliers. This evaluation is conducted for new suppliers after at least 12 months of collaboration, and for existing suppliers at least every 36 months. However, if a supplier's status, or the quality of their services, goods, or materials is deemed critical for any reason, or if the quality changes (e.g., due to non-compliance, complaints, or counterfeits), the Group conducts evaluations outside of these regular periods. These measures are implemented periodically in accordance with the procedure.

Once a year, a professional internal audit is conducted in pharmacies to thoroughly check the correctness of medicine dispensing by reviewing serialization records and pharmacy records (Private Prescription Book, Narcotics Book). The audit is documented using a standardized internal form that includes findings, comments, and recommendations for corrections if applicable. During each subsequent audit, the success of implementing corrections and recommendations from the previous audit is verified. Professional internal audits are conducted annually, and additional extraordinary audits can be organized if necessary.

So far, there have been no reported serious issues or cases related to human rights associated with consumers and/or end-users of the Group.

ESRS S4 - CONSUMERS AND END-USERS (continued)

S4-4 – Taking action on material impacts on consumers and end- users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions (continued)

The risk of cyberattacks on IT infrastructure

To mitigate material risks associated with cyberattacks on IT infrastructure, the Group has established a high-availability system using redundant systems with automatic failover, ensuring system availability in the event of failures. The Group complies with personal data retention periods as prescribed in the Data Protection and Privacy Policy. Additionally, a disaster recovery plan has been implemented and is tested annually by recovering the system at an alternative location. The effectiveness of protection actions against cyberattacks on the Institution's IT infrastructure is measured by the time during which the central system is unavailable to pharmacies for various reasons. The Group's metric is zero successful attacks on the information system that would impact data availability, confidentiality, or integrity. The Group conducts continuous employee training and system adjustments in line with trends in cybersecurity. Effectiveness is measured by regularly monitoring the security logs of the computer infrastructure.

The risk of cybersecurity is integrated into existing risk management procedures through the Information System Security Manual.

Planned actions for managing the risk of cyberattacks will be implemented according to the schedule determined by the risk assessment, legally prescribed deadlines for implementation, and the complexity of execution. These actions are implemented at the level of the entire Company and do not include pharmacies.

Examples of actions and their expected outcomes for 2024 include:

Actions	**Expected Outcomes**
Introduction of the role of Chief Information Security Officer (CISO)	Increased security awareness at the management level, better coordination of security activities, and reduced risks for the organization
Monthly information security newsletter	Reduced risk of human error, better preparedness of employees for attacks such as phishing, and overall strengthening of the organization's security level
Annual employee training	Better understanding of threats and reduced risk of incidents caused by human error
Establishment of a 24/7 Security Operations Center (SOC)	Increased resilience to cyber-attacks, reduced response time to incidents, and protection of key data and systems
Phishing campaigns	Reduced number of clicks on suspicious links, better preparedness of employees, and increased resistance to social engineering
GAP analysis of compliance with NIS2 regulation requirements	Clear compliance plan, reduced regulatory risks and increased trust from regulatory bodies and clients
Access rights review	Reduced possibility of misuse of access rights and better compliance with best practices and regulatory requirements

ESRS S4 - CONSUMERS AND END-USERS (continued)

S4-4 – Taking action on material impacts on consumers and end- users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions (continued)

The risk of cyberattacks on IT infrastructure (continued)

In 2025, there are plans to continue improving the established security measures and processes and to align the existing information security management system with the Law and Regulation on Cybersecurity.

Investments in the field of information security are directly linked to the catalog of measures prescribed by the Regulation on Cybersecurity, which is a supplementary act to the Law on Cybersecurity, transposing the NIS2 directive into local legislation. The law provides for the categorization of NIS2 directive subjects into risk categories, based on which one of three catalogs of measures will be implemented. Until the finalization of the process, it is not possible to estimate which catalog of measures the Group will apply or what the expenses will be.

S4-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

The effect of preventing counterfeit products

Actions to further encourage the prevention of counterfeiting and illicit trade are currently not assessed by setting target values.

To prevent counterfeit products from entering the distribution chain, a medication authenticity verification system has been implemented at the EU level (known as serialization). As part of this system, necessary actions as prescribed by the procedure are carried out, and any alerts and suspicions are analyzed if they arise. Additionally, items for distribution are procured exclusively from verified suppliers to reduce the risk of counterfeit products entering the distribution chain. Every potential customer is checked to determine if they can be supplied with the requested product (preventing illicit trade). Pharmacies procure all medications through verified wholesalers who are required to verify the authenticity of medications (serialization). When dispensing medication to a patient, pharmacies also verify the authenticity of each individual box. The procedure involves scanning the unique code during the processing of a medical prescription through the pharmacy software Eskulap Win (serialization), which provides feedback on whether the medication can be dispensed. If the feedback after verification raises concerns about the authenticity of the medication, that specific box is quarantined, and additional data verification is performed by the wholesaler and/or manufacturer. Depending on the outcome of the investigation, the medication is either returned to circulation, returned to the wholesaler from whom it was purchased, or sent for disposal. Any alerts are analyzed and processed as needed.

Pharmacists dispense or sell medications strictly in accordance with applicable legal regulations and HZZO rules, adhering to quantity limits that can be dispensed per prescription. In the case of narcotics dispensing, the maximum allowed doses prescribed per prescription and the maximum allowed doses for dispensing within the appropriate time period are checked.

ESRS S4 - CONSUMERS AND END-USERS (continued)

S4-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities (continued)

The effect of preventing counterfeit products (continued)

The Group's ambition for the future is to have zero counterfeits in the supply chain and zero errors in delivering sampled products due to incorrect customer assessment. At the pharmacy level, the ambition is to issue zero medications of questionable authenticity, to have every alert recorded and processed to determine the cause of the alert as quickly as possible, and to carry out appropriate actions regarding the medication.

The risk of cyberattacks on IT infrastructure

Regarding cyberattacks, the Group's ambition is to have zero successful attacks that impact the availability, confidentiality, and integrity of the information system. The Group is currently working on establishing target values in the area of information security management, which will be directly linked to the aforementioned ambition.

ESRS G1 – BUSINESS CONDUCT

G1-1 - Business conduct policies and corporate culture

Corporate culture

Desired behaviours

The Group is continuously engaged in promoting corporate culture. The core values of the Company are quality, knowledge and experience, customer focus, and teamwork, while the core values of the Institution are professional competence, dedication to the patient, teamwork and team spirit, and employee development. These values are consistently emphasized through team gatherings and communicated daily, as well as during quarterly and annual employee discussions. Additionally, management leads by example to demonstrate to employees which values are desirable. The Group has also adopted a Decision on Work Performance Awards, which establishes criteria for potential employee bonuses. The decision clearly outlines the behaviours that are rewarded, significantly contributing to the desired corporate culture.

The Company is listed on the Zagreb Stock Exchange and applies the Code of Corporate Governance by the Croatian Financial Services Supervisory Agency, thereby actively contributing to the promotion of corporate culture. The Group also implements an Ethical Code and Anti-Corruption Policy Guidelines, highlighting their key features in the following text.

Code of Ethics

The Group's Code of Ethics defines the basic ethical rules of conduct for all employees of the Company and the Institution to establish and promote fundamental ethical values in business relationships and to address violations of these values.

In its operations, the Group particularly respects and develops core values such as fairness, responsibility, integrity, quality of services, transparency, entrepreneurship, teamwork, and other values.

The fundamental principles promoted by the Code of Ethics are as follows:

- Trust and collegiality
- Legality and professionalism in work
- Teamwork and professional communication
- Respect for the needs of service users
- Avoidance and prevention of conflicts of interest
- Responsible management of assets, business finances, and procurement processes
- Confidentiality of personal data and business information
- Avoidance of receiving and giving gifts.
-

To create conditions for the development of ethical behaviour, the Management Board and the Principal are obliged to ensure all necessary measures for the implementation of the Code of Ethics. All employees of the Group, regardless of their position or job duties, are required to adhere to the principles of the Code of Ethics in their work. Adhering to the principles of the Code of Ethics is considered a general work obligation in accordance with the provisions of the Work Regulations. Non-compliance with the principles of the Code of Ethics is treated with full attention and entails accountability, which is determined by the Management Board and the Principal, depending on the severity of the violation and in accordance with the provisions of the Work Regulations and the Labor Law. Management is obliged to ensure that all employees are familiar with the provisions of the Code of Ethics. The Management Board and the Director of the Institution are responsible for implementing the Code of Ethics.

ESRS G1 – BUSINESS CONDUCT (continued)

G1-1 - Business conduct policies and corporate culture (continued)

Corporate culture (continued)

Anti-Corruption Policy Guidelines

As the oldest pharmaceutical wholesale company in Croatia, the Company aims to remain a worthy partner and ensure continuous development by keeping up with recent developments in the pharmaceutical industry. Key values include credibility, reliability, competence, integrity, and ethics-driven business practices. To ensure these values are upheld, a series of regulations, instructions, and guidelines have been developed for employees. The Group has established Anti-Corruption Policy Guidelines to prevent, deter, and detect potential corrupt business practices. The Group has developed internal systems and associated mechanisms for identifying, reporting, and expressing concerns about illegal behavior or conduct contrary to the code of conduct or similar internal rules.

The Group expects its employees to:

- Always act in accordance with the guidelines, applicable laws, and internal acts.
- Promptly express any concerns if they believe or suspect a conflict of interest has occurred or may occur in the future, in accordance with the Group's specific Guidelines on detecting corruption.
- Respect customers, suppliers, and all other parties with whom the Group conducts business to achieve its goals through fair, lawful, and professional practices.
- Seek advice and guidance if they are unclear or uncertain about any aspect of the guidelines and their own responsibilities to ensure compliance.
- Undergo training or attend other events where the guidelines are communicated.

Third parties

Before entering into a contract with a third party, the Group may conduct due diligence on the third party's procedures. If a third party requires the Company/Institution to enter into a contract that includes provisions, obligations, or statements related to anti-corruption rules, the following will apply:

- The third party must be informed of the Group's standards for compliance with anti-corruption regulations in accordance with Croatian law.
- Refuse to be directly subjected to foreign laws if they conflict with Croatian regulations.
- Grant both parties the right to terminate the contract if any breach related to bribery occurs, excluding compensation for damages.
- Include a statement about applicable local laws.
- Limit the validity period.

Political sponsorships

Although this has not been the case so far, the Group may occasionally make donations or sponsor political parties and activities. Such sponsorships and donations should align with the standards of fairness at the Group and local unit level and must comply with the regulations and the Rulebook on Donations, Sponsorships, and Representation or the corresponding act of the Institution.

ESRS G1 – BUSINESS CONDUCT (continued)

G1-1 - Business conduct policies and corporate culture (continued)

Corporate culture (continued)

Interaction with public officials

In principle, collaboration with a public official is allowed if local laws do not prohibit or require such engagement. If interaction with public officials is necessary, it must be conducted transparently to minimize any potential perception of bribery or corruption.

These guidelines apply to the Company and the Institution within the Group. Within the Group, the responsibility for controlling unethical and illegal business practices lies at all levels of the organization. The Anti-Corruption Policy Guidelines are created in accordance with applicable legislation, European legal rules and acquis, as well as modern and advanced standards for combating corruption. The Management Board and the Director are responsible for the implementation of the Anti-Corruption Policy Guidelines.

Suspicion of illegal behaviour

The Group has developed internal systems and associated mechanisms for identifying, reporting, and expressing concerns about illegal behaviour or conduct contrary to the code of conduct or similar internal rules.

The mechanism unfolds in several distinct stages. Illegal behaviour can be reported to an immediate supervisor, the Management Board, the Director, or the Head of the Legal, Personnel, and Administrative Services Department. Upon receiving a report, the facts suggesting illegal behaviour are investigated, and after establishing the facts, the findings are presented to the Management Board or the Director, who decide on the sanctions for violations as determined by internal regulations. In cases of reasonable suspicion of illegal activities (such as giving or receiving bribes, economic misconduct, theft, etc.), a report is submitted to the competent state authorities responsible for conducting investigations and further procedures. Both internal and external stakeholders can submit reports.

Corruption and bribery

The Group has Anti-Corruption Policy Guidelines and a Code of Ethics that are in compliance with Croatian legislation (the Act on the Prevention of Conflict of Interest ("Official Gazette", No. 143/21. and 36/24.) and the Act on the Protection of Whistleblowers ("Official Gazette", No. 46/22.)). Considering that the Republic of Croatia is a member state of the United Nations Convention against Corruption, and that the fundamental provisions of this Convention are implemented in the mentioned laws, the Group, through its internal policies, also follows the United Nations Convention against Corruption.

ESRS G1 – BUSINESS CONDUCT (continued)

G1-1 - Business conduct policies and corporate culture (continued)

Corporate culture (continued)

Protection of whistleblowers

In accordance with Directive (EU) 2019/1937, which has been implemented into the Act on the Protection of Whistleblowers, the Company has developed internal procedures to ensure that whistleblowers are not disadvantaged in any way due to reporting irregularities.

Being placed at a disadvantage includes:

- termination of employment,
- termination of public service,
- harassment,
- lack of advancement opportunities,
- non-payment or reduction of salary and other benefits,
- initiation of disciplinary proceedings,
- imposition of disciplinary measures or penalties,
- denial of work assignments,
- changes in working hours,
- prevention of education and professional development,
- non-payment of rewards and severance payments,
- reassignment or transfer to another position,
- failure to take measures to protect the dignity of the worker due to harassment by others,
- arbitrary referral to medical examinations or assessments of work capability, and other unfavourable actions.

A report of irregularities is not considered a breach of business secrecy.

The internal procedure for reporting irregularities begins with submitting a report to the confidential person. The report of irregularities includes information about the whistleblower, the reported body or person, and details of the irregularities. The report can be submitted in written or oral form. Written form includes any form of communication that ensures a written record.

Oral reporting is possible via phone or other voice messaging systems and, upon the request of the whistleblower, through a physical meeting within a reasonable time frame.

ESRS G1 – BUSINESS CONDUCT (continued)

G1-1 - Business conduct policies and corporate culture (continued)

Corporate culture (continued)

Protection of whistleblowers (continued)

The confidential person is obliged to:

- Receive the report of irregularities and confirm receipt within 7 days of receiving it.
- Investigate the report of irregularities no later than 60 days from receiving the report.
- Immediately take actions within their authority necessary to protect the whistleblower if the whistleblower has made it likely that they are or could be a victim of adverse action due to the report of irregularities.
- Forward the report of irregularities to the authorities authorized to act on the content of the report if the irregularity is not resolved with the employer.
- Inform the whistleblower, upon their request, about the progress and actions taken in the procedure and allow them to access the file within 30 days, but no longer than 90 days from receiving the request.
- Notify the whistleblower in writing about the outcome of the procedure.
- Immediately after completion, report to the competent authority for external reporting of irregularities about received reports within 30 days of the decision on the report, and upon request, provide information about the procedures for submitting a report to the competent authority for external reporting and, if necessary, to EU bodies competent to act on the content of the report of irregularities.
- Keep the identity of the whistleblower and the information received in the report confidential, preventing unauthorized disclosure or publication to other persons unless contrary to the law.

The employer must not place the confidential person and/or their deputy at a disadvantage. The employer must not influence or attempt to influence the actions of the confidential person and/or their deputy when taking actions within their authority necessary to protect the whistleblower. The confidential person and/or their deputy should perform their duties lawfully and conscientiously and must not misuse their authority to the detriment of the whistleblower.

The Institution has not adopted a whistleblower protection policy, but it plans to introduce a Whistleblower Reporting Regulation in 2025, which will include procedures for whistleblower protection.

Business conduct training

The Company has a business conduct training policy targeted at all employees of the Company. The training frequency is every two years and whenever there is a change in policy. At the Institution, business conduct training is covered through the Code of Ethics, and training is conducted upon employment. The Group has not identified the highest-risk functions concerning corruption and bribery; that is, the Anti-Corruption Policy Guidelines apply to all employees.
Given the nature of the business, the Group has not established a policy related to animal welfare.

ESRS G1 – BUSINESS CONDUCT (continued)

G1-2 Management of relationships with suppliers

The Group has identified a material risk in the domain of business conduct related to hospital debts and long collection periods for receivables (a sub-topic of management of relationships with suppliers including payment practices). The risks are managed as follows:

1.Liquidity risk:

- Maintaining financing flexibility by ensuring that contracted credit lines are available.
- The Accounting and Finance Department regularly (monthly) monitors the level of available cash resources and conducts daily payments in accordance with the priority list received from the heads of individual product assortments.
- In case of extended payment terms by the state, the Company negotiates extended payment terms with suppliers.
- Any liquidity shortfall is covered by available credit lines with commercial banks.

2. Credit risk

- The Company's sales policies ensure that sales are made to customers with an appropriate credit history.
- A portion of the receivables from customers is secured by received payment security instruments.
- Receivables are regularly analyzed and monitored.

3. Long collection periods from customers:

- Arranging with customers to settle their receivables after receiving payment from the Croatian Health Insurance Fund (HZZO) and simultaneously negotiating extended payment terms with suppliers.

The Group currently does not consider social and environmental criteria for selecting its suppliers, but in future periods, it plans to establish processes for ESG due diligence of suppliers.

Prevention of late payments

Although there is no formal written payment policy, the Company considers the size of the business and product portfolio when making payments to suppliers and manages supplier relationships through contractual agreements.

Given that hospital clients represent a significant portion of the Company's business and regularly delay payments, the Company is forced to take on debt to meet its obligations to suppliers. The risks involved include borrowing costs and the cost of impairment of receivables due to delayed payments from customers. Consequently, for suppliers whose goods are sold exclusively to hospital clients, the Company attempts to negotiate payment terms that align with the hospitals' settlement of obligations to the Company. For suppliers whose goods are sold in pharmacies, the Company tries to align payment terms with the pharmacies' payment schedules.

The Company pays small suppliers within shorter time frames. For some small suppliers, payments are made upon the due date to avoid jeopardizing their operations, while other suppliers are paid in advance.

Every invoice paid by the Company requires approval from directors/members of management or the president of the management board (liquidity meeting, signature on the document, email, or approval in the information system).

ESRS G1 – BUSINESS CONDUCT (continued)

G1-3 Prevention and detection of corruption and bribery

The Company has established clear and transparent procedures that enable effective segregation of duties in the procurement and goods issuance process. These procedures include clearly defined responsibilities and authorities for each employee, minimizing the possibility of conflicts of interest. Control mechanisms, such as multiple approvals and designated duties, along with channels for reporting any suspicions regarding bribery and corruption, further ensure transparency, significantly reducing opportunities for corruption and irregularities.

An employee's violation in terms of non-compliance with the Anti-Corruption Guidelines will result in disciplinary action, up to and including termination of employment. The management will be responsible for appropriate actions.
The Company may also seek compensation for damages from the employee. If a compliance violation results in the termination of a contract with a third party and is reported to a supervisory authority or the police, a compensation claim against the accused party may be initiated.

Employees of the Company have the right and duty to report business operations and behaviour contrary to the provisions of the Code of Ethics. Information about the whistleblower is considered confidential according to the Code of Ethics. Reporting by an employee in good faith cannot be grounds for their sanctioning.

Business partners and service users can file a report in case of suspected violation of the Code of Ethics, with ensured protection of the whistleblower's confidentiality. Reports are submitted to the Legal, Personnel, and Administrative Services Department in writing or electronically via email: medika.uprava@medika.hr.

The oversight of rule application is conducted by the Management Board, which informs the Legal, Personnel, and Administrative Services Department of any identified violations. The Legal, Personnel, and Administrative Services Department is responsible for handling reports related to violations of the Code of Ethics and provides the Management Board with a report containing a reasoned opinion. Upon establishing a violation of the Code of Ethics, proceedings to sanction the violation are initiated. Regardless of the method of submitting the report, a swift and efficient resolution of complaints is guaranteed, with confidentiality maintained.

Once a year, the Management Board issues a statement regarding the existence or non-existence of conflicts of interest and transactions with related parties. A conflict of interest is any situation where there are objective private interests on the part of the Management Board that conflict with the interests of the Company, potentially leading to decisions being made based on such private interests to the detriment of the Company's best interest.

ESRS G1 – BUSINESS CONDUCT (continued)

G1-3 Prevention and detection of corruption and bribery (continued)

To prevent conflicts of interest, the Management Board members will primarily adhere to the following rules:

a) In conducting business, the Management Board members must prioritize the best possible interest of the Company, and no member should be guided by personal interest or exploit business opportunities intended for the Company for personal purposes.
b) In conducting the Company's business, the Management Board members must not disclose or use information obtained through their position for personal interests or the interests of third parties.
c) If a Management Board meeting discusses a matter related to the personal or economic interest of one of its members, that member must not participate in the decision-making on that matter.
d) The Management Board members are obliged to promptly inform the Supervisory Board and other Management Board members of any personal interest in the Company's affairs.
e) Material transactions between the Management Board members, their related persons, and the Company require prior approval from the Company's Supervisory Board.
f) The Management Board members may only assume a limited number of functions on the boards, administrative councils, or supervisory boards of other legal entities, and exclusively within the Group, provided that such functions do not prevent them from managing the Company's affairs.
g) For membership in the Supervisory Board, Administrative Council, or Management Board of other legal entities, a Management Board member must obtain prior approval from the Company's Supervisory Board.

The procedure for reporting irregularities is detailed in the section "Whistleblower Protection".

Policies and internal acts are available on the notice board and the employee portal. To ensure understanding of the policy, employee training is organized through webinars that employees are required to complete in the form of set questions.

Training regarding corruption and bribery

All employees undergo training related to anti-corruption guidelines at least once every two years. Periodic training for all employees is conducted through webinars. The subject of the training is the understanding of the Anti-Corruption Guidelines and the Code of Ethics. Supervisory bodies do not manage the business and do not represent the Company. All employees of the Company who have computer access underwent training on the Anti-Corruption Policy Guidelines and the Code of Ethics through webinars in 2024.

Employees who do not use a computer in their work were educated through written materials. Additionally, every newly hired employee undergoes the same training as part of their initial education upon employment. The Anti-Corruption Policy Guidelines and Code of Ethics are publicly available on the Company's website. The Institution plans to conduct training on the Anti-Corruption Policy Guidelines and the Code of Ethics throughout 2025.

ESRS G1 – BUSINESS CONDUCT (continued)

G1-6 Payment practices

The Company's payment practices are described in the section 'Management of relationships with suppliers'. Additionally, the Institution procures the majority of goods from the Company, while other suppliers include wholesalers and other companies in the Republic of Croatia, with which the Institution has agreed on various payment terms.

The Institution's procurement consists of 85% from Medika, and 15% of the Institution's procurement is excluded from the calculation. The procurement ratio of Ljekarne Prima Pharme from other suppliers (excluding Medika) in relation to the total procurement of the Group is 0.02, so the calculation of payment days at the Group level does not distort the picture shown in the Company's data.

Although the legal payment deadline in the Republic of Croatia is 30 or 60 days, as previously described in the 'Management of relationships with suppliers' section, payment terms are, in most cases, aligned with the payments of hospitals or the Croatian Health Insurance Fund (HZZO).

The average time the Company takes to pay invoices from the date of the start of the contractual or legal payment period is 72 days. Legal payment terms are agreed with small and medium-sized enterprises (SMEs), while the average payment time for SMEs is 68 days. Longer payment terms are agreed with large suppliers, and the average payment time for large suppliers is 82 days. In 2024, the Company pays 31% of SME invoices within the agreed period, while an additional 21% of SME invoices are paid before the agreed payment deadline, meaning the Company pays 52% of SME invoices earlier or within the agreed period. In 2024, the Company pays 49% of large supplier invoices within the agreed period, while an additional 18% of large supplier invoices are paid before the agreed payment deadline, meaning the Company pays 67% of invoices in the agreed period or earlier. The Company achieves approximately 77% of its turnover with large suppliers.

There are currently no unresolved court proceedings related to late payments.

Calculation methodology

Suppliers are classified into the following categories: micro, small, medium, and large. Based on this classification, the average number of payment days has been calculated for each category to obtain data relevant to SMEs. The number of payment days is calculated as the difference between the payment date and the invoice date. The average number of payment days is calculated based on all received invoices in 2024 that have been paid by the date of the analysis for the Company. The measurement of this indicator has not been confirmed by an external body that is not an assurance provider.

Table Appendix B: List of data in cross-sectoral and thematic standards arising from other EU regulations						
Disclosure request and related data point	**Reference to the Sustainable Finance Disclosure Regulation (1)**	**Reference to the third pillar (2)**	**Reference to the Benchmark Regulation (3)**	**Reference to the European Climate Law (4)**	**Page in your sustainability report**	**Not material**
ESRS 2 GOV-1 Board's gender diversity paragraph 21 (d)	Indicator number 13 of Table #1 of Annex 1		Commission Delegated Regulation (EU) 2020/18165, Annex II		Page 11	
ESRS 2 GOV-1 Percentage of board members who are independent paragraph 21 (e)			Delegated Regulation (EU) 2020/1816, Annex II		Page 11	
ESRS 2 GOV-4 Statement on due diligence paragraph 30	Indicator number 10 Table #3 of Annex 1				Page 20	
ESRS 2 SBM-1 Involvement in activities related to fossil fuel activities paragraph 40 (d) i	Indicators number 4 Table #1 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 (6) Table 1: Qualitative information on Environmental risk and Table 2: Qualitative information on Social risk	Delegated Regulation (EU) 2020/1816, Annex II		Page 23	
ESRS 2 SBM-1 Involvement in activities related to chemical production paragraph 40 (d) ii	Indicator number 9 Table #2 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II		Page 23	

Table Appendix B: List of data in cross-sectoral and thematic standards arising from other EU regulations (continued)						
Disclosure request and related data point	**Reference to the Sustainable Finance Disclosure Regulation (1)**	**Reference to the third pillar (2)**	**Reference to the Benchmark Regulation (3)**	**Reference to the European Climate Law (4)**	**Page in your sustainability report**	**Not material**
ESRS 2 SBM-1 Involvement in activities related to controversial weapons paragraph 40 (d) iii	Indicator number 14 Table #1 of Annex 1		Delegated Regulation (EU) 2020/18187, Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II		Page 23	
ESRS 2 SBM-1 Involvement in activities related to cultivation and production of tobacco paragraph 40 (d) iv			Delegated Regulation (EU) 2020/1818, Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II		Page 23	
ESRS E1-1 Transition plan to reach climate neutrality by 2050 Transition plan to reach climate neutrality by 2050 paragraph 14				Regulation (EU) 2021/1119, Article 2(1)	Page 63	

Table Appendix B: List of data in cross-sectoral and thematic standards arising from other EU regulations (continued)						
Disclosure request and related data point	**Reference to the Sustainable Finance Disclosure Regulation (1)**	**Reference to the third pillar (2)**	**Reference to the Benchmark Regulation (3)**	**Reference to the European Climate Law (4)**	**Page in your sustainability report**	**Not material**
ESRS E1-1 Benchmarks paragraph 16 (g)		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book- Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article12.1 (d) to (g), and Article 12.2		Page 63	
ESRS E1-4 GHG emission reduction targets paragraph 34	Indicator number 4 Table #2 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate change transition risk: alignment metrics	Delegated Regulation (EU) 2020/1818, Article 6		Page 67	
ESRS E1-5 Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors) paragraph 38	Indicator number 5 Table #1 and Indicator n. 5 Table #2 of Annex 1				Pages 67-68	
ESRS E1-5 Energy consumption and mix paragraph 37	Indicator number 5 Table #1 of Annex 1				Pages 67-68	

Table Appendix B: List of data in cross-sectoral and thematic standards arising from other EU regulations (continued)						
Disclosure request and related data point	**Reference to the Sustainable Finance Disclosure Regulation (1)**	**Reference to the third pillar (2)**	**Reference to the Benchmark Regulation (3)**	**Reference to the European Climate Law (4)**	**Page in your sustainability report**	**Not material**
ESRS E1-5 Energy intensity associated with activities in high climate impact sectors paragraphs 40 to 43	Indicator number 6 Table #1 of Annex 1				Page 68	
ESRS E1-6 Gross Scope 1, 2, 3 GHG emissions paragraph 44.	Indicators number 1 and 2 Table #1 of Annex 1	Article 449a; Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book – Climate change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article 5(1), 6 and 8(1)		Pages 69-70	
ESRS E1-6 Gross GHG emissions intensity paragraphs 53 GHG emissions intensity paragraphs 53 to 55	Indicators number 3 Table #1 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate change transition risk: alignment metrics	Delegated Regulation (EU) 2020/1818, Article 8(1)		Str 71	

Table Appendix B: List of data in cross-sectoral and thematic standards arising from other EU regulations (continued)						
Disclosure request and related data point	**Reference to the Sustainable Finance Disclosure Regulation (1)**	**Reference to the third pillar (2)**	**Reference to the Benchmark Regulation (3)**	**Reference to the European Climate Law (4)**	**Page in your sustainability report**	**Not material**
ESRS E1-7 GHG removals and carbon credits paragraph 56				Regulation (EU) 2021/1119, Article 2(1)	-	Not material
ESRS E1-9 Exposure of the benchmark portfolio to climate-related physical risks paragraph 66			Delegated Regulation (EU) 2020/1818, Annex II Delegated Regulation (EU) 2020/1816, Annex II		Not included in the report, gradually being introduced	
ESRS E1-9 Disaggregation of monetary amounts by acute and chronic physical risk paragraph 66 (a) ESRS E1-9 Location of significant assets at material physical risk paragraph 66 (c).			Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraphs 46 and 47; Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk.		Not included in the report, gradually being introduced	

Table Appendix B: List of data in cross-sectoral and thematic standards arising from other EU regulations (continued)						
Disclosure request and related data point	**Reference to the Sustainable Finance Disclosure Regulation (1)**	**Reference to the third pillar (2)**	**Reference to the Benchmark Regulation (3)**	**Reference to the European Climate Law (4)**	**Page in your sustainability report**	**Not material**
ESRS E1-9 Breakdown of the carrying value of its real estate assets by energy-efficiency classes paragraph 67 (c).		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraph 34; Template 2: Banking book -Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral			Not included in the report, gradually being introduced	
ESRS E1-9 Degree of exposure of the portfolio to climate- related opportunities paragraph 69			Delegated Regulation (EU) 2020/1818, Annex II		Not included in the report, gradually being introduced	
ESRS E2-4 The quantity of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) released into air, water, and soil, paragraph 28	Indicator number 8 Table #1 of Annex 1, Indicator number 2 Table #2 of Annex 1, Indicator number 1 Table #2 of Annex 1, Indicator number 3 Table #2 of Annex 1					Not material

Table Appendix B: List of data in cross-sectoral and thematic standards arising from other EU regulations (continued)						
Disclosure request and related data point	**Reference to the Sustainable Finance Disclosure Regulation (1)**	**Reference to the third pillar (2)**	**Reference to the Benchmark Regulation (3)**	**Reference to the European Climate Law (4)**	**Page in your sustainability report**	**Not material**
ESRS E3-1 Water and marine resources paragraph 9	Indicator number 7 Table #2 of Annex 1					Not material
ESRS E3-1 Dedicated policy paragraph 13	Indicator number 8 Table #2 of Annex 1					Not material
ESRS E3-1 Sustainable oceans and seas paragraph 14	Indicator number 12 Table #2 of Annex 1					Not material
ESRS E3-4 Total water recycled and reused paragraph 28 (c)	Indicator number 6.2 Table #2 of Annex 1					Not material
ESRS E3-4 Total water consumption in m3 Total water consumption in m3 per net revenue on own operations paragraph 29	Indicator number 6.1 Table #2 of Annex 1					Not material
ESRS 2- IRO 1 – E4 paragraph 16 (a) i	Indicator number 7 Table #1 of Annex 1				Page 46	
ESRS 2- IRO 1 – E4 paragraph 16 (b)	Indicator number 10 Table #2 of Annex 1				Page 46	
ESRS 2- IRO 1 – E4 paragraph 16 (c)	Indicator number 14 Table #2 of Annex 1				Page 46	
ESRS E4-2 Sustainable land / agriculture practices or policies paragraph 24 (b)	Indicator number 11 Table #2 of Annex 1					Not material

Table Appendix B: List of data in cross-sectoral and thematic standards arising from other EU regulations (continued)						
Disclosure request and related data point	**Reference to the Sustainable Finance Disclosure Regulation (1)**	**Reference to the third pillar (2)**	**Reference to the Benchmark Regulation (3)**	**Reference to the European Climate Law (4)**	**Page in your sustainability report**	**Not material**
ESRS E4-2 Sustainable oceans / seas practices or policies paragraph 24 (c)	Indicator number 12 Table #2 of Annex 1					Not material
ESRS E4-2 Policies to address deforestation paragraph 24 (d	Indicator number 15 Table #2 of Annex 1					Not material
ESRS E5-5 Non-recycled waste paragraph 37 (d)	Indicator number 13 Table #2 of Annex 1					
ESRS E5-5 Hazardous waste and radioactive waste paragraph 39	Indicator number 9 Table #1 of Annex 1				Pages 76-77	
ESRS 2- SBM3 - S1 Risk of incidents of forced labour paragraph 14 (f)	Indicator number 13 Table #3 of Annex I				Page 81	
ESRS 2- SBM3 - S1 Risk of incidents of child labour paragraph 14 (g)	Indicator number 12 Table #3 of Annex I				Page 81	
ESRS S1-1 Human rights policy commitments paragraph 20	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex I				Page 82	

Table Appendix B: List of data in cross-sectoral and thematic standards arising from other EU regulations (continued)						
Disclosure request and related data point	**Reference to the Sustainable Finance Disclosure Regulation (1)**	**Reference to the third pillar (2)**	**Reference to the Benchmark Regulation (3)**	**Reference to the European Climate Law (4)**	**Page in your sustainability report**	**Not material**
ESRS S1-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 21			Delegated Regulation (EU) 2020/1816, Annex II		Page 82	
ESRS S1-1 S1-1 processes and measures for preventing trafficking in human beings paragraph 22	Indicator number 11 Table #3 of Annex I				Page 82	
ESRS S1-1 S1-1 workplace accident prevention policy or management system paragraph 23	Indicator number 1 Table #3 of Annex I				Page 82	
ESRS S1-3 S1-3 grievance/complaints handling mechanisms paragraph 32 (c)	Indicator number 5 Table #3 of Annex I				Pages 85-86	
ESRS S1-14 Number of fatalities and number and rate of work-related accidents paragraph 88 (b) and (c)	Indicator number 2 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II			Not material.

Table Appendix B: List of data in cross-sectoral and thematic standards arising from other EU regulations (continued)						
Disclosure request and related data point	**Reference to the Sustainable Finance Disclosure Regulation (1)**	**Reference to the third pillar (2)**	**Reference to the Benchmark Regulation (3)**	**Reference to the European Climate Law (4)**	**Page in your sustainability report**	**Not material**
ESRS S1-14 Number of days lost to injuries, accidents, fatalities or illness paragraph 88 (e)	Indicator number 3 Table #3 of Annex I					Not material.
ESRS S1-16 Unadjusted gender pay gap paragraph 97 (a)	Indicator number 12 Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		Page 95	
ESRS S1-16 CEO pay ratio paragraph 97 (b)	Indicator number 8 Table #3 of Annex I				Page 96	
ESRS S1-17 Incidents of discrimination paragraph 103 (a)	Indicator number 7 Table #3 of Annex I				Page 96	
ESRS S1-17 Non-respect of UNGPs on Business and Human Rights and OECD guidelines paragraph 104 (a)	Indicator number 10 Table #1 and Indicator n. 14 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818 Art 12 (1)		Page 96	

Table Appendix B: List of data in cross-sectoral and thematic standards arising from other EU regulations (continued)						
Disclosure request and related data point	**Reference to the Sustainable Finance Disclosure Regulation (1)**	**Reference to the third pillar (2)**	**Reference to the Benchmark Regulation (3)**	**Reference to the European Climate Law (4)**	**Page in your sustainability report**	**Not material**
ESRS 2- SBM3 – S2 Significant risk of child labour or forced labour in the value chain paragraph 11 (b)	Indicators number 12 and n. 13 Table #3 of Annex I					Not material
ESRS S2-1 Human rights policy commitments paragraph 17	Indicator number 9 Table #3 and Indicator n. 11 Table #1 of Annex 1					Not material
ESRS S2-1 Policies related to value chain workers paragraph 18	Indicator number 11 and n. 4 Table #3 of Annex 1					Not material
ESRS S2-1 Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines paragraph 19	Indicator number 10 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)			Not material
ESRS S2-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 19			Delegated Regulation (EU) 2020/1816, Annex II			Not material

Table Appendix B: List of data in cross-sectoral and thematic standards arising from other EU regulations (continued)						
Disclosure request and related data point	**Reference to the Sustainable Finance Disclosure Regulation (1)**	**Reference to the third pillar (2)**	**Reference to the Benchmark Regulation (3)**	**Reference to the European Climate Law (4)**	**Page in your sustainability report**	**Not material**
ESRS S2-4 Human rights issues and incidents connected to its upstream and downstream value chain paragraph 36	Indicator number 14 Table #3 of Annex 1					Not material
ESRS S3-1 Human rights policy commitments paragraph 16	Indicator number 9 Table #3 of Annex 1 and Indicator number 11 Table #1 of Annex 1					Not material
ESRS S3-1 non-respect of UNGPs on Business and Human Rights, ILO principles or and OECD guidelines, paragraph 17	Indicator number 10 Table #1 Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)			Not material
ESRS S3-4 Human rights issues and incidents paragraph 36	Indicator number 14 Table #3 of Annex 1					Not material

Table Appendix B: List of data in cross-sectoral and thematic standards arising from other EU regulations (continued)						
Disclosure request and related data point	**Reference to the Sustainable Finance Disclosure Regulation (1)**	**Reference to the third pillar (2)**	**Reference to the Benchmark Regulation (3)**	**Reference to the European Climate Law (4)**	**Page in your sustainability report**	**Not material**
ESRS S4-1 Policies related to consumers and end-users paragraph 16	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex 1				Pages 101-102	
ESRS S4-1 Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines paragraph 17	Indicator number 10 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)		Pages 101-102	
ESRS S4-4 Human rights issues and incidents paragraph 35	Indicator number 14 Table #3 of Annex 1				Pages 104-105	
ESRS G1-1 Corruption paragraph 10 (b)	Indicator number 15 Table #3 of Annex 1				Page 111	
ESRS G1-1 Protection of whistle-blowers paragraph 10 (d)	Indicator number 6 Table #3 of Annex 1				Pages 112-113	
ESRS G1-4 Fines for violation of anti-corruption and anti-bribery laws paragraph 24 (a)	Indicator number 17 Table #3 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II)			Not material

Table Appendix B: List of data in cross-sectoral and thematic standards arising from other EU regulations (continued)

Disclosure request and related data point	Reference to the Sustainable Finance Disclosure Regulation (1)	Reference to the third pillar (2)	Reference to the Benchmark Regulation (3)	Reference to the European Climate Law (4)	Page in your sustainability report	Not material
ESRS G1-4 Standards of anti-corruption and anti- bribery paragraph 24 (b)	Indicator number 16 Table #3 of Annex 1					Not material

(1) Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosures Regulation) (OJ L 317, 9.12.2019, p. 1).

(2) Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (Capital Requirements Regulation "CRR") (OJ L 176, 27.6.2013, p. 1).

(3) Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (Capital Requirements Regulation "CRR") (OJ L 176, 27.6.2013, p. 1).

(4) Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law') (OJ L 243, 9.7.2021, p. 1).

(5) Commission Delegated Regulation (EU) 2020/1816 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards the explanation in the benchmark statement of how environmental, social and governance factors are reflected in each benchmark provided and published (OJ L 406, 3.12.2020, p. 1).

(6) Commission Implementing Regulation (EU) 2022/2453 of 30 November 2022 amending the implementing technical standards laid down in Implementing Regulation (EU) 2021/637 as regards the disclosure of environmental, social and governance risks (OJ L 324,19.12.2022, p.1.).

(7) Commission Delegated Regulation (EU) 2020/1818 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards minimum standards for EU Climate Transition Benchmarks and EU Paris- aligned Benchmarks (OJ L 406, 3.12.2020, p. 17).

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Independent auditor's limited assurance report on Sustainability Statement

To the Shareholders of Medika d.d.

Scope

We have been engaged by Medika d.d. to perform a 'limited assurance engagement,' as defined by International Standards on Assurance Engagements, here after referred to as the engagement, to report on consolidated Sustainability Statement (the "Subject Matter") of Medika d.d. (the "Company", an EU/EEA entity) and its subsidiaries (together "the Group"), contained in Sustainability report of Medika d.d. and its subsidiaries for the year 2024 of the Management Report (the "Sustainability Statement"), as at 31 December 2024 and for the year then ended.

Criteria applied by the Group

In preparing the Sustainability Statement, the Group applied the provisions of the Articles 32 and 36 of the Croatian Accounting Act, including:

- Compliance with the European Sustainability Reporting Standards (ESRS), including that the process carried out by the Group to identify the information reported in the Sustainability Statement (the "Process") is in accordance with the description set out in note ESRS 2 IRO-1 and IRO-2; and
- Compliance of the disclosures set out in the Sustainability Statement with the reporting requirements of Article 8 of Regulation (EU) 2020/852 (the "Taxonomy Regulation").

Inherent limitations in preparing the sustainability statement

Inherent limitations exist in all assurance engagements.
The criteria, nature of the Sustainability Statement, and absence of long-standing established authoritative guidance, standard applications and reporting practices allow for different, but acceptable, measurement methodologies to be adopted which may result in variances between entities. The adopted measurement methodologies may also impact the comparability of sustainability matters reported by different organizations and from year to year within an organization as methodologies evolve.

In reporting forward-looking information in accordance with ESRS, Management is required to prepare the forward-looking information on the basis of disclosed assumptions about events that may occur in the future and possible future actions by the Group. The actual outcome is likely to be different since anticipated events frequently do not occur as expected.

In determining the disclosures in the Sustainability Statement, Management interprets undefined legal and other terms. Undefined legal and other terms may be interpreted differently, including the legal conformity of their interpretation and, accordingly, are subject to uncertainties.

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Management and Audit Committee responsibilities

Management is responsible for designing and implementing a process to identify the information reported in the Sustainability Statement in accordance with the ESRS and for disclosing this process in note ESRS 2 IRO-1 and IRO-2 of the Sustainability Statement. This responsibility includes:

- understanding the context in which the Group's activities and business relationships take place and developing an understanding of its affected stakeholders;
- the identification of the actual and potential impacts (both negative and positive) related to sustainability matters, as well as risks and opportunities that affect, or could reasonably be expected to affect, the Group's financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium-, or long-term;
- the assessment of the materiality of the identified impacts, risks and opportunities related to sustainability matters by selecting and applying appropriate thresholds; and
- making assumptions that are reasonable in the circumstances.

Management is further responsible for the preparation of the Sustainability Statement, in accordance with Croatian Accounting Act Articles 32 and 36 , including:

- compliance with the ESRS;
- preparing the disclosures in the subsection *Disclosures in accordance with article 8 of regulation 2020/852 (Taxonomy Regulation)* of the Sustainability Statement, in compliance with Article 8 of Regulation (EU) 2020/852 (the "Taxonomy Regulation");
- designing, implementing and maintaining such internal controls that Management determines are necessary to enable the preparation of the Sustainability Statement that is free from material misstatement, whether due to fraud or error; and
- the selection and application of appropriate sustainability reporting methods and making assumptions and estimates about individual sustainability disclosures that are reasonable in the circumstances.

Audit committee is responsible for overseeing the Group's sustainability reporting process.

Auditor's responsibilities

We conducted our engagement in accordance with the *International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ('ISAE 3000 (Revised)') as prescribed by the Article 37 of the Croatian Accounting Act, and the terms of reference for this engagement as agreed with Medika d.d. 7 January 2025.Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

Our responsibilities in respect of the Subject Matter, in relation to the Process, include:

- Obtaining an understanding of the process but not for the purpose of providing a conclusion on the effectiveness of the process, including the outcome of the process;
- Considering whether the information identified addresses the applicable disclosure requirements of the ESRS; and

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Auditor's responsibilities (continued)

- Designing and performing procedures to evaluate whether the process is consistent with the Group's description of its process, as disclosed in note ESRS 2 IRO-1 and IRO-2 of Sustainability Statement.

Our other responsibilities in respect of the Subject Matter include:

- Identifying disclosures where material misstatements are likely to arise, whether due to fraud or error;
- Designing and performing procedures responsive to disclosures in the Sustainability Statement where material misstatements are likely to arise. 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.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our independence and quality management

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which establishes the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. We have the required competencies and experience to conduct this assurance engagement.

We also apply International Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements*, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Sustainability statement and related information, and applying analytical and other appropriate procedures.

A limited assurance engagement involves performing procedures to obtain evidence about the Sustainability Statement.

Description of procedures performed (continued)

The nature, timing and extent of procedures selected depend on professional judgement, including the identification of disclosures where material misstatements are likely to arise, whether due to fraud or error, in the Sustainability Statement.

In conducting our limited assurance engagement, with respect to the Process, we:

- Obtained an understanding of the Process by:
  - performing inquiries to understand the sources of the information used by Management (e.g., stakeholder engagement, business plans and strategy documents); and
  - reviewing the Group's internal documentation of its Process; and
- Evaluated whether the evidence obtained from our procedures about the process implemented by the Group was consistent with the description of the process set out in note ESRS 2 IRO-1 and IRO-2.

In conducting our limited assurance engagement, with respect to the Sustainability Statement, we:

- Obtained an understanding of the Group's reporting processes relevant to the preparation of its Sustainability Statement including the consolidation process by obtaining an understanding of the Group's control environment, processes and information systems relevant to the preparation of the Sustainability Statement, but not evaluating the design of particular control activities, obtaining evidence about their implementation or testing their operating effectiveness;
- Evaluated whether material information identified by the process to identify the information reported in the Sustainability Statement is included in the Sustainability Statement;
- Evaluated whether the structure and the presentation of the Sustainability Statement is in accordance with the ESRS;
- Performed inquires of relevant personnel and analytical procedures on selected information in the Sustainability Statement;
- Evaluated methods, assumptions and data for developing material estimates and forward-looking information and on how these methods were applied;
- Obtained an understanding of the process to identify EU taxonomy eligible and aligned economic activities for turnover, CAPEX and OPEX and the corresponding disclosures in the Sustainability Statement;
- Evaluated the presentation and use of EU taxonomy templates in accordance with relevant requirements;
- Reconciled and ensured consistency between the reported EU taxonomy economic activities and the items reported in the primary financial statements including the disclosures provided in related notes.

We also performed such other procedures as we considered necessary in the circumstances.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Sustainability Statement is not prepared, in all material respects, in accordance with Articles 32 and 36 of the Croatian Accounting Act, including:

- Compliance with the European Sustainability Reporting Standards (ESRS), including that the process carried out by the Management to identify the information reported in the Sustainability Statement (the "Process") is in accordance with the description set out in note ESRS 2 IRO-1 and IRO-2; and
- compliance of the disclosures in subsection *Disclosures in accordance with article 8 of regulation 2020/852 (Taxonomy Regulation)* of the Sustainability Statement with Article 8 of Regulation (EU) 2020/852 (the "Taxonomy Regulation").

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Other matters

The comparative information included in the Sustainability statement of the Group for the financial year 1 January – 31 December 2023 was not subject to an assurance engagement. Our conclusion is not modified with respect of this matter.

Zvonimir Madunić
Member of the Board and certified auditor

Ernst&Young d.o.o.
Radnička cesta 50
10000 Zagreb, Republic of Croatia
12 March 2025

MEDIKA d.d., Zagreb, and its subsidiaries

STATEMENT OF RESPONSIBILITIES OF MANAGEMENT AND SUPERVISORY BOARD

Pursuant to the Accounting Act of the Republic of Croatia, the Management Board is obliged to ensure that consolidated financial statements are prepared for each financial year in accordance with the International Financial Reporting Standards ("the IFRSs") which give a true and fair view of the financial position and results of operations of the Medika Group ("the Group") for that period.

The Management Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the financial statements.

When preparing consolidated financial statements, the Management Board is responsible for:

- selecting and then consistently applying suitable accounting policies;
- making reasonable and prudent judgments and estimates;
- following applicable accounting standards; and
- preparing the consolidated financial statements on the going concern basis.

The Management Board is responsible for maintaining correct accounting records, which disclose with acceptable accuracy at any time, the financial position of the Group, as well as its compliance with the Croatian Accounting Act. The Management Board is also responsible for safeguarding the assets of the Group, and therefore, for taking reasonable measures to prevent and detect fraud and other irregularities.

The Management Board has the responsibility to submit its annual report, together with the consolidated financial statements, to the Supervisory Board, following which the Supervisory Board is required to approve the annual consolidated financial statements for submission to the General Assembly of Shareholders for adoption.

The financial statements on pages 145 to 194 have been approved by the Management Board for submission to the Supervisory Board on 12 March 2025, and are signed below to confirm this.

Signed on behalf of the Management Board on 12 March 2025 by:

Jasminko Herceg	Matko Galeković	Jakov Jaki Radošević
President of the Management Board	*Member of the Management Board*	*Member of the Management Board*

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Medika d.d.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Medika d.d. (the Company) and its subsidiaries (together – the Group), which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We are independent of the Company and the Group in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants, including International Independence Standards (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Republic of Croatia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matters is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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Key Audit Matter	How we addressed Key Audit Matter
Revenue recognition As indicated in Note 2 Significant accounting policies and Note 5 Revenue, the Group recognizes revenue in the amount net of value added tax, estimated returns, rebates and discounts. Revenue measurement therefore involves estimates related to such agreements. At the reporting date, amounts of discounts, and rebates that have been incurred and not yet invoiced to the customers are estimated and accrued. Due to the variety of contractual terms, management is required to monitor a large number of individual customer arrangements in order to estimate the discounts and rebates amounts at the reporting date. This is considered complex and includes risk of incorrect inclusion or non-inclusion of discounts and rebates in the current period and year-end accruals, or incorrect calculation of these amounts recorded as at the reporting date. Due to the above mentioned, revenue recognition is considered a key audit matter.	Our audit procedures included understanding of the revenue recognition process including discounts and rebates recognition and assessing compliance with the policies in terms of applicable accounting standards. We walked through and tested the operating effectiveness of the controls over revenue recognition process. Based on a sample, we assessed revenue transactions, taking place at either side of the reporting date as well as credit notes issued after the reporting date to evaluate whether that revenue was recognized in the correct period. We also developed an expectation of the current year sales revenue balance considering historical revenue and historical discounts and rebates information, compared it to the actual sales revenues and examined unexpected differences. On a sample of key customers, we inspected respective contractual terms included in respective agreements with these customers and recalculated the amounts of discounts and rebates. Where our recalculation based on contractual terms materially differed from management records, we obtained explanation and support for the differences. We obtained customer confirmations of amounts outstanding at the reporting date for a sample of customers and gained understanding and reconciled with supporting evidence any significant differences between customer confirmations received and the Group's accounting records. We also assessed on the adequacy of the relevant disclosures in the consolidated financial statements and if these are in line with the requirements of the IFRS.

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Key Audit Matter	How we addressed Key Audit Matter
Valuation of trade receivables As indicated in Note 2 Significant accounting policies, Note 4 Key Accounting estimates and Note 19 Trade and other receivables, trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. As at 31 December 2024, trade receivables represent 60% of assets and 59% of trade receivables are overdue. The impairment loss is assessed based on the type of customer, based on historical data, the current and expected liquidity of the Health System of the Republic of Croatia, as well as specific assessments of the Group for individual customers, depending on the current state of the market and their financial position. Due to the range of judgements and assumptions used in the models, as well as the significance of the amounts included in the consolidated financial statements, we consider this area to be a key audit matter.	We assessed management's estimate regarding recoverability of the receivables from the state hospitals. We tested aged balances where no provision was recognized to check that there were no indicators of impairment. This included verifying whether any payments subsequent to the end of the reporting period had been received, reviewing historical payment patterns and any correspondence or agreement with customers on expected settlement dates. We tested the accuracy of data in the expected credit loss model and tested mathematical accuracy of the model. We also tested the validation of ageing structure which shows the maturity of overdue receivables. Where specific provisions have been recognized, we selected a sample of trade receivable balances and understood the rationale behind management's judgement on indicators of impairment and provisioning. In order to evaluate the appropriateness of these judgements we verified whether balances were overdue, the customer's historical payment patterns and whether any payments subsequent to the end of the reporting period had been received. We have discussed with management the estimates of timing of collection and the amount of historically uncollected trade receivables. We obtained customer confirmations of amounts outstanding at the reporting date for a sample of customers and gained understanding and reconciled with supporting evidence any significant differences between customer confirmations received and the Group's accounting records. We also assessed on the adequacy of the relevant disclosures in the consolidated financial statements and if these are in line with the requirements of the IFRS.

Other information

Management is responsible for the other information. Other information comprises the information included in the Annual Report, but does not include consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information.

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Other information (continued)

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the Management Report (excluding the Sustainability Statement) and Corporate Governance Report, we also performed procedures required by the Accounting Act. Those procedures include considering whether the Management Report (excluding the Sustainability Statement) is prepared in accordance with the requirements of Article 22 and 24 of the Accounting Act and whether the Corporate Governance Report includes the information specified in Article 22 and 25 of the Accounting Act.

Based on the procedures undertaken, to the extent we are able to assess it, we report that:

1. the information given in the enclosed Management Report and Corporate Governance Report is consistent, in all material respects, with the enclosed consolidated financial statements;

2. the enclosed Management Report is prepared in accordance with requirements of Article 22 and 24 of the Accounting Act, excluding the requirements on sustainability reporting. Auditor's conclusion regarding the procedures conducted on the Sustainability Statement, in accordance with Article 37 of the Accounting Act, is provided separately; and

3. the enclosed Corporate Governance Report includes the information specified in Article 22 and 25 of the Accounting Act.

In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit of consolidated financial statements, we are also required to report if we have identified material misstatements in the other information (excluding the Sustainability Statement). We have nothing to report in this respect.

Responsibilities of management and Audit Committee for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Audit Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 consolidated financial statements.

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Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee 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.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of ISAs:

Appointment of Auditor and Period of Engagement
We were initially appointed as auditors of the Company on 2 May 2023. Our appointment has been renewed annually by General Assembly of Shareholders, with the most recent reappointment on 2 May 2024, representing a total period of uninterrupted engagement appointment of 2 years.

Consistence with Additional Report to Audit Committee
We confirm that our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 10 March 2025 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services
We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided by us to the Company and its controlled undertakings within the European Union. In addition, there are no other non-audit services which were provided by us to the Company and its controlled undertakings and which have not been disclosed in the consolidated financial statements.

Report on Regulatory requirements
Report based on Delegated Regulation (EU) 2018/815 on supplementing Directive 2004/109/EZ of European parliament and Council related to regulatory technical standard for specification of single electronic reporting format of reporting

Independent report on the compliance of consolidated financial statements prepared pursuant to Article 462 (5) of the Capital Market Act (Official Gazette 65/18, 17/20,83/21 and 151/22) applying the requirements of the Delegated Regulation (EU) 2018 / 815 on establishing of single electronic reporting format for issuers (the ESEF Regulation).

We have conducted a reasonable assurance engagement on whether the consolidated financial statements, as contained in the attached electronic file *Medika_dionicko_drustvo_konsolidirani_eng*, are prepared, for the purposes of public disclosure pursuant to Article 462, paragraph 5 of the Capital Market Act, in all material respects in accordance with the requirements of the ESEF Regulation.

Responsibilities of the management and Audit Committee
Management is responsible for the preparation of the consolidated financial statements in accordance with ESEF Regulation.
Furthermore, management is responsible for maintaining an internal control system that reasonably ensures the preparation of consolidated financial statements without material non-compliances with ESEF Regulation requirements, whether due to fraud or error.
Management is also responsible for:

- the public disclosure of consolidated financial statements included in the annual report, in XHTML format and
- selecting and using XBLR codes in accordance with ESEF regulation

Audit Committee is responsible for overseeing the preparation of the consolidated financial statements in ESEF format as part of the financial reporting process.

Auditor's responsibilities
Our responsibility is to express a conclusion, based on the audit evidence gathered, as to whether the consolidated financial statements are free from material non-compliances with the requirements of the ESEF Regulation. We conducted our reasonable assurance engagement in accordance with International Standard for Assurance Engagements ISAE 3000 (revised) - Assurance engagements other than audits or reviews of historical financial information.

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Report on Other Legal and Regulatory Requirements (continued)

Work performed
The nature, timing and extent of the procedures selected depend on the auditor's judgment. Reasonable assurance is a high degree of assurance, however it does not guarantee that the scope of procedures will identify all significant (material) non-compliance with ESEF regulation.
In respect of the subject matter, we have performed the following procedures:

- we read the requirements of the ESEF Regulation,
- we have gained an understanding of the Company's internal controls relevant to the application of the requirements of the ESEF Regulation,
- we have identified and assessed the risks of material non-compliance with the ESEF Regulation due to fraud or error; and
- Based on this, devise and implement procedures to respond to the assessed risks and to obtain reasonable assurance for the purpose of expressing our conclusion.

The aim of our procedures was to assess whether:

- the consolidated financial statements, which are included in the annual report, are prepared in the relevant XHTML format,
- the information contained in the consolidated financial statements required by the ESEF Regulation is marked and all markings meet the following requirements:
    - the XBRL markup language was used,
    - the basic taxonomy elements listed in the ESEF Regulation with the closest accounting significance have been used, unless an additional taxonomy element has been created in accordance with Annex IV. ESEF Regulation,
    - the labeled elements comply with the common labeling rules under the ESEF Regulation.

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

Conclusion
Based on the procedures performed and evidence gathered, the consolidated financial statements presented in ESEF format for the year ended on 31 December 2024, contained in the aforementioned attached electronic file and prepared pursuant to Article 462 paragraph 5 of the Capital Market Act prepared for public disclosure, are prepared in all material respects in line with the requirements of Articles 3, 4 and 6 of the ESEF Regulation. Further to this conclusion, as well as the opinion contained in this independent auditor's report related to accompanying consolidated financial statements and annual report for the year ended 31 December 2024, we do not express any opinion on the information contained in these presentations or on any other information contained in the aforementioned file.

The partner in charge of the audit resulting in this independent auditor's report is Zvonimir Madunić.

Zvonimir Madunić
Member of the Management Board and Certified auditor

Ernst & Young d.o.o.
Radnička cesta 50
10000 Zagreb, Republic of Croatia
12 March 2025

MEDIKA d.d., Zagreb, and its subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

(All amounts are expressed in thousands of EUR)	**Note**	**2024**	**2023**
Sales revenue	5, 6	826,324	745,794
Other income	5,6	6,123	4,694
Cost of goods sold	6	(766,873)	(690,847)
Employee costs	7	(26,316)	(22,706)
Marketing and promotion expenses	8	(1,220)	(1,279)
Depreciation and amortization	14, 15, 16	(4,785)	(4,333)
Other operating expenses	9	(10,061)	(8,989)
Other gains / (losses) – net	10	125	1,064
Operating profit		**23,317**	**23,398**
Financial income	11	2,999	2,277
Financial expenses	11	(1,998)	(1,732)
Net financial gain		**1,001**	**545**
Share in the profit of associates	17	512	431
Profit before tax		**24,830**	**24,374**
Income tax	12	(4,519)	(4,294)
Profit for the year		**20,311**	**20,080**
Other comprehensive income for the year		**-**	**-**
Total comprehensive income for the year		**20,311**	**20,080**
Earnings per share			
– basic and diluted (in EUR and CENT)	13	**701,49**	**693,51**

MEDIKA d.d., Zagreb, and its subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2024

(All amounts are expressed in thousands of EUR)	Note	As at 31 December 2024	2023
ASSETS			
Non-current assets			
Property and equipment	14	31,109	29,695
Right-of-use assets	15	11,678	8,109
Intangible assets	16	35,910	35,617
Investments in associates	17	3,349	3,482
Deferred tax assets		184	152
Trade and other receivables	19	6,379	5,476
		88,609	**82,531**
Current assets			
Inventories	20	92,699	78,724
Trade and other receivables	19	286,860	241,792
Given deposits	19	-	32,000
Cash and cash equivalents	21	10,419	10,383
		389,978	**362,899**
Total assets		**478,587**	**445,430**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	25,414	25,414
Reserves	23	8,940	8,940
Retained earnings and income for the year		90,336	75,338
		124,690	**109,692**
Non-current liabilities			
Lease liabilities	15	5,697	6,071
Deferred tax liabilities	28	3,337	3,337
Provisions		212	171
Trade and other payables	25	4,238	4,244
		13,484	**13,823**
Current liabilities			
Trade and other payables	25	302,295	296,095
Lease liabilities	15	2,139	2,198
Borrowings	26	35,205	22,355
Income tax payable		723	1,214
Provisions		51	53
		340,413	**321,915**
Total equity and liabilities		**478,587**	**445,430**

The notes on pages 150 to 194 form an integral part of these consolidated financial statements.

MEDIKA d.d., Zagreb, and its subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2024

(All amounts are expressed in thousands of EUR)	**Note**	**Share capital**	**Reserves**	**Retained earnings and income for the year**	**Total**
As at 1 January 2023		25,407	8,940	61,017	95,364
Comprehensive income for the year					
Profit for the year		-	-	20,080	20,080
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		**-**	**-**	**20,080**	**20,080**
Transactions with owners recognised directly in equity					
Release of treasury shares	7, 30	-	-	473	473
Share capital increase	22	7	-	(7)	-
Dividend payment	24	-	-	(6,225)	(6,225)
Total transactions with owners recognised directly in equity		**7**	**-**	**(5,759)**	**(5,752)**
Balance at 31 December 2023		**25,414**	**8,940**	**75,338**	**109,692**
Balance at 1 January 2024		25,414	8,940	75,338	109,692
Comprehensive income for the year					
Profit for the year		-	-	20,311	20,311
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		**-**	**-**	**20,311**	**20,311**
Transactions with owners recognised directly in equity					
Release of treasury shares	7, 30	-	-	478	478
Dividend payment	24	-	-	(5,791)	(5,791)
Total transactions with owners recognised directly in equity		**-**	**-**	**(5,313)**	**(5,313)**
As at 31 December 2024		**25,414**	**8,940**	**90,336**	**124,690**

MEDIKA d.d., Zagreb, and its subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024

(All amounts are expressed in thousands of EUR)	**Note**	**2024**	**2023**
Cash flow from operating activities:			
Profit for the year		**20,311**	**20,080**
Adjusted by:			
Income tax	12	4,519	4,294
Share based payments	7, 30	478	473
Depreciation and amortisation	14, 15, 16	4,785	4,333
Impairment of trade and other receivables, net	9,19	157	95
Value adjustment on inventories		1.091	813
Changes in provisions		39	(7)
Gain on disposal of property and equipment	10	(136)	(1,343)
Losses from the sale of tangible assets	10	-	268
Modification of lease contract	15	(10)	2
Lease agreement write-off	15	-	(7)
Lease agreement termination	15	(303)	(2)
Interest income	11	(2,999)	(2,277)
Interest expense	11	1,998	1,732
Share in profit of associate	17	(512)	(431)
Changes:			
(Increase) / decrease in inventories		(15,066)	(17,340)
(Increase) / decrease in trade and other receivables		(46,304)	(31,309)
Increase / decrease in trade and other payables		6,057	48,693
Cash generated from operations		**(25,895)**	**28,067**
Interest paid		(305)	(233)
Income taxes paid		(4,882)	(5,882)
Cash flow from operating activities		**(31,082)**	**21,952**

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

(All amounts are expressed in thousands of EUR)	Note	2024	2023
Cash flow from investing activities:			
Purchases of property and equipment	14	(3,473)	(2,368)
Proceeds from the sale of property and equipment and intangible assets		178	2,993
Paid advances for the acquisition of property under the right of use		(3,716)	(145)
Purchases of intangible assets	16	(733)	(383)
Acquisition of subsidiary, net of cash acquired	29	-	(2,095)
Proceeds from repayment of given loans		1,053	1,265
Expenses for granted loans		(900)	(897)
Proceeds/ (payments) from short-term deposits		31,989	(32,000)
Interest received		3,002	2,273
Share of profit from associates received	17	645	398
Cash flow from investing activities		**28,045**	**(30,959)**
Cash flows from financial activities			
Repayments of borrowings	26	(176,282)	(122,885)
Proceeds from borrowings	26	189,000	98,000
Borrowings interest paid	26	(1,553)	(1,452)
Repayment of leases	15	(2,301)	(2,226)
Dividends paid	24	(5,791)	(6,225)
Cash flow from financial activities		**3,073**	**(34,788)**
Net increase in cash and cash equivalents		**36**	**(43,795)**
Cash and cash equivalents at the beginning of the year		10,383	54,178
Cash and cash equivalents at the end of the year	21	**10,419**	**10,383**

NOTE 1 – GENERAL DATA

Medika d.d. (hereinafter: "the Company") is a joint stock company incorporated in the Republic of Croatia. The main activity of the Company and its subsidiaries (together "the Group") is the wholesale and retail distribution of pharmaceutical products. The Company's headquarters is located in Zagreb, Capraška 1, the Republic of Croatia.

The Group is comprised of the Company and the following subsidiaries and associates:

Subsidiaries:

	31.12.2024	31.12.2023
Zdravstvena ustanova Ljekarne Prima Pharme, Zagreb	100%	100%
- Grupna privatna praksa Ljekarna Milanka Ivandić i Ana Ivandić, Dražice (since October 2023)	-	100%
Primus nekretnine d.o.o., Zagreb	-	100%

Associates:

	31.12.2024	31.12.2023
Zdravstvena ustanova Ljekarne Jagatić, Zagreb (since November 2008)	49%	49%

As at 31 December 2024, the Company's shares were listed on the official market of the Zagreb Stock Exchange. The ownership structure of the Company is shown in note 22.

NOTE 2 – MATERIAL ACCOUNTING POLICIES INFORMATION

The following is an overview of the principal accounting policies adopted for the preparation of these consolidated financial statements. The accounting policies have been applied consistently for all the years presented in these financial statements, except where otherwise stated.

2.1 Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS). The consolidated financial statements have been prepared under the historical cost convention unless stated otherwise.

The preparation of consolidated financial statements in conformity with the International Financial Reporting Standards adopted by the European Union (IFRS) requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Group's accounting policies. Areas that involve a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are presented in Note 4.

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Adoption of new and revised International Financial Reporting Standards

Standards and Interpretations effective in the current period

The following new standards and amendments to the existing standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee and adopted in the EU are effective for the current period:

- **Amendments to IAS 1** *Presentation of Financial Statements*: Classification of Liabilities as Current or Non-current (the amendments are effective for annual reporting periods beginning on or after January 1, 2024, and are applied retrospectively).

- **Amendments to IFRS 16** *Leases*: Lease Liability in a Sale and Leaseback (the amendments are effective for annual reporting periods beginning on or after January 1, 2024).

- **Amendments to IAS 7** *Statement of Cash Flows* and **IFRS 7** *Financial Instruments Disclosures*: Disclosures - Supplier Finance Arrangements (the amendments are effective for annual reporting periods beginning on or after January 1, 2024).

The adoption of these Standards and Interpretations had no significant impact on the financial statements of the Company.

Standards and Interpretations issued by IASB and endorsed by the EU but not yet effective

- **Amendments to IAS 21** *The Effects of Changes in Foreign Exchange Rates*: Lack of Exchangeability (the amendments are effective for annual reporting periods beginning on or after January 1, 2025, with earlier application permitted.

The Company is currently evaluating the effects of these changes and amendments and does not expect that will have a significant impact on the financial statements of the Company.

Standards and Interpretations issued by IASB but not yet adopted by the EU.

At the date of authorization of these financial statements the following standards, revisions and interpretations were in issue by the International Accounting Standards Board but not yet adopted by the EU:

- **Amendments to IFRS 9** *Financial Instruments* and **IFRS 7** *Financial Instruments***:** Disclosures: Classification and Measurement of Financial Instruments (issued in May 2024).

- **Amendments to IFRS 9** *Financial Instruments* and **IFRS 7** *Financial Instruments***:** Contracts Referencing Nature-dependent Electricity (issued in December 2024).

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Adoption of new and revised International Financial Reporting Standards (continued)

At the date of authorization of these financial statements the following standards, revisions and interpretations were in issue by the International Accounting Standards Board but not yet adopted by the EU (continued):

- **IFRS 18** *Presentation and Disclosure in Financial Statements* (issued in April 2024).
- **IFRS 19** *Subsidiaries without Public Accountability:* Disclosures (issued in May 2024).
- **Annual Improvements to IFRS Accounting Standards –** *Volume 11* (issued in July 2024).
- **Amendments to IFRS 10** *Consolidated Financial Statements and* **IAS 28** *Investments in Associates and Joint Ventures:* Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity accounting method).

The Company is currently evaluating the effects of these changes and amendments and does not expect that will have a significant impact on the Company`s financial statements.

2.3 Consolidation

(a) Subsidiaries

The acquisition method of accounting is used to account for subsidiaries acquired by the Group. The cost of acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of acquisition, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (note 2.6). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policy adopted by the Group.

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Consolidation (continued)

(b) Associates

The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss (position "Share in the profit of associates"), and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equal or exceeds its interest in the associate, including any unsecured receivables which form an integral part of the net investment, the Group does not recognize further losses unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the relevant associates. Unrealised losses are also eliminated unless there are indications that an asset exchanged in the transaction may be impaired. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Foreign currencies

(a) Functional and reporting currency

The items included in the Group's consolidated financial statement are presented in the currency of the primary economic environment in which the Group operates (offical currency EUR).

(b) Foreign currency transactions

Foreign-currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. However, if a gain or loss on a monetary item is recognised directly in reserve, then any component of foreign currency application and profit or loss should also be recognized directly in reserves.

BILJEŠKA 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Foreign currencies (continued)

(b) Foreign currency transactions (continued)

Non-monetary assets and items denominated in foreign currencies that are measured at historical cost are not re-translated. Foreign currency denominated non-monetary assets and liabilities measured at the historical cost are converted into functional currency using the exchange rate list in effect at the transaction dates.

2.5 Property and equipment

Property and equipment are reported at historical cost less accumulated depreciation and accumulated impairment losses.

Land and assets under preparation are not depreciated. Depreciation of other assets is provided using a straight-line method so as to write down the cost of an asset over its estimated useful life. Depreciation is provided on an individual asset basis until the asset is fully written off.

The estimated useful life is as follows:

Buildings	10 – 40 years
Equipment	2 – 20 years

Gains and losses arisen on disposal are determined by comparing the proceeds with carrying amount and are recognised within "Other gains/(losses) – net" in the income statement.

2.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of acquisition of a subsidiary over the acquisition-date fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Separately recognised goodwill is tested annually for impairment and is carried at the cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. For the purpose of impairment testing, goodwill acquired in a business combination is allocated from the acquisition date to each of the acquirer's cash generating units, or groups of cash generating units, expected to benefit from the synergies of the combination. Each such unit or group of units to which goodwill is allocated represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

(b) License

Cost incurred by the Group in obtaining pharmacy operation licenses, without which no pharmacy activities can be performed, are capitalized to the extent that future economic activities are probable. These licenses are amortized over their useful life. Impairment review is made on an annual basis.

BILJEŠKA 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.6 Intangible assets (continued)

c) Software

Software licenses are capitalized based on the cost of purchase and costs incurred in bringing the software into working conditions for its intended use. The cost is amortised linearly over the useful life of the assets, which ranges from 5 to 10 years.

(d) Other rights

Other rights are shown at historical cost, they have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of other rights over their estimated useful lives (5 years).

2.7 Financial instruments

Financial assets and financial liabilities are recognized in the statement of financial position of the Group when the Group becomes a party to the contractual provision of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs which may be directly attributed to the acquisition or issuing the financial assets and financial liabilities (other than financial assets and financial liabilities measured at fair value through profit or loss) are added to or deducted from the fair value of the financial assets and financial liabilities at initial recognition, where appropriate. Transaction costs, which may be directly attributed to the acquisition of financial assets or financial liabilities at fair value through profit and loss are recognized immediately in profit or loss.

Financial assets

The Group classifies its financial assets in a category measured at depreciated cost, using the effective interest rate method, within a business model that aims to collect contracted cash flows and according to which the cash inflow is made exclusively based on payments of principal and interest on the principal outstanding amount (IFRS 9).

At each reporting date, the Group performs a review to identify any objective evidence that a financial asset may be impaired. Impairment testing of trade and other receivables is described in note 2.10. Financial assets are a non-derivative financial assets with a fixed or determinable payments that are not quoted in an active market.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognised in profit or loss.

BILJEŠKA 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.7 Financial instruments (continued)

Financial assets (continued)

(i) Depreciated cost and effective interest rate method

The effective interest rate method is a method of calculating the depreciated cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets, other than purchased or accrued credit-impaired financial assets (i.e. assets which were credit-impaired during the initial recognition), the effective interest rate is the rate that accurately discounts estimated future cash inflow (including all fees and points paid or received, which constitute an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, over the expected life of the debt instrument or, where appropriate, during a shorter period, on the gross carrying amounts of the debt instrument at initial recognition. For purchased or incurred credit-impaired financial assets, the effective interest rate adjusted to the loan is calculated by discounting the estimated future cash flow, including expected credit losses, to the depreciated cost of the debt instrument at the initial measurement.

The depreciated cost of a financial asset is the amount at which a financial instrument is measured at initial recognition, less payments of principal and plus accumulated depreciation, using the effective interest rate method of any difference between the opening amount and the maturity, adjusted for any loss. The gross carrying amount of financial assets is the depreciated cost of financial assets before adjustments for any loss.

Interest income is recognised by applying the effective interest rate method for debt instruments, that are subsequently measured at depreciated cost. For financial assets, other than purchased or incurred credit-impaired financial assets, interest income is calculated by applying the effective interest rate on the gross carrying amount of the financial assets, aside for financial assets that have subsequently become credit-impaired.

For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the depreciated cost of the financial assets. If, in the following reporting periods, the credit risk on a credit-impaired financial instrument improves so that the financial instrument is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial assets.

For purchased or incurred credit-impaired financial assets, the Group recognises interest income by applying the effective interest rate adjusted by the credit risk to the depreciated cost of the financial assets at initial recognition. The calculation shall not be reverted to the gross basis, even if the credit risk of the financial assets subsequently improves so that the financial assets are no longer credit impaired.

Interest income is recognised in profit or loss account and is included in the item "Financial income – interest income" (note 11).

BILJEŠKA 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.7 Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

The Group recognises provisions for expected credit losses of trade receivables and debt instruments measured at depreciated cost. The amount of expected credit losses is calculated at each reporting date in order to reflect changes in credit risk since the initial recognition of particular financial instrument. The Group always recognises lifetime expected credit losses (ECL) for trade receivables based on the selected simplified approach. The expected credit losses on these financial assets are described in Note 2.10. The Group currently does not adjust the loss rate for future macroeconomic conditions, as it has not conducted an analysis of the impact of macroeconomic factors on historical loss rates, including the time value of money, where appropriate.

For the given loans, the Group recognises the lifetime ECL in case of a significant increase in credit risk since the initial recognition. However, if the credit risk on a financial instrument has not significantly increased since the initial recognition, the Group measures the loss for this financial instrument in the amount equal to a 12-month ECL.

A lifetime ECL represents the expected credit losses resulting from all potential cases of default during the expected lifetime of a financial instrument. In contrast, the 12-month ECL represents a part of the lifetime ECL, due to the probability of a default status in the next 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument significantly increased since initial recognition, the Group compares the risk of default at the reporting date with the default risk of the financial instrument at the date of initial recognition. During the assessment, the Group considers both quantitative and qualitative information that is reasonable and available, including historical experience, which can be accessed without unnecessary costs or engagements.

In particular, for the loans given, the Group relies on days of default when assessing significant credit risk deterioration. If the debtor is in default for more than 30 days, then the Group assumes that there is a significant increase in credit risk.

Despite the aforementioned, we assume that the credit risk for the financial instrument has not significantly increased since the initial recognition if we determine that the financial instrument has a low credit risk at the reporting date. It is concluded that the financial instrument has a low credit risk if:

- The financial instrument has a low risk of default
- The debtor has a strong ability to settle his/her contractual obligations in the short term; and
- Adverse changes in economic and business conditions in the long term may, but do not necessarily have to, decrease the lessee's ability to meet his/her contractual cash flow obligations

BILJEŠKA 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.7 Financial instruments (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

However, the Group does not currently use the simplification of a low credit risk when assessing a significant increase in credit risk.

The Group regularly monitors the efficiency of the criteria used to determine whether there has been a significant increase in credit risk and reviews them to ensure that the criteria can identify a significant increase in credit risk before there is a delay in payment.

(ii) Definition of default status

The following facts, which represent a case of default for internal credit risk management purposes are data that are internally developed or obtained from external sources, indicating that it is unlikely that the debtor will pay his/her creditors, including the Group, in full (without considering any collateral held by the Group).

(iii) Credit-impaired financial assets

Financial assets are credit-impaired when one or more events with an adverse effect on the estimated future cash flows of the financial assets occur. Proof of credit impairment of the financial asset includes data available on the following events:

- Significant financial difficulties of the issuer or debtor;
- Default status (as defined above);
- When the issuer, due to the debtor's financial difficulties, grants the debtor a concession, which he would otherwise not consider;
- It becomes probable that the debtor will go into bankruptcy or undertake another type of financial restructuring;
- The disappearance of an active market for a specific financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off financial assets when there are data pointing to the fact that the debtor is in serious financial difficulties and that there is no real chances of return, for example when the debtor has gone into liquidation or bankruptcy. Written-off financial assets may still be subject to enforcement activities within the Group recovery procedures, with regard to the relevant legal advice, where appropriate. Recovery is recognised in the profit or loss account, at the other operating expenses position.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses represents a loss rate function, calculated in line with the model described in note 2.10. In terms of exposure in the moment of default, for the financial assets it represents the gross carrying amount of the assets at the reporting date.

BILJEŠKA 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.7 Financial instruments (continued)

(v) Measurement and recognition of expected credit losses (continued)

For financial assets, the expected credit loss is assessed as the difference between all contractual cash flows maturing in line with the contract and all expected cash flows, discounted at the original effective interest rate.

If the Group measured provisions for expected loan losses for financial instruments in the amount of the lifetime ECL in the previous reporting period, but at the current reporting date it determined that the conditions for the lifetime ECL are no longer met, the Group measures the loss in the amount equal to the 12-month ECL at the current reporting date, except for assets for which the simplified approach was used (trade receivables).

The Group recognises impairment gains or losses in the profit or loss account for all financial instruments with an appropriate adjustment of the carrying amount through the loss provisions account.

Financial liabilities

The financial liabilities recognized by the Group are trade payables and borrowings. The Group measures all financial liabilities at depreciated cost.

(a) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

(b) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. In future periods, borrowings are reported at depreciated cost. Any difference between the proceeds (less the transaction costs) and the redemption value is recognized in profit or loss account over the period of the loan, using the effective interest rate method.

2.8 Leases

The Group rents certain real estate and vehicles. Lease contracts are concluded for a period of 3 years to 10 years and have the possibility of extension. Contracts may contain lease and non-lease components, allocation of consideration between components is based on their relative stand-alone prices.
Lease liabilities include the net present value of the following lease payments: fixed payments less any incentives, variable lease payments that are based on index, initially measured using the index as at commencement date, amounts expected to be paid by the Group under residual value guarantees. Lease payment to be made under reasonably certain extension options are also included in the measurement of the liability. Lease liabilities are discounted using the interest rates implicit in the lease. If this rate cannot be readily determined, which is generally the case for leases in the Group, the Group' s incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow funds necessary to obtain an asset of similar value to right-of-use asset in a similar economic environment with similar terms, security and conditions.

All leases with a remaining lease term of less than 12 months and leases of assets with low value are recognized in the income statement on a straight-line basis over the term of the lease.

BILJEŠKA 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.9 Inventories

Inventories are reported at the lower of cost or net realisable value. Cost includes all costs related to the purchase of goods and is calculated based on the weighted average purchase price. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Examination of damaged and/or obsolete inventories is performed continuously and for all such inventories a provision is charged to cost of goods sold.

2.10 Trade and loan receivables

The Group always reports provisions for expected credit losses of trade receivables in the amount equal to the lifetime ECL.

Trade and credit receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

The impairment loss is assessed based on the customer's activity, i.e. the borrower's activity, and based on historical data, the current and expected liquidity of the Health System of the Republic of Croatia, as well as specific assessments of the Sales Department for individual customers, depending on the current state of the market and the inability to collect them.

There were no changes in the assessment techniques or material assumptions during the current reporting period.

The impairment losses on receivables are recognised in the income statement within "Other operating expenses".

Loans and receivables with maturities greater than 12 months after the reporting date are classified as non-current assets.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash, demand deposits with banks and other short-term highly liquid instruments with maturities of up to three months or less.

2.12 Share capital

The share capital consists of ordinary shares.

The consideration paid for the purchased treasury shares, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. When such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

BILJEŠKA 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.13 Reserves

(a) Legal reserves

The legal reserves are required under Croatian law according to which the Company has to build up legal reserves with a minimum of a twentieth part (5%) of the profit for the year until the legal reserves together with the capital reserves reach (5%) of the share capital. Legal reserves are not distributable.

(b) Other reserves

Other reserves are formed in accordance with Croatian law and decisions of the General Assembly.

(c) Reserves for treasury shares

Reserves for treasury shares are formed in accordance with Croatian law and decisions of the General Assembly.

2.14 Employee benefits

(a) Pension obligations and other post-employment benefits

In the normal course of business, the Group makes payments, through salary deductions, to mandatory pension funds on behalf of its employees, as required by law. All contributions paid to the mandatory pension funds are recognised as salary expense when accrued. The Group does not have any other pension scheme and consequently, has no other obligations in respect of employee pensions. In addition, the Group is not obliged to provide any other post-retirement benefits.

(b) Long-term employee benefits

The Group recognises the liability for long-term employee benefits (jubilee awards and retirement benefits for full-age retirement) even over the period the benefit is earned based on actual years of service. The long-term employee benefit obligation is determined using assumptions regarding the likely number of staff to whom the benefit will be payable, estimated benefit cost and the discount rate. Jubilee awards and retirement benefits falling due more than 12 months after the reporting date are discounted to their present value.

(c) Short-term employee benefits

The Group recognises a provision for bonuses, unused annual leave and other benefits when there is a contractual obligation or past practice giving rise to a constructive obligation.

Short-term liabilities for termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

BILJEŠKA 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.15 Revenue recognition

Revenue comprises the fair value of consideration received or receivable for sold products, goods or services within the normal course of business of the Group. Revenue is reported in the amount net of value added tax, estimated returns, rebates and discounts. Revenue is recognised when delivery liability has been settled by transferring the control of the promised goods or services to the customer.

(a) Sales of goods revenue

Sales of goods revenue is recognized when control of the goods is transferred to the customer, i.e. when the goods are delivered to the customer. Delivery is performed when the goods have been dispatched to a specific location, the risk of obsolescence and loss is transferred to the customer, the customer received the goods pursuant to the contract, and the Company has objective proof that all of the conditions for the receipt of the goods have been met. The Company allocates the transaction cost to the delivery liability based on relative individual sales prices.

Retail revenue is recognized at the time of sale of goods to the buyer. Retail revenue is mostly made in cash or through credit cards. Reported revenue includes credit card fees that are included in other operating expenses.

(b) Service revenue

Service revenue is recognized in the accounting period in which service is performed.

(c) Financial income

Financial income refers to interest income earned on term deposits with banks and on given loans and is recognised on a time proportion basis using the effective interest rate method.

2.16 Borrowing costs

Borrowing costs comprise interest expense accrued on borrowings, impairment losses recognised on financial assets and foreign exchange losses. Borrowing costs are recognised in income statement using the effective interest rate.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

2.17 Dividends payable

Dividends payable to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the General Assembly.

2.18 Value added tax

The Tax Authorities require that VAT is settled on a net basis. VAT on sale and purchase transactions is recognised in the statement of financial position on a net basis. Where an amount receivable is impaired, the impairment loss is recognised in the gross amount of the receivable, i.e. including VAT.

BILJEŠKA 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.19 Earnings per share

The Company presents basic earnings per share (EPS) for its ordinary shares. Basic earnings per share are determined by dividing the profit or loss for the year from ordinary shares by the weighted average number of ordinary shares during the year.

2.20 Share based payments

The key management members of the Company acquired certain number of the Company's shares from its parent company based on predefined share price that is different from fair value of share and whose acquisition is conditioned upon employment period in the Company, i.e., providing service to the Company. This arrangement is considered as a reward plan for the key management members based on the value of the Company's shares. The fair value of the key management members service received in exchange for the shares acquired through the arrangement is recognised as an expense with a corresponding increase in equity over the defined employment period. The total amount to be reported as an expense over the necessary employment period refers to the difference between the fair value of the shares acquired at the grant date and the acquisition price for which the key management members bought shares from the parent company. The amount recognized as an expense is adjusted to reflect the number of the key management members expected to meet the condition of providing the service to the Company, i.e, expected to remain employed in accordance with time condition set.

BILJEŠKA 3 – FINANCIAL RISK MANAGEMENT

3.1 Čimbenici financijskog rizika

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (which includes foreign exchange risk, the fair value interest rate risk and cash flow interest rate), credit risk and liquidity risk. The pharmaceuticals wholesale industry in the Republic of Croatia is highly influenced by the state which plays its role by imposing strict legislation and the health system funding. As the dynamic of funding by the state is beyond control or prediction and given the inability to predict financial market trends, the overall risk management of the Group is focused on minimizing or eliminating the potential adverse impact on the Group's financial position. Risk management within the Company is the responsibility of the Department of Accounting and Finance that, in cooperation with the Management Board and other departments within the Company, identifies, assesses the risks and proposes risk protection measures.

(a) Market risk

(i) Foreign exchange risk

In accordance with the Decision on the announcement of the introduction of the euro as the official currency in the Republic of Croatia (published in the "Official Gazzete" No. 85/22), the euro becomes the official monetary unit and legal tender in the Republic of Croatia on 1 January 2023, and consequently the Company no significant currency risk.

BILJEŠKA 3 – UPRAVLJANJE FINANCIJSKIM RIZIKOM (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from its borrowings. Borrowings granted at variable rates expose the Group to cash-flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group does not use derivative instruments to actively hedge its cash flow and fair value interest rate risk exposure. However, the Group continuously monitors changes in interest rates. Various scenarios are simulated taking into account refinancing, renewal of existing positions and alternative financing.

As at 31 December 2024, if the effective interest rate on borrowings (issued at variable rate) would be by 0.10 percentage points higher/lower on an annual level (2023: 0.10 percentage points), the net profit for the reporting period would remain the same since all borrowings as at 31 December 2024 are at fixed rates (2023: all borrowings are at fixed rates).

(b) Credit risk

The Group's current assets that may lead to credit risk consist mainly of cash, trade receivables and other receivables. The Group has no significant concentration of credit risk. The Group has sales policies in place to ensure that the sale is made to customers with an appropriate credit history. With respect to credit risk exposure, customers are grouped into three categories: pharmacies, hospitals and other customers. A higher credit risk is found among pharmacies that are privately owned. On the other hand, the collection period for hospitals is longer, but the risk that the receivables will not be recovered is almost nil. Other customers are not significant because of dispersion over a large number of customers and individually small balances. The Group secures the recovery of a part of the trade receivables with bills of exchange and promissory notes. A detailed credit risk analysis and the analysis of expected credit losses are presented in notes 18 and 19.

For trade receivables, the Group applied a simplified approach to measuring loss for the lifetime ECL.

At the reporting date, the Group is exposed to one customer from the hospital segment, accounting for 25% of total trade receivables. (2023: 23%)

BILJEŠKA 3 – UPRAVLJANJE FINANCIJSKIM RIZIKOM (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

Prudent liquidity risk management implies the maintenance of a sufficient cash level, ensuring the availability of financial assets due to adequate amounts of contracted credit lines and the ability to settle all liabilities. The aim of the Company and the Group is to maintain financing flexibility by ensuring that the credit lines are available. The Department of Accounting and Finance of the Company regularly monitors the level of available sources of cash funds. Customers consist largely of those owned by, or dependent of, the Republic of Croatia. Hence, the Group's liquidity risk level also depends on the state. The insufficient level of cash from period to period is a direct consequence of the schedule of payments received from the state in settling the state's liabilities concerning the health system. Where the payment periods are extended by the state, the Group agrees extended payment deadlines with its suppliers. Any shortfall is covered using lines of credit available at commercial banks. At 31 December 2024, the balance of cash and cash equivalents amounts to EUR 3,348 thousand (2023: EUR 10,383 thousand), and the Group had free credit lines in the amount of EUR 94,325 thousand (2023: EUR 96,326 thousand) available at demand for liquidity risk management purposes.

The table below analyses the financial liabilities of the Group by contractual maturities. The amounts presented below represent undiscounted cash flows.

(in thousands of EUR) **At 31 December 2024**	**Up to 1 month**	**1 month to 1 year**	**1-3 years**	**Over 3 years**	**Total**
Trade and other payables (note 25)	77,111	225,184	4,238	-	306,533
Borrowings	92	35,959	-	-	36,048
Lease liabilities	214	2,190	3,114	3,211	8,729

(in thousands of EUR) **31 December 2023**	**Up to 1 month**	**1 month to 1 year**	**1-3 years**	**Over 3 years**	**Total**
Trade and other payables (note 25)	71,268	224,827	2,994	1,250	300,339
Borrowings	5,063	17,422	-	-	22,485
Lease liabilities	200	2,034	3,136	2,959	8,329

In 2025, the Group will settle trade and other current liabilities according to the dynamics of collection of receivables, which depends on the liquidity of the entire healthcare system.

BILJEŠKA 3 – FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the self-financing ratio in the financial statements. This ratio is calculated as the proportion of total equity and total assets.

The equity-to-total assets ratio is as follows:

	2024	2023
	(in thousands of EUR)	
Total capital (equity and reserves)	124,690	109,692
Total assets	478,587	445,430
Equity to assets ratio	**26%**	**25%**

The 2024 ratio increased compared to 2023 ratio and shows that the Group finances 26% of its total assets from own sources. Consequently, 74% of the assets are financed from sources other than owner's equity (2023: 75%).

3.3 Fair value measurement

The nominal amount value of trade receivables less impairment allowance and of trade payables are assumed to approximate their fair values considering that they are short-term receivables.

BILJEŠKA 4 – KEY ACCOUNTING ESTIMATES

The Group makes estimates that are continually reviewed and are based on experience and other factors, including expectations of future events that are considered acceptable under the current circumstances. The Group makes estimates and makes assumptions concerning the future. The resulting accounting estimates are, by definition, rarely equal the related actual results. The estimates and assumptions 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.

Assumptions for determining the amount of provisions for trade receivables

Due to the significance of the amount of trade receivables recognised in the statement of financial position, the Management estimates the probability of recovering trade receivables based on the analysis of individual categories of such assets. Factors taken into consideration by the Management include receivables from customers in earlier years, the current and expected liquidity of the Health System of the Republic of Croatia, as well as the specific assessment of the Sales Department for individual customers, depending on the current market trends and their financial position.

When measuring ECL, the Group uses reasonable and relevant information, which is based on historical data. The ECL calculation model is further described in note 2.10.

Compared to 31 December 2024, if the discount rate were to increase by 1 percentage point, assuming that all other indicators remained unchanged, profit before tax for the reporting period would be EUR 10 thousand lower than for the reported (2023: EUR 17 thousand).

Useful life of property and equipment

The determination of the useful life of assets is based on past experience involving similar assets, as well as on forecast changes in the economic environment and industry-specific factors. Adequacy of the useful life estimates is reviewed once a year, or whenever there is an indication of significant changes in the underlying assumptions.

Pharmaceutical licenses and goodwill impairment

The goodwill and pharmaceutical licenses with indefinite useful life impairment testing is performed once a year during the reporting period in accordance with the accounting policy explained in notes.

Goodwill relates partially to goodwill arising on acquisition of the subsidiaries Farmis and Famacon that were later merged into Medika and partially arising on acquisitions of pharmacies. At the end of 2024 impairment test was performed for a cash-generating units to which goodwill and licenses have been allocated to base on estimated future cash flows. The recoverable amount of an asset or cash generating unit is its value in use. In assessing value in use the estimated future cash flows are discounted to their present values which are based on financial projections for the period of eight years approved by the Management Board.

The Management Board set the planned growth rates and gross margins based on past experience and expected market development. Terminal growth rate of 2.0% and pre-tax discount rate reflecting specific risks related to relevant business segments, were used in discounted cash flow model.

The sensitivity analysis indicates if discount rate increased by 1.0% (assuming an unchanged terminal growth rate) or terminal growth rate decreased by 0.5% (assuming an unchanged discount rate), there would be no impairment of other rights.

NOTE 5 – REVENUE

	2024	2023
	(in thousands of EUR)	
Sales revenue:		
Revenue from sales of goods	814,928	735,737
Revenue from sales of goods – related parties (note 30)	11,396	10,057
	826,324	**745,794**
Other income:		
Revenue from sale of services	6,005	4,555
Revenue from sale of services – related parties (note 30)	118	139
	6,123	**4,694**

NOTE 6 – SEGMENT INFORMATION

Segment information follows the structure used by the Company and the Group for internal reporting purposes, which has remained unchanged in comparison with the prior year.

The Group monitors revenues and gross profit through two main distribution channels: wholesale and retail.

The wholesale distribution channel consists of:

1. Pharmacies

2. Hospitals

3. Other customers, which are divided into:
   - Dental practices
   - Veterinary clinics
   - Medical centres
   - Wholesalers
   - Other customers (herbal pharmacies, companies, optics, etc,)

Retail distribution channel consists of self-owned pharmacies (subsidiary ZU Ljekarne Prima Pharme and its subsidiaries).

The Group uses margin calculated as sales revenue minus cost of the goods sold as a performance measure of a particular segment.

There are no transactions between segments. The Company and the Group apply the same accounting policies in all segments.

NOTE 6 – SEGMENT INFORMATION (continued)

The segments' results for the year ended 31 December 2024 are as follows:

	Wholesale			Retail	
(in thousands of EUR)	**Pharmacies**	**Hospitals**	**Other**	**Own pharmacies**	**Total**
Revenue from sale of goods	278,079	336,906	111,826	88,117	814,928
Revenue from sale of goods - related parties (note 30)	11,393	-	3	-	11,396
Revenue from sale of services	72	347	4,849	737	6,005
Revenue from sale of services – related parties (note 30)	21	-	97	-	118
Total income	**289,565**	**337,253**	**116,775**	**88,854**	**832,447**
Cost of goods sold	(271,225)	(323,692)	(103,916)	(68,040)	(766,873)
Segment result	**18,340**	**13,561**	**12,859**	**20,814**	**65,574**
Operating expenses					(42,257)
Profit from operations					**23,317**
Financial income					2,999
Financial expenses					(1,998)
Net financial profit					**1,001**
Share in the profit of associates					512
Profit before tax					**24,830**
Income tax					(4,519)
Profit for the year					**20,311**

NOTE 6 – SEGMENT INFORMATION (continued)

The segments' results for the year ended 31 December 2023 are as follows:

	Wholesale			Retail	
(in thousands of EUR)	**Pharmacies**	**Hospitals**	**Other**	**Own pharmacies**	**Total**
Revenue from sale of goods	248,787	320,457	88,334	78,159	735,737
Revenue from sale of goods - related parties (note 30)	10,041	-	16	-	10,057
Revenue from sale of services	41	99	3,747	668	4,555
Revenue from sale of services – related parties (note 30)	1	-	138	-	139
Total income	**258,870**	**320,556**	**92,235**	**78,827**	**750,488**
Cost of goods sold	(242,332)	(304,692)	(82,881)	(60,942)	(690,847)
Segment result	**16,538**	**15,864**	**9,354**	**17,885**	**59,641**
Operating expenses					(36,243)
Profit from operations					**23,398**
Financial income					2,277
Financial expenses					(1,732)
Net financial loss					**545**
Share in the profit of associates					431
Profit before tax					**24,374**
Income tax					(4,294)
Profit for the year					**20,080**

The analysis of trade receivables by the segments at 31 December 2024 is as follows:

	Wholesale			Retail	
(in thousands of EUR)	**Pharmacies**	**Hospitals**	**Other**	**Own pharmacies**	**Retail**
Trade receivables (note 19/i/)	75,623	176,791	18,605	17,693	288,712

The analysis of trade receivables by the segments at 31 December 2023 is as follows:

	Wholesale			Retail	
(in thousands of EUR)	**Pharmacies**	**Hospitals**	**Other**	**Own pharmacies**	**Total**
Trade receivables (note 19/i/)	69,504	140,901	16,829	15,888	243,122

NOTE 6 – SEGMENT INFORMATION (continued)

Other assets are not analysed by segments considering the same assets are used in all segments for performing activities. Furthermore, the Group does not follow assets by geographical areas since it operates only in the area of the Republic of Croatia.

Revenue from the most significant customer, the hospital segment, was 14.68% in 2024 (2023: 16.01%).

NOTE 7 - STAFF EXPENSES

	2024	2023
	(in thousands of EUR)	
Net salaries	13,492	11,516
Contributions from and on salaries /i/	6,246	5,451
Other employee benefits /ii/	2,764	2,417
Taxes and surtaxes	1,632	1,362
Management bonuses	916	736
Employee transportation costs	722	681
Share based payments (note30)	478	473
Termination benefits	66	70
	26,316	**22,706**

As at 31 December 2024, there were 1,032 employees at the Group (2023: 990 employees). The average number of employees during 2024 was 1,015 employees (2023: 961 employees).

/i/ The pension contributions recognised by the Group as payable to mandatory pension funds for 2024 amount to EUR 3,673 thousand (2023: EUR 3,189 thousand).

/ii/ Other employee benefits relate to costs of meals for employees, awards, accommodation costs for foreign workers, business trip expenses, assistance and similar.

NOTE 8 – MARKETING AND PROMOTION EXPENSES

	2024	2023
	(in thousands of EUR)	
Marketing	527	411
Donations	500	475
Entertainment	190	393
Marketing – related parties (note 30)	3	-
	1,220	**1,279**

NOTE 9 - OTHER OPERATING EXPENSES

	2024	2023
	(in thousands of EUR)	
Maintenance of assets, security services and property insurance	3,677	3,098
Materials and energy	2,175	2,029
Professional training and consultancy services /i/	1,136	791
Taxes and contributions independent of the results	729	755
Telephone, postal and utility services	356	323
Bank and payment operation charges	349	315
Rental costs (note 15/iii/)	308	306
Road tolls and transportation costs	200	292
Impairment of trade and other receivables, net (note 19)	157	95
Other costs	974	985
	10,061	**8,989**

/i/ The total amount of fees for the statutory audit of the annual financial statements for 2024 is EUR 69 thousand (2023: EUR 48 thousand). In 2024, no other services charged by the audit firm were contracted (nor in 2023).

NOTE 10 – OTHER (LOSSES) / GAINS – NET

	2024	2023
	(in thousands of EUR)	
Gains from the sale of property and equipment (net)	136	1,343
Net foreign exchange losses – trade and other payables	(10)	(10)
Net foreign exchange losses – cash and cash equivalents	(1)	(1)
Losses from the sale of tangible asset – related parties	-	(268)
	125	**1,064**

NOTE 11 - NET FINANCIAL GAIN / (LOSS)

	2024	2023
	(in thousands of EUR)	
Financial income		
Interest income /i/	2,999	2,277
	2,999	**2,277**
Financial expenses		
Interest expense		
Bank loans (note 26)	(1,685)	(1,499)
Leases (note 15/v/)	(304)	(220)
Other financial expenses /ii/	(9)	-
Penalty interest	-	(13)
	(1,998)	**(1,732)**

/i/ Interest income includes penalty interest paid collected from debtors in the amount of EUR 2,397 thousand (2023: EUR 2,160 thousand).

ii/ Other financial expenses arose as a result of the liquidation of Primus nekretnine d.o.o., which ceased operations during 2024.

NOTE 12 – INCOME TAX

	2024	2023
	(in thousands of EUR)	
Current tax	4,551	4,472
Over provision in previous year	-	(154)
	4,551	4,318
Deferred tax	(32)	(24)
	4,519	**4,294**

NOTE 12 – INCOME TAX (continued)

Reconciliation of the Group's tax (benefit)/expense as per income statement and the tax at the statutory tax rate is presented in the table below:

	2024	2023
	(in thousands of EUR)	
Profit before taxation	**24,830**	**24,374**
Income tax at the rate of 18%	4,469	4,387
Effect of non-taxable income and tax incentives	(189)	(101)
Effect of non-deductible expenses	239	162
Over provision in previous year	-	(154)
Income tax	**4,519**	**4,294**
Effective tax rate	18.20%	17.62%

In accordance with local regulations, the Tax Authority may at any time inspect the Group`s books and records within 3 years following the year in which the tax liability is reported and may introduce additional tax liabilities and penalties. The Management is not familiar with any circumstances which may lead to contingent liabilities in that respect.

NOTE 13 – EARNINGS PER SHARE

Earnings per share are calculated by dividing the Company's net profit by the weighted average number of ordinary shares issued during the year, excluding the average number of ordinary shares redeemed and held by the Company as treasury shares.

	2024	2023
Net profit attributable to the shareholders *(in thousands of EUR)*	20,311	20,080
Weighted average number of shares (excluding treasury shares)	28,954	28,954
Basic/diluted earnings per share *(in EUR and CENT)*	**701.49**	**693.51**

NOTE 14 - PROPERTY AND EQUIPMENT

(All amounts are expressed in thousands of EUR	**Land**	**Buildings**	**Investment property**	**Equipment**	**Asset under construction**	**Prepayments**	**Total**
Balance at 31 December 2022							
Cost	4,035	27,567	1,294	15,856	6,234	73	55,059
Accumulated depreciation	-	(12,271)	(97)	(11,712)	-	-	(24,080)
Net carrying amount	**4,035**	**15,296**	**1,197**	**4,144**	**6,307**	**73**	**30,979**
For the year ended 31 December 2023							
Opening carrying amount, net	4,035	15,296	1,197	4,144	6,234	73	30,979
Additions	-	1	-	81	1,897	389	2,368
Realized advances	-	-	-	-	353	(353)	-
Acquisition of subsidiary (note 30)	-	-	-	2	-	-	2
Transfer from assets under construction	-	169	-	1,985	(2,154)	-	-
Disposals	(928)	(967)	-	(5)	-	-	(1,900)
Depreciation		(735)	(65)	(954)	-	-	(1,754)
Closing carrying amount, net	3,107	13,764	1,132	5,253	6,330	109	29,695
Balance at 31 December 2023							
Cost	3,107	26,205	1,294	17,961	6,330	109	55,006
Accumulated depreciation	-	(12,441)	(162)	(12,708)	-	-	(25,311)
Net carrying amount	**3,107**	**13,764**	**1,132**	**5,253**	**6,330**	**109**	**29,695**
For the year ended 31 December 2024							
Opening carrying amount, net	3,107	13,764	1,132	5,253	6,330	109	29,695
Additions	-	-	-	104	1,633	1,736	3,473
Realized advances	-	-	-	-	1,240	(1,240)	-
Transfer to intangible assets (bilješka 16)	-	-	-	-	3	-	3
Transfer from assets under construction (bilješka 15)	-	-	-	35	-	-	35
Transfer from assets under construction	-	188	-	2,257	(2,445)	-	0
Disposals	-	(1)	-	(27)	-	-	(28)
Depreciation	-	(724)	(64)	(1,281)	-	-	(2,069)
Closing carrying amount, net	3,107	13,227	1,068	6,341	6,761	605	31,109
Balance at 31 December 2024							
Cost	3,107	26,392	1,294	20,190	6,761	605	58,349
Accumulated depreciation	-	(13,165)	(226)	(13,849)	-	-	(27,240)
Net carrying amount	**3,107**	**13,227**	**1,068**	**6,341**	**6,761**	**605**	**31,109**

NOTE 14 - PROPERTY AND EQUIPMENT (continued)

The fair value of real estate classified as Investment property does not deviate significantly from the book value.

Loan liabilities (note 26) have been secured by pledges over property and equipment with a carrying amount of EUR 15,587 thousand as at 31 December 2024 (2023: EUR 16,214 thousand). Of the stated amount, EUR 1,068 thousand relate to the value of the pledged assets for the loan, which was fully repaid as of 31 December 2024.

NOTE 15 – LEASES

The Group leases vehicles and business premises under lease agreements.

/i/ The leases presented in the statement of financial position at 31 December are as follows:

	2024	2023
	(in thousands of EUR)	
Right-of-use assets:		
Vehicles	1,233	1,493
Buildings	10,445	6,616
	11,678	**8,109**
Lease liabilities:		
Current	2,139	2,198
Non-current	5,697	6,071
	7,836	**8,269**

/ii/ Non-current lease liabilities:

	31.12.2024	31.12.2023
	(in thousands of EUR)	
1-2 years	1,556	1,865
2-5 years	2,699	2,773
Over 5 years	1,442	1,433
Contractual lease liabilities	**5,697**	**6,071**

NOTE 15 – LEASES (continued)

/iii/ Leases presented in the statement of comprehensive income are as follows:

	2024	2023
	(in thousands of EUR)	
Depreciation	2,279	2,139
Interest expense (note 11)	304	220
Rental costs related to short-term leases (note 9)	308	306
	2,891	**2,665**

The average interest rate is 4,16 % (2023.: 3.91%).

NOTE 15 – LEASES (continued)

/iv/ An overview of the movement of right-of-use assets is as follows:

(All amounts are expressed in thousands of EUR)	Vehicle	Business premises	Asset under cons-tructio n	Advance payments for premises	Total
For the year ended 31 December 2023					
Opening carrying amount, net	1,857	5,414	-	-	7,271
Additions	149	1,718	890	271	3,028
Transfer from assets under construction	184	977	(1,161)	-	-
Transfer from intangible asset (note 16)	-	-	-	34	34
Contract termination	-	(75)	-	-	(75)
Realized advances	-	-	271	(280)	(9)
Contract modification	14	-	-	-	14
Disposals	(14)	(1)	-	-	(15)
Depreciation	(697)	(1,442)	-	-	(2,139)
Closing net book value	1,493	6,591	-	25	8,109
For the year ended 31 December 2023					
Cost	2,803	10,756	-	25	13,584
Accumulated depreciation	(1,310)	(4,165)	-	-	(5,475)
Net book value	**1,493**	**6,591**	**-**	**25**	**8,109**
For the year ended 31 December 2024					
Opening carrying amount, net	1,493	6,591	-	25	8,109
Additions	97	1,295	501	4,002	5,895
Transfer from intangible asset (note 16)	(35)	-	-	-	(35)
Contract termination		13	-	-	13
Transfer from assets under construction	309	192	(501)	-	0
Contract modification	(11)	-	-	-	(11)
Disposals	(4)	-	-	(10)	(14)
Depreciation	(616)	(1,663)	-	-	(2,279)
Closing net book value	1,233	6,428	-	4,017	11,678
For the year ended 31 December 2024					
Cost	2,302	11,274	-	4,017	17,593
Accumulated depreciation	(1,069)	(4,846)	-	-	(5,915)
Net book value	**1,233**	**6,428**	**-**	**4,017**	**11,678**

NOTE 15 – LEASES (continued)

/v/ Movement in lease liability:

	2024	2023
	(in thousands of EUR)	
Lease liabilities recognized on 1 January	**8,269**	**7,688**
Additions	2,179	2,875
Contract modification	(21)	16
Lease payments	(2,301)	(2,226)
Interest expense (note 11)	304	220
Interest paid	(304)	(220)
Contract termination	(290)	(77)
Write-off	-	(7)
Lease liabilities recognized on 31 December	**7,836**	**8,269**

NOTE 16 – INTANGIBLE ASSETS

(All amounts are expressed in thousands of EUR)	Goodwill	Licences	Software and other rights	Assets under construction	Pre-payments	Total
Balance at 31 December 2022						
Cost	11.875	19.790	8.089	6	34	39.794
Accumulated amortisation and impairment	(1.012)	(168)	(6.339)	-	-	(7.519)
Net carrying amount	**10.863**	**19.622**	**1.750**	**6**	**34**	**32.275**
For the year ended 31 December 2023						
Opening carrying amount, net	10.863	19.622	1.750	6	34	32.275
Additions	-	-	12	249	122	383
Transfers	-	-	243	(243)	-	-
Transfer to right-of-use (note 15)	-	-	-	-	(34)	(34)
Acquisition of subsidiary (note 29)	524	2.912	-	-	-	3.436
Disposals	-	-	(3)	-	-	(3)
Amortisation	-	-	(440)	-	-	(440)
Closing carrying amount, net	11.387	22.534	1.562	12	122	35.617
Balance at 31 December 2023						
Cost	12.399	22.702	7.782	12	122	43.017
Accumulated amortisation and impairment	(1.012)	(168)	(6.220)	-	-	(7.400)
Net carrying amount	**11.387**	**22.534**	**1.562**	**12**	**122**	**35.617**
For the year ended 31 December 2024						
Opening carrying amount, net	11.387	22.534	1.562	12	122	35.617
Additions	-	219	4	440	70	733
Realized prepayments	-	-	-	46	(46)	-
Trasfer to tangibale asstes (note 14)	-	-	-	(3)	-	(3)
Transfer from assets under construction	-	46	367	(413)	-	-
Amortisation	-	-	(437)	-	-	(437)
Closing carrying amount, net	11.387	22.799	1.496	82	146	35.910
Balance at 31 December 2024						
Cost	12.722	22.967	7.931	82	146	43.848
Accumulated amortisation and impairment	(1.335)	(168)	(6.435)	-	-	(7.938)
Net carrying amount	**11.387**	**22.799**	**1.496**	**82**	**146**	**35.910**

Licences

At the reporting date, pharmacy licences with an indefinite useful life amount in total to EUR 22,799 thousand (2023: EUR 20,764 thousand). During 2024, the Institution acquired 3 pharmacy licenses (during 2023, 1 pharmacy license was acquired). Without licenses for performing pharmacy activities, it is not possible to perform the pharmacy activity itself.

NOTE 16 – INTANGIBLE ASSETS (continued)

Impairment test of goodwill and licences with indefinite useful life

The Group has calculated the recoverable amount using the value-in-use method. Value-in-use cash flow projections were based on 8-year business plan approved by the Management. For the purposes of the cash flow projections, a discount rate of 8.08% (2023: 8.07%) and a terminal growth rate of 2.00% (2023: 2.00%) were applied. The longer term of the business plan was used in the calculation due to the expected stabilization of business in the long term. The recoverable amount exceeds the carrying amount.

The sensitivity analysis shows that even with a significant decrease of the terminal growth rate and the increase of the WACC rate, there are still no indicators for a value adjustment, respectively, the impairment test is not sensitive to changes in key variables.

NOTE 17 – INVESTMENTS IN ASSOCIATES

The Group holds a 49% share in the associate Zdravstvena ustanova Ljekarne Jagatić, which was acquired in 2008.

	31.12.2024	31.12.2023
	(in thousands of EUR)	
Balance at 1 January	3,482	3,449
Share of profit paid	(645)	(231)
Dividend advance payment	-	(167)
Transfer of profit made	512	431
Balance at 31 December	**3,349**	**3,482**

Information on associates for the year ended 31 December can be summarised as follows:

(All amounts are expressed in thousands of EUR)	**Assets**	**Liabilities**	**Income**	**Net gain**
Balance at 31 December 2024				
ZU Ljekarne Jagatić	7,788	5,535	17,613	1,044
Total	**7,788**	**5,535**	**17,613**	**1,044**

(All amounts are expressed in thousands of EUR)	**Assets**	**Liabilities**	**Income**	**Net gain**
Balance at 31 December 2023				
ZU Ljekarne Jagatić	7,391	4,755	15,446	879
Total	**7,391**	**4,755**	**15,446**	**879**

NOTE 18 – FINANCIAL INSTRUMENTS BY CATEGORY

	31.12.2024	31.12.2023
	(in thousands of EUR)	
Financial assets – category:		
Loans and receivables (note 19/v/)	291,808	245,234
Cash and cash equivalents (note 21)	10,419	10,383
	302,227	**255,617**

	31.12.2024	31.12.2023
	(in thousands of EUR)	
Financial liabilities - category:		
Trade payables (note 25/i/)	300,168	292,870
Total borrowings (note 26)	35,205	22,355
Lease liabilities (note 15/i/)	7,836	8,269
Other liabilities (note 25)	6,365	7,469
	349,574	**330,963**

The quality of financial receivables not yet due and not impaired can be assessed based on historical data about the customers.

The quality of receivables not yet due and not impaired is considered from the aspect of the different credit risk exposures of the debtors (note 19 /i/):

	2024	2023
	(in thousands of EUR)	
Hospitals	63,591	58,819
Pharmacies	35,916	35,349
HZZO	8,590	7,854
Other	10,273	9,887
Balance at 31 December	**118,370**	**111,909**

NOTE 19 – TRADE AND OTHER RECEIVABLES

	31.12.2024	31.12.2023
	(in thousands of EUR)	
Long-term receivables:		
Trade receivables /i/	4,175	4,175
Given loans /ii/	2,155	1,263
Long-term deposits	49	38
	6,379	5,476
Current receivables:		
Trade receivables /i/	284,537	238,947
Short-term deposits	-	32,000
Other current receivables /iii/	1,382	1,996
Given loans /iv/	29	239
Given loans – current portion of non-current receivables /i/	912	610
	286,860	273,792
	293,239	**279,268**

/i/ Trade receivables, as reported in the statement of financial position at 31 December, are as follows:

	2024	2023
	(in thousands of EUR)	
Domestic trade receivables	284,743	239,667
Trade receivables – related parties (note 30)	4,709	3,987
Foreign trade receivables	360	405
	289,812	244,059
Expected credit losses	(1,100)	(937)
	288,712	**243,122**

The ageing structure of receivables:

	31.12.2024	31.12.2023
	(in thousands of EUR)	
Not yet due (note 18)	118,370	111,909
0–180 days past due	167,457	128,617
181–360 days past due	1,641	157
Over 360 days past due	2,344	3,376
	289,812	**244,059**

BILJEŠKA 19 – TRADE AND OTHER RECEIVABLES

Movements in impairment allowance for trade receivables:

	2024	2023
	(in thousands of EUR)	
Balance at 1 January	937	854
Increase (note 9)	165	83
Writte-off	(2)	-
Balance at 31 December	**1,100**	**937**

/ii/ Given loans, as reported in the statement of financial position as at 31 December, are as follows:

	Effective interest rate	2024	2023
		(in thousands of EUR)	
Loans given to pharmacies	2.0%-5.0%	1,710	1,293
Other given loans	3.0%-6.0%	1,357	580
Total non-current receivables, including current portion		3,067	1,873
Current portion of non-current receivables		(912)	(610)
		2,155	**1,263**

The fair value of long-term receivables approximates the carrying value considering the immaterial effect of the discount and the fact that long-term receivables are financed by long-term liabilities to suppliers.

The maturity of long-term loans is as follows:

	31.12.2024	31.12.2023
	(in thousands of EUR)	
From 1 to 2 years	783	487
From 2 to 5 years	1,330	652
Over 5 years	42	124
	2,155	**1,263**

BILJEŠKA 19 – TRADE AND OTHER RECEIVABLES (continued)

/iii/ Other receivables, as reported in the statement of financial position as at 31 December, are as follows:

	2024	2023
	(in thousands of EUR)	
Prepaid expenses	146	97
VAT receivables not yet recognized	61	845
Other	1,175	1,054
	1,382	**1,996**

/iv/ Given loans, as reported in the balance sheet as at 31 December, are as follows:

	2024	2023
	(in thousands of EUR)	
Given loans	29	239
Expected credit losses	-	-
	29	**239**

Given long-term loans – short-term part as reported in the balance sheet as at 31 December, are as follows:

	2024	2023
	(in thousands of EUR)	
Given loans	917	623
Expected credit losses	(5)	(13)
	912	**610**

Movements in provisions for impairment of given loans:

	31.12.2024	31.12.2023
	(in thousands of EUR)	
Balance at 1 January	13	1
(Decrease) / increase (note 9)	(8)	12
Write-off	-	-
Balance at 31 December	**5**	**13**

BILJEŠKA 19 – TRADE AND OTHER RECEIVABLES (continued)

/v/ Financial assets by category include the following:

	31.12.2024	31.12.2023
	(in thousands of EUR)	
Trade receivables	288,712	243,122
Given cash loans	1,531	1,206
Given commodity loans	1,565	906
	291,808	**245,234**

The commodity loans given relate to trade receivables past due that have been reprogrammed and the payment has been agreed in future periods. The loans are not intended to generate financial benefit, but rather to collect current receivables from customers.

NOTE 20 - INVENTORIES

	31.12.2024	31.12.2023
	(in thousands of EUR)	
Trade goods	91,562	76,445
Prepayments	1,178	2,561
Materials	58	68
Impairment allowance on inventories	(99)	(350)
	92,699	**78,724**

Inventories in the amount of EUR 13,275 thousand (2023: EUR 13,272 thousand) were pledged as collateral for the Group`s borrowings (note 26).

NOTE 21 - CASH AND CASH EQUIVALENTS

	31.12.2024	31.12.2023
	(in thousands of EUR)	
Deposits	7,071	-
Bank account – EUR	3,343	10,378
Bank account – foreign currency	2	-
Cash in hand	3	5
	10,419	**10,383**

Cash on EUR and foreign-currency denominated accounts is held with commercial banks in Croatia.

NOTE 22 - SHARE CAPITAL

At 31 December 2024, the share capital as of the Company amounts to EUR 27,778,480 (31 December 2023: EUR 27,778,480) and is divided into 30,194 shares (2023: 30,194 shares). The nominal value per share amounts to EUR 920 (31 December 2023: EUR 920). All issued shares are fully paid in.

	Number of shares	Share capital	Treasury shares	Capital gains/ (losses)	Total
	(in pieces)		*(in thousands of EUR)*		
Balance at 1 January 2023	30.194	27,771	(2,081)	(283)	25,407
Increase in share capital \i\	-	7	-	-	7
Balance at 31 December 2023	**30.194**	**27,778**	**(2,081)**	**(283)**	**25,414**
Balance at 1 January 2024	30,194	27,778	(2,081)	(283)	25,414
Balance at 31 December 2024	**30,194**	**27,778**	**(2,081)**	**(283)**	**25,414**

\i\ During 2023, the share capital was increased based on the Decision of the General Assembly of the Company, which was held on 2 May 2023. The Company's share capital is aligned with euros. Share capital was increased in the total amount of EUR 7 thousand from retained profit of earlier periods.

The ownership structure of the Company as at 31 December is as follows:

	2024		2023	
	Number of shares	%	Number of shares	%
Auctor d.o.o.	14,506	48.04%	14,506	48.04%
Pliva Hrvatska d.o.o.	7,646	25.32%	7,646	25.32%
Krka d.d. Novo Mesto	3,614	11.97%	3,614	11.97%
Natural persons	2,114	7.00%	1,092	3.62%
Treasury shares	1,240	4.11%	1,240	4.11%
Auctor Holding a.s.	8	0.03%	8	0.03%
Other legal persons	1,066	3.53%	2,088	6.92%
Total	**30,194**	**100%**	**30,194**	**100%**

As of 31 December 2024, Auctor d.o.o. holds 14,506 shares (out of which 3,929 shares were acquired by members of the Management Board, one employee of the Company, the Director of ZU Ljekarne Prima Pharme and a member of the Supervisory Board of the Company and transferred by fiduciary to Auctor d.o.o.), accounting for 50.10% (2023: 50.10%) of voting shares when considering non-voting treasury shares.

NOTE 23 - RESERVES

(in thousands of EUR)	**Legal reserves**	**Reserves for treasury shares**	**Total**
Balance at 31 December 2022	**2,462**	**6,478**	**8,940**
Changes during the year	**-**	**-**	-
Balance at 31 December 2023	**2,462**	**6,478**	**8,940**
Changes during the year	-	-	-
Balance at 31 December 2024	**2,462**	**6,478**	**8,940**

NOTE 24 – RETAINED EARNINGS

Included in the retained earnings are other reserves in the total amount of EUR 4,209 thousand (2022: EUR 4,209 thousand). The other reserves in the amount of EUR 4,209 thousand comprise reserves arisen as a result of hyperinflation during the 1990s, which resulted in a high increase of prices.

In 2024, the General Assembly adopted in its meeting held on 02 May 2024 a decision to distribute dividends from the retained earnings in the amount of EUR 5,791 thousand. The dividend per share amounted to EUR 200.00. In 2023, the General Assembly adopted in its meeting held on 2 May 2023 a decision to distribute dividends from the retained earnings in the amount of EUR 6,225 thousand. The dividend per share amounted to EUR 215.00.

In 2023, the share capital was increased from retained earnings in the amount of EUR 7 thousand in accordance with the Decision of the General Assembly of the Company.

NOTE 25 – TRADE AND OTHER PAYABLES

	31.12.2024	**31.12.2023**
	(in thousands of EUR)	
Non-current liabilities:		
Trade payables /i/	4,238	4,244
	4,238	**4,244**
Current liabilities:		
Trade payables /i/	295,930	288,626
Other liabilities /ii/	6,365	7,469
	302,295	296,095
	306,533	**300,339**

NOTE 25 – TRADE AND OTHER PAYABLES (continued)

/i/ Trade payables recognized as at 31 December are as follows:

	2024	2023
	(in thousands of EUR)	
Foreign trade payables	214,825	216,787
Domestic trade payables	61,412	56,092
Trade payables – related parties (note 30)	23,931	19,991
	300,168	**292,870**

The carrying amounts of trade payables are denominated in the following currencies:

	31.12.2024	31.12.2023
	(in thousands of EUR)	
EUR	300,095	292,868
Other currencies	73	2
	300,168	**292,870**

/ii/ Other payables recognised as at 31 December are as follows:

	2024	2023
	(in thousands of EUR)	
VAT payable	2,896	2,715
Salaries payable	2,308	2,001
Unused holiday leave days	224	377
Other taxes and contributions payable	24	57
Other	913	2,319
	6,365	**7,469**

NOTE 26 – BORROWINGS

	31.12.2024	31.12.2023
	(in thousands of EUR)	
Short-term:		
Short-term loans	35,205	22,355
Total borrowings	**35,205**	**22,355**

Borrowings are related to financing of operations from various banks. It is denominated in euros with fixed rate. The maturity of the short-term borrowing is 12 months.

NOTE 26 – BORROWINGS (continued)

The effective interest rates at the reporting date are as follows:

	31.12.2024 EUR %	31.12.2023 EUR %
Short-term borrowings		
Short-term loans	3.125%	0.29%-4.35%

The carrying amounts of short-term borrowings correspond mainly to their fair values.

The exposure to changes in the interest rates on the borrowings and the contractual repricing dates at the reporting date is as follows:

	31.12.2024	31.12.2023
	(in thousands of EUR)	
Variable-rate borrowings	-	-
Fixed-rate borrowings		
Fixed-rate loans	35,205	22,355
Total borrowings	**35,205**	**22,355**

Given that borrowings in the amount of EUR 35,205 thousand bear interest at fixed rates (2023: EUR 22,355 thousand), there is no exposure to interest rate changes.

The loans received are secured by registered lien over the Group's property and equipment (note 14), inventories (note 20) as well as bills of exchange and promissory notes.

Movement in borrowings is as follows:

	2024	2023
	(in thousands of EUR)	
Borrowings recognized at 1 January	**22,355**	**47,193**
Additions	189,000	98,000
Payments	(176,282)	(122,885)
Interest cots (note 11)	1,685	1,499
Interest paid	(1,553)	(1,452)
Borrowings recognized at 31 December	**35,205**	**22,355**

NOTE 27 - CONTINGENT LIABILITIES

As at 31 December 2024 and as at 31 December 2023, management did not identify any contingent liabilities.

NOTE 28 – DEFERRED TAX

Deferred tax liabilities

(in thousands of EUR)	**Acquisition of a subsidiary – licences**
Balance at 1 January 2023	**2,813**
Changes during the year (note 29)	524
Balance at 31 December 2023	**3,337**
Balance at 1 January 2024	**3,337**
Changes during the year	**-**
Balance at 31 December 2024	**3,337**

The deferred tax liability arose at the acquisition of the subsidiary as a result of the difference arising from the measurement of assets and liabilities of subsidiaries in consolidation at fair values, while the tax base of assets and liabilities remained at the level of expense.

NOTE 29 – ACQUISITION OF SUBSIDIARIES

In 2024 there were no new acquired subsidiaries.

NOTE 30 – RELATED-PARTY TRANSACTIONS

The Group enters into transactions with related parties.

Related parties include:

	2023	2023
1. Associate of Zdravstvene ustanove Ljekarne Prima Pharme, Zagreb Zdravstvena ustanova Ljekarne Jagatić, Zagreb	49%	49%

2. The company with the largest voting rights, is the parent company Auctor d.o.o. which holds 48.04% shares or 50.10% shares with voting right . In the course of the financial restructuring of Auctor d.o.o., during 2019, there was a transfer of ownership of Auctor d.o.o. to Auctor Holding a.s. that led to an indirect change of ownership of the Company's shares. Auctor Holding a.s. owns 100.00% stake in Auctor d.o.o., while the owners of Auctor Holding a.s. were Auctor Prime d.o.o. with 55% and JTPEG Croatia Investments a.s. with 45.00%. During 2022, the transaction of sale and transfer of shares was carried out to Auctor Holding a.s. The structure of ownership and voting rights over Auctor Holding a.s. is Auctor Holding a.s. with 50% and JTPEG Croatia Investments a.s. with 50%.

3. Pliva Hrvatska d.o.o., Zagreb, has an ownerships interest of 25.32% and 26.41% of voting rights over the Company.

NOTE 30 – RELATED-PARTY TRANSACTIONS (continued)

Balances resulting from transactions with related parties and included in the statement of financial position at 31 December 2024 and 31 December 2023 as well as items from the Statement of comprehensive income are shown below

(in thousands of EUR)	Note	2024	2023
Trade and other receivables			
Trade receivables			
Associate of ZU Ljekarne Prima Pharme		4,673	3,936
Auctor d.o.o.		2	-
Pliva Hrvatska d.o.o.		34	51
	19/i/	4,709	3,987
Inventories			
Pliva Hrvatska d.o.o.		6,957	5,348
		6,957	5,348
Trade payables			
Associate of ZU Ljekarne Prima Pharme		1	-
Pliva Hrvatska d.o.o.		23,930	19,991
	25/i//	23,931	19,991
Revenues from sale of goods			
Associate of ZU Ljekarne Prima Pharme		11,393	10,041
Auctor d.o.o.		2	-
Pliva Hrvatska d.o.o.		1	16
	5, 6	11,396	10,057
Revenue from sale of services			
Auctor Holding a.s.		1	1
Pliva Hrvatska d.o.o.		117	138
	5, 6	118	139
Marketing and promotion expenses			
Associate of ZU Ljekarne Prima Pharme		3	-
	8	3	-
Purchase of trade goods			
Pliva Hrvatska d.o.o./i/		59,178	48,286
		59,178	48,286
Key management compensation – salaries and bonuses for Management Board and Director		1.339	1,070
Supervisory Board, Audit Committee and Governing Council compensation		90	98

NOTE 30 – RELATED-PARTY TRANSACTIONS (continued)

Members of the Management Board of the Company and one employee of the Company, in the middle of 2020 purchased 3,200 shares of Medika d.d. and a member of the Supervisory Board of the Company purchased 972 shares of Medika d.d. from the related entity Auctor d.o.o. primarily via secured loans received from the same related entity. The voting rights of the purchased shares remain with Auctor d.o.o. and may be repurchased by Auctor d.o.o. or transferred to third parties under specific conditions until the middle of 2026. During 2021, the fiduciary ownership right of Auctor d.o.o. was removed from 243 Medika d.d. shares of a member of the Supervisory Board. Expense and corresponding capital increase recognized until 2024 cumulatively amounts to EUR 2,067 thousand (cumulatively amounts to EUR 1,589 thousand until 2023). Expense and corresponding capital increase recognised during the year 2023 and corresponding increase in equity amount to EUR 473 thousand and during the year 2024 amount to EUR 478 thousand. Over the next two years, the estimated cost is EUR 744 thousand.

NOTE 31 – EVENTS AFTER THE BALANCE SHEET DATE

There were no other events after the balance sheet date that would have had a significant impact on the consolidated financial statements as of or for the period then ended.

NOTE 32 - APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements presented on pages 145 to 194 were approved by the Management Board of the Company in Zagreb on 12 March 2025:

Jasminko Herceg *President of the Management Board*	Matko Galeković *Member of the Management Board*	Jakov Jaki Radošević *Member of the Management Board*

***

100 GODINA Medika

ODLUKA

o utvrđenju Financijskog izvješća o poslovanju Grupe Medika za 1-12. mj. 2024. god.

Dana 20. ožujka 2025. godine na 12. sjednici Nadzornog odbora Medike d.d. za trgovinu lijekovima i sanitetskim materijalom, Zagreb, Capraška 1, Nadzorni odbor Medike d.d. dao je suglasnost na Financijsko izvješće o poslovanju Grupe Medika za 1-12. mj. 2024. god. kako ga je utvrdila Uprava Medike d.d.

Time je Izvješće o poslovanju Grupe Medika za 1-12. mj. 2024. god. utvrđeno u skladu s čl. 300 d. Zakona o trgovačkim društvima.

U Zagrebu, 20.03.2025.

Predsjednik Uprave

Jasminko Herceg

Medika d.d.
ZAGREB, Capraška 1

Predsjednik Nadzornog odbora

Oleg Uskoković

Medika, dioničko društvo za trgovinu lijekovima i sanitetskim materijalom
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Upisano u registar Trgovačkog suda u Zagrebu. Temeljni kapital 27 778 480,00 EUR
u cijelosti uplaćen, podijeljen na 30 194 redovne dionice na ime, nominalnog iznosa 920,00 EUR
Uprava: Jasminko Herceg, predsjednik Uprave, Matko Galeković, član Uprave;
Jakov Jaki Radošević, član Uprave. Nadzorni odbor: Oleg Uskoković, predsjednik