

# CONSOLIDATED ANNUAL REPORT

beginning of financial year: 01.01.2023

end of the financial year: 31.12.2023

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# Management Report

The Management Report has been prepared for the consolidated financial results of J. Molner AS, The J. Molner Company OÜ and The J. Molner Company LLC (hereinafter the "Group") for the 12 months of 2023. J. Molner AS was established on 22.09.2022 as a holding company without independent economic activity. The purpose of establishing J. Molner AS was to enable the initial public offering (IPO) and admission to trading on the First North multilateral trading system of the shareholding in The J. Molner Company OÜ. As the corporate form (private limited company) of The J. Molner Company OÜ does not allow it to make a public offering of the holding and apply for admission to trading, J. Molner AS as a public limited company was founded. J. Molner AS was established with non-monetary contribution, the object of which was a 100% holding in The J. Molner Company OÜ, thus J. Molner AS is the parent company of The J. Molner Company OÜ. The J. Molner Company Inc. is a subsidiary of The J. Molner Company OÜ. In the beginning of 2023, the U.S. entity The J. Molner Company LLC was acquired. The main purpose of the U.S. entity is the sale of the Group's products in the U.S. market.

In January 2023, the Group successfully passed its inspection of Eesti Ravimiamet. During the year of 2023, the Group continued the development of its own generic drugs and the provision of analytical chemistry and method development services to third parties. In terms of analytical and development services, the Group served customers from the United States, Canada, and Europe. In addition, the Group continued to return to the market three U.S. registered drugs owned by the Group since 2022. J. Molner has presented its first complete submission to the U.S Food and Drug Administration in July 2023. Molner's generic topical drug, MOL-004, is subject to FDA review and may be eligible for approval in the first half of 2024. In September 2023 Group announced a licensing agreement to broaden its reach in the United States. The agreement involves licensing rights for five approved generic topical pharmaceutical products. Molner will lead the effort to reintroduce these products to the US market and will commercialize the products. Molner estimates that three of those products will be relaunched over the year 2024 and two of them in the first half of the year 2025.

In November 2023, J. Molner entered the US Market with Hydrocortisone Butyrate Lotion, 0.1%. "Our entrance into the US market with the Hydrocortisone Butyrate Lotion, 0.1% is a measured step forward for J. Molner AS," remarked Jason Grenfell-Gardner, Founder of J. Molner AS. "We look at this achievement as a direct result of our focus on meticulous planning and execution. It is a strong platform from which we will continue to deliver quality pharmaceuticals to meet patient needs globally."

For one drug product, the Group received its first ever new market approval from Health Canada in June 2023; the application for approval for the second drug product was submitted in March 2023. In April 2023, The Group entered into a licensing agreement with a Canadian pharmaceutical distributor to commercialize two injectable drug products in Canada, pending approval from Health Canada. In addition, the Group has entered into a licensing agreement with the same Canadian pharmaceutical distributor to develop two drug products at the Group's laboratory in Tallinn.

#### Important notes:

- The Group's business is not seasonal.
- The Group's activities are not accompanied by significant environmental and social impacts.
- Interest rates did not change significantly during the financial year and the period of preparation of the interim report.
- As J. Molner AS was founded using the 100% shareholding in The J. Molner Company OÜ as non-monetary contribution the consolidated comparative data is provided for period 01.10.2022-31.12.2022.

As per 31.12.2023, the total consolidated unaudited balance sheet of J. Molner AS was EUR 3,130,661 (as per 31.12.2022, EUR 1,746,410). The total consolidated balance sheet increased by 44% compared to the total consolidated balance sheet at the end of 2022. As per 31.12.2023, consolidated current assets amounted to EUR 481,094 (as per 31.12.2022, EUR 816,776), which is 15% of total assets (as per 31.12.2022, 47%).

As per 31.12.2023, consolidated fixed assets amounted to EUR 2,649,567 (as per 31.12.2022, EUR 929,634), which is 85% of total assets (as per 31.12.2022, 53%). As per 31.12.2023, the consolidated liabilities of J. Molner AS amounted to EUR 2,867,492 (as per 31.12.2022, EUR 1,484,767), which is 92% of the total balance sheet (as per 31.12.2022, 85%). As per 31.12.2023, the consolidated equity was EUR 263,168 (as per 31.12.2022, EUR 261,643), which is 8% from total balance sheet (as per 31.12.2022, 15%).

In 2023, the Group's investments to fixed assets were EUR 1,745,162, including completed Hydrocortisone Butyrate Lotion project EUR 481,449 and spent EUR 1,162,693 on research and development. Depreciation expenses for the 12-month of 2023 amounted to EUR 31,979.

In April 2023, J. Molner AS concluded an unsecured loan agreement which extended the existing credit facility of The J. Molner Company OÜ and under which J. Molner AS is entitled to draw down an additional loan with a principal of up to USD 2,000,000. The term of the loan is five years, and the interest is 7% p.a. As per 31.12.2023, the consolidated unaudited loan liabilities were EUR 2,178,815 (as per 31.12.2022, EUR 1,296,357), of which EUR 267,645 is short term liabilities (as per 31.12.2022, EUR 274,178) and EUR 1,911,170 (as per 31.12.2022, EUR 1,022,179) is long term liabilities. In 2023, a short-term loan in the amount of EUR 26,174 was repaid. In 2023, interest of the loans was EUR 157,022. In the period 01.10.2022-31.12.2022, the interest on loans was EUR 26,431 EUR.

As per 31.12.2023, the consolidated unaudited sales revenue was EUR 617,563, in the period 01.10.2022-31.12.2022, the consolidated unaudited sales revenue was EUR 22,987. Consolidated unaudited sales revenue for the second half of 2023, increased by 22% compared to the first half of 2023. In 2023, the consolidated unaudited loss was EUR 1,085,185, in period 01.10.2022-31.12.2022, the consolidated unaudited loss was EUR 318,612.

As per 31.12.2023, The Group had 26 employees, 1 member of the management board and 3 members of the supervisory board. In 2023, the consolidated unaudited labor costs amounted to EUR 1,059,938, of which EUR 21,711 was the costs of the option reserve provided to employees.

| <b>Financial Ratios</b>   | <b>2023</b> | <b>2022</b> |
|---------------------------|-------------|-------------|
| Current Ratio             | 0,50        | 1,77        |
| Net Working Capital       | -475 228    | 354 188     |
| EBITDA                    | -914 865    | -392 813    |
| Equity Ratio, %           | 8,41        | 14,98       |
| Return on Total Assets, % | -175,72     | -1386,05    |
| Total Debt Ratio, x       | 0,92        | 0,85        |

Current Ratio = Current assets / Current liabilities

Net Working Capital = Current assets - Current liabilities

EBITDA = Operating profit + Depreciation and impairment loss

Equity Ratio = Equity / Cost of Assets \*100

Return on Total Assets = Net Profit / Revenue \*100

Total Debt Ratio = Liabilities / Total liabilities and owners` equity

## The annual accounts

### Consolidated statement of financial position

(In Euros)

|   | 31.12.2023       | 31.12.2022       | Note |
|---|------------------|------------------|------|
| <b>Assets</b>   |                  |                  |      |
| Current assets  |                  |                  |      |
| Cash and cash equivalents   | 92 522           | 722 796          | 2    |
| Receivables and prepayments   | 316 330          | 84 592           | 3    |
| Inventories   | 72 242           | 9 388            | 4    |
| <b>Total current assets</b>   | <b>481 094</b>   | <b>816 776</b>   |      |
| Non-current assets  |                  |                  |      |
| Investments in subsidiaries and associates                              | 263              | 263              |      |
| Receivables and prepayments   | 9 595            | 0                | 3    |
| Property, plant and equipment   | 213 402          | 138 815          | 6    |
| Intangible assets   | 2 426 307        | 790 556          | 7    |
| <b>Total non-current assets</b>   | <b>2 649 567</b> | <b>929 634</b>   |      |
| <b>Total assets</b>   | <b>3 130 661</b> | <b>1 746 410</b> |      |
| <b>Liabilities and equity</b>   |                  |                  |      |
| Liabilities   |                  |                  |      |
| Current liabilities   |                  |                  |      |
| Loan liabilities  | 267 645          | 274 178          | 8    |
| Payables and prepayments  | 688 677          | 188 410          | 9,10 |
| <b>Total current liabilities</b>  | <b>956 322</b>   | <b>462 588</b>   |      |
| Non-current liabilities   |                  |                  |      |
| Loan liabilities  | 1 911 170        | 1 022 179        | 8    |
| <b>Total non-current liabilities</b>                                    | <b>1 911 170</b> | <b>1 022 179</b> |      |
| <b>Total liabilities</b>  | <b>2 867 492</b> | <b>1 484 767</b> |      |
| Equity  |                  |                  |      |
| Equity held by shareholders and partners in parent company              |                  |                  |      |
| Issued capital  | 1 686 001        | 1 686 001        |      |
| Share premium   | 612 327          | 612 327          |      |
| Other reserves  | 1 836 711        | 750 000          |      |
| Retained earnings (loss)  | -2 786 685       | -2 468 073       |      |
| Annual period profit (loss)   | -1 085 185       | -318 612         |      |
| <b>Total equity held by shareholders and partners in parent company</b> | <b>263 169</b>   | <b>261 643</b>   |      |
| <b>Total equity</b>   | <b>263 169</b>   | <b>261 643</b>   |      |
| <b>Total liabilities and equity</b>                                     | <b>3 130 661</b> | <b>1 746 410</b> |      |

## Consolidated income statement

(In Euros)

|  | 2023              | 22.09.2022 -<br>31.12.2022 | Note |
|--|-------------------|----------------------------|------|
| Revenue  | 617 563           | 22 987                     | 11   |
| Other income   | 21 079            | 2 719                      |      |
| Work performed by entity and capitalised                       | 667 922           | 74 418                     |      |
| Raw materials and consumables used                             | -411 428          | -61 429                    |      |
| Other operating expense  | -725 478          | -259 686                   | 12   |
| Employee expense   | -1 059 938        | -170 603                   | 13   |
| Depreciation and impairment loss (reversal)                    | -31 979           | -3 701                     | 6,7  |
| Other expense  | -24 584           | -1 219                     |      |
| <b>Operating profit (loss)</b>                                 | <b>-946 843</b>   | <b>-396 514</b>            |      |
| Interest expenses  | -157 022          | -26 431                    |      |
| Other financial income and expense                             | 18 680            | 104 333                    |      |
| <b>Profit (loss) before tax</b>                                | <b>-1 085 185</b> | <b>-318 612</b>            |      |
| <b>Annual period profit (loss)</b>                             | <b>-1 085 185</b> | <b>-318 612</b>            |      |
| Profit (loss) from shareholders and partners in parent company | -1 085 185        | -318 612                   |      |

## Consolidated statement of cash flows

(In Euros)

|   | 2023              | 22.09.2022 -<br>31.12.2022 |
|---|-------------------|----------------------------|
| Cash flows from operating activities                            |                   |                            |
| Receipts of sales of goods and rendering of services            | 498 480           | 24 999                     |
| Payments to suppliers for goods and services                    | -1 428 419        | -373 983                   |
| Payments to employees   | -609 082          | -87 890                    |
| Other cash flows from operating activities                      | 604 490           | -69 662                    |
| <b>Total cash flows from operating activities</b>               | <b>-934 531</b>   | <b>-506 536</b>            |
| Cash flows from investing activities                            |                   |                            |
| Purchase of property, plant and equipment and intangible assets | -1 712 317        | -96 837                    |
| Other cash payments to acquire other financial investments      | -9 415            | 0                          |
| Interest received   | 170               | 5                          |
| <b>Total cash flows from investing activities</b>               | <b>-1 721 562</b> | <b>-96 832</b>             |
| Cash flows from financing activities                            |                   |                            |
| Loans received  | 1 812 304         | 0                          |
| Proceeds from issuing shares                                    | 0                 | 698 328                    |
| Other cash inflows from financing activities                    | 213 515           | 0                          |
| <b>Total cash flows from financing activities</b>               | <b>2 025 819</b>  | <b>698 328</b>             |
| <b>Total cash flows</b>   | <b>-630 274</b>   | <b>94 960</b>              |
| Cash and cash equivalents at beginning of period                | 722 796           | 627 836                    |
| <b>Change in cash and cash equivalents</b>                      | <b>-630 274</b>   | <b>94 960</b>              |
| Cash and cash equivalents at end of period                      | 92 522            | 722 796                    |

## Consolidated statement of changes in equity

(In Euros)

|                             | Equity held by shareholders and partners in parent company |               |                |                          | Total      |
|-----------------------------|--|---------------|----------------|--------------------------|------------|
|                             | Issued capital   | Share premium | Other reserves | Retained earnings (loss) |            |
|                             | <b>22.09.2022</b>  | 1 600 000     | 0              | 750 000                  |            |
| Annual period profit (loss) | 0  | 0             | 0              | -2 786 685               | -2 786 685 |
| Issue of equity             | 86 001   | 612 327       | 0              | 0                        | 698 328    |
| <b>31.12.2022</b>           | 1 686 001  | 612 327       | 750 000        | -2 786 685               | 261 643    |
| Annual period profit (loss) | 0  | 0             | 0              | -1 085 185               | -1 085 185 |
| Changes in reserves         | 0  | 0             | 1 086 711      | 0                        | 1 086 711  |
| <b>31.12.2023</b>           | 1 686 001  | 612 327       | 1 836 711      | -3 871 870               | 263 169    |

## Notes

### Note 1 Accounting policies

#### General information

The financial accounts of J. Molner AS for the year 2023 have been prepared in accordance with the Estonian financial reporting standard. The Estonian financial reporting standard is established by the Accounting Act of the Republic of Estonia, which is supplemented by the guidelines issued by the Accounting Standards Board.

This is a consolidated unaudited interim report of a medium sized business.

The interim accounts have been prepared in Euros.

The principal accounting policies adopted are set out below.

#### Preparation of consolidated statements

In the consolidated report, all subsidiaries are consolidated line by line. All claims and liabilities within the group, transactions between group companies and unrealized profits and losses resulting from them have been eliminated.

Separate non-consolidated main statements of the consolidating entity (parent company) are published in the appendices to the interim consolidated financial statements. The parent company's basic reports have been prepared using the same accounting principles that have been applied in the preparation of the consolidated interim report, except for investments in subsidiaries and affiliates, which are reflected in the unconsolidated report using the acquisition cost method.

A company over which the parent company has control is considered a subsidiary company. A subsidiary is considered to be under the control of the parent company if the parent company directly or indirectly owns more than 50% of the subsidiary's voting shares or parts or is otherwise able to control the subsidiary's operational and financial policy.

#### Financial assets

The company has the following financial asset: cash. Financial assets are initially recognized at cost, this being the fair value of the consideration given. The acquisition cost includes all expenditures directly related to the purchase of the financial asset. All regular purchases and sales of financial assets in market value are recognized on the transaction date. Following initial recognition, financial assets are measured based on their type either at fair value, at acquisition cost or at amortized cost.

Financial assets are derecognized, when the company loses the right to receive cash flows from the financial asset or it transfers the financial asset, the cash flows from the financial assets and the majority of risks and rewards to other parties.

#### Cash and cash equivalents

Cash and cash equivalents in the balance sheet and in the cash flow statement include cash in bank accounts (except overdraft).

#### Foreign currency transactions and assets and liabilities denominated in a foreign currency

The company's functional currency is Euro, all other currencies are deemed foreign currencies. Transactions denominated in foreign currencies are recorded on the basis of the foreign currency exchange rates of the European Central Bank officially valid on the transaction date. Monetary assets and liabilities (receivables paid in cash and loans) denominated in foreign currency are translated at balance sheet date into Euros based on the official foreign exchange rates of the European Central Bank. Gains and losses on foreign currency revaluations are recognized in the income statement in the corresponding accounting period. Non-monetary assets and liabilities denominated in foreign currencies, which are not carried at fair value (eg. prepayments, property, plant and equipment and intangible assets), are not revalued at balance sheet date, but instead are recorded with the exchange rate of the European Central Bank that was valid on the transaction date.

#### Shares of subsidiaries and associates

A company over which the parent company has a dominant influence is considered a subsidiary company. Dominant influence is assumed if the parent company directly or through subsidiaries owns more than 50% of the subsidiary's voting rights. Dominant influence also exists if the parent company owns 50% or less of the voting power in the subsidiary, but the parent company: (1) has actual controlling influence over more than 50% of the voting power by agreement with other investors; (2) has a dominant influence over the company's financial and operating policy based on the articles of association or contract; (3) can appoint or recall the majority of the members of the executive management and higher management bodies (e.g. the company's management board and supervisory board); or (4) can determine the decisions of executive management and senior management meetings.

Investments in subsidiaries are recorded on the balance sheet using the acquisition cost method.

#### Receivables and prepayments

Accounts receivables are receivables arising from ordinary business transactions of the company. Accounts receivables are recorded using the amortized cost method (i.e. nominal value less impairment loss).

Collectability of the accounts receivables is considered separately by each customer. Accounts receivables, which partly or fully are not expected to be collected, are expensed and reported in the income statement as "Other operating expense". Receivables, collection of which is not feasible nor economically justified, are considered to be non-collectible and written-off from the balance sheet.

Receipt of doubtful receivables previously written down are recognized as a decrease in the expense of doubtful receivables.

#### Inventories

Inventories are initially recognized at cost which comprises costs of purchase, production costs and other costs incurred in bringing the inventories to their present location and condition.

Inventories are expensed using the FIFO method.

Inventories are measured in the balance sheet at the lower of cost or net realizable value. Net realizable value is the estimated selling price of a annual report product in the ordinary course of business less the estimated costs of completion and those necessary to make the sale.

#### Plant, property and equipment and intangible assets

Property, plant and equipment are assets used in the company's own business activities with a useful life exceeding one year and the cost of at least 1 350 Euros.

A property, plant and equipment is initially recorded at cost which comprises the purchase price and other costs directly attributable to the acquisition that are necessary for bringing the asset to its operating condition and location. A property, plant and equipment is carried in the balance sheet at acquisition cost, less accumulated depreciation and any accumulated impairment losses.

If the major components of an item of property, plant and equipment have significantly different useful lives, these components shall be recognized initially as separate items of property, plant and equipment and separate depreciation rates shall be assigned to them depending on their useful lives.

An intangible asset is initially recorded at cost which comprises the purchase price and other costs directly attributable to the acquisition. An intangible asset is carried in the balance sheet at its cost, less accumulated amortization and any accumulated impairment losses.

Pharmaceutical products in development are recorded as unfinished projects. Once products in development are approved for sale, the amounts will be allocated to product rights and will be amortized. Unfinished projects include also product acquisition costs representing product rights obtained from third parties possessing regulatory approvals in respective markets, however, the production of which has not yet started. Product acquisition costs are reclassified as intangible assets in use and will be amortized once products are commercialized.

**Minimal acquisition cost** 1350

#### Useful life by assets group (years)

| Assets group name                   | Useful life |
|-------------------------------------|-------------|
| Machinery and equipment             | 5-20        |
| Other property, plant and equipment | 2-5         |

|  |    |
|--|----|
| Concessions, patents, licences, trademarks | 10 |
|--|----|

Company performs an impairment test at each balance sheet date on those assets where there is any indication of potential impairment.

An impairment test is performed to determine the recoverable amount of an asset, which is the higher of the two indicators – fair value of an asset (less costs to sell) and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the use of an asset and from the disposal at the end of its useful life.

When an impairment test is not feasible for an individual asset because the cash flows being generated by the asset are indistinguishable from the cash flows of the rest of the entity, an impairment test shall be performed for the cash-generating unit to which the asset belongs.

Assets are written down to their recoverable amount if the recoverable amount of the asset is lower than its carrying amount. The impairment loss is recognized on an accrual basis as an expense in the income statement under "Depreciation and impairment loss".

Products in development are subject to the annual impairment testing. These valuations reflect, among other things, the impact of changes to the development programs, the projected development and regulatory time frames and the current competitive environment.

Recording of property, plant and equipment and intangible assets is finished in case of disposal of the asset or in case the economic benefits are no longer expected from use or sale of the asset.

The straight-line method is used for depreciating property, plant and equipment. The depreciation rates are assigned to each item of property, plant and equipment or major component separately, based on the useful life of the specific item.

The straight-line method is used for amortizing intangible assets. The amortization rates are assigned to each item of intangible asset, based on the useful life of the specific item.

#### Leases

Lease transactions, where all material risks and rewards from the ownership of an asset are transferred to the lessee, are treated as finance lease. All other lease transactions are treated as operating leases.

Operating lease payments are recorded as expenses based on straight-line method over the entire lease period.

#### Financial liabilities

Financial liabilities (trade payables, received loans, accrued expenses) are initially measured at cost, which is the fair value of consideration received. Initial cost of financial liabilities includes all direct transaction costs. Subsequently the financial liabilities are recorded at amortized cost.

The amortized cost of short-term liabilities, as general, is equal to their nominal value. Therefore, they are recognized in the amount required to settle the liability. For calculating the amortized cost of long-term financial liabilities the effective interest rate method is used.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

A financial liability is classified as long-term in the balance sheet if it is due more than 12 months after the balance sheet date. All other liabilities are classified as short-term.

#### Revenue recognition

Revenue from the sale of goods is recognized when all significant risks related to ownership of goods are transferred to the buyer, the sales revenue and transaction costs can be reliably measured and the receipt of payment from the transaction is probable. Revenue from services is recognized in the period the services are rendered, assuming that the receipt of payment from the transaction is probable and the sales revenue and the expenses related to providing the services can be reliably measured.

#### Taxation

According to the Income Tax Act, Estonian companies are not subject to pay income tax on the annual period profit. Income tax is paid on distribution of dividends, fringe benefits, gifts, donations, receptions costs, expenses not related to business activities and transfer pricing adjustments. The tax rate is 20/80 of the taxable amount.

**Related parties**

The following are considered as related parties in the preparation of the annual accounts for J. Molner AS:

- owner ;
- members of management board;
- companies under control or significant influence of aforementioned individuals or their close relatives.

**Note 2 Cash and cash equivalents**

(In Euros)

|  | 31.12.2023    | 31.12.2022     |
|--|---------------|----------------|
| Cash and cash equivalents              | 92 522        | 722 796        |
| <b>Total cash and cash equivalents</b> | <b>92 522</b> | <b>722 796</b> |

**Note 3 Receivables and prepayments**

(In Euros)

|  | 31.12.2023     | Allocation by remaining maturity |              |
|--|----------------|----------------------------------|--------------|
|  |                | Within 12 months                 | 1 - 5 years  |
| Accounts receivable                      | 70 211         | 70 211                           | 0            |
| Accounts receivables                     | 70 211         | 70 211                           | 0            |
| Tax prepayments and receivables          | 11 427         | 11 427                           | 0            |
| Prepayments                              | 244 287        | 234 692                          | 9 595        |
| Deferred expenses                        | 227 293        | 227 293                          | 0            |
| Other paid prepayments                   | 16 994         | 7 399                            | 9 595        |
| <b>Total receivables and prepayments</b> | <b>325 925</b> | <b>316 330</b>                   | <b>9 595</b> |
|  |                |                                  |              |
|  | 31.12.2022     | Allocation by remaining maturity |              |
|  |                | Within 12 months                 | 1 - 5 years  |
| Accounts receivable                      | 2 622          | 2 622                            | 0            |
| Accounts receivables                     | 2 622          | 2 622                            | 0            |
| Tax prepayments and receivables          | 16 855         | 16 855                           | 0            |
| Prepayments                              | 65 115         | 65 115                           | 0            |
| Deferred expenses                        | 22 814         | 22 814                           | 0            |
| Other paid prepayments                   | 42 301         | 42 301                           | 0            |
| <b>Total receivables and prepayments</b> | <b>84 592</b>  | <b>84 592</b>                    | <b>0</b>     |

## Note 4 Inventories

(In Euros)

|                          | 31.12.2023    | 31.12.2022   |
|--------------------------|---------------|--------------|
| <b>Raw materials</b>     | <b>72 242</b> | <b>9 388</b> |
| Raw materials            | 72 242        | 9 388        |
| <b>Merchandise</b>       |               |              |
| Merchandise              |               |              |
| <b>Total Inventories</b> | <b>72 242</b> | <b>9 388</b> |

## Note 5 Shares of subsidiaries

(In Euros)

| Shares of subsidiaries, general information |                           |                          |                    |                        |            |
|---|---------------------------|--------------------------|--------------------|------------------------|------------|
| Subsidiary's registry code                  | Name of subsidiary        | Country of incorporation | Principal activity | Ownership interest (%) |            |
|   |                           |                          |                    | 31.12.2022             | 31.12.2023 |
| 16049586                                    | The J. Molner Company OÜ  | Estonia                  |                    | 100                    | 100        |
| 87-2118750                                  | The J. Molner Company LLC | United States of America |                    | 0                      | 100        |

| Acquired ownership interests |                               |                  |                                     |
|------------------------------|-------------------------------|------------------|-------------------------------------|
| Name of subsidiary           | Acquired ownership interest % | Acquisition date | Cost of acquired ownership interest |
| The J. Molner Company OÜ     | 100                           | 06.09.2022       | 1 600 000                           |
| The J. Molner Company LLC    | 100                           | 09.01.2023       | 467                                 |

## Note 6 Property, plant and equipment

(In Euros)

|                                  |                                |                               |                         |                                     | Total   |
|----------------------------------|--------------------------------|-------------------------------|-------------------------|-------------------------------------|---------|
|                                  | Computers and computer systems | Other machinery and equipment | Machinery and equipment | Other property, plant and equipment |         |
| <b>22.09.2022</b>                |                                |                               |                         |                                     |         |
| Carried at cost                  | 0                              | 114 153                       | 114 153                 | 0                                   | 114 153 |
| Accumulated depreciation         | 0                              | -21 156                       | -21 156                 | 0                                   | -21 156 |
| <b>Residual cost</b>             | 0                              | 92 997                        | 92 997                  | 0                                   | 92 997  |
| Acquisitions and additions       | 6 943                          | 43 398                        | 50 341                  | 0                                   | 50 341  |
| Other acquisitions and additions | 6 943                          | 43 398                        | 50 341                  | 0                                   | 50 341  |
| Depreciation                     | -231                           | -4 292                        | -4 523                  | 0                                   | -4 523  |
| <b>31.12.2022</b>                |                                |                               |                         |                                     |         |
| Carried at cost                  | 6 943                          | 157 551                       | 164 494                 | 0                                   | 164 494 |
| Accumulated depreciation         | -231                           | -25 448                       | -25 679                 | 0                                   | -25 679 |
| <b>Residual cost</b>             | 6 712                          | 132 103                       | 138 815                 | 0                                   | 138 815 |
| Acquisitions and additions       | 19 417                         | 71 290                        | 90 707                  | 7 468                               | 98 175  |
| Other acquisitions and additions | 19 417                         | 71 290                        | 90 707                  | 7 468                               | 98 175  |
| Depreciation                     | -3 848                         | -19 491                       | -23 339                 | -249                                | -23 588 |
| <b>31.12.2023</b>                |                                |                               |                         |                                     |         |
| Carried at cost                  | 26 360                         | 228 841                       | 255 201                 | 7 468                               | 262 669 |
| Accumulated depreciation         | -4 079                         | -44 939                       | -49 018                 | -249                                | -49 267 |
| <b>Residual cost</b>             | 22 281                         | 183 902                       | 206 183                 | 7 219                               | 213 402 |

## Note 7 Intangible assets

(In Euros)

|                            |                   |  |                                     | Total            |
|----------------------------|-------------------|--|-------------------------------------|------------------|
|                            | Computer software | Concessions, patents, licences, trademarks | Unfinished projects and prepayments |                  |
| <b>22.09.2022</b>          |                   |  |                                     |                  |
| Carried at cost            | 5 152             | 0  | 564 309                             | 569 461          |
| Accumulated depreciation   | -601              | 0  | 0                                   | -601             |
| <b>Residual cost</b>       | <b>4 551</b>      | <b>0</b>                                   | <b>564 309</b>                      | <b>568 860</b>   |
|                            |                   |  |                                     |                  |
| Acquisitions and additions | 0                 | 0  | 221 867                             | 221 867          |
| Depreciation               | -171              | 0  | 0                                   | -171             |
|                            |                   |  |                                     |                  |
| <b>31.12.2022</b>          |                   |  |                                     |                  |
| Carried at cost            | 5 152             | 0  | 786 176                             | 791 328          |
| Accumulated depreciation   | -772              | 0  | 0                                   | -772             |
| <b>Residual cost</b>       | <b>4 380</b>      | <b>0</b>                                   | <b>786 176</b>                      | <b>790 556</b>   |
|                            |                   |  |                                     |                  |
| Acquisitions and additions | 0                 | 481 449                                    | 1 162 693                           | 1 644 142        |
| Depreciation               | -516              | -7 875                                     | 0                                   | -8 391           |
|                            |                   |  |                                     |                  |
| <b>31.12.2023</b>          |                   |  |                                     |                  |
| Carried at cost            | 5 152             | 481 449                                    | 1 948 869                           | 2 435 470        |
| Accumulated depreciation   | -1 288            | -7 875                                     | 0                                   | -9 163           |
| <b>Residual cost</b>       | <b>3 864</b>      | <b>473 574</b>                             | <b>1 948 869</b>                    | <b>2 426 307</b> |

## Note 8 Loan commitments

(In Euros)

|                                  | 31.12.2023       | Allocation by remaining maturity |                  |              | Interest rate | Base currencies | Due date   |
|----------------------------------|------------------|----------------------------------|------------------|--------------|---------------|-----------------|------------|
|                                  |                  | Within 12 months                 | 1 - 5 years      | Over 5 years |               |                 |            |
| Current loans                    |                  |                                  |                  |              |               |                 |            |
| Short-term shareholder loan, EUR | 95 735           | 95 735                           |                  |              | 5%            | EUR             | 31.12.2023 |
| Short-term shareholder loan, USD | 171 910          | 171 910                          |                  |              | 5%            | USD             | 31.12.2023 |
| <b>Current loans total</b>       | <b>267 645</b>   | <b>267 645</b>                   |                  |              |               |                 |            |
| Non-current loans                |                  |                                  |                  |              |               |                 |            |
| Long-term loan                   | 44 554           |                                  | 44 554           |              | 5%            | USD             | 20.09.2026 |
| Long-term loan, USD              | 1 866 616        |                                  | 1 866 616        |              | 7%            | USD             | 06.04.2028 |
| <b>Non-current loans total</b>   | <b>1 911 170</b> |                                  | <b>1 911 170</b> |              |               |                 |            |
| <b>Loan commitments total</b>    | <b>2 178 815</b> | <b>267 645</b>                   | <b>1 911 170</b> |              |               |                 |            |
|                                  |                  |                                  |                  |              |               |                 |            |
|                                  | 31.12.2022       | Allocation by remaining maturity |                  |              | Interest rate | Base currencies | Due date   |
|                                  |                  | Within 12 months                 | 1 - 5 years      | Over 5 years |               |                 |            |
| Current loans                    |                  |                                  |                  |              |               |                 |            |
| Short-term shareholder loan, EUR | 93 447           | 93 447                           |                  |              | 5%            | EUR             | 31.12.2022 |
| Short-term shareholder loan, USD | 180 731          | 180 731                          |                  |              | 5%            | USD             | 31.12.2022 |
| <b>Current loans total</b>       | <b>274 178</b>   | <b>274 178</b>                   |                  |              |               |                 |            |
| Non-current loans                |                  |                                  |                  |              |               |                 |            |
| Long-term loan                   | 1 022 179        |                                  | 1 022 179        |              | 5%            | USD             | 20.09.2026 |
| <b>Non-current loans total</b>   | <b>1 022 179</b> |                                  | <b>1 022 179</b> |              |               |                 |            |
| <b>Loan commitments total</b>    | <b>1 296 357</b> | <b>274 178</b>                   | <b>1 022 179</b> |              |               |                 |            |

\*After the balance sheet date, amendments to the shareholders loans have been signed to confirm that the loans continue to be short-term.

## Note 9 Payables and prepayments

(In Euros)

|                                       | 31.12.2023     | Within 12 months | Note |
|---------------------------------------|----------------|------------------|------|
| Trade payables                        | 271 546        | 271 546          |      |
| Employee payables                     | 70 135         | 70 135           | 10   |
| Tax payables                          | 76 096         | 76 096           |      |
| Other payables                        | 247 716        | 247 716          |      |
| Other accrued expenses                | 247 716        | 247 716          |      |
| Prepayments received                  | 23 184         | 23 184           |      |
| Deferred income                       | 23 184         | 23 184           |      |
| <b>Total payables and prepayments</b> | <b>688 677</b> | <b>688 677</b>   |      |
|                                       | 31.12.2022     | Within 12 months | Note |
| Trade payables                        | 72 813         | 72 813           |      |
| Employee payables                     | 46 270         | 46 270           | 10   |
| Tax payables                          | 48 808         | 48 808           |      |
| Other payables                        | 18 316         | 18 316           |      |
| Other accrued expenses                | 18 316         | 18 316           |      |
| Prepayments received                  | 2 203          | 2 203            |      |
| Other received prepayments            | 2 203          | 2 203            |      |
| <b>Total payables and prepayments</b> | <b>188 410</b> | <b>188 410</b>   |      |

\*In a US entity, labor taxes are paid once a quarter, by the last day of the month following the end of the quarter.

## Note 10 Employee payables

(In Euros)

|                                | 31.12.2023    | 31.12.2022    |
|--------------------------------|---------------|---------------|
| Remuneration liability         | 50 012        | 33 265        |
| Vacation pay liability         | 20 123        | 13 005        |
| <b>Total employee payables</b> | <b>70 135</b> | <b>46 270</b> |

## Note 11 Net sales

(In Euros)

|  | 2023           | 22.09.2022 -<br>31.12.2022 |
|--|----------------|----------------------------|
| Net sales by geographical location                     |                |                            |
| Net sales in European Union                            |                |                            |
| Estonia  | 4 746          | 18 619                     |
| Latvia   | 38 908         | 1 517                      |
| <b>Total net sales in European Union</b>               | <b>43 654</b>  | <b>20 136</b>              |
| Net sales outside of European Union                    |                |                            |
| United States of America                               | 287 862        | 2 851                      |
| Canada   | 286 047        | 0                          |
| <b>Total net sales outside of European Union</b>       | <b>573 909</b> | <b>2 851</b>               |
| <b>Total net sales</b>                                 | <b>617 563</b> | <b>22 987</b>              |
| Net sales by operating activities                      |                |                            |
| Research and development in the field of biotechnology | 617 563        | 22 987                     |
| <b>Total net sales</b>                                 | <b>617 563</b> | <b>22 987</b>              |

## Note 12 Miscellaneous operating expenses

(In Euros)

|   | 2023           | 22.09.2022 -<br>31.12.2022 |
|---|----------------|----------------------------|
| <b>Energy</b>                                 | <b>22 987</b>  | <b>1 920</b>               |
| Electricity                                   | 19 658         | 1 773                      |
| Heat energy                                   | 3 329          | 147                        |
| Water supply services                         | 1 185          | 41                         |
| Miscellaneous office expenses                 | 93 605         | 13 527                     |
| Travel expense                                | 162 850        | 20 280                     |
| Training expense                              | 237 868        | 11 082                     |
| State and local taxes                         | 10 872         | 6 500                      |
| Other   | 196 111        | 206 336                    |
| <b>Total miscellaneous operating expenses</b> | <b>725 478</b> | <b>259 686</b>             |

## Note 13 Labor expense

(In Euros)

|  | 2023             | 22.09.2022 -<br>31.12.2022 |
|--|------------------|----------------------------|
| Wage and salary expense  | 787 676          | 127 896                    |
| Social security taxes  | 250 551          | 42 707                     |
| Option costs (reserv)  | 21 711           | 0                          |
| <b>Total labor expense</b>   | <b>1 059 938</b> | <b>170 603</b>             |
| Average number of employees in full time equivalent units                          | 27               | 19                         |
| Average number of employees by types of employment:                                |                  |                            |
| Person employed under employment contract  | 26               | 19                         |
| Person providing service under law of obligations, except for self-employed person | 1                | 0                          |

\* The Group has established an employee stock option plan to motivate the management and key personnel and to align the interests and goals of The Group and its team.

## Note 14 Related parties

(In Euros)

### Related party balances according to groups

| SHORT TERM  | 31.12.2023   | 31.12.2022   | Note |
|---|--------------|--------------|------|
| <b>Receivables and prepayments</b>  |              |              |      |
| Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher | 7 399        | 0            |      |
| <b>Total receivables and prepayments</b>  | <b>7 399</b> | <b>0</b>     |      |
| <b>Payables and prepayments</b>   |              |              |      |
| Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher | 0            | 2 509        |      |
| <b>Total payables and prepayments</b>   | <b>0</b>     | <b>2 509</b> |      |

| LOAN COMMITMENTS  | 31.12.2022     | Loans received repayments | 31.12.2023     | Interest accrued for period | Note |
|---|----------------|---------------------------|----------------|-----------------------------|------|
| Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher | 274 178        | 19 426                    | 267 645        | 12 891                      | 8    |
| <b>Total loan commitments</b>   | <b>274 178</b> | <b>19 426</b>             | <b>267 645</b> | <b>12 891</b>               |      |

|   |  |  |
|---|--|--|
| Remuneration and other significant benefits calculated for members of management and highest supervisory body |  |  |
|---|--|--|

|              | 2023   | 22.09.2022 -<br>31.12.2022 |
|--------------|--------|----------------------------|
| Remuneration | 65 992 | 14 466                     |

## Note 15 Non consolidated statement of financial position

(In Euros)

|  | 31.12.2023       | 31.12.2022       |
|--|------------------|------------------|
| <b>Assets</b>                              |                  |                  |
| Current assets                             |                  |                  |
| Cash and cash equivalents                  | 3 457            | 644 410          |
| Receivables and prepayments                | 0                | 124              |
| <b>Total current assets</b>                | <b>3 457</b>     | <b>644 534</b>   |
| Non-current assets                         |                  |                  |
| Investments in subsidiaries and associates | 1 600 467        | 1 600 000        |
| Receivables and prepayments                | 2 410 447        | 0                |
| <b>Total non-current assets</b>            | <b>4 010 914</b> | <b>1 600 000</b> |
| <b>Total assets</b>                        | <b>4 014 371</b> | <b>2 244 534</b> |
| <b>Liabilities and equity</b>              |                  |                  |
| Liabilities                                |                  |                  |
| Current liabilities                        |                  |                  |
| Payables and prepayments                   | 1 187            | 89 474           |
| <b>Total current liabilities</b>           | <b>1 187</b>     | <b>89 474</b>    |
| Non-current liabilities                    |                  |                  |
| Loan liabilities                           | 1 866 616        | 0                |
| <b>Total non-current liabilities</b>       | <b>1 866 616</b> | <b>0</b>         |
| <b>Total liabilities</b>                   | <b>1 867 803</b> | <b>89 474</b>    |
| Equity                                     |                  |                  |
| Issued capital                             | 1 686 001        | 1 686 001        |
| Share premium                              | 612 327          | 612 327          |
| Other reserves                             | 21 711           | 0                |
| Retained earnings (loss)                   | -143 268         | 0                |
| Annual period profit (loss)                | -30 203          | -143 268         |
| <b>Total equity</b>                        | <b>2 146 568</b> | <b>2 155 060</b> |
| <b>Total liabilities and equity</b>        | <b>4 014 371</b> | <b>2 244 534</b> |

## Note 16 Non consolidated income statement

(In Euros)

|                                      | 2023           | 22.09.2022 -<br>31.12.2022 |
|--------------------------------------|----------------|----------------------------|
| Other operating expense              | -29 400        | -143 272                   |
| Employee expense                     | -21 711        | 0                          |
| <b>Total operating profit (loss)</b> | <b>-51 111</b> | <b>-143 272</b>            |
| Interest income                      | 0              | 4                          |
| Interest expenses                    | -57 729        | 0                          |
| Other financial income and expense   | 78 637         | 0                          |
| <b>Profit (loss) before tax</b>      | <b>-30 203</b> | <b>-143 268</b>            |
| <b>Annual period profit (loss)</b>   | <b>-30 203</b> | <b>-143 268</b>            |

## Note 17 Non consolidated statement of cash flows

(In Euros)

|   | 2023            | 22.09.2022 -<br>31.12.2022 |
|---|-----------------|----------------------------|
| Cash flows from operating activities              |                 |                            |
| Payments to suppliers for goods and services      | -118 004        | -53 898                    |
| Other cash flows from operating activities        | -25             | -24                        |
| <b>Total cash flows from operating activities</b> | <b>-118 029</b> | <b>-53 922</b>             |
| Cash flows from investing activities              |                 |                            |
| Loans given                                       | -523 000        | 0                          |
| Interest received                                 | 76              | 4                          |
| <b>Total cash flows from investing activities</b> | <b>-522 924</b> | <b>4</b>                   |
| Cash flows from financing activities              |                 |                            |
| Proceeds from issuing shares                      | 0               | 698 328                    |
| <b>Total cash flows from financing activities</b> | <b>0</b>        | <b>698 328</b>             |
| <b>Total cash flows</b>                           | <b>-640 953</b> | <b>644 410</b>             |
| Cash and cash equivalents at beginning of period  | 644 410         | 0                          |
| <b>Change in cash and cash equivalents</b>        | <b>-640 953</b> | <b>644 410</b>             |
| Cash and cash equivalents at end of period        | 3 457           | 644 410                    |

## Note 18 Non consolidated statement of changes in equity

(In Euros)

|   |                  |                |                |                          | Total            |
|---|------------------|----------------|----------------|--------------------------|------------------|
|   | Issued capital   | Share premium  | Other reserves | Retained earnings (loss) |                  |
| <b>22.09.2022</b>   | 1 600 000        | 0              | 0              | 0                        | 1 600 000        |
| <b>Restated balance 22.09.2022</b>  | 1 600 000        | 0              | 0              | 0                        | 1 600 000        |
| Annual period profit (loss)   | 0                | 0              | 0              | -143 268                 | -143 268         |
| Issue of equity   | 86 001           | 612 327        | 0              | 0                        | 698 328          |
| <b>31.12.2022</b>   | 1 686 001        | 612 327        | 0              | -143 268                 | 2 155 060        |
| Governing and material influence ownership interest value of financial position   | 0                | 0              | 0              | 0                        | 0                |
| Governing and material influence on the value Of holdings under the equity method | 0                | 0              | 0              | 0                        | 0                |
| <b>Restated non consolidated equity 31.12.2022</b>                                | <b>1 686 001</b> | <b>612 327</b> | <b>0</b>       | <b>-143 268</b>          | <b>2 155 060</b> |
| Annual period profit (loss)   | 0                | 0              | 0              | -41 897                  | -41 897          |
| Changes in reserves   | 0                | 0              | 21 711         | 11 694                   | 33 405           |
| <b>31.12.2023</b>   | 1 686 001        | 612 327        | 21 711         | -173 471                 | 2 146 568        |
| Governing and material influence ownership interest value of financial position   | 0                | 0              | 0              | 0                        | 0                |
| Governing and material influence on the value Of holdings under the equity method | 0                | 0              | 0              | 0                        | 0                |
| <b>Restated non consolidated equity 31.12.2023</b>                                | <b>1 686 001</b> | <b>612 327</b> | <b>21 711</b>  | <b>-173 471</b>          | <b>2 146 568</b> |

## Note 19 Continuity of operations

As of 31.12.2023, the Group's net assets are 263,168 euros and meets the requirements of the Commercial Code. On March 27, 2024, the shareholder of The J. Molner Company OÜ adopted a decision to increase the voluntary reserve capital of The J. Molner Company OÜ, formed on September 28, 2022, by 580,000 euros. Additionally has the shareholder of The J. Molner Company OÜ adopted a resolution on 27 March 2024 whereby the voluntary reserve capital of The J. Molner Company OÜ formed on 28th September 2022 is retrospectively increased as of 29th February 2024 by EUR 579,945. Thus, bringing the Group's equity capital into line with the requirements of the Commercial Code.

As of 31.12.2023, the Group's short-term liabilities exceed the total amount of current assets by 475,228 euros. On 09.01.2024, The J. Molner Company OÜ, a subsidiary of J. Molner AS, additionally increased the loan credit in the amount of up to 2,750,000 USD. This ensures that the Group can realize its assets and meet its obligations in the course of normal business operations. According to the management, the Group continues to operate.

## **INDEPENDENT AUDITOR'S REPORT**

(Translation of the Estonian original)

**To the Shareholders of J.Molner AS**

### **Opinion**

We have audited the financial statements of J.Molner AS (the Company), which comprise the balance sheet as at December 31, 2023, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with Estonian financial reporting standard.

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (Estonia) (ISA (EE)s). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (Estonia) (including International Independence Standards), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other Information**

Management is responsible for the other information. The other information comprises the Management report but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA (EE)s will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA (EE)s, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's

report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

*/digitally signed/*

Tarmo Rahkama  
Sworn Auditor  
License number 614

Grant Thornton Baltic OÜ  
License number 3  
Pärnu mnt 22, 10141 Tallinn  
April 23, 2024