# *2care4 Group ApS*

Stenhuggervej 12, DK-6710 Esbjerg V

## Annual Report for 2023

CVR No. 30 52 68 72

The Annual Report was presented and adopted at the Annual General Meeting of the company on 25/4 2024

Thomas Hjarsbæk Rasmussen
Chairman of the general meeting

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# Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of 2care4 Group ApS for the financial year 1 January - 31 December 2023.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2023 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2023.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Esbjerg, 25 April 2024

**Executive Board**

Ulrik Ernst Rasmussen
CEO

**Board of Directors**

Dennis Vad Lauridsen
Chairman

Toke Værndal
Vice chairman

Martin Busk Andersen

Henrik Bisgaard Jensen

# Independent Auditor's report

To the shareholders of 2care4 Group ApS

**Opinion**

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2023 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of 2care4 Group ApS for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, 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.

**Statement on Management's Review**

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, 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 Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

**Management's responsibilities for the Financial Statements**

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, 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 Group´s and the Parent 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 in preparing the Financial Statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

# Independent Auditor's report

**Auditor’s responsibilities for the audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark 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 conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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.

# Independent Auditor's report

Esbjerg, 25 April 2024

**PricewaterhouseCoopers**
Statsautoriseret Revisionspartnerselskab
*CVR No 33 77 12 31*

Palle H. Jensen
State Authorised Public Accountant
mne32115

Stefan Dracea
State Authorised Public Accountant
mne42827

# Company information

| | |
|---|---|
| **The Company** | 2care4 Group ApS<br>Stenhuggervej 12<br>DK-6710 Esbjerg V<br><br>CVR No: 30 52 68 72<br>Financial period: 1 January - 31 December<br>Incorporated: 15 August 2008<br>Financial year: 16th financial year<br>Municipality of reg. office: Esbjerg |
| **Board of Directors** | Dennis Vad Lauridsen, chairman<br>Toke Værndal, vice chairman<br>Martin Busk Andersen<br>Henrik Bisgaard Jensen |
| **Executive Board** | Ulrik Ernst Rasmussen |
| **Auditors** | PricewaterhouseCoopers<br>Statsautoriseret Revisionspartnerselskab<br>Esbjerg Brygge 28, 2.<br>DK-6700 Esbjerg |

# Group Chart

| Company | Residence | Ownership |
|---|---|---|
| **2care4 Group ApS** | **Denmark** | |
| 2care4 ApS | Esbjerg, Denmark | 100% |
| 2care4 Generics ApS | Esbjerg, Denmark | 100% |
| 2care4 GmbH | Köln, Germany | 100% |
| 2care4 AB | Stockholm, Sweden | 100% |
| 2care4 Poland sp.z o.o. | Pabianice, Poland | 100% |
| 2care4 Graphics sp.z o.o. | Pabianice, Poland | 100% |
| Allomedic GmbH | Köln, Germany | 100% |

# Financial Highlights

Seen over a 5-year period, the development of the Group is described by the following financial highlights:

| | Group | | | | |
|---|---|---|---|---|---|
| | 2023 | 2022 | 2021 | 2020 | 2019 |
| | TDKK | TDKK | TDKK | TDKK | TDKK |
| **Key figures** | | | | | |
| **Profit/loss** | | | | | |
| Revenue | 1,410,261 | 1,374,835 | 1,025,710 | 943,640 | 871,033 |
| Gross profit | 283,694 | 251,742 | 140,207 | 135,433 | 118,287 |
| Profit/loss of primary operations | 115,197 | 98,651 | 20,350 | 32,392 | 26,534 |
| Profit/loss of financial income and expenses | -19,970 | -11,218 | -5,027 | -5,162 | -3,547 |
| Net profit/loss for the year | 72,187 | 67,224 | 11,656 | 21,756 | 18,098 |
| **Balance sheet** | | | | | |
| Balance sheet total | 585,426 | 633,056 | 496,586 | 441,827 | 415,786 |
| Investment in property, plant and equipment | 3,940 | 4,028 | 4,620 | 4,895 | 15,926 |
| Equity | 187,847 | 148,168 | 101,193 | 109,643 | 92,444 |
| **Cash flows** | | | | | |
| Cash flows from: | | | | | |
| - operating activities | 54,886 | 23,615 | 64,928 | 23,419 | 25,091 |
| - investing activities | 12,091 | -21,758 | -56,046 | -20,835 | -32,515 |
| - financing activities | -122,644 | 52,309 | -37 | -11,336 | -15,759 |
| Change in cash and cash equivalents for the year | -55,667 | 54,166 | 8,845 | -8,752 | -23,183 |
| Number of employees | 334 | 325 | 317 | 337 | 288 |
| **Ratios** | | | | | |
| Gross margin | 20.1% | 18.3% | 13.7% | 14.4% | 13.6% |
| Profit margin | 8.2% | 7.2% | 2.0% | 3.4% | 3.0% |
| Return on assets | 19.7% | 15.6% | 4.1% | 7.3% | 6.4% |
| Solvency ratio | 32.1% | 23.4% | 20.4% | 24.8% | 22.2% |
| Return on equity | 43.0% | 53.9% | 11.1% | 21.5% | 20.3% |

# Management's review

**Key activities**

The company's main activities are sales of Parallel Imported medicine and Generic medicine products.

**Development in the year**

Profit for the year after tax in 2023 amounts DKKm 72,2 (2022: DKKm 67,2). The profit for 2023 was expected to be above 2022 level. The result is considered satisfactory and does exceed the expectations for 2023.

For the Import business, the markets have, in general, developed positively during 2023. Furthermore, the positive result is supported by strong commercial acumen combined with a flexible supply chain which has enabled the business to pursue and capture several commercial opportunities during the year.

The Generics business has exceeded expectations in 2023 driven by several strong product launches during the year.

For the financial year 2024 the company expects an increased activity level of 5% - 10%, and a net profit level of DKKm 80-90.

**General risk**

When launching new products, the Group is very dependent on the processing time partly with the healthcare authorities in the countries where the products are sold and partly with the central European registration authority, EMA, in Amsterdam. In a number of countries, the processing time still remains long, which limits a fast introduction of both new parallel imported goods and Generics.

**Financial risks**

The Group is exposed to fluctuations in interest rate levels and foreign exchange rates.

Control of the financial risks and cash flows of the Group is conducted from the headquarters of the Group. The Group pursues a low risk profile within this area.

Equivalently, a tight control of the credit policy is implemented. Thus, the Group only has a very limited risk towards customers or co-operators. The majority of sales are through consolidated pharmaceutical wholesalers.

**Research and development**

In general, 2care4 is increasing focus and investment in product development which is expected to generate more revenue for the Group within few years.

**Statement of corporate social responsibility**

*Business model*

The business model of the 2care4 Group includes the development, in-licensing, production, import, export, distribution and sales of medical products. The main activities relate to parallel import of medical products and Generics. The parallel imported products are purchased throughout Europe and then repacked and sold in the Scandinavian markets and Germany. The Generic products are sourced internationally, distributed and sold in the Nordics. Both activities are under strict surveillance and in compliance with GMP guidelines. The Company is represented in the Nordic countries, Germany and in Poland. It currently employs over 350 people of whom approximately 150 work out of the headquarters in Esbjerg, Denmark.

The 2care4 Group complies with all relevant legislation related to Corporate Social Responsibility, and generally strives to minimize the negative impacts of the Company's activities as much as possible.

*Risk analysis*

Risk is defined as the potential negative effect that can be experienced by the business or any of the 2care4 Group´s stakeholders. Risk is seen as a combination between impact and likelihood of any given subject.

*Repacking*

When purchasing medical products for parallel import, the 2care4 Group buys from wholesalers within the EU. There is no contact with the original producer as such, and therefore, the 2care4 Group has no influence on the production phase at all. As regards the 2care4 Group’s generic business, we are in constant dialogue with our partners to ensure that they are in compliance regarding all local legislation and rules.

2care4 Group have developed a CSR policy in 2020 which elaborates on anti-corruption, human rights, social and employee conditions, environment, climate and energy consumption. For further explanation please find link to our CSR policy, https://www.epaper.dk/mss2care4/csrpolicy/csr-2care4-policy/

The CSR policy have been shared with our suppliers & business partners.

*Anti-corruption*

The 2care4 Group has a zero tolerance towards corruption, and when marketing products towards pharmacies in the Nordics and DE, the guidelines of AME (Affordable Medicines Europe), MFE (Medicines for Europe) and of ENLI (Etisk Nævn for Lægemiddel Industrien) are applied and complied with in detail. Due to the fact that we see a lower risk of corruption among our partners due to being located in countries that have a high score on our CPI index, we have chosen to draw up a policy in 2020 regarding bribery and anti-corruption. In 2023, we have had 0 cases of bribery and anti-corruption. Going forward, we will continue to closely monitor anti-corruption risk. Recently, we have implemented a whistle-blower setup as an additional preventive measure in this area.

*Human rights*

The 2care4 Group’s potential risk of influencing social conditions and human rights is in general estimated to be limited, mainly due to the strictly regulated business environment in which the Company operates, even though we see a risk based on lack of transparency regarding the working environment on the sites of suppliers which is out of our control. We strive to comply with all current legislation and guidelines in relation to human rights etc. both internally as well as externally.

We have no knowledge of breach in any way internally for both PI and Generics or externally via our business partners in 2023. As a further initiative to support this we created a CSR policy in 2020, which have zero tolerance in violating human rights for us and all suppliers and business partners. In 2023, we have had 0 cases of violation of human rights.

*Social and employee conditions*

A healthy and safe work environment is very important for the 2care4 Group. Therefore, we commit to ensure that our employees have the right working environment.

We consider accidents among within our workforce as one of the biggest risks and therefore we have a zero-accident target for our internal production sites. In 2023, there has been in total 1 accident in the production area. The accident has been registered and mitigating actions have been implemented to avoid similar future cases.

Besides our CSR policy, employee conditions are described in the Employee Handbook which is distributed to all new employees in advance of first working day. The Employee Handbook is available to all employees in 2care4 Groups quality system which contain all quality standards. The content of the Employee Handbook includes History of 2care4 Group, practical information, employee rights, the role of HR and governance of general working environment.

2care4 Group does a yearly satisfaction survey which measures employee satisfaction- and motivation on several parameters. The survey is followed by action-plans on both overall company level and department level with the purpose of improving identified weaknesses and maintain areas which has positive impact on employee satisfaction and motivation. Based on the 2023 survey, action plans in 2024 on a general level will focus on improvements within the following themes: “Employee development plans”, “Collaboration and communication” and “Well-being”

The satisfaction survey in 2023 showed an overall Engagement score of 82 which is considered to be satisfactory. The result of the survey is presented at Board of Directors meeting in February the following year.

The survey will be performed on an annual basis going forward.

*Environment and energy consumption*

The energy consumption and general environmental footprint from the 2care4 Group's PI activities are very limited and has limited impact on the surrounding environment. Waste in our operations is one of our largest impacts and thus it is of great importance for 2care4 Group that we work to minimize work generation. We constantly work to improve recycling and number of resources we can reuse to generate as little waste as possible. Since the medical products are purchased as commodities, the 2care4 Group has little opportunity to assess and evaluate impacts on the environment in the supply chain. There is no contact with the original producer as such and, therefore, the 2care4 Group has no influence on the production phase at all.

In our opinion, we as a group comply with current legislation in the area, and we are in dialogue with our business partners concerning compliance with local legislation at the locations in the world where the Group's products are manufactured. The Group's generic division is managed by the headquarters in Denmark at which we ensure compliance with local Danish legislation. In 2023, we have had 0 cases of violation of legislation in the area.

The CSR policy (see link below), includes 2care4 Group´s policy on Environment and Climate. Since the policy was established in 2020 the following initiatives have concretely been implemented by end 2023; optimized waste disposal, change to LED lightning and electricity consumption based on 100% sustainable energy.

https://www.epaper.dk/mss2care4/csrpolicy/csr-2care4-policy/

Going forward, 2care4 will ongoingly update the CSR policy to optimise the energy consumption and environmental footprint.

To support monitoring compliance of the corporate social responsibility, 2care4 implemented a Whistle-blower setup in 2023 which can be accessed both by employees and external stakeholders.

2care4 is currently assessing materiality of relevant parameters within CSRD guidelines. Targets and policies will be established during 2024.

**Data Ethics**

The internal guidelines regarding data ethics at 2care4 Group is focused on protection of personal data for the employees. The guideline contains description of which personal data 2care4 Group is storing and how the data is protected during and beyond employment with the company. The internal guidelines are available for all employees in the company´s system containing all quality standards (D4) and introduction and formal consent of having understood the guidelines are mandatory for all new employees.

Overall, the general protection of data in 2care4 Group is taken very seriously. Majority of data is embedded in the various data systems in the company which are being monitored real time for data breaches and general access to data network is protected with two-factor user approval.

**Statement on gender composition**

*Diversity target for the Board of Directors*

The 2care4 Group has set at target of 20% women on the Board of Directors. Status at the end of 2023 is 0% given that there were no changes to the Board at the general assembly in 2023. We are working towards realizing the target of 20% women in Board of Directors before 2025.

In general, 2care4 Group is recruiting leaders based on qualifications. However, in case of equal set of qualifications the candidate from the under-represented gender will be chosen for the open position.

# Management's review

| | 2023 |
|---|---|
| **Top management** | |
| Total number of members | 4 |
| Underrepresented gender % | 0% |
| Target figure % | 20% |
| Year for meeting target | 2025 |
| | |
| **Other management levels** | |
| Total number of members | 1 |
| Underrepresented gender % | 0% |

2care4 Group is excluded from setting target at Other Management levels since the company has less than 50 full-time employees.

**Subsequent events**

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

# Income statement 1 January - 31 December

| | Note | Group | | Parent company | |
|---|---|---|---|---|---|
| | | 2023 | 2022 | 2023 | 2022 |
| | | TDKK | TDKK | TDKK | TDKK |
| Revenue | 1 | 1,410,261 | 1,374,835 | 0 | 0 |
| Change in inventories of finished goods, work in progress and goods for resale | | 19,202 | 19,981 | 0 | 0 |
| Expenses for raw materials and consumables | | -1,054,091 | -1,053,928 | 0 | 0 |
| Other external expenses | | -91,678 | -89,146 | -140 | -168 |
| **Gross profit** | | **283,694** | **251,742** | **-140** | **-168** |
| Staff expenses | 2 | -148,106 | -124,481 | -8,507 | -6,440 |
| Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment | 3 | -20,391 | -28,610 | 0 | 0 |
| **Profit/loss before financial income and expenses** | | **115,197** | **98,651** | **-8,647** | **-6,608** |
| Income from investments in subsidiaries | | 0 | 0 | 85,524 | 72,657 |
| Financial income | 4 | 974 | 1,947 | 1,203 | 2,123 |
| Financial expenses | 5 | -20,944 | -13,165 | -8,761 | -3,005 |
| **Profit/loss before tax** | | **95,227** | **87,433** | **69,319** | **65,167** |
| Tax on profit/loss for the year | 6 | -23,040 | -20,209 | 2,868 | 2,057 |
| **Net profit/loss for the year** | 7 | **72,187** | **67,224** | **72,187** | **67,224** |

# Balance sheet 31 December

## Assets

| | | Group | | Parent company | |
|---|---|---|---|---|---|
| | Note | 2023 | 2022 | 2023 | 2022 |
| | | TDKK | TDKK | TDKK | TDKK |
| Completed development projects | | 19,459 | 14,520 | 0 | 0 |
| Acquired licenses | | 12,453 | 13,345 | 0 | 0 |
| Goodwill | | 18,322 | 20,765 | 0 | 0 |
| Development projects in progress | | 26,309 | 24,300 | 0 | 0 |
| **Intangible assets** | 8 | **76,543** | **72,930** | **0** | **0** |
| Land and buildings | | 9,073 | 45,462 | 0 | 0 |
| Other fixtures and fittings, tools and equipment | | 4,880 | 6,422 | 0 | 0 |
| Leasehold improvements | | 5,318 | 3,489 | 0 | 0 |
| **Property, plant and equipment** | 9 | **19,271** | **55,373** | **0** | **0** |
| Investments in subsidiaries | 10 | 0 | 0 | 291,866 | 250,634 |
| Deposits | 11 | 84 | 77 | 0 | 0 |
| **Fixed asset investments** | | **84** | **77** | **291,866** | **250,634** |
| **Fixed assets** | | **95,898** | **128,380** | **291,866** | **250,634** |
| **Inventories** | 12 | **260,231** | **224,967** | **0** | **0** |
| Trade receivables | | 204,767 | 203,252 | 0 | 0 |
| Receivables from group enterprises | | 0 | 0 | 51,671 | 20,421 |
| Other receivables | | 5,478 | 2,937 | 456 | 0 |
| Corporation tax receivable from group enterprises | | 0 | 0 | 20,788 | 17,684 |
| Prepayments | 13 | 2,234 | 1,039 | 0 | 0 |
| **Receivables** | | **212,479** | **207,228** | **72,915** | **38,105** |
| **Cash at bank and in hand** | | **16,818** | **72,485** | **0** | **0** |
| **Current assets** | | **489,528** | **504,680** | **72,915** | **38,105** |
| **Assets** | | **585,426** | **633,060** | **364,781** | **288,739** |

# Balance sheet 31 December

## Liabilities and equity

| | Note | Group 2023 | Group 2022 | Parent company 2023 | Parent company 2022 |
|---|---|---|---|---|---|
| | | TDKK | TDKK | TDKK | TDKK |
| Share capital | 14 | 125 | 125 | 125 | 125 |
| Reserve for net revaluation under the equity method | | 0 | 0 | 144,682 | 114,908 |
| Reserve for development costs | | 35,597 | 30,178 | 0 | 0 |
| Other statutory reserves | | 80 | -912 | 80 | -912 |
| Retained earnings | | 110,045 | 85,277 | 960 | 547 |
| Proposed dividend for the year | | 42,000 | 33,500 | 42,000 | 33,500 |
| **Equity** | | **187,847** | **148,168** | **187,847** | **148,168** |
| | | | | | |
| Provision for deferred tax | 15 | 6,883 | 5,942 | 0 | 0 |
| Other provisions | 16 | 18,749 | 18,246 | 0 | 0 |
| **Provisions** | | **25,632** | **24,188** | **0** | **0** |
| | | | | | |
| Mortgage loans | | 0 | 19,127 | 0 | 0 |
| Credit institutions | | 0 | 17,223 | 0 | 0 |
| Lease obligations | | 295 | 791 | 0 | 0 |
| Deposits | | 0 | 400 | 0 | 0 |
| Other payables | | 3,381 | 2,619 | 0 | 0 |
| **Long-term debt** | 17 | **3,676** | **40,160** | **0** | **0** |
| | | | | | |
| Mortgage loans | 17 | 0 | 1,559 | 0 | 0 |
| Credit institutions | 17 | 242,866 | 294,323 | 101,673 | 28,619 |
| Lease obligations | 17 | 542 | 186 | 0 | 0 |
| Trade payables | | 61,139 | 44,162 | 0 | 0 |
| Payables to group enterprises | | 0 | 0 | 64,958 | 79,034 |
| Payables to owners and Management | | 0 | 20,000 | 0 | 20,000 |
| Corporation tax | | 3,142 | 3,864 | 2,277 | 3,615 |
| Other payables | 17 18 | 60,582 | 56,450 | 8,026 | 9,303 |
| **Short-term debt** | | **368,271** | **420,544** | **176,934** | **140,571** |
| | | | | | |
| **Debt** | | **371,947** | **460,704** | **176,934** | **140,571** |
| | | | | | |
| **Liabilities and equity** | | **585,426** | **633,060** | **364,781** | **288,739** |

# Balance sheet 31 December

## Liabilities and equity

| | | Group | | Parent company | |
|---|---|---|---|---|---|
| | Note | 2023 | 2022 | 2023 | 2022 |
| | | TDKK | TDKK | TDKK | TDKK |
| Contingent assets, liabilities and other financial obligations | 21 | | | | |
| Related parties | 22 | | | | |
| Fee to auditors appointed at the general meeting | 23 | | | | |
| Subsequent events | 24 | | | | |
| Accounting Policies | 25 | | | | |

# Statement of changes in equity

## Group

| | Share capital | Reserve for developmen t costs | Other statutory reserves | Retained earnings | Proposed dividend for the year | Total |
|---|---|---|---|---|---|---|
| | TDKK | TDKK | TDKK | TDKK | TDKK | TDKK |
| Equity at 1 January | 125 | 30,178 | -912 | 85,277 | 33,500 | 148,168 |
| Exchange adjustments | 0 | 0 | 992 | 0 | 0 | 992 |
| Ordinary dividend paid | 0 | 0 | 0 | 0 | -33,500 | -33,500 |
| Development costs for the year | 0 | 8,798 | 0 | -8,798 | 0 | 0 |
| Depreciation, amortisation and impairment for the year | 0 | -3,379 | 0 | 3,379 | 0 | 0 |
| Net profit/loss for the year | 0 | 0 | 0 | 30,187 | 42,000 | 72,187 |
| **Equity at 31 December** | **125** | **35,597** | **80** | **110,045** | **42,000** | **187,847** |

## Parent company

| | Share capital | Reserve for net revaluation under the equity method | Other statutory reserves | Retained earnings | Proposed dividend for the year | Total |
|---|---|---|---|---|---|---|
| | TDKK | TDKK | TDKK | TDKK | TDKK | TDKK |
| Equity at 1 January | 125 | 114,908 | -912 | 547 | 33,500 | 148,168 |
| Exchange adjustments | 0 | 0 | 992 | 0 | 0 | 992 |
| Ordinary dividend paid | 0 | 0 | 0 | 0 | -33,500 | -33,500 |
| Net profit/loss for the year | 0 | 29,774 | 0 | 413 | 42,000 | 72,187 |
| **Equity at 31 December** | **125** | **144,682** | **80** | **960** | **42,000** | **187,847** |

# Cash flow statement 1 January - 31 December

| | | Group | |
|---|---|---|---|
| | Note | 2023 | 2022 |
| | | TDKK | TDKK |
| Result of the year | | 72,187 | 67,224 |
| Adjustments | 19 | 63,401 | 60,037 |
| Change in working capital | 20 | -37,911 | -78,688 |
| **Cash flow from operations before financial items** | | **97,677** | **48,573** |
| Financial income | | 974 | 1,947 |
| Financial expenses | | -20,944 | -13,165 |
| **Cash flows from ordinary activities** | | **77,707** | **37,355** |
| Corporation tax paid | | -22,821 | -13,740 |
| **Cash flows from operating activities** | | **54,886** | **23,615** |
| Purchase of intangible assets | | -17,173 | -10,652 |
| Purchase of property, plant and equipment | | -3,940 | -11,445 |
| Fixed asset investments made etc | | -7 | 14 |
| Sale of property, plant and equipment | | 33,211 | 0 |
| Sale of fixed asset investments made etc | | 0 | 325 |
| **Cash flows from investing activities** | | **12,091** | **-21,758** |
| Repayment of mortgage loans | | -20,686 | -1,516 |
| Repayment of loans from credit institutions | | -68,680 | 0 |
| Reduction of lease obligations | | -140 | 0 |
| Repayment of other long-term debt | | 0 | -2,887 |
| Raising of loans from credit institutions | | 0 | 76,408 |
| Lease obligations incurred | | 0 | 304 |
| Raising of other long-term debt | | 362 | 0 |
| Dividend paid | | -33,500 | -20,000 |
| **Cash flows from financing activities** | | **-122,644** | **52,309** |
| **Change in cash and cash equivalents** | | **-55,667** | **54,166** |
| Cash and cash equivalents at 1 January | | 72,485 | 18,568 |
| Exchange adjustment of current asset investments | | 0 | -249 |
| **Cash and cash equivalents at 31 December** | | **16,818** | **72,485** |

# Cash flow statement 1 January - 31 December

| | | Group | |
|---|---|---|---|
| | Note | 2023 | 2022 |
| | | TDKK | TDKK |
| Cash and cash equivalents are specified as follows: | | | |
| Cash at bank and in hand | | 16,818 | 72,485 |
| **Cash and cash equivalents at 31 December** | | **16,818** | **72,485** |

# Notes to the Financial Statements

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | TDKK | TDKK | TDKK | TDKK |
| **1. Revenue** | | | | |
| **Geographical segments** | | | | |
| EU | 1,235,839 | 1,235,892 | 0 | 0 |
| Other world | 174,422 | 138,943 | 0 | 0 |
| | **1,410,261** | **1,374,835** | **0** | **0** |
| **Revenue by activity** | | | | |
| Human | 1,410,261 | 1,374,835 | 0 | 0 |
| | **1,410,261** | **1,374,835** | **0** | **0** |

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | TDKK | TDKK | TDKK | TDKK |
| **2. Staff Expenses** | | | | |
| Wages and salaries | 130,719 | 110,763 | 8,507 | 6,440 |
| Pensions | 7,956 | 6,269 | 0 | 0 |
| Other social security expenses | 6,638 | 5,427 | 0 | 0 |
| Other staff expenses | 2,793 | 2,022 | 0 | 0 |
| | **148,106** | **124,481** | **8,507** | **6,440** |
| **Including remuneration to the Executive Board and Board of Directors** | **14,549** | **11,472** | **8,507** | **6,440** |
| **Average number of employees** | **334** | **325** | **0** | **0** |

## Notes to the Financial Statements

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | TDKK | TDKK | TDKK | TDKK |
| **3. Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment** | | | | |
| Amortisation of intangible assets | 12,971 | 12,808 | 0 | 0 |
| Depreciation of property, plant and equipment | 5,194 | 5,865 | 0 | 0 |
| Gain and loss on disposal | 2,226 | 9,937 | 0 | 0 |
| | **20,391** | **28,610** | **0** | **0** |

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | TDKK | TDKK | TDKK | TDKK |
| **4. Financial income** | | | | |
| Interest received from group enterprises | 0 | 0 | 1,172 | 264 |
| Other financial income | 241 | 1,947 | 31 | 1,859 |
| Exchange adjustments | 733 | 0 | 0 | 0 |
| | **974** | **1,947** | **1,203** | **2,123** |

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | TDKK | TDKK | TDKK | TDKK |
| **5. Financial expenses** | | | | |
| Interest paid to group enterprises | 0 | 0 | 4,996 | 1,714 |
| Other financial expenses | 20,926 | 9,739 | 3,747 | 1,291 |
| Exchange adjustments, expenses | 18 | 3,426 | 18 | 0 |
| | **20,944** | **13,165** | **8,761** | **3,005** |

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | TDKK | TDKK | TDKK | TDKK |
| **6. Income tax expense** | | | | |
| Current tax for the year | 20,987 | 18,135 | -2,868 | -2,074 |
| Deferred tax for the year | 2,045 | 2,074 | 0 | 17 |
| Adjustment of tax concerning previous years | 8 | 0 | 0 | 0 |
| | **23,040** | **20,209** | **-2,868** | **-2,057** |

| | Parent company | |
|---|---|---|
| | 2023 | 2022 |
| | TDKK | TDKK |
| **7. Profit allocation** | | |
| Proposed dividend for the year | 42,000 | 33,500 |
| Reserve for net revaluation under the equity method | 29,774 | 34,175 |
| Retained earnings | 413 | -451 |
| | **72,187** | **67,224** |

## 8. Intangible fixed assets
### Group

| | Completed development projects | Acquired licenses | Goodwill | Develop-ment projects in progress |
|---|---|---|---|---|
| | TDKK | TDKK | TDKK | TDKK |
| Cost at 1 January | 25,298 | 70,434 | 24,429 | 24,300 |
| Exchange adjustment | -1 | -1 | 0 | 1 |
| Additions for the year | 8,077 | 7,703 | 0 | 5,288 |
| Disposals for the year | 0 | -1,105 | 0 | -2,085 |
| Transfers for the year | 1,195 | 0 | 0 | -1,195 |
| Cost at 31 December | 34,569 | 77,031 | 24,429 | 26,309 |
| Impairment losses and depreciation at 1 January | 10,778 | 57,089 | 3,664 | 0 |
| Exchange adjustment | 0 | 1 | 0 | 0 |
| Depreciation for the year | 4,332 | 8,421 | 2,443 | 0 |
| Reversal of impairment and depreciation of sold assets | 0 | -933 | 0 | 0 |
| Impairment losses and depreciation at 31 December | 15,110 | 64,578 | 6,107 | 0 |
| **Carrying amount at 31 December** | **19,459** | **12,453** | **18,322** | **26,309** |
| Amortised over | 5 years | 3-5 years | 10 years | |

**Development projects in progress**

Development projects in progress comprise development and registration of generic pharmaceutical products. The costs include both external costs to business partners and internal working hours. Costs are registrated in an internal project tool. The individual pharmaceutical product will be finished in the years 2024-2027. Afterwards, sales will start up. Overall, the products are expected to contribute with significant competitive advantages and therefore a substantial increase in activity level and result.

The management has completed impairment test of the current book value of the assets. The recoverable amount, value in-use, for the remaining assets, exceeds the book value. Value in-use is calculated from expected cashflows based on management approved budgets through 2024-2029.

**Completed development projects**

Completed development projects include development and registration of pharmaceutical products for humans.

Each product has a 5 year depreciation period starting from when the products is launched in the market. The management has not established any indications for impairment of the current book value of the assets.

# Notes to the Financial Statements

## 9. Property, plant and equipment
## Group

| | Land and buildings | Other fixtures and fittings, tools and equipment | Leasehold improve-ments |
|---|---|---|---|
| | TDKK | TDKK | TDKK |
| Cost at 1 January | 53,491 | 17,400 | 7,590 |
| Exchange adjustment | 895 | 323 | 0 |
| Additions for the year | 488 | 722 | 2,730 |
| Disposals for the year | -42,563 | -1,216 | 0 |
| Cost at 31 December | 12,311 | 17,229 | 10,320 |
| | | | |
| Impairment losses and depreciation at 1 January | 8,029 | 10,978 | 4,101 |
| Exchange adjustment | 210 | 141 | -1 |
| Depreciation for the year | 423 | 1,686 | 902 |
| Reversal of impairment and depreciation of sold assets | -5,424 | -456 | 0 |
| Impairment losses and depreciation at 31 December | 3,238 | 12,349 | 5,002 |
| | | | |
| **Carrying amount at 31 December** | **9,073** | **4,880** | **5,318** |
| | | | |
| Amortised over | 25 years | 3-5 years | 3-10 years |

| | Parent company | |
|---|---|---|
| | 2023 | 2022 |
| | TDKK | TDKK |

## 10. Investments in subsidiaries

| | 2023 TDKK | 2022 TDKK |
|---|---|---|
| Cost at 1 January | 97,309 | 97,346 |
| Disposals for the year | -125 | -37 |
| Cost at 31 December | 97,184 | 97,309 |
| | | |
| Value adjustments at 1 January | 153,325 | 85,732 |
| Disposals for the year | -6,659 | 0 |
| Exchange adjustment | 992 | -249 |
| Net profit/loss for the year | 87,967 | 75,285 |
| Dividend to the Parent Company | -38,500 | -5,000 |
| Amortisation of goodwill | -2,443 | -2,443 |
| Value adjustments at 31 December | 194,682 | 153,325 |
| | | |
| **Carrying amount at 31 December** | **291,866** | **250,634** |

Investments in subsidiaries are specified as follows:

| Name | Place of registered office | Share capital | Ownership |
|---|---|---|---|
| 2care4 ApS | Esbjerg | DKK 125 | 100% |
| 2care4 Generics ApS | Esbjerg | DKK 125 | 100% |
| 2care4 AB | Stockholm, Sweden | SEK 50 | 100% |
| 2care4 GmbH | Köln, Germany | EUR 25 | 100% |
| 2care4 Graphics sp.z.o.o | Pabianice, Poland | PLN 100 | 100% |
| 2care4 Poland sp.z o.o. | Pabianice, Poland | PLN 4.600 | 100% |
| Allomedic GmbH | Köln, Germany | EUR 25 | 100% |

## 11. Other fixed asset investments
## Group

| | Deposits |
|---|---|
| | TDKK |
| Cost at 1 January | 77 |
| Additions for the year | 7 |
| Cost at 31 December | 84 |
| | |
| **Carrying amount at 31 December** | **84** |

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | TDKK | TDKK | TDKK | TDKK |
| **12. Inventories** | | | | |
| Raw materials and consumables | 92,474 | 82,641 | 0 | 0 |
| Work in progress | 2,559 | 7,142 | 0 | 0 |
| Finished goods and goods for resale | 120,424 | 77,859 | 0 | 0 |
| Prepayments for goods | 44,774 | 57,325 | 0 | 0 |
| | **260,231** | **224,967** | **0** | **0** |

## 13. Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

## 14. Share capital

The share capital consists of 125,000 shares of a nominal value of TDKK 0,001. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

## 15. Provision for deferred tax

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | TDKK | TDKK | TDKK | TDKK |
| Deferred tax liabilities at 1 January | 5,942 | 4,805 | 0 | -17 |
| Amounts recognised in the income statement for the year | 941 | 1,137 | 0 | 17 |
| **Deferred tax liabilities at 31 December** | **6,883** | **5,942** | **0** | **0** |

## 16. Other provisions

The recognized provision amounts to kDKK 18,749 (2022: kDKK 18,246) to cover the estimated reimbursement of price reductions to customers and to cover items at customers and profit on goods that probably will be returned according to cooperation agreements. The provision is recognized based on previous experience regarding the extend of these liabilities.

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | TDKK | TDKK | TDKK | TDKK |
| Reimbursement of price reductions | 18,749 | 18,246 | 0 | 0 |
| | **18,749** | **18,246** | **0** | **0** |
| The provisions are expected to mature as follows: | | | | |
| Within 1 year | 18,749 | 18,246 | 0 | 0 |
| After 5 years | 0 | 0 | 0 | 0 |
| | **18,749** | **18,246** | **0** | **0** |

## 17. Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | TDKK | TDKK | TDKK | TDKK |
| **Mortgage loans** | | | | |
| After 5 years | 0 | 12,852 | 0 | 0 |
| Between 1 and 5 years | 0 | 6,275 | 0 | 0 |
| Long-term part | 0 | 19,127 | 0 | 0 |
| Within 1 year | 0 | 1,559 | 0 | 0 |
| | **0** | **20,686** | **0** | **0** |
| **Credit institutions** | | | | |
| After 5 years | 0 | 5,000 | 0 | 0 |
| Between 1 and 5 years | 0 | 12,223 | 0 | 0 |
| Long-term part | 0 | 17,223 | 0 | 0 |
| Within 1 year | 0 | 3,580 | 0 | 0 |
| Other short-term debt to credit institutions | 242,866 | 290,743 | 101,673 | 28,619 |
| | **242,866** | **311,546** | **101,673** | **28,619** |
| **Lease obligations** | | | | |
| After 5 years | 0 | 0 | 0 | 0 |
| Between 1 and 5 years | 295 | 791 | 0 | 0 |
| Long-term part | 295 | 791 | 0 | 0 |
| Within 1 year | 542 | 186 | 0 | 0 |
| | **837** | **977** | **0** | **0** |
| **Deposits** | | | | |
| After 5 years | 0 | 0 | 0 | 0 |
| Between 1 and 5 years | 0 | 400 | 0 | 0 |
| Long-term part | 0 | 400 | 0 | 0 |
| Within 1 year | 0 | 0 | 0 | 0 |
| | **0** | **400** | **0** | **0** |

|  | Group |  | Parent company |  |
|---|---|---|---|---|
|  | 2023 | 2022 | 2023 | 2022 |
|  | TDKK | TDKK | TDKK | TDKK |
| **17. Long-term debt** |  |  |  |  |
| **Other payables** |  |  |  |  |
| After 5 years | 0 | 0 | 0 | 0 |
| Between 1 and 5 years | 3,381 | 2,619 | 0 | 0 |
| Long-term part | 3,381 | 2,619 | 0 | 0 |
| Other short-term payables | 60,582 | 56,450 | 8,026 | 9,303 |
|  | **63,963** | **59,069** | **8,026** | **9,303** |

## 18. Other payables

The company has entered a currency forward contract to hedge future cashflow in Swedish kroner, totalling kSEK 67,700 for January 2024. Compared to the forward exchange rates the contract hold a negativ value of kDKK 2.508 The hedging does not meet the accounting criterias for hedging and the loss is therefore booked in the income statement under financial income.

|  | Group |  |
|---|---|---|
|  | 2023 | 2022 |
|  | TDKK | TDKK |
| **19. Cash flow statement - Adjustments** |  |  |
| Financial income | -974 | -1,947 |
| Financial expenses | 20,944 | 13,165 |
| Depreciation, amortisation and impairment losses, including losses and gains on sales | 20,391 | 28,610 |
| Tax on profit/loss for the year | 23,040 | 20,209 |
|  | **63,401** | **60,037** |

| | Group 2023 | Group 2022 |
|---|---|---|
| | TDKK | TDKK |

## 20. Cash flow statement - Change in working capital

| | 2023 TDKK | 2022 TDKK |
|---|---|---|
| Change in inventories | -35,264 | -7,517 |
| Change in receivables | -5,251 | -83,360 |
| Change in other provisions | 503 | -3,290 |
| Change in trade payables, etc | 2,101 | 15,479 |
| | **-37,911** | **-78,688** |

## 21. Contingent assets, liabilities and other financial obligations

**Charges and security**

The following assets have been placed as security with bankers:

As collateral for bank loans kDKK 244.868, the company has issued af floating company charge at nominal value kDKK 150,000 including the following assets, which on the 31st of december 2023 amounts to kDKK.

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | TDKK | TDKK | TDKK | TDKK |
| Trade receivables | 177,799 | 108,729 | 0 | 0 |
| Inventories | 242,641 | 206,802 | 0 | 0 |
| Fixture and fittings, tools and equipment (excl. finance leasing) | 2,347 | 2,844 | 0 | 0 |
| Intangible assets | 55,441 | 68,343 | 0 | 0 |

# Notes to the Financial Statements

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | TDKK | TDKK | TDKK | TDKK |

## 21. Contingent assets, liabilities and other financial obligations

**Other contingent liabilities**

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of Danish corporation tax payable by the Group amounts to kDKK 3.368. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

The parent company has provided the share capital in 2care4 ApS and 2care4 Generics ApS as collateral for balances with bank institutions of the parent company as well as payment guarantee. The guarantee comprisess net bank debt at the end of 31st of December 2023 and amounts to kDKK 143,195.

The parent company has guaranteed balances with bank institutions for subsidiaries. The guarantee comprises net bank debt at the end of 31st of December 2023 and amounts to kDKK 143,195.

## 22. Related parties

| Related parties | Basis |
|---|---|
| TV Holding ApS, Esbjerg | Shareholder |
| Højfeldt Holding ApS, Esbjerg | Shareholder |
| Familieselskabet Værndal ApS, Esbjerg | Shareholder |
| Familieselskabet Bisgaard ApS, Esbjerg | Shareholder |
| Dennis Vad Lauridsen, Esbjerg | Chairman of the Board of Directors |
| Toke Værndal, Esbjerg | Vice chairman of the Board of Directors |
| Martin Busk Andersen, Rungsted Kyst | Member of the Board of Directors |
| Henrik Bisgaard Jensen, Esbjerg | Member of the Board of Directors |

**Transactions**

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

# Notes to the Financial Statements

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | TDKK | TDKK | TDKK | TDKK |
| **23. Fee to auditors appointed at the general meeting** | | | | |
| **PricewaterhouseCoopers** | | | | |
| Audit fee | 223 | 234 | 21 | 20 |
| Tax advisory services | 319 | 64 | 0 | 0 |
| Non-audit services | 570 | 280 | 25 | 25 |
| | **1,112** | **578** | **46** | **45** |

## 24. Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

# Notes to the Financial Statements

## 25. Accounting policies

The Annual Report of 2care4 Group ApS for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated Financial Statements and the Parent Company Financial Statements for 2023 are presented in TDKK.

**Recognition and measurement**

All expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

**Basis of consolidation**

The Consolidated Financial Statements comprise the Parent Company, 2care4 Group ApS, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

**Leases**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

# Notes to the Financial Statements

**Translation policies**

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.

Income statements of foreign subsidiaries and associates that are separate legal entities are translated at transaction date rates or approximated average exchange rates. Balance sheet items are translated at the exchange rates at the balance sheet date. Exchange adjustments arising on the translation of the opening equity and exchange adjustments arising from the translation of the income statements at the exchange rates at the balance sheet date are recognised directly in equity.

Income statements of enterprises that are integrated entities are translated at transaction date rates or approximated average exchange rates; however, items derived from non-monetary balance sheet items are translated at the transaction date rates of the underlying assets or liabilities. Monetary balance sheet items are translated at the exchange rates at the balance sheet date, whereas non-monetary items are translated at transaction date rates. Exchange adjustments arising on the translation are recognised in financial income and expenses in the income statement.

**Derivative financial instruments**

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as ”Other receivables” and ”Other payables”, respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of the cost of the relevant financial statement items.

For derivative financial instruments that do not comply with the requirements for being treated ashedging instruments, changes in the fair value are recognised currently in the income statement asfinancial income or financial exspenses.

## Income statement

**Revenue**

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Changes in inventories of finished goods and work in progress comprise decreases or increases for the financial year in inventories of finished goods and work in progress. This item includes ordinary writedowns of such inventories.

**Expenses for raw materials and consumables**

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve the consolidated revenue for the year.

**Other external expenses**

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

**Staff expenses**

Staff expenses comprise wages and salaries as well as payroll expenses.

**Amortisation, depreciation and impairment losses**

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

**Income from investments in subsidiaries**

The item “Income from investments in subsidiaries” in the income statement includes the proportionate share of the profit for the year.

**Financial income and expenses**

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

**Tax on profit/loss for the year**

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

# Notes to the Financial Statements

## Balance sheet

**Intangible fixed assets**

*Goodwill*

Goodwill is amortised on a straight-line basis over the estimated useful life of 10 years, determined on the basis of Management's experience with the individual business areas.

*Development projects*

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item 'Reserve for development costs'. The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 5 year.

*Other intangible fixed assets*

Patents and licences are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Patents are amortised over the remaining patent period or a shorter useful life. The amortisation period is 3-5 years. Software licences are amortised over the period of the agreements, which is 3-5 years.

**Property, plant and equipment**

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans contracted directly for financing the construction of property, plant and equipment are recognised in cost over the construction period.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

| | |
|---|---|
| Other buildings | 25 years |
| Other fixtures and fittings, tools and equipment | 3-5 years |
| Leasehold improvements | 3-10 years |

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

**Impairment of fixed assets**

The carrying amounts of intangible assets and property, plant and equipment and investments are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Goodwill, head office buildings and other assets for which a separate value in use cannot be determined as the asset does not on an individual basis generate future cash flows are reviewed for impairment together with the group of assets to which they are attributable.

**Investments in subsidiaries**

Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

**Other fixed asset investments**

Other fixed asset investments consist of other receivables.

**Inventories**

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

**Receivables**

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

**Prepayments**

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

### Equity

#### Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate Dividend item.

#### Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period of 1-5 years. Provisions are measured and recognised based on experience with guarantee work.

#### Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

#### Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

#### Financial liabilities

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

#### Cash Flow Statement

The cash flow statement shows the Group's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

# Notes to the Financial Statements

*Cash flows from operating activities*

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

*Cash flows from investing activities*

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

*Cash flows from financing activities*

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

*Cash and cash equivalents*

Cash and cash equivalents comprise ”Overdraft facilities”.

The cash flow statement cannot be immediately derived from the published financial records.

## Financial Highlights

**Explanation of financial ratios**

| | |
|---|---|
| Gross margin | Gross profit x 100 / Revenue |
| Profit margin | Profit/loss of ordinary primary operations x 100 / Revenue |
| Return on assets | Profit/loss of ordinary primary operations x 100 / Total assets at year end |
| Solvency ratio | Equity at year end x 100 / Total assets at year end |
| Return on equity | Net profit for the year x 100 / Average equity |