2care4 Group ApS

Stenhuggervej 12, DK-6710 Esbjerg V

Annual Report for 1 January - 31 December 2021

CVR No 30 52 68 72

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 17/5 2022

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 2021.

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 2021 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2021.

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, 17 May 2022

Executive Board

Ulrik Ernst Rasmussen
CEO

Board of Directors

Dennis Vad Lauridsen Chairman	Henrik Bisgaard Jensen	Martin Busk Andersen
Toke Værndal Deputy Chairman		

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 2021 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 2021 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 2021, 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 Financials 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.

Independent Auditor's Report

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 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 Company or to cease operations, or has no realistic alternative but to do so.

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 Company's and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting 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 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 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.

Esbjerg, 17 May 2022
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Palle H. Jensen	Stefan Dracea
statsautoriseret revisor	statsautoriseret revisor
mne32115	mne42827

Company Information

The Company	2care4 Group ApS Stenhuggervej 12 DK-6710 Esbjerg V
	CVR No: 30 52 68 72 Financial period: 1 January - 31 December Incorporated: 15 August 2008 Financial year: 14th financial year Municipality of reg. office: Esbjerg
Board of Directors	Dennis Vad Lauridsen, Chairman Henrik Bisgaard Jensen Martin Busk Andersen Toke Værndal
Executive Board	Ulrik Ernst Rasmussen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Esbjerg Brygge 28 DK-6700 Esbjerg

Group Chart

Parent Company

2care4 Group ApS
Denmark
Nom. DKK 125.0000

Consolidated subsidiaries

- 100% — 2care4 ApS,
  Esbjerg, Denmark
  Nom. DKK 125.000
- 100% — 2care4 Generics ApS,
  Esbjerg, Denmark
  Nom. DKK 50.000
- 100% — Ejendomsselskabet 2care4 ApS,
  Esbjerg, Denmark
  Nom. DKK 125.000
- 100% — 2care4 GmbH
  Heppenheim, Germany
  Nom. EUR 25.000
- 100% — 2care4 AB
  Nacka Strand, Sweden
  Nom. SEK 50.000
- 100% — 2care4 Poland sp.z o.o.
  Pabianice, Poland
  Nom. PLN 4.600.000
- 100% — 2care4 BV
  Groningen, The Netherlands
  Nom. EUR 5.000
- 100% — 2care4 Graphics sp.z o.o.
  Pabianice, Poland
  Nom. PLN 100.000
- 100% — Allomedic GmbH
  Baden-Baden, Germany
  Nom. EUR 25.000

Financial Highlights

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

	Group				
	2021	2020	2019	2018	2017
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Key figures					
Profit/loss					
Revenue	1,025,710	943,640	871,033	783,286	700,627
Gross profit/loss	140,207	135,433	118,287	106,718	77,781
Operating profit/loss	20,732	31,045	26,534	30,030	11,361
Net financials	-5,027	-5,162	-3,547	-3,944	-1,722
Net profit/loss for the year	11,656	21,756	18,098	20,176	7,265
Balance sheet					
Balance sheet total	496,586	441,827	415,786	379,378	325,393
Equity	101,193	109,643	92,444	86,298	66,412
Cash flows					
Cash flows from:					
- operating activities	61,458	23,419	25,091	33,804	-25,138
- investing activities	-56,046	-20,835	-32,515	-46,010	-13,554
- financing activities	3,433	-11,336	-15,759	16,545	-25,152
Change in cash and cash equivalents for the year	8,845	-8,752	-23,183	4,339	-63,844
Number of employees	317	337	288	270	224
Ratios					
Gross margin	13.7%	14.4%	13.6%	13.6%	11.1%
Profit margin	2.0%	3.4%	3.0%	3.8%	1.6%
Return on assets	4.1%	7.3%	6.4%	7.9%	3.5%
Solvency ratio	20.4%	24.8%	22.2%	22.7%	20.4%
Return on equity	11.1%	21.5%	20.3%	26.4%	9.7%

Management’s Review

Key activities

The Company's main activities are the sale of parallel-imported medicine and generic medicine products.

Development in the year

Profit for the year after tax amounted to DKK 11.7m (2020: DKK 21.8m). The profit for 2021 was expected to be in line with or slightly above the level of 2020 and therefore, the result is not considered satisfactory and do not meet the expectations for 2021.

The decline is primarily driven by challenges in the import business in the Danish market. Moreover, we experienced a high level of price credits from pharmacies and wholesalers due to comprehensive market inventories driven by safety stock and increased returns from the market. Finally, costs related to the acquisition and integration of Allomedic in Germany and the establishment of 2care4´s own office and warehouse in Cologne, Germany were incremental in 2021.

On the positive side, the generics business exceeded expectations in 2021 driven by several strong product launches during the year.

For the financial year 2022, the Company expects an increase in activity level of approx. 20%, and net profit of DKK 30m-40m. Management does not expect COVID-19 to have a significant impact on the activities and profit in 2022.

General risk

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

Furthermore, we see a general risk related to increased export restrictions resulting from political decisions, which will limit the free movement of goods within the EU.

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 in this area.

Equivalently, a tight control of the credit policy is implemented. Thus, the Group only has a very limited risk relating to customers and business partners. Most sales are made through consolidated pharmaceutical wholesalers

Management's Review

Research and development

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

Statement of corporate social responsibility

Business model

The business model of the 2care4 Group includes the development, in-licencing, production, import, export, distribution and sale of medical products. The main activities relate to parallel import of medical products and generics. The parallel-imported products are purchased throughout Europe, repacked and ultimately sold in the Scandinavian and German markets. 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 Poland. It currently employs over 310 staff of whom approximately 140 work at the headquarters in Esbjerg, Denmark.

The 2care4 Group complies with all relevant corporate social responsibility legislation, and generally strives to minimise the negative impact of its activities to the extent possible.

Risk analysis

Risk is defined as the potential negative effect which may be experienced by the business or any of the 2care4 Group's stakeholders. Risk is seen as a combination of impact and likelihood of any given event.

Repacking

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

Regarding safety at work, we have a zero-accident target for our internal production sites. In 2021, the total number of accidents was two – one in the administration area and one in the production area. The accidents did not have any health implications for the employees involved. Both cases have been registered and mitigating actions have been implemented to avoid similar cases in future.

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

The CSR policy has been communicated to our suppliers and business partners.

Management's Review

Anti-corruption

The 2care4 Group has zero tolerance towards corruption, and when marketing products to pharmacies in the Nordics and Germany, the guidelines of AME (Affordable Medicines Europe), MFE (Medicines for Europe) and of ENLI (Danish Ethical Committee for the Pharmaceutical Industry) are applied and observed in detail. Due to the fact that we consider the risk of corruption among our partners low, since they are located in countries that have a high score on our CPI index, we chose to draw up a policy regarding bribery and anti-corruption in 2020. In 2021, the number of bribery and anti-corruption cases was nil.

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 related to the lack of transparency of the working environment at suppliers' sites, which are not under our control. We strive to comply with all current legislation and guidelines in relation to human rights, etc., both internally and externally.

We have no knowledge of any internal breaches relating to either parallel-imported products or generics, or any external breaches by our business partners. As a further initiative to support this area, we prepared a CSR policy in 2020, which requires zero tolerance as regards violation of human rights and applies to the Group and all our suppliers and business partners.

Social and employee conditions

A healthy and safe work environment is very important for the 2care4 Group. Therefore, we commit to providing our employees with a good working environment.

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

The 2care4 Group carries out an annual satisfaction survey, which measures employee satisfaction and motivation on several parameters. The survey is followed up by action plans at overall company level and department level for the purpose of improving identified weaknesses and maintaining the efforts in areas having a positive impact on employee satisfaction and motivation. Based on the 2021 survey, the company level action plans in 2022 will focus on improvements within the following areas: "Pressure at work", "Work situation" and "Satisfaction in general".

The overall result of the satisfaction survey in 2021 was a Net Promoter Score of 21, which we consider to be satisfactory. The result of the survey is presented at a meeting of the Board of Directors in February of the following year.

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

Environment and energy consumption

The energy consumption of and general environmental footprint left by the 2care4 Group's parallel-import activities are very limited and have a limited impact on the surrounding environment. 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. This is because we do not have access to the information from the Original producer. Therefore the company has no influence on the production phase whatsoever.

In our opinion, we, as a group, comply with current legislation in the area, and we are engaged in a dialogue with our business partners concerning compliance with local legislation at the locations throughout 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.

The CSR policy (see link below) includes the 2care4 Group's policy on environment and climate. Since its preparation in 2020, the following initiatives have been implemented: optimised 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, the Company will update the CSR policy on a regular basis to optimise our energy consumption and environmental footprint.

Data Ethics

The internal data ethics guidelines of the 2care4 Group are focused on protection of the employees' personal data. The guidelines contain a description of which personal data the 2care4 Group is storing and how the data is protected during and beyond employment with the Company. The internal guidelines are available to all employees through the Company's system containing all quality standards (D4), and introduction and formal confirmation of having understood the guidelines are mandatory for all new employees.

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

Management's Review

Statement on gender composition

Diversity target for the Board of Directors

The 2care4 Group has set a target of 20% women on the Board of Directors. Status at the end of 2021 is 0% given that no changes were made to the Board at the annual general meeting in 2021. We are working towards realising the target of 20% women on Board of Directors before 2025.

The 2care4 Group has obtained a gender representation of 32% women and 68% men at other management levels.

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

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 2021	Group 2020	Parent Company 2021	Parent Company 2020
		DKK '000	DKK '000	DKK '000	DKK '000
Revenue	1	**1,025,710**	**943,640**	**0**	**0**
Change in inventories of finished goods, work in progress and goods for resale		16,561	20,157	0	0
Other operating income		-382	1,347	0	0
Expenses for raw materials and consumables		-829,757	-769,407	0	0
Other external expenses		-71,925	-60,304	-1,372	-77
Gross profit/loss		**140,207**	**135,433**	**-1,372**	**-77**
Staff expenses	2	-100,258	-88,336	-540	-540
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-19,599	-14,705	0	0
Profit/loss before financial income and expenses		**20,350**	**32,392**	**-1,912**	**-617**
Income from investments in subsidiaries		0	0	14,307	22,046
Financial income		20	674	148	268
Financial expenses		-5,047	-5,836	-1,240	-2
Profit/loss before tax		**15,323**	**27,230**	**11,303**	**21,695**
Tax on profit/loss for the year	4	-3,667	-5,474	353	61
Net profit/loss for the year		**11,656**	**21,756**	**11,656**	**21,756**

Balance Sheet 31 December

Assets

		Group		Parent Company	
	Note	2021	2020	2021	2020
		DKK '000	DKK '000	DKK '000	DKK '000
Completed development projects		9,477	7,952	0	0
Acquired licenses		14,287	11,836	0	0
Goodwill		23,208	0	0	0
Development projects in progress		28,118	21,262	0	0
Intangible assets	5	**75,090**	**41,050**	**0**	**0**
Land and buildings		47,245	46,877	0	0
Other fixtures and fittings, tools and equipment		9,969	6,559	0	0
Leasehold improvements		2,635	1,270	0	0
Property, plant and equipment in progress		202	106	0	0
Prepayments for property, plant and equipment		0	2,881	0	0
Property, plant and equipment	6	**60,051**	**57,693**	**0**	**0**
Investments in subsidiaries	7	0	0	183,078	94,509
Deposits	8	46	0	0	0
Other receivables	8	45	46	0	0
Fixed asset investments		**91**	**46**	**183,078**	**94,509**
Fixed assets		**135,232**	**98,789**	**183,078**	**94,509**
Inventories	9	**217,450**	**214,319**	**0**	**0**
Trade receivables		120,235	114,764	0	0
Receivables from group enterprises		0	0	9,471	12,176
Other receivables		2,630	2,867	0	0
Deferred tax asset	12	0	0	17	0
Corporation tax		1,468	0	880	0
Corporation tax receivable from group enterprises		0	0	364	5,163
Prepayments		1,003	1,260	0	151
Receivables		**125,336**	**118,891**	**10,732**	**17,490**

Balance Sheet 31 December

Assets

		Group		Parent Company	
	Note	2021	2020	2021	2020
		DKK '000	DKK '000	DKK '000	DKK '000
Cash at bank and in hand		**18,568**	**9,828**	**0**	**168**
Currents assets		**361,354**	**343,038**	**10,732**	**17,658**
Assets		**496,586**	**441,827**	**193,810**	**112,167**

Balance Sheet 31 December

Liabilities and equity

	Note	Group 2021	Group 2020	Parent Company 2021	Parent Company 2020
		DKK '000	DKK '000	DKK '000	DKK '000
Share capital	10	125	125	125	125
Reserve for net revaluation under the equity method		0	0	80,733	71,531
Reserve for development costs		28,565	23,087	0	0
Other statutory reserves		-663	-558	-663	-558
Retained earnings		53,166	66,989	998	18,544
Proposed dividend for the year		20,000	20,000	20,000	20,000
Equity		**101,193**	**109,643**	**101,193**	**109,642**
Provision for deferred tax	12	4,805	3,308	0	0
Other provisions	13	21,536	23,654	0	0
Provisions		**26,341**	**26,962**	**0**	**0**
Mortgage loans		20,643	22,198	0	0
Credit institutions		24,298	4,217	0	0
Lease obligations		538	0	0	0
Trade payables		3,470	622	0	0
Deposits		400	400	0	0
Other payables		5,506	7,666	0	0
Long-term debt	14	**54,855**	**35,103**	**0**	**0**
Mortgage loans	14	1,559	1,564	0	0
Credit institutions	14	211,089	206,852	4,339	0
Lease obligations	14	135	0	0	0
Trade payables	14	17,590	21,599	0	0
Payables to group enterprises		0	0	62,436	1,811
Payables to owners and Management		20,540	0	20,540	0
Corporation tax		0	187	0	660
Other payables	14	63,284	39,917	5,302	54
Short-term debt		**314,197**	**270,119**	**92,617**	**2,525**
Debt		**369,052**	**305,222**	**92,617**	**2,525**
Liabilities and equity		**496,586**	**441,827**	**193,810**	**112,167**

Balance Sheet 31 December

Liabilities and equity

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Statement of Changes in Equity

Group

	Share capital	Reserve for net revaluation under the equity method	Reserve for development costs	Other statutory reserves	Retained earnings	Proposed dividend for the year	Total
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Equity at 1 January	125	0	23,087	-558	66,988	20,000	109,642
Exchange adjustments	0	0	0	-105	0	0	-105
Ordinary dividend paid	0	0	0	0	0	-20,000	-20,000
Development costs for the year	0	0	7,447	0	-7,447	0	0
Depreciation, amortisation and impairment for the year	0	0	-1,969	0	1,969	0	0
Net profit/loss for the year	0	0	0	0	-8,344	20,000	11,656
Equity at 31 December	**125**	**0**	**28,565**	**-663**	**53,166**	**20,000**	**101,193**

Parent Company

	Share capital	Reserve for net revaluation under the equity method	Reserve for development costs	Other statutory reserves	Retained earnings	Proposed dividend for the year	Total
Equity at 1 January	125	71,531	0	-558	18,544	20,000	109,642
Exchange adjustments	0	0	0	-105	0	0	-105
Ordinary dividend paid	0	0	0	0	0	-20,000	-20,000
Net profit/loss for the year	0	9,202	0	0	-17,546	20,000	11,656
Equity at 31 December	**125**	**80,733**	**0**	**-663**	**998**	**20,000**	**101,193**

Cash Flow Statement 1 January - 31 December

	Note	Group 2021	Group 2020
		DKK '000	DKK '000
Net profit/loss for the year		11,656	21,756
Adjustments	15	28,295	25,340
Change in working capital	16	30,253	-15,348
Cash flows from operating activities before financial income and expenses		**70,204**	**31,748**
Financial income		125	1,232
Financial expenses		-5,046	-5,839
Cash flows from ordinary activities		**65,283**	**27,141**
Corporation tax paid		-3,825	-3,722
Cash flows from operating activities		**61,458**	**23,419**
Purchase of intangible assets		-45,910	-18,517
Purchase of property, plant and equipment		-10,242	-3,745
Fixed asset investments made etc		-44	-19
Sale of intangible assets		0	819
Sale of property, plant and equipment		150	627
Cash flows from investing activities		**-56,046**	**-20,835**
Repayment of mortgage loans		-1,559	-1,564
Repayment of loans from credit institutions		24,319	-6,082
Reduction of lease obligations		673	-90
Repayment of other long-term debt		0	400
Dividend paid		-20,000	-4,000
Cash flows from financing activities		**3,433**	**-11,336**
Change in cash and cash equivalents		**8,845**	**-8,752**
Cash and cash equivalents at 1 January		9,828	19,138
Exchange adjustment of current asset investments		-105	-558
Cash and cash equivalents at 31 December		**18,568**	**9,828**

Cash Flow Statement 1. januar - 31. december

	Note	2021	2020
		DKK '000	DKK '000
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		18,568	9,828
Cash and cash equivalents at 31 December		**18,568**	**9,828**

Notes to the Financial Statements

	Group		Parent Company	
	2021	2020	2021	2020
	DKK '000	DKK '000	DKK '000	DKK '000
1 Revenue				
Geographical segments				
EU	921,570	880,166	0	0
Other world	104,140	63,474	0	0
	1,025,710	**943,640**	**0**	**0**
Revenue by activity				
Human	1,025,710	871,030	0	0
	1,025,710	**943,640**	**0**	**0**
2 Staff expenses				
Wages and salaries	88,113	77,436	540	540
Pensions	5,525	4,828	0	0
Other social security expenses	5,094	4,307	0	0
Other staff expenses	1,526	1,765	0	0
	100,258	**88,336**	**540**	**540**
Including remuneration to the Executive Board of:				
Executive Board	2,890	2,633	540	540
	2,890	**2,633**	**540**	**540**
Average number of employees	**317**	**337**	**0**	**0**

Notes to the Financial Statements

	Group		Parent Company	
	2021	2020	2021	2020
	DKK '000	DKK '000	DKK '000	DKK '000
3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment				
Amortisation of intangible assets	11,966	10,684	0	0
Depreciation of property, plant and equipment	4,744	3,380	0	0
Gain and loss on disposal	2,889	641	0	0
	19,599	**14,705**	**0**	**0**

	Group		Parent Company	
	2021	2020	2021	2020
	DKK '000	DKK '000	DKK '000	DKK '000
4 Tax on profit/loss for the year				
Current tax for the year	2,411	5,547	-364	-76
Deferred tax for the year	1,228	-88	-17	0
Adjustment of tax concerning previous years	28	15	28	15
	3,667	**5,474**	**-353**	**-61**

5 Intangible assets

Group

	Completed development projects	Acquired licenses	Goodwill	Development projects in progress
	DKK '000	DKK '000	DKK '000	DKK '000
Cost at 1 January	13,253	60,381	0	21,262
Exchange adjustment	0	9	0	1
Additions for the year	2,369	7,521	24,429	11,334
Disposals for the year	-210	-4,145	0	-2,521
Transfers for the year	1,958	0	0	-1,958
Cost at 31 December	17,370	63,766	24,429	28,118

Notes to the Financial Statements

5 Intangible assets (continued)

Group

	Completed development projects	Acquired licenses	Goodwill	Development projects in progress
	DKK '000	DKK '000	DKK '000	DKK '000
Impairment losses and amortisation at 1 January	5,301	44,423	0	0
Exchange adjustment	0	9	0	0
Amortisation for the year	2,704	8,726	1,221	0
Reversal of amortisation of disposals for the year	-112	-3,679	0	0
Impairment losses and amortisation at 31 December	7,893	49,479	1,221	0
Carrying amount at 31 December	**9,477**	**14,287**	**23,208**	**28,118**
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 2022-2025. Afterwards, sales will start up. Overall, the products are expected to contribute with significant competitive advantages and therefor a increase in activity level and result from 2022.

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 2022-2025.

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 ofthe assets.

Notes to the Financial Statements

6 Property, plant and equipment

Group

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress	Prepayments for property, plant and equipment
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Cost at 1 January	54,392	15,544	4,247	106	2,881
Exchange adjustment	-100	-85	-74	-1	0
Additions for the year	128	2,447	1,948	97	0
Disposals for the year	0	-760	0	0	0
Transfers for the year	0	2,881	0	0	-2,881
Cost at 31 December	54,420	20,027	6,121	202	0
Impairment losses and depreciation at 1 January	6,202	8,312	2,977	0	0
Exchange adjustment	-18	-55	0	0	0
Depreciation for the year	991	2,483	509	0	0
Impairment and depreciation of sold assets for the year	0	-238	0	0	0
Reversal of impairment and depreciation of sold assets	0	-444	0	0	0
Impairment losses and depreciation at 31 December	7,175	10,058	3,486	0	0
Carrying amount at 31 December	**47,245**	**9,969**	**2,635**	**202**	**0**
Depreciated over	25 years	3-5 years	3-10 years		

Notes to the Financial Statements

	Parent Company	
	2021	2020
	DKK '000	DKK '000
7 Investments in subsidiaries		
Cost at 1 January	22,979	23,028
Additions for the year	74,367	0
Disposals for the year	0	-50
Cost at 31 December	97,346	22,978
Value adjustments at 1 January	71,530	50,025
Disposals for the year	0	18
Exchange adjustment	-105	-558
Net profit/loss for the year	15,528	22,046
Amortisation of goodwill	-1,221	0
Value adjustments at 31 December	85,732	71,531
Carrying amount at 31 December	**183,078**	**94,509**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
2care4 ApS	Esbjerg	DKK 125	100%
2care4 Generics ApS	Esbjerg	DKK 125	100%
Ejendomsselskabet 2care4 ApS	Esbjerg	DKK 125	100%
2care4 AB	Nacka Strand,Sweden	SEK 50	100%
2care4 GmbH	Heppenheim,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%
2care4 BV	Groningen, The Netherlands	EUR 5	100%
Allomedic GmbH	Baden-Baden, Germany	EUR 25	100%

Notes to the Financial Statements

8 Other fixed asset investments

	Group	
	Deposits	Other receiv-ables
	DKK '000	DKK '000
Cost at 1 January	0	46
Exchange adjustment	0	-1
Additions for the year	46	0
Cost at 31 December	46	45
Carrying amount at 31 December	**46**	**45**

9 Inventories

	Group		Parent Company	
	2021	2020	2021	2020
	DKK '000	DKK '000	DKK '000	DKK '000
Raw materials and consumables	91,170	90,161	0	0
Work in progress	4,074	4,660	0	0
Finished goods and goods for resale	95,944	102,054	0	0
Prepayments for goods	26,262	17,444	0	0
	217,450	**214,319**	**0**	**0**

10 Equity

The share capital consists of 125,000 shares of a nominal value of DKK '000 1. No shares carry any special rights.

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

Notes to the Financial Statements

11 Distribution of profit

	Group		Parent Company	
	2021	2020	2021	2020
	DKK '000	DKK '000	DKK '000	DKK '000
Proposed dividend for the year	20,000	20,000	20,000	20,000
Reserve for net revaluation under the equity method	0	0	9,202	21,507
Retained earnings	-8,344	1,756	-17,546	-19,751
	11,656	**21,756**	**11,656**	**21,756**

12 Provision for deferred tax

	Group		Parent Company	
	2021	2020	2021	2020
	DKK '000	DKK '000	DKK '000	DKK '000
Provision for deferred tax at 1 January	3,308	3,523	0	0
Amounts recognised in the income statement for the year	1,228	-88	-17	0
Amounts recognised in equity for the year	269	-127	0	0
Provision for deferred tax at 31 December	**4,805**	**3,308**	**-17**	**0**

13 Other provisions

The recognized provision amounts to kDKK 21,536 (2020: kDKK 23,654) 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.

Reimbursement of price reductions	21,536	23,654	0	0
	21,536	**23,654**	**0**	**0**

Notes to the Financial Statements

14 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	
	2021	2020	2021	2020
	DKK '000	DKK '000	DKK '000	DKK '000
Mortgage loans				
After 5 years	14,416	15,944	0	0
Between 1 and 5 years	6,227	6,254	0	0
Long-term part	20,643	22,198	0	0
Within 1 year	1,559	1,564	0	0
	22,202	**23,762**	**0**	**0**
Credit institutions				
Between 1 and 5 years	24,298	4,217	0	0
Long-term part	24,298	4,217	0	0
Within 1 year	1,080	1,080	0	0
Other short-term debt to credit institutions	210,009	205,772	4,339	0
Short-term part	211,089	206,852	4,339	0
	235,387	**211,069**	**4,339**	**0**
Lease obligations				
Between 1 and 5 years	538	0	0	0
Long-term part	538	0	0	0
Within 1 year	135	0	0	0
	673	**0**	**0**	**0**
Trade payables				
Between 1 and 5 years	3,470	622	0	0
Long-term part	3,470	622	0	0
Other short-tem trade payables	17,590	21,599	0	0
	21,060	**22,221**	**0**	**0**

Notes to the Financial Statements

14 Long-term debt (continued)

	Group		Parent Company	
	2021	2020	2021	2020
	DKK '000	DKK '000	DKK '000	DKK '000
Deposits				
Between 1 and 5 years	400	400	0	0
Long-term part	400	400	0	0
Within 1 year	0	0	0	0
	400	**400**	**0**	**0**
Other payables				
Between 1 and 5 years	5,506	7,666	0	0
Long-term part	5,506	7,666	0	0
Other short-term payables	63,284	39,917	5,302	54
	68,790	**47,583**	**5,302**	**54**

15 Cash flow statement - adjustments

	Group	
	2021	2020
	DKK '000	DKK '000
Financial income	-20	-674
Financial expenses	5,047	5,836
Depreciation, amortisation and impairment losses, including losses and gains on sales	19,601	14,704
Tax on profit/loss for the year	3,667	5,474
	28,295	**25,340**

16 Cash flow statement - change in working capital

	2021	2020
Change in inventories	-3,132	-13,157
Change in receivables	-4,973	-18,426
Change in other provisions	-2,118	7,476
Change in trade payables, etc	40,476	8,759
	30,253	**-15,348**

Notes to the Financial Statements

	Group		Parent Company	
	2021	2020	2021	2020
	DKK '000	DKK '000	DKK '000	DKK '000

17 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with mortgage credit institutes:

Mortgage debt is secured by way of mortgage on properties.

Bank loans are secured by way of a deposited mortgage deed registered to the mortgagor on plant of kDKK 1,500 nominal. The carrying amount of mortgaged properties is kDKK 26,935.

The following assets have been placed as security with bankers:

As collateral for bank loans kDKK 210.926, the group has issued a floating company charge at nominal value kDKK 125,000 including the following assets, which on the 31st of December 2021 amounts to kDKK:

	Group 2021	Group 2020	Parent Company 2021	Parent Company 2020
Trade receiveables	108,729	113,541	0	0
Inventories	200,502	210,200	0	0
Fixture and fittings, tools and equipment (excl. finance leasing)	4,733	2,633	0	0
Intangible assets	70,473	40,790	0	0

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 0. 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.

Notes to the Financial Statements

17 Contingent assets, liabilities and other financial obligations (continued)

The parent company has provided the share capital in 2care4 ApS, Ejendomsselskabet 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 2021 and amounts to kDKK 207,520.

The parent company has guaranteed balances with bank institutions for subsidiaries. The guarantee comprises net bank debt at the end of 31st of December 2021 and amounts to kDKK 207,520.

Lawsuits

The company is involved in a civil case concerning parallel imports of medicines marketed under other names. The dispute concerns infringement of trademark rights as a result of repackaging of medicines and is a common challenge in the industry. Therefore, the case is being processed together with a number of other similar cases in the European Court of Justice.

It is estimated that the case is in 2care4´s favor, but if the company loses the case, it will trigger a claim. On the present basis, it is not possible to comment on the amount of such a claim.

18 Related parties

	Basis
Controlling interest	
TV Holding ApS	Esbjerg
Højfeldt Holding ApS	Esbjerg

Notes to the Financial Statements

18 Related parties (continued)

Other related parties

2care4 ApS	Esbjerg
Ejendomsselskabet 2care4 ApS	Esbjerg
2care4 AB	Nacka Strand,Sweden
2care4 Generics ApS	Esbjerg
2care4 GmbH	Heppenheim,Germany
2care4 Graphics sp.z.o.o.	Pabianice, Poland
2care4 Poland sp.z.o.o.	Pabianice, Poland
Allomedic GmbH	Baden-Baden, Germany
2care4 BV	Groningen, TheNetherlands
Familieselskabet Bisgaard ApS	Esbjerg
Familieselskabet Værndal ApS	Esbjerg

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.

19 Fee to auditors appointed at the general meeting

	Group		Parent Company	
	2021	2020	2021	2020
	DKK '000	DKK '000	DKK '000	DKK '000
PricewaterhouseCoopers				
Audit fee	224	175	20	15
Other assurance engagements	0	0	0	0
Tax advisory services	54	72	0	0
Other services	264	107	25	20
	542	**354**	**45**	**35**

20 Other receivables

The company has entered currency forward contracts to hedge future cashflow in Swedish kroner, totalling kSEK 25,100 for January 2022. Compared to the forward exchange rates the contracts hold a value of kDKK 129. The hedging does not meet the accounting criterias for hedging and the profit is therefore booked in the income statement under financial income.

Notes to the Financial Statements

21 Accounting Policies

The Annual Report of 2care4 Group ApS for 2021 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 and Parent Company Financial Statements for 2021 are presented in kDKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, 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 Compa-

Notes to the Financial Statements

21 Accounting Policies (continued)

ny's share of the net asset value of subsidiaries stated at the time of consolidation.

Business combinations

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.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses 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.

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.

Notes to the Financial Statements

21 Accounting Policies (continued)

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 as hedging instruments, changes in the fair value are recognised currently in the income statement as financial 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 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.

Notes to the Financial Statements

21 Accounting Policies (continued)

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 onaccount 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 enterprises in proportion to their taxable incomes.

Notes to the Financial Statements

21 Accounting Policies (continued)

Balance Sheet

Intangible assets

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, patents and licenses.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. For development projects protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights. The amortisation periods used are 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 raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction.

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

Notes to the Financial Statements

21 Accounting Policies (continued)

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

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.

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.

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. 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 at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Prepayments

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

Notes to the Financial Statements

21 Accounting Policies (continued)

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity 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 . 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 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 liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

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.

Notes to the Financial Statements

21 Accounting Policies (continued)

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.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

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.

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 ”Cash at bank and in hand” and ”Overdraft facilities”.

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

Notes to the Financial Statements

21 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$