
2care4 Group ApS

Stenhuggervej 12, DK-6710 Esbjerg V

Annual Report for 2022

CVR No. 30 52 68 72

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 21/4 2023

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 Consolidated Financial Statements and Parent Company Financial Statements of 2care4 Group ApS for the financial year 1 January - 31 December 2022.

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 2022 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2022.

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

We recommend that the Consolidated Financial Statements and Parent Company Financial Statements be adopted at the Annual General Meeting.

Esbjerg, 21 April 2023

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 2022 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 2022 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 2022, 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, 21 April 2023

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

Group Chart

<u>Company</u>	<u>Residence</u>	<u>Ownership</u>
2care4 Group ApS	Denmark	
2care4 ApS	Esbjerg, Denmark	100%
2care4 Generics ApS	Esbjerg, Denmark	100%
Ejendomsselskabet 2care4 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				
	2022	2021	2020	2019	2018
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	1,374,835	1,025,710	943,640	871,033	783,286
Gross profit/loss	251,742	140,207	135,433	118,287	106,718
Profit/loss of ordinary primary operations	98,651	20,732	31,045	26,534	30,030
Profit/loss of financial income and expenses	-11,218	-5,027	-5,162	-3,547	-3,944
Net profit/loss	67,224	11,656	21,756	18,098	20,176
Balance sheet					
Balance sheet total	633,060	496,586	441,827	415,786	379,378
Equity	148,168	101,193	109,643	92,444	86,298
Cash flows					
Cash flows from:					
- operating activities	23,615	64,928	23,419	25,091	33,804
- investing activities	-21,758	-56,046	-20,835	-32,515	-46,010
- financing activities	52,309	-37	-11,336	-15,759	16,545
Change in cash and cash equivalents for the year	54,166	8,845	-8,752	-23,183	4,339
Number of employees	325	317	337	288	270
Ratios					
Gross margin	18.3%	13.7%	14.4%	13.6%	13.6%
Profit margin	7.2%	2.0%	3.4%	3.0%	3.8%
Return on assets	15.6%	4.1%	7.3%	6.4%	7.9%
Solvency ratio	23.4%	20.4%	24.8%	22.2%	22.7%
Return on equity	53.9%	11.1%	21.5%	20.3%	26.4%

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 2022 amounts DKKm 67,2 (2021: DKKm 11,7). The profit for 2022 was expected to be above 2021 level. The result is considered satisfactory and does exceed the expectations for 2022.

For the Import business the markets have developed positively compared with the situation in 2021. Furthermore, the positive result is supported by a normalised level of price credits and returns during the year. Finally, full year impact from acquisition of Allomedic in Germany has contributed positively to the result.

The Generics business has exceeded expectations in 2022 driven by several strong product launches during the year.

For the financial year 2023 the company expects an increased activity level of 5% - 10%, and a net profit level of DKKm 70-80.

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.

Furthermore, we see a general risk in an increase of export restrictions from political side 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 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, which are 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 330 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.

Management's review

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.

Regarding worker safety, we have a zero-accident target for our internal production sites. In 2022, there has been in total 2 accidents - 1 in the production area and 1 in the outside area at the employee entrance. The accidents did not cause any health implications for the impacted employees. Both cases have been registered and mitigating actions have been implemented to avoid similar future cases.

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 communicated to 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 2022, we have had 0 cases of bribery and anti-corruption.

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 2022. 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.

Management's review

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.

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 2022 survey, action plans in 2023 on a general level will focus on improvements within the following themes: "Employee development plans", "Collaboration and communication" and "Well-being".

The overall results of the satisfaction survey in 2022 was a Net Promoter Score of 28 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. 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.

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 the end of 2022; optimized waste disposal, change to LED lightning and electricity consumption based on 100% sustainable energy.

<https://www.epaper.dk/mss2care4/csrapolicy/csr-2care4-policy/>

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

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.

Management's review

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 2022 is 0% given that there were no changes to the Board at the general assembly in 2022. We are working towards realizing the target of 20% women in Board of Directors before 2025.

The 2care4 Group has obtained a gender split of 30% women and 70% men at other management levels.

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.

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	
		2022	2021	2022	2021
		TDKK	TDKK	TDKK	TDKK
Revenue	1	1,374,835	1,025,710	0	0
Change in inventories of finished goods, work in progress and goods for resale		19,981	16,561	0	0
Other operating income		0	-382	0	0
Expenses for raw materials and consumables		-1,053,928	-829,757	0	0
Other external expenses		-89,146	-71,925	-168	-1,372
Gross profit		251,742	140,207	-168	-1,372
Staff expenses	2	-124,481	-100,258	-6,440	-540
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	3	-28,610	-19,599	0	0
Profit/loss before financial income and expenses		98,651	20,350	-6,608	-1,912
Income from investments in subsidiaries		0	0	72,657	14,307
Financial income	4	1,947	20	2,123	148
Financial expenses	5	-13,165	-5,047	-3,005	-1,240
Profit/loss before tax		87,433	15,323	65,167	11,303
Tax on profit/loss for the year	6	-20,209	-3,667	2,057	353
Net profit/loss for the year	7	67,224	11,656	67,224	11,656

Balance sheet 31 December

Assets

	Note	Group		Parent company	
		2022	2021	2022	2021
		TDKK	TDKK	TDKK	TDKK
Completed development projects		14,520	9,477	0	0
Acquired licenses		13,345	14,287	0	0
Goodwill		20,765	23,208	0	0
Development projects in progress		24,300	28,118	0	0
Intangible assets	8	72,930	75,090	0	0
Land and buildings		45,462	47,245	0	0
Other fixtures and fittings, tools and equipment		6,422	9,969	0	0
Leasehold improvements		3,489	2,635	0	0
Property, plant and equipment in progress		0	202	0	0
Property, plant and equipment	9	55,373	60,051	0	0
Investments in subsidiaries	10	0	0	250,634	183,078
Deposits	11	77	46	0	0
Other receivables	11	0	45	0	0
Fixed asset investments		77	91	250,634	183,078
Fixed assets		128,380	135,232	250,634	183,078
Inventories	12	224,967	217,450	0	0
Trade receivables		203,252	120,235	0	0
Receivables from group enterprises		0	0	20,421	9,471
Other receivables	13	2,937	2,630	0	0
Deferred tax asset	16	0	0	0	17
Corporation tax		0	1,468	0	880
Corporation tax receivable from group enterprises		0	0	17,684	364
Prepayments	14	1,039	1,003	0	0
Receivables		207,228	125,336	38,105	10,732

Balance sheet 31 December

Cash at bank and in hand	<u>72,485</u>	<u>18,568</u>	<u>0</u>	<u>0</u>
Current assets	<u>504,680</u>	<u>361,354</u>	<u>38,105</u>	<u>10,732</u>
Assets	<u>633,060</u>	<u>496,586</u>	<u>288,739</u>	<u>193,810</u>

Balance sheet 31 December

Liabilities and equity

	Note	Group		Parent company	
		2022	2021	2022	2021
		TDKK	TDKK	TDKK	TDKK
Share capital	15	125	125	125	125
Reserve for net revaluation under the equity method		0	0	114,908	80,733
Reserve for development costs		30,178	28,565	0	0
Other statutory reserves		-912	-663	-912	-663
Retained earnings		85,277	53,166	547	998
Proposed dividend for the year		33,500	20,000	33,500	20,000
Equity		148,168	101,193	148,168	101,193
Provision for deferred tax	16	5,942	4,805	0	0
Other provisions	17	18,246	21,536	0	0
Provisions		24,188	26,341	0	0
Mortgage loans		19,127	20,643	0	0
Credit institutions		17,223	24,298	0	0
Lease obligations		791	538	0	0
Deposits		400	400	0	0
Other payables		2,619	5,506	0	0
Long-term debt	18	40,160	51,385	0	0
Mortgage loans	18	1,559	1,559	0	0
Credit institutions	18	294,323	211,089	28,619	4,339
Lease obligations	18	186	135	0	0
Trade payables		44,162	21,060	0	0
Payables to group enterprises		0	0	79,034	62,436
Payables to owners and Management		20,000	20,540	20,000	20,540
Corporation tax		3,864	0	3,615	0
Other payables	18	56,450	63,284	9,303	5,302
Short-term debt		420,544	317,667	140,571	92,617
Debt		460,704	369,052	140,571	92,617
Liabilities and equity		633,060	496,586	288,739	193,810

Balance sheet 31 December

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Statement of changes in equity

Group

	Share capital	Reserve for development costs	Other statutory reserves	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	125	28,565	-663	53,166	20,000	101,193
Exchange adjustments	0	0	-249	0	0	-249
Ordinary dividend paid	0	0	0	0	-20,000	-20,000
Development costs for the year	0	4,271	0	-4,271	0	0
Depreciation, amortisation and impairment for the year	0	-2,658	0	2,658	0	0
Net profit/loss for the year	0	0	0	33,724	33,500	67,224
Equity at 31 December	125	30,178	-912	85,277	33,500	148,168

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	80,733	-663	998	20,000	101,193
Exchange adjustments	0	0	-249	0	0	-249
Ordinary dividend paid	0	0	0	0	-20,000	-20,000
Net profit/loss for the year	0	34,175	0	-451	33,500	67,224
Equity at 31 December	125	114,908	-912	547	33,500	148,168

Cash flow statement 1 January - 31 December

	Note	Group	
		2022	2021
		TDKK	TDKK
Result of the year		67,224	11,656
Adjustments	19	60,037	28,295
Change in working capital	20	-78,688	33,723
Cash flow from operations before financial items		48,573	73,674
Financial income		1,947	125
Financial expenses		-13,165	-5,046
Cash flows from ordinary activities		37,355	68,753
Corporation tax paid		-13,740	-3,825
Cash flows from operating activities		23,615	64,928
Purchase of intangible assets		-10,652	-45,910
Purchase of property, plant and equipment		-11,445	-10,242
Fixed asset investments made etc		14	-44
Sale of fixed asset investments made etc		325	150
Cash flows from investing activities		-21,758	-56,046
Repayment of mortgage loans		-1,516	-1,559
Repayment of other long-term debt		-2,887	-3,470
Raising of loans from credit institutions		76,408	24,319
Lease obligations incurred		304	673
Dividend paid		-20,000	-20,000
Cash flows from financing activities		52,309	-37
Change in cash and cash equivalents		54,166	8,845
Cash and cash equivalents at 1 January		18,568	9,828
Exchange adjustment of current asset investments		-249	-105
Cash and cash equivalents at 31 December		72,485	18,568
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		72,485	18,568
Cash and cash equivalents at 31 December		72,485	18,568

Notes to the Financial Statements

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
1. Revenue				
Geographical segments				
EU	1,235,892	921,570	0	0
Other world	138,943	104,140	0	0
	1,374,835	1,025,710	0	0
Revenue by activity				
Human	1,374,835	1,025,710	0	0
	1,374,835	1,025,710	0	0

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
2. Staff Expenses				
Wages and salaries	110,763	88,113	6,440	540
Pensions	6,269	5,525	0	0
Other social security expenses	5,427	5,094	0	0
Other staff expenses	2,022	1,526	0	0
	124,481	100,258	6,440	540
Including remuneration to the Executive Board and Board of Directors	8,570	2,890	6,440	540
Average number of employees	325	317	0	0

Notes to the Financial Statements

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
3. Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment				
Amortisation of intangible assets	12,808	11,966	0	0
Depreciation of property, plant and equipment	5,865	4,744	0	0
Gain and loss on disposal	9,937	2,889	0	0
	28,610	19,599	0	0

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
4. Financial income				
Interest received from group enterprises	0	0	264	148
Other financial income	1,947	20	1,859	0
	1,947	20	2,123	148

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
5. Financial expenses				
Interest paid to group enterprises	0	0	1,714	678
Other financial expenses	9,739	3,569	1,291	562
Exchange adjustments, expenses	3,426	1,478	0	0
	13,165	5,047	3,005	1,240

Notes to the Financial Statements

	Group		Parent company	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	TDKK	TDKK	TDKK	TDKK
6. Income tax expense				
Current tax for the year	18,135	2,411	-2,074	-364
Deferred tax for the year	2,074	1,228	17	-17
Adjustment of tax concerning previous years	0	28	0	28
	<u>20,209</u>	<u>3,667</u>	<u>-2,057</u>	<u>-353</u>

	Parent company	
	<u>2022</u>	<u>2021</u>
	TDKK	TDKK
7. Profit allocation		
Proposed dividend for the year	33,500	20,000
Reserve for net revaluation under the equity method	34,175	9,202
Retained earnings	<u>-451</u>	<u>-17,546</u>
	<u>67,224</u>	<u>11,656</u>

Notes to the Financial Statements

8. Intangible fixed assets

Group

	Completed development projects	Acquired licenses	Goodwill	Develop- ment projects in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	17,370	63,766	24,429	28,118
Exchange adjustment	-522	-686	0	0
Additions for the year	3,868	8,061	0	7,629
Disposals for the year	-195	-707	0	-6,670
Transfers for the year	4,777	0	0	-4,777
Cost at 31 December	<u>25,298</u>	<u>70,434</u>	<u>24,429</u>	<u>24,300</u>
Impairment losses and amortisation at 1 January	7,893	49,479	1,221	0
Exchange adjustment	-523	-683	0	0
Amortisation for the year	3,478	8,867	2,443	0
Impairment and amortisation of sold assets for the year	-70	0	0	0
Reversal of amortisation of disposals for the year	0	-574	0	0
Impairment losses and amortisation at 31 December	<u>10,778</u>	<u>57,089</u>	<u>3,664</u>	<u>0</u>
Carrying amount at 31 December	<u>14,520</u>	<u>13,345</u>	<u>20,765</u>	<u>24,300</u>
Amortised over	<u>5 years</u>	<u>3-5 years</u>	<u>10 years</u>	

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 registered in an internal project tool. The individual pharmaceutical product will be finished in the years 2023-2026. 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 2023.

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 2023-2028.

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 improvements	Property, plant and equipment in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	54,420	20,027	6,121	202
Exchange adjustment	-252	-193	-1	0
Additions for the year	586	1,972	1,470	0
Disposals for the year	-1,263	-4,406	0	-202
Cost at 31 December	<u>53,491</u>	<u>17,400</u>	<u>7,590</u>	<u>0</u>
Impairment losses and depreciation at 1 January	7,175	10,058	3,486	0
Exchange adjustment	-92	0	-1	0
Depreciation for the year	1,017	1,988	355	0
Impairment and depreciation of sold assets for the year	-71	-18	261	0
Reversal of impairment and depreciation of sold assets	0	-1,050	0	0
Impairment losses and depreciation at 31 December	<u>8,029</u>	<u>10,978</u>	<u>4,101</u>	<u>0</u>
Carrying amount at 31 December	<u>45,462</u>	<u>6,422</u>	<u>3,489</u>	<u>0</u>
Amortised over	<u>25 years</u>	<u>3-5 years</u>	<u>3-10 years</u>	

Notes to the Financial Statements

	<u>Parent company</u>	
	2022	2021
	TDKK	TDKK
10. Investments in subsidiaries		
Cost at 1 January	97,346	22,979
Additions for the year	0	74,367
Disposals for the year	-37	0
Cost at 31 December	<u>97,309</u>	<u>97,346</u>
Value adjustments at 1 January	85,732	71,530
Exchange adjustment	-249	-105
Net profit/loss for the year	75,285	15,528
Dividend to the Parent Company	-5,000	0
Amortisation of goodwill	-2,443	-1,221
Value adjustments at 31 December	<u>153,325</u>	<u>85,732</u>
Carrying amount at 31 December	<u>250,634</u>	<u>183,078</u>

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%
Ejendomsselskabet 2care4 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%

Notes to the Financial Statements

11. Other fixed asset investments

Group

	Deposits	Other receivables
	TDKK	TDKK
Cost at 1 January	46	45
Net effect from demerger and business sale	31	0
Disposals for the year	0	-45
Cost at 31 December	<u>77</u>	<u>0</u>
Carrying amount at 31 December	<u>77</u>	<u>0</u>

Group		Parent company	
2022	2021	2022	2021
TDKK	TDKK	TDKK	TDKK

12. Inventories

Raw materials and consumables	82,641	91,170	0	0
Work in progress	7,142	4,074	0	0
Finished goods and goods for resale	77,859	95,944	0	0
Prepayment for goods	57,325	26,262	0	0
	<u>224,967</u>	<u>217,450</u>	<u>0</u>	<u>0</u>

13. Other receivables

The company has entered a currency forward contract to hedge future cashflow in Swedish kroner, totalling kSEK 47,100 for January 2023. Compared to the forward exchange rates the contract hold a positive value of kDKK 586. The hedging does not meet the accounting criterias for hedging and the profit is therefore booked in the income statement under financial income.

14. Prepayments

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

Notes to the Financial Statements

15. 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.

Group		Parent company	
2022	2021	2022	2021
TDKK	TDKK	TDKK	TDKK

16. Provision for deferred tax

Deferred tax liabilities at 1 January	4,805	3,308	-17	0
Amounts recognised in the income statement for the year	1,137	1,497	17	-17
Deferred tax liabilities at 31 December	5,942	4,805	0	-17

17. Other provisions

The recognized provision amounts to kDKK 18,246 (2021: kDKK 21,536) 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		
2022	2021	2022	2021	
TDKK	TDKK	TDKK	TDKK	
Reimbursement of price reductions	18,246	21,536	0	0
	18,246	21,536	0	0

The provisions are expected to mature as follows:

Within 1 year	18,246	21,536	0	0
After 5 years	0	0	0	0
	18,246	21,536	0	0

Notes to the Financial Statements

18. 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	
	2022 TDKK	2021 TDKK	2022 TDKK	2021 TDKK
Mortgage loans				
After 5 years	12,852	14,416	0	0
Between 1 and 5 years	6,275	6,227	0	0
Long-term part	19,127	20,643	0	0
Within 1 year	1,559	1,559	0	0
	20,686	22,202	0	0
Credit institutions				
After 5 years	5,000	0	0	0
Between 1 and 5 years	12,223	24,298	0	0
Long-term part	17,223	24,298	0	0
Within 1 year	3,580	1,080	0	0
Other short-term debt to credit institutions	290,743	210,009	28,619	4,339
Short-term part	294,323	211,089	28,619	4,339
	311,546	235,387	28,619	4,339
Lease obligations				
After 5 years	0	0	0	0
Between 1 and 5 years	791	538	0	0
Long-term part	791	538	0	0
Within 1 year	186	135	0	0
	977	673	0	0

Notes to the Financial Statements

Deposits

After 5 years	0	0	0	0
Between 1 and 5 years	400	400	0	0
Long-term part	400	400	0	0
Within 1 year	0	0	0	0
Other deposits	0	0	0	0
Short-term part	0	0	0	0
	400	400	0	0

Other payables

After 5 years	0	0	0	0
Between 1 and 5 years	2,619	5,506	0	0
Long-term part	2,619	5,506	0	0
Other short-term payables	56,450	63,284	9,303	5,302
	59,069	68,790	9,303	5,302

Group

2022	2021
TDKK	TDKK

19. Cash flow statement - Adjustments

Financial income	-1,947	-20
Financial expenses	13,165	5,047
Depreciation, amortisation and impairment losses, including losses and gains on sales	28,610	19,601
Tax on profit/loss for the year	20,209	3,667
	60,037	28,295

Notes to the Financial Statements

	<u>Group</u>	
	<u>2022</u>	<u>2021</u>
	TDKK	TDKK
20. Cash flow statement - Change in working capital		
Change in inventories	-7,517	-3,132
Change in receivables	-83,360	-4,973
Change in other provisions	-3,290	-2,118
Change in trade payables, etc	15,479	43,946
	<u>-78,688</u>	<u>33,723</u>

<u>Group</u>		<u>Parent company</u>	
<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
TDKK	TDKK	TDKK	TDKK

21. 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 37,139.

The following assets have been placed as security with bankers:

As collateral for bank loans kDKK 310.103, the group has issued a floating company charge at nominal value kDKK 150,000 including the following assets, which on the 31st of December 2022 amounts to kDKK:	168,429	108,729	0	0
Trade receivables				
Inventories	206,802	200,502	0	0
Fixture and fittings, tools and equipment (excl. finance leasing)	2,844	4,733	0	0
Intangible assets	68,343	70,473	0	0

Notes to the Financial Statements

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 3.615. 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, 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 comprises net bank debt at the end of 31st of December 2022 and amounts to kDKK 289,006.

The parent company has guaranteed balances with bank institutions for subsidiaries. The guarantee comprises net bank debt at the end of 31st of December 2022 and amounts to kDKK 289,006.

22. Related parties

	<u>Basis</u>
Related parties	
TV Holding ApS	Esbjerg
Højfeldt Holding ApS	Esbjerg
2care4 ApS	Esbjerg
Ejendomsselskabet 2care4 ApS	Esbjerg
2care4 AB	Stockholm, Sweden
2care4 Generics ApS	Esbjerg
2care4 GmbH	Köln, Germany
2care4 Graphics sp.z.o.o.	Pabianice, Poland
2care4 Poland sp.z.o.o.	Pabianice, Poland
Allomedic GmbH	Köln, Germany
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.

Notes to the Financial Statements

Group		Parent company	
2022	2021	2022	2021
TDKK	TDKK	TDKK	TDKK

23. Fee to auditors appointed at the general meeting

PricewaterhouseCoopers

Audit fee	234	224	20	20
Tax advisory services	64	54	0	0
Non-audit services	280	264	25	25
	578	542	45	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 2022 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 2022 are presented in TDKK.

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 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. 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.

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 expenses.

Income statement

Net sales

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.

Notes to the Financial Statements

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.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale 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 added revaluations and 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

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.

Notes to the Financial Statements

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 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.

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

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

Financial Highlights

Explanation of financial ratios

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