
Egern Holding ApS

Egernvej 3, DK-3600 Frederikssund

Annual Report for 1 January - 31 December 2021

CVR No 31 25 69 41

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
22/6 2022

Jan Ranners
Chairman of the General
Meeting



Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company Information	5
Group Chart	6
Financial Highlights	7
Management's Review	8
Consolidated and Parent Company Financial Statements	
Income Statement 1 January - 31 December	10
Balance Sheet 31 December	11
Statement of Changes in Equity	14
Cash Flow Statement 1 January - 31 December	16
Notes to the Financial Statements	17

Management's Statement

The Executive Board has today considered and adopted the Annual Report of Egern Holding ApS for the financial year 1 January - 31 December 2021.

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

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

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

Frederikssund, 22 June 2022

Executive Board

Lars Vinther

Independent Auditor's Report

To the Shareholder of Egern Holding 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 Egern Holding 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.

Emphasis of Matter

Without modifying our opinion, we draw attention to note 1 to the Financial Statements describing the material uncertainty pertaining to the value of other receivables under fixed assets.

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 Con-

Independent Auditor's Report

olidated 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 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 uncer-

Independent Auditor's Report

tainty 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.

Ringsted, 22 June 2022

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Martin Langhoff Hansen
statsautoriseret revisor
mne36027

Nikolaj Frausing Borch
statsautoriseret revisor
mne44062

Company Information

The Company

Egern Holding ApS
Egernvej 3
DK-3600 Frederikssund

CVR No: 31 25 69 41
Financial period: 1 January - 31 December
Municipality of reg. office: Frederikssund

Executive Board

Lars Vinther

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Eventyrvej 16
DK-4100 Ringsted

Group Chart

Parent Company

Egern Holding ApS
Denmark
Nom. DKK 125.000

Consolidated subsidiaries

94,2% Mermaid Medical A/S
Denmark
Nom. DKK 2.100.000

70% Mermaid Medical Ltd.
UK
Nom. GBP 10.000

70% Mermaid Medical BV
The Netherlands
Nom. EUR 3.500

90% Mermaid Medical Iberia S.L.
Spain
Nom. EUR 3.600

70% Mermaid Medical Italia S.R.L.
Italy
Nom. EUR 10.000

Associates

33,3% Høj Elitehåndbold ApS
Denmark
Nom. DKK 360.000

Financial Highlights

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

	Group			
	2021 TDKK	2020 TDKK	2019 TDKK	2018 TDKK
Key figures				
Profit/loss				
Operating profit/loss	23.146	10.303	5.671	10.855
Profit/loss before financial income and expenses	23.036	10.233	5.671	10.855
Net financials	-271	-724	-38	428
Net profit/loss for the year	17.852	7.601	4.317	8.772
Balance sheet				
Balance sheet total	131.746	108.936	103.322	79.115
Equity	73.747	55.730	48.087	43.866
Cash flows				
Cash flows from:				
- operating activities	18.691	23.424	-3.299	11.033
- investing activities	-11.113	-11.951	-5.308	-10.450
including investment in property, plant and equipment	-1.029	-368	-2.087	-1.112
- financing activities	-69	-2.868	9.848	1.851
Change in cash and cash equivalents for the year	7.509	8.604	1.241	2.434
Number of employees	51	47	46	34
Ratios				
Return on assets	17,5%	9,4%	5,5%	13,7%
Solvency ratio	56,0%	51,2%	46,5%	55,4%
Return on equity	27,6%	14,6%	9,4%	28,8%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Key activities

The Group's main activity comprises trading and production, primarily in respect of medical devices for the health sector.

Development in the year

The income statement of the Group for 2021 shows a profit of DKK 17,851,960, and at 31 December 2021 the balance sheet of the Group shows equity of DKK 73,746,531.

The Group operates throughout the Nordics, in five European countries as well as the USA.

The product portfolio due to sole licensing rights has been expanded during the year, while others are in the process for approval. The Group has had to use significant personell and economic ressources to acquire these approvals, which has naturally had an effect on profitability.

In the past year, significant personell and economic ressources have been spent on marketing the Group's product portfolio. The marketing effort has been difficult since the Health sector on all the markets where the Group operates, have been focused on dealing with the pandemic, and have had less time to be briefed on new unique products.

The result that has been achieved in the Group, is due to a significant and dedicated effort from all the Group's employees and under the circumstances Management finds the resultat quite satisfactory.

The past year and follow-up on development expectations from last year

As a consequence of COVID-19, management did not have the possibility of providing reliable estimates for the 2021 financial year. Despite COVID-19, the company has been able to improve the result, which can be attributed to a strengthened focus on the cost side and an ability to increase revenue.

Special risks - operating risks and financial risks

Foreign exchange risks

The Group operates in a large number of geographical markets. Foreign trade means that the result, cash flow, and equity are affected by exchange rate developments, primarily in Euros, British Pounds, and the US Dollar.

Management's Review

Targets and expectations for the year ahead

The strategy remains that there is a correlation as a percentage between revenue and operating profit.

Larger investments in digitalization and other development projects will be made in 2022.

There is a tendency that the Health sector no longer only focuses in battling the pandemic and work is being done to quickly reestablish the close contact with the Health sector, and thereby minimizing the negative impact of the pandemic. In this light, Management continues to have high expectations to the new, unique products, produced as well as distributed.

Management does however, expect some negative impact on the result for 2022, due to the uncertain economic environments in the Company's markets, among others because of the war between Ukraine and Russia, inflation and price increases. Management has attempted to assess the impact hereof on expected revenue and profit, but it is yet too soon to say, how large the consequences will be. Management therefore finds, that it is unable to accurately set expectations for the future, cf. the Danish Financial Statements Act section 12. It is, however, Management's expectations, that the Group as a whole will be profitable in 2022.

Research and development

A number of development projects are in process and the product portfolio is expected to be expanded during the coming years.

External environment

The Group has a sound policy in relation to the environment, where the use of environmentally friendly materials in the production is encouraged. Work is being done to achieve a ISO 14001 environmental certification during 2023.

Intellectual capital resources

The Group invests in a continued development and preservation of the employees' knowledge and competences so that they can continue to serve the health sector in the best possible way.

Uncertainty relating to recognition and measurement

As mentioned in note 1, receivables have been recognised, to which uncertainty is associated with the valuation. See note 1 for a more detailed description of what the uncertainty consists of. It is management's expectation, that there is no need to write-off the value of the assets.

Subsequent events

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

Income Statement 1 January - 31 December

	Note	Group		Parent Company	
		2021 DKK	2020 DKK	2021 DKK	2020 DKK
Gross profit/loss		50.050.826	36.653.428	-1.555.501	-654.485
Staff expenses	2	-25.906.793	-24.581.522	0	0
Resultat før afskrivninger		24.144.033	12.071.906	-1.555.501	-654.485
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-997.585	-1.108.460	-386.654	-514.598
Other operating expenses		-110.000	-730.340	0	-730.340
Profit/loss before financial income and expenses		23.036.448	10.233.106	-1.942.155	-1.899.423
Income from investments in subsidiaries		0	0	17.210.364	7.712.520
Financial income	4	1.221.045	932.417	867.993	1.011.533
Financial expenses	5	-1.492.302	-1.656.041	-1.165.996	-1.170.288
Profit/loss before tax		22.765.191	9.509.482	14.970.206	5.654.342
Tax on profit/loss for the year	6	-4.913.231	-1.908.710	492.835	453.314
Net profit/loss for the year		17.851.960	7.600.772	15.463.041	6.107.656

Balance Sheet 31 December

Assets

	Note	Group		Parent Company	
		2021 DKK	2020 DKK	2021 DKK	2020 DKK
Completed development projects		25.843.094	0	25.843.094	0
Acquired licenses		862.660	1.132.574	0	132.274
Goodwill		678.347	932.727	678.347	932.727
Development projects in progress		0	17.169.059	0	17.169.059
Intangible assets	7	27.384.101	19.234.360	26.521.441	18.234.060
Plant and machinery		1.874.330	1.082.438	1.874.330	1.082.438
Other fixtures and fittings, tools and equipment		453.293	715.318	0	0
Leasehold improvements		261.479	162.769	0	0
Property, plant and equipment	8	2.589.102	1.960.525	1.874.330	1.082.438
Investments in subsidiaries	9	0	0	49.133.207	31.314.135
Investments in associates	10	300.000	300.000	300.000	300.000
Other investments	11	0	0	0	0
Other receivables	11	35.064.722	33.655.034	17.000.848	20.294.741
Fixed asset investments		35.364.722	33.955.034	66.434.055	51.908.876
Fixed assets		65.337.925	55.149.919	94.829.826	71.225.374
Inventories	12	23.475.176	23.757.140	533.250	1.457.550
Trade receivables		18.682.425	13.842.841	52.174	16.064
Receivables from group enterprises		0	0	682.253	7.326.688
Other receivables		1.093.620	758.320	257.785	5.625
Corporation tax receivable from group enterprises		0	0	3.472.721	1.146.558
Prepayments	13	1.533.387	1.313.621	0	0
Receivables		21.309.432	15.914.782	4.464.933	8.494.935
Cash at bank and in hand		21.623.378	14.114.385	234.453	4.739
Currents assets		66.407.986	53.786.307	5.232.636	9.957.224
Assets		131.745.911	108.936.226	100.062.462	81.182.598

Balance Sheet 31 December

Liabilities and equity

	Note	Group		Parent Company	
		2021 DKK	2020 DKK	2021 DKK	2020 DKK
Share capital		125.000	125.000	125.000	125.000
Reserve for net revaluation under the equity method		0	0	44.706.365	30.690.832
Reserve for development costs		20.157.619	13.391.866	20.157.619	13.391.866
Reserve for exchange rate conversion		196.069	79.851	0	0
Retained earnings		46.769.773	38.281.047	2.411.032	7.670.066
Proposed dividend for the year		57.000	0	57.000	0
Equity attributable to shareholders of the Parent Company		67.305.461	51.877.764	67.457.016	51.877.764
Minority interests		6.441.070	3.851.856	0	0
Equity		73.746.531	55.729.620	67.457.016	51.877.764
Provision for deferred tax	15	4.213.067	1.107.750	4.418.759	1.438.883
Provisions		4.213.067	1.107.750	4.418.759	1.438.883
Credit institutions		9.987.926	12.000.000	9.987.926	12.000.000
Other payables		5.946.734	1.342.218	3.764.766	0
Long-term debt	16	15.934.660	13.342.218	13.752.692	12.000.000

Balance Sheet 31 December

Liabilities and equity

		Group		Parent Company	
	Note	2021	2020	2021	2020
		DKK	DKK	DKK	DKK
Credit institutions	16	10.129.849	5.577.111	6.079.472	3.243.123
Trade payables		15.084.297	13.491.363	544.278	619.097
Payables to group enterprises		0	0	3.341.016	0
Payables to associates		175.000	175.000	175.000	175.000
Payables to owners and Management		512.240	420.865	512.240	420.865
Corporation tax		1.034.961	1.084.769	0	0
Other payables		10.915.306	18.007.530	3.781.989	11.407.866
Short-term debt		37.851.653	38.756.638	14.433.995	15.865.951
Debt		53.786.313	52.098.856	28.186.687	27.865.951
Liabilities and equity		131.745.911	108.936.226	100.062.462	81.182.598
Uncertainty relating to recognition and measurement	1				
Distribution of profit	14				
Contingent assets, liabilities and other financial obligations	19				
Related parties	20				
Accounting Policies	21				

Statement of Changes in Equity

Group

	Share capital	Reserve for net revaluation under the equity method	Reserve for development costs	Reserve for exchange rate conversion	Retained earnings	Proposed dividend for the year	Equity excl. minority interests	Minority interests	Total
	DKK	DKK	DKK	DKK	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	125.000	0	13.391.866	79.851	38.281.047	0	51.877.764	3.851.856	55.729.620
Ordinary dividend paid	0	0	0	0	0	0	0	-1.272	-1.272
Exchange adjustments relating to foreign entities	0	0	0	116.218	0	0	116.218	50.005	166.223
Other equity movements	0	0	0	0	-151.562	0	-151.562	151.562	0
Development costs for the year	0	0	6.765.753	0	-6.765.753	0	0	0	0
Net profit/loss for the year	0	0	0	0	15.406.041	57.000	15.463.041	2.388.919	17.851.960
Equity at 31 December	125.000	0	20.157.619	196.069	46.769.773	57.000	67.305.461	6.441.070	73.746.531

Statement of Changes in Equity

Parent Company

	Share capital	Reserve for net revaluation under the equity method	Reserve for development costs	Reserve for exchange rate conversion	Retained earnings	Proposed dividend for the year	Equity excl. minority interests	Minority interests	Total
	DKK	DKK	DKK	DKK	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	125.000	30.690.832	13.391.866	0	7.670.059	0	51.877.757	0	51.877.757
Exchange adjustments relating to foreign entities	0	116.218	0	0	0	0	116.218	0	116.218
Dividend from group enterprises	0	-3.298.333	0	0	3.298.333	0	0	0	0
Development costs for the year	0	0	6.765.753	0	-6.765.753	0	0	0	0
Net profit/loss for the year	0	17.197.648	0	0	-1.791.607	57.000	15.463.041	0	15.463.041
Equity at 31 December	125.000	44.706.365	20.157.619	0	2.411.032	57.000	67.457.016	0	67.457.016

Cash Flow Statement 1 January - 31 December

	Note	Group	
		2021 DKK	2020 DKK
Net profit/loss for the year		17.851.960	7.600.772
Adjustments	17	6.275.800	4.575.809
Change in working capital	18	-3.307.756	12.521.827
Cash flows from operating activities before financial income and expenses		20.820.004	24.698.408
Financial income		1.221.045	932.417
Financial expenses		-1.492.303	-1.656.041
Cash flows from ordinary activities		20.548.746	23.974.784
Corporation tax paid		-1.857.722	-550.492
Cash flows from operating activities		18.691.024	23.424.292
Purchase of intangible assets		-8.674.036	-1.866.275
Purchase of property, plant and equipment		-1.029.377	-368.313
Fixed asset investments made etc		-5.468.880	-14.306.102
Sale of property, plant and equipment		0	587.061
Sale of fixed asset investments etc		4.059.193	4.002.185
Cash flows from investing activities		-11.113.100	-11.951.444
Raising/repayment of loans from other payables		2.540.664	846.371
Raising/repayment of loans from credit institutions		-2.608.330	-3.640.371
Minority interests		150.290	-74.394
Other equity movements		-151.555	0
Cash flows from financing activities		-68.931	-2.868.394
Change in cash and cash equivalents		7.508.993	8.604.454
Cash and cash equivalents at 1 January		14.114.385	5.509.931
Cash and cash equivalents at 31 December		21.623.378	14.114.385
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		21.623.378	14.114.385
Cash and cash equivalents at 31 December		21.623.378	14.114.385

Notes to the Financial Statements

1 Uncertainty relating to recognition and measurement

The Group has incurred development costs with a total value of DKK 25,843k (Parent: DKK 25,843k). The development costs relate to products aimed at the medical industry and the American market. The product have been finished and approved for sale in the USA. Approval for sale in Europe is expected during 2022. Initial performance of the product in the USA has been positive and above initial expectations. Based on this, it is Management's assessment that the book value of the intangible asset is not impaired at 31 December 2021, however, as the value of product is dependent on continued strong sales in the years to come as well as an approval for sale in Europe during 2022, some uncertainty does exist in regards to the measurement.

Other recievables under fixed assets include a receivable of DKK 35,065k (Parent: DKK 17,001k) to which there is an uncertainty relating to the debtors ability to repay the receivable. The receivable has financed the start of the American activities. As mentioned above, the product has now been finished and been introduced to the American market. However, material uncertainty is assessed relating to the valuation of these receivables as well as to when the American Company is able to repay the loan. However, on the basis of the plans made for the American activities, and the initial performance in the American Companby, Management expects that the American Company within a few years will be able to continuously reduce the receivable. There is therefore, as mentioned, maeterial unertainty relating to the valuation of the receivable. Management expects that the loan will be repaid and has therefore not found a need to write down the receivable on this basis.

	Group		Parent Company	
	2021	2020	2021	2020
	DKK	DKK	DKK	DKK
2 Staff expenses				
Wages and salaries	23.665.452	22.176.692	0	0
Pensions	1.798.544	1.839.954	0	0
Other social security expenses	442.797	564.876	0	0
	25.906.793	24.581.522	0	0
Average number of employees	51	47	0	0

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

Notes to the Financial Statements

	Group		Parent Company	
	2021 DKK	2020 DKK	2021 DKK	2020 DKK
3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment				
Amortisation of intangible assets	602.323	586.717	386.654	386.654
Depreciation of property, plant and equipment	395.262	521.743	0	127.944
	997.585	1.108.460	386.654	514.598
4 Financial income				
Interest received from group enterprises	0	0	1.968	85.538
Other financial income	1.099.069	847.459	744.049	841.037
Exchange gains	121.976	84.958	121.976	84.958
	1.221.045	932.417	867.993	1.011.533
5 Financial expenses				
Interest paid to group enterprises	0	0	0	19.775
Other financial expenses	1.258.538	1.611.004	932.232	1.105.476
Exchange loss	233.764	45.037	233.764	45.037
	1.492.302	1.656.041	1.165.996	1.170.288
6 Tax on profit/loss for the year				
Current tax for the year	1.844.173	1.317.411	-3.472.711	-1.190.846
Deferred tax for the year	3.105.317	591.299	2.979.876	737.532
Adjustment of tax concerning previous years	-36.259	0	0	0
	4.913.231	1.908.710	-492.835	-453.314

Notes to the Financial Statements

7 Intangible assets

Group

	Completed development projects	Acquired licenses	Goodwill	Development projects in progress
	DKK	DKK	DKK	DKK
Cost at 1 January	0	2.061.796	1.271.900	17.169.058
Exchange adjustment	0	109.242	0	0
Additions for the year	0	0	0	8.674.036
Transfers for the year	25.843.094	0	0	-25.843.094
Cost at 31 December	25.843.094	2.171.038	1.271.900	0
Impairment losses and amortisation at 1 January	0	929.222	339.173	0
Exchange adjustment	0	31.213	0	0
Amortisation for the year	0	347.943	254.380	0
Impairment losses and amortisation at 31 December	0	1.308.378	593.553	0
Carrying amount at 31 December	25.843.094	862.660	678.347	0
Amortised over		5 years	7 years	

At year-end there is an ongoing development project with multiple partners. The project was initiated in 2016. Some revenue has been realized in 2021 but significant growth is expected in 2022. Management considers the development project completed at the end of 2021 and will commence depreciation from the start of 2022.

The products are expected to be sold world-wide via the Company's subsidiary Mermaid Medical A/S, which will handle production and distribution of the products. Initially the products will be sold on the existing markets and to the subsidiary's current customers as well as new customers. This will be achieved through the existing sales channels, and will comply with the subsidiary's current strategy with Europe and the USA as the primary focus.

The Company expects to continue the strategy and continue developing own products, thereby obtaining a larger part of the value chain and supporting the distribution-business in the subsidiary.

Notes to the Financial Statements

7 Intangible assets (continued)

Parent Company

	Completed development projects	Acquired licenses	Goodwill	Development projects in progress
	DKK	DKK	DKK	DKK
Cost at 1 January	0	661.370	1.271.900	17.169.058
Additions for the year	0	0	0	8.674.036
Transfers for the year	25.843.094	0	0	-25.843.094
Cost at 31 December	25.843.094	661.370	1.271.900	0
Impairment losses and amortisation at 1 January	0	529.096	339.173	0
Amortisation for the year	0	132.274	254.380	0
Impairment losses and amortisation at 31 December	0	661.370	593.553	0
Carrying amount at 31 December	25.843.094	0	678.347	0
Amortised over		5 years	5 years	

8 Property, plant and equipment

Group

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements
	DKK	DKK	DKK
Cost at 1 January	1.082.438	2.002.680	1.077.794
Exchange adjustment	0	5.338	0
Additions for the year	791.892	93.601	143.884
Cost at 31 December	1.874.330	2.101.619	1.221.678
Impairment losses and depreciation at 1 January	0	1.287.361	915.025
Exchange adjustment	0	5.343	0
Depreciation for the year	0	355.622	45.174
Impairment losses and depreciation at 31 December	0	1.648.326	960.199
Carrying amount at 31 December	1.874.330	453.293	261.479

Notes to the Financial Statements

8 Property, plant and equipment (continued)

Group	Plant and machinery <u>DKK</u>	Other fixtures and fittings, tools and equipment <u>DKK</u>	Leasehold improvements <u>DKK</u>
Depreciated over	<u>10-15 years</u>	<u>3-8 years</u>	<u>5 years</u>
Parent Company			Plant and machinery <u>DKK</u>
Cost at 1 January			1.082.438
Additions for the year			<u>791.892</u>
Kostpris at 31 December			<u>1.874.330</u>
Carrying amount at 31 December			<u>1.874.330</u>
Depreciated over			<u>10-15 years</u>

Notes to the Financial Statements

	Parent Company	
	2021	2020
	DKK	DKK
9 Investments in subsidiaries		
Cost at 1 January	623.303	623.303
Additions for the year	505.206	0
Cost at 31 December	<u>1.128.509</u>	<u>623.303</u>
Value adjustments at 1 January	30.690.832	23.567.998
Exchange adjustment	116.218	79.851
Net profit/loss for the year	17.210.364	8.415.298
Dividend to the Parent Company	-12.716	-669.537
Change in intercompany profit on inventories	0	-702.778
Value adjustments at 31 December	<u>48.004.698</u>	<u>30.690.832</u>
Carrying amount at 31 December	<u>49.133.207</u>	<u>31.314.135</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Mermaid Medical A/S	Stenløse	DKK 2.100.000	94%
Mermaid Medical Limited	Southport (UK)	GBP 10.000	70%
Mermaid Medical BV, NL	Hella (NL)	EUR 3.500	70%
Mermaid Medical Iberia S.L, ES	Toledo (ES)	EUR 3.600	90%
Mermaid Medical Italia S.R.L, IT	Genova (IT)	EUR 10.000	70%

Notes to the Financial Statements

	Group		Parent Company	
	2021	2020	2021	2020
	DKK	DKK	DKK	DKK
10 Investments in associates				
Cost at 1 January	300.000	300.000	300.000	300.000
Carrying amount at 31 December	300.000	300.000	300.000	300.000

Investments in associates are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Høj Elitehåndbold ApS	Stenløse	DKK 360.000	33%	586.350	6.725

11 Other fixed asset investments

	Group		Parent Company	
	Other investments	Other receivables	Other investments	Other receivables
	DKK	DKK	DKK	DKK
Cost at 1 January	43.750	33.655.035	43.750	20.294.742
Additions for the year	0	5.468.880	0	765.299
Disposals for the year	0	-4.059.193	0	-4.059.193
Cost at 31 December	43.750	35.064.722	43.750	17.000.848
Impairment losses at 1 January	43.750	0	43.750	0
Impairment losses at 31 December	43.750	0	43.750	0
Carrying amount at 31 December	0	35.064.722	0	17.000.848

12 Inventories

Finished goods and goods for resale	23.475.176	23.757.140	533.250	1.457.550
	23.475.176	23.757.140	533.250	1.457.550

Notes to the Financial Statements

13 Prepayments

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

	Group		Parent Company	
	2021	2020	2021	2020
	DKK	DKK	DKK	DKK
14 Distribution of profit				
Proposed dividend for the year	57.000	0	57.000	0
Reserve for net revaluation under the equity method	0	0	17.197.648	7.042.983
Minority interests' share of net profit/loss of subsidiaries	2.388.919	1.493.116	0	0
Retained earnings	15.406.041	6.107.656	-1.791.607	-935.327
	17.851.960	7.600.772	15.463.041	6.107.656

	Group		Parent Company	
	2021	2020	2021	2020
	DKK	DKK	DKK	DKK
15 Provision for deferred tax				
Provision for deferred tax at 1 January	1.107.750	516.451	1.438.883	701.351
Amounts recognised in the income statement for the year	3.105.317	591.299	2.979.876	737.532
Provision for deferred tax at 31 December	4.213.067	1.107.750	4.418.759	1.438.883

Notes to the Financial Statements

16 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 DKK	2020 DKK	2021 DKK	2020 DKK
Credit institutions				
Between 1 and 5 years	9.987.926	12.000.000	9.987.926	12.000.000
Long-term part	<u>9.987.926</u>	<u>12.000.000</u>	<u>9.987.926</u>	<u>12.000.000</u>
Within 1 year	4.000.000	2.000.000	4.000.000	2.000.000
Other short-term debt to credit institutions	6.129.849	3.577.111	2.079.472	1.243.123
Short-term part	<u>10.129.849</u>	<u>5.577.111</u>	<u>6.079.472</u>	<u>3.243.123</u>
	<u>20.117.775</u>	<u>17.577.111</u>	<u>16.067.398</u>	<u>15.243.123</u>
Other payables				
Between 1 and 5 years	5.946.734	1.342.218	3.764.766	0
Long-term part	<u>5.946.734</u>	<u>1.342.218</u>	<u>3.764.766</u>	<u>0</u>
Other short-term payables	10.915.307	18.007.530	3.781.990	11.407.866
	<u>16.862.041</u>	<u>19.349.748</u>	<u>7.546.756</u>	<u>11.407.866</u>

17 Cash flow statement - adjustments

	Group	
	2021 DKK	2020 DKK
Financial income	-1.221.045	-932.417
Financial expenses	1.492.302	1.656.041
Depreciation, amortisation and impairment losses, including losses and gains on sales	1.003.119	1.493.021
Tax on profit/loss for the year	4.913.231	2.106.929
Other adjustments	88.193	252.235
	<u>6.275.800</u>	<u>4.575.809</u>

Notes to the Financial Statements

	Group	
	2021	2020
	DKK	DKK
18 Cash flow statement - change in working capital		
Change in inventories	281.964	1.560.656
Change in receivables	-5.394.649	11.411.866
Change in trade payables, etc	1.804.929	-450.695
	-3.307.756	12.521.827

Notes to the Financial Statements

	Group		Parent Company	
	2021 DKK	2020 DKK	2021 DKK	2020 DKK
19 Contingent assets, liabilities and other financial obligations				
Charges and security				
The following assets have been placed as security with bankers:				
Company charge amounting to TDKK 21,500 (Parent: TDKK 10,000) have been placed in simple claims, inventory of raw materials, work in progress and finished goods, other equipment and intellectual property rights with a carrying amount of	98.160.705	83.932.935	45.987.668	41.084.853
TDKK 20,000 of the Company charge is also placed as security for a third party's engagement with their bank. The third party's debt to the bank is TDKK 0 at 31 December 2021.				
The following assets have been placed as security with other payables:				
Company charge amounting to TDKK 8,000 (Parent: TDKK 8,000) have been placed in simple claims, inventory of raw materials, work in progress and finished goods, other equipment and intellectual property rights with a carrying amount of	45.987.668	41.084.853	45.987.668	41.084.853
Rental and lease obligations				
Lease obligations under operating leases. Total future lease payments:				
Within 1 year	509.704	884.999	0	0
Between 1 and 5 years	336.763	477.225	0	0
	846.467	1.362.224	0	0
Lease obligations, period of non-terminability 6-12 months	3.183.289	1.573.517	0	0

Notes to the Financial Statements

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

Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable by the Danish part of the Group amounts to DKK 0. Moreover, the Danish 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 posted an unlimited guarantee towards the subsidiary Mermaid Medical A/S' engagement with banks. Total bank debt amounts to DKK 4,016,913 at 31 December 2021.

20 Related parties

Basis

Controlling interest

Lars Vinther, Egernvej 3, 3600 Frederikssund

Direktør og hovedaktionær

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.

Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Lars Vinther, Egernvej 3, 3600 Frederikssund

Notes to the Financial Statements

21 Accounting Policies

The Annual Report of Egern Holding ApS for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized 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 DKK.

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.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Egern Holding 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.

Notes to the Financial Statements

21 Accounting Policies (continued)

Business combinations

Business acquisitions carried through on or after 1 July 2018

Acquisitions of subsidiaries are accounted for using the purchase method under which the identifiable assets and liabilities of the entity acquired are measured at fair value at the time of acquisition. Acquired contingent liabilities are recognised at fair value in the Consolidated Financial Statements to the extent that the value can be measured reliably.

The time of acquisition is the time when the Group obtains control of the entity acquired.

The cost of the entity acquired is the fair value of the consideration agreed, including consideration contingent on future events. Transaction costs directly attributable to the acquisition of subsidiaries are recognised in the income statement as incurred.

Positive differences between the cost of the entity acquired and identifiable assets and liabilities are recognised as goodwill in intangible assets in the balance sheet and are amortised in the income statement on a straight-line basis over their estimated useful lives. Amortisation of goodwill is allocated in the Consolidated Financial Statements to the operations to which goodwill is related. Where the differences are negative, they are recognised immediately in the income statement.

Where the purchase price allocation is not final, positive and negative differences from acquired subsidiaries due to changes to the recognition and measurement of identifiable net assets may be adjusted for up to 12 months after the time of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

Where cost includes contingent consideration, this is measured at fair value at the time of acquisition. Contingent consideration is subsequently measured at fair value. Any value adjustments are recognised in the income statement.

In respect of step acquisitions, any previously held investments in the entity acquired are remeasured at fair value at the time of acquisition. The difference between the carrying amount of the investment previously held and the fair value is recognised in the income statement.

Business acquisitions carried through before 1 July 2018

Subject to some exemptions, acquisitions carried through before 1 July 2018 are accounted for under the same accounting policies as those applying to business combinations carried through on or after 1 July 2018. The most material exemptions are:

- Identifiable assets and liabilities of the entity acquired are recognised only if they are probable.
- Identifiable contingent liabilities of the entity acquired are not recognised in the consolidated balance

Notes to the Financial Statements

21 Accounting Policies (continued)

sheet.

- Where the purchase price allocation is not final, positive and negative differences due to changes to the recognition and measurement of the acquired net assets may be adjusted until the end of the financial year following the year of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.
- Transaction costs directly attributable to the acquisition of subsidiaries are included as part of cost.
- After the initial recognition, adjustment of contingent consideration is recognised directly with its counter entry in initial purchase price, thus correcting the value of goodwill or negative goodwill.
- In respect of step acquisitions, the carrying amount of the existing investments is recognised in cost.

Minority interests

Minority interests form part of the Group's total equity. Upon distribution of net profit, net profit is broken down on the share attributable to minority interests and the share attributable to the shareholders of the Parent Company. Minority interests are recognised on the basis of a remeasurement of acquired assets and liabilities to fair value at the time of acquisition of subsidiaries.

Business acquisitions carried through before 1 July 2018

Minority interests are recognised at the carrying amounts of the acquired assets and liabilities at the time of acquisition of subsidiaries.

Business acquisitions carried through on or after 1 July 2018

Minority interests are initially measured at their proportionate share of the fair value of the acquired entity's identifiable net assets. In this way, only goodwill related to the Parent Company's share of the entity acquired is recognised.

On subsequent changes to minority interests where the Group retains control of the subsidiary, the consideration is recognised directly in equity.

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.

Notes to the Financial Statements

21 Accounting Policies (continued)

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

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

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.

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)

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

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 and associates

Dividends from associates are recognised as income in the income statement when adopted at the General Meeting of the associate. However, dividends relating to earnings in the associate before it was acquired by the Parent Company are set off against the cost of the associate.

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 are recognised in the income statement at the amounts relating to the financial year.

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.

Notes to the Financial Statements

21 Accounting Policies (continued)

Balance Sheet

Development projects, patents and licences

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 Group 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 10 years.

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 years. Software licences are amortised over the period of the agreement, which is 5 years.

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life of 7 years, determined on the basis of Management's experience with the individual business areas.

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

Notes to the Financial Statements

21 Accounting Policies (continued)

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. All indirectly attributable borrowing expenses are recognised in the income statement.

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:

Plant and machinery	10-15 years
Other fixtures and fittings, tools and equipment	3-8 years
Leasehold improvements	5 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries and associates

Investments in associates are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

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

Notes to the Financial Statements

21 Accounting Policies (continued)

of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Fixed asset investments

Fixed asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

Other fixed asset investments

Other fixed asset investments consist of loans.

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 with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

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

Prepayments

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

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.

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 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.

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

21 Accounting Policies (continued)

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".

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

Financial Highlights

Explanation of financial ratios

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