20230619186642

ÅRSREDOVISNING

för

Swedish Pharmacy Holding AB

Org.nr. 559390-0854

Styrelsen och verkställande direktören får härmed avlämna årsredovisning för räkenskapsåret 2022-07-18 - 2022-12-31

Innehåll	**Sida**
- förvaltningsberättelse	2
- resultaträkning	3
- balansräkning	4
- noter	6
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Undertecknad verkställande direktör i Swedish Pharmacy Holding AB intygar härmed, dels att denna kopia av årsredovisningen överensstämmer med originalet, dels att resultat- och balansräkning fastställts på årsstämma 2023-04-17.
Stämman beslöt tillika godkänna styrelsens förslag till vinstdisposition.

Stockholm 2023-06-12

Erik Sjögren

20230302264944

ÅRSREDOVISNING

för

Swedish Pharmacy Holding AB

Org.nr. 559390-0854

Styrelsen och verkställande direktören får härmed avlämna årsredovisning för räkenskapsåret 2022-07-18 - 2022-12-31

Innehåll **Sida**

- förvaltningsberättelse 2
- resultaträkning 3
- balansräkning 4
- noter 6
- underskrifter 9

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Swedish Pharmacy Holding AB
Org.nr. 559390-0854

FÖRVALTNINGSBERÄTTELSE

Årsredovisningen är upprättad i svenska kronor, TSEK.

Verksamheten

Viktiga förhållanden och väsentliga händelser

Bolaget bildades under 2022 som ett holdingbolag till de två uppköpta bolagen Apoteksgruppen i Sverige Holding AB samt Kronans Apotek AB. Bolaget har andelar i koncernbolag om 5 328 773 tSEK vilket kommer från förvärvade andelar i Kronans Apotek AB och Apoteksgruppen i Sverige Holding AB. Bolaget har även ett tillskott om 283 538 tSEK vilket avser avräkning av köpeskillingen.

Säte
Företagets säte är Stockholm.

Flerårsöversikt*

	2022
Nettoomsättning	0
Res. efter finansiella poster	-1 110
Res. i % av nettoomsättningen	0,00
Balansomslutning	5 833 417
Soliditet (%)	91,33

*Definitioner av nyckeltal, se not 8

Förändringar i eget kapital

	Aktiekapital	**Fri överkursfond**	**Balanserat resultat**	**Årets resultat**	**Summa eget kapital**
Belopp vid årets ingång	25				25
Kvittningsemission	2 000	5 043 235			5 045 235
Erhållna aktieägartillskott			283 538		283 538
Årets resultat				-881	-881
Belopp vid årets utgång	2 025	5 043 235	283 538	-881	5 327 917

Resultatdisposition (kronor)

Förslag till disposition av bolagets vinst

Till årsstämmans förfogande står	
balanserad vinst	283 537 850
fri överkursfond	5 043 235 400
årets förlust	-881 490
	5 325 891 760
Styrelsen föreslår att	
i ny räkning överföres	5 325 891 760
	5 325 891 760

Beträffande bolagets resultat och ställning i övrigt hänvisas till efterföljande resultat- och balansräkningar med tillhörande noter.

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Swedish Pharmacy Holding AB
Org.nr. 559390-0854

RESULTATRÄKNING

	Not	2022-07-18 2022-12-31
Rörelsens kostnader		
Övriga externa kostnader		-2 988
Övriga rörelsekostnader		-2
		-2 990
Rörelseresultat		-2 990
Resultat från finansiella poster		
Övriga ränteintäkter från koncernföretag		6 685
Räntekostnader		-4 805
		1 880
Resultat efter finansiella poster		-1 110
Resultat före skatt		-1 110
Skatt på årets resultat		229
Årets resultat		**-881**

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Swedish Pharmacy Holding AB
Org.nr. 559390-0854

BALANSRÄKNING

	Not	2022-12-31
TILLGÅNGAR		
Anläggningstillgångar		
Finansiella anläggningstillgångar		
Andelar i koncernföretag	2	5 328 773
Uppskjuten skattefordran	3	229
		5 329 002
Summa anläggningstillgångar		5 329 002
Omsättningstillgångar		
Kortfristiga fordringar		
Fordringar hos koncernföretag		484 707
		484 707
Kassa och bank		
Kassa och bank		19 708
Summa kassa och bank		19 708
Summa omsättningstillgångar		504 415
SUMMA TILLGÅNGAR		**5 833 417**

20230502254938

Swedish Pharmacy Holding AB
Org.nr. 559390-0854

BALANSRÄKNING

	Not	2022-12-31
EGET KAPITAL OCH SKULDER		
Eget kapital		
Bundet eget kapital		
Aktiekapital		2 025
		2 025
Fritt eget kapital		
Fri överkursfond		5 043 235
Balanserat resultat		283 538
Årets resultat		-881
		5 325 892
Summa eget kapital		5 327 917
Kortfristiga skulder		
Skulder till kreditinstitut	4	500 000
Upplupna kostnader och förutbetalda intäkter		5 500
Summa kortfristiga skulder		505 500
SUMMA EGET KAPITAL OCH SKULDER		**5 833 417**

NOTER

Not 1 Redovisnings- och värderingsprinciper

Årsredovisningen är upprättad i enlighet med årsredovisningslagen och BFNAR 2012:1 Årsredovisning och koncernredovisning. Detta är bolagets första räkenskapsår.

Andelar i koncernföretag, intresseföretag, gemensamt styrda företag och företag som det finns ägarintresse i
Aktier och andelar i dotterföretag redovisas till anskaffningsvärde efter avdrag för eventuella nedskrivningar. I anskaffningsvärdet ingår köpeskillingen som erlagts för aktierna samt förvärvskostnader. Eventuella kapitaltillskott och koncernbidrag läggs till anskaffningsvärdet när de lämnas. Utdelning från dotterföretag redovisas som intäkt.

Finansiella instrument

Finansiella instrument redovisas i enlighet med reglerna i K3 kapitel 11, vilket innebär att värdering sker utifrån anskaffningsvärde. Finansiella instrument som redovisas i balansräkningen inkluderar fordringar hos koncernföretag och derivatinstrument. Instrumenten redovisas i balansräkningen när bolaget blir part i instrumentets avtalsmässiga villkor. Finansiella tillgångar tas bort från balansräkningen när rätten att erhålla kassaflöden från instrumentet har löpt ut eller överförts och koncernen har överfört i stort sett alla risker och förmåner som är förknippade med äganderätten. Finansiella skulder tas bort från balansräkningen när förpliktelserna har reglerats eller på annat sätt upphört.

Fordringar hos koncernföretag
Fordringar redovisas som omsättningstillgångar med undantag för poster med förfallodag mer än 12 månader efter balansdagen, vilka klassificeras som anläggningstillgångar. Fordringar tas upp till det belopp som förväntas bli inbetalt efter avdrag för individuellt bedömda osäkra fordringar.

Derivatinstrument där kriterier för säkringsredovisning inte är uppfyllda
Derivatinstrument med positivt värde värderas löpande i enlighet med lägsta värdets princip, derivatinstrument med negativt värde värderas till det negativa värdet. De värdeförändringar som uppkommer inom ramen för lägsta värdets princip och ändringar av negativt värde, redovisas omedelbart i resultaträkningen. Värdeförändringar på derivatinstrument som utgör kortfristiga och långfristiga skulder redovisas i olika poster i resultaträkningen beroende på syftet med innehavet av derivatinstrumentet - värdeförändring av ränteswapar redovisas i posten Räntekostnader och liknande resultatposter medan värdeförändring på valutaterminer redovisas i posten Övriga rörelsekostnader i resultaträkningen.

Inkomstskatt
Aktuell skatt är inkomstskatt för innevarande räkenskapsår som avser årets skattepliktiga resultat och den del av tidigare räkenskapsårs inkomstskatt som ännu inte har redovisats.
Aktuell skatt värderas till det sannolika beloppet enligt de skattesatser och skatteregler som gäller på balansdagen.

Uppskjuten skatt är inkomstskatt för skattepliktigt resultat avseende framtida räkenskapsår till följd av tidigare transaktioner eller händelser.

Uppskjuten skatt beräknas på temporära skillnader. En temporär skillnad finns när det redovisade värdet på en tillgång eller skuld skiljer sig från det skattemässiga värdet. Temporära skillnader beaktas ej i skillnader hänförliga till investeringar i dotterföretag, filialer, intresseföretag eller joint venture om företaget kan styra tidpunkten för återföring av de temporära skillnaderna och det inte är uppenbart att den temporära skillnaden kommer att återföras inom en överskådlig framtid. Skillnader som härrör från den första redovisningen av goodwill eller vid den första redovisningen av en tillgång eller skuld såvida inte den hänförliga transaktionen är ett rörelseförvärv eller påverkar skatt eller redovisat resultat utgör inte heller temporära skillnader.

Uppskjuten skattefordran avseende underskottsavdrag eller andra framtida skattemässiga avdrag redovisas i den omfattning det är sannolikt att avdragen kan avräknas mot framtida skattemässiga överskott.

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NOTER

Not 2 Andelar i koncernföretag

Företag Org.nummer Säte	Antal Kap.andel %	Eget kapital Resultat	Redovisat värde
Apoteksgruppen i Sverige Holding AB 556481-5966 Stockholm	5 000 000 100,00%	1 163 250 -3 140	2 664 387
Kronans Apotek AB 556787-2048 Stockholm	1 000 000 100,00%	1 325 847 -13 187	2 664 387
			5 328 774

	2022-12-31
Ingående anskaffningsvärde	0
Inköp	5 328 774
Utgående ackumulerade anskaffningsvärden	5 328 774
Utgående redovisat värde	5 328 774

Bolaget förvärvade den 3 oktober 100% av aktierna i Apoteksgruppen Sverige Holding AB, samt 100 % av aktierna i Kronans Apotek AB, som bägge verkar inom den svenska apoteksmarknaden.

Not 3 Uppskjuten skatt

	2022-12-31 Uppskjuten skattefordran
Outnyttjade underskottsavdrag	229
	229

Underskottsavdrag på 1110 tkr har i sin helhet beaktats vid beräkning av den uppskjutna skattefordran.

Not 4 Skulder till kreditinstitut

	2022-12-31
Summa kortfristiga skulder	500 000
	500 000

På grund av extrapolering av engångskostnader relaterade till sammanslagningen så överskreds gränsen för räntetäckningsgraden. Då detta ses som teknisk överskridelse och en engångsföreteelse har banken utfärdat en dispansklausul där banken avstår från krav kopplade till kovenanterna.

Not 5 Ställda säkerheter

	2022-12-31
Pantsatta aktier i dotterföretag	5 328 774
Summa ställda säkerheter	5 328 774

Aktierna i dotterbolagen är pantsatta till Skandinaviska Enskilda Banken AB i enlighet med ett pantavtal daterat den 3 oktober 2022.

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NOTER

Not 6 Väsentliga händelser efter räkenskapsårets slut

Bolaget ingick den 20:e januari 2023 en ränteswap om ett nominellt värde av 487,500,000 SEK. Anledningen är att skydda bolaget från fluktuerande räntor. Per den 10 februari 2023 har banken utfärdat en dispanskluasul kopplat till banklånet, se not 4.

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Not 7 Koncernförhållanden

Bolaget ägs till 50% av Euroapotheca Holding SWE AB, org nr 559143-4526 med säte i Stockholm, och till 50 % av Oriola-KD OYJ, org nr 502069-7875 med säte i Finland. Bolaget är moderbolag, men med stöd av ÅRL 7 kap 2 § upprättas inte någon koncernredovisning. Euroapotheca Holding SWE AB har rätt att tillsätta och avsätta 3 av 5 styrelsemedlemmar. På detta sätt innehar moderföretaget möjlighet att utforma de finansiella och operativa strategierna i dotterföretaget och därmed också det bestämmande inflytandet. Då Euroapotheca Holding SWE AB inte upprättar koncernredovisning, konsolideras bolaget i moderbolaget till Euroapotheca Holding SWE AB, Euroapotheca Holding UAB Litauen, org nr 3008854822.

Not 8 Definition av nyckeltal

Soliditet
Justerat eget kapital i procent av balansomslutning(Totalt eget kapital + ((1-0,206 x obeskattade reserver) / Totala tillgångar).

20230502265O2

Swedish Pharmacy Holding AB
Org.nr. 559390-0854

NOTER

Stockholm per datum som framgår av våra elektroniska underskrifter

Erik Sjögren
Verkställande direktör

Panu Henrik Routila

Tomas Kibildis

Paulius Mencas

Jurgis Rudgalvis

Katarina Gabrielson

Vår revisionsberättelse har lämnats den dag som framgår av vår elektroniska signatur

PricewaterhouseCoopers AB

Cesar Moré
Auktoriserad revisor

202305022650S

Document signature

Certified by SignSpace

Date: 2023-04-06 09:13:10 (GMT)

Verification code: 0O743G7AE4QR4X28YQQGL23RZ9ABMGZDPL91
UZK0RZI08VB3F9AIAW1DFZAZGFL86NLF2CNPIRFOKDTGTXWQ8US
RNHRAC8PB5F51PJ66F04DNPLM50UA8VV76HFPFURW

Annual report Swedish Pharmacy Holding AB 2022.pdf (9 pages)

d0d5c08f94292dab51c2f9f59f4864d6adf693d34d0a93dd6e7df53bf33da1dd

has been signed electronically in SignSpace Electronic Signing Service.

Registered full name: **Erik Sjögren**

Signature type: **Advanced electronic signature**
Identity verification method: **Bank ID**
Country of identity provider: **SE**
Certificate owner: **Platform of Trust Oy**
Certificate issuer: **Digital and Population Data Services Agency, Finland**

Erik Sjögren

Signed on 2023-04-05 07:51:41 (GMT)

Registered full name: **Jurgis Gabrielius Rudgalvis**

Signature type: **Advanced electronic signature**
Identity verification method: **Smart ID**
Country of identity provider: **Baltic countries**
Certificate owner: **Platform of Trust Oy**
Certificate issuer: **Digital and Population Data Services Agency, Finland**

Jurgis Gabrielius Rudgalvis

Signed on 2023-04-05 08:20:15 (GMT)

Registered full name: **Paulius Mencas**

Signature type: **Advanced electronic signature**
Identity verification method: **Smart ID**
Country of identity provider: **Baltic countries**
Certificate owner: **Platform of Trust Oy**
Certificate issuer: **Digital and Population Data Services Agency, Finland**

Paulius Mencas

Signed on 2023-04-05 11:01:17 (GMT)

20230502265O4

Registered full name: **Panu Henrik Routila**

Signature type: **Advanced electronic signature**
Identity verification method: **Mobile ID**
Country of identity provider: **FI**
Certificate owner: **Platform of Trust Oy**
Certificate issuer: **Digital and Population Data Services Agency, Finland**

Panu Henrik Routila

Signed on 2023-04-05 18:10:51 (GMT)

Registered full name: **Katarina Gabrielson**
Organisation: **Oriola Sweden AB**

Signature type: **Advanced electronic signature**
Identity verification method: **Bank ID**
Country of identity provider: **SE**
Certificate owner: **Platform of Trust Oy**
Certificate issuer: **Digital and Population Data Services Agency, Finland**

Katarina Gabrielson

Signed on 2023-04-05 20:36:13 (GMT)

Registered full name: **Tomas Kibildis**

Signature type: **Advanced electronic signature**
Identity verification method: **Smart ID**
Country of identity provider: **Baltic countries**
Certificate owner: **Platform of Trust Oy**
Certificate issuer: **Digital and Population Data Services Agency, Finland**

Tomas Kibildis

Signed on 2023-04-06 06:18:38 (GMT)

Registered full name: **Cesar Moré**

Signature type: **Advanced electronic signature**
Identity verification method: **Bank ID**
Country of identity provider: **SE**
Certificate owner: **Platform of Trust Oy**
Certificate issuer: **Digital and Population Data Services Agency, Finland**

Cesar Moré

Signed on 2023-04-06 09:13:10 (GMT)

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Signature information

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Revisionsberättelse

Till bolagsstämman i Swedish Pharmacy Holding AB, org.nr 559390-0854

Rapport om årsredovisningen

Uttalanden

Vi har utfört en revision av årsredovisningen för Swedish Pharmacy Holding AB för räkenskapsåret 18 juli 2022 till 31 december 2022.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av Swedish Pharmacy Holding ABs finansiella ställning per den 31 december 2022 och av dess finansiella resultat för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen för Swedish Pharmacy Holding AB.

Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet Revisorns ansvar. Vi är oberoende i förhållande till Swedish Pharmacy Holding AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen och verkställande direktören som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen och verkställande direktören ansvarar även för den interna kontroll som de bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

Vid upprättandet av årsredovisningen ansvarar styrelsen och verkställande direktören för bedömningen av bolagets förmåga att fortsätta verksamheten. De upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen och verkställande direktören avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta.

Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om huruvida årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

En ytterligare beskrivning av vårt ansvar för revisionen av årsredovisningen finns på Revisorsinspektionens webbplats: www.revisorsinspektionen.se/revisornsansvar. Denna beskrivning är en del av revisionsberättelsen.

Rapport om andra krav enligt lagar och andra författningar

Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens och verkställande direktörens förvaltning för Swedish Pharmacy Holding AB för räkenskapsåret 18 juli 2022 till 31 december 2022 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter och verkställande direktören ansvarsfrihet för räkenskapsåret.

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Grund för uttalanden

Vi har utfört revisionen enligt god revisionssed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet *Revisorns ansvar. Vi är oberoende i förhållande till Swedish Pharmacy Holding AB enligt god revisorssed i* Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation, och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt. Den verkställande direktören ska sköta den löpande förvaltningen enligt styrelsens riktlinjer och anvisningar och bland annat vidta de åtgärder som är nödvändiga för att bolagets bokföring ska fullgöras i överensstämmelse med lag och för att medelsförvaltningen ska skötas på ett betryggande sätt.

Revisorns ansvar

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot eller verkställande direktören i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

En ytterligare beskrivning av vårt ansvar för revisionen av förvaltningen finns på Revisorsinspektionens webbplats: www.revisorsinspektionen.se/revisornsansvar. Denna beskrivning är en del av revisionsberättelsen.

Stockholm den dag som framgår av vår elektroniska underskrift

PricewaterhouseCoopers AB

Cesar Moré
Auktoriserad revisor

Deltagare

PRICEWATERHOUSECOOPERS AB 556067-4276 Sverige

Signerat med Svenskt BankID — *2023-04-06 09:15:03 UTC*

Namn returnerat från Svenskt BankID: CESAR MORÉ — Datum

Cesar Moré
Auktoriserad revisor

Leveranskanal: E-post

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PAULIUS MENCAS
2023-07-12 14:35:44 GMT+3
Paskirtis: Parašas

Kvalifikuotas elektroninis parašas
VYTAUTAS LIATUKAS
2023-07-12 14:43:07 GMT+3
Paskirtis: Parašas
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Kvalifikuotas elektroninis parašas
RIMVYDAS JOGĖLA
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Bolagsverket
2023 -07- 14

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EUROAPOTHECA, UAB

CONSOLIDATED AND THE COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR 2022 PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS, AS ADOPTED BY THE EUROPEAN UNION, PRESENTED TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT AND THE CONSOLIDATED ANNUAL REPORT

EURO APOTHECA

EUROAPOTHECA, UAB
Company code 300854822, Ozo g. 25, Vilnius

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Translation note:

This version of the accompanying documents is a translation from the original, which was prepared in Lithuanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the accompanying documents takes precedence over this translation.

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Independent auditor's report

To the shareholder of Euroapotheca UAB

Our opinion

In our opinion, the separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of Euroapotheca UAB (the "Company") and its subsidiaries (together - the "Group") as at 31 December 2022, and the Company's and the Group's separate and consolidated financial performance, and separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Company's and the Group's separate and consolidated financial statements comprise:

- the separate and consolidated statement of financial position as at 31 December 2022;
- the separate and consolidated statements of comprehensive income for the year then ended;
- the separate and consolidated statement of changes in equity for the year then ended;
- the separate and consolidated statement of cash flows for the year then ended; and
- the notes to the separate and consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company and the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the Law of the Republic of Lithuania on the Audit of Financial Statements that are relevant to our audit of the separate and consolidated financial statements in the Republic of Lithuania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Law of the Republic of Lithuania on the Audit of Financial Statements.

Emphasis of matter

We draw attention to Note 27 to these financial statements, which describes the uncertainty related to the outcome of the legal case regarding the fines imposed on the Group companies by the Competition Council. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers UAB, J. Jasinskio g. 16B, LT-03163 Vilnius, Lithuania
+370 (5) 239 2300, lt_vilnius@pwc.com, www.pwc.lt

Company code 111473315, registered with the Register of Legal Entities of the Republic of Lithuania

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Reporting on other information including the consolidated annual report

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

Our opinion on the separate and consolidated financial statements (together "the financial statements") does not cover the other information, including the consolidated annual report.

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

With respect to the consolidated annual report, we considered whether the consolidated annual report includes the disclosures required by the Law of the Republic of Lithuania on Consolidated Reporting by Groups of Undertakings, the Law of the Republic of Lithuania on Reporting by Undertakings.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the consolidated annual report for the financial year for which the financial statements are prepared, is consistent with the financial statements; and
- the consolidated annual report has been prepared in accordance with the Law of the Republic of Lithuania on Consolidated Reporting by Groups of Undertakings and the Law of the Republic of Lithuania on Reporting by Undertakings.

In addition, in light of the knowledge and understanding of the Company and the Group and their environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated annual report which we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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.

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As part of an audit in accordance with ISAs, we exercise professional judgment 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 and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

On behalf of PricewaterhouseCoopers UAB

Rimvydas Jogėla
Partner
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
6 April 2023

The auditor's electronic signature is used herein to sign only the Independent Auditor's Report. Electronic signature confirms that this is a translation of the original Auditor's Report, which was prepared in Lithuanian and signed on 6 April 2023.

CONSOLIDATED ANNUAL REPORT OF EUROAPOTHECA UAB GROUP OF COMPANIES FOR 2022

Objective overview of the Group's financial position, performance and development

EUROAPOTHECA, UAB (the "Company") is a private limited liability company registered in the Register of Legal Entities of the Republic of Lithuania. The address of its registered office is Ozo g. 25, Vilnius, Lithuania, company code 300854822, VAT payer's code LT100003269817. The Company started its activities on 28 May 2007.

EUROAPOTHECA, UAB (cons.) is an international group of companies operating in the region of Northern Europe. The Company's core line of business is management and consulting activities. At the end of 2022, the Company operated the retail chains of pharmacies, the companies providing services related to trade and the companies engaged in wholesale of pharmaceuticals in Lithuania, Latvia, Estonia and Sweden.

In October 2022, Euroapotheca Holding SWE, a subsidiary of Euroapotheca, UAB operating in Sweden, and Oriola Corporation signed the agreement, under which they merged their respective Swedish pharmacy chains Apoteksgruppen and Kronans Apotek. The transaction was implemented by forming a joint venture between Euroapotheca and Oriola, in which each party acquired 50 percent of the ownership interest. Through this transaction Euroapotheca group has significantly increased its market share in Sweden.

On 24 February 2022, Russia began a military invasion of Ukraine. Lithuania, as many countries in the world, has condemned this attack and adopted economic sanctions against Russia and Belarus. After the start of the military invasion the Group responded immediately and removed all Russian and Belarusian goods from trade and terminated a further supply of such goods. Until the date of the issue of the financial statements the Company's financial performance was stable.

The Company's sole shareholder holding 91,341,381 shares is a private limited liability company Vilniaus Prekyba UAB, which is a holding company through other subsidiaries controlling the retail and pharmacy chains as well as the companies engaged in the development of real estate projects and lease of real estate in the Baltic countries, Poland, Bulgaria and Sweden. All the shares of the Company with a nominal value of EUR 2.90 each were fully paid as at 31 December 2022 and 2021.

Description of the Group's exposure to key risks and contingencies

With the activities of retail and wholesale trade of pharmaceuticals pursued by the Company's subsidiaries being more heavily regulated than other types of retail and wholesale trade, the main risk to which the Company and the Group companies are exposed is uncertainty of the government policy and legal regulation in the field of pharmaceutical activity.

Analysis of financial and non-financial performance of the Group

The Group's turnover rose by 26.9% in 2022 compared 2021 and totalled EUR 1,030 million (2021: EUR 812.1 million) (inclusive of the turnover of the Estonian franchised pharmacies, the Group's turnover totalled EUR 1,052.6 million, which is 26% more than in 2021 when the turnover totalled EUR 832.8 million). Revenue growth was mainly related to business expansion in Sweden. The Company's sales revenue amounted to EUR 6 million (2021: EUR 5.9 million).

As at 31 December 2022, the Group had 913 pharmacies: Eurovaistinė (274 own pharmacies) in Lithuania; Euroapteek (74 franchised pharmacies) in Estonia; Euroaptieka (56 own pharmacies) in Latvia; Apoteksgruppen and Kronans Apotek (509 pharmacies, of which 462 own and 47 franchised pharmacies) in Sweden.

As at 31 December 2021, the Group had 559 pharmacies: Eurovaistinė (274 own pharmacies) in Lithuania; Euroapteek (77 franchised pharmacies) in Estonia; Euroaptieka (55 own pharmacies) in Latvia; Apoteksgruppen (193 pharmacies, of which 150 own and 43 franchised pharmacies) in Sweden. The pharmacy chains in Poland were disposed of in 2021.

The Group's net profit for 2022 amounted to EUR 26.4 million (2021: EUR 10.7 million). The Company's net profit for 2022 amounted to EUR 28.3 million (2021: EUR 3.6 million). A change in the Group's net profit was mainly affected by goodwill impairment expenses of the business operations in Sweden in 2021. A change in the Company's net profit was mainly caused by one-off expenses incurred in 2021 related to the impairment of investments in the Swedish division.

Decision of the Lithuanian Competition Council

The fines of EUR 2,746,720, EUR 11,210, EUR 27,483,740, EUR 1,273,310 were imposed on the Group companies EVD UAB, Siromed Pharma UAB, Eurovaistinė UAB and EVRC UAB, respectively, based on the Lithuanian Competition Council's (LCC) decision of 13 December 2022 *Regarding the compliance of actions of undertakings engaged in trade in pharmaceuticals with the requirements of Article 5 of the Lithuanian Law on Competition and Article 101 of the Treaty on the Functioning of the European Union* (the "Decision"). On 13 January 2023, the above-mentioned companies of the Group filed an appeal against the Decision with the Vilnius Regional Administrative Court. The legal dispute in substance relates to a highly unusual interpretation and application of the competition law rules as follows: application of the Lithuanian Competition Law (Art. 5) and the Treaty on the Functioning of the European Union (Art.

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101) to the activities regulated under the Lithuanian Law on Legislative Framework. The management believes that involvement in law-making or lobbying activities is not of an economic nature and, as such, it does not cause a restriction on competition, as may be confirmed by certain foreign country practices in the application and interpretation of law. Furthermore, proposals regarding legislation do not itself affect competition in the market since the legislative decisions are adopted by the competent authorities.

The Group companies have secured the payment of the fines with a bank guarantee provided to the LCC. The agreement on the bank guarantee was signed between these companies and the commercial bank on 7 March 2023. The bank guarantee was issued for a full amount of the fine and it expires on 13 March 2027. The Company acted as a surety to the commercial bank for a proper fulfilment of the obligations of the above-mentioned Group companies under the agreement on the bank guarantee. If the final court ruling would be unfavourable for the Group companies, either:

- the Group companies would pay the fines themselves to the LCC (accordingly the guarantee would be terminated) or
- the bank would pay the fines to the LCC and would apply to the Group companies for the settlement of the fines.

The sources of finance would depend on the financing alternatives available at the time, including cash resources of the Group companies. The course of the court process will enable the management to plan cash outflows, if any, in advance and prepare for the payment of the fine.

Management believes the final court ruling will be favourable for the Group companies, and therefore, no provision has been recognised for the fines imposed by the LCC. Such opinion of management is based on the conclusions of in-house lawyers of the Group companies and external legal experts.

Information on environmental and personnel-related issues

Environmental protection and sustainability

Environmental protection and sustainability are one of the Group's and the Company's values. The Group's and the Company's environmental objectives include the sustainable use of resources (materials, fuel, energy, water, etc.) and reduction of waste produced. The use of energy resources is monitored throughout the year. In pursuing all the above-mentioned objectives, the Group companies and the Company also promote awareness of their employees and cooperation in the field of environmental protection.

Personnel policy

As at 31 December 2022, the Group companies had 7,454 employees (31 December 2021: 3,693). As at 31 December 2022, the Company had 61 employees (31 December 2021: 54). Competent employees are the key asset of the Group and the Company and one of the main elements for success. A safe working environment is a top priority aiming to avoid accidents at work and health issues. The Company and the Group companies organise training in occupational safety and medical first aid. The Company and the Group companies aim to create a comfortable working environment, ensure a fair and competitive remuneration, which corresponds to the employee's contribution and competences held. Conversations with employees are held regularly in order to assess the level of employee satisfaction and obtain feedback and in view of the results of these conversations changes are implemented to create the most appropriate possible working environment for the fulfilment of the duties of employees.

Ethical business and corruption

An ethical business is another core value of the Group and the entire Vilniaus Prekyba group, to which Euroapotheca, UAB (cons.) belongs. All employees of the Group, the Company and the Vilniaus Prekyba group must follow the principles of ethical business in their activities.

Based on the best practice of business leaders the Group companies and the Company ensure the availability of reporting channels that can be used by employees, clients, business partners, suppliers and other stakeholders to report about a behaviour that is in breach of the principles stipulated in the Code of Business Ethics.
No cases of unethical behaviour were reported in 2022 and 2021.

In 2022, the Company and the Group companies actively developed socially responsible activities. The Group companies actively contributed to the implementation of the projects and initiatives aimed at promoting active and healthy lifestyle of the society and work with the society's most vulnerable social groups.

References to and additional explanations of data reported in the consolidated financial statements

Additional explanations of data reported in the consolidated financial statements are presented in the notes to the consolidated financial statements.

Significant events after the end of the reporting financial year

There were no other significant events after the end of the reporting period, except for the signed agreement on the bank guarantee mentioned above.

Operation plans and prospects of the Group

In 2022, the Company focused on the development and operational efficiency of the operated businesses, integration of a joint business in Sweden, expansion of the electronic commerce functionalities and service package, improvement of services rendered and customer service quality, streamlining of the product range and development of private label products. In 2022, the Group disposed of its investments in Poland – the final agreement on the sale of the Polish electronic commerce operations was signed in April. From April 2022, the Company's portfolio comprised the companies operating in the Baltic and Swedish markets.

In 2023, the Company and the Group will continue to focus on the improvement of operational efficiency of the pharmacies and the integration of the joint business in Sweden. In 2022, the economic instability caused by the COVID-19 virus did not have negative impact on the financial performance of the Group companies. The Group expects that the indicators of its financial performance will remain stable in the long term.

Information on the Group's research and development activities

The Company and the Group companies are not engaged in any research activities. The Group's business expansion is related to the above-mentioned acquisition in Sweden and the opening and acquisition of new pharmacies.

Information on own shares held and shares of other companies

The Group companies and the Company did not hold own shares until 2022, nor acquired, disposed of own shares during the reporting periods of 2022 and 2021.

Information on the financial instruments used by the Group to manage credit, interest rate, liquidity and other risks

Credit risk
Concentration of credit risk of the Company and the Group is related to trade receivables from the health insurance funds in Lithuania (and/or state institutions in other countries performing equivalent functions) for pharmaceuticals sold that are reimbursed by these funds in Lithuania (and/or state institutions in other countries performing equivalent functions) by making direct transfers of amounts reimbursed to the Group companies.
Credit risk relating to cash balances at banks is limited because the Group conducts transactions with the banks belonging to the international financial groups that have high credit ratings assigned by international credit rating agencies.

Interest rate risk
The Company's and Group's income and cash flows from operating activities are substantially independent of changes in market interest rates.
As the Company and the Group have loans received and loans granted, the Company's and the Group's cash flows from financing and investing activities are affected by fluctuations in market interest rates. From 2016 the Company started to use derivative financial instruments to manage interest rate risk, therefore as at 31 December 2022, around 100% and 59% of the Company's and the Group companies' borrowings, respectively, comprised borrowings with an effectively fixed interest rate (i.e. a non-current bank borrowing as disclosed in Note 12). As at 31 December 2021, these percentages were equal to 82% and 72%, respectively.

Liquidity risk
The Group's and the Company's policy is to maintain sufficient cash and cash equivalents or have available funding through credit facilities to minimise liquidity risk and meet their commitments at a given date.

Foreign exchange risk
A major part of the Group's transactions in 2022 and 2021 was conducted in the euro and the Swedish krona, therefore the main foreign exchange risk to which the Group is exposed arises from fluctuations in the exchange rate of the Swedish krona.

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Information on other executive positions held by the Company's Chief Executive Officer and the Board members

Paulius Mencas
- The Chief Executive Officer and the Chairman of the Board of EUROAPOTHECA, UAB (legal entity code 300854822, registered office address: Ozo g. 25, Vilnius, the Republic of Lithuania);
- The Member of the Board of Swedish Pharmacy Holding (legal entity code 559390-0854, registered office address: BOX 7264, 103 89 Stockholm, the Kingdom of Sweden);
- The Member of the Board of Apoteksgruppen i Sverige AB (legal entity code 556773-4156, registered office address: BOX 7264, 103 89 Stockholm, the Kingdom of Sweden);
- The Member of the Board of Apoteksgruppen i Sverige Holding AB (legal entity code 556481-5966, registered office address: BOX 7264, 103 89 Stockholm, the Kingdom of Sweden);
- The Member of the Board of Apoteksgruppen Detaljist AB (legal entity code 556773-4727, registered office address: BOX 7264, 103 89 Stockholm, the Kingdom of Sweden);
- The Member of the Board of Euroapotheca Holding SWE, AB (legal entity code 559143-4526, registered office address: BOX 7264, 103 89 Stockholm, the Kingdom of Sweden);
- The Member of the Board of Kronans Apotek AB (legal entity code 556787-2048, registered office address: BOX 30094, SE-104 25, Stockholm, the Kingdom of Sweden);
- The Member of the Board of Vilniaus Prekyba, UAB (legal entity code 302608755, registered office address: Ozo g. 25, Vilnius, the Republic of Lithuania);
- The Chairman of the Board of Azeta, UAB (legal entity code 303121266, registered office address: Savanorių pr. 16-801, Vilnius, the Republic of Lithuania);
- The Director of Patria Holdings, UAB (legal entity code 302642953, registered office address: Ozo g. 25, Vilnius, Lithuania);
- The Member of the Board of Stichting Trivialis (legal entity code 58595988);
- The Member of the Board of Stichting Novitus (legal entity code 60599499).

Tomas Kibildis
- The Chief Executive Officer and the Chairman of the Board of EVRC, UAB (legal entity code 302563598, registered office address: Ozo g. 25, Vilnius, the Republic of Lithuania);
- The Member of the Board of EUROAPOTHECA, UAB (legal entity code 300854822, registered office address: Ozo g. 25, Vilnius, the Republic of Lithuania);
- The Chairman of the Board of EVD, UAB (legal entity code 30246572, registered office address: V.A. Graičiūno g. 2A, Vilnius, the Republic of Lithuania);
- The Chairman of the Board of Eurovaistinė, UAB (legal entity code 124446859, registered office address: Ozo g. 25, Vilnius, the Republic of Lithuania);
- The Member of the Board of AZETA, UAB (legal entity code 303121266, registered office address: Ozo g. 25, Vilnius, the Republic of Lithuania);
- The Member of the Board of Euroapotheca Holding SWE, AB (legal entity code 559143-4526, registered office address: BOX 7264, 103 89 Stockholm, the Kingdom of Sweden);
- The Member of the Board of Apoteksgruppen i Sverige Holding AB (legal entity code 556481-5966, registered office address: BOX 7264, 103 89 Stockholm, the Kingdom of Sweden);
- The Member of the Board of Apoteksgruppen Detaljist AB (legal entity code 556773-4727, registered office address: BOX 7264, 103 89 Stockholm, the Kingdom of Sweden);
- The Member of the Board of Apoteksgruppen i Sverige AB (legal entity code 556773-4156, registered office address: BOX 7264, 103 89 Stockholm, the Kingdom of Sweden);
- The Member of the Board of Kronans Apotek AB (legal entity code 556787-2048, registered office address: BOX 30094, SE-104 25, Stockholm, the Kingdom of Sweden);
- The Member of the Board of Swedish Pharmacy Holding (legal entity code 559390-0854, registered office address: BOX 7264, 103 89 Stockholm, the Kingdom of Sweden);
- The Chairman of the Board of the Lithuanian Association of Pharmacies (legal entity code 126307089, registered office address: Gedimino pr. 20, Vilnius, the Republic of Lithuania).

Natalija Zaharova
- The Member of the Board of EUROAPOTHECA, UAB (legal entity code 300854822, registered office address: Ozo g. 25, Vilnius, the Republic of Lithuania);
- The Chair of the Board of EUROAPTIEKA, SIA (legal entity code 40003558181, registered office address: Cesu g. 31 k-1, Riga, the Republic of Latvia);
- The Chair of the Board of EUROAPTIEKA FARMACIJA, SIA (legal entity code 40103488069, registered office address: Cesu g. 31 k-1, Riga, the Republic of Latvia);
- The Chair of the Board of ASJ, SIA (legal entity code 41502018898, registered office address: Cesu g. 31 k-1, Riga, the Republic of Latvia);
- The Chair of the Board of RAES, SIA (legal entity code 42403006719, registered office address: Cesu g. 31 k-1, Riga, the Republic of Latvia);
- The Chair of the Board of Dalma LJ, SIA (legal entity code 42403007216, registered office address: Cesu g. 31 k-1, Riga, the Republic of Latvia);
- The Chair of the Board of Kadikoga, SIA (legal entity code 40103553388, registered office address: Cesu g. 31 k-1, Riga, the Republic of Latvia);
- The Chair of the Board of Ivina, SIA (legal entity code 45403005195, registered office address: Cesu g. 31 k-1, Riga, the Republic of Latvia).

Dominykas Kryževičius
- The Member of the Board of EUROAPOTHECA, UAB (legal entity code 300854822, registered office address: Ozo g. 25, Vilnius, the Republic of Lithuania);
- The Chairman of the Board of EUROAPTEEK, OU (legal entity code 11036389, registered office address: Akadeemia g. 45, Tallinn, the Republic of Estonia);
- The Chairman of the Board of EUROAPTEEK HOLDING OU (legal entity code 14628446, registered office address: Akadeemia g. 45, Tallinn, the Republic of Estonia);
- The Chairman of the Board of Pharma FinCo OU (legal entity code 14643730, registered office address: Akadeemia g. 45, Tallinn, the Republic of Estonia);
- The Chairman of the Board of BALTFARMA, OU (legal entity code 11387806, registered office address: Akadeemia g. 45, Tallinn, the Republic of Estonia).

Jurgis Gabrielius Rudgalvis
- The Member of the Board of Euroapotheca, UAB (legal entity code 300854822, registered office address: Ozo g. 25, Vilnius, the Republic of Lithuania);
- The Member of the Board of Swedish Pharmacy Holding (legal entity code 559390-0854, registered office address: BOX 7264, 103 89 Stockholm, the Kingdom of Sweden);
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- The Member of the Board of Euroapotheca Holding SWE, AB (legal entity code 559143-4526, registered office address: BOX 7264, 103 89 Stockholm, the Kingdom of Sweden);
- The Member of the Board of Kronans Apotek AB (legal entity code 556787-2048, registered office address: BOX 30094, SE-104 25, Stockholm, the Kingdom of Sweden);

Vykintas Juška
- The Member of the Board of Euroapotheca, UAB (legal entity code 300854822, registered office address: Ozo g. 25, Vilnius, the Republic of Lithuania);
- The Director of Siromed Pharma, UAB (legal entity code 304039854, registered office address: Ozo g. 25, Vilnius, the Republic of Lithuania).

Chief Executive Officer
Paulius Mencas

6 April 2023
Vilnius, Lithuania

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EUROAPOTHECA, UAB
Company code 300854822, Ozo g. 25, Vilnius

STATEMENTS OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts are in EUR thousands unless otherwise stated)

ASSETS	Notes	Group		Company	
		At 31 Dec 2022	At 31 Dec 2021	At 31 Dec 2022	At 31 Dec 2021
Non-current assets					
Goodwill	5	437,652	321,609	-	-
Other intangible assets	5	142,157	34,893	985	810
Property, plant and equipment	6	30,191	20,715	659	316
Right-of-use assets	13	175,870	104,219	817	924
Investments in subsidiaries	4	61	42	419,430	419,430
Loans granted	7	145	51	32,091	33,271
Finance lease and other non-current amounts receivable	9	10,346	18,019	67	-
Deferred income tax assets	21	2,775	1,724	88	80
Total non-current assets		**799,197**	**501,272**	**454,137**	**454,831**
Current assets					
Inventories	8	143,181	83,927	-	-
Amounts receivable, prepayments and other current assets	9	100,863	72,508	2,687	1,650
Loans granted	7	5,164	4,954	274	1,258
Prepaid income tax		5,477	883	-	-
Derivative financial instruments		708	-	708	-
Cash and cash equivalents	10	84,859	41,262	3,318	67
Total current assets		**340,252**	**203,534**	**6,987**	**2,975**
TOTAL ASSETS		**1,139,449**	**704,806**	**461,124**	**457,805**
EQUITY AND LIABILITIES					
Capital and reserves					
Authorised share capital	1	264,890	264,890	264,890	264,890
Legal reserve	11	10,572	10,394	10,572	10,394
Currency translation reserve	11	(31,404)	(8,831)	-	-
Other reserves		959	(396)	959	(396)
Retained earnings/(deficit)		102,593	74,511	128,985	100,844
Capital attributable to owners of the parent company		**347,610**	**340,568**	**405,406**	**375,732**
Non-controlling (minority) interest		237,756	-	-	-
Total equity		**585,366**	**340,568**	**405,406**	**375,732**
Non-current liabilities					
Borrowings	12	42,500	76,799	44,546	55,000
Lease liabilities	13	124,924	96,276	718	839
Deferred income tax liabilities	21	35,359	9,117	-	-
Long-term employee benefits		229	244	-	-
Derivative financial instruments	23	-	190	-	190
Other amounts payable		2	3	-	-
Total non-current liabilities		**203,014**	**182,629**	**45,264**	**56,029**
Current liabilities					
Borrowings	12	50,650	13,967	8,537	24,564
Lease liabilities	13	33,325	18,139	146	130
Trade payables		216,989	126,391	434	228
Income tax payable		2,594	1,613	-	-
Contract liabilities	15	1,243	1,066	-	-
Derivative financial instruments	23	-	456	-	456
Other amounts payable and accrued expenses	15	46,268	19,977	1,337	666
Total current liabilities		**351 069**	**181,609**	**10,454**	**26,044**
Total liabilities		**554,083**	**364,238**	**55,718**	**82,073**
TOTAL EQUITY AND LIABILITIES		**1,139,449**	**704,806**	**461,124**	**457,805**

The accompanying notes are an integral part of the financial statements.
The financial statements were approved and signed on 6 April 2023.

Paulius Mencas
Chief Executive Officer

Vytautas Liatukas
Chief Financial Officer

EUROAPOTHECA, UAB
Company code 300854822, Ozo g. 25, Vilnius

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts are in EUR thousands unless otherwise stated)

	Notes	Group		Company	
		2022	2021	2022	2021
Revenue from contracts with customers	16	1,030,355	812,051	6,021	5,948
(Cost) of sales	17	(910,975)	(714,337)	-	-
Gross profit		**119,380**	**97,714**	**6,021**	**5,948**
Operating (expenses)	18	(71,486)	(82,890)	(6,962)	(5,805)
Other income	19	514	9,824	31,292	32,872
Other (costs)	19	(8,276)	(115)	(1)	(27,800)
Operating profit		**40,132**	**24,533**	**30,350**	**5,215**
Interest (expenses)		(5,163)	(6,206)	(2,041)	(2,525)
Interest income		819	503	1,699	1,306
Other (expenses) of financing and investing activities	20	(320)	(320)	(1,697)	(438)
Profit before income tax		**35,468**	**18,510**	**28,311**	**3,558**
Income tax (expenses)/benefit	21	(9,102)	(7,766)	8	4
Profit for the period		**26,366**	**10,744**	**28,319**	**3,562**
Profit/(loss) for the period attributable to:					
Owners of the parent company		**28,260**	**10,744**	**28,319**	**3,562**
Non-controlling (minority) interest		(1,894)	-	-	-
		26,366	**10,744**	**28,319**	**3,562**

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts are in EUR thousands unless otherwise stated)

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Other comprehensive income that will be reclassified subsequently to profit or loss					
Foreign exchange effect		(22,489)	(4,924)	-	-
Result of a cash flow hedge	23	1,593	843	1,593	843
Income tax	23	(239)	(126)	(239)	(126)
Total other comprehensive income/(expenses) that will be reclassified subsequently to profit or loss		**(21,135)**	**(4,207)**	**1,354**	**717**
Other comprehensive income that will not be reclassified subsequently to profit or loss		-	-	-	-
Total other comprehensive income/(expenses) that will not be reclassified subsequently to profit or loss		-	-	-	-
Total comprehensive income for the period, net of tax		**5,232**	**6,537**	**29,673**	**4,279**
Comprehensive income attributable to:					
Owners of the parent company		**7,042**	**6,537**	**29,673**	**4,279**
Non-controlling (minority) interest		(1,810)	-	-	-
		5,232	**6,537**	**29,673**	**4,279**

The accompanying notes are an integral part of the financial statements.

The financial statements were approved and signed on 6 April 2023.

Paulius Mencas
Chief Executive Officer

Vytautas Liatukas
Chief Financial Officer

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts are in EUR thousands unless otherwise stated)

		CAPITAL ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY							
Group	**Notes**	**Share capital**	**Currency translation reserve**	**Legal reserve**	**Cash flow hedge reserve**	**Retained earnings / (deficit)**	**Total**	**Non-controlling (minority) interest**	**Total capital**
Balance at 1 January 2021		**264,890**	**(3,907)**	**8,896**	**(1,113)**	**77,265**	**346,031**	**-**	**346,031**
Formation of a legal reserve	11,	-	-	1,498	-	(1,498)	-	-	-
Profit for the period		-	-	-	-	10,744	10,744	-	10 744
Other comprehensive income		-	(4,924)	-	717	-	(4,207)	-	(4 207)
Total comprehensive income		-	(4,924)	-	717	10,744	6,537	-	6 537
Dividends paid		-	-	-	-	(12,000)	(12,000)	-	(12 000)
Balance at 31 December 2021		**264,890**	**(8,831)**	**10,394**	**(396)**	**74,511**	**340,568**	**-**	**340,568**
Formation of a legal reserve	11,	-	-	178	-	(178)	-	-	-
Acquisition of subsidiaries		-	-	-	-	-	-	239,565	239 565
Profit for the period		-	-	-	-	28,260	28,260	(1,894)	26 366
Other comprehensive income			(22,573)	-	1,355	-	(21,219)	84	(21 135)
Total comprehensive income		-	(22,573)	-	1,355	28,260	7,041	(1,810)	5 231
Dividends paid		-	-	-	-	-	-	-	-
Balance at 31 December 2022		**264,890**	**(31,404)**	**10,572**	**959**	**102,593**	**347,610**	**237,755**	**585,366**

EUROAPOTHECA, UAB
Company code 300854822, Ozo g. 25, Vilnius

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts are in EUR thousands unless otherwise stated)

Company	Notes	Share capital	Legal reserve	Cash flow hedge reserve	Retained earnings/(deficit)	Total
Balance at 1 January 2021		**264,890**	**8,896**	**(1,113)**	**110,780**	**383,453**
Formation of a legal reserve	11	-	1,498	-	(1,498)	-
Profit for the period		-	-	-	3,562	3 562
Other comprehensive income		-	-	717	-	717
Total comprehensive income		-	-	717	3,562	4 279
Dividends paid		-	-	-	(12,000)	(12 000)
Balance at 31 December 2021		**264,890**	**10,394**	**(396)**	**100,844**	**375,732**
Formation of a legal reserve	11	-	178	-	(178)	-
Profit for the period		-	-	-	28,319	28 319
Other comprehensive income		-	-	1,355	-	1 355
Total comprehensive income		-	-	1,355	28,319	29 674
Dividends paid		-	-	-	-	-
Balance at 31 December 2022		**264,890**	**10,572**	**959**	**128,985**	**405,406**

The accompanying notes are an integral part of the financial statements.

The financial statements were approved and signed on 6 April 2023.

Paulius Mencas
Chief Executive Officer

Vytautas Liatukas
Chief Financial Officer

EUROAPOTHECA, UAB
Company code 300854822, Ozo g. 25, Vilnius

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts are in EUR thousands unless otherwise stated)

	Notes	Group		Company	
		2022	2021	2022	2021
Cash flows from operating activities					
Profit for the period		26,366	10,744	28,319	3,562
Eliminations:					
Income tax expenses/(benefit) recognised in profit or loss	21	9,102	7,766	(8)	(4)
Depreciation, amortisation	5,6,13	33,013	24,961	732	686
Impairment/(reversal of impairment) for investments		-	-	-	27,800
Impairment/(reversal of impairment) of property, plant and equipment and intangible assets		1,421	-	-	-
Impairment of goodwill		-	26,986	-	-
Loss/(gain) from disposal and write-off of property, plant and equipment		846	15	(3)	(37)
Loss/(gain) from disposal of other investments		6,940	(8,655)	-	-
Change in write-down allowance for inventories and doubtful receivables	8, 9	(1,293)	966	-	-
Interest and other finance costs/(income) – net		4,344	5,703	2,039	1,219
Dividend income	19	-	-	(31,288)	(32,825)
		80,739	**68,486**	**(209)**	**401**
Changes and payments representing cash flows from operating activities:					
Change in inventories		608	(913)	-	-
Change in amounts receivable and prepayments		(6,573)	4,114	(1,103)	(546)
Change in trade payables, other payables and accrued expenses		16,387	5,143	712	747
Income tax paid		(8,748)	(9,723)	-	-
Net cash inflow/(outflow) from operating activities		**82,413**	**67,107**	**(628)**	**602**
Cash flows from investing activities					
Dividends received	14	38	251	30,138	13,975
Acquisition of non-current assets		(12,356)	(12,201)	(1,120)	(696)
Disposal of non-current assets		449	859	9	43
Loans granted	7	(650)	(1,050)	(1,769)	(916)
Loan repayments received	7	50	-	3,273	5,502
Acquisition/disposal of subsidiaries	4	(7,295)	1,652	-	-
Disposal of other investments		-	-	-	-
Interest received	7	171	99	457	305
Amounts received for sublease		3,562	748	-	-
Net cash inflow/(outflow) from investing activities		**(16 031)**	**(9,642)**	**30,989**	**18,214**
Cash flows from financing activities					
Dividends paid		-	(12,000)	-	(12,000)
Increase of authorised share capital		-	-	-	-
Settlement of lease liabilities		(22,708)	(16,951)	(285)	(278)
Interest paid on lease payments		(2,499)	(3,068)	(13)	(13)
Proceeds from borrowings	14	23,182	11,514	-	28,350
Repayments of borrowings	14	(19,325)	(37,963)	(25,623)	(34,000)
Interest paid	14	(1,435)	(3,160)	(1,217)	(2,602)
Net cash (outflow) from financing activities		**(22 785)**	**(61,628)**	**(27,110)**	**(20,542)**
Net increase/(decrease) in cash flows		**43,597**	**(4,162)**	**3,251**	**(1,726)**
Cash and cash equivalents at the beginning of the period		**41,262**	**45,424**	**67**	**1,793**
Cash and cash equivalents at the end of the period		**84,859**	**41,262**	**3,318**	**67**

The accompanying notes are an integral part of the financial statements.

The financial statements were approved and signed on 6 April 2023.

Paulius Mencas
Chief Executive Officer

Vytautas Liatukas
Chief Financial Officer

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1. General information

EUROAPOTHECA, UAB (the "Company") is a private limited liability company registered in the Republic of Lithuania. The Company started its operations on 28 May 2007. The address of its registered office is Ozo g. 25, Vilnius, Lithuania.

The Company's core line of business is management and consulting activities. The Company's subsidiaries manage the retail chains of pharmacies and are engaged in wholesale and retail trade in pharmaceuticals (including psychotropic medications) and other pharmaceutical goods.

Vilniaus Prekyba UAB is the sole shareholder of the Company that owns 91,341,381 shares. The ultimate controlling shareholder is METODIKA B.V. operating in the Netherlands. The ultimate controlling individual is Mr N. Numa. All the shares with a nominal value of EUR 2.90 each were fully paid as at 31 December 2022 and 2021. In 2022 and 2021, the Company's authorised share capital amounted to EUR 264,890 thousand.

In 2022 and 2021, the Company did not hold its own shares, and the subsidiaries of the Company did not hold the Company's shares.

As at 31 December 2022 and 2021, the Group consisted of EUROAPOTHECA, UAB and its subsidiaries (the "Group"):

Company name	Home country of the company	Ownership interest held by the Company, %		Profile of activities
		At 31 Dec 2022	At 31 Dec 2021	
EUROVAISTINĖ UAB	Lithuania	100	100	Retail trade in pharmaceuticals
EVD, UAB	Lithuania	100	100	Wholesale of pharmaceuticals
EVRC, UAB	Lithuania	100	100	Business consultations /Marketing services
SIROMED PHARMA, UAB	Lithuania	100	100	Wholesale of pharmaceuticals
Health Support and Charity Fund	Lithuania	100	100	Fund
EVDS, UAB (former Senjorų Vaistinė UAB)*	Lithuania	100	100	Dormant
AZETA UAB	Lithuania	100	100	Business consultations /Marketing services
Azeta Group UAB	Lithuania	100	100	Dormant
AZETA VAISTINĖ UAB*	Lithuania	100	100	Electronic trade in pharmaceuticals
ETOPOL UAB*	Lithuania	100	100	Dormant
Azeta SIA*	Latvia	100	100	Electronic commerce
Azeta Sp.z.o.o.**	Poland	100	0	Electronic commerce
EUROAPTIEKA, SIA	Latvia	100	100	Wholesale of pharmaceuticals
EUROAPTIEKA FARMACIJA, SIA	Latvia	100	100	Retail trade in pharmaceuticals
ASJ, SIA*	Latvia	100	100	Retail trade in pharmaceuticals
Dalma LJ, SIA*	Latvia	100	100	Retail trade in pharmaceuticals
Kadikoga, SIA*	Latvia	100	100	Retail trade in pharmaceuticals
RAES, SIA*	Latvia	100	100	Retail trade in pharmaceuticals
Ivina, SIA*	Latvia	100	100	Retail trade in pharmaceuticals
EUROAPTEEK OÜ	Estonia	100	100	Franchise services
Baltfarma OÜ	Estonia	100	100	Wholesale of pharmaceuticals
EUROAPTEEK HOLDING OÜ	Estonia	100	100	Dormant
Pharma FinCo OÜ	Estonia	100	100	Financing activities
Azeta OÜ*	Estonia	100	100	Marketing services
EURO SOLUTION, UAB	Lithuania	100	100	Dormant
Vaistų Realizacijos Centras UAB	Lithuania	100	100	Dormant

1. General information (continued)

Monovita, UAB	Lithuania	100	100	Dormant
Euroapotheca Holding SWE AB	Sweden	100	100	Holding undertaking
Kronans Apotek AB*	Sweden	50	0	Retail trade in pharmaceuticals
Swedish Pharmacy Holding_AB*	Sweden	50	0	Holding undertaking
Apoteksgruppen Detaljist AB*	Sweden	50	100	Retail trade in pharmaceuticals
Apoteksgruppen i Sverige AB*	Sweden	50	100	Business consultations / Marketing services / Franchise services
Apoteksgruppen i Sverige Holding AB*	Sweden	50	100	Holding undertaking
Azeta Pharma, AB*	Sweden	100	100	Electronic commerce
Other 30 companies of Apoteksgruppen Pharma	Sweden	1	1	Retail trade in pharmaceuticals

** Entities indirectly controlled by the Company.*
*** The companies disposed of in 2022*

As at 31 December 2022, the Group companies had 7,454 employees (31 December 2021: 3,693 employees). As at 31 December 2022, the Company had 61 employees (31 December 2021: 54 employees).

The Company's management approved these financial statements on 6 April 2023. The Company's shareholder has a statutory right to approve or not to approve these financial statements and require the preparation of a new set of the financial statements.

2. Adoption of new and (or) amended IFRSs and interpretations of the International Financial Reporting Interpretations Committee (IFRIC)

New standards, amendments and interpretations adopted by the Group and the Company

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).
The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

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2. Adoption of new and (or) amended IFRS and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) (continued)

Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis. These amendments had no impact on the financial statements of the Group and the Company.

COVID-19-related rent concessions – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021). In May 2020 an amendment to IFRS 16 was issued that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19, resulting in a reduction in lease payments due on or before 30 June 2021, was a lease modification. An amendment issued on 31 March 2021 extended the date of the practical expedient from 30 June 2021 to 30 June 2022. These amendments had no impact on the financial statements of the Group and the Company.

Standards that are endorsed by the EU, but not yet effective and that have not been early adopted by the Company

Other amendments to the standards and new standards that are endorsed by the EU, but not yet effective, are not relevant to the Group and the Company.

Standards not yet endorsed by the EU
Amendments to the standards and new standards not yet endorsed by the EU are not relevant to the Group and the Company.

3. Significant accounting policies

3.1. Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (hereinafter the "EU").

3.2. Basis of preparation and presentation of the financial statements

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments stated at fair value.

The financial year of the Company and other Group companies coincides with the calendar year.
All amounts in these financial statements are presented in the national currency of the Republic of Lithuania, the euros, which replaced the former national currency of the Republic of Lithuania – the litas, with effect from 1 January 2015.

The principal accounting policies are summarised below.

3.3. Changes in accounting policies

There were no changes in the accounting policies at the Group and the Company in 2022 and 2021.

3.4. Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the subsidiaries controlled by the Company. The financial statements of the Group companies are prepared for the same reporting year, using consistent accounting policies. Control is achieved when the Company has the power to control the financial and operating policies of an entity to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated in full in the consolidated financial statements.

3. Significant accounting policies (continued)

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other Group companies.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 'Financial instruments: Recognition and measurement' or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

3.5. Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised as profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its fair value on the acquisition date. Subsequent changes in such fair values are classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss.

Amounts arising from investments in acquirees that have previously been recognised in other comprehensive income prior to the acquisition date are reclassified to profit or loss, where such treatment would be appropriate if that investments were disposed of.

The acquiree's identifiable assets and liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements, which are recognised and measured in accordance with IAS 12 *Income taxes* and IAS 19 *Employee benefits* respectively;
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current assets held for sale and discontinued operations*.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group evaluates provisional amounts for the item for which the accounting is incomplete. These provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances, if known, that existed as at the acquisition date, and that have affected the amounts recognised as at that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as at the acquisition date and is subject to a maximum of one year.

For reorganisation of the Group companies by merger, the pooling of interest method is used. The practical application of the pooling of interest method involves the following procedures:

- assets and liabilities of entities that are being merged are stated at carrying amounts. Adjustments are made only for the purpose of achieving consistency of the accounting policies;
- no additional goodwill is recognised as a result of business combination;
- accumulated results stated at carrying amounts are included in equity.

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3. Significant accounting policies (continued)

3.6. Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree (if any) and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess if recognised immediately in profit or loss.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other assets of the unit pro-rata on the basis of the carrying amount of each asset of the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.
On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.7. Investments in subsidiaries

Investments in subsidiaries in the Company's stand-alone financial statements are recognised at acquisition cost less impairment. Such impairment is valued and accounted for each investment separately. Dividends received from subsidiaries are accounted for as dividend income.

3.8. Intangible assets (other than goodwill)

Intangible assets are recognised initially at acquisition cost. Intangible assets are recognised only when it is probable that future economic benefits associated with these assets will flow to the Company and the Group and the value of assets can be measured reliably. After the initial recognition, intangible assets are measured at acquisition cost, less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised using the straight-line method over the estimated useful life.

The costs of acquisition of new software are capitalised and treated as intangible assets if these costs are not an integral part of the related hardware. Computer software is amortised over the period not longer than 3 years.

In 2018, following with acquisition of the Swedish group entities, the Group's intangible assets were supplemented with a concept and lease contracts with the amortisation periods of 25 years and 10 years, respectively.

Costs incurred in relation to restoration or maintenance of the expected economic benefits from operation of the existing software systems are recognised as expenses in the period when such maintenance and support works have been carried out.

3.9. Property, plant and equipment

Property, plant and equipment is recognised at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and estimated impairment losses, if any.
The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that their carrying value may not be recoverable.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year in which the asset is derecognised.

Depreciation is calculated using the straight-line method over useful lives established as follows:

Buildings	20 years
Motor vehicles	3–6 years
Other property, plant and equipment	3–10 years

The asset's residual values, useful lives and depreciation methods are reviewed, and adjusted as appropriate, at each financial year-end. Property, plant and equipment acquired under finance leases are depreciated over their estimated useful lives on the same basis as owned assets.

3. Significant accounting policies (continued)

Subsequent repair costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair costs are recognised as expenses in the statement of comprehensive income during the financial period in which they are incurred.
Leasehold improvement expenses related to property under rental and/or operating lease agreements which will result in economic benefits in the future, are capitalised and depreciated during the term of rental and/or operating lease agreements.

3.10. Impairment of property, plant and equipment, intangible assets and right-of-use assets (other than goodwill)

At each statement of financial position date, the Group and the Company review the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of comprehensive income under the line item of operating expenses.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. Reversal of impairment loss is recognised in the statement of comprehensive income as a reduction of operating expenses.

3.11. Inventories

Inventories are recognised at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion, marketing and distribution. The cost is determined under the first-in, first-out (FIFO) method. Inventories that are no longer expected to be realised are written off. When calculating the cost of goods, the Group attributes a part of discounts received to goods acquired from suppliers and not yet sold. Inventories in progress are recognised according to INCOTERMS-2000, when the related risks and benefits are transferred to the Group and Company.

3.12. Financial instruments, assets and liabilities

Financial instruments

IFRS 9 *Financial instruments* replaced IAS 39 *Financial instruments: recognition and measurement* (effective for annual periods beginning on or after 1 January 2018) by bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement. On initial recognition, financial assets are classified as subsequently measured at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss.

The classification of financial assets on initial recognition depends on the contractual nature of the cash flows of the financial asset and the Group's business model for managing financial assets. Except for trade receivables and other amounts receivable that do not have a significant financing component, the Group initially recognises financial assets at fair value, plus, in case of financial assets not measured at fair value through profit or loss, transaction costs. Trade receivables and other amounts receivable that do not include a significant financing component are measured at the transaction price determined in accordance with IFRS 15.

For a financial asset to be designated and measured at amortised cost or fair value through other comprehensive income, cash flows arising from the financial asset should comprise solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is called the SPPI test and is performed for each financial instrument.

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3. Significant accounting policies (continued)

The Group's business model for managing financial assets indicates how the Group manages its financial assets to generate cash flows. The business model determines whether cash flows will be generated by collecting contractual cash flows, by selling the financial asset or by using both options.
Ordinary purchases or sales of financial assets are recognised on the trade date, i.e. the date on which the Group commits to purchase or sell the financial asset.

Subsequent measurement

After initial recognition, the Group measures financial assets at:
a) amortised cost (debt financial instruments);
b) fair value through other comprehensive income when accumulated profit or loss is transferred to profit or loss upon derecognition (debt financial instruments);
c) fair value through other comprehensive income when accumulated profit or loss is not transferred to profit or loss upon derecognition (equity instruments);
d) fair value through profit or loss.

Financial assets measured at amortised cost

The Group measures financial assets at amortised cost provided that both of the following conditions are met:
• the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost are subsequently recorded using the effective interest method (EIR) less impairment losses. Gains or losses are recognised in the statement of comprehensive income when the asset is derecognised, replaced or impaired. The Group's financial assets measured at amortised cost include trade receivables, other current and non-current receivables, loans granted and assets arising from contracts with customers.
The Group's financial assets measured at amortised cost include trade receivables and other amounts receivable, cash and cash equivalents, term deposits and loans granted.

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments (according to IFRS 9). Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets measured at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of comprehensive income.

Impairment of financial assets

According to IFRS 9, the Group generally recognises expected credit losses (ECL) for all debt financial instruments that are not measured at fair value through profit or loss. ECL are based on the difference between the contractual cash flows receivable and cash flows expected to be received by the Group discounted at an approximate original effective interest rate. ECL are recognised in two stages. For credit exposures whose credit risk has not increased significantly since initial recognition, ECL are calculated for credit losses arising from default events that may occur within the next 12 months (12-month ECL). Credit exposures for which there has been a significant increase in credit risk since initial recognition, impairment is provided for the amount of credit losses expected to occur within the remaining life of the credit exposure, irrespective of the timing of default (lifetime ECL).
The Group calculates expected credit losses based on probability-weighted scenarios to estimate expected net cash shortfalls, which are discounted at an approximate effective interest rate. A cash shortfall is the difference between the cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive. The Group has not established any provision for the impairment for issued debts because, based on the probability of default in credit obligations, exposure at default and forward looking information, impairment is insignificant.
The Group uses the simplified method for calculating ECL for trade receivables and assets arising from contracts with customers. Therefore, the Group does not observe changes in credit risk, but recognises impairment at each reporting date on the basis of lifetime ECL. The Group uses a matrix of expected loss rates, which is based on the historical credit loss analysis and adjusted to reflect future factors specific to debtors and economic environment. The Group considers that the debtor failed to meet his/her obligations related to financial assets when contractual payments are more than 30 days past due or when indications exist that the debtor or a group of debtors is experiencing significant financial difficulty, defaults in interest or principal payments, the probability occurs that they will enter bankruptcy or reorganisation procedures and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3. Significant accounting policies (continued)

Financial liabilities

Initial recognition and measurement. On initial recognition, financial liabilities are classified as financial liabilities measured at fair value through profit or loss, borrowings and amounts payable. All financial liabilities are initially recognised at fair value and, in case of borrowings and amounts payable, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, borrowings, including bank overdrafts and finance lease liabilities.

Subsequent measurement. The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities measured at fair value through profit and loss. Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading and financial liabilities classified as measured at fair value through profit or loss on initial recognition.

Financial liabilities are classified as held for trading if they are incurred with a repurchase purpose in the near future. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separate embedded derivatives are also classified as held for trading unless they are classified as effective hedging instruments. Gain or loss resulting from financial liabilities held for trading is recognised in the statement of comprehensive income. As at 31 December 2020 and 2019, the Group attributed to this category derivative financial instruments used to hedge against foreign exchange risk and interest rate risk.

Borrowings and other amounts payable. After initial recognition, borrowings and other amounts payable are accounted for at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in the statement of comprehensive income when liabilities are derecognised, as well as through the amortisation process.

Amortised cost is calculated by reference to the discount or premium on acquisition, as well as taxes or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of comprehensive income.

Derecognition. A financial liability is derecognised when the obligation under the liability is settled, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference between the respective carrying amounts is recognised in the statement of comprehensive income.

3.13. Derivative financial instruments and hedge accounting

Derivative financial instruments including swaps and other derivative financial instruments, are initially recognised at fair value in the statement of financial position. Fair values are determined according to the model, based on market observable inputs. Derivative financial instruments are classified as assets when their fair value is positive, and they are classified as liabilities when their fair value is negative.

Changes in the fair value of derivatives held for trading are included in finance income (expenses).

Derivative financial instruments are stated at fair value at the date of signing the contract and subsequently. The fair value is estimated based on quoted market prices (Level 1) and using valuation models for interest rate swaps (Levels 2 and 3). When the fair value of these transactions is positive, it is recognised in the statement of financial position as an asset, and when the fair value of these transactions is negative, it is recognised in the statement of financial position as a liability. Gain or loss from changes in fair value of derivative financial instruments are accounted for in the statement of comprehensive income.

For the purposes of hedge accounting, hedges are classified into two categories:

(a) fair value hedge is hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; and
(b) cash flow hedge is hedging the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a forecast transaction.

Fair value hedge

If a fair value hedge meets the criteria for hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is immediately recognised in the statement of comprehensive income. A hedged item is recognised as assets or liability depending on fair value changes related to the risk that is being hedged and the difference is reported in the statement of comprehensive income.

When an unrecognised firm commitment is designated as a hedged item, it is accounted for as a component of the future investment, taking into account the accumulated fair value changes related to the hedged risk and the difference is recognised in the statement of comprehensive income. After the realisation of a firm commitment related to the acquisition of the investment, its part related to an effective hedging transaction is allocated to the cost of the investment. After the realisation of the transaction the ineffective part of a firm commitment is accounted for in the statement of comprehensive income.

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3. Significant accounting policies (continued)

If a hedge does not meet the criteria for hedge accounting, any gain or loss arising from changes in the fair value of the hedging instrument is recognised in the statement of comprehensive income of that period.

The hedge accounting is discontinued if the hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting.

Cash flow hedge

If a cash flow hedge meets the criteria for hedge accounting, the portion of the gain or loss from remeasuring the hedging instrument that is determined to be an effective hedge is initially recognised in other comprehensive income and the ineffective portion is recognised in the statement of comprehensive income (through profit or loss). Gains or losses on the effective cash flow hedge that were initially recognised in equity are reclassified to the statement of comprehensive income in the same period during which the hedged transaction affects the statement of comprehensive income or are included in the initial cost estimate of the respective asset or liability.

If a hedge does not meet the criteria for hedge accounting, any gain or loss arising from changes in the fair value of the hedging instrument is recognised in the statement of comprehensive income of that period (profit or loss).

The hedge accounting is discontinued if the hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting. Any cumulative gain or loss on the hedging instrument that remains recognised in equity continues to be recognised in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, net cumulative gain or loss on the hedging instrument that remains recognised in equity is reclassified to the statement of comprehensive income (to profit or loss).

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the fixed rate loan (i.e., notional amount, maturity, payment and repricing dates). The Group/Company has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk is identical to the hedged risk component. To test the hedge effectiveness, the Group/Company uses the hypothetical derivative method and compares the changes in the fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk.

Hedge ineffectiveness can arise from:
- Differences in the timing of cash flows of the hedged item and hedging instrument;
- The counterparties' credit risk differently impacting the fair value movements of the hedging instrument and hedged item;
- Changes in projected cash flows of the hedged item and cash flows of hedging instruments.

3.14. Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

The Group and the Company as the lessees

As the lessees the Group and the Company recognise a right-of-use asset, representing their right to use the underlying asset, and a lease liability, representing their obligation to make lease payments.

Right-of-use assets
The Group and the Company recognise right-of-use assets at the commencement date of the lease, i.e. the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Recognised right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term. The right-of-use assets are assessed for impairment.

Lease liabilities
At the commencement date of the lease, the Group and the Company recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable and variable lease payments that depend on an index or a rate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period when they occur.

In calculating the present value of lease payments, the Group and the Company use the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a lease modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

3. Significant accounting policies (continued)

Short-term leases and leases of low-value assets
The Group and the Company apply the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office and other equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The Group and the Company as the lessors

Leases in which the Group and the Company do not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease term and is included in sales revenue in the statement of comprehensive income.

Subleases
When the Group and the Company are the intermediate lessors, they account for their interests in the head lease and the sublease separately. It assesses the classification of a sublease as a finance lease or an operating lease with reference to the right-of-use asset arising from the head lease. When subleases are classified as finance leases the Group and the Company derecognise the right-of-use asset relating to the head lease that they transfer to the sublessee and present the net investment in the sublease under non-current receivables and prepayments in the statement of financial position. During the term of the sublease the Group and the Company recognise finance income on sublease based on a pattern reflecting a constant period rate of return on the net investment in the lease.
For subleases classified as operating lease, the Group and the Company recognise the lease income on a straight-line basis over the lease term and include them in revenue in the statement of comprehensive income.

3.15. Taxes

The Group companies are taxed individually, irrespective of the overall results of the Group. Income tax charge is based on profit for the year and considers deferred taxation. A corporate income tax is included in these financial statements based on the management's calculations prepared in accordance with the respective tax legislation applied in the Republic of Lithuania, the Republic of Latvia, the Republic of Estonia, the Republic of Poland and the Kingdom of Sweden.

Income tax
Current tax charges are calculated on current year profit, as adjusted for certain non-deductible expenses/non-taxable income. Income tax expenses are estimated using the income tax rate effective as at the date of preparation of the statement of financial position. The income tax rate applied to companies in the Republic of Lithuania was 15% in 2022 and 2021.

In 2022 and 2021, the standard income tax rate in Lithuania was 15%, in Poland – 19%, in Sweden – 20.6% in 2022 and 20.6% in 2021. The taxation of income of the subsidiaries operating in Estonia and Latvia is postponed until the moment of profit appropriation, i.e. payment of dividends, until then a 0% income tax rate is applied.

Tax losses of the Group companies operating in Lithuania can be carried forward for an indefinite period of time, except for losses arising from the disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the company changes its activities due to which these losses were incurred except when the company does not continue its activities due to reasons which do not depend on the company itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and can only be used to reduce the taxable income earned from the transactions of the same nature.

With effect from 1 January 2014, in Lithuania deductible tax losses available for carry forward can be used to reduce taxable income of the current tax year by maximum 70%. In Poland tax losses can be carried forward for 5 years.

Deferred income tax
Deferred income tax represents a net tax effect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts reported in the financial statements. Deferred income tax assets and liabilities are measured using a tax rate that is expected to be used when deferred income tax assets are realised or deferred income tax liability is settled taking account of tax rates enacted or substantially enacted at the date of the statement of financial position.

Deferred income tax assets are recognised in the statement of financial position to the extent it is expected to utilise such assets in the near future taking into consideration forecasts of taxable profit. When it is probable that a portion of deferred tax assets will not be realised, this portion of deferred tax assets is not recognised in the financial statements.
Deferred income tax assets and liabilities are offset when they are related to income taxes levied by the same taxation authority and when the Group and the Company intend to settle the taxes payable on a net basis.

Income tax and deferred income tax for the reporting period
Income tax and deferred income tax are recognised as an expense or income in the statement of comprehensive income within income tax expenses, except when they relate to items that are recognised outside the statement of comprehensive income (i.e. whether in other comprehensive income or directly in equity), in which case deferred income tax is also recognised in other comprehensive income or directly in equity.

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3. Significant accounting policies (continued)

3.16. Revenue recognition

Revenue from contracts with customers
The Group's core line of business is wholesale and retail trade in pharmaceuticals and other pharmaceutical goods.

The Group/Company recognises revenue in order to reflect the transfer of promised goods or services to buyers at an amount that reflects the consideration that the Group/Company expects to receive in exchange for those goods and services, less value added tax, discounts and returns. The Group/Company recognises revenue on the basis of this main principle in the following sequence:

Step 1 – identification of the contract(s) with the customer. A contract is an agreement between two or more parties that creates enforceable rights and obligations.

Step 2 – identification of performance obligations identified in the contract, i.e. obligations identified in the contract to transfer goods or services to the buyer. If those goods or services can be distinguished, such obligations are regarded as performance obligations which are accounted for separately.

Step 3 – determination of the transaction price. The transaction price is the amount of consideration identified in the contract that the Group/Company expects to receive in exchange for the transfer of goods or services to the buyer. The transaction price may comprise a fixed amount of the consideration paid by the buyer, however sometimes it can also comprise a variable consideration or other than cash consideration. The transaction price is also adjusted in view of the time value of money, if the contract contains a significant financing component and also in view of any consideration payable to the buyer.

Step 4 – allocation of the transaction price to the performance obligations identified in the contract. The Group/Company usually allocates the transaction price to each performance obligation on the basis of relative stand-alone selling prices of each good or service promised to be transferred under the contract. If a stand-alone selling price is not observable in the market, the Group/Company estimates the stand-alone selling price.

Step 5 – recognition of revenue upon the satisfaction of the performance obligation by the Group/Company. The Group/Company recognises revenue when it satisfies the performance obligation by transferring promised goods or services to the buyer, i.e. when the buyer acquires control of those goods or services. The recognised amount of revenue is equal to the amount which is allocated to the satisfied performance obligation. Performance obligations are satisfied at a point in time or over time.

Revenue for sale of goods from contracts with customers is recognised at a point in time upon the delivery of goods when their control is transferred to the customer at the amount that the Group expects to receive in exchange for those goods or services. The Group/Company determined that it controls goods or services before those goods or services are transferred to the customer, therefore the Group/Company acts as a principal in the revenue transaction. The Group/Company recognises revenue from services rendered over a period of time (Note 16). Sales revenue is accounted for net of VAT and discounts granted.

The transaction price allocated to the unsatisfied performance obligation is not disclosed in these financial statements, because the Group/Company is entitled to consideration from the customer at the amount which fairly reflects the value goods sold and services rendered to the customer before the balance sheet date.

Revenue from provision of services is recognised on an accrual basis in the statement of comprehensive income upon provision of services and their acceptance by the customer.

The Group/Company and the customer determine the transaction price according to the pricing established by the Ministry of Health. The transaction price does not comprise variable components and it is determined for each category of separately sold assets. Revenue from provision of services is recognised when services are rendered. Other unregulated revenue from the disposal of buildings, equipment and machinery or inventory is recognised at a point in time, usually upon the delivery of goods sold to the customer.

The Group's/Company's contracts with customers do not contain promises that could be regarded as separate performance obligations.

The Group/Company also takes into consideration the impact of other matters on the recognition of revenue, such as the existence of significant financing components, non-cash payment and amounts payable to the customer. The Group's/Company's contracts with customers do not contain the above-mentioned contractual terms.

The transaction price allocated to the unsatisfied performance obligation is not disclosed in these financial statements, because the Group/Company is entitled to consideration from the customer at the amount which fairly reflects the value of services rendered to and consumed by the customer before the balance sheet date.

3. Significant accounting policies (continued)

3.17. Customer loyalty discounts

Sales of goods that result in award credits for customers, under the loyalty schemes, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods sold and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value – the amount for which the award credits could be realised separately. Such consideration is not recognised as revenue at the time of the initial sale transaction but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

3.18. Expense recognition

Expenses are recognised on an accrual basis and matching principle during the reporting period when income related to such expenses is earned, regardless of the timing of the cash payments.

The cost of goods and services sold includes all expenses attributable to sale of goods and services, including logistics and retail trade transaction expenses.

Operating expenses include all expenses, which are not directly attributable to sales of goods and services.

3.19. Foreign currency transactions

The functional currencies of the consolidated Group companies are the currencies that are used in their main activities. The functional currency of the Company and its subsidiaries operating in Lithuania, Latvia, Estonia and the presentation currency of the Group's financial statements is the euro (EUR).

Foreign currency transactions are initially measured using the functional currency at the date of the transaction. Assets and liabilities denominated in foreign currency are translated into the functional currency at the date of the statements of financial position using the exchange rate prevailing at the date of the statements of financial position.

Assets and liabilities of the foreign subsidiaries are translated into euro at the date of the financial statements using the exchange rate prevailing at the date of the statements of financial position, whereas the statements of comprehensive income of the foreign subsidiaries are translated using the average annual exchange rate. Translation differences are recognised directly in equity. On disposal of a foreign subsidiary cumulative currency translation gains and losses recognised in equity are recorded in the statement of comprehensive income.

Fair value adjustments and goodwill arising on the acquisition of a foreign subsidiary are considered as assets or liabilities of the acquired entity and are converted using the exchange rate prevailing at the date of the statement of financial position.

The main foreign exchange rates used for the preparation of the financial statements were as follows:

	At 31 Dec 2022	Average for 2022	At 31 Dec 2021	Average for 2021
EUR/PLN	0.2136	0.2134	0.2176	0.2190
EUR/SEK	0.0899	0.0941	0.0976	0.0986

3.20. Contingencies

Contingent liabilities are not recognised in the financial statements, except for contingent liabilities in business combinations. They are disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow of income or economic benefits is probable.

3.21. Events after the reporting period

Events after the end of the reporting period that provide additional information about the Group's and the Company's position at the date of the statement of financial position (adjusting events) are disclosed in the financial statements. Events after the end of the reporting period that are not adjusting events are disclosed in the notes when material.

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3. Significant accounting policies (continued)

3.22. Employee benefits

Post-employment benefits payable at the retirement age

Each employee leaving the Company at the retirement age is entitled to receive a payment equal to 2 monthly salaries as stipulated in the laws of the Republic of Lithuania. Employee benefit obligation is recognised in the statement of financial position and it reflects the present value of these benefits at the date of the statement of financial position. The aforementioned long-term employee benefit obligation at the date of the statement of financial position is estimated with reference to actuary valuations using the projected relative unit method. The present value of the defined long-term employee benefit obligation is determined by discounting the estimated future cash flows using the effective interest rates as set for government bonds denominated in a currency in which the benefits will be paid to employees and that have a maturity term similar to that of the related liability.

3.23. Critical accounting estimates and judgements

The preparation of financial statements according to International Financial Reporting Standards as adopted by the European Union requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and contingencies. The areas where estimates are significant to the financial statements include impairment of goodwill and investments, net realisable value of inventories, allocation of purchase discounts to unsold inventory items, the amount of deferred income, net realisable values of doubtful receivables and prepayments. Future events may cause assumptions used in arriving at the accounting estimates to change. The effect of any changes in estimates will be recorded in the financial statements when determinable.

In applying accounting policies management is required to make estimates, judgements and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and the related assumptions are based on past experience and other directly related factors. Actual results may ultimately differ from the estimates made.

The accounting estimates and underlying assumptions are reviewed on an ongoing basis. The effect of a change in an accounting estimate is recognised in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the future, are discussed below.

Impairment of goodwill
The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy for goodwill set in Note 3. The recoverable amount of a cash-generating unit is determined based on value-in-use calculations using cash flow projections based on the five-year financial forecasts in accordance with the Group's internal forecasts. Main assumptions used in value-in-use calculations are related to discount and growth rates and expected changes in margins. The management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash-generating units. The sensitivity analysis of the key assumptions used is disclosed in Note 5.

Impairment/(reversal of impairment) of investments
The Company annually reviews assumptions in relation to possible risk of impairment or reversal of impairment for investments in subsidiaries. The recoverable amount of a cash-generating unit is determined based on value-in-use calculations using cash flow projections based on the five-year financial forecasts in accordance with the Group's internal forecasts. Key assumptions used in value-in-use calculations are related to discount and growth rates and expected changes in margins (see Note 5 for more details). The management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash-generating units. Changes in selling prices and direct costs are based on past experience and foreseen changes in the market. Changes in selling prices and direct costs are based on past experience and foreseen changes in the market.

Legal regulation
With retail trade and wholesale of pharmaceuticals being more heavily regulated than other types of retail trade and wholesale, the main risk to which the Group companies are exposed is a constant change of government policy and legal regulation in the field of pharmacy.

Impairment of property, plant and equipment, intangible assets and right-of-use assets
The Group and the Company make an assessment, at least annually, whether there are any indicators that the carrying amount of property, plant and equipment and intangible assets has been impaired. If that is the case, the Group and the Company make an impairment test in accordance with the accounting policy set out in Note 3. As at 31 December 2022 and 2021, there were no indications that the carrying amount of property, plant and equipment has been significantly impaired.

3. Significant accounting policies (continued)

Impairment of trade receivables
In respect of trade receivables, impairment is recognised when there are objective indications (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group and the Company will not be able to collect all amounts as they fall due. The impairment of amounts receivable is recognised through use of the allowance account. Trade receivables are written-off when they are identified as irrecoverable.

Write-down allowance for inventories
Inventories are assessed for impairment when events and circumstances indicate that the value of assets may not be recoverable. Where the carrying amount of inventories exceeds their recoverable amount, impairment loss is accounted for in profit or loss. A reversal of an impairment loss recognised in prior periods is recorded when there is an indication that the impairment loss recognised for the asset no longer exists or has materially decreased. Reversal is accounted for in profit or loss under the same item as impairment loss.

Lease liabilities
When estimating lease liabilities the Group included future lease payments over the established non-cancellable contract term. The majority of the Group's lease contracts provides for the options on the extension and termination of the lease term. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. Under such contract conditions the Group has estimated a probable extension period by making assumptions about in which cases and for which period it is probable that lease contracts could be extended. Right-of-use assets are depreciated over this estimated lease term.

The management has conducted the sensitivity analysis test by changing the duration of the lease term extension. The management made the assumption that in case the lease extension period is prolonged for 24 months, lease liabilities would increase by EUR 36,278 thousand, and in case the lease extension period is reduced by 24 months, lease liabilities would decrease by EUR 36,278 thousand. The management has also conducted the sensitivity analysis test by changing the discount rate. The management made the assumption that in case the applied discount rate is increased or decreased by 0.2 percentage points, lease liabilities would change by up to 1%.

Estimation of the discount rate in accounting for lease liabilities
Lease liabilities were recognised based on the present value of the remaining lease payments over the estimated lease term, discounted using the incremental borrowing rate. The weighted average incremental borrowing rate applied to lease liabilities was consistent with market conditions and was within the range of 1.15%-1.61%. A single discount rate was applied to the lease portfolios having reasonably similar characteristics.
The management has also conducted the sensitivity analysis test by changing the discount rate. The management made the assumption that in case the applied discount rate is increased or decreased by 0.2 percentage points, lease liabilities would change by up to 1%.

Consolidation of business operations in Sweden
After the completion of the transaction between Euroapotheca Holding Sweden AB, a subsidiary of Euroapotheca UAB, and Oriola Corporation in October 2022, each party acquired a 50% ownership interest in Swedish Pharmacy Holding AB. In order to decide on the consolidation of the Swedish joint venture in the Group's financial statements, the Group's management performed the assessment regarding the retention of a larger portion of control. The assessment was performed on the basis of the criteria established by IFRS 10 on the retention of control.
Based on the conclusions of the consultants and of the assessment performed by the Group's management, it was decided that a larger portion of control is held by the Group, and therefore, the assets, liabilities and profit/loss of the Swedish joint venture are fully included in the consolidated financial statements of Euroapotheca by distinguishing the minority interest.

3.24. Offsetting, rounding and comparative figures

When preparing the financial statements, assets and liabilities, as well as revenue and expenses are not set off, except the cases when certain accounting standards specifically require such set-off.

Due to the rounding effects of individual amounts to the nearest thousand of euros, the tabular amounts may not add up to the total figures. These rounding errors are not material in the financial statements.

Where necessary, comparative figures were adjusted seeking to conform with the disclosures of the current reporting period.

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4. The Company's investments in subsidiaries, acquisitions, disposals, mergers of subsidiaries

The recoverable amount of investments as at 31 December 2022 was determined using the post-tax discount rate from 6.49% to 7.37% (from 6.45% to 6.8% as at 31 December 2021).

Investments in the subsidiaries and the associates as at 31 December 2022 are presented in the table below:

	Acquisition cost of investments	Impairment of investments in subsidiaries	Total
EUROVAISTINĖ UAB	79,869	-	79,869
EVD, UAB	102,730	-	102,730
EVRC, UAB	14	-	14
Siromed Pharma UAB	410	-	410
AZETA UAB	2,296	-	2,296
EUROAPTIEKA, SIA	8,928	-	8,928
EUROAPTIEKA FARMACIJA, SIA	2,127	-	2,127
EUROAPTEEK OU	3,675	-	3,675
Baltfarma OU	3	-	3
EURO SOLUTION, UAB	30,189	(28,677)	1,512
Monovita, UAB	391	(19)	373
Vaistų Realizacijos Centras UAB	3	-	3
Health Support and Charity Fund	3	-	3
Euroapotheca Holding SWE AB	245,277	(27,800)	217,477
AZETA GROUP, UAB	3	-	3
EUROAPTEEK HOLDING OÜ	8	-	8
	475,926	**(56,496)**	**419,430**

Investments in the subsidiaries and the associates as at 31 December 2021 are presented in the table below:

	Acquisition cost of investments	Impairment of investments in subsidiaries	Total
EUROVAISTINĖ UAB	79,869	-	79,869
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EURO SOLUTION, UAB	30,189	(28,677)	1,512
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Vaistų Realizacijos Centras UAB	3	-	3
Health Support and Charity Fund	3	-	3
Euroapotheca Holding SWE AB	245,277	(27,800)	217,477
AZETA GROUP, UAB	3	-	3
EUROAPTEEK HOLDING OÜ	8	-	8
	475,926	**(56,496)**	**419,430**

The evaluation is performed referring to the results of the business unit operating in the country rather than the results of each separate company because the activities of the companies overlap, they are interdependent and therefore an individual evaluation would not provide reliable results. The management also analyses aggregate data by country and makes respective decisions in view of the overall results of the country. Based on the results of the valuation of the Company's investments in 2022, impairment of investments was not recognised for any of the subsidiaries. The evaluation of the investment was carried out based on the assumptions and methods as disclosed in Note 5.
In 2021, a EUR 27.8 million impairment of the investment was established for subsidiary operating in Sweden Euroapotheca Holding SWE AB.

4. The Company's investments in subsidiaries, acquisitions, disposals, mergers of subsidiaries (continued)

Acquisitions in 2022

On 3 October 2022, Euroapotheca Holding SWE, a subsidiary of Euroapotheca, UAB operating in Sweden, and Oriola Corporation signed the agreement, under which they agreed to merge the Swedish pharmacy chains owned, i.e. Apoteksgruppen owned by Euroapotheca and Kronans Apotek owned by Oriola. The transaction was implemented by establishing a joint venture Swedish Pharmacy Holding AB by Euroapotheca and Oriola in which each party holds a 50% ownership interest.

As part of the transaction , Euroapotheca group contributed the Apoteksgruppen business to the joint venture, the value of which was estimated at EUR 218 million, while Oriola contributed Kronans Apotek, the value of which was estimated at EUR 266.5 million. During the transaction, Euroapotheca group also paid to Oriola a monetary premium of EUR 24.25 million.

The value of Kronans Apotek and Apoteksgruppen in the Group's consolidated financial statements is based on the assumptions made by the Group's management. According to the Swedish business strategy it is planned that the revenue of Kronans Apotek and Apoteksgruppen will grow by 2.0-4.0 p.p. over the upcoming period of 5 years. The current gross profit margin is also expected to be retained or increased moderately and the ratio of operating expenses to revenue is planned to be reduced through synergies in order to achieve an increase in the ratio of operating profit to revenue over the upcoming period of 5 years. The discount rate for Kronans Apotek and Apoteksgruppen was established within the range from 7.0% to 9%.

As part of the valuation of the Swedish companies, the sensitivity analysis was carried out in order to evaluate the sensitivity of the discounted value to changes in two variables. The variables were changed individually and not in combination with other assumptions:
- discount rate (weighted average cost of capital). The original discount rate and a 0.2 p.p. higher discount rate were assessed. By changing only this variable during the sensitivity analysis, the value of Kronans Apotek would change around EUR 10 million and the value of Apoteksgruppen would change around EUR 9 million.
- revenue growth rate. Three scenarios were assessed: if the actual growth rate differs from the growth rate established in the business plan by -1.5 p.p., -1 p.p. and -0.5 p.p. By changing only this variable during the sensitivity analysis, the value of Kronans decreased respectively by EUR 18 million, EUR 12 million and EUR 6 million. The value of Apoteksgruppen decreased respectively by EUR 17 million, EUR 11 million and EUR 6 million.

As the Group acquired 50% of shares of the Swedish joint venture during the transaction and it was decided during the assessment performed by the management that control is retained by Euroapotheca, Swedish Pharmacy Holding AB and assets and liabilities of the companies acquired by it are included in the consolidated financial statements of Euroapotheca. Set out below are the assets and liabilities of Kronans Apotek AB contributed to the Euroapotheca group.

	Kronans Apotek AB	**Fair value adjustment**	**Balance sheet of Kronans Apotek at fair value**
Property, plant and equipment	18,019	-	18,019
Intangible assets	20,932	84,384	105,316
Financial assets	19	-	19
Goodwill	225,848	(89,648)	136,200
Prepayments and other non-current assets	760	-	760
Right-of-use assets	44,700	31,577	76,277
Inventories	59,796	-	59,796
Amounts receivable and prepayments	30,399	-	30,398
Cash and cash equivalents	16,931	-	16,931
Total assets acquired	*417,404*	*26,313*	*443,717*
Non-current finance lease liabilities	(36,219)	-	(36,219)
Deferred income tax liabilities	(4,093)	(23,885)	(27,978)
Current finance lease liabilities	(12,342)	-	(12,342)
Trade payables, other amounts payable and current liabilities	(100,678)	-	(100,678)
Total liabilities assumed	*(153,332)*	*(23,885)*	*(177,217)*
Total recognised net assets	**264,072**	**2,428**	**266,500**

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4. The Company's investments in subsidiaries, acquisitions, disposals, mergers of subsidiaries (continued)

Intangible assets and liabilities measured at fair value on acquisition:	
Goodwill	(89,648)
Trademark	56,126
Attractive location	31,577
Concept	28,258
Deferred income tax liabilities	(23,885)
Total purchase consideration	266,500
Purchase consideration:	
Cash consideration paid by the Group	24,250
Less: cash in acquired companies	(16,743)
Purchase consideration – net	**7,507**

The date of acquisition and the date of commencement of consolidation of the new subsidiary is 3 October 2022. During the period between October and December 2022, revenue and net loss of the acquired company amounted to EUR 203,537 thousand and EUR -6,054 thousand, respectively.

Disposals in 2022

On 28 April 2022, the Group disposed of 100% of shares of Azeta Sp.z.o.o.

	Azeta Sp.z.o.o.
Cash and cash equivalents	38
Property, plant and equipment	57
Intangible assets	3
Right-of-use assets	-
Inventories and prepayments	217
Trade and other amounts receivable	144
Amounts payable and other liabilities	(296)
Lease liabilities	-
Profit/(loss) from sale	(101)
Sale proceeds	**62**
Sale proceeds	
Less:	
Cash and cash equivalents in subsidiaries disposed	38
Increase in cash from disposal of subsidiaries	24

Disposals in 2021

On 17 November 2021, the Group sold 100% of shares of Euro-Apteka SP.z.o.o., Super Zdrowie Sp.z.o.o. and MLV 18 sp.z.o.o.

	Euro-Apteka SP.z.o.o	**MLV 18 sp.z.o.o.**	**Super Zdrowie Sp.z.o.o.**
Cash and cash equivalents	226	190	589
Property, plant and equipment	143	-	4
Intangible assets	7	-	-
Right-of-use assets	8,386	-	748
Inventories and prepayments	3,670	0	497
Trade and other amounts receivable	14,145	625	1,807
Amounts payable and other liabilities	(24,593)	(510)	(2,390)
Lease liabilities	(8,766)	-	(777)
Profit/(loss) from sale	9,120	(279)	(186)
Sale proceeds	**2,340**	**27**	**292**

4. The Company's investments in subsidiaries, acquisitions, disposals, mergers of subsidiaries (continued)

Sale proceeds	2,340	27	292
Less:			
Cash and cash equivalents in subsidiaries disposed	226	190	589
Increase in cash from disposal of subsidiaries	**2,113**	**(164)**	**(298)**

5. Intangible assets

Group	Goodwill	Other intangible assets	Total
Acquisition cost			
Balance at 1 January 2021	**440,104**	**43,690**	**483,794**
- Additions	-	2,376	2,376
- Disposals and write-offs	-	(549)	(549)
- Assets of disposed subsidiaries	(8,683)	(214)	(8,898)
- Reclassified from/to	-	(1)	(1)
- Currency exchange differences	(4,392)	(800)	(5,192)
Balance at 31 December 2021	**427,029**	**44,502**	**471,530**
- Additions	-	6,971	6,971
- Assets of acquired subsidiaries	136,200	146,857	283,057
- Disposals and write-offs	-	(1,772)	(1,772)
- Assets of subsidiaries disposed	-	(14)	(14)
- Reclassified from/to	-	5,800	5,800
- Currency exchange differences	(20,157)	(5,431)	(25,588)
Balance at 31 December 2022	**543,071**	**196,914**	**739,985**
Amortisation and impairment			
Balance at 1 January 2021	**(87,374)**	**(7,325)**	**(94,699)**
- Amortisation charge	-	(2,861)	(2,861)
- Disposals and write-offs	-	194	194
- Amortisation of assets of subsidiaries disposed	8,683	187	8,870
- Impairment charge	(26,986)	-	(26,986)
- Currency exchange differences	258	195	453
Balance at 31 December 2021	**(105,419)**	**(9,610)**	**(115,028)**
- Amortisation charge	-	(5,133)	(5,133)
- Disposals and write-offs	-	482	482
- Amortisation of assets of acquired subsidiaries	-	(41,511)	(41,511)
- Amortisation of assets of subsidiaries disposed	-	10	10
- Impairment charge	-	(462)	(462)
- Currency exchange differences	-	1,470	1,470
Balance at 31 December 2022	**(105,419)**	**(54,756)**	**(160,174)**
Net book amount			
Balance at 31 December 2021	**321,609**	**34,893**	**356,502**
Balance at 31 December 2022	**437,652**	**142,158**	**579,810**

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5. Intangible assets (continued)

Company	Other intangible assets
Cost	
Balance at 1 January 2021	**1,841**
- Additions	543
- Reclassified from/to	-
- Disposals and write-offs	(13)
Balance at 31 December 2021	**2,371**
- Additions	583
- Reclassified from/to	-
- Disposals and write-offs	-
Balance at 31 December 2022	**2,954**
Amortisation	
Balance at 1 January 2021	**(1,226)**
- Amortisation charge	(345)
- Disposals and write-offs	10
Balance at 31 December 2021	**(1,561)**
- Amortisation charge	(408)
- Disposals and write-offs	-
Balance at 31 December 2022	**(1,969)**
Net book amount	
At 31 December 2021	**810**
At 31 December 2022	**985**

The Group's other intangible assets comprise software and licences for the pharmaceutical activities. In 2018 and 2022, the Swedish business concept and lease contracts, which were recognised in the Group's accounts after the completion of the purchase price allocation, were added to intangible assets.

In 2022 and 2021, the Group's and the Company's amortisation expenses were included in operating expenses. The acquisition cost of the Group's and the Company's fully amortised intangible assets amounted to EUR 2.1 million and EUR 1.2 million, respectively, as at 31 December 2022 (31 December 2021: EUR 7.2 million and EUR 1.0 million).

As at 31 December 2022, the Group and the Company had internally created intangible assets with the production cost of EUR 528 thousand. As at 31 December 2021, the Group and the Company had internally created intangible assets with the production cost of EUR 64 thousand.

Presented below is the breakdown of the Group's goodwill by country in which the trade divisions operate.

Place of business of the cash-generating units (trade divisions)	Value of goodwill in 2021	Acquisitions / disposals of new trade units in 2022	Foreign exchange effect on change in value of goodwill in 2022	Value of goodwill in 2022
LITHUANIA	100,484	-	-	100,484
LATVIA	8,198	-	-	8,198
ESTONIA	1,509	-	-	1,509
SWEDEN	211,418	136,200	(20,157)	327,461
Total	**321,609**	**136,200**	**(20,157)**	**437,652**

In 2022 and 2021, when testing goodwill for impairment, goodwill was allocated to four cash-generating units: divisions related to trade in pharmaceuticals in Lithuania, Latvia, Estonia and Sweden. The recoverable amounts of these cash-generating units were calculated using the value-in-use method on the basis of future cash flow models for five years and a subsequent indefinite period that were prepared according to the management's projections. The main assumptions used in value-in-use calculations are related to discount rates, revenue growth rates and expected changes in margins. In 2022, the value in use was calculated using the discount rates after income tax from 6.49% to 7.37% (from 6.45% to 6.8% in 2021) and the going concern value was calculated using the growth rate of 2% (2021: 2%). The management estimated the discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash-generating units. The growth rates were determined on the basis of projected growth rates of the economy in the long term.

5. Intangible assets (continued)

Based on the management's estimates, Sweden was the most sensitive business division to impairment of goodwill. The main assumptions used for the impairment testing are presented below.

Goodwill of the business division in Sweden

The valuation of the Swedish business obtained during the completed transaction with Oriola Corporation was used during the impairment assessment of goodwill of the business division in Sweden. The transaction value is described in Note 4. Based on the management's estimate, the value of goodwill of the business division in Sweden corresponds to the valuation obtained during the transaction.

6. Property, plant and equipment

Group	Land	Buildings	Motor vehicles	Construction in progress	Equipment and other property, plant and equipment	Total
Acquisition cost						
Balance at 1 January 2021	**17**	**488**	**14**	**264**	**32,238**	**33,021**
- Additions		78	14	4,279	5,454	9,825
- Disposals and write-offs	(11)	(290)	(3)	-	(1,456)	(1,760)
- Assets of subsidiaries disposed	-	-	(13)	-	(5,673)	(5,686)
- Reclassified from/to	-	-	-	(125)	(1,032)	(1,157)
- Currency exchange differences	-	-	2	(43)	(228)	(269)
Balance at 31 December 2021	**6**	**276**	**14**	**4,375**	**29,303**	**33,974**
- Additions	-	-	15	1,483	3,887	5,386
- Assets of acquired subsidiaries	-	-	-	2,259	105,302	107,562
- Disposals and write-offs	-	246	-	-	(1,872)	(1,626)
- Assets of subsidiaries disposed	-	-	-	-	(74)	(74)
- Reclassified from/to	-	-	-	(5,800)	(6)	(5,806)
- Currency exchange differences	-	-	-	(163)	(1,946)	(2,110)
Balance at 31 December 2022	**6**	**521**	**29**	**2,155**	**134,595**	**137,305**
Depreciation and impairment						
Balance at 1 January 2021	**-**	**(32)**	**(14)**	**-**	**(16,703)**	**(16,750)**
- Depreciation charge	-	(23)	(2)		(4,547)	(4,572)
- Depreciation of assets disposed and written off	-	-	3	-	1,238	1,241
- Reclassified from/to	-	-	-	-	1,184	1,184
- Depreciation of assets of subsidiaries disposed	-	-	13	-	5,526	5,539
- Currency exchange differences	-	-	(3)	-	102	99
Balance at 31 December 2021	**-**	**(55)**	**(3)**	**-**	**(13,200)**	**(13,258)**
- Depreciation charge	-	(30)	(3)	-	(5,798)	(5,831)
- Depreciation of assets disposed and written off	-	(246)	-	-	1,370	1,124
- Depreciation of assets of acquired subsidiaries	-	-	-	-	(89,542)	(89,542)
- Depreciation of assets of subsidiaries disposed	-	-	-	-	12	12
- Impairment charge	-	(153)	-	-	(806)	(959)
- Currency exchange differences	-	-	-	-	1,341	1,341
Balance at 31 December 2022	**-**	**(484)**	**(6)**	**-**	**(106,622)**	**(107,112)**
Net book amount						
Balance at 31 December 2021	**6**	**220**	**11**	**4,375**	**16,103**	**20,715**
Balance at 31 December 2022	**6**	**37**	**23**	**2,155**	**27,973**	**30,193**

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6. Property, plant and equipment (continued)

Company	Equipment and other property, plant and equipment
Acquisition cost	
Balance at 1 January 2021	**1,330**
- Additions	153
- Disposals and write-offs	(291)
Balance at 31 December 2021	**1,192**
- Additions	536
- Disposals and write-offs	(98)
Balance at 31 December 2022	**1,630**
Depreciation	
Balance at 1 January 2021	**(930)**
- Depreciation charge	(234)
- Depreciation of assets disposed and written off	288
Balance at 31 December 2021	**(876)**
- Depreciation charge	(187)
- Depreciation of assets disposed and written off	92
Balance at 31 December 2022	**(971)**
Net book amount	
Balance at 31 December 2021	**316**
Balance at 31 December 2022	**659**

In 2022, depreciation expenses of the Group's property, plant and equipment amounting to EUR 4,613 thousand (2021: EUR 3,247 thousand) were included in the cost of sales and the remaining part was included in operating expenses. In 2022 and 2021, the total amount of depreciation expenses of the Company's property, plant and equipment was included in operating expenses. The acquisition cost of the Group's and the Company's fully depreciated property, plant and equipment amounted to EUR 8.3 million and EUR 0.6 million, respectively, as at 31 December 2022 (31 December 2021: EUR 9.8 million and EUR 0.6 million).
As at 31 December 2022 and 31 December 2021, the Group and the Company had no internally created property, plant and equipment.

7. Loans granted

As at 31 December, long-term loans granted by the Group and the Company comprised as follows:

	Group		Company	
	2022	**2021**	**2022**	**2021**
Loan granted to EUROAPOTHECA, UAB group companies	-	-	32,091	33,271
Loans granted to other related companies	145	51	-	-
	145	**51**	**32,091**	**33,271**

As at 31 December, short-term loans granted by the Group comprised as follows:

	2022	**2021**
Loans granted to other companies	4,883	4,740
Accrued interest on loans granted to other companies	281	214
	5,164	**4,954**

7. Loans granted (continued)

As at 31 December, short-term loans granted by the Company comprised as follows:

	2022	2021
Loans granted to EUROAPOTHECA, UAB group companies	271	1,252
Accrued interest on loans granted to EUROAPOTHECA, UAB group companies	3	6
	274	**1,258**

All loans granted by the Group and the Company are denominated in euros, they bear variable interest rate linked to EURIBOR, plus a margin consistent with market conditions.

8. Inventories

As at 31 December, inventories comprised as follows:

	Group		Company	
	2022	2021	2022	2021
Goods for resale at acquisition cost	145,199	86,011	-	-
Less: write-down allowance	(2,018)	(2,084)	-	-
Total	**143,181**	**83,927**	**-**	**-**

The Group estimated write-downs of inventories to net realisable value in respect of all inventories held in stock. A change in write-downs of inventories between 31 December 2022 and 31 December 2021 amounted to EUR 66 thousand and between 31 December 2021 and 31 December 2020 amounted to EUR 496 thousand. A change in write-downs of inventories to net realisable value due to an additionally established write-down allowance in 2022 and 2021 was recognised as a loss and included in operating expenses. The acquisition cost of inventories accounted for at net realisable value amounted to EUR 143,181 thousand in 2022 (2021: EUR 83,927 thousand).

9. Amounts receivable and prepayments

As at 31 December, finance lease and other non-current amounts receivable comprised as follows:

	Group		Company	
	2022	2021	2022	2021
Non-current amounts receivable for assets leased under finance leases	6,523	9,350	-	-
Non-current prepayments	456	386	67	-
Other non-current amounts receivable	3,367	8,283	-	-
Total	**10,346**	**18,019**	**67**	**-**

As at 31 December, trade receivables and other receivables within one year and prepayments comprised as follows:

	Group		Company	
	2022	2021	2022	2021
Financial assets				
Amounts receivable from health insurance funds and/or similar institutions	39,581	33,955	-	-
Other trade receivables	27,528	18,846	2,025	1,592
Other amounts receivable	5,319	7,887	-	-
Total financial assets	**72,428**	**60,688**	**2,025**	**1,592**
Non-financial assets				
Prepayments	9,925	3,377	126	58
VAT receivable	14,769	5,457	536	-
Other amounts receivable	4,340	4,453	-	-
Total non-financial assets	**29,034**	**13,287**	**662**	**58**
Less: impairment of financial assets due to doubtful amounts receivable	(600)	(1,467)	-	-
Total	**100,863**	**72,508**	**2,687**	**1,650**

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9. Amounts receivable and prepayments (continued)

As at 31 December 2022 and 2021, doubtful amounts receivable were assessed collectively for impairment. Change in impairment of amounts receivables between 31 December 2022 and 31 December 2021 amounting to EUR 867 thousand resulted mainly from the reversal of impairment for amounts receivable from the Estonian franchise partners (EUR 654 thousand). Change in impairment of amounts receivables between 31 December 2021 and 31 December 2020 amounted to EUR 470 thousand.

Other non-current amounts receivable and other amounts receivable (financial assets) mainly comprise amounts receivable as a result of the disposal of the pharmacies in Estonia in 2020 and accrued discounts receivable from the suppliers. In 2021, a part of amounts receivable related to the disposal of the pharmacies in Estonia was reclassified to non-current amounts receivable having assessed probability of the recovery of debts over the period of one year.

As at 31 December, the Group's trade receivables for which no impairment was recognised were as follows:

		Trade receivable past due but not impaired			
Group	**Trade receivables not past due**	**Less than 3 months**	**3 – 6 months**	**More than 6 months**	**Total**
2022	62,614	3,676	132	331	66,753
2021	41,292	4,581	3,080	3,498	52,451

As at 31 December, the Company's trade receivables for which no impairment was recognised were as follows:

		Trade receivable past due but not impaired			
Company	**Trade receivables not past due**	**Less than 3 months**	**3 – 6 months**	**More than 6 months**	**Total**
2022	2,025	-	-	-	2,025
2021	1,592	-	-	-	1,592

The fair values of amounts receivable approximate their carrying amounts. Trade receivables are non-interest bearing and they are normally settled with the term of 30-90 days.

10. Cash and cash equivalents

Cash and cash equivalents comprised as follows as at 31 December:

	Group		Company	
	2022	**2021**	**2022**	**2021**
Cash at bank	80,676	38,683	3,318	67
Cash in transit	1,436	1,120	-	-
Cash on hand	2,747	1,459	-	-
Total	**84,859**	**41,262**	**3,318**	**67**

As at 31 December 2022 and 2021, the Group's cash at bank comprised the Group companies' own cash balances at bank and cash held in the Group's account as described in Note 12.

As at 31 December 2022 and 2021, cash in transit comprised cash deposited to bank accounts and amounts paid for goods by payment cards that were transferred by the banks on the Group's accounts after the balance sheet date.

As at 31 December 2022 and 2021, cash on hand comprised cash held at the Group's pharmacies and in the central cash registers.

As disclosed in Note 12, as at 31 December 2022 the Group and the Company pledged the Company's funds of EUR 37 thousand held in the account of SEB Bank to secure the repayment of borrowings. As at 31 December 2021, there were no cash and cash equivalents of the Group and the Company pledged to secure the repayment of borrowings.

11. Reserves

Legal reserve

A legal reserve is a compulsory reserve under the Lithuanian legislation. Annual transfers of not less than 5 per cent of net profit of the current financial year are required until the reserve reaches 10 per cent of the share capital. As at 31 December 2022 and 2021, the legal reserve was not fully formed.

Currency translation reserve

Currency translation reserve is the reserve that arises from foreign exchange differences at the date of acquisition of the Group companies and preparation of financial statements.

Cash flow hedge reserve

This reserve represents the effective part of the change in fair value of financial derivatives (interest rate swaps) that the Group and the Company use to hedge cash flows against the risk of interest rate fluctuations. This reserve is accounted for according to the requirements of IFRS 9 (Note 23).

12. Borrowings

As at 31 December, the Group's and the Company's non-current borrowings comprised as follows:

	Group		Company	
	2022	**2021**	**2022**	**2021**
Bank borrowings	42,500	76,799	42,500	55,000
Borrowings from related companies	-	-	2,046	-
	42,500	**76,799**	**44,546**	**55,000**

As at 31 December, the Group's and the Company's current borrowings comprised as follows:

	Group		Company	
	2022	**2021**	**2022**	**2021**
Borrowings from related companies	-	-	3,219	14,540
Accrued interest on borrowings from related companies	-	-	56	20
Bank credit line	-	-	-	-
Current portion of non-current bank borrowing	50,639	13,967	5,251	10,003
Accrued interest on credit line	11	-	11	
	50,650	**13,967**	**8,537**	**24,564**

In 2022 and 2021, all borrowings of the Company and the Group were denominated in euros, except for the loan received by Apoteksgruppen Detaljist AB in 2018 which was denominated in Swedish krona (SEK) and was repaid in 2022, and the loan received by Swedish Pharmacy Holding AB in 2022 which is denominated in Swedish krona (SEK).

At the end of 2022 and 2021, the Company's borrowings from related companies comprised funds borrowed from the Group account and a non-current borrowing obtained from Euro Solution UAB. In 2021, the Group companies signed the agreement on the Group account which was opened in 2019 and combines the companies of Euroapotheca Group: Euroapotheca UAB, Eurovaistinė UAB, EVRC UAB, EVD UAB, Siromed Pharma UAB, Senjorų Vaistinė UAB, Azeta UAB and Azeta Vaistinė UAB. Under this agreement, in case of insufficient funds in its account, the Company and other companies participating in the agreement can use funds of other companies participating in this agreement according to the established limits or can grant a loan to other companies participating in the agreement. Such loans granted or received are classified as current loans to or borrowings from related companies. At the Group level, cash balances held in the Group account are classified as cash at bank (Note 10). Interest corresponding to market conditions is charged on funds borrowed.

As at 31 December 2022, all borrowings from related companies were subject to variable interest rates linked to EURIBOR plus a margin consistent with market conditions.

Non-current bank borrowings will be repaid within the period of five years from the end of 2022.

As at 31 December 2022, the Group's undrawn limit of the revolving credit facility amounted to EUR 29 million and the signed but undrawn non-current loan agreement amounted to EUR 20 million.

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12. Borrowings (continued)

As at 31 December 2022, Swedish Pharmacy Holding AB did not comply with one of the financial covenants stipulated in the agreement on the recently taken bank borrowing. These covenants are calculated using the consolidated results of Swedish Pharmacy Holding and its subsidiaries. The financial covenant was technically not met due to the fact that the calculations under the agreement were carried out only for the last quarter of the year, i.e. from the date of the transaction with Oriola. As a result of non-compliance with the financial covenant, a non-current portion of this bank borrowing was accounted as a current as required by IFRS. However, after the end of the financial year the bank's waiver was received confirming its renouncement to apply the financial covenant as non-compliance with this covenant is of a technical and temporary nature. The terms of the agreement on the bank borrowing remain unchanged, i.e. an early repayment of the borrowing will not be requested. The Group's management considers that a risk of non-compliance with the covenants of the bank borrowing agreement in future is very low.

As at 31 December 2022, the Company and the Group complied with all other banks' financial covenants, including those calculated according to the combined statements of profit or loss and combined balance sheets of the Group companies operating in the Baltic countries.

To secure the repayment of the Company's and the Group's non-current bank borrowings and the revolving credit facility, cash and cash equivalents held in the Company's bank account at SEB bank were pledged as at 31 December 2022. The cash balance in this account amounted to EUR 37 thousand. Cash and cash equivalents held in the Company's bank account at Swedbank AB were pledged as at 31 December 2021. The cash balance in this account amounted to EUR 0. 100% of shares of other companies of the Group (EVRC, UAB, Eurovaistinė, UAB, EVD, UAB, Siromed Pharma, EUROAPTIEKA, SIA, EUROAPTIEKA FARMĀCIJA) have also been pledged.

The repayment of the Group's bank borrowings was guaranteed by the subsidiaries of the Group (Note 26).

13. Leases

The Group/Company as a lessee

The Group/Company has signed the contracts for the lease of premises. The lease term normally ranges from 3 to 10 years, however it can be extended as described below. The Group's/Company's obligations under its leases are secured by the lessor's title to the leased assets. There are lease contracts that include variable lease payments and extension options, which are further discussed in Note 3.

Lease liabilities and right-of-use assets are initially estimated at the present net value. Lease payments included in the calculations were as follows:

- Fixed payments;
- Variable payments depending on the indexation.

The Group's variable lease payments may increase in future depending on the indexation that is not included in lease payments until it becomes effective. Upon the entry into force of the amendments to the indexation lease liabilities and right-of-use assets are recalculated.

The weighted average lessee's incremental borrowing rate applied to lease liabilities on 31 December 2022 was 1.15% in Lithuania, 1.28% in Latvia, 1.61% in Estonia, 1.28% in Sweden. The weighted average lessee's incremental borrowing rate applied to lease liabilities on 31 December 2021 was 1.43% in Lithuania, 1.83% in Latvia, 2.05 % in Estonia, 2.85 % in Poland, 1.69% in Sweden.

The depreciation period of right-of-use assets is shorter than the useful life established for the assets as it is based on the validity period of lease contracts and the extension option assessed by the management.

The Group/Company also has certain leases with lease terms of 12 months or less and leases of low-value assets. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

13. Leases (continued)

Right-of-use assets and lease liabilities recognised comprised as follows:

	Group		Company	
	At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
Right-of-use assets				
Buildings	**175,602**	**104,107**	**817**	**924**
- Acquisition cost	372,064	150,654	2,278	2,239
- Accumulated depreciation, impairment	(196,462)	(46,547)	(1,461)	(1,315)
Motor vehicles	**268**	**112**	**-**	**-**
- Acquisition cost	982	157	-	-
- Accumulated depreciation, impairment	(714)	(45)	-	-
Total	**175,870**	**104,219**	**817**	**924**
Lease liabilities				
Non-current liabilities	124,924	96,276	718	839
Current liabilities	33,325	18,139	146	130
Total	**158,249**	**114,415**	**864**	**969**

In 2022, additions at the Group amounted to EUR 1.2 million (2021: EUR 8.0 million).

Lease-related expenses accounted for in the statement of comprehensive income comprised as follows:

	Group		Company	
	2022	2021	2022	2021
Depreciation expenses of right-of-use assets				
Buildings	21,380	17,594	136	108
Motor vehicles	669	(65)	-	-
	22,049	**17,529**	**136**	**108**
Interest expenses	2,499	3,068	13	21
Expenses of short-term and low-value leases	799	950	60	43

Depreciation expenses of the Group's right-of-use assets amounting to EUR 20,338 thousand were included in the cost of goods sold and EUR 1,711 thousand in operating expenses (2021: EUR 15,997 thousand and EUR 1,532 thousand, respectively). At the Company depreciation expenses of EUR 136 thousand were included in operating expenses (2021: EUR 108 thousand).

Interest expenses related to lease liabilities were included in finance costs in the statement of comprehensive income and totalled EUR 2,499 thousand (2021: EUR 3,068 thousand) at the Group and EUR 13 thousand (2021: EUR 21 thousand) at the Company.

Extension and termination options are included in a number of property leases across the Group/Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations.

A maturity analysis of the discounted lease payments payable is provided below:

	Group	
	At 31 December 2022	At 31 December 2021
Within 1 year	33,325	18,139
Between 1 and 2 years	35,231	18,388
Between 2 and 3 years	25,621	16,812
Between 3 and 4 years	18,610	15,152
Between 4 and 5 years	12,320	14,690
Later than 5 years	33,142	31,234
	158,249	**114,415**

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13. Leases (continued)

The Group/Company as a lessor

The Group subleases retail premises to various tenants. For risk management purposes, the Group requires that tenants pay deposits for lease payments. These leases have terms of between 3 and 10 years.

Finance lease
The Group recognises net investment in the lease for leases classified as finance leases. Finance income on the net investment in a lease amounted to EUR 246 thousand (2021: EUR 272 thousand).

A maturity analysis of the undiscounted lease payments receivable is provided below:

	Group	
	At 31 December 2022	**At 31 December 2021**
Within 1 year	3,172	3,189
Between 1 and 2 years	2,835	3,020
Between 2 and 3 years	1,643	2,768
Between 3 and 4 years	1,220	1,566
Between 4 and 5 years	526	1,116
Later than 5 years	425	1,114
	9,821	**12,773**

14. Net debt

As at 31 December, the Group's and the Company's net debt comprised as follows:

Group	**Borrowings**	**Lease liabilities**	**Cash and cash equivalents**	**Net debt**
At 31 December 2021	**(90,766)**	**(114,415)**	**41,262**	**(163,919)**
Increase/(decrease) in cash flows	-	-	43,597	43,597
Cash flow for lease payments	-	22,708	-	22,708
(Increase) in lease liabilities	-	(66,542)	-	(66,542)
Proceeds from borrowings	(23,182)	-	-	(23,182)
Repayments of borrowings	19,325	-	-	19,325
Interest charged	(2,145)	(2,499)	-	(4,645)
Interest paid	1,435	2,499	-	3,934
Disposal of subsidiaries	-	-	-	-
Non-cash transactions	(109)	-	-	-
Currency exchange differences	2,291	-	-	2,291
At 31 December 2022	**(93,150)**	**(158,249)**	**84,859**	**(166,540)**

Group	**Borrowings**	**Lease liabilities**	**Cash and cash equivalents**	**Net debt**
At 31 December 2020	**(122,501)**	**(133,536)**	**45,424**	**(210,613)**
Increase/(decrease) in cash flows	-	-	(4,162)	(4,162)
Cash flow for lease payments	-	16,951	-	16,951
(Increase) in lease liabilities	-	2,170	-	2,170
Proceeds from borrowings	(11,514)	-	-	(11,514)
Repayments of borrowings	37,963	-	-	37,963
Interest charged	(3,127)	(3,068)	-	(6,195)
Interest paid	3,199	3,068	-	6,267
Disposal of subsidiaries	4,619	-	-	4,619
Currency exchange differences	595	-	-	595
At 31 December 2021	**(90,766)**	**(114,415)**	**41,262**	**(163,919)**

14. Net debt (continued)

Company	Borrowings	Lease liabilities	Cash and cash equivalents	Net debt
At 31 December 2021	**(79,564)**	**(969)**	**67**	**(80,466)**
Increase/(decrease) in cash flows	-	-	3,251	3,251
Cash flow for lease payments	-	285	-	285
(Increase) in lease liabilities	-	(180)	-	(180)
Proceeds from borrowings	-	-	-	(1,917)
Repayments of borrowings	25,623	-	-	27,540
Interest charged	(1,511)	(13)	-	(1,524)
Interest paid	1,219	13	-	1,231
Non-cash transactions	1,150	-	-	1,150
At 31 December 2022	**(53,083)**	**(864)**	**3,318**	**(50,629)**

Company	Borrowings	Lease liabilities	Cash and cash equivalents	Net debt
At 31 December 2020	**(104,191)**	**(792)**	**1,793**	**(103,190)**
Increase/(decrease) in cash flows	-	-	(1,726)	(1,726)
Cash flow for lease payments	-	278	-	278
(Increase) in lease liabilities	-	(455)	-	(455)
Proceeds from borrowings	(28,350)	-	-	(28,350)
Repayments of borrowings	34,000	-	-	34,000
Interest charged	(2,514)	(13)	-	(2,527)
Interest paid	2,641	13	-	2,654
Non-cash transactions	18,850	-	-	18,850
At 31 December 2021	**(79,564)**	**(969)**	**67**	**(80,466)**

The Company's non-cash transactions comprised offsetting of dividends of the subsidiaries against the loans received from the subsidiaries (EUR 1.2 million in 2022, EUR 18.9 million in 2021) as well as the refinancing of the borrowing. In 2022, a borrowing of EUR 62.5 million was offset against a newly obtained borrowing of EUR 50 million and a credit limit of EUR 12.5 million which was repaid in May 2022.

15. Other amounts payable and contract liabilities

As at 31 December, other amounts payable and accrued expenses comprised as follows:

	Group		Company	
	2022	**2021**	**2022**	**2021**
Wages and salaries and social security contributions payable	19,366	9,475	153	20
Other accrued expenses and current liabilities	10,390	1,573	597	512
Other taxes (other than income tax)	3,692	2,561	481	5
Vacation reserve accrual	12,820	6,368	106	129
Deferred revenue	1,218	1,044	-	-
Advance amounts received	25	22	-	-
Total	**47,511**	**21,043**	**1,337**	**666**

Contract liabilities comprise deferred revenue and advance amounts received.

As at 31 December 2022, liabilities from the Group's loyalty programme amounting to EUR 847 thousand (31 December 2021: EUR 783 thousand) were included in the balance sheet item of contract liabilities.

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16. Revenue from contracts with customers

Revenue from contracts with customers comprised as follows:

	Group		Company	
	2022	**2021**	**2022**	**2021**
Revenue from sale of goods	1,017,430	801,099	-	-
Revenue from services rendered	12,925	10,952	6,021	5,948
Total	**1,030,355**	**812,051**	**6,021**	**5,948**

17. Cost of sales

The Group's cost of sales comprised as follows:

	Notes	2022	2021
Cost of goods sold and services rendered		747,080	584,263
Wages and salaries and social security contributions		116,530	89,206
Lease of premises and other non-current assets	13	311	307
Utility services		5,744	3,799
Depreciation, amortisation and impairment	13	24,951	19,244
Marketing and advertising		4,591	5,239
Transport expenses		5,104	3,135
Maintenance and repair of premises, equipment		841	694
Losses of inventory		1,690	1,869
Office supplies and stationery		962	1,031
Telecommunications		950	985
Professional services		365	2,671
Other		1,856	1,894
Total		**910,975**	**714,337**

18. Operating expenses

Operating expenses comprised as follows:

		Group		Company	
	Notes	**2022**	**2021**	**2022**	**2021**
Wages and salaries and social security contributions		31,051	27,624	3,416	3,113
Marketing and advertising		6,419	3,782	-	-
Lease of premises and other non-current assets	13	488	643	60	43
Professional services		4,030	1,182	65	101
Utility services		656	478	11	8
Depreciation, amortisation and impairment	13	9,483	5,717	732	686
Transport expenses		593	420	12	10
Taxes (other than income tax)		566	532	1	57
Office supplies and stationery		1,911	1,003	53	34
Maintenance and repair of premises, equipment		6,144	4,394	1	1
Telecommunications		276	254	68	43
Losses of inventory		362	712	-	-
Impairment of goodwill	5	-	26,986	-	-
Other		9,507	9,163	2,543	1,709
Total		**71,486**	**82,890**	**6,962**	**5,805**

19. Other income and costs

Other income and costs comprised as follows:

		Group		Company	
		2022	**2021**	**2022**	**2021**
Dividend income		38	251	31,288	32,825
Gain/(loss) from disposal of investments	4	(7,429)	8,655	-	-
(Impairment) of investments	4	-	-	-	(27,800)
Insurance income		193	110	-	
Gain on disposal of non-current assets and investments		-	-	3	37
Other income		283	708	-	10
		514	9,824	31,292	5,072
Loss from disposal of non-current assets and investments		(846)	(15)	-	-
Total		**(7,762)**	**9,709**	**31,291**	**5,072**

20. Other income and expenses of financing and investing activities

Other income and expenses of financing and investing activities comprised as follows:

	Group		Company	
	2022	**2021**	**2022**	**2021**
Foreign exchange gain/(loss)	72	(29)	14,805	(509)
Other income from financing activities	181	2	-	-
	253	(27)	14,805	(509)
Foreign exchange loss	(192)	(224)	(16,502)	71
Other expenses of financing activities	(380)	(69)	-	-
Loss from disposal of intangible assets	-		-	
	(572)	(293)	(16,502)	71
Total	**(319)**	**(320)**	**(1,697)**	**(438)**

21. Income tax

Income tax comprised as follows:

	Group		Company	
	2022	**2021**	**2022**	**2021**
Current year income tax	(9,619)	(8,610)	-	-
Change in deferred income tax	517	844	8	4
Income tax expenses	**(9,102)**	**(7,766)**	**8**	**4**

The analysis of deferred income tax assets and deferred income tax (liabilities) is as follows:

	Group		Company	
	2022	**2021**	**2022**	**2021**
Deferred income tax assets	2,775	1,724	88	80
Deferred income tax liabilities	(35,359)	(9,117)	-	-
	(32,584)	**(7,393)**	**88**	**80**

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21. Income tax (continued)

After the offsetting at the entity level the Group's deferred income tax assets/(liabilities) were as follows:

	Unrealised gain	Accrued amounts payable related to remuneration	Impairment of inventories, amounts receivable	Depreciation, amortisation and impairment of non-current assets	Other	Total
At 31 December 2020	**729**	**364**	**181**	**(8,044)**	**(1,601)**	**(8,371)**
Recognised as profit/(loss) in the statement of comprehensive income	112	138	83	431	80	844
Assets/(liabilities) of subsidiaries disposed	-	-	-	(9)	-	(9)
Foreign exchange differences	-	-	-	139	4	144
At 31 December 2021	**841**	**502**	**264**	**(7,482)**	**(1,517)**	**(7,392)**
Recognised as profit/(loss) in the statement of comprehensive income	(28)	154	(21)	519	(107)	517
Assets/(liabilities) of acquired subsidiaries	-	-	-	(27,218)	-	(27,218)
Assets/(liabilities) of subsidiaries disposed	-	-	-	-	-	-
Foreign exchange differences	-	-	-	1,513	(2)	1,511
At 31 December 2022	**813**	**656**	**243**	**(32,671)**	**(1,625)**	**(32,584)**

As at 31 December 2022 and 31 December 2021, the Group had no unused tax losses, on which deferred income tax was not recognised because their realisation is not expected to occur in the near future.

Changes in temporary differences are included in the statement of comprehensive income. Deferred income tax was calculated using the standard income tax rates effective in each country: income tax rate of 15% in Lithuania, 0% in Latvia, 0% in Estonia, 19% and 20.6% in Sweden. As at 31 December 2022, the Group recognised a deferred income tax liability of EUR 2,017 thousand related to investments in the subsidiaries in Latvia. Deferred income tax liability was recognised for the amounts which are planned to be distributed as dividends in near future.

The amount of income tax expenses reported in the statement of comprehensive income can be reconciled to the amount of income tax expenses that would result from applying income the tax rate of 15 per cent for profit (loss) before tax as follows:

	Group		Company	
	2022	**2021**	**2022**	**2021**
Profit/(loss) before tax	35,368	18,510	28,311	3,558
Income tax expenses at a statutory income tax rate of 15 per cent	5,320	2,776	4,247	534
Tax effect of differences not subject to tax	3,781	5,297	(4,255)	(538)
Tax losses taken over from related companies	-	(36)	-	-
Tax losses for which no deferred income tax assets were recognised	-	-	-	-
Effect of different tax rates of foreign subsidiaries	1	(271)	-	-
Income tax expenses/(benefit) recognised in the income statement	**9,102**	**7,766**	**(8)**	**(4)**

The effective income tax rate was 25.7% in 2022 (42% in 2021).

22. Financial assets and liabilities and risk management

The Group and the Company are exposed to financial risks in their operations, i.e. credit risk, liquidity risk and market risk (foreign exchange risk, interest rate risk). In managing these risks the Group and the Company seek to mitigate the effect of factors which could make a negative effect on the financial performance of the Group and the Company.

Credit risk
At 31 December, credit risk was related to the following financial assets:

	Group		Company	
	2022	**2021**	**2022**	**2021**
Trade receivables	66,509	51,334	2,025	1,592
Accrued discounts receivable	4,288	4,134	-	-
Loans granted	5,309	5,005	32,365	34,529
Cash and cash equivalents	84,859	41,262	3,318	67
Total	**160,965**	**101,735**	**37,708**	**36,188**

Concentration of credit risk of the Group is related to amounts receivable from territorial health insurance funds (and/or state institutions in other countries performing equivalent functions) for pharmaceuticals sold that are reimbursed by these funds in Lithuania (and/or state institutions in other countries performing equivalent functions) by making direct transfers of amounts reimbursed to the Group companies. For this reason, the amount and recoverability of amounts receivable depends on the financing received from the state budget. In the opinion of the Group's management, credit risk related to recoverability of amounts receivable from territorial health insurance funds (and/or state institutions in other countries performing equivalent functions) for pharmaceuticals sold that are reimbursed by these funds in Lithuania (and/or state institutions in other countries performing equivalent functions) is insignificant.

Provisions for impairment of doubtful amounts receivable which, in the management's opinion, may be unrecoverable are established.

Credit risk relating to cash balances at banks is limited because the Group conducts transactions with the banks belonging to the international financial groups that have high credit ratings assigned by international credit rating agencies.

Liquidity risk
The Group's and the Company's policy is to maintain sufficient cash and cash equivalents or have available funding through credit facilities to minimise liquidity risk and meet their commitments at a given date.

As at 31 December 2022, the current ratio (total current assets / total current liabilities) and the quick ratio ((total current assets – inventories) / total current liabilities) were 0.97 and 0.56 respectively at the Group (1.12 and 0.66 respectively at 31 December 2021) and 0.67 and 0.67 respectively at the Company (0.11 and 0.11 respectively at 31 December 2021). As at 31 December 2022, the Company's current liabilities exceeded current assets by around EUR 3.5 million (31 December 2021: around EUR 14 million), however, current liabilities amounting to EUR 9 million (31 December 2021: EUR 14.6 million) comprise loans received from the subsidiaries, therefore the repayment term can be easily extended. As every year the Company also plans to receive dividends from the subsidiaries. The Group's current liabilities exceed current assets also due to the reason that the non-current bank borrowing was reclassified to a current. However, as it was disclosed in Note 12, the bank will not demand an early repayment of the loan, and therefore, the liquidity risk does not arise.

The tables below summarise the contractual maturity dates of the Group's and the Company's financial liabilities. These tables have been prepared based on undiscounted cash flows of financial liabilities in view of the earliest dates on which the Group and the Company can be required to pay.

Trade payables are not subject to interest and normally they are paid within the terms stated in the contracts.

Group **At 31 Dec 2022**	**Less than a year**	**Between 1–2 years**	**Between 2–5 years**	**Over 5 years**
Borrowings	50,643	5,000	37,500	-
Lease liabilities	25,564	27,394	36,504	12,592
Trade payables and other liabilities	219,159	-	-	-
Total	**295,366**	**32,394**	**74,004**	**12,592**

Group **At 31 Dec 2021**	**Less than a year**	**Between 1–2 years**	**Between 2–5 years**	**Over 5 years**
Borrowings	11,183	55,221	-	-
Lease liabilities	14,709	14,388	36,244	41,365
Trade payables and other liabilities	127,629	-	-	-
Total	**138,812**	**55,221**	**36,244**	**41,365**

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22. Financial assets and liabilities and risk management (continued)

Company At 31 Dec 2022	Less than a year	Between 1–2 years	Between 2–5 years	Over 5 years
Borrowings	8,537	5,000	39,546	-
Lease liabilities	147	147	440	147
Trade payables and other liabilities	434	-	-	-
Total	**9,118**	**5,147**	**39,986**	**147**

Company At 31 Dec 2021	Less than a year	Between 1–2 years	Between 2–5 years	Over 5 years
Borrowings	25,763	11,915	68,920	-
Lease liabilities	142	142	427	115
Trade payables and other liabilities	228	-	-	-
Total	**25,991**	**11,915**	**68,920**	**115**

Interest rate risk

The Company's and Group's income and cash flows from operating activities are substantially independent of changes in market interest rates.

As the Company and the Group have loans received and loans granted, the Company's and the Group's cash flows from financing and investing activities are affected by fluctuations in market interest rates. From 2016 the Company started to use derivative financial instruments to manage interest rate risk, therefore as at 31 December 2022, around 100% and 59% of the Company's and the Group companies' borrowings, respectively, comprised borrowings with an effectively fixed interest rate (i.e. a non-current bank borrowing as disclosed in Note 12). As at 31 December 2021, these percentages were equal to 82% and 72%, respectively.

The following table demonstrates the sensitivity of the Group's profit before tax to possible changes in interest rates with all other variables held constant. There is no impact on the Group's equity, other than current year profit impact.

	Increase / decrease in percentage points	Effect on profit before tax
2022		
EURIBOR	+1.0%	(429)
STIBOR	+1.0%	(450)
EURIBOR	-1.0%	429
STIBOR	-1.0%	450
2021		
EURIBOR	+1.0%	(603)
STIBOR	+1.0%	(258)
EURIBOR	-1.0%	-
STIBOR	-1.0%	-

22. Financial assets and liabilities and risk management (continued)

The following table demonstrates the sensitivity of the Company's profit before tax to possible changes in interest rates with all other variables held constant. There is no impact on the Company's equity, other than the current year profit impact.

	Increase / decrease in percentage points	Effect on profit before tax
2022		
EURIBOR	+1.0%	(186)
EURIBOR	-1.0%	186
2021		
EURIBOR	+1.0%	(453)
EURIBOR	-1.0%	-

Foreign exchange risk
A major part of the Group's transactions in 2022 and 2021 was conducted in the euros and the Swedish krona, therefore, the main foreign exchange risk to which the Group is exposed arises from fluctuations in the exchange rate of the Swedish krona.

The Group's monetary assets and monetary liabilities denominated in different currencies were as follows:

	Group			
	2022		2021	
	Assets	Liabilities	Assets	Liabilities
EUR	97,835	167,011	72,206	171,237
SEK	89,332	228,593	42,373	77,837
PLN	-	-	340	310
Total	**187,167**	**395,604**	**114,919**	**249,384**

The following table demonstrates the sensitivity of the Group's pre-tax profit to possible changes in foreign exchange rates with all other variables held constant (through the impact on fair value of monetary assets and liabilities). There is no impact on the Group's equity, other than current year profit impact.

	Increase / decrease in percentage points	Effect on profit before tax
2022		
SEK	+1.0%	(1,393)
SEK	-1.0%	1,393
2021		
SEK	+1.0%	(355)
SEK	-1.0%	355

The Group companies do not use any financial instruments to manage the foreign exchange risk.

Fair value of financial assets and financial liabilities
The fair value is defined as the amount for which an asset or services could be exchanged or at which a mutual liability could be set off between knowledgeable parties in an arm's length transaction willing to buy/sell an asset or to set off a mutual liability. Fair values of financial assets and financial liabilities are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The Group's principal financial instruments not carried at fair value are trade receivables, receivables from related parties and other receivables, trade payables, payables to related parties and other payables, non-current and current borrowings.

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22. Financial assets and liabilities and risk management (continued)

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

a) The carrying amount of current trade and other accounts receivable, current trade payables and other accounts payable and current borrowings approximates their fair value.
b) The fair value of non-current loans received and non-current loans granted is estimated based on the quoted market price for the same or similar loans or on the current interest rates available for debt with the same maturity profile. The fair value of non-current debt with variable interest rates approximates their carrying amounts.

Capital management

The primary objective of the Group's and the Company's capital management is to ensure that the Group and the Company have balanced cash flows for the future activities development and to create maximum value for the shareholders of the Group and the Company.

The Group and the Company manage the capital structure and make adjustments to it in the light of changes in economic conditions and the operating risks. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, or issue new shares. No changes were made concerning risk management objectives, policies or processes during the periods ended 31 December 2022 and 31 December 2021.

For capital management purposes, the Group and the Company define their capital (attributable to the owners of the parent company) amounting to EUR 347,610 thousand and EUR 405,406 thousand, respectively, as at 31 December 2022 (31 December 2021: EUR 340,568 thousand and EUR 375,732 thousand, respectively) as the authorised share capital, share premium, legal reserve, other reserves, currency translation reserve and retained earnings.

Risk relating to legal regulation

According to the laws effective in the Republic of Lithuania, the Republic of Latvia and the Republic of Estonia, a pharmacy and a wholesale company selling non-reimbursable pharmaceuticals are not allowed to apply a higher trade margin than that established in the respective country. The Group's management is not aware of any circumstances that could potentially result in an application of material sanctions or any other restrictions on the operations of Group companies due to illegitimately applied trade margins.

23. Derivative financial instruments

The Group and the Company measure and disclose the fair value of financial instruments according to the fair value hierarchy based on the valuation methods as described in Note 3.13.

			2022	2021
Currency forward – assets	Level 1	a)	-	-
Derivative financial instruments used to hedge against interest rate risk (current portion) – assets (liabilities)	Level 2	b)	708	(456)
Derivative financial instruments used to hedge against interest rate risk (non-current portion) – assets (liabilities)	Level 2	b)	-	(190)
			708	**(646)**

Derivative financial instruments used to hedge against interest rate risk were attributed to cash flow hedges. As at 31 December 2022 and 2021, the Company had interest rate swap contracts. On 28 September 2018, new interest rate swap contracts were entered into for the nominal amount of EUR 97,500 thousand for the period from 28 September 2018 to 17 July 2023. The Company pays a fixed interest rate of 0.3% and receives a variable interest rate linked to 3-month EURIBOR for the notional amount established in the contract. The Company's management designated these interest rate swap contracts as used to hedge against the impact of changes in the main market interest rates and as a security measure for cash flows allocated for the repayment of the loan.

On 28 September 2018, the Group company Apoteksgruppen Detlajist AB entered into the interest rate swap contracts for the nominal amount of SEK 395,850 thousand for the period from 28 September 2018 to 17 July 2023. Apotekgruppen Detlajist AB pays a fixed interest rate of 0.5% and receives a variable interest rate linked to 3-month STIBOR for the notional amount established in the contract. The Group's management did not designate these interest rate swap contracts as used to hedge against the impact of changes in the main market interest rates and as a security measure for cash flows allocated for the repayment of the loan and did not apply hedge accounting in respect of them because their fair value and change in fair value are not material for the Group's financial statements.

The fair value of a derivative financial instrument is determined by the management at each reporting date. The change in the fair value of the effective portion of the interest rate swap contract is recorded in other comprehensive income and the change in the fair value of the ineffective portion is indirectly recorded in finance income (costs) in the statement of comprehensive income.

	2022	2021
Gain/(loss) from interest rate swap contract (effective portion)	1,593	843
Income tax effect	(239)	(126)
	1,354	**717**

24. Related-party transactions

The parties are deemed to be related when one party has a power to exercise control over the other party or make significant influence on its financial and operational decisions.

As at 31 December 2022 and 2021, the sole shareholder of the Company was Vilniaus Prekyba UAB. The ultimate controlling shareholder is METODIKA B.V. operating in the Netherlands. The ultimate controlling individual is Mr N. Numa.

For the purpose of these financial statements, the shareholders of Vilniaus Prekyba UAB, the group companies directly and indirectly controlled by Vilniaus Prekyba UAB and other companies related to Vilniaus Prekyba UAB are treated as related parties.

The tables below disclose transactions conducted by the Group and the Company with the related parties and balances on these transactions as at 31 December.

	Group 2022		Company 2022	
	Sales of goods and services	**Purchases of goods and services**	**Sales of goods and services**	**Purchases of goods and services**
Shareholder	-	187	-	187
Subsidiaries	-	-	4,121	-
Other related parties	341	9,954	-	238
Total	**341**	**10,141**	**4,121**	**425**

	Group 2021		Company 2021	
	Sales of goods and services	**Purchases of goods and services**	**Sales of goods and services**	**Purchases of goods and services**
Shareholder	-	-	-	-
Subsidiaries	-	-	5,306	-
Other related parties	390	9,169	-	154
Total	**390**	**9,169**	**5,306**	**154**

	Group 2022		Company 2022	
	Interest income	**Interest expenses**	**Interest income**	**Interest expenses**
Subsidiaries	-	-	1,522	192
Total	**-**	**-**	**1,522**	**192**

	Group 2021		Company 2021	
	Interest income	**Interest expenses**	**Interest income**	**Interest expenses**
Subsidiaries	-	-	1,226	164
Total	**-**	**-**	**1,226**	**164**

	Group 2022		Company 2022	
	Amounts receivable and prepayments	**Trade and other payables**	**Amounts receivable and prepayments**	**Trade and other payables**
Shareholder	-	19	-	-
Subsidiaries	-	-	1,934	25
Other related parties	262	307	-	-
Total	**262**	**326**	**1,934**	**25**

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24. Related-party transactions (continued)

	Group 2021		Company 2021	
	Amounts receivable and prepayments	Trade and other payables	Amounts receivable and prepayments	Trade and other payables
Shareholder	7	29	7	29
Subsidiaries	-	-	1,254	-
Other related parties	277	239	-	25
Total	**284**	**268**	**1,261**	**54**

	Group 2022		Company 2022	
	Loans granted	Loans received	Loans granted	Loans received
	-	-		
Subsidiaries	-	-	32,366	3,275
Total	**-**	**-**	**32,366**	**3,275**

	Group 2021		Company 2021	
	Loans granted	Loans received	Loans granted	Loans received
Subsidiaries	-	-	34,529	14,560
Total	**-**	**-**	**34,529**	**14,560**

The Group's sales of goods and services to the related parties mainly comprise goods held for resale and the Company's sales of goods and services mainly comprise consulting and related services. The Group's and the Company's purchases of goods and services from other related parties mainly comprise purchases of premises lease services and from the shareholder – purchases of consulting and related services. The Group's and the Company's loans granted and loans received are presented by adding accrued interest at the end of the period. Outstanding balances at the year-end are unsecured, settlements occur in cash and through non-cash offsetting. There have been no guarantees provided or received for any related party receivables or payables. Information on the Group's and the Company's declared dividends to the shareholder and their payment and on the Company's dividend income and its receipt is disclosed in the Group's and the Company's statements of changes in equity, statements of cash flows and in Note 22.
The Company's borrowings of 2022 include impairment accounted for in 2019 with respect to the loan receivable from subsidiary Etopol UAB and accrued interest receivable (EUR 2.3 million). No additional impairment was recognised with respect to the loans receivable in 2021 and 2022.

25. Remuneration of the management personnel and other benefits

In 2022, the Group's management personnel remuneration (excluding social security contributions) totalled EUR 3,218 thousand and the Company's management personnel remuneration – EUR 746 thousand (2020: EUR 1,898 thousand and EUR 679 thousand, respectively). As at 31 December 2022, remuneration unpaid to the Group's management personnel amounted to EUR 107 thousand (31 December 2021: EUR 50 thousand). There was no remuneration unpaid to the Company's management personnel as at 31 December 2022 and 31 December 2021. In 2022 and 2021, no loans, guarantees or any other benefits were paid or calculated, nor any assets were transferred to the Group's and the Company's management personnel. In 2022, the average number of the Group's key management personnel was 23 (2021: 20). In 2022, the average number of the Company's key management personnel was 5 (2021: 7).

26. Commitments and contingencies

The Company and the related companies EVRC, UAB, Eurovaistinė, UAB, EVD, UAB, Siromed Pharma, UAB, Azeta, UAB, Azeta Vaistinė, UAB, Azeta, SIA, EUROAPTIEKA, SIA, EUROAPTIEKA FARMĀCIJA, SIA, EUROAPTEEK OÜ, BALTFARMA OÜ provided a guarantee to SEB Bankas AB to secure a proper fulfilment of obligations of the companies of the EUROAPOTHECA, UAB group assumed under the financing agreement signed on 25 April 2022 and its amendment signed on 9 December 2022, under which the borrowed amount outstanding as at 31 December 2022 was EUR 47,500 thousand.
Under the above-mentioned financing agreement and its amendment, 100% of shares of the Company and other group companies providing the guarantee (EVRC, UAB, Eurovaistinė, UAB, EVD, UAB, Siromed Pharma, UAB, EUROAPTIEKA, SIA, EUROAPTIEKA FARMĀCIJA, SIA) have been pledged. The maximum amount of the pledge is equal to EUR 108,010,000, however specific amounts guaranteed by each guarantor are not indicated in the agreements on financing and contractual pledge.
Based on the Company's management estimates, there were no indications as at 31 December 2022 and 2021 that these instruments will be used, therefore no related liabilities were recognised in the financial statements.

27. Contingent liabilities

The fines of EUR 2,746,720, EUR 11,210, EUR 27,483,740, EUR 1,273,310 were imposed on the Group companies EVD UAB, Siromed Pharma UAB, Eurovaistinė UAB and EVRC UAB, respectively, based on the Lithuanian Competition Council's (LCC) decision of 13 December 2022 *Regarding the compliance of actions of undertakings engaged in trade in pharmaceuticals with the requirements of Article 5 of the Lithuanian Law on Competition and Article 101 of the Treaty on the Functioning of the European Union* (the "Decision"). On 13 January 2023, the above-mentioned companies of the Group filed an appeal against the Decision with the Vilnius Regional Administrative Court. The legal dispute in substance relates to a highly unusual interpretation and application of the competition law rules as follows: application of the Lithuanian Competition Law (Art. 5) and the Treaty on the Functioning of the European Union (Art. 101) to the activities regulated under the Lithuanian Law on Legislative Framework. The Company's management believes that involvement in law-making or lobbying activities is not of an economic nature and, as such, it does not cause a restriction on competition, as may be confirmed by certain foreign country practices in the application and interpretation of law. Furthermore, proposals regarding legislation do not itself affect competition in the market since the legislative decisions are adopted by the competent authorities.

The Group companies have secured the payment of the fines with a bank guarantee provided to the LCC. The agreement on the bank guarantee was signed between these companies and the commercial bank on 7 March 2023. The bank guarantee was issued for a full amount of the fine and it expires on 13 March 2027. The Company acted as a surety to the commercial bank for a proper fulfilment of the obligations of the above-mentioned Group companies under the agreement on the bank guarantee. If the final court ruling would be unfavourable for the Group companies, either:

- the Group companies would pay the fines themselves to the LCC (accordingly the guarantee would be terminated)

or

- the bank would pay the fines to the LCC and would apply to the Group companies for the settlement of the fines.

The sources of finance would depend on the financing alternatives available at the time, including cash resources of the Group companies. The course of the court process will enable the management to plan cash outflows, if any, in advance and prepare for the payment of the fine.

A significant uncertainty related to the outcome of this legal case exists at the date of the approval of these financial statements. However, management believes the final court ruling will be favourable for the Group companies, and therefore, no provision has been recognised for the fines imposed by the LCC. Such opinion of management is based on the conclusions of in-house lawyers of the Group companies and external legal experts.

28. Impact of the war in Ukraine on the activities and financial performance of the Group and the Company

After the start of the Russian large-scale military aggression against the state of Ukraine on 24 February 2022, the European Union and the whole international community have imposed unprecedented restrictive measures in scale and scope against the Russian Federation, the Republic of Belarus and individual persons and companies. Moreover, an increasing number of states and private companies announce that they take voluntary actions to restrict business activities in Russia and Belarus.

The management of the Group's companies has adopted a uniform decision and ceased trading in goods related to the countries against which the sanctions were imposed, terminated a further ordering of such goods and suspended their supply. The Group's management monitors the situation in Ukraine, the list of sanctions imposed on Russia and Belarus and would terminate business relationship with the sanctioned entities, if such existed. The Group's companies demonstrate continuous support for Ukraine through the provision of humanitarian support for its people.

Although the war did not have material direct impact on the Group's financial performance for the year ended 31 December 2022, but indirect consequences of the war, such as a rising level of inflation and energy prices, had a negative impact on the results of the Group's operations. The Group's management believes that its actions taken in strengthening the business model and a more efficient use of energy resources will mitigate negative consequences in future.

29. Events after the reporting period

There were no other significant events after the end of the reporting period, except for those described in Note 27.

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