

ÅRSREDOVISNING

för

Apoteksgruppen i Sverige Holding AB

Org.nr. 556481-5966

Styrelsen och verkställande direktören får härmed avlämna årsredovisning för räkenskapsåret 2023-01-01 - 2023-12-31

Innehåll	Sida
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- resultaträkning	4
- balansräkning	5
- noter	7
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Undertecknad verkställande direktör i Apoteksgruppen i Sverige Holding AB intygar härmed, dels att denna kopia av årsredovisningen överensstämmer med originalet, dels att resultat- och balansräkning fastställts på årsstämma 2024-03-15.

Stämman beslöt tillika godkänna styrelsens förslag till vinstdisposition.

Stockholm 2024-03-15


Erik Sjögren

ÅRSREDOVISNING

för

Apoteksgruppen i Sverige Holding AB

Org.nr. 556481-5966

Styrelsen och verkställande direktören får härmed avlämna årsredovisning för räkenskapsåret 2023-01-01 - 2023-12-31

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Apoteksgruppen i Sverige Holding AB

Org.nr. 556481-5966

FÖRVALTNINGSBERÄTTELSE

Årsredovisningen är upprättad i KSEK om inte annat anges.

Verksamheten

Apoteksgruppen i Sverige Holding AB, org nr 556481-5966, bildades 15 december 1993. Apoteksgruppen säljer läkemedel och egenvårdsprodukter samt tjänster inom läkemedels- och hälsovårdsområdet. Bolaget har till uppgift att äga och förvalta bolagen inom Apoteksgruppen; Apoteksgruppen Detaljist AB och Apoteksgruppen i Sverige AB.

Företagets säte är Stockholm.

Flerårsöversikt* (Msek)

	2023	2022	2021	2020	2019
Nettoomsättning	0	0	0	1	7
Res. efter finansiella poster	-53	-72	-66	-68	-81
Balansomslutning	1 867	1 844	1 878	1 815	1 825
Soliditet (%)	60,71	63,06	8,45	9,16	9,86

*Definitioner av nyckeltal, se not 9

Ägarförhållanden

Bolaget är helägt av Swedish Pharmacy Holding AB, org nr 559390-0854, och ingår i den nya sammanslagna gruppen "Kronans Apotek". För att få en heltäckande bild bör samtliga dotterbolag till Swedish Pharmacy Holding AB ses gemensamt.

Väsentliga händelser under räkenskapsåret

Året har kännetecknats av arbetet med att samordna de två apotekskedjorna Kronans Apotek och Apoteksgruppen efter dess integration 2022. Integrationen har varit i fokus för verksamheten och medfört ett stort antal förändringar och harmoniseringar inom IT, drift, redovisning och organisation.

Framtida utveckling

Den svenska öppenvårdsmarknaden fortsätter att växa och under 2023 ökade dess omsättning med cirka 9%. Bolaget arbetar aktivt med att behålla sin konkurrenskraft och fortsätta växa på apoteksmarknaden.

Hållbarhetsupplysningar

Hållbarhetsrapporten för Swedish Pharmacy Holding AB, org nr 559390-0854 innefattar även Apoteksgruppen Detaljist AB, Apoteksgruppen i Sverige AB, Apoteksgruppen i Sverige Holding AB samt Kronans Apotek AB. Hållbarhetsrapporten finns att läsa på www.kronansapotek.se.

2024060501648

Apoteksgruppen i Sverige Holding AB

Org.nr. 556481-5966

Förändringar i eget kapital

	Aktiekapital	Övrigt fritt eget kapital	Årets resultat	Summa eget kapital
Belopp vid årets ingång	5 000	1 161 390	-3 140	1 163 250
Resultatdisp. enl. beslut av årsstämma:		-3 140	3 140	0
Årets förlust			-29 470	-29 470
Belopp vid årets utgång	<u>5 000</u>	<u>1 158 250</u>	<u>-29 470</u>	<u>1 133 780</u>

Resultatdisposition (kronor)

Förslag till disposition av bolagets vinst

Till årsstämmans förfogande står

balanserad vinst 1 158 249 723

årets förlust -29 470 444

1 128 779 279

Styrelsen föreslår att

i ny räkning överföres 1 128 779 279

1 128 779 279

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

2024060501549

Apoteksgruppen i Sverige Holding AB

Org.nr: 556481-5966

RESULTATRÄKNING

	Not	2023-01-01 2023-12-31	2022-01-01 2022-12-31
Rörelsens kostnader			
Övriga externa kostnader		-346	-978
		<u>-346</u>	<u>-978</u>
Rörelseresultat		-346	-978
Resultat från finansiella poster			
Ränteintäkter	2	1 619	486
Räntekostnader	3	-53 904	-71 280
		<u>-52 285</u>	<u>-70 794</u>
Resultat efter finansiella poster		-52 631	-71 772
Bokslutsdispositioner			
Erhållna koncernbidrag		27 006	80 000
		<u>27 006</u>	<u>80 000</u>
Resultat före skatt		-25 625	8 228
Skatt på årets resultat		-3 846	-11 368
Årets resultat		<u>-29 471</u>	<u>-3 140</u>

2024060501650

Apoteksgruppen i Sverige Holding AB

Org.nr. 556481-5966

BALANSRÄKNING

TILLGÅNGAR

Anläggningstillgångar

Finansiella anläggningstillgångar

	Not	2023-12-31	2022-12-31
Andelar i koncernföretag	4	1 749 857	1 749 857
Andra långfristiga fordringar	5	204	368
		<u>1 750 061</u>	<u>1 750 225</u>
Summa anläggningstillgångar		1 750 061	1 750 225

Omsättningstillgångar

Kortfristiga fordringar

Fordringar hos koncernföretag		111 150	93 783
Aktuell skattefordran		6 067	0
Övriga fordringar		136	135
		<u>117 353</u>	<u>93 918</u>

Kassa och bank

Kassa och bank		0	282
		<u>0</u>	<u>282</u>
Summa kassa och bank		0	282

Summa omsättningstillgångar		117 353	94 200
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SUMMA TILLGÅNGAR		1 867 414	1 844 425
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2024060501651

Apoteksgruppen i Sverige Holding AB

Org.nr: 556481-5966

BALANSRÄKNING

EGET KAPITAL OCH SKULDER

Eget kapital

Bundet eget kapital

Aktiekapital

5 000

5 000

5 000

5 000

Balanserat resultat

1 158 250

1 161 390

Årets resultat

-29 470

-3 140

Summa eget kapital

1 133 780

1 163 250

Avsättningar

Avsättningar för pensioner och liknande förpliktelser enligt tryggandelagen

204

368

Summa avsättningar

204

368

Kortfristiga skulder

Skulder till koncernföretag

733 249

679 345

Aktuell skatteskuld

0

1 172

Övriga skulder

56

100

Upplupna kostnader och förutbetalda intäkter

125

190

Summa kortfristiga skulder

733 430

680 807

SUMMA EGET KAPITAL OCH SKULDER

1 867 414

1 844 425

2024060501652

Not

2023-12-31

2022-12-31

NOTER

Not 1 Redovisnings- och värderingsprinciper

Årsredovisningen är upprättad i enlighet med årsredovisningslagen och BFNAR 2012:1 Årsredovisning och koncernredovisning.

Principerna är oförändrade jämfört med föregående år.

Fordringar

Fordringar har upptagits till de belopp varmed de beräknas inflyta.

Övriga tillgångar, avsättningar och skulder

Övriga tillgångar, avsättningar och skulder har värderats till anskaffningsvärden om inget annat anges nedan.

Intäktsredovisning

Inkomsten redovisas till det verkliga värdet av vad som erhållits eller kommer att erhållas. Företaget redovisar därför inkomsten till nominellt värde (fakturabelopp) om ersättningen erhålls i likvida medel direkt vid leverans. Avdrag görs för lämnade rabatter.

Aktier och andelar i dotterföretag

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.

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.

Avsättningar

Avsättningar redovisas när det finns en legal eller informell förpliktelse till följd av en tidigare händelse, det är sannolikt att ett utflöde av resurser kommer att krävas för att reglera förpliktelsen och beloppen kan uppskattas på ett tillförlitligt sätt. Tidpunkten eller beloppet för utflödet kan fortfarande vara osäker.

Avsättningar för omstruktureringar redovisas bara om en fastställd och utförlig omstruktureringsplan har utarbetats och införts, eller om företaget minst har offentliggjort planens huvuddrag till dem som berörs av den. Avsättningar redovisas inte för utgifter som hör samman med den framtida verksamheten.

En avsättning redovisas till den bästa uppskattningen av det belopp som krävs för att reglera förpliktelsen på balansdagen. Avsättningar tas endast i anspråk för de utgifter som avsättningen ursprungligen var avsedd för. Avsättningar diskonteras till sina nuvärden där pengars tidsvärde är väsentligt.

Apoteksgruppen i Sverige Holding AB

Org.nr. 556481-5966

NOTER

UPPLYSNINGAR TILL ENSKILDA POSTER

Not 2	Övriga ränteintäkter och liknande resultatposter	2023	2022
	Räntor	1 619	486
		<u>1 619</u>	<u>486</u>

Not 3	Räntekostnader och liknande resultatposter	2023	2022
	Övriga räntekostnader	0	89
	Räntekostnader, koncernföretag	53 904	71 192
		<u>53 904</u>	<u>71 281</u>

Not 4	Andelar i koncernföretag	2023-12-31	2022-12-31
	Företag	Antal/Kap.	Redovisat
	Organisationsnummer	andel %	värde
	Apoteksgruppen Detaljst AB	100 000	1 590 532
	556773-4727	100,00%	
	Apoteksgruppen i Sverige AB	5 000 000	159 325
	556773-4156	100,00%	
		<u>1 749 857</u>	<u>1 749 857</u>
	Ingående anskaffningsvärde	1 749 857	1 749 857
	Utgående ackumulerade anskaffningsvärden	<u>1 749 857</u>	<u>1 749 857</u>
	Utgående redovisat värde	1 749 857	1 749 857

Swedish Pharmacy Holding AB, 559390-0854, har pantsatt aktierna i dotterbolag vilket även innefattar dessa bolag.

Not 5	Andra långfristiga fordringar	2023-12-31	2022-12-31
	Ingående anskaffningsvärde	655	655
	Utgående ackumulerade anskaffningsvärden	655	655
	Föregående års uttagna pension	-287	-136
	Under året uttagen pension	-164	-151
	Utgående ackumulerade nedskrivningar	<u>-451</u>	<u>-287</u>
	Utgående redovisat värde	204	368

Apoteksgruppen i Sverige Holding AB

Org.nr: 556481-5966

NOTER

Not 6 Koncernförhållanden

Bolaget är helägt dotterbolag till Swedish Pharmacy Holding AB, org nr 559390-0854, med säte i Stockholm. Det bolaget ägs till 50% av Euroapothecca 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. Då Euroapothecca Holding SWE AB inte upprättar koncernredovisning, konsolideras bolaget i moderbolaget till Euroapothecca Holding SWE AB, Euroapothecca Holding UAB Litauen, org nr 3008854822.

Not 7 Nyckeltalsdefinitioner

Soliditet

Totalt eget kapital + ((1-0,206) x obeskattade reserver) / totala tillgångar)

2024060501655

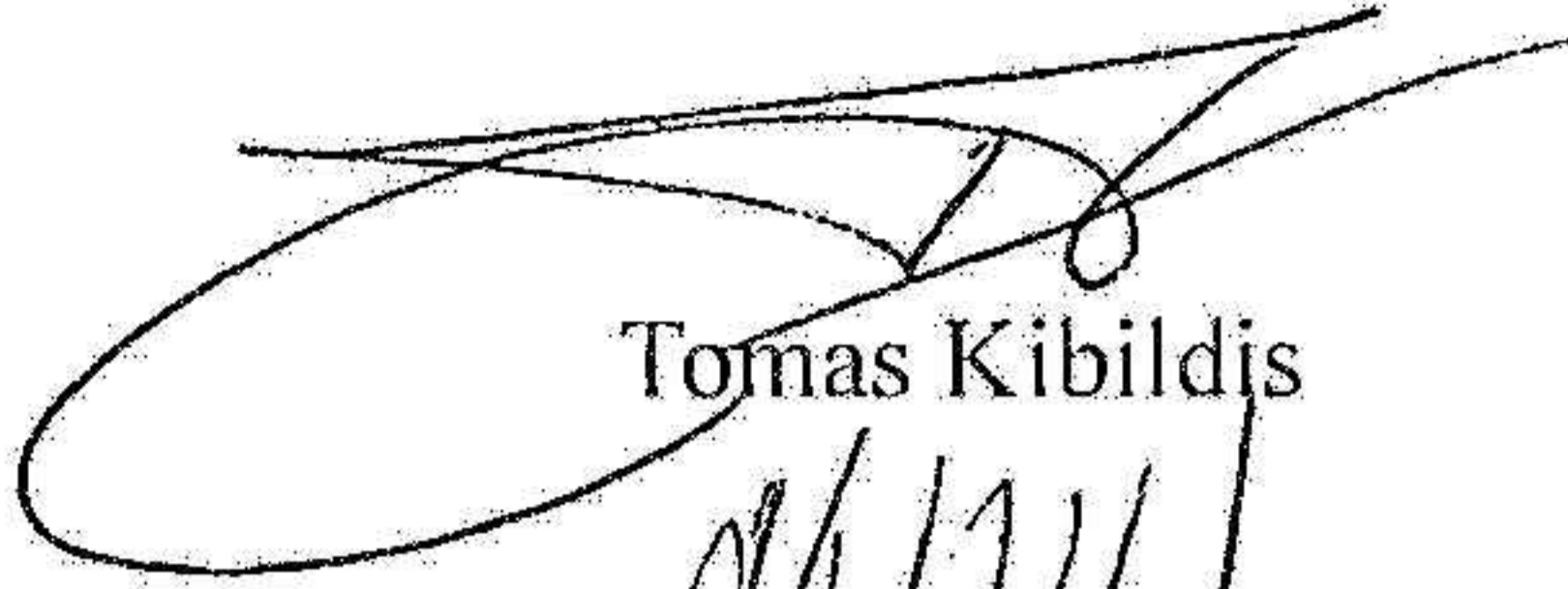

Apoteksgruppen i Sverige Holding AB

Org.nr. 556481-5966

Stockholm den 15/3-24

2024060501656


Erik Sjögren
Verkställande direktör



Tomas Kibildis

Katarina Gabrielson


Paulius Mencas

Jurgis Rudgalvis


Timo Matteus Leinonen

Vår revisionsberättelse har lämnats den 2024-03-15

PricewaterhouseCoopers AB

Cesar Moré
Auktoriserad revisor

Revisionsberättelse

Till bolagsstämman i Apoteksgruppen i Sverige Holding AB, org.nr 556481-5966

Rapport om årsredovisningen

Uttalanden

Vi har utfört en revision av årsredovisningen för Apoteksgruppen i Sverige Holding AB för år 2023.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av Apoteksgruppen i Sverige Holding ABs finansiella ställning per den 31 december 2023 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 Apoteksgruppen i Sverige Holding AB.

Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisions sed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet Revisorns ansvar. Vi är oberoende i förhållande till Apoteksgruppen i Sverige Holding AB enligt god revisors sed 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 revisions sed 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 Apoteksgruppen i Sverige Holding AB för år 2023 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.

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 Apoteksgruppen i Sverige 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, eller
- 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 15 mars 2024

PricewaterhouseCoopers AB



Cesar Moré
Auktoriserad revisor

EUROAPOTHECA, UAB

CONSOLIDATED AND THE COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR 2023 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**

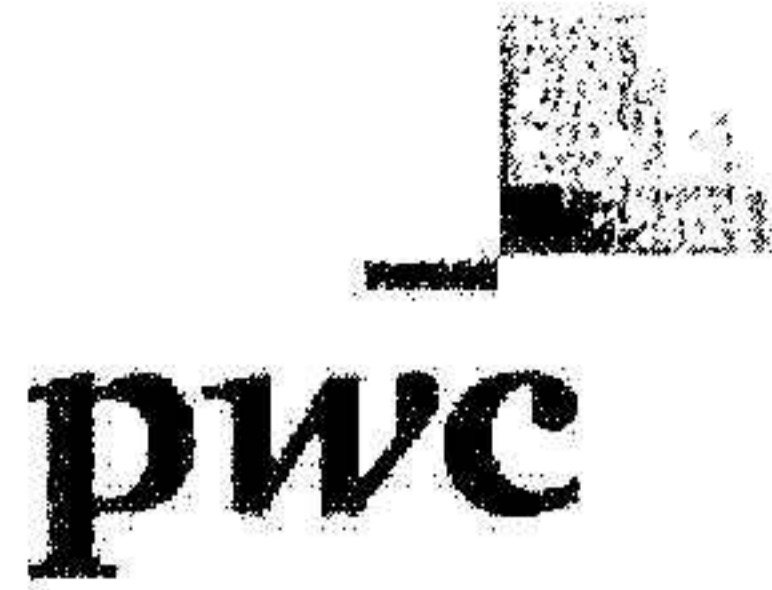
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Translation note:

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 2023, 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 2023;
- 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, comprising material accounting policy information 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.

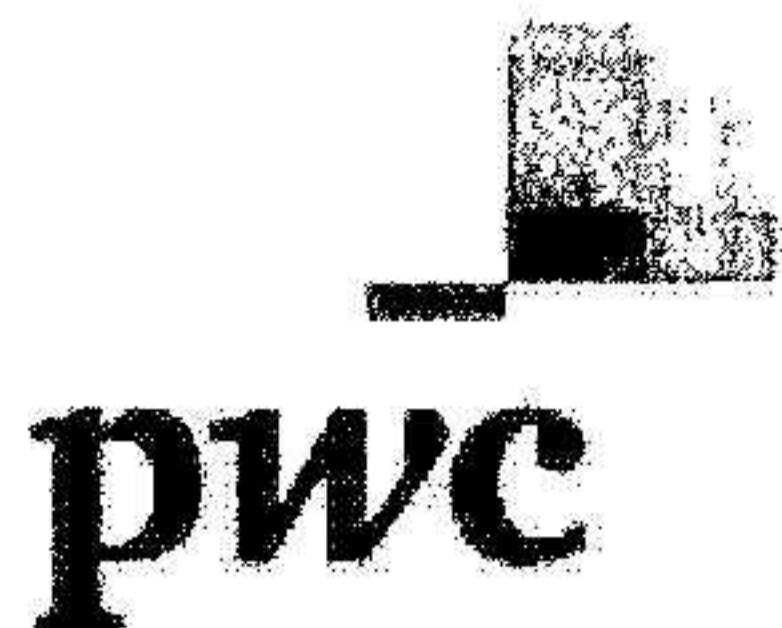
Independence

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 26 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.

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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

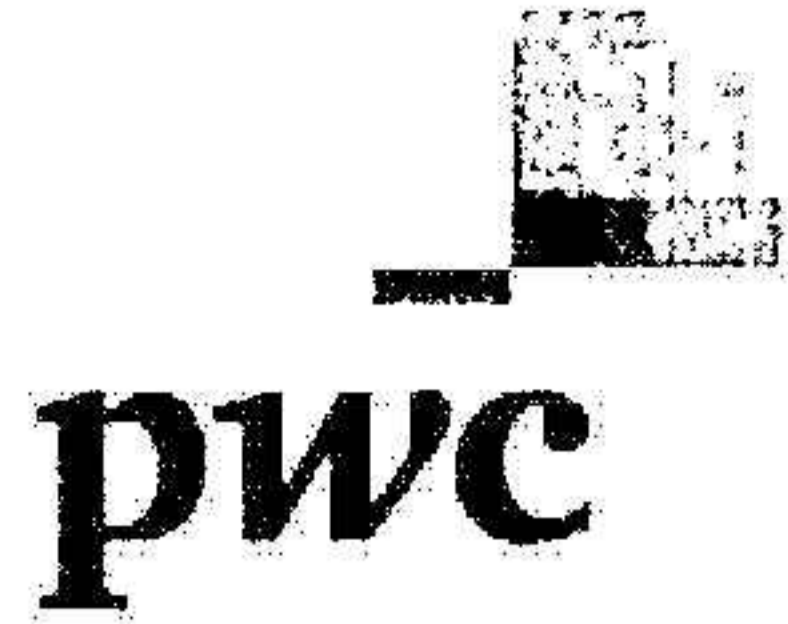
Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial 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.



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
3 April 2024

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 3 April 2024.

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

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts are in EUR thousands unless otherwise stated)

CONSOLIDATED ANNUAL REPORT OF EUROAPOTHECA UAB GROUP OF COMPANIES FOR 2023

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 2023, 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 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 by Euroapotheca and Oriola in which each party holds a 50% 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 Company responded immediately and removed all Russian and Belarusian goods from trade and terminated a further supply of such goods. Until the financial statements issue date 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 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 2023 and 2022.

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 55% in 2023 compared to 2022 and totalled EUR 1,596 million (2022: EUR 1,030 million). Revenue growth was mainly related to business expansion in Sweden. The Company's sales revenue amounted to EUR 9 million (2022: EUR 6 million).

As at 31 December 2023, the Group had 905 pharmacies: Eurovaistinė (272 own pharmacies) in Lithuania; Euroapteek (73 franchised pharmacies) in Estonia; Euroapteika (56 own pharmacies) in Latvia; Kronans Apotek (504 pharmacies, of which 456 own and 48 franchised pharmacies) in Sweden.

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

The Group's net profit for 2023 amounted to EUR 25.9 million (2022: EUR 26.4 million). The Company's net profit for 2023 amounted to EUR 31.2 million (2022: EUR 28.3 million).

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 court hearing in this case has not yet been scheduled. 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 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 a legislation do not itself affect competition in the market since the legislative decisions are adopted by the competent authorities.

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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 was 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 2023, the Group companies had 7,145 employees (31 December 2022: 7,454). As at 31 December 2023, the Company had 71 employees (31 December 2022: 61). 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 2023 and 2022.

In 2023, 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 significant events after the end of the reporting period.

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Operation plans and prospects of the Group

In 2023, the Company focused on the operational efficiency of the operated businesses and 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 2024, 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.

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 2023, nor acquired, disposed of own shares during the reporting periods of 2023 and 2022.

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. As these amounts are receivable from public authorities in jurisdictions with a higher investment credit rating, this risk is limited.

Credit risk relating to cash balances at banks is also 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. However, risk is managed by maintaining a conservative level of liquid assets and unused credit lines. From 2016 the Group selectively uses derivative financial instruments to manage interest rate risk. As at 31 December 2023, 48% of the Group companies' borrowings had an effectively fixed interest rate (i.e. a non-current bank borrowing of Swedish Pharmacy Holding AB as disclosed in Note 12), as at 31 December 2022, 100% and 59% of the Company's and the Group companies' borrowings, respectively, had an effectively fixed interest rate.

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 and credit lines to minimise liquidity risk and meet their commitments at a given date.

Foreign exchange risk

A major part of the Group companies' transactions in 2023 and 2022 was conducted in local currencies (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).

Natalja 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).

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FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts are in EUR thousands unless otherwise stated)

Janek Kalbin

- 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);
- 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).

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

3 April 2024
Vilnius, Lithuania

STATEMENTS OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts are in EUR thousands unless otherwise stated)

ASSETS	Notes	Group		Company	
		At 31 Dec 2023	At 31 Dec 2022	At 31 Dec 2023	At 31 Dec 2022
Non-current assets					
Goodwill	5	438,471	437,652	-	-
Intangible assets	5	132,589	142,157	457	985
Property, plant and equipment	6	29,592	30,191	568	659
Right-of-use assets	13	203,683	175,870	702	817
Investments in subsidiaries	4	65	61	421,058	419,430
Loans granted	7	3,001	145	33,298	32,091
Finance lease and other non-current amounts receivable	9	10,578	10,346	90	67
Deferred income tax assets	21	2,096	2,775	88	88
Total non-current assets		820,075	799,197	456,261	454,137
Current assets					
Inventories	8	154,180	143,181	-	-
Amounts receivable, prepayments and other current assets	9	97,619	100,863	3,468	2,687
Loans granted	7	1,628	5,164	956	274
Prepaid income tax		13,227	5,477	-	-
Derivative financial instruments		-	708	-	708
Cash and cash equivalents	10	49,293	84,859	65	3,318
Total current assets		315,947	340,252	4,489	6,987
TOTAL ASSETS		1,136,022	1,139,449	460,750	461,124
EQUITY AND LIABILITIES					
Capital and reserves					
Authorised share capital	1	264,890	264,890	264,890	264,890
Legal reserve	11	11,988	10,572	11,988	10,572
Currency translation reserve	11	(30,180)	(31,404)	-	-
Other reserves		-	959	-	959
Retained earnings/(deficit)		85,409	102,593	113,733	128,985
Capital attributable to owners of the parent company		332,107	347,610	390,611	405,406
Non-controlling (minority) interest		234,822	237,756	-	-
Total equity		566,929	585,366	390,611	405,406
Non-current liabilities					
Borrowings	12	72,422	42,500	39,546	44,546
Lease liabilities	13	148,015	124,924	602	718
Deferred income tax liabilities	21	34,243	35,359	-	-
Long-term employee benefits		291	229	-	-
Other amounts payable		2	2	-	-
Total non-current liabilities		254,973	203,014	40,148	45,264
Current liabilities					
Borrowings	12	9,991	50,650	28,286	8,537
Lease liabilities	13	36,318	33,325	150	146
Trade payables		194,566	216,989	313	434
Income tax payable		4,475	2,594	80	-
Contract liabilities	15	1,244	1,243	-	-
Other amounts payable and accrued expenses	15	67,526	46,268	1,162	1,337
Total current liabilities		314,120	351,069	29,991	10,454
Total liabilities		569,093	554,083	70,139	55,718
TOTAL EQUITY AND LIABILITIES		1,136,022	1,139,449	460,750	461,124

The accompanying notes are an integral part of the financial statements.
The financial statements were approved and signed on 3 April 2024.

Paulius Mencas
Chief Executive Officer

Vytautas Liatukas
Chief Financial Officer

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts are in EUR thousands unless otherwise stated)

	Notes	Group		Company	
		2023	2022	2023	2022
Revenue from contracts with customers	16	1,596,133	1,030,355	8,961	6,021
(Cost) of sales	17	(1,433,349)	(910,975)	-	-
Gross profit		162,784	119,380	8,961	6,021
Operating (expenses)	18	(125,687)	(71,486)	(7,180)	(6,962)
Other income	19	568	514	29,600	31,292
Other (costs)	19	(457)	(8,276)	(375)	(1)
Operating profit		37,208	40,132	31,006	30,350
Interest (expenses)		(8,232)	(5,163)	(3,194)	(2,041)
Interest income		3,290	819	3,131	1,699
Other (expenses) of financing and investing activities	20	(1,922)	(320)	301	(1,697)
Profit before income tax		30,344	35,468	31,244	28,311
Income tax (expenses)/benefit	21	(4,500)	(9,102)	(80)	8
Profit for the period		25,844	26,366	31,164	28,319
Profit/(loss) for the period attributable to:					
Owners of the parent company		29,232	28,260	31,164	28,319
Non-controlling (minority) interest		(3,388)	(1,894)	-	-
		25,844	26,366	31,164	28,319

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts are in EUR thousands unless otherwise stated)

Other comprehensive income that will be subsequently reclassified to profit or loss					
Foreign exchange effect		1,679	(22,489)	-	-
Result of a cash flow hedge	23	(1,128)	1,593	(1,128)	1,593
Income tax	23	169	(239)	169	(239)
Total other comprehensive income/(expenses) that will be subsequently reclassified to profit or loss		720	(21,135)	(959)	1,354
Other comprehensive income that will not be subsequently reclassified to profit or loss					
		-	-	-	-
Total other comprehensive income/(expenses) that will not be subsequently reclassified to profit or loss					
		-	-	-	-
Total comprehensive income for the period, net of tax		26,564	5,232	30,205	29,673
Comprehensive income attributable to:					
Owners of the parent company		29,497	7,042	30,205	29,673
Non-controlling (minority) interest		(2,933)	(1,810)	-	-
		26,564	5,232	30,205	29,673

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

The financial statements were approved and signed on 3 April 2024.

Paulius Mencas
Chief Executive Officer

Vytautas Liatukas
Chief Financial Officer

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

(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 2022		264,890	(8,831)	10,394	(393)	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
Formation of a legal reserve	11	-	-	1,416	-	(1,416)	-	-	-
Acquisition of subsidiaries		-	-	-	-	-	-	-	-
Profit for the period		-	-	-	-	29,232	29,232	(3,388)	25,844
Other comprehensive income		-	1,224	-	(959)	-	265	455	720
Total comprehensive income		-	1,224	-	(959)	29,232	29,497	(2,933)	26,564
Dividends paid		-	-	-	-	(45,000)	(45,000)	-	(45,000)
Balance at 31 December 2023		264,890	(30,180)	11,988	-	85,409	332,107	234,822	566,929

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

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023**

(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 2022		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
Formation of a legal reserve	11	-	1,416	-	(1,416)	-
Profit for the period		-	-	-	31,164	31,164
Other comprehensive income		-	-	(959)	-	(959)
Total comprehensive income		-	-	(959)	31,164	30,205
Dividends paid		-	-	(959)	(45,000)	(45,000)
Balance at 31 December 2023		264,890	11,988	-	113,733	390,611

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

The financial statements were approved and signed on 3 April 2024.

Paulius Mencas
Chief Executive Officer

Vytautas Liatukas
Chief Financial Officer

**STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts are in EUR thousands unless otherwise stated)

	Notes	Group		Company	
		2023	2022	2023	2022
Cash flows from operating activities					
Profit for the period		25,844	26,366	31,164	28,319
Eliminations:					
Income tax expenses/(benefit) recognised in profit or loss	21	4,500	9,102	80	(8)
Depreciation, amortisation	5,6,13	60,029	33,013	701	732
Impairment/(reversal of impairment) of property, plant and equipment and intangible assets		-	1,421		-
Loss/(gain) from disposal and write-off of property, plant and equipment		457	846	(10)	(3)
Loss/(gain) from disposal / liquidation of other investments		-	6,940	375	-
Change in write-down allowance for inventories and doubtful receivables	8, 9	(381)	(1,293)	-	-
Interest and other finance costs/(income) – net		4,942	4,344	63	2,039
Dividend income	19	-	-	(29,589)	(31,288)
Other		(250)	-	(301)	-
		95,141	80,739	2,483	(209)
Changes and payments representing cash flows from operating activities:					
Change in inventories		(10,328)	608	-	-
Change in amounts receivable and prepayments		(425)	(6,573)	(226)	(1,103)
Change in trade payables, other payables and accrued expenses		(874)	16,387	163	712
Income tax paid		(9,679)	(8,748)	-	-
Net cash inflow/(outflow) from operating activities		73,835	82,413	2,420	(600)
Cash flows from investing activities					
Dividends received	14	16	38	29,589	30,138
Acquisition of non-current assets		(14,746)	(12,356)	(840)	(1,120)
Disposal of non-current assets		197	449	16	9
Loans granted	7	(1,250)	(650)	(2,350)	(1,769)
Loan repayments received	7	2,007	50	-	3,273
(Acquisition)/disposal of subsidiaries	4	1,412	(7,295)	(3)	-
Disposal of other investments		-	-	-	-
Interest received	7	2,187	171	1,239	457
Amounts received for sublease		4,143	3,562	-	-
Net cash inflow/(outflow) from investing activities		(6 034)	(16,031)	27,651	30,989
Cash flows from financing activities					
Dividends paid		(45,000)	-	(45,000)	-
Settlement of lease liabilities		(39,994)	(22,708)	(272)	(285)
Interest paid on lease payments		(2,691)	(2,499)	(12)	(13)
Proceeds from borrowings	14	19,000	23,182	38,007	-
Repayments of borrowings	14	(29,633)	(19,325)	(24,000)	(25,623)
Interest paid	14	(5,049)	(1,435)	(2,047)	(1,217)
Net cash (outflow) from financing activities		(103,367)	(22,785)	(33,324)	(27,138)
		(35,566)	43,597	(3,253)	3,251
Net increase/(decrease) in cash flows		84,859	41,262	3,318	67
Cash and cash equivalents at the beginning of the period		49,293	84,859	65	3,318
Cash and cash equivalents at the end of the period					

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

The financial statements were approved and signed on 3 April 2024.

Paulius Mencas
Chief Executive Officer

Vytautas Liatukas
Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts are in EUR thousands unless otherwise stated)

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 2023 and 2022. In 2023 and 2022, the Company's authorised share capital amounted to EUR 264,890 thousand.

In 2023 and 2022, 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 2023 and 2022, 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 2023	At 31 Dec 2022	
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**	Lithuania	0	100	Disposed
AZETA UAB	Lithuania	100	100	Business consultations / Marketing services
Azeta Group UAB**	Lithuania	0	100	Liquidated
AZETA VAISTINĖ UAB*	Lithuania	100	100	Electronic trade in pharmaceuticals
ETOPOL UAB*	Lithuania	100	100	Under liquidation
Azeta SIA*	Latvia	100	100	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
Daīma 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
Ivīna 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	Dormant
Azeta OÜ*	Estonia	100	100	Marketing services
EURO SOLUTION UAB	Lithuania	100	100	Under liquidation
Vaistų Realizacijos Centras, UAB	Lithuania	100	100	Under liquidation
Monovita, UAB	Lithuania	0	100	Liquidated
Euroapotheca Holding SWE AB	Sweden	100	100	Holding undertaking
Kronans Apotek AB*	Sweden	50	50	Retail trade in pharmaceuticals
Swedish Pharmacy Holding AB*	Sweden	50	50	Holding undertaking
Apoteksgruppen Detaljist AB*	Sweden	50	50	Retail trade in pharmaceuticals
Apoteksgruppen i Sverige AB*	Sweden	50	50	Business consultations / Marketing services / Franchise services
Apoteksgruppen i Sverige Holding AB*	Sweden	50	50	Holding undertaking

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts are in EUR thousands unless otherwise stated)

1. General information (continued)

Azeta Pharma AB*	Sweden	100	100	Electronic commerce
Other 30 companies of Apoteksgruppen Pharma	Sweden	1	1	Retail trade in pharmaceuticals
Vilniaus Prekybos Support Fund DABAR	Lithuania	40	0	Fund
Vestodija UAB*	Lithuania	40	0	Real estate
Vievio NT UAB*	Lithuania	40	0	Real estate
Sollo UAB*	Lithuania	6	0	Payment institution

* Entities indirectly controlled by the Company.

** The companies disposed of or liquidated in 2023.

As at 31 December 2023, the Group companies had 7,145 employees (31 December 2022: 7,454 employees).

As at 31 December 2023, the Company had 71 employees (31 December 2022: 61 employees).

The Company's management approved these financial statements on 3 April 2024. 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

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The Group and the Company have adopted these amendments to the standards and recommendations by clarifying disclosures of the accounting policy. The management has clarified or removed the following disclosures of the accounting policy: "Financial instruments, assets and liabilities", "Derivative financial instruments and hedge accounting", "Revenue recognition", "Employee benefits".

Amendments to IAS 8: Definition of accounting estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. These amendments had no material impact on the Group's and the Company's financial statements.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. These amendments had no material impact on the Group's and the Company's financial statements.

Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (issued 23 May 2023). In May 2023, the IASB issued narrow-scope amendments to IAS 12, 'Income Taxes'. This amendment was introduced in response to the imminent implementation of the Pillar Two model rules released by the Organisation for Economic Co-operation and Development's (OECD) as a result of international tax reform. The amendments provide a temporary exception from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules. In accordance with IASB effective date, the companies may apply the exception immediately, but disclosure requirements are required for annual periods commencing on or after 1 January 2023. These amendments had no material impact on the Group's and the Company's financial statements.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts are in EUR thousands unless otherwise stated)

3. Material 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 2023 and 2022.

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.

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 equity holders 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts are in EUR thousands unless otherwise stated)

3. Material accounting policies (continued)

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.

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 is 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. Intangible assets were supplemented with a concept and lease contracts and in 2022 following the transaction between the companies Euroapotheca Holding SWE AB and Oriola Corporation in Sweden.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts are in EUR thousands unless otherwise stated)

3. Material accounting policies (continued)

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.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts are in EUR thousands unless otherwise stated)

3. Material accounting policies (continued)

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.

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.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**
(All amounts are in EUR thousands unless otherwise stated)

3. Material accounting policies (continued)

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.

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 2023 and 2022, 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. 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts are in EUR thousands unless otherwise stated)

3. Material accounting policies (continued)

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.

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.

3.14. 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 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.

In 2023 and 2022, the standard income tax rate in Lithuania was 15%, in Sweden – 20.6%. The income tax rate of the subsidiaries operating in Estonia and Latvia is 20%, but the taxation 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%.

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.

NOTES TO THE FINANCIAL STATEMENTS
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(All amounts are in EUR thousands unless otherwise stated)

3. Material accounting policies (continued)

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.

3.15. 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.

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.

3.17. 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).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts are in EUR thousands unless otherwise stated)

3. Material accounting policies (continued)

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 2023	Average for 2023	At 31 Dec 2022	Average for 2022
EUR/SEK	0.0901	0.0872	0.0899	0.0941

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. 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts are in EUR thousands unless otherwise stated)

3. Material accounting policies (continued)

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 2023 and 2022, there were no indications that the carrying amount of property, plant and equipment has been significantly impaired.

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. In 2023, the Group company Eurovaistinė UAB carried out a revaluation of the lease terms by extending the lease terms for the lease contracts of the leased property from related companies, which provided for a longer lease term in the event of additional conditions. 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 72,636 thousand, and in case the lease extension period is reduced by 24 months, lease liabilities would decrease by EUR 72,636 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% plus 3-month Euribor. 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.

3.22. 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 thousands 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts are in EUR thousands unless otherwise stated)

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

The recoverable amount of investments as at 31 December 2023 was determined using the post-tax discount rate from 6.8% to 8.1% (from 6.49% to 7.37% as at 31 December 2022).

Investments in the subsidiaries and the associates as at 31 December 2023 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	4,296	-	4,296
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
Vaistų Realizacijos Centras UAB	3	-	3
Health Support and Charity Fund	3	-	3
Euroapotheca Holding SWE AB	245,277	(27,800)	217,477
EUROAPTEEK HOLDING OU	8	-	8
Vilniaus Prekybos Support Fund DABAR	3	-	3
	477,535	(56,477)	421,058

* In 2023, the Company became a shareholder of Vilniaus Prekybos Support Fund DABAR and made a shareholder contribution of EUR 3 thousand.

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	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)	372
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 OU	8	-	8
	475,926	(56,496)	419,430

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(All amounts are in EUR thousands unless otherwise stated)

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

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 2023, 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.

There were no acquisitions in 2023, except for the above-mentioned contribution of EUR 3 thousand to Vilnius Prekybos Support Fund DABAR.

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 and the performed goodwill impairment testing, which is described in Note 5.

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
<i>Total assets acquired</i>	<u>417,404</u>	<u>26,313</u>	<u>443,717</u>
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)
<i>Total liabilities assumed</i>	<u>(153,332)</u>	<u>(23,885)</u>	<u>(177,217)</u>
Total recognised net assets	<u>264,072</u>	<u>2,428</u>	<u>266,500</u>
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	<u>266,500</u>		
Purchase consideration:			
Cash consideration paid by the Group	24,250		
Less: cash in acquired companies	<u>(16,743)</u>		
Purchase consideration – net	<u>7,507</u>		

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(All amounts are in EUR thousands unless otherwise stated)

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

Disposals in 2023

On 28 July 2023, the Group disposed of 100% of shares of EVDS UAB.

	<u>EVDS UAB</u>
Cash and cash equivalents	364
Property, plant and equipment	1,398
Inventories and prepayments	12
Trade and other amounts receivable	5
Sale proceeds	<u>1,779</u>
Sale proceeds	1,779
Less:	
Cash and cash equivalents in subsidiaries disposed	<u>364</u>
Increase in cash from disposal of subsidiaries	<u>1,415</u>

Disposals in 2022

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

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

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5. Intangible assets

Group	Goodwill	Other intangible assets	Total
Acquisition cost			
Balance at 1 January 2022	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
- Additions	-	5,069	5,069
- Appreciation of assets	-	-	-
- Assets of acquired subsidiaries	-	-	-
- Disposals and write-offs	-	-	-
- Assets of subsidiaries disposed	-	(1,382)	(1,382)
- Reclassified from/to	-	-	-
- Currency exchange differences	819	518	1,337
Balance at 31 December 2023	543,890	201,119	745,009
Amortisation and impairment			
Balance at 1 January 2022	(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)
- Amortisation charge	-	(13,506)	(13,506)
- Disposals and write-offs	-	316	316
- Amortisation of assets of acquired subsidiaries	-	-	-
- Amortisation of assets of subsidiaries disposed	-	-	-
- Impairment charge	-	-	-
- Currency exchange differences	-	(584)	(584)
Balance at 31 December 2023	(105,419)	(68,530)	(173,949)
Net book amount			
Balance at 31 December 2022	437,652	142,157	579,810
Balance at 31 December 2023	438,471	132,589	571,060

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(All amounts are in EUR thousands unless otherwise stated)

5. Intangible assets (continued)

Company	Other intangible assets
Cost	
Balance at 1 January 2022	2,371
- Additions	583
- Reclassified from/to	-
- Disposals and write-offs	-
Balance at 31 December 2022	2,954
- Additions	747
- Reclassified from/to	(896)
- Disposals and write-offs	(141)
Balance at 31 December 2023	2,663
Amortisation	
Balance at 1 January 2022	(1,561)
- Amortisation charge	(408)
- Disposals and write-offs	-
Balance at 31 December 2022	(1,969)
- Amortisation charge	(380)
- Disposals and write-offs	141
Balance at 31 December 2023	(2,206)
Net book amount	
At 31 December 2022	985
At 31 December 2023	457

The Group's other intangible assets comprise software and licences for the pharmaceutical activities. In 2018 and 2022, the Swedish business concept and trademark, which were recognised in the Group's accounts after the completion of the purchase price allocation, were added to intangible assets. As at 31 December 2023, these asset's residual values amounted to EUR 50,730 million and EUR 55,633 million, respectively (31 December 2022: EUR 55,005 thousand and EUR 55,504 thousand, respectively).

In 2023 and 2022, 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 2.8 million and EUR 2.3 million, respectively, as at 31 December 2023 (31 December 2022: EUR 2.1 million and EUR 1.2 million).

As at 31 December 2023, the Company did not have internally created intangible assets. As at 31 December 2022, the Company had internally created intangible assets with the production cost of EUR 528 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 2022	Acquisitions / disposals of new trade units in 2023	Foreign exchange effect on change in value of goodwill in 2023	Value of goodwill in 2023
LITHUANIA	100,484	-	-	100,484
LATVIA	8,198	-	-	8,198
ESTONIA	1,509	-	-	1,509
SWEDEN	327,461	-	819	328,280
Total	437,652	-	819	438,471

In 2023 and 2022, 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 2023, the value in use was calculated using the discount rates after income tax from 6.8% to 8.1% (from 6.49% to 7.37% in 2022) and the going concern value was calculated using the growth rate of 2% (2022: 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.

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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

According to the Swedish business strategy it is planned that the revenue of Kronans Apotek pharmacy chain will grow by 2.0-7.0 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 was established within the range from 7.0% to 9%.

As part of the goodwill impairment valuation of the business division in Sweden, 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 1.0 p.p. higher discount rate were assessed. By changing only this variable during the sensitivity analysis, the value of the Swedish business would change around EUR 82 million without indications of goodwill impairment;
- 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 the Swedish business decreased respectively by EUR 127 million, EUR 90 million and EUR 48 million without indications of goodwill impairment.

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(All amounts are in EUR thousands unless otherwise stated)

6. Property, plant and equipment

Group						Total
	Land	Buildings	Motor vehicles	Construct ion in progress	Equipment and other property, plant and equipment	
Acquisition cost						
Balance at 1 January 2022	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
- Additions	1,398	-	-	3,366	4,914	9,678
- Appreciation of assets	-	-	-	-	17	17
- Disposals and write-offs	-	-	-	-	(2,351)	(2,351)
- Assets of subsidiaries disposed	(1,398)	-	-	-	-	(1,398)
- Reclassified from/to	-	-	-	(1,593)	1,593	-
- Currency exchange differences	-	-	-	65	322	388
Balance at 31 December 2023	6	521	29	3,993	139,090	143,639
Depreciation and impairment						
Balance at 1 January 2022	-	(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)
- Depreciation charge	-	(16)	(6)	-	(8,249)	(8,271)
- Depreciation of assets disposed and written off	-	-	-	-	1,718	1,718
- Depreciation of assets of subsidiaries disposed	-	-	-	-	-	-
- Impairment charge	-	-	-	-	-	-
- Currency exchange differences	-	-	-	-	(382)	(382)
Balance at 31 December 2023	-	(500)	(12)	-	(113,535)	(114,047)
Net book amount						
Balance at 31 December 2022	6	37	23	2,155	27,973	30,193
Balance at 31 December 2023	6	21	17	3,993	25,555	29,592

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6. Property, plant and equipment (continued)

Company	Equipment and other property, plant and equipment
Acquisition cost	
Balance at 1 January 2022	1,192
- Additions	536
- Disposals and write-offs	(98)
Balance at 31 December 2022	1,630
- Additions	93
- Disposals and write-offs	(210)
Balance at 31 December 2023	1,513
Depreciation	
Balance at 1 January 2022	(876)
- Depreciation charge	(187)
- Depreciation of assets disposed and written off	92
Balance at 31 December 2022	(971)
- Depreciation charge	(178)
- Depreciation of assets disposed and written off	204
Balance at 31 December 2023	(945)
Net book amount	
Balance at 31 December 2022	659
Balance at 31 December 2023	568

In 2023, depreciation expenses of the Group's property, plant and equipment amounting to EUR 6,888 thousand (2022: EUR 4,613 thousand) were included in the cost of sales and the remaining part was included in operating expenses. In 2023 and 2022, 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 11.3 million and EUR 0.7 million, respectively, as at 31 December 2023 (31 December 2022: 8.3 million and EUR 0.6 million).

7. Loans granted

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

	Group		Company	
	2023	2022	2023	2022
Loan granted to EUROAPOTHECA UAB group companies	-	-	33,298	32,091
Loans granted to other unrelated companies	3,001	145	-	-
	3,001	145	33,298	32,091

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

	2023	2022
Loans granted to other companies	1,171	4,883
Accrued interest on loans granted to other companies	457	281
	1,628	5,164

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

	2023	2022
Loans granted to EUROAPOTHECA UAB group companies	634	271
Accrued interest on loans granted to EUROAPOTHECA UAB group companies	322	3
	956	274

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

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8. Inventories

As at 31 December, inventories comprised as follows:

	Group		Company	
	2023	2022	2023	2022
Goods for resale at acquisition cost	155,837	145,199	-	-
Less: write-down allowance	(1,657)	(2,018)	-	-
Total	154,180	143,181	-	-

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 2023 and 31 December 2022 amounted to EUR 361 thousand and between 31 December 2022 and 31 December 2021 amounted to EUR 66 thousand. Write-downs of inventories in 2023 and 2022 were recognised in operating expenses. The acquisition cost of inventories accounted for at net realisable value amounted to EUR 154,179 thousand in 2023 (2022: EUR 143,181 thousand).

9. Amounts receivable and prepayments

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

	Group		Company	
	2023	2022	2023	2022
Non-current amounts receivable for assets leased under finance leases	5,546	6,523	-	-
Non-current prepayments	531	456	90	67
Other non-current amounts receivable	4,501	3,367	-	-
Total	10,578	10,346	90	67

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

	Group		Company	
	2023	2022	2023	2022
Financial assets				
Amounts receivable from health insurance funds and/or similar institutions	38,373	39,581	-	-
Other trade receivables	23,975	27,528	2,456	2,025
Accrued discounts receivable	5,215	4,288	-	-
Other amounts receivable	319	1,031	-	-
Total financial assets	67,882	72,428	2,456	2,025
Non-financial assets				
Prepayments	10,912	9,925	388	126
VAT receivable	14,476	14,769	-	536
Other current assets	-	-	624	-
Other amounts receivable	4,929	4,340	-	-
Total non-financial assets	30,317	29,034	1,012	662
Less: impairment of financial assets due to doubtful amounts receivable	(580)	(600)	-	-
Total	97,619	100,863	3,468	2,687

As at 31 December 2023 and 2022, doubtful amounts receivable were assessed collectively for impairment. Change in impairment of amounts receivable between 31 December 2023 and 31 December 2022 amounted to EUR 20 thousand. Change in impairment of amounts receivable 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).

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. The Company's other current assets include software under development intended for sale.

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9. Amounts receivable and prepayments (continued)

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

Group	Trade receivables not past due	Trade receivable past due but not impaired			Total
		Less than 3 months	3 – 6 months	More than 6 months	
2023	60,262	1,114	275	284	61,934
2022	62,614	3,676	132	331	66,753

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

Company	Trade receivables not past due	Trade receivable past due but not impaired			Total
		Less than 3 months	3 – 6 months	More than 6 months	
2023	2,456	-	-	-	2,456
2022	2,025	-	-	-	2,025

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	
	2023	2022	2023	2022
Cash at bank	45,037	80,676	65	3,318
Cash in transit	1,447	1,436	-	-
Cash on hand	2,809	2,747	-	-
Total	49,293	84,859	65	3,318

As at 31 December 2023 and 2022, 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 2023 and 2022, 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 2023 and 2022, cash on hand comprised cash held at the Group's pharmacies and in the central cash registers.

As disclosed in Notes 12 and 25, as at 31 December 2023, the Group and the Company pledged the Group companies' funds of EUR 9.9 million held in in certain bank accounts to secure the repayment of borrowings, credit lines and guarantees. As at 31 December 2022, the Group and the Company pledged EUR 37 thousand to secure the repayment of borrowings and credit lines.

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 2023 and 2022, 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.

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12. Borrowings

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

	Group		Company	
	2023	2022	2023	2022
Bank borrowings	72,422	42,500	37,500	42,500
Borrowings from related companies	-	-	2,046	2,046
	72,422	42,500	39,546	44,546

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

	Group		Company	
	2023	2022	2023	2022
Borrowings from related companies	-	-	22,758	3,219
Accrued interest on borrowings from related companies	-	-	42	56
Current portion of non-current bank borrowings	9,905	50,639	5,399	5,251
Accrued interest on credit line	86	11	86	11
	9,991	50,650	28,286	8,537

In 2023 and 2022, all borrowings of the Company and the Group were denominated in euros, except for the loan received by Swedish Pharmacy Holding AB in 2022 which is denominated in Swedish krona (SEK).

At the end of 2023, the Company's borrowings from related companies comprised funds borrowed from the Group account and the borrowings obtained from Euroapotieka Farmacija SIA and Euro Solution UAB. At the end of 2022, the Company's borrowings from the related companies comprised funds borrowed from the Group account and the 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, 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 2023, 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 four years from the end of 2023.

As at 31 December 2023, 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.

As at 31 December 2022, Swedish Pharmacy Holding AB did not comply with one of the financial covenants stipulated in the agreement on the 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.

As at 31 December 2023, 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 2023. The cash balance in this account amounted to EUR 48 thousand. Cash and cash equivalents held in the Company's bank account at Swedbank AB were pledged as at 31 December 2022. The cash balance in this account amounted to EUR 37 thousand. 100% of shares of other companies of the Group (EVRC, UAB, Eurovaistinė, UAB, EVD, UAB, Siromed Pharma, EUROAPTIEKA, SIA, EUROAPTIEKA FARMACIJA) have also been pledged.

The repayment of the Group's bank borrowings was guaranteed by the subsidiaries of the Group (Note 25).

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.

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13. Leases (continued)

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 2023 was 1.61% + 3-month Euribor in Lithuania, 1.73% + 3-month Euribor in Latvia, 2.63% + 3-month Euribor in Estonia, 1.61% + 3-month Sitibor in Sweden. 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 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.

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

	Group		Company	
	At 31 December 2023	At 31 December 2022	At 31 December 2023	At 31 December 2022
Right-of-use assets				
Buildings	203,037	175,602	702	817
- Acquisition cost	289,388	370,231	1,378	1,350
- Accumulated depreciation	(86,351)	(194,629)	(676)	(533)
Motor vehicles	646	268	-	-
- Acquisition cost	1,084	619	-	-
- Accumulated depreciation	(438)	(351)	-	-
Total	203,683	175,870	702	817
Lease liabilities				
Non-current liabilities	148,015	124,924	602	718
Current liabilities	36,318	33,325	150	146
Total	184,333	158,249	752	864

In 2023, additions at the Group amounted to EUR 13 million (2022: EUR 1.2 million).

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

	Group		Company	
	2023	2022	2023	2022
Depreciation charge of right-of-use assets				
Buildings	38,003	21,380	143	136
Motor vehicles	248	669	-	-
	38,251	22,049	143	136
Interest expenses	2,691	2,499	12	13
Expenses of short-term and low-value leases	2,665	799	61	60

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13. Leases (continued)

Part of depreciation expenses of the Group's right-of-use assets amounting to EUR 35,597 thousand are included in the cost of sales, the other part of EUR 2,879 thousand in operating expenses (2022: EUR 20,338 thousand and EUR 1,711 thousand, respectively). At the Company depreciation expenses of EUR 143 thousand were included in operating expenses (2022: EUR 136 thousand).

Interest expenses related to lease liabilities were included in finance costs in the statement of comprehensive income and totalled EUR 2,691 thousand (2022: EUR 2,499 thousand) at the Group and EUR 12 thousand (2022: EUR 13 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 2023	At 31 December 2022
Within 1 year	36,318	33,325
Between 1 and 2 years	34,364	35,231
Between 2 and 3 years	25,546	25,621
Between 3 and 4 years	18,917	18,610
Between 4 and 5 years	12,269	12,320
Later than 5 years	56,919	33,142
	184,333	158,249

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 231 thousand (2022: EUR 246 thousand).

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

	Group	
	At 31 December 2023	At 31 December 2022
Within 1 year	3,477	3,172
Between 1 and 2 years	2,242	2,835
Between 2 and 3 years	1,746	1,643
Between 3 and 4 years	1,015	1,220
Between 4 and 5 years	504	526
Later than 5 years	690	425
	9,674	9,821

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 2022	(93,150)	(158,249)	84,859	(166,540)
Increase/(decrease) in cash flows	-	-	(35,566)	(35,566)
Cash flow for lease payments	-	39,994	-	39,994
(Increase) in lease liabilities	-	(64,132)	-	(64,132)
Proceeds from borrowings	(19,000)	-	-	(19,000)
Repayments of borrowings	29,633	-	-	29,633
Interest charged	(4,514)	(2,691)	-	(7,205)
Interest paid	4,723	2,691	-	7,414
Disposal of subsidiaries	-	-	-	-
Non-cash transactions	-	-	-	-
Currency exchange differences	(106)	-	-	(106)
At 31 December 2023	(82,414)	(182,387)	49,293	(215,508)

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14. Net debt (Continued)

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)

Company	Borrowings	Lease liabilities	Cash and cash equivalents	Net debt
At 31 December 2022	(53,083)	(864)	3,318	(50,629)
Increase/(decrease) in cash flows	-	-	(3,253)	(3,253)
Cash flow for lease payments	-	273	-	273
(Increase) in lease liabilities	-	(161)	-	(161)
Proceeds from borrowings	(38,370)	-	-	(38,370)
Repayments of borrowings	24,000	-	-	24,000
Interest charged	(2,427)	(12)	-	(2,439)
Interest paid	2,048	12	-	2,060
Non-cash transactions	-	-	-	-
At 31 December 2023	(67,832)	(752)	65	(68,519)

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)

In 2022, the Company's non-cash transactions comprised offsetting of dividends of the subsidiaries against the loans received from the subsidiaries, 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). In 2023, there were no non-cash transactions.

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15. Other amounts payable and contract liabilities

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

	Group		Company	
	2023	2022	2023	2022
Wages and salaries and social security contributions payable	19,702	19,366	63	153
Other accrued expenses and current liabilities	30,959	10,390	777	597
Other taxes (other than income tax)	3,467	3,692	196	481
Vacation reserve accrual	13,397	12,820	126	106
Deferred revenue	1,212	1,218	-	-
Advance amounts received	33	25	-	-
Total	68,770	47,511	1,162	1,337

Contract liabilities comprise deferred revenue and advance amounts received.

16. Revenue from contracts with customers

Revenue from contracts with customers comprised as follows:

	Group		Company	
	2023	2022	2023	2022
Revenue from sale of goods	1,582,164	1,017,430	-	-
Revenue from services rendered	13,969	12,925	8,961	6,021
Total	1,596,133	1,030,355	8,961	6,021

17. Cost of sales:

The Group's cost of sales comprised as follows:

	Notes	2023	2022
Expenses related to sale of goods		1,387,058	880,920
Depreciation and amortisation	6, 13	42,486	24,951
Transport expenses		3,805	5,104
Total		1,433,349	910,975

18. Operating expenses

Operating expenses comprised as follows:

	Notes	Group		Company	
		2023	2022	2023	2022
Wages and salaries and social security contributions		51,724	31,051	3,913	3,416
Marketing and advertising		9,216	6,419	-	-
Lease of premises and other non-current assets	13	2,464	488	61	60
Professional services		5,667	4,030	56	65
Utility services		1,241	656	7	11
Depreciation and amortisation	5,6,13	17,769	9,483	701	732
Transport expenses		916	593	12	12
Taxes (other than income tax)		564	566	80	1
Office supplies and stationery		4,165	1,911	46	53
Maintenance and repair of premises, equipment		16,198	6,144	3	1
Telecommunications		1,000	276	71	68
Losses of inventory		721	362	-	-
Other		16,953	9,507	2,229	2,543
Result of adjustment of value of right-of-use assets	5,6,13	(2,911)	-	-	-
Total		125,687	71,486	7,179	6,962

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19. Other income and costs

Other income and costs comprised as follows:

	Group		Company	
	2023	2022	2023	2022
Dividend income	16	38	29,589	31,288
Gain/(loss) from disposal of investments	4	(7,429)	-	-
Insurance income	18	193	-	-
Gain on disposal of non-current assets and investments	14	-	10	3
Other income	520	283	1	-
	568	514	29,600	31,292
Loss from disposal or write-off of non-current assets and investments	(457)	(846)	(375)	-
Total	111	(7,762)	29,225	31,291

20. Other income and expenses of financing and investing activities

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

	Group		Company	
	2023	2022	2023	2022
Foreign exchange gain/(loss)	57	72	8,062	14,805
Other income from financing activities	250	181	250	-
	307	253	8,312	14,805
Foreign exchange loss	(344)	(192)	(8,011)	(16,502)
Other interest expenses	(1,885)	(380)	-	-
	(2,229)	(572)	(8,011)	(16,502)
Total	(1,922)	(319)	301	(1,697)

21. Income tax

Income tax comprised as follows:

	Group		Company	
	2023	2022	2023	2022
Current year income tax	(4,900)	(9,619)	-	-
Change in deferred income tax	400	517	(80)	8
Income tax expenses	(4,500)	(9,102)	(80)	8

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

	Group		Company	
	2023	2022	2023	2022
Deferred income tax assets	2,096	2,775	88	88
Deferred income tax liabilities	(34,243)	(35,359)	-	-
	(32,147)	(32,584)	88	88

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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 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)
Foreign exchange differences	-	-	-	1,513	(2)	1,511
At 31 December 2022	813	656	243	(32,669)	(1,626)	(32,583)
Recognised as profit/(loss) in the statement of comprehensive income:	(813)	64	(44)	1,875	(682)	400
Foreign exchange differences	-	-	-	35	2	37
At 31 December 2023	-	720	199	(30,760)	(2,306)	(32,147)

As at 31 December 2023 and 31 December 2022, the Group had no unused tax losses, on which deferred income tax was not recognised or deferred income tax was not recognised because the realisation of their material part 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, 20% in Latvia, 20% in Estonia, and 20.6% in Sweden.

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	
	2023	2022	2023	2022
Profit/(loss) before tax	30,345	35,368	31,243	28,311
Income tax expenses at a statutory income tax rate of 15 per cent	4,552	5,320	4,687	4,247
Tax effect of differences not subject to tax	298	3,781	(4,607)	(4,255)
Effect of different tax rates of foreign subsidiaries	(350)	1	-	-
Income tax expenses/(benefit) recognised in the income statement	4,500	9,102	80	(8)

The effective income tax rate was 15% in 2023 (25.7% in 2022).

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	
	2023	2022	2023	2022
Trade receivables	61,769	66,509	2,456	2,025
Accrued discounts receivable	5,215	4,288	-	-
Loans granted	4,629	5,309	34,254	32,365
Cash and cash equivalents	49,293	84,859	65	3,318
Total	120,906	160,965	36,775	37,708

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. As these amounts are receivable from public authorities in jurisdictions with a higher investment credit rating, this risk is limited.

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

Credit risk relating to cash balances at banks is also 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.

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 and credit lines to minimise liquidity risk and meet their commitments at a given date.

As at 31 December 2023, the current ratio (total current assets / total current liabilities) and the quick ratio ((total current assets – inventories) / total current liabilities) were 1.01 and 0.52 respectively at the Group (0.97 and 0.56 respectively at 31 December 2022) and 0.15 or 0.15 respectively at the Company (0.67 and 0.67 respectively at 31 December 2022). Although as at 31 December 2023, the Company's current liabilities exceeded current assets, current liabilities amounting to EUR 22.8 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 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 2023	Less than a year	Between 1–2 years	Between 2–5 years	Over 5 years
Borrowings	14,377	13,431	68,026	-
Lease liabilities	41,320	35,652	62,711	62,591
Trade payables and other liabilities	195,902	-	-	-
Total	251,599	49,083	130,737	62,591

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

Company At 31 Dec 2023	Less than a year	Between 1–2 years	Between 2–5 years	Over 5 years
Borrowings	28,286	5,000	34,546	-
Lease liabilities	150	152	450	-
Trade payables and other liabilities	313	-	-	-
Total	28,749	5,152	34,996	-

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

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

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. However, risk is managed by maintaining a conservative level of liquid assets and unused credit lines. From 2016 the Group selectively uses derivative financial instruments to manage interest rate risk. As at 31 December 2023, 48% of the Group companies' borrowings had an effectively fixed interest rate (i.e. a non-current bank borrowing of Swedish Pharmacy Holding AB as disclosed in Note 12), as at 31 December 2022, 100% and 59% of the Company and the Group companies' borrowings, respectively, had an effectively fixed interest rate.

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
2023		
EURIBOR	+1.0%	(417)
STIBOR	+1.0%	(394)
EURIBOR	-1.0%	417
STIBOR	-1.0%	394
2022		
EURIBOR	+1.0%	(429)
STIBOR	+1.0%	(454)
EURIBOR	-1.0%	429
STIBOR	-1.0%	454

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
2023		
EURIBOR	+1.0%	(317)
EURIBOR	-1.0%	317
2022		
EURIBOR	+1.0%	(186)
EURIBOR	-1.0%	186

Foreign exchange risk

A major part of the Group's transactions in 2023 and 2022 was conducted in local currencies (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			
	2023		2022	
	Assets	Liabilities	Assets	Liabilities
EUR	75,939	165,949	97,835	167,011
SEK	86,720	218,517	89,332	228,593
Total	162,659	384,466	187,167	395,604

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

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
2023		
SEK	+1.0%	(1,318)
SEK	-1.0%	1,318
2022		
SEK	+1.0%	(1,393)
SEK	-1.0%	1,393

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.

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 2023 and 31 December 2022.

For capital management purposes, the Group and the Company define their capital (attributable to owners of the parent company) amounting to EUR 332,107 thousand and EUR 390,611 thousand, respectively, as at 31 December 2023 (31 December 2022: EUR 347,610 thousand and EUR 405,406 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, the Republic of Estonia and the Kingdom of Sweden, a pharmacy and a wholesale company selling 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. 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 2023 and 2022, 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.

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23. Related-party transactions (continued)

	Group 2023		Company 2023	
	Sales of goods and services	Purchases of goods and services	Sales of goods and services	Purchases of goods and services
Shareholder	-	125	-	125
Subsidiaries	-	-	8,868	-
Other related parties	303	11,205	-	205
Total	303	11,330	8,868	327

	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 2023		Company 2023	
	Interest income	Interest expenses	Interest income	Interest expenses
Subsidiaries	-	-	2,337	472
Total	-	-	2,337	472

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

	Group 2023		Company 2023	
	Amounts receivable and prepayments	Trade and other payables	Amounts receivable and prepayments	Trade and other payables
Shareholder	4	15	4	15
Subsidiaries	-	-	2,446	-
Other related parties	278	365	-	2
Total	282	380	2,450	17

	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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23. Related-party transactions (continued)

	Group 2023		Company 2023	
	Loans granted	Loans received	Loans granted	Loans received
Subsidiaries	-	-	34,254	12,631
Total	-	-	34,254	12,631

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

	Group 2023		Company 2023	
	Dividends received	Dividends paid	Dividends received	Dividends paid
Shareholder	-	45,000	-	45,000
Subsidiaries	16	-	29,589	-
Total	16	45,000	29,589	45,000

	Group 2022		Company 2022	
	Dividends received	Dividends paid	Dividends received	Dividends paid
Shareholder	-	-	-	-
Subsidiaries	38	-	31,288	-
Total	38	-	31,288	-

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, information technologies 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 2023 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 2022 and 2023.

24. Remuneration of the management personnel and other benefits

In 2023, the Group's management personnel remuneration (excluding social security contributions) totalled EUR 2.983 thousand and the Company's management personnel remuneration – 880 EUR thousand (2022: EUR 3,218 thousand and EUR 746 thousand, respectively). As at 31 December 2023, remuneration unpaid to the Group's management personnel amounted to EUR 119 thousand (31 December 2022: EUR 107 thousand). There was no remuneration unpaid to the Company's management personnel as at 31 December 2023 and 31 December 2022. In 2023 and 2022, no loans, guarantees or any other benefits were paid or calculated, nor any assets were transferred to the Group and the Company's management personnel. In 2023, the average number of the Group's key management personnel was 21 (2022: 23). In 2023, the average number of the Company's key management personnel was 5 (2022: 5).

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25. 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 2023 was EUR 42,500 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 2023 and 2022 that these instruments will be used, therefore no related liabilities were recognised in the financial statements.

The Group and the Company also have contingent liabilities and commitments for future periods related to guarantees issued by Swedbank, which are described in Note 26.

26. 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 court hearing in this case has not yet been scheduled. 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 was 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.

27. 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 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 2023 and 31 December 2022, however, indirect consequences of the war, such as a rising level of inflation and energy prices, had 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.

28. Events after the reporting period

There were no significant events after the end of the reporting period.

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