

Phillips-Medize A/S
Gimsinglundvej 20
DK -7600 Struer

Annual Report 2019

1 January 2019 - 31 December 2019

**The Annual Report was presented
and adopted at the Annual General
Meeting of the Group
on 15/5 2020**



Chairman, Søren Vestergård Jacobsen

CVR No 24053415

Contents

	Page
Financial Highlights	
Financial Highlights	2
Definition of financial Ratios	3
Management's review	
Company Information	4
Managements's review	5
Management's Statement and Auditor's report	
Management's Statement on the Annual Report	8
Independent Auditor's Report	9
Financial Statements 1 January - 31 December 2019	
Comprehensive income statement	12
Balance Sheet	13
Statement of Changes in Equity	15
Cash Flow Statement	16
Notes	
Notes	17
Notes 1-4 Accounting Policies etc	18
Notes 5-9 Notes to the income statement	27
Notes 10-24 Notes to the balance sheet	31
Notes 25-26 Notes to the cash flow statement	38
Note 27 Fee to auditors	38
Note 28 Contingent liabilities and other financial obligations	39
Note 29 Financial instruments	39
Note 30 Related parties	40
Note 31 Post-reporting date events	40
Note 32 Authorisation of financial statements	40
Note 33 Group matters	40

Financial Highlights

Phillips-Medisize A/S

(DKK million)	2015 1/1 - 31/12	2016 1/1 - 31/12	2017 1/1 - 31/12	2018 1/1 - 31/12	2019 1/1 - 31/12
Profit/loss					
Revenue	146	175	151	210	264
Operating profit/loss before depreciation (EBITDA)	7	4	15	26	33
Operating profit/loss (EBIT)	1	2	9	20	27
Net financials	0	0	0	0	-1
Operating profit/loss before tax (EBT)	1	2	9	20	27
Net profit/loss for the period after tax	-2	-2	7	15	21
Balance sheet					
Balance sheet total, year end	81	70	70	129	145
Share capital	17	17	17	17	17
Equity, year end	21	19	26	41	62
Cash flows for the year					
Hereof cash flows from:	21	3	-10	38	0
Operating activities	34	9	-14	47	22
Investing activities	-9	-6	0	-3	-21
- incl investments in intangible assets	-8	-6	0	-1	0
- incl investments in property, plant & equipment	-1	-1	0	-2	-22
Financing activities	-4	0	5	-5	-1
Ratios					
Profit margin, %	0,9	1,2	6,3	9,5	10,3
Return on assets, %	2,1	3,0	13,7	20,2	19,9
Return on invested capital exclusive of goodwill, %	37,5	26,1	72,2	76,9	65,0
Return on equity	-8,4	-10,4	31,8	45,6	39,9
Liquidity ratio	1,1	1,0	1,4	1,4	1,5
Equity ratio, %	26,0	26,9	37,2	32,2	43,0
Equity ratio, incl. subordinate loan, %	26,0	26,9	37,2	32,2	43,0
Financial gearing	0,0	0,0	0,0	0,0	-
Revenue/invested capital exclusive of goodwill	-2.246,7	10,1	5,9	5,1	4,3

Definition of Financial Ratios

Profit margin:
$$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$$

Return on assets:
$$\frac{\text{Operating profit/loss} \times 100}{\text{Average operating assets}}$$

Return on Invested capital excl goodwill
$$\frac{\text{Operating profit/loss before depreciation and goodwill amortisation}}{\text{Average invested capital excl goodwill}}$$

Liquidity ratio:
$$\frac{\text{Current assets}}{\text{Current liabilities}}$$

Equity ratio
$$\frac{\text{Equity end of year} \times 100}{\text{Liabilities and equity end of year}}$$

Board of Directors and Executive Board, etc

Phillips-Medisize A/S
CVR No 24053415

Country of registration	Denmark
Board of Directors	David William Cole (Chairman) Katherine Mary Dornan William Patrick Welch
Executive Board	Søren Vestergård Jacobsen (CEO)
Main bankers	Jyske Bank
Main office	Phillips-Medisize A/S Gimsinglundvej 20 DK-7600 Struer
Main activity	Phillips-Medisize A/S develops and manufactures medical devices
Auditors	Grant Thornton Stockholmsgade 45 2100 Copenhagen O Denmark
Ownership	Phillips-Medisize Holdings A/S Gimsinglundvej 20 7600 Struer Ownership share: 100%

Management's Review

Phillips-Medisize A/S develops and produces innovative drug delivery devices and connected health services. The Company is contracted, either within the company itself, or within the greater Phillips-Medisize to develop and produce these products on behalf of global customers and does not market own products. The Company's business therefore consists of an innovation business (strategy, feasibility and development projects) and a production business. The products developed and produced are characterized by being highly innovative in respect to design, user-friendliness, functionality and safety.

Development in activities and financial circumstances

In the period 1 January - 31 December 2019, the Company's revenue amounted to DKK 264.3 million compared with 209.9 million in the previous year, an increase of DKK 54.4 million, or 26%.

This increase is driven by a significant increase in the innovation business resulting from timing of the contracts Phillips-Medisize A/S has signed with our customers. The development in revenue is very satisfactory and does live up to the expectations for the year.

Operating profit/loss before depreciation and cost related to new ownerships (EBITDA) amounted to DKK 33.3 million is an increase of DKK 7.7 million or 30% compared with last year

The increase is driven by a profitable project and production portfolio and a satisfactory utilization of resources and production capacity. The Company have above that continued with a firm cost control closely aligned to our activity level. The development in profit is very satisfactory.

The higher revenue for 2019 compared to 2018 also resulted in a minor positive cash flow. The Company has bought the domicile property in 2019, so the total cash flow was positive for 2019 with DKK 8 thousand.

The Company will continue to develop and execute the focused strategy within drug delivery devices and connected health and will long-term reinforce growth both in the projects and production business - as the two businesses are closely linked in the Company's market focus. The Company expects to continue improving not only the market position but also the financial position.

Research and development activities

The Company has no research activities.

The Company has continued to expand its portfolio of proprietary technology accelerators and IP positions. For product development and development of production facilities and processes, a total of DKK 29.1 million was paid during the year compared with DKK 13.7 million for 2018. Of the DKK 29.1 million, DKK 0 has been capitalised in 2019 against DKK 0 million in 2018. Development costs for the year are therefore recognised in the income statement at DKK 29.1 million for the year against DKK 13.7 million in 2018. The development activities are expected to be increased in the coming year.

Significant post balance sheet events

From the balance sheet date until today, no events have occurred which significantly affect the assessment of the Annual Report.

Expected development

The Company's financial development is as always dependent on the expected orders and their timing. Sales of contracted innovation projects are though expected to increase in 2020 compared to 2019. The Company has a very good strategic fit with Phillips-Medisize/Molex and will therefore reinforce the long-term growth from previous years both in Denmark in the headquartering Struer and the new office in Vium, as well as via the office in Cambridge in the United Kingdom. Costs remain in good control. The Company therefore expects operating results in 2020 will increase compared to 2019.

The Company's capital structure

The Company has a solid equity and will continue to secure a sound financial structure in combination with the owners.

Quality management

Phillips-Medisize A/S' quality management system supports the Company's development and manufacture of medical devices for drug dosing and administration, devices for diagnostic systems as well as connected health systems. The quality management system is designed so as to form the basis of certification under DS/EN ISO 13485:2016, ISO 13485:2016 CMDCAS and ISO 14001:2015, respectively. The quality management system is in accordance with the national implementation of the directive for medical devices, 93/42/EEC, and moreover contains elements which ensure compliance with the requirements of FDA's 21 CFR 820 Quality System Regulation and Japan Quality Management System Compliance MHLW Ordinance No. 169. In 2020 the Medical Device Regulations (2017/745/EU) will come in force and Phillips-Medisize A/S expect to be compliant and registered according to this new regulation.

Intellectual capital resources

The Company's present and future business is based on the development and manufacture of highly innovative medical devices and services. This foundation has been further developed being owned by Phillips-Medisize/Molex.

Phillips-Medisize A/S focuses on maintaining and developing the competences, which are the core of the Company's innovation capacity. In practice, this means that Phillips-Medisize A/S is constantly exploring new opportunities.

Innovative environment

Phillips-Medisize A/S has for many years given high priority to innovation. Innovation is based on the Company's vision and is incorporated in the corporate culture and the Company's values and reinforced in the management philosophy of the owners.

The Company has a well-founded corporate culture. This means that the employees have a natural passion for innovation and are dedicated to creating "the world's most effective and unique drug delivery devices and connected health solutions".

Cooperation with universities

Cooperation with knowledge centres, including universities, is a natural part of our work and an important factor in the further development of our core competences. Phillips-Medisize A/S has a long tradition of this and cooperates with leading universities. The development engineers participate in for instance relevant professional networks and conferences.

Cooperation with suppliers

Phillips-Medisize A/S cooperates with some of the world's best suppliers, in a number of areas in which the Company does not itself have the necessary knowledge and competence, this also includes supplies originating within the greater Molex company. Not only do these partners provide components to Phillips-Medisize A/S, they also provide knowledge and competence for the development of the products. Furthermore, Phillips-Medisize A/S benefits from having very competent customers - typically the large pharmaceutical companies - which have considerable knowledge resources which are also of benefit to Phillips-Medisize A/S through cooperation in joint development projects.

Corporate social responsibility and environment

Phillips-Medisize A/S is aware of its corporate social responsibility, which is expressed partly in the Company's actions towards its own employees, and partly in its actions towards other stakeholders. Phillips-Medisize A/S' policies in the area are an integrated part of the Company's staff policy, Quality Management System and other systems and, among other things, address harassment, discrimination and mobbing in the workplace as well as unethical business behaviour, bribery, corruption, etc. Phillips-Medisize A/S has also communicated a whistle-blower policy to ensure that any in expediency is identified and brought to an end.

Our customers, partners and owners regularly evaluate Phillips-Medisize A/S' status toward corporate social responsibility.

Phillips-Medisize A/S' environmental policy, which is certified according to ISO 14001:2004, contributes to ensuring that the Company meets its social responsibility.

Environmental policy

Phillips-Medysize A/S wants its name to be associated with quality. We want our customers to contract our services based on confidence in us in respect of us making intelligent decisions on their behalf - also in respect of environmental issues.

Any human behaviour has an impact on the surroundings. Phillips-Medysize A/S is constantly working on reducing the environmental impact and creating balance between this impact and the consideration for the performance characteristics of our products, finances, lifetime and aesthetics. We wish to contribute to a globally sustainable development and consider our activities in a lifecycle perspective. The Company is thus considering environmental effects and seeks to minimise the negative effects:

- Throughout the development (idea, design and engineering)
- When selecting raw materials
- During manufacturing - and also when optimising procedures
- Concerning Transport
- During use and disposal of our solutions

We always enter into dialogue with the supervising authorities to find the best solutions and in this way limit the pollution as far as possible.

We emphasise the consideration for the immediate environment and for a safe and healthy working environment for our employees. Our focus is on improving both the physical and the mental working environment.

When choosing suppliers, we ensure that these have an appropriate environmental behaviour and approach. We wish to have an ongoing dialogue with any supplier on creating good environmental conditions in the part of the lifecycle of the product for which we are responsible.

It is Phillips-Medysize A/S' opinion that the Company's policies and certification in 2019 have contributed to ensuring that Phillips-Medysize A/S fully complies with its environmental responsibility, which is also expected to be the case in future.

Management's Statement

The Board of Directors and the Executive Board have today considered and adopted the Annual Report of Phillips-Medisize A/S for the financial year 1 January - 31 December 2019.

The Annual Report is prepared in accordance with the International Financial Reporting Standards as adopted by the EU. Moreover, the Annual Report is prepared in accordance with additional requirements of the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position at 31 December 2019 of the Company and of the results of the Company's operations and cash flows for 2019.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Company, of the results for the year and of the financial position of the Company as well as a description of the most significant risks and elements of uncertainty facing the Company.

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

Struer 15/5 2020

Executive Board



Søren Vestergård Jacobsen
CEO

Board of Directors



David William Cole
Chairman



Katherine Mas Dorman



William Patrick Welch

Independent Auditor's Report

To the Shareholders of Phillips-Medysize A/S

Opinion

We have audited the financial statements of Phillips-Medysize A/S for the financial year 1 January - 31 December 2019, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We 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 in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Copenhagen,

Grant Thornton

Statsautoriseret Revisionspartnerselskab
CVR-nr. 34209936

Martin Bomholtz

State Authorised Public Accountant

Mne34117

Comprehensive income statement

Phillips-Medisize A/S

(DKK '000)

	<u>2019</u>	<u>2018</u>
Notes		
5 Revenue	264.344	209.869
6 Production costs	(176.576)	(148.387)
Gross profit/loss	87.768	61.482
6 Development costs	(29.130)	(13.653)
6 Distribution and marketing expenses	(17.456)	(13.403)
6 Administrative expenses etc	(14.051)	(14.562)
Operating profit/loss	27.131	19.864
7 Financial income	2.295	1.814
8 Financial expenses	(2.841)	(1.873)
Net financials	(546)	(59)
Profit/loss on ordinary activities before tax	26.585	19.805
9 Tax on profit/loss on ordinary activities	(5.891)	(4.416)
Net profit/loss for the year	20.694	15.389
Other Income and expenses recognised directly via equity	-	-
Total comprehensive income statement	20.694	15.389
Proposed distribution of profit:		
Retained earnings	20.694	15.389
Proposed dividend for the year	-	-
	<u>20.694</u>	<u>15.389</u>

Assets

Phillips-Medisize A/S

(DKK '000)

Notes	2019	2018
Intangible assets		
Acquired rights	1.180	5.301
10 Total intangible assets	<u>1.180</u>	<u>5.301</u>
Property, plant and equipment		
Land and building	16.253	-
Plant and machinery	826	164
Fixtures and fittings, tools and equipment	4.600	2.073
Leasehold improvements	1.001	207
11 Total property, plant and equipment	<u>22.680</u>	<u>2.444</u>
12 Right-of-use assets	<u>4.747</u>	<u>-</u>
Financial assets		
13 Other financial receivables	49	1.192
Total financial assets	<u>49</u>	<u>1.192</u>
Investments		
14 Investment in subsidiaries	-	-
Total investments	<u>-</u>	<u>-</u>
Total non-current assets	<u>28.656</u>	<u>8.937</u>
15 Inventories	<u>9.995</u>	<u>9.720</u>
Receivables		
16 Trade receivables	44.819	37.359
17 Receivables from group enterprises	890	5.468
18 Contract work in progress	8.711	16.516
19 Other receivables	837	1.076
Current tax receivables	376	-
Prepayments	2.703	1.890
Total receivables	<u>58.336</u>	<u>62.309</u>
Cash at bank and in hand	<u>47.723</u>	<u>47.717</u>
Total current assets	<u>116.054</u>	<u>119.746</u>
Total assets	<u>144.710</u>	<u>128.683</u>

Liabilities and equity

Phillips-Medisize A/S

(DKK '000)

Notes	2019	2018
Equity		
20 Share capital	16.778	16.778
21 Retained earnings	45.391	24.697
Proposed dividend for the year	-	-
Total equity	62.169	41.475
Non-current liabilities		
22 Deferred tax	259	668
23 Provisions	267	421
12 Lease liabilities	3.746	-
Total non-current liabilities	4.272	1.089
Current liabilities		
23 Provisions	334	120
12 Lease liabilities	1.001	-
Trade payables	12.366	10.550
18 Prepayments on contracts	36.600	40.398
19 Payables to group enterprises	9.795	3.736
Current tax payables	-	4.774
24 Other payables	18.173	26.541
Total current liabilities	78.269	86.119
Total liabilities	82.541	87.208
Total liabilities and equity	144.710	128.683

Statement of Changes in Equity

Phillips-Medsize A/S

(DKK '000)

	Share capital	Retained earnings	Total
Equity at 1 January 2018	16.778	9.308	26.086
Net profit/loss for the year	-	15.389	15.389
Equity at 31 December 2018	16.778	24.697	41.475
Equity at 1 January 2019	16.778	24.697	41.475
Net profit/loss for the year	-	20.694	20.694
Equity at 31 December 2019	16.778	45.391	62.169

Cash Flow Statement

Phillips-Medisize A/S

(DKK '000)

Notes	2019	2018
Net profit/loss for the year	20.694	15.389
Depreciation, amortisation and impairment losses	6.211	5.788
25 Adjustments	(4.577)	3.199
26 Change in working capital	(591)	22.167
Cash flows from operating activities	21.737	46.543
Deposits	1.143	(47)
Purchase of Intangible assets	(413)	(1.136)
Purchase of property, plant and equipment	(21.571)	(1.741)
Cash flows from investing activities	(20.841)	(2.924)
Financial income	2.295	1.814
Financial expenses	(2.841)	(1.873)
Lease	(344)	-
Loan	-	(5.105)
Cash flows from financing activities	(890)	(5.164)
Cash flows for the year	6	38.455
Cash, beginning of year	47.717	9.262
Cash, end of year	47.723	47.717
Cash consist of:		
Cash at bank and in hand	47.723	47.717
Cash, end of period	47.723	47.717

The cash flow statement cannot be derived solely from the published material.

Notes

General

- 1 Accounting Policies
- 2 New accounting standards
- 3 Significant accounting estimates and assessments
- 4 Financial risk management

Notes to the income statement

- 5 Revenue
- 6 Expenses, additional information
- 7 Financial income
- 8 Financial expenses
- 9 Tax on profit/loss on ordinary activities

Notes to the balance sheet

- 10 Intangible assets
- 11 Property, plant and equipment
- 12 Right-of-use assets and lease liabilities
- 13 Other financial receivables
- 14 Investment in subsidiaries
- 15 Inventories
- 16 Trade receivables
- 17 Receivables from and payables to group enterprises
- 18 Contract work in progress
- 19 Other receivables
- 20 Share capital
- 21 Retained earnings
- 22 Deferred tax
- 23 Provisions
- 24 Other payables

Notes to the cash flow statement

- 25 Adjustments
- 26 Change in working capital

Notes without reference

- 27 Fee to auditors
- 28 Contingent liabilities and other financial obligations
- 29 Financial instruments
- 30 Related parties
- 31 Post reporting date events
- 32 Authorisation of financial statements
- 33 Group matters

Notes

1 Accounting Policies

The Annual Report of Phillips-Medisize A/S has been prepared in accordance with International Financial Reporting Standards as approved by the EU (IFRS) and additional Danish requirements applying to medium-sized enterprises of reporting class C, cf. IFRS notification issued according to the Danish Financial Statements Act.

Basis of preparation

The Financial Statements are presented in DKK, which is considered the functional currency of the Company.

The Financial Statements have been prepared under the same accounting policies as last year.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act, the Company has not prepared consolidated Financial Statements.

Translation policies

Income statement

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables and payables

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Gains and losses arising due to differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Comprehensive income

Phillips-Medisize A/S presents comprehensive income in two statements. An income statement and a statement of total comprehensive income which includes result for the year and income recognized in other comprehensive income. Other comprehensive income includes exchange gains/losses arising from translating the financial statements of a foreign operation.

Income statement

Revenue

Phillips-Medisize A/S develops and produces innovative drug delivery devices and connected services. The Company is contracted to develop and produce these products on behalf of customers. The Company's business therefore consists of an innovation business (strategy, feasibility and development projects) and a production business. The products developed and produced are characterized by being developed in an interdependent relationship with the customer and highly customised in respect to design and functionality etc.

Revenue is recognised either at a point in time or over time, when or as the company satisfies performance obligations by transferring the promised services or goods to its customers. Revenue from contracts to develop devices with a high degree of customisation are recognised over time based on the stage of completion of the individual contracts and comprises both services/hours and goods. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of

Notes

the contract. Where the profit from a contract cannot be estimated reliably, revenue is only recognised equalling the cost incurred to the extent that it is probable that the costs will be recovered.

Sale of goods

Revenue from sale of goods outside development projects is recognised in the income statement at a the point in time, when transfer of risk has been made to the purchaser, and provided that payment is expected received and revenue can be stated reliably.

Sale of licences and income from royalties

Revenue concerning licences and income from royalties are recognised when Phillips-Medisize A/S has acquired the final right to the license or the royalty income.

Production costs

Production costs comprise salaries and cost of sales as well as indirect costs, including salaries and amortisation, depreciation and impairment losses, paid to achieve revenue for the year.

Development costs

Development costs include the development costs not meeting the criteria for capitalisation. Furthermore, salaries, amortisation, depreciation and impairment losses on capitalised development projects are recognised.

Distribution and marketing expenses

Distribution and marketing expenses comprise expenses relating to sale and distribution of the Company's products, including salaries to sales staff, advertising and exhibition expenses as well as amortisation, depreciation and impairment losses.

Administrative expenses

Administrative expenses comprise expenses for the administrative staff, Management and office expenses, including amortisation, depreciation and impairment losses.

Leases

The company assesses whether a contract is or contains a lease at inception of the contract. The company recognises right-of-use assets and corresponding lease liabilities at the lease commencement date, except for short-term leases and leases of low value. For these leases, the lease payments is recognized as an operating expense on a straight-line basis over the term of the lease.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial costs incurred.

The right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. The right-of-use assets are from the commencement date depreciated over the shorter period of lease term and useful life of the underlying asset. The estimated useful lives of right-of-use assets are determined on the same basis as those of the company's corresponding assets such as property, plants and equipment. In addition, the right-of-use assets are periodically reduced by impairment losses, if any, and adjusted in accordance with lease liabilities.

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate.

Lease payments included in the measurement of the lease liabilities comprise the following:

- Fixed payments.
- Variable payments, dependent on an index or rate.
- The exercise price of a purchase option if it is reasonably certain that the option will be exercised.
- Amounts expected to be payable under residual value guarantees.

Notes

The lease liabilities are subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the estimate of the amount expected to be payable under a residual value guarantee, or if management changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liabilities are remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets, or is recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to zero.

Financial income and expenses

Financial income and expenses comprise interest, amortisation addition and deduction, fair value adjustments and realised and unrealised exchange adjustments.

Tax

Tax for the year consists of current tax for the year and change in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Balance sheet

Intangible assets

Development projects

Development projects that are clearly defined and identifiable and which are considered to be marketable in the form of new products on a future potential market are recognised as intangible assets.

Development projects are recognised at cost when the criteria for recognition have been met.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Cost comprises wages, salaries, material, services and depreciation of plant and equipment attributable to the Company's development activities. Grants for development projects are deducted from expenses incurred.

Interest expenses concerning financing of development projects recognised as intangible assets are recognised together with the asset. Other interest is recognised in the income statement.

Capitalised development projects are measured at the lower of cost less accumulated amortisation and impairment losses and the recoverable amount.

During the development work and after finalisation of the development work no amortisation is made of development projects recognised as an intangible asset and with an unpredictable useful life, but the asset is subject to an annual impairment test.

Acquired rights

Acquired rights comprise software and related consultancy hours. These are measured at cost less accumulated amortisation.

Acquired rights are amortised on a straight-line basis over 3 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Notes

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Cost of a total asset is broken down in separate components which are depreciated separately if the useful lives of the individual components differ.

For assets acquired under finance leases cost is stated at the lower of fair value of the assets and net present value of the future minimum lease payments. At the calculation of the net present value, the interest rate implicit in the lease or the marginal loan interest of the leases is used as discounting rate.

Depreciation

Straight line depreciation is made over the expected useful lives of the assets and considering the scrap value of the asset. The following depreciation periods are applied:

Plant and machinery	
According to nature	3 - 6 years
Other plant and machinery	8 - 10 years
Other plant	3 - 10 years

Leasehold improvements are depreciated on a straight-line basis over the term of the leases.

Impairment of intangible assets and fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation. If so, the recoverable amount of the asset is stated, and write-down is made to the lower of recoverable amount and carrying amount. The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Investment in subsidiaries

Investment in subsidiaries are measured at cost, which includes the cost of acquisition calculated at fair value plus direct costs of acquisition. If there is evidence of impairment, an impairment test is conducted. Where the carrying amount exceeds the recoverable amount, a write down is made to such lower value.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The cost of raw materials, consumables and goods for resale equals landed cost. The cost of finished goods and work in progress comprises the cost of materials and direct labour with addition of indirect production costs.

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

Financing expenses are not recognised in cost.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which corresponds to nominal value less provisions for bad debts.

Provisions for bad debts are determined on the basis of an individual assessment of each receivable.

Contract work in progress

Contract work in progress is measured at the selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses - perhaps stated per milestone if the contract

Notes

is divided into milestones and otherwise dictates this. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement and a provision.

Prepayments from customers are recognised under liabilities. Selling costs and expenses incurred in securing contracts are recognised in the income statement as incurred.

Equity

Dividend

Dividend is disclosed as a separate equity item.

Obligations

Pension obligations

Phillips-Medisize A/S has pension schemes comprising the employees. The pension schemes are defined contribution plans.

Expenses concerning defined contribution plans are expensed on a current basis in the income statement in the period of earning, and accrued payments received are included in other debt in the balance sheet. Payments of premium (eg a fixed amount or a fixed percentage of the salary) are made to independent insurance companies responsible for the pension obligations. When pension contributions for defined contribution plans have been paid, the Company has no further obligations to its employees or resigned staff.

Provisions

Provisions include warranty obligations and other provisions. Warranty obligations comprise obligations for improvement of products within the period of warranty. The provisions are recognised and measured based on experience of warranty work and other obligations.

Provisions are discounted if the timing effect is material, which is only the case for provisions for anniversary bonus included in other provisions.

Deferred tax and corporation tax

Provision for deferred tax is stated under the balance sheet liability method and is calculated on all temporary differences between the tax base and the carrying amount of assets and liabilities.

The tax base of assets is stated considering the planned use of the individual asset. When calculating the deferred tax, the tax base of any losses or provisions, etc. is included to the extent that it is considered likely that these may be included in future tax results. If, in that case, the deferred tax is a positive amount, this is recognised as a deferred tax asset in the balance sheet.

Corporation tax is recognised as the tax expected imposed on the taxable income for the year less tax paid on account.

Financial debts

Fixed-interest loans, such as bank loans, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost, corresponding to the capitalised value when using the effective interest rate, so that the difference between the proceeds and the nominal value (capital loss) is recognised in the income statement over the loan period

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Prepayments and deferred income

Prepayments comprise expenses concerning subsequent financial years.

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

Notes

Cash flow statement

The cash flow statement is presented under the indirect method based on net profit/loss for the year.

The cash flow statement shows cash flows for the year, changes for the year in cash and cash equivalents as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for non-cash operating items, and corporation taxes as well as changes in working capital. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise of expenses received and paid and financial income, the raising and repayment of long-term debt, dividend paid and proceeds from share capital increases.

Cash and cash equivalents

Cash and cash equivalents comprise cash holdings and withdrawals from overdraft facility. Cash flows in foreign currencies are translated at the average monthly exchange rates which do not deviate materially from the exchange rates at the date of payment.

Notes

2 New accounting standards

As of 1 January 2019, the company has implemented all new or amended accounting standards and interpretations as adopted by the EU and applicable for the 2019 financial year. Except for the implementation of IFRS 16 "Leases", described below, the implementation of new or amended standards and interpretations has not had any material impact on the financial statements.

Effect from implementing IFRS 16, Leases

IFRS 16 has replaced IAS 17, Leases and IFRS 16 has introduced a changed accounting model for a lessee. Previously, lease contracts for a lessee were classified as either operating or finance leases. IFRS 16 requires the majority of operating leases to be recognized as lease assets with a related lease liability, similar to the previous accounting of finance leases. The lease payments, previously are depreciated over the term of the lease contract.

We have implemented IFRS 16 using the simplified retrospective transition approach without restating comparative figures, with a lease asset value equal to the lease liability value upon transition. Consequently, 2018 comparative figures are reported according specifically stated.

Upon implementation we have elected to use the following exemptions proposed by the standard:

- Not to recognize lease contracts for which the lease terms ends within 12 months as of the date of initial application.
- Not to reassess whether a contract is or contains a lease.
- Apply only a single discount rate for a portfolio of lease assets with reasonable similar characteristics.
- Exclude initial direct costs from the measurement of the right-of-use asset.
- Not to separate non-lease components from lease components.

The lease liability is equal to the discounted value of all future lease payments. The lease assets, right-of-use-assets, correspond to the lease liability adjusted by the amount of any prepaid or accrued lease payments recognized in the statement of financial position immediately before the date of initial application.

When determining the discount rates used to calculate the net present value of future lease payments, we have used an incremental country specific borrowing rate, based on a government bond plus the Company's credit margin. Upon implementation January 1, 2019, we have recognized a right of use asset of DKK 4 million and a lease liability of DKK 4 million. The implementation has no impact on equity.

The right-of-use-assets relate primarily to Rent facilities with lease terms ranging from 1 to 6 years. Had the company applied the previous accounting policy for leases according to IAS 17 in 2019, the income before interest and tax (EBIT) for 2019 would have been a profit of TDKK 27.098, an increase of TDKK 33 in loss compared to the actual numbers for 2019. Implementation of IFRS 16 has no impact on the underlying cash flows. However, due to the lease payments being split into interest and a repayment of the lease liability, the presentation in the cash flow statement has changed. The change has improved the cash flow from operating activities by TDKK 33 whereas the cash outflow from financing activities has been negatively impacted by TDKK 377.

3 Significant accounting estimates and assessments

In connection with the financial reporting it is necessary for Management to make a number of accounting estimates and assessments affecting the carrying amount of certain assets and liabilities and the reported income and expenses for the accounting periods. Significant estimates are made, among other things, at the assessment of depreciation, amortisation and impairment, provisions and contingent liabilities and assets.

Management bases its estimates on historical experience and other assumptions considered reasonable in the situation. Results based on the assumptions are used to assess the carrying amount of the assets

Notes

and the liabilities and the reported income and expenses not appearing elsewhere. The current results may deviate from the estimated results.

The following accounting estimates and assessments are considered significant for the Annual Report:

Development costs

Self-financed development projects that are clearly defined and identifiable and which are considered to be marketable in the form of new products on a future potential market are recognised as intangible assets. In case of uncertainty relating to the future economic benefits of the asset for the Company at the time of decision, a conservative assessment is made of the possible intangible asset based on historical experience and knowledge of customer interest as well as actual order indications.

Work in progress

Contract work in progress is recognised in revenue based on the stage of completion of the project, however, so that any future expected negative contribution margin of work in progress is immediately recognised in the income statement for the period.

The stage of completion of work in progress is estimated per project as the share of the resources used relative to the total expected resources for the project - perhaps divided into milestones if dictated by the contract. The stage of completion is estimated by the professional project manager in charge, and at the same time the probability of the work in progress in question meeting future development challenges affecting the stage of completion is considered.

In Management's estimate, after having reviewed work in progress, the estimates made are reasonable and appropriate.

Inventories

As part of the ordinary business, Phillips-Medisize A/S organises materials from sub suppliers for processing in the Company to meet the expected demand from the customers. A perfect organisation of materials for future customer needs is in many cases difficult, and therefore situations may arise where materials purchased or produced for the inventories are no longer expected to be in demand. Provisions for obsolescence of inventories are made in this respect. The provisions concerning inventories are made on the basis of historical scrapping due to obsolescence and knowledge and estimate of slow-moving materials.

The value of future scrapping due to obsolescence may deviate from the provision, but in Management's opinion, the estimates of obsolescence are reasonable and appropriate.

Tax

Deferred tax assets are recognised when it is probable that in future there will be sufficient taxable income to utilise the temporary differences and unutilised tax losses. The actual tax payments and results may deviate from the estimates made due to changes in expectations to the future taxable results. Management has assessed whether the tax asset should be recognised as income in the income statement and as an asset in the balance sheet. Management will continuously assess whether the accounting criteria have been met for recognition of the asset in the balance sheet and recognition as income in the income statement.

4 Financial risk management

As a consequence of Phillips-Medisize A/S international activities, the Company's income statement, balance sheet and equity will at any time be influenced, to a higher or lower degree, by a number of financial risks. These risks include:

- Foreign exchange risk
- Interest rate risk
- Credit risk
- Liquidity risk

Notes

Phillips-Medsize A/S addresses these risks on a current basis.

Foreign exchange risk

The Company's sales are mainly in foreign currencies (EUR, USD). This figure does not reflect the foreign exchange risk, partly because the risk is hedged if net trade takes place in very volatile currencies, and partly because it is part of the Company's purchase policy to match purchase and sales currencies to the highest possible extent.

In 2019, no contracts have been concluded to hedge foreign exchange risks. The Company's net monetary items in foreign currencies appear from note 28.

Interest rate risk

The Company does not have any interest-bearing debt as per 31. December 2019.

Credit risk

The Company's most material, primary financial instruments comprise trade receivables. The amounts at which this balance sheet item is recognised are identical with the maximum credit risk.

The Company sells the products and services to a number of different customers. The Company assesses the credit risk relating to these customers to be limited. The individual customers are assessed on a current basis and, if necessary, bank guarantees or accounts receivable insurance is used to secure outstanding accounts.

During the last 3 years, trade receivables have been at an acceptable level, and it is the Company's assessment that no significant credit risk is involved.

Liquidity risk

In 2019, cash flows have been positive.

The Company assesses and controls financial resources on a current basis, thus ensuring that adequate flexible, unutilised borrowing facilities are available at any time from the Company's owners. Short-term debt to credit institutions amounts to 0% of the balance sheet total compared with 0% at the end of 2018.

Notes

Phillips-Medsize A/S

(DKK '000)

5 Revenue

The company's revenue is attributable solely to contracts with customers.
The revenue disaggregated by primary geographical markets is as follows:

	For the year ended 31 December 2019		
	Goods	Services	Total
Scandinavia	29.363	36.050	65.413
Rest of Europe	27.349	30.281	57.630
USA	19.664	120.521	140.185
Rest of the world	929	187	1.116
Total	77.305	187.039	264.344

	For the year ended 31 December 2018		
	Goods	Services	Total
Scandinavia	14.032	13.412	27.444
Rest of Europe	49.649	37.028	86.677
USA	14.678	80.147	94.825
Rest of the world	739	184	923
Total	79.098	130.771	209.869

The company's revenue disaggregated by pattern of revenue recognition is as follows:

	For the year ended 31 December 2019		
	Goods	Services	Total
Goods transferred in a point of time	28.104	0	28.104
Services transferred over time	49.201	187.039	236.240
Total	77.305	187.039	264.344

	For the year ended 31 December 2018		
	Goods	Services	Total
Goods transferred in a point of time	34.855	0	34.855
Services transferred over time	44.243	130.771	175.014
Total	79.098	130.771	209.869

	2019	2018
Sales value from contract work in progress recognized in the above	177.936	139.122

Notes

Phillips-Medsize A/S

(DKK '000)

6 Expenses, additional information

2019 2018

Production costs, development costs, distribution and marketing expenses and administrative expenses, etc include the following amounts for which the following information is stated:

Development costs

Development costs paid before capitalisation	28.632	13.303
Of this capitalised	-	-
Depreciation and impairment of development projects	498	350
Development costs recognised in the income statement	29.130	13.653

Classification by type of expenditure

Amortisation, intangible assets

Amortisation of intangible assets is recognised in the following items in the income statement:

Production costs	3.638	4.208
Development costs	403	335
Distribution and marketing expenses	112	192
Administrative expenses etc	381	497
	4.534	5.232

No impairment losses have been recognised in respect of intangible assets.

Depreciation, property, plant and equipment

Depreciation of property, plant and equipment is recognised in the following items in the income statement:

Production costs	1.123	507
Development costs	95	15
Distribution and marketing expenses	27	11
Administrative expenses etc	89	23
	1.334	556

Impairment losses reversed, property, plant and equipment

Impairment losses reversed, property, plant and equipment, are recognised in the following items in the income statement:

Production costs	-	-
Development costs	-	-
Distribution and marketing expenses	-	-
Administrative expenses etc	-	-
	-	-

Notes

Phillips-Medsize A/S

(DKK '000)

	<u>2019</u>	<u>2018</u>
6 Expenses, additional information (continued)		
Staff		
Fee to Executive Board and Board of Directors		
- Salaries	2.968	4.554
- Pension	240	121
- Other expenses and staff obligations	9	9
Total fee to Executive Board and Board of Directors	<u>3.217</u>	<u>4.684</u>
Salaries and remuneration	80.528	68.441
Pensions	7.112	4.792
Other social security expenses	4.740	1.313
	<u>95.597</u>	<u>79.230</u>
Average number of full-time employees		
Denmark	<u>120</u>	<u>97</u>
	<u>120</u>	<u>97</u>
	797	817
Staff expenses are recognised in the following items in the income statement:		
Production costs	63.395	53.463
Development costs	19.255	10.120
Distribution and marketing expenses	3.319	3.946
Administrative expenses etc	9.628	11.701
	<u>95.597</u>	<u>79.230</u>
7 Financial income		
Interest income from banks	148	-
Foreign exchange gain	2.135	1.814
Other financial income	12	-
Financial income	<u>2.295</u>	<u>1.814</u>
8 Financial expenses		
Interest on debt to banks	98	19
Foreign exchange loss	2.569	1.844
Other financial expenses	174	10
Financial expenses	<u>2.841</u>	<u>1.873</u>

Notes

Phillips-Medsize A/S

(DKK '000)

	2019	2018
9 Tax on profit/loss on ordinary activities		
Current tax	6.299	4.771
Prior - year adjustments	-	41
Change in deferred tax	(408)	(389)
Prior - year adjustments deferred tax	-	(7)
Total tax on profit/loss on ordinary activities	5.891	4.416
Tax for the year is specified as follows:		
Tax to be recognised in the income statement	5.891	4.416
	5.891	4.416
Tax on profit/loss for the year is specified as follows:		
Calculated tax on profit/loss before tax	5.849	4.352
Non-deductible expenses and non-taxable income	42	23
Prior - year adjustments of current tax last year	-	(457)
Prior - year adjustments of deferred tax last year	-	498
Adjustments to Net Operating Loss Carryforward	-	-
	5.891	4.416
Danish tax rate	22,0%	22,0%
Tax effect of:		
Non-deductible expenses and Non-taxable income	0%	0%
Unutilised tax losses	0%	0%
Prior - year adjustments of current tax last year	0,0%	-2,3%
Prior - year adjustments of deferred tax last year	0,0%	2,5%
Average effective tax rate for the year	22,2%	22,3%

Corporation tax paid, incl tax on account, amounts to DKK 6.675k.

At 1 June 2016, Phillips-Medsize A/S is part of the joint taxation with Phillips-Medsize Holdings A/S.

Notes

Phillips-Medsize A/S

(DKK '000)

10 Intangible assets

	Acquired rights	Development projects in progress	Total
Cost at 1 January 2018	18.389	-	18.389
Additions for the year	413	723	1.136
Cost at 31 December 2018	18.802	723	19.525
Amortisation and impairment losses at 1 January 2018	8.992	-	8.992
Amortisation for the year	5.232	-	5.232
Amortisation and impairment losses at 31 December 2018	14.224	-	14.224
Carrying amount at 31 December 2018	4.578	723	5.301
Cost at 31 December 2018	18.802	723	19.525
Amortisation at 31 December 2018	14.224	-	14.224
Carrying amount at 31 December 2018	4.578	723	5.301
Cost at 1 January 2019	18.802	723	19.525
Additions for the year	413	-	413
Disposals for the year	(2.633)	-	(2.633)
Transfer	723	(723)	-
Cost at 31 December 2019	17.305	-	17.305
Amortisation and impairment losses at 1 January 2019	14.224	-	14.224
Amortisation for the year	4.534	-	4.534
Reversal of impairment and depreciation of sold assets	(2.633)	-	(2.633)
Amortisation and impairment losses at 31 December 2019	16.125	-	16.125
Carrying amount at 31 December 2019	1.180	-	1.180
Cost at 31 December 2019	17.305	-	17.305
Amortisation at 31 December 2019	16.125	-	16.125
Carrying amount at 31 December 2019	1.180	-	1.180

The useful lives of the company's intangible assets are finite.

As security for the Company's facility with the banks, a floating charge has been created secured on the Company's ordinary debt, inventories, operating equipment and material as well as intellectual property rights for up to DKK 25 million.

Notes

Phillips-Medisize A/S

(DKK '000)

11 Property, plant and equipment

	Plant and machinery	Other fixtures, fittings, tools and equipment	Leasehold improvements	Land & Building	Total
Cost at 1 January 2018	7.770	7.804	767	-	16.341
Additions for the year	35	1.707	-	-	1.742
Disposals for the year	(1.792)	-	-	-	(1.792)
Cost at 31 December 2018	6.013	9.511	767	-	16.291
Amortisation and impairment losses at 1 January 2018	7.469	7.167	446	-	15.082
Amortisation for the year	172	271	114	-	557
Reversal of impairment and depreciation of sold assets	(1.792)	-	-	-	(1.792)
Amortisation and impairment losses at 31 December 2018	5.849	7.438	560	-	13.847
Carrying amount at 31 December 2018	164	2.073	207	-	2.444
Cost at 31 December 2018	6.013	9.511	767	-	16.291
Amortisation at 31 December 2018	5.849	7.438	560	-	13.847
Carrying amount at 31 December 2018	164	2.073	207	-	2.444
Hereof assets under finance lease:	-	-	-	-	-
Cost at 1 January 2019	6.013	9.511	767	-	16.291
Additions for the year	708	3.381	922	16.561	21.570
Disposals for the year	(37)	(177)	-	-	(214)
Cost at 31 December 2019	6.682	12.715	1.689	16.561	37.647
Amortisation and impairment losses at 1 January 2019	5.849	7.438	560	-	13.847
Amortisation for the year	44	854	128	308	1.334
Reversals for the year	(37)	(177)	-	-	(214)
Amortisation and impairment losses at 31 December 2019	5.856	8.115	688	308	14.967
Carrying amount at 31 December 2019	826	4.600	1.001	16.253	22.680
Cost at 31 December 2019	6.682	12.715	1.689	16.561	37.647
Amortisation at 31 December 2019	5.856	8.115	688	308	14.967
Carrying amount at 31 December 2019	826	4.600	1.001	16.253	22.680
Hereof assets under finance lease:	-	-	-	-	-

General, property, plant and equipment:

The carrying amount corresponds to the expected remaining life and any scrap value.

There are no contractual obligations at 31 December 2019 relating to the acquisition of property, plant and equipment (DKK 0 at 31 December 2018).

As security for the Company's facility with the banks, a floating charge has been created secured on the Company's ordinary debt, inventories, operating equipment and material as well as intellectual property rights for up to DKK 25 million.

Notes

Phillips-Medize A/S

(DKK '000)

12 Right-of-use assets and lease liabilities	<u>1/1 2019</u>
Operating lease commitments as disclosed in note 27 in the Annual Report 2018 (IAS 17)	3.819
Adoption of IFRS 16 adjustments	<u>259</u>
Lease liabilities recognized January 1, 2019 (IFRS 16)	<u>4.078</u>

Right-of-use assets	<u>Rent facilities</u>	<u>Car leasing</u>	<u>Total</u>
Impact from applying IFRS 16 as of January 1, 2019	3.867	211	4.078
Additions	4.206	0	4.206
Disposals	-3.193	0	-3.193
Modifications	14	0	14
Depreciations	-295	-63	-358
Right-of-use assets as of December 31, 2019	<u>4.599</u>	<u>148</u>	<u>4.747</u>

Lease liabilities	<u>31/12 2019</u>
Non-current	3.746
Current	<u>1.001</u>
Lease liabilities	<u>4.747</u>

Amounts included in the income statement	<u>1/1 - 31/12 2019</u>
Interest expense leases	305
Depreciation recognised on right-of-use assets	<u>696</u>
Cost recognized for short term leases (less than 12 months)	<u>1.001</u>

In 2019 the total cash outflow relating to leases was DKKt 377, split between interests DKKt 32 and repayment of DKKt 345.

As security for new rental premises, the Company has provided a bankguarantee of DKKt 1.000.

	<u>2019</u>	<u>2018</u>
13 Other financial receivables		
Other financial receivables (gross), end of year	<u>49</u>	<u>1.192</u>
Provisions for bad debts, end of year	<u>-</u>	<u>-</u>
Other financial receivables (net), end of year	<u>49</u>	<u>1.192</u>

The fair value of other financial receivables amounts to DKK 49k (2018: DKK 1.192k). The value comprises deposit for leased premises which will remain for the term of the lease.

The fair value is stated as the net present value of future expected cash flows concerning the receivables.

Notes

Phillips-Medysize A/S

(DKK '000)

14 Investment in subsidiaries

	Shares
Cost at 1 January	-
Additions for the year	-
Disposals for the year	-
Cost at 31 December	-
Impairment losses at 1 January	-
Reversed impairment losses on disposals for the year	-
Impairment losses at 31 December	-
Carrying amount at 31 December 2019	-

Investments in subsidiaries are specified as follows at 31 December 2019 (TDKK):

Name	Share capital	Equity	Votes and ownership
Phillips-Medysize Ltd., United Kingdom	1	4.481	100%

No dividend were received from Phillips-Medysize Ltd. during the years 2019 and 2018.

Phillips-Medysize Ltd. is a private company and therefore no quoted market prices are available for its shares.

Letter of support:

Phillips-Medysize A/S har provided a letter of support to Phillips-Medysize Ltd. To fulfill the enterprise's obligations towards a bank. The bankengagement amounts to a debt of DKK 2,700k and its equity to DKK 4,481k as per 31 December 2019. The letter of support is valid one year from the approval of the financial statement for 2019.

15 Inventories

	2019	2018
Raw materials and consumables	8.024	9.553
Work in progress	1.715	56
Finished goods and goods for resale	256	111
Inventories, end of year	9.995	9.720

Inventories are expected to be realised within a period of 12 months.

Cost of sales for the year is recognised in production costs	22.996	25.223
Write-down for the year of inventories is recognised in production costs	(237)	(42)
Resersal for the year of write-down of inventories is recognised in production costs	-	-

Notes

Phillips-Medsize A/S

(DKK '000)

	2019	2018
16 Trade receivables		
Trade receivables (gross), beginning of year	44.819	37.359
Provision for bad debt	-	-
Change of provision in the year	-	-
Realised losses in the year	-	-
Provision for bad debt, end of year	-	-
Trade receivables (net), end of year	44.819	37.359
Trade receivables not due (due 0-3 months after the balance sheet date)	44.819	37.359
Trade receivables due from 0 to 1 month before the balance sheet date	-	-
Trade receivables due more than 1 month before the balance sheet date	-	-
Trade receivables (net), end of year	44.819	37.359

All trade receivables relates to contracts with customers. The fair value of trade receivables is DKK 44,819k (2018: DKK 37,359k). For receivables falling due within 1 year after the balance sheet date, the carrying amount is in all materiality considered to

With the implementation of IFRS 9 "Financial Instruments", the company has applied the simplified approach to measure the expected credit loss and a lifetime expected loss allowance for all trade receivables. Historically the company hasn't recognized losses on receivables. The Group's customers are predominantly renowned pharmaceutical companies and therefore the credit risk is very low. There are no overdue receivables as of December 31, 2019. No losses are expected on trade receivables and therefore no loss allowance for trade receivables has been recognized as of December 31, 2019. No loss allowance was recognized as of January 1, 2018 or January 1, 2017. Management continues to assess the credit risks in order to ensure the credit risk never exceeds the loss allowance on trade receivables.

17 Receivables from and payables to group enterprises

Receivables from group enterprises (gross) at 31 December	890	5.468
No provision has been made for receivables from group enterprises		

All receivables from group enterprises fall due within one year.

The fair value of receivables from group enterprises is DKK 890k (2018: DKK 5,468k). For receivables falling due within 1 year after the balance sheet date, the carrying amount is in all materiality considered to correspond to the fair value.

Payables to group enterprises (gross) at 31 December	9.795	3.736
------------------------------------------------------	-------	-------

The fair value of payables to group enterprises is DKK 9,795k (2018: DKK 3,736k). For payables falling due within 1 year after the balance sheet date, the carrying amount is in all materiality considered to correspond to the fair value.

Notes

Phillips-Medysize A/S

(DKK '000)

	2019	2018
18 Contract work in progress		
Expenses conc. work performed at the balance sheet date	278.653	310.526
Profit included in the income statement, net	61.989	31.567
Sales value of work performed at the balance sheet date	340.642	342.093
Invoicing on account	(369.969)	(360.947)
	<u>(29.327)</u>	<u>(18.854)</u>
The net value of contract work in progress is recognised as follows in the balance sheet:		
Contract work in progress	5.964	16.516
Prepayments received from customers conc. work in progress	(35.291)	(35.370)
	<u>(29.327)</u>	<u>(18.854)</u>
Contract work in progress conc. products	2.747	-
Accruals on contract work in progress	(1.309)	(5.028)
Prepayments on contracts, end of year	(36.600)	(40.398)
Contract work in progress, end of year	<u>8.711</u>	<u>16.516</u>
19 Other receivables		
Other receivables	837	1.076
Carrying amount, end of year	<u>837</u>	<u>1.076</u>

All other receivables fall due within one year.

The fair value of other receivables is DKK 837k (2018: DKK 1,076k). For receivables falling due within 1 year after the balance sheet date, the carrying amount is considered to correspond to the fair value.

20 Share capital

The share capital consists of 16,778,061 shares of DKK 1 16.778 16.778

No shares carry any special rights.

	2019	2018	2017	2016	2015
Specification of movement on share capital					
Share capital at the beginning	16.778	16.778	16.778	16.778	16.778
Capital increase	-	-	-	-	-
Capital reduction	-	-	-	-	-
Share capital at the end	<u>16.778</u>	<u>16.778</u>	<u>16.778</u>	<u>16.778</u>	<u>16.778</u>

21 Retained earnings

In 2019 DKK 0 was paid as dividend, corresponding to DKK 0 per share (2018: DKK 0, corresponding to DKK 0 per share). A dividend of DKK 0k, corresponding to DKK 0k per share, will be proposed for 2018.

Phillips-Medysize A/S's Executive Board and Board of Directors currently assess whether the Company's capital structure is adequate and which activities are necessary to ensure this.

Usually no dividend is paid out unless it may be included in net profit/loss for the year.

Notes

Phillips-Medize A/S

(DKK '000)

22 Deferred tax

	Long-term assets	Short-term assets	Loss carry-forward	Provisions	Total
Deferred tax at 1 January 2018	1.481	5	(1.445)	524	565
Adjustment for the year	(874)	(7)	1.445	(461)	103
Deferred tax at 31 December 2018	607	(2)	-	63	668
Of this not recognised in the balance sheet					-
Capitalised deferred tax at 31 December 2018	607	(2)	-	63	668
Deferred tax at 1 January 2019	607	(2)	-	63	668
Adjustment for the year	(624)	23	-	192	(409)
Deferred tax at 31 December 2019	(17)	21	-	255	259
Of this not recognised in the balance sheet					-
Capitalised deferred tax at 31 December 2019	(17)	21	-	255	259

Provision for deferred tax has been made at the current Danish tax rate.

23 Provisions

	2019	2018
Warranty provisions at 1 January	213	1.055
Provisions in the year	328	213
Provisions used in the year	-	(730)
Provisions reversed in the year	(213)	(325)
Warranty provisions, end of year	328	213
Provisions for anniversary bonus at 1 January	328	350
Provisions in the year	55	14
Provisions used in the year	(89)	(30)
Provisions reversed in the year	(21)	(6)
Change for the year in the calculation of net present value	-	-
Provisions for anniversary bonus, end of year	273	328
Provisions, end of year	601	541
The due dates for warranty provisions are expected to be as follows:		
Due within 1 year	276	41
Due within 1-5 years	52	172
Due after 5 years	-	-
Warranty provisions, end of year	328	213
The due dates for provisions for anniversary bonus are expected to be as follows:		
Due within 1 year	58	79
Due within 1-5 years	121	165
Due after 5 years	94	84
Provisions for anniversary bonus, end of year	273	328

The Company provides 3-year warranty on certain products and is therefore obliged to repair or replace items which do not function satisfactorily.

Notes

Phillips-Medize A/S

(DKK '000)

23 Provisions (continued)

Provisions of DKK 328k (2018: DKK 213k) for expected warranty claims have been recognised based on previous experience concerning the level of repairs and returns.

The statement of the expected due dates has been prepared based on previous experience of when repairs and returns, if any, appear.

No compensation will be received from other parties concerning the provisions.

The provision for anniversary bonus is the result of discounting of the nominal expectations, as the timing effect conc. anniversary bonus is material due to the long time horizon for actual payment of the anniversary bonus. No discounting has been used concerning the warranty provision as the time horizon is limited (max 3 years) and the timing effect is therefore immaterial.

	2019	2018
24 Other payables		
Payroll items	14.397	25.978
Other	3.776	563
Total other payables	<u>18.173</u>	<u>26.541</u>

No other payables fall due for payment after 1 year.

The fair value of other payables is DKK 18,173k (2018: DKK 26,541k).

For payables falling due within 1 year after the balance sheet date the carrying amount of the payables is in all materiality considered to equal the fair value of the payables.

25 Adjustments

Change in other provisions etc	60	(864)
Financial income etc	(2.295)	(1.814)
Financial expenses etc	2.841	1.873
Tax on profit/loss for the year	(5.183)	4.004
	<u>(4.577)</u>	<u>3.199</u>

26 Change in working capital

Change in receivables etc	3.975	(20.001)
Change in inventories	(275)	(2.981)
Change in trade payables etc	(4.291)	45.149
	<u>(591)</u>	<u>22.167</u>

27 Fee to auditors

	2019	2018
Statutory audit		
Grant Thornton, 2019	170	140
Fee to auditors appointed at the general meeting	170	140
Ernst & Young/Grant Thornton, Other assurance assignments	123	74
Deloitte, Tax advisory services	22	22
Fee to other assignments	145	96
Total fee to auditors	<u>315</u>	<u>236</u>

Notes

Phillips-Medize A/S

(DKK '000)

28 Contingent liabilities and other financial obligations

a Contract obligations

The Company has entered into contract obligations of DKK 1.970 k. termination no later than 2022.

b Joint taxation

With effect from 1 June 2016, Phillips-Medize A/S is included in the joint taxation with Phillips-Medize Holdings A/S. Danish Group companies are jointly and severally liable for tax on consolidated taxable income, etc. The total amount of the annual report for Phillips-Medize Holdings A/S, which is the management company in relation to joint taxation.

Before 1 June 2016, Phillips-Medize A/S was included in the joint taxation with LDE Holding 11 ApS and Equity Datteholding 11 ApS. Danish Group companies are jointly and severally liable for tax on consolidated taxable income, etc.

c Litigations

Phillips-Medize A/S is not engaged in any litigation.

29 Financial instruments

The scope and type of the Company's financial instruments appear from the income statement, the balance sheet and accounting policies under notes. Below information is provided on the conditions which may affect amounts, payment date or the reliability of future payments, where such information does not directly appear from the Company's Financial Statements or follow from normal practice.

Monetary items* in foreign currencies in the balance sheet at the end of the year:

At 31 December 2018		Assets	Liabilities	Net
Currency	Payment/expiry			
EUR	0-12 months	83.878	37.096	46.782
USD	0-12 months	14.012	2.507	11.505
GBP	0-12 months	389	4.152	(3.763)
Other	0-12 months	-	-	-
At 31 December 2019		Assets	Liabilities	Net
Currency	Payment/expiry			
EUR	0-12 months	77.078	21.481	55.597
USD	0-12 months	15.724	767	14.957
GBP	0-12 months	8	9.570	(9.562)
Other	0-12 months	-	-	-

* Monetary items are cash at bank and in hand and similar, receivables as well as payables which are settled in cash.

Hedging of foreign currency

No forward contracts have been made at 31 December 2019.

Sensitivity to foreign exchange risks:

The quantification of foreign exchange risks was made as an +/- 10% analysis of the effect on revenue:

	2019		2018		
	DKK million	Revenue	Risks	Revenue	Risks
Revenue nominated in EUR		221,1	0*	156,6	0*
Revenue nominated in USD		31,4	3,1	42,1	4,2
Revenue in DKK		11,9	0**	8,1	0**

* It is considered unlikely that EUR will fluctuate by +/- 10% due to Denmark's firm rates policy which allows only very marginal fluctuations

** There is no exchange risk in respect of DKK

In 2020 revenue is expected to be mainly in EUR, and therefore it is not assessed that there will be any material exchange risks.

Notes

Phillips-Medisize A/S

(DKK '000)

30 Related parties

The Company's related party with controlling interest is Phillips-Medisize Holdings A/S, Struer.

The related parties with significant influence in the Company are the Executive Board and some senior employees as well as their related family members. Related parties also comprise companies in which these persons have material interests.

Executive Board and senior employees

Besides what follows from the employment, there have been no transactions with the Executive Board or senior employees. Remuneration appear from note 6.

Accounts with related parties

The payment terms for normal trade is current month plus 30 days. No security has been provided for the accounts, and there has been no need to make provisions for expected bad debt concerning these accounts. Moreover, no losses have been realised concerning these accounts in 2018 or 2017.

31 Post-reporting date events

No adjusting or significant non-adjusting events have occurred between the 31 December reporting date and the date of authorisation.

32 Authorisation of financial statements

The financial statements for the year ended 31 December 2019 were approved by the board of directors on 24 April 2020.

33 Group matters

Statements of its Parent Company, MOLEX ELECTRONIC TECHNOLOGIES LLC, 2222 Wellington Court Lisle, IL 60532-1682, United States. Phillips-Medisize Holdings A/S is ultimate owned by Koch Industries Inc. 4111 East Street North, Wichita, Kansas 67220.