

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

Annual Report 2023

1 January - 31 December 2023

The Annual Report was presented
and adopted at the Annual General
Meeting of the Group
on 3 July 2024

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Chairman, David William Cole

CVR No 24053415

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Financial Highlights

Phillips-Medisize A/S

(DKK million)	2019 1/1 - 31/12	2020 1/1 - 31/12	2021 1/1 - 31/12	2022 1/1 - 31/12	2023 1/1 - 31/12
Profit/loss					
Revenue	264	275	361	378	482
Operating profit/loss before depreciation (EBITDA)	33	19	55	70	119
Operating profit/loss (EBIT)	27	13	50	64	113
Net financials	-1	-1	-3	0	-3
Operating profit/loss before tax (EBT)	27	12	47	65	110
Net profit/loss for the period after tax	21	10	37	49	83
Balance sheet					
Balance sheet total, year end	145	247	245	321	385
Share capital	17	17	17	17	17
Equity, year end	62	72	109	158	241
Cash flows for the year					
	0	-37	64	28	129
Hereof cash flows from:					
Operating activities	22	-14	71	37	137
Investing activities	-21	-23	-4	-9	-6
- incl investments in intangible assets	0	-5	0	0	0
- incl investments in property, plant & equipment	-22	-18	-4	-9	-5
Financing activities	-1	-1	-3	0	-3
Ratios					
Profit margin, %	10,3	4,8	13,9	17,1	23,5
Return on assets, %	19,9	6,8	20,5	22,8	32,1
Return on invested capital					
Exclusive of goodwill, %	65,0	26,6	61,8	52,9	63,0
Return on equity	39,9	14,4	40,9	36,8	41,8
Liquidity ratio	1,5	1,2	1,5	1,7	2,4
Equity ratio, %	43,0	29,1	44,5	49,2	62,6
Equity ratio, incl. subordinate loan, %	43,0	29,1	44,5	49,2	62,6
Financial gearing	0,0	0,0	0,0	0,0	0,0
Exclusive of goodwill	4,3	3,8	3,3	2,4	2,2

Definition of Financial Ratios

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

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

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

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

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

Board of Directors and Executive Board, etc

Phillips-Medysize A/S
CVR No 24053415

Country of registration

Denmark

Board of Directors

David William Cole (Chairman)
Katherine Mary Dornan
Brett Landrum

Executive Board

Brett Landrum (Executive Director)

Main bankers

Citibank

Main office

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

Main activity

Phillips-Medysize A/S develops and manufactures medical devices

Auditors

Grant Thornton
Stockholmsgade 45
2100 Copenhagen O
Denmark

Ownership

Phillips-Medysize 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 or aim at transferring manufacturing of these products to other Phillips-Medisize entities elsewhere on the globe. 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 2023, the Company's revenue amounted to DKK 481.9 million compared with 377.9 million in previous year, an increase of DKK 104 million, or 28%.

This increase is both a result of continued efforts on larger programs running for several years, as well as new won business and continued production.

With the current global financial challenges in mind, the development in revenue is satisfactory.

Phillips-Medisize have previously invested heavily into integrating into Molex/Phillips-Medisize ERP systems, including both SAP and SAP Project systems. While the transition has taken some time, and required company wide adaptation, the systems are now well integrated within the organization.

The company have invested further into a project with a large customer, and has a consequence of this, started new facilities in Struer with a further expansion of the site, started to be fully operational in June of 2023, costing around 8.5M DKK, with an area size of 430 square meters.

Overall, 2023 ended with a profit after taxes of 83.4M DKK, which compared to the 49.2M in 2022 is highly satisfactory, being an increase of 70%.

The Company will continue to develop and execute the focused strategy within drug delivery devices and connected health and will long-term expect growth both in the projects and production business as well as expectation of transferring successful development projects to production sites elsewhere in the Company.

Research and development activities

A Phillips-Medisize corporate initiative to invest further in developing technology accelerators and IP positions to include product platform, have continued to be one of the key areas in the year - going forward, the project portfolio is expected to include a) Platform development projects, b) variant development projects based on platforms and c) bespoke development projects.

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 and corporate funded platform projects, as well as manufacturing activities both in Clinical builds and regular manufacturing are though expected to maintain at somewhat same levels in 2024 from 2023. The planned revenue for 2024 is approximately DKK 368 million. The Company has very good strategic fit with Phillips-Medisize/Molex and will therefore reinforce the long-term growth from previous year both in Denmark in the headquartering Struer and the office in Virum, as well as via the Cambridge in the United Kingdom. Cost remains to have high focus. The mix of projects and manufacturing as well as continued integration activities will have an impact on the operating result in 2024. The expected net income for 2024 is approximately DKK 39.3 million.

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, which is certified according to the EN ISO 13485:2016 standard and the MDSAP program supports the Company's design, development, and manufacture of medical devices for drug dosage and administration of drugs and connected digital health solutions. Further the quality management system is in accordance with the national implementation of the EU Medical Device Regulation (2017/745), and moreover contains elements which ensure compliance with the requirements of U.S. FDA's 21 CFR 820 Quality System Regulation, Japan Quality Management System Compliance MHLW Ordinance No. 169, Canadian Medical Device Regulation (SOR/98-282), Brazil Medical Device Regulation (GMP:RDC ANVISA 665/2022 and MDR: RDC ANVISA 40/2015) and finally the Australian Medical Device Regulation (TG(MD)R 2002).

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 owner.

The Company has well-founded corporate culture. This means that the employees have 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 center, 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, but they also provide knowledge and competence for the development of this 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 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 had 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, contributes to ensuring that the Company meets its social responsibility.

Environmental policy

Phillips-Medisize 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-Medisize 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 product, 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 efforts and seeks to minimize the negative effects:

- Throughout the development (idea, design, and engineering)
- When selecting raw materials
- During manufacturing - and when optimizing 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 emphasize the considering for the immediate environment and for a safe and healthy working environment for our employees. Our focus is on improving both the physical and 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.

Sustainability of products in the drug delivery device space becomes more and more important to our clients, one of the key parameters for a product platform is sustainability, minimizing the disposable part, which is typical needed for drug integrity and patient safety. By changing from a pure disposable and one time use device, which is the competitive position, to a device consisting of a reusable and disposable part, we are able to deliver a much more environmentally friendly device solution to certain drug types.

It is Phillips-Medisize A/S' opinion that the Company's policies in 2023 have contributed to ensuring that Phillips-Medisize A/S fully complies with its environmental responsibility, which is also expected to be the case in future.

Uncertainties about recognition or measurement

The description of Company's uncertainties about recognition or measurement is included in Note 2 to the Financial Statement.

Management's Statement

The Board of Directors and the Executive Board have today considered and adopted the Annual Report of Phillips-Medsize A/S for the financial year 1 January - 31 December 2023.

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 2023 of the Company and of the results of the Company's operations and cash flows for 2023.

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 3 July 2024

Executive Board

Brett Landrum

Executive Director

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Brett Alan Landrum
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Board of Directors

DocuSigned by:
David Cole
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David William Cole
Chairman

DocuSigned by:
Brett Alan Landrum
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Brett Landrum

DocuSigned by:
Katherine Mary Dornan
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Katherine Mary Dornan

Independent Auditor's Report

To the Shareholders of Phillips-Medisize A/S

Opinion

We have audited the financial statements of Phillips-Medisize A/S for the financial year 1 January - 31 December 2023, 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 2023 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2023 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.

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.

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 Financials 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.

Copenhagen,

Grant Thornton
Statsautoriseret Revisionspartnerselskab
CVR-nr. 34209936

Martin Bomholtz
State Authorised Public Accountant
Mne34117

Comprehensive income statement

Phillips-Medsize A/S

(DKK '000)

	<u>2023</u>	<u>2022</u>
Notes		
6 Revenue	481 932	377 897
7 Production costs	<u>(310 890)</u>	<u>(286 056)</u>
Gross profit/loss	171 043	91 841
7 Distribution and marketing expenses	(8 010)	(6 572)
7 Administrative expenses etc	<u>(49 569)</u>	<u>(20 797)</u>
Operating profit/loss	113 464	64 472
8 Financial income	5 820	3 395
9 Financial expenses	<u>(8 889)</u>	<u>(3 132)</u>
	<u>(3 070)</u>	<u>263</u>
Profit/loss on ordinary activities before tax	110 394	64 735
10 Tax on profit/loss on ordinary activities	<u>(26 971)</u>	<u>(15 558)</u>
Net profit/loss for the year	83 423	49 177
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	83 423	49 177

Assets

Phillips-Medize A/S

(DKK '000)

Notes	2023	2022
Intangible assets		
Acquired rights	927	1 371
11 Total intangible assets	927	1 371
Property, plant and equipment		
Land and building	28 937	28 980
Plant and machinery	13 076	11 322
Fixtures and fittings, tools and equipment	1 759	2 438
Leasehold improvements	736	1 029
12 Total property, plant and equipment	44 508	43 769
13 Right-of-use assets	973	2 016
24 Deferred tax	-	-
Financial assets		
14 Other financial receivables	51	51
15 Investment in subsidiaries	-	-
Total financial assets	51	51
Total non-current assets	46 458	47 207
16 Inventories	33 930	30 700
Receivables		
17 Trade receivables from group enterprises	63 989	77 671
Trade receivables	-	993
19 Contract work in progress	5 975	9 028
20 Other receivables	1 927	1 574
21 Prepayments	1 455	2 043
Total receivables	73 346	91 309
Cash at bank and in hand	231 690	151 705
Total current assets	338 966	273 714
Total assets	385 425	320 921

Liabilities and equity

Phillips-Medsize A/S

(DKK '000)

Notes	<u>2023</u>	<u>2022</u>
	Equity	
22	16 778	16 778
23	84 613	141 190
	140 000	-
	<u>241 391</u>	<u>157 968</u>
	Non-current liabilities	
24	581	452
25	732	709
13	102	921
	<u>1 415</u>	<u>2 082</u>
	Current liabilities	
	-	48 669
25	22 261	314
13	871	1 095
	6 127	5 634
19	48 461	64 339
18	22 820	10 950
10	26 543	14 827
26	15 535	15 043
	<u>142 619</u>	<u>160 871</u>
	<u>144 034</u>	<u>162 953</u>
	<u>385 425</u>	<u>320 921</u>

Statement of Changes in Equity

Phillips-Medsize A/S

(DKK '000)

	Share capital	Retained earnings	Proposed dividend for the year	Total
Equity at 1 January 2022	16 778	92 013	-	108 791
Net profit/loss for the year	-	49 177	-	49 177
Equity at 31 December 2022	16 778	141 190	-	157 968
Equity at 1 January 2023	16 778	141 190	-	157 968
Net profit/loss for the year	-	83 423	-	83 423
Proposed dividend for the year	-	-	(140 000)	(140 000)
Equity at 31 December 2023	16 778	224 613	(140 000)	101 391

Cash Flow Statement

Phillips-Medize A/S

(DKK '000)

	<u>2023</u>	<u>2022</u>
Notes		
Net profit/loss for the year	83 423	49 177
Depreciation, amortisation and impairment losses	5 383	5 790
27 Adjustments	36 820	3 532
28 Change in working capital	11 710	(21 964)
Cash flows from operating activities	<u>137 336</u>	<u>36 535</u>
Deposits	-	13
Purchase of intangible assets	(321)	(295)
Purchase of property, plant and equipment	(5 411)	(9 020)
Cash flows from investing activities	<u>(5 732)</u>	<u>(9 302)</u>
Financial income	5 820	3 395
Financial expenses exclusive lease	(8 769)	(3 012)
Cash flows from financing activities	<u>(2 950)</u>	<u>383</u>
Cash flows for the year	<u>128 654</u>	<u>27 616</u>
Cash, beginning of year	103 036	75 420
Cash, end of year	<u>231 690</u>	<u>103 036</u>
Cash consist of:		
Cash at bank and in hand	231 690	103 036
Cash, end of period	<u>231 690</u>	<u>103 036</u>

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

Notes

General

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- 5 Financial risk management

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Notes

Phillips-Medisize A/S

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. The entity prepared its annual report in accordance with certain requirements applying to a higher reporting class.

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

No consolidated financial statements have been prepared pursuant to section 112 (2) of the Danish Financial Statements Act. The financial statements of Phillips-Medisize A/S and its group enterprises are included in the consolidated financial statements for Phillips-medisize Holdings A/S cvr. 37705497.

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 for the period, being the total of profit or loss and other comprehensive income.

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 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.

Notes

Phillips-Medisize A/S

Sale of goods

Revenue from sale of goods outside development projects is recognised in the income statement at a 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.

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

Phillips-Medize A/S

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

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.

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:

Buildings	25 years
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.

Notes

Phillips-Medsize A/S

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 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.

Notes

Phillips-Medisize A/S

Liabilities

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.

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.

Notes

Phillips-Medisize A/S

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.

2 Uncertainties about recognition or measurement

Phillips-Medisize A/S provided services to a third party customer based in France for which WHT was applicable but not remitted to the French Tax Authorities (FTA). The unpaid WHT was identified by the FTA during the third party's tax audit at which point the invoices were reassessed and payment of DKK 22 025 656 (equivalent of €2,953,649 (2021; € 2,850,803, 2022; € 102,846)) was requested. Pursuant to French tax law, Phillips-Medisize A/S should be liable to the payment of the WHT and have therefore agreed to refund the third party accordingly. Provisioned amount is expensed in Production costs (see note 7) and the payable part in the Provisions (see note 25).

The provisions of double tax treaties often prevent the application of such WHT but there was no tax treaty between France and Denmark between 2009 and 2023. There is a possibility under Danish tax law to offset WHT against the tax due in Denmark and for any WHT which could not be claimed in Denmark, FTA guidelines (published after the denunciation of the France-Denmark tax treaty) provide that the Danish taxpayer may claim a partial refund. For a successful claim, the Danish taxpayer must obtain approval from the Danish Tax Authorities to reopen prior periods and provide extensive supporting documentation to the FTA for the application of allowable expenses to reduce the tax basis. The response from the tax authorities to such a claim is uncertain and so the provision assumes no offset in Denmark or partial refund from France and has been fully expensed in the P&L.

3 New accounting standards

As of 1 January 2022, the company has implemented all new or amended accounting standards and interpretations as adopted by the EU and applicable for the 2022 financial year. The implementation of new or amended standards and interpretations has not had any material impact on the financial statements.

4 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

Phillips-Medisize A/S

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:

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.

5 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

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

Notes

Phillips-Medysize A/S

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 2023, no contracts have been concluded to hedge foreign exchange risks. The Company's net monetary items in foreign currencies appear from note 29.

Interest rate risk

The company have no interest-bearing bank debt as per 31. December (31/12 2022: DKKt 48,669)

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 2023, 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 15.21% at the end of 2022.

Notes

Phillips-Medsize A/S

(DKK '000)

6 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 2023		
	Goods	Services	Total
Scandinavia	9 303	68 931	78 234
Rest of Europe	25 364	103 422	128 786
USA	-	269 438	269 438
Rest of the world	-	5 474	5 474
Total	34 667	447 265	481 932

	For the year ended 31 December 2022		
	Goods	Services	Total
Scandinavia	20 247	30 760	51 007
Rest of Europe	12 853	111 707	124 560
USA	-	193 412	193 412
Rest of the world	48	8 870	8 918
Total	33 148	344 749	377 897

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

	For the year ended 31 December 2023		
	Goods	Services	Total
Goods transferred in a point of time	11 440	-	11 440
Services transferred over time	23 227	447 265	470 492
Total	34 667	447 265	481 932

	For the year ended 31 December 2022		
	Goods	Services	Total
Goods transferred in a point of time	10 853	-	10 853
Services transferred over time	22 295	344 749	367 044
Total	33 148	344 749	377 897

	2023	2022
Sales value from contract work in progress recognized in the above	191 893	134 452

Notes

Phillips-Medsize A/S

(DKK '000)

7 Expenses, additional information

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

Classification by type of expenditure

Amortisation, intangible assets

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

	2023	2022
Production costs	-	-
Administrative expenses etc	1 351	1 711
	<u>1 351</u>	<u>1 711</u>

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:

	2023	2022
Production costs	2 295	2 655
Administrative expenses etc	2 784	2 323
	<u>5 079</u>	<u>4 978</u>

Staff

	2023	2022
Salaries and remuneration	165 402	154 226
Pensions	15 585	14 743
Other social security expenses	1 316	6 100
	<u>182 303</u>	<u>177 694</u>

Fee to Executive Board and Board of Directors

	2023	2022
- Salaries	2 458	2 394
- Pension	233	224
- Other expenses and staff obligations	7	7
	<u>2 698</u>	<u>2 625</u>

Average number of full-time employees
Denmark

224	217
<u>224</u>	<u>217</u>

Notes

Phillips-Medsize A/S

(DKK '000)

7 Expenses, additional information (continued)

Staff expenses are recognised in the following items in the income statement:

	2023	2022
Production costs	147 957	151 156
Distribution and marketing expenses	5 353	5 407
Administrative expenses etc	28 993	21 131
	<u>182 303</u>	<u>177 694</u>

8 Financial income

	2023	2022
Foreign exchange gain	5 820	3 395
Financial income	<u>5 820</u>	<u>3 395</u>

9 Financial expenses

	2023	2022
Interest on debt to banks	1 413	313
Foreign exchange loss	7 425	2 699
Other financial expenses	51	120
Financial expenses	<u>8 889</u>	<u>3 132</u>

Notes

Phillips-Medysize A/S

(DKK '000)

10 Tax on profit/loss on ordinary activities	2023	2022
Current tax	24 646	14 202
Correction to prior years taxes	299	-
Change in deferred tax	8	731
Correction to prior years deferred taxes (Additional percentage)/reimbursement	120	-
	1 898	625
Total tax on profit/loss on ordinary activities	26 971	15 558
Tax for the year is specified as follows:		
Tax to be recognised in the income statement	26 971	15 558
	26 971	15 558
Tax on profit/loss for the year is specified as follows:		
Calculated tax on profit/loss before tax	24 287	14 241
Non-deductible expenses and non-taxable income	367	692
Other	2 317	-
	26 971	15 558
Danish tax rate	22,0%	22,0%
Tax effect of:		
Non-deductible expenses		
Non-taxable income	0,3%	2,0%
Unutilised tax losses	0,0%	0,0%
Prior - year adjustments of current tax last year	0,0%	0,0%
Average effective tax rate for the year	24,4%	24,0%

Since 1 June 2016, Phillips-Medysize A/S is part of the joint taxation with Phillips-Medysize Holdings A/S as the administration entity. Corporation tax payable to Phillips-Medysize Holdings A/S amounts to DKKt 26,971 at 31 December 2023 (2022: DKKt 14,827).

Notes

Phillips-Medysize A/S

(DKK '000)

11 Intangible assets

	Acquired rights
Cost at 1 January 2022	21 847
Additions for the year	295
Disposals for the year	-
Transfer	140
Cost at 31 December 2022	<u>22 282</u>
Amortisation and impairment losses at 1 January 2022	19 200
Amortisation for the year	1 711
Amortisation and impairment losses at 31 December 2022	<u>20 911</u>
Carrying amount at 31 December 2022	<u>1 371</u>
Cost at 31 December 2022	22 282
Amortisation at 31 December 2022	<u>20 911</u>
Carrying amount at 31 December 2022	<u>1 371</u>
Cost at 1 January 2023	22 282
Additions for the year	321
Transfer	586
Cost at 31 December 2023	<u>23 189</u>
Amortisation and impairment losses at 1 January 2023	20 911
Amortisation for the year	1 351
Amortisation and impairment losses at 31 December 2023	<u>22 262</u>
Carrying amount at 31 December 2023	<u>927</u>
Cost at 31 December 2023	23 189
Amortisation at 31 December 2023	<u>22 262</u>
Carrying amount at 31 December 2023	<u>927</u>

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

In 2023 DKKt 586 were transferred from plant and machinery to intangible assets (acquired rights) (31/12 2022: DKKt 140)

Notes

Phillips-Medysize A/S

(DKK '000)

12 Property, plant and equipment

	Land and Building	Plant and machinery	Other fixtures tools and equipment	Leasehold improvements	Total
Cost at 1 January 2022	31 504	18 833	7 616	1 689	59 642
Additions for the year	-	8 529	491	-	9 020
Disposals for the year	-	-	-	-	-
Transfer	-	(1 133)	301	692	(140)
Cost at 31 December 2022	31 504	26 229	8 408	2 381	68 522
Depreciation at 1 January 2022	1 344	13 462	4 831	1 037	20 674
Depreciation for the year	1 180	1 445	1 139	315	4 079
Transfer	-	-	-	-	-
Depreciation at 31 December 2022	2 524	14 907	5 970	1 352	24 753
Carrying amount at 31 December 2022	28 980	11 322	2 438	1 029	43 769
Cost at 1 January 2023	31 504	26 229	8 408	2 381	68 522
Additions for the year	777	4 215	419	-	5 411
Disposals for the year	-	(54)	-	-	(54)
Transfer	370	(956)	-	-	(586)
Cost at 31 December 2023	32 651	29 434	8 827	2 381	73 293
Depreciation at 1 January 2023	2 524	14 907	5 970	1 352	24 753
Depreciation for the year	1 190	1 505	1 098	293	4 086
Reversal of depreciation of sold assets	-	(54)	-	-	(54)
Transfer	-	-	-	-	-
Depreciation at 31 December 2023	3 714	16 358	7 068	1 645	28 785
Carrying amount at 31 December 2023	28 937	13 076	1 759	736	44 508
Cost at 31 December 2023	32 651	29 434	8 827	2 381	73 293
Amortisation at 31 December 2023	3 714	16 358	7 068	1 645	28 785
Carrying amount at 31 December 2023	28 937	13 076	1 759	736	44 508

General, property, plant and equipment:

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

There are no leasing or other contractual obligations at 31 December 2023 relating to the acquisition of property, plant and equipment (DKK 0 at 31 December 2022).

Notes

Phillips-Medsize A/S

(DKK '000)

13 Right-of-use assets and lease liabilities

	Rent facilities	Car leasing	Total
Right-of-use assets			
Gross carrying amount as of 1 January 2023	4 443	650	5 093
Additions	-	-	-
Disposals	-	-	-
Modifications	-	-	-
Gross carrying amount as of 31 December 2023	4 443	650	5 093
Depreciation and impairment as of 1 January 2023	2 834	243	3 077
Depreciation	919	124	1 043
Disposals	-	-	-
Depreciation and impairment as of 31 December 2023	3 753	367	4 120
Carrying amount as of 31 December 2022	1 609	407	2 016
Carrying amount as of 31 December 2023	690	283	973
Lease liabilities		2023	2022
Non-current		102	921
Current		871	1 095
Lease liabilities		973	2 016
Amounts included in the income statement			
Interest expense leases		(19)	52
Depreciation recognised on right-of-use assets		890	1 043
Cost recognized for short term leases (less than 12 months)		871	1 095

In 2023 the total cash outflow relating to leases was DKKt 1,043, split between interests DKKt 124 and repayment of DKKt 919.

As security for new rental premises, the Company has provided a bank guarantee of DKKt 1,000.

14 Other financial receivables

	2023	2022
Other financial receivables (gross), end of year	51	51
Provisions for bad debts, end of year	-	-
Other financial receivables (net), end of year	51	51

The fair value of other financial receivables amounts to DKKt 51 (2022: DKKt 51). 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)

15 Investment in subsidiaries

Investments in subsidiaries are specified as follows at 31 December 2023 (TDKK):

Name	Share capital	Equity	Votes and
Phillips-Medysize Ltd., United Kingdom	1	8 772	100%

No dividend were received from Phillips-Medysize Ltd. during the years 2023 and 2022.

According to the company's accounting policies investment in subsidiary is measured at cost, which amounts to DKKt 0 at 31/12 2023 (31/12 2022: DKKt 0)

16 Inventories

	2023	2022
Raw materials and consumables	22 189	14 184
Work in progress	395	2 955
Finished goods and goods for resale	11 346	13 561
Inventories, end of year	33 930	30 700
Cost of inventories recognised as expense (cost of goods sold)	30 006	25 099
Write-down for the year of inventories is recognised in production costs	(8 668)	(4 263)

The carrying amount of inventories carried at fair value less costs to sell amounts to DKKt 0 (2022: DKKt 0).

As per 31/12/2023, the net realisable value of the inventory is not lower than the cost amount. As per 31/12/2022, the net realisable value of the inventory is not lower than the cost amount.

17 Trade receivables from group enterprises

	2023	2022
Trade receivables (gross)	63 989	77 671
Provision for bad debt	-	-
Provision for bad debt, end of year	-	-
Trade receivables (net), end of year	63 989	77 671

Notes

Phillips-Medisize A/S

(DKK '000)

17 Trade receivables from group enterprises (continued)	2023	2022
Trade receivables not due (due 0-3 months after the balance sheet date)	63 989	77 671
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	63 989	77 671

Since October 2020 Phillips-Medisize A/S is part of the Molex Operational Model. Within this model all finance support, including credit collection facility is provided by Molex Interconnect GmbH ("MIG"). As per process all trade receivables regarding external sales transactions are settled by MIG. As the result Phillips-Medisize A/S recognizes at the balance sheet date the receivable position with the group counterparty MIG. From the profit and loss perspective transactions are presented as the external sales.

The fair value of trade receivables is DKKt 63,989 (2022: DKKt 77,671). For receivables falling due within 1 year after the balance

In accordance with 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 31 December 2023. No losses are expected on trade receivables and therefore no loss allowance for trade receivables has been recognized as of 31 December 2023.

18 Payables to group enterprises	2023	2022
Payables to group enterprises (gross) at 31 December	22 820	10 950

The fair value of payables to group enterprises is DKKt 22,820 (2022: DKKt 10,950). 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.

19 Contract work in progress	2023	2022
Expenses conc. work performed at the balance sheet date	100 729	490 187
Profit included in the income statement, net	62 351	20 368
Sales value of work performed at the balance sheet date	163 080	510 555
Invoicing on account	(205 566)	(565 866)
	(42 486)	(55 311)
The net value of contract work in progress is recognised as follows in the balance sheet:		
Contract work in progress	5 975	9 028
Prepayments received from customers conc. work in progress	(48 461)	(64 339)
	(42 486)	(55 311)
Contract work in progress conc. products	-	-
Accruals on contract work in progress	-	-
Prepayments on contracts, end of year	(48 461)	(64 339)
Contract work in progress, end of year	5 975	9 028

Notes

Phillips-Medysize A/S

(DKK '000)

20 Other receivables	<u>2023</u>	<u>2022</u>
Other receivables	1 927	1 574
Carrying amount, end of year	<u>1 927</u>	<u>1 574</u>

All other receivables fall due within one year.

The fair value of other receivables is DKKt 1,927 (2022: DKKt 1,574). For receivables falling due within 1 year after the balance sheet date, the carrying amount is considered to correspond to the fair value.

21 Prepayments

Software licenses	<u>1 455</u>	<u>2 043</u>
Carrying amount, end of year	<u>1 455</u>	<u>2 043</u>

The fair value of prepayments is DKKt 1,455 (2022: DKKt 2,043).

22 Share capital

	<u>2023</u>	<u>2022</u>
The share capital consists of 16,778,061 shares of DKK 1	<u>16 778</u>	<u>16 778</u>

No shares carry any special rights.

Specification of movement on share capital	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
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>

Notes

Phillips-Medisize A/S

(DKK '000)

23 Retained earnings

In 2023 DKK 0 was paid as dividend, corresponding to DKK 0 per share (2022: DKK 0, corresponding to DKK 0 per share). A dividend of DKK 140 000k, corresponding to DKK 8,34 per share, will be proposed for 2023.

Phillips-Medisize A/S's Executive Board and Board of Directors assess that the Company's capital structure is adequate.

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

24 Deferred tax

	Long-term assets	Short-term assets	Provisions	Total
Deferred tax at 1 January 2022	743	-	(1 022)	(279)
Adjustment for the year	(723)		1 454	731
Deferred tax at 31 December 2022	20	-	432	452
Capitalised deferred tax at 31 December 2022	20	-	432	452
Deferred tax at 1 January 2023	20	-	432	452
Adjustment to the prior years	120	-	-	120
Adjustment for the year	333	-	(325)	8
Deferred tax at 31 December 2023	474	-	107	581
Capitalised deferred tax at 31 December 2023	474	-	107	581

Deferred tax has been made at the current Danish tax rate.

Notes

Phillips-Medsize A/S

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25 Provisions	2023	2022
Warranty provisions at 1 January	826	905
Provisions created in the year	-	30
Provisions used in the year	-	(109)
Warranty provisions, end of year	<u>826</u>	<u>826</u>
Provisions for anniversary bonus at 1 January	197	227
Provisions created in the year	64	25
Provisions used in the year	(90)	(30)
Provisions reversed in the year	(29)	(8)
Change for the year in the calculation of net present value	(1)	(17)
Provisions for anniversary bonus, end of year	<u>141</u>	<u>197</u>
Other provisions at 1 January	-	-
Other provisions created in the year	22 026	-
Other provisions used in the year	-	-
Other provisions reversed in the year	-	-
Other provisions, end of year	<u>22 026</u>	<u>-</u>
Provisions, end of year	<u>22 993</u>	<u>1 023</u>
The due dates for warranty provisions are expected to be as follows:		
Due within 1 year	235	235
Due within 1-5 years	591	591
Due after 5 years	-	-
Warranty provisions, end of year	<u>826</u>	<u>826</u>
The due dates for provisions for anniversary bonus are expected to be as follows:		
Due within 1 year	-	79
Due within 1-5 years	34	29
Due after 5 years	107	89
Provisions for anniversary bonus, end of year	<u>141</u>	<u>197</u>
The due dates for other provisions are expected to be as follows:		
Due within 1 year	22 026	-
Due within 1-5 years	-	-
Due after 5 years	-	-
Other provisions, end of year	<u>22 026</u>	<u>826</u>

Other provisions relate to unpaid WHT as described in note 1.

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

Provisions of DKKt 826 (2022: DKKt 826) 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.

Notes

Phillips-Medisize A/S

(DKK '000)

26 Other payables	2023	2022
Payroll items	13 920	11 578
Other	1 615	3 465
Total other payables	15 535	15 043

No other payables fall due for payment after 1 year.

The fair value of other payables is DKKt 15,535 (2022: DKKt 15,043).

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.

27 Adjustments	2023	2022
Change in other provisions etc	21 970	(110)
Financial income etc	(5 820)	(3 395)
Financial expenses etc	8 824	3 012
Tax on profit/loss for the year	11 845	4 025
	36 820	3 532

28 Change in working capital	2023	2022
Change in receivables etc	17 963	(27 146)
Change in inventories	(3 230)	(7 763)
Change in trade payables etc	(3 023)	12 945
	11 710	(21 964)

29 Fee to auditors	2023	2022
Fee to auditors appointed at the general meeting (Grant Thornton), for statutory audit	430	242
Total fee to auditors	430	242

30 Contingent liabilities and other financial obligations

a Contract obligations

The Company has entered into contract obligations of DKKt 1,867 with termination no later than 2024.

b Joint taxation

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

Before 1 June 2016, Phillips-Medisize A/S was included in the joint taxation with LDE Holding 11 ApS and Equity Datteholding 11 ApS.

c Litigations

Phillips-Medisize A/S provided services to a third party customer based in France for which WHT was applicable but not remitted to the French Tax Authorities (FTA). Pursuant to French tax law, Phillips-Medisize A/S should be liable to the payment of the WHT and have therefore agreed to refund the third party accordingly (see note 2 for further information).

Notes

Phillips-Medsize A/S

(DKK '000)

31 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 2022		Assets	Liabilities	Net
Currency	Payment/expiry			
EUR	0-12 months	225 793	10 207	215 586
USD	0-12 months	4 326	13 067	(8 741)
GBP	0-12 months	-	-	-
Other	0-12 months	-	251	(251)

At 31 December 2023		Assets	Liabilities	Net
Currency	Payment/expiry			
EUR	0-12 months	200 280	4 910	195 370
USD	0-12 months	86 893	9 813	77 080
GBP	0-12 months	-	-	-
Other	0-12 months	-	393	(393)

* 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 2023.

Sensitivity to foreign exchange risks:

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

	2023		2022	
	DKK million	Revenue	Revenue	Risks
Revenue nominated in EUR		432,7	297,6	0*
Revenue nominated in USD		70,4	80,2	8,0
Revenue in DKK		(21,2)	-	-

* 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 2023 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)

32 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 2023 or 2022.

Trade receivables from and payables to group enterprises are presented in notes 16 and 17.

An overview of transactions with related parties is as follows:

	2023	2022
Sales billed through related party	358 798	281 892
Sale of R&D services	38 678	76 745
Sale of project support services	5 381	6 337
Sale of other services	590	691
Purchase of project support services	52 619	40 166
Purchase of goods	3 149	2 020
Purchase of other services	1 424	1 822
	<u>460 639</u>	<u>409 673</u>

33 Post-reporting date events

No adjusting or significant non-adjusting events have occurred between the 31 December 2023 and the date of authorisation.

34 Authorisation of financial statements

The financial statements for the year ended 31 December 2023 were approved by the board of directors on 3 July 2024.

35 Group matters

The Company, whose controlling shareholder is Phillips-Medisize Holdings A/S is included in the Consolidated Financial Statements of Phillips-Medisize Holdings A/S Gimsinglundvej 20 DK -7600 Struer.

Phillips-Medisize A/S is ultimate owned by Koch Industries Inc. 4111 East Street North, Wichita, Kansas 67220, United States.

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Martin Bomholtz

Grant Thornton, Godkendt Revisionspartnerselskab CVR: 34209936

Statsautoriseret revisor

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