

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

## Annual Report 2021

1 January 2021 - 31 December 2021

The Annual Report was presented  
and adopted at the Annual General  
Meeting of the Group  
on 30 June 2022

DocuSigned by:

*David Cole*

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Chairman, David William Cole

CVR No 24053415

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## Financial Highlights

### Phillips-Medisize A/S

(DKK million)	2017 1/1 - 31/12	2018 1/1 - 31/12	2019 1/1 - 31/12	2020 1/1 - 31/12	2021 1/1 - 31/12
<b>Profit/loss</b>					
Revenue	151	210	264	275	361
Operating profit/loss before depreciation (EBITDA)	15	26	33	19	55
Operating profit/loss (EBIT)	9	20	27	13	50
Net financials	0	0	-1	-1	-3
Operating profit/loss before tax (EBT)	9	20	27	12	47
Net profit/loss for the period after tax	7	15	21	10	37
<b>Balance sheet</b>					
Balance sheet total, year end	70	129	145	247	245
Share capital	17	17	17	17	17
Equity, year end	26	41	62	72	109
<b>Cash flows for the year</b>					
	-10	38	0	-37	64
Hereof cash flows from:					
Operating activities	-14	47	22	-14	71
Investing activities	0	-3	-21	-23	-4
- incl investments in intangible assets	0	-1	0	-5	0
- incl investments in property, plant & equipment	0	-2	-22	-18	-4
Financing activities	5	-5	-1	-1	-3
<b>Ratios</b>					
Profit margin, %	6.3	9.5	10.3	4.8	13.9
Return on assets, %	13.7	20.2	19.9	6.8	20.5
Return on invested capital exclusive of goodwill, %	72.2	76.9	65.0	26.6	61.8
Return on equity	31.8	45.6	39.9	14.4	40.9
Liquidity ratio	1.4	1.4	1.5	1.2	1.5
Equity ratio, %	37.2	32.2	43.0	29.1	44.5
Equity ratio, incl. subordinate loan, %	37.2	32.2	43.0	29.1	44.5
Financial gearing	0.0	0.0	0.0	0.0	0.0
Revenue/invested capital exclusive of goodwill	5.9	5.1	4.3	3.8	3.3

**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-Medisize A/S  
CVR No 24053415

Country of registration

Denmark

Board of Directors

David William Cole (Chairman)  
Katherine Mary Dornan  
Brett Landrum

Executive Board

Katrine Hammer (CEO)

Main bankers

Citibank

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 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 and 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 2021, the Company's revenue amounted to DKK 360.6 million compared with 274.6 million in previous year, an increase of DKK 86 million, or 31%.

This increase is driven by an increase in the innovation business resulting from timing of the contracts Phillips-Medisize A/S has signed with our customers as well as corporate funded platform projects. The development in revenue is satisfactory.

Phillips-Medisize have invested significantly in integrating further into Molex/Phillips-Medisize ERP systems, which includes SAP and SAP Project Systems. In fall of 2021, implementations and improvements were made to Project Systems and settlement process in the management of incurred and deferred revenue and costs. The company have invested in a Manufacturing Development & Clinical Build site which includes personnel as well as installations. A 500m<sup>2</sup> class 7 clean room and molding equipment have been established, to fill a need in the market for fast, flexible clean room molding and assembly for especially drug delivery devices to service a flexible need of clinical trial supplies in the pharmaceutical industry. The installation is complete, however the market introduction has been delayed due to COVID-19 and have had a negative impact on profit. Overall, the profit is acceptable.

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 been one of the key changes 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 same levels in 2022 from 2021. The planned revenue for 2022 is approximately DKK 400.5 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 2022. The expected net income for 2022 is approximately DKK 21.8 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 MDSAP supports the Company's design, development and manufacture of medical devices for drug dosage and administration of drugs and connected digital health solutions. The quality management system is designed so as to form the basis of certification under EN ISO 13485:2016, ISO 13485:2016 and, 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, Japan Quality Management System Compliance MHLW Ordinance No. 169, Canadian Medical Device Regulation (SOR/98-282), and the Australian Medical Device Regulation (TG(MD)R 2002). In 2020 the Medical Device Regulations (EU)2017/745/EY (MDR) came into force and Phillips Medisize A/S' quality management system incorporates the additional requirements of the MDR.

### **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, 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 behavior, 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 behavior 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 also 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 behavior 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 environmental friendly device solution to certain drug types.

It is Phillips-Medisize A/S' opinion that the Company's policies in 2021 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.



## 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 2021.

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 2021 of the Company and of the results of the Company's operations and cash flows for 2021.

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.

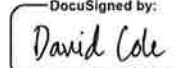
Struer 30 June 2022

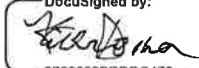
~~Executive Board~~

  
Katrine Eggert Hammer

CEO

Board of Directors

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David William Cole  
Chairman

DocuSigned by:  
  
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Katherine Mary Dornan

DocuSigned by:  
  
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Brett Landrum

## 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 2021, 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 2021 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2021 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

<b>Phillips-Medisize A/S</b>			
(DKK '000)			
		<u>2021</u>	<u>2020</u>
Notes			
5	<b>Revenue</b>	<b>360,602</b>	<b>274,588</b>
6	Production costs	<u>(279,768)</u>	<u>(208,763)</u>
	<b>Gross profit/loss</b>	<b>80,834</b>	<b>65,825</b>
6	Distribution and marketing expenses	(5,641)	(1,916)
6	Administrative expenses etc	<u>(24,949)</u>	<u>(50,630)</u>
	<b>Operating profit/loss</b>	<b>50,244</b>	<b>13,279</b>
7	Financial income	1,603	113
8	Financial expenses	<u>(4,483)</u>	<u>(944)</u>
		<u>(2,880)</u>	<u>(831)</u>
	<b>Profit/loss on ordinary activities before tax</b>	<b>47,364</b>	<b>12,448</b>
9	Tax on profit/loss on ordinary activities	<u>(10,420)</u>	<u>(2,773)</u>
	<b>Net profit/loss for the year</b>	<b>36,944</b>	<b>9,675</b>
	 <b>Total comprehensive income</b>	 <u><b>36,944</b></u>	 <u><b>9,675</b></u>



## Liabilities and equity

		<b>Phillips-Medisize A/S</b>	
		(DKK '000)	
Notes		<u>2021</u>	<u>2020</u>
		<b>Equity</b>	
20	Share capital	16,778	16,778
21	Retained earnings	<u>92,013</u>	<u>55,069</u>
	<b>Total equity</b>	<b><u>108,791</u></b>	<b><u>71,847</u></b>
		<b>Non-current liabilities</b>	
22	Deferred tax	-	773
23	Provisions	868	247
12	Lease liabilities	<u>1,653</u>	<u>2,643</u>
	Total non-current liabilities	<u>2,521</u>	<u>3,663</u>
		<b>Current liabilities</b>	
	Bank debts	37,351	53,327
23	Provisions	264	504
12	Lease liabilities	1,128	962
	Trade payables	9,284	5,285
18	Prepayments on contracts	43,466	13,702
17	Payables to group enterprises	9,688	59,148
	Current tax payables	11,533	2,259
24	Other payables	<u>20,583</u>	<u>36,183</u>
	Total current liabilities	<u>133,297</u>	<u>171,370</u>
	<b>Total liabilities</b>	<b><u>135,818</u></b>	<b><u>175,033</u></b>
	<b>Total liabilities and equity</b>	<b><u>244,609</u></b>	<b><u>246,880</u></b>

## Statement of Changes in Equity

### Phillips-Medysize A/S

(DKK '000)

	Share capital	Retained earnings	Total
<b>Equity at 1 January 2020</b>	<b>16,778</b>	<b>45,394</b>	<b>62,172</b>
Net profit/loss for the year	-	9,675	9,675
<b>Equity at 31 December 2020</b>	<b>16,778</b>	<b>55,069</b>	<b>71,847</b>
<b>Equity at 1 January 2021</b>	<b>16,778</b>	<b>55,069</b>	<b>71,847</b>
Net profit/loss for the year	-	36,944	36,944
<b>Equity at 31 December 2021</b>	<b>16,778</b>	<b>92,013</b>	<b>108,791</b>



## Cash Flow Statement

### Phillips-Medisize A/S

(DKK '000)

Notes	2021	2020
Net profit/loss for the year	36,944	9,675
Depreciation, amortisation and impairment losses	5,189	4,384
25 Adjustments	11,297	2,612
26 Change in working capital	17,542	(30,218)
<b>Cash flows from operating activities</b>	<b>70,972</b>	<b>(13,547)</b>
Deposits	(3)	(12)
Purchase of intangible assets	-	(4,682)
Purchase of property, plant and equipment	(3,887)	(17,917)
<b>Cash flows from investing activities</b>	<b>(3,890)</b>	<b>(22,611)</b>
Financial income	1,603	113
Financial expenses exclusive lease	(4,299)	(644)
<b>Cash flows from financing activities</b>	<b>(2,696)</b>	<b>(531)</b>
<b>Cash flows for the year</b>	<b>64,386</b>	<b>(36,689)</b>
Cash, beginning of year	11,034	47,723
<b>Cash, end of year</b>	<b>75,420</b>	<b>11,034</b>
Cash consist of:		
Cash at bank and in hand	75,420	11,034
<b>Cash, end of period</b>	<b>75,420</b>	<b>11,034</b>

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 from group enterprises
- 17 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**

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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.

#### Change in accounting policies

##### *Development costs*

Accounting policies in relation to development costs have been changed. Costs related to research and development on behalf of related parties previously were presented as development costs.

With effect from 1 January 2021, the management decided to present these costs as production costs.

The purpose of the change is to obtain a more accurate picture of investments in the Annual Report.

Consequently, comparative figures have been reclassified accordingly. The change has had a nil effect on the profit and loss, equity, and total assets.

##### *Presentation of expenses*

As a consequence of change of the ERP-system, the method for compilation of administrative and distribution costs has been changed.

The purpose of the change is to obtain a more accurate picture of the cost.

The comparative figures should therefore be used with caution for these financial statement items.

#### 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.

## Notes

### Phillips-Medisize A/S

#### 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 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 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.

## Notes

### Phillips-Medsize A/S

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.

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.

## Notes

### Phillips-Medsize A/S

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.

#### *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.

## Notes

### Phillips-Medsize A/S

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.

#### *Liabilities*

##### *Pension obligations*

Phillips-Medsize 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

### Phillips-Medsize A/S

#### 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.

## 2 New accounting standards

As of 1 January 2021, the company has implemented all new or amended accounting standards and interpretations as adopted by the EU and applicable for the 2021 financial year. The implementation of new or amended standards and interpretations has not had any material impact on the financial statements.

## 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 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.



## Notes

### Phillips-Medisize A/S

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

Phillips-Medisize 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 2021, 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 an interest-bearing bank debt as per 31. December 2021.

## Notes

### Phillips-Medsize A/S

#### *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 2021, 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 16.4% of the balance sheet total compared with 21.6% at the end of 2020.

## 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 2021		
	Goods	Services	Total
Scandinavia	12,870	18,828	31,698
Rest of Europe	17,445	105,354	122,799
USA	-	194,721	194,721
Rest of the world	1,548	9,836	11,384
<b>Total</b>	<b>31,863</b>	<b>328,739</b>	<b>360,602</b>

	For the year ended 31 December 2020		
	Goods	Services	Total
Scandinavia	9,724	33,627	43,351
Rest of Europe	18,422	50,865	69,287
USA	-	161,802	161,802
Rest of the world	148	-	148
<b>Total</b>	<b>28,294</b>	<b>246,294</b>	<b>274,588</b>

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

	For the year ended 31 December 2021		
	Goods	Services	Total
Goods transferred in a point of time	10,720	-	10,720
Services transferred over time	21,143	328,739	349,882
<b>Total</b>	<b>31,863</b>	<b>328,739</b>	<b>360,602</b>

	For the year ended 31 December 2020		
	Goods	Services	Total
Goods transferred in a point of time	5,804	-	5,804
Services transferred over time	22,490	246,294	268,784
<b>Total</b>	<b>28,294</b>	<b>246,294</b>	<b>274,588</b>

	2021	2020
Sales value from contract work in progress recognized in the above	197,584	155,664

## Notes

### Phillips-Medisize A/S

(DKK '000)

#### 6 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:

	2021	2020
Production costs	19	951
Distribution and marketing expenses	-	-
Administrative expenses etc	2,105	-
	<u>2,124</u>	<u>951</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:

	2021	2020
Production costs	2,295	2,592
Distribution and marketing expenses	-	-
Administrative expenses etc	1,564	-
	<u>3,859</u>	<u>2,592</u>

#### Staff

Fee to Executive Board and Board of Directors

	2021	2020
- Salaries	2,262	1,551
- Pension	346	336
- Other expenses and staff obligations	7	9
Total fee to Executive Board and Board of Directors	<u>2,615</u>	<u>1,896</u>

Salaries and remuneration

	128,362	104,275
Pensions	12,010	9,311
Other social security expenses	3,748	1,273
	<u>146,735</u>	<u>116,755</u>

Average number of full-time employees

Denmark	180	155
	<u>180</u>	<u>155</u>

## Notes

### Phillips-Medsize A/S

(DKK '000)

#### 6 Expenses, additional information (continued)

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

	2021	2020
Production costs	131,682	116,420
Distribution and marketing expenses	3,279	-
Administrative expenses etc	11,774	335
	<u>146,735</u>	<u>116,755</u>

#### 7 Financial income

	2021	2020
Interest income from banks	-	32
Foreign exchange gain	1,603	55
Other financial income	-	26
Financial income	<u>1,603</u>	<u>113</u>

#### 8 Financial expenses

	2021	2020
Interest on debt to banks	130	86
Foreign exchange loss	4,169	558
Other financial expenses	184	300
Financial expenses	<u>4,483</u>	<u>944</u>

## Notes

### Phillips-Medisize A/S

(DKK '000)

<b>9 Tax on profit/loss on ordinary activities</b>	<u>2021</u>	<u>2020</u>
Current tax	10,689	2,259
Change in deferred tax	(263)	514
Adjustment to tax prior year	(6)	-
Total tax on profit/loss on ordinary activities	<u>10,420</u>	<u>2,773</u>
Tax for the year is specified as follows:		
Tax to be recognised in the income statement	<u>10,420</u>	<u>2,773</u>
	<u>10,420</u>	<u>2,773</u>
Tax on profit/loss for the year is specified as follows:		
Calculated tax on profit/loss before tax	10,420	2,739
Non-deductible expenses and non-taxable income	5	34
Other	(5)	-
	<u>10,420</u>	<u>2,773</u>
Danish tax rate	22.0%	22.0%
Tax effect of:		
Non-deductible expenses and Non-taxable income	0.0%	0.3%
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	<u>22.0%</u>	<u>22.3%</u>

Since 1 June 2016, Phillips-Medisize A/S is part of the joint taxation with Phillips-Medisize Holdings A/S as the administration entity. Corporation tax payable to Phillips-Medisize Holdings A/S amounts to DKK 11,533k.

## Notes

### Phillips-Medsize A/S

(DKK '000)

#### 10 Intangible assets

	Acquired rights
Cost at 1 January 2020	17,305
Additions for the year	4,682
Disposals for the year	-
Transfer	-
Cost at 31 December 2020	<u>21,987</u>
Amortisation and impairment losses at 1 January 2020	16,125
Amortisation for the year	951
Amortisation and impairment losses at 31 December 2020	<u>17,076</u>
Carrying amount at 31 December 2020	<u>4,911</u>
Cost at 31 December 2020	21,987
Amortisation at 31 December 2020	<u>17,076</u>
Carrying amount at 31 December 2020	<u>4,911</u>
Cost at 1 January 2021	21,987
Additions for the year	-
Transfer	(140)
Cost at 31 December 2021	<u>21,847</u>
Amortisation and impairment losses at 1 January 2021	17,076
Amortisation for the year	<u>2,124</u>
Amortisation and impairment losses at 31 December 2021	<u>19,200</u>
Carrying amount at 31 December 2021	<u>2,647</u>
Cost at 31 December 2021	21,847
Amortisation at 31 December 2021	<u>19,200</u>
Carrying amount at 31 December 2021	<u>2,647</u>

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

## Notes

### Phillips-Medsize A/S

(DKK '000)

#### 11 Property, plant and equipment

	Land and Building	Plant and machinery	Other fixtures tools and equipment	Leasehold improvements	Total
Cost at 1 January 2020	16,561	6,682	12,715	1,689	37,647
Additions for the year	347	15,605	1,965	-	17,917
Disposals for the year	-	-	(1,352)	-	(1,352)
Transfer	(2,613)	2,613	-	-	-
Cost at 31 December 2020	14,295	24,900	13,328	1,689	54,212
Depreciation at 1 January 2020	308	5,856	8,115	688	14,967
Depreciation for the year	485	629	1,376	101	2,591
Reversal of depreciation of sold assets	-	-	(1,352)	-	(1,352)
Depreciation at 31 December 2020	793	6,485	8,139	789	16,206
Carrying amount at 31 December 2020	13,502	18,415	5,189	900	38,006
Cost at 1 January 2021	14,295	24,900	13,328	1,689	54,212
Additions for the year	1,849	1,876	162	-	3,887
Disposals for the year	-	-	-	-	-
Transfer	15,360	(7,943)	(5,874)	-	1,543
Cost at 31 December 2021	31,504	18,833	7,616	1,689	59,642
Depreciation at 1 January 2021	793	6,485	8,139	789	16,206
Depreciation for the year	551	1,165	1,101	248	3,065
Transfer	-	5,812	(4,409)	-	1,403
Depreciation at 31 December 2021	1,344	13,462	4,831	1,037	20,674
Carrying amount at 31 December 2021	30,160	5,371	2,785	652	38,968
Cost at 31 December 2021	31,504	18,833	7,616	1,689	59,642
Amortisation at 31 December 2021	1,344	13,462	4,831	1,037	20,674
Carrying amount at 31 December 2021	30,160	5,371	2,785	652	38,968

*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 2021 relating to the acquisition of property, plant and equipment (DKK 0 at 31 December 2020).



## Notes

### Phillips-Medize A/S

(DKK '000)

#### 12 Right-of-use assets and lease liabilities

Right-of-use assets	Rent facilities	Car leasing	Total
Right-of-use assets as of January 1, 2020	4,599	148	4,747
Additions	-	-	-
Disposals	-	-	-
Modifications	-	-	-
Depreciations	(1,076)	(66)	(1,142)
Right-of-use assets as of December 31, 2020	3,523	82	3,605

Right-of-use assets	Rent facilities	Car leasing	Total
Right-of-use assets as of January 1, 2021	3,523	82	3,605
Additions	-	244	244
Disposals	-	(15)	(15)
Modifications	(76)	-	(76)
Depreciations	(919)	(59)	(978)
Right-of-use assets as of December 31, 2021	2,528	252	2,780

Lease liabilities	2021	2020
Non-current	1,653	2,643
Current	1,128	962
Lease liabilities	2,781	3,605

Amounts included in the income statement		
Interest expense leases	120	226
Depreciation recognised on right-of-use assets	1,008	736
Cost recognized for short term leases (less than 12 months)	1,128	962

In 2021 the total cash outflow relating to leases was DKKt 978, split between interests DKKt 184 and repayment of DKKt 794.

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

#### 13 Other financial receivables

	2021	2020
Other financial receivables (gross), end of year	64	61
Provisions for bad debts, end of year	-	-
Other financial receivables (net), end of year	64	61

The fair value of other financial receivables amounts to DKK 64k (2020: DKK 61k). 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 2021	-

Investments in subsidiaries are specified as follows at 31 December 2021 (TDKK):

Name	Share capital	Equity	Votes and ownership
Phillips-Medysize Ltd., United Kingdom	1	6,941	100%

No dividend were received from Phillips-Medysize Ltd. during the years 2021 and 2020.

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

#### 15 Inventories

	2021	2020
Raw materials and consumables	11,815	6,498
Work in progress	522	739
Finished goods and goods for resale	10,600	3,698
Inventories, end of year	22,937	10,935

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

Cost of inventories recognised as expense (cost of goods sold)	20,991	22,996
Write-down for the year of inventories is recognised in production costs	(1,991)	(237)

The carrying amount of inventories carried at fair value less costs to sell amounts to DKK 0k (2020: DKK 0k).

## Notes

### Phillips-Medisize A/S

(DKK '000)

<b>16 Trade receivables from group enterprises</b>	<u>2021</u>	<u>2020</u>
Trade receivables (gross)	41,520	110,788
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	<u>41,520</u>	<u>110,788</u>
Trade receivables not due (due 0-3 months after the balance sheet date)	41,520	110,788
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	<u>41,520</u>	<u>110,788</u>

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 DKK 41,520k (2020: DKK 110,788k). 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.

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, 2021. No losses are expected on trade receivables and therefore no loss allowance for trade receivables has been recognized as of December 31, 2021. No loss allowance was recognized as of January 1, 2020 or January 1, 2019. Management continues to assess the credit risks in order to ensure the credit risk never exceeds the loss allowance on trade receivables.

<b>17 Payables to group enterprises</b>	<u>2021</u>	<u>2020</u>
Payables to group enterprises (gross) at 31 December	<u>9,688</u>	<u>59,148</u>

The fair value of payables to group enterprises is DKK 9,688k (2020: DKK 59,148k). 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)

<b>18 Contract work in progress</b>	<u>2021</u>	<u>2020</u>
Expenses conc. work performed at the balance sheet date	432,877	335,587
Profit included in the income statement, net	22,026	18,246
Provision for loss	(1,775)	(3,210)
Sales value of work performed at the balance sheet date	453,128	350,623
Invoicing on account	(480,144)	(354,133)
	<u>(27,016)</u>	<u>(3,510)</u>

The net value of contract work in progress is recognised as follows in the balance sheet:

Contract work in progress	16,450	10,192
Prepayments received from customers conc. work in progress	(43,466)	(13,702)
	<u>(27,016)</u>	<u>(3,510)</u>

Prepayments on contracts, end of year	<u>(43,466)</u>	<u>(13,702)</u>
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Contract work in progress, end of year	<u>16,450</u>	<u>10,192</u>
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<b>19 Other receivables</b>	<u>2021</u>	<u>2020</u>
Other receivables	5,554	2,794
Carrying amount, end of year	<u>5,554</u>	<u>2,794</u>

All other receivables fall due within one year.

The fair value of other receivables is DKK 5,554k (2020: DKK 2,794k). For receivables falling due within 1 year after the balance sheet date, the carrying amount is considered to correspond to the fair value.

<b>20 Share capital</b>	<u>2021</u>	<u>2020</u>
The share capital consists of 16,778,061 shares of DKK 1	16,778	16,778

No shares carry any special rights.

<b>Specification of movement on share capital</b>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</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-Medsize A/S

(DKK '000)

#### 21 Retained earnings

In 2021 DKK 0 was paid as dividend, corresponding to DKK 0 per share (2020: DKK 0, corresponding to DKK 0 per share). A dividend of DKK 0k, corresponding to DKK 0k per share, will be proposed for 2021.

Phillips-Medsize 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.

#### 22 Deferred tax

	Long-term assets	Short-term assets	Provisions	Total
Deferred tax at 1 January 2020	(17)	21	255	259
Adjustment for the year	1,369	(53)	(802)	514
Deferred tax at 31 December 2020	1,352	(32)	(547)	773
Capitalised deferred tax at 31 December 2020	1,352	(32)	(547)	773
Deferred tax at 1 January 2021	1,352	(32)	(547)	773
Adjustment for the year	(609)	32	(475)	(1,052)
Deferred tax at 31 December 2021	743	-	(1,022)	(279)
Capitalised deferred tax at 31 December 2021	743	-	(1,022)	(279)

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

#### 23 Provisions

	2021	2020
Warranty provisions at 1 January	504	328
Provisions in the year	401	176
Warranty provisions, end of year	905	504

## Notes

### Phillips-Medize A/S

(DKK '000)

23 Provisions (continued)	2021	2020
Provisions for anniversary bonus at 1 January	247	273
Provisions in the year	41	55
Provisions used in the year	(60)	(89)
Provisions reversed in the year	(1)	(21)
Provisions for anniversary bonus, end of year	<u>227</u>	<u>218</u>
Provisions, end of year	<u>1,132</u>	<u>722</u>
The due dates for warranty provisions are expected to be as follows:		
Due within 1 year	235	235
Due within 1-5 years	670	269
Due after 5 years	-	-
Warranty provisions, end of year	<u>905</u>	<u>504</u>
The due dates for provisions for anniversary bonus are expected to be as follows:		
Due within 1 year	29	56
Due within 1-5 years	83	84
Due after 5 years	115	107
Provisions for anniversary bonus, end of year	<u>227</u>	<u>247</u>

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 DKK 905k (2020: DKK 504k) 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-Medysize A/S

(DKK '000)

<b>24 Other payables</b>	<u>2021</u>	<u>2020</u>
Payroll items	14,177	30,437
Other	6,406	5,746
Total other payables	<u>20,583</u>	<u>36,183</u>

No other payables fall due for payment after 1 year.

The fair value of other payables is DKK 20,583k (2020: DKK 36,183k).

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.

<b>25 Adjustments</b>	<u>2021</u>	<u>2020</u>
Change in other provisions etc	379	(992)
Financial income etc	(1,603)	(113)
Financial expenses etc	4,299	944
Tax on profit/loss for the year	8,222	2,773
	<u>11,297</u>	<u>2,612</u>

<b>26 Change in working capital</b>	<u>2021</u>	<u>2020</u>
Change in receivables etc	60,841	(66,662)
Change in inventories	(12,002)	(940)
Change in trade payables etc	(31,297)	37,384
	<u>17,542</u>	<u>(30,218)</u>

<b>27 Fee to auditors</b>	<u>2021</u>	<u>2020</u>
Statutory audit		
Grant Thornton	230	245
Fee to auditors appointed at the general meeting	230	245
Deloitte, Tax advisory services	-	43
Fee to other assignments	-	43
Total fee to auditors	<u>230</u>	<u>288</u>

## Notes

### Phillips-Medysize A/S

(DKK '000)

#### 28 Contingent liabilities and other financial obligations

##### a Contract obligations

The Company has entered into contract obligations of DKK 3,292k. termination no later than 2024.

##### b Joint taxation

With effect from 1 June 2016, Phillips-Medysize A/S is included in the joint taxation with Phillips-Medysize 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-Medysize Holdings A/S, which is the management company in relation to joint taxation.

Before 1 June 2016, Phillips-Medysize 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-Medysize 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 2020		Assets	Liabilities	Net
Currency	Payment/expiry			
EUR	0-12 months	140,457	30,216	110,241
USD	0-12 months	6,013	4,481	1,532
GBP	0-12 months	2,468	3,739	(1,271)
Other	0-12 months	-	41	(41)
At 31 December 2021		Assets	Liabilities	Net
Currency	Payment/expiry			
EUR	0-12 months	144,628	4,380	140,248
USD	0-12 months	2,842	14,710	(11,868)
GBP	0-12 months	-	457	(457)
Other	0-12 months	-	210	(210)

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



## Notes

### Phillips-Medisize A/S

(DKK '000)

#### 29 Financial instruments (continued)

##### Hedging of foreign currency

No forward contracts have been made at 31 December 2021.

##### Sensitivity to foreign exchange risks:

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

	2021			2020	
	DKK million	Revenue	Risks	Revenue	Risks
Revenue nominated in EUR		316.8	0*	221.7	0*
Revenue nominated in USD		24.1	2.4	21.9	2.2
Revenue in DKK		19.7	0**	31.0	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 2021 revenue is expected to be mainly in EUR, and therefore it is not assessed that there will be any material exchange risks.

#### 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 2021 or 2020.

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:

	2021	2020
Sale of R&D services	70,809	21,711
Sale of project support services	29,245	24,803
Sale of other services	1,362	4,198
Purchase of project support services	19,154	17,329
Purchase of goods	4,934	911
Purchase of other services	4,660	2,603
	<u>130,164</u>	<u>71,555</u>

## Notes

### **Phillips-Medisize A/S**

(DKK '000)

#### **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 2021 were approved by the board of directors on 30 June 2022.

#### **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.