

# 3Shape A/S

Annual report 2022



3shape 

Approved at the Company's annual general meeting on

Chair of the meeting:

.....  
Henriette Stakemann

3Shape A/S  
Holmens Kanal 7  
1060 København K  
CVR: 25553489

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3Shape A/S

## Statement by Management

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The Board of Directors and the Executive Board have today discussed and approved the annual report of 3Shape A/S for the financial year 1 January - 31 December 2022.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements of the Company give a true and fair view of the financial position of the Company at 31. december 2022 and of the results of its operations for the financial year 1 January - 31 December 2022.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters, the results for the year and the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, March 2023

Executive Board:

.....  
Jakob Just-Bomholt (CEO)

Board of Directors:

.....  
Jørgen Falkebo Jensen (Chairman)

.....  
Tais Clausen (Vice chairman)

.....  
Nikolaj Deichmann (Vice chairman)

.....  
Henriette Schütze

.....  
Mikael Worning

## Independent auditor's report

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### To the shareholder of 3Shape A/S

#### Opinion

We have audited the financial statements of 3Shape A/S for the financial year 1 January – 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with 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 2022 and of the results of the Company's operations for the financial year 1 January – 31 December 2022 in accordance with 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

#### 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 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 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 the financial statements.

## Independent auditor's report

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As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's 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 the Management's review

Management is responsible for the Management's review.

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

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the 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 the 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 of the Management's review.

Copenhagen March 2023  
EY Godkendt Revisionspartnerselskab  
CVR-nr. 30 70 02 28

Kennet Hartmann  
statsaut. revisor  
mne40036

Morten Weinreich Larsen  
statsaut. revisor  
mne42791

## 3Shape A/S

### Management's review

DKK '000

#### Financial highlights for the company

	2022	2021	2020	2019	2018
Revenue	818.553	899.206	423.061	472.289	466.420
Gross profit/loss	726.325	801.080	336.566	345.243	375.994
Operating profit/loss	178.069	186.377	99.392	50.825	54.153
Net financials	-11.865	-4.080	-10.472	2.776	-4.715
Profit/loss for the year	159.819	162.706	76.605	43.222	40.635
Assets	496.477	488.730	521.638	726.401	358.357
Investments in property, plant and equipment	9.514	2.984	3.525	40.984	14.573
Equity	191.962	132.144	194.436	117.831	88.804
<i>Key figures</i>					
Yield	36,1%	36,9%	15,9%	9,4%	12,6%
Solvency ratio	38,7%	27,0%	37,3%	16,2%	24,8%
Return on equity	98,6%	99,6%	49,1%	41,8%	38,2%
Average number of full-time employees	409	350	386	389	358

The financial ratios stated under "Key figures" have been calculated as follows:

Yield: Operating profit or loss/average assets

Solvency ratio: Equity at year end /Total equity and liabilities at year end

Return on equity: Profit or loss for the year after tax /Average equity

Revenue for the period 2018-2020 is not directly comparable to 2022-2021, as accounting policies for the classification of sale of intragroup services has been changed. For a more detailed description, please refer to accounting policies.

## Management's review

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### The company's most important activities

The Company's most important activities are development, production and sales of 3D scanners and 3D CAD / CAM software. The primary sales are products and software for dental clinics, dental laboratories, and hearing aid manufacturers.

### Developments in activities and economic conditions

The Company's revenue in 2022 amounts to DKK 818.553 thousand compared to DKK 899.206 thousand in 2021, which is in scope compared to the outlook for 2022. Profit amounted to DKK 159.819 thousand, a 2% decrease compared to 2021. The company paid out dividend of DKK 100,000 thousand during 2022, furthermore the company is proposing dividend of DKK 125,000 thousand, to be paid out during 2023. The equity was DKK 191.962 thousand per 31 December 2022.

From February 2022, Management notes that the war in Ukraine may affect the Company's mid-term performance. 3Shape has a subsidiary in Ukraine, primarily delivering customer support as well as IT and R&D services. However, it is not possible for Management to further quantify the effect in a meaningful manner. Contingency plans are in place and have been and will continue to be activated as needed.

Management considers the results for the financial year 2022 to be satisfactory.

### Change of accounting policies

With effect from 1 January 2022 the Company has changed the accounting policies for classification of sale of intragroup services. The change of accounting policies does not impact the 2022 net profit or the opening equity as of 1 January 2022. Reference is made to accounting policies for a detailed description of the adjustment.

### Knowledge resources

The corporation between research and development, production, marketing, sales and customer support is critical for the Company's continued growth. An essential prerequisite for this is the acquisition and sharing of knowledge. As a result of the Company's continued growth in both the number of employees and geographical locations, the requirements for efficient knowledge sharing have been further strengthened.

### Unusual circumstances affecting recognition and measurement

No significant uncertainties are attached to recognition and measurement.

### Policy for management of financial risks

The Company's risk management is predominantly controlled by a central finance department (Finance DK) under policies approved by the Board of Directors. Finance DK identifies and evaluates financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and education of excess liquidity.

Management has assessed the following key financial risks:

#### Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. For the Company, market risk comprises foreign currency risk and interest rate risk

#### Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates to exposure on revenue and expenses denominated in foreign currency.

The global presence with manufacturing and representation offices in several countries as well as a direct sales channel in select countries create currency exposure for the Company. The principal exchange rate effect arises from transaction flows when purchasing and/or production is carried out in one currency and sales occur in another one.

A major part of the business flows is denominated in EUR and USD. DKK and EUR are closely correlated as DKK is pegged to EUR. Consequently, the risk on EUR is considered limited. Other business flows are primarily denominated in USD, CNY and PLN. The Company's overall currency exposure is managed centrally. This is carried out by exchanging sufficient cash into the required currency using spot exchange once the requirement is known. Cash beyond working capital needs is held in EUR, DKK or USD.

The Company does not perform any hedging activities. Engaging in hedging activities requires approval from the Board of Directors.

## Management's review

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### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises mainly from money market deposits held by the Company. These are short-term. As the Company is generating positive cash flows and has no debt, exposure to interest rate risk is considered minimal.

### Credit risk

Credit risk exposure to financial counterparties.

Credit risk arises from the possibility that transactional counterparties may default on their obligations, causing financial losses for the Company. To manage credit risk regarding financial counterparties, the Company only enters money market deposits with financial counterparties possessing a satisfactory long-term credit rating.

Credit risk exposure to non-financial counterparties.

The company performs credit-risk assessments for customers based on different parameters and sets credit-limits accordingly.

Credit risk exposure to non-financial counterparties is the risk that a counterparty will not meet its obligations, leading to a financial loss. The Company is exposed to credit risk primarily related to its trade and other receivables.

The Company assesses default and writes off outstanding amounts when the accounts receivables are due more than 365 days or when there is a court order of bankruptcy from the counterparty. Furthermore, the company evaluates its account receivables individually.

### Liquidity Risk

Liquidity risk results from the Company's potential inability or difficulty in meeting the contractual obligations associated with its financial liabilities due to insufficient liquidity.

As of December 31, the Company's cash and cash equivalents amounted to DKK 161 million (2021: DKK 150 million), which is deemed sufficient to meet the current and future obligations in line with the Company's expectations and strategy.

### **Research and development activities**

In recent years, the Company has continued focus on further developing the existing product portfolio and significant resources are allocated to the development of new products. New products and solutions are expected to be introduced in the coming years.

The Company is at the forefront of digital dentistry innovation. During 2022, the Company invested 9% of revenue in research and development. During the past year, the innovation effort has among other things resulted in the launch of Trios 5 into the portfolio of marketed products. This is the scanner that sets a new standard in patient protection and infection control. It is not only hygienic by design, but also smaller, lighter, and designed to fit perfectly in every hand. On top of that, it comes with our new ScanAssist engine for perfect scan results, and TRIOS Share, for ultimate connectivity.



#### **Statement of corporate social responsibility in accordance with section 99A and section 99B of the Danish Financial Statements Act**

The Company's sustainability responsibility is driven by the overall ambition to continuously work to create value through good relationships with stakeholders, and to provide a positive impact for our end users and the communities that we serve. That is, enabling preventive care and keeping people healthy by making dental treatments more precise and hygienic. The Company prioritizes sustainability, and it is expected that the company will comply with applicable legislation and international guidelines at all times. Simultaneously with the annual report, the Company has published the annual Environmental Social Governance Report, which covers non-financial results related to environmental, social, and governance impacts. Sustainable development is an essential driving force in society. The Company is committed to supporting the UN Sustainable Development Goals (SDGs), with a focus on SDGs # 3, 5, 9, and 13. These four SDGs reflect the areas where the Company currently sees the greatest potential to help create positive, enduring change by 1) deploying 3Shape's capabilities and expertise through innovation, 2) empowering 3Shape's people to give back to communities, and 3) managing 3Shape responsibly. As a fast-growing company with its own development and production, special attention is paid to the Company's social and societal responsibilities in relation to employees and the imprint the Company makes on the climate and the environment. In addition, the Company emphasizes making a positive contribution to the general development of society in areas where the Company as the opportunity to exert influence, including in relation to respecting fundamental human rights, the fight against corruption, and the creation of an attractive and diversified workplace with fair and equal conditions and opportunities for all employees. For the statutory statement on social responsibility and gender distribution in management, please refer to the independent reporting which is available using this URL: <http://www.3shape.com/ESG2022>

#### **Data ethics policy in accordance with section 99D of the Danish Financial Statements Act**

A data ethics policy was developed and implemented to ensure responsible and sustainable data management. Please go to <https://www.3shape.com/en/data-ethics-policy> for further information.

#### **2023 outlook**

3Shape's ambition is to generate long-term annual revenue growth, while maintaining an attractive profitability margin. The growth fundamentals of the digital dentistry market remain strong. Based on the current product pipeline, 3Shape's market position, and planned investments, the expectation for 2023 is to deliver continued revenue growth. The business environment in which 3Shape operates is, however, impacted by the macroeconomic environment, including risk of recession in several key markets. Hence, 2023 is associated with uncertainty which is deemed higher than in prior years. The Operating Profit margin is expected around same level as in 2022. However, based on current geopolitical environment, macroeconomic headwinds including inflation pressure on material costs and wages, there is increased uncertainty regarding demand in the dental industry, which may also impact 3Shape's short-term profitability performance.

## 3Shape A/S

### Income statement

DKK '000

Note		2022	2021
2	Revenue	818.553	899.206
3,15	Production costs	-92.228	-98.126
	<b>Gross profit/loss</b>	<b>726.325</b>	<b>801.080</b>
3,15	Distribution costs	-109.277	-131.046
3,15	Research & development costs	-193.347	-120.752
3,15	Administration costs	-245.633	-362.905
	<b>Operating profit/loss</b>	<b>178.069</b>	<b>186.377</b>
8	Shares of profit/loss in subsidiaries	24.152	16.175
4	Financial income	2.238	212
4	Financial expenses	-14.103	-4.292
	<b>Profit/loss before tax</b>	<b>190.356</b>	<b>198.472</b>
5	Tax	-30.537	-35.766
17	<b>Profit/loss for the year</b>	<b>159.819</b>	<b>162.706</b>

## 3Shape A/S

### Balance sheet

DKK '000

Note	Assets	2022	2021
6	Intangible fixed assets	168.058	95.982
7	Property, plant and equipment	21.466	25.589
8	Investments in subsidiaries	56.289	32.137
8	Deposits, financial fixed assets	9.876	11.086
	Receivables from group companies	13.298	2.489
	<b>Total non-current assets</b>	<b>268.987</b>	<b>164.794</b>
	Raw materials and consumables	672	1.038
	Work in progress	4	4
	Finished goods and goods for resale	1.471	886
	<b>Inventories</b>	<b>2.147</b>	<b>1.928</b>
	Trade receivables	28.722	47.561
	Receivables from group companies	18.732	105.815
9	Other receivables	1.423	4.697
14	Prepayments	14.808	11.041
	<b>Receivables</b>	<b>63.685</b>	<b>171.604</b>
	Cash and cash equivalents	161.658	150.404
	<b>Total current assets</b>	<b>227.490</b>	<b>323.936</b>
	<b>Total assets</b>	<b>496.477</b>	<b>488.730</b>
	<b>Equity and liabilities</b>		
10	Share capital	523	523
	Net revaluation reserve according to the equity method	53.835	29.684
	Retained earnings	12.604	1.937
19	Proposed dividend	125.000	100.000
	<b>Total equity</b>	<b>191.962</b>	<b>132.144</b>
16	Deferred tax liabilities	24.224	7.812
11	Provisions	1.250	590
12	Other payables	-	31.072
13	Prepayments from customers	7.531	9.654
	<b>Total non-current liabilities</b>	<b>33.005</b>	<b>49.128</b>
11	Provisions	1.250	590
13	Prepayments from customers	74.533	118.007
	Trade payables	27.555	114.919
	Debt to associated companies	109.647	1.753
	Corporate tax	14.125	30.955
12	Other payables	44.400	41.234
	<b>Total current liabilities</b>	<b>271.510</b>	<b>307.457</b>
	<b>Total liabilities</b>	<b>304.515</b>	<b>356.586</b>
	<b>Total equity and liabilities</b>	<b>496.477</b>	<b>488.730</b>

### 3Shape A/S

## Statement of changes in equity

DKK '000

Note **Statement of changes in equity**

	Share capital	Net revaluation reserve according to the equity method	Retained earnings	Proposed dividend	Total equity
Equity at 1 January 2022	523	29.683	1.937	100.000	132.143
19 Transferred via distribution of profit/loss	-	24.152	10.667	125.000	159.819
Distributed dividends	-	-	-	-100.000	-100.000
<b>Equity at 31 December 2022</b>	<b>523</b>	<b>53.835</b>	<b>12.604</b>	<b>125.000</b>	<b>191.962</b>

## Notes

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## 1 Accounting policies

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The annual report of 3Shape A/S for 2022 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities. In general, the accounting policies used in the preparation of the financial statements are consistent with those of last year, however, with effect from 1 January 2022 the Company has changed the accounting policies for classification of sale of intragroup services which is now presented as revenue in the income statement. Previously, sale of intragroup services was presented as reduction of Production, Distribution, R&D and Administration costs, respectively. The change of accounting policies is made with reference to a true and fair view and reflects the changes to 3Shape Groups setup for allocating and invoicing of intragroup services. The change of accounting policies does not impact the 2022 net profit or the opening equity as of 1 January 2022. Comparative figures for 2021 has been adjusted to reflect the change in accounting policies. Additionally the presentation of joint taxation positions has been updated.

### **Exemption of Cash Flow Statement**

With reference to the Danish Financial Statements Act §86, the cash flow statement is not prepared. The company's cash flows are included in the consolidated cash flow statement for the parent company 3Shape Holding A/S. Pursuant to sections §112, of the Danish Financial Statements Act, the company has not prepared consolidated financial statements.

### **Foreign currency translation**

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

### **Income statement**

#### **Revenue**

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Income from the sale of goods for resale and finished goods is recognised in revenue when the most significant rewards and risks have been transferred to the buyer, the income can be measured reliably and payment is expected to be received.

On the conclusion of sales contracts that consist of several separate sales transactions, the contract price is split up into the individual sales transactions based on the relative fair value approach. The separate sales transactions are recognised as revenue when the criteria for sale of goods or services are met.

Revenue from term-based software licenses is accrued and recognized on a straight-line basis over the license period in accordance with the contract.

#### **Production costs**

Production costs comprise costs, including depreciation, amortisation and salaries, incurred in generating revenue for the year. The company recognises its production costs incurred in generating the revenue for the year. Such costs include direct and indirect costs of raw materials and consumables, wages and salaries, rent and leases as well as impairment losses on production plant.

#### **Distribution costs**

Distribution costs comprise costs related to the distribution of goods sold in the year and to sales campaigns, etc., carried out in the year, including costs related to sales staff, advertising, exhibitions as well as amortisation and depreciation. Sales and marketing costs are recognised in the income statement when the Company obtains control of the sales or marketing product.

#### **Research and development cost**

The Company recognizes all internal and external research and development costs as they occur due to the embedded risk in these costs, which is also the custom in the industry. Research and development costs comprise costs related to staff and other costs that can be directly or indirectly linked to improvements of products or development of new products.

#### **Administrative costs**

Administrative costs comprise costs incurred in the year to manage and administer the Company, including expenses related to administrative staff, management, office premises, office expenses and amortisation/depreciation.

## 3Shape A/S

### Notes

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#### 1 Accounting policies (continued)

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##### Profit/loss from equity investments in subsidiaries and associates

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries and associates are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries.

##### Financial income and expenses

Financial income and expenses comprise interest income and expenses, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

##### Tax for the year

3Shape Holding A/S is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. Subsidiaries are included in the joint taxation arrangement from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation. 3Shape Holding A/S acts as administration company for the joint taxation arrangement and consequently settles all corporate income tax payments with the tax authorities.

On payment of joint taxation contributions, the Danish corporation tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable income.

Tax for the year comprises current income tax, joint taxation contribution and changes in deferred tax for the year due to changes in the tax rate. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts recognised directly in equity is recognised directly in equity.

##### Balance sheet

###### Intangible assets

Software is measured at cost less accumulated depreciation. Goodwill, which is acquired from purchase of activities, is amortised on a straight-line basis over the amortisation period, which is up to 10 years.

Patents and licenses are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining term of the patent, and licenses are amortised over the term of the license, however not exceeding 10 years.

Costs related to the development and implementation of substantial software and IT systems are capitalized and amortized over the expected useful lives of the assets

Gains and losses on the disposal of patents and licenses are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Amortization is carried out systematically over the expected useful lives of the asset, which are as follows:

Software	3-5 years
Goodwill	10 years
Patents	up to 10 years

###### Tangible Assets

###### Property, plant and equipment

Fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

Costs comprise the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers, wages and salaries as well as borrowing costs relating to specific and general borrowing directly attributable to the construction of the individual asset.

Individual components of property, plant and equipment that have different useful lives are accounted for as separate items, which are depreciated separately.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets, which are as follows:

Leasehold improvements	5 years (or shorter if agreement is shorter)
Fixtures and fittings, tools and equipment	3-5 years

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Depreciation is recognised in the income statement as production costs, distribution costs, research & development costs and administrative expenses, respectively. Gains and losses on the disposal of items of property, plant and equipment are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating expenses, respectively.

##### Financial fixed assets

Include long term receivables and deposits which are measured at amortized cost and consist of rent deposits etc.

## 1 Accounting policies (continued)

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### Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

All leases are considered operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's total liabilities relating to operating leases and other leases are disclosed under contingencies, etc.

### Impairment of non-current assets

The carrying amount of intangible assets, property, plant and equipment and equity investments in subsidiaries and associates is assessed annually for indication of impairment.

An impairment test is conducted on individual assets or cash-generating units when there is indication of impairment. Write-down is made to the lower of the recoverable amount and carrying amount.

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

### Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries as well as indirect production overheads. Production overheads comprise costs of material and labour as well as maintenance of and depreciation on production machinery, buildings and equipment as well as costs relating to plant administration and management.

The net realisable value of inventories is determined as the selling price less costs of completion and costs incurred to effect the sale, taking into account marketability, obsolescence and developments in the expected selling price.

### Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment write-down of financial receivables.

Write-down for bad and doubtful debts is made when there is objective evidence that a receivable or a portfolio of receivables has been impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the country of domicile and credit ratings of the debtors in accordance with the credit risk management policy of the Company.

The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate of the individual receivable or portfolio is used as discount rate.

### Prepayments

Prepayments comprise payment of costs concerning subsequent financial years.

### Dividend

Proposed dividend is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the year is presented as a separate line item in equity.



## 1 Accounting policies (continued)

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### Liabilities

#### Corporation tax and deferred tax

Current tax payables and receivables are recognised in the balance sheet computed on the taxable income for the year, adjusted for tax on taxable income in previous years and tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to non-deductible goodwill and on office premises and other items where temporary differences – apart from acquisitions – arise at the acquisition date without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

### Provisions

Provisions comprise anticipated costs related to warranties. Provisions are recognised when the company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at net realisable value or fair value. If the obligation is expected to be settled far into the future, the obligation is measured at fair value.

Warranty commitments include expenses for remedial action in respect of the contract work within the warranty period of 1-5 years. Provisions for warranty commitments are measured at net realisable value and recognised based on past experience.

### Other liabilities

Other liabilities are measured at net realisable value.

### Prepayments from customers

Prepayments from customers recorded as liabilities comprise payments from customers concerning subsequent financial years and accrual of revenue from term-based software licenses and service contracts, which are recognized on a straight-line basis over the contract period in accordance with the contract entered into. The licenses and contracts are sold with a duration of between 1-5 years.

### Share-based remuneration

A number of employees are eligible for the warrant programs and matching shares, which is described in the annual report for 3Shape Holding A/S. For equity-settled warrants and matching shares, the fair value is measured at the time of the grant and is not recognized in the income statement.

The shares are awarded in 3Shape Holding A/S.

The fair value of the granted options is calculated using the Black-Scholes model.

## 2 Segment information

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Information on the distribution of net revenue by geographical segments and business segments has been omitted, cf. the Danish Financial Statements Act, section 96, subsection 1, as the company's Management has assessed that the inclusion of the information may cause significant damage to the group. The basis for management's assessment is that the group operates in markets with few major global competitors, just as the company's product range is narrow. Disclosure of information relating to geographical segments or business segments in the annual report will be of great value to competitors and thus detrimental to the Company.

## 3Shape A/S

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#### 3 Depreciation of intangible and tangible assets

	2022	2021
Amortisation on intangible assets	14.491	13.961
Depreciation on tangible assets	13.186	13.351
<b>Total</b>	<b>27.677</b>	<b>27.312</b>

*Depreciation is recognised in the income statement as follows:*

Production costs	36	-
Distribution costs	599	3.060
Research & development costs	256	623
Administration costs	26.786	23.629
<b>Total</b>	<b>27.677</b>	<b>27.312</b>

#### 4 Financial income and expenses

	2022	2021
Interest income	2.079	29
Other financial income	159	183
<b>Financial income</b>	<b>2.238</b>	<b>212</b>
Interest expenses	-387	-616
Foreign exchange losses	-13.179	-3.424
Capital losses intercompany	-	-208
Other financial expenses	-537	-44
<b>Financial expenses</b>	<b>-14.103</b>	<b>-4.292</b>
<b>Total financial income and expenses</b>	<b>-11.865</b>	<b>-4.080</b>

#### 5 Tax

	2022	2021
Corporate tax for the year	14.125	30.955
Corporate tax adjustment prior year	-	2.873
Deferred tax adjustment prior year	-336	-
Deferred tax adjustment	16.748	1.938
<b>Total</b>	<b>30.537</b>	<b>35.766</b>

### 3Shape A/S

#### Notes

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#### 6 Intangible assets

	Software	Patents	Goodwill	Intangible assets under construction	Total
<b>Acquisition</b>					
1 January 2022	25.579	53.566	70.843	1.510	151.498
Additions	80.310	6.257	-	-	86.567
Transferred	1.510	-	-	-1.510	-
Disposals	-	-	-	-	-
<b>31 December 2022</b>	<b>107.399</b>	<b>59.823</b>	<b>70.843</b>	<b>-</b>	<b>238.065</b>
<b>Amortisation and impairment losses</b>					
1 January 2022	18.760	22.724	14.032	-	55.516
Amortisation	2.285	5.181	7.025	-	14.491
Disposals	-	-	-	-	-
<b>31 December 2022</b>	<b>21.045</b>	<b>27.905</b>	<b>21.057</b>	<b>-</b>	<b>70.007</b>
<b>Carrying amount at:</b>					
<b>31 December 2022</b>	<b>86.354</b>	<b>31.918</b>	<b>49.786</b>	<b>-</b>	<b>168.058</b>

#### 7 Tangible assets

	Fixtures and fittings, tools and equipment	Leasehold improvement	Total
<b>Acquisition</b>			
1 January 2022	23.704	39.185	62.889
Additions	6.768	2.746	9.514
Disposals	-749	-	-749
<b>31 December 2022</b>	<b>29.723</b>	<b>41.931</b>	<b>71.654</b>
<b>Depreciation and impairment losses</b>			
1 January 2022	17.242	20.058	37.300
Depreciation	4.994	8.192	13.186
Disposals	-298	-	-298
<b>31 December 2022</b>	<b>21.938</b>	<b>28.250</b>	<b>50.188</b>
<b>Carrying amount at:</b>			
<b>31 December 2022</b>	<b>7.785</b>	<b>13.681</b>	<b>21.466</b>

## 3Shape A/S

### Notes

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#### 8 Financial assets

	Deposits, financial fixed assets	Equity investments in subsidiaries	Total
<b>Cost</b>			
1 January 2022	11.086	2.454	13.540
Additions	287	-	287
Disposals	-1.497	-	-1.497
<b>31 December 2022</b>	<b>9.876</b>	<b>2.454</b>	<b>12.330</b>
<b>Value adjustments</b>			
1 January 2022	-	29.683	29.683
Foreign exchange adjustment	-	3.982	3.982
Profit/loss for the year	-	20.170	20.170
<b>Value adjustments at 31 December 2022</b>	<b>-</b>	<b>53.835</b>	<b>53.835</b>
<b>Carrying amount at 31 December 2022</b>	<b>9.876</b>	<b>56.289</b>	<b>66.165</b>

Subsidiaries	Resident	Voting rights and ownership
3Shape Ukraine Ltd.	Ukraine	100%
3Shape AS Medical Equipment Manufacture Shanghai	China	100%
3Shape (Shanghai) Co., Ltd.	China	100%
3Shape LLC Skopje	North Macedonia	100%

#### 9 Other receivables

	2022	2021
Other receivables	1.423	4.697
<b>Total</b>	<b>1.423</b>	<b>4.697</b>

Other receivables primarily relate to deposit at two payment providers.

#### 10 Share capital

The share capital comprises 522.943 class A shares of 1 DKK each.

	2022	2021	2020	2019	2018
Opening balance	523	523	523	523	523
<b>Total</b>	<b>523</b>	<b>523</b>	<b>523</b>	<b>523</b>	<b>523</b>

### 3Shape A/S

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#### 11 Provisions

	2022	2021
<b>Warranties</b>		
Cost 1 January 2022	1.180	980
Additions for the year	4.014	1.196
Utilised during the year	-2.694	-996
<b>Total</b>	<b>2.500</b>	<b>1.180</b>

Other provisions are expected to mature within:

0-1 years	1.250	590
2-5 years	1.250	590

#### 12 Other payables

	2022	2021
Other payables are expected to mature within:		
0-1 years	44.400	31.072
2-5 years	-	41.234
<b>Total</b>	<b>44.400</b>	<b>72.306</b>

Other payables primarily relate to employees' salary taxes, bonus- and vacation accruals and VAT liability.

#### 13 Prepayments from customers

	2022	2021
Prepayments from customers are expected to mature within:		
0-1 years	74.533	118.007
2-5 years	7.531	9.654
<b>Total</b>	<b>82.064</b>	<b>127.661</b>

Prepayments from customers recorded as liabilities comprise payments from customers concerning subsequent financial years and accrual of revenue from term-based software licenses and service contracts, which are recognized on a straight-line basis over the contract period in accordance with the contract entered into. The licenses and contracts are sold with a duration of between 1-5 years.

#### 14 Prepayments

	2022	2021
Software	14.808	11.041
<b>Total</b>	<b>14.808</b>	<b>11.041</b>

Prepayments comprise payment of mainly software costs concerning subsequent financial years.

### 3Shape A/S

#### Notes

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#### 15 Employee costs and incentive plans

	2022	2021
Wages and salaries	332.260	277.895
Pensions	8.448	3.320
Other social security costs	3.199	2.872
Other employee costs	6.057	5.406
Salary reimbursement	-3.573	-3.006
<b>Total</b>	<b>346.391</b>	<b>286.487</b>
Average number of full-time employees	<b>409</b>	<b>350</b>

*Employee costs are recognised in the income statement as follows:*

Administration costs	98.940	83.236
Research & development costs	162.460	124.589
Distribution costs	77.748	70.781
Production costs	7.243	7.881
<b>Total</b>	<b>346.391</b>	<b>286.487</b>

Remuneration to the company's Management amounts to:	2022	2021
Management and Board of Directors	5.046	4.745
<b>Total</b>	<b>5.046</b>	<b>4.745</b>

#### Incentive plans

3Shape Holding A/S has established a warrant program and a matching shares program for a small number of employees in the Group. The expected costs derived from the program is immaterial and not recognized as a cost in the financial statements. In accordance with Danish Financial Statements Act § 98b section 3 remuneration to the company's Management is presented together for the Executive Management and the Board of Directors.

#### 16 Deferred tax

	Assets		Liabilities		Net liabilities	
	2022	2021	2022	2021	2022	2021
Intangible assets	-	-	29.543	11.129	29.543	11.129
Tangible assets	3.915	2.563	-	-	-3.915	-2.563
Receivables etc	852	492	-	-	-852	-492
Provisions	552	262	-	-	-552	-262
Total	5.319	3.317	29.543	11.129	24.224	7.812
Offsetting	-	-3.317	-	-3.317	-	-
<b>Total</b>	<b>5.319</b>	<b>-</b>	<b>29.543</b>	<b>7.812</b>	<b>24.224</b>	<b>7.812</b>

Net changes in deferred tax	2022	2021
Deferred tax at 1 January	7.812	5.874
Deferred tax adjustment for the year	16.748	1.938
Deferred tax adjustment prior years	-336	-
<b>Total</b>	<b>24.224</b>	<b>7.812</b>

## 3Shape A/S

### Notes

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#### 17 Contractual obligations and contingencies, etc.

##### Contingencies

	2022	2021
Bank guarantee	350	350
<b>Total</b>	<b>350</b>	<b>350</b>

In 2019, Densys Ltd filed a lawsuit in the District Court of the Western District of Texas against companies in the 3Shape group regarding alleged patent infringements. Trial in the case took place in April 2022 and a jury verdict was delivered finding that 3Shape had infringed a Densys patent and setting the damages to USD 11,8 million. A final court decision in the case is still pending. If the court decision reaches the same conclusion as the jury verdict, then 3Shape expects to appeal such decision.

3Shape remains of the opinion that the above-mentioned case against Densys will not have a significant effect on the Group's future development and financial position.

The Company is jointly taxed with the rest of the Danish entities of the 3Shape Group. 3Shape Holding A/S is the administration company, the Company has unlimited joint and several liability, together with the Group's Danish entities for payment of Danish corporation taxes and withholding taxes on dividends, interest and royalties within the joint taxation group.

##### Operating commitments

	2022	2021
Rental- and lease obligations	46.595	66.250
<b>Total</b>	<b>46.595</b>	<b>66.250</b>

Remaining term is between 1 month to 66 months.

## 3Shape A/S

### Notes

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#### 18 Related parties

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3Shape A/S' related parties comprise the following:

*Controlling interest*

The following share holders are listed in the company's owner's register as owning a minimum of 5% of the votes or a minimum of 5% of the share capital:

- 3Shape Holding A/S, Copenhagen

*Related parties*

The company only discloses transactions with related parties that have not been carried out on normal market terms, cf. section 98 c, subsection 1 of the Act. 7. There have been no transactions with related parties that have not been conducted under normal market conditions.

Remuneration of the Parent Company's Executive Board and the Board of Directors is disclosed in note 15.

#### 19 Distribution of profit/loss

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	2022	2021
<b>Proposed distribution of profit/loss</b>		
Proposed dividend	125.000	100.000
Reserve for net revaluation according to equity method	24.152	16.175
Transferred to retained earnings	10.667	46.531
<b>Total</b>	<b>159.819</b>	<b>162.706</b>

#### 20 Remuneration of the auditor elected by the general meeting

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The auditor's fee is not stated with reference to §96.3 of the Danish Financial Statements Act. The fee is specified in the consolidated financial statements for 3Shape Holding A/S.