

3Shape A/S

Holmens Kanal 7, 1060 København K

CVR no. 25 55 34 89

Annual report 2023

Approved at the Company's annual general meeting on 9 April 2024

Chair of the meeting:

.....
Henriette Stakemann

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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of 3Shape A/S for the financial year 1 January - 31 December 2023.

The annual report is 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 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Copenhagen, 6 March 2024
Executive Board:

.....
Jakob Just-Bomholt

Board of Directors:

.....
Jørgen Falkebo Jensen
Chairman

.....
Tais Clausen

.....
Nikolaj Hoffmann
Deichmann

Independent auditor's report

To the shareholders of 3Shape A/S

Opinion

We have audited the financial statements of 3Shape A/S for the financial year 1 January - 31 December 2023, 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 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 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 the financial statements.

As part of an audit conducted in accordance with ISAs and the 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.

Independent auditor's report

- ▶ 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, 6 March 2024
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Morten Weinreich Larsen
State Authorised Public Accountant
mne42791

Management's review

Company details

Name	3Shape A/S
Address, Postal code, City	Holmens Kanal 7, 1060 København K
CVR no.	25 55 34 89
Registered office	Copenhagen
Financial year	1 January - 31 December
Website	3shape.com
Telephone	+45 70 27 26 20
Board of Directors	Jørgen Falkebo Jensen, Chairman Tais Clausen Nikolaj Hoffmann Deichmann
Executive Board	Jakob Just-Bomholt
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Financial highlights

DKK'000	2023	2022	2021	2020	2019
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Key figures

Revenue	1,728,689	1,060,969	899,206	423,061	472,289
Gross profit	1,305,039	552,544	801,080	336,566	345,243
Profit before interest and tax (EBIT)	937,969	178,068	186,377	99,392	50,825
Net financials	31,352	12,287	-4,080	-10,472	2,776
Profit for the year	755,957	159,819	162,706	76,605	43,222

Total assets	1,179,305	496,477	488,730	521,638	726,401
Investments in property, plant and equipment	4,562	9,514	2,984	3,525	40,984
Equity	819,551	191,962	132,144	194,436	117,831

Financial ratios

Return on assets	112.7%	36.2%	36.9%	15.9%	9.4%
Equity ratio	69.5%	38.7%	27.0%	37.3%	16.2%
Return on equity	149.5%	98.6%	99.6%	49.1%	41.8%

The financial ratios stated under "Financial highlights" have been calculated as follows:

Return on assets $\frac{\text{Profit/loss from operating activities} \times 100}{\text{Average assets}}$

Equity ratio $\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$

Return on equity $\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$

Management's review

Business review

The Company's most important activities are development of 3D scanners and 3D CAD / CAM software. The Company's revenue primarily relates to royalties from group companies for the sale of scanners and software.

Financial review

The income statement for 2023 shows a profit of DKK 755,957 thousand against a profit of DKK 159,819 thousand last year, and the balance sheet at 31 December 2023 shows equity of DKK 819,551 thousand. The Company's revenue in 2023 amounts to DKK 1,728,689 thousand compared to DKK 1,060,969 thousand in 2022, which is in line with expectations. The company paid out dividend of DKK 125,000 thousand during 2023, furthermore the company is proposing dividend of DKK 400,000 thousand, to be paid out during 2024.

Development costs incurred during financial year 2023, pertaining to development of new products where the development costs meet the criteria for recognition in the balance sheet, are capitalized within intangible assets. Prior to financial year 2023, development costs did not meet the criteria for recognition in the balance sheet and were expensed as research & development costs.

During 2023, 3Shape revised the intercompany setup between the Danish entities in the 3Shape Group. This led to a higher income relatively to prior years in the company

Outlook

The company remains committed to continue its growth. The strategic initiatives undertaken lay the foundation for future growth, and the company is well-positioned to navigate evolving market conditions. Strong growth is expected for the revenue in 2024 with EBIT margin broadly in line with 2023.

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.

Financial risks and use of financial instruments

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.

Management's review

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 selected 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.

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 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 based on the expected credit loss approach 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 415,826 thousand (2022: DKK 161,658 thousand), 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 2023, the Company continued material investments in research and development. During the past years, the innovation effort has among other things resulted in 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 new ScanAssist engine for perfect scan results, and TRIOS Share, for ultimate connectivity.

Management's review

Statutory CSR report

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:

<https://www.3shape.com/esg2023>

Management's review

Report on the gender composition of Management

This section constitutes 3Shape's statutory reporting on gender diversity, pursuant to Section 99b of the Danish Financial Statements Act. Further details on 3Shape's work with Diversity, Equity and Inclusion can be found in the annual Sustainability Report 2023.

3Shape is committed to fostering a diverse, equitable, and inclusive workplace that enables everyone to thrive. We encourage and value diversity of thought –our differences enable us to challenge the status quo and create growth opportunities. 3Shape's Diversity, Equity, and Inclusion (DE&I) Policy provides high-level guidance for how we approach DE&I at 3Shape. It outlines our targets and initiatives and is a guiding principle for our company culture and the Global Code of Conduct (CoC). The CoC and DE&I Policy are included in the company's onboarding program, and accessible on 3Shape's intranet.

Gender diversity remains a pivotal focus of 3Shape's Diversity efforts. In 2021, we signed Dansk Industri's (DI) Diversity Pledge, pledging to achieve a minimum of 40% of the underrepresented gender per management level by 2030. In 2022, we made this goal more ambitious, setting an earlier target to reach 35% of the underrepresented gender per management level by 2025 and 40% by 2027. Progress on this goal is tracked bi-annually. In addition, we have set the goal to achieve a gender split in the Board of Directors of 33% of the underrepresented gender by 2025, and 40% by 2027.

5 year overview	Unit	2023	2022
Board of Directors - 3Shape A/S			
Total number of board members	#	3	No data
Gender representation	#(F M)	0 3	No data
Underrepresented gender in percent	%	0	20
Target figure in percent	% (2025) % (2027)	33 40	33 40
Year for fulfilment of target figure	Year	2025 2027	2025 2027
Other managerial positions - 3Shape A/S			
Total number of members in other managerial positions	#	41	No data
Gender representation	#(F M)	14 27	No data
Underrepresented gender in percent	%	34	29
Target figure in percent	% (2025) % (2027)	35 40	35 40
Year of fulfilment of target figure	Year	2025 2027	2025 2027

Board of directors

In 2023, the Board of Directors (BoD) of 3Shape A/S has decreased in size and a board member of 3Shape A/S has left the board. The current composition consists of three members, the Chairman and two owners. This results in a decreased gender representation of the underrepresented gender with a board composition of three men.

To address the gender split in the board, we have aimed to include at least one member of the underrepresented gender in the recruitment process of the new Board member.

Other levels of management

As defined and required by Section 99b of the Danish Financial Statements Act we disclose the gender distribution of 'other managerial positions' in our Danish entities. Specifically, 'other managerial positions' are defined as constituting Senior Vice Presidents (SVPs) and Vice Presidents (VPs), as well as employees with personnel responsibility referring directly to either SVPs or VPs, employed in 3Shape A/S. The percentage of the underrepresented gender in other managerial positions in 3Shape A/S has increased in 2023 from 29% to 34%.

To address the gender split, we aim to include at least one member of the underrepresented gender in hiring processes for higher level positions including 'other managerial positions'. Additionally, there is an increase in focus on biases towards the underrepresented gender in internal People Reviews to ensure fair reviews of internal talent.

Data ethics

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.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2023	2022
3	Revenue	1,728,689	1,060,969
	Cost of sales	-32,465	-81,593
21	Other external expenses	-391,185	-426,832
	Gross profit	1,305,039	552,544
4	Staff costs	-307,223	-346,366
5	Amortisation/depreciation of intangible assets and property, plant and equipment	-53,202	-27,677
	Other operating expenses	-6,646	-432
	Profit before net financials	937,968	178,069
	Income from investments in group enterprises	7,971	24,152
6	Financial income	29,119	2,238
7	Financial expenses	-5,738	-14,103
	Profit before tax	969,320	190,356
8	Tax for the year	-213,363	-30,537
	Profit for the year	<u>755,957</u>	<u>159,819</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2023	2022
	ASSETS		
	Non-current assets		
9	Intangible assets		
	Completed development projects	5,580	0
	Patents	24,922	31,918
	Acquired intangible assets	58,111	86,354
	Goodwill	42,759	49,786
	Development projects in progress	157,514	0
		<u>288,886</u>	<u>168,058</u>
10	Property, plant and equipment		
	Fixtures and fittings, other plant and equipment	7,226	7,785
	Leasehold improvements	5,295	13,681
	Property, plant and equipment under construction	1,692	0
		<u>14,213</u>	<u>21,466</u>
11	Financial assets		
	Investments in group entities	60,892	56,289
	Receivables from group entities	2,611	13,298
	Deposits, investments	10,664	9,876
		<u>74,167</u>	<u>79,463</u>
	Total non-current assets	<u>377,266</u>	<u>268,987</u>
	Current assets		
	Inventories		
	Raw materials and consumables	379	672
	Work in progress	0	4
	Finished goods and goods for resale	1,006	1,471
		<u>1,385</u>	<u>2,147</u>
	Receivables		
	Trade receivables	1,434	28,722
	Receivables from group entities	362,053	18,732
12	Other receivables	1,847	1,423
13	Prepayments	19,494	14,808
		<u>384,828</u>	<u>63,685</u>
	Cash	415,826	161,658
	Total current assets	<u>802,039</u>	<u>227,490</u>
	TOTAL ASSETS	<u>1,179,305</u>	<u>496,477</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2023	2022
	EQUITY AND LIABILITIES		
	Equity		
14	Share capital	523	523
	Net revaluation reserve according to the equity method	58,438	53,835
	Reserve for development costs	127,213	0
	Retained earnings	233,377	12,604
	Dividend proposed	400,000	125,000
	Total equity	<u>819,551</u>	<u>191,962</u>
	Liabilities		
	Non-current liabilities		
15	Deferred tax	52,364	24,224
16	Other provisions	687	1,250
17	Prepayments received from customers	3,586	7,531
	Total non-current liabilities	<u>56,637</u>	<u>33,005</u>
	Current liabilities		
16	Other provisions	2,313	1,250
	Trade payables	33,905	27,555
	Payables to group entities	133,779	109,647
	Joint taxation contribution payable	9,025	14,125
20	Other payables	105,899	44,400
17	Prepayments received from customers	18,196	74,533
	Total current liabilities	<u>303,117</u>	<u>271,510</u>
	Total liabilities	<u>359,754</u>	<u>304,515</u>
	TOTAL EQUITY AND LIABILITIES	<u>1,179,305</u>	<u>496,477</u>

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- 2 Events after the balance sheet date
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- 19 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Net revaluation reserve according to the equity method	Reserve for development costs	Retained earnings	Dividend proposed	Total
	Equity at 1 January 2022	523	29,683	0	1,937	100,000	132,143
22	Transfer, see "Appropriation of profit"	0	24,152	0	10,667	125,000	159,819
	Dividend distributed	0	0	0	0	-100,000	-100,000
	Equity at 1 January 2023	523	53,835	0	12,604	125,000	191,962
22	Transfer, see "Appropriation of profit"	0	7,971	127,213	220,773	400,000	755,957
	Adjustment of investments through foreign exchange adjustments	0	-3,368	0	0	0	-3,368
	Dividend distributed	0	0	0	0	-125,000	-125,000
	Equity at 31 December 2023	523	58,438	127,213	233,377	400,000	819,551

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of 3Shape A/S for 2023 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

Pursuant to section 112(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements. The financial statements of 3Shape A/S are included in the consolidated financial statements of 3Shape Holding A/S.

Changes in accounting policies

Due to change of intercompany charging setup between the Danish entities in the Group the presentation of the profit and loss has been changed from a presentation on basis of function of cost to type of cost. The change is made to reflect the Company's change of activities. The change has not had any impact on the result for the year, taxes, equity or the balance sheet for the current and prior period. Comparison figures have been updated accordingly, including a reclassification between revenue and costs.

Omission of a 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.

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.

Licence and royalty income is recognised over the term of the agreement in accordance with the contents of the agreement.

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 is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

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 recognized in the income statement over the vesting period.

The shares are awarded in 3Shape Holding A/S and are settled via Intercompany transactions.

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

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The basis of amortisation/depreciation, which is calculated as cost less any residual value, is amortised/depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Completed development projects	3-5 years
Goodwill	10 years
Software	3-5 years
Patents	up to 10 years
Leasehold improvements	1-5 years
Fixtures and fittings, tools and equipment	3-5 years

Other operating expenses

Other operating expenses comprise items of a secondary nature relative to the Company's core activities, including losses on the sale of non-current assets.

Profit/loss from investments in group entities

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Tax

3Shape A/S is subject to the Danish rules on compulsory joint taxation of the 3Shape Group's Danish entities. Danish entities 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.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are identifiable and where the Company intends to produce, market or use the project, are recognized as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognized in the income statement as incurred.

Cost comprises salaries and other external expenses, which are attributable to the Company's development activities.

Development costs that are recognized in the balance sheet are measured at cost less accumulated amortization and impairment losses.

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually 3 years and cannot exceed 5 years.

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.

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 statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

Deposits, investments

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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Prepayments

Prepayments comprise payment of costs concerning subsequent financial years.

Equity

Reserve for net revaluation according to the equity method

The net revaluation reserve according to the equity method includes net revaluations of investments in group entities and associates relative to cost. The reserve can be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognised at a negative amount.

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividend or cover losses. The reserve will be reduced or dissolved if the recognised development costs are amortised or are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Proposed dividends

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.

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.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Prepayments received 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.

Financial statements 1 January - 31 December

Notes to the financial statements

2 Events after the balance sheet date

No events has occurred after the balance sheet date that will have a material impact on the Company's financial position.

DKK'000	<u>2023</u>	<u>2022</u>
3 Segment information		
Breakdown of revenue by geographical segment:		
Europe	1,669,363	917,306
North America	21,572	42,488
Rest of world	37,754	101,175
	<u>1,728,689</u>	<u>1,060,969</u>

4 Staff costs

Wages/salaries	361,249	329,005
Pensions	13,607	8,448
Other social security costs	3,786	3,174
Other staff costs	324	5,739
Staff costs transferred to intangible assets	-71,743	0
	<u>307,223</u>	<u>346,366</u>

Wages and salaries include costs related to share-based payment of DKK 13,333 thousand.

Average number of full-time employees	<u>431</u>	<u>409</u>
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Total remuneration to Management and the Board of Directors: DKK 9,972 thousand (2022: DKK 7,266 thousand), comprising DKK 6,166 thousand in short-term benefits (2022: DKK 5,046 thousand) and DKK 3,806 thousand in share-based payment (2022: DKK 2,220 thousand). 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.

Incentive plans

3Shape Group has established a warrant program and a matching shares program for a small number of employees in the Group, including employees in 3Shape A/S. A cost corresponding to the determined fair value of the warrants or matching shares are recognized as staff costs in the profit and loss on an accrual basis and is settled with the parent Company, 3Shape Holding A/S, on an ongoing basis. All shares are awarded in 3Shape Holding A/S. The share-based payment programmes have been described in the 2023 annual report for 3Shape Holding A/S to which reference is made for further details on the programmes.

The number of outstanding share options granted to employees in 3Shape A/S amount to 5,575. The vesting conditions, vesting period and exercise price are identical to the description in the annual report for 3Shape Holding A/S.

The value of share options granted to Management is described above together with management remuneration. The vesting conditions, vesting period and exercise price for share options granted to Management are identical to the description in the annual report for 3Shape Holding A/S.

5 Amortisation/depreciation of intangible assets and property, plant and equipment

Amortisation of intangible assets	41,871	14,491
Depreciation of property, plant and equipment	11,331	13,186
	<u>53,202</u>	<u>27,677</u>

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2023	2022
6 Financial income		
Interest income	5,068	2,079
Foreign Exchange gain	23,946	0
Other financial income	105	159
	<u>29,119</u>	<u>2,238</u>
7 Financial expenses		
Interest expenses	248	387
Foreign exchange losses	0	13,179
Other financial expenses	5,490	537
	<u>5,738</u>	<u>14,103</u>
8 Tax for the year		
Estimated tax charge for the year	184,550	14,125
Deferred tax adjustments in the year	28,139	16,748
Tax adjustments, prior years	674	-336
	<u>213,363</u>	<u>30,537</u>

Financial statements 1 January - 31 December

Notes to the financial statements

9 Intangible assets

DKK'000	Completed development projects	Patents	Acquired intangible assets	Goodwill	Development projects in progress	Total
Cost at 1 January 2023	0	59,823	107,399	70,843	0	238,065
Additions	0	4,129	0	0	164,954	169,083
Disposals	0	-10,537	0	0	0	-10,537
Transferred	7,440	0	0	0	-7,440	0
Cost at 31 December 2023	7,440	53,415	107,399	70,843	157,514	396,611
Impairment losses and amortisation at 1 January 2023	0	27,905	21,045	21,057	0	70,007
Amortisation for the year	1,860	4,741	28,243	7,027	0	41,871
Reversal of accumulated amortisation and impairment of assets disposed	0	-4,153	0	0	0	-4,153
Impairment losses and amortisation at 31 December 2023	1,860	28,493	49,288	28,084	0	107,725
Carrying amount at 31 December 2023	5,580	24,922	58,111	42,759	157,514	288,886

Financial statements 1 January - 31 December

Notes to the financial statements

10 Property, plant and equipment

DKK'000	Fixtures and fittings, other plant and equipment	Leasehold improvements	Property, plant and equipment under construction	Total
Cost at 1 January 2023	29,723	41,931	0	71,654
Additions	2,870	0	1,692	4,562
Disposals	-484	0	0	-484
Cost at 31 December 2023	<u>32,109</u>	<u>41,931</u>	<u>1,692</u>	<u>75,732</u>
Impairment losses and depreciation at 1 January 2023	21,938	28,250	0	50,188
Depreciation	2,945	8,386	0	11,331
Impairment losses and depreciation at 31 December 2023	<u>24,883</u>	<u>36,636</u>	<u>0</u>	<u>61,519</u>
Carrying amount at 31 December 2023	<u><u>7,226</u></u>	<u><u>5,295</u></u>	<u><u>1,692</u></u>	<u><u>14,213</u></u>

Financial statements 1 January - 31 December

Notes to the financial statements

11 Financial assets

DKK'000	Investments in group entities	Receivables from group entities	Deposits, investments	Total
Cost at 1 January 2023	2,454	13,298	9,876	25,628
Additions	0	0	788	788
Disposals	0	-10,687	0	-10,687
Cost at 31 December 2023	2,454	2,611	10,664	15,729
Value adjustments at 1 January 2023	53,835	0	0	53,835
Foreign exchange adjustments	-3,368	0	0	-3,368
Profit/loss for the year	7,971	0	0	7,971
Value adjustments at 31 December 2023	58,438	0	0	58,438
Carrying amount at 31 December 2023	60,892	2,611	10,664	74,167

Group entities

Name	Domicile	Interest
3Shape Ukraine Ltd.	Ukraine	100.00%
3Shape AS Medical Equipment Manufacture Shanghai	China	100.00%
3Shape (Shanghai) Co., Ltd.	China	100.00%
3Shape LLC Skopje	North Macedonia	100.00%

DKK'000	2023	2022
12 Other receivables		
Other receivables	1,847	1,423
	1,847	1,423

Other receivables primarily relate to deposits at two payment providers.

13 Prepayments

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

14 Share capital

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

Analysis of changes in the share capital over the past 5 years:

DKK'000	2023	2022	2021	2020	2019
Opening balance	523	523	523	523	523
	523	523	523	523	523

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2023	2022
15 Deferred tax		
Deferred tax at 1 January	24,224	7,812
Deferred tax adjustment for the year	28,140	16,748
Deferred tax adjustment prior years	0	-336
Deferred tax at 31 December	<u>52,364</u>	<u>24,224</u>
Deferred tax relates to:		
Intangible assets	57,520	29,542
Property, plant and equipment	-4,251	-3,914
Receivables	-245	-852
Liabilities	-660	-552
	<u>52,364</u>	<u>24,224</u>
16 Other provisions		
Opening balance at 1 January	2,500	1,180
Additions for the year	2,433	4,014
Provisions utilised in the year	-1,933	-2,694
Other provisions at 31 December	<u>3,000</u>	<u>2,500</u>
The provisions are expected to be payable in:		
0-1 year	2,313	1,250
1-5 year	687	1,250
> 5 year	0	0
	<u>3,000</u>	<u>2,500</u>

Other provisions relate to warranties on sales.

17 Prepayments received 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

No amounts fall due after 5 years.

Financial statements 1 January - 31 December

Notes to the financial statements

18 Contractual obligations and contingencies, etc.

Contingent liabilities

DKK'000	2023	2022
Bank guarantee	350	350
	<u>350</u>	<u>350</u>

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. The case concerns only the US market, and 3Shape disputes the allegations made. The case was in trial in 2023, the ruling is pending

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

The Company is jointly taxed with the rest of the danish entities og 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.

Other financial obligations

Other rent and lease liabilities:

Rent and lease liabilities	82,322	46,595
	<u>82,322</u>	<u>46,595</u>

Remaining term is 54 months.

19 Related parties

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

Parties exercising control

Related party	Domicile	Basis for control
3Shape Holding A/S	Copenhagen	Parent company

Related party transactions

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

Information on the remuneration to management

Information on the remuneration to Management appears from note 4, "Staff costs".

20 Other payables

VAT and other indirect taxes	75,280	10,198
Wages/salaries, salary taxes, social security contributions, etc.	29,046	34,202
Other payables	1,573	0
	<u>105,899</u>	<u>44,400</u>

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

Financial statements 1 January - 31 December

Notes to the financial statements

21 Fee to the auditors appointed in general meeting

Audit fees are not disclosed with reference to section 96(3) of the Danish Financial Statements Act. The fee is specified in the consolidated financial statements for 3Shape Holding A/S.

22 Appropriation of profit

Recommended appropriation of profit		
Proposed dividend recognised under equity	400,000	125,000
Net revaluation reserve according to the equity method	7,971	24,152
Other statutory reserves	127,213	0
Retained earnings	220,773	10,667
	<hr/>	<hr/>
	755,957	159,819
	<hr/>	<hr/>