
Egern Holding ApS

Egernvej 3, DK-3600 Frederikssund

Annual Report for 2023

CVR No. 31 25 69 41

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 3/7 2024

Jan Ranners
Chairman of the
general meeting



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Management's statement

The Executive Board has today considered and adopted the Annual Report of Egern Holding ApS for the financial year 1 January - 31 December 2023.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In my opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2023 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2023.

In my opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Frederikssund, 3 July 2024

Executive Board

Lars Vinther

Independent Auditor's report

To the shareholder of Egern Holding ApS

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2023 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Egern Holding ApS for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

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 are independent of the Group 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1 to the Financial Statements describing the material uncertainty pertaining to the value of other receivables under fixed assets.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

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

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements and parent company 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.

Independent Auditor's report

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional 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 Group's and the Parent 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 Group's and the Parent 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 Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Independent Auditor's report

Ringsted, 3 July 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Martin Sloth Langhoff Hansen

State Authorised Public Accountant

mne36027

Nikolaj Frausing Borch

State Authorised Public Accountant

mne44062

Company information

| | |
|------------------------|--|
| The Company | Egern Holding ApS Egernvej 3 3600 Frederikssund CVR No: 31 25 69 41 Financial period: 1 January - 31 December Financial year: 16th financial year Municipality of reg. office: Frederikssund |
| Executive Board | Lars Vinther |
| Auditors | PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Eventyrvej 16 DK-4100 Ringsted |

Group Chart

| Company | Residence | Ownership |
|--|------------------|------------------|
| Egern Holding ApS | Denmark | |
| Mermaid Medical A/S Nom. DKK 2.100.000 | Denmark | 94,2% |
| Mermaid Medical Ltd. Nom. GBP 10.000 | UK | 100% |
| Mermaid Medical BV Nom. EUR 3.500 | The Netherlands | 100% |
| Mermaid Medical Iberia S.L. Nom. EUR 3.600 | Spain | 90% |
| Mermaid Medical Italia S.R.L. Nom. EUR 10.000 | Italy | 70% |
| Høj Elitehåndbold ApS Nom. DKK 360.000 | Denmark | 33,3% |

Financial Highlights

Seen over a 5-year period, the development of the Group is described by the following financial highlights:

| | Group | | | | |
|--|--------------|---------|---------|---------|---------|
| | 2023 | 2022 | 2021 | 2020 | 2019 |
| | TDKK | TDKK | TDKK | TDKK | TDKK |
| Key figures | | | | | |
| Profit/loss | | | | | |
| Profit/loss of primary operations | 12,966 | 10,467 | 23,036 | 10,233 | 5,671 |
| Profit/loss of financial income and expenses | -1,154 | -729 | -271 | -724 | -38 |
| Net profit/loss for the year | 8,676 | 7,475 | 17,852 | 7,601 | 4,317 |
| Balance sheet | | | | | |
| Balance sheet total | 156,915 | 162,617 | 131,746 | 108,936 | 103,322 |
| Investment in property, plant and equipment | 1,629 | 1,932 | 1,029 | 368 | 2,087 |
| Equity | 85,125 | 77,410 | 73,747 | 55,730 | 48,087 |
| Cash flows | | | | | |
| Cash flows from: | | | | | |
| - operating activities | 4,964 | 232 | 18,691 | 23,424 | -3,299 |
| - investing activities | -5,870 | -6,610 | -11,113 | -11,951 | -5,308 |
| - financing activities | 3,309 | -6,627 | -69 | -2,868 | 9,848 |
| Change in cash and cash equivalents for the year | 2,403 | -13,005 | 7,509 | 8,604 | 1,241 |
| Number of employees | 63 | 56 | 51 | 47 | 46 |
| Ratios | | | | | |
| Return on assets | 8.3% | 6.4% | 17.5% | 9.4% | 5.5% |
| Solvency ratio | 54.2% | 47.6% | 56.0% | 51.2% | 46.5% |
| Return on equity | 10.7% | 9.9% | 27.6% | 14.6% | 12.3% |

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's review

Key activities

The Group's main activity comprises trading and production, primarily in respect of medical devices for the health sector.

Development in the year

The income statement of the Group for 2023 shows a profit of DKK 8,675,620, and at 31 December 2023 the balance sheet of the Group shows a positive equity of DKK 85,124,757.

The profit in the year is realized far less than expected due to among other things price increases from suppliers which due to contractual obligations the Group was not able to compensate for as well as substantial increase in costs restructuring and implementing no ERP-tools.

The Group operates throughout the Nordics, in five European countries as well as the USA.

The product portfolio has been expanded during the year and significant employee and financial resources have been used to develop and market the product portfolio.

Based on this, Management considers the result for the year satisfactory.

The Group's strategy is still to create a correlation as a percentage between revenue and operating profit, and the Group is making significant efforts to continually develop the competencies of its employees, so that the health sector in different countries can be serviced as best as possible.

Management expects a result in the year 2024 of DKK 18,000,000 – 24,000,000 before tax.

Foreign exchange risks

That the Group operates on numerous geographical markets, leads to foreign trade which naturally leads to foreign exchange risks. In the manner possible, Management is intent on minimizing these risks either financially or operationally by dealing in local currencies in both purchase and sales, wherever possible.

Research and development

The Group has incurred development costs on total DKK 2,482,510 in the financial year.

External environment

The Group is, of course, invested in ensuring the most environmentally friendly production both internally and with external suppliers, which is why work is being put into ensuring a ISO 14001 environment certification during 2023.

Intellectual capital resources

The Group invests in a continued development and preservation of the employees' knowledge and competences so that they can continue to serve the health sector in the best possible way.

Uncertainty relating to recognition and measurement

As mentioned in note 1, under other receivables, receivables have been recognised, to which uncertainty related to the debtors ability to repay the loan exists and therefore also the valuation. Management expects the loan to be repaid.

Subsequent events

We refer to note 22 in the annual report.

Income statement 1 January - 31 December

| | Note | Group | | Parent company | |
|--|------|-------------------|-------------------|-------------------|-------------------|
| | | 2023 | 2022 | 2023 | 2022 |
| | | DKK | DKK | DKK | DKK |
| Gross profit | | 56,290,285 | 48,067,224 | -2,386,800 | -905,293 |
| Staff expenses | 2 | -39,827,251 | -34,391,998 | 0 | 0 |
| Earnings Before Interest Taxes Depreciation and Amortization | | 16,463,034 | 13,675,226 | -2,386,800 | -905,293 |
| Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment | 3 | -3,068,444 | -3,208,325 | -2,494,037 | -2,494,037 |
| Other operating expenses | 4 | -428,486 | 0 | 0 | 0 |
| Profit/loss before financial income and expenses | | 12,966,104 | 10,466,901 | -4,880,837 | -3,399,330 |
| Income from investments in subsidiaries | | 0 | 0 | 12,610,378 | 9,643,334 |
| Financial income | 5 | 1,929,650 | 799,514 | 821,269 | 672,018 |
| Financial expenses | 6 | -3,083,866 | -1,529,007 | -1,199,287 | -1,131,132 |
| Profit/loss before tax | | 11,811,888 | 9,737,408 | 7,351,523 | 5,784,890 |
| Tax on profit/loss for the year | 7 | -3,136,268 | -2,262,568 | 1,156,911 | 848,858 |
| Net profit/loss for the year | 8 | 8,675,620 | 7,474,840 | 8,508,434 | 6,633,748 |

Balance sheet 31 December

Assets

| | Note | Group | | Parent company | |
|---|------|-------------------|-------------------|-------------------|-------------------|
| | | 2023 | 2022 | 2023 | 2022 |
| | | DKK | DKK | DKK | DKK |
| Completed development projects | | 20,114,087 | 23,725,644 | 20,114,087 | 23,725,644 |
| Acquired licenses | | 815,557 | 610,534 | 399,025 | 0 |
| Goodwill | | 577,477 | 913,604 | 169,587 | 423,967 |
| Development projects in progress | | 6,221,338 | 3,738,828 | 6,221,338 | 3,738,828 |
| Intangible assets | 9 | 27,728,459 | 28,988,610 | 26,904,037 | 27,888,439 |
| Plant and machinery | | 611,044 | 733,251 | 611,044 | 733,251 |
| Other fixtures and fittings, tools and equipment | | 2,019,660 | 1,986,147 | 0 | 0 |
| Leasehold improvements | | 243,108 | 273,923 | 0 | 0 |
| Property, plant and equipment | 10 | 2,873,812 | 2,993,321 | 611,044 | 733,251 |
| Investments in subsidiaries | 11 | 0 | 0 | 58,342,446 | 50,035,943 |
| Investments in associates | 12 | 300,000 | 300,000 | 300,000 | 300,000 |
| Other investments | 13 | 0 | 0 | 0 | 0 |
| Other receivables | 13 | 42,561,058 | 38,387,779 | 10,486,642 | 13,945,857 |
| Fixed asset investments | | 42,861,058 | 38,687,779 | 69,129,088 | 64,281,800 |
| Fixed assets | | 73,463,329 | 70,669,710 | 96,644,169 | 92,903,490 |
| Inventories | 14 | 43,603,851 | 53,567,820 | 0 | 0 |
| Trade receivables | | 22,495,451 | 25,396,286 | 113,631 | 113,631 |
| Receivables from group enterprises | | 0 | 0 | 3,342,665 | 5,259,112 |
| Other receivables | | 4,423,337 | 2,692,166 | 2,929,415 | 1,478,445 |
| Corporation tax | | 0 | 20 | 0 | 0 |
| Corporation tax receivable from group enterprises | | 243,796 | 0 | 844,354 | 897,307 |
| Prepayments | 15 | 1,663,958 | 1,672,916 | 0 | 0 |
| Receivables | | 28,826,542 | 29,761,388 | 7,230,065 | 7,748,495 |

Balance sheet 31 December

Assets

| | Note | Group | | Parent company | |
|--------------------------|------|--------------------|--------------------|--------------------|--------------------|
| | | 2023 | 2022 | 2023 | 2022 |
| Cash at bank and in hand | | <u>11,021,251</u> | <u>8,618,084</u> | <u>32,005</u> | <u>116,075</u> |
| | | DKK | DKK | DKK | DKK |
| Current assets | | <u>83,451,644</u> | <u>91,947,292</u> | <u>7,262,070</u> | <u>7,864,570</u> |
| Assets | | <u>156,914,973</u> | <u>162,617,002</u> | <u>103,906,239</u> | <u>100,768,060</u> |

Balance sheet 31 December

Liabilities and equity

| | Note | Group | | Parent company | |
|--|------|--------------------|--------------------|--------------------|--------------------|
| | | 2023 | 2022 | 2023 | 2022 |
| | | DKK | DKK | DKK | DKK |
| Share capital | | 125,000 | 125,000 | 125,000 | 125,000 |
| Reserve for net revaluation under the equity method | | 0 | 0 | 53,751,762 | 47,664,905 |
| Reserve for development costs | | 21,707,042 | 21,422,295 | 21,707,042 | 21,422,295 |
| Reserve for exchange rate conversion | | 139,365 | -66,832 | 0 | 0 |
| Retained earnings | | 60,402,120 | 52,172,601 | 6,789,722 | 4,440,863 |
| Proposed dividend for the year | | 122,000 | 117,800 | 122,000 | 117,800 |
| Equity attributable to shareholders of the Parent Company | | 82,495,527 | 73,770,864 | 82,495,526 | 73,770,863 |
| Minority interests | | 2,629,230 | 3,639,230 | 0 | 0 |
| Equity | | 85,124,757 | 77,410,094 | 82,495,526 | 73,770,863 |
| Provision for deferred tax | 16 | 4,137,867 | 4,449,350 | 4,154,594 | 4,467,188 |
| Provisions relating to investments in group enterprises | | 0 | 0 | 89,135 | 415,483 |
| Provisions | | 4,137,867 | 4,449,350 | 4,243,729 | 4,882,671 |
| Credit institutions | | 4,000,000 | 8,026,777 | 4,000,000 | 8,026,777 |
| Other payables | | 4,996,277 | 5,151,724 | 3,654,923 | 3,749,100 |
| Long-term debt | 17 | 8,996,277 | 13,178,501 | 7,654,923 | 11,775,877 |
| Credit institutions | 17 | 19,234,327 | 10,579,120 | 5,686,079 | 6,007,517 |
| Lease obligations | | 1,251,000 | 1,259,000 | 0 | 0 |
| Trade payables | | 25,969,423 | 42,544,717 | 551,085 | 893,860 |
| Payables to associates | | 75,000 | 75,000 | 75,000 | 75,000 |
| Payables to owners and Management | | 476,993 | 475,668 | 419,270 | 408,612 |
| Corporation tax | | 2,398,870 | 1,593,390 | 0 | 0 |
| Other payables | 17 | 9,250,459 | 11,052,162 | 2,780,627 | 2,953,660 |
| Short-term debt | | 58,656,072 | 67,579,057 | 9,512,061 | 10,338,649 |
| Debt | | 67,652,349 | 80,757,558 | 17,166,984 | 22,114,526 |
| Liabilities and equity | | 156,914,973 | 162,617,002 | 103,906,239 | 100,768,060 |

Balance sheet 31 December

Liabilities and equity

| | Note | Group | | Parent company | |
|--|------|-------|------|----------------|------|
| | | 2023 | 2022 | 2023 | 2022 |
| | | DKK | DKK | DKK | DKK |
| Uncertainty relating to recognition and measurement | 1 | | | | |
| Contingent assets, liabilities and other financial obligations | 20 | | | | |
| Related parties | 21 | | | | |
| Subsequent events | 22 | | | | |
| Accounting Policies | 23 | | | | |

Statement of changes in equity

Group

| | Share capital | Reserve for development costs | Reserve for exchange rate conversion | Retained earnings | Proposed dividend for the year | Equity excl. minority interests | Minority interests | Total |
|--|----------------|-------------------------------|--------------------------------------|-------------------|--------------------------------|---------------------------------|--------------------|-------------------|
| | DKK | DKK | DKK | DKK | DKK | DKK | DKK | DKK |
| Equity at 1 January | 125,000 | 21,422,295 | -66,832 | 52,172,601 | 117,800 | 73,770,864 | 3,639,230 | 77,410,094 |
| Exchange adjustments | 0 | 0 | 206,197 | 0 | 0 | 206,197 | 103 | 206,300 |
| Ordinary dividend paid | 0 | 0 | 0 | 0 | -117,800 | -117,800 | 0 | -117,800 |
| Extraordinary dividend paid | 0 | 0 | 0 | 0 | 0 | 0 | -131,977 | -131,977 |
| Other equity movements | 0 | 0 | 0 | 127,831 | 0 | 127,831 | -1,045,212 | -917,381 |
| Development costs for the year | 0 | 1,936,358 | 0 | -1,936,358 | 0 | 0 | 0 | 0 |
| Depreciation, amortisation and impairment for the year | 0 | -1,651,611 | 0 | 1,651,611 | 0 | 0 | 0 | 0 |
| Net profit/loss for the year | 0 | 0 | 0 | 8,386,435 | 122,000 | 8,508,435 | 167,086 | 8,675,521 |
| Equity at 31 December | 125,000 | 21,707,042 | 139,365 | 60,402,120 | 122,000 | 82,495,527 | 2,629,230 | 85,124,757 |

Statement of changes in equity

Parent company

| | Share capital | Reserve for net revaluation under the equity method | Reserve for development costs | Retained earnings | Proposed dividend for the year | Total |
|--|----------------|---|-------------------------------|-------------------|--------------------------------|-------------------|
| | DKK | DKK | DKK | DKK | DKK | DKK |
| Equity at 1 January | 125,000 | 47,664,905 | 21,422,295 | 4,440,864 | 117,800 | 73,770,864 |
| Exchange adjustments | 0 | 206,197 | 0 | 0 | 0 | 206,197 |
| Ordinary dividend paid | 0 | 0 | 0 | 0 | -117,800 | -117,800 |
| Other equity movements | 0 | 127,831 | 0 | 0 | 0 | 127,831 |
| Development costs for the year | 0 | 0 | 1,936,358 | -1,936,358 | 0 | 0 |
| Depreciation, amortisation and impairment for the year | 0 | 0 | -1,651,611 | 1,651,611 | 0 | 0 |
| Net profit/loss for the year | 0 | 5,752,829 | 0 | 2,633,605 | 122,000 | 8,508,434 |
| Equity at 31 December | 125,000 | 53,751,762 | 21,707,042 | 6,789,722 | 122,000 | 82,495,526 |

Cash flow statement 1 January - 31 December

| | Note | Group | |
|---|------|-------------------|--------------------|
| | | 2023 | 2022 |
| | | DKK | DKK |
| Result of the year | | 8,675,620 | 7,474,840 |
| Adjustments | 18 | 7,561,856 | 6,005,034 |
| Change in working capital | 19 | -7,233,036 | -11,050,932 |
| Cash flow from operations before financial items | | 9,004,440 | 2,428,942 |
| Financial income | | 1,929,650 | 799,514 |
| Financial expenses | | -3,083,866 | -1,529,007 |
| Cash flows from ordinary activities | | 7,850,224 | 1,699,449 |
| Corporation tax paid | | -2,886,047 | -1,467,876 |
| Cash flows from operating activities | | 4,964,177 | 231,573 |
| Purchase of intangible assets | | -2,882,047 | -3,696,363 |
| Purchase of property, plant and equipment | | -378,037 | -672,905 |
| Fixed asset investments made etc | | -8,255,343 | -7,020,652 |
| Sale of intangible assets | | 1,494,107 | 0 |
| Sale of property, plant and equipment | | 69,193 | 1,082,438 |
| Sale of fixed asset investments made etc | | 4,082,064 | 3,697,595 |
| Cash flows from investing activities | | -5,870,063 | -6,609,887 |
| Repayment of loans from credit institutions | | 0 | -1,511,878 |
| Repayment of payables to associates | | 0 | -100,000 |
| Repayment of other long-term debt | | -155,447 | -727,954 |
| Raising of loans from credit institutions | | 4,628,430 | 0 |
| Other equity entries | | 127,732 | -111,247 |
| Dividend paid | | -117,800 | -57,000 |
| Minority interests dividend paid | | -131,977 | -2,898,304 |
| Minority interests additions | | 246,430 | 0 |
| Minority interests disposals | | -1,291,642 | -1,242,529 |
| Minority interests exchange adjustments | | 3,327 | 21,932 |
| Cash flows from financing activities | | 3,309,053 | -6,626,980 |
| Change in cash and cash equivalents | | 2,403,167 | -13,005,294 |
| Cash and cash equivalents at 1 January | | 8,618,084 | 21,623,378 |
| Cash and cash equivalents at 31 December | | 11,021,251 | 8,618,084 |

Cash flow statement 1 January - 31 December

| | Note | Group | |
|---|------|-------------------|------------------|
| | | 2023 | 2022 |
| | | DKK | DKK |
| Cash and cash equivalents are specified as follows: | | | |
| Cash at bank and in hand | | 11,021,251 | 8,618,084 |
| Cash and cash equivalents at 31 December | | 11,021,251 | 8,618,084 |

Notes to the Financial Statements

1. Uncertainty relating to recognition and measurement

Development projects

The Group has capitalized development costs with a total book value of DKK 26,335k at 31 December 2023 (Parent: DKK 26,335k). Of these, DKK 6,221k relate to development projects in progress, which consists of medical products currently under development. The work on these products are progressing as planned and they are expected to be ready for the market in 2024 and 2025.

Completed development projects relate to products aimed at the medical industry and the American market. The product have been finished and approved for sale in the USA. Approval for sale in Europe is expected during 2024 or 2025. Initial performance of the product in the USA has been positive and above initial expectations and since the initial release in 2021 the positive sales development has continued. Based on this, it is Management's assessment that the book value of the completed development projects is not impaired at 31 December 2023, however, as the value of the projects is dependent on continued strong sales in the years to come as well as an approval for sale in Europe during 2024/25, some uncertainty does exist in regards to the measurement.

Similar, for development projects in progress, there is a risk that these will, due to unforeseen circumstances or other events, not be brought to market as planned. Management currently has strong belief that the products will be brought to market during 2024 and 2025 as planned, and as mentioned, development is progressing as planned. However, some uncertainty will naturally exist in this regard.

Other receivables

Other receivables under fixed assets include a receivable of DKK 42,561k(Parent: DKK 10,487) to which there is a material uncertainty relating to the debtors ability to repay the receivable. The receivable has financed the start of the American activities. Management expects a significantly positive development in the American activities in the coming years, which will facilitate and underpin a repayment of the receivable. However, material uncertainty is still assessed to be linked partly to the value of the receivable and partly to when the American Company will be able to pay the receivable.. On the basis of the plans made for the American activities and the initiatives that have been initiated, it is Management's expectation that within a few years the debtor will be able to continuously reduce the balance, and Management has thus not found the need to write down the receivable on this basis.

| | Group | | Parent company | |
|--------------------------------|-------------------|-------------------|----------------|----------|
| | 2023 | 2022 | 2023 | 2022 |
| | DKK | DKK | DKK | DKK |
| 2. Staff Expenses | | | | |
| Wages and salaries | 36,982,770 | 31,590,379 | 0 | 0 |
| Pensions | 2,392,945 | 2,292,140 | 0 | 0 |
| Other social security expenses | 451,536 | 509,479 | 0 | 0 |
| | 39,827,251 | 34,391,998 | 0 | 0 |

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

| | | | | |
|-----------------------------|-----------|-----------|----------|----------|
| Average number of employees | 63 | 56 | 0 | 0 |
|-----------------------------|-----------|-----------|----------|----------|

Notes to the Financial Statements

| | Group | | Parent company | |
|---|------------------|------------------|------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| | DKK | DKK | DKK | DKK |
| 3. Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment | | | | |
| Amortisation of intangible assets | 2,648,091 | 2,732,927 | 2,371,830 | 2,371,830 |
| Depreciation of property, plant and equipment | 420,353 | 475,398 | 122,207 | 122,207 |
| | 3,068,444 | 3,208,325 | 2,494,037 | 2,494,037 |

| | Group | | Parent company | |
|--------------------------------|-----------------|----------|----------------|----------|
| | 2023 | 2022 | 2023 | 2022 |
| | DKK | DKK | DKK | DKK |
| 4. Special items | | | | |
| Salary compensation (COVID-19) | -428,486 | 0 | 0 | 0 |
| | -428,486 | 0 | 0 | 0 |

The company has in 2023 received final settlement in connection with COVID-19. The amount is recognized under other operating expenses.

| | Group | | Parent company | |
|----------------------------|------------------|----------------|----------------|----------------|
| | 2023 | 2022 | 2023 | 2022 |
| | DKK | DKK | DKK | DKK |
| 5. Financial income | | | | |
| Other financial income | 1,731,230 | 774,094 | 622,849 | 646,598 |
| Exchange gains | 198,420 | 25,420 | 198,420 | 25,420 |
| | 1,929,650 | 799,514 | 821,269 | 672,018 |

Notes to the Financial Statements

| | Group | | Parent company | |
|------------------------------|------------------|------------------|------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| | DKK | DKK | DKK | DKK |
| 6. Financial expenses | | | | |
| Other financial expenses | 2,038,844 | 1,411,193 | 1,199,287 | 1,013,318 |
| Exchange loss | 1,045,022 | 117,814 | 0 | 117,814 |
| | 3,083,866 | 1,529,007 | 1,199,287 | 1,131,132 |

| | Group | | Parent company | |
|---|------------------|------------------|-------------------|-----------------|
| | 2023 | 2022 | 2023 | 2022 |
| | DKK | DKK | DKK | DKK |
| 7. Income tax expense | | | | |
| Current tax for the year | 3,434,474 | 1,796,575 | -844,354 | -897,287 |
| Deferred tax for the year | -370,536 | 236,283 | -312,594 | 48,429 |
| Adjustment of tax concerning previous years | 72,330 | 229,710 | 37 | 0 |
| | 3,136,268 | 2,262,568 | -1,156,911 | -848,858 |

| | Group | | Parent company | |
|--|------------------|------------------|------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| | DKK | DKK | DKK | DKK |
| 8. Profit allocation | | | | |
| Proposed dividend for the year | 122,000 | 117,800 | 122,000 | 117,800 |
| Reserve for net revaluation under the equity method | 0 | 0 | 5,752,829 | 3,221,441 |
| Minority interests' share of net profit/loss of subsidiaries | 167,185 | 841,092 | 0 | 0 |
| Retained earnings | 8,386,435 | 6,515,948 | 2,633,605 | 3,294,507 |
| | 8,675,620 | 7,474,840 | 8,508,434 | 6,633,748 |

Notes to the Financial Statements

9. Intangible fixed assets

Group

| | Completed development projects | Acquired licenses | Goodwill | Develop- ment projects in progress |
|--|--------------------------------------|-----------------------|-----------------------|--|
| | DKK | DKK | DKK | DKK |
| Cost at 1 January | 25,843,094 | 2,128,573 | 1,761,537 | 3,738,828 |
| Exchange adjustment | 0 | 14,279 | -13,766 | 0 |
| Additions for the year | 0 | 399,025 | 0 | 2,482,510 |
| Disposals for the year | -1,494,107 | 0 | 0 | 0 |
| Cost at 31 December | <u>24,348,987</u> | <u>2,541,877</u> | <u>1,747,771</u> | <u>6,221,338</u> |
| Impairment losses and amortisation at 1 January | 2,117,450 | 1,518,039 | 847,933 | 0 |
| Amortisation for the year | <u>2,117,450</u> | <u>208,281</u> | <u>322,361</u> | <u>0</u> |
| Impairment losses and amortisation at 31 December | <u>4,234,900</u> | <u>1,726,320</u> | <u>1,170,294</u> | <u>0</u> |
| Carrying amount at 31 December | <u>20,114,087</u> | <u>815,557</u> | <u>577,477</u> | <u>6,221,338</u> |
| Amortised over | <u>7 years</u> | <u>5 years</u> | <u>5 years</u> | |

Notes to the Financial Statements

Parent company

| | Completed development projects | Acquired licenses | Goodwill | Develop- ment projects in progress |
|--|--------------------------------------|-----------------------|-----------------------|--|
| | DKK | DKK | DKK | DKK |
| Cost at 1 January | 25,843,094 | 661,370 | 1,271,900 | 3,738,828 |
| Exchange adjustment | 0 | 0 | 0 | 0 |
| Additions for the year | 0 | 399,025 | 0 | 2,482,510 |
| Disposals for the year | -1,494,107 | 0 | 0 | 0 |
| Cost at 31 December | <u>24,348,987</u> | <u>1,060,395</u> | <u>1,271,900</u> | <u>6,221,338</u> |
| Impairment losses and amortisation at 1 January | 2,117,450 | 661,370 | 847,933 | 0 |
| Amortisation for the year | <u>2,117,450</u> | <u>0</u> | <u>254,380</u> | <u>0</u> |
| Impairment losses and amortisation at 31 December | <u>4,234,900</u> | <u>661,370</u> | <u>1,102,313</u> | <u>0</u> |
| Carrying amount at 31 December | <u>20,114,087</u> | <u>399,025</u> | <u>169,587</u> | <u>6,221,338</u> |

Development projects in progress relate to new products that will be part of the Group's product portfolio. The projects are expected to be finalized and ready for approval during 2024 and 2025.

Completed development projects have been brought to market and have obtained approval in one or more markets. Revenue on these are expected to increase significantly in the years ahead.

The products are expected to be sold world-wide via the Company's subsidiary Mermaid Medical A/S, which will handle production and distribution of the products. Initially the products will be sold on the existing markets and to the subsidiary's current customers as well as new customers. This will be achieved through the existing sales channels, and will comply with the subsidiary's current strategy with Europe and the USA as the primary focus.

The Company expects to continue the strategy and continue developing own products, thereby obtaining a larger part of the value chain and supporting the distribution-business in the subsidiary.

Notes to the Financial Statements

10. Property, plant and equipment

| | Group | | | Parent company |
|--|---------------------|--|------------------------|---------------------|
| | Plant and machinery | Other fixtures and fittings, tools and equipment | Leasehold improvements | Plant and machinery |
| | DKK | DKK | DKK | DKK |
| Cost at 1 January | 855,459 | 3,904,622 | 1,317,165 | 855,459 |
| Additions for the year | 0 | 1,568,402 | 60,635 | 0 |
| Disposals for the year | 0 | -2,577,612 | -906,611 | 0 |
| Cost at 31 December | 855,459 | 2,895,412 | 471,189 | 855,459 |
| Impairment losses and depreciation at 1 January | 122,208 | 1,918,475 | 1,043,242 | 122,208 |
| Depreciation for the year | 122,207 | 211,927 | 87,613 | 122,207 |
| Reversal of impairment and depreciation of sold assets | 0 | -1,254,650 | -902,774 | 0 |
| Impairment losses and depreciation at 31 December | 244,415 | 875,752 | 228,081 | 244,415 |
| Carrying amount at 31 December | 611,044 | 2,019,660 | 243,108 | 611,044 |
| Amortised over | 10-15 years | 3-8 years | 5 years | 7 years |

Notes to the Financial Statements

| | Parent company | |
|---|--------------------------|--------------------------|
| | 2023 | 2022 |
| | DKK | DKK |
| 11. Investments in subsidiaries | | |
| Cost at 1 January | 2,371,038 | 1,128,510 |
| Additions for the year | 1,738,816 | 1,242,529 |
| Cost at 31 December | <u>4,109,854</u> | <u>2,371,039</u> |
| Value adjustments at 1 January | 46,972,023 | 48,004,698 |
| Exchange adjustment | 206,197 | -262,901 |
| Net profit/loss for the year | 12,468,987 | 9,794,770 |
| Dividend to the Parent Company | -6,164,668 | -10,413,108 |
| Amortisation of goodwill | -67,980 | -151,436 |
| Change in intercompany profit on inventories | 209,371 | 0 |
| Other adjustments | 127,832 | 0 |
| Value adjustments at 31 December | <u>53,751,762</u> | <u>46,972,023</u> |
| Equity investments with negative net asset value amortised over receivables | <u>391,695</u> | <u>277,398</u> |
| Equity investments with negative net asset value transferred to provisions | <u>89,135</u> | <u>415,483</u> |
| Carrying amount at 31 December | <u>58,342,446</u> | <u>50,035,943</u> |

Investments in subsidiaries are specified as follows:

| Name | Place of registered office | Share capital | Ownership |
|----------------------------------|----------------------------|------------------|-----------|
| Mermaid Medical A/S | Stenløse | DKK 2.100.000 | 94% |
| Mermaid Medical Limited | Southport (UK) | GBP 10.000 | 100% |
| Mermaid Medical BV, NL | Hella (NL) | EUR 3.500 | 100% |
| Mermaid Medical Iberia S.L, ES | Toledo (ES) | EUR 3.600 | 90% |
| Mermaid Medical Italia S.R.L, IT | Genova (IT) | EUR 10.000 | 70% |

Notes to the Financial Statements

| | Group | | Parent company | |
|---------------------------------------|----------------|----------------|----------------|----------------|
| | 2023 | 2022 | 2023 | 2022 |
| | DKK | DKK | DKK | DKK |
| 12. Investments in associates | | | | |
| Cost at 1 January | 300,000 | 300,000 | 300,000 | 300,000 |
| Cost at 31 December | 300,000 | 300,000 | 300,000 | 300,000 |
| Carrying amount at 31 December | 300,000 | 300,000 | 300,000 | 300,000 |

Investments in associates are specified as follows:

| Name | Place of registered office | Share capital | Ownership | Equity | Net profit/loss for the year |
|-----------------------|----------------------------|----------------|-----------|------------------|------------------------------|
| Høj Elitehåndbold ApS | Stenløse | DKK 600.000 | 20,85% | 1,527,629 | -906,614 |
| | | | | 1,527,629 | -906,614 |

13. Other fixed asset investments

| | Group | | Parent company | |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | Other investments | Other receivables | Other investments | Other receivables |
| | DKK | DKK | DKK | DKK |
| Cost at 1 January | 43,750 | 39,495,943 | 43,750 | 13,945,857 |
| Exchange adjustment | 0 | -1,077,905 | 0 | 0 |
| Additions for the year | 0 | 8,225,084 | 0 | 622,849 |
| Disposals for the year | 0 | -4,082,064 | 0 | -4,082,064 |
| Cost at 31 December | 43,750 | 42,561,058 | 43,750 | 10,486,642 |
| Impairment losses at 1 January | 43,750 | 0 | 43,750 | 0 |
| Impairment losses at 31 December | 43,750 | 0 | 43,750 | 0 |
| Carrying amount at 31 December | 0 | 42,561,058 | 0 | 10,486,642 |

Notes to the Financial Statements

| | Group | | Parent company | |
|-------------------------------------|-------------------|-------------------|----------------|----------|
| | 2023 | 2022 | 2023 | 2022 |
| | DKK | DKK | DKK | DKK |
| 14. Inventories | | | | |
| Finished goods and goods for resale | 42,464,418 | 53,567,820 | 0 | 0 |
| Prepayments for goods | 1,139,433 | 0 | 0 | 0 |
| | 43,603,851 | 53,567,820 | 0 | 0 |

15. Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

| | Group | | Parent company | |
|--|------------------|------------------|------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| | DKK | DKK | DKK | DKK |
| 16. Provision for deferred tax | | | | |
| Deferred tax liabilities at 1 January | 4,449,350 | 4,213,067 | 4,467,188 | 4,418,759 |
| Deffered tax due to change in intercompany profit on inventories | 59,053 | 0 | 0 | 0 |
| Amounts recognised in the income statement for the year | -370,536 | 236,283 | -312,594 | 48,429 |
| Deferred tax liabilities at 31 December | 4,137,867 | 4,449,350 | 4,154,594 | 4,467,188 |

Notes to the Financial Statements

| Group | | Parent company | |
|-------|------|----------------|------|
| 2023 | 2022 | 2023 | 2022 |
| DKK | DKK | DKK | DKK |

17. Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

Credit institutions

| | | | | |
|--|-------------------|-------------------|------------------|-------------------|
| After 5 years | 0 | 0 | 0 | 0 |
| Between 1 and 5 years | 4,000,000 | 8,026,777 | 4,000,000 | 8,026,777 |
| Long-term part | 4,000,000 | 8,026,777 | 4,000,000 | 8,026,777 |
| Within 1 year | 4,000,000 | 4,000,000 | 4,000,000 | 4,000,000 |
| Other short-term debt to credit institutions | 15,234,327 | 6,579,120 | 1,686,079 | 2,007,517 |
| | 23,234,327 | 18,605,897 | 9,686,079 | 14,034,294 |

Other payables

| | | | | |
|---------------------------|-------------------|-------------------|------------------|------------------|
| After 5 years | 1,341,354 | 1,402,624 | 0 | 0 |
| Between 1 and 5 years | 3,654,923 | 3,749,100 | 3,654,923 | 3,749,100 |
| Long-term part | 4,996,277 | 5,151,724 | 3,654,923 | 3,749,100 |
| Other short-term payables | 9,250,459 | 11,052,162 | 2,780,627 | 2,953,660 |
| | 14,246,736 | 16,203,886 | 6,435,550 | 6,702,760 |

| Group | |
|-------|------|
| 2023 | 2022 |
| DKK | DKK |

18. Cash flow statement - Adjustments

| | | |
|---|------------------|------------------|
| Financial income | -1,929,650 | -799,514 |
| Financial expenses | 3,083,866 | 1,529,007 |
| Depreciation, amortisation and impairment losses, including losses and gains on sales | 3,068,444 | 3,208,325 |
| Tax on profit/loss for the year | 3,136,268 | 2,262,568 |
| Exchange adjustments | 202,973 | 0 |
| Other adjustments | -45 | -195,352 |
| | 7,561,856 | 6,005,034 |

Notes to the Financial Statements

| | Group | |
|--|-------------------|--------------------|
| | 2023 | 2022 |
| | DKK | DKK |
| 19. Cash flow statement - Change in working capital | | |
| Change in inventories | 9,963,969 | -30,092,644 |
| Change in receivables | 1,178,622 | -8,451,936 |
| Change in trade payables, etc | -18,375,627 | 27,493,648 |
| | <u>-7,233,036</u> | <u>-11,050,932</u> |

| | Group | | Parent company | |
|--|-------------|-------------|----------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| | DKK | DKK | DKK | DKK |
| 20. Contingent assets, liabilities and other financial obligations | | | | |
| Charges and security | | | | |
| The following assets have been placed as security with bankers: | | | | |
| Company charge amounting to TDKK 21,500 (Parent: TDKK 10,000) have been placed in simple claims, inventory of raw materials, work in progress and finished goods, other equipment and intellectual property rights with a carrying amount of | 131,325,021 | 136,977,180 | 40,691,899 | 43,763,616 |
| The following assets have been placed as security for lease obligations: | | | | |
| The following assets have been placed as security with other payables | | | | |
| Company charge amounting to TDKK 8,000 (Parent: TDKK 8,000) have been placed in simple claims, inventory of raw materials, work in progress and finished goods, other equipment and intellectual property rights with a carrying amount of | 40,691,899 | 43,763,616 | 40,691,899 | 43,763,616 |

Notes to the Financial Statements

| | Group | | Parent company | |
|---|------------------|------------------|----------------|----------|
| | 2023 | 2022 | 2023 | 2022 |
| | DKK | DKK | DKK | DKK |
| 20. Contingent assets, liabilities and other financial obligations | | | | |
| Rental and lease obligations | | | | |
| Lease obligations under operating leases. Total future lease payments: | | | | |
| Within 1 year | 670,000 | 640,000 | 0 | 0 |
| Between 1 and 5 years | 603,000 | 416,000 | 0 | 0 |
| | 1,273,000 | 1,056,000 | 0 | 0 |
| Lease obligations, period of non-terminability 6-48 months | 2,922,000 | 2,708,000 | 0 | 0 |

Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable by the Danish part of the Group amounts to DKK 0. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

The Parent Company has posted an unlimited guarantee towards the subsidiary Mermaid Medical A/S' engagement with banks. Total bank debt amounts to DKK 13,548,249 at 31 December 2023.

21. Related parties

| | Basis |
|--|------------------------------|
| Controlling interest | |
| Lars Vinther, Egernvej 3, 3600 Frederikssund | CEO and majority shareholder |

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

22. Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Notes to the Financial Statements

23. Accounting policies

The Annual Report of Egern Holding ApS for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated Financial Statements and the Parent Company Financial Statements for 2023 are presented in DKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Egern Holding ApS, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Business combinations

Business acquisitions carried through on or after 1 July 2018

Acquisitions of subsidiaries are accounted for using the purchase method under which the identifiable assets and liabilities of the entity acquired are measured at fair value at the time of acquisition. Acquired contingent liabilities are recognised at fair value in the Consolidated Financial Statements to the extent that the value can be measured reliably.

The time of acquisition is the time when the Group obtains control of the entity acquired.

The cost of the entity acquired is the fair value of the consideration agreed, including consideration contingent on future events. Transaction costs directly attributable to the acquisition of subsidiaries are recognised in the income statement as incurred.

Notes to the Financial Statements

Positive differences between the cost of the entity acquired and identifiable assets and liabilities are recognised as goodwill in intangible assets in the balance sheet and are amortised in the income statement on a straight-line basis over their estimated useful lives. Where the differences are negative, they are recognised immediately in the income statement.

Where the purchase price allocation is not final, positive and negative differences from acquired subsidiaries due to changes to the recognition and measurement of identifiable net assets may be adjusted for up to 12 months after the time of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

Where cost includes contingent consideration, this is measured at fair value at the time of acquisition. Contingent consideration is subsequently measured at fair value. Any value adjustments are recognised in the income statement.

In respect of step acquisitions, any previously held investments in the entity acquired are remeasured at fair value at the time of acquisition. The difference between the carrying amount of the investment previously held and the fair value is recognised in the income statement.

Business acquisitions carried through before 1 July 2018

Subject to some exemptions, acquisitions carried through before 1 July 2018 are accounted for under the same accounting policies as those applying to business combinations carried through on or after 1 July 2018. The most material exemptions are:

- Identifiable assets and liabilities of the entity acquired are recognised only if they are probable.
- Identifiable contingent liabilities of the entity acquired are not recognised in the consolidated balance sheet.
- Where the purchase price allocation is not final, positive and negative differences due to changes to the recognition and measurement of the acquired net assets may be adjusted until the end of the financial year following the year of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.
- Transaction costs directly attributable to the acquisition of subsidiaries are included as part of cost.
- After the initial recognition, adjustment of contingent consideration is recognised directly with its counter entry in initial purchase price, thus correcting the value of goodwill or negative goodwill.
- In respect of step acquisitions, the carrying amount of the existing investments is recognised in cost.

Notes to the Financial Statements

Minority interests

Minority interests form part of the Group's total equity. Upon distribution of net profit, net profit is broken down on the share attributable to minority interests and the share attributable to the shareholders of the Parent Company. Minority interests are recognised on the basis of a remeasurement of acquired assets and liabilities to fair value at the time of acquisition of subsidiaries.

Business acquisitions carried through before 1 July 2018

Minority interests are recognised at the carrying amounts of the acquired assets and liabilities at the time of acquisition of subsidiaries.

Business acquisitions carried through on or after 1 July 2018

Minority interests are initially measured at their proportionate share of the fair value of the acquired entity's identifiable net assets. In this way, only goodwill related to the Parent Company's share of the entity acquired is recognised.

On subsequent changes to minority interests where the Group retains control of the subsidiary, the consideration is recognised directly in equity.

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

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

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Notes to the Financial Statements

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve the consolidated revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries and associates

Dividends from associates are recognised as income in the income statement when adopted at the General Meeting of the associate. However, dividends relating to earnings in the associate before it was acquired by the Parent Company are set off against the cost of the associate.

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

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

The Company is jointly taxed with danish group companies. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Notes to the Financial Statements

Balance sheet

Intangible fixed assets

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life of 7 years, determined on the basis of Management's experience with the individual business areas.

Development projects

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

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

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item 'Reserve for development costs'. The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 10 year.

Other intangible fixed assets

Patents are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Patents are amortised over the remaining patent period or a shorter useful life. The amortisation period is 5 years.

Property, plant and equipment

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

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

Depreciation based on cost added revaluations and reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

| | |
|--|-------------|
| Plant and machinery | 10-15 years |
| Other fixtures and fittings, tools and equipment | 3-8 years |
| Leasehold improvements | 5 years |

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Notes to the Financial Statements

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment and investments are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries and associates

Investments in associates are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Investments in subsidiaries are recognised and measured under the equity method.

The item “Investments in subsidiaries” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to “Reserve for net revaluation under the equity method” under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Fixed asset investments

Fixed asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

Other fixed asset investments

Other fixed asset investments consist of loans.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Notes to the Financial Statements

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate Dividend item.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Financial liabilities

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

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

Cash Flow Statement

The cash flow statement shows the Group's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

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

Cash flows from investing activities

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

Notes to the Financial Statements

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

Return on assets $\frac{\text{Profit/loss of ordinary primary operations} \times 100}{\text{Total assets at year end}}$

Solvency ratio $\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$

Return on equity $\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$