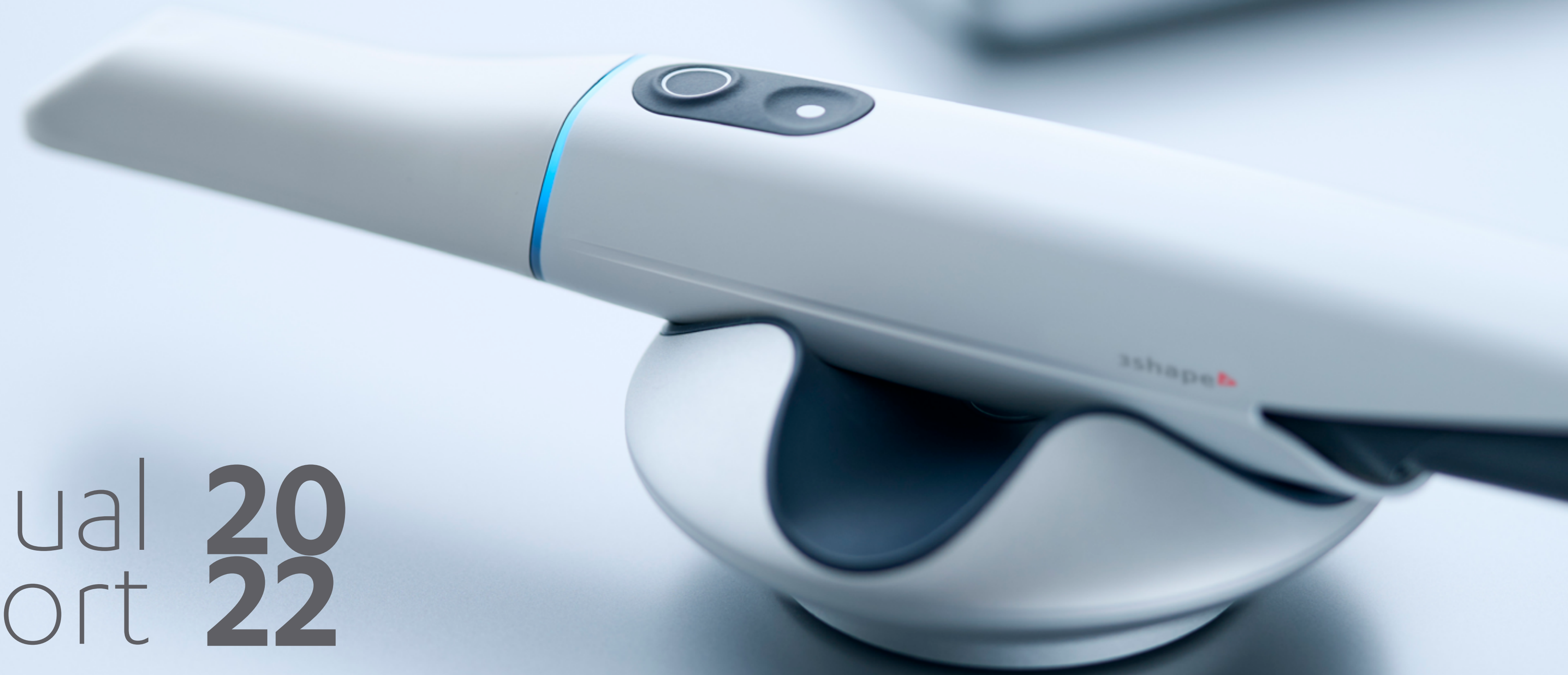
Annual Report 2022



3Shape Holding A/S

Approved at the Company's annual general meeting

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Henriette Stakemann

Holmens Kanal 7, 1060 København K, CVR: 31 47 32 33

3shape

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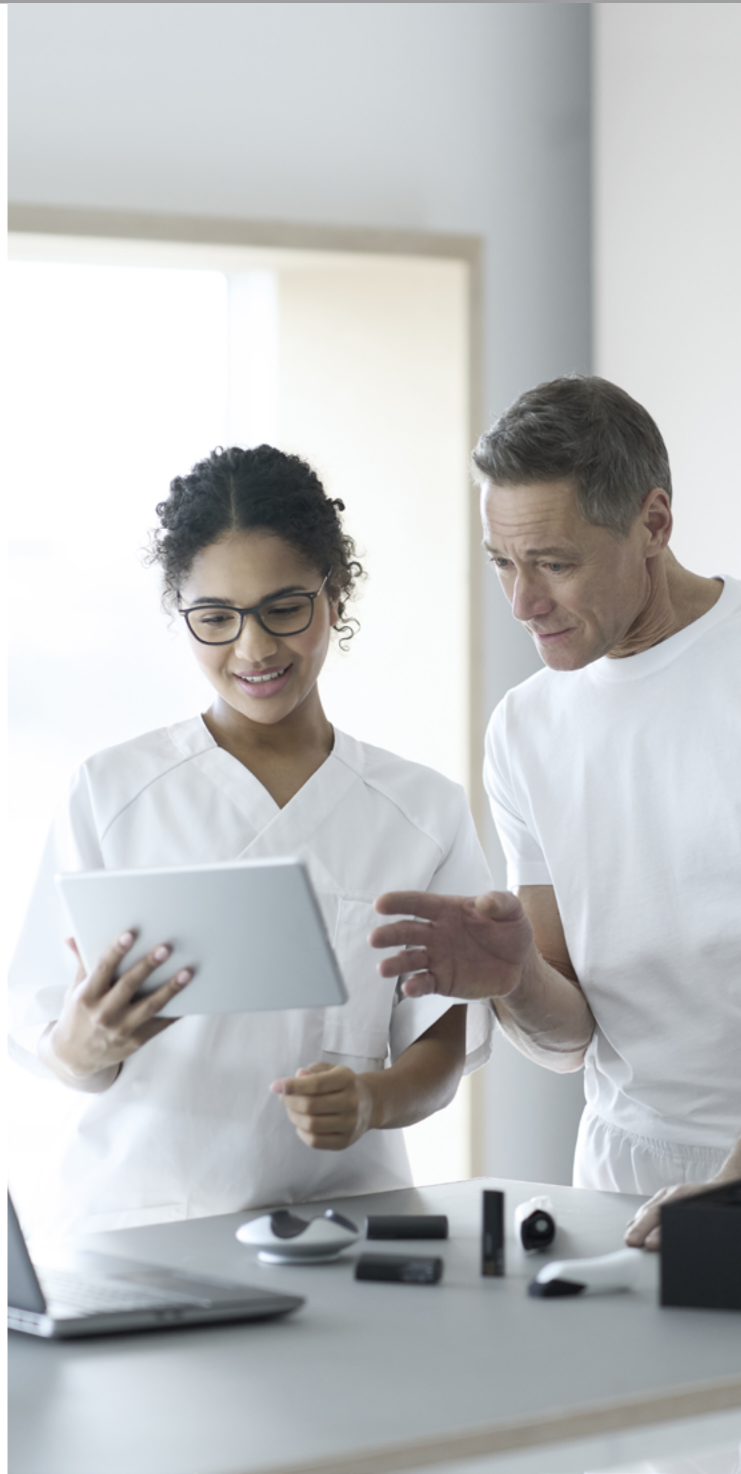
3Shape Holding A/S



3Shape Holding A/S

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

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 2022 and of the results of their operations and consolidated cash flows for the financial year 1 January - 31 December 2022.

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

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

Copenhagen, March 2023
Executive Board:

....

Jakob Just-Bomholt (CEO)

Board of Directors:

....	....	....
Jørgen Falkebo Jensen (Chairman)	Tais Clausen (Vice chairman)	Nikolaj Deichmann (Vice chairman)
....	....	....
Henriette Schütze	Mikael Worning	Mads Munkholt Ditlevsen
....	....	
Heather Jordan Cartwright	Scott Anderson	

To the shareholders of 3Shape Holding A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of 3Shape Holding ApS for the financial year 1 January – 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

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 2022 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January – 31 December 2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "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 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.

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.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 note 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.

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 Statements Act. We did not identify any material misstatement of the Management's review.

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

Kennet Hartmann
statsaut. revisor
mne40036

Morten Weinreich Larsen
statsaut. revisor
mne42791

Financial highlights for the Group					
DKK thousands	2022	2021	2020	2019	2018
Revenue	3,083,782	2,585,966	1,719,118	1,714,871	1,660,771
Gross profit/loss	2,203,936	1,918,761	1,177,293	1,171,423	1,204,390
EBITDA	1,141,932	928,687	310,226	163,024	296,350
Operating profit/loss	1,090,080	889,274	262,736	139,947	278,308
Net financials	33,293	15,900	-22,785	5,624	7,352
Profit/loss for the year	872,477	705,387	194,869	114,203	218,098
Non-current assets	163,190	169,607	151,080	179,302	121,811
Current assets	1,916,210	1,226,335	1,506,066	1,554,474	1,062,138
Total balance	2,079,400	1,395,942	1,646,346	1,733,776	1,183,949
Investments in property, plant and equipment	-34,163	-15,871	-18,456	-70,495	-32,724
Equity	1,325,858	681,685	1,034,699	854,751	731,752
Non-current liabilities	58,941	69,199	97,550	19,187	6,927
Current liabilities	694,601	645,058	524,897	815,351	403,650
Cash flows from operating activities	783,195	629,660	385,049	226,222	203,400
Cash flows from investing activities	5,845	80,460	17,266	-75,440	-24,084
Cash flow from financing activities	-268,587	-1,068,429	-	-	-350,000
Cash flows for the year	520,453	-358,309	402,315	150,782	-170,683
Key figures					
Profit margin	35.3%	34.4%	15.3%	8.2%	16.8%
Gross margin	71.5%	74.2%	68.5%	68.3%	72.5%
Liquidity ratio	275.9%	190.1%	286.9%	190.7%	263.1%
Solvency ratio	63.8%	48.8%	62.8%	49.3%	61.8%
Return on equity	86.9%	82.2%	20.6%	14.4%	27.4%
Average number of full-time employees	2,022	1,735	1,668	1,725	1,450

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

Profit margin: Operating profit/loss /Revenue
Gross margin: Gross profit/loss /Revenue
Liquidity margin: Current assets / current liabilities
Solvency ratio: Equity at year end /Total equity and liabilities at year end
Return on equity: Profit or loss for the year after tax / Average equity

The Group's most important activities

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

Developments in activities and economic conditions

The Group's revenue in 2022 amounts to DKK 3,083,782 thousand compared to DKK 2,585,966 thousand in 2021. EBITDA amounted to DKK 1,141,932 thousand, a 23% increase compared to 2021, which is in scope, compared to the outlook for 2022. Profit amounted to DKK 872,476 thousand, a 24% increase compared to 2021. The company paid out dividend of DKK 268,587 thousand during 2022, furthermore the company is proposing dividend of DKK 753,431 thousand, to be paid out during 2023. The equity was DKK 1,325,857 thousand per 31 December 2022.

Following a strong year, we were able to deliver on our ambition of continued growth and realised 19% revenue growth for the full fiscal year and an Operating Profit of DKK 1,090,080 thousand.

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

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

Knowledge resources

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

Unusual circumstances affecting recognition and measurement

No significant uncertainties are attached to recognition and measurement.

Policy for management of financial risks

The group'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 Group'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 investment 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 Group, market risk comprises foreign currency risk and interest rate risk.

Foreign currency risk

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

The global presence with manufacturing and representation offices in several countries as well as a direct sales channel in select countries create currency exposure for the Group. 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 Group'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 more than working capital needs is held in EUR, DKK or USD.

The Group does not perform any hedging activities, and at present 3Shape does not have plans to re-engage in hedging of foreign currency risks. 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 Group's exposure to interest rate risk arises mainly from deposits held by the Group. These are short-term. As the Group is generating positive cash flows and has no debt, exposure to interest rate risk is considered minimal.

Credit risk

Credit risk exposure to financial counterparties.

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

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

Credit risk exposure to non-financial counterparties

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

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

Liquidity Risk

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

As of December 31, the Group's cash and cash equivalents amounted to DKK 1,013 million (2021: DKK 492 million), which is deemed sufficient to meet the current and future obligations in line with the Groups expectations and strategy.

Research and development activities

In recent years, the Group 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 be introduced in the coming years.

The Group is at the forefront of digital dentistry innovation. During 2022, the Group invested 11% of revenue in research and development. During the past year, 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 our new ScanAssist engine for perfect scan results, and TRIOS Share, for ultimate connectivity.

Own shares

As of 31 December 2022, 3Shape Holding A/S owned 11,482 shares of DKK 0.1 which corresponds to 0,21% of the total shares. The Board monitor the holdings at each Board meeting.

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

The Group'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 Group 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 Group 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 Group 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 Group 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 Group's social and societal responsibilities in relation to employees and the imprint the Group makes on the climate and the environment. In addition, the Group emphasizes making a positive contribution to the general development of society in areas where the Group as the opportunity to exert influence, including in relation to respecting fundamental human rights, the fight against corruption, and the creation of an attractive and diversified workplace with fair and equal conditions and opportunities for all employees. For the statutory statement on social responsibility and gender distribution in management, please refer to the independent reporting which is available using this URL: http://www.3shape.com/ESG2022

Data ethics policy in accordance with section 99D

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 futher information.

Events after the balance sheet date

Refer to description of situation in Ukraine in "Developments in activities and economic conditions".

2023 outlook

3Shape's ambition is to generate long-term annual revenue growth, while maintaining an attractive profitability margin. The growth fundamentals of the digital dentistry market remain strong. Based on the current product pipeline, 3Shape's market position, and planned investments, the expectation for 2023 is to deliver continued revenue and profit growth. The business environment in which 3Shape operates is, however, impacted by the macroeconomic environment, including risk of recession in several key markets.

Note	DKK thousands	2022	2021
2	Revenue	3,083,782	2,585,966
3.13	Production costs	-879,846	-667,205
	Gross profit/loss	**2,203,936**	**1,918,761**
3.13	Distribution costs	-447,624	-336,338
3.13	Research & development costs	-353,313	-271,957
3.13	Administration costs	-312,919	-421,192
	Operating profit/loss	**1,090,080**	**889,274**
4	Financial income	49,361	20,081
4	Financial expenses	-16,068	-4,181
	Profit/loss before tax	**1,123,373**	**905,174**
	Tax	-250,896	-199,787
18	**Profit/loss for the year**	**872,477**	**705,387**

Consolidated Financial Statements - Balance sheet

Note	Assets		
	DKK thousands	**2022**	**2021**
5	Intangible fixed assets	82,447	91,572
6	Property, plant and equipment	65,562	62,179
7	Financial assets	15,181	15,856
	Total non-current assets	**163,190**	**169,607**
	Raw materials and consumables	297,761	200,804
	Work in progress	47,950	36,415
	Finished goods and goods for resale	48,646	49,028
	Inventories	**394,357**	**286,247**
	Trade receivables	398,472	316,683
	Corporate tax	-	35,130
15	Deferred tax assets	48,462	36,023
14	Other receivables	37,029	38,411
11	Prepayments	24,943	21,347
	Receivables	**508,906**	**447,594**
	Cash	1,012,947	492,494
	Total current assets	**1,916,210**	**1,226,335**
	Total assets	**2,079,400**	**1,395,942**

Note	Equity and liabilities		
	DKK thousands	**2022**	**2021**
8	Share capital	538	534
	Premium on issue of shares	88,795	18,201
	Treasury shares	-27,700	-3,344
	Retained earnings	510,794	397,707
	Proposed dividend	753,431	268,587
	Total equity	**1,325,858**	**681,685**
15	Deferred tax liabilites	8,962	6,289
10	Other payables	58	145
9	Provisions	5,800	7,877
12	Prepayments from customers	44,121	54,888
	Total non-current liabilities	**58,941**	**69,199**
9	Provisions	5,800	7,510
12	Prepayments from customers	369,351	324,898
	Trade payables	192,171	223,933
	Corporate tax	65,101	13,002
10	Other payables	62,178	75,715
	Total current liabilities	**694,601**	**645,058**
	Total liabilities	**753,542**	**714,257**
	Total equity and liabilities	**2,079,400**	**1,395,942**

Note	Statement of changes in equity						
	DKK thousands	**Share capital**	**Premium on issue of shares**	**Reserve for treasury shares**	**Retained earnings**	**Proposed dividend**	**Total equity**
	Equity at 1 January 2022	**534**	**18,201**	**-3,344**	**397,707**	**268,587**	**681,685**
	Capital increase	4	70,594	-	-	-	70,598
	Acquisition of treasury shares	-	-	-24,356	-	-	-24,356
18	Transferred via distribution of profit/loss	-	-	-	119,046	753,431	872,477
	Distributed dividends	-	-	-	-	-268,587	-268,587
	Foreign exchange adjustments, foreign subsidiary	-	-	-	-5,959	-	-5,959
	Equity at 31 December 2022	**538**	**88,795**	**-27,700**	**510,794**	**753,431**	**1,325,858**

Note	Cash flow statement		
	DKK thousands	**2022**	**2021**
	Profit/loss for the year	872,477	705,387
21	Adjustments of non-cash operating items	40,854	47,577
	Cash generated from operations before changes in working capital	913,331	752,964
19	Changes in working capital	-130,136	-123,304
	Cash generated from operations	783,195	629,660
	Cash flows from operating activities	**783,195**	**629,660**
5	Acquisition of intangible assets	-11,947	-49,174
5	Disposals of intangible assets	-	760
6	Acquisition of property, plant and equipment	-34,163	-15,871
6	Disposal of property, plant and equipment	5,038	5,835
7	Acquisition of financial assets	-1,036	-2,411
7	Disposals of financial assets	1,711	5,352
	Capital increase	70,598	-
	Acquisition of treasury shares	-24,356	-
	Disposal of securities	-	135,969
	Cash flows from investing activities	**5,845**	**80,460**
	Paid dividends	-268,587	-1,068,429
	Cash flow from financing activities	**-268,587**	**-1,068,429**
	Cash flows for the year	**520,453**	**-358,309**
	Cash and cash equivalents, beginning of year	492,494	850,803
	Cash and cash equivalents, year end	**1,012,947**	**492,494**

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3Shape Holding A/S

1 ACCOUNTING POLICIES

The annual report of 3Shape Holding A/S for 2022 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities. The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Consolidated financial statements

The consolidated financial statements comprise the Parent Company 3Shape Holding A/S and subsidiaries controlled by 3Shape Holding A/S. The consolidated financial statements are prepared as a consolidation of the Parent Company's and the individual subsidiaries' financial statements, which are prepared according to the Danish Financial Statements Act applying to large reporting class C entities. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends as well as realised and unrealised gains on intra-group transactions are eliminated.

The subsidiaries' financial statement items are included 100% in the consolidated financial statements.

Foreign currency translation

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

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

Foreign exchange adjustments of balances with foreign subsidiaries that are considered part of the total net investment in the subsidiary are recognised directly in the translation reserve under equity. Correspondingly, foreign exchange gains and losses on loans and derivative financial instruments hedging net investments in foreign subsidiaries are recognised directly in the equity under retained earnings.

On translation of foreign subsidiaries that are integral entities, monetary items are recognised at the exchange rates at the balance sheet date. Non-monetary items are recognised at the exchange rates at the acquisition date or at the date of any subsequent revaluation or impairment of the asset. Income statement items are translated at the exchange rates at the transaction date, although items derived from non-monetary items are translated at the historical exchange rates applying to the non-monetary items.

Business combinations

Newly acquired entities are recognised in the consolidated financial statements from the acquisition date. Entities sold or otherwise disposed of are recognised in the consolidated financial statements up to the date of disposal. Comparative figures are not restated to reflect newly acquired entities.

The acquisition date is the date when the Group actually obtains control of the acquiree.

The purchase method is applied to acquisitions of new businesses over which the Group obtains control. The acquired businesses' identified assets, liabilities and contingent liabilities are measured at fair value at the acquisition date. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax on revaluations is recognised.

Positive differences (goodwill) between, on the one hand, the consideration for the acquiree, the value of non-controlling interests in the acquired entity and the fair value of any previously acquired equity investments and, on the other hand, the fair value of the assets, liabilities and contingent liabilities acquired are recognised as goodwill in intangible assets. Goodwill is amortised on a straight-line basis in the income statement based on an individual assessment of the economic life of the asset.

Negative differences (negative goodwill) are recognised in the income statement at the acquisition date.

Upon acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for impairment testing. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a functional currency different from the Group's presentation currency are accounted for as assets and liabilities belonging to the foreign entity and are, on initial recognition, translated into the foreign entity's functional currency using the exchange rate at the transaction date.

The purchase consideration for an entity consists of the fair value of the agreed consideration in the form of assets transferred, liabilities assumed and equity instruments issued. If part of the purchase consideration is contingent on future events or compliance with agreed terms, such part of the purchase consideration is recognised at fair value at the acquisition date. Subsequent adjustments of contingent purchase considerations are recognised in the income statement.

If uncertainties regarding the identification or measurement of acquired assets, liabilities or contingent liabilities or the determination of the purchase consideration exist at the acquisition date, initial recognition will take place on the basis of provisional values. If it turns out subsequently that the identification or measurement of the purchase consideration, acquired assets, liabilities or contingent liabilities was incorrect on initial recognition, the statement will be adjusted retrospectively, including goodwill, until 12 months after the acquisition, and comparative figures will be restated. Subsequently, any adjustments are recognised as errors in the income statement.

Income statement

Revenue

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

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

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

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

Production costs

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

Distribution costs

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

Research and development cost

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

Administrative costs

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

Other operating income

Other operating income contains accounting items of a secondary nature in relation to the Group's main activity, including profit from disposal of intangible and tangible fixed assets, etc. Reimbursements and subsidies are recognized when it is more likely than not that they will be received and that the conditions is fulfilled.

Other operating costs

Other operating costs contain accounting items of a secondary nature in relation to the Group's activities, including losses on disposal of intangible and tangible fixed assets.

Financial income and expenses

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

Tax for the year

The Parent Company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. Danish subsidiaries are included in the joint taxation arrangement from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

The Parent Company acts as administration company for the joint taxation arrangement and consequently settles all corporate income tax payments with the tax authorities.

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

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

Balance sheet
Intangible assets

Acquired intangible assets are measured at cost less accumulated depreciation. Goodwill is amortised on a straight-line basis over the amortisation period, which is up to 10 years.

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

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

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

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

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

Tangible Assets
Property, plant and equipment

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

Plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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

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

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

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

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

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

Financial fixed assets

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

Leases

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

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

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment is tested 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 Group 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 Group. The objective evidence applied to portfolios is determined based on historical loss experience.

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

Prepayments

Prepayments comprise payment of costs concerning subsequent financial years.

Other receivables

Other receivables consists mainly of VAT.

Equity

Dividend

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

Liabilities

Corporation tax and deferred tax

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

Joint taxation contributions payable and receivable are recognised in the balance sheet as corporation tax receivable or corporation tax payable.

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

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

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

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

Provisions

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

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

Other liabilities

Other liabilities are measured at net realisable value.

Prepayments from customers

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

Share based remuneration

A number of employees are eligible for the warrant programs and matching shares, please refer to note 13 to the consolidated financial statements. For equity-settled warrants and matching shares, the fair value is measured at the time of the grant and is not recognized in the income statement.

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

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

Cash flow statement

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

The cash flow effect of acquisitions and disposals of entities is shown separately in cash flows from investing activities. Cash flows from acquisitions of entities are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of entities are recognised up until the date of disposal.

Cash flows from operating activities

Cash flows from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital, interest received and paid as well as corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities, activities and intangible assets, property, plant and equipment and investments. Dividends received regarding securities are also considered investing activities.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt and payment of dividend to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a remaining term of three months or less that are subject to only minor risks of changes in value.

2 SEGMENT INFORMATION

Information regarding activities and geographical markets is omitted, cf. Danish Financial Statements Act § 96.1, as the company's Management has assessed that the inclusion of the information may cause significant damage to the group.

The basis for Management's assessment is that the group operates in markets with few major global competitors, just as the group's product range is narrow. Disclosure of information relating to geographical segments or business segments in the annual report will be of great value to competitors and thus harmful to the 3Shape Group.

3 DEPRECIATION OF INTANGIBLE AND TANGIBLE ASSETS

DKK thousands	**2022**	**2021**
Amortisation on intangible assets	21,072	12,192
Depreciation on tangible assets	30,780	27,221
Total	**51,852**	**39,413**
Depreciation is recognised in the income statement as follows:		
Production costs	5,724	5,952
Distribution costs	10,765	10,459
Research & development costs	2,071	206
Administration costs	33,292	22,796
Total	**51,852**	**39,413**

4 FINANCIAL INCOME AND EXPENSES

DKK thousands	**2022**	**2021**
Interest income	2,859	1,709
Foreign exchange gains	45,980	14,901
Other financial income	522	3,471
Financial income	**49,361**	**20,081**
Interest expenses	-1,843	-3,746
Foreign exchange losses	-13,179	-
Other financial expenses	-1,046	-435
Financial expenses	**-16,068**	**-4,181**
Total financial income and expenses	**33,293**	**15,900**

5 INTANGIBLE ASSETS

DKK thousands	Software	Patents	Goodwill	Intangible assets under construction	Total intangible assets
Acquisition					
1 January 2022	28,375	57,583	70,843	1,510	158,311
Additions	5,702	6,245	-	-	11,947
Transferred	1,510	-	-	-1,510	-
31 December 2022	**35,587**	**63,828**	**70,843**	**-**	**170,258**
Amortisation and impairment losses					
1 January 2022	20,117	25,854	20,768	-	66,739
Amortisation	2,884	11,690	6,498	-	21,072
31 December 2022	**23,001**	**37,544**	**27,266**	**-**	**87,811**
Carrying amount at:					
31 December 2022	**12,586**	**26,284**	**43,577**	**-**	**82,447**

6 TANGIBLE ASSETS

DKK thousands	Fixtures and fittings, tools and equipment	Fittings of Leasehold	Tangible assets under construction	Total
Acquisition				
1 January 2022	76,324	58,917	394	135,635
Additions	24,858	6,344	2,961	34,163
Disposals	-5,038	-	-	-5,038
31 December 2022	**96,144**	**65,261**	**3,355**	**164,760**
Depreciation and impairment losses				
1 January 2022	43,011	30,445	-	73,456
Depreciation	17,924	12,856	-	30,780
Disposals	-5,038	-	-	-5,038
31 December 2022	**55,897**	**43,301**	**-**	**99,198**
Carrying amount at:				
31 December 2022	**40,247**	**21,960**	**3,355**	**65,562**

7 FINANCIAL ASSETS

DKK thousands	2022	2021
1 January	15,856	18,797
Additions	1,036	2,411
Disposals	-1,711	-5,352
31 December	**15,181**	**15,856**

8 SHARE CAPITAL

The share capital comprises 181,890 class A shares of DKK 0.1 each, 4,673,680 class B shares of DKK 0.1 each and 526,080 class C shares of DKK 0.1 each. Each A, B and C share of DKK 0.1 per share carries 1 vote. Development in share capital during the past five years.

DKK thousands	2022	2021	2020	2019	2018
Opening balance	534	531	531	530	526
Capital increase	4	3	-	1	4
Total	**538**	**534**	**531**	**531**	**530**

9 PROVISIONS

DKK thousands	2022	2021
Warranties		
Cost 1 January	15,387	10,290
Additions for the year	7,669	13,635
Utilised during the year	-7,435	-8,538
Unutilised warranty commitments, reversed	-4,021	-
Total	**11,600**	**15,387**
Provisions are expected to mature within:		
0-1 years	**5,800**	**7,510**
2-5 years	**5,800**	**7,877**

10 OTHER PAYABLES

DKK thousands	2022	2021
Other payables are expected to mature within:		
0-1 years	62,178	75,715
2-5 years	58	145
31 December	**62,236**	**75,860**

Other payables primarly relate to employee costs.

11 PREPAYMENTS

DKK thousands	2022	2021
Software licenses	24,943	21,347
31 December	**24,943**	**21,347**

Prepayments comprise mainly software costs incurred concerning subsequent financial years.

12 PREPAYMENTS FROM CUSTOMERS

DKK thousands	2022	2021
Prepayments from customers are expected to mature within:		
0-1 years	369,361	324,898
2-5 years	44,121	54,729
> 5 years	-	159
Total	**413,482**	**379,786**

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.

13 EMPLOYEE COSTS AND INCENTIVE PLANS

DKK thousands	2022	2021
Wages and salaries	725,874	592,188
Pensions	14,860	6,137
Other social security costs	46,169	33,000
Other employee costs	22,979	18,503
Total	**809,881**	**649,828**
Average number of full-time employees	**2,022**	**1,735**
Employee costs are recognised in the income statement as follows:		
Production costs	74,181	86,774
Distribution costs	305,229	228,842
Research & development costs	294,332	221,842
Administration costs	136,139	112,370
Total	**809,881**	**649,828**

Remuneration to the company's Management amounts to:	2022	2021
Management and Board of Directors	12,614	11,862
Total	**12,614**	**11,862**

Incentive plans

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

14 OTHER RECEIVABLES

DKK thousands	2022	2021
Other receivables	-	28
VAT	37,029	38,383
Total	**37,029**	**38,411**

15 DEFERRED TAX

	Assets		Liabilites		Net assets	
DKK thousands	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Intangible assets	10,074	8,370	12,210	11,273	-2,136	-2,903
Tangible assets	6,120	4,191	391	570	5,729	3,621
Receivables	3,881	3,455	-5,614	-3,160	9,495	6,615
Inventory	22,078	18,913	1,036	1,036	21,042	17,877
Provisions	5,277	3,838	872	-	4,405	3,838
Liabilities other than provisions	1,032	758	39	44	993	714
Tax loss carryforwards	-	-	28	28	-28	-28
Total	**48,462**	**39,525**	**8,962**	**9,791**	**39,500**	**29,734**
Offsetting		-3,502	-	-3,502	-	-
Total	**48,462**	**36,023**	**8,962**	**6,289**	**39,500**	**29,734**

Net changes in deferred tax

DKK thousands	**2022**	**2021**
Deferred tax at 1 January	29,734	25,421
Deferred tax adjustment for the year	9,766	4,313
Total	**39,500**	**29,734**

The foreign subsidiaries within the Group does not have any unused or recognized tax losses from previous years.

16 CONTRACTUAL OBLIGATIONS AND CONTINGENCIES, ETC.

Contingencies

DKK thousands	2022	2021
Bank guarantee	350	350
Total	**350**	**350**

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

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

Operating commitments

DKK thousands	2022	2021
Purchase contracts	256,019	114,690
Rental- and lease obligations	134,643	158,784
Total	**390,662**	**273,474**

Remaining term is between 1 and 72 months.

17 RELATED PARTIES

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

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

- Clausen Engineering ApS, Copenhagen
- Deichmann Media ApS, Copenhagen
- EQT IX JAWS BIDCO S.À R.L, Luxembourg

18 DISTRIBUTION OF PROFIT/LOSS

DKK thousands	2022	2021
Proposed distribution of profit/loss		
Proposed dividend	753,431	268,587
Transferred to retained earnings	119,046	436,800
Total	**872,477**	**705,387**

19 CHANGES IN WORKING CAPITAL

DKK thousands	2022	2021
Changes in inventories	-108,110	-135,779
Changes in receivables	-61,311	-79,335
Other changes in non-current liabilities	-10,258	-28,351
Changes in current liabilities	49,543	120,161
Total	**-130,136**	**-123,304**

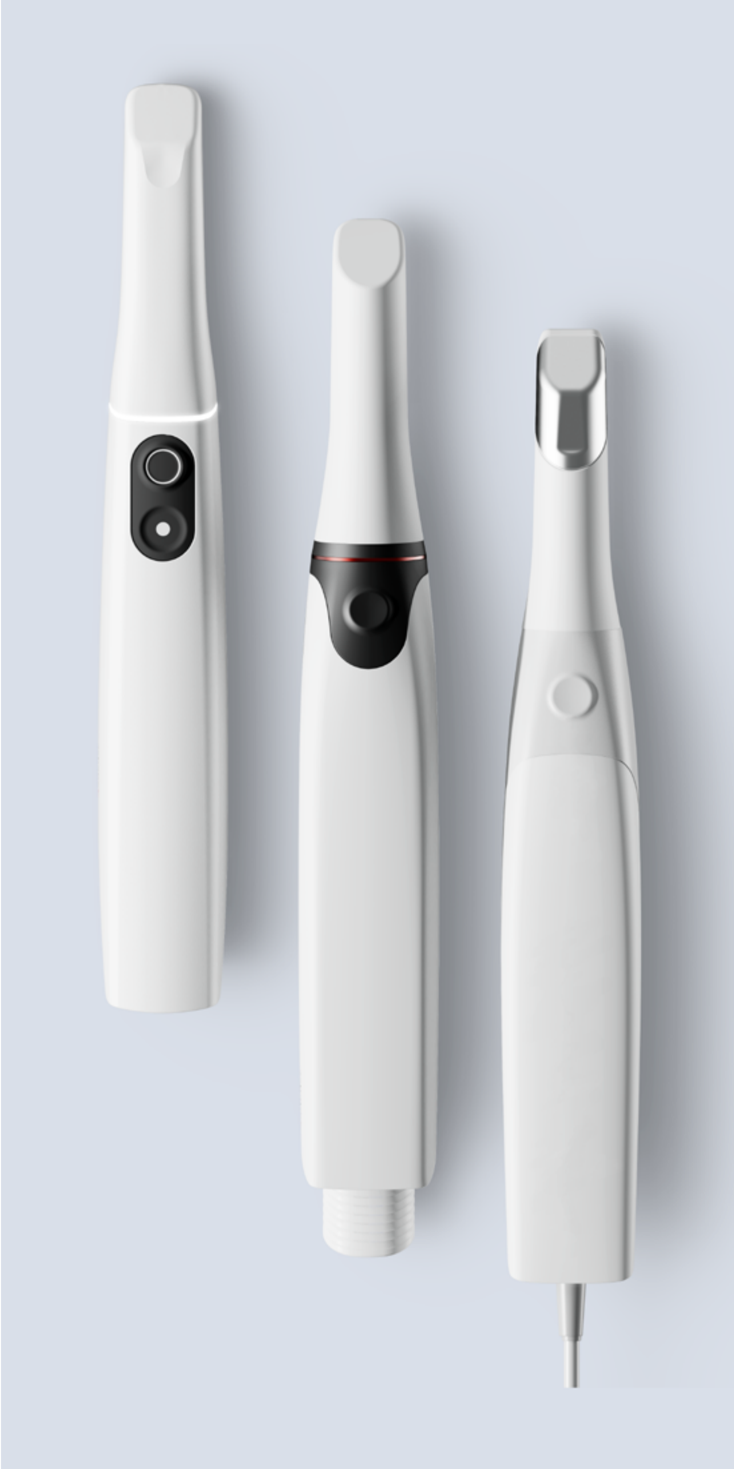
20 REMUNERATION OF THE AUDITOR ELECTED BY GENERAL MEETING

DKK thousands	2022	2021
Fee for statutory audit	1,991	1,042
Tax consultancy	236	321
Other assurance engagements	-	277
Non-audit services	794	42
Total	**3,021**	**1,682**

21 ADJUSTMENTS OF NON-CASH OPERATING ITEMS

DKK thousands	2022	2021
Amortisation on intangible assets	21,072	12,192
Depreciation on tangible assets	30,780	27,221
Foreign exchange gains/losses	-32,801	14,901
Other adjustments	21,803	-6,737
Total	**40,854**	**47,577**

Financial Statement of the Parent Company



	INCOME STATEMENT		
	DKK thousands	**2022**	**2021**
2	Administrative costs	-975	-1,652
	Operating profit/loss	**-975**	**-1,652**
3	Shares of profit/loss in subsidiaries	869,971	704,910
4	Financial income	5,451	6,922
4	Financial expenses	-1,229	-1,039
	Profit/loss before tax	**873,218**	**709,141**
	Tax	-741	-3,754
5	**Profit/loss for the year**	**872,477**	**705,387**
	ASSETS		
3	Equity investments in subsidiaries	1,194,100	565,088
	Financial assets	**1,194,100**	**565,088**
	Total non-current assets	**1,194,100**	**565,088**
	Receivables from affiliated companies	52,667	46,496
	Corporation tax receivable	-	33,541
	Receivables	**52,667**	**80,037**
	Cash	172,868	58,463
	Total current assets	**225,535**	**138,500**
	Total assets	**1,419,635**	**703,588**

	2022	**2021**
LIABILITIES		
Share capital	538	534
Treasury shares	-27,700	-3,344
Premium on issue of shares	88,795	18,201
Net revaluation reserve according to the equity method	193,229	174,217
Retained earnings	317,565	223,490
Proposed dividend	753,431	268,587
Total equity	**1,325,858**	**681,685**
Trade payables	468	2,690
Corporation tax	59,237	-
Owings to affiliated companies	34,072	19,213
Total current liabilities	**93,777**	**19,414**
Total liabilities	**93,777**	**21,903**
Total equity and liabilities	**1,419,635**	**703,588**

Please refer to statement of changes in equity and note 13 in the consolidated financial statements for details on the average number of shares, treasury shares and total number of shares in 3Shape Holding A/S.

STATEMENT OF CHANGES IN EQUITY

	DKK thousands	Share capital	Reserve for treasury shares	Premium on issue of shares	Net revaluation reserve according to the equity method	Retained earnings	Proposed dividend	Total equity
	Equity at 1 January 2022	534	-3,344	18,201	174,217	223,490	268,587	681,685
	Capital increase	4	-	70,594	-	-	-	70,598
	Acquisition of treasury shares	-	-24,356	-	-	-	-	-24,356
5	Transferred via distribution of profit/loss	-	-	-	869,971	-750,925	753,431	872,477
	Expected dividends from subsidiaries	-	-	-	-845,000	845,000	-	-
	Distributed dividends	-	-	-	-	-	-268,587	-268,587
	Foreign exchange adjustments, foreign subsidiary	-	-	-	-5,959	-	-	-5,959
	Equity at 31 December 2022	**538**	**-27,700**	**88,795**	**193,229**	**317,565**	**753,431**	**1,325,858**

Expected dividends from subsidiaries have been approved before the general meeting of 3Shape Holding A/S and therefore, in accordance with the rules of the Danish Financial Statements Act for the principle of simultaneity, transferred from the net revaluation reserve using the equity method to the transferred result.

1 ACCOUNTING POLICIES

The financial statements of the parent company have been prepared in accordance with the Danish Financial Statements Act (Class C large).

The accounting policies for the financial statements of the parent company are unchanged from the previous financial year. The accounting policies are the same as for the consolidated financial statements with the adjustments described below. For a description of the accounting policies of the Group, please refer to the consolidated financial statements.

No separate statement of cash flows has been prepared for the parent company; please refer to the statement of cash flows for the Group.

Equity investments in subsidiaries and associates in the parent company financial statements

Equity investments in subsidiaries are measured according to the equity method in the parent company financial statements.

The Parent Company has chosen to consider the equity method as a measurement method.

On initial recognition, equity investments in subsidiaries are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding the consolidated financial statements above.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies in the consolidated financial statements. Negative goodwill is recognised in the income statement.

Dividend received is deducted from the carrying amount.

Equity investments in subsidiaries and associates measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

Net revaluation reserve according to the equity method

Net revaluation of equity investments in subsidiaries is recognised at cost in the net revaluation reserve according to the equity method. The reserve can be eliminated in case of losses, realisation of equity investments or changes in accounting estimates. The reserve cannot be recognised at a negative amount.

Expected dividends from subsidiaries have been approved before the general meeting of 3Shape Holding A/S and therefore, in accordance with the rules of the Danish Financial Statements Act for the principle of simultaneity, transferred from the net revaluation reserve using the equity method to the transferred result.

2 EMPLOYEE COSTS AND REMUNERATION

For information regarding remuneration to the Board of Directors and Executive Management, please refer to note 13 to the consolidated financial statements.

3 FINANCIAL ASSETS

DKK thousands	**Equity investments in subsidiaries**
Cost	
1 January 2022	155,871
Additions	-
31 December 2022	**155,871**
Value adjustments	
1 January 2022	409,217
Foreign exchange adjustment	-5,959
Distributed dividends	-235,000
Profit/loss for the year	869,971
Value adjustments at 31 December 2022	**1,038,229**
Carrying amount at 31 December 2022	**1,194,100**

3 FINANCIAL ASSETS (CONTINUED)

Subsidiaries	Equity investments in subsidiaries	Resident
3Shape (Shanghai) Co., Ltd.	100%	China
3Shape A/S	100%	Denmark
3Shape UK Limited	100%	UK
3Shape A/S Medical Equipment Manufacture Shangai Limited	100%	China
3Shape Australia Pty Ltd	100%	Australia
3Shape do Brasil Soluções Tecnológicas para Saúde Ltda.	100%	Brazil
3Shape France SAS	100%	France
3Shape Germany GmbH	100%	Germany
3Shape Inc.	100%	USA
3Shape Italy SRL	100%	Italy
3Shape Japan GK	100%	Japan
3Shape Korea Limited	100%	South Korea
3Shape Manufacturing US, LLC	100%	USA
3Shape Medical A/S	100%	Denmark
3Shape Poland sp. z o.o.	100%	Poland
3Shape S.A.S.	100%	Colombia
3Shape Trios A/S	100%	Denmark
3Shape Trios S.L.	100%	Spain
3Shape Ukraine Ltd.	100%	Ukraine
3Shape LLC Skojpe (Macedonia)	100%	Northern Macedonia
FullContour LLC	100%	USA
FullContour Costa Rica Bosque	100%	Costa Rica
FullContour China	100%	China
SC Investment Company, LLC	100%	USA
SoundBiteTechnology LLC	100%	USA

4 FINANCIAL INCOME AND EXPENSES

DKK thousands	2022	2021
Interest income	1,510	1,514
Foreign exchange gains	3,377	3,425
Other financial income	564	1,983
Financial income	**5,451**	**6,922**
Interest expenses	-512	-845
Other financial expenses	-717	-194
Financial expenses	**-1,229**	**-1,039**
Total financial income and expenses	**4,222**	**5,883**

5 DISTRIBUTION OF PROFIT/LOSS

DKK thousands	2022	2021
Proposed distribution of profit/loss		
Proposed dividend	753,431	268,587
Reserve for net revaluation according to equity method	869,971	704,910
Transferred to retained earnings	-750,925	-268,110
Total	**872,477**	**705,387**

6 CONTRACTUAL OBLIGATIONS AND CONTINGENCIES, ETC.

The Parent Company is jointly taxed with the Danish subsidiaries. As administration company, the Parent Company has unlimited joint and several liability, together with the subsidiaries, for payment of Danish corporation taxes and withholding taxes on dividends, interest and royalties within the joint taxation group. Any subsequent corrections of income subject to joint taxation and withholding taxes, etc., may entail that the entities' liability will increase. The Group as a whole is not liable to any third parties.

7 RELATED PARTIES

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