



Annual report 2021

3shape Holding A/S

Approved at the Company's annual general meeting
Chair of the meeting:

A handwritten signature in blue ink, appearing to read 'Sandra Sobfeldt', is written over a dotted line.

Sandra Sobfeldt

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

3shape 

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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 2021 and of the results of their operations and consolidated cash flows for the financial year 1 January - 31 December 2021.

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, 14 March 2022
Executive Board:

Jakob Just-Bomholt

Accordium eSign ID: 31366518009737054647P

Jakob Just-Bomholt (CEO)

Board of Directors:

Jørgen F. Jensen

Accordium eSign ID: 31366518009737054647P

Jørgen Falkebo Jensen (Chairperson)

Tais Clausen

Accordium eSign ID: 929382287761e

Tais Clausen (Vice chairperson)

Nikolaj Deichmann

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Nikolaj Deichmann (Vice chairperson)

Henriette Schütze

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Henriette Schütze

Mikael Worning

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Mikael Worning

Mads M. Ditlevsen

Accordium eSign ID: 00283b6c30a6d39a4d80784e

Mads Munkholt Ditlevsen

STATEMENT BY MANAGEMENT

INDEPENDENT AUDITOR'S REPORT

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 A/S for the financial year 1 January – 31 December 2021, 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 2021 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 2021 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' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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.

INDEPENDENT AUDITOR'S REPORT

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.

INDEPENDENT AUDITOR'S REPORT

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 14 March 2022

EY Codkendt Revisionspartnerselskab

CVR-nr. 3070 0228


Kenneth Hartmann

statsaut. revisor

mne40036


Morten Weinreich Larsen

statsaut. revisor

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MANAGEMENT'S REVIEW

| Financial highlights for the Group | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|-----------|-----------|-----------|-----------|-----------|
| DKK thousands | | | | | |
| Revenue | 2,585,966 | 1,719,118 | 1,714,871 | 1,660,771 | 1,554,531 |
| Gross profit/loss | 1,918,761 | 1,177,293 | 1,171,423 | 1,204,390 | 1,171,343 |
| Operating profit/loss | 889,274 | 262,736 | 139,947 | 278,308 | 584,868 |
| Net financials | 15,900 | -22,785 | 5,624 | 7,352 | -4,886 |
| Profit/loss for the year | 705,387 | 194,869 | 114,203 | 218,098 | 449,774 |
| Assets | 1,395,942 | 1,646,346 | 1,733,776 | 1,183,949 | 1,290,710 |
| Investments in property, plant and equipment | -15,871 | -18,456 | -70,495 | -32,724 | -13,386 |
| Equity | 681,685 | 1,034,699 | 854,751 | 731,752 | 861,464 |
| Key figures | | | | | |
| Yield | 58.5% | 15.5% | 9.6% | 22.5% | 53.9% |
| Solvency ratio | 48.8% | 62.8% | 49.3% | 61.8% | 66.7% |
| Return on equity | 82.2% | 20.6% | 14.4% | 27.4% | 62.1% |
| Average number of full-time employees | 1,735 | 1,668 | 1,725 | 1,450 | 1,117 |

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

Yield: Operating profit or loss/average assets

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

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

Financial highlights from 2017 to 2020 have been restated (refer to Accounting Policies)

MANAGEMENT'S REVIEW

3Shape Holding A/S

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 laboratories, clinics and hearing aid manufacturers.

Developments in activities and economic conditions

The Group's turnover in 2021 amounts to DKK 2,585,966 thousand compared to DKK 1,719,118 thousand in 2020. Profit amounted to DKK 705,387 thousand, a 262% increase compared to 2020, and the equity was DKK 681,685 thousand per 31 December 2021. During 2021, the company distributed ordinary dividends of 267,001 DKKt and extraordinary dividends of 801,428 DKKt.

Adjustment of comparison figures and opening balance

Due to incorrect timing of revenue recognition in the 2020 annual report and in previous years Management has decided to adjust comparison figures and the opening balance of 1. January 2021 to reflect a true and fair view of the 2021 annual report. Reference is made to accounting policies for a detailed description of the corrections.

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.

Currency risks

The Group's sales of goods are invoiced in EUR, USD and CNY. A significant proportion of the Group's costs are incurred in currencies other than DKK and EUR, primarily in USD and PLN. As a result, the Group is exposed to currency risks.

Currency risks are monitored on an ongoing basis.

Financial risks

The Group's excess liquidity is invested in selected banks.

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 to be introduced in the coming years.

3Shape Holding A/S

Own shares

As at 31 December 2021 3Shape Holding A/S owned 616 shares which corresponds to 0,1% of the total shares. The Board has decided 3Shape Holding A/S can hold 1,000 own shares.

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

The Group's corporate social responsibility is driven by the overall goal of creating value through good relationships with customers, partners, employees and the communities in the countries in which 3Shape operates. The Group prioritizes corporate social responsibility, 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 and social impacts. Sustainable development is an essential driving force in society. The Group is committed to supporting the UN Sustainable Development Goals, with a focus on SDGs # 3, 5 and 9. These three 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: www.3shape.com/ESG2021.

Data ethics policy in accordance with section 99D

During 2021, a data ethics policy was developed and implemented to ensure responsible and sustainable data management. Please go to <https://www.3shape.com/en/data-ethics-policy> for further information.

Events after the balance sheet date

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

3Shape Holding A/S

Align Technology Inc. brought in 2017 and 2018 a number of lawsuits partly at the US International Trade Commission and partly at the District Court of Delaware against companies in the 3Shape group regarding alleged patent infringements. In 2020, Align filed a further lawsuit in the District Court of the Western District of Texas regarding alleged patent infringements. On 7 February 2022 Align and 3Shape agreed on settling all pending lawsuits between the parties.

2022 outlook

3Shape's ambition is to generate long-term annual revenue growth, while maintaining an attractive profitability margin. Based on the current business environment, the current product pipeline, 3Shape's market position, and planned investments, the expectation for 2022 is to grow revenue and profit. However, based on current geopolitical environment and COV-19 outbreak, there is increased uncertainty regarding demand in the dental industry, which may impact 3Shape's short-term performance.

MANAGEMENT'S REVIEW

CONSOLIDATED FINANCIAL STATEMENTS -
INCOME STATEMENT

| Note | | 2021 | 2020 |
|------|---------------------------------|------------------|------------------|
| | DKK thousands | | |
| 2 | Revenue | 2,585,966 | 1,719,118 |
| 3.13 | Production costs | -667,205 | -541,826 |
| | Gross profit/loss | 1,918,761 | 1,177,293 |
| 3.13 | Distribution costs | -380,294 | -336,608 |
| 3.13 | Research & development costs | -228,001 | -236,534 |
| 3.13 | Administrative expenses | -421,192 | -341,415 |
| | Operating profit/loss | 889,274 | 262,736 |
| 4 | Financial income | 20,081 | 6,428 |
| 4 | Financial expenses | -4,181 | -29,213 |
| | Profit/loss before tax | 905,174 | 239,951 |
| 14 | Tax | -199,787 | -45,082 |
| 17 | Profit/loss for the year | 705,387 | 194,869 |

3Shape Holding A/S

CONSOLIDATED FINANCIAL STATEMENTS -
BALANCE SHEET

| Note | Assets | 2021 | 2020 |
|------|-------------------------------------|------------------|------------------|
| | DKK thousands | | |
| 5 | Intangible fixed assets | 91,572 | 55,596 |
| 6 | Property, plant and equipment | 62,179 | 76,687 |
| 7 | Financial assets | 15,856 | 18,797 |
| | Total non-current assets | 169,607 | 151,080 |
| | Raw materials and consumables | 200,804 | 89,601 |
| | Work in progress | 36,415 | 25,526 |
| | Finished goods and goods for resale | 49,028 | 35,341 |
| | Inventories | 286,247 | 150,468 |
| | Trade receivables | 316,683 | 267,409 |
| | Corporation tax receivable | 35,130 | 18,870 |
| 14 | Deferred tax assets | 36,023 | 33,192 |
| | Other receivables | 38,411 | 29,586 |
| 11 | Prepayments | 21,347 | 19,202 |
| | Receivables | 447,594 | 368,259 |
| | Securities and investments | - | 136,536 |
| | Cash | 492,494 | 850,803 |
| | Total current assets | 1,226,335 | 1,506,066 |
| | Total assets | 1,395,942 | 1,657,146 |

| Note | Equity and liabilities | 2021 | 2020 |
|------|--------------------------------------|------------------|------------------|
| | DKK thousands | | |
| 8 | Share capital | 534 | 531 |
| | Premium on issue of shares | 18,201 | 7,271 |
| | Treasury shares | -3,344 | - |
| | Retained earnings | 397,707 | 759,896 |
| | Proposed dividend | 268,587 | 267,001 |
| | Total equity | 681,685 | 1,034,698 |
| 14 | Deferred tax liabilities | 6,289 | 7,771 |
| 10 | Other payables | 145 | 29,957 |
| 9 | Provisions | 7,877 | 5,145 |
| 12 | Prepayments from customers | 54,888 | 54,677 |
| | Total non-current liabilities | 69,199 | 97,550 |
| 9 | Provisions | 7,510 | 5,145 |
| 12 | Prepayments from customers | 324,898 | 274,027 |
| | Trade payables | 223,933 | 156,539 |
| | Corporation tax | 13,002 | 4,933 |
| 10 | Other payables | 75,715 | 84,253 |
| | Total current liabilities | 645,058 | 524,897 |
| | Total liabilities | 714,257 | 622,447 |
| | Total equity and liabilities | 1,395,942 | 1,657,146 |

**CONSOLIDATED FINANCIAL STATEMENTS -
STATEMENT OF CHANGES IN EQUITY AND CASH FLOW STATEMENT**

| Note | Statement of changes in equity | Share capital | Premium on issue of shares | Reserve for treasury shares | Retained earnings | Proposed dividend | Total equity |
|------|--|---------------|----------------------------|-----------------------------|-------------------|-------------------|----------------|
| | DKK thousands | | | | | | |
| | Equity at 1 January 2021 according to the annual report 2020 | 531 | 7,271 | - | 798,772 | 267,001 | 1,073,575 |
| | Correction of the opening equity | - | - | - | -38,876 | - | -38,876 |
| | Equity at 1 January 2021 (restated) | 531 | 7,271 | - | 759,896 | 267,001 | 1,034,699 |
| | Capital increase | 3 | 10,930 | - | - | - | 10,933 |
| | Acquisition of treasury shares | - | - | -3,344 | - | - | -3,344 |
| 17 | Transferred via distribution of profit/loss | - | - | - | 436,800 | 268,587 | 705,387 |
| | Distributed dividends | - | - | - | - | -267,001 | -267,001 |
| | Extraordinary dividend | - | - | - | -801,428 | - | -801,428 |
| | Foreign exchange adjustments, foreign subsidiary | - | - | - | 2,439 | - | 2,439 |
| | Equity at 31 December 2021 | 534 | 18,201 | -3,344 | 397,707 | 268,587 | 681,685 |

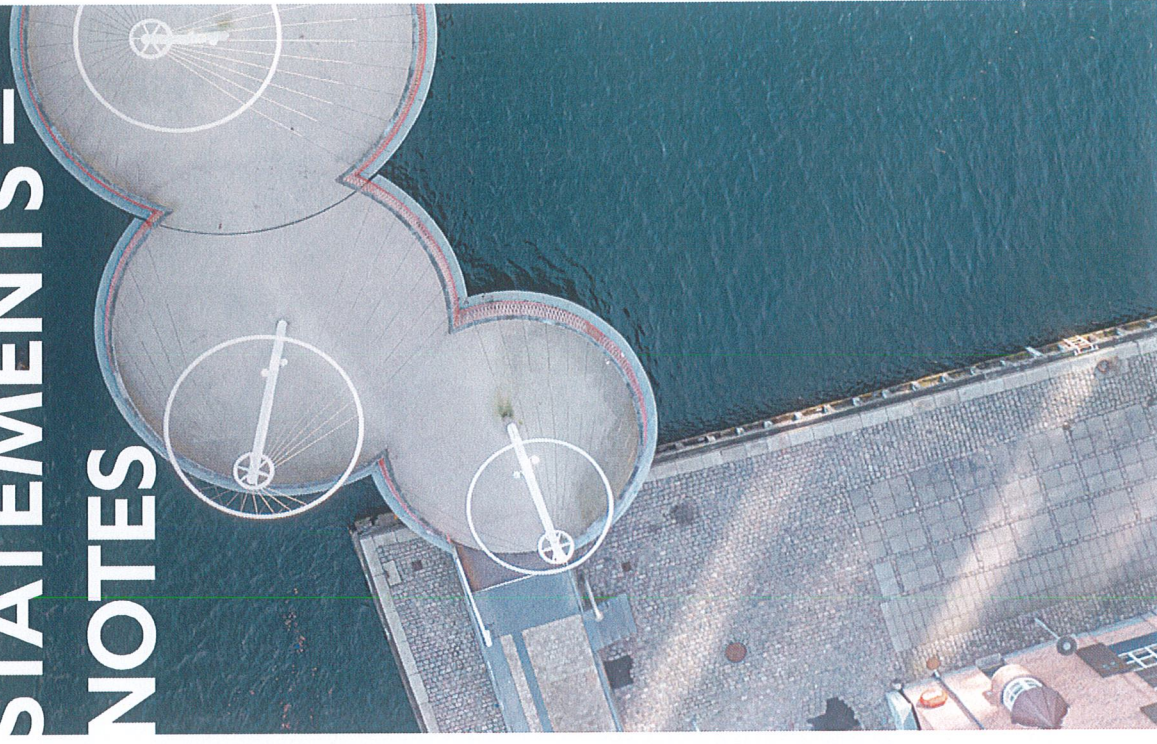
3Shape Holding A/S

| | 2021 | 2020 |
|--|-------------------|----------------|
| Cash flow statement | | |
| Profit/loss for the year | 705,387 | 194,869 |
| Adjustments of non-cash operating items | 47,577 | 3,944 |
| Cash generated from operations before changes in working capital | 752,964 | 198,813 |
| Changes in working capital | -123,304 | 186,236 |
| Cash generated from operations | 629,660 | 385,049 |
| Cash flows from operating activities | | |
| 5 Acquisition of intangible assets | -49,174 | -7,057 |
| 5 Disposals of intangible assets | 760 | 3,859 |
| 6 Acquisition of property, plant and equipment | -15,871 | -18,456 |
| 6 Disposal of property, plant and equipment | 5,835 | 26,483 |
| 7 Acquisition of financial assets | -2,411 | -4,891 |
| 7 Disposals of financial assets | 5,352 | 5,525 |
| Received dividends | - | - |
| Disposal of securities | 135,969 | 11,803 |
| Cash flows from investing activities | 80,460 | 17,266 |
| Paid dividends | -1,068,429 | - |
| Cash flow from financing activities | -1,068,429 | - |
| Cash flows for the year | | |
| Cash and cash equivalents, beginning of year | 850,803 | 448,488 |
| Cash and cash equivalents, year end | 492,494 | 850,803 |

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CONSOLIDATED FINANCIAL STATEMENTS – NOTES



1. ACCOUNTING POLICIES

The annual report of 3Shape Holding A/S for 2021 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities. In general the accounting policies used in the preparation of the financial statements are consistent with those of last year, however, comparison figures and opening value of equity have been changed to reflect incorrect timing of revenue recognition in the 2020 annual report and in previous years. The correction relates to recognition of first year software license sold together with scanner products which according to accounting principles is to be recognized on a straight-line basis over the license period. In 2020 and in previous years the revenue from first year software licenses has been recognized upon completion of the sale of the scanner product. With reference to a true and fair view Management has decided to correct the comparison figures and opening value of the equity in the annual report for 2021. Additionally the financial highlights presented in the Management Review has been adjusted accordingly.

Restatement of comparison figures

The comparison figures have been restated due to incorrect revenue recognition of term-based licenses in previous years. The correction to the opening equity for 2020 amounts to a negative adjustment of DKK 38,876 thousand and the opening balance of prepayments from customers increased by DKK 49,676 thousand and corporation tax receivable increased by DKK 10,800 thousand. The income statement for 2020 has been restated accordingly with a positive impact on revenue of DKK 5,611 thousand. The Parent Company measures investments in subsidiaries at equity method and the corrections described above is reflected accordingly in the opening equity for 2020, investments in subsidiaries and comparison figures in the financial statements for the parent company.

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 Group's accounting policies. 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. Unrealised gains on transactions with associates are eliminated in proportion to the Group's interest in the entity.

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.

3Shape Holding A/S

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 translation reserve under equity.

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

CONSOLIDATED FINANCIAL STATEMENTS - NOTES

ACCOUNTING POLICIES (CONTINUED)

3Shape Holding A/S

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.

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.

CONSOLIDATED FINANCIAL STATEMENTS - NOTES

ACCOUNTING POLICIES (CONTINUED)

3Shape Holding A/S

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 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.

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. 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.

CONSOLIDATED FINANCIAL STATEMENTS - NOTES

ACCOUNTING POLICIES (CONTINUED)

3Shape Holding A/S

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.

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.

Tangible Assets Property, plant and equipment

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 – 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

CONSOLIDATED FINANCIAL STATEMENTS - NOTES

ACCOUNTING POLICIES (CONTINUED)

3Shape Holding A/S

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.

Leases

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

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

Impairment of non-current assets

The carrying amount of intangible assets 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.

CONSOLIDATED FINANCIAL STATEMENTS - NOTES

ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED FINANCIAL STATEMENTS - NOTES

ACCOUNTING POLICIES (CONTINUED)

3Shape Holding A/S

Receivables

Receivables are measured at amortised cost.

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

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

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

Securities and investments

Securities and investments consisting in listed shares and bonds are measured at fair value (market price) at the balance sheet date.

Equity

Translation reserve

The translation reserve comprises the share of foreign exchange differences arising on translation of financial statements of entities that have a functional currency other than DKK, foreign exchange adjustments of assets and liabilities considered part of the Company's net investments in such entities and foreign exchange adjustments regarding hedging transactions that hedge the Company's net investments in such entities. The reserve is dissolved on the sale of foreign entities. When equity investments in subsidiaries and associates in the parent company financial statements are subject to the limitation requirement in the net revaluation reserve according to the equity method, foreign exchange adjustments will be included in this equity reserve instead.

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.

CONSOLIDATED FINANCIAL STATEMENTS - NOTES

ACCOUNTING POLICIES (CONTINUED)

3Shape Holding A/S

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.

3Shape Holding A/S

Prepayments from customers

Prepayments from customers recorded as liabilities comprise payments from customers concerning subsequent financial years and accrual of revenue from time-limited software licenses, which is recognized on a straight-line basis over the license period in accordance with the contract entered into.

Share based remuneration

The Group's equity-based share payment schemes in the form of warrants are recognized as an equity transaction at the time of exercise.

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.

CONSOLIDATED FINANCIAL STATEMENTS - NOTES ACCOUNTING POLICIES (CONTINUED)

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.

CONSOLIDATED FINANCIAL STATEMENTS - NOTES

| 3 DEPRECIATION OF INTANGIBLE AND TANGIBLE ASSETS | | | |
|--|---------------|---------------|--|
| DKK thousands | 2021 | 2020 | |
| Amortisation on intangible assets | 12,192 | 11,353 | |
| Depreciation on tangible assets | 27,221 | 41,748 | |
| Total | 39,413 | 53,101 | |

| 4 FINANCIAL INCOME AND EXPENSES | | | |
|--|---------------|----------------|--|
| DKK thousands | 2021 | 2020 | |
| Interest income | 1,709 | 5,099 | |
| Foreign exchange gains | 14,901 | - | |
| Other financial income | 3,471 | 1,329 | |
| Financial income | 20,081 | 6,428 | |
| Interest expenses | -3,746 | -5,819 | |
| Foreign exchange losses | - | -21,563 | |
| Other financial expenses | -435 | -1,831 | |
| Financial expenses | -4,181 | -29,213 | |
| Total financial income and expenses | 15,900 | -22,785 | |

CONSOLIDATED FINANCIAL STATEMENTS - NOTES

| 5 INTANGIBLE ASSETS | Software | Patents | Goodwill | Intangible assets under construction | Total intangible assets |
|---|---------------|---------------|---------------|--------------------------------------|-------------------------|
| DKK thousands | | | | | |
| Acquisition | | | | | |
| 1 January 2021 | 20,433 | 50,008 | 39,273 | - | 109,714 |
| Additions | 7,759 | 8,335 | 31,570 | 1,510 | 49,174 |
| Transferred | 183 | - | - | - | 183 |
| Disposals | - | -760 | - | - | -760 |
| 31 December 2021 | 28,375 | 57,583 | 70,843 | 1,510 | 158,311 |
| Amortisation and impairment losses | | | | | |
| 1 January 2021 | 16,169 | 20,718 | 17,231 | - | 54,118 |
| Amortisation | 3,583 | 5,139 | 3,470 | - | 12,192 |
| Transferred | 365 | 151 | 67 | - | 583 |
| Disposals | - | -154 | - | - | -154 |
| 31 December 2021 | 20,117 | 25,854 | 20,768 | - | 66,739 |
| Carrying amount at: | | | | | |
| 31 December 2021 | 8,258 | 31,729 | 50,075 | 1,510 | 91,572 |

CONSOLIDATED FINANCIAL STATEMENTS - NOTES

| 6 TANGIBLE ASSETS | | | | | |
|---|--|-----------------------|------------------------------------|----------------|--|
| DKK thousands | Fixtures and fittings, tools and equipment | Fittings of Leasehold | Tangible assets under construction | Total | |
| Acquisition | | | | | |
| 1 January 2021 | 67,554 | 58,228 | - | 125,782 | |
| Additions | 13,464 | 2,013 | 394 | 15,871 | |
| Transferred | 108 | -291 | - | -183 | |
| Disposals | -4,802 | -1,033 | - | -5,835 | |
| 31 December 2021 | 76,324 | 58,917 | 394 | 135,635 | |
| Depreciation and impairment losses | | | | | |
| 1 January 2021 | 29,505 | 19,590 | - | 49,095 | |
| Depreciation | 15,671 | 11,550 | - | 27,221 | |
| Transferred | -449 | -134 | - | -583 | |
| Disposals | -1,716 | -561 | - | -2,277 | |
| 31 December 2021 | 43,011 | 30,445 | - | 73,456 | |
| Carrying amount at: | | | | | |
| 31 December 2021 | 33,313 | 28,472 | 394 | 62,179 | |

CONSOLIDATED FINANCIAL STATEMENTS - NOTES

| 7 FINANCIAL ASSETS | | 9 PROVISIONS | |
|-------------------------|---------------|---|---------------|
| DKK thousands | Deposits | DKK thousands | Total |
| 1 January 2021 | 18,797 | Cost 1 January 2021 | 10,290 |
| Additions | 2,411 | Adjustment for the year | 5,097 |
| Disposals | -5,352 | 31 December 2021 | 15,387 |
| 31 December 2021 | 15,856 | Provisions are expected to mature within: | |
| | | 0-1 years | 7,877 |
| | | 2-5 years | 7,510 |

8 SHARE CAPITAL

The share capital comprises 534,427 class A shares of 1 DKK each. Development in share capital during the past five years.

| DKK thousands | 2021 | 2020 | 2019 | 2018 | 2017 |
|------------------|------------|------------|------------|------------|------------|
| Opening balance | 531 | 531 | 530 | 526 | 526 |
| Capital increase | 3 | - | 1 | 4 | - |
| Total | 534 | 531 | 531 | 530 | 526 |

CONSOLIDATED FINANCIAL STATEMENTS - NOTES

10 OTHER PAYABLES

| DKK thousands | 2021 | 2020 |
|---|---------------|------|
| Other payables are expected to mature within: | | |
| 0-1 years | 75,715 | |
| 2-5 years | 145 | |
| 31 December 2021 | 75,860 | |

Other payables primarily relate to employee costs.

11 PREPAYMENTS

| DKK thousands | 2021 | 2020 |
|-------------------------|---------------|---------------|
| Software licenses | 21,347 | 19,202 |
| 31 December 2021 | 21,347 | 19,202 |

Prepayments comprise mainly software costs incurred concerning subsequent financial years.

12 PREPAYMENTS FROM CUSTOMERS

| DKK thousands | 2021 | 2020 |
|---|----------------|------|
| Prepayments from customers are expected to mature within: | | |
| 0-1 years | 324,898 | |
| 2-5 years | 54,729 | |
| > 5 years | 159 | |
| 31 December 2021 | 379,786 | |

Prepayments from customers recognized under liabilities primarily relate to payments for license subscriptions which cannot be recognized as revenue until a future period.

13 EMPLOYEE COSTS AND INCENTIVE PLANS

| DKK thousands | 2021 | 2020 |
|-----------------------------|----------------|----------------|
| Wages and salaries | 592,188 | 555,051 |
| Pensions | 6,137 | 2,157 |
| Other social security costs | 33,000 | 29,245 |
| Other employee costs | 18,503 | 28,344 |
| Total | 649,828 | 614,797 |

Average number of full-time employees

| Remuneration to the company's Management amounts to: | 2021 | 2020 |
|--|---------------|--------------|
| Management and Board of Directors | 11,862 | 5,783 |
| Total | 11,862 | 5,783 |

Incentive plans

In 2018 to 2021, the Group has established a warrant program for a number of employees and management in the Group. The warrant program was granted in the period 25 June 2018 to 9 April 2021. The total number of shares the Group's employees earn the right to purchase amounts to 2,818 a nom. DKK 1. The warrant program has a term of three years from the time of grant. The average exercise price is DKK 6,340 per share a nom. DKK 1. It is a condition for exercise of granted warrants that the employees in question have not terminated their position in the company / group.

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.

CONSOLIDATED FINANCIAL STATEMENTS - NOTES

| 14 DEFERRED TAX | Assets | | Liabilities | | Net assets | |
|--------------------------------------|---------------|---------------|--------------|---------------|---------------|---------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| DKK thousands | | | | | | |
| Intangible assets | 8,370 | - | 11,273 | 8,855 | -2,903 | -8,855 |
| Tangible assets | 4,191 | 2,697 | 570 | 526 | 3,621 | 2,171 |
| Receivables | 3,455 | 6,529 | -3,160 | 58 | 6,615 | 6,471 |
| Inventory | 18,913 | 23,107 | 1,036 | 1,281 | 17,877 | 21,826 |
| Provisions | 3,838 | 2,698 | - | - | 3,838 | 2,698 |
| Liabilities other than provisions | 758 | 1,170 | 44 | 32 | 714 | 1,138 |
| Tax loss carryforwards | - | - | 28 | 28 | -28 | -28 |
| Total | 39,525 | 36,201 | 9,791 | 10,780 | 29,734 | 25,421 |
| Offsetting | -3,502 | -3,009 | -3,502 | -3,009 | - | - |
| Total | 36,023 | 33,192 | 6,289 | 7,771 | 29,734 | 25,421 |
| Net changes in deferred tax | | | | | | |
| DKK thousand | 2021 | 2020 | | | | |
| Deferred tax at 1 January 2021 | 25,421 | 19,658 | | | | |
| Deferred tax adjustment for the year | 4,313 | 5,763 | | | | |
| 31 December 2021 | 29,734 | 25,421 | | | | |

CONSOLIDATED FINANCIAL STATEMENTS - NOTES

15 CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

| Contingencies | | 2021 | 2020 |
|-------------------------------|--|----------------|----------------|
| DKK thousands | | | |
| Bank guarantee | | 350 | 350 |
| Total | | 350 | 350 |
| Operating commitments | | | |
| DKK thousands | | 2021 | 2020 |
| Purchase contracts | | 114,690 | 27,400 |
| Rental- and lease obligations | | 158,784 | 191,661 |
| Total | | 273,474 | 219,061 |

Remaining term is between 1 and 72 months.

Align Technology Inc. brought in 2017 and 2018 a number of lawsuits partly at the US International Trade Commission and partly at the District Court of Delaware against companies in the 3Shape group regarding alleged patent infringements.

In 2020, Align filed a further lawsuit in the District Court of the Western District of Texas regarding alleged patent infringements. On 7 February 2022 Align and 3Shape agreed on settling all pending lawsuits between the parties.

In 2019, Denysis Ltd filed a lawsuit in the District Court of the Western District of Texas against companies in the 3Shape group regarding alleged patent infringements. The case concerns only the US market, and 3Shape disputes the allegations made. The case was scheduled for trial in 2021, but the trial was postponed due to the COVID-19 situation. The case is now scheduled for trial in 2022.

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

3Shape Holding A/S

16 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

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.

CONSOLIDATED FINANCIAL STATEMENTS - NOTES

17 DISTRIBUTION OF PROFIT/LOSS

| DKK thousands | Group | |
|---|----------------|----------------|
| | 2021 | 2020 |
| Proposed distribution of profit/loss | | |
| Proposed dividend | 268,587 | 267,001 |
| Transferred to retained earnings | 436,800 | -72,132 |
| Total | 705,387 | 194,869 |

19 REMUNERATION OF THE AUDITOR ELECTED BY GENERAL MEETING

| DKK thousands | Group | |
|-----------------------------|--------------|--------------|
| | 2021 | 2020 |
| Fee for statutory audit | 1,042 | 936 |
| Tax consultancy | 321 | 328 |
| Other assurance engagements | 277 | 9 |
| Non-audit services | 42 | 70 |
| Total | 1,682 | 1,343 |

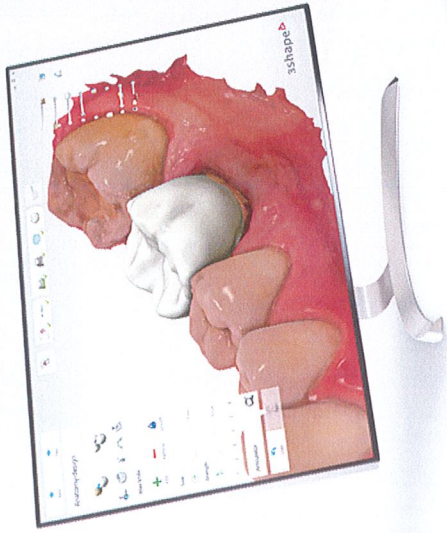
18 CHANGES IN WORKING CAPITAL

| DKK thousands | Group | |
|-------------------------------------|-----------------|----------------|
| | 2021 | 2020 |
| Changes in inventories | -135,779 | 76,063 |
| Changes in receivables | -79,335 | 371,939 |
| Changes in trade and other payables | 120,161 | -272,258 |
| Other changes in working capital | -28,351 | 10,492 |
| Total | -123,304 | 186,236 |

20 SUBSEQUENT EVENTS

On 7 February 2022 Align and 3Shape agreed on settling all pending lawsuits between the parties (refer to note 15).

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



Financial statements
of the parent company

3Shape Holding A/S

FINANCIAL STATEMENTS OF THE PARENT COMPANY

| Note | DKK thousands | 2021 | 2020 |
|------|---------------------------------------|----------------|------------------|
| | Income Statement | | |
| 2 | Administrative costs | -1,652 | -2,958 |
| | Operating profit/loss | -1,652 | -2,958 |
| 3 | Shares of profit/loss in subsidiaries | 704,910 | 195,531 |
| 4 | Financial income | 6,922 | 3,884 |
| 4 | Financial expenses | -1,039 | -6,984 |
| | Profit/loss before tax | 709,141 | 189,473 |
| | Tax | -3,754 | 5,395 |
| 5 | Profit/loss for the year | 705,387 | 194,869 |
| | Assets | | |
| 3 | Equity investments in subsidiaries | 565,088 | 657,702 |
| | Financial assets | 565,088 | 657,702 |
| | Total non-current assets | 565,088 | 657,702 |
| | Receivables from affiliated companies | 46,496 | 81,175 |
| | Corporation tax receivable | 33,541 | - |
| | Prepayments | - | 613 |
| | Receivables | 80,037 | 81,788 |
| | Securities and investments | - | 136,536 |
| | Cash | 58,463 | 182,354 |
| | Total current assets | 138,500 | 400,678 |
| | Total assets | 703,588 | 1,058,379 |

| DKK thousands | 2021 | 2020 |
|--|----------------|------------------|
| Equity and liabilities | | |
| Share capital | 534 | 531 |
| Treasury shares | -3,344 | - |
| Premium on issue of shares | 18,201 | 7,271 |
| Net revaluation reserve according to the equity method | 174,217 | 501,868 |
| Retained earnings | 223,490 | 258,028 |
| Proposed dividend | 268,587 | 267,001 |
| Total equity | 681,685 | 1,034,699 |
| Trade payables | 2,690 | 259 |
| Corporation tax | - | 3,992 |
| Owings to affiliated companies | 19,213 | 19,429 |
| Total current liabilities | 21,903 | 23,680 |
| Total liabilities | 21,903 | 23,680 |
| Total equity and liabilities | 703,588 | 1,058,379 |

Please refer to statement of changes in equity and note 8 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.

3Shape Holding A/S

FINANCIAL STATEMENTS OF THE PARENT COMPANY

| Note | Statement of changes in equity DKK thousands | Share capital | Premium on issue of shares | Reserve for treasury shares | Net revaluation reserve according to the equity method | Retained earnings | Proposed dividend | Total equity |
|------|--|---------------|-------------------------------|--------------------------------|--|----------------------|----------------------|----------------|
| | Equity at 1 January 2021 | 531 | 7,271 | - | 540,744 | 258,028 | 267,001 | 1,073,575 |
| | Correction of the opening equity | - | - | - | -38,876 | - | - | -38,876 |
| | Equity at 1 January 2021 (restated) | 531 | 7,271 | - | 501,868 | 258,028 | 267,001 | 1,034,699 |
| | Capital increase | 3 | 10,930 | - | - | - | - | 10,933 |
| | Treasury shares | - | - | -3,344 | - | - | - | -3,344 |
| 5 | Transferred via distribution of profit/loss | - | - | - | 704,910 | -268,110 | 268,587 | 705,387 |
| | Received dividends from subsidiaries | - | - | - | -800,000 | 800,000 | - | - |
| | Expected dividends from subsidiaries | - | - | - | -235,000 | 235,000 | - | - |
| | Distributed dividends | - | - | - | - | -801,428 | -267,001 | -267,001 |
| | Extraordinary dividend | - | - | - | 2,439 | - | - | -801,428 |
| | Foreign exchange adjustments, foreign subsidiary | - | - | - | - | - | - | 2,439 |
| | Equity at 31 December 2021 | 534 | 18,201 | -3,344 | 174,217 | 223,490 | 268,587 | 681,685 |

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). 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 and associates 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 and associates 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 and associates 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.

FINANCIAL STATEMENTS OF THE PARENT COMPANY

3 FINANCIAL ASSETS

| | Equity investments in subsidiaries |
|--|------------------------------------|
| Cost | |
| 1 January 2021 | 155,834 |
| Additions | 37 |
| 31 December 2021 | 155,871 |
| Value adjustments | |
| 1 January 2021 | 540,744 |
| Correction of the opening equity | -38,876 |
| Foreign exchange adjustment | 2,439 |
| Distributed dividends | -800,000 |
| Profit/loss for the year | 704,910 |
| Value adjustments at 31 December 2021 | 409,217 |
| Carrying amount at 31 December 2021 | 565,088 |

3Shape Holding A/S

FINANCIAL STATEMENTS OF THE PARENT COMPANY

3 FINANCIAL ASSETS (CONTINUED)

| Subsidiaries | Equity investments in subsidiaries | Resident |
|---|---------------------------------------|--------------------|
| 3Shape (Shanghai) Co., Ltd. | 100% | China |
| 3Shape A/S | 100% | Denmark |
| 3Shape Co., Ltd (UK) | 100% | UK |
| 3Shape A/S Medical Equipment Manufacture Shanghai 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 Skopje (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 |

The 3Shape Group has in 2021 acquired foreign shares through a foreign subsidiary. The foreign subsidiaries are fully consolidated in the Groups consolidated statements and contributed with less than 0,5% of the revenue. Management assesses that significant damage to the Group's international competitive situation could be caused by disclosing the companies' names, legal form and registered office, hence this information has been omitted with reference to section 97a (1) of the Danish Financial Statements Act.

FINANCIAL STATEMENTS OF THE PARENT COMPANY

| 4 FINANCIAL INCOME AND EXPENSES | | | |
|--|---------------|---------------|--|
| DKK thousands | 2021 | 2020 | |
| Interest income | 1,514 | 3,380 | |
| Foreign exchange gains | 3,425 | - | |
| Other financial income | 1,983 | 504 | |
| Financial income | 6,922 | 3,884 | |
| Interest expenses | -845 | -1,011 | |
| Foreign exchange losses | - | -5,512 | |
| Other financial expenses | -194 | -461 | |
| Financial expenses | -1,039 | -6,984 | |
| Total financial income and expenses | 5,883 | -3,100 | |

| 5 DISTRIBUTION OF PROFIT/LOSS | | | |
|--|----------------|----------------|--|
| DKK thousands | 2021 | 2020 | |
| Proposed distribution of profit/loss | | | |
| Proposed dividend | 268,587 | 267,001 | |
| Reserve for net revaluation according to equity method | 704,910 | 195,531 | |
| Transferred to retained earnings | -268,110 | -267,663 | |
| Total | 705,387 | 194,869 | |

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.



Accordium Certificate of Completion

"HO Financial annual statement 2021 NEWEST"

HO Financial annual statement 2021 NEWEST



Finalized 20:21 UTC Tue, 22 Mar 2022
Created 12:56 UTC Mon, 21 Mar 2022
File Size 5 MB

Unique ID 7316dd82-543d-476d-81de-06f2d79c46bb
Hash 627191c7522ad35b54a5537cc9edf0b5f7278614
Validated by Accordium Forensic Engine

MW Mikael Worning

Email address: mikael.worning@3shape.com
Action: Sign
Signing Intent: Sign via TurnKey
Completed On: 10:17 UTC Tue, 22 Mar 2022
IP Address: 165.225.194.216
Location: Not supplied
Authentication: [Link](#)

HS Henriette Schütze

Email address: hsc@gubi.dk
Action: Sign
Signing Intent: Sign via TurnKey
Completed On: 08:25 UTC Tue, 22 Mar 2022
IP Address: 188.120.84.203
Location: Not supplied
Authentication: [Link](#)

JF Jørgen F. Jensen

Email address: joergen.jensen@3shape.com
Action: Sign
Signing Intent: Sign via TurnKey
Completed On: 09:42 UTC Tue, 22 Mar 2022
IP Address: 172.109.167.93
Location: Not supplied
Authentication: [Link](#)

TC Tais Clausen

Email address: tais@3shape.com
Action: Sign
Signing Intent: Sign via TurnKey
Completed On: 20:21 UTC Tue, 22 Mar 2022
IP Address: 195.49.232.27
Location: Not supplied
Authentication: [Link](#)



Jakob Just-Bomholt

Email address: jakob.justbomholt@3shape...
Action: Sign
Signing Intent: Sign via TurnKey
Completed On: 15:16 UTC Tue, 22 Mar 2022
IP Address: 195.49.232.130
Location: Not supplied
Authentication: Link



Nikolaj Deichmann

Email address: nikolaj@3shape.com
Action: Sign
Signing Intent: Sign via TurnKey
Completed On: 08:36 UTC Tue, 22 Mar 2022
IP Address: 37.221.107.165
Location: Not supplied
Authentication: Link



Mads M. Ditlevsen

Email address: mads.ditlevsen@eqtpartner...
Action: Sign
Signing Intent: Sign via TurnKey
Completed On: 14:10 UTC Tue, 22 Mar 2022
IP Address: 194.182.21.130
Location: Not supplied
Authentication: Link



Henriette Stakemann

Email address: henriette.stakemann@3sh...
Action: Approve
Completed On: 08:24 UTC Tue, 22 Mar 2022
IP Address: 195.49.232.130
Location: Not supplied
Authentication: Link



Maja Mathisen

Email address: maja.mathisen@3shape.com
Action: Receive
Completed On: 20:21 UTC Tue, 22 Mar 2022
IP Address: Not supplied
Location: Not supplied
Authentication: Email, Password

Audit trail of events

- **Start**
- **12:56 UTC Mon, 21 Mar 2022**
Maja Mathisen created the contract.
- **13:05 UTC Mon, 21 Mar 2022**
Henriette Stakemann was sent a signing invitation.
- **08:23 UTC Tue, 22 Mar 2022**
Henriette Stakemann viewed the document.
- **08:24 UTC Tue, 22 Mar 2022**
Henriette Stakemann approved the document.
- **08:24 UTC Tue, 22 Mar 2022**
Tais Clausen was sent a signing invitation.
- **08:24 UTC Tue, 22 Mar 2022**
Nikolaj Deichmann was sent a signing invitation.
- **08:24 UTC Tue, 22 Mar 2022**
Mikael Worning was sent a signing invitation.
- **08:24 UTC Tue, 22 Mar 2022**
Mads M. Ditlevsen was sent a signing invitation.
- **08:24 UTC Tue, 22 Mar 2022**
Jørgen F. Jensen was sent a signing invitation.
- **08:24 UTC Tue, 22 Mar 2022**
Jakob Just-Bornholt was sent a signing invitation.
- **08:24 UTC Tue, 22 Mar 2022**
Henriette Schütze was sent a signing invitation.
- **08:25 UTC Tue, 22 Mar 2022**
Henriette Schütze viewed the signing invitation.
- **08:25 UTC Tue, 22 Mar 2022**
Henriette Schütze viewed the document.

- 08:25 UTC Tue, 22 Mar 2022**
Henriette Schütze signed the document.
- 08:35 UTC Tue, 22 Mar 2022**
Nikolaj Deichmann viewed the signing invitation.
- 08:35 UTC Tue, 22 Mar 2022**
Nikolaj Deichmann viewed the document.
- 08:36 UTC Tue, 22 Mar 2022**
Nikolaj Deichmann signed the document.
- 09:42 UTC Tue, 22 Mar 2022**
Jørgen F. Jensen viewed the document.
- 09:42 UTC Tue, 22 Mar 2022**
Jørgen F. Jensen signed the document.
- 10:17 UTC Tue, 22 Mar 2022**
Mikael Worning viewed the signing invitation.
- 10:17 UTC Tue, 22 Mar 2022**
Mikael Worning viewed the document.
- 10:17 UTC Tue, 22 Mar 2022**
Mikael Worning signed the document.
- 11:28 UTC Tue, 22 Mar 2022**
Mads M. Ditlevsen viewed the signing invitation.
- 13:25 UTC Tue, 22 Mar 2022**
Mads M. Ditlevsen viewed the signing invitation.
- 14:10 UTC Tue, 22 Mar 2022**
Mads M. Ditlevsen viewed the signing invitation.
- 14:10 UTC Tue, 22 Mar 2022**
Mads M. Ditlevsen viewed the document.
- 14:10 UTC Tue, 22 Mar 2022**
Mads M. Ditlevsen signed the document.

- **15:16 UTC Tue, 22 Mar 2022**
Jakob Just-Bomholt viewed the document.
- **15:16 UTC Tue, 22 Mar 2022**
Jakob Just-Bomholt signed the document.
- **20:20 UTC Tue, 22 Mar 2022**
Tais Clausen viewed the signing invitation.
- **20:20 UTC Tue, 22 Mar 2022**
Tais Clausen viewed the document.
- **20:21 UTC Tue, 22 Mar 2022**
Tais Clausen signed the document.
- **20:21 UTC Tue, 22 Mar 2022**
Maja Mathisen was sent a signing invitation.
- **End**

This certificate was generated automatically by Accordium to confirm that the above documents were completed securely. It provides additional information about the parties involved, their actions, and authentication methods. Accordium computes a hash for every document, which can be used to prove mathematically that it was not altered or tampered with since completion. Electronic signatures are legally enforceable in most countries, and agreements signed with Accordium are legally binding in accordance with European EIDAS regulations, UETA and the ESIGN act in the United States. Locations are estimated by IP-based geolocation and are not guaranteed.

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