

Ferrosan Medical Devices A/S

Sydmarken 5
2860 Søborg
CVR No. 32942342

Annual report 2022

The Annual General Meeting adopted the
annual report on 09.05.2023

Hans Henrik Pauk Pedersen
Chair of the General Meeting

Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	7
Income statement for 2022	11
Balance sheet at 31.12.2022	12
Statement of changes in equity for 2022	14
Notes	15
Accounting policies	20

Entity details

Entity

Ferrosan Medical Devices A/S

Sydmarken 5

2860 Søborg

Business Registration No.: 32942342

Registered office: Gladsaxe

Financial year: 01.01.2022 - 31.12.2022

Board of Directors

Peter Henrik Kürstein-Jensen, Chair

Kim Gulstad, Deputy Chair

Staffan Percy Ternström

Anja Bach Eriksson

Arne Due-Hansen

Allan Bjørn Rasmussen

Mia Bielecki

Morten Berendt Petersen, Employee Elected Representative

Rene Ballieu Lagoni, Employee Elected Representative

Kenn Jacob Hilt Hauvre, Employee Elected Representative

Executive Board

Rasmus Hother le Fevre, CEO

Hans Henrik Pauk Pedersen, CFO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Ferrosan Medical Devices A/S for the financial year 01.01.2022 - 31.12.2022.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Søborg, 04.05.2023

Executive Board

Rasmus Hother le Fevre
CEO

Hans Henrik Pauk Pedersen
CFO

Board of Directors

Peter Henrik Kürstein-Jensen
Chair

Kim Gulstad
Deputy Chair

Staffan Percy Ternström

Anja Bach Eriksson

Arne Due-Hansen

Allan Bjørn Rasmussen

Mia Bielecki

Morten Berendt Petersen
Employee Elected Representative

Rene Ballieu Lagoni
Employee Elected Representative

Kenn Jacob Hilt Hauvre
Employee Elected Representative

Independent auditor's report

To the shareholder of Ferrosan Medical Devices A/S

Opinion

We have audited the financial statements of Ferrosan Medical Devices A/S for the financial year 01.01.2022 - 31.12.2022, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary 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 commentary.

Copenhagen, 04.05.2023

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Nikolaj Thomsen

State Authorised Public Accountant
Identification No (MNE) mne33276

Management commentary

Financial highlights

	2022 DKK'000	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000
Key figures					
Revenue	737,297	671,631	575,008	506,502	507,130
Gross profit/loss	460,401	430,660	372,077	330,150	326,535
EBITDA	291,199	271,098	211,860	200,299	210,242
Operating profit/loss	261,219	256,560	190,781	188,041	195,720
Net financials	(4,822)	(3,726)	(4,615)	(443)	(2,980)
Profit/loss for the year	204,600	199,425	146,780	146,120	149,904
Total assets	544,894	461,099	320,546	265,618	260,814
Investments in property, plant and equipment	48,580	89,889	46,682	19,612	28,353
Equity	333,576	128,976	179,251	158,971	125,123
Dividend	0	0	110,700	110,700	84,000
Ratios					
Gross margin (%)	62.44	64.12	64.71	65.18	64.39
EBITDA margin (%)	40.14	40.36	36.74	39.55	41.46
Net margin (%)	27.75	29.69	25.53	28.85	29.56
Return on equity (%)	88.47	129.40	86.80	102.87	161.90
Equity ratio (%)	61.22	27.97	55.92	59.85	47.97

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Gross margin (%):

$\frac{\text{Gross profit/loss} * 100}{\text{Revenue}}$

Revenue

EBITDA margin (%):

$\frac{\text{EBITDA} * 100}{\text{Revenue}}$

Revenue

Net margin (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Revenue}}$

Revenue

Return on equity (%):

Profit/loss for the year * 100

Average equity

Equity ratio (%):

Equity * 100

Total assets

Primary activities

Ferrosan Medical Devices A/S is a global leader in topical adjunctive hemostatic devices, helping surgeons and nurses to control bleeding in surgery. We collaborate closely with Ethicon, Inc., part of the Johnson & Johnson Medical Devices Companies, that is responsible for the sales and marketing of our hemostatic devices. Our devices are sold under the SURGIFLO™, SPONGOSTAN™ and SURGIFOAM™ trademarks in more than 100 countries. Our devices are developed with a focus on safety, efficacy, and ease of use. Through our devices we aim to enable health care professionals to achieve the best possible clinical outcomes for their patients.

Development in activities and finances

Earnings before interest, taxes, depreciation, and amortization (EBITDA) reached DKK 291,199 thousand in 2022, an increase of 8.4% from DKK 271,098 thousand in 2021. The improved earnings are mainly due to increased revenues. Earnings after tax reached DKK 204,600 thousand compared to 199,425 thousand in 2021.

As per 31 December 2022 total assets amounted to DKK 545,894 thousand (2021: DKK 461,099 thousand) and the equity amounted to DKK 333,576 thousand (2021: DKK 128,976 thousand).

Profit/loss for the year in relation to expected developments

Ferrosan Medical Devices A/S revenue for 2022 was in line with expectations of app. 10% increase. The margins has been lower due to the current inflation level and market conditions but is considered satisfactory.

Outlook

For 2023 revenue is expected to increase 4-9%. EBITDA margins is expected to be similar to that of previous years at 38-41%.

Special risks

Ferrosan Medical Devices A/S is due to the nature of its operations exposed to changes in exchange rates and to a less extend interest rate levels. The Company follows the Group and Board of directors' approved policy for financing and is operating with a low risk profile. Exchange-, interest- and credit risk will only occur as a result of commercial activity.

Knowledge resources

To continue delivering and developing new products that can add value and create preferences at our end users it is critical that Ferrosan Medical Devices A/S is able to recruit and retain talented and highly skilled employees.

At the end of 2022 the average number of employees in the Company was 244 and all employees were employed in Denmark.

Environmental performance

Ferrosan Medical Devices A/S recognizes that our operations have a negative impact on the environment, and we understand the risks of adverse effects of our greenhouse gas emissions on climate change. Energy consumption, material usage, and transportation activities are the primary sources of our environmental impact.

In 2022, we revised our environmental targets to align them with the requirements and guidelines set by the Science Based Targets initiative (SBTi). This ensures that our targets remain in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement and that all definitions used are publicly available and unambiguous. It also makes target validation by SBTi possible if this would be considered relevant for Ferrosan Medical Devices in the future.

Research and development activities

Ferrosan Medical Devices A/S activities include research and development of new products and improvement of the existing product portfolio.

In 2022 the Company capitalized development cost of DKK 51,797 thousand.

Statutory report on corporate social responsibility

Ferrosan Medical Devices A/S is a part of the Ferrosan Medical Devices Group A/S. Reference is made to group management commentary in the annual report for Ferrosan Medical Devices Group A/S.

Statutory report on the underrepresented gender

At Ferrosan Medical Devices A/S, we strongly believe that a dynamic, ambitious and innovative work environment is integral to achieving success, and we are confident that a diverse and thriving organization is essential to creating this. To this end, we will maintain our efforts to make our company values a core part of the way we lead and interact with one another throughout 2023. Like in society in general, in the previous year, Ferrosan Medical Devices A/S observed an increase in stress signals among employees. We remain committed to further our efforts to support the health and wellbeing of our employees.

From a belief that differences in people and thoughts foster innovation, we continue our work with inclusion, equality, and diversity. We have an established policy on diversity and inclusion, conduct an annual evaluation of gender diversity within our management groups, and in 2022 we also carried out an internal analysis on diversity and inclusion.

We aim to achieve gender parity at all levels of the organization to the extent possible and meaningful. In 2022, female representation in management dropped below our declared target of at least 40% representation of both genders (female and male) in management. We are investigating the reason for this development and will work to fulfill our target within the next two years. Due to a low number of positions in both the Group Executive Management and the Board of Directors, we aim to have each gender represented by at least two members (i.e., target of 29%). The Group Executive Management has seven members: five men and two women. The Board of Directors has seven elected members: five men and two women. As such our targets are achieved and we deem the current gender distribution to be appropriate for the time being.

Statutory report on data ethics policy

Ferrosan Medical Devices A/S is a part of the Ferrosan Medical Devices Group A/S. Reference is made to group management commentary in the annual report for Ferrosan Medical Devices Group A/S.

Events after the balance sheet date

After 31 December 2022 no subsequent event has incurred that would change the opinion of the Annual report.

Income statement for 2022

	Notes	2022 DKK'000	2021 DKK '000
Revenue	1	737,297	671,631
Costs of raw materials and consumables		(190,410)	(155,706)
Other external expenses		(86,486)	(85,265)
Gross profit/loss		460,401	430,660
Staff costs	2	(169,202)	(159,562)
Depreciation, amortisation and impairment losses	3	(29,980)	(14,538)
Operating profit/loss		261,219	256,560
Other financial income	4	5,538	1,909
Other financial expenses	5	(10,360)	(5,635)
Profit/loss before tax		256,397	252,834
Tax on profit/loss for the year	6	(51,797)	(53,409)
Profit/loss for the year	7	204,600	199,425

Balance sheet at 31.12.2022

Assets

	Notes	2022 DKK'000	2021 DKK'000
Completed development projects	9	21,336	8,183
Acquired intangible assets		1,781	549
Acquired patents		2,893	1,043
Development projects in progress	9	88,406	55,839
Intangible assets	8	114,416	65,614
Plant and machinery		22,490	12,853
Other fixtures and fittings, tools and equipment		24,628	22,458
Leasehold improvements		3,408	3,218
Property, plant and equipment in progress		159,523	148,569
Property, plant and equipment	10	210,049	187,098
Fixed assets		324,465	252,712
Raw materials and consumables		33,839	29,282
Work in progress		18,430	15,371
Manufactured goods and goods for resale		17,270	14,551
Inventories		69,539	59,204
Trade receivables		109,393	119,690
Receivables from group enterprises		9,771	7,743
Other receivables		10,473	4,679
Prepayments	11	5,561	6,340
Receivables		135,198	138,452
Other investments		486	4,144
Other investments		486	4,144
Cash		15,206	6,587
Current assets		220,429	208,387
Assets		544,894	461,099

Equity and liabilities

	Notes	2022 DKK'000	2021 DKK'000
Contributed capital		40,000	40,000
Reserve for development expenditure		85,599	49,937
Retained earnings		207,977	39,039
Equity		333,576	128,976
Deferred tax	12	19,816	9,537
Provisions		19,816	9,537
Other payables		16,181	15,865
Non-current liabilities other than provisions	13	16,181	15,865
Bank loans		25,178	60,000
Trade payables		68,112	41,768
Payables to group enterprises		9,634	126,330
Tax payable		37,874	37,723
Other payables		34,523	40,900
Current liabilities other than provisions		175,321	306,721
Liabilities other than provisions		191,502	322,586
Equity and liabilities		544,894	461,099
Unrecognised rental and lease commitments	14		
Contingent liabilities	15		
Assets charged and collateral	16		
Related parties with controlling interest	17		
Transactions with related parties	18		
Group relations	19		

Statement of changes in equity for 2022

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	40,000	49,937	39,039	128,976
Transfer to reserves	0	35,662	(35,662)	0
Profit/loss for the year	0	0	204,600	204,600
Equity end of year	40,000	85,599	207,977	333,576

Notes

1 Revenue

The Entity's products are sold by partners worldwide. Under the Danish Financial Statements Act § 96(1), geographical distribution is not shown. The Entity's products are all within the same product category, Biomaterial Devices.

2 Staff costs

	2022	2021
	DKK'000	DKK'000
Wages and salaries	150,089	141,622
Pension costs	17,171	15,905
Other social security costs	1,942	2,035
	169,202	159,562
Number of employees at balance sheet date	244	239

	Remuneration of Management 2022 DKK'000	Remuneration of Management 2021 DKK'000
Executive Board	659	450
Board of Directors	8,321	6,240
	8,980	6,690

Special incentive programmes

Board of Directors, Executive Management and Key Management employees has in the financial period been granted 499,025 warrants with an average value of DKK 3.46. Warrants are to be exercised in Moon MidCo ApS if the Group is sold or listed.

3 Depreciation, amortisation and impairment losses

	2022	2021
	DKK'000	DKK'000
Amortisation of intangible assets	12,792	3,840
Depreciation of property, plant and equipment	17,971	10,466
Profit/loss from sale of intangible assets and property, plant and equipment	(783)	232
	29,980	14,538

4 Other financial income

	2022	2021
	DKK'000	DKK'000
Financial income from group enterprises	243	0
Exchange rate adjustments	5,244	1,753
Other financial income	51	156
	5,538	1,909

5 Other financial expenses

	2022	2021
	DKK'000	DKK'000
Financial expenses from group enterprises	2,885	0
Other interest expenses	1,738	408
Exchange rate adjustments	4,671	3,016
Other financial expenses	1,066	2,211
	10,360	5,635

6 Tax on profit/loss for the year

	2022	2021
	DKK'000	DKK'000
Current tax	41,518	47,194
Change in deferred tax	11,408	6,123
Adjustment concerning previous years	(1,129)	92
	51,797	53,409

7 Proposed distribution of profit and loss

	2022	2021
	DKK'000	DKK'000
Extraordinary dividend distributed in the financial year	0	136,000
Retained earnings	204,600	63,425
	204,600	199,425

8 Intangible assets

	Completed development projects DKK'000	Acquired intangible assets DKK'000	Acquired patents DKK'000	Development projects in progress DKK'000
Cost beginning of year	42,593	1,846	1,478	55,839
Transfers	20,440	6,314	0	(19,230)
Additions	0	0	2,273	51,797
Disposals	0	(81)	0	0
Cost end of year	63,033	8,079	3,751	88,406
Amortisation and impairment losses beginning of year	(34,410)	(1,297)	(435)	0
Amortisation for the year	(7,287)	(5,082)	(423)	0
Reversal regarding disposals	0	81	0	0
Amortisation and impairment losses end of year	(41,697)	(6,298)	(858)	0
Carrying amount end of year	21,336	1,781	2,893	88,406

9 Development projects

In 2022, the Entity continued to work with product approval in new markets outside current geographical areas. Also the Entity continued to develop new product variants for use in the surgical field. The expectation is that these activities will bring new products to the market within the next 1-5 years.

All development projects in progress are recognized at costs, including IPC, which are estimated to increase the value of the project.

The Entity possesses the necessary commercial and technical skills to complete the development. Furthermore, the Entity intends to complete the development projects.

10 Property, plant and equipment

	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	52,823	52,258	14,205	148,569
Transfers	15,634	6,403	567	(30,128)
Additions	3,785	2,443	1,270	41,082
Disposals	(3,558)	(4,670)	0	0
Cost end of year	68,684	56,434	16,042	159,523
Depreciation and impairment losses beginning of year	(39,970)	(29,800)	(10,987)	0
Depreciation for the year	(9,655)	(6,669)	(1,647)	0
Reversal regarding disposals	3,431	4,663	0	0
Depreciation and impairment losses end of year	(46,194)	(31,806)	(12,634)	0
Carrying amount end of year	22,490	24,628	3,408	159,523

11 Prepayments

Prepayments consist of prepaid rent and insurance.

12 Deferred tax

	2022 DKK'000	2021 DKK'000
Intangible assets	24,506	14,518
Property, plant and equipment	(3,327)	(3,287)
Inventories	1,120	1,686
Liabilities other than provisions	(2,483)	(3,380)
Deferred tax	19,816	9,537

	2022 DKK'000	2021 DKK'000
Changes during the year		
Beginning of year	9,537	1,713
Recognised in the income statement	11,408	6,123
Changes to previous years	(1,129)	1,701
End of year	19,816	9,537

13 Non-current liabilities other than provisions

	Due after more than 12 months 2022 DKK'000	Outstanding after 5 years 2022 DKK'000
Other payables	16,181	16,181
	16,181	16,181

14 Unrecognised rental and lease commitments

	2022 DKK'000	2021 DKK'000
Liabilities under rental or lease agreements until maturity in total	85,004	89,220

15 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Moon HoldCo ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

16 Assets charged and collateral

The Entity has provided security for the Group's bank commitments. The total commitment as pr. 31 December 2022 amounts to DKK 1,855,310 thousand.

17 Related parties with controlling interest

Moon HoldCo ApS, 2860 Søborg, Denmark
 Moon MidCo ApS, 2860 Søborg, Denmark
 Moon BidCo ApS, 2860 Søborg, Denmark
 Ferrosan Medical Devices Group A/S, 2860 Søborg, Denmark
 ApS FMD III, 2860 Søborg, Denmark
 Ferrosan Medical Devices Holding A/S, 2860 Søborg, Denmark

18 Transactions with related parties

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

19 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
 Moon HoldCo ApS, 2860 Søborg, Denmark

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
 Ferrosan Medical Devices Group A/S, 2860 Søborg, Denmark

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in the translation reserve in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are recognised directly in the translation reserve in equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary writedowns of the relevant inventories.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages, and social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with all Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet**Intellectual property rights etc**

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity in the reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Projects in which parts of Ferrosan Medical Devices A/S' expenses are co-financed and reimbursed by third party are recognized as a receivable in the balance sheet.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 6 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 8-10 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Land and buildings, plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

	Useful life
Plant and machinery	8 years
Other fixtures and fittings, tools and equipment	3-8 years
Leasehold improvements	5 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Inventories

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

Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs. Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Other investments

Other current asset investments comprise unlisted investments in group enterprises measured at the lower of cost and net realisable value.

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. xtraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Tax receivable or payable

Current tax receivable or payable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Cash flow statement

Referring to section 86(4) of the Danish Financial Statements Act, the Entity has not prepared a cash flow statement as such statement is included in the consolidated cash flow statement of Ferrosan Medical Devices Group A/S, CVR. No. 37 80 83 42.