

Ferrosan Medical Devices A/S

Sydmarken 5
2860 Søborg
CVR No. 32942342

Annual report 2023

The Annual General Meeting adopted the annual report on 19.04.2024

Hans Henrik Pauk Pedersen
Chair of the General Meeting

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Entity details

Entity

Ferrosan Medical Devices A/S

Sydmarken 5

2860 Søborg

Business Registration No.: 32942342

Registered office: Gladsaxe

Financial year: 01.01.2023 - 31.12.2023

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

Bettina Susanne Metzler, Employee Elected Representative

Morten Berendt Petersen, Employee Elected Representative

Kenn Jacob Hilt Hauvre, Employee Elected Representative

Mette Krog Keller, 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 01.01.2023 - 31.12.2023.

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 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023.

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, 20.03.2024

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

Bettina Susanne Metzler
Employee Elected Representative

Morten Berendt Petersen
Employee Elected Representative

Kenn Jacob Hilt Hauvre
Employee Elected Representative

Mette Krog Keller
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 01.01.2023 - 31.12.2023, 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 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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, 20.03.2024

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No. 33963556

Nikolaj Thomsen

State Authorised Public Accountant

Identification No (MNE) mne33276

Victor Fortmann Storm

State Authorised Public Accountant

Identification No (MNE) mne50626

Management commentary

Financial highlights

	2023	2022	2021	2020	2019
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Revenue	841,624	737,297	671,631	575,008	506,502
Gross profit/loss	514,705	460,855	430,660	372,077	330,150
EBITDA	332,205	290,116	271,098	211,860	200,299
Operating profit/loss	212,301	170,595	256,560	190,781	188,041
Net financials	(14,628)	(44,465)	(3,726)	(4,615)	(443)
Profit/loss for the year	508,660	93,993	199,425	146,780	146,120
Total assets	1,791,409	1,750,694	461,099	320,546	266,022
Investments in property, plant and equipment	106,081	48,580	89,889	46,682	19,612
Equity	1,206,717	496,859	128,976	179,251	158,971
Dividend	515,500	0	0	110,700	110,700
Ratios					
Gross margin (%)	61.16	62.51	64.12	64.71	65.18
EBITDA margin (%)	39.47	39.35	40.36	36.74	39.55
Net margin (%)	60.44	12.75	29.69	25.53	28.85
Return on equity (%)	59.72	30.04	129.40	86.80	102.87
Equity ratio (%)	67.36	28.38	27.97	55.92	59.76

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

Financial figures and ratios for 2019-2021 is prepared as unmerged and the figures and ratios for 2022-2023 is the merged figures and ratios.

Gross margin (%):

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

Revenue

EBITDA margin (%):

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

Revenue

Net margin (%):

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

Revenue

Return on equity (%):

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

Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$

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 332,205 thousand in 2023, an increase of 14.6% from DKK 290,116 thousand in 2022. The improved earnings are mainly due to increased revenues. Earnings after tax reached DKK 508,660 thousand compared to 93,993 thousand in 2022.

As per 31 December 2023 total assets amounted to DKK 1,791,409 thousand (2022: DKK 1,750,694 thousand) and the equity amounted to DKK 1,206,717 thousand (2022: DKK 496,859 thousand).

Ferrosan Medical Devices A/S has been merged with Ferrosan Medical Devices Holding A/S, ApS FMD III and Ferrosan Medical Devices Group A/S in the financial period.

Profit/loss for the year in relation to expected developments

Ferrosan Medical Devices A/S revenue for 2023 is above expectations of 4-9% increase and realised at 14,1% due to higher demand in the financial period. The margins has been in line with expectations. Management considers the result satisfactory.

Outlook

For 2024 revenue is expected to increase 8-10%. 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 2023 the average number of employees in the Company was 268 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 2023 the Company capitalized development cost of DKK 49,720 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

	2023
Supreme management body	
Total number of members	7
Underrepresented gender (%)	28.57
Target figures (%)	28.57
Year of expected achievement of target figures	2023

Due to a low number of positions (7) 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., a target of 29%). 29% is considered equitable gender distribution for a management body that comprises 7 persons according to The Danish Business Authority. 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.

	2023
Other management levels	
Total number of members	22
Underrepresented gender (%)	41.00
Target figures (%)	40.00
Year of expected achievement of target figures	2023

In 2023, female representation in management increased to meet our declared target of at least 40% representation of both genders (female and male) in management.

Our commitment to a healthy, safe, and attractive workplace for all employees includes fostering an environment that is respectful and free from discrimination and harassment. We ensure that our employees feel respected and appreciated by providing equal opportunities regardless of ethnicity, gender, gender identity, religion, sexual orientation, political views, age, nationality, disability, physical appearance, or other status.

In 2023, we created a Diversity & Inclusion Roadmap with several specific initiatives, including support for managers to reduce bias when hiring, retaining and promoting talents.

We maintained our focus on reducing the risk of workplace accidents and reported a decline in accidents with absence in 2023. We continued to conduct awareness-raising campaigns and implement measures to reduce occupational injuries at our facilities.

In 2023, we launched our Sustainable Wellbeing Program including mandatory training for both managers and employees in stress awareness and dialogue techniques, optional team development workshops, and continuous followup. We also launched a Life Phase Policy to communicate available solutions supporting a flexible work life at Ferrosan Medical Devices.

We maintained the important feedback loop from employees through the employee engagement, survey conducted three times annually, to gather valuable input on wellbeing from employees to managers.

In 2023, female representation in management increased to meet our declared target of at least 40% representation of both genders (female and male) in management.

Ferrosan Medical Devices continues efforts to create a safe, healthy, attractive, and equal workplace by:

- Achieving zero accidents with absence every year.
- Reducing absence due to illness by 15% (2021 baseline) to 8.5 days per FTE by 2025.
- Reducing the employee turnover ratio by 50% (2021 baseline) to 10% by 2025.
- Maintaining at least 40% representation of both genders (female and male) in management every year.

We recognize Ferrosan Medical Devices' obligation to not violate international labor rights and to promote and respect human rights throughout all operations. This responsibility extends to our partners, who we also encourage to abide by these principles. As we collaborate with many individuals and organizations throughout our value chain, there is an inherent risk of unethical behavior by employees and associated partners.

We inform new employees about our policies on business ethics to address this and encourage them to report any irregularities or inappropriate conduct to their immediate manager or through our whistleblower system. We also request that our suppliers comply with a set of accountability and social responsibility principles.

We will continue our efforts to let our company values guide our leadership and interaction with one another throughout 2024 and remain committed to supporting the health and wellbeing of our employees. To this end, the recently established Diversity & Inclusion roadmap will also be fully implemented during 2024.

We aim to achieve gender parity at all levels of the organization to the extent possible and meaningful.

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 the balance sheet date no subsequent event has incurred that would change the opinion of the Annual report.

Income statement for 2023

		2023	2022
	Notes	DKK'000	DKK '000
Revenue	2	841,624	737,297
Costs of raw materials and consumables		(216,887)	(190,410)
Other external expenses		(110,032)	(86,032)
Gross profit/loss		514,705	460,855
Staff costs	3	(182,500)	(170,739)
Depreciation, amortisation and impairment losses	4	(119,904)	(119,521)
Operating profit/loss		212,301	170,595
Income from investments in group enterprises	5	352,367	0
Other financial income	6	3,828	5,298
Other financial expenses	7	(18,456)	(49,763)
Profit/loss before tax		550,040	126,130
Tax on profit/loss for the year	8	(41,380)	(32,137)
Profit/loss for the year	9	508,660	93,993

Balance sheet at 31.12.2023

Assets

	Notes	2023 DKK'000	2022 DKK'000
Completed development projects	11	15,315	21,336
Acquired intangible assets		820,156	887,977
Acquired patents		5,303	2,893
Goodwill		279,380	301,611
Development projects in progress	11	138,126	88,406
Intangible assets	10	1,258,280	1,302,223
Plant and machinery		55,716	22,490
Other fixtures and fittings, tools and equipment		20,743	24,628
Leasehold improvements		99,244	3,408
Property, plant and equipment in progress		117,858	159,523
Property, plant and equipment	12	293,561	210,049
Investments in group enterprises		0	28,133
Financial assets	13	0	28,133
Fixed assets		1,551,841	1,540,405
Raw materials and consumables		69,704	33,839
Work in progress		22,227	18,430
Manufactured goods and goods for resale		18,879	17,270
Inventories		110,810	69,539
Trade receivables		107,086	109,393
Other receivables		14,465	9,435
Prepayments	14	3,197	5,618
Receivables		124,748	124,446
Cash		4,010	16,304
Current assets		239,568	210,289
Assets		1,791,409	1,750,694

Equity and liabilities

	Notes	2023 DKK'000	2022 DKK'000
Contributed capital		40,000	40,000
Reserve for development expenditure		119,684	85,599
Retained earnings		1,047,033	371,260
Equity		1,206,717	496,859
Deferred tax	15	212,467	205,481
Provisions		212,467	205,481
Other payables		16,246	16,181
Non-current liabilities other than provisions	16	16,246	16,181
Bank loans		31,910	25,178
Trade payables		104,811	68,112
Payables to group enterprises		159,937	871,609
Tax payable		28,491	31,311
Other payables		30,830	35,963
Current liabilities other than provisions		355,979	1,032,173
Liabilities other than provisions		372,225	1,048,354
Equity and liabilities		1,791,409	1,750,694
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	17		
Contingent liabilities	18		
Assets charged and collateral	19		
Related parties with controlling interest	20		
Transactions with related parties	21		
Group relations	22		

Statement of changes in equity for 2023

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	40,000	85,599	371,260	496,859
Effect of mergers and business combinations	0	0	8,737	8,737
Extraordinary dividend paid	0	0	(587,500)	(587,500)
Group contributions etc	0	0	779,961	779,961
Transfer to reserves	0	34,085	(34,085)	0
Profit/loss for the year	0	0	508,660	508,660
Equity end of year	40,000	119,684	1,047,033	1,206,717

Notes

1 Events after the balance sheet date

After the balance sheet date no subsequent event has incurred that would change the opinion of the Annual report.

2 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.

3 Staff costs

	2023	2022
	DKK'000	DKK'000
Wages and salaries	159,372	151,628
Pension costs	20,457	17,171
Other social security costs	2,671	1,940
	182,500	170,739
Average number of full-time employees	268	244

	Remuneration of Management 2023 DKK'000	Remuneration of Management 2022 DKK'000
Executive Board	6,360	8,321
Board of Directors	2,460	659
	8,820	8,980

Special incentive programmes

In 2023, Board of Directors, Executive Management and Key Management employees have in the financial period been granted 558,908 warrants with an average value of DKK 25.27. Warrants are to be exercised within Ferosan Medical Devices MidCo ApS if there is a change in ownership of the Group or shares are public listed.

4 Depreciation, amortisation and impairment losses

	2023	2022
	DKK'000	DKK'000
Amortisation of intangible assets	97,335	102,331
Depreciation of property, plant and equipment	22,569	17,971
Profit/loss from sale of intangible assets and property, plant and equipment	0	(781)
	119,904	119,521

5 Income from investments in group enterprises

The Entity's investments in group enterprises has been dissolved in the financial period.

6 Other financial income

	2023 DKK'000	2022 DKK'000
Other interest income	722	0
Exchange rate adjustments	3,106	5,038
Other financial income	0	260
	3,828	5,298

7 Other financial expenses

	2023 DKK'000	2022 DKK'000
Financial expenses from group enterprises	7,788	404
Other interest expenses	674	36,723
Exchange rate adjustments	5,331	4,676
Other financial expenses	4,663	7,960
	18,456	49,763

8 Tax on profit/loss for the year

	2023 DKK'000	2022 DKK'000
Current tax	43,692	34,939
Change in deferred tax	6,986	(2,067)
Adjustment concerning previous years	(9,298)	(735)
	41,380	32,137

9 Proposed distribution of profit and loss

	2023 DKK'000	2022 DKK'000
Extraordinary dividend distributed in the financial year	587,500	0
Retained earnings	(78,840)	93,993
	508,660	93,993

10 Intangible assets

	Completed development projects DKK'000	Acquired intangible assets DKK'000	Acquired patents DKK'000	Goodwill DKK'000	Development projects in progress DKK'000
Cost beginning of year	63,033	1,330,727	3,751	446,831	88,406
Additions	0	0	3,672	0	49,720
Cost end of year	63,033	1,330,727	7,423	446,831	138,126
Amortisation and impairment losses beginning of year	(41,697)	(442,750)	(858)	(145,220)	0
Amortisation for the year	(6,021)	(67,821)	(1,262)	(22,231)	0
Amortisation and impairment losses end of year	(47,718)	(510,571)	(2,120)	(167,451)	0
Carrying amount end of year	15,315	820,156	5,303	279,380	138,126

11 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.

12 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	68,684	56,434	16,043	159,523
Transfers	35,231	2	99,651	(134,884)
Additions	5,269	3,272	4,321	93,219
Cost end of year	109,184	59,708	120,015	117,858
Depreciation and impairment losses beginning of year	(46,194)	(31,806)	(12,635)	0
Depreciation for the year	(7,274)	(7,159)	(8,136)	0
Depreciation and impairment losses end of year	(53,468)	(38,965)	(20,771)	0
Carrying amount end of year	55,716	20,743	99,244	117,858

13 Financial assets

	Investments in group enterprises DKK'000
Cost beginning of year	28,133
Disposals	(28,133)
Cost end of year	0
Carrying amount end of year	0

14 Prepayments

Prepayments consist of prepaid rent and insurance.

15 Deferred tax

	2023 DKK'000	2022 DKK'000
Intangible assets	216,158	210,162
Property, plant and equipment	(2,463)	(3,327)
Inventories	1,200	1,120
Liabilities other than provisions	(2,428)	(3,893)
Tax losses carried forward	0	1,419
Deferred tax	212,467	205,481

	2023 DKK'000	2022 DKK'000
Changes during the year		
Beginning of year	205,481	207,548
Recognised in the income statement	6,986	(2,067)
End of year	212,467	205,481

16 Non-current liabilities other than provisions

	Due after more than 12 months 2023 DKK'000	Outstanding after 5 years 2023 DKK'000
Other payables	16,246	16,246
	16,246	16,246

Other payables consists of holiday pay obligation.

17 Unrecognised rental and lease commitments

	2023	2022
	DKK'000	DKK'000
Liabilities under rental or lease agreements until maturity in total	73,760	85,004

18 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.

19 Assets charged and collateral

The Entity has provided security for the Group's bank commitments. The total commitment as pr. 31 December 2023 amounts to DKK 1,838,656 thousand.

20 Related parties with controlling interest

The following shareholders hold a significant influence on the Company:

- Ferrosan Medical Devices HoldCo ApS, 2860 Søborg, Denmark
- Ferrosan Medical Devices MidCo ApS, 2860 Søborg, Denmark
- Ferrosan Medical Devices Group A/S, 2860 Søborg, Denmark

21 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.

22 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Ferrosan Medical Devices 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.

Business combinations

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised in intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful lives. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful life is reassessed annually.

The modified uniting-of-interests method is applied to vertical mergers and reverse vertical mergers in which the participating entities are subject to the Parent's control. Under this method, assets and liabilities of the participating entities are recognised at the amounts at which they are recognised in the consolidated financial statements of the parent forming part of the merger. The comparative figures are restated back to the date when the entities first formed part of the Group.

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 normal 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.

Income from investments in group enterprises

Income from investments in group enterprises comprises dividends etc received from the individual group enterprises in the financial year.

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**Goodwill**

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area.

For amounts of goodwill, useful life has been determined based on an assessment of whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 20 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

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.

Investments in group enterprises

Investments in group enterprises are measured at cost. Investments 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.

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. Extraordinary 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.