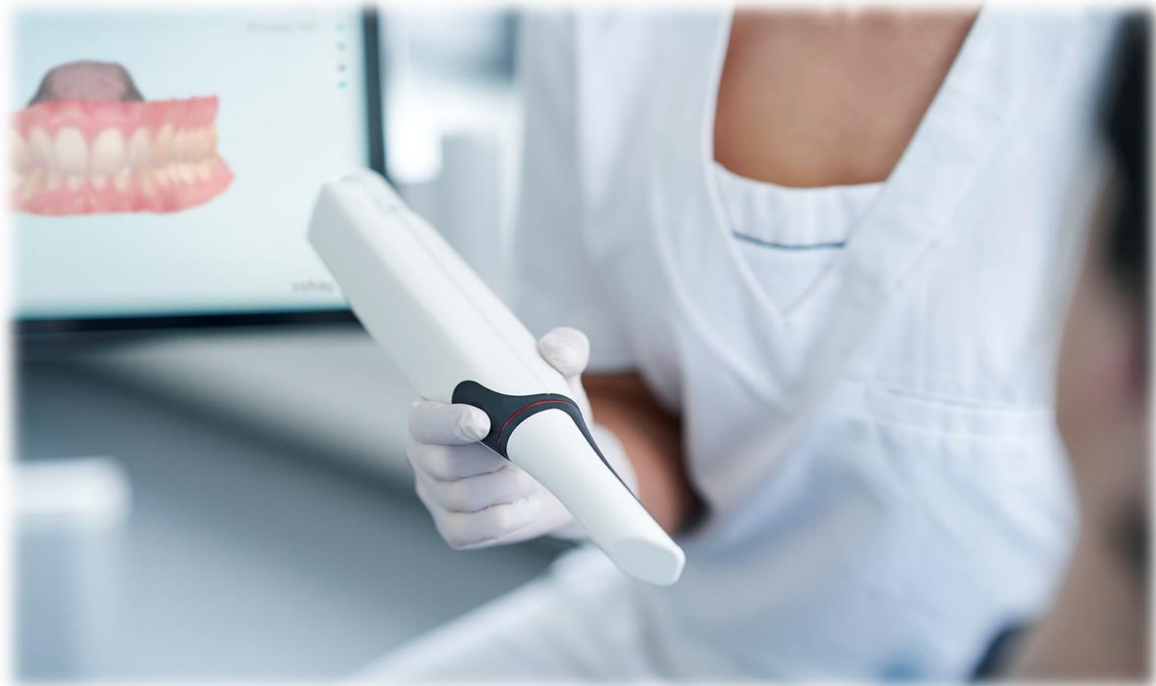


3Shape Trios A/S

Annual report 2022



3shape 

Approved at the Company's annual general meeting on

Chair of the meeting:

.....
Henriette Stakemann

3Shape Trios A/S
Holmens Kanal 7
1060 København K
CVR: 33368771

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3Shape Trios A/S

Statement by Management

The Board of Directors and the Executive Board have today discussed and approved the annual report of 3Shape Trios A/S for the financial year 1 January - 31 December 2022.

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

In our opinion, the financial statements of the Company give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of its operations for the financial year 1 January - 31 December 2022.

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

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

Copenhagen, March 2022

Executive Board:

.....
Jakob Just-Bomholt (CEO)

Board of Directors:

.....
Jørgen Falkebo Jensen (Chairperson)

.....
Tais Clausen (Vice chairperson)

.....
Nikolaj Deichmann (Vice chairperson)

.....
Henriette Schütze

.....
Mikael Worning

Independent auditor's report

To the shareholder of 3Shape Trios A/S

Opinion

We have audited the financial statements of 3Shape Trios A/S for the financial year 1 January – 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. 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 financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January – 31 December 2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the 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 Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Management's responsibilities for the financial statements

Management is responsible for the preparation of 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 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 Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report

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 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 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 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.

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

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

Kennet Hartmann
statsaut. revisor
mne40036

Morten Weinreich Larsen
statsaut. revisor
mne42791

3Shape Trios A/S

Management's review

DKK '000

Financial highlights for the company

	2022	2021	2020	2019	2018
Revenue	2.795.966	1.987.162	1.256.621	1.181.757	1.148.824
Gross profit/loss	1.271.337	932.045	740.634	712.080	672.440
Operating profit/loss	918.550	611.603	151.781	46.583	206.980
Net financials	35.100	9.045	-8.553	-556	7.640
Profit/loss for the year	743.847	484.101	112.776	35.088	168.630
Assets	1.254.238	552.725	709.104	883.840	522.466
Investments in property, plant and equipment	18.703	10.697	10.019	15.825	1.254
Equity	777.103	168.256	259.155	146.379	242.263
<i>Key figures</i>					
Yield	101,7%	96,9%	19,1%	6,6%	38,0%
Solvency ratio	62,0%	30,4%	36,5%	16,6%	46,4%
Return on equity	157,4%	226,5%	55,6%	18,1%	54,8%
Average number of full-time employees	71	58	55	56	53

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

Production cost for the period 2018-2020 is not directly comparable to 2022-2021, as accounting policies for the classification of purchase of intragroup services has been changed. For a more detailed description, please refer to accounting policies.

3Shape Trios A/S

Management's review

The company's most important activities

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

Developments in activities and economic conditions

The Company's revenue in 2022 amounts to DKK 2,795,966 thousand compared to DKK 1,987,162 thousand in 2021, which is in scope compared to the outlook for 2022. Profit for the year amounted to DKK 743.847 thousand, a 54% increase compared to 2021. The company paid out dividend of DKK 135,000 thousand during 2022, furthermore the company is proposing dividend of DKK 650,000 thousand, to be paid out during 2023. The equity was DKK 777,104 thousand per 31 December 2022.

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

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

Knowledge resources

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

Unusual circumstances affecting recognition and measurement

No significant uncertainties are attached to recognition and measurement.

Policy for management of financial risks

The Company's risk management is predominantly controlled by a central finance department (Finance DK) under policies approved by the Board of Directors. Finance DK identifies and evaluates financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

Management has assessed the following key financial risks:

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. For the Company, market risk comprises foreign currency risk and interest rate risk

Foreign currency risk

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

The global presence with manufacturing and representation offices in several countries as well as a direct sales channel in select countries create currency exposure for the Company. The principal exchange rate effect arises from transaction flows when purchasing and/or production is carried out in one currency and sales occur in another one.

A major part of the business flows is denominated in EUR and USD. DKK and EUR are closely correlated as DKK is pegged to EUR. Consequently, the risk on EUR is considered limited. The Company's overall currency exposure is managed centrally. This is carried out by exchanging sufficient cash into the required currency using spot exchange once the requirement is known. Cash more than working capital needs is held in EUR, DKK or USD.

The Company does not perform any hedging activities, and at present 3Shape does not have plans to re-engage in hedging of foreign currency risks. Engaging in hedging activities requires approval from the Board of Directors.

3Shape Trios A/S

Management's review

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises mainly from money market deposits held by the Company. These are short-term. As the Company is generating positive cash flows and has no debt, exposure to interest rate risk is considered minimal.

Credit risk

Credit risk exposure to financial counterparties.

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

Credit risk exposure to non-financial counterparties.

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

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

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

Liquidity Risk

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

As of December 31, the Company's cash and cash equivalents amounted to DKK 495 million (2021: DKK 130 million), which is deemed sufficient to meet the current and future obligations in line with the Company's expectations and strategy.

Research and development activities

In recent years, the Company 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.

The Company is at the forefront of digital dentistry innovation. During 2022, the Company invested 9% of revenue in research and development. During the past year, the innovation effort has among other things resulted in the launch of Trios 5 into the portfolio of marketed products. This is the scanner that sets a new standard in patient protection and infection control. It is not only hygienic by design, but also smaller, lighter, and designed to fit perfectly in every hand. On top of that, it comes with our new ScanAssist engine for perfect scan results, and TRIOS Share, for ultimate connectivity.

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

The Company'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 Company 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 Company 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 Company is committed to supporting the UN Sustainable Development Goals (SDG), with a focus on SDGs # 3, 5 and 9. These three SDGs reflect the areas where the Company 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 Company's social and societal responsibilities in relation to employees and the imprint the Company makes on the climate and the environment. In addition, the Company emphasizes making a positive contribution to the general development of society in areas where the Company has the opportunity to exert influence, including in relation to respecting fundamental human rights, the fight against corruption, and the creation of an attractive and diversified workplace with fair and equal conditions and opportunities for all employees. For the statutory statement on social responsibility and gender distribution in management, please refer to the independent reporting which is available using this URL: <http://www.3shape.com/ESG2022>

Data ethics policy in accordance with section 99D of the Danish Financial Statements Act

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.

2023 outlook

3Shape's ambition is to generate long-term annual revenue growth, while maintaining an attractive profitability margin. The growth fundamentals of the digital dentistry market remain strong. Based on the current product pipeline, 3Shape's market position, and planned investments, the expectation for 2023 is to deliver continued revenue growth. The business environment in which 3Shape operates is, however, impacted by the macroeconomic environment, including risk of recession in several key markets. Hence, 2023 is associated with uncertainty which is deemed higher than in prior years. The Operating Profit margin is expected around same level as in 2022. However, based on current geopolitical environment, macroeconomic headwinds including inflation pressure on material costs and wages, there is increased uncertainty regarding demand in the dental industry, which may also impact 3Shape's short-term profitability performance.

3Shape Trios A/S

Income statement

DKK '000

Note		2022	2021
2	Revenue	2.795.966	1.987.162
3,13	Production costs	-1.524.629	-1.055.117
	Gross profit/loss	1.271.337	932.045
3,13	Distribution costs	-192.730	-190.646
3,13	Research & development costs	-124.772	-103.358
3,13	Administration costs	-35.285	-26.437
	Operating profit/loss	918.550	611.603
4	Financial income	39.837	12.408
4	Financial expenses	-4.737	-3.363
	Profit/loss before tax	953.650	620.648
5	Tax	-209.803	-136.547
17	Profit/loss for the year	743.847	484.101

3Shape Trios A/S

Balance sheet

DKK '000

Note	Assets	2022	2021
6	Intangible fixed assets	105	183
7	Property, plant and equipment	25.040	19.171
	Total non-current assets	25.145	19.354
	Raw materials and consumables	517	1.641
	Work in progress	41	41
	Finished goods and goods for resale	17.453	47.478
	Inventories	18.011	49.160
	Trade receivables	252.458	241.734
	Receivables from group companies	447.013	208.653
14	Deferred tax assets	4.384	6.309
8	Other receivables	12.522	32.532
	Receivables	716.377	489.228
	Cash and cash equivalents	494.705	129.593
	Total current assets	1.229.093	667.981
	Total assets	1.254.238	687.335
	Equity and liabilities		
9	Share capital	1.100	1.100
	Premium on issue of shares	28.794	28.794
	Retained earnings	97.209	3.362
	Proposed dividend	650.000	135.000
	Total equity	777.103	168.256
10	Provisions	4.550	6.920
11	Other payables	-	19
12	Prepayments from customers	30.768	44.339
	Total non-current liabilities	35.318	51.278
10	Provisions	4.550	6.920
12	Prepayments from customers	172.959	202.041
	Trade payables	52.495	29.605
	Debt to associated companies	535	90.631
	Corporate tax	207.878	134.609
11	Other payables	3.400	3.995
	Total current liabilities	441.817	467.801
	Total liabilities	477.135	519.079
	Total equity and liabilities	1.254.238	687.335

3Shape Trios A/S

Statement of changes in equity

DKK '000

Note **Statement of changes in equity**

	Share capital	Premium on issue of shares	Retained earnings	Proposed dividend	Total equity
Equity at 1 January 2022	1.100	28.794	3.362	135.000	168.256
17 Transferred via distribution of profit/loss	-	-	93.847	650.000	743.847
Distributed dividends	-	-	-	-135.000	-135.000
Equity at 31 December 2022	1.100	28.794	97.209	650.000	777.103

3Shape Trios A/S

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3Shape Trios A/S

Notes

1 Accounting policies

The annual report of 3Shape Trios A/S for 2022 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities. In general, the accounting policies used in the preparation of the financial statements are consistent with those of last year, however, comparison figures has been changed to reflect the change to 3Shape Groups setup for allocating and invoicing of intragroup services and presentation of joint taxation positions. The net profit of comparison figures and opening equity on 1 January 2022 is not impacted by the change.

Exemption of Cash Flow Statement

With reference to the Danish Financial Statements Act §86, the cash flow statement is not prepared. The company's cash flows are included in the consolidated cash flow statement for the parent company 3Shape Holding A/S

Foreign currency translation

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

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

Income statement

Revenue

The Company 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. The company recognises its production costs incurred in generating the revenue for the year. Such costs include direct and indirect costs of raw materials and consumables, wages and salaries, rent and leases as well as impairment losses on production plant.

Distribution costs

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

Research and development cost

The Company 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 Company, including expenses related to administrative staff, management, office premises, office expenses and amortisation/depreciation.

1 Accounting policies (continued)

Financial income and expenses

Financial income and expenses comprise interest income and expenses, 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 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. 3Shape Holding A/S acts as administration company for the joint taxation arrangement and consequently settles all corporate income tax payments with the tax authorities.

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

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

Balance sheet

Intangible assets

Intangible assets are measured at cost less accumulated depreciation.

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.

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

Costs related to the development and implementation of substantial software and IT systems are capitalized and amortized over the expected useful lives of the assets. Amortization is carried out systematically over the expected useful lives of the asset, which are as follows:

Software	3-5 years
Patents	up to 10 years

Tangible Assets

Property, plant and equipment

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:

Fixtures and fittings, tools and equipment	3-5 years
--	-----------

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates. Depreciation is recognised in the income statement as production costs, distribution costs, research & development costs and administrative expenses, respectively. Gains and losses on the disposal of items of property, plant and equipment are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating expenses, respectively.

3Shape Trios A/S

Notes

1 Accounting policies (continued)

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 assessed 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.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries as well as indirect production overheads. Production overheads comprise costs of material and labour as well as maintenance of and depreciation on production machinery, buildings and equipment as well as costs relating to plant administration and management.

The net realisable value of inventories is determined as the selling price less costs of completion and costs incurred to effect the sale, taking into account marketability, obsolescence and developments in the expected selling price.

Receivables

Receivables are measured at amortised cost.

The 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 Company. 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.

Equity

Dividend

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

3Shape Trios A/S

Notes

1 Accounting policies (continued)

Liabilities

Corporation tax and deferred tax

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

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

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

Other liabilities

Other liabilities are measured at net realisable value.

Prepayments from customers

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

Share-based remuneration

A number of employees are eligible for the warrant programs and matching shares, which is described in the annual report for 3Shape Holding A/S. For equity-settled warrants and matching shares, the fair value is measured at the time of the grant and is not recognized in the income statement.

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

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

2 Segment information

Information on the distribution of net revenue by geographical segments and business segments has been omitted, cf. the 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 Company. The basis for management's assessment is that the Company operates in markets with few major global competitors, just as the Company'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 detrimental to the Company.

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Notes

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3 Depreciation of intangible and tangible assets

	2022	2021
Amortisation on intangible assets	77	128
Depreciation on tangible assets	5.676	5.081
Total	5.753	5.209

Depreciation is recognised in the income statement as follows:

Production costs	82	9
Distribution costs	5.261	4.916
Research & development costs	410	179
Administration costs	-	105
Total	5.753	5.209

4 Financial income and expenses

	2022	2021
Interest income	417	103
Foreign exchange gains	39.314	12.257
Other financial income	106	48
Financial income	39.837	12.408
Interest expenses	-820	-2.181
Capital losses intercompany	-	-1.167
Other financial expenses	-3.917	-15
Financial expenses	-4.737	-3.363
Total financial income and expenses	35.100	9.045

5 Tax

	2022	2021
Corporate tax for the year	207.878	134.609
Deferred tax adjustment	1.925	1.938
Total	209.803	136.547

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6 Intangible assets

	Software	Patents	Total
Acquisition			
1 January 2022	199	1.104	1.303
31 December 2022	199	1.104	1.303
Amortisation and impairment losses			
1 January 2022	199	922	1.121
Amortisation	-	77	77
31 December 2022	199	999	1.198
Carrying amount at:			
31 December 2022	-	105	105

7 Tangible assets

	Fixtures and fittings, tools and equipment
Acquisition	
1 January 2022	27.849
Additions	18.703
Disposals	-9.600
31 December 2022	36.952
Depreciation and impairment losses	
1 January 2022	8.678
Depreciation	5.676
Disposals	-2.442
31 December 2022	11.912
Carrying amount at:	
31 December 2022	25.040

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8 Other receivables

	2022	2021
Other receivables	-	28
VAT	12.522	32.504
Total	12.522	32.532

Other receivables primarily relate to VAT receivable.

9 Share capital

The share capital comprises 1.100.000 class A shares of 1 DKK each.

	2022	2021	2020	2019	2018
Opening balance	1.100	1.100	1.100	1.100	1.100
Total	1.100	1.100	1.100	1.100	1.100

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10 Provisions

	2022	2021
Warranties		
Cost 1 January 2022	13.840	9.120
Additions for the year	3.654	4.720
Utilised during the year	-4.373	-
Unutilised warranty commitments, reversed	-4.021	-
Total	9.100	13.840

Provisions are expected to mature within:

0-1 years	4.550	6.920
2-5 years	4.550	6.920

11 Other payables

	2022	2021
Other payables are expected to mature within:		
0-1 years	3.400	3.995
2-5 years	-	19
Total	3.400	4.014

Other payables primarily relate to employees' salary taxes, bonus- and vacation accruals, and VAT liability.

12 Prepayments from customers

	2022	2021
Prepayments from customers are expected to mature within:		
0-1 years	172.959	202.041
2-5 years	30.768	44.339
Total	203.727	246.380

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

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13 Employee costs and incentive plans

	2022	2021
Wages and salaries	51.539	39.567
Pensions	1.453	537
Other social security costs	504	401
Other employee costs	69	1.347
Salary reimbursement	-455	-175
Total	53.110	41.677
Average number of full-time employees	71	58

Employee costs are recognised in the income statement as follows:

Distribution costs	11	-
Research & development costs	52.757	39.683
Administration costs	342	1.994
Total	53.110	41.677

	2022	2021
Remuneration to the company's Management amounts to:		
Management and Board of Directors	6.307	5.931
Total	6.307	5.931

Incentive plans

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

14 Deferred tax

	Assets		Liabilities		Net assets	
	2022	2021	2022	2021	2022	2021
Intangible assets	-	-	23	40	-23	-40
Tangible assets	-	396	624	-	-624	396
Receivables etc	3.029	2.908	-	-	3.029	2.908
Provisions	2.002	3.045	-	-	2.002	3.045
Total	5.031	6.349	647	40	4.384	6.309
Offsetting	-	-40	-	-40	-	-
Total	5.031	6.309	647	-	4.384	6.309

	2022	2021
Net changes in deferred tax		
Deferred tax at 1 January	6.309	7.321
Deferred tax adjustment for the year	-1.925	-1.012
Total	4.384	6.309

The value of deferred tax assets has been recognised as it is considered likely that the deferred tax assets can be recovered in the foreseeable future.

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15 Contractual obligations and contingencies, etc.

Contingencies

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

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

The Company is jointly taxed with the rest of the danish entities og the 3Shape Group. 3Shape Holding A/S is the administration company, the Company has unlimited joint and several liability, together with the Group's Danish entities for payment of Danish corporation taxes and withholding taxes on dividends, interest and royalties within the joint taxation group.

16 Related parties

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

Controlling interest

The following share holders 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:

- 3Shape Holding A/S, Copenhagen

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.

17 Distribution of profit/loss

	2022	2021
Proposed distribution of profit/loss		
Proposed dividend from statement of owners' equity	650.000	135.000
Transferred to retained earnings	93.847	349.101
Total	743.847	484.101

18 Remuneration of the auditor elected by the general meeting

The auditor's fee is not stated with reference to §96.3 of the Danish Financial Statements Act. The fee is specified in the consolidated financial statements for 3Shape Holding A/S.