

## **ESB Group ApS**

Struenseegade 9, 2.  
2200 København N  
Central Business Registration  
No 40100539

## **Annual report 2019**

The Annual General Meeting adopted the annual report on 26.06.2020

### **Chairman of the General Meeting**

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Name: Jesper Ahlmann Funding Andersen

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## Entity details

### Entity

ESB Group ApS  
Struenseegade 9, 2.  
2200 København N

Central Business Registration No (CVR): 40100539  
Registered in: København  
Financial year: 01.01.2019 - 31.12.2019

### Board of Directors

Jesper Ahlmann Funding Andersen, Chairman  
Lars Thomas Blomqvist  
Peter Velling Bower  
Barbro Elisabet Fridén  
Asbjørn Mosgaard Hyldgaard

### Executive Board

Annemette Arndal-Lauritzen

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6  
2300 København S

## Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of ESB Group ApS for the financial year 01.01.2019 - 31.12.2019.

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 Company and the Group's financial position at 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

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.

Copenhagen, 26.06.2020

### Executive Board

Annemette Arndal-Lauritzen

### Board of Directors

Jesper Ahlmann Funding  
Andersen  
Chairman

Lars Thomas Blomqvist

Peter Velling Bower

Barbro Elisabet Fridén

Asbjørn Mosgaard Hyldgaard

# Independent auditor's report

## To the shareholder of ESB Group ApS

### Opinion

We have audited the consolidated financial statements and the parent financial statements of ESB Group ApS for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2019, and of the results of their operations for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent'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 consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated

## Independent auditor's report

financial statements and these parent 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 consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent'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 consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent'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 consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

### Statement on the management commentary

Management is responsible for the management commentary.

## Independent auditor's report

Our opinion on the consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent 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 consolidated financial statements and the parent 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.

### Violation of company law and similar legislation

The company and its affiliated companies have during the year violated with the applicable rules regarding self-financing in the Danish Companies Act. The matter is corrected through subsequent dividend distribution.

Copenhagen, 26.06.2020

## Deloitte

Statsautoriseret Revisionspartnerselskab  
Central Business Registration No (CVR) 33963556

Bill Haudal Pedersen  
State Authorised Public Accountant  
Identification No (MNE) mne30131

Henrik Wolff Mikkelsen  
State Authorised Public Accountant  
Identification No (MNE) mne33747

## Management commentary

	<b>2019</b> <b>DKK'000</b>
<b>Financial highlights</b>	
<b>Key figures</b>	
Gross profit	41.171
EBITDA before normalization	(3.639)
EBITDA after normalization	30.801
Operating profit/loss	(31.552)
Net financials	(12.749)
Profit/loss for the year	(41.695)
Profit/loss excl minority interests	(41.695)
Total assets	652.425
Investments in property, plant and equipment	20.250
Equity	366.372
Equity excl minority interests	366.372
<b>Ratios</b>	
Return on equity (%)	(11,4)
Equity ratio (%)	56,2

EBITDA after normalization comprise of EBITDA adjusted for other operating expenses and PPA adjustments.

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

<b>Ratios</b>	<b>Calculation formula</b>	<b>Calculation formula reflects</b>
Return on equity (%)	$\frac{\text{Profit/loss excl minority interests} \times 100}{\text{Average equity excl minority interests}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity excl minority interests} \times 100}{\text{Total assets}}$	The financial strength of the entity.



## Management commentary

### Primary activities

The Group's main activities are within the fertility industry and related production.

Founded in 2004, European Sperm Bank ("ESB") is one of the leading sperm banks in the world, providing fertility clinics all over the world with donor semen of the highest quality. The main product offering consists of a wide selection of high-quality donor semen from both open and anonymous sperm donors, helping heterosexual couples, single women and lesbian couples in +100 countries. The end users are reached through two channels, i.e. the products are either sold to a fertility clinic (B2B) or directly to end customers via the company website (B2C), in which case the donor semen is delivered to a clinic of choice where the fertility treatment is carried out

ESB is headquartered in Copenhagen with c. 90 employees and currently operates out of 6 locations, including 3 sites in Copenhagen (DK), 1 site in Aarhus (DK), 1 site in London (UK) and 1 site in Hamburg (DE)

The parent company's main activities are investments in subsidiaries within the fertility industry and related production, including providing management services.

### Development in activities and finances

On 3 April 2019, the Group acquired European Sperm Bank ApS. As a consequence, the consolidated financial statements cover the approximate period of 9 months from 3 April 2019 to 31 December 2019.

In 2019 European Sperm Bank ApS realized gross profit of DKK 76.3m equivalent to 12.6% growth compared to 2018. The growth in gross profit was driven by positive momentum across markets achieved in both of its two distribution channels i.e. sales to clinics and sales directly to end customers.

Following the acquisition, the Group structure and setup have changed. As a result of this, reported EBITDA for the Group in 2019 (9 months) of DKK -3.6m was negatively impacted by Purchase Price Adjustments (PPA) and one-off expenses related to the transaction. In addition, significant investments have been made in strategic initiatives and strengthening of the organisation to support future growth. The financial impact of these growth investments is yet to materialize.

Given the restructuring and strategic initiatives undertaken, the management team considers the results for the financial year of 2019 to be satisfactory.

### Uncertainty relating to recognition and measurement

No significant uncertainties are attached to recognition and measurement.

### Unusual circumstances affecting recognition and measurement

No significant unusual circumstances affecting recognition and measurement have occurred.

### Outlook

During 2019 the Group channeled significant resources and investments into building the platform for future growth. The outbreak of COVID-19 will have a negative impact on financial performance in 2020 due to temporary closures of fertility clinics and ESB's donor activities. Management believes that ESB will return to its historical growth and profitability once COVID-19 effects subside.

## Management commentary

### Particular risks

#### ***Business risks***

The company is not exposed to any specific business risks besides the commonly occurring risks in the industry.

The Board of Directors must reassure a continuous monitoring of the development in the market in order to reduce the business risks, as well as strengthen its competitive position on crucial parameters.

#### ***Political risks***

The Group's political risks are related to changes in the general public opinion and adverse political developments. The overall regulatory trend and public opinion across key markets is in direction of liberalization and opening treatment to more demographic groups. The Board of Directors continuously monitor the situation.

#### ***Currency risks***

The currency risks are substantially exposed to the Euro currency. Furthermore, a smaller risk relates to the GDP exposure derived from the UK-based production activities. The risk hereto is considered limited. Exchange rate adjustments of trade receivables, trade payables and cash in foreign currency is recognized as financial items. Currency risks related thereto, are not hedged.

#### ***Credit risks***

The Group's credit risks are related to trade receivables. The Group closely examines and manages the risk exposure by assessing the creditworthiness of all significant customers and professionals. Since the Group's customer base is very dispersed, no significant credit risk is associated with a single party.

### **Intellectual capital resources**

The ambition to be the world's most respected fertility bank puts high pressure on the Group when it comes to attracting, developing, and retaining high-quality members of staff with a high level of competence. The realization of the Group's goal of ensuring both quality knowledge and knowhow at each level of staff will be facilitated through recruitment procedures and a continuous development of the existing staff and their competences. Throughout the year, a considerable number of experienced and highly qualified members of staff have been added to the Group including a new CCO and COO. This initiative has strengthened the Group's knowledge and competence base.

### **Non-financial matters**

The organization of Management is, among other things, based on the Danish Companies Act, the Danish Financial Statements Act and the company's article of association. The Group has based its corporate governance efforts on a two-tier system where the Board of Directors and the Executive Management have two distinct roles. The Executive Management undertakes the operational management of the company, whereas the Board of Directors determines the overall company strategy and acts as a sparring partner to the Executive Management of the company. In addition, the management is continuously monitoring the financial

## Management commentary

development as well as the development in the field of corporate governance to ensure that the Group, internally and well as externally, is managed in a way that is in accordance with applicable laws in order to protect the interests of all stakeholders.

Risk management is considered an essential and natural part of the realization of the Group's objectives and strategy. The daily activities, the implementation of the established strategy and the continuous use of business opportunities involve inherent risks, and the company's handling of these risks is therefore seen as a natural and integrated part of the daily work and a way to ensure stable and reliable growth.

The Board of Directors are appointed by Axcel. The Board of Directors consists of five members. Board meetings are held minimum six times a year, additionally, the Chairman Committee meets with Executive Management on an ongoing basis.

### Research and development activities

The Group's research activities are related and limited to its natural high level of knowledge about sperm, and sperm quality among its large donor base and how this fundamental input factor in the fertility industry is developing over time.

### Group relations

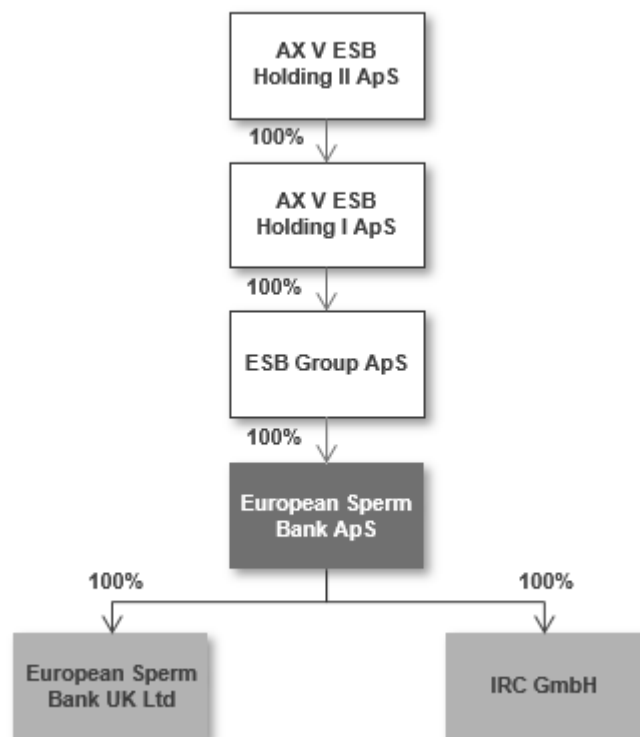
ESB Group ApS is indirectly owned by the equity fund Axcel with appr. 64%, the Bower family via Innodapter and Selskabet af 26. marts 2019 ApS with appr. 30%, and members of the board of directors, management and employees with appr. 6% via holding companies AX V ESB Holding I ApS and AX V ESB Holding II ApS.

ESB Group ApS' equity consists of one class of shares and the loan capital consists of bank debt, provided by Danske Bank and Hermes Direct Lending Fund II S.à r.l.

The current capital structure is deemed appropriate in relation to the need for financial flexibility in ESB Group ApS and its subsidiaries.

Being owned by the Danish private equity firm Axcel, the Group is subject to the guidelines of the Danish Venture Capital and Private Equity Association (DVCA, [www.dvca.dk](http://www.dvca.dk)) for responsible ownership and corporate governance. ESB Group ApS intends to comply with all relevant guidelines.

## Management commentary



### Statutory report on corporate social responsibility

Being a sperm bank is an unusual and rewarding task by the fact, that the activities of the Group plays a part in giving life to new human beings. The purpose of the company is to help bring healthy children into an openminded society and in doing so be obliged to respect the long-term perspective of its activities. Understanding and appreciating this long-term impact means that the Group needs to think about the future for all parties involved. This is the promise to all stakeholders, who are considered to be the donor children and their families, the donors, the employees, the fertility clinics, society, the planet, suppliers and the authorities.

In 2019 the Group developed a corporate strategy for 2020-2023 and out of the 9 chosen cornerstones, one is to develop a CSR strategy and action plan, that includes perspectives on all stakeholders. As part of developing the CSR cornerstone, it was also decided in 2019, that the group will join UN Global Compact in 2020 and release a Code of Conduct and a Business Ethics Policy. These are topics that have never been formulated in writing in the Group but have been an embedded part of the corporate culture. Nevertheless, as the company grows, it sees the need to formalise the views on these important matters.

As part of the preparation for entering UN Global Compact in 2020, the Group has worked with Klinkby Enge to map how it matches the UN Sustainable Development Goals in 2019. The Group contributes positively to a long list of SDGs and in particular target 3.7 Ensure universal access to sexual and reproductive health-care services and targets 3.2, 3.3 and 3.4, who all relates to the health of the population.

## Management commentary

### Events after the balance sheet date

No significant events affecting the financial statement for 2019 have occurred after the financial year.

The outbreak of the Covid-19-pandemic will have temporary negative impact on the Group, but in general the fertility industry is considered to be stable and resilient to macro-economic downturns.

## Consolidated income statement for 2019

	<u>Notes</u>	<u>2019 DKK'000</u>
<b>Gross profit</b>		<b>41.171</b>
Staff costs	1	(24.445)
Depreciation, amortisation and impairment losses	2	(27.913)
Other operating expenses	3	<u>(20.365)</u>
<b>Operating profit/loss</b>		<b>(31.552)</b>
Other financial income	4	1.656
Other financial expenses	5	<u>(14.405)</u>
<b>Profit/loss before tax</b>		<b>(44.301)</b>
Tax on profit/loss for the year	6	<u>2.606</u>
<b>Profit/loss for the year</b>	7	<b><u>(41.695)</u></b>

## Consolidated balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK'000</u>
Completed development projects		6.416
Acquired intangible assets		67.431
Acquired rights		37.386
Goodwill		449.008
<b>Intangible assets</b>	<b>8</b>	<b>560.241</b>
Other fixtures and fittings, tools and equipment		5.909
Leasehold improvements		6.317
<b>Property, plant and equipment</b>	<b>9</b>	<b>12.226</b>
Other receivables		1.289
<b>Fixed asset investments</b>	<b>10</b>	<b>1.289</b>
<b>Fixed assets</b>		<b>573.756</b>
Manufactured goods and goods for resale		64.484
<b>Inventories</b>		<b>64.484</b>
Trade receivables		9.620
Other receivables		1.246
Prepayments	11	821
<b>Receivables</b>		<b>11.687</b>
<b>Cash</b>		<b>2.498</b>
<b>Current assets</b>		<b>78.669</b>
<b>Assets</b>		<b>652.425</b>

## Consolidated balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK'000</u>
Contributed capital		50
Reserve for development expenditure		4.360
Retained earnings		361.962
<b>Equity</b>		<b>366.372</b>
Deferred tax	12	29.264
<b>Provisions</b>		<b>29.264</b>
Bank loans		228.480
Other payables		971
<b>Non-current liabilities other than provisions</b>	13	<b>229.451</b>
Current portion of long-term liabilities other than provisions	13	8.640
Bank loans		3.323
Trade payables		7.209
Income tax payable		1.361
Other payables		6.805
<b>Current liabilities other than provisions</b>		<b>27.338</b>
<b>Liabilities other than provisions</b>		<b>256.789</b>
<b>Equity and liabilities</b>		<b>652.425</b>
Unrecognised rental and lease commitments	14	
Group relations	15	
Subsidiaries	16	



## Consolidated statement of changes in equity for 2019

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	50	0	0	50
Effect of mergers and business combinations	0	0	5.080	5.080
Extraordinary dividend paid	0	0	(5.000)	(5.000)
Exchange rate adjustments	0	0	(90)	(90)
Group contributions etc	0	0	432.459	432.459
Other entries on equity	0	0	(24.432)	(24.432)
Transfer to reserves	0	4.360	(4.360)	0
Profit/loss for the year	0	0	(41.695)	(41.695)
<b>Equity end of year</b>	<b>50</b>	<b>4.360</b>	<b>361.962</b>	<b>366.372</b>

## Notes to consolidated financial statements

	<b>2019 DKK'000</b>
<b>1. Staff costs</b>	
Wages and salaries	32.625
Pension costs	1.226
Other social security costs	317
Other staff costs	1.779
Staff costs classified as assets	(11.502)
	<b>24.445</b>
 Average number of employees	 <b>54</b>

	<b>Remunera- tion of manage- ment 2019 DKK'000</b>
Total amount for management categories	2.840
	<b>2.840</b>

Pursuant to Section 98b(iii) of the Danish Financial Statements Act, remuneration to the members of the Executive Board and Management is disclosed in total.

	<b>2019 DKK'000</b>
<b>2. Depreciation, amortisation and impairment losses</b>	
Amortisation of intangible assets	25.295
Depreciation of property, plant and equipment	2.618
	<b>27.913</b>

### 3. Other operating expenses

Other operating expenses comprise mainly of costs related to the acquisition of subsidiary.

	<b>2019 DKK'000</b>
<b>4. Other financial income</b>	
Financial income arising from group enterprises	82
Other financial income	1.574
	<b>1.656</b>

## Notes to consolidated financial statements

	<b>2019 DKK'000</b>
<b>5. Other financial expenses</b>	
Other interest expenses	6.579
Other financial expenses	7.826
	<b>14.405</b>
	<b>2019 DKK'000</b>
<b>6. Tax on profit/loss for the year</b>	
Current tax	2.265
Change in deferred tax	(4.871)
	<b>(2.606)</b>
	<b>2019 DKK'000</b>
<b>7. Proposed distribution of profit/loss</b>	
Retained earnings	(41.695)
	<b>(41.695)</b>

	<b>Completed develop- ment projects DKK'000</b>	<b>Acquired intangible assets DKK'000</b>	<b>Acquired rights DKK'000</b>	<b>Goodwill DKK'000</b>
<b>8. Intangible assets</b>				
Addition through business combinations etc	9.193	70.150	41.254	466.755
Additions	4.373	0	0	0
<b>Cost end of year</b>	<b>13.566</b>	<b>70.150</b>	<b>41.254</b>	<b>466.755</b>
Addition through business combinations etc	(3.493)	0	0	(205)
Amortisation for the year	(3.657)	(2.719)	(3.868)	(17.542)
<b>Amortisation and impairment losses end of year</b>	<b>(7.150)</b>	<b>(2.719)</b>	<b>(3.868)</b>	<b>(17.747)</b>
<b>Carrying amount end of year</b>	<b>6.416</b>	<b>67.431</b>	<b>37.386</b>	<b>449.008</b>

Completed development projects comprises the development of a new website and ERP-system.

Acquired intangible assets, rights and goodwill has been identified through the purchase price allocation in connection with the acquisition of ESB at 3 April 2019.

## Notes to consolidated financial statements

	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve- ments DKK'000
<b>9. Property, plant and equipment</b>		
Addition through business combinations etc	8.598	8.718
Additions	1.167	1.767
<b>Cost end of year</b>	<b>9.765</b>	<b>10.485</b>
Addition through business combinations etc	(2.910)	(2.496)
Depreciation for the year	(946)	(1.672)
<b>Depreciation and impairment losses end of year</b>	<b>(3.856)</b>	<b>(4.168)</b>
<b>Carrying amount end of year</b>	<b>5.909</b>	<b>6.317</b>
		Other receivables DKK'000
<b>10. Fixed asset investments</b>		
Addition through business combinations etc		1.262
Additions		27
<b>Cost end of year</b>		<b>1.289</b>
<b>Carrying amount end of year</b>		<b>1.289</b>
<b>11. Prepayments</b>		
Prepayments are amounts paid for the company in advance of goods and services.		
		2019 DKK'000
<b>12. Deferred tax</b>		
<b>Changes during the year</b>		
Additions from business combinations		34.135
Changes during the year		(4.871)
<b>End of year</b>		<b>29.264</b>

## Notes to consolidated financial statements

	Due within 12 months 2019 DKK'000	Due after more than 12 months 2019 DKK'000	Outstanding after 5 years DKK'000
<b>13. Liabilities other than provisions</b>			
Bank loans	8.640	228.480	176.640
Other payables	0	971	0
	<b>8.640</b>	<b>229.451</b>	<b>176.640</b>

	<b>2019 DKK'000</b>
<b>14. Unrecognised rental and lease commitments</b>	
Liabilities under rental or lease agreements until maturity in total	<b>12.772</b>

### 15. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:  
AX V ESB Holding III ApS, Sankt Annæ Plads 10, Copenhagen

	<u>Registered in</u>	<u>Corpo- rate form</u>	<u>Equity inte- rest %</u>
<b>16. Subsidiaries</b>			
European Sperm Bank ApS	Copenhagen	ApS	100,0
European Sperm Bank Ltd.	UK	Ltd.	100,0
Institut für Reproduktionsmedizin und Cryokonservierung GmbH	Germany	GmbH	100,0

## Parent income statement for 2019

	<b>Notes</b>	<b>2019 DKK'000</b>	<b>2018 DKK'000</b>
<b>Gross profit</b>		<b>797</b>	<b>0</b>
Staff costs	1	(1.378)	0
Other operating expenses	2	(14.842)	0
<b>Operating profit/loss</b>		<b>(15.423)</b>	<b>0</b>
Income from investments in group enterprises		5.000	0
Other financial expenses	3	(12.520)	0
<b>Profit/loss before tax</b>		<b>(22.943)</b>	<b>0</b>
Tax on profit/loss for the year	4	3.792	0
<b>Profit/loss for the year</b>	5	<b>(19.151)</b>	<b>0</b>

## Parent balance sheet at 31.12.2019

	<b>Notes</b>	<b>2019 DKK'000</b>	<b>2018 DKK'000</b>
Investments in group enterprises		647.509	0
<b>Fixed asset investments</b>	6	<b>647.509</b>	<b>0</b>
<b>Fixed assets</b>		<b>647.509</b>	<b>0</b>
Receivables from group enterprises		0	50
Deferred tax		3.792	0
<b>Receivables</b>		<b>3.792</b>	<b>50</b>
<b>Cash</b>		<b>47</b>	<b>0</b>
<b>Current assets</b>		<b>3.839</b>	<b>50</b>
<b>Assets</b>		<b>651.348</b>	<b>50</b>

## Parent balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Contributed capital		50	50
Retained earnings		408.308	0
<b>Equity</b>		<b>408.358</b>	<b>50</b>
Bank loans		228.480	0
Other payables		63	0
<b>Non-current liabilities other than provisions</b>	<b>7</b>	<b>228.543</b>	<b>0</b>
Current portion of long-term liabilities other than provisions	7	8.640	0
Trade payables		314	0
Payables to group enterprises		4.795	0
Income tax payable		144	0
Other payables		554	0
<b>Current liabilities other than provisions</b>		<b>14.447</b>	<b>0</b>
<b>Liabilities other than provisions</b>		<b>242.990</b>	<b>0</b>
<b>Equity and liabilities</b>		<b>651.348</b>	<b>50</b>
Contingent liabilities	8		
Assets charged and collateral	9		
Related parties with controlling interest	10		



## Parent statement of changes in equity for 2019

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	50	0	50
Extraordinary dividend paid	0	(5.000)	(5.000)
Group contributions etc	0	432.459	432.459
Profit/loss for the year	0	(19.151)	(19.151)
<b>Equity end of year</b>	<b>50</b>	<b>408.308</b>	<b>408.358</b>

## Notes to parent financial statements

	<b>2019 DKK'000</b>	<b>2018 DKK'000</b>
<b>1. Staff costs</b>		
Wages and salaries	1.350	0
Pension costs	27	0
Other social security costs	1	0
	<b>1.378</b>	<b>0</b>
Average number of employees	<b>1</b>	<b>0</b>

	<b>Remunera- tion of manage- ment 2019 DKK'000</b>
Total amount for management categories	649
	<b>649</b>

Pursuant to Section 98b(iii) of the Danish Financial Statements Act, remuneration to the members of the Executive Board and Management is disclosed in total.

### 2. Other operating expenses

Other operating expenses comprise mainly of costs related to the acquisition of subsidiary.

	<b>2019 DKK'000</b>	<b>2018 DKK'000</b>
<b>3. Other financial expenses</b>		
Other interest expenses	6.579	0
Other financial expenses	5.941	0
	<b>12.520</b>	<b>0</b>

	<b>2019 DKK'000</b>	<b>2018 DKK'000</b>
<b>4. Tax on profit/loss for the year</b>		
Current tax	(3.792)	0
	<b>(3.792)</b>	<b>0</b>

	<b>2019 DKK'000</b>	<b>2018 DKK'000</b>
<b>5. Proposed distribution of profit/loss</b>		
Retained earnings	(19.151)	0
	<b>(19.151)</b>	<b>0</b>

## Notes to parent financial statements

	<b>Invest- ments in group enterprises DKK'000</b>
<b>6. Fixed asset investments</b>	
Additions	647.509
<b>Cost end of year</b>	<b>647.509</b>
<b>Carrying amount end of year</b>	<b>647.509</b>
Goodwill or negative goodwill recognized during the financial year	<b>449.008</b>

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

	<b>Due within 12 months 2019 DKK'000</b>	<b>Due after more than 12 months 2019 DKK'000</b>	<b>Outstanding after 5 years DKK'000</b>
<b>7. Liabilities other than provisions</b>			
Bank loans	8.640	228.480	176.640
Other payables	0	63	0
	<b>8.640</b>	<b>228.543</b>	<b>176.640</b>

### 8. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where AX V ESB Holding III 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.

### 9. Assets charged and collateral

The company has provided collateral in the subsidiaries shares as collateral for balances with credit institutions.

### 10. Related parties with controlling interest

AX V ESB Holding I ApS, Struenseegade 9, 2., 2200 Copenhagen N owns 100 % of the shares in the company and thus has the controlling interest.

## 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 (medium).

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year, however 2019 is the first year with activity in the company.

### Non-comparability

The company was established on 17 December 2018, thus the financial year 2018 constitute the period 17.12.2018 - 31.12.2018. The current financial year is therefore not comparable to previous financial 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.

### Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

### Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition

## Accounting policies

date, with net assets having been calculated at fair value.

### **Income statement**

#### **Gross profit or loss**

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, cost of raw materials and consumables and external expenses.

#### **Revenue**

Revenue from the sale of goods is recognised in the income statement when delivery is made at the place determined by the customer before the end of the financial year. Revenue is measured at fair value excl. VAT and less granted goods and customer discounts.

#### **Other operating income**

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

#### **Cost of sales**

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

#### **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 as well as 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, as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

#### **Other operating expenses**

Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities.

#### **Income from investments in group enterprises**

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

#### **Other financial income**

Other financial income comprises dividends etc received on other investments, interest income, including

## Accounting policies

interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as 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 as well as 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.

### 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. Useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and 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 period 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 under 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.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation on property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

## Accounting policies

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. For development projects protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights. The amortisation periods used are 3-5 years.

Intangible acquired rights and other intangible assets acquired are measured at cost less accumulated amortisation and written down to the lower of recoverable amount and carrying amount.

The following estimated useful lives apply:

Acquired development projects	3-5 years
Acquired intangible assets	8 years
Acquired rights	20 years

### Property, plant and equipment

Land and buildings, plant and machinery as well as 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 self-manufactured assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

Indirect production costs in the form of indirect attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each asset.

Interest expenses on loans for the financing of the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other finance costs are recognised in the income statement.

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:

Plant and machinery	3-10 years
Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	5-10 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

## Accounting policies

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.

### Receivables

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

### Inventories

Inventories are measured at the cost according to the weighted average price method. In the event of cost exceeding net realisable value, write-down is made to this lower value. Cost of goods for resale consists of costs for raw materials, direct salaries with the addition of production overhead costs. Production overhead costs consists of indirect materials and salaries and maintenance of and depreciation on the machines used in the production process, buildings and equipment and costs to administration and leadership of the production.

### Prepayments

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

### Cash

Cash comprises cash in hand and bank deposits.

### 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 or the planned settlement of each liability. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

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.

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

### Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.



## Accounting policies

### Other financial liabilities

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

### Income tax receivable or payable

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

### Cash flow statement

The company have left out cash flow statement in accordance with the Danish Financial Act Statements § 86, 4., due to the preparation of cash flow statements in the consolidated financial statements for the largest group.