

# ***Unomedical A/S***

Åholmvej 1 - 3, DK-4320 Lejre

## **Annual Report for the year 1 January - 31 December 2019**

CVR No: 64 15 33 15

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
20 May 2020



Rina Kogut  
Chairman

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# Management's Statement

The Executive and Supervisory Boards have today considered and adopted the Annual Report of Unomedical A/S for the financial year 1 January - 31 December 2019.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

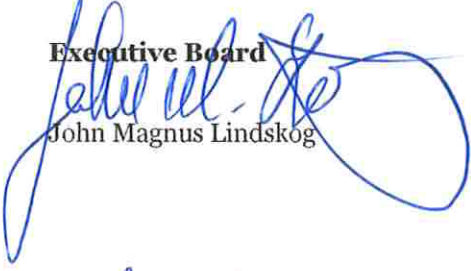
In our opinion, the Financial Statements give a true and fair view of the financial position at 31 December 2019 of the Company and of the results of the Company's operations for 2019.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.


We recommend that the Annual Report be adopted at the Annual General Meeting.

Lejre, 20 May 2020

## Executive Board

  
John Magnus Lindskog

## Supervisory Board

  
Anders Arvai  
Chairman

  
Helle Bak Nielsen

  
John Magnus Lindskog

# **Independent Auditor's Report**

To the Shareholder of Unomedical A/S

## **Opinion**

We have audited the Financial Statements of Unomedical A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 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 Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for 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 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 about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

# Independent Auditor's Report

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Copenhagen, 20 May 2020

**Deloitte**

Statsautoriseret Revisionspartnerselskab

CVR No 33 96 35 56



Kim Takata Mucke  
State Authorised Public Accountant  
mne10944



Henrik Wolff Mikkelsen  
State Authorised Public Accountant  
mne33747

## Company Information

### **The Company**

Unomedical A/S  
Åholmvej 1 - 3  
DK-4320 Lejre

CVR No: 64 15 33 15  
Financial year: 1 January - 31 December  
Municipality of reg. office: Lejre

### **Supervisory Board**

Anders Arvai, Chairman  
Helle Bak Nielsen  
John Magnus Lindskog

### **Executive Board**

John Magnus Lindskog

### **Auditors**

Deloitte  
Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6  
DK-0900 København C

## Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2019	2018	2017	2016	2015
	TDKK	TDKK	TDKK	TDKK	TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	1.721.635	1.598.330	1.742.656	1.690.686	1.627.565
Gross profit	862.103	829.350	954.776	919.609	871.382
Operating profit	677.042	668.512	798.297	765.388	741.644
Net financials	-2.217	47.197	-15.600	55.792	-61.785
Net profit for the year	520.363	562.395	608.070	637.358	486.557
<b>Balance sheet</b>					
Balance sheet total	2.930.984	2.913.147	2.846.312	2.973.545	3.052.857
Equity	2.082.324	1.558.456	1.376.749	1.466.255	1.528.072
Investment in property, plant and equipment	146.488	69.671	89.386	67.310	31.815
Average number of employees	299	307	286	255	240
<b>Ratios</b>					
Gross margin	50,1%	51,9%	54,8%	54,4%	53,5%
Profit margin	39,3%	41,8%	45,8%	45,3%	45,6%
Return on assets	23,1%	22,9%	28,0%	25,7%	24,3%
Solvency ratio	71,0%	53,5%	48,4%	49,3%	50,1%
Return on equity	49,7%	38,3%	42,8%	42,6%	29,8%
Revenue per employee	5.758	5.206	6.093	6.630	6.782

The ratios have been prepared in accordance with the recommendations and guidelines issued by the CFA Society Denmark. For definitions, see under accounting policies.

# Management's Review

## **Main activity**

Unomedical A/S is part of the Unomedical group of companies owned by the UK-based ConvaTec Group PLC.

Unomedical A/S holds a leading position as a supplier of medical disposable products for the healthcare sector worldwide. Unomedical works constantly, in an innovative manner, to improve the quality of life for millions of people around the world. The object of these products is to improve the lives of the people we touch. We drive for excellence in all we do - anticipating and addressing our customers' needs with advanced technologies and best in class products and services.

Unomedical A/S consists of two main divisions: Infusion Devices (IFD) and Industrial Sales (IS).

Infusion Devices are primarily infusion sets used within diabetes care for subcutaneous infusion of insulin and secondary infusion set used for subcutaneous drug delivery. Industrial Sales is disposable hospital products, which are essential for providing basic nursing needs for hospital and homecare use. These products are characterized by having a long life cycle, but there is a constant demand for new product updates and innovative solutions.

## **Development in the year**

Net sales for 2019 measured in DKK increased by 7,7% to TDKK 1.721.635 compared to TDKK 1.598.330 in 2018.

Gross profit for 2019 amounted to TDKK 862.103, which is an increase of TDKK 32.753 compared to 2018.

EBIT amounts to TDKK 677.042, which is an increase of TDKK 8.530 or 1,3% compared to 2018, where EBIT was TDKK 668.512.

The development in net sales and EBITDA is in line with expectations drawn up in the 2018 annual report. EBIT is below expectations drawn up in 2018 annual report due to increase in depreciations due to investments in capacity expansion and product development.

EBT shows a result of TDKK 674.825 compared to TDKK 715.709 in 2018. The decrease in EBT in 2019 compared to 2018 is in line with expectations drawn up in the 2018 Annual Report, after adjustment for impairment of financial assets TDKK 50.000 and the increased depreciation due to investments in developing the future business.

The income statement of the Company for 2019 shows a profit of TDKK 520.363, and at 31 December 2019 the balance sheet of the Company shows equity of TDKK 2.082.324.

At year-end 2019, the solvency ratio is 71,0% compared to 53,5% at year-end 2018.

## **Special risks - operating risks and financial risks**

### ***Operating risks***

The main commercial risk of Unomedical A/S relates to the ability of sustaining its strong market position. Therefore, the Company seeks to be at the cutting edge when it comes to technological and product development within our business areas and activities.

### ***Foreign exchange risks***

Unomedical A/S has considerable sales in foreign currencies, and accordingly, the Company is exposed to changes in currency exchange rates. These financial risks are monitored and managed in close cooperation with the Parent, ConvaTec Group, which follows a low risk policy.

## **Targets and expectations for the year ahead**

In 2020, the IFD Division is continuing expected to be the key pillar in the future development.

In 2020, market growth in Europe and in the US market is expected to be in the level of 3-5%. There is still prospect of continued low financial growth and general pressure on the health sector.

In 2020, focus will be further investment in capacity expansion as well as focus on developing new products to drive the future business.

Net sales and EBIT for 2020 is expected to be in the level of 5 % above 2019.

Based on the knowledge we have today the COVID-19 will not have material effect on the expectation for the year as mentioned under paragraph "Subsequent events".



# Management's Review

## Research and development

The Company has continuously been focusing on improving the quality and functionality of existing products and developing new product features to meet our customers' future demands and to improve the lives of the people we touch with our products.

Research and development spend are in the level of 2,5% of revenue and on top of this we have invested a significant double digit MDKK amount in tangible assets related to new products. R&D are focused on infusion sets used within diabetes care, infusion set used for subcutaneous drug delivery in general and of disposable hospital products for hospital and homecare use. We expect to introduce new products every year.

## Intellectual capital resources

Being part of a very knowledge-based industry, where product development is important, makes Unomedical A/S dependent on deeply engaged employees and leaders. Our ambition of being a market leader within our field means that we constantly keep focus on developing the skills of our employees. Based on this, we will be able to adapt to a constantly changing market place and extend our activities.

## Statutory statement of corporate social responsibility

Information about Unomedical A/S general business model, is mentioned in the preceding paragraph "Main activity".

We work systematically to create a working environment based on core values such as Caring for People, Driving Innovation and Excellence and Earning Trust, and we continuously have focus on optimizing the organization and improving the efficiency of our internal processes and procedures.

Unomedical A/S emphasizes being a responsible and reliable business partner externally as well as internally as well as equal opportunities for everyone, regardless of gender, age, ethnicity and political or religious orientation. As part of the ConvaTec Group, Unomedical A/S is subject to the Group's CSR policies. They may be found at: <http://www.convatecgroup.com/media/1557/corporate-responsibility-report>. Complying consistently with these principles has secured the Company a solid position as the preferred BtB business partner within the Company's business area worldwide. No specific targets have so far been set for Denmark.

## Employees and human rights

The primary risk is work related accidents, and respecting the human rights of our workforce in relation to e.g. fair working hours and diversity and anti-discrimination, which may impact our ability to retain and attract employees.

Our policy related to E&H and human rights is that we on a by annual basis make surveys of the Work Environment and Engagement and in addition to this an Organization Health index is performed. Based on the results of the surveys action plans are made to ensure continuous improvement of engagement and motivation and how we treat human rights of our workforce. We have followed our Human rights guidelines in 2019.

Unomedical A/S is committed to ensuring a sound working environment and being a responsible player in the environments we operate in. Efforts are constantly made to enhance safety in all processes. Injuries and accidents are reported regularly and followed up on. In 2019, a total of zero serious injuries were reported (zero in 2018). The Company has been certified with a green smiley from the Danish Working Environment Authorities.

We are working continuously on reduction of absence through talks, focus on health and gradual return after long term sick leave. Because of increasing production of new products several new employees were recruited for the Company and, therefore, new competencies have been added to the Company.

Unomedical A/S finds it positive to contribute to bringing people, who for some reason have fallen out of the job market, back in it. Against that background, Unomedical A/S has assisted its surrounding local governments in providing work ability testing, traineeships etc. In 2019, several candidates have completed traineeships, work ability testing and to assimilation of refugees into the Danish job market, the Company has supported these activities.

A new and structure initiative has been initiated to develop the competencies of the hourly staff in Denmark having a number of the staff following external training to industrial operator.

We strive for a versatile and non-discriminatory workplace and forbid any use of child labor.

# Management's Review

## Quality

The primary risk is a potential product recall due to Patient safety related Preventive actions which cause the Patient challenges. No such cases were initiated in 2019.

The quality of the Company is governed by a general quality policy, which lays down processes and procedures, in which staff are trained on a continual basis. Staff skills are also maintained based on internal and external courses and on the job training. Several specialists have been identified in the organization, who have been charged with the responsibility to follow and share knowledge about several special areas that are key to the Company's development. The result of this activity is increased product quality and reduced material wastage.

## Anti-corruption

The primary risk is exposing Unomedical A/S to unintended influence of Key Opinion Leaders. This could lead to criticism of the company and may impact our reputation.

The external customer related cooperation and business ethics are governed on a general level by the Code of Conduct policies and observes the US legislation about the Foreign Corrupt Practices Act. Training in these policies is provided to relevant staff groups, and the Company's views in this respect are regularly communicated to staff and we have a zero-tolerance policy towards corruption and bribery. The follow up on compliance with these policies was also included in the normal coaching and the performance appraisals held between managers and staff. In the financial year 2019 Unomedical A/S has not experienced any anti-corruption cases.

## Environmental and climate impact

The primary risk is related to; during manufacturing of products, e.g. emission to air and waste generation. In the unlikely event of damage to the immediate environment, it could lead to criticism from stakeholders and loss of business reputation.

The object of the environmental policy is to reduce the Company's environmental and climate impact by, for instance, reducing packaging, energy consumption and production wastage which forms part of the daily focus. Unomedical A/S will continually seek solutions that impact positively on both the internal and external environment. As an example Unomedical A/S focused on product and packaging improvements through the development of green design guidelines.

In the financial year 2019, Unomedical A/S has not experienced any significant environmental issues and has not been cautioned or prosecuted for breaches of the environmental legislation.

## Share of the underrepresented gender

Regarding both the Board of Directors and in general terms, Unomedical A/S will always strive to ensure that the best qualified person holds a given position. Accordingly, all employees' and managers' performance are appraised based on individual objectives. These appraisals form the basis of promotions and granting of increased responsibility, ensuring that performance and objective criteria form the basis in this respect.

Being an international company, Unomedical A/S aspires to promote diversity and create equal opportunities for everyone, regardless of gender, age, ethnicity and political or religious orientation. Ambition is firmly rooted in Unomedical A/S' Code of Conduct.

Unomedical A/S aims at the underrepresented gender's share of the members elected by the General Meeting represent more than 20%. At present, the underrepresented gender's share represents 33% (1 out of 3).

When recruiting for executive positions, moreover, Unomedical A/S will make sure that the share of woman candidates on the shortlist corresponds to the share of women applicants for the position. When considering promotions to executive positions, Unomedical A/S will also make sure that at least one woman candidate is discussed. When recruiting for positions in other management tiers, we will ensure diversity in the gender balance.

At management level, Unomedical A/S aims to have a composition of men and women that reflect the gender representation in the rest of the organization. The management consist of 30% women and 70% men.

In 2019, all recruited candidates account for 48% (58% in 2018) women and 52% (42% in 2018) men.

# Management's Review

## Unusual events

The financial position at 31 December 2019 of the Company and the results of the activities of the Company for the financial year for 2019 have not been affected by any unusual events.

## Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date. The outbreak and spread of COVID-19 early 2020 haven't had and do not expect to have material effect on the Company's financial position and development, because the Company's customers mostly are patients with a chronic disease, which require continuous treatment to maintain quality of life.

## Income Statement 1 January - 31 December

	Note	2019	2018
		TDKK	TDKK
<b>Revenue</b>	1	<b>1.721.635</b>	<b>1.598.330</b>
Change in inventories of finished goods, work in progress and goods for resale		17.245	66.492
Other operating income	2	17.832	19.156
Expenses for raw materials and consumables		-745.435	-735.026
Other external expenses		-149.174	-119.602
<b>Gross profit</b>		<b>862.103</b>	<b>829.350</b>
Staff expenses	3	-118.204	-113.162
Depreciation and amortisation of intangible assets and of property, plant and equipment	4	-66.857	-47.676
<b>Profit before financial income and expenses</b>		<b>677.042</b>	<b>668.512</b>
Income from investments in subsidiaries		14.940	15.768
Financial income	5	39.474	46.886
Financial expenses	6	-6.631	-15.457
Impairment of financial assets		-50.000	0
<b>Profit before tax</b>		<b>674.825</b>	<b>715.709</b>
Tax on profit for the year	7	-154.462	-153.314
<b>Net profit for the year</b>		<b>520.363</b>	<b>562.395</b>

# Balance Sheet 31 December

## Assets

	Note	2019	2018
		TDKK	TDKK
Completed development projects		29.632	23.034
Acquired other similar rights		2.783	3.202
Development projects in progress		4.387	12.150
<b>Intangible assets</b>	<b>8</b>	<b>36.802</b>	<b>38.386</b>
Land and buildings		20.181	21.025
Plant and machinery		212.587	184.512
Other fixtures and fittings, tools and equipment		1.729	361
Property, plant and equipment in progress		111.211	54.707
<b>Property, plant and equipment</b>	<b>9</b>	<b>345.708</b>	<b>260.605</b>
Investments in subsidiaries	10	403.156	454.583
Receivables from group enterprises	11	1.628.520	1.396.306
<b>Fixed asset investments</b>		<b>2.031.676</b>	<b>1.850.889</b>
<b>Fixed assets</b>		<b>2.414.186</b>	<b>2.149.880</b>
Raw materials and consumables		107.623	83.209
Work in progress		66.776	27.534
Finished goods and goods for resale		79.513	114.406
<b>Inventories</b>		<b>253.912</b>	<b>225.149</b>
Trade receivables		140.442	102.811
Receivables from group enterprises		27.971	384.845
Other receivables		16.989	8.751
Corporation tax		0	2.392
<b>Receivables</b>		<b>185.402</b>	<b>498.799</b>
<b>Cash at bank and in hand</b>		<b>77.484</b>	<b>39.319</b>
<b>Currents assets</b>		<b>516.798</b>	<b>763.267</b>
<b>Assets</b>		<b>2.930.984</b>	<b>2.913.147</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2019	2018
		TDKK	TDKK
Share capital		126.000	126.000
Reserve for development costs		26.535	27.444
Retained earnings		1.929.789	1.405.012
<b>Equity</b>	12	<b>2.082.324</b>	<b>1.558.456</b>
Provision for deferred tax	14	43.681	43.475
<b>Provisions</b>		<b>43.681</b>	<b>43.475</b>
Payables to group enterprises		311.789	307.617
<b>Long-term debt</b>	15	<b>311.789</b>	<b>307.617</b>
Trade payables		75.331	30.097
Payables to group enterprises	15	199.296	907.976
Corporation tax		154.313	0
Other payables		64.250	65.526
<b>Short-term debt</b>		<b>493.190</b>	<b>1.003.599</b>
<b>Debt</b>		<b>804.979</b>	<b>1.311.216</b>
<b>Liabilities and equity</b>		<b>2.930.984</b>	<b>2.913.147</b>
Distribution of profit	13		
Contingent assets, liabilities and other financial obligations	16		
Related parties	17		
Fee to auditors appointed at the general meeting	18		
Accounting Policies	19		

## Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January 2019	126.000	27.444	1.405.012	1.558.456
Adjustments 2018 of investments in subsidiaries	0	0	-727	-727
Adjusted equity at 1 January	126.000	27.444	1.404.285	1.557.729
Share Based Payment	0	0	4.232	4.232
Development costs for the year	0	-909	909	-
Net profit for the year	0	0	520.363	520.363
Equity at 31 December 2019	126.000	26.535	1.929.789	2.082.324

# Notes to the Financial Statements

	2019	2018
	TDKK	TDKK
<b>1. Revenue</b>		
Sale of goods	1.721.635	1.598.330
	<b>1.721.635</b>	<b>1.598.330</b>

For competitive reasons, the Company has not provided information on revenue distribution by business and geographic segments.

## 2. Other operating income

Other operating income comprise royalties and management fees received.

## 3. Staff expenses

Wages and salaries	101.115	96.866
Pensions	13.988	13.532
Other social security expenses	3.101	2.764
	<b>118.204</b>	<b>113.162</b>
<b>Average number of employees</b>	<b>299</b>	<b>307</b>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

ConvaTec PLC has implemented different share-based compensation programs for the Company's Executive Board, other key management persons and other eligible employees. Share-based compensation programs are granted on a yearly basis over a fixed period. Share-based compensation programs entitle the Executive Board, other key management persons and other eligible employees to buy shares in the ConvaTec PLC per agreement at a pre-agreed price.

The total share-based compensation are valued using the Black-Scholes model and the expense is recognised in the income statement (staff expenses) throughout the vesting period. A corresponding adjustment is reversed through equity (retained earnings).

## 4. Depreciation and amortisation of intangible assets and property, plant and equipment

Amortisation of intangible assets	6.955	7.298
Depreciation of property, plant and equipment	59.812	40.258
Loss on disposal	90	120
	<b>66.857</b>	<b>47.676</b>



# Notes to the Financial Statements

	2019	2018
	TDKK	TDKK
<b>5. Financial income</b>		
Interest received from group enterprises	36.264	41.275
Other financial income	844	88
Exchange gains	2.366	5.523
	<u>39.474</u>	<u>46.886</u>

## 6. Financial expenses

Impairment losses on financial assets	0	34
Interest paid to group enterprises	6.631	15.420
Other financial expenses	0	3
	<u>6.631</u>	<u>15.457</u>

## 7. Tax on profit for the year

Current tax for the year	154.313	146.327
Deferred tax for the year	2.110	7.860
Adjustment of tax concerning previous years	-57	137
Adjustment of deferred tax concerning previous years	-1.904	-1.010
	<u>154.462</u>	<u>153.314</u>

## 8. Intangible assets

	Completed development projects	Acquired other similar rights	Development projects in progress
	TDKK	TDKK	TDKK
Cost at 1 January	85.680	17.872	12.151
Additions for the year	0	0	5.372
Disposals for the year	-3.478	0	0
Transfers for the year	13.136	0	-13.136
Cost at 31 December	<u>95.338</u>	<u>17.872</u>	<u>4.387</u>
Amortisation at 1 January	62.646	14.672	0
Amortisation for the year	6.538	417	0
Reversal of impairment and depreciation of sold assets	-3.478	0	0
Amortisation at 31 December	<u>65.706</u>	<u>15.089</u>	<u>0</u>
<b>Carrying amount at 31 December</b>	<u>29.632</u>	<u>2.783</u>	<u>4.387</u>

## Notes to the Financial Statements

### 9. Property, plant and equipment

	Land and buildings	Production equipment, tools and machinery	Other fixtures and fittings, and equipment	Property, plant and equipment in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	60.655	579.359	3.604	54.707
Additions for the year	0	0	0	146.488
Disposals for the year	0	-19.388	0	0
Transfers for the year	1.409	86.726	1.849	-89.984
<b>Cost at 31 December</b>	<b>62.064</b>	<b>646.697</b>	<b>5.453</b>	<b>111.211</b>
Depreciation at 1 January	39.628	394.847	3.243	0
Depreciation for the year	2.255	57.075	481	0
Reversal of impairment and depreciation of sold assets	0	-17.812	0	0
<b>Depreciation at 31 December</b>	<b>41.883</b>	<b>434.110</b>	<b>3.724</b>	<b>0</b>
<b>Carrying amount at 31 December</b>	<b>20.181</b>	<b>212.587</b>	<b>1.729</b>	<b>111.211</b>

### 10. Investments in subsidiaries

	2019	2018
	TDKK	TDKK
Cost at 1 January	858.213	828.143
Additions for the year	0	30.070
Liquidation of subsidiary	-1.427	0
<b>Cost at 31 December</b>	<b>856.786</b>	<b>858.213</b>
Impairment adjustments at 1 January	-403.630	-397.854
Impairments for the year, net	-50.000	-5.776
<b>Impairment adjustments at 31 December</b>	<b>-453.630</b>	<b>-403.630</b>
<b>Carrying amount at 31 December</b>	<b>403.156</b>	<b>454.583</b>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership
Pharma Plast Productors Medicos S.A.	Spain	100%
Unomedical Holdings Limited	England	100%
ConvaTec Oy	Finland	100%
Unomedical Devices SA de CV	Mexico	100%
ZAO ConvaTec	Russia	100%
Unomedical s.r.o.	Slovakia	100%
Unomedical America Inc.	USA	100%
Fe Unomedical Limited	Belarus	100%
Papyro-TeX A/S	Denmark	100%

# Notes to the Financial Statements

## 11. Other fixed asset investments

	Receivables from group enterprises
	TDKK
Cost at 1 January	1,396,306
Additions for the year, net	232,214
Cost at 31 December	1,628,520
<b>Carrying amount at 31 December</b>	<b>1,628,520</b>

## 12. Equity

The share capital consists of 126.000 shares of a nominal value of TDKK 1. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

	2019	2018
	TDKK	TDKK

## 13. Distribution of profit

Retained earnings	520.363	562.395
	<b>520.363</b>	<b>562.395</b>

## 14. Provision for deferred tax

Provision for deferred tax at 1 January	41.571	34.369
Amounts recognised in the income statement for the year	2.110	6.849
Effect from merger	0	2.257
<b>Provision for deferred tax at 31 December</b>	<b>43.681</b>	<b>43.475</b>
Intangible assets	8.096	7.740
Property, plant and equipment	8.314	7.441
Inventories	12.010	10.306
Share based payment	-1.760	0
Other, international joint taxation	17.021	17.988
	<b>43.681</b>	<b>43.475</b>

Deferred tax has been provided at 22% corresponding to the current tax rate.

## Notes to the Financial Statements

	2019	2018
	TDKK	TDKK
<b>15. Long-term debt</b>		
Payments due within 1 year are presented as short-term debt. Remaining debt is presented as long-term debt.		
The debt falls due for payment as specified below:		
<b>Payables to group enterprises</b>		
Between 1 and 5 years	311.789	307.617
Long-term part	311.789	307.617
Short-term debt to group enterprises	199.296	907.976
	<b>511.085</b>	<b>1.215.593</b>

## 16. Contingent assets, liabilities and other financial obligations

### Charges and security

The Company assets have been placed as security with ConvaTec Finance Holdings Limited, UK Intercompany loan agreement.

The Company has through its bank provided guarantees to third parties in connection with trade

The guarantee amounts to	1.426	1.151
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### Rental and lease obligations

Rental and lease obligations until maturity	1.290	1.214
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### Other contingent liabilities

The Company is party to a national Danish joint taxation scheme with ConvaTec Denmark A/S as the management company. Consequently, the Company is jointly liable for corporation taxes for the jointly taxed companies. The Company is also jointly liable for any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies.

The Company is party to minor cases and disputes. The Company believes that these cases will not trigger claims in excess of what has already been provided for in the financial statements.

The Company has incurred contractual obligations in the normal course of operations and development projects with suppliers. The total amount of contractual obligations amount up to DKK 56,0m. at 31 December 2019.

# Notes to the Financial Statements

## 17. Related parties

Controlling interest	Basis
ConvaTec Denmark A/S	Immediate parent
ConvaTec International Services GmbH, Switzerland	Intermediate parent
ConvaTec Group PLC	Ultimate parent

### Transactions

Trade with related parties, including trade with the parent company, is based on market terms.

### Consolidated Financial Statements

The Company is included in the Group Annual Report of the Ultimate Parent:

Name	Place of registered office
ConvaTec Group PLC	UK

The Group Annual Report of ConvaTec Group PLC may be obtained at the following address:

3 Forbury Place, 23 Forbury Road, UK.

	2019	2018
	TDKK	TDKK

## 18. Fee to auditors appointed at the general meeting

Audit fee to Deloitte	720	656
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## 19. Accounting Policies

The Annual Report of Unomedical A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2019 are presented in TDKK.

### Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of ConvaTec Group PLC, the Company has not prepared consolidated financial statements.

### Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of ConvaTec Group PLC, the Company has not prepared a cash flow statement.

# Notes to the Financial Statements

## 19. Accounting Policies (continued)

### Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

### Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

### Segment information on revenue

For competitive reasons, the Company has not provided information on revenue distribution by business and geographic segments.

### Share-based payments

Equity-settled share-based payments to employees etc. are measured at the fair value of the award on the grant date. The fair value of the awards at the date of the grant, which is estimated to be equal to the market value, is expensed in the income statement (staff expenses) over the vesting period, with appropriate adjustments being made during the period to reflect expected and actual forfeitures. The corresponding adjustment is reversed through equity (retained earnings).

## Income Statement

### Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the customer, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

### Changes in inventories of finished goods and work in progress

Changes in inventories of finished goods and work in progress comprise decreases or increases for the financial year in inventories of finished goods and work in progress. This item includes ordinary write-downs of such inventories. Changes in inventories of raw materials are included in costs of raw materials and consumables.

### Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

### Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Other external expenses also include research and development costs that do not qualify for capitalisation.

# Notes to the Financial Statements

## 19. Accounting Policies (continued)

### Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses other than production wages included in "Other external expenses".

### Amortisation and depreciation

Amortisation and depreciation comprise amortisation and depreciation of intangible assets and property, plant and equipment.

### Other operating income

Other operating income comprise items of a secondary nature to the main activities of the Company, primarily royalties and management fees received.

### Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary.

### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

### Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with Danish group enterprises. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

## Balance Sheet

### Intangible assets

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.

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 indirect 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.

Completed development projects are amortised on a straight-line basis over five years. For development projects protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights. Development projects are written down to the lower of recoverable amount and carrying amount.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement, but over no more than 20 years.

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

# Notes to the Financial Statement

## 19. Accounting Policies (continued)

### 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.

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.

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:

Buildings	20 - 25 years
Production equipment and machinery	5 - 7 years
Other fixtures and fittings etc	3 - 4 years

Depreciation period and residual value are reassessed annually.

### Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

### Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

### Other fixed asset investments

Other fixed asset investments consist of Receivables from group enterprises.

### Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Financing costs are not included in cost.

### Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

### Equity

#### *Dividend*

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

### Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.



# Notes to the Financial Statements

## 19. Accounting Policies (continued)

### Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses

### Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

## Financial Highlights

### Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$

