

Mediq Danmark A/S

Kornmarksvej 15-19
2605 Brøndby

CVR no. 86 47 99 15

Annual report 2019

The annual report was presented and approved at the
Company's annual general meeting on

31 August 2020

Claus Høxbro
chairman

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Mediq Danmark A/S
Annual report 2019
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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Mediq Danmark A/S for the financial year 1 January – 31 December 2019.

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

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019.

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

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

Brøndby, 31 August 2020
Executive Board:

Katrine Bjarkov Benthien

Board of Directors:

Christian Kanstrup
Chairman

Katrine Bjarkov Benthien

Jan Henning Albrechtsen



Independent auditor's report

To the shareholder of Mediq Danmark A/S

Opinion

We have audited the financial statements of Mediq Danmark A/S for the financial year 1 January – 31 December 2019 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position 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 rules and requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility 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 that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made on the basis of these financial statements.

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

- identify and assess the risks of material misstatement of the company 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

Independent auditor's report

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 the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

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

Copenhagen, 31 August 2020

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Anja Bjørnholt Lüthcke
State Authorised
Public Accountant
mne26779

Jesper Bo Pedersen
State Authorised
Public Accountant
mne42778

Mediq Danmark A/S
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Management's review

Company details

Mediq Danmark A/S
Kornmarksvej 15-19
2605 Brøndby

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Fax:	+45 36 72 83 22
Website:	www.mediqdanmark.dk
E-mail:	kundeservice@mediq.dk

CVR no.:	86 47 99 15
Established:	30 April 1979
Registered office:	Brøndby
Financial year:	1 January – 31 December

Board of Directors

Christian Kanstrup, Chairman
Katrine Bjarkov Benthien
Jan Henning Albrechtsen

Executive Board

Katrine Bjarkov Benthien

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfaergevej 28
DK-2100 Copenhagen

Management's review

Financial highlights

DKK'000	2019	2018	2017	2016	2015
Key figures					
Revenue	705,820	729,778	727,541	716,747	693,954
Gross profit	148,515	130,273	109,640	126,527	133,757
Profit before financial income and expenses	35,750	23,084	806	19,102	21,804
Net financials	1,853	-420	1,047	1,309	4,631
Profit for the year	26,172	16,703	-1,640	17,030	19,857
Total assets					
Total assets	256,151	236,107	281,726	305,169	286,731
Equity					
Equity	120,720	110,548	129,844	161,484	159,454
Ratios					
Gross margin	21.0%	17.9%	15.1%	17.7%	19.3%
Profit margin	5.1%	3.2%	0.1%	2.7%	3.1%
Return on assets	0.4%	0.3%	0.3%	6.3%	7.7%
Solvency ratio	47.1%	46.1%	46.1%	52.9%	55.6%
Average number of full-time employees					
Average number of full-time employees	176	168	167	165	170

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations & Ratios".

In 2019, Mediq Danmark A/S has acquired Puls Danmark A/S. After the acquisition the company has merged with Mediq Danmark A/S. Mediq Danmark A/S is the continuing company in the merger.

The key figures and financial ratios above are not fully comparable within the 5 years due to the mergers in 2019.

The financial ratios have been calculated as follows:

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

Management's review

Operating review

Core activity

The Company's activities comprise trade in hospital and healthcare products for the social and health sectors.

Development in activities and financial position

The income statement of the Company for 2019 shows a profit of DKK 26,172 thousand and at 31 December 2019, the balance sheet of the Company showed an equity of DKK 120,720 thousand.

The Company's results and financial development were satisfactory.

Operating risks

The Company's risks are considered moderate, as the majority of revenue is based on tenders, and a significant share of the contracts mature in 2019 or later.

Foreign exchange risks

A minor part of the Company's purchase is made in foreign currencies. Thus, the foreign exchange risk is considered moderate. The Company does not enter into foreign exchange positions for speculative purposes but may choose to mitigate risk exposure through foreign currency hedges.

Interest rate risks

The Company's interest rate risk is assessed to be minimal due to the fact that the Company is self-funding.

Corporate social responsibility and business model

Mediq is a trusted partner in healthcare, helping people to live their lives to the fullest potential by providing good and affordable healthcare products.

Our vision on global changes in healthcare

We stand today at the brink of unparalleled demographic shifts that threaten assumptions of entitlement to treatment. Rapidly ageing populations and an accelerating incidence of chronic disease have far reaching implications for healthcare and pose enormous challenges - for us and for society.

At Mediq, we believe access to healthcare is a social right, but it is not given. It can only be achieved if we continue to seek and develop new and innovative solutions that drive change for the better and improving patient outcomes.

With our knowledge, expertise and international network comes great responsibility. We have the biggest impact when we bring our scale to bear on solving healthcare's biggest challenges: bringing together government, municipalities and healthcare professionals to create new solutions and approaches in treatments, care processes and logistics.

Management's review

Operating review

Environmental and climate considerations

Protecting the environment is the right thing to do. We comply with all applicable environment related rules and regulations and aspire to adopt "best practices" in environmental procedures and standards. While our own operations have a relatively low impact on the environment, we are alert to opportunities to reduce our environmental impact in areas where we have the greatest influence. These have been defined as packaging, waste, internal processes using water, district heating and electricity and lease car policy. One of the pillars of Mediq's approach to reduce environmental impact is responsible procurement and sourcing therefore external transportation is in focus for lowering the CO2 emission.

We distribute medical devices to hospitals, healthcare institutions as well as directly to patients. CO2 emissions from transport therefore represent a significant part of Mediq's environmental impact. To cut emissions we encourage customers to increase order size and thereby order less times, which have been a success.

Our internal policies are focusing on minimizing our CO2 emission from 2019 until 2025.

- Company car policy, all new cars have a maximum CO2 emission of 151 g/km.
- Consumption from internal processes using water, district heating and electricity. The goal is to reduce the total CO2 with 5%
- Mediq's ambition in the Waste Management policy is 75% recycle from all fractions (In 2019, we achieved our goal of 75%).
- Environmental system measures CO2 pollution figures from external transportation per. month to follow development.

We continue with our CO2 focus in the coming years and will investigate the following areas in 2020:

- Further investments in LED lightning.
- Further investments in PIR sensors.
- Looking into investments in solar panels for electricity.

From January 2020 we only purchase electricity coming from European windmills documented by RECS certificates.

The risk of not reaching CO2 targets is therefore emitting more emissions. Emissions are managed through measurement systems and policies as stated above.

All employees are educated in waste handling as part of their onboarding training waste academy.

Social and employee relations

In the Mediq Code of Conduct key principles are described to ensure that in Mediq we do the right thing in the right way. The Code of Conduct is presented to all new employees during onboarding. This Code is applicable to all employees, officers and directors (together, "Employees") of Mediq and governs all our decisions and actions, whether in our offices, warehouses, in the boardroom, at customer or supplier premises or when providing care to our patients. This Code is at the center of everything we do. It reinforces our Core Values. Through a transparent performance management process, we aim to create a working environment in which employees feel challenged, where they can develop their skills and competences and be successful.

In Mediq we aim to provide a working environment that is free from harassment of any kind and/or any other offensive or disrespectful conduct and have a zero-tolerance policy with regards to workplace violence. Mediq is committed to upholding ethical labor practices and procedures. Our responsibility in this

Management's review

Operating review

area includes creating awareness and understanding of human rights, employment and labor practices. By incorporating these principles into strategies, policies and procedures, and living out our values; Caring Heart, Customer Drive, Champion Spirit. Mediq will uphold our basic responsibilities to our people, our environment, and set the stage for our long-term success.

In our human resource policy, the following issues are key:

Diversity

We employ people who come from an even wider range of nationalities. We want everybody to feel at home in Mediq and have the same opportunities, irrespective of nationality, race, gender, sexual orientation, age, religion and handicap. It is Mediq's ambition to have a balanced gender distribution and equal pay for equal work. Approximately 50% of Mediq's employees are women.

Recruitment and retention

Mediq aims to attract capable people who want to work in a company that combines healthcare and entrepreneurial drive. We seek employees who are flexible, ambitious and passionate about working in the healthcare business, and who act in alignment with our core values. Our recruitment process is in line with GDPR standards, and we always strive to find a match in recruitment processes. We aim at successful recruitments, through keeping turnover in new hires at a minimum during the first two years. The turnover rate of employees in general varies according to the development in the Danish labor market development. The employee turnover rate in 2019 was below the aim of approximately 10-13%.

Engagement

Our ambition is to have committed and proud employees who identify with the Company's strategy. Therefore, we continuously strive to increase engagement among employees, through a transparent communication with an interactive social platform which makes it easy to market social gatherings, employee "stay strong" initiatives, training and education and all together strengthening a positive working culture cross department.

Feedback regarding working environment is continuously received from employees through engagement surveys and workplace evaluations (APV) conducted at a minimum by-annually. Employee feedback is key to improving our organization. From engagement survey in 2015 till 2017 engagement increased 5 percentage points. Engagement survey changed supplier in 2019, hence we cannot compare directly. Ambition of high engagement was, however, fulfilled. In addition, Mediq reached scores above average on both commitment, employership and effectiveness.

Development

As an international company present in 12 countries across Europe, opportunity exist to learn cross border and develop through cross border job responsibilities. Focus on development is part of the annual performance management process. In Mediq we take on our social responsibility to train trainees and students. In several departments we have student assistants and trainees engaged in order to gain practical experience in combination with the theoretical studies. In addition, we co-operate with local municipalities engaging local citizens as interns returning to the labor market from e.g. long-term illness or finding foothold in Danish labor market, we aim at fulfilling our social responsibility here.

Health and safety

Mediq has safety procedures and carry them out conscientiously. These procedures are described in handbooks and quality systems. Safety training is used to educate logistics employees. Local Working Environment Representatives are proactively conducting audits to secure and satisfy ongoing need for training to have a safe and healthy working environment at all times.

In Mediq we look into our rate of absenteeism as a measurement of our working environment. We aim at having an absenteeism percentage at a maximum of 3.5% across the company on average throughout the year. In 2019, the average was 3.2% and hence in alignment with goal.

In order to support employees in healthy recovery, a permanent employment in Mediq includes membership of private healthcare insurance supporting health initiatives and recovery. Further to this, Mediq continuously have an occupational therapist conducting training on a continuous basis combined with access to own fitness center and training on site.

Management's review

Operating review

In line with our Code of Conduct we have an integrity procedure in place. This can be done via a special telephone line or the internet (Whistleblowing system).

The risk of employee retention and engagement are managed through engagement surveys and workplace evaluations (APV).

Human and labor rights

Mediq supports and respects the protection of internationally proclaimed human rights, and we strive to ensure that we are not complicit in human rights abuses. We also uphold the freedom of association and the effective recognition of the right to collective bargaining, the elimination of all forms of forced and compulsory labor, and the effective abolition of child labor.

We are committed to upholding ethical labor practices and support and respect the protection of internationally proclaimed human rights as laid down in UN and ILO conventions.

We have not at any time experienced breaches of human rights in connection with the exercise of our business or assessed a nearby risk thereof. The risk of breaches of human rights is limited by the fact that we only have activities in Denmark and we select suppliers, third party representatives and other business partners based on their qualifications, reliability and adherence to applicable laws and our values. We take reasonable care in selecting them and do appropriate reviews from time to time. We require that they commit to adhere to the law and this Code and that they have the training and tools to do so and that they shall be able to document their efforts to secure compliance with the law and this Code at our request. This also applies to any sub-supplier. Mediq may terminate the relationship with any supplier, third party representative or other business partner that fails to meet the standards in this Code after a reasonable period of time for remedying a breach.

Skills, performance and ethical conduct are our only indicators of employee qualifications.

Anti-corruption and bribery

Bribery and corruption damage our business and conflict with our core beliefs regarding the right way to conduct business. We prohibit bribery and corruption. None of us or anyone acting on our behalf may accept, offer or pay a bribe, kickback or other improper payment. We are also not allowed to accept or provide anything of value that is intended to win business, improperly influence a decision, or gain an unfair business advantage - or even appear to do so. Examples of "anything of value" may include, among other things, sponsorships to attend congresses, speaking fees, consultancies, services, charitable donations, political contributions, travel and/or entertainment expenses, gifts, meals, commissions and rebates.

The main risks related to our activities include employees and suppliers' violation of Mediq's Code of conduct and potential legal and financial consequences hereof. The Code of Conduct is presented to all new employees during onboarding and all new suppliers, when commencing cooperation.

Our business activities are subject to various national laws and regulations.

In 2019, we have not seen any violations of the policy.

Gender Diversity in the Management

Our goal is to have an equal gender distribution, but new members of staff/Board of Directors are recruited exclusively on the basis of their qualifications. In middle and top management, 44% are women.

One woman is represented in the Board of Directors which consists of three members. As these distributions fulfill the requirements for an equal distribution of gender (60/40), we have not set a target for increasing the number of women on the Board of Directors, or formulated a policy for increasing the number of women in management. However, we continuously work to uphold the equal distribution.

Management's review

Operating review

Subsequent events

No subsequent events have occurred after the end of the financial year that might materially affect the Company's financial position.

Outlook

Management expects a decrease in the public procurement budgets as well as additional consolidation of procurement which may affect revenue and performance in 2020.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2019	2018
Revenue	2	705,820	729,778
Cost of sales		-489,898	-531,601
Other external expenses		<u>-67,407</u>	<u>-67,904</u>
Gross profit		148,515	130,273
Staff costs	3	-99,937	-93,791
Depreciation, amortisation and impairment losses of intangible assets and property, plant and equipment	4	<u>-12,828</u>	<u>-13,398</u>
Profit before financial income and expenses		35,750	23,084
Financial income	5	2,153	5,155
Financial expenses	6	<u>-311</u>	<u>-4,735</u>
Profit before tax		37,592	23,504
Tax on profit for the year	7	<u>-11,420</u>	<u>-6,801</u>
Profit for the year	8	<u><u>26,172</u></u>	<u><u>16,703</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2019	2018
ASSETS			
Fixed assets			
Intangible assets	9		
Goodwill		0	5,755
Customer relations		3,212	4,541
		<u>3,212</u>	<u>10,296</u>
Property, plant and equipment	10		
Property, plant and equipment in progress		2,155	1,866
Fixtures and fittings, tools and equipment		10,134	12,934
Leasehold improvements		1,474	1,571
		<u>13,763</u>	<u>16,371</u>
Investments			
Deposits		3,841	3,810
Total fixed assets		<u>20,816</u>	<u>30,477</u>
Current assets			
Inventories			
Finished goods and goods for resale		75,935	70,956
Receivables			
Trade receivables		89,746	98,105
Receivables from group entities	11	68,852	33,465
Other receivables		410	1,095
Prepayments	12	367	1,997
		<u>159,375</u>	<u>134,662</u>
Cash at bank and in hand		25	12
Total current assets		<u>235,335</u>	<u>205,630</u>
TOTAL ASSETS		<u><u>256,151</u></u>	<u><u>236,107</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2019	2018
EQUITY AND LIABILITIES			
Equity			
Contributed capital	13	5,010	5,010
Retained earnings		89,710	89,538
Proposed dividends for the financial year		<u>26,000</u>	<u>16,000</u>
Total equity		<u>120,720</u>	<u>110,548</u>
Provisions			
Provisions for deferred tax	14	<u>1,419</u>	<u>1,513</u>
Total provisions		<u>1,419</u>	<u>1,513</u>
Liabilities other than provisions			
Current liabilities other than provisions			
Trade payables		79,464	81,498
Payables to group entities		19,361	7,786
Other payables		33,917	34,762
Prepayments	15	<u>1,270</u>	<u>0</u>
		<u>134,012</u>	<u>124,046</u>
Total liabilities other than provisions		<u>134,012</u>	<u>124,046</u>
TOTAL EQUITY AND LIABILITIES		<u>256,151</u>	<u>236,107</u>
Contractual obligations, contingencies, etc.	16		
Related parties and ownership	17		
Financial instruments	18		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Contributed capital	Retained earnings	Proposed dividends for the financial year	Total
Equity at 1 January 2019	5,010	89,538	16,000	110,548
Ordinary dividends paid	0	0	-16,000	-16,000
Transferred over the profit appropriation	0	172	26,000	26,172
Equity at 31 December 2019	5,010	89,710	26,000	120,720

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Mediq Danmark A/S for 2019 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of Mediq N. V., the Netherlands.

Omission of auditor's fee

Pursuant to section 96(3) of the Danish Financial Statements Act, no disclosure of auditor's fee has been prepared. The Company's disclosure of the auditor's fee are included in the consolidated financial statements of Mediq N. V., the Netherlands.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

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

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

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

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historical cost less any instalments and plus/less the accumulated amortisation of the difference between cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks, which occur before the annual report is presented and which evidence matters existing at the balance sheet date.

Income statement

Revenue

Income from the sale of goods for resale and finished goods is recognised in revenue when delivery and transfer of risk to the buyer have taken place before year end, and the income can be reliably measured and is expected to be received.

Revenue is measured at the fair value of the agreed remuneration, excluding VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Cost of sales

Cost of sales comprise expenses for materials and consumables incurred in generating the revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and leasehold expenses for premises, sales and distribution as well as office expenses, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses comprise the year's amortisation, depreciation and impairment of intangible assets and property, plant and equipment for the year.

Financial income and expenses

Financial income and expenses comprise interest income, expenses and gains and losses on transactions denominated in foreign currencies.

Tax on profit for the year

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

The Company is subject to the Danish rules on compulsory joint taxation with the Group's Danish subsidiaries. Mediq Holding Danmark ApS is the administrative company for the joint taxation. Reference is made to note 15.

Balance sheet

Intangible assets

Acquired rights and licences are measured at cost less accumulated amortisation and impairment losses. Rights and licenses are amortised on a straight-line basis over the remaining financial useful life expected to be 5 years.

Property, plant and equipment

Fixtures and fittings, tools and equipment and leasehold improvements are measured at cost less accumulated depreciation and impairment.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life. The expected useful lives are as follows:

Leasehold improvements	5-10 years
Fixtures and fittings, tools and equipment	3-8 years

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating costs, respectively.

Investments

Other receivables and deposits are recognised at amortised cost.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by amortisation or depreciation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the expected net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Inventories

Inventories are measured at cost on the basis of weighted average prices. Where the net realisable value is lower than cost, inventories are written down to this lower value.

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

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Receivables

Receivables are measured at the lower of amortised cost and net realisable value, which corresponds to nominal value less write downs for bad debt losses.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, write down is made on an individual basis.

The Company's day-to-day cash resources in the form of deposits with the Group's cash pool scheme are classified as receivables from group entities.

Prepayments

Prepayments comprise costs incurred in relation to subsequent financial years.

Equity

Dividends

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Financial liabilities

Liabilities are measured at amortised cost, substantially corresponding to nominal amount.

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1 Accounting policies (continued)

Prepayments

Prepayments comprises advance invoicing regarding income in subsequent years.

Foreign currency translation

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

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

Fixed assets acquired in a foreign currency are translated at the exchange rate prevailing on the transaction date.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised in the balance sheet at cost and subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are recognised as other receivables and other payables, respectively.

Changes in the fair value of derivative financial instruments designated as or qualifying for recognition as a fair value hedge of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

For derivative financial instruments not qualifying for treatment as hedging instruments, changes in fair value are recognised in the income statement on an ongoing basis.

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DKK'000	2019	2018
2 Revenue		
Domestic	696,453	724,887
Exports	9,367	4,891
Total revenue	<u>705,820</u>	<u>729,778</u>
3 Staff costs		
Wages and salaries	91,758	85,745
Pensions	6,799	6,459
Other social security costs	1,380	1,587
	<u>99,937</u>	<u>93,791</u>
Average number of full-time employees	<u>176</u>	<u>168</u>

In 2019, one member of the Executive Board received remuneration. In accordance with the Danish Financial Statements Act 98b(3) (ii), the remuneration will not be disclosed separately.

The Board of Directors did not receive any remuneration in 2019 and 2018.

In years with a particularly high level of activity, the employees and the Executive Board have the possibility of receiving a bonus. The Executive Board's bonus is based on both the Company's and the International Mediq Group's performance. The Executive Board's bonus is decided by the Board of Directors. The size of the employees' bonus is decided by the Executive Board and is typically in the range of 5-15% of the annual salary.

4 Depreciation, amortisation and impairment losses

DKK'000	2019	2018
Depreciation on intangible assets	7,119	7,748
Depreciation on property, plant and equipment	5,709	5,650
	<u>12,828</u>	<u>13,398</u>
Which breaks down as follows:		
Customer relations	1,329	1,994
Goodwill	5,790	5,754
Fixtures and fittings, tools and equipment	5,324	5,291
Leasehold improvements	385	359
	<u>12,828</u>	<u>13,398</u>

Depreciation related to Acclity pumps are placed under cost of sales.

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Notes

DKK'000	<u>2019</u>	<u>2018</u>	
5 Financial income			
Other financial income	810	486	
Gain on disposal of financial instruments	<u>1,343</u>	<u>4,669</u>	
	<u>2,153</u>	<u>5,155</u>	
6 Financial expenses			
Other financial costs	18	4	
Exchange losses	174	-88	
Gain on disposal of financial instruments	<u>119</u>	<u>4,819</u>	
	<u>311</u>	<u>4,735</u>	
7 Tax on profit/loss for the year			
Current tax for the year	9,665	6,889	
Deferred tax for the year	-94	-614	
Adjustment of tax concerning previous years	<u>1,849</u>	<u>526</u>	
	<u>11,420</u>	<u>6,801</u>	
8 Proposed profit appropriation			
Proposed dividends for the year	26,000	16,000	
Retained earnings	<u>172</u>	<u>703</u>	
	<u>26,172</u>	<u>16,703</u>	
9 Intangible assets			
DKK'000	<u>Goodwill</u>	<u>Customer relations</u>	<u>Total</u>
Cost at 1 January 2019	141,047	24,659	165,706
Additions for the year	<u>35</u>	<u>0</u>	<u>35</u>
Cost at 31 December 2019	<u>141,082</u>	<u>24,659</u>	<u>165,741</u>
Amortisation and impairment losses at 1 January 2019	-135,292	-20,118	-155,410
Depreciation for the year	<u>-5,790</u>	<u>-1,329</u>	<u>-7,119</u>
Amortisation and impairment losses at 31 December 2019	<u>-141,082</u>	<u>-21,447</u>	<u>-162,529</u>
Carrying amount at 31 December 2019	<u>0</u>	<u>3,212</u>	<u>3,212</u>

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10 Property, plant and equipment

DKK'000	Property, plant and equipment in progress	Fixtures and fittings, tools and equipment	Leasehold improve- ments	Total
Cost at 1 January 2019	1,866	91,721	7,035	100,622
Additions	289	2,524	288	3,101
Cost at 31 December 2019	2,155	94,245	7,323	103,723
Depreciation and impairment losses at 1 January 2019	0	-78,787	-5,464	-84,251
Depreciations	0	-5,324	-385	-5,709
Depreciation and impairment losses at 31 December 2019	0	-84,111	-5,849	-89,960
Carrying amount at 31 December 2019	2,155	10,134	1,474	13,763

11 Cash pool

The Company's day-to-day cash resources in the form of deposits with the Group's cash pool scheme amount to DKK 63,276 thousand and are classified as receivables from group entities.

12 Prepayments

Prepayments of DKK 367 thousand (2018: DKK 1,997 thousand) comprise costs incurred in relation to subsequent financial years.

13 Equity

The share capital consists of 50,100 shares of a nominal value of DKK 100 each. No shares carry special rights.

From 2010-2012, the share capital was unchanged and amounted to nominally DKK 5,000 thousand. Due to a legal merger between Mediq Danmark A/S and Mediq Danmark Køge A/S, the share capital was increased to nominally DKK 5,010 thousand in 2013.

14 Provisions for deferred tax

DKK'000	2019	2018
Deferred tax 1 January	1,513	2,152
Deferred tax adjustment for the year	-94	-614
Correction in last year deferred tax	0	-25
Deferred tax 31 December	1,419	1,513

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15 Prepayments

Deferred income of DKK 1,270 thousand (2018: DKK 0) comprise payments received from customers that cannot be recognised until the subsequent financial year.

16 Contractual obligations, contingencies, etc.

The Company is jointly taxed with the Danish parent company, Mediq Holding Danmark ApS. The companies included in the joint taxation have joint and unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties.

The Company is together with the parent company and other group companies jointly and severally liable for credit facilities obtained by the parent company at an amount of DKK 68.4 million (EUR 9.2 million) as at 31 December 2019.

Operating lease obligations

The Company is subject to an interminable leasehold contract and lease car commitments until 31 December 2025 with obligations totalling DKK 84,525 thousand (2018: DKK 63,098 thousand).

17 Related parties and ownership

Related party transactions

DKK'000	2019	2018
Sale of goods and services to associated companies	5,056	4,891
Purchase of goods and services from associated companies	9,008	11,907

Receivables and debt against group companies are disclosed in the balance sheet.

Related party transactions have been carried out on an arm's length basis with the exception of the fact that the Company's proportional costs regarding the managing director's total remuneration has not been reimbursed.

Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Mediq Holding Danmark ApS, Kornmarksvej 15, 2605 Brøndby

Financial figures for Mediq Danmark A/S are included in the consolidated financial statements of Mediq Holding B.V. The annual report and the consolidated financial statements of Mediq Holding B.V. can upon request be obtained from the Dutch Chamber of Commerce.

18 Financial instruments

The Company hedges forecast currency risks relating to the sale and purchase of goods within the coming year (rolling 12 months) using forward exchange contracts. At 31 December 2019, an amount of DKK 410 thousand is recognised as other receivables, corresponding to the fair value of the 24 contracts that are open at yearend (2018: DKK 1095 thousand, 24 contracts). 12 contracts are in USD and 12 contracts are in CHF.

