



CHRISTENSEN
KJÆRULFF

PERSONLIGT ENGAGEMENT

STATSAUTORISERET
REVISIONSAKTIESELSKAB

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CS medica A/S

Fruebjergvej 3, 2100 København Ø

Company reg. no. 33 87 16 43

Interim financial statement

1 October 2020 - 30 June 2021

Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.



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Management's report

Today, the executive board has presented the interim report of CS medica A/S for the period 1 October 2020 - 30 June 2021.

The interim financial statements have been prepared in accordance with the Danish Financial Statements Act, including adjustments resulting from the interim financial statements not covering a full financial year.

We consider the accounting policies appropriate and, in our opinion, the interim financial statements provide a true and fair view of the company's assets, equity and liabilities, and financial position at 30 June 2021 and of the company's results of activities and cash flows for period 1 October 2020 - 30 June 2021.

We are of the opinion that the management commentary presents a fair account of the issues dealt with.

København Ø, 14 July 2021

Executive board

Lone Henriksen

Gitte Henriksen



To the management of CS medica A/S

We have compiled the interim accounts of CS medica A/S for the period 1 October 2020 to 30 June 2021 based on the bookkeeping of the enterprise and on further information provided by you.

The accounts comprise the the profit and loss account, the balance sheet, statement of changes in equity, statement of cash flows, notes and accounting policies.

We performed this engagement in accordance with the international standard ISRS 4410 applying to compilation engagements.

We have applied our professional expertise to assist you in the preparation and presentation of the interim accounts in accordance with the accounting policies described in the accounts. We have complied with relevant requirements of the Danish Act on Approved Auditors and Audit Firms and with ethical requirements of the Danish Institute of State Authorised Public Accountants, including principles of integrity, objectivity, professional competence and due care.

The accounts and the accuracy and completeness of the information used to compile it are your responsibility.

As a compilation engagement is not an assurance engagement, we are not under an obligation to verify the accuracy or completeness of the information you provided to us for compilation of the interim accounts. Accordingly, we do not express any audit opinion or review conclusion as to whether the interim accounts have been prepared in accordance with the accounting policies described in the accounts.

Copenhagen, 14 July 2021

Christensen Kjaerulff

Company reg. no. 15 91 56 41

Anders Nielsen

State Authorised Public Accountant

mne42832

Kristian Pryds

State Authorised Public Accountant

mne24819



Company information

The company

CS medica A/S
Fruebjergvej 3
2100 København Ø

Company reg. no. 33 87 16 43
Established: 17 August 2011

Financial year: 1 October - 30 September

Executive board

Lone Henriksen, Olsbæk Strandvej 5
Gitte Henriksen, Calle Roma 2 3

Auditors

Christensen Kjarulff
Statsautoriseret Revisionsaktieselskab
Store Kongensgade 68
1264 København K

Subsidiaries

Galaxa Pharma ApS, Greve
CanNordic A/S, København



Management commentary

THE PRINCIPAL ACTIVITIES OF THE GROUP

CS medica is a Danish-based medico growth company exploring and harnessing the potential of substances in the Cannabis sativa L. plant. The Company operates within pain relief and caretaking across the nations of Europe. CS medica runs its business through two fully owned subsidiaries, Galaxa Pharma a/s, pharmaceutical distributor representing foreign manufactures in the Nordic countries, and CANNORDIC a/s, R&D, sales and production company.

The prosperities of CBD and other cannabinoids are thoroughly documented and show unquestionable efficiency in the treatment of immune and inflammatory diseases. Because of their healing properties, CBD and other cannabinoids are the key ingredients in the Company's topical and intranasal products sold under the brand name CANNASEN® CBD (CBD is currently not allowed as food supplements in Europe).

PRODUCT PORTFOLIO

To the knowledge of the Board of Directors, CS medica is the only company in the world with registered medical devices available on the OTC market, which contains cannabinoids, has optimal bioavailability and low medical interaction. None of the products contain traces of THC, the psychoactive constituent of cannabis.

In the period, the development of the first 7 CBD products, introduced under the brand name CANNASEN® CBD, have been finalized, classified as a class I MD waiting for a class IIa approval.

• CBD medical Devices'

1. Arthritis gel
2. Psoriasis gel
3. Nasal Spray Night – CBD and CBN
4. Protective nasal gel
5. Wound Gel
6. Pain patch

• CBD Cosmetics

7. CBD Anti-Hair loss serum

CANNASEN® Anti-Hair loss serum has just been launched 2 weeks ago and are already sold into several pharmacy web shop's in DK and Matas web shop, waiting for approval to go on shelf. The rest of the products are still in production with expected launch at the end of 2021.

In the future, the Company also foresees great possibilities in systemic treatments, combining gels/serum and complementing it with food supplements to enhance the efficacy of the treatment. Additionally, the development of a CBD skincare line will be initiated in 2021/2022, with a focus on a need-oriented perspective and outcome-based products.



Management commentary

PRODUCT REGISTRATION	DISEASE INDICATION	DEVELOPMENT STAGE			
		I	II	III	IV
Food For Special Medical Purpose/Food Sup.	Arthritis				H1 2021/2022
	Psoriasis				H1 2021/2022
	Hair regrowth				H1 2021/2022
	Immune Booster				H2 2021/2022
Cosmetic	Psoriasis Lotion				H1 2021/2022
	CANNASEN®CBD Skincare Restoring and Calm line:				
	- Repair & Calm Body Milk				H1 2022/2023
	- Deep Clean & Calm Facial Cleanser				H1 2022/2023
	- Deep Moisturising Cream				H1 2022/2023
	- Recovery & Calm Cream				H1 2022/2023
	- Repair Lip Balm				H1 2022/2023

I: FORMULATION II: FINAL FORMULATION III: LAB. TESTS, INVITRO, IN VIVO TEST & CLINICAL STUDIES IV: MARKET LAUNCH

The brand name CANNASEN® is trademark registered and all treatment products are patent pending (altogether 11 products).

Due to COVID-19, the launch of CANNASEN® Psoriasis and Arthritis gel, originally scheduled for marked introduction in March 2020, was postponed to October/November 2020. In 2019/2020 CS medica converted the production capacity booked for CANNASEN Arthritis and Psoriasis Gel to COVID-19 protective agents joining the danish public arrangement under COVID-19 “Danmark hjælper Danmark”, with the following products launched and still being sold:

- CANNASEN and disinfection
- CANNASEN surface disinfection
- CANNASEN Antibacterial hand cream.

Altogether, the current product portfolio accounts for a total of 20 products.

HIGHLIGHTS

In the period CANNASEN® Arthritis and Psoriasis Gel was sold into Matas Online as on a shelf in 186 medico stores. Furthermore, agreements have been made with the two pharmacy whole sellers in Denmark, Nomeco, and TMJ, and CANNASEN sold into all online pharmacy channels in Denmark as well as to the Swedish pharmacy chain Kronans Apotek., waiting to go on shelf in their more than 325 pharmacies at the beginning of 2021/2022.

CANNASEN®CBD Anti-Hair loss serum just launched 2 weeks ago are already sold into online pharmacies and Matas Online, waiting for approval to go on shelf.



Management commentary

With a growing demand for products containing cannabinoids on the European market, CS medica is within a phase of upscaling the business. Until now the focus of CS medica has been on product development and expanding its operations within the Nordic countries. CS medica's ambition is to continue working on organizational and product development, to enter new strategic partnerships and launch their products on the larger global market.

Currently CS medica are in the process of finalizing agreements with several distributors across Europe;

- UK – distribution agreement signed.
- Netherlands and Belgium – distribution agreements signed.
- Sweden – an agreement signed with pharmacy chain Kronans Apotek.
- Ireland – distributor identified, but on hold due to Covid-19.
- France, Spain, Germany, and Italy – distributor agreement in the process to be signed.
- Norway – pharmacy chain (Apotek1) ready to go, but waiting on final approval from authorities stating that CBD is not classified as a narcotic according to the regulations of EU.
- Austria and Switzerland – ongoing negotiations.

CS medica's ambition is to establish the Company's products via agents and distributors in Europe, and later to expand towards the US and Canada. To enter the markets of the US and Canada, CS medica aims towards initiating the process of FDA approval, as well as production and distribution agreement, expectedly in the end of 2021/2022.

DEVELOPMENT IN ACTIVITIES AND FINANCIAL MATTERS

The result of the period, 282.863 DKK is not satisfactory and should be seen in the light of significant delays and delivery problems by subcontractors due to COVID-19.

In general, the entire COVID-19 situation significantly affects the Company's rollout in Europe, as distributors, pharmacy chains as CS medica as individual drugstores, and pharmacists are delayed in the range of committee meetings, on-boarding of new products, and sales meetings. Furthermore, the Company's clinical trials in India have been temporarily on hold, due to the closure of hospitals and laboratories. CS medica tries to compensate for this by focusing on online e-commerce platforms.

However, CS medica is still positive and has high expectations for the last quarter of 2020/2021.

The operations in the period have been financed by grants of approx. DKK 1 million and additional DKK 1.5 million was added in loans from family, which then amounts to a total of DKK 2.8 million. Additionally, DKK 3.9 million was added as bridge loan. Both loans are offset in units in connection with an upcoming IPO. The Company is constantly applying for grants and currently has ongoing subsidy schemes through Innobooster of approx. DKK 0,5 million.



Management commentary

According to the Board of Directors' assessment, the existing working capital is not sufficient to implement the Company's growth plan. Therefore, at a planned listing (IPO) at Spotlight in August 2021, the Company is conducting an Issue of Units of approx. DKK 33.1 million. Of the total Issue volume approx. DKK 22.3 will be acquired through New Shares in the initial Issue, and another approx. DKK 10.8 million through Warrants with an exercise period of approx. 12 months after the IPO. The Company believes that an IPO and listing at Spotlight would increase the opportunities of proceeding with the high pace of launching products, expanding the scope of operations, and thus gaining valuable market shares.

EVENTS OCCURRING AFTER THE END OF THE FINANCIAL YEAR

CS medica is in the process of launching a redesign of the brand site, www.cannasen.com, including an extended Open-Access Repository System (OARS), a digital knowledge platform, sharing research results, clinical studies, and the latest literature within treatment with cannabinoids. The Company's OARS will secure significant knowledge-sharing eliminating any stigma against CBD in the launch of CANNASEN®. The system will be kept updated through a Semantic Market Monitoring System (SMMS), ensuring timely updates by monitoring combinations of keywords in real-time in all browsers. The Company's SMMS CS medica crawler reads more than 30,000,000 pages per day.

The brand site is currently available in English, Danish, Swedish and German. The local translation follows as CS medica penetrates each country, supporting local distributors with the Company's CANNASEN® store locator, linking to local online and physical stores.

The Product Information Management (PIM) system has been completed and implemented in version 2, securing quickly and timely launch and sharing of product information, related clinical trials, and studies with partners and sales channels.



Income statement

All amounts in DKK.

<u>Note</u>	Group		Parent	
	1/10 2020 - 30/6 2021	1/10 2019 - 30/6 2020	1/10 2020 - 30/6 2021	1/10 2019 - 30/6 2020
Revenue	924.903	1.808.251	0	0
Other operating income	1.356.335	303.287	0	0
Costs of raw materials and consumables	-436.535	-1.178.963	0	0
Other external costs	-381.088	-177.320	0	0
Other operating costs	<u>-539.723</u>	<u>-279.582</u>	<u>0</u>	<u>0</u>
Gross profit	923.892	475.673	0	0
Amortisation and impairment of intangible assets	<u>-765.262</u>	<u>-193.647</u>	<u>0</u>	<u>0</u>
Operating profit	158.630	282.026	0	0
Income from subsidiaries*	0	0	-22.050	0
Other financial income	419	41	-1.282	-2.013
Other financial costs	-175.877	-82.746	0	0
Tax on net profit or loss for the year	<u>299.691</u>	<u>0</u>	<u>306.195</u>	<u>0</u>
Net profit or loss for the year	<u>282.863</u>	<u>199.321</u>	<u>282.863</u>	<u>-2.013</u>
Proposed appropriation of net profit:				
Transferred to retained earnings			<u>282.863</u>	<u>-2.013</u>
Total allocations and transfers			<u>282.863</u>	<u>-2.013</u>



Statement of financial position

All amounts in DKK.

Note	Group		Parent		
	30/6 2021	30/6 2020	30/6 2021	30/6 2020	
Assets					
Non-current assets					
2	Development projects in progress	<u>7.028.186</u>	<u>2.897.258</u>	<u>511.418</u>	<u>0</u>
	Total intangible assets	<u>7.028.186</u>	<u>2.897.258</u>	<u>511.418</u>	<u>0</u>
3	Shares in subsidiaries	0	0	5.718.590	500.000
4	Deposits	<u>29.139</u>	<u>12.432</u>	<u>0</u>	<u>0</u>
	Total investments	<u>29.139</u>	<u>12.432</u>	<u>5.718.590</u>	<u>500.000</u>
	Total non-current assets	<u>7.057.325</u>	<u>2.909.690</u>	<u>6.230.008</u>	<u>500.000</u>
Current assets					
	Manufactured goods and goods for resale	<u>1.148.398</u>	<u>362.090</u>	<u>0</u>	<u>0</u>
	Total inventories	<u>1.148.398</u>	<u>362.090</u>	<u>0</u>	<u>0</u>
	Trade receivables	538	1.334.539	0	0
	Contract work in progress	516.494	384.051	0	0
	Receivables from subsidiaries	0	0	2.075.208	121.000
	Deferred tax assets	1.317.078	532.259	306.195	0
	Other receivables	<u>616.198</u>	<u>46.731</u>	<u>58.296</u>	<u>0</u>
	Total receivables	<u>2.450.308</u>	<u>2.297.580</u>	<u>2.439.699</u>	<u>121.000</u>
	Cash on hand and demand deposits	<u>0</u>	<u>0</u>	<u>176.000</u>	<u>624</u>
	Total current assets	<u>3.598.706</u>	<u>2.659.670</u>	<u>2.615.699</u>	<u>121.624</u>
	Total assets	<u>10.656.031</u>	<u>5.569.360</u>	<u>8.845.707</u>	<u>621.624</u>



Statement of financial position

All amounts in DKK.

Equity and liabilities

Note	Group		Parent	
	30/6 2021	30/6 2020	30/6 2021	30/6 2020
Equity				
Contributed capital	520.000	80.000	520.000	80.000
Share premium	0	0	4.786.982	0
Cost IPO	-528.420	0	-528.420	0
Reserve for development costs	5.481.985	2.259.861	398.906	0
Retained earnings	<u>-5.631.881</u>	<u>-3.899.601</u>	<u>-548.802</u>	<u>-33.417</u>
Equity before non-controlling interest.	<u>-158.316</u>	<u>-1.559.740</u>	<u>4.628.666</u>	<u>46.583</u>
Total equity	<u>-158.316</u>	<u>-1.559.740</u>	<u>4.628.666</u>	<u>46.583</u>
Provisions				
Provisions for deferred tax	1.540.063	516.903	290.041	73.921
Other provisions	<u>494.850</u>	<u>494.850</u>	<u>0</u>	<u>0</u>
Total provisions	<u>2.034.913</u>	<u>1.011.753</u>	<u>290.041</u>	<u>73.921</u>
Liabilities other than provisions				
Subordinate loan capital	6.727.000	3.615.000	3.927.000	0
Loans	403.546	375.000	0	0
Credit institutes	1.430.633	1.499.959	0	0
Payables to subsidiaries	<u>0</u>	<u>0</u>	<u>0</u>	<u>501.120</u>
Total long term liabilities other than provisions	<u>8.561.179</u>	<u>5.489.959</u>	<u>3.927.000</u>	<u>501.120</u>
Bank overdraft	134.092	277.778	0	0
Other payables	<u>84.163</u>	<u>349.610</u>	<u>0</u>	<u>0</u>
Total short term liabilities other than provisions	<u>218.255</u>	<u>627.388</u>	<u>0</u>	<u>0</u>
Total liabilities other than provisions	<u>8.779.434</u>	<u>6.117.347</u>	<u>3.927.000</u>	<u>501.120</u>
Total equity and liabilities	<u>10.656.031</u>	<u>5.569.360</u>	<u>8.845.707</u>	<u>621.624</u>



Consolidated statement of changes in equity

All amounts in DKK.

	Contributed capital not paid	Reserve for outstanding loans and collateral	Reserve for development costs	Retained earnings	Total
Equity 1 October 2019	80.000	0	1.631.594	-3.470.655	-1.759.061
Retained earnings for the year	<u>0</u>	<u>0</u>	<u>628.267</u>	<u>-428.946</u>	<u>199.321</u>
Equity 30 June 2020	<u>80.000</u>	<u>0</u>	<u>2.259.861</u>	<u>-3.899.601</u>	<u>-1.559.740</u>
Equity 1 October 2020	80.000	0	2.692.109	-2.684.868	87.241
Conversion to A/S	440.000	0	0	-440.000	0
Retained earnings for the year	0	0	2.789.876	-2.507.013	282.863
IPO cost	<u>0</u>	<u>-528.420</u>	<u>0</u>	<u>0</u>	<u>-528.420</u>
Equity 30 June 2021	<u>520.000</u>	<u>-528.420</u>	<u>5.481.985</u>	<u>-5.631.881</u>	<u>-158.316</u>

Statement of changes in equity of the parent

All amounts in DKK.

	Contributed capital	Share premium	Reserve for outstanding loans and collateral	Reserve for development costs	Retained earnings	Total
Equity 1 October 2019	80.000	0	0	0	-31.404	48.596
Retained earnings for the year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>-2.013</u>	<u>-2.013</u>
Equity 30 June 2020	<u>80.000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>-33.413</u>	<u>46.583</u>
Equity 1 October 2020*	80.000	0	0	0	7.241	87.241
Conversion to A/S	440.000	0	0	0	-440.000	0
Retained earnings for the year	0	0	0	398.906	-116.043	282.863
Share exchange	0	4.786.982	0	0	0	4.786.982
IPO cost	<u>0</u>	<u>0</u>	<u>-528.420</u>	<u>0</u>	<u>0</u>	<u>-528.420</u>
Equity 30 June 2021	<u>520.000</u>	<u>4.786.982</u>	<u>-528.420</u>	<u>398.906</u>	<u>-548.802</u>	<u>4.628.666</u>

*Comparative figures for 2019/2020 have been prepared with correction for non-incorporated income from subsidiaries.



Statement of cash flows 1 October - 30 June

Statement of cash flows

All amounts in DKK.

	Group		Parent	
	1/10 2020 - 30/6 2021	1/10 2019 - 30/6 2020	1/10 2020 - 30/6 2021	1/10 2019 - 30/6 2020
Net profit or loss for the year	282.863	199.321	282.863	-2.013
5 Adjustments	856.029	351.352	-14.871	75.934
6 Change in working capital	<u>-1.950.963</u>	<u>-1.364.308</u>	<u>-58.297</u>	<u>0</u>
Cash flows from operating activities	<u>-812.071</u>	<u>-813.635</u>	<u>209.695</u>	<u>73.921</u>
Purchase of intangible assets	<u>-4.342.027</u>	<u>-987.105</u>	<u>-511.418</u>	<u>0</u>
Cash flows from investment activities	<u>-4.342.027</u>	<u>-987.105</u>	<u>-511.418</u>	<u>0</u>
Subordinate loans	3.927.000	0	3.927.000	0
Loans internal partners	1.500.000	2.000.000	0	0
Cost IPO	-528.420	0	-528.420	0
Share exchange	0	0	4.786.982	0
Subsidiary investment & change in intercompany	0	0	-7.707.181	-71.880
Interests paid	<u>-175.458</u>	<u>-82.705</u>	<u>-1.282</u>	<u>-2.013</u>
Cash flow from financing activities	<u>4.723.122</u>	<u>1.917.295</u>	<u>477.099</u>	<u>-73.893</u>
Change in cash and cash equivalents	<u>-430.976</u>	<u>116.555</u>	<u>175.376</u>	<u>28</u>
Cash and cash equivalents at 1 October 2020	<u>296.884</u>	<u>-394.333</u>	<u>624</u>	<u>596</u>
Cash and cash equivalents at 30 June 2021	<u>-134.092</u>	<u>-277.778</u>	<u>176.000</u>	<u>624</u>



Notes

All amounts in DKK.

	Group		Parent	
	1/10 2020 - 30/6 2021	1/10 2019 - 30/6 2020	1/10 2020 - 30/6 2021	1/10 2019 - 30/6 2020
1. Staff costs				
Average number of employees	<u>4</u>	<u>1</u>	<u>0</u>	<u>0</u>
Staff costs relating to development staff are capitalised and depreciated over a 3-year period.				
2. Development projects in progress				
Cost 1 October 2020	3.835.937	2.091.787	0	0
Additions during the year	<u>4.342.027</u>	<u>999.118</u>	<u>511.418</u>	<u>0</u>
Cost 30 June 2021	<u>8.177.964</u>	<u>3.090.905</u>	<u>511.418</u>	<u>0</u>
Amortisation and writedown 1 October 2020	-384.516	0	0	0
Amortisation and depreciation for the year	<u>-765.262</u>	<u>-193.647</u>	<u>0</u>	<u>0</u>
Amortisation and writedown 30 June 2021	<u>-1.149.778</u>	<u>-193.647</u>	<u>0</u>	<u>0</u>
Carrying amount, 30 June 2021	<u>7.028.186</u>	<u>2.897.258</u>	<u>511.418</u>	<u>0</u>



Notes

All amounts in DKK.

	Parent	
	<u>30/6 2021</u>	<u>30/6 2020</u>
3. Shares in subsidiaries		
Carrying amount 1 October	500.000	0
Shares Galaxa Pharma	0	500.000
Correction for non-incorporated income from subsidiaries	40.658	0
Net profit or loss for the year	-22.050	0
Capital increase CANNORDIC A/S	413.000	0
Share exchange CANNORDIC A/S	<u>4.786.982</u>	<u>0</u>
Carrying amount, 30 June	<u>5.718.590</u>	<u>500.000</u>

Subsidiaries:

	Equity	Equity interest
Galaxa Pharma ApS	448.229	100 %
CANNORDIC A/S	483.379	100 %
Share exchange CANNORDIC A/S	<u>4.786.982</u>	
Equity 30 June 2021	<u>5.718.590</u>	

	Group		Parent	
	<u>30/6 2021</u>	<u>30/6 2020</u>	<u>30/6 2021</u>	<u>30/6 2020</u>
4. Deposits				
Cost 1 October 2020	<u>29.139</u>	<u>12.432</u>	<u>0</u>	<u>0</u>
Cost 30 June 2021	<u>29.139</u>	<u>12.432</u>	<u>0</u>	<u>0</u>
Carrying amount, 30 June 2021	<u>29.139</u>	<u>12.432</u>	<u>0</u>	<u>0</u>



Notes

All amounts in DKK.

	Group		Parent	
	1/10 2020 - 30/6 2021	1/10 2019 - 30/6 2020	1/10 2020 - 30/6 2021	1/10 2019 - 30/6 2020
5. Adjustments				
Amortisation of intangible assets	765.262	193.647	0	0
Income from subsidiaries	0	0	0	0
Other financial costs	175.458	82.705	1.282	2.013
Tax on net profit or loss for the year	-299.691	0	-306.195	0
Credit received	215.000	75.000	290.042	73.921
Other adjustments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>856.029</u>	<u>351.352</u>	<u>-14.871</u>	<u>75.934</u>
6. Change in working capital				
Change in inventories	-27.617	99.412	0	0
Change in receivables	-1.046.882	-1.617.624	-58.297	0
Change in trade payables and other payables	-783.308	180.571	0	0
Other changes in working capital	<u>-93.156</u>	<u>-26.667</u>	<u>0</u>	<u>0</u>
	<u>-1.950.963</u>	<u>-1.364.308</u>	<u>-58.297</u>	<u>0</u>



Accounting policies

The annual report for CS medica A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises with the adjustments arising from not including a full financial year. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, writedowns for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the group and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the group and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

The consolidated financial statements

The consolidated income statements comprise the parent company CS medica A/S and those group enterprises of which CS medica A/S directly or indirectly owns more than 50 % of the voting rights or in other ways exercise control.

Consolidation policies

The consolidated financial statements have been prepared as a summary of the parent company's and the group enterprises' financial statements by adding together uniform accounting records calculated in accordance with the group's accounting policies.

Investments in group enterprises are eliminated by the proportionate share of the group enterprises' market value of net assets and liabilities at the acquisition date.



Accounting policies

In the consolidated financial statements, the accounting records of the group enterprises are recognised by 100%. The minority interests' share of the profit for the year and of the equity in the group enterprises, which are not 100% owned, is included in the group's profit and equity, but presented separately.

Purchases and sales of minority interests under continuing control are recognised directly in equity as a transaction between shareholders.

Investments in associates are measured in the statement of financial position at the proportionate share of the enterprises' equity value i calculated in accordance with the parent company's accounting policies and with proportionate elimination of unrealised intercompany gains and losses. In the income statement, the proportional share of the associates' results is recognised after elimination of the proportional share of intercompany gains and losses.

The group activities in joint operations are recognised in the consolidated financial statements record by record.

Non-controlling interests

Non-controlling interests constitute a share of the group's total equity. By distribution of net profit, profit or loss for the year is distributed on the share attributable to the non-controlling interests and the share attributable to the parent's shareholders respectively.

Income statement

Revenue

The enterprise will be applying IAS 11 and IAS 18 as its basis of interpretation for the recognition of revenue.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Recognition of revenue is exclusive of VAT and taxes and less any discounts relating directly to sales.

Cost of sales

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

Other operating income

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise, including profit from the disposal of intangible and tangible assets.

Other external costs

Other external costs comprise costs incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.



Accounting policies

Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment comprise depreciation on, amortisation of, and writedown for impairment of intangible and tangible assets, respectively.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

Results from equity investment in

Tax on net profit or loss for the period

Tax for the period comprises the current income tax for the period and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the period and directly in equity with the share attributable to entries directly in equity. Income tax is recognised according to the current tax rate of the accounting pre-tax profit or loss.

Statement of financial position

Intangible assets

Development projects, patents, and licences

Development costs comprise salaries, wages, and amortisation directly attributable to development activities and intellectual rights.

Clearly defined and identifiable development projects are recognised as intangible assets provided that they are proven to be technically practicable, that sufficient resources and a potential market or development opportunity exist, and insofar as the intention is to produce, market or utilise the project. It is, however, a condition that the cost can be reliably calculated and that a sufficiently high degree of certainty indicates that future earnings will cover the costs of production, sales, and administration. Other development costs are recognised in the income statement concurrently with their realisation.

Development costs recognised in the statement of financial position are measured at cost less accrued amortisations and writedowns for impairment.

After completion of the development work, capitalised development costs are amortised on a straight-line basis over the estimated useful economic life. The amortisation period is 3 years.

Profit and loss from the sale of development projects, patents, and licenses are measured as the difference between the sales price less sales costs and the carrying amount at the time of sale. Profit or loss are recognised in the income statement as other operating income or other operating expenses, respectively.



Accounting policies

Investments

Deposits

Deposits are measured at amortised cost and represent lease deposits, etc.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired. If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

Accounts receivable for which there is no objective indication of impairment at the individual level are evaluated at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' domicile and credit rating in accordance with the company's and the group's credit risk management policy. Determination of the objective indicators applied for portfolios are based on experience with historical losses.

Impairment losses are calculated as the difference between the carrying amount of accounts receivable and the present value of the expected cash flows, including the realisable value of any securities received. The effective interest rate for the individual account receivable or portfolio is used as the discount rate.

Contract work in progress

Contract work in progress is measured at the selling price of the work performed. The selling price is measured on the basis of the stage of completion on the reporting date and the total expected income from the individual work in progress. The stage of completion is calculated as the share of costs incurred in proportion to the estimated total costs of the individual work in progress.

When the selling price of the individual work in progress can not be determined reliably, the selling price is measured at the costs incurred or at net realisable value, if this is lower.

The individual work in progress is recognised in the statement of financial position under accounts receivables or liabilities. Net assets consist of the sum of the work in progress, where the selling price of the work performed exceeds invoicing on account. Net liabilities consist of the sum of the work in progress, where invoicing on account exceeds the selling price.

Costs in connection with sales work and the procurement of contracts are recognised in the income statement when incurred.

Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank and on hand.



Accounting policies

Equity

Share premium

Share premium comprises premium payments made in connection with the issue of shares. Costs incurred for carrying through an issue are deducted from the premium.

The premium reserve can be used for dividend, for issuing bonus shares, and for covering losses.

Reserve for outstanding loans and collateral

The reserve for outstanding loans and collateral comprises amounts corresponding to loans or collateral used for the establishment of legal self-financing.

An amount corresponding to the loan or collateral is reclassified from "Retained earnings" to "Reserve for outstanding loans and collateral".

Reserve for development costs

The reserve for development costs comprises recognised development costs less related deferred tax liabilities.

The reserve cannot be used as dividends or for covering losses.

The reserve is reduced or dissolved if the recognised development costs are amortised or abandoned. This is done by direct transfer to the distributable reserves of the equity.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.



Accounting policies

Provisions

Provisions comprise expected costs of warranty commitments, loss on work in progress, restructuring, etc. Provisions are recognised when the group has a legal or actual commitment resulting from a previously occurred event and when it is probable that the settlement of the liability will result in consumption of the financial resources of the group.

Provisions are measured at net realisable value or at fair value. If the fulfilment of a liability is expected to take place far in the future, the liability is measured at fair value.

On the acquisition of entities, provisions for restructuring within the acquired entity are included in the acquisition cost, and thereby in the goodwill or the consolidated goodwill, to the extent that they have been recognised in the financial statements of the acquired entity in advance of the acquisition. Provisions for restructuring are included to the extent that they have been decided at the date of acquisition at the latest and that the process have been commenced.

When it is likely that the total costs will exceed the total income of contract work in progress, the total expected loss on the contract work in progress will be recognised as provisions for liabilities. The provision is recognised under production costs.

Liabilities other than provisions

Financial liabilities other than provisions related to borrowings are recognised at the received proceeds less transaction costs incurred. In subsequent periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value when using the effective interest rate. The difference between the proceeds and the nominal value is recognised in the income statement during the term of the loan.

Mortgage loans and bank loans are thus measured at amortised cost which, for cash loans, corresponds to the outstanding payables. For bond loans, the amortised cost corresponds to an outstanding payable calculated as the underlying cash value at the date of borrowing, adjusted by amortisation of the market value on the date of the borrowing effectuated over the repayment period.

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.

Statement of cash flows

The cash flow statement shows the cash flows for the year, divided in cash flows deriving from operating activities, investment activities and financing activities, respectively, the changes in the liabilities, and cash and cash equivalents at the beginning and the end of the period, respectively.

The effect on cash flows derived from the acquisition and sale of enterprises appears separately under cash flows from investment activities. In the statement of cash flows, cash flows derived from acquirees are recognised as of the date of acquisition, and cash flows derived from sold enterprises are recognised until the date of sale.



Accounting policies

Cash flows from operating activities

Cash flows from operating activities are calculated as the group's and modervirksomheden's share of the profit adjusted for non-cash operating items, changes in the working capital, and corporate income tax paid. Dividend income from equity investments are recognised under "Interest income and dividend received".

Cash flows from investment activities

Cash flows from investment activities comprise payments in connection with the acquisition and sale of enterprises and activities as well as the acquisition and sale of intangible assets, property, plant, and equipment, and investments, respectively.

Cash flows from financing activities

Cash flows from financing activities include changes in the size or the composition of the group's and modervirksomheden's share capital and costs attached to it, as well as raising loans, repayments of interest-bearing payables and payment of dividend to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand with deduction of short-term bank debts and short-term securities with a maturity less than 3 months that are readily convertible into cash and which are subject to an insignificant risk of changes in value.

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Gitte Lund Henriksen

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