

Danelec Electronics A/S

Blokken 44, DK-3460 Birkerød

Company reg. no. 18 63 08 77

Annual report

1 July 2020 - 30 June 2021

The annual report was submitted and approved by the general meeting on the 22 November 2021.

Peter Lund
Chairman of the meeting

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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 %.

Management's report

Today, the board of directors and the managing director have presented the annual report of Danelec Electronics A/S for the financial year 1 July 2020 - 30 June 2021.

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

We consider the accounting policies appropriate and, in our opinion, the financial statements provide a fair presentation 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 in the financial year 1 July 2020 – 30 June 2021.

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

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

Birkerød, 25 October 2021

Managing Director

Casper Jensen

Board of directors

Peter Lund

Jan Wilhelmsson

Arne Handeland

Hans Ottosen

Independent auditor's report

To the shareholders of Danelec Electronics A/S

Opinion

We have audited the financial statements of Danelec Electronics A/S for the financial year 1 July 2020 - 30 June 2021, which comprise income statement, statement of financial position, statement of changes in equity, statement of cash flows, notes and accounting policies. The financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements present a fair view of the company's assets, equity and liabilities, and financial position at 30 June 2021 and of the results of the company's activities and cash flows for the financial year 1 July 2020 - 30 June 2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the section "Auditor's responsibilities for the audit of the financial statements". We are independent of the company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that provide a fair view in accordance with the Danish Financial Statements Act. Management is also responsible for such internal control as the 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 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 including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing, 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 international standards on auditing, and the additional requirements applicable in Denmark, we exercise professional judgment 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 the 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 preparation of the financial statements using the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists arising from 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 disclosures in notes, and whether the financial statements reflect the underlying transactions and events in a manner that presents a 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 the internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we express no assurance opinion thereon.

Independent auditor's report

In connection with our audit of the financial statements, it is our responsibility to read the management commentary and to consider whether the management commentary is materially inconsistent with the financial statements or the evidence obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we believe that management commentary is consistent with the financial statements and that it has been prepared in accordance with the provisions of the Danish Financial Statement Act. We did not discover any material misstatement in the management commentary.

Copenhagen, 25 October 2021

Grant Thornton

State Authorised Public Accountants
Company reg. no. 34 20 99 36

Michael Beuchert

State Authorised Public Accountant
mne32794

Company information

The company

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Web site www.danelec-marine.com

Company reg. no. 18 63 08 77

Financial year: 1 July - 30 June

Board of directors

Peter Lund
Jan Wilhelmsson
Arne Handeland
Hans Ottosen

Managing Director

Casper Jensen

Auditors

Grant Thornton, Statsautoriseret Revisionspartnerselskab
Stockholmsgade 45
2100 København Ø

Financial highlights

DKK in thousands.	<u>2020/21</u>	<u>2019/20</u>	<u>2018/19</u>	<u>2017/18</u>	<u>2016/17</u>
Income statement:					
Revenue	111.064	102.288	90.598	89.677	80.314
Gross profit	64.060	59.133	51.956	41.913	39.852
Net financials	-73	-117	-284	18	-70
Net profit or loss for the year	21.403	20.804	16.718	16.346	15.662
Statement of financial position:					
Balance sheet total	98.999	78.624	71.892	60.138	50.953
Investments in property, plant and equipment	578	516	503	1.037	841
Equity	69.551	48.148	38.044	60.138	50.953
Employees:					
Average number of full-time employees	30	31	28	26	28
Key figures in %:					
Gross margin ratio	57,7	57,8	57,3	46,7	49,6
Profit margin (EBIT-margin)	23,6	25,5	24,1	-	-
Acid test ratio	295,6	199,6	165,6	177,5	180,6
Solvency ratio	70,3	61,2	52,9	100,0	100,0
Return on equity	36,4	48,3	34,1	29,4	37,5

Calculations of key figures and ratios do, in all material respects, follow the recommendations of the Danish Association of Finance Analysts, only in a few respects deviating from the recommendations.

The key figures and ratios shown in the statement of financial highlights have been calculated as follows:

$$\text{Gross margin ratio} = \frac{\text{Gross profit} \times 100}{\text{Revenue}}$$

$$\text{Profit margin (EBIT margin)} = \frac{\text{Operating profit or loss (EBIT)} \times 100}{\text{Revenue}}$$

$$\text{Acid test ratio} = \frac{\text{Current assets} \times 100}{\text{Short term liabilities other than provisions}}$$

$$\text{Solvency ratio} = \frac{\text{Equity, closing balance} \times 100}{\text{Total assets, closing balance}}$$

Financial highlights

Return on equity

$$\frac{\text{Net profit or loss for the year} \times 100}{\text{Average equity}}$$

Management commentary

The principal activities of the company

Danelec is a leading provider of maritime safety & data solutions. The company develops and sells Voyage Data Recorders (VDR), DanelecConnect, ship-to-shore IoT data automation solutions and Electronic Chart Display Information Systems (ECDIS).

Danelec distributes its three product lines under its own brand as well as OEM-products for the VDR product line for other manufacturers of bridge navigation systems. Furthermore, the DanelecConnect technology is integrated as an OEM solution for major maritime corporations.

Development in activities and financial matters

Danelec is leading the VDR market by providing shipowners with the most advanced VDR technology for maritime use. The company is focused on staying a strong technology leader by significant investments in the development of value-added features for the VDR product line.

The DanelecConnect platform is built on the company's unique VDR technology. The solution is provided both with a VDR and as a stand-alone solution. The solution ensures efficient onboard data collection from key sensors and data transfer to shore, which is integrated with a suite of third-party data analytics software providers.

Review of the year and expected development

In 2020/21 the company grew to a revenue of 111,0 mio DKK and an EBIT of 26,2 million DKK. The balance sheet of the Company shows an equity of 69,5 million DKK. Management considers the net profit of the year to be satisfactory.

Danelec A/S continues to devote considerable resources to development activities, on this basis management expects an increase in revenue and a positive and satisfactory result for the financial year 2021/22.

Financial resources

The company's financial resources are considered sufficient.

Special risks

Due to its international structure and presence, the company's results are affected by exchange rate movements in a number of currencies, primarily EUR and USD.

At the end of the financial year, the company had no open forward exchange contracts.

The company does not engage in speculative foreign exchange positions.

Management commentary

Environmental issues

Danelec's environmental impact is quite limited, as production is not energy intensive, and hazardous chemicals are not used in production. Still the company continuously works to reduce its environmental impact. In addition, Danelec has high focus and strong requirements when selecting sub-suppliers that have ESR/ESG policies in place to ensure limited impact on the environment.

Danelec and its data collection via DaneleConnect play a vital role for shipowners ability to save fuel, optimize their operation and more importantly be compliant on CO₂, SO₂ and other Emission reporting requirements.

Know how resources

Danelec provides high-tech niche products involving a high degree of inhouse development and application knowledge. The company continues to offer standard products that address customer's needs. The company has a high employee retention with unique skills in research and development, selling and after sales support. In addition, the company maintains a strong collaboration with highly skilled development partners.

Research and development activities

The company holds a dominant global position within its core activities. To enable continued market leadership and growth the company is investing significant resources in the development of new products and solutions. In 20/21, the company's capitalized research and development projects amounts to 17,0 mDKK.

Expected developments

The demand for Danelec's products and services is not expected to be significantly impacted by the economic crisis triggered by the Covid-19 pandemic. While the company keeps a strong focus on innovating both for existing and new markets, the outcome of these investments is expected to show results by the years to come strengthening our future position.

Events occurring after the end of the financial year

No significant events have occurred after the financial year-end which could significantly affect the company's financial position.

Income statement 1 July - 30 June

All amounts in DKK.

<u>Note</u>	<u>2020/21</u>	<u>2019/20</u>
Revenue	111.063.524	102.288.108
Change in inventories of finished goods and work in progress	-759.038	-588.657
Own work capitalised	8.962.935	8.947.120
Costs of raw materials and consumables	-38.632.328	-37.638.577
Other external costs	-16.575.438	-13.874.868
Gross profit	64.059.655	59.133.126
1 Staff costs	-25.914.541	-24.010.516
2 Depreciation, amortisation, and impairment	-11.896.371	-9.062.495
Operating profit	26.248.743	26.060.115
3 Other financial income	161.244	278.640
Other financial costs	-234.042	-395.381
Pre-tax net profit or loss	26.175.945	25.943.374
4 Tax on net profit or loss for the year	-4.772.884	-5.139.582
5 Net profit or loss for the year	21.403.061	20.803.792

Statement of financial position at 30 June

All amounts in DKK.

Assets		
<u>Note</u>	<u>2021</u>	<u>2020</u>
Non-current assets		
6 Completed development projects, including patents and similar rights arising from development projects	30.771.671	26.793.202
7 Software	2.438.851	450.736
8 Development projects in progress and prepayments for intangible assets	4.692.604	5.519.746
Total intangible assets	<u>37.903.126</u>	<u>32.763.684</u>
9 Other fixtures and fittings, tools and equipment	912.673	937.613
Total property, plant, and equipment	<u>912.673</u>	<u>937.613</u>
Total non-current assets	<u>38.815.799</u>	<u>33.701.297</u>
Current assets		
Manufactured goods and goods for resale	15.458.412	17.252.084
Total inventories	<u>15.458.412</u>	<u>17.252.084</u>
Trade receivables	13.182.100	9.028.641
Amounts owed by group enterprises	15.893.688	233.750
Other receivables	1.195.364	1.002.758
10 Prepayments and accrued income	987.554	877.155
Total receivables	<u>31.258.706</u>	<u>11.142.304</u>
Cash on hand and demand deposits	13.465.745	16.527.837
Total current assets	<u>60.182.863</u>	<u>44.922.225</u>
Total assets	<u>98.998.662</u>	<u>78.623.522</u>

Statement of financial position at 30 June

All amounts in DKK.

Equity and liabilities		
<u>Note</u>	<u>2021</u>	<u>2020</u>
Equity		
11 Contributed capital	10.734.000	10.734.000
12 Reserve for development costs	29.165.812	23.006.969
13 Retained earnings	13.650.864	14.406.646
Proposed dividend for the financial year	16.000.000	0
Total equity	<u>69.550.676</u>	<u>48.147.615</u>
Provisions		
14 Provisions for deferred tax	8.196.624	7.079.568
15 Other provisions	893.294	893.294
Total provisions	<u>9.089.918</u>	<u>7.972.862</u>
Liabilities other than provisions		
Bank loans	301.454	3.001
Trade payables	9.017.321	8.748.167
Income tax payable	0	6.671.934
Tax payables to group enterprises	4.304.907	802.808
Other payables	6.734.386	6.277.135
Total short term liabilities other than provisions	<u>20.358.068</u>	<u>22.503.045</u>
Total liabilities other than provisions	<u>20.358.068</u>	<u>22.503.045</u>
Total equity and liabilities	<u>98.998.662</u>	<u>78.623.522</u>
16 Charges and security		
17 Contingencies		
18 Related parties		

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Reserve for development costs	Retained earnings	Proposed dividend for the financial year	Total
Equity 1 July 2019	10.734.000	16.568.743	41.080	10.700.000	38.043.823
Distributed dividend	0	0	0	-10.700.000	-10.700.000
Profit or loss for the year brought forward	0	0	20.803.792	0	20.803.792
Development costs for the year	0	6.438.226	-6.438.226	0	0
Equity 1 July 2020	10.734.000	23.006.969	14.406.646	0	48.147.615
Profit or loss for the year brought forward	0	0	5.403.061	16.000.000	21.403.061
Development costs for the year	0	6.158.843	-6.158.843	0	0
	10.734.000	29.165.812	13.650.864	16.000.000	69.550.676

Statement of cash flows 1 July - 30 June

All amounts in DKK.

<u>Note</u>	<u>2020/21</u>	<u>2019/20</u>
Net profit or loss for the year	21.403.061	20.803.792
19 Adjustments	16.742.054	14.203.570
20 Change in working capital	<u>-17.525.056</u>	<u>-94.178</u>
Cash flows from operating activities before net financials	20.620.059	34.913.184
Interest received, etc.	81.021	278.640
Interest paid, etc.	<u>-225.084</u>	<u>-395.381</u>
Cash flows from ordinary activities	20.475.996	34.796.443
Income tax paid	<u>-6.825.663</u>	<u>-4.043.406</u>
Cash flows from operating activities	<u>13.650.333</u>	<u>30.753.037</u>
Purchase of intangible assets	-16.433.350	-15.575.028
Purchase of property, plant, and equipment	<u>-577.524</u>	<u>-515.959</u>
Cash flows from investment activities	<u>-17.010.874</u>	<u>-16.090.987</u>
Dividend paid	0	-10.700.000
Other cash flows from financing activities	<u>0</u>	<u>-5.037.688</u>
Cash flows from investment activities	<u>298.452</u>	<u>-15.737.688</u>
Change in cash and cash equivalents	<u>-3.062.089</u>	<u>-1.075.638</u>
Cash and cash equivalents at 1 July 2020	16.527.837	17.603.475
Foreign currency translation adjustments (cash and cash equivalents)	<u>-3</u>	<u>0</u>
Cash and cash equivalents at 30 June 2021	<u>13.465.745</u>	<u>16.527.837</u>
Cash and cash equivalents		
Cash on hand and demand deposits	<u>13.465.745</u>	<u>16.527.837</u>
Cash and cash equivalents at 30 June 2021	<u>13.465.745</u>	<u>16.527.837</u>

Notes

All amounts in DKK.

	<u>2020/21</u>	<u>2019/20</u>
1. Staff costs		
Salaries and wages	22.913.503	21.052.993
Other costs for social security	3.001.038	2.957.523
	<u>25.914.541</u>	<u>24.010.516</u>
Executive board and board of directors	<u>2.215.569</u>	<u>1.674.280</u>
Average number of employees	<u>30</u>	<u>31</u>
2. Depreciation, amortisation, and impairment		
Amortisation of development projects	10.062.688	7.920.892
Amortisation of infrastructure projects (Software)	1.231.219	679.754
Depreciation on plants, operating assets, fixtures and furniture	540.094	417.415
Depreciation on leasehold improvements	62.370	44.434
	<u>11.896.371</u>	<u>9.062.495</u>
3. Other financial income		
Interest, trade debtors	90.244	278.642
Interest, group enterprises	71.270	0
Exchange differences	-270	-2
	<u>161.244</u>	<u>278.640</u>
4. Tax on net profit or loss for the year		
Tax of the results for the year, parent company	3.655.828	3.594.800
Adjustment for the year of deferred tax	1.117.056	1.544.782
	<u>4.772.884</u>	<u>5.139.582</u>

Notes

All amounts in DKK.

	<u>2020/21</u>	<u>2019/20</u>
5. Proposed appropriation of net profit		
Dividend for the financial year	16.000.000	0
Transferred to retained earnings	<u>5.403.061</u>	<u>20.803.792</u>
Total allocations and transfers	<u>21.403.061</u>	<u>20.803.792</u>
6. Completed development projects, including patents and similar rights arising from development projects		
Cost 1 July 2020	105.546.469	88.512.261
Additions during the year	0	10.294.834
Transfers	<u>14.041.158</u>	<u>6.739.374</u>
Cost 30 June 2021	<u>119.587.627</u>	<u>105.546.469</u>
Amortisation and writedown 1 July 2020	-78.753.267	-70.832.375
Amortisation for the year	<u>-10.062.689</u>	<u>-7.920.892</u>
Amortisation and writedown 30 June 2021	<u>-88.815.956</u>	<u>-78.753.267</u>
Carrying amount, 30 June 2021	<u>30.771.671</u>	<u>26.793.202</u>
7. Software		
Cost 1 July 2020	1.805.600	1.626.200
Additions during the year	1.291.543	179.400
Transfers	<u>1.927.791</u>	<u>0</u>
Cost 30 June 2021	<u>5.024.934</u>	<u>1.805.600</u>
Amortisation and writedown 1 July 2020	-1.354.864	-675.110
Amortisation for the year	<u>-1.231.219</u>	<u>-679.754</u>
Amortisation and writedown 30 June 2021	<u>-2.586.083</u>	<u>-1.354.864</u>
Carrying amount, 30 June 2021	<u>2.438.851</u>	<u>450.736</u>

Notes

All amounts in DKK.

	<u>30/6 2021</u>	<u>30/6 2020</u>
8. Development projects in progress and prepayments for intangible assets		
Cost 1 July 2020	5.519.746	7.158.326
Additions during the year	15.141.807	5.100.794
Transfers	-15.968.949	-6.739.374
Cost 30 June 2021	<u>4.692.604</u>	<u>5.519.746</u>
Carrying amount, 30 June 2021	<u>4.692.604</u>	<u>5.519.746</u>
9. Other fixtures and fittings, tools and equipment		
Cost 1 July 2020	4.516.753	4.000.794
Additions during the year	577.524	515.959
Cost 30 June 2021	<u>5.094.277</u>	<u>4.516.753</u>
Depreciation and writedown 1 July 2020	-3.579.140	-3.117.292
Depreciation for the year	-602.464	-461.848
Depreciation and writedown 30 June 2021	<u>-4.181.604</u>	<u>-3.579.140</u>
Carrying amount, 30 June 2021	<u>912.673</u>	<u>937.613</u>
10. Prepayments and accrued income		
Prepaid costs	987.554	877.155
	<u>987.554</u>	<u>877.155</u>
11. Contributed capital		
Contributed capital 1 July 2020	10.734.000	10.734.000
	<u>10.734.000</u>	<u>10.734.000</u>

The share capital consists of A-shares, each with a nominal value of DKK 2.000.000, B-shares, each with a nominal value of DKK 2.000.000, C-shares each with a nominal value of DKK 1.600.000, D-shares, each with a nominal value of DKK 134.000 and E-shares each with a nominal value of DKK 5.000.000.

Notes

All amounts in DKK.

	<u>30/6 2021</u>	<u>30/6 2020</u>
12. Reserve for development costs		
Reserve for development costs 1 July 2020	23.006.969	16.568.743
Development costs for the year	<u>6.158.843</u>	<u>6.438.226</u>
	<u>29.165.812</u>	<u>23.006.969</u>
13. Retained earnings		
Retained earnings 1 July 2020	14.406.646	41.080
Profit or loss for the year brought forward	5.403.061	20.803.792
Development costs for the year	<u>-6.158.843</u>	<u>-6.438.226</u>
	<u>13.650.864</u>	<u>14.406.646</u>
14. Provisions for deferred tax		
Deferred tax of the results for the year	<u>8.196.624</u>	<u>7.079.568</u>
	<u>8.196.624</u>	<u>7.079.568</u>
15. Other provisions		
Warranty provision	<u>893.294</u>	<u>893.294</u>
	<u>893.294</u>	<u>893.294</u>
16. Charges and security		
As security for a bank facility, a letter of indemnity has been issued, DKK 8.400,000 that includes all non-current assets e.g. goodwill, property, plant and equipment and also inventories and other receivables. Also a mortgage ban has been given for assets.		
17. Contingencies		
Contingent liabilities		
Lease liabilities		
Lease obligations under operating leases. Total future lease payments, within 1 year T.DKK 82 and total within 3 year T.DKK 96.		

Notes

All amounts in DKK.

17. Contingencies (continued)

Contingent liabilities (continued)

Rent obligation:

The company has a 6-month notice of termination according to rental agreement, approx. T.DKK 470.

Joint taxation

With Dolphin HoldCo A/S, company reg. no 41087811 as administration company, the company is subject to the Danish scheme of joint taxation and unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for the total corporation tax.

The company is unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for any obligations to withhold tax on interest, royalties, and dividends.

18. Related parties

Controlling interest

Dolphin HoldCo, Blokken 44, 3460 Birkerød, Denmark

Majority shareholder

Transactions

The company has the following related party transactions:

None, except of a loan of DKK 15.893.688.

Consolidated financial statements

The company is included in the consolidated financial statements of Dolphin HoldCo, Blokken 44, 3460 Birkerød, Denmark.

19. Adjustments

Depreciation, amortisation, and impairment	11.896.372	9.062.493
Other financial income	-161.244	-278.640
Other financial costs	234.042	395.381
Tax on net profit or loss for the year	4.772.884	5.139.582
Other adjustments	0	-115.246
	<u>16.742.054</u>	<u>14.203.570</u>

Notes

All amounts in DKK.

	<u>2020/21</u>	<u>2019/20</u>
20. Change in working capital		
Change in inventories	1.793.672	-2.000.301
Change in receivables	-20.045.132	1.222.050
Change in trade payables and other payables	<u>726.404</u>	<u>684.073</u>
	<u>-17.525.056</u>	<u>-94.178</u>

Accounting policies

The annual report for Danelec Electronics A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class C enterprises (medium sized enterprises).

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

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 company 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 company 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.

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.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Fixed assets acquired and paid for in foreign currency are measured at the exchange rate prevailing at the date of the transaction.

Accounting policies

Income statement

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.

Own work capitalised

Own work capitalised includes staff cost and other internal costs incurred during the financial year and recognised in the cost of proprietary intangible and tangible fixed assets.

Other external costs

Other external costs comprise costs incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs. Other external expenses also include research and development costs that do not qualify for capitalisation.

Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members. Staff costs are less government reimbursements.

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.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

The company is subject to Danish rules on compulsory joint taxation of Danish group enterprises.

Accounting policies

The current Danish income tax is allocated among the jointly taxed companies proportional to their respective taxable income (full allocation with reimbursement of tax losses).

Statement of financial position

Intangible assets

Development projects

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

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.

Capitalized development costs are measured at cost less accumulated amortization or at a lower recoverable amount. An amount corresponding to the recognized development costs is allocated to the equity item "Reserve for development costs". The reserve comprises only development costs recognized in financial years beginning on or after 1 January 2016. The reserve is reduced by amortization of and impairment losses on the development projects and related tax value.

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 usually 4-7 years.

Software

Software is measured at cost less accumulated amortization and less any accumulated impairment losses or at a lower value in use. The amortization period is 3-4 years.

If the price (fair value) subsequently rises, write down for impairment must be wholly or partly reversed in the income statement.

Other fixtures and fitting, tools and equipment

Other fixtures and fitting, tools and equipment are measured at cost less accrued depreciation and writedown for impairment.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing.

Accounting policies

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

	Useful life
Other fixtures and fittings, tools and equipment	3-5 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Leases

Leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The company's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible fixed assets are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist.

Inventories

Inventories are measured at cost according to the FIFO method. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

Costs of goods for resale, raw materials, and consumables comprise acquisition costs plus delivery costs.

Costs of manufactured goods and work in progress comprise the cost of raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance and depreciation of machinery, factory buildings, and equipment used in the production process, and costs for factory administration and factory management. Borrowing expenses are not recognised in cost.

Accounting policies

The net realisable value for inventories is recognised as the market price less costs of completion and selling costs. The net realisable value is determined with due consideration of negotiability, obsolescence, and the development of expected market prices.

Receivables

Receivables are measured at amortised cost, which usually corresponds to face value. In order to meet expected losses, they are written down for impairment to the net realisable value.

Prepayments and accrued income

Prepayments and accrued income recognised under assets comprise incurred costs concerning the following financial year.

Cash on hand and demand deposits

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

Equity

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.

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under equity. Proposed dividend is recognised as a liability at the time of approval by the annual general meeting (time of declaration).

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position with the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivables and tax liabilities are offset to the extent that a legal right of set-off exists and the items are expected to be settled net or simultaneously.

According to the rules of joint taxation, Danelec Electronics A/S is unlimitedly, jointly, and severally liable to pay the Danish tax authorities the total income tax, including withholding tax on interest, royalties, and dividends, arising from the jointly taxed group of companies.

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.

Accounting policies

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.

Other provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Warranty provisions include warranty obligations in respect of repair work within the warranty period of 2 years. Provisions are measured and recognised based on experience with guarantee work.

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.

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 year, 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.

Cash flows from operating activities

Cash flows from operating activities are calculated as the company'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".

Accounting policies

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 company's share capital and costs attached to it, as well as raising loans, repayments of interest-bearing payables and payment of dividend to shareholders.

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