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BDO Statsautoriseret revisionsaktieselskab
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CTS CERAMICS DENMARK A/S

HEJRESKOVVEJ 18B, 1. TV., MUNKEGÅRDE, 3490 KVISTGÅRD

ANNUAL REPORT

1 JANUARY - 31 DECEMBER 2022

The Annual Report has been presented and adopted at the Company's Annual General Meeting on 11 July 2023

Andrew J. Warren

CVR NO. 20 07 64 88

CONTENTS

COMPANY DETAILS

Company	CTS Ceramics Denmark A/S Hejreskovvej 18B, 1. tv. Munkegårde 3490 Kvistgård	
	CVR No.:	20 07 64 88
	Established:	1 April 1997
	Municipality:	Helsingør
	Financial Year:	1 January - 31 December
Board of Directors	Andrew Jeffrey Warren, chairman Jeffrey Charles Gulbranson Scott Louis D'Angelo	
Executive Board	Scott Louis D'Angelo	
Auditor	BDO Statsautoriseret revisionsaktieselskab Havneholmen 29 1561 Copenhagen V	
Bank	Nordea Bank Danmark A/S Vesterbrogade 8, Postboks 850 0900 Copenhagen C	
Law Firm	Kromann Reumert Sundkrogsgade 5 2100 Copenhagen Ø	

MANAGEMENT'S STATEMENT

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of CTS Ceramics Denmark A/S for the financial year 1 January - 31 December 2022.

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

In our opinion the Financial Statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022.

The Management Commentary includes in our opinion a fair presentation of the matters dealt with in the Commentary.

We recommend the Annual Report be approved at the Annual General Meeting.

Kvistgård, 11 July 2023

Executive Board

Scott Louis D'Angelo

Board of Directors

Andrew Jeffrey Warren Chairman	Jeffrey Charles Gulbranson	Scott Louis D'Angelo

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of CTS Ceramics Denmark A/S

Opinion

We have audited the Financial Statements of CTS Ceramics Denmark A/S for the financial year 1 January - 31 December 2022, which comprise income statement, Balance Sheet, statement of changes in equity, notes and a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022 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' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such Internal control as Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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

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

INDEPENDENT AUDITOR'S REPORT

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on Management Commentary
Management is responsible for Management Commentary.

Our opinion on the Financial Statements does not cover Management Commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management Commentary and, in doing so, consider whether Management Commentary is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that Management Commentary 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 Management Commentary.

Copenhagen, 11 July 2023

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Per Frost Jensen
State Authorised Public Accountant
MNE no. mne27740

MANAGEMENT COMMENTARY

Principal activities
The company's activities include development, production and trading within the electronics business and consultancy operations within engineering services.

The company has undergone a transition during the year, where as for the following years the company's principal activities will consist of investments in subsidiaries.

Development in activities and financial and economic position
The results from ordinary activities after tax are DKK ('000) 54.662 against DKK ('000) -8,528 last year.

The management consider the results satisfactory.

Significant events after the end of the financial year
No events have occurred after the end of the financial year of material importance for the Company's financial position.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2022 DKK	2021 DKK
GROSS PROFIT		**25.184.697**	**29.316.556**
Staff costs	1	-16.457.711	-15.992.502
Depreciation, amortisation and impairment		-466.386	-439.932
OPERATING PROFIT		**8.260.600**	**12.884.122**
Income from investments in subsidiaries		52.133.773	-18.399.056
Other financial income	2	3.515.738	1.087.171
Other financial expenses	3	-8.507.779	-1.220.581
PROFIT BEFORE TAX		**55.402.332**	**-5.648.344**
Tax on profit/loss for the year	4	-740.402	-2.879.663
PROFIT FOR THE YEAR		**54.661.930**	**-8.528.007**

PROPOSED DISTRIBUTION OF PROFIT

Retained earnings		54.661.930	-8.528.007
TOTAL		**54.661.930**	**-8.528.007**

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2022 DKK	2021 DKK
Other plants, machinery, tools and equipment		517.154	665.728
Leasehold improvements		119.315	250.295
Property, plant and equipment	5	**636.469**	**916.023**
Equity investments in group enterprises		869.935.597	4.281.684
Receivables from group enterprises		599.382	0
Rent deposit and other receivables		472.988	459.211
Financial non-current assets	6	**871.007.967**	**4.740.895**
NON-CURRENT ASSETS		**871.644.436**	**5.656.918**
Raw materials and consumables		3.205.472	3.370.567
Inventories		**3.205.472**	**3.370.567**
Trade receivables		7.635.718	7.008.821
Receivables from group enterprises		7.601.870	3.666.749
Deferred tax assets		152.901	177.335
Other receivables		5.546.760	818.931
Receivables corporation tax		5.574.032	0
Prepayments and accrued income		77.794	61.755
Receivables		**26.589.075**	**11.733.591**
Cash and cash equivalents		**7.178.561**	**13.884.104**
CURRENT ASSETS		**36.973.108**	**28.988.262**
ASSETS		**908.617.544**	**34.645.180**

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2022 DKK	2021 DKK
Share capital		520.477	520.475
Fair value reserve, hedging		-2.478.879	0
Retained profit		204.229.950	22.395.146
EQUITY		**202.271.548**	**22.915.621**
Other provisions for liabilities		200.000	200.000
PROVISIONS		**200.000**	**200.000**
Bank loan		233.335.682	0
Payables to group enterprises		455.347.164	0
Non-current liabilities	7	**688.682.846**	**0**
Trade payables		476.585	1.017.261
Payables to group enterprises		11.854.586	5.914.364
Corporation tax		0	2.255.308
Derivative financial instruments	8	2.478.879	0
Other liabilities		2.434.846	2.283.978
Accruals and deferred income		218.254	58.648
Current liabilities		**17.463.150**	**11.529.559**
LIABILITIES		**706.145.996**	**11.529.559**
EQUITY AND LIABILITIES		**908.617.544**	**34.645.180**

Contingencies etc.	9
Related parties	10

EQUITY

	Share capital	Share premium account	Fair value reserve, hedging	Retained profit	Total
Equity at 1 January 2022	520.475	0	0	22.395.146	22.915.621
Change of equity due to change of policy					0
Adjusted equity at 1 January 2022	**520.475**	**0**	**0**	**22.395.146**	**22.915.621**
Proposed profit allocation				54.661.930	54.661.930
Transactions with owners					
Capital increase	2	108.686.994			108.686.996
Other legal bindings					
Group contribution				18.485.880	18.485.880
Transfers					
Allowed equalization		-108.686.994		108.686.994	0
Change fair value reserves					
Value adjustments in the year			-2.478.879		-2.478.879
Equity at 31 December 2022	**520.477**	**0**	**-2.478.879**	**204.229.950**	**202.271.548**

NOTES

	2022 DKK	2021 DKK	Note
Staff costs			1
Average number of employees	26	27	
Wages and salaries	15.018.900	14.717.907	
Pensions	960.307	890.111	
Social security costs	0	4.500	
Other staff costs	478.504	379.984	
	16.457.711	**15.992.502**	
Other financial income			2
Group enterprises	599.382	54.410	
Other interest income	2.916.356	1.032.761	
	3.515.738	**1.087.171**	
Other financial expenses			3
Group enterprises	4.928.264	30.721	
Other interest expenses	3.579.515	1.189.860	
	8.507.779	**1.220.581**	
Tax on profit/loss for the year			4
Calculated tax on taxable income of the year	715.968	2.783.308	
Adjustment of tax for previous years	0	52.000	
Adjustment of deferred tax	24.434	44.355	
	740.402	**2.879.663**	

Property, plant and equipment	Other plants, machinery, tools and equipment	Leasehold improvements	5
Cost at 1 January 2022	10.082.644	2.353.467	
Additions	186.832	0	
Cost at 31 December 2022	**10.269.476**	**2.353.467**	
Depreciation and impairment losses at 1 January 2022	9.416.916	2.103.172	
Depreciation for the year	335.406	130.980	
Depreciation and impairment losses at 31 December 2022	**9.752.322**	**2.234.152**	
Carrying amount at 31 December 2022	**517.154**	**119.315**	

NOTES

Note

Financial non-current assets 6

	Equity investments in group enterprises	Receivables from group enterprises	Rent deposit and other receivables
Cost at 1 January 2022	34.245.205	599.382	472.988
Additions	847.890.241	0	0
Cost at 31 December 2022	**882.135.446**	**599.382**	**472.988**
Revaluation at 1 January 2022	-29.963.522	0	0
Revaluation and impairment losses for the year	17.763.673	0	0
Revaluation at 31 December 2022	**-12.199.849**	**0**	**0**
Carrying amount at 31 December 2022	**869.935.597**	**599.382**	**472.988**

Long-term liabilities 7

	31/12 2022 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2021 total liabilities
Bank loan	233.335.682	0	0	0
Payables to group enterprises	455.347.164	0	455.347.164	0
	688.682.846	**0**	**455.347.164**	**0**

Derivative financial instruments 8

The Company uses derivatives for hedging of currency risks and interest risks in relation to recognised assets and liabilities and future payments of down payments on loans.

The risk management is undertaken centrally by the Parent Company on the basis of reported positions and is solely concerning loans with variable interest rates and loans in foreign currencies.

Contingencies etc. 9

The company has entered into rental commitments amounting to DKK (‘000) 625 at the balance sheet date during the period of terminability, consisting of 6 months.

Joint liabilities

The Danish companies of the group is jointly and severally liable for tax on the group’s jointly taxed income and for certain possible withholding taxes such as dividend tax and royalty tax, and for the joint registration of VAT.

Tax payable of the group’s jointly taxed income amounts to DKK (‘000) 0 at the balance sheet date.

NOTES

Note

Related parties **10**
The Company's related parties include:

Controlling interest
CTS Corporation, USA.

Transactions with related parties
The company did not carry out any material transactions that were not concluded on market conditions. According to section 98c, subsection 7 of the Danish Financial Statements Act information is given only on transactions that were not performed on common market conditions.

ACCOUNTING POLICIES

The Annual Report of CTS Ceramics Denmark A/S for 2022 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class B and certain provisions applying to reporting class C.

The annual report has been prepared according to the same accounting practices as last year, except for the following changes.

Change in accounting policies and classification
The accounting policies have been changed in the following areas:

- In the annual accounts, a change has been made to the accounting policies linked to the measurement and recognition of financial non-current assets, specifically the Company's investments in subsidiaries. The change in accounting policies and classification is due solely to ensuring that the annual accounts continue to give a fair picture. The change is due to the Company's change in performance and activity during the year, where as the company has undergone a transition to be classified as a holding company from 2022 and onwards, which is reflected directly through the acquisitions made during the year of 2022.

  The conclusion of the change will be a change in the recognition and measurement of the financial non-current assets from the equity method to recognition at cost value.

  The change has no result or balance sheet effect, as recognition at cost involves the investments being written down to the lower value, if the cost exceeds the net realisable value. The Company's investment in 2021 is already written down to the net realisable value and therefore the change will have no impact. There has not been a change in comparison figures.

The accumulated impact of the policy changes is at 31 December 2022:

The result for the year after tax is increased by DKK ('000) 0.
The balance sheet total is increased by DKK ('000) 0.
Equity is increased by DKK ('000) 0.

INCOME STATEMENT

Net revenue
Net revenue from sale of merchandise and finished goods is recognised in the Income Statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

Net revenue is recognised exclusive of VAT and less duties and discounts related to the sale.

Cost of sales
Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.

Other external expenses
Other external expenses include cost of sales, advertising, administration, buildings, bad debts, operational lease expenses, etc.

Staff costs
Staff costs comprise wages and salaries, including holiday pay and pensions and other costs for social security etc. for the company’s employees. Repayments from public authorities are deducted from staff costs.

ACCOUNTING POLICIES

Income from investments in subsidiaries
Dividend received is recognised in the company's income statement.

Financial income and expenses
Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

Tax
The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

BALANCE SHEET

Tangible fixed assets
Other plants, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used. As regards self-manufactured assets, the cost price includes cost of materials, components, subcontractors, direct payroll and indirect production costs.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Other plant, fixtures and equipment..	3-10 years	0 %
Leasehold improvements...	3-8 years	0 %

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Financial non-current assets
Equity investments in subsidiaries are measured at cost. If the cost exceeds the net realisable value, this is written down to the lower value.

Deposits include rental deposits which are recognised and measured at amortised cost. Deposits are not depreciated.

ACCOUNTING POLICIES

Impairment of fixed assets
The carrying amount of tangible assets together with fixed assets, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the net realisable value is lower than the carrying amount, the assets are written down to the lower value.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

Inventories
Inventories are measured at cost using the FIFO-principle. If the net realisable value is lower than cost, the inventories are written down to the lower value.

The cost of merchandise as well as raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The cost of finished goods and work in progress includes cost of raw materials, consumables, direct payroll cost and indirect production cost. Indirect production costs include indirect materials and payroll and maintenance and depreciation of the machines, factory buildings and equipment used in the production process, cost of factory administration and management and capitalised development costs relating to the products.

Receivables
Receivables are measured at amortised cost which usually corresponds to nominal value. The value is reduced by impairment losses to meet expected losses.

Accruals, assets
Accruals recognised as assets include costs incurred relating to the subsequent financial year.

Other provisions for liabilities
Other provisions for liabilities include the expected cost of warranty commitments etc. and deferred tax.

ACCOUNTING POLICIES

Tax payable and deferred tax
Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

The Company is subject to joint taxation with Danish group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the on account tax scheme. Joint taxation contributions receivable and payable are recognised in the Balance Sheet under current assets and liabilities, respectively.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date would be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

ACCOUNTING POLICIES

Liabilities
Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the income statement over the term of loan.

Amortised cost of current liabilities usually corresponds to nominal value.

Accruals, liabilities
Accruals recognised as liabilities include payments received regarding income in subsequent years.

Foreign currency translation
Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the income statement as a financial income or expense.

Receivables, payables and other monetary items in foreign currencies that are not settled on the balance sheet date are translated at the exchange rate on the balance sheet date. The difference between the exchange rate on the balance sheet date and the exchange rate at the time of occurrence of the receivables or payables is recognised in the income statement as financial income or expenses.

Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.

The income statements of foreign subsidiaries and associates fulfilling the criteria for being independent entities are translated at an average exchange rate for the month and balance sheet items are translated at the rate of exchange on the balance sheet date. Exchange differences arising from translation of the equity of foreign subsidiaries at the beginning of the year to the rates of the balance sheet date and from translation of income statements from average rate to the rates of the balance sheet date are recognised directly in the equity.

Exchange adjustment of intercompany accounts with foreign subsidiaries that are deemed to be an addition to or deduction from the equity of independent subsidiaries are recognised directly in the equity.

Exchange rate differences recognised in Equity are accumulated in a fair value reserve for currency translation of foreign entities and are transferred to the Income Statement when object of the currency translation is realised or ends. An exception is exchange rate differences arising from translation of Equity interests, which are recognised at Equity value, where the whole value adjustment, including exchange rate differences, are included in the reserve for net valuation according to the Equity value method.