Tel.: +45 39 15 52 00
koebenhavn@bdo.dk
www.bdo.dk

BDO Statsautoriseret revisionsaktieselskab
Havneholmen 29
DK-1561 København V
CVR no. 20 22 26 70

CTS DENMARK HOLDING A/S

PORTHUSVEJ 4, 3490 KVISTGÅRD

ANNUAL REPORT

1 JANUARY - 31 DECEMBER 2023

The Annual Report has been presented and adopted at the Company's Annual General Meeting on 23 July 2024

Peter Ketelsen

CVR NO. 20 07 64 88

CONTENTS

COMPANY DETAILS

Company	CTS Denmark Holding A/S Porthusvej 4 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 Denmark Holding A/S for the financial year 1 January - 31 December 2023.

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 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023.

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, 23 July 2024

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 Denmark Holding A/S

Opinion
We have audited the Financial Statements of CTS Denmark Holding A/S for the financial year 1 January - 31 December 2023, 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 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023 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, 23 July 2024

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Per Frost Jensen State Authorised Public Accountant MNE no. mne27740	Ferass Hamade State Authorised Public Accountant MNE no. mne35441

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) 64,489 against DKK ('000) 54,662 last year.

The management consider the result satisfactory.

Significant events after the end of the financial year
Effective 1 May 2024, CTS Denmark Holding A/S completed a partial demerger, transferring its main operational activities to its wholly-owned subsidiary, CTS Denmark A/S.

The financial impacts of this demerger will be reflected in the Financial Statements of the subsequent period.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2023 DKK	2022 DKK
GROSS PROFIT		**21.807.536**	**24.706.193**
Staff costs	1	-13.949.487	-15.979.207
Depreciation, amortisation and impairment		-393.082	-466.386
OPERATING PROFIT		**7.464.967**	**8.260.600**
Income from investments in subsidiaries		75.416.738	52.133.773
Other financial income	2	8.389.786	3.515.738
Other financial expenses	3	-29.861.681	-8.507.779
PROFIT BEFORE TAX		**61.409.810**	**55.402.332**
Tax on profit/loss for the year	4	3.078.855	-740.402
PROFIT FOR THE YEAR		**64.488.665**	**54.661.930**

PROPOSED DISTRIBUTION OF PROFIT

Retained earnings		64.488.665	54.661.930
TOTAL		**64.488.665**	**54.661.930**

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BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2023 DKK	2022 DKK
Other plants, machinery, tools and equipment		228.482	517.154
Leasehold improvements		0	119.315
Property, plant and equipment	5	**228.482**	**636.469**
Equity investments in group enterprises		865.632.560	869.935.597
Receivables from group enterprises		0	599.382
Rent deposit and other receivables	11	0	472.988
Financial non-current assets	6	**865.632.560**	**871.007.967**
NON-CURRENT ASSETS		**865.861.042**	**871.644.436**
Raw materials and consumables		4.812.074	3.205.472
Inventories		**4.812.074**	**3.205.472**
Trade receivables		7.235.074	7.635.718
Receivables from group enterprises		3.921.477	7.601.870
Deferred tax assets		152.274	152.901
Other receivables		731.760	5.546.760
Receivables corporation tax		0	3.989.112
Joint tax contribution receivable		8.811.274	1.584.920
Prepayments and accrued income		136.114	77.794
Receivables		**20.987.973**	**26.589.075**
Cash and cash equivalents		**29.211.019**	**7.178.561**
CURRENT ASSETS		**55.011.066**	**36.973.108**
ASSETS		**920.872.108**	**908.617.544**

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2023 DKK	2022 DKK
Share Capital		520.477	520.477
Fair value reserve, hedging		0	-2.478.879
Retained profit		263.671.727	204.229.950
EQUITY		**264.192.204**	**202.271.548**
Other provisions for liabilities		0	200.000
PROVISIONS		**0**	**200.000**
Bank loan		84.471.500	233.335.682
Payables to group enterprises		513.107.452	455.347.164
Non-current liabilities	7	**597.578.952**	**688.682.846**
Bank debt		33.723.500	0
Trade payables		1.431.003	476.585
Payables to group enterprises		11.273.213	11.854.586
Corporation tax		4.375.792	0
Derivative financial instruments	11	5.046.888	2.478.879
Other liabilities		2.867.220	2.434.846
Accruals and deferred income		383.336	218.254
Current liabilities		**59.100.952**	**17.463.150**
LIABILITIES		**656.679.904**	**706.145.996**
EQUITY AND LIABILITIES		**920.872.108**	**908.617.544**

Contingencies etc.	8
Related parties	9
Consolidated Financial Statements	10

EQUITY

DKK	Share Capital	Fair value reserve, hedging	Retained profit	Total
Equity at 1 January 2023	520.477	-2.478.879	204.229.950	202.271.548
Proposed profit allocation			64.488.665	64.488.665
Change fair value reserves				
Value adjustments in the year		-2.568.009		-2.568.009
Allowed equalization		5.046.888	-5.046.888	0
Equity at 31 December 2023	**520.477**	**0**	**263.671.727**	**264.192.204**

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NOTES

	2023 DKK	2022 DKK	Note
Staff costs			1
Average number of full time employees	21	26	
Wages and salaries	13.007.711	15.018.900	
Pensions	905.676	960.307	
Social security costs	36.100	0	
	13.949.487	**15.979.207**	
Other financial income			2
Group enterprises	70.022	599.382	
Other interest income	8.319.764	2.916.356	
	8.389.786	**3.515.738**	
Other financial expenses			3
Group enterprises	15.898.552	4.928.264	
Other interest expenses	13.963.129	3.579.515	
	29.861.681	**8.507.779**	
Tax on profit/loss for the year			4
Calculated tax on taxable income of the year	-3.079.482	715.968	
Adjustment of deferred tax	627	24.434	
	-3.078.855	**740.402**	

Property, plant and equipment 5

DKK	Other plants, machinery, tools and equipment	Leasehold improvements
Cost at 1 January 2023	10.269.476	2.353.467
Disposals	-14.905	-2.353.467
Cost at 31 December 2023	**10.254.571**	**0**
Depreciation and impairment losses at 1 January 2023	9.752.322	2.234.152
Reversal of depreciation of assets disposed of	0	-2.353.467
Depreciation for the year	273.767	119.315
Depreciation and impairment losses at 31 December 2023	**10.026.089**	**0**
Carrying amount at 31 December 2023	**228.482**	**0**

NOTES

Note

Financial non-current assets 6

DKK	Equity investments in group enterprises	Receivables from group enterprises	Rent deposit and other receivables
Cost at 1 January 2023	882.135.446	599.382	521.749
Disposals	0	-599.382	-521.749
Cost at 31 December 2023	**882.135.446**	**0**	**0**
Revaluation at 1 January 2023	-12.199.849	0	0
Revaluation and impairment losses for the year	-4.303.037	0	0
Revaluation at 31 December 2023	**-16.502.886**	**0**	**0**
Carrying amount at 31 December 2023	**865.632.560**	**0**	**0**

Long-term liabilities 7

DKK	31/12 2023 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2022 total liabilities
Bank loan	118.195.000	33.723.500	0	233.335.682
Payables to group enterprises	513.107.452	0	513.107.452	455.347.164
	631.302.452	**33.723.500**	**513.107.452**	**688.682.846**

Contingencies etc. 8

Contingent liabilities

Other contingent liabilites:
As of the balance sheet date, the Company is subject to a potential liability arising from the reestablishment obligations associated with vacating certain leased premises. The specific terms of the lease agreements require the Company to restore the leased properties to their original condition upon vacating the premises. This obligation remains unsettled with the property owners, and the final amount of the liability is subject to negotiation and agreement with the owners.

Management has conducted an initial assessment and estimates that the potential liability could range between DKK 1,000,000 and DKK 3,000,000. Consequently, the Company has recognized a provision of DKK 1,128,021.78 as at the balance sheet date for this potential liability in the Financial Statements.

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) 4.376 at the balance sheet date.

NOTES

Note

Related parties 9

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.

Consolidated Financial Statements 10

The company is included in the consolidated financial statements of the parent company, CTS Corporation, address: 4925 Indiana Avenue, Lisle IL. IRS Employer Identification Number: 35-0225010.

Derivative financial instruments 11

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.

ACCOUNTING POLICIES

The Annual Report of CTS Denmark Holding A/S for 2023 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 is prepared consistently with the accounting principles applied last year.

Consolidated Financial Statements
Consolidated Financial Statements have not been prepared because the group fulfils the exemption provisions of section 112 of the Danish Financial Statements Act on sub-groups. The company is included in the consolidated financial statements of the parent company, CTS Corporation, address: 4925 Indiana Avenue, Lisle IL. IRS Employer Identification Number: 35-0225010.

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 operating income
Other operating income includes items of a secondary nature in relation to the Group's and the Company's activities, including profit from sale of intangible and tangible fixed assets. In addition, profit from sale of intangible and tangible fixed assets as well as business interruption and conflict compensations are included. Compensations are recognised when the income is deemed to be realisable.

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.

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.

ACCOUNTING POLICIES

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.

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.

ACCOUNTING POLICIES

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

Write-off is performed to provide for losses when an objective indication has been assessed to have incurred that a receivable or a portfolio of receivables are impaired. If there is an objective indication that an individual receivable is impaired, the write-off is performed at individual level.

Receivables for which there are no objective indication of impairment at individual level are assessed at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' registered office and credit rating in accordance with the Company's policy for credit risk management. The objective indicators, which are applied for portfolios, are determined based on the historical loss experiences.

Write-off is determined as the difference between the carrying amount of receivables and the present value of the expected cash flows, including realisable value of any received collaterals. The effective interest rate is used as discount rate for the single receivable or portfolio.

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.

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.