# *CPHI-Holding A/S*

Højnæsvej 75, DK-2610 Rødovre

# Annual Report for 1 January - 31 December 2023

CVR No 21 74 54 48

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 26 July 2024

Esben Kjær
Chairman of the General Meeting

# Contents

# Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of CPHI-Holding A/S for the financial year 1 January - 31 December 2023.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2023 of the Company and of the results of the Company operations for 2023.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Rødovre, 11 July 2024

**Executive Board**

Peter Scheuer Jensen
CEO

**Board of Directors**

Niels Jesper Jespersen Jensen
Chairman

Gustav Erik von Rosen

Knud Erik Andreasen

Mikkel Vendelin Olesen

Jesper Andreasen

Marcel Fenez

# Independent Auditor’s Report

### Independent Auditor’s Report

To the shareholders of CPHI-Holding A/S

### Adverse Opinion

We have audited the financial statements of CPHI-Holding A/S for the financial year January 1 - December 31, 2023, which comprise the income statement, balance sheet, and notes, including the applied accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, due to the significance of the matter described in the section "Basis for Adverse Opinion," the financial statements do not provide a true and fair view of the company's assets, liabilities, and financial position as of December 31, 2023, or of the results of the company's operations for the financial year January 1 - December 31, 2023, in accordance with the Danish Financial Statements Act.

### Basis for Adverse Opinion

The financial statements are prepared on a going concern basis. As disclosed in Note 1, the company’s continued operation is contingent on obtaining additional financing in the form of equity or an extension and maintenance of its current credit facilities in line with its financing needs. The company's management has been in negotiations with various lenders and investors. These negotiations are still ongoing, and there are several positive indications regarding the provision of liquidity, with several agreements already signed. However, these agreements have not yet been executed, and there is still uncertainty about the timing and actual implementation of these agreements. Therefore, we do not have sufficient documentation to confirm that the necessary liquidity to ensure the company’s continued operation will be provided.

Consequently, we have qualifications about the financial statements being prepared on a going concern basis.

Moreover, note 2 to the financial statements refer to the uncertainty connected with recognizing and measuring the Company’s investments in subsidiaries and receivables from group companies amounting to DKK 626 million in total, divided by DKK 158 million on investment in subsidiaries and DKK 468 million on receivables from group companies.

The company has prepared impairment tests to support the valuation of the investments in subsidiaries and receivables from group companies. However, the cash flows included in the impairment tests are significantly dependent on several future outcomes which we consider unlikely to occur within the expected timeline. Based on this we believe that investments in subsidiaries and receivables from group companies can be negatively affected by an amount between DKK 476 million and DKK 626 million meaning that the result of the year and equity should be reduced with between DKK 476 million and DKK 626 million.

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" of our audit report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional 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 adverse opinion.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation of financial statements that provide a true and fair view in accordance with the Danish Financial Statements Act. This responsibility includes designing, implementing, and maintaining internal control relevant to 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 that includes our 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 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 International Standards on Auditing and 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.

- 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 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 content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

**Statement on the Management Commentary**

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

# Independent Auditor's Report

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

Our responsibility also includes considering whether the management commentary includes the required information in accordance with the Danish Financial Statements Act.

As outlined in the section "Basis for Adverse Opinion," our opinion on the financial statements is modified due to the financial statements being prepared on a going concern basis, while negotiations with lenders and investors have not yet resulted in the necessary liquidity provision to ensure the company's continued operation. For the same reason, we have concluded that we do not agree with the information in the management commentary regarding amounts and other elements affected by the fact that the financial statements have been prepared on a going concern basis.

Copenhagen, July 11, 2024

CHRISTENSEN KJÆRULFF
INCORPORATED STATE AUTHORISED PUBLIC ACCOUNTANTS
CVR-nr. 15 91 56 41

Anders Ingemann Hansen
State Authorised Public Accountant
mne32726

# Company Information

| | |
|---|---|
| **The Company** | CPHI-Holding A/S<br>Højnæsvej 75<br>DK-2610 Rødovre<br><br>CVR No: 21 74 54 48<br>Financial period: 1 January – 31 December<br>Municipality of reg. office: Rødovre |
| **Board of Directors** | Niels Jesper Jespersen Jensen, Chairman<br>Gustav Erik von Rosen<br>Knud Erik Andreasen<br>Mikkel Vendelin Olesen<br>Jesper Andreasen<br>Marcel Fenez |
| **Executive Board** | Peter Scheuer Jensen |
| **Auditors** | Christensen Kjærulff<br>Statsautoriseret Revisionsaktieselskab<br>Østbanegade 123<br>DK- 2100 København Ø |

# Management's Review

**Company information – key activities**

## Development in the year

**CPHI-Holding**
The objective of CPHI-Holding A/S (CPHI) and subsidiaries is the development and sales of highly innovative business systems within the aviation and airport segment. CPHI Group's principal activities are carried out via three separate businesses units held, managed, and supervised by CPHI.

CPHI-Holding A/S provides management, business development and services to all three businesses lines. Services include business development, management and sales support etc., servicing of investors and stakeholders including providing funding of equity as well as loans and project finance.

The plans for 2023, faced severe obstacles following an adverse opinion from Auditors in the year-end report 2022. The process of attracting new equity investors as well as the highly profiled launch of a convertible bonds program (DKK 250 m) had to be put on hold and the financing strategy was re-thought.

In Q3 2023, CPHI made a decision to sign up for additional equity, with expected closure within a few months. Unfortunately, the investor – a venture fund – did not succeed in fulfilling the mandated investment.

During 2023 CPHI succeeded in attracting new investors, some of which were closed in 2023, while others are currently in closing phase. The business has been kept operational at "very low steam", thanks to some of the existing shareholders.

The Financing constraints throughout 2023 leading into 2024, has caused a need for understanding and support from both institutional creditors, bondholders, subordinated lenders as well as a lot of patience from suppliers etc.

The process of closing funding has been extraordinarily long and cumbersome and has led to lower and delayed activity levels across the business units. This includes a delay in further investment of development, mainly impacting the testing and certification process in Exruptive also delaying income generating activities. However, plans are laid out to both secure sufficient funding as well as to bring the momentum back to the company and accelerate commercial activities.

In 2024 the funding program is still ongoing. Agreements totaling DKK 80 m in new funds is expected to be closed in July 2024, bringing the company back on track. Management's aim is to further strengthen the Group by completing new Equity in 2024 totaling DKK 110 – 120 m.
Alongside new equity, management will also continue working on further optimizing and strengthening of the combined interest-bearing debt and project funding. Please also refer to section on subsequent events.

Last but not least key personnel have shown confidence in the prospects for the Group and have lifted above and beyond any expectations to make the company successful.

It is management's conclusion that the result for the year is somewhat lower than expected, mostly driven by delays from cash constraints.

# Management's Review

**BBHS 2023**
BBHS A/S (BBHS) develops, produces and sells highly efficient, ergonomic, intelligent automated baggage handling systems, streamlining processes, removing manual labour, and reducing margin for error.

During 2023, BBHS matured further and achieved operations with its first fully automated baggage handling system for both arrival and departure at Edinburgh Airport. Over the year, the system was commissioned and optimized to strengthen the product offering of BBHS. This has generated increased interest of the BBHS product globally, paving the way for future commercial success.
A contract for an installation at Vagar Airport (Faroe Islands) was also signed. All equipment was delivered according to plan and a large proportion of the operational procedures and testing has been implemented during 2023. As per June 2024 the installation is fully operational according to plans in all major aspects.

Overall, BBHS has seen increased commercial interest, leading to both signed contracts and an increased number of direct leads and an increased number of feasibility studies with airports. This is primarily driven by the overall industry shift towards automated solutions and is supported by the fact that the BBHS solution is operational and "real" – the concept of "seeing is believing" highly applies in the somewhat conservative aviation industry.

**Exruptive 2023**
Exruptive A/S (Exruptive) develops, manufactures and sells intelligent security solutions. The Exruptive solution has been designed to optimize airport security handling and improve passenger satisfaction by reducing waiting time through seamless flow without divesting liquids and electronics.

In 2023, Exruptive continued with its strong focus and investment involved with gaining the ECAC certification in Europe. The simulator test results showed strong development of the algorithm. Following further refinement and development of AI, Exruptive plans to gain the final certification during Q4 2024 that will enable further commercialization in Europe.

After years of working with the Department of Homeland Security, a development agreement has been signed for scanner testing starting in the US during 2024 and continuing through 2025.

There is a strong window of opportunity for the Exruptive concept as legislators around the world are driving airports to shift to new scanner technology that reduces risks and operates cost effectively, while also improving the passenger experience.

**ITS 2023**
IntelligentTrackSystems A/S (ITS) develops, produces, and markets next-generation intelligent trolleys to airports and malls, providing users with data driven integrated wayfinding, tailor-made advertising, and other personalized convenience services for the best travel or consumer experience. Boosted passenger satisfaction results in uplift of non-aeronautical revenue for the airports and retailers.

# Management's Review

Building on the proof of concept from airport pilots in 2022, ITS has continued to effectively showcase its strong value proposition to airports, retailers, global travel retail brands and OOH advertisers.

On top of conducting pilots in Hamburg, Hyderabad, and Vienna airports the company has entered Mid to Long term commercial contracts with Vienna and Hamburg Airports. Hence, further maturing the strong foundation for future growth and revenue generation.

With a strong pipeline and a well-positioned brand in the industry, ITS expects strong growth across the European, Asian, Middle Eastern and US airport markets throughout 2024.

**CPHI-Holding Group Financial Performance (2022 comparison figures in brackets)**
CPHI-Holding's 2023 income statement shows a profit of DDK 3.4 m. (loss of DKK 115.1 m), and at 31 December the company's balance sheet showed equity of DKK 192.4 m (DKK 165.1 m).

***Income statement:***
CPHI operates as a management company on behalf of the Group Companies, hence costs of CPHI are distributed to the subsidiaries including a markup.

The administrative costs in CPHI amounted to DKK 32.3 m in 2023 (DKK 32.7 m). The distribution to the subsidiaries, including a cost+ fee is recognized as revenue in CPHI.
Financial Expenses amounted to DKK 103.1 m in 2023 (DKK 75.8). The distribution hereof to the subsidiaries is accounted for as Financial Income in CPHI.

Following distribution of cost the net profit for the year amounted to DKK 3.4 m (DKK – 115,1 m).

***Balance sheet Assets:***
Investments in subsidiaries amount to DKK 157.5m (DKK 157.5 m), whereas receivables from subsidiaries amount to DKK 468.9 m (DKK 268.1 m) adding to a total carrying amount of DKK 626.4 m (DKK425.6 m).

Measurement of investments in subsidiaries as well as receivables from subsidiaries are subject to uncertainty. The valuations are significantly dependent on the subsidiaries' ability to deliver on contracts generating positive future cash flows. The CPHI subsidiaries all emerge from a start-up phase and moved towards a more commercial status and readiness in 2023, and we are now generating cash inflows from contracts and service deliveries etc.

CPHI's carrying values from investments partly relate to investments in shares, partly from Intercompany loans and receivables. CPHI's carrying values of BBHS (MDKK 288) and ITS (MDKK 132) have not been subject to impairments, given the completeness of the BBHS installation in Edinburgh and Vagar, as well as the market acceptance of the ITS concept and proven commercial value seen from signed contracts.

The carrying values of Exruptive (DKK 206 m) was impaired by DKK 115 m – corresponding to 50% of investments in equity – in 2022. Although test scanners have been ordered and revenue generation is imminent, the impairment is anticipated to remain until we have either received the ECAC certification or signed more contracts – to generate revenue and cash inflows.

# Management's Review

***Liabilities and Equity:***

Share capital increased by DKK 2.1 m in 2023, and now sits at a total of DKK 34.8 m. Including share premium of DKK 21.8 m and retained earnings for the year of DKK 3.4 m the net equity has increased to DKK 192.4 m.

Debt relating to issued bonds amounts to DKK 221.9 m (DKK 177.9 m).

Convertible and profit-yielding instruments of debt amount to DKK 166.7 m. (DKK 87.5 m) convertible bonds related to pre-IPO activity contributed by DKK 42,6 m. CPHI is engaged in multiple loan agreements comprising of conversion rights that allow the holder to convert the principal amount into shares in CPHI-Holding A/S.

***Subsequent events:***

During 2023 and early 2024 the Group's financial and liquidity situation has been highly challenged. With regards to the 2022 Financial statements auditors expressed an adverse opinion to management's assessment of the Group as a Going Concern.

The Group's financial and liquidity position is challenged, and the future operation is significantly dependent on Management's ability to raise new funds in the form of equity or debt. Management has prepared budgets for the Group covering the period from the date of approval of these Financial Statements until 31 December 2024 showing an expected cash outflow from operations of DKK 45 - 55 million regarding CPHI's operations, including the subsidiaries' activities where CPHI-Holding A/S will finance operating and development costs as well as construction obligations in each of the three subsidiaries BBHS A/S, Exruptive A/S and IntelligentTrackSystems A/S.

At the date of approval of these Financial Statements, the Group's liquidity amounted to DKK 8 million. Total debt maturing during the remaining part of 2024 amounts to about DKK 275 million, which in combination with the expected cash outflows from operations results in a total liquidity and financing requirement of approximately DKK 320 million until 31 December 2024. In addition, convertible loans of DKK 43 million mature in 2025, however subordinated to CPHI-Holding A/S' senior secured bonds maturing in the second half of 2024.

CPHI has mandated Vinga Corporate Finance AB to refinance to DKK 235 million before related costs to obtain the financing facilities. The cost for obtaining the financing activities amounts to between 10% and 15% of the raised capital. Management expects the approval to be obtained in Q3 2024.

Company's stakeholders and external investors have made binding financing equity and/or debt commitments, which can be used if required for CPHI to continue as a going concern. The company expect sufficient cash inflow from both equity investments and from project financing in order to continue the business.

In addition, Management is exploring the opportunities of refinancing existing loans maturing during 2024 and 2025 as well as exploring the opportunities of other financing resources.

Consequently, Management has considered the Group's cash flow, liquidity, and financial position in general, together with factors likely to affect the development and performance. On this basis, Management has concluded to prepare these Financial Statements under assumption of going concern.

However, as the financing of the Group's required liquidity is not concluded as of the date of approval of these Financial Statements, material uncertainty exists that may cast significant doubt on CPHI's ability to continue as a going concern.

CPHI found that some VAT errors on intercompany Interest allocations also in 2022. The company has taken measures to correct these errors both in CPHI and in subsidiaries and balance sheet effects are recognized for both 2022 and 2023. Net Profit and loss Effect – also across the Group - is zero (0,-). We refer to the section about material misstatements.

After the end of the financial year, no other events have occurred that could significantly affect the company's financial position.

***Group outlook for 2024:***

The Aviation industry has now made a full recovery and the outlook for 2024 is a total global traffic above the 2019 pre-covid levels. Demand for air travel is higher and capacity is lagging behind, mainly due to lack of labour and the interest investing in new automated solutions has never been higher. The general investment level in aviation, is at an all-time high.

***Commercial progress:***

CPHI's concepts are in line with demand, as demonstrated by the order intake, strong LOIs, and pipeline for future projects. Both BBHS and ITS have been awarded new unconditional orders. The group estimates a signed combined orderbook (ITS, BBHS/Exruptive) in excess of DKK 1,500 million by the end of 2024.

The last critical technical outstanding milestone for the Group is to get the final certification for the Exruptive scanner, so the first deployment in a real airport environment can be completed. Exruptive expect to make the first deployment in a real airport environment by the end of 2024 independent of the ECAC approval. Exruptive also expects to deploy the first physical pilot scanner in USA in cooperation with TSA, by the end of 2024 or early 2025.

The forecasted cash flow for 2024 calls for additional support of cash. The estimated need for operating cash amounts to DKK 90-100 m, and additionally DKK 40 m in investment mainly to support the building of the ITS trolley portfolio. Therefore, CPHI continue to be dependent on external funding to support its strategy of further growth and development.

The Group's management team is continuing focusing on pursuing sufficient funding to safeguard its ability to continue as a going concern, meet the Group's financial obligations as they fall due, and support its strategic objectives, while maintaining a prudent level of liquidity. In doing so, CPHI diversifies its financing options and aims to maintain an optimal capital structure by carefully managing a mix of equity and debt.

Management assumes that the funding activity initiated and partly realized will secure the funding to continue operation, paying default interest, as well as fund the investments bringing the business forward.

***Risks relating to the CPHI Group's business***:

***Early-stage risks***

The Group's businesses are still at a relatively early stage and they are expected to mature further. This implies usual early-stage risks such as uncertain market demand, uncertain customer demand, untested

price, and production and logistics uncertainties. However, BBHS have in 2023 demonstrated profitability on EBITDA level and have received orders that underpin the future profitability forecast.
In parallel, ITS has built a solid foundation, and holds a strong order pipeline that will generate significant growth for the trolley fleet portfolio. This kind of demand and volume also attracts brands and advertisers to join the platform. Furthermore, ITS holds an unfolded profit potential in harvesting and selling data, which is not incorporated in current forecasts.

The success of Exruptive still hangs on the success of the tests and final certification from ECAC. This implies an early-stage risk whereas unsuccessful final tests could postpone Exruptive's revenue and increase development cost before a final launch.
Exruptive have pending orders from leading airport operators, who find the technology second to none - compared to the existing solutions. If these risks or uncertainties materialize, operating results and the financial position of the Group could be materially and adversely affected.

Furthermore, key persons might leave if the business development in the Group is delayed further. Due to cash constraints, the Group has historically had a slow pace in progress that might conflict with a high ambition level by the key people of the Group. Failure to retain key persons and competences may delay business development and materially affect the financial performance of each business unit.

**Unusual circumstances**
The adverse qualification of the Financials Statements 2022 did challenge stakeholders and investors appetite for additional investing in CPHI during 2023 also going into 2024. This adversely and directly affected the Groups ability to meet the interest payment on bonds.

However, the company has secured legally binding agreement of Capital Injections, for final closing in July 2024. Base on past learnings the company assess that the cash inflow will start late July or early August, which will be after the adoption of the financial statements. Further, the Company now continues to make massive effort to provide sufficient funds to reduce risks of future cash constraints and pause of momentum.

**Knowledge resources**

The Exruptive X-ray detection knowledge is carried on few resources, but is strongly linked to university institutes, where CPHI are tapping into resources both from scientists as well as PhD students. CPHI holds a strong tradition for cooperation with universities and a lot of our hiring is based in the relation to the institutes.

The staff contains a lot of know-hows, and more than two-thirds of the staff hold a candidate level of education, and up until now CPHI have been able to successfully attract the required staff.

**ESG**

CPHI is aware that a solid sustainability strategy is fundamental to making the businesses future-fit, so that they can keep thriving, providing reliable solutions to customers, while being financially and environmentally sustainable and soundly profitable for its shareholders.

# Management's Review

CPHI's approach follows a science-based methodology, and always in accordance with the legal requirement. Even though the sustainability journey is still at a predevelopment phase, CPHI has decided to stay ahead of the market benchmark. This means that, despite there being no legal obligations binding CPHI to specific sustainability targets and performances, the decision to adopt radical approach and integrate sustainable development into the business strategy has been made and steps continue to be taken.

CPHI are collaborating closely with our partners to properly frame their impact on the value chain of CPHI and help them to find alternative and more sustainable solutions. CPHI Group is constantly welcoming inputs and concerns from customers to meet their sustainability expectations.

To have an in-depth understanding of CPHI's environmental footprint, a Life-cycle assessment (LCA) related program has been initiated that will allow CPHI to analyze all products and finally establish a solid baseline for future sustainability-driven measures on products and services.

Luckily enough, CPHI's core businesses are already characterized by long lasting products and enduring business relationships, where we tend to prioritize a value proposition focusing on the delivery of service (access and performance) rather than ownership. It goes without saying that a Circular Economy strategy perfectly fits the needs of CPHI. The priority is to define and conceptualize new design solutions aimed to reduce the energy consumption (embodied and operational), the number of materials required, the generated waste, and to increase the longevity of systems, by maintaining, upgrading, refurbishing, and eventually implementing a reverse logistic strategy of tacking back the systems at the end of their life cycle.

CPHI do consider ESG as a future value driver and not a cost burden. The business unit experience significant interest from our clients, and our current early stage effort within ESG in broad terms, is highly valuated by the clients.

***Research & Development (R&D)***

Digitalization and AI will be the most important driver in CPHI's R & D in the coming years, and especially in the conceptualization of revenue generating activities.

Further effort is to be completed in Exruptive research – specifically when improving detector technology, and seeking cost efficiencies.

Robot technology (Autonomous driving vehicles) is in development and the first prototype of self-driving baggage cart is now established as a prototype. There is further work to be done in getting "permission to operate in real airports". This is being pursued in cooperation with several airports.

# Management's Review

*Disclaimer*

*The Annual Report 2023 consists of forward-looking statements including forecasts of financial performance. Such statements are subject to risks and uncertainties in respect of a range of factors, of which many are beyond the control of the CPHI Group and may cause actual results and performance to differ materially from the forecasts made in the Annual Report 2023. Factors that might affect expectations include, among other things, overall economic, political, and business conditions and fluctuations in currencies, demand, and competitive factors.*

# Income Statement 1 January - 31 December

| | Note | 2023<br>TDKK | 2022<br>TDKK |
|---|---|---|---|
| **Revenue** | | **34,925** | **24,242** |
| Cost of sales | | 186 | 52 |
| **Gross profit/loss** | | **34,739** | **24,190** |
| Distribution expenses | 3 | -2.616 | -957 |
| Administrative expenses | 3 | -34,225 | -33,009 |
| **Profit/loss before financial income and expenses** | | **-2,102** | **-9,776** |
| Impairment losses on financial assets | | 0 | -115,080 |
| Financial income | 4 | 98,682 | 85,548 |
| Financial expenses | 5 | -98,681 | -75,752 |
| **Profit/loss before tax** | | **-2,101** | **-115,060** |
| Tax on profit/loss for the year | | 5,500 | -15 |
| **Net profit/loss for the year** | | **3,399** | **-115,075** |

# Distribution of profit

**Proposed distribution of profit**

| | | |
|---|---|---|
| Retained earnings | 3,399 | -115,075 |
| | **3,399** | **-115,075** |

# Balance Sheet 31 December

## Assets

| | Note | 2023 | 2022 |
|---|---|---|---|
| | | TDKK | TDKK |
| Investments in subsidiaries | 6 | 157,466 | 157,466 |
| **Fixed asset investments** | | **157,466** | **157,466** |
| **Fixed assets** | | **157,466** | **157,466** |
| Receivables from group enterprises | | 468,973 | 268.103 |
| Other receivables | | 660 | 13,630 |
| Prepayments | | 278 | 159 |
| **Receivables** | | **469,911** | **281,892** |
| **Cash at bank and in hand** | | **0** | **10,097** |
| **Currents assets** | | **469,911** | **291,989** |
| **Assets** | | **627,377** | **449,454** |

# Balance Sheet 31 December

## Liabilities and equity

| | Note | 2023 | 2022 |
|---|---|---|---|
| | | TDKK | TDKK |
| Share capital | | 34,758 | 32,611 |
| Retained earnings | | 157,610 | 132,429 |
| **Equity** | | **192,368** | **165,040** |
| Other debt relating to the issue of bonds | | 221,943 | 177,894 |
| Convertible and profit-yielding instruments of debt | | 42,567 | 40,256 |
| Other payables | | 735 | 735 |
| **Long-term debt** | | **265,245** | **218,885** |
| Credit institutions | | 2,572 | - |
| Short-term part of convertible instruments of debt | | 124,219 | 47,250 |
| Trade payables | | 31,744 | 9,883 |
| Borrowings | | 9,775 | 5,824 |
| Other payables | | 1,454 | 2,572 |
| **Short-term debt** | | **169,764** | **65,529** |
| **Debt** | | **435,009** | **284,414** |
| **Liabilities and equity** | | **627,377** | **449,454** |

| | |
|---|---|
| Going concern | 1 |
| Uncertainty in recognition and measurement | 2 |
| Contingent assets, liabilities and other financial obligations | 7 |
| Accounting Policies | 8 |

# Statement of Changes in Equity

## Shareholders equity

| | Share capital | Share Premium | Retained Earnings | Total |
|---|---|---|---|---|
| | TDKK | TDKK | TDKK | TDKK |
| **2022** | | | | |
| Equity at 1 January | 24,204 | 0 | 166,559 | 190,764 |
| Capital increase | 8,407 | 0 | 76,814 | 85,221 |
| Other equity movements | 0 | 0 | 4,130 | 4,130 |
| Net profit/loss for the year | 0 | 0 | -115,075 | -115,075 |
| **Equity at 31 December** | **32,611** | **0** | **132,428** | **165,040** |
| **2023** | | | | |
| Equity at 1 January | 32,611 | 0 | 132,428 | 165,040 |
| Capital Increase | 2,146 | 21,783 | | 23,927 |
| Transfers | 0 | -21,783 | 21,783 | 0 |
| Net profit/loss for the year | 0 | 0 | 3,399 | 3,399 |
| **Equity at 31 December** | **34,758** | **0** | **157,610** | **192,368** |

# Notes to the Financial Statements

## 1 Going concern

The Group’s financial and liquidity position is challenged, and the future operation is significantly dependent on Management’s ability to raise new funds in the form of equity or debt. Management has prepared budgets for the Group covering the period from the date of approval of these Financial Statements until 31 December 2024 showing an expected cash outflow from operations of DKK 45 - 55 million regarding CPHI’s operations, including the subsidiaries’ activities where CPHI-Holding A/S will finance operating and development costs as well as construction obligations in each of the three subsidiaries BBHS A/S, Exruptive A/S and IntelligentTrackSystems A/S.

At the date of approval of these Financial Statements, the Group’s liquidity amounted to DKK 8 million. Total debt maturing during the remaining part of 2024 amounts to about DKK 275 million, which in combination with the expected cash outflows from operations results in a total liquidity and financing requirement of approximately DKK 320 million until 31 December 2024. In addition, convertible loans of DKK 43 million mature in 2025, however subordinated to CPHI-Holding A/S' senior secured bonds maturing in the second half of 2024.

CPHI has mandated Vinga Corporate Finance AB to refinance to DKK 235 million before related costs to obtain the financing facilities. The cost for obtaining the financing activities amounts to between 10% and 15% of the raised capital. Management expects the approval to be obtained in Q3 2024.

Company's stakeholders and external investors have made binding financing equity and/or debt commitments, which can be used if required for CPHI to continue as a going concern. The company expect sufficient cash inflow from both equity investments and from project financing in order to continue the business.

In addition, Management is exploring the opportunities of refinancing existing loans maturing during 2024 and 2025 as well as exploring the opportunities of other financing resources.

Consequently, Management has considered the Group’s cash flow, liquidity, and financial position in general, together with factors likely to affect the development and performance. On this basis, Management has concluded to prepare these Financial Statements under assumption of going concern.

However, as the financing of the Group’s required liquidity is not concluded as of the date of approval of these Financial Statements, material uncertainty exists that may cast significant doubt on CPHI’s ability to continue as a going concern

## 2 Uncertainty in recognition and measurement

The Company has recognised investments in subsidiaries of total MDKK 157.5 and receivables from group companies of total MDKK 468.9 million.

The Company has assessed and calculated the recoverable amount of both investments in subsidiaries and receivables from group companies. The valuation is significantly dependent on the subsidiaries ability to deliver according to signed contracts with customers in order to generate positive future cash flows. The Company's three subsidiaries are maturing from the start-up phase and with increasing portfolio of contracts and revenues. At the date of the approval of the Annual Reports the entities have not yet generated  positive cash flows.

The measurement of investments in subsidiaries as well as receivables from group companies is therefore subject to uncertainty.

| | | 2023 | 2022 |
|---|---|---|---|
| | | TDKK | TDKK |
| 3 | **Staff** | | |
| | Wages and Salaries | 11,492 | 7,192 |
| | Pensions | 1,854 | 1,619 |
| | | **13,346** | **8,811** |
| | Wages and Salaries, pensions and other social security expenses are recognised in the following items: | | |
| | Sales and Distribution expenses | 1,956 | 936 |
| | Management | 11,390 | 7,875 |
| | | **13,346** | **8,811** |
| | **Average number of employees** | **9** | **7** |

| | | 2023 | 2022 |
|---|---|---|---|
| | | TDKK | TDKK |
| 4 | **Financial income** | | |
| | Interest received from group enterprises | 98,679 | 75,752 |
| | Other financial income | 1 | 1 |
| | Exchange adjustments | 2 | 9,795 |
| | | **98,682** | **85,548** |

# Notes to the Financial Statements

| | | 2023 | 2022 |
|---|---|---|---|
| | | TDKK | TDKK |
| **5** | **Financial expenses** | | |
| | Other financial expenses | 95,808 | 72,397 |
| | Exchange adjustments, expenses | 2,873 | 3,355 |
| | | **98,681** | **75,752** |

| | | 2023 | 2022 |
|---|---|---|---|
| | | TDKK | TDKK |
| **6** | **Investments in subsidiaries** | | |
| | Cost at 1 January | 272,541 | 272,541 |
| | Impairment for the year | 0 | -115,075 |
| | Impairment for previous years | -115,075 | 0 |
| | **Carrying amount at 31 December** | **157,466** | **157,466** |

Investments in subsidiaries are specified as follows:

| Name | Place of registered office | Share capital | Votes and Ownership | Equity | Net profit/loss for the year |
|---|---|---|---|---|---|
| BBHS A/S | Rødovre | 11,519 | 97.57% | -133,808 | -37,931 |
| Exruptive A/S | Rødovre | 1,069 | 100% | -186,258 | -76,465 |
| IntelligentTrackSystems A/S | Rødovre | 1,681 | 100% | -86,995 | -49,236 |

# Notes to the Financial Statements

## 7 Contingent assets, liabilities and other financial obligations

For debt to investor, the Company has provided security in company assets representing a nominal value of DKK 2,000,000; Booked value of assets DKK 0.

The Company has pleaged equity investments in Exruptive A/S, IntelligentTrackSystems A/S and BBHS A/S for debt to Intertrust AB; Booked value of assets DKK 158 million.

The Company has provided security in company assets to Intertrust AB for receivables from BBHS, Exruptive and ITS; Booked value of assets DKK 476 million.

The Company has made a commitment against Intertrust AB, whereby no assets without pre-approval from Intertrust AB can be pledged to other parties.

With CPHI-Holding A/S, company reg. no 21 74 54 48 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, and dividends.

Any subsequent adjustments of corporate taxes or withholding tax, etc., may result in changes in the company's liabilities.

The Company has no other mortgages and securities at 31 December 2023.

# Notes to the Financial Statements

**8 Accounting Policies** (continued)

**8 Accounting Policies**

The Annual Report of CPHI-Holding A/S for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The Financial Statements for 2023 are presented in TDKK.

***Correction of material misstatements***

In connection with preparation of the Annual Report for 2023, Management has identified a material misstatement in the Annual Report for 2022.
The misstatement relates to Errors in Group Internal Invoices including VAT on Financing activities. Correction has no effect on the profit and loss for 2022 nor the recognized Equity as per 31 December 2022. However, a transfer from Intercompany receivables of TDKK 16,288 to VAT liability(receivable) has been recognized in the Balance sheet as per December 2022.

Except from the above, the accounting policies for the financial statements remain unchanged from last year.

***Consolidated financial statements***

With reference to section 110 of the Danish Financial Statements Act, no consolidated financial statements are prepared.

***Recognition and measurement***

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

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

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

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

# Notes to the Financial Statements

**8 Accounting Policies** (continued)

***Translation policies***

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

## Income Statement

**Revenue**

Revenue comprises internal sales of administrative and operational services to the companies in the CPHI-Holding A/S Group.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

**Cost of sales**

Cost of sales comprises costs incurred to achieve revenue for the year. These costs include direct and indirect costs for raw materials and consumables, production-related salaries and wages, as well as depreciation on the production plant.

**Distribution expenses**

Distribution expenses include salaries for salesmen, advertising costs, distribution of goods as well as depreciation.

**Administrative expenses**

Administrative expenses include salaries, other staff costs, office expense as well as depreciation.

**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.

# Notes to the Financial Statements

**8 Accounting Policies** (continued)

### Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

## Balance Sheet

### Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

### Impairment of fixed assets

The carrying amounts of fixed assets are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

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.

If so, the asset is written down to its lower recoverable amount.

### Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

### Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

### Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

# Notes to the Financial Statements

**8 Accounting Policies** (continued)

**Current tax receivables and liabilities**

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

The company is jointly taxed with consolidated Danish companies. The current corporate income tax is distributed between the jointly taxed companies in proportion to their taxable income and with full distribution with reimbursement as to tax losses. The jointly taxed companies are comprised by the Danish tax prepayment scheme.

Joint taxation contributions payable and receivable are recognised in the statement of financial position as ”Tax receivables from group enterprises" or "Income tax payable to group enterprises”

According to the rules of joint taxation, BBHS 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.

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.

**Financial debts**

Debts are measured at amortised cost, substantially corresponding to nominal value.

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

**Borrowings and convertible debt**

Borrowings from banks or credit institutions are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is

**8 Accounting Policies** (continued)

discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as financial income or costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities.

The Company either designates its convertible debt as compound instruments or as fair value through profit or loss (FVPL), depending on the nature of the agreements.

For convertible debt classified as compound instruments, the fair value of the liability portion of convertible debt is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders’ equity, net of income tax effects.

For convertible debt designated as fair value through profit or loss, the entire loan is measured at fair value on an ongoing basis. The adjustments are recognised in financial costs.

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