CPHI-Holding A/S

Højnæsvej 75, DK-2610 Rødovre

Annual Report for 1 January - 31 December 2022

CVR No 21 74 54 48

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 10/7 2023

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 2022.

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 2022 of the Company and of the results of the Company operations for 2022.

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, 7 July 2023

Executive Board

Peter Scheuer Jensen CEO	Michael Østerlund Madsen CFO

Board of Directors

Niels Erik Nielsen Chairman	Niels Jesper Jespersen Jensen	Gustav Erik von Rosen
Knud Erik Andreasen	Mikkel Vendelin Olesen	Jesper Andreasen
Thani Abdulla Suhail Juma Alzaffin		

Independent Auditor's Report

To the Shareholders of CPHI-Holding A/S

Adverse Opinion
In our opinion, because of the significance of the matters discussed in the Basis for adverse opinion paragraph, the Financial Statements do not give a true and fair view of the 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.

We have audited the Financial Statements of CPHI-Holding A/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for Adverse Opinion
The Financial Statements are presented on the assumption that the Company is a going concern. As of the approval of these Financial Statements, the Company and its subsidiaries have signed contracts/orders related to sale of the Company's and its subsidiaries' products and services generating cash inflows in 2023 of below DKK 10 million. Hence, as mentioned in Note 1, the Group's ability to continue as a going concern depends on the Company's ability to raise funds in the form of equity and/or debt to finance the Company's expected cash outflows for the remainder of 2023 of DKK 101 million as well as repayment of convertible loans of DKK 58 million maturing in January 2024, however, subordinated to CPHI-Holding A/S' senior secured bonds maturing in the second half of 2024. Furthermore, as described in note 1, the completion of the mandate to Vinga Corporate Finance AB to raise funds of up to further DKK 207 million (before transaction costs) is impacted by the ECAC certification of the Scanner in Exruptive A/S.

We consider the raise of sufficient funds in the form of equity and/or debt to finance the expected cash outflows unlikely to happen. Consequently, we give an adverse opinion as to presenting the Financial Statements on the assumption that the Company is a going concern.

Moreover, note 2 to the Financial Statements refer to the uncertainty connected with recognising and measuring the Company's investments in subsidiaries and receivables from group companies amounting to DKK 442 milion in total, divided by DKK 158 milion on investment in subsidiaries and DKK 284 milion 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 as unlikely to occur. Based on this, we believe that investments in subsidiaries and receivables from group companies can be negatively affected by an amount between DKK 342 million and DKK 442 million meaning that the result of the year and the equity should be reduced with between DKK 342 million and DKK 442 million.

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

Independent Auditor’s Report

Board for Accountants’ International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Statement on Management’s Review
Management is responsible for Management’s Review.

Our opinion on the Financial Statements does not cover Management’s Review, 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’s Review and, in doing so, consider whether Management’s Review 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’s Review provides the information required under the Danish Financials Statements Act.

As described in the Basis for Adverse Opinion section, we express an adverse opinion on the Financial Statements due to the fact that the Financial Statements have been presented as going concern to which we disagree. Further, we disagree with the valuation of investments in subsidiaries and receivables from group companies. We conclude, for the same reason, that Management’s Review is not free from material misstatement in relation to the amounts and other elements affected by these circumstances.

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.

Independent Auditor's Report

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of 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 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.

Hellerup, 7 July 2023
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Anders Stig Lauritsen statsautoriseret revisor mne32800	Kristian Pedersen statsautoriseret revisor mne35412

Company Information

The Company	CPHI-Holding A/S Højnæsvej 75 DK-2610 Rødovre CVR No: 21 74 54 48 Financial period: 1 January - 31 December Municipality of reg. office: Rødovre
Board of Directors	Niels Erik Nielsen, Chairman Niels Jesper Jespersen Jensen Gustav Erik von Rosen Knud Erik Andreasen Mikkel Vendelin Olesen Jesper Andreasen Thani Abdulla Suhail Juma Alzaffin
Executive Board	Peter Scheuer Jensen Michael Østerlund Madsen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Management’s Review

Company information - key activities

CPHI-Holding A/S:
The objective of CPHI-Holding A/S (CPHI) is to operate in development and sales of highly innovative business systems with the primary focus on the aviation and airport segment. The CPHI Group’s principal activities are divided into the following three businesses units (each of which is conducted through a separate subsidiary of CPHI).

BBHS A/S:
The objective of BBHS A/S (BBHS) is to operate in development, production and sales of highly efficient, ergonomic, and gentle automated luggage handling systems and other related activities.

Exruptive A/S:
Exruptive A/S’ (Exruptive) principal activities are development, manufacturing, marketing, and the sale of intelligent security solutions, for the optimization of security handling at airports and business related to improved passenger satisfaction by reducing waiting time, seamless flow without divesting liquids and electronics, in the security process.

IntelligentTrackSystems A/S:
IntelligentTrackSystems A/S (ITS) develops, produces, markets and sell 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.

2022 in highlights

BBHS:
- Completion of delivery of larger scale system in Edinburgh.
- New orders from existing and new clients, demonstrating the most important objective to create repeat orders.
- A larger number of new projects that is expected to convert to final orders in the coming year has been initiated.

Exruptive:
- Has strengthened the detection ability and software and did complete the necessary request for conducting the retest.
- Beginning of 2023 the test set up was delivered to the certification facility in Netherlands.
- The market continues to be ready to order when the certification has been achieved.

ITS:
- Conducted pilot tests in Oslo, Nice and Riyadh airports, with encouraging impact on customer satisfaction and buying behaviour.
- The tests have made a strong contribution to mature the concept.
- The interest from airports, airports retailers and other advertisers is overwhelming, and ITS is expecting significant growth which will materialize in the coming year.

Management's Review

Financials

CPHI did succeed to refinance old debt and attract additional equity to keep progress on the business development. However, the year has been challenging, as the war in Ukraine, inflation and the higher interest rate have delayed the realization of the planned strengthening of CPHI's financial preparedness. This, combined with the fact that the planned model for capital injection in the autumn of 2022 could not be initiated after discussions with the Danish authorities, has meant that the Group liquidity has been strained for periods, but sufficient to follow planned and initiated projects to completion.

A convertible bond program (up to DKK 250m) was launched in the late May 2023, and provided a gross inflow of DKK 43m; the program is expected to be completed in H2, 2023. Besides the convertible bond program, CPHI is simultaneously working on attracting equity investors and has completed a capital injection of DKK 14m in H1, 2023, as well as new project funding options.

The 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. Further, other of the Company's stakeholders and external investors have provided non-binding financing intentions.

2023

CPHI regards the start of 2023 as a positive development and the expectations for the CPHI Group for the rest of the year are also positive. BBHS does expect to make the final hand over of Edinburgh, and is expecting some larger orders to be finally confirmed to the orderbook, which creates a basis for a cash positive operation. ITS plans to close and get 8-10 airports in operation as well as close a larger number of airport retails contracts and larger international brands for advertising, and is expecting to create positive operational cash flow within the next 12 month of operation. Exruptive has delivered all requirement for retest in the beginning of the year, and it is the management opinion that the progress made, brings the scanner to a level where there is no longer a technical risk to obtain final certification, but a matter of time.

Investments in subsidiaries

Assessment and calculation of the recoverable amount of both investments in subsidiaries and receivables from subsidiaries have delayed preparation of the annual report, given 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 enter unconditional orders and contracts with customers to generate positive future cash flows.

CPHI has recognised investments in subsidiaries of total DKK 158m and receivables from group companies of total DKK 284m.

The booked value of BBHS amount to DKK 249m in investment and intercompany receivables. The completion of Edinburgh and subsequent income from either cash payment or a click fee model, combined with projects that is in the closing phase, and a long-term project pipeline is the basis for managements evaluation, that the booked value of BBHS is commercially accepted and sustainable.

Management’s Review

The booked value of ITS is DKK 78m in investment and intercompany receivables. The upcoming signing of 4 new airports opens for revenue generation short term as well as expectations to make ITS operational in 8-10 airports before end of 2023, build a solid basis for revenue and cash generation, combined with a very comprehensive project pipeline, makes the concept very attractive to advertisers in the aviation industry. On this basis management evaluates the booked value of ITS commercially correct and sustainable.

Exruptive has a booked value of DKK 230m, due to delay and an unpredictable time limit of the certification process and subsequently delay in the market launch and revenue and cash generation, management has decided to impair the booked value by DKK 115m (50%).

In managements opinion CPHI's products and services have never been so commercially accepted as in the spring of 2023. Beside the commercial acceptance, the company have attracted additional investors in the beginning of 2023 confirming the valuation of the company.

See further below in note 1 and 2.

CPHI

The plans for 2022, in the aftermath of the Covid pandemic, was to boost activities in the subsidiaries, and build a solid financial platform, first by refinancing debt, and secondly by strengthen equity.

The Aviation market was in the beginning of 2022 still affected from the aftermath of the Covid, where substantial uncertainty and doubt on traffic level, was the overall trend. The travel forecast indicated a fast recovery, but the invasion of Ukraine made, what turned out to be a short-term impact on the investor market, and the travel recovered in an unpredictable speed, and caused chaotic scenes with long que in security and thousands of lost baggage.

The pandemic was a near death experience for the group but has turned out to be a strong demand enabler, where automation and efficiency is now becoming the new top focus for both airports and airlines.

BBHS did keep all commitment for new project alive and progressed in deploying the open project and has during 2022 initiated feasibility and new projects, which will contribute to revenue in the coming years. BBHS managed to make unconditional orders and new projects with exciting clients demonstrating that the concept and the ability to delivery is solid, and most important demonstrate repeat projects, the best prove for quality on all parameters.

Again, in 2022, CPHI has experienced that BBHS products are considered critical infrastructure, which is why there are prolonged process times from first contact to implementation.

Exruptive succeeded in making the first physical test for obtaining the certification by ECAC (ECAC; the Authority under EU, which provide certification and license to operate in Airport in all countries, beside USA).

Management's Review

Exruptive delivered the required number of detections creating vital input to strengthen the detection software, and the final version of software was delivered for the retest in the spring of 2023.

ITS did convey pilot tests in Riyadh, Nice and Oslo Airport, with immense success. The tests showed the same encouraging trend conducted in the pilot made in San Diego end of 2021 and have contributed to finalize the commercial and operational concepts. The result from the pilot was disclosed on an international trade show end of 2022, and since the show multiple numbers of new commercial projects have been initiated and forms a strong basis for a very solid future business.

A refunding program was launched mid-February 2022, but realizing that the Russian invasion of Ukraine, made an effective lock down on investor markets, CPHI was forced to redraw from the market. Existing and new shareholders backed the company, to survive, but not in a scale where the plans could be implemented at the pace forecasted.

Relaunch of the refinancing program took place mid-year and created the prerequisite to seek further funding and equity.

The delay in the funding activities have had critical impact on the progress of the CPHI Group, by delaying delivery on BBHS projects, slow down in completion of the ITS hard and software development and brought Exruptive to a standstill in the certification process.

The funding program came to a successful completion, by taking in approximately DKK 240m in new debt including refunding of approximately DKK 100m and approximately DKK 80m was raised in new equity, in Q3, 2022 where all commercial activities where restarted.

CPHI managed to survive thanks to new investors and a lot of patient suppliers, and finally the fighting spirit of the staff.

Financial performance

The income statement of the Company for 2022 shows a loss of TDKK 115,075, and at 31 December 2022 the balance sheet of the Company shows equity of TDKK 165,040.

On 9 July 2021, CPHI-Holding A/S acquired 29.21 % of the issued shares in Exruptive A/S, 51.4 % of the issued shares in BBHS A/S and 25.39% of the issued shares in IntelligentTrackSystem A/S which resulting in CPHI-Holding A/S obtaining control over the entities. Thus, following the acquisition, CPHI-Holding A/S owns 100% of the ownership interest in Exruptive A/S, 97.57% of the ownership interest in BBHS A/S and 100% of the ownership interest in ITS.

The Annual Report of CPHI for 2022 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.

Management's Review

Change in accounting policies

In prior years, the Annual Report has been prepared in accordance with IFRS. From 2022, the Annual Report has been prepared in accordance with the Danish Financial Statements Act. The change from IFRS to the Danish Financial Statements Act has not resulted in changes to recognition and measurement of CPHI's assets, liabilities, and the result of the Company's for the period exept for lease accounting. In addition, the CPHI has updated the accounting policies within the following areas: - Investments in subsidiaries have in prior years been measured at fair value. From 2022, investments in subsidiaries are measured at cost. The effect of DKK -85m has been recognised in the opening equity in 2021.

Income statement

All costs of CPHI are distributed to the subsidiaries.

The administrative cost in CPHI amounted to DKK 33m in 2022. The distribution to the subsidiaries thereof is accounted for as revenue in CPHI.

Financial expenses amounted to DKK 76m in 2022. The distribution to the subsidiaries thereof is accounted for as financial income in CPHI.

Given distribution of all costs the net profit/loss for the year amounted to DKK 0 apart from the impairment of the investment in Exruptive (DKK 115m).

Balance sheet

Assets:
Investments in subsidiaries amount to DKK 158m, whereas receivables from subsidiaries amount to DKK 284m a total carrying amount of DKK 442m.

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 enter contracts with customers to generate positive future cash flows. CPHI's three subsidiaries are in the start-up phase and as of the date of the approval of annual report the entities have not yet generated revenues or positive cash flows.

CPHI's carrying values of BBHS and ITS amount to DKK 249m and DKK 78m respective and have not been subject to impairments given the completeness of the BBHS installation in Edinburgh and the commercial development and market acceptance of the ITS concept.

The carrying values of Exruptive DKK 115m is impaired 50% (DKK 115m) until the acceptance test has been completed.

Management's Review

Liabilities and Equity:
Following injection of share capital of DKK 85m in 2022 and impairment of the investment in Exruptive of DKK 115m equity amounts to DKK 165m (DKK 191m, 2021).

Debt relating to the issue of bonds amounts to DKK 178m (DKK 97m, 2021). DKK 178m (net) has been raised via the issuance of bonds during 2022, partly to refinance the outstanding bonds amount end 2021 (DKK 97m).
Vinga Corporate Finance AB was mandated to provided finance through the issuance of bonds up to DKK 400m where app. DKK 240m was closed in 2022.

Convertible and profit-yielding instruments of debt amount to DKK 88m. (DKK 73m, 2021). CPHI is engaged in multiple loan agreements comprising conversion rights that allows the holder to convert the principal amount into shares in CPHI-Holding A/S.

Continued oprations

Reference is made to note 1 Going Concern and 2 Uncertainty in recognition and measurements.

Sebsequent events

After the end of the financial year, CPHI has been provided with additional equity from existing and new investors (DKK 14m). DKK 94m have been provided over the last 18 months. There is continued interest from Danish and international investors, which is expected to contribute to additional equity in 2023.

CPHI has mandated Vinga Corporate Finance AB to raise a Convertible Bonds program of up to DKK 250m before related costs to obtain the financing facilities, of which DKK 43m has been raised by end of H1, 2023.

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

Group outlook for 2023

The Aviation industry have now made a full recovery and the outlook for 2023, is a total global traffic above the level in 2019 (pre Covid). Demand for air travel is higher but capacity is lacking behind, mainly due to lack of labour, and the interest for investing in new automated solutions have never been better than now, the general investment level in aviation, is at all-time high. Source: ACI monthly review.

Commercial progress:
CPHI has via order intake, strong LOIs, and pipeline for future projects, demonstrated that the concepts are in line with demand. Both BBHS and ITS have been awarded with new assignments in new projects that will convert to future orders.

The most important milestone for the Group, is to get the final certification in place for the Exruptive scanner, so the first deployment in a real airport environment can be completed in the beginning of 2024.
Funding - CPHI's objectives, policies, and processes for managing capital:

Management's Review

CPHI Holding is comprised of companies with limited operating activities. CPHI is thus dependent on sufficient external funding to support its strategy of further growth and development. The Group's objective is to secure sufficient funding to safeguard its ability to continue as a going concern, meet the Group's financial obligations, and support its strategic objectives, while maintaining a prudent level of liquidity. In doing so, CPHI diversifies its financing options and aims is to maintain an optimal capital structure by carefully managing a mix of equity and debt.

Management assume that the funding activity initiated and partly realized as well as the general investor interest will form basis for the planned inflow of funds.

An equity program for injection of up to DKK 250m in the form of convertible bonds is initiated in May 2023 in cooperation with Vinga Corporate Finance AB, whereof DKK 43m is secured in June 2023.

The companies experience with Vinga Corporate Finance AB conducting the program is excellent, and until now all program launched by the company has been completed, and the expectation and plan for the program is expected to be fulfilled in 2023.

Beside the above a path for ordinary equity is being pursued, and CPHI expects to obtain a contribution of new equity in second half of 2023.

CPHI have an unutilized drawing right (issuance of ordinary bonds up to DKK 400m; see above) for up to DKK 160m, that call for an equity ratio of minimum 50 %, by successful completion of the above equity efforts, the full line could be utilized.

The maturity of the Groups concepts in BBHS and ITS opens for better project funding, on market adequate terms.

The first project financed with support from EIFU will be deployed in a minor project, and the same concept for some larger projects in BBHS will be utilized during the coming year.

BBHS is expected to make the final handover and subsequently be able to invoice Edinburgh airport during H2, 2023, and complete delivery to Vagar Airport as well as starting invoicing on additional incoming projects.

ITS is expecting to be operational in 8-10 airport by the year end and revenue creation will commence in the H2, 2023.

Exruptive is expected to achieve the ECAC certification, and thereby get into operation in 2024, realizing revenue from pending order.

Management’s Review

Risks relating to the CPHI Group's business

Early-stage risks:
The Group’s businesses are at an early stage and awaits further maturity. This implies usual early-stage risks such as uncertain market demand, uncertain customer demand, untested price, and production and logistics uncertainties.

BBHS and ITS have received unconditional orders for pilot projects, while Exruptive still depends on successful 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 any of these risks or uncertainties materialize, the businesses, operating results and 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. 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 persons of the Group. Failure to retain key persons may delay business development and materially affect the financial performance of each business unit.

Unsual curcumstances

2022 began in an atmosphere of aftermath of the Covid, where a sudden doubt in the future was impacting decisions and willingness of long-term thinking and investments.

The Russian invasion of Ukraine was creating new chocks to the European aviation industry, but it only created a short impact, to the surprise of most airports.

The summer season came to an unexpected travel level, close to the pre Covid, and caused significant bottlenecks in security cues, mistreated baggage, and lot of delays.

The reaction plays in full favour up to CPHI concepts, and tremendous interest for getting in dialogue was experienced.

The investor market has reacted first with a general concern about the future level of passengers, then The Russian invasion of Ukraine, and the long-term effect of high inflation and increasing interest level.

2022 showed a large variation in market interest and investor confidence from a very low point at the start of the year to a strong interest in demand to a modest investor confidence.

Acquisitions

CPHI is expecting to make an investment in AI technology via a Danish company which have built up an AI concept in offering Predictive Management to baggage operation in Airports.

The intension is to utilize CPHI contact and networks to growth the business, but more important to integrate the software to improve efficiency in BBHS concept, but also to use the technology in optimizing data capture and predictions across our current portfolio.

The investment is expected to contribute to the Groups result and value creation and help strengthen the skill base in AI and general digital competences.

CPHI hold option to get a majority stake in the Company.

The acquisition is expected to be closed by August 1st, 2023.

Knowledges resources

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

The investment in AI tech is partly motivated to enlarge CPHI's ability within newest software technologies.

The staff contains a lot of knowhows, and more than two-thirds of the staff holds a candidate level of education, and until now CPHI have been able to attract the required staff.

ESG

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

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 no legal obligations are binding CPHI to specific sustainability targets and performances, the decision to adopt radical approach and integrate sustainable development into the business strategy has been 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, while on the other CPHI are constantly welcoming inputs and concerns from customers so to meet their sustainability expectations.

To have an in-depth understanding of CPHI's environmental footprint, an Life-cycle assessment (LCA) related program has been initiated that will allow CPHI to analyse 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 characterised by long lasting products and enduring business relationships, where we tend to privilege 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 needs of CPHI. The priority is to define and conceptualise 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.

R & D

AI will be the most important driver in CPHI's R & D in the coming years, and especially in conceptualizing it to revenue generating activities.

Beside the AI CPHI are continuing research in improving detector technology, where larger amounts have been received from EU and DK innovation funds, both related to improving detection ability as well as cost improvement.

Robot technology as Autonomous driving is in development and the first prototype of self-driving baggage cart is expected to roll into a test airport in the second half of 2023.

Disclaimer

The Annual Report 2022 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 2022. 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	2022	2021
		TDKK	TDKK
Revenue		**24,242**	**11,404**
Cost of sales		0	-34
Gross profit/loss		**24,242**	**11,370**
Distribution expenses	3	-1,271	-1,114
Administrative expenses	3	-32,709	-20,928
Operating profit/loss		**-9,738**	**-10,672**
Profit/loss before financial income and expenses		**-9,738**	**-10,672**
Impairment losses on financial assets		-115,075	0
Financial income	4	85,548	43,853
Financial expenses	5	-75,795	-53,467
Profit/loss before tax		**-115,060**	**-20,286**
Tax on profit/loss for the year		-15	0
Net profit/loss for the year		**-115,075**	**-20,286**

Distribution of profit

Proposed distribution of profit

Retained earnings	-115,075	-20,286
	-115,075	**-20,286**

Balance Sheet 31 December

Assets

	Note	2022	2021
		TDKK	TDKK
Investments in subsidiaries	6	157,466	272,541
Fixed asset investments		**157,466**	**272,541**
Fixed assets		**157,466**	**272,541**
Receivables from group enterprises		284,391	124,647
Other receivables		13,630	11,826
Prepayments		159	4,787
Receivables		**298,180**	**141,260**
Cash at bank and in hand		**10,097**	**8**
Currents assets		**308,277**	**141,268**
Assets		**465,743**	**413,809**

Balance Sheet 31 December

Liabilities and equity

	Note	2022	2021
		TDKK	TDKK
Share capital		32,611	24,204
Retained earnings		132,429	166,560
Equity		**165,040**	**190,764**
Other debt relating to the issue of bonds		177,894	96,942
Convertible and profit-yielding instruments of debt		40,256	73,169
Other payables		735	0
Long-term debt		**218,885**	**170,111**
Credit institutions		0	709
Short-term part of convertible instruments of debt		47,250	0
Trade payables		9,884	9,308
Payables to group enterprises		0	18,871
Borrowings		5,824	19,288
Corporation tax		0	1,379
Other payables		18,860	3,379
Short-term debt		**81,818**	**52,934**
Debt		**300,703**	**223,045**
Liabilities and equity		**465,743**	**413,809**
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

	Share capital	Other statutory reserves	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
2022				
Equity at 1 January	24,204	0	166,560	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**	**132,429**	**165,040**
2021				
Equity at 1 January	11,201	85,250	28,208	124,659
Net effect of correction of material misstatements	0	0	4,726	4,726
Net effect from change of accounting policy	0	-85,250	-361	-85,611
Adjusted equity at 1 January	11,201	0	32,573	43,774
Capital increase	13,003	0	149,866	162,869
Other equity movements	0	0	4,407	4,407
Net profit/loss for the year	0	0	-20,286	-20,286
Equity at 31 December	**24,204**	**0**	**166,560**	**190,764**

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 2023 showing an expected cash outflow from operations of DKK 86 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 12 million. Total debt maturing during the remaining part of 2023 amounts to DKK 15 million, which in combination with the expected cash outflows from operations results in a total liquidity requirement of approximately DKK 101 million until 31 December 2023. In addition, convertible loans of DKK 58 million mature in January 2024, 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 raise up to DKK 250 million before related costs to obtain the financing facilities, of which DKK 43 million has been raised and DKK 34 million distributed to the Group as of 23 June. The cost for obtaining the financing activities amounts to between 15% and 20% of the raised capital. The completion of the mandate will be impacted by the ECAC certification of the Scanner in Exruptive A/S and the aim is that the capital raise will take place as close to the approval as possible. Management expects the approval to be obtained in Q3 2023.

The 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. Further, other of the company's stakeholders and external investors have provided non-binding financing intentions.

In addition, Management is exploring the opportunities of refinancing existing loans maturing during 2023 and 2024 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.

Notes to the Financial Statements

2 Uncertainty in recognition and measurement

The Company has recognised investments in subsidiaries of total tDKK 157,466 and receivables from group companies of total tDKK 284,391 million.

The Company has assessed and calculated the recoverable amount of both investments in subsidiaries and receivables from group companies. However, the valuation is significantly dependent on the subsidiaries ability to enter into contracts with customers in order to generate positive future cash flows in the future. The Company's three subsidiaries are in the start-up phase and as of the date of the approval of these Financial Statements the entities have not yet generated revenues or positive cash flows.

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

3 Staff

	2022 TDKK	2021 TDKK
Wages and Salaries	7,840	2,683
Pensions	1,619	648
Other social security expenses	24	13
	9,483	**3,344**
Wages and Salaries, pensions and other social security expenses are recognised in the following items:		
Distribution expenses	969	934
Administrative expenses	8,514	2,410
	9,483	**3,344**
Average number of employees	**7**	**4**

4 Financial income

	2022 TDKK	2021 TDKK
Interest received from group enterprises	75,752	43,847
Other financial income	1	0
Exchange adjustments	9,795	6
	85,548	**43,853**

Notes to the Financial Statements

5 Financial expenses

	2022	2021
	TDKK	TDKK
Interest paid to group enterprises	20	136
Other financial expenses	72,421	53,284
Exchange adjustments, expenses	3,354	47
	75,795	**53,467**

6 Investments in subsidiaries

	2022	2021
	TDKK	TDKK
Cost at 1 January	272,541	272,541
Impairment for the year	-115,075	0
Carrying amount at 31 December	**157,466**	**272,541**

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%	-95,878	-62,127
Exruptive A/S	Rødovre	1,069	100%	-109,793	-51,072
IntelligentTrackSystems A/S	Rødovre	1,681	100%	-37,761	-29,491

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.

As security for debt between Danske Bank and the subsidiaries IntelligentTrackSystems A/S and BBHS A/S, the Company has provided full guarantee; Booked value of assets DKK 13 million.

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 284 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.

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of CPHI Holding A/S, which is the management company of the joint taxation purposes. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company’s liability.

The Company has no other mortgages and securities at 31 December 2022.

Notes to the Financial Statements

8 Accounting Policies

The Annual Report of CPHI-Holding A/S for 2022 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 2022 are presented in TDKK.

Changes in accounting policies

In prior years, the Financial Statements have been prepared in accordance with IFRS. From 2022, the Financial Statements have been prepared in accordance with the Danish Financial Statements Act. The change from IFRS to the Danish Financial Statements Act has resulted in changes to recognition and measurement of the Company's lease contracts. Under IFRS lease contracts were recognised in the balance sheet as right of use assets and corresponding lease liabilities. The assets subject to depreciations while a interest element on lease liabilities was expensed as a financial item in the Income Statement. In accordance with the Danish Financial Statements Act, the lease contracts have not been recognised in the balance sheet and no depreciations or interests are recognised but the factual payments are expensed in the Income Statement. The impact on the opening equity of 2021 was 0 and the impact on the 2021 equity was DKK 3.2 million.

In addition the Company has updated the accounting policies within the following areas:

- Investments in subsidaries have in prior years been measured at fair value. From 2022, investments in subsidaries are measured at cost. The effect on the opening 2021 equity was DKK 86 million and the effect on equity for 2021 was DKK 74 million.

Correction of material misstatements

In connection with the preparation of the Financial Statements for the financial year of 2022, the Company indentified an error regarding the classification of its convertible loans.

Prior to the identification of the error, the Company had classified its convertible loans as financial liabilities at amortised costs. However, during 2022, the Company determined that the loans should either:

- be accounted for as compound instruments giving rise to a (1) financial instrument to be measured at amortised cost and (2) an equity component; or

- as fair value through profit or loss.

In accounting for the compound instruments, the liability component is measured first. This is the net present value of all potential contractually determined future cash flows (interest and principal) to the present value (refer to the section below on the interest rate to be applied). The equity component (the equity conversion option) is assigned as the residual amount after deducting the amount for the liability

Notes to the Financial Statements

8 Accounting Policies (continued)

component from the fair value of the instrument as a whole.

The financial liability is subsequently measured at amortised cost using the effective interest rate method. The equity component is not subsequently remeasured.

The liability component is recognised in the line item 'convertible and profit-yielding instruments of debt'. The equity component is recognised in retained earnings.

The error has been corrected by restating each of the affected financial statement line items for the prior periods. The opening equity as of 1 January 2021 is impacted positively by tDKK 4,723 and the equity as of 31 December 2021 is impacted positively by tDKK 8,772.

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.

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

Notes to the Financial Statements

8 Accounting Policies (continued)

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 at the amounts relating to the financial year.

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.

Notes to the Financial Statements

8 Accounting Policies (continued)

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.

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.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Notes to the Financial Statements

8 Accounting Policies (continued)

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 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.