


**Silicom Denmark A/S**  
Poppelgårdvej 11  
2860 Søborg  
CVR no. 31 30 12 70

**Annual report for 2020**  
(12nd Financial year)

Adopted at the annual general  
meeting on

  
\_\_\_\_\_  
Avinoam Eizenman  
chairman

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## Statement by management on the annual report

The supervisory and executive boards have today discussed and approved the annual report of Silicom Denmark A/S for the financial year 1 January - 31 December 2020.

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 company's financial position at 31 December 2020 and of the results of the company's operations for the financial year 1 January - 31 December 2020.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be approved by the company in general meeting.

Søborg, 27 January 2021

**Executive board**



Yeshayhu Orbach  
CEO

**Supervisory board**



Avinoam Eizenman  
chairman



Eran Gilad



Yeshayhu Orbach

## **Independent auditor's report**

### ***To the shareholder of Silicom Denmark A/S***

#### **Opinion**

We have audited the financial statements of Silicom Denmark A/S for the financial year 1 January - 31 December 2020, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2020 and of the results of the company's operations for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

#### **Basis for Opinion**

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

#### **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 the 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.

### 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.

## Independent auditor's report

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 Financial Statements Act.

Based on the work we have performed, we conclude that management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of management's review.

Roskilde, 27 January 2021

Trekroner Revision A/S

Godkendte Revisorer

CVR no. 28 99 13 55



John Cubbin

Registered Public Accountant

MNE no. mne3105

## Company details

### The company

Silicom Denmark A/S  
Poppelgårdvej 11  
2860 Søborg

Telephone: +45 46327455

Website: [www.silicom.dk](http://www.silicom.dk)

CVR no.: 31 30 12 70

Reporting period: 1 January - 31 December 2020

Domicile: Gladsaxe

### Supervisory board

Avinoam Eizenman, chairman  
Eran Gilad, general partner  
Yeshayhu Orbach, general partner

### Executive board

Yeshayhu Orbach

### Auditors

Trekroner Revision A/S  
Godkendte Revisorer  
Universitetsparken 2  
4000 Roskilde

### Bankers

Nordea Bank Danmark A/S, Stændertorvet Afdeling  
Algade 4  
4000 Roskilde

## **Management's review**

### **Business review**

The company is engaged in developing, producing and selling network interface cards and related services.

### **Expected development of the company, including specific prerequisites and uncertainties**

The income statement for the period 1. January - 31. December 2020 shows a deficit of USD 39.272. The balance sheet shows an equity of USD 317.940.



## Accounting policies

The annual report of Silicom Denmark A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act concerning reporting class B entities with optional from reporting class C.

The accounting policies applied is consistent with those of last year.

The annual report is presented in USD.

### Basis of recognition and measurement

In the income statement revenue is recognized, when it is earned, including value adjustments of financial assets and liabilities. In the income statement all costs, including depreciation and impairment losses are recognized.

Assets are recognised in the balance sheet when it is probable that future economic benefits 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 from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any installments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

## Income statement

### Gross profit

Gross profit reflects an aggregation of revenue, changes in inventories of finished goods and work in progress and other operating income less costs of raw materials and consumables and other external expenses.

### Revenue

Income from the sale of goods for resale and finished goods is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

Revenue is measured at the fair value of the agreed consideration, excluding VAT and other indirect taxes. Revenue is net of all types of discounts granted.

## **Accounting policies**

### **Expenses for raw materials and consumables**

Costs of raw materials and consumables include the raw materials and consumables used in generating the year's revenue.

### **Other external expenses**

Other external expenses include expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

### **Staff costs**

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

### **Financial income and expenses**

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial year. Net financials include interest income and expenses, financial expenses relating to finance leases, realised and unrealised capital/exchange gains and losses on securities, liabilities and foreign currency transactions, amortisation of financial assets and liabilities and surcharges and allowances under the Danish Tax Prepayment Scheme, etc.

### **Tax on profit/loss for the year**

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

## **Balance sheet**

### **Intangible assets**

#### ***Development and licences***

Development costs are measured at cost less accumulated depreciation or to the recovery value where this is lower. Development costs are amortized on a straight-line basis over the estimated useful life of the individual projects, which are assessed at 3 years.

Licences are measured at cost less accumulated amortisation and impairment losses. Licences are amortized over the licence term of 3 years.

### **Tangible assets**

Plant and machinery are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages.

## Accounting policies

Where individual components of an item of property, plant and equipment have different useful lives, and the individual component is a significant part of the total cost, the cost is divided into separate components, which are depreciated separately.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

	Useful life	Residual value
Licenses	3 years	0 %
Development costs	3 years	0 %
Plant and equipment	5 - 10 years	0 %

Assets costing less than USD 2.328 are expensed in the year of acquisition.

Gains or losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses, respectively.

### Stocks

Stocks are measured at cost using the weighted average method. Where the net realisable value is lower than the cost, inventories are recognised at this lower value.

The cost of goods for resale, raw materials and consumables comprises the purchase price plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct cost of labour and production/production overheads.

The net realisable value of stocks is calculated as the expected selling price less direct costs of completion and expenses incurred to effect the sale. The net realisable value is determined taking into account marketability, obsolescence and expected selling price movements.

### Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable is impaired, an impairment loss for that individual asset is recognised.

### Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term securities whose remaining life is less than three months and which are readily convertible into cash and which are subject only to insignificant risk of changes in value.

## **Accounting policies**

### **Equity**

#### **Reserve for development costs**

An amount corresponding to capitalised development costs is recognised in the reserve. The reserve is reduced as development costs are amortised.

#### **Income tax and deferred tax**

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively. Deferred tax is measured at net realisable value.

### **Liabilities**

Liabilities, which include trade payables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

### **Foreign currency translation**

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses. If foreign currency instruments are considered cash flow hedges, any unrealised value adjustments are taken directly to a fair value reserve under 'Equity'.

## Income statement 1 January - 31 December

	<u>Note</u>	<u>2020</u> USD	<u>2019</u> USD
<b>Gross profit</b>		<b>6.291.275</b>	<b>4.758.597</b>
Staff costs	1	<u>-4.025.232</u>	<u>-4.027.121</u>
<b>Profit/loss before amortisation/depreciation and impairment losses</b>		<b>2.266.043</b>	<b>731.476</b>
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-1.868.340	-359.265
Other operating costs		<u>0</u>	<u>-274.000</u>
<b>Profit/loss before net financials</b>		<b>397.703</b>	<b>98.211</b>
Financial income		15.557	96.426
Financial costs	3	<u>-517.826</u>	<u>-89.192</u>
<b>Profit/loss before tax</b>		<b>-104.566</b>	<b>105.445</b>
Tax on profit/loss for the year	4	<u>65.294</u>	<u>-33.356</u>
<b>Profit/loss for the year</b>		<b><u>-39.272</u></b>	<b><u>72.089</u></b>
Transferred to other statutory reserves		-666.297	609.695
Retained earnings		<u>627.025</u>	<u>-537.606</u>
		<b><u>-39.272</u></b>	<b><u>72.089</u></b>

## Balance sheet 31 December

	<u>Note</u>	<u>2020</u> USD	<u>2019</u> USD
<b>Assets</b>			
Licenses		102.663	131.912
Development projects in progress		818.305	1.672.532
<b>Intangible assets</b>	5	<b>920.968</b>	<b>1.804.444</b>
Plant and machinery		153.237	140.801
Leasehold improvements		34.548	47.783
<b>Tangible assets</b>	6	<b>187.785</b>	<b>188.584</b>
Deposits		51.717	38.156
<b>Fixed asset investments</b>		<b>51.717</b>	<b>38.156</b>
<b>Total non-current assets</b>		<b>1.160.470</b>	<b>2.031.184</b>
Raw materials and consumables		3.771.922	3.145.728
<b>Stocks</b>		<b>3.771.922</b>	<b>3.145.728</b>
Trade receivables		99.933	132.018
Receivables from subsidiaries		23.163	0
Other receivables		371.389	197.576
Corporation tax		0	147.795
Prepayments		143.523	35.757
<b>Receivables</b>		<b>638.008</b>	<b>513.146</b>
<b>Cash at bank and in hand</b>		<b>108.745</b>	<b>269.022</b>
<b>Total current assets</b>		<b>4.518.675</b>	<b>3.927.896</b>
<b>Total assets</b>		<b>5.679.145</b>	<b>5.959.080</b>

## Balance sheet 31 December

	<u>Note</u>	<u>2020</u> USD	<u>2019</u> USD
<b>Equity and liabilities</b>			
Share capital		83.279	83.279
Reserve for development expenditure		638.278	1.304.575
Retained earnings		-1.326.812	-1.953.837
Capital reserve in respect of options		923.195	744.932
<b>Equity</b>		<b><u>317.940</u></b>	<b><u>178.949</u></b>
Provision for deferred tax	7	135.260	204.806
<b>Total provisions</b>		<b><u>135.260</u></b>	<b><u>204.806</u></b>
Subordinate loan capital		599.609	544.075
Other payables		0	138.299
<b>Total non-current liabilities</b>	8	<b><u>599.609</u></b>	<b><u>682.374</u></b>
Trade payables		409.778	234.739
Payables to subsidiaries		3.108.345	4.136.706
Other payables		1.108.213	521.506
<b>Total current liabilities</b>		<b><u>4.626.336</u></b>	<b><u>4.892.951</u></b>
<b>Total liabilities</b>		<b><u>5.225.945</u></b>	<b><u>5.575.325</u></b>
<b>Total equity and liabilities</b>		<b><u>5.679.145</u></b>	<b><u>5.959.080</u></b>
Contingent liabilities	9		
Related parties and ownership structure	10		

## Statement of changes in equity

	Share capital	Reserve for development expenditure	Retained earnings	Capital reserve in respect of options	Total
Equity at 1 January 2020	83.279	1.304.575	-1.953.837	744.932	178.949
Revaluation for the year	0	0	0	178.263	178.263
Net profit/loss for the year	0	-666.297	627.025	0	-39.272
<b>Equity at 31 December 2020</b>	<b>83.279</b>	<b>638.278</b>	<b>-1.326.812</b>	<b>923.195</b>	<b>317.940</b>



## Notes

	<u>2020</u>	<u>2019</u>
	USD	USD
<b>1 Staff costs</b>		
Wages, salaries and pension	3.771.917	3.669.218
Other social security costs	47.373	44.447
Other staff costs	205.942	313.456
	<u><b>4.025.232</b></u>	<u><b>4.027.121</b></u>
Average number of employees	<u>42</u>	<u>40</u>
<b>2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment</b>		
Depreciation intangible assets	1.779.093	288.353
Depreciation tangible assets	89.247	70.912
	<u><b>1.868.340</b></u>	<u><b>359.265</b></u>
<b>3 Financial costs</b>		
Financial expenses, group entities	164.678	87.108
Other financial costs	2.973	2.084
Exchange adjustments costs	349.941	0
Percentage surcharge, corporation tax	234	0
	<u><b>517.826</b></u>	<u><b>89.192</b></u>
<b>4 Tax on profit/loss for the year</b>		
Current tax for the year	0	-147.795
Deferred tax for the year	-65.294	181.151
	<u><b>-65.294</b></u>	<u><b>33.356</b></u>

## Notes

### 5 Intangible assets

	<u>Licenses</u>	<u>Development projects in progress</u>
Cost at 1 January 2020	215.487	1.946.387
Additions for the year	49.599	823.802
Cost at 31 December 2020	<u>265.086</u>	<u>2.770.189</u>
Impairment losses and amortisation at 1 January 2020	83.576	273.855
Amortisation for the year	78.847	1.678.029
Impairment losses and amortisation at 31 December 2020	<u>162.423</u>	<u>1.951.884</u>
<b>Carrying amount at 31 December 2020</b>	<b><u>102.663</u></b>	<b><u>818.305</u></b>

### 6 Tangible assets

	<u>Plant and machinery</u>	<u>Leasehold improvements</u>
Cost at 1 January 2020	348.454	62.629
Additions for the year	88.449	0
Cost at 31 December 2020	<u>436.903</u>	<u>62.629</u>
Impairment losses and depreciation at 1 January 2020	207.653	14.847
Depreciation for the year	76.013	13.234
Impairment losses and depreciation at 31 December 2020	<u>283.666</u>	<u>28.081</u>
<b>Carrying amount at 31 December 2020</b>	<b><u>153.237</u></b>	<b><u>34.548</u></b>

## Notes

	2020	2019
	USD	USD
<b>7 Provision for deferred tax</b>		
Deferred tax recognised in income statement	135.260	204.806
<b>Provision for deferred tax at 31 December 2020</b>	<b>135.260</b>	<b>204.806</b>
Intangible assets	207.952	396.978
Fixed asset investments	-1.311	4.238
Tax loss carry-forward	-71.381	-196.410
	<b>135.260</b>	<b>204.806</b>

## 8 Long term debt

	Debt at 1 January 2020	Debt at 31 December 2020	Instalment next year	Debt outstanding after 5 years
Subordinate loan capital	544.075	599.609	0	0
Other payables	138.299	0	0	0
	<b>682.374</b>	<b>599.609</b>	<b>0</b>	<b>0</b>

The loan was granted by the Parent Company. Silicom Denmark A/S are obligated to repay the loan in its entirety no later than twenty year after and not before five years from the date. 31. December 2016.

## 9 Contingent liabilities

The company has a commitment for rent of premises. The commitment is calculated to be USD 90.568.

The company has a commitment for inventories placed at manufacturers. The commitment is calculated to be USD 123.000.

## Notes

### 10 Related parties and ownership structure

#### Ownership structure

According to the company's register of shareholders, the following shareholder holds at least 5% of the votes or at least 5% of the share capital:

Silicom Ltd.  
14 Atir Yeda Street  
Kfar Sava 4464323  
Israel