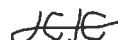


Silicom Denmark A/S
Poppelgårdvej 11
2860 Søborg
CVR no. 31 30 12 70

Annual report for 2023
(15th Financial year)

Adopted at the annual general
meeting on



chairman

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Statement by management on the annual report

The supervisory board and executive board have today discussed and approved the annual report of Silicom Denmark 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 company's financial position at 31 December 2023 and of the results of the company's operations for the financial year 1 January - 31 December 2023.

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, 22 January 2024

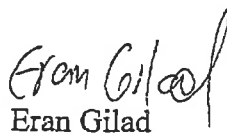
Executive board

Liron Eizenman
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 2023, 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 2023 and of the results of the company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' 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 and IESBA Code. 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.

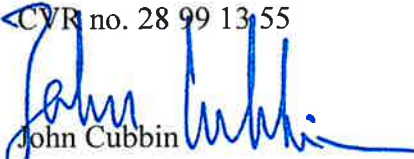
Based on the work we have performed, we conclude that management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of management's review.

Roskilde, 22 January 2024

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

CVR no.: 31 30 12 70

Reporting period: 1 January - 31 December 2023

Domicile: Gladsaxe

Supervisory board

Avinoam Eizenman, chairman
Eran Gilad
Yeshayhu Orbach

Executive board

Liron Eizenman

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 2023 shows a result of USD - 82.663. The balance sheet shows an equity of USD 3.136.275.

Accounting policies

The annual report of Silicom Denmark A/S for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to reporting class B entities, as well as provisions applying to reporting class C entities.

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.

Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

Depreciation, amortisation and impairment of intangible assets and property, plant and equipment comprise the year's depreciation, amortisation and impairment of intangible assets and property, plant and equipment.

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. Licenses are amortized over the licence term of 3 years.

Tangible assets

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

Accounting policies

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.

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 machinery	3 - 5 years	0 %

Assets costing less than USD 4.744 are expensed in the year of acquisition.

Gains and losses on the sale of items of property, plant and equipment are calculated as the difference between the selling price, less costs to sell, and the carrying amount at the time of sale. Gains or losses on the sale of items of property, plant and equipment are recognised in the income statement under 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.

Accounting policies

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.

Prepayments

Prepayments recognised under 'Current assets' comprises expenses incurred concerning subsequent financial years.

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.

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

	Note	2023 <u>USD</u>	2022 <u>USD</u>
Gross profit		4.350.749	5.925.768
Staff costs	1	<u>-4.269.442</u>	<u>-5.007.835</u>
Resultat før af- og nedskrivninger		81.307	917.933
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	<u>-123.574</u>	<u>-178.088</u>
Profit/loss before net financials		-42.267	739.845
Financial income	3	19.949	373.779
Financial costs	4	<u>-83.128</u>	<u>-71.494</u>
Profit/loss before tax		-105.446	1.042.130
Tax on profit/loss for the year	5	<u>22.783</u>	<u>-216.478</u>
Profit/loss for the year		<u>-82.663</u>	<u>825.652</u>
Transferred to other statutory reserves		186.545	219.611
Retained earnings		<u>-269.208</u>	<u>606.041</u>
		<u>-82.663</u>	<u>825.652</u>

Balance sheet 31 December

	<u>Note</u>	<u>2023</u> USD	<u>2022</u> USD
Assets			
Licenses		31.032	51.625
Development projects in progress		<u>537.524</u>	<u>298.364</u>
Intangible assets	6	<u>568.556</u>	<u>349.989</u>
Plant and machinery		36.313	64.413
Leasehold improvements		<u>124.956</u>	<u>167.328</u>
Tangible assets	7	<u>161.269</u>	<u>231.741</u>
Deposits		<u>67.791</u>	<u>65.092</u>
Fixed asset investments		<u>67.791</u>	<u>65.092</u>
Total non-current assets		<u>797.616</u>	<u>646.822</u>
Raw materials and consumables		<u>6.141.445</u>	<u>6.609.426</u>
Stocks		<u>6.141.445</u>	<u>6.609.426</u>
Trade receivables		1.025.789	380.066
Receivables from subsidiaries		679.563	57.951
Other receivables		84.148	302.098
Corporation tax		85.290	0
Prepayments		<u>98.572</u>	<u>238.351</u>
Receivables		<u>1.973.362</u>	<u>978.466</u>
Cash at bank and in hand		<u>630.784</u>	<u>609.209</u>
Total current assets		<u>8.745.591</u>	<u>8.197.101</u>
Total assets		<u>9.543.207</u>	<u>8.843.923</u>

Balance sheet 31 December

	<u>Note</u>	<u>2023</u> USD	<u>2022</u> USD
Equity and liabilities			
Share capital		83.279	83.279
Reserve for development expenditure		419.269	232.724
Retained earnings		1.230.942	1.500.140
Capital reserve in respect of options		1.402.785	1.281.159
Equity		<u>3.136.275</u>	<u>3.097.302</u>
Provision for deferred tax	8	46.387	69.170
Total provisions		<u>46.387</u>	<u>69.170</u>
Subordinate loan capital		538.525	520.954
Total non-current liabilities	9	<u>538.525</u>	<u>520.954</u>
Trade payables		798.821	629.558
Payables to subsidiaries		4.713.257	4.126.894
Corporation tax		0	161.304
Other payables		309.942	238.741
Total current liabilities		<u>5.822.020</u>	<u>5.156.497</u>
Total liabilities		<u>6.360.545</u>	<u>5.677.451</u>
Total equity and liabilities		<u>9.543.207</u>	<u>8.843.923</u>

Statement of changes in equity

	<u>Share capital</u>	<u>Reserve for development expenditure</u>	<u>Retained earnings</u>	<u>Capital reserve in respect of options</u>	<u>Total</u>
Equity at 1 January 2023	83.279	232.724	1.500.150	1.281.159	3.097.312
Revaluation for the year	0	0	0	121.626	121.626
Net profit/loss for the year	0	186.545	-269.208	0	-82.663
Equity at 31 December 2023	<u>83.279</u>	<u>419.269</u>	<u>1.230.942</u>	<u>1.402.785</u>	<u>3.136.275</u>

Notes

	<u>2023</u>	<u>2022</u>
	USD	USD
1 Staff costs		
Wages, salaries and pension	3.879.040	4.595.297
Pensions	374.859	436.323
Other social security costs	46.424	56.218
Other staff costs	<u>220.597</u>	<u>218.361</u>
	4.520.920	5.306.199
Transfer to development wages	<u>-251.478</u>	<u>-298.364</u>
	<u>4.269.442</u>	<u>5.007.835</u>
Number of fulltime employees on average	<u>38</u>	<u>42</u>
2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Depreciation intangible assets	12.318	16.812
Depreciation tangible assets	<u>111.256</u>	<u>161.276</u>
	<u>123.574</u>	<u>178.088</u>
3 Financial income		
Other financial income	10.732	2.295
Exchange gains	<u>9.217</u>	<u>371.484</u>
	<u>19.949</u>	<u>373.779</u>

Notes

	<u>2023</u>	<u>2022</u>
	USD	USD
4 Financial costs		
Financial expenses, group entities	19.512	44.999
Exchange adjustments costs	61.725	22.124
Percentage surcharge, corporation tax	1.891	4.371
	<u>83.128</u>	<u>71.494</u>
5 Tax on profit/loss for the year		
Current tax for the year	0	161.304
Deferred tax for the year	-22.783	60.576
Adjustment of tax concerning previous years	0	-5.402
	<u>-22.783</u>	<u>216.478</u>

Notes

6 Intangible assets

	<u>Licenses</u>	<u>Development projects in progress</u>
Cost at 1 January 2023	325.086	2.468.097
Additions for the year	<u>0</u>	<u>251.478</u>
Cost at 31 December 2023	<u>325.086</u>	<u>2.719.575</u>
Impairment losses and amortisation at 1 January 2023	273.461	2.169.733
Amortisation for the year	<u>20.593</u>	<u>12.318</u>
Impairment losses and amortisation at 31 December 2023	<u>294.054</u>	<u>2.182.051</u>
Carrying amount at 31 December 2023	<u>31.032</u>	<u>537.524</u>

7 Tangible assets

	<u>Plant and machinery</u>	<u>Leasehold improvements</u>
Cost at 1 January 2023	484.148	289.594
Additions for the year	<u>7.425</u>	<u>12.766</u>
Cost at 31 December 2023	<u>491.573</u>	<u>302.360</u>
Impairment losses and depreciation at 1 January 2023	419.735	122.266
Depreciation for the year	<u>35.525</u>	<u>55.138</u>
Impairment losses and depreciation at 31 December 2023	<u>455.260</u>	<u>177.404</u>
Carrying amount at 31 December 2023	<u>36.313</u>	<u>124.956</u>

Notes

	<u>2023</u>	<u>2022</u>
	USD	USD
8 Provision for deferred tax		
Deferred tax recognised in income statement	46.387	69.170
Provision for deferred tax at 31 December 2023	<u>46.387</u>	<u>69.170</u>

Provisions for deferred tax on:

Intangible assets	125.087	76.998
Property, plant and equipment	-8.629	-7.828
Tax loss carry-forward	-70.071	0
	<u>46.387</u>	<u>69.170</u>

9 Long term debt

	Debt at 1 January 2023	Debt at 31 December 2023	Instalment next year	Debt outstanding after 5 years
Subordinate loan capital	520.954	538.525	0	538.525
	<u>520.954</u>	<u>538.525</u>	<u>0</u>	<u>538.525</u>

10 Contingent liabilities

The company has a commitment for rent of premises. The commitment is calculated to be USD 104.000

The company has a commitment for inventories placed at manufacturers. The commitment is calculated to be USD 886.000.

Notes

11 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