

TREKRONER REVISION A/S

GODKENDTE REVISORER


Silicom Denmark A/S

Poppelgårdvej 11
2860 Søborg
CVR no. 31 30 12 70

Annual report for 2021

(13rd 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 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 2021.

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 2021 and of the results of the company's operations for the financial year 1 January - 31 December 2021.

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, 21 January 2022

Executive board



Yeshayhu Orbach
CEO

Supervisory board



Avinoam Eizenman
chairman

Eran Gilad
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 2021, 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 2021 and of the results of the company's operations for the financial year 1 January - 31 December 2021 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, 21 January 2022

Trekroner Revision A/S

Godkendte Revisorer

CYR no. 28 99 13 55


John Cubbin

Registered Public Accountant

MNE no. mne3105

TREKRONER REVISION A/S

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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 2021

Domicile: Gladsaxe

Supervisory board

Avinoam Eizenman, chairman
Eran Gilad
Yeshayhu Orbach

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 2021 shows a result of USD 1.595.746. The balance sheet shows an equity of USD 2.086.685.

Accounting policies

The annual report of Silicom Denmark A/S for 2021 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. The item is net of refunds made by public authorities.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation 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.

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

Accounting policies

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 4.572 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.

Accounting policies

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	2021 USD	2020 USD
Gross profit		8.848.884	6.291.275
Staff costs	1	-6.131.140	-4.025.232
Resultat før af- og nedskrivninger		2.717.744	2.266.043
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-381.050	-1.868.340
Profit/loss before net financials		2.336.694	397.703
Financial income		87.591	15.557
Financial costs	3	-416.799	-517.826
Profit/loss before tax		2.007.486	-104.566
Tax on profit/loss for the year	4	-411.740	65.294
Profit/loss for the year		1.595.746	-39.272
Transferred to other statutory reserves		-625.165	-666.297
Retained earnings		2.220.911	627.025
		1.595.746	-39.272

Balance sheet 31 December

	Note	2021 USD	2020 USD
Assets			
Licenses		31.871	102.663
Development projects in progress		16.812	818.305
Intangible assets	5	48.683	920.968
Plant and machinery		127.618	153.237
Leasehold improvements		211.989	34.548
Tangible assets	6	339.607	187.785
Deposits		68.652	51.717
Fixed asset investments		68.652	51.717
Total non-current assets		456.942	1.160.470
Raw materials and consumables		4.097.336	3.771.922
Stocks		4.097.336	3.771.922
Trade receivables		500.572	99.933
Receivables from subsidiaries		457.960	23.163
Other receivables		159.611	371.389
Prepayments		194.762	143.523
Receivables		1.312.905	638.008
Cash at bank and in hand		102.092	108.745
Total current assets		5.512.333	4.518.675
Total assets		5.969.275	5.679.145

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Balance sheet 31 December

	Note	2021 USD	2020 USD
Equity and liabilities			
Share capital		83.279	83.279
Reserve for development expenditure		13.113	638.278
Retained earnings		894.099	-1.326.812
Capital reserve in respect of options		1.096.194	923.195
Equity		2.086.685	317.940
Provision for deferred tax	7	8.594	135.260
Total provisions		8.594	135.260
Subordinate loan capital		553.587	599.609
Total non-current liabilities	8	553.587	599.609
Trade payables		496.575	409.778
Payables to subsidiaries		1.842.562	3.108.345
Corporation tax		538.406	0
Other payables		442.866	1.108.213
Total current liabilities		3.320.409	4.626.336
Total liabilities		3.873.996	5.225.945
Total equity and liabilities		5.969.275	5.679.145
Contingent liabilities	9		
Related parties and ownership structure	10		

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Statement of changes in equity

	Share capital	Reserve for development expenditure	Retained earnings	Capital reserve in respect of options	Total
Equity at 1 January 2021	83.279	638.278	-1.326.812	923.195	317.940
Revaluation for the year	0	0	0	172.999	172.999
Net profit/loss for the year	0	-625.165	2.220.911	0	1.595.746
Equity at 31 December 2021	83.279	13.113	894.099	1.096.194	2.086.685

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	2021 USD	2020 USD
1 Staff costs		
Wages, salaries and pension	4.867.468	4.201.708
Pensions	456.466	394.011
Other social security costs	60.031	47.373
Other staff costs	146.719	205.942
	5.530.684	4.849.034
Transfer to development wages	600.456	-823.802
	6.131.140	4.025.232
Average number of employees	46	42
2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Depreciation intangible assets	271.829	1.779.093
Depreciation tangible assets	109.221	89.247
	381.050	1.868.340
3 Financial costs		
Financial expenses, group entities	202.927	164.678
Other financial costs	3.882	2.973
Exchange adjustments costs	208.706	349.941
Percentage surcharge, corporation tax	1.284	234
	416.799	517.826

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	2021 USD	2020 USD
4 Tax on profit/loss for the year		
Current tax for the year	538.406	0
Deferred tax for the year	-126.666	-65.294
	411.740	-65.294

5 Intangible assets

	Licenses	Development projects in progress
Cost at 1 January 2021	265.086	2.770.189
Disposals for the year	0	-600.456
Cost at 31 December 2021	265.086	2.169.733
Impairment losses and amortisation at 1 January 2021	162.423	1.951.884
Amortisation for the year	70.792	201.037
Impairment losses and amortisation at 31 December 2021	233.215	2.152.921
Carrying amount at 31 December 2021	31.871	16.812

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6 Tangible assets

	Plant and machinery	Leasehold improvements
Cost at 1 January 2021	436.903	62.629
Additions for the year	47.245	213.799
Cost at 31 December 2021	484.148	276.428
Impairment losses and depreciation at 1 January 2021	283.667	28.081
Depreciation for the year	72.863	36.358
Impairment losses and depreciation at 31 December 2021	356.530	64.439
Carrying amount at 31 December 2021	127.618	211.989

	2021 USD	2020 USD
7 Provision for deferred tax		
Deferred tax recognised in income statement	8.594	135.260
Provision for deferred tax at 31 December 2021	8.594	135.260
Intangible assets	10.710	207.952
Fixed asset investments	-2.116	-1.311
Tax loss carry-forward	0	-71.381
	8.594	135.260

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Notes

8 Long term debt

	Debt at 1 January 2021	Debt at 31 December 2021	Instalment next year	Debt outstanding after 5 years
Subordinate loan capital	599.609	553.587	0	0
	599.609	553.587	0	0

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 127.000

The company has a commitment for inventories placed at manufacturers. The commitment is calculated to be USD 75.000.

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