ANNUAL REPORT

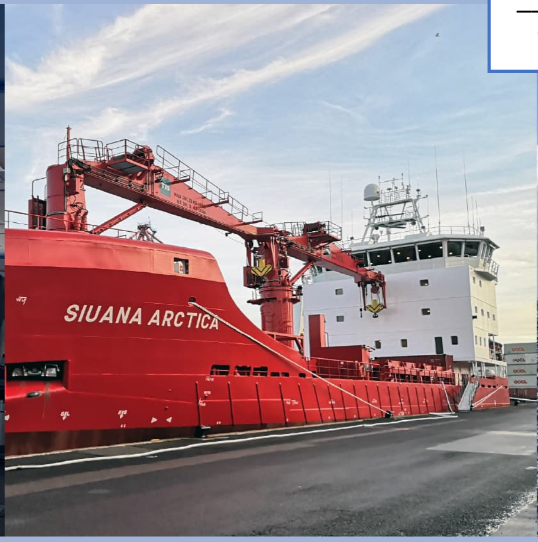
2022

Sternula A/S
Danalien 1
9000 Aalborg
CVR: 40650709

As approved on the Company's Annual General Meeting on 22 June 2023

Lars Moltsen

Chairman of the Meeting



Contents

The launch of our first satellite, STERNULA-1, on 3rd January 2023 on a SpaceX Falcon 9 rocket

Statement by Management

The Board of Directors and the Executive Board have today discussed and approved the annual report of Sternula A/S for the financial year 1 January – 31 December 2022.

The Financial Statement has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of its operations and cash flows for the financial year 1 January – 31 December 2022.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters, the results for the year and the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Aalborg, 22 June 2023

Executive Board:

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Lars Moltsen CEO	Stefan Werner Pielmeier CTO

Board of Directors:

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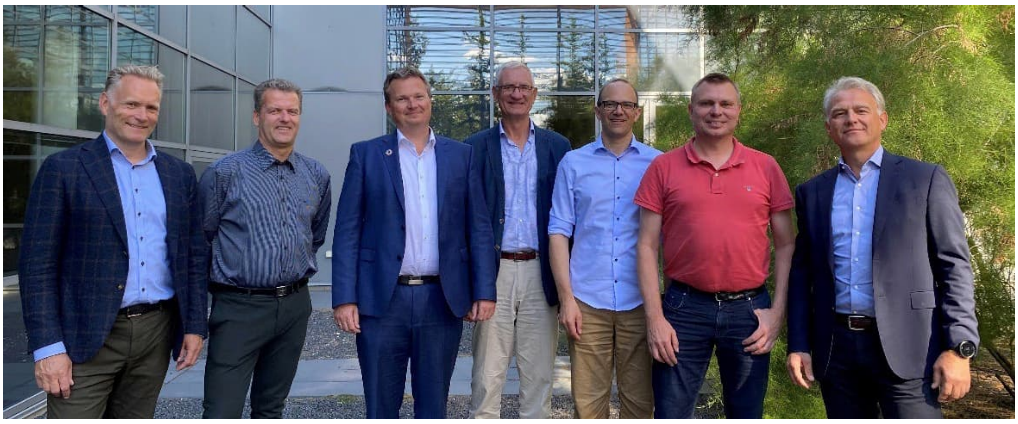
Morten Lindblad Chair	Bengt Gustav Sangberg	Peter Grøftehauge
DocuSigned by: 6876E0EFBA864EE...	DocuSigned by: 9CD086046907409...	DocuSigned by: C32146EF5305422...
Thomas Voldbjerg Jørgensen	Anders Nielsen	Stefan Werner Pielmeier



Board meeting and strategy workshop, September 2022

Independent auditor's report

To the shareholders of Sternula A/S

Opinion

We have audited the Financial Statements of Sternula A/S for the financial year 1 January – 31 December 2022, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU.

In our opinion, the Financial Statements 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 and cash flows for the financial year 1 January – 31 December 2022 in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards 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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the 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 the Management's review.

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 International Financial Reporting Standards as adopted by the EU. Management is also responsible for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditor's report

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 as to 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 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 the financial statements.

As part of an audit conducted in accordance with ISAs and 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 note 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.

Aalborg, 22 June 2023
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Hans B. Vistisen

Hans B. Vistisen
State Authorised Public Accountant
mne23254

Management's review

Company details

Name	Sternula A/S
Address, postal code, city	Danalien 1, DK-9000 Aalborg
CVR no.	40 65 07 09
Established	1 July 2019
Financial year	1 January – 31 December
Board of Directors	Morten Lindblad, Chairman Bengt Gustav Sangberg Peter Grøftehauge Anders Nielsen Thomas Voldbjerg Jørgensen Stefan Werner Pielmeier
Executive Board	Lars Moltsen Stefan Werner Pielmeier
Auditors	EY Godkendt Revisionspartnerselskab Vestre Havnepromenade 1A, DK-9000 Aalborg

Team Sternula at our summer party in 2022

Management's review

Corporate Background

Sternula was founded in July 2019 by Stefan Pielmeier and Lars Moltsen with the aim of becoming the world's first commercial provider of standardised, global satellite connectivity to the maritime industry based on the new VDES technology also known as AIS 2.0. The vision of the founders was to exploit maturing New Space principles to implement a cost-effective satellite network offering affordable, global AIS 2.0 connectivity as supplementary coverage to coastal AIS 2.0 networks. Moreover, based out of Denmark, a strong maritime nation with one of the world's biggest merchant fleets and huge territorial waters in a Commonwealth with the Faroe Islands and Greenland, the Company taps into a growing eco system of maritime industry needs, solutions, and technology.

Principle Activities of the Company

Sternula provides a new type of standardised, low-datarate satellite connectivity for the maritime industry based on the new "VHF Data Exchange System" (VDES) standard, which is an upgrade of the widely used AIS technology. We use the popular term, "AIS 2.0" and "AIS 2.x", because this makes the relation to the old AIS technology more explicit to users and customers. Similarly, we often use "AIS 1.x" to refer to the old standard (the "x" indicates that the standard has been modified/upgraded several times).

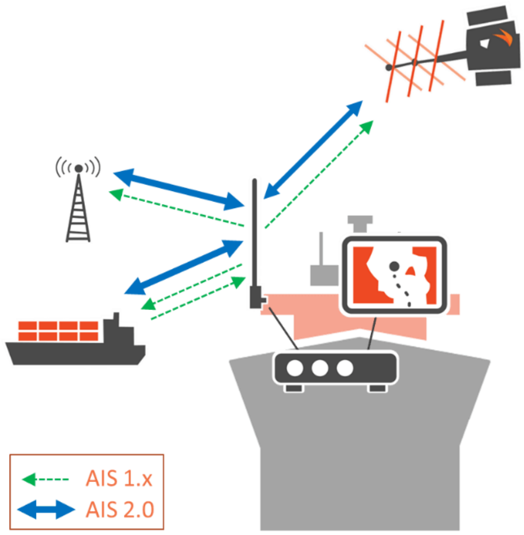


Figure 1: AIS 2.0 is an upgrade of the AIS (1.x) tracking system with new secure data channels

Sternula will be offering AIS 2.0 satellite connectivity from 2023, following the launch of our first satellite. AIS 2.0 will help maritime authorities, commercial service providers, and ship owners to implement "e-Navigation" as defined by IALA and IMO.

The key advantage of AIS 2.0 over other connectivity options is that it is designed for secure data transfer between the critical onboard Operational Technology (OT) systems and digital services on land. OT systems are normally isolated from internet-based networks due to the risk of cyberattacks. This has prevented the implementation of e.g. automated nautical charts updates or route optimisation solutions (both requires data transfer with navigational OT systems). It is also a great advantage that VDES is a global ITU standard on top of the well-known AIS standard. This is different from most other maritime satellite networks, which require proprietary satellite antennas and terminals. Thus, the new AIS 2.0 terminal is just another AIS unit (like replacing your phone from 4G to 5G). This opens for competition on quality and price between AIS ship equipment providers.

Management's review

Finally, the VDES standard is already on the roadmap to become a requirement in the IMO SOLAS convention. This means that from some deadline, it will be mandatory for ships of a certain type and size. Therefore, all major AIS equipment providers either have an AIS 2.0 product in the market or is expected to announce one in 2023.

Because of the low cost, global standardisation, and becoming an IMO requirement, AIS 2.0 is expected to become the world's largest maritime satellite network during this decade. We expect the total number of AIS 2.0 terminals deployed in ships and other marine infrastructure to reach 800,000 by 2030. Figure 1 shows that we expect the current growth of 15% annually to continue, with more and more units becoming AIS 2.0. This will accelerate with the assumed amendment of the SOLAS convention in 2026 to include "VDES". The growth will be driven by a significant uptake of the AIS technology by the global fishing fleet of around 3,000,000 vessels. Where the old AIS system for vessel tracking has not been very important to the fishing industry, the new digital services and data offered over AIS 2.0 will be highly attractive.

Figure 2 shows how the number of ships with AIS 2.0 in 2030 compares to other satcom technologies with different data rates (and cost). We see that in one extreme (lower right), a number of high-data rate VSAT solutions will be able to provide up to 4 Mbps, but due to the high cost, it will be available to less than 100,000 vessels in the high-end segment. In the other extreme (upper left), AIS 2.0 is expected to be deployed in more ships than any other technology. Between the extremes there will be other satellite-based connectivity options, including proprietary satcom and 3GPP-standardised solutions. These are often not only maritime networks, but they are expected to have a significant maritime footprint due to lower cost than VSAT solutions.

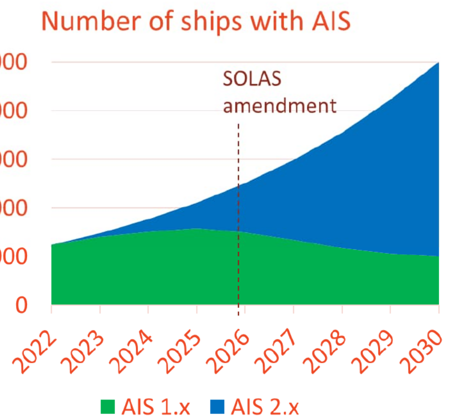


Figure 2: Expected growth of AIS (1.x and 2.x) in the next 8 years

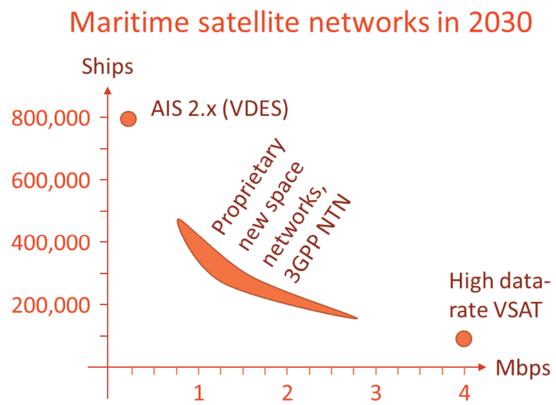


Figure 3: Predicted maritime satellite technologies usage by 2030

Management's review

In order to develop the market according to these predictions, Sternula is strategically active in the standardisation of VDES and other enabling technologies. AIS and VDES is standardised by ITU, the United Nations agency for telecommunications and information technology. Technology development is carried out by both industry and authority representatives in the IALA e-Navigation Working Group 3, "Digital Communication Systems", where our CTO, Stefan Pielmeier, is the chairman. IMO, the United Nations maritime agency, represents the end users in the maritime sector and defines how and when standardised equipment must be deployed and used. Sternula provides support to the Danish Maritime Authority on matters around AIS 2.0 standardisation.

During 2022, the VDES Alliance was founded by a group of international maritime organisations on the initiative of Sternula and Saab, who also holds the chairmanship and co-chairmanship, respectively. The alliance will work for joint promotion of the technology, alignment of standard interpretations, and other gaps not covered by IALA, ITU, and IMO.

Development in Activities

2022 was the last year of Sternula's initial phase of preparations for the launch of our Low-Earth Orbit (LEO) satellite infrastructure. Significant progress was made in our R&D department, especially in the ongoing "MARIOT" project, which is all about developing and launching a first satellite and demonstrating key maritime digital services. The launch of Sternula-1 was initially scheduled for Q3 2022 by Russian launch provider, Roscosmos, but due to the war in Ukraine, we decided to move to the SpaceX Transporter 6 mission, which took our satellite to space on 3rd January 2023.

Sternula, Space Inventor, and ISI Space preparing STERNULA-1 for delivery to SpaceX

Management's review

During the year, two new R&D projects were started under development programs of the European Space Agency (ESA) to further strengthen our technical capabilities:

1) MaSSha (Maritime Safety Services over Shared VDE-SAT Network): A feasibility study in collaboration with Space Norway on AIS 2.0 network sharing (“roaming”) and concrete digital services, including distress signal detection and remote monitoring of critical onboard systems. The development of satellite network roaming is expected to have a significant impact on market development, since this will shorten the time before global realtime coverage will be available.

2) CroSSMaps (Crowd-Sourced Sea Maps): A feasibility study on the use of AIS 2.0 to collect data from the echo sounder of a large volume of ships (fishing vessels in particular) to improve the production of nautical charts by maps authorities. The project makes use of the MMS concept, which is an element of the new MCP standard. The use of MCP and MMS is expected to have a significant impact on the time before large volumes of maritime digital services are available to the shipping industry, since this enables the combined use of AIS 2.0 and any other available connectivity technology (including land-based mobile networks).

Significant progress was made during 2022 in core technology standardisation. In February, the official ITU-R M.2092-1 recommendation (the VDES standard) was released. This is the complete specification of AIS 2.0 technology, enabling equipment providers to implement AIS 2.0 products. As a result, the world’s first AIS 2.0 ship solution entered the market in April from Saab Transponder Tech. In November, the IMO decided that the ongoing work to include AIS 2.0 (VDES) in the SOLAS convention should be prioritised in the NCSR sub-committee in a two-year process. This means that it is realistic to have resulting amendments completed and in force by 2026 (as shown in Figure 1).

As a result of our collaboration with the Danish Geodata Agency and the ESA CrossMaps project, we became very involved in use of the new MCP standard, which is recommended by IALA for digital services carried over AIS 2.0. Sternula saw that there was a need for a concrete realisation of the “MMS edge router”, which is the onboard interface of MCP services. A number of prototype implementations were done before we officially launched the “Sternula MMS Proxy” as the world’s first MMS edge router on 20th February 2023 at the IALA Workshop on Digital Maritime Communication in Tokyo, Japan.

Figure 4: The new Sternula MMS Proxy launched on 20 February at an IALA workshop in Japan

In Sternula’s commercial unit, focus during 2022 was on market development and education. A simple model shown in Figure 3 was used to invite potential customers in the maritime authority segment on a journey to the exploitation of the opportunities of AIS 2.0. The first step following the introductory dialog is a “Letter-of-Intent” between Sternula and the customer. This opens for concrete discussions about which “Pilot Projects” should be carried out for the customer to gain the necessary knowhow on the AIS 2.0 technology. The goal of these “Pilot Projects” is that the customer becomes capable of implementing maritime digital services over AIS 2.0 and become a customer of “Connectivity-as-a-Service”.

Management's review

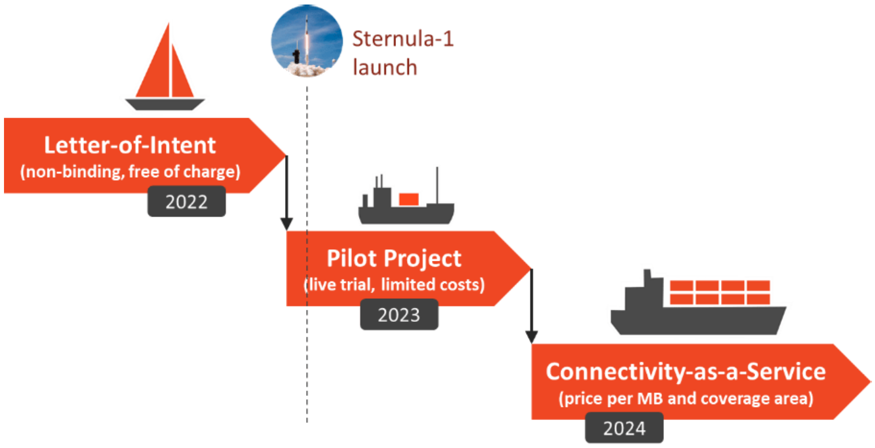


Figure 5: Sternula's model for inviting customers to exploit the new AIS 2.0 technology

As a result of these activities, Sternula had signed contracts for "Pilot Projects" with customers in four continents by the end of the fiscal year (Europe, Asia, Africa, and Australia).

Overall, the development in both technical and commercial activities during fiscal year 2022 was delayed by 3-4 months compared to the plan due to external events (war in Ukraine, change of launch to SpaceX, and delay of the launch), but still a satisfactory year.

Financial Development

The net result of the fiscal year was negative DKK 3,5 million, which is below the budget but as expected given the development during the year. New share capital and premium of DKK 3,6 million was contributed. Support funding for R&D activities from public and private funds made a significant supplement to the private investments. The main expenses during the year were salaries and costs of satellite components. A total of DKK 11,9 million of development costs are activated as intangible assets by the end of the year, compared to 5,6 million in 2021. The resulting equity by the end of the year is DKK 7,3 million.

The financial development is 6-9 months behind the original plan laid out in 2019, mainly due to external events, which includes the COVID-19 pandemic and the full-scale war between Russia and Ukraine. However, we have been able to make the necessary changes and adjust expenses accordingly, such that a strong foundation has been established before the company is about to enter the growth phase. Overall, the financial result is satisfactory.

In June 2022, it was decided at an extraordinary general meeting to convert the company from a Danish "Anpartsselskab" (private limited liability company) to a Danish "Aktieselskab" (public limited liability company). This included increasing the registered capital from DKK 68,302 to DKK 400,000 and changing the name of the company from "Sternula ApS" to "Sternula A/S". This means that the company now adheres to stricter regulation as a natural step in its development.

Future Expectations

AIS 2.0 is the next generation of the AIS technology, which is already a carriage requirement under the IMO SOLAS convention. AIS is deployed today in approximately 250,000 vessels globally, a number that has been growing by 15% annually in recent years. AIS 2.0 adds new secure data channels, significantly more capacity, and global two-way connectivity to the AIS system. This means that new, relevant digital services will be made available to the sailors. We expect that this will make the technology even more popular and further increase the growth rate, also because it will be possible to deploy the technology on buoys and marine drones. Thus, we expect that there will be 800,000 connected AIS 2.0 terminals by 2030. Such growth will be further strengthened by the expected integration of AIS 2.0 in the IMO SOLAS convention.

Management's review

Sternula was the world's first to announce a global, commercial AIS 2.0 satellite network. Furthermore, we were world's first to launch an MMS edge router implementation in the form of our "MMS Proxy" solution. The company will continue its standardisation activities under IALA, ITU, IMO, IEC, MCC, and the new VDES Alliance. At Sternula, we want to ensure that the technology that we build our business upon develops and matures. We believe that this will have a positive impact on both the maritime sector and to our own business.

For the fiscal year 2023, we expect revenues in the range of DKK 5-7 million and a negative net result of DKK 9-11 million. The result is also predicted negative in the range of 1-5 million in 2024 due to ongoing investments, before positive net result is expected in 2025.

Events after the Balance Date

The launch of Sternula's first satellite was scheduled for 2022, but due to a number of delays (mentioned in previous sections) it was postponed until 3rd January 2023.

A capital increase to finance activities in 2023 was executed in May 2023 and raised a total of DKK 2.0 million.

No further events have occurred after the balance date.

Several pilot projects were started in early 2023 – here preparations on "Malik Arctica" in Aarhus, Denmark

AIS 2.0 is a global standard – here on-board the "Bitu Atlantic" in Port of Lomé, Togo

Financial statements 1 January – 31 December

Income statement

Note	DKK'000	2022	2021
3	Revenue	136	9
	Cost of sales	-16	0
4	Other operating income	128	0
	Other external costs	-2,557	-750
5	Own work capitalised	2,405	1,798
	Gross loss	96	1,057
5	Staff costs	-4,891	-2,063
6	Depreciation of intangible and lease assets	-241	-118
	Loss before net financials	-5,036	-1,124
7	Financial expenses	-80	-108
	Loss before tax	-5,116	-1,232
8	Tax for the year	1,570	533
	Loss for the year	-3,546	-699
	Allocation of profit/(loss) for the year:		
	Reserve for development costs	4,902	3,126
	Retained earnings	-8,448	-3,825
		-3,546	-699

Statement of other comprehensive income

Note	DKK'000	2022	2021
	Net result	-3,546	-699
	Other comprehensive income	0	0
	Total comprehensive income	-3,546	-699

Financial statements 1 January – 31 December

Balance sheet

Note	DKK'000	2022	2021
	ASSETS		
	Non-current assets		
9	Intangible assets	11,856	5,572
10	Lease assets	695	71
11	Deposits	177	41
	Total non-current assets	12,728	5,684
	Current assets		
	Trade receivables	440	0
	Other receivables	499	270
12	Tax receivable	1,429	871
	Prepayments	166	5
13	Cash	3,124	5,572
	Total current assets	5,658	6,718
	TOTAL ASSETS	18,386	12,402

Financial statements 1 January – 31 December

Balance sheet

Note	DKK'000	2022	2021
	EQUITY AND LIABILITIES		
	Equity		
14	Share capital	430	69
	Reserve for development costs	9,248	4,346
	Retained earnings	-2,399	2,958
	Total equity	7,279	7,373
	Non-current liabilities		
15	Deferred tax	101	273
10	Lease liabilities	394	71
16	Other credit institutions	1,622	0
	Other payables	0	25
	Total non-current liabilities	2,117	369
	Current liabilities		
10	Short-term part of long-term lease liabilities	301	0
	Bank debt	62	12
	Prepayments received from customers	1,147	0
	Trade payables	699	100
	Other payables	565	215
9	Deferred income	6,216	4,333
	Total current liabilities	8,990	4,660
	Total liabilities	11,107	5,029
	TOTAL EQUITY AND LIABILITIES	18,386	12,402

1	Accounting policies
2	Events after the balance sheet date
17	Capital management
18	Changes in liabilities arising from financing activities
19	Collateral
20	Financial risks
21	Related parties

Financial statements 1 January – 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Reserve for development costs	Retained earnings	Total
	Equity at 1 January 2021	53	1,220	-1,075	198
	Capital injection	16	0	8,159	8,175
	Cost related to capital injection	0	0	-386	-386
	Tax on equity transactions	0	0	85	85
	Distribution of profit/loss	0	3,126	-3,825	-699
	Equity at 1 January 2022	69	4,346	2,958	7,373
	Capital increase – change from ApS to A/S	331	0	-331	0
	Capital injection	30	0	3,531	3,561
	Cost related to capital injection	0	0	-140	-140
	Tax on equity transactions	0	0	31	31
	Distribution of profit/loss	0	4,902	-8,448	-3,546
	Equity at 31 December 2022	430	9,248	-2,399	7,279

In the financial year 2022, the company changed from ApS to A/S. Within this change, the share capital was increased with DKK 331 and deducted from retained earnings.

In the financial year 2022, two capital injections have been completed in August and December, based on investment agreements with several investors. The two capital injections amounting to a total of DKK 3,561 thousand. In connection with the capital injections, the share capital has been increased with DKK 30 thousand and retained earnings has been increased with a premium of DKK 3,531 thousand.

Financial statements 1 January – 31 December

Cash flow statement

Note	DKK'000	2022	2021
	Profit/loss before net financials	-5,036	-1,124
	Depreciation and amortisation	241	118
	Equity transactions	-140	-386
	Cash generated from operations before changes in working capital	-4,935	-1,392
22	Changes in working capital	2,956	2,805
	Cash generated from operations	-1,979	1,413
	Interest paid	-80	-92
12	Corporation tax received	871	251
	Cash flows from operating activities	-1,188	1,572
9	Acquisition of intangible assets	-6,357	-4,008
11	Acquisition of deposits	-136	0
	Cash flows from investing activities	-6,493	-4,008
	Debt to shareholders	0	-52
	Change in bank debt	50	-115
	Loan from credit institution	1,622	0
	Capital injection	3,561	8,175
18	**Cash flows from financing activities**	5,233	8,008
	Cash flows for the year	-2,448	5,572
	Cash and cash equivalents, beginning of year	5,572	0
	Cash and cash equivalents, year end	3,124	5,572

Financial statements 1 January – 31 December

Notes

1 **Accounting policies**

Sternula A/S is a public limited company registered in Denmark. The financial statements section of the annual report for the period 1 January 2022– 31 December 2022 comprises the financial statements of Sternula A/S.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements of the Danish Financial Statements Act (class B entities).

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Basis for preparation

The financial statements are presented in DKK which is the functional currency of the Sternula A/S.

Going concern statement

In connection with the financial reporting, the Board of Directors, and the Executive Board have assessed whether presentation of the annual report under the going concern assumption is well-founded. The Board of Directors and the Executive Board have concluded that no such factors exist at the balance sheet date that may cast doubt on the Company's ability to continue as a going concern at least until the next balance sheet date. The conclusion is based on knowledge of the Company, the outlook and the uncertainties and risks identified in this respect as well as an examination of budgets, including the expected developments in liquidity, capital base, etc., existing credit facilities, including contractual and expected maturity periods as well as other terms and conditions. Thus, it is considered appropriate, reasonable and well-founded to base the financial reporting on the going concern assumption.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Revenue comprises external consultancy and sale of hardware.

Revenue is divided into individually identifiable performance obligations, which are recognised and measured separately at fair value. If a sales agreement comprises several performance obligations, the total selling price of the sales agreement is allocated proportionately to the individual performance obligations of the agreement.

Revenue is recognised when control over the individual identifiable performance obligation if transferred to the customer.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

The recognised revenue is measured at the fair value of the agreed consideration excl. VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue. The fair value corresponds to the agreed price discounted at present value where payment terms exceed 12 months.

Cost of sales

Cost of sales costs comprise costs incurred in generating revenue for the year. Such costs include direct and indirect costs of raw materials.

Other operating income

Other operating income comprise items secondary to the principal activities of the Company, including government grants, other received contributions etc.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to sale, advertising, administration, premises etc.

Other external cost also comprises research and development costs that do not qualify for capitalisation as well as amortisation of capitalised development costs.

Staff costs

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

Depreciation

The item comprises depreciation of intangible assets and lease assets.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life. The expected useful lives of the assets are as follows:

- Development projects 5 years
- Lease assets 2-5 years

Financial income and expenses

Financial income and expenses comprise interest income and expenses, exchange gains and losses on transactions denominated in foreign currencies. Furthermore, surcharges and allowances under the on-account tax scheme.

Tax for the year

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

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1 Accounting policies (continued)

Balance sheet

Intangible assets

Intangible assets include development projects.

Intangible assets are measured at cost less accumulated amortisation and impairment losses.

Development costs comprise expenses, salaries and amortisation directly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and where the technical feasibility, sufficient resources and a potential future market or development potential are evidenced, and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs, administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated depreciation and impairment losses.

Leases

Leased assets and lease commitments are recognised in the balance sheet when the leased asset under a lease entered into regarding a specific identifiable asset is made available to the Company in the lease term, and when the Company obtains the right to almost all economic benefits from the use of the identified asset and the right to control the use of the identified asset.

On initial recognition, lease commitments are measured at the present value of the future lease payments discounted by an incremental borrowing rate (5%). The IBR is the rate of interest that the company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the lease asset in a similar economic environment. The Company estimates the IBR using observable inputs.

The lease commitment is measured at amortised cost according to the effective interest method. The lease commitment is recalculated when the underlying contractual cash flows change due to changes in an index or an interest rate if the Company's estimate of a residual value guarantee changes or if the Company changes its assessment of whether call options, extension options or termination options can reasonably be expected to be exercised.

On initial recognition, the leased asset is measured at cost, corresponding to the value of the lease commitment adjusted for prepaid lease payments plus directly related costs and estimated costs for demolition, repairs or the like and less discounts or other types of incentive payments received from the lessor. Leased assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Leases: 2-5 years

The Company has chosen not to recognise leased assets of a low value and short-term leases in the balance sheet. Instead, related lease payments are recognised on a straight-line basis in the income statement.

Deposits

Deposits consist of deposits regarding house-rentals and are measured at cost.

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1 **Accounting policies (continued)**

Impairment of non-current assets

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Receivables

Receivables are measured at amortised cost. Write-down for bad and doubtful debts is made in accordance with the simplified expected credit loss model according to which the total loss is recognised immediately in the income statement at the same time as the receivable is recognised in the balance sheet based on the expected loss in the useful life of the receivable.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash comprises cash at bank.

Equity

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividend or cover losses. The reserve will be reduced or dissolved if the recognised development costs are amortised or no longer part of the Company's operations. This is done by a transfer directly to the distributable reserves under equity.

Proposed dividend

Proposed dividend is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the year is presented as a separate line item in equity.

Corporation tax and deferred tax

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off

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1 Accounting policies (continued)

against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Financial liabilities are recognised at the date of borrowing at the proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income recognised as a liability comprises government grants and payments received concerning income in subsequent financial reporting years.

Government grants include grants for development projects. Grants are recognised when there is reasonable certainty that the grants will be received.

Grants for development projects are recognised as deferred income. Once the projects are finalised and depreciation start, grants will also be recognised in the income statement as other operating income. Grants are recognised in the income statement in line with the depreciation period for the specific development project.

Cash flow statement

The cash flow statement shows the Company's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non-cash operating items, changes in working capital and corporation tax paid. Interest received is classified as cash flows from operating activities. Furthermore, dividends received are classified as operating activity.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities, activities and intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt and payment of dividend to shareholders.

Transactions with no cash flow effect

Transactions with no cash flow effect, such as e.g. the entering into finance leases, are not included in the cash flow statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash.

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2 **Events after the balance date**

The launch of Sternula's first satellite was scheduled for 2022, but due to several delays (mentioned in previous sections) it was postponed until 3 January 2023.

A capital increase to finance activities in 2023 was executed in May 2023 and raised a total of DKK 2.0 million.

No further events have occurred after the balance sheet date.

	DKK'000	2022	2021
3	**Revenue**		
	Europe	136	9
		136	9

4 **Other operating income**

Other operating income relates to government grants according to note for "Intangible assets" and other contributions received during the year.

5	**Staff cost**		
	Wages and salaries	4,600	1,933
	Pension	252	110
	Other social security costs	39	20
		4,891	2,063
	Wages and salaries capitalised as development projects	-2,405	-1,798
		2,486	265
	Average number of full-time employees	8	4
6	**Depreciation**		
	Leasing assets	-168	-118
	Development assets	-73	0
		-241	-118
7	**Financial expenses**		
	Other financial expenses	-68	-101
	Leasing expenses	-12	-7
		-80	-108

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DKK'000	2022	2021
8 Tax for the year		
Current tax for the year	1,399	786
Deferred tax adjustment for the year	171	-253
	1,570	533
Tax for the year can be specified as follows:		
Estimated 22 % tax on the profit/loss before tax	1,125	271
Tax effect of:		
Other tax adjustments	445	262
	1,570	533
Effective tax rate	31%	43%

A part of the current tax for the year is caused by development costs. According to the Danish tax legislation the tax value (22%) of development costs can be paid out after the filing of the taxable income for the year. Accordingly, the tax loss carried forward is reduced.

9 Intangible assets

DKK'000	Completed development projects	Development projects in progress	Total
Cost at 1 January 2022	0	5,572	5,572
Additions	0	6,357	6,357
Transfers	711	-711	0
Cost at 31 December 2022	711	11,218	11,929
Depreciation at 1 January 2022	0	0	0
Depreciation for the year	-73	0	-73
Depreciation at 31 December 2022	-73	0	-73
Carrying amount at 31 December 2022	638	11,218	11,856

Completed development projects

Completed development projects primarily include development of a virtual version of the future satellite network in order to offer customers that they can test various technical solutions and digital services. The relating expenses primarily consists of wages, salaries and other costs which directly or indirectly can be related to the development activities, and which fulfil the criteria for recognition.

Completed development projects are depreciated over 5 years.

Development projects in progress

Development projects in progress primarily include development of a new system for maritime authorities. The system offers secure, global satellite-based connectivity for maritime authorities, ship owners, coast guards, and industrial services based on the VDES standard. Sternula is building a Low-Earth Orbit (LEO) satellite infrastructure, where the first satellite is scheduled to launch in 2023. Sternula enables the maritime authority to implement key digital services defined by IMO (e-Navigation) at a much lower cost than what can be achieved using other technologies.

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9 Intangible assets (continued)

The relating expenses primarily consists of wages, salaries and other costs which directly or indirectly can be related to the Company's development activities, and which fulfil the criteria for recognition.

Development projects in progress are not depreciated. Depreciation will occur once the projects are completed.

Government grants

The development projects are partly financed by government grants amounting to DKK 6,216 thousand as of 31 December 2022 (2021: DKK 4,333 thousand), which are presented as deferred income under current liabilities. Additions during the year amounts to DDK 1,971 thousand (2021: DKK 2,858 thousand).

Grants are recognised in the income statement as other operating income in accordance with depreciation period for the granted projects. Other operating income for year 2022 regarding recognised grants amounts to DKK 88 thousand (2021: DKK 0 thousand).

Impairment testing of development projects in process

Management has high expectations for the future sales of the system and has not identified an indication of impairment in relation to the carrying amount.

10 Lease assets

DKK'000	2022
Cost at 1 January 2022	236
Additions	792
Disposals	-256
Cost at 31 December 2022	772
Amortisation and impairment losses at 1 January 2022	-165
Amortisation	-168
Reversal related to disposals	256
Amortisation and impairment losses at 31 December 2022	-77
Carrying amount at 31 December 2022	695

Leasing liabilities

When measuring the leasing liability, the Company has used an average alternative borrowing rate to discount future leasing payments of 5%.

Maturity Analysis

DKK'000	2022
Under 1 year	301
Between 1-3 years	394
Between 3-5 years	0
Total non-discounted leasing debt at **31 December** 2022	695
Short Term Leasing debt	301
Long Term Leasing debt	394

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10 Lease assets (continued)

For 2022, the Company has paid DKK 167 thousand relating to leasing contracts of which interest payments related to recognised leasing liabilities amount to DKK 12 thousand, and instalments on recognised leasing debt amount to DKK 167 thousand.

Leasing in profit and loss

DKK'000	2022
Interest related to leasing	12
Amortisation related to leasing	168
Leasing in profit and loss total	180

11 Deposits

Deposits consist of a deposit of DKK 177 thousand regarding a rental contract.

	DKK'000	2022	2021
12	**Tax receivables**		
	Tax receivables at 1 January 2022	871	251
	Received tax	-871	-251
	Current tax for the year	1,398	786
	Tax on equity transactions	31	85
	Tax receivables at 31 December 2022	1,429	871

A part of the tax loss for the year is caused by development costs. According to the Danish tax legislation the tax value (22%) of development costs can be paid out subsequent to the filing of the taxable income for the year. Accordingly, the tax loss carried forward is reduced to zero.

13 Cash

Within cash, DKK 80 thousand is deposited as security for bank debt per 31 December 2022 (2021: DKK 40 thousand). Furthermore, DKK 91 thousand has been deposited as payment guarantee per 31 December 2022 (2021: DKK 0 thousand).

	DKK'000	2022	2021
14	**Share capital**		
	Opening balance	69	53
	Capital increase	361	16
	Share capital at 31 December 2022	430	69

The registered capital amounts to a nominal DKK 429,495.50 split into 21,474,775 shares.

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DKK'000	2022	2021
15 Deferred tax		
Deferred tax at 1 January 2022	273	20
Deferred tax adjustment for the year	-172	253
Deferred tax at 31 December 2022	101	273

The registered capital amounts to a nominal DKK 429,495.50 split into 21,474,775 shares.

Deferred tax relates to:		
Intangible assets	2,608	1,226
Deferred income	-1,367	-953
Tax loss carry-forwards	-1,140	0
Deferred tax at 31 December 2022	101	273

16 Other credit institutions

Other credit institutions consist of long-term loan of DKK 1,622 thousand.

The liabilities can be specified as follows:

DKK'000	2022
Other credit institutions	
0-1 years	0
1-3 years	147
3-5 years	611
After 5 years	864
	1,622

17 Capital management

For the purpose of the Company's capital management, capital includes issued capital, and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management to maximise the shareholder value.

The Company is in a start-up phase and does not have formalised capital management objectives besides ensuring that it is appropriate to prepare the financial statements based on a going concern assumption.

The Company is not subject to any covenants.

18 Changes in liabilities arising from financing activities

DKK	1 January 2022	Cash flow	Non-cash changes	31 December 2022
Lease liability	71	0	624	695
Bank debt	12	50	0	62
Other credit institutions	0	1,622	0	1,622
Capital injection	0	3,561	0	0
Total liabilities from financing activities	83	5,233	0	2,379

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19 Collateral

The company has deposited DKK 40 thousand as security for bank debt which comprises DKK 62 thousand on 31 December 2022.

As security for the company's debt to other credit institutions, a corporate mortgage of DKK 200 thousand has been provided, primarily regarding development projects and trade receivables.

The Company has provided guarantee to customer amounting to DKK 12 thousand per 31 December 2022 (2021: DKK 0 thousand).

20 Financial risks

General risk management

The Company does not actively engage in speculation of financial risks.

Credit risks

Credit risk is the risk that a counterparty will not meet its obligations. Its financing activities include deposits with banks and financial institutions. Maximum exposure corresponds to the carrying amount. The Company assesses the risks of losses on an ongoing basis and, if necessary, write-downs are made according to the Company's policies.

Foreign exchange risks

The Company's expenses are mainly incurred in DKK. There is no foreign currency hedging regarding transactions in foreign currency.

Interest rate risk

The Company's loans are carried at fixed interest rates. A change in the interest level will have a limited effect on the result or equity.

Liquidity risks

Funding and adequate liquidity are fundamental factors in driving an expanding business, and management of both is an integrated part of the Company's budget and forecasting process. To ensure focus on managing the risks related to funding and liquidity, the Company manages and monitors funding and liquidity and ensures the availability of required liquidity through cash management and borrowing facilities.

The Company's long-term financing consists of subsidies regarding the development projects and will be complemented by capital increases.

21 Related parties

Related parties comprise the Board of Directors and Executive Board. Furthermore, related parties comprise companies in which the above-mentioned persons have significant interests.

There have been no related parties' transactions besides wages and salaries to Board of Directors and Executive Board.

22 Changes in working capital

DKK'000	2022	2021
Changes in receivables	-830	-54
Changes in payables	3,786	2,976
	2,956	2,922

The mission logo for our first satellite launch was designed by R&D physicist, Veronica Hjorth