

Presto Engineering Denmark ApS

Venlighedsvej 4
2970 Hørsholm

CVR no. 40 79 62 58

**Annual report for the period
1 January to 31 December 2021
(2nd Financial year)**

Adopted at the annual general meeting
on 26 April 2022

Michel Villemain
chairman

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Statement by management on the annual report

The executive board has today discussed and approved the annual report of Presto Engineering Denmark ApS for the financial year 1 January - 31 December 2021.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In my 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 my 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.

Hellerup, 26 April 2022

Executive board

Michel Villemain

Independent auditor's report

To the shareholder of Presto Engineering Denmark ApS

Opinion

We have audited the financial statements of Presto Engineering Denmark ApS 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.

Hellerup, 26 April 2022
CVR no. 33 25 68 76



Søren Jonassen
State Authorized Public Accountant
MNE no. mne18488

Company details

The company

Presto Engineering Denmark ApS
Venlighedsvej 4
2970 Hørsholm

CVR no.: 40 79 62 58

Reporting period: 1 January - 31 December 2021

Incorporated: 17 September 2019

Domicile: Hørsholm

Executive board

Michel Villemain

Auditors

Crowe
Statsautoriseret Revisionsinteressentskab v.m.b.a.
Rygårds Allé 104
2900 Hellerup

Financial highlights

Seen over a 2-year period, the development of the Company may be described by means of the following financial highlights:

	<u>2021</u>	<u>2020</u>
	TDKK	TDKK
Key figures		
Gross profit/loss	34.295	33.092
Profit/loss before net financials	-14.655	-13.711
Net financials	-6.411	-6.611
Profit/loss for the year	-21.035	-15.853
Balance sheet total	137.701	135.271
Equity	31.130	17.802
Number of employees	49	48
Financial ratios		
Return on assets	-10,7%	-20,3%
Solvency ratio	22,6%	13,2%
Return on equity	-86,0%	-178,1%

The financial ratios are calculated in accordance with the Danish Finance Society's recommendations and guidelines. For definitions, see the summary of significant accounting policies.

Management's review

Business review

The company's activities consist of development and production of innovative semiconductor solutions for end markets as well as other companies in the microelectronics sector. Our main market is Europe where we also have the biggest footprint.

Financial review

The company's income statement for the year ended 31 December 2021 shows a loss of DKK 21.034.966, and the balance sheet at 31 December 2021 shows equity of DKK 31.129.532.

Significant events occurring after the end of the financial year

No events have occurred after the balance sheet date which could significantly affect the company's financial position.

Expected development of the company, including specific prerequisites and uncertainties

The company will continue to focus on the full range of services provided in the microelectronics field. Special focus and expected growth will come from our ASIC total solutions area, where we based on a customer specification offer a turnkey solution, with everything from ASIC development to ongoing delivery of components to the customer's production unit. (ASIC Application Specific Integrated Circuit).

The company's knowledge resources if of particular importance to its future earnings

Most essential resources for our business and future earnings are our ASIC, test, and packaging engineers. We benefit from our worldwide locations both in US, Europe, and the Far East. Thus, we can attract new talented engineers from a very large area. Furthermore, access to wafer and packaging technology from different suppliers mainly in the Far East is vital to secure our future earnings.

Impact on the external environment and measures taken to prevent, reduce or mitigate damage

We did develop in the second half of 2021 dual source for packaging and assembly subcontracting which enabled us to resume our operations fully and increase the safety of our supply chain. From end 2021, we observe that the tension in the semiconductor supply chain is more and more moving upstream to the wafer fab level. To mitigate that, we are currently hiring 2 positions of subcontractors management (Fabs for wafers and OSAT for assembly). We also initiated take or pay discussions with some subcontractors (assembly).

Research and development activities in or for the company

The company has proprietary IP which can be used for various customer projects. Based on market input, the company will focus on continuous development of new IPs. This will enable us to secure future growth for our ASIC solutions, where we based on our different IP blocks, can offer attractive ASIC total solutions to our customers.

Accounting policies

The annual report of Presto Engineering Denmark ApS for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized class C entities.

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

The annual report for 2021 is presented in DKK.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

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

In pursuance of section 32 of the Danish Financial Statements Act, the company does not disclose its revenue.

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 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.

Accounting policies

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, realised and unrealised exchange gains and losses, liabilities and foreign currency transactions, 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

Goodwill

Acquired goodwill is measured at cost less accumulated amortisation and impairment losses.

Goodwill is amortised over the expected economic life of the asset, measured by reference to management's experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period, which is seven years. The amortisation period is based on the assessment that the entities in question are strategically acquired entities with a strong market position and a long-term earnings profile.

Development projects and software

Development costs comprise costs, wages/salaries and amortisation losses that are directly and indirectly attributable to the company's development activities.

Development projects recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Following the completion of the development work, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually 3-5 years.

Software is measured at cost less accumulated amortisation and impairment losses. Software is amortised on a straight-line basis over the estimated useful life. The amortisation period is usually 5 years.

Tangible assets

Items of other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Accounting policies

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

	Useful life
Other plant, operating equipment and fixtures	2-10 years

The useful life and residual value are re-assessed annually. A change is accounted for as an accounting estimate, and the impact on amortisation/depreciation is recognised going forward.

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.

Impairment of non-current assets

The carrying amount of intangible assets and tangible assets are tested annually for impairment, other than what is reflected through normal amortisation and depreciation.

Where there is evidence of impairment, an impairment test is performed for each individual asset or group of assets. Write-down is made to the lower of the recoverable amount and the carrying amount.

The recoverable amount is the higher of the net present value and the value in use less expected costs to sell. The net present value is determined as the present value of the anticipated net cash flows from the use of the asset or group of assets and the anticipated net cash flows from the disposal of the asset or group of assets after the end of their useful life.

Stocks

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

The cost of 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 overheads.

Production overheads include the indirect cost of materials, wages and salaries as well as maintenance and depreciation of production machinery and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the cost.

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.

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.

Dividends

Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability when declared by the annual general meeting of shareholders.

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.

Deferred tax assets, including the tax base of tax losses allowed for carry forward, are measured at the value to which the asset is expected to be realised, either as a set-off against tax on future income or as a set-off against deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are 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.

Deferred income

Deferred income recognised under 'Current liabilities' comprises payments received concerning income in subsequent financial years.

Accounting policies

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.

Receivables and 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.

Fixed assets acquired in foreign currencies are translated at the exchange rate at the transaction date.

Cash flow statement

No cash flow statement has been prepared for the parent company, as the parent company's cash flows are included in the consolidated cash flow statement, see section 86(4) of the Danish Financial Statements Act.

Financial highlights

Definitions of financial ratios.

Return on assets	$\frac{\text{Profit/loss before financials} \times 100}{\text{Average assets}}$
Solvency ratio	$\frac{\text{Equity, end of year} \times 100}{\text{Total assets at year-end}}$
Return on equity	$\frac{\text{Profit/loss from ordinary operations after tax} \times 100}{\text{Average equity}}$

Income statement
1 January 2021 - 31 December 2021

	<u>Note</u>	<u>2021</u> DKK	<u>2020</u> TDKK
Gross profit		34.294.989	33.092
Staff costs	1	<u>-33.953.667</u>	<u>-33.112</u>
Profit/loss before amortisation/depreciation and impairment losses		341.322	-20
Depreciation, amortisation and impairment of intangible assets and tangible assets		<u>-14.996.724</u>	<u>-13.691</u>
Profit/loss before net financials		-14.655.402	-13.711
Financial income		245.079	0
Financial costs	2	<u>-6.656.021</u>	<u>-6.611</u>
Profit/loss before tax		-21.066.344	-20.322
Tax on profit/loss for the year	3	<u>31.378</u>	<u>4.469</u>
Profit/loss for the year		<u>-21.034.966</u>	<u>-15.853</u>
Distribution of profit	4		

Balance sheet at 31 December 2021

	Note	2021 DKK	2020 TDKK
Assets			
Goodwill		45.151.049	54.033
Development projects in progress		2.802.312	1.869
Completed development projects		281.611	101
Software		1.078.429	1.306
Intangible assets	5	49.313.401	57.309
Other fixtures and fittings, tools and equipment		14.957.425	20.536
Tangible assets	6	14.957.425	20.536
Total non-current assets		64.270.826	77.845
Raw materials and consumables		15.000.772	6.470
Work in progress		5.497.261	7.435
Finished goods and goods for resale		0	2.199
Prepayments for goods		1.026.805	2.678
Stocks		21.524.838	18.782
Trade receivables		22.263.012	10.313
Receivables from group enterprises		0	1.184
Other receivables	7	3.786.213	4.508
Deferred tax asset	9	4.500.000	4.469
Prepayments	8	2.215.137	1.981
Receivables		32.764.362	22.455
Cash at bank and in hand		19.140.733	16.189
Total current assets		73.429.933	57.426
Total assets		137.700.759	135.271

Balance sheet at 31 December 2021

	<u>Note</u>	<u>2021</u> DKK	<u>2020</u> TDKK
Equity and liabilities			
Share capital		40.077	40
Reserve for development expenditure		2.405.460	1.537
Retained earnings		28.683.995	16.225
Equity		<u>31.129.532</u>	<u>17.802</u>
Payables to group enterprises		43.326.000	49.676
Other payables		6.154.236	3.864
Total non-current liabilities	10	<u>49.480.236</u>	<u>53.540</u>
Other credit institutions		7.110.287	3.570
Prepayments received from customers		3.112.633	0
Trade payables		19.375.865	13.677
Payables to group enterprises		14.891.587	39.315
Other payables		9.070.221	7.367
Deferred income	11	3.530.398	0
Total current liabilities		<u>57.090.991</u>	<u>63.929</u>
Total liabilities		<u>106.571.227</u>	<u>117.469</u>
Total equity and liabilities		<u>137.700.759</u>	<u>135.271</u>

Statement of changes in equity

	<u>Share capital</u>	<u>Reserve for development expenditure</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2021	40.077	1.537.348	16.225.073	17.802.498
Net profit/loss for the year	0	868.112	-21.903.078	-21.034.966
Contribution from group	0	0	34.362.000	34.362.000
Equity at 31 December 2021	<u>40.077</u>	<u>2.405.460</u>	<u>28.683.995</u>	<u>31.129.532</u>

Notes

	<u>2021</u> DKK	<u>2020</u> TDKK
1 Staff costs		
Wages and salaries	34.100.236	32.201
Pensions	574.496	422
Other social security costs	<u>529.797</u>	<u>489</u>
	35.204.529	33.112
Transfer to production wages	<u>-1.250.862</u>	<u>0</u>
	<u>33.953.667</u>	<u>33.112</u>
Average number of employees	<u>49</u>	<u>48</u>
According to section 98 B(3) of the Danish Financial Statements Act, remuneration to the executive board has not been disclosed.		
2 Financial costs		
Interest paid to group enterprise	6.367.351	5.671
Other financial costs	<u>288.670</u>	<u>940</u>
	<u>6.656.021</u>	<u>6.611</u>
3 Tax on profit/loss for the year		
Deferred tax for the year	<u>-31.378</u>	<u>-4.469</u>
	<u>-31.378</u>	<u>-4.469</u>
4 Distribution of profit		
Transferred to reserve for development expenditure	868.112	1.537
Retained earnings	<u>-21.903.078</u>	<u>-17.390</u>
	<u>-21.034.966</u>	<u>-15.853</u>

Notes

5 Intangible assets

	Goodwill	Development projects in progress	Completed development projects	Software
Cost at 1 January 2021	62.454.423	1.869.119	129.340	1.373.936
Additions for the year	0	1.250.862	0	35.404
Transfers for the year	0	-317.669	303.329	14.340
Cost at 31 December 2021	<u>62.454.423</u>	<u>2.802.312</u>	<u>432.669</u>	<u>1.423.680</u>
Impairment losses and amortisation at 1 January 2021	8.421.201	0	27.500	67.596
Depreciation for the year	<u>8.882.173</u>	<u>0</u>	<u>123.558</u>	<u>277.655</u>
Impairment losses and amortisation at 31 December 2021	<u>17.303.374</u>	<u>0</u>	<u>151.058</u>	<u>345.251</u>
Carrying amount at 31 December 2021	<u>45.151.049</u>	<u>2.802.312</u>	<u>281.611</u>	<u>1.078.429</u>

6 Tangible assets

	Other fixtures and fittings, tools and equipment
Cost at 1 January 2021	25.710.757
Additions for the year	<u>134.715</u>
Cost at 31 December 2021	<u>25.845.472</u>
Impairment losses and depreciation at 1 January 2021	5.174.709
Depreciation for the year	<u>5.713.338</u>
Impairment losses and depreciation at 31 December 2021	<u>10.888.047</u>
Carrying amount at 31 December 2021	<u>14.957.425</u>

Notes

7 Other receivables

Out of other receivables, TDKK 3,084 are due in over 1 year.

8 Prepayments

Prepayments comprise prepaid expenses regarding rent, insurance premiums, subscriptions and interest.

	<u>2021</u>	<u>2020</u>
	DKK	TDKK
9 Provision for deferred tax		
Intangible assets	1.034.682	831
Property, plant and equipment	108.927	276
Inventories	487.330	435
Tax loss carry-forward	-6.130.939	-6.011
Transferred to deferred tax asset	<u>4.500.000</u>	<u>4.469</u>
Deferred tax asset		
Calculated tax asset	<u>4.500.000</u>	<u>4.469</u>
Carrying amount	<u>4.500.000</u>	<u>4.469</u>
The expected due dates of deferred tax:		
Within one year	2.000	2.000
Between 1 and 5 years	2.500	2.469
Over 5 years	<u>0</u>	<u>0</u>
Deferred tax at 31 December 2021	<u>4.500</u>	<u>4.469</u>

Notes

10 Long term debt

	Debt at 1 January 2021	Debt at 31 December 2021	Instalment next year	Debt outstanding after 5 years
Payables to group enterprises	49.675.500	43.326.000	0	43.326.000
Other payables	0	6.154.236	0	3.843.129
	<u>49.675.500</u>	<u>49.480.236</u>	<u>0</u>	<u>47.169.129</u>

11 Deferred income

Deferred income consists of payments received in respect of income in subsequent financial years as well as fair value adjustments of derivative financial instruments with a negative fair value.

12 Contingent liabilities

The company has entered into a lease agreement, which results in a contingent liability of DKK 6,763 thousand.

13 Mortgages and collateral

The company has a factoring agreement, which allows the Company to assign certain trade accounts receivable to the bank in exchange for cash. The trade receivables of DKK 21,528 thousand have been pledged to the bank. Debt to other credit institutions is in total DKK 6,375 thousand at 31 December 2021.

14 Related parties and ownership structure

Controlling interest

The company is controlled by:
Presto Engineering Group SAS

Other related parties

Group entities:
Presto Engineering Europe SAS
Presto Engineering HVM SAS
Presto Engineering Group UK Ltd.
Presto Engineering Inc.

Notes

14 Related parties and ownership structure (continued)

Transactions

Presto Engineering Denmark ApS has the following transactions with related parties in 2021 (DKK thousand):

Sale of goods to group enterprises	0,170
Purchase of goods from group enterprises	5,284
Purchase of services from group enterprises	6,268
Interest paid to group enterprises	6,367