Connecting the future

Annual Report 2021

Cobham SATCOM Group

The Annual Report was presented and adopted at the Annual General Meeting on 8 July 2022

Manish Girdharilal Gupta, Chairman

Contents

Statement by Management

The Board of Directors and the Executive Board have today discussed and approved the Annual Report of Cobham SATCOM Group for the financial year 1 January - 31 December 2021.

The Annual Report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2021 and of the results of their operations and consolidated cash flows for the financial year 1 January – 31 December 2021.

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

We recommend the Annual Report to be approved at the Annual General Meeting.

Kongens Lyngby, 8 July 2022

Executive Board

Manish Girdharilal Gupta, Director

Christian Gunnar Retbøll, Director

Board of Directors

Sven Evan Lewis, Chairman

Manish Girdharilal Gupta

Christian Gunnar Retbøll

Karsten Vollmer-Larsen

Independent Auditor's report

To the shareholders of Cobham SATCOM Group

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Cobham SATCOM Group for the financial year 1 January – 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity, consolidated cash flow statement and notes, including accounting policies. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements gives a true and fair view of the financial position of the Group and the Parent Company at 31 December 2021 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January – 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "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 Group 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.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 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 Group's and the Parent 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 Group or the Parent 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 Group's and the Parent 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 Group's and the Parent 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 Group and the Parent Company to cease to continue as a going concern.

Independent Auditor's report

- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 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 form of 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.

København, 8 july 2022

EY Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28

Karsten Bøgel

State Authorised Public Accountant

mne27849

Company Information

The Company	Cobham SATCOM Group Lundtoftegårdsvej 93 D DK-2800 Kongens Lyngby www.cobham.com/satcom Telephone: +45 3955 8800 CVR no.: 65724618 Financial period: 1 January - 31 December Municipality of reg. office: Lyngby-Taarbæk
Board of Directors	Sven Evan Lewis, Chairman Manish Girdharilal Gupta Christian Gunnar Retbøll Karsten Vollmer-Larsen
Executive Board	Manish Girdharilal Gupta, Director Christian Gunnar Retbøll, Director
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36 2000 Frederiksberg

Financial Highlights

USD million	2021	2020	2019	2018	2017
Key figures					
Income statement					
Revenue	233	180	189	205	202
Gross profit	76	53	32	25	20
Operating profit/(loss)	19	13	(10)	(21)	(22)
EBITDA [1]	31	27	6	(10)	(11)
EBITDA normalized [2]	51	41	6	(10)	(11)
Profit/(loss) before net financials	19	87	(10)	(21)	(22)
Net financials	1	2	(10)	(17)	2
Net profit/(loss) for the year	23	92	(27)	(32)	(15)
Balance sheet					
Non-current assets	93	73	78	79	94
Current assets	119	141	77	107	86
Total assets	212	214	155	186	180
Equity	108	138	19	24	34
Non-current liabilities	19	15	14	14	12
Current liabilities	85	61	122	148	134
Investments in property, plant and equipment	4	9	8	7	14
Average number of full-time employees	552	518	502	576	574
Financial ratios					
Gross margin (bruttomargin)	32.7%	29.4%	16.9%	12.4%	10.0%
Profit margin (overskudsgrad)	8.2%	7.0%	(5.5)%	(10.4)%	(10.9)%
Current ratio (likviditetsgrad)	140.2%	229.9%	63.1%	71.9%	63.9%
Return on assets (afkastningsgrad)	9.0%	5.9%	(6.7)%	(11.4)%	(12.2)%
Solvency ratio (soliditetsgrad)	51.1%	64.3%	12.2%	12.6%	18.7%
Return on equity (egenkapitalforrentning)	19.0%	117.4%	(142.5)%	(110.3)%	(37.2)%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. Definitions are disclosed in the note for accounting policies.

In 2021 the Group has changed it functional currency to USD. 2017-2020 comparison figures have been converted accordingly cf. Changes in Accounting policies.

[1] Profit/(loss) before tax, depreciation and amortisation, net financials and other operating income.
[2] EBITDA normalized: EBTIDA being adjusted for special items and other unusual or non-recurring items.

Management's Review

Cobham SATCOM Group's Management Review

Connecting the future

Thrane & Thrane A/S, trading as Cobham Satcom, is the market leading provider of radio and satellite communications solutions for fixed and mobile applications across a variety of end markets including maritime, government, military, and enterprise.

Cobham Satcom designs and manufactures high-performance radio, satellite communications, safety, tracker and critical communications products under the EXPLORER, SAILOR, SeaTel and TRACKER brands. Our products provide customers with outstanding performance, value and support through our global sales and service network. All our solutions are underpinned by the core purpose of keeping people safe and connected across land and sea.

Cobham Satcom was carved out as a stand-alone company from the overall Cobham conglomerate acquired by Advent International in January, 2020. Cobham Satcom is the combination of earlier Cobham acquisitions of Sea Tel, Track Star and Thrane & Thrane, which all have a long history of providing antennas to remote connectivity markets.

In 2021, 60% of revenues were generated in the maritime business. The maritime products address the needs for Radio, Safety and Tracking at sea as well as providing maritime connectivity through the market leading portfolio of L-band and VSAT antennas trading under the SAILOR and Sea Tel trademarks.

2021 saw the launch of the new SAILOR XTR VSAT platform introducing new technological innovations to the maritime market and thus further reinforcing Cobham Satcom's position as the market leader in the fast-evolving world of connectivity at sea. With optimized performance, enhanced reliability and added intelligence, the new SAILOR XTR series is ready to facilitate the maritime digital transformation today and in the future. Ready for future constellations, the SAILOR XTR range enables easy conversion to different frequencies and networks on geo-stationary satellites network and new LEO, MEO and HEO satellite networks. The SAILOR XTR platform is designed with IoT integration in mind, which will allow for improved serviceability for vessels around the world.

Within the Radio, Safety and Tracking portfolio, the SAILOR 7222 was launched, introducing the next generation SOLAS classified maritime CLASS A VHF radio to the market place. The SAILOR 7222 is yet another example of how Cobham Satcom's commitment to GMDSS and safety and supports the new Bridge Alert Management IMO resolution, which came into force in August 2021.

Cobham Satcom successfully distributes the maritime product portfolio through a dedicated network of more than 350-400 global partners, situated mainly around the major world ports or shipyards.

The remaining 40% of Cobham Satcom revenue was derived from the land business. This is partly ground infrastructure for L-band constellation, where Cobham Satcom build and maintains the RAN systems. The remaining parts of revenues come from Communication on the Move (COTM) and Communication on the Pause (COTP), trading under the EXPLORER trademark. Cobham Satcom launched a network agnostic product for Push to talk (PTT) that allows public safety vehicles and others to be "always on". The product allows rescue workers to use UHF/terrestrial services when available, and otherwise shift to L-band coming from an EXPLORER product on their vehicle. In addition, the EXPLORER brand also includes a Machine to Machine (M2M) solution which helps the utility sector connect to dispatch center even in the most remote parts of the world. The M2M solution enables IoT for the energy distribution sector as it solves the connectivity issues the terrestrial network leaves unsolved.

Under the brand TRACKER; Cobham Satcom has for years been working with upcoming and new satellite constellations and has in this capacity delivered antennas to a number of major customers. With new constellations announced and currently being deployed in both MEO and LEO orbits, this presents a unique opportunity to grow new business. MEO and LEO will need more gateway terminals (ground infrastructure) than existing GEO networks, which is an area where Cobham Satcom can deal directly with the constellation owners. In particular, LEO networks open up for vast new applications and opportunities for remote communication that will require new antennas and full user terminals for different settings ranging from high-end military/defense solutions to cell-back-haul to commercial use. These opportunities represent for significant growth possibilities.

During the year, Cobham Satcom signed contracts with 2 new satellite service providers. Both are flagship projects that will position Cobham Satcom for sustainable growth in the future.

After the acquisition by Advent, the carve-out as a stand-alone company and the establishment of the new Senior Management Team, Cobham Satcom has embarked on a fast-paced transformation, initially focusing on high-impact value-creation plans with direct EBITDA impact across key levers such as procurement, cost-out and go-to-market. These changes have also included increased globalization of value chains and increased outsourcing toward a more 'asset-light' structure.

A Strategy Blueprint has been developed to guide the efforts towards the ambitious growth targets leading to 2024 and to create a foundation for the next generation value creation plans. This strategy includes growth across the business through new product innovation and market share gain. In light of this strategy, the company increased R&D efforts and developed an ambitious product roadmap that will cater for the future needs of this fast-paced market.

Management's Review

Research and development – doubling the investment in new projects

Based on the new strategy and the successful win of several large customer contracts, R&D started a major resource ramp-up plan to be able to execute on the contracts and to support product innovation in line with the new strategy.

The first antenna in the new VSAT XTR series was successfully launched in the summer of 2021 and the roll out will continue in 2022 with several antenna sizes supporting different bands coming to market. A large project was successfully completed with a delivery of 60 large antennas.

R&D teams are engaged in outsourcing manufacturing operations to contract manufacturers (EMS) in Asia. All current products are transferred, and all new developed volume products will be introduced at the EMS.

Development in the year

In 2021 the transformation of Cobham Satcom has continued. After completing the legal restructuring at the end of 2020, the next phase of the transformation was initiated in 2021.

Therefore, as part of the strategic positioning of Cobham Satcom the production facility in Pandrup, Denmark was ramped down during the year and finally to close in April 2022. This means a much larger part of Cobham Satcom's production is now outsourced. Additionally, Cobham Satcom has set-up 3 regional distribution centers in Rotterdam, Singapore and Miami to provide products with short delivery times to its customers globally. The outsourcing of manufacturing and distribution brings our footprint close to suppliers and customers; while design, development and know-how continue to stay within Cobham Satcom. A strong US footprint continues to be part of Cobham Satcom anchored in the production facility in Concord, California.

As part of the above production facility ramp down in Denmark and even larger part of the Group's currency flows is now in USD. Therefore, the Group changed its functional currency in 2021 from DKK to USD and all comparison figures have been converted as well.

The global shortage of electronic components has affected Cobham Satcom in 2021. It has led to higher costs of products and difficulty in servicing our customers. At the same time freight costs have been at a very high level also adding to the total costs. The Group has to some extent passed these costs onto the market with price increases during the course of 2021.

Financial Performance 2021

The Group's income statement for the fiscal year 2021 shows a net profit of USD 23,407 thousand and the Group's balance sheet at 31 December shows equity of USD 108,332 thousand.

In 2021, revenue was USD 233,426 thousand, which was an increase of 30% compared to 2020 despite the carve-out of Aerospace in 2020 who contributed with USD 18,538 thousand in 2020 while SeaTel contribution to 2021 revenue was USD 49,274.

For the Parent company the revenue growth was USD 5,529 thousands and adjusted for Aerospace carve-out the growth amount is USD 24,067 thousands (13%) compared to 2020.

The increase in Maritime revenue by USD 21,266 thousand (18%) compared to 2020, as the trajectory from second half 2020 continued along with launch of new products. The Land business generated again a solid growth and realized a revenue growth of more than 100% compared to 2020 driven by new significant contracts and the completion of a major installation in 2021.

Cost of sales amounted to USD 157,142 thousand which resulted in an increase in gross margins to 33% compared to 29% in 2020. Giving the market conditions with steady price increases in components and freight this is considered satisfactory. Gross margins for the Parent company follows the same improvement going from 29% in 2020 to 34% 2021.

Investment in R&D continued its focus and resulted in new product launches and released numerous new technologies in 2021. In 2021 additional USD 15,438 thousand was capitalized as "Development projects in progress" (2020: USD 12,574 thousand) and USD 9,236 was completed during the year with a positive revenue stream already being generated. R&D projects are all clearly defined with functional prototypes, technical feasibilities, and sufficient resource allocation to meet the strong future market opportunity we foresee. Accordingly, the projects are recognized as intangible assets.

Distribution and administrative expenses amounted to USD 57,187 thousand, which is an increase of 40% compared to 2020 mainly driven by increase in Administration expenses. The business continued the transformation outsourcing production and going from one regional warehouse to 3 regional warehouses and further strengthen the global organization which drives increase in administrative cost.

EBITDA increased to USD 31,442 thousand compared to USD 27,335 thousand in 2020. Despite the growth in revenue and operating profit the EBITDA is impacted by special items and other unusual and non-recurring items. EBITDA normalized which is adjusted for these items increased to USD 51,411 thousand compared to USD 40,800 thousand in 2020 and are primary driven by growth in revenue and improved margins.

Management's Review

Special items amount to a net cost of USD 10,465 thousand and primarily derives from next phase of the transformation where the production has been outsourced and setting up 3 distribution centers in order to get closer to our suppliers and customers.

Net cash outflow in 2021 is USD 2,326 thousand compared to USD 2,740 thousand in 2020. The cash flow is impacted by the increasing investment in R&D and investment in operation processes.

Results that are validating Cobham Satcom are on the right path and with a strong equity as of 31 December 2021 of USD 108,332 thousand and a solvency ratio of 51.3%.

In 2020 the aeronautical business unit of Cobham Satcom was de-merged from Thrane & Thrane A/S and sold to Cobham Aerospace S.A.R.L with a sales price of USD 88 million. During the year it has been noted that the gain from sale of subsidiary was included in the Cash Flow Statement as "Cash flows from operating activities". This was a misstatement as the cash flow from the sale should have been fully recognized as "Disposal of subsidiaries and activities" included in "Cash flow from investment activity". Comparison figures in Cash flow statement for 2020 has been adjusted accordingly, thus reducing the cashflow from operating activities by USD 74,017 thousands and increasing the cashflow from investing activities by USD 74,017 thousands. The adjustment has no effect on Profit & Loss, Total assets nor Equity.

Outlook 2022

Cobham Satcom delivered a strong performance in 2021 with growth in revenue and earnings despite the volatile global circumstances continuing to linger. This was in line with the expectations for the year where solid growth and increasing operating profit were expected.

For 2022 the Cobham Satcom expects another year of strong revenue and operating profit. We remain focused on investing in new product launches and innovative technology to create further value for business partners and end customers and drive future revenue. Furthermore, significant investments are made in improving operational processes, time to market and in streamlining delivery performance. During the first half of 2022, the Group is finalizing the footprint transformation that was initiated in 2021. The supply chain processes with EMS' and regional warehouses are being established to provide products with short delivery times to its customers globally. However, the Group expects the global components shortage and difficult freight environment to continue in 2022 and is continuously working with finding solutions to partly mitigate costs, and to have customers supporting the increased costs levels.

Cobham Satcom expects an operating profit at the level of the 2021 results meaning revenue in the range of USD 220-240m and operating profit USD 15-25m. Expectation of operating profit adjusted for special items and other unusual and non-recurring items is in the range of USD 35-45m.

Financial Risks

Cobham SATCOM remains financed through equity and intercompany financing. In connection with financing there is a risk relating to interest fluctuations. The interest risk has not been hedged.

Cobham SATCOM's currency exposure is continuously being assessed. Sales and most significant costs items are concentrated in USD, DKK and EUR. The overall policy is to hedges significant currency risks. Further information can be found in note 20 Derived financial instruments.

Statement of Corporate Social Responsibility

Cobham Satcom takes a strategic approach to corporate responsibility and sustainability (CR&S). By managing external impacts, capitalizing on opportunities and conducting business in a responsible and sustainable way, we are better placed to mitigate our principal risks, strengthen business relationships and contribute to wider efforts to combat existential issues such as climate change.

Connectivity is no longer a luxury, but a necessity for economic and human development. By providing reliable communications in challenging environments, Cobham Satcom brings important environmental and social benefits to the global community.

The decisions and behaviors demonstrated by acting ethically, managing impacts, implementing innovative solutions and engendering positive business relationships also promote and enhance our company culture and reputation. In early 2020, we started a journey to transform our culture, which included new values. Identifying meaningful "cornerstones" (i.e. values) that resonate with employees across the entire company and embedding the new culture has been a priority during the year.

Cobham Satcom designs and manufactures high-performance radio, satellite communications, safety, tracker and critical communications products. Our products provide customers with outstanding performance, value and support through our global sales and service network. All our solutions are underpinned by the core purpose of keeping people safe and connected across land and sea.

Health, safety and environmental matters

Ensuring the health and safety of the company's people is a core value. As a diverse organization, employees are frequently required to work in different and often challenging environments and manage a range of risks. We have had a continued focus on zero harm, which has resulted in only 3 minor work related injuries at our manufacturing facility in Pandrup, 1 in Lyngby and zero injuries at our US facility.

The company also aims to continually ensure efficient use of resources to minimize the environmental impact of its operations.

A Safety, Health and Environment (SHE) policy underpins our commitment to ensuring the safety and health of employees and to minimizing the company's environmental impact. It commits us to continually improving management systems, standards and performance while developing a culture of individual responsibility. Performance was regularly reviewed throughout the year by management, our QA department and Facility Management.

Greenhouse gases

Furthermore, Cobham Satcom has received an environmental certification (ISO 14001). The Company's environmental policy is to create and embrace an environmentally aware culture and framework that actively promote employee engagement at all levels.

Cobham Satcom will continuously endeavor to improve in the following areas:

- Efficiency in the use of raw materials, energy and natural resources through product design, operations and supply chain management and logistics
- Reduction of direct and indirect greenhouse gas emissions
- Protection of the Group's operations (including its supply chain) from the significant adverse effects of climate change
- Reducing the type and amounts of hazardous substances used
- Capability to reduce, reuse or recycle wastes wherever possible

Each year, we set a list of environmental goals that supports our policy. In 2021, we set the following objectives and targets:

ISO 14001Thrane and Thrane main environment categories	Objective	Status 2021	Notes
Water, heating, electricity (2020 Lyngby: 2,860 M3, 890 MWh, 1,398 MWh) Reduce C02 emissions, through energy efficiency initiatives.	Invest in one energy improvement program pr. year.	Water: +4% (2,963 M3) Heating: +12% (1,000 MWh) Electricity: -4% (1,403 MWh)	Electricity and water numbers went up due to the onsite construction work. Energy improvement initiatives investigated : - Optimization of server-cooling - Optimization of air-conditioning - Optimization of lighting as part of building redesign - Exchanging Central Heating to Thermal Heating Implemented : Optimization of lighting where LED lighting installed in all affected areas
Canteen consumption (~60 ton raw material / year) Reduce environmental impact from the canteens.	3% reduction pr. year in food waste.	Food waste: +16% C02 footprint: -8%	Food waste is approximately on the same level as last year. It was not possible to further reduce due to the Covid-19 precautions. 2020: 13 g; 2021: 15,1 g ->did not reduce the food waste but did reduce the environmental impact
Production (OPS and R&D) (-1,040 ton raw material / year) Reduce environmental impact from raw material usage in production.	Define and run 2 environmental projects in 2021. Environmental factors will be included in the R&D project model: • Design products for recycling of materials • Resource efficiency will be tracked throughout the project and supported by design for manufacturing • R&D will constantly look at improving manufacturability thereby improving yield leading to less waste	- Reducing the raw material usage in the new products compared with the old ones - Full year potential reduction: 1000 XTR - 9 ton Sailor 7222 no changes	2 new products was developed: Sailor 1000 XTR and Sailor 7222. Comparing the weight with previous models.
Waste (~ 200 ton / year) Reduce amount of waste (reuse, reduce, scrap, rethink packaging)	3% reduce yearly untill 2022 and then re-evaluate.	A reduction of 6% was achieved	Strong focus on reuse and reduction in generel
Air travel (- 9.000.000 passengerKM) Lower C02 emissions by Improved air travel	Decrease use of air travel by 3% (total mileage/C02/person) untill 2022 and then re-evaluate.	Mileage: -51% C02: -48% Trips: -32% C02/Mileage: +7% C02/Trip: -24% Mileage/Trip: -29%	2021 data compared to 2019, as 2020 was an outstanding year from air-traffic perspective due to Covid-19.
Air/Sea/Land Freight (Inbound/Outbound) Lower C02 emissions by reducing amount of air freight of materials and finished goods.	3% yearly reduction of airfreight from 2021 to 2023	...	No data has been received

3 out of 6 goals were achieved, all of which supported the overall lowering of the company's environmental impact and CO2 emissions.

Energy and water usage: Due to reconstruction of the Lyngby site this number is slightly higher than previous year.

Canteen consumption: Due to the COVID-19 pandemic, it was not possible to reduce the food waste further due to Corona precautions. The result is in line with the previous year. Due to optimized mix of raw material, it has been possible to reduce CO2 footprint from the canteen by 8%.

Air/Sea/Land Freight: As a restructuring of the supply chain is ongoing, this was not tracked in 2021.

Employees

The company aims to empower a diverse workforce and build an inclusive work environment. A diverse workforce is essential to drive innovation and improve decision-making. Recruiting people from diverse backgrounds can be challenging especially as there is a diminishing talent pool due to a reduction in the number of Science, Technology, Engineering and Maths (STEM) graduates.

The company is committed to providing all its employees with equal opportunities in a workplace free from discrimination. Recruitment efforts aim to replenish the talent pipeline and ensure that STEM graduates recognize Cobham Satcom as an employer of choice. Recruitment, selection and career development are based on competencies and job requirements, irrespective of race, gender, sexual orientation, religion or disability. Applications for employment from persons with a disability are welcomed and given full and fair consideration. With regard to employees who become disabled, the policy is to take all reasonable steps, including retraining, to ensure that they can remain in employment and are given access to equal career development opportunities as everyone else.

The main risk that Cobham Satcom faces when trying to secure a healthy and safe working environment while ensuring our employee's physical and mental well-being.

COVID-19

Cobham Satcom does not consider that the COVID-19 pandemic poses a material risk to non-financial matters, which is why no policy or actions have been developed in relation to this.

Social matters

We want to increase focus on attracting girls to STEM educations and work, so we invited a class of schoolgirls to visit us on Girls Day in Science in October 2021 to inspire and increase knowledge about working within STEM. Furthermore, we invite homeless people in Copenhagen areas to benefit from collecting deposits from our empty bottles. The company has a Corporate Responsibility and Sustainability (CR&S) strategy and is committed to acting ethically, inspiring employees, creating innovative solutions and managing environmental and social impacts directly, and through business relationships. CSR is integrated into business practices through corporate governance, long-range strategic plans, performance management systems, product development, and reporting & assurance processes.

Anti-corruption and anti-bribery matters

Cobham Satcom's culture is to act ethically and with integrity at all times, protecting the company's reputation, stakeholders and employees. The main risk that Cobham Satcom faces regarding anticorruption is to ensure that business is conducted fairly and honestly.

Cobham Satcom has a reputation grounded in trust, integrity and of 'doing the right thing'. To protect that reputation and to help ensure business is conducted fairly and honestly, global standards of behavior have been adopted as set out in the Code of Business Conduct (COBC). This emphasizes the importance that each employee plays in building trust - with each other, customers and partners - to ensure every company employee conducts business to the same high standards of business ethics. The COBC includes a section on bribery and corruption and sets out a zero tolerance to both. It is approved by and signed by the CEO.

As the COBC cannot cover every eventuality or challenge employees may face, it is created as a resource for them to use when guidance is needed, to help them make informed decisions. The company offers a confidential Ethics Helpline for employees, or others, to ask questions or to raise a concern they may have, anonymously if they so wish. It also offers other alternative resources to employees, so they can raise a concern in a way they feel most comfortable.

To ensure that all types of unethical behavior is avoided, Cobham Satcom requires all new employees to complete a COBC training and continuously informs the employees about the COBC. During 2021, no breaches to our COBC were reported.

Management's Review

Respect for human rights

Human rights are an important issue for Cobham Satcom. There are growing requirements to comply with legislation and to respond to customer information requests on human rights issues such as modern slavery and conflict minerals. Cobham Satcom supports the principles contained in the Universal Declaration of Human Rights and seeks to reflect these in the context of its business activities. The Company also respects the rights of its employees in the International Labor Organization Declaration on Fundamental Principles and Rights at Work. Cobham Satcom demonstrates its support and respect for human rights through the principles and policies contained in the COBC and COBC training.

Cobham Satcom opposes modern slavery and human trafficking in all its forms and is committed to acting ethically and with integrity in all business dealings and relationships. The company has published an Anti-Slavery and Human Trafficking statement, which can be found on the company website: https://cobham-satcom.com/
During 2021, no breaches to our human right policies were reported.

Going forward, we will continue to comply with legislation and to respond to customer information's request on human rights issues.

Data Protection responsibilities & Data Ethics

Cobham Satcom's data protection to ensure appropriate data protection standards are adhered in line with applicable privacy law can be found at: https://cobham-satcom.com/Privacy-Notice/

During 2021 Cobham SATCOM has reviewed and updated a number of policies, as part of this review the company has also identified a need to have a policy for data ethics. The data ethics policy is being established and will come to effect in 2022.

Gender distribution in management
The Company believes that diversity among employees and management, including gender distribution, contributes positively to the working environment and strengthens the company performance and competitiveness.

It has therefore been planned to further integrate diversity into the recruiting process and leadership programmes, to facilitate having a more diverse workforce in Cobham SATCOM Group. One of the initiatives will be the goal of having both genders represented at the final stages of recruitment processes.

The board currently consists of zero female members and 5 male members. The composition of the Board of Directors does not meet the requirements for an equal gender balance as in accordance with the Danish Companies Act and the guidance from the Danish Business Authority. The board is cognizant of the under representation and wants to increase the number of female board members bearing in mind that within the technology business there is a low ratio of women and there was no suitable female candidate found during the changes in the Board of Directors in 2021.

Going forward, we will endeavour to reach the guidelines from the Danish Business Authority in 2021 and beyond by taking competences and qualifications into account and ensuring we consider female employees when a board member resigns. The ambition is to have at least 2 female board members in 2022-2024. During 2022 the composition will change to 2 female and 4 male members.

	2020	%	2021	%
Board of Directors	0/5	0	0/5	0
Senior Management	1/11	9	2/11	18
Total Workforce	134/392	34	132/394	34

Table: Upper management ratio according to gender (women/men)

Income Statement 1 January – 31 December

Note	USD'000	Group 2021	Group 2020	Parent Company 2021	Parent Company 2020
3	Revenue	233,426	179,572	184,152	178,623
4	Cost of sales	(157,142)	(126,795)	(121,956)	(125,697)
	Gross profit	**76,284**	**52,777**	**62,196**	**52,926**
4	Distribution expenses	(19,277)	(15,813)	(13,772)	(15,615)
4	Administrative expenses	(37,910)	(24,324)	(29,332)	(21,104)
	Operating profit/(loss)	**19,097**	**12,640**	**19,092**	**16,206**
1	Other operating income	-	74,017	-	-
	Profit/(loss) before financials	**19,097**	**86,657**	**19,092**	**16,206**
5	Income from investments in subsidiaries	-	-	(1,769)	71,040
6	Financial income	11,746	12,000	11,703	11,300
7	Financial expenses	(10,320)	(10,352)	(9,946)	(10,194)
	Profit/(loss) before tax	**20,523**	**88,305**	**19,080**	**88,352**
8	Income tax	2,884	3,646	4,327	3,599
	Net profit/(loss) for the year	**23,407**	**91,951**	**23,407**	**91,951**

Balance Sheet at 31 December

Note	USD'000	Group 2021	Group 2020	Parent Company 2021	Parent Company 2020
	ASSETS				
	Non-current assets				
	Development projects in progress	18,776	12,574	18,776	12,574
	Completed development projects	8,614	-	8,614	-
	Software	3,672	1,419	3,654	1,391
	Goodwill	25,662	30,616	2,187	3,124
	Customer relationship	3,893	4,508	3,893	4,508
9	**Intangible assets**	**60,617**	**49,117**	**37,124**	**21,597**
	Right of use assets	12,780	8,254	11,769	7,184
	Plant and machinery	2,609	2,312	1,731	1,936
	Fixtures and fittings, tools and equipment	754	432	646	331
	Leasehold improvements	1,760	533	1,456	299
	Property, plant and equipment in progress	797	1,016	680	751
10	**Property, plant and equipment**	**18,700**	**12,547**	**16,282**	**10,501**
11	Investments in subsidiaries	-	-	41,292	42,066
12	Deferred tax assets	13,843	11,681	12,420	9,470
	Other non-current assets	**13,843**	**11,681**	**53,712**	**51,536**
	Total non-current assets	**93,160**	**73,345**	**107,118**	**83,634**
	Current assets				
	Raw materials and consumables	17,579	10,716	11,436	5,426
	Work in progress	8,859	10,083	4,819	7,348
	Finished goods and goods for resale	15,920	10,724	11,914	8,089
	Inventories	**42,358**	**31,523**	**28,196**	**20,863**
	Trade receivables	32,686	31,283	22,878	21,315
13	Contract work in progress	17,094	5,097	14,281	2,773
	Receivables from group entities	6,709	51,388	11,922	53,652
	Other receivables	2,099	1,442	1,615	1,443
	Derivative financial instruments	-	2,558	-	2,558
14	Prepayments	6,643	4,130	6,615	2,974
	Receivables	**65,231**	**95,898**	**56,931**	**84,715**
	Cash	**11,224**	**13,550**	**7,826**	**13,407**
	Total current assets	**118,813**	**140,971**	**92,953**	**118,985**
	TOTAL ASSETS	**211,973**	**214,316**	**200,071**	**202,619**

Balance Sheet at 31 December

Note	USD'000	Group 2021	Group 2020	Parent Company 2021	Parent Company 2020
	EQUITY AND LIABILITIES				
	Equity				
15	Share capital	19,543	19,543	19,543	19,543
	Reserve for development costs	-	-	24,615	12,574
	Retained earnings	90,256	66,849	65,641	54,275
	Other reserves	(1,467)	26	(1,467)	26
	Proposed dividend	-	51,384	-	51,384
	Total equity	**108,332**	**137,802**	**108,332**	**137,802**
	Non-current liabilities				
16	Other provisions	7,961	8,789	6,830	8,327
17	Lease liabilities	10,920	6,419	10,876	6,419
	Total non-current liabilities	**18,881**	**15,208**	**17,706**	**14,746**
	Current liabilities				
17	Lease liabilities	3,277	3,379	2,320	2,381
	Prepayments received from customers	9,072	1,525	9,072	1,525
	Trade payables	43,768	23,182	37,701	17,097
	Payables to group entities	14,900	2,861	14,352	-
	Derivative financial instruments	142	-	142	-
	Credit institutions	3,773	15,836	3,773	15,836
	Other payables	9,828	13,097	6,673	11,806
	Corporation tax	-	1,377	-	1,377
	Deferred income	-	49	-	49
	Total current liabilities	**84,760**	**61,306**	**74,033**	**50,071**
	Total liabilities	**103,641**	**76,514**	**91,739**	**64,817**
	TOTAL EQUITY AND LIABILITIES	**211,973**	**214,316**	**200,071**	**202,619**

1 Special items
2 Recognition and measurement uncertainties
18 Distribution of net profit/(loss) for the year
19 Fee to auditors appointed at Annual General Meeting
20 Contingent liabilities
21 Derived financial instruments
22 Changes in working capital
23 Related parties with controlling interest
24 Accounting policies

Statement of Changes in Equity at 31 December

USD'000	Group					
	Share capital	Retained earnings	Translation reserve	Reserve for hedges	Proposed Dividend	Total
Equity at 1 January 2020	19,543	(677)	-	-	-	18,866
Net profit/(loss) for the year	-	39,674	-	-	51,384	91,951
Increase by acquisition of subsidiaries	-	27,100	-	-	-	27,100
Fair value adjustments for hedging instruments	-	-	-	(11)	-	(11)
Foreign exchange adjustments, subsidiaries	-	-	37	-	-	37
Actuarial gains/(losses)	-	(141)	-	-	-	(141)
Equity at 1 January 2021	**19,543**	**66,849**	**37**	**(11)**	**51,384**	**137,802**
Foreign exchange adjustment (USD conversion)	-	-	(1,352)	-	-	(1,352)
Converted equity 1 January 2021	**19,543**	**66,849**	**(1,352)**	**(11)**	**51,384**	**136,450**
Net profit/(loss) for the year	-	23,407	-	-	-	23,407
Fair value adjustments for hedging instruments	-	-	-	(142)	-	(142)
Foreign exchange adjustments, subsidiaries	-	-	1	-	-	1
Dividend Distributed	-	-	-	-	(51,384)	(51,384)
Equity at 31 December	**19,543**	**90,256**	**(1,314)**	**(153)**	**-**	**108,332**

Statement of Changes in Equity at 31 December

USD'000	Share capital	Reserve equity method	Reserve for development costs	Retained earnings	Translation reserve	Reserve for hedges	Proposed Dividend	Total
	Parent Company							
Equity at 1 January 2020	19,543	-	-	(677)	--		-	18,866
Net profit/(loss) for the year	-	-	12,574	27,993	-	-	51,384	91,951
Increase by acquisition of subsidiaries	-	-	-	27,100	-	-	-	27,100
Fair value adjustments for hedging instruments	-	-	-	-	-	(11)	-	(11)
Foreign exchange adjustments, subsidiaries	-	-	-	-	37	-	-	37
Actuarial gains/(losses)	-	-	-	(141)	-	-	-	(141)
Equity at 1 January 2021	**19,543**	**-**	**12,574**	**54,275**	**37**	**(11)**	**51,384**	**137,802**
Foreign exchange adjustment (USD conversion)		-	-	-	(1,352)	-	-	(1,352)
Converted equity 1 January 2021	**19,543**	**-**	**12,574**	**54,275**	**(1,352)**	**(11)**	**51,384**	**136,450**
Net profit/(loss) for the year	-	-	12,041	11,366	-	-	-	23,407
Fair value adjustments for hedging instruments	-	-	-	-	-	(142)	-	(142)
Foreign exchange adjustments, subsidiaries	-	-	-	-	1	-	-	1
Dividend Distributed	-	-	-	-	-	-	(51,384)	(51,384)
Equity at 31 December	**19,543**	**-**	**24,615**	**65,641**	**(1,314)**	**(153)**	**-**	**108,332**

Cash Flow Statement at 31 December

Note	USD'000	Group 2021	Group 2020
	Profit/loss before net financials	19,097	12,640
	Depreciation and amortisation	12,344	14,694
	Other adjustments of non-cash operating items	85	14,065
	Cash generated from operations before changes in working capital	31,526	41,399
22	Changes in working capital	32,531	21,146
	Cash generated from operations	64,057	62,545
6	Interest received	1,068	349
7	Interest paid	(1,233)	(2,665)
	Corporation tax paid	(1,377)	904
	Cash flows from operating activities	62,515	61,133
9	Acquisition of intangible assets	(18,490)	(22,686)
9	Disposal of intangible assets	-	10,514
10	Acquisition of property, plant and equipment	(11,561)	(3,101)
10	Disposal of property, plant and equipment	54	279
1	Disposal of subsidiaries and activities	-	87,790
		-	
	Cash flows from investing activities	(29,997)	72,796
	Loan financing:		
	Dividends paid	(51,384)	-
	Borrowings to group entities	-	(50,925)
	Repayment of current liabilities	-	(85,744)
	Borrowings of non-current liabilities	16,540	-
		-	-
	Cash flows from financing activities	(34,844)	(136,669)
	Cash flows for the year	(2,326)	(2,740)
	Cash and cash equivalents, beginning of year	13,550	16,290
	Cash and cash equivalents, year end	11,224	13,550

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements.

Comparison figures in cashflow statement for 2020 has been adjusted, thus reducing the cashflow from operating activities by USD 74,017 thousands and increasing the cashflow from investing activities by USD 74,017 thousands. See note 24.

Notes to the Financial Statements

1 Special items

Special items include significant income and expenses that have a special character in relation to the Group's revenue-generating activity such as the costs of comprehensive structuring of processes and basic structural adjustments, as well as any disposal gains and losses associated with them, and which are of considerable importance over time. Special items also include other significant one-off items of a nonrecurring nature, which, according to management's assessment, are not part of the Group's operating activities.

As reported in the Management's review, the profit for the period is affected by circumstances that differ from what management considers as part of the primary operations.

Special items for the period are specified below, and it is shown, where in the income statement these items are recognized.

	Group		Parent Company	
USD'000	**2021**	**2020**	**2021**	**2020**
Income				
Gain from sale of subsidiary	-	74,017	-	74,017
Reversal of prior year impairment on tax asset	-	4,869	-	4,869
Costs				
Restructuring costs	(903)	(5,797)	(610)	(5,797)
COVID-19 related costs	(208)	(1,498)	(127)	(1,498)
Transformation costs	(9,354)	(6,170)	(9,354)	(6,170)
Net gain/(loss) from special items	**(10,465)**	**65,421**	**(10,091)**	**65,421**

Special items are recognized in the below line items:				
Cost of sales	(262)	(9,624)	(262)	(9,624)
Distribution expenses	(776)	(952)	(597)	(952)
Administrative expenses	(9,427)	(2,889)	(9,232)	(2,889)
Other operating income	-	74,017	-	-
Income from investment in subsidiaries	-	-	-	74,017
Income tax	-	4,869	-	4,869
Net gain/(loss) from special items	**(10,465)**	**65,421**	**(10,091)**	**65,421**

2 Recognition and measurement uncertainties

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are address below.

The judgments, estimates, and assumptions made are based on historical experience and other factors that Management considers to be reliable, but which by their very nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise. The most critical judgments, estimates, and assumptions for the individual items are described below.

Critical accounting estimates

Critical accounting estimates are expectations of the future based on assumptions, that to the extent possible are supported by historical trends or reasonable expectations. The assumptions may change to adapt to the market conditions and changes in economic factors etc. The Group believe that the estimates are the most likely outcome of future events.

Development projects

For development projects in progress, management estimates on an ongoing basis whether each project is likely to generate future economic benefits for the Group in order to qualify for recognition. The development projects are evaluated on technical as well as commercial criteria. As of 31 December 2021, the Carrying value of Development Projects and Development Projects in progress amount to USD 27,390t (2020: USD 12,574t).

Deferred tax asset

As of 31 December 2021 the group has recognized a tax asset of USD 13,843t hereof tax-loss carry-forward amounts to USD 10,982t which is the result of previous years' taxable income related to Thrane & Thrane A/S. Recognition of deferred tax assets requires that it is probable that future taxable profits are available where the unused tax losses can be utilized. Based upon budgets for 2022 to 2026 it is expected to be utilized over the next 2-3 years.

	Group	
USD'000	**2021**	**2020**
3 Revenue		
Geographical segments		
Europe	140,622	110,037
Asia	30,102	35,172
North America	55,212	26,544
Australia	5,140	5,165
South America	1,822	720
Africa	528	604
Other	-	1,332
	233,426	**179,572**
Business segments		
Maritime	137,388	116,122
Land	96,038	44,912
Aeronautical	-	18,538
	233,426	**179,572**

USD'000	Group 2021	Group 2020	Parent Company 2021	Parent Company 2020
4 Staff cost				
Wages and salaries	52,929	56,043	39,999	55,068
Pensions	2,413	2,570	2,375	2,530
Other social security expenses	2,094	803	1,023	791
Other staff expenses	2,122	1,525	1,736	1,481
	59,558	**60,941**	**45,132**	**59,870**
In the Income Statement staff costs are recognized as follows:				
Cost of sales	33,558	40,234	24,834	39,511
Distribution expenses	14,444	11,616	10,189	11,460
Administrative expenses	11,555	9,091	10,108	8,899
	59,558	**60,941**	**45,132**	**59,870**
Key Management compensation				
Wages	1,111	767	1,111	767
Pensions	28	70	28	70
Executive Board	**1,139**	**837**	**1,139**	**837**
Board of Directors:	3	3	3	3
Total key management compensation	**1,142**	**840**	**1,142**	**840**

Remuneration to the executive board in 2020 and 2021 includes severance pay to former members of the executive board.

	Group 2021	Group 2020	Parent Company 2021	Parent Company 2020
Average number of full-time employees	**552**	**518**	**427**	**486**

USD'000	Parent Company 2021	Parent Company 2020
5 Income from investments in subsidiaries		
Gain from sale of subsidiary	-	74,017
Share of profit/(loss) in subsidiaries	3,243	407
Amortisation of goodwill	(4,497)	(3,863)
Change in intercompany profit	479	479
	(775)	**71,040**
Correction re. sales of subsidiary	(994)	-
Adjusted Income from investments in subsidiary	**(1,769)**	**71,040**

Notes to the Financial Statements

USD'000	Group 2021	Group 2020	Parent Company 2021	Parent Company 2020
6 Financial income				
Interest income from group	543	-	543	-
Other interest income	525	349	483	342
Foreign exchange rate gains	10,678	11,651	10,678	10,958
	11,746	**12,000**	**11,703**	**11,300**
7 Financial expenses				
Interest expenses to group entities	145	2,154	24	2,131
Other interest expenses costs	1,088	511	838	497
Foreign exchange rate losses	9,087	7,687	9,084	7,566
	10,320	**10,352**	**9,946**	**10,194**
8 Income tax				
Current tax on profit for the year	656	-	-	-
Change in deferred tax for the year	(1,633)	1,223	(1,911)	1,270
Previous year adjustment	(1,907)	(4,869)	(2,416)	(4,869)
Income tax expense/(income)	**(2,884)**	**(3,646)**	**(4,327)**	**(3,599)**

9 Intangible assets

	Group					
USD'000	**Development projects in progress**	**Completed Development projects**	**Software**	**Goodwill**	**Customer Relationship**	**Total**
Cost at 1 January 2021	12,574	-	9,813	111,071	14,421	147,879
Additions	15,438	-	3,052	-	-	18,490
Transferred	(9,236)	9,236	-	-	-	-
Cost at 31 December 2021	18,776	9,236	12,865	111,071	14,421	166,369
Amortisation and impairment losses at 1 January 2021	-	-	8,394	80,455	9,913	98,762
Amortisation	-	622	799	4,955	615	6,990
Amortisation and impairment losses at 31 December 2021	-	622	9,193	85,410	10,528	105,753
Carrying amount at 31 December 2021	**18,776**	**8,614**	**3,672**	**25,662**	**3,893**	**60,617**
Amortised over	-	5 years	3-5 years	20 years	Up to 20 years	

	Parent Company					
USD'000	**Development projects in progress**	**Completed Development projects**	**Software**	**Goodwill**	**Customer Relationship**	**Total**
Cost at 1 January 2021	12.574	-	9,775	18,224	14,421	54,993
Additions	15,438	9,236	3,052	-		27,726
Disposals	(9,236)	-	-	-		(9,236)
Cost at 31 December 2021	18,776	9,236	12,827	18,224	14,421	73,483
Amortisation and impairment losses at 1 January 2021	-	-	8,384	15,100	9,913	33,396
Amortisation	-	622	789	937	615	2,963
Amortisation and impairment losses at 31 December 2021	-	622	9,173	16,037	10,528	36,359
Carrying amount at 31 December 2021	**18,776**	**8,614**	**3,654**	**2,187**	**3,893**	**37,124**
Amortised over	-	5 years	3-5 years	20 years	Up to 20 years	

Development projects in progress

Development projects in progress relates to development of professional radio and satellite communication equipment on the land and maritime business segments covering both hardware and software solutions. The relating expenses primarily consist of internal expenses in the form of payroll costs and production overheads, which are recorded through the Group's internal project module.

Completed development projects

Completed development projects relates to products that has been launched during the year 2021. The completed projects are already generating substantial revenue in 2021.

Goodwill

Goodwill is initially recognized at the amount by which the purchase price for a business combination exceeds the recognized value of identifiable assets and liabilities acquired.

10 Property, plant and equipment

	Group					
USD'000	**Right of use assets**	**Plant and machinery**	**Fixtures and fittings, tools and equipment**	**Lease-hold improve-ments**	**Property, plant and equipment under con struction**	**Total**
Cost at 1 January 2021	15,071	27,040	5,943	4,261	1.016	53,331
Additions	7,745	1,312	433	1,369	702	11,561
Transferred	-	730	167	24	(921)	-
Disposals	-	(1,038)	(332)	(22)	-	(1,392)
Cost at 31 December 2021	22,816	28,044	6,211	5,632	797	63,500
Depreciation and impairment losses at 1 January 2021	6,817	24,728	5,511	3,728	-	40,784
Depreciation	3,219	1,691	278	166	-	5,354
Disposals	-	(984)	(332)	(22)	-	(1,338)
Depreciation and impairment losses at 31 December 2010	10,036	25,435	5,457	3,872	-	44,800
Carrying amount at 31 December 2021	**12,780**	**2,609**	**754**	**1,760**	**797**	**18,700**
Depreciated over	3-13 years	3-7 years	3-7 years	3-13 years		

	Parent company					
USD'000	**Right of use assets**	**Plant and machinery**	**Fixtures and fittings, tools and equipment**	**Lease-hold improve-ments**	**Property, plant and equipment under con struction**	**Total**
Cost at 1 January 2021	11,444	21,465	4,459	2,978	751	41,097
Additions	7,070	772	388	1,284	584	10,098
Transferred	-	490	165	-	(655)	-
Disposals	-	(825)	-	-	-	(825)
Cost at 31 December 2021	18,514	21,902	5,012	4,262	680	50,370
Depreciation and impairment losses at 1 January 2021	4,260	19,529	4,128	2,679	-	30,596
Depreciation	2,485	1,413	238	127	-	4,263
Disposals	-	(771)	-	-	-	(771)
Depreciation and impairment losses at 31 December 2021	6,745	20,171	4,366	2,806	-	34,088
Carrying amount at 31 December 2021	**11,769**	**1,731**	**646**	**1,456**	**680**	**16,282**
Depreciated over	3-13 years	3-7 years	3-7 years	3-13 years		

USD'000	Parent Company 2021	Parent Company 2020
11 Investments in subsidiaries		
Cost at 1 January	136,228	108,721
Additions	-	41,280
Disposals	-	(13,773)
Cost at 31 December	136,228	136,228
Value adjustments at 1 January	(94,162)	(91,081)
Foreign exchange adjustment	1	37
Amortisation of goodwill	(4,497)	(3,863)
Change in intercompany profit on inventories	479	479
Actuarial gains/(losses)	-	(141)
Share of profit/(loss) for the year	3,243	407
Value adjustments at 31 December	(94,936)	(94,162)
Carrying amount at 31 December	**41,292**	**42,066**
Of which the carrying amount of non-depreciated increases in value is	22,843	27,493

Name and registered office	Voting rights and ownership
Thrane & Thrane Norge AS, Billingstad, Norway	100%
Sea Tel Inc., Concord, USA	100%

All subsidiaries are considered separate entities.

USD'000	Group 2021	Parent Company 2021
12 Deferred tax		
Deferred tax at 1 January	11,681	9,470
Previous year adjustment	530	1,039
Deferred tax adjustment for the year	1,633	1,911
Deferred tax at 31 December	**13,843**	**12,420**
Deferred tax relates to:		
Intangible assets	(2,477)	(2,477)
Property, plant and equipment	1,654	1,387
Current assets	1,154	1,180
Provisions	2,274	1,348
Liabilities other than provisions	256	-
Tax loss carried forward	10,982	10,982
	13,843	**12,420**

The Group has recognized a tax asset of USD 13,843 thousand where USD 10,982 thousand relates to tax losses carried forward which is the result of previous years' taxable income. Based upon budgets for 2022 to 2026 it is expected to be utilized over the next 4-5 years.

USD'000	Group 2021	Group 2020	Parent Company 2021	Parent Company 2020
13 Contract work in progress				
Selling price of work in progress	37,121	19,043	34,198	11,835
Payments received on account	(20,027)	(13,946)	(19,917)	(9,062)
Contract work in progress	**17,094**	**5,097**	**14,281**	**2,773**

14 Prepayments

Prepayments include accrual of expenses relating to subsequent years.

15 Share Capital

The share capital comprises 5,944,665 shares of a nominal value of USD 3.29/DKK 20 each. The share capital is not divided into classes. Every share carries 1 voting right.

USD'000	Group 2021	Group 2020	Parent Company 2021	Parent Company 2020
16 Other provisions				
Other provisions at 1 January	8,789	6,761	8,327	6,761
Utilised during the year	(1,571)	(1,899)	(1,571)	(1,899)
Unutilised provision, reversed	-	(617)	-	(617)
Disposals	-	(1,715)	-	(1,715)
Provisions from acquisitions	-	462	-	-
Provisions for the year	743	5,797	74	5,797
Other provisions at 31 December	**7,961**	**8,789**	**6,830**	**8,327**

The Group provides warranties of 1 to 5 years on some of its products and is therefore committed to repair or replace products that are not satisfactory. Based on previous experience in respect of the level of repairs and returns, warranty provisions of USD 2,549 (2020: USD 1,419) thousand, have been recognized for warranty claims and expected warranty repairs. Provision for restructuring of USD 4,126 (2020: USD 5,797) thousand and other provisions of USD 1,285 (2020: USD 1,111) thousand.

17 Lease liabilities

In measuring the lease liabilities, the Group has used weighted average incremental borrowing rate to discount remaining lease payments of 2%.

For 2021, the Group has paid USD 3,253 thousand regarding leases, of which interest payments related to recognized leasing commitments amount to USD 231 thousand and repayments on recognized leasing debt USD 3,022 thousand.

	Group		Parent Company	
USD'000	**2021**	**2020**	**2021**	**2020**
Maturity:				
0-1 year	3,277	3,379	2,320	2,381
1-5 years	6,606	6,419	6,562	6,419
> 5 years	4,314	-	4,314	-
Lease liabilities at 31 December	14,197	9,798	13,196	8,800

	Parent Company	
USD'000	**2021**	**2020**
18 Distribution of net profit/(loss) for the year		
Retained earnings	11,366	27,993
Reserve for development costs	12,041	12,574
Proposed dividend	-	51,384
	23,407	91,951

	Group		Parent Company	
USD'000	**2021**	**2020**	**2021**	**2020**
19 Fee to auditors appointed at Annual General Meeting				
Audit fee	382	253	271	238
Other assurance engagements	5	5	5	5
Tax advisory services	44	9	44	9
Other services	83	112	83	112
	514	**379**	**403**	**364**

20 Contingent liabilities

The Group has purchase commitments with suppliers as a part of normal operations.

The Danish group companies are jointly and severally liable for tax on the Group's jointly tax income.

21 Derived financial instruments

The Group hedges expected currency risks relating to sales of goods and purchases within the next two years with forward exchange contracts.

The derivatives are forward exchange contracts not traded on an active market. The fair value is therefore estimated using a valuation technique, where all significant inputs are based on observable market data such as exchange rates, interest rates, credit risk and volatilities (level 2).

USD'000	Period		Group 2021	Group 2020
Forward exchange contracts	0 – 24 months	Contractual value	21,000	41,033
		Gain/(loss) recognized in the income statement that are expected to be realized after the balance sheet date	(2,700)	5,436

USD'000	Group 2021	Group 2020
22 Changes in working capital		
Changes in inventories	(10,836)	3,840
Changes in receivables	30,668	12,458
Changes in trade and other payables	12,699	4,848
	32,531	**21,146**

Notes to the Financial Statements

23 Related parties

Related party transaction comprises transactions with the Executive Board and the Board of Directors, as well as with other companies within the Cobham Group. Cobham Satcom's related parties comprise the following:

- Cobham Ltd.
- Cobham Electronics Holding Ltd.
- Cobham Aerospace Aps
- Lockman Investments Ltd.

Transactions with related parties comprise ordinary business transactions and miscellaneous administration services. Remuneration of the Executive Board and the Board of Directors is disclosed in note 4.

In 2021 comparison figures have been updated, including the disposal of the subsidiary Cobham Aerospace ApS of USD 87.8m and the contribution of SeaTel Inc. in 2020 of USD 27.1m.

	Group	
USD'000	**2021**	**2020**
Transactions of operating nature		
Service charges to Cobham Group companies	5,204	9,113
Service charges from Cobham Group companies	1,669	1,354
Royalty from Cobham Group companies	-	3,151
Sales to Cobham Group companies	-	25,221
Purchase of goods from Cobham Group companies	-	14,323
Acquisition/Disposal of undertakings		
Acquisition of Sea Tel Inc. from Group entities	-	27,100
Disposal of Cobham Aerospace ApS to group entities	-	87,790
Payables and Receivables		
Payables to Cobham Group companies	7,000	56
Receivables from Cobham Group companies	6,709	463
Loans and dividends		
Interest paid to Cobham Group companies	122	2,154
Interest received from Cobham Group companies	543	-
Outstanding loan to Parent company	7,900	2,861
Outstanding loan receivables from Parent company	-	50,925
Dividend Paid to Parent Company	51,384	-

The following shareholders are recorded in the Group's shareholder register as holding at least 5% of the voting rights and/or holding at least 5% of the share capital:

Lockman Electronic Holdings Ltd.
Brook Road, Wimborne Dorset, UK

Thrane & Thrane A/S is part of the consolidated financial statements of AI Convoy (Luxembourg) S.á.r.l. which are the smallest and largest group, respectively in which the Company is included as a subsidiary. The consolidated financial statement of AI Convoy (Luxembourg) S.á.r.l. can be obtained at: https://www.cobham.com/news/posts/ai-convoy-luxembourg-s-a-r-l-annual-report-2021/

Notes to the Financial Statements

24 Accounting policies

The Annual Report of Cobham SATCOM Group for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

Changes in accounting policies

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

Reporting currency

Financial Statements for 2021 are presented in USD (USD'000). The Group changed its functional currency from DKK to USD as a consequence of the acquisition of Sea Tel Inc. and the elevation of the globalization of the company's activities. All 2021 opening balances sheet items are converted into USD using 2020 closing rate (6,0837) for the Cobham Group. A consequence of this change in functional currency the presentation currency also changed to USD. The 2020 comparison figures have been converted to USD using the same currency rate. The impact of the conversion is amounting to USD 1,352 thousands. See "Statement of Changes in Equity at 31 December".

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 at Cobham Group currency rate (6,5626). 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.

Material misstatement

During the year it has been noted that the gain from sale of subsidiary was included in the Cash Flow Statement as "Cash flows from operating activities". This was a misstatement as the cash flow from the sale should have been fully recognized as "Disposal of subsidiaries and activities" included in "Cash flow from investment activity". Comparison figures in Cash flow statement for 2020 has been adjusted accordingly, thus reducing the cashflow from operating activities by USD 74,017 thousands and increasing the cashflow from investing activities by USD 74,017 thousands. The adjustment has no effect on Profit & Loss, Total assets nor Equity.

In addition, the comparison figures in the disclosure of related party transaction have been updated, including the disposal of the subsidiary Cobham Aerospace ApS and the contribution of SeaTel Inc.

Consolidated financial statements

Control

The consolidated financial statements comprise the Parent Company Thrane & Thrane A/S and subsidiaries controlled by Thrane & Thrane A/S.

Control means the power to exercise decisive influence over a subsidiary's financial and operating decisions. Moreover, the possibility of yielding a return from the investment is required. In assessing whether the Parent Company controls an entity, de facto control is also taken into consideration.

The existence of potential voting rights that may currently be exercised or converted into additional voting rights is considered when assessing whether an entity may become empowered to exercise decisive influence over another entity's financial and operating decisions.

Preparation of consolidated financial statements

The consolidated financial statements are prepared as a consolidation of the Parent Company's and the individual subsidiaries' financial statements, which are prepared according to the Group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends as well as realised and unrealised gains on intra-group transactions are eliminated.

Notes to the Financial Statements

24 Accounting policies (continued)

Unrealised gains on transactions with associates are eliminated in proportion to the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains unless they do not reflect impairment.

The subsidiaries' financial statement items are included 100% in the consolidated financial statements. Non-controlling interests' share of the profit/loss for the year and of the equity of subsidiaries that are not wholly owned are included in the Group's profit/loss and equity, respectively, but are presented separately.

Acquisitions and disposals of non-controlling interests that are still controlled are recognized directly in equity as a transaction between shareholders.

Business combinations

Newly acquired entities are recognized in the consolidated financial statements from the acquisition date. Entities sold or otherwise disposed are recognized in the consolidated financial statements up to the date of disposal. Comparative figures are not restated to reflect newly acquired entities. Discontinued operations are presented separately, see below.

The acquisition date is the date when the Group obtains control of the acquiree.

The purchase method is applied to acquisitions of new businesses over which the Group obtains control. The acquired businesses' identified assets, liabilities and contingent liabilities are measured at fair value at the acquisition date. Identifiable intangible assets are recognized if they are separable or arise from a contractual right. Deferred tax on revaluations is recognized.

Positive differences (goodwill) between, on the one hand, the consideration for the acquiree, the value of non-controlling interests in the acquired entity and the fair value of any previously acquired equity investments and, on the other hand, the fair value of the assets, liabilities and contingent liabilities acquired are recognized as goodwill in intangible assets. Goodwill is amortised on a straight-line basis in the income statement based on an individual assessment of the economic life of the asset.

Negative differences (negative goodwill) are recognized in the income statement at the acquisition date.

Upon acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for impairment testing. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a functional currency different from the Group's presentation currency are accounted for as assets and liabilities belonging to the foreign entity and are, on initial recognition, translated into the foreign entity's functional currency using the exchange rate at the transaction date.

The purchase consideration for an entity consists of the fair value of the agreed consideration in the form of assets transferred, liabilities assumed, and equity instruments issued. If part of the purchase consideration is contingent on future events or compliance with agreed terms, such part of the purchase consideration is recognized at fair value at the acquisition date. Subsequent adjustments of contingent purchase considerations are recognized in the income statement.

Expenses incurred to acquire entities are recognized in the income statement in the year in which they are incurred.

If uncertainties regarding the identification or measurement of acquired assets, liabilities or contingent liabilities or the determination of the purchase consideration exist at the acquisition date, initial recognition will take place based on provisional values. If it turns out subsequently that the identification or measurement of the purchase consideration, acquired assets, liabilities or contingent liabilities was incorrect on initial recognition, the statement will be adjusted retrospectively, including goodwill, until 12 months after the acquisition, and comparative figures will be restated. Subsequently, any adjustments are recognized as errors.

Gains or losses from divestment or winding-up of subsidiaries that implies that control is no longer maintained are calculated as the difference between, on the one hand, the net selling price and, on the other hand, the proportionate share of the carrying amount of net assets. If the Parent Company still holds equity investments in the divested entity, the remaining proportionate share of the carrying amount forms the basis for the measurement of equity investments in associates or securities and equity investments.

Notes to the Financial Statements

24 Accounting policies (continued)

Recognition and measurement

Revenue is recognized in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognized. Moreover, all expenses incurred to generate earnings for the year are recognized in the income statement.

Income Statement

Revenue

Revenue from the sale of goods is recognized when the risks and rewards relating to the goods sold have been transferred to the purchaser. The revenue can be measured reliable and it is probable that the economic benefits relating to the sale will flow to the Group.

Contract work in progress (construction contracts) is recognized at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably and it is probable that the economic benefits, including payments, will flow to the Group.

The stage of completion is determined based on the ratio between the expenses incurred and the total expected expenses of the contract. Revenue is measured at the consideration received and is recognized exclusive of VAT and net of discounts relating to sales.

Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, as well as operation and administration.

Cost of sales also includes research and development costs that do not qualify for capitalisation as well as amortisation of capitalised development costs. Finally, provisions for losses on contract work are recognized.

Distribution expenses

Distribution expenses comprise costs of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc.

Administrative expenses

Administrative expenses comprise expenses for management, administrative staff, office expenses, depreciation, amortisation, etc.

Other Operating Income

Other operating income comprise items of a secondary nature relative to the Group's core activities, including gains on the sale of tangible assets.

Income from investments in subsidiaries

A proportionate share of the underlying entities' profit/loss after tax is recognized in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries.

The proportionate share of the results after tax of the individual subsidiaries is recognized in the income statement of the Parent Company after full elimination of intra-group profits/losses.

Financial income and expenses

Financial income and expenses comprise interest income and expenses, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Financial income and expenses are recognized in the income statements at the amounts relating to the financial year.

24 Accounting policies (continued)

Income tax

Income tax consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognized in the income statement, whereas the tax attributable to equity transactions is recognized directly in equity.

The Parent Company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. Subsidiaries are included in the joint taxation arrangement from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

The Parent Company acts as Administration Company for the joint taxation arrangement and consequently settles all corporate income tax payments with the tax authorities.

Balance Sheet

Intangible assets

Goodwill and customer files acquired are measured at cost less accumulated amortisation. Goodwill and customer files are amortized over the expected economic useful life based upon management experience within the business. The assets are amortised on a straight-line basis over their useful lives determined. For strategi acquisitions of businesses with a strong market position and technologies that are complementary to T&T portfolio useful lives is considered 20 years for goodwill and up to 20 years for customer files.

Development projects that are clearly defined and identifiable, where there is a functional prototype and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognized as intangible assets. This applies if cost can be measured reliably, and sufficient certainty exists that the future earnings can cover cost of sales, distribution and administrative expenses involved as well as investments in development.

Borrowing costs from both specific and general borrowing directly or indirectly related to projects with a long-term manufacturing period are attributed to the cost of development projects over the development period.

Completed development projects are recorded as intangible assets and amortised on a straight-line basis over the expected useful life determined at 5 years.

Software is measured at cost less accumulated amortisation. Software is amortised on a straight-line basis over the expected useful life determined at 3-5 years.

Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition until the time when the asset is ready for use. In the case of assets of own construction, the cost comprises direct and indirect expenses for labour, materials, components and sub-suppliers.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Plant and machinery	3 – 7 years
Other fixtures and fittings. tools and equipment	3 – 7 years
Leasehold improvements	Term of lease (3 – 13 years)

Depreciation period and residual values are reassessed annually.

Notes to the Financial Statements

24 Accounting policies (continued)

Leasing contracts

IFRS 16 is chosen as the interpretative method for leasing contracts. The lease liability is measured as the present value of the remaining lease liabilities and the lease assets are measured at an amount equal to the lease liabilities. Leased assets are then treated as the Group's other assets.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment is tested annually for evidence of impairment other than the decrease in value reflected by amortisation and depreciation. Impairment tests are conducted on individual assets or cash-generating units when there is indication of impairment. Write-down is made to the lower of the carrying amount and the 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.

Investments in subsidiaries (parent only)

Equity investments in subsidiaries are measured according to the equity method in the Parent Company financial statements. The Parent Company has chosen to consider the equity method as measurement method.

On initial recognition, equity investments in subsidiaries are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding the consolidated financial statements above.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

Dividend received is deducted from the carrying amount.

Equity investments in subsidiaries measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment and equity investments in subsidiaries is tested annually for evidence of impairment other than the decrease in value reflected by amortisation and depreciation.

An impairment test is conducted on individual assets or cash-generating units when there is indication of impairment. Write-down is made to the lower of the recoverable amount and carrying 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 recognized impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Notes to the Financial Statements

24 Accounting policies (continued)

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales sum.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are recognized in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognized as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognized in the income statement as incurred.

Equity

Reserve for equity method (Parent only)
Net revaluation of equity investments are recognized under equity as reserve for equity method after the equity method if the accounting value exceeds the acquisition price.

Reserve for development costs (Parent only)
The reserve for development costs comprises recognized development costs. The reserve cannot be used to distribute dividend or cover losses. The reserve will be reduced or dissolved if the recognized development costs are amortised or are no longer part of the Group's operations by a transfer directly to the distributable reserves under equity.

Proposed Dividend
Dividend proposed for the year is recognized as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Derivative financial instruments and hedge accounting

The majority of foreign exchange contracts entered into by the Group are used to mitigate foreign exchange impacts of trading in non-functional currencies. These are not accounted for using hedge accounting principles.

Notes to the Financial Statements

24 Accounting policies (continued)

A limited number of specific foreign exchange contracts are designated as hedging instruments in cash flow and net investment hedges and hedge accounting is applied.

The effective portion of changes in fair value is recognized through the equity and the gain or loss relating to the ineffective portion is recognized immediately in the Income Statement.

The fair value of derivative financial instruments is classified as a current or non-current asset or liability dependent upon the maturity date of the financial instrument or hedged item as appropriate.

Provisions

Provisions are recognized when - in consequence of an event occurred before or on the balance sheet date - the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period of 1-5 years. Provisions are measured and recognized based on experience with guarantee work.

Deferred tax assets and liabilities

Deferred tax is measured using the balance sheet method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes based on the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured based on the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognized in the income statement.

Current tax receivable and liability

Current tax liabilities and receivables are recognized in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme is recognized in the income statement in financial income and expenses.

Financial liabilities

Financial liabilities are measured at amortised cost, substantially corresponding to nominal value.

Fair value

Fair value is determined based on the principal market. If no principal market exists, the fair value is based on the most advantageous market, i.e. the market that maximises the price of the asset or liability less transaction and/or transport costs.

All assets and liabilities that are measured at fair value or whose fair value is disclosed are classified based on the fair value hierarchy, see below:

Level 1: Value based on the fair value of similar assets/liabilities in an active market

Level 2: Value based on generally accepted valuation methods based on observable market information

Level 3: Value based on generally accepted valuation methods and reasonable estimates based on non-observable market information

Notes to the Financial Statements

24 Accounting policies (continued)

Cash flow statement

The cash flow statement shows the Group'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 Group's cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and disposals of entities is shown separately in cash flows from investing activities. Cash flows from acquisitions of entities are recognized in the cash flow statement from the date of acquisition. Cash flows from disposals of entities are recognized up until the date of disposal.

Cash flows from operating activities
Cash flows from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital, interest received and paid as well as corporation tax paid.

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. Dividends received regarding securities are also considered investing activities.

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

Financial highlights

Financial ratios are based on following formulas:

Gross margin:	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin:	$\frac{\text{Operating profit x 100}}{\text{Revenue}}$
Current ratio:	$\frac{\text{Current assets x 100}}{\text{Current liabilities}}$
Return on assets:	$\frac{\text{Operating profit x 100}}{\text{Total assets}}$
Solvency ratio:	$\frac{\text{Equity x 100}}{\text{Total assets}}$
Return on equity:	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$