Annual Report 2020

Cobham SATCOM Group

The Annual Report was presented and adopted at the Annual General Meeting on 29 March 2021

Michael Preuss, 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 2020.

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 2020 and of the results of their operations and consolidated cash flows for the financial year 1 January – 31 December 2020.

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, 29 March 2021

Executive Board

Leif Olle Ottosson, Director

Christian Gunnar Retbøll, Director

Board of Directors

Sven Evan Lewis, Chairman

Leif Olle Ottosson

Christian Gunnar Retbøll

Karsten Vollmer-Larsen

Henrik Munksgaard Berg

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 2020, 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 2020 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' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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.

Independent Auditor's Report

- 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.
- 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.

Frederiksberg, 29 March 2021

EY Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28

Karsten Bøgel
State Authorised Public Accountant
mne27849

Henrik Kjær Andersen
State Authorised Public Accountant
mne36193

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 Leif Olle Ottosson Christian Gunnar Retbøll Karsten Vollmer-Larsen Henrik Munksgaard Berg
Executive Board	Leif Olle Ottosson, Director Christian Gunnar Retbøll, Director
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36 2000 Frederiksberg

Financial Highlights

Seen over a five-year period, the development of the Group is described by the following financial highlights:

DKK million	2020	2019	2018	2017	2016
Key figures					
Income Statement					
Revenue	1,092	1,149	1,246	1,227	1,343
Gross profit	321	195	155	123	196
Operating profit/(loss)	77	(63)	(129)	(134)	(94)
EBITDA[1]	166	35	(63)	(67)	(25)
EBITDA before special items[2]	248	35	(63)	(67)	(25)
Profit/(loss) before net financials	527	(63)	(129)	(134)	(94)
Net financials	10	(63)	(102)	12	(41)
Net profit/(loss) for the year	559	(164)	(192)	(93)	(112)
Balance Sheet					
Non-current assets	446	473	483	572	687
Current assets	858	468	648	523	688
Total assets	1,304	941	1,131	1,095	1,375
Equity	838	115	143	205	295
Non-current liabilities	93	84	87	72	112
Current liabilities	373	742	901	818	968
Investment in property, plant and equipment	9	8	7	14	18
Average number of full-time employees	518	502	576	574	541
Financial ratios					
Gross margin	29.4%	16.9%	12.4%	10.0%	14.6%
Profit margin	7.0%	(5.5)%	(10.4)%	(10.9)%	(7.0)%
Current ratio	229.9%	63.1%	71.9%	63.9%	71.1%
Return on assets	5.9%	(6.7)%	(11.4)%	(12.2)%	(6.8)%
Solvency ratio	64.3%	12.2%	12.6%	18.7%	21.5%
Return on equity	117.4%	(142.5)%	(110.3)%	(37.2)%	(32.0)%

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.

[1] Profit/(loss) before tax, depreciation and amortisation, net financials and other operating income.
[2] EBITDA before special items according note 1 in the consolidated financial statements.

Management's Review

Cobham SATCOM Group (Cobham SATCOM) Management Review

The leader in remote connectivity – safeguarding and connecting people and ideas

Thrane & Thrane A/S, trading as Cobham SATCOM, is the market leading provider of radio and satellite communications solutions to the maritime and land markets.

Cobham SATCOM designs and manufactures high-performance radio, satellite communications, safety, tracker and critical communications products under the EXPLORER, SAILOR, Sea Tel 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.

Business model

Cobham SATCOM operates via an indirect Business-to-Business model, selling innovative products and solutions through a global network of trusted partners. Cobham SATCOM holds strong technology leadership positions within satellite and radio communication for land and maritime applications. In addition, the Group has a thriving ground infrastructure business providing systems and gateways to the world's leading satellite players.

2020 – An extraordinary year

2020 was an extraordinary year for Cobham SATCOM. January 2020 saw the formation of the Cobham SATCOM as a standalone business under the ownership of Cobham Limited. This followed as part of the acquisition by Advent International, one of the largest and most experienced global private equity investors, of Cobham Limited. Following a restructure at the end of 2020, Cobham SATCOM now consists of Thrane & Thrane A/S, Sea Tel Inc. and Thrane & Thrane Norge AS.

Since then, Cobham SATCOM has embarked on a transformational journey, which led to the establishment of the new Group, and the optimization of investments in the land and maritime core businesses. As part of the transition, Cobham SATCOM successfully sold Cobham Aerospace ApS to Cobham Aerospace Communications at the end of 2020.

The year also saw Cobham SATCOM embark on a digital transformation, which will take us from the current technology leadership in land, maritime and ground infrastructure towards a fully-fledged digitalized enterprise shaping the landscape for remote connectivity.

COVID-19 – strong performance in a year of historic challenges

In a year where the world was challenged by the most severe pandemic of our lifetime, Cobham SATCOM leveraged its strong supplier and partner network and global reach to secure and maintain ample supply and stock for the Group's manufacturing sites. This enabled us to mitigate logistical challenges and proactively support customers in regions severely impacted by COVID-19. Through early intervention and continued proactivity in gaining insights into the fast-moving global situation, we were able to maintain an agile response throughout the pandemic. Thanks to the support of our expert team, partner network and new owners, we were able to fulfil our commitments to customers in this most challenging of years, and at a time where communications became more vital than ever. While fulfilling these obligations, we also reported positive financial growth, with gross margins rising from 16.9% in 2019 to 29.4% in 2020 (for more information please see Cobham SATCOM's Financial Performance 2020).

In addition to responding to the highly demanding short-term challenges posed by the pandemic, Cobham SATCOM's leadership team took decisive action in 2020 designed to enhance long-term commercial opportunities for the business, as well as creating a more cohesive and sustainable supply chain. One of our key strategic moves into 2020 was the decision to begin the process of outsourcing all of Cobham SATCOM's production in Pandrup, Denmark, to Asia. The decision, which aims to bring Cobham SATCOM closer to end users, was also taken in conjunction with wider global trends including growing calls for increased sustainability. The outsourcing inevitably required us to make a number of redundancies in Europe. However, we anticipate increased recruitment in other parts of the business as a result of new impending contract wins and new product launches in 2021.

Management's Review

Research and development – a new global approach

In 2020, Cobham SATCOM moved to a worldwide R&D model in support of the business' overarching globalization program – with an emphasis on business needs. The new program, which was funded by an increased R&D budget, focused on capturing growth opportunities in both the Land and Maritime business units. R&D efforts across the entire business were also restructured and streamlined, with a focus on agility and investing in the capabilities necessary to bring new technology to the market in anticipation of strong future market opportunities.

Throughout the year, we have continued to grow our software and hardware capabilities launching several new innovative products. In 2021, we will launch significant new products that will allow us to continue to grow and capture market share. From GEO, to HEO, MEO and LEO orbits, we are ready and already working in line with all potential constellations. This means we can offer customers futureproof agile solutions that give reliable access to data and world-class connectivity, in real time, as it becomes available.

Development in the year

As part of the ongoing transformation of Cobham SATCOM as well as a strategic review of the Cobham Group, a restructuring of the Cobham SATCOM business was performed by the end of 2020.

The aeronautical business unit of the Cobham SATCOM group was de-merged from Thrane & Thrane A/S into its own legal entity Cobham Aerospace ApS from the 30 November. The entity was sold on 31 December 2020 to Cobham Aerospace S.A.R.L, with a sales price amounting to USD 88 million.

The Group company Sea Tel Inc. was incorporated into Cobham SATCOM as an equity contribution as of 31 December 2020 with a valuation of USD 27.1 million.

Following the restructuring, Cobham SATCOM consists of Thrane & Thrane A/S, Sea Tel Inc. and Thrane & Thrane Norge AS, operating in the Maritime and Land business segments.

Financial Performance 2020

The Group's income statement for the financial year 1 January – 31 December 2020 shows a net profit of DKK 559,404 thousand and, at 31 December 2020, the Group's balance sheet shows an equity of DKK 838,342 thousand.

In 2020, revenue was DKK 1,092,463 thousand, which was a slight decrease of 5.0% compared to 2019. Maritime revenue has decreased by DKK 189,207 thousand (21.1%) compared to 2019, primarily driven by changes in market demands due to COVID-19 in the first half of 2020. In the second half of the year, revenues recovered with an upwards trajectory in sales, which provides a strong baseline for 2021. Land generated a solid growth of 42.8% compared to 2019, driven by new products and the completion of major significant installations in 2020. Revenue from Aeronautical products delivered a strong growth of 71.4% compared to 2019, despite COVID-19.

Cost of sales amounted to DKK 771,384 thousand, a decrease of 19.2% compared to 2019. Expenditure was highly impacted by an increase in research and development investments in a number of focused projects. These 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.

The performance outlined above resulted in a strong increase in gross margins to 29.4% compared to 16.9% in 2019. EBITDA before special items increased to DKK 248,218 thousand compared to DKK 34,808 thousand in 2019.

Distribution and administrative expenses amounted to DKK 244,177 thousand, a decrease of 5.2% compared to 2019. This is through a strong cost awareness in the organization, but also includes significant expenses towards the transformation program, and restructuring as part of streamlining operations and processes.

Special items amounts to a net gain of DKK 398,003 thousand and primarily derives from the sale of Cobham Aerospace ApS, totaling DKK 450,300 thousand. The remaining relates to restructuring and reversal of the depreciation of deferred tax asset. Management has made an updated assessment on the valuation of the deferred tax asset and the tax asset is fully recognized.

Management's Review

Net cash outflow for the year amounted to DKK 16,666 thousand compared to an outflow of DKK 27,734 thousand in 2019. The cash flow is impacted by the significant investments in R&D as well as interest costs.

At 31 December 2020, total assets amounted to DKK 1,303,834 thousand compared to DKK 941,417 thousand at year-end 2019. A strong equity of DKK 838,342 thousand and a solvency ratio of 64.3%, driven by the restructuring of the Group where all intercompany loans were re-paid.

Outlook 2021

2020 was an extraordinary year for Cobham SATCOM, which saw the Group deliver a strong performance and positive financial growth despite significant challenges.

In 2021, Cobham SATCOM expects a year with solid growth in revenue and increasing operating profit driven by the positive momentum in all of Cobham SATCOM's business. There will in addition be some highly interesting new product launches in 2021 that will support the growth. Cobham SATCOM will continue to streamline operations, processes and invest in innovative solutions with an ambition to create value for our business partners and deliver on stability, security and integrity to build the future of Cobham SATCOM. Adjusted for special items, we expect a result above the 2020 results.

Events after the balance sheet date

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Non-financial information statement

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 basic necessity for economic and human development. By providing reliable communications in challenging environments, Cobham SATCOM's 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.

Health, safety and environmental matters

Ensuring the health and safety of the Group'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 two minor work related injuries at our manufacturing facility in Pandrup and zero injuries at our US facility.

The Group 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 Group'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.

Management's Review

Greenhouse gases

Furthermore, Cobham SATCOM has received an environmental certification (ISO 14001). The Group'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 2020, we set the following objectives and targets:

Cobham SATCOM main environment categories	Objective	Target
Facility Water, heating, electricity (5438 M3, 2018 MWh, 2.259.500 kWh)	**Reduce CO2 emissions, through energy efficiency initiatives.**	Invest in an annual energy improvement program each year. Environmental factors must be included in the project model.
Canteen consumption (~60 ton raw material / year)	**Reduce environmental impact from the canteens.**	3% reduction per year in food waste. Change mix of raw materials to improve CO2 impact from canteen.
Production (~ 1040 ton raw material / year)	**Reduce environmental impact from raw material usage in production.**	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
Waste (~ 200 ton / year)	**Reduce amount of waste (reuse, reduce scrap, rethink packaging)**	3% reduction per year until 2022 and then re-evaluate.

Management's Review

Air travel	**Lower CO2 emissions by improved air travel**	Improve use of air travel by 3% (total mileage/CO2/person) until 2021 and then re-evaluate.
Air/Sea/Land Freight	**Lower CO2 emissions by reducing amount of airfreight of materials and finished goods.**	3% year-on-year reduction of airfreight from 2021 to 2023

3 out of 5 goals were achieved, all of which supported the overall lowering of the Group's CO2 emissions and environmental impact.

Canteen consumption. Due to the COVID-19 pandemic, it was not possible to measure the CO2 raw material consumption and impact, and measure the food waste. In September 2020, the food waste was measured and it was at an average of 13-14g vs a benchmark of 12-22g.

Air/Sea/Land Freight. As a restructuring of the supply chain is ongoing, this was not tracked in 2020.

Employees

The Group 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 Group is committed to providing all its employees with equal opportunities in a workplace free from discrimination, taking action to improve gender and age diversity across the workforce. 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.

Recruitment, selection and career development of managers and directors are based on competence and job requirements, irrespective of race, sex, sexual orientation, religion or disability.

The recent re-organization in the Group has resulted in changes in the Board of Directors for Cobham SATCOM as well. The board elected by the general meeting currently consists of zero female members and five male members. The composition of the Board of Directors therefore no longer meets the requirements for an equal gender balance as in accordance with the Danish Companies Act and the guidance from the Danish Business Authority, since no suitable candidate from the underrepresented gender was found during the changes in the Board of Directors.

Going forward, we will endeavor 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. Cobham SATCOM will strive to elect one female candidate in the Board of Directors in 2021.

	2020	%	2019	%
Board of Directors	0/5	0	0/5	0
Senior Management	1/11	9	2/8	25
Total Workforce	134/392	34	147/382	38

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

Management's Review

Social matters

During 2020, our ambition was to collaborate with several educational institutions to enhance the role of women in the Engineering sector. However, due to COVID-19 and the closure of educational institutions, this initiative had to be postponed to 2021. The Group 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. CR&S 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 Group's reputation, stakeholders and employees.

Cobham SATCOM has a reputation founded on 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 Group offers a confidential 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, the Group requires all new employees to complete a COBC training and continuously informs the employees about the COBC. During 2020, no breaches to our COBC were reported.

Respect for human rights

Human rights are an important issue for the Group. 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 Group also respects the rights of its employees in the International Labour Organization Declaration on Fundamental Principles and Rights at Work. The Group demonstrates its support and respect for human rights through the principles and policies contained in the COBC.

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 Group has published an Anti-Slavery and Human Trafficking statement, which can be found on the Group's website.

Income Statement 1 January – 31 December

		Group		Parent Company	
Note	**DKK'000**	**2020**	**2019**	**2020**	**2019**
2	Revenue	1,092,463	1,149,493	1,086,686	1,149,352
3	Cost of sales	(771,384)	(954,749)	(764,702)	(954,749)
	Gross profit	**321,079**	**194,744**	**321,984**	**194,603**
3	Distribution expenses	(96,204)	(86,078)	(94,999)	(86,066)
3	Administrative expenses	(147,973)	(171,597)	(128,390)	(151,698)
	Operating profit/(loss)	**76,902**	**(62,931)**	**98,595**	**(43,161)**
1	Other operating income	450,300	-	-	-
	Profit/(loss) before financials	**527,202**	**(62,931)**	**98,595**	**(43,161)**
4	Income from investments in subsidiaries	-	-	432,185	(20,598)
5	Financial income	73,008	41,014	68,749	41,004
6	Financial expenses	(62,985)	(103,946)	(62,019)	(103,931)
	Profit/(loss) before tax	**537,225**	**(125,863)**	**537,510**	**(126,686)**
7	Income tax	22,179	(37,697)	21,894	(36,874)
	Net profit/(loss) for the year	**559,404**	**(163,560)**	**559,404**	**(163,560)**

Balance Sheet at 31 December

Note	DKK'000	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
	ASSETS				
	Non-current assets				
	Development projects in progress	76,494	-	76,494	-
	Software	8,634	11,654	8,461	11,654
	Goodwill, customer files and IP rights	213,686	356,736	46,429	245,888
8	**Intangible assets**	**298,814**	**368,390**	**131,384**	**257,542**
	Right of use assets	50,217	47,656	43,708	47,656
	Plant and machinery	14,064	23,539	11,776	23,539
	Fixtures and fittings, tools and equipment	2,629	1,005	2,016	1,005
	Leasehold improvements	3,245	1,605	1,820	1,605
	Property, plant and equipment in progress	6,184	1,698	4,566	1,698
9	**Property, plant and equipment**	**76,339**	**75,503**	**63,886**	**75,503**
10	Investments in subsidiaries	-	-	255,916	107,318
11	Deferred tax assets	71,061	29,141	57,613	29,141
	Other non-current assets	**71,061**	**29,141**	**313,529**	**136,459**
	Total non-current assets	**446,214**	**473,034**	**508,799**	**469,504**
	Current assets				
	Raw materials and consumables	65,190	38,019	33,010	38,019
	Work in progress	61,342	49,493	44,701	49,493
	Finished goods and goods for resale	65,240	62,774	49,213	62,774
	Inventories	**191,772**	**150,286**	**126,924**	**150,286**
	Trade receivables	190,314	156,974	129,672	156,973
12	Contract work in progress	31,010	889	16,869	889
	Receivables from group entities	312,631	34,916	326,401	34,916
	Other receivables	8,771	9,525	8,781	9,536
	Derivative financial instruments	15,561	-	15,561	-
13	Prepayments	25,126	16,692	18,093	16,692
	Receivables	**583,413**	**218,996**	**515,377**	**219,006**
	Cash at bank and in hand	**82,435**	**99,101**	**81,566**	**98,016**
	Total current assets	**857,620**	**468,383**	**723,867**	**467,308**
	TOTAL ASSETS	**1,303,834**	**941,417**	**1,232,666**	**936,812**

Balance Sheet at 31 December

Note	DKK'000	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
	EQUITY AND LIABILITIES				
	Equity				
14	Share capital	118,893	118,893	118,893	118,893
	Reserve for development costs	76,494	-	76,494	-
	Retained earnings	330,348	(4,118)	330,348	(4,118)
	Proposed dividend	312,607	-	312,607	-
	Total equity	**838,342**	**114,775**	**838,342**	**114,775**
	Non-current liabilities				
15	Other provisions	53,472	41,132	50,657	41,132
16	Lease liabilities	39,053	43,240	39,053	43,240
	Total non-current liabilities	**92,525**	**84,372**	**89,710**	**84,372**
	Current liabilities				
16	Lease liabilities	20,559	15,092	14,484	15,092
	Prepayments received from customers	9,278	7,877	9,278	7,735
	Trade payables	141,035	97,225	104,016	97,151
	Payables to group entities	17,404	484,717	-	484,717
	Credit institutions	96,344	61,296	96,344	61,296
	Other payables	79,671	72,824	71,816	68,435
	Corporation tax	8,380	2,880	8,380	2,880
	Deferred income	296	359	296	359
	Total current liabilities	**372,967**	**742,270**	**304,614**	**737,665**
	Total liabilities	**465,492**	**826,642**	**394,324**	**822,037**
	TOTAL EQUITY AND LIABILITIES	**1,303,834**	**941,417**	**1,232,666**	**936,812**

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

Statement of Changes in Equity at 31 December

	Group				
DKK'000	**Share capital**	**Reserve for development costs**	**Retained earnings**	**Proposed dividend**	**Total**
Equity at 1 January 2020	118,893	-	(4,118)	-	114,775
Increase by acquisition of subsidiaries	-	-	164,868	-	164,868
Net profit/(loss) for the year	-	76,494	170,303	312,607	559,404
Fair value adjustments for hedging instruments	-	-	(64)	-	(64)
Foreign exchange adjustments, subsidiaries	-	-	214	-	214
Actuarial gains/(losses)	-	-	(855)	-	(855)
Equity at 31 December 2020	**118,893**	**76,494**	**330,348**	**312,607**	**838,342**

	Parent Company				
DKK'000	**Share capital**	**Reserve for development costs**	**Retained earnings**	**Proposed dividend**	**Total**
Equity at 1 January 2020	118,893	-	(4,118)	-	114,775
Increase by acquisition of subsidiaries	-	-	164,868	-	164,868
Net profit/(loss) for the year	-	76,494	170,303	312,607	559,404
Fair value adjustments for hedging instruments	-	-	(64)	-	(64)
Foreign exchange adjustments, subsidiaries	-	-	214	-	214
Actuarial gains/(losses)	-	-	(855)	-	(855)
Equity at 31 December 2020	**118,893**	**76,494**	**330,348**	**312,607**	**838,342**

Cash Flow Statement at 31 December

		Group	
Note	DKK'000	2020	2019
	Profit/loss before net financials	527,202	(62,931)
	Depreciation and amortisation	89,395	97,739
	Other adjustments of non-cash operating items	85,558	11,097
	Cash generated from operations before changes in working capital	702,155	45,905
21	Changes in working capital	128,648	(71,475)
	Cash generated from operations	830,803	(25,570)
5	Interest received	2,121	3,589
6	Interest paid	(16,214)	(24,285)
	Corporation tax received	5,500	9,624
	Cash flows from operating activities	**822,210**	**(36,642)**
8	Acquisition of intangible assets	(138,014)	(3,324)
8	Disposal of intangible assets	63,966	-
9	Acquisition of property, plant and equipment	(18,866)	(7,656)
9	Disposal of property, plant and equipment	1,698	152
10	Disposal of subsidiaries and activities	83,790	-
	Cash flows from investing activities	**(7,426)**	**(10,828)**
	Loan financing:		
	Borrowings to group entities	(309,810)	-
	Repayment of current liabilities	(521,640)	(23,504)
	Borrowings of non-current liabilities	-	43,240
	Cash flows from financing activities	**(831,450)**	**19,736**
	Cash flows for the year	(16,666)	(27,734)
	Cash and cash equivalents, beginning of year	99,101	126,835
	Cash and cash equivalents, year end	**82,435**	**99,101**

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

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 earnings-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 amounts of a nonrecurring nature, which, according to management's assessment, are not part of the Group's primary operations.

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

Gain from sale of subsidiary relates to the sale of Cobham Aerospace ApS.

Following the sale of the aeronautical business a decrease in revenue in the Cobham SATCOM Group is expected, as the revenue from IP rights on the separated assets have been sold at year-end 2020.

Revenue in the Cobham SATCOM Group is expected to decrease in the range of DKK 35-40 million on the Aeronautical segment.

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

	Group		Parent Company	
DKK'000	**2020**	**2019**	**2020**	**2019**
Income				
Gain from sale of subsidiary	450,300	-	450,300	-
Reversal of prior year impairment on tax asset	29,623	-	29,623	-
Costs				
Restructuring costs	(35,265)	-	(35,265)	-
COVID-19 related costs	(9,116)	-	(9,116)	-
Transformation costs	(37,539)	-	(37,539)	-
Impairment of IP rights	-	(13,800)	-	(13,800)
Impairment of deferred tax asset	-	(29,623)	-	(29,623)
Net gain/(loss) from special items	**398,003**	**(43,423)**	**398,003**	**(43,423)**

Special items are recognized in the below line items:				
Cost of sales	(58,554)	-	(58,554)	-
Distribution expenses	(5,790)	-	(5,790)	-
Administrative expenses	(17,576)	(13,800)	-	(13,800)
Other operating income	450,300	-	-	-
Income from investment in subsidiaries	-	-	450,300	-
Income tax	29,623	(29,623)	29,623	(29,623)
Net gain/(loss) from special items	**398,003**	**(43,423)**	**398,003**	**(43,423)**

Notes to the Financial Statements

DKK'000	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
2 Revenue				
Geographical segments				
Europe	669,428	707,353	669,236	707,353
Asia	213,961	214,431	213,829	214,290
North America	161,486	187,604	156,083	187,604
Australia	31,425	17,595	31,425	17,595
South America	4,381	4,551	4,341	4,551
Africa	3,677	5,520	3,677	5,520
Other	8,105	12,439	8,095	12,439
	1,092,463	**1,149,493**	**1,086,686**	**1,149,352**
Business segments				
Maritime	706,450	895,657	706,450	895,657
Land Mobile	273,234	191,319	273,102	191,178
Aeronautical	112,779	62,517	107,134	62,517
	1,092,463	**1,149,493**	**1,086,686**	**1,149,352**
3 Staff cost				
Wages and salaries	340,947	307,455	335,015	307,455
Pensions	15,634	15,692	15,390	15,692
Other social security expenses	4,883	5,586	4,813	5,586
Other staff expenses	9,277	12,395	9,012	12,395
	370,741	**341,128**	**364,230**	**341,128**
In the Income Statement staff costs are recognized as follows:				
Cost of sales	244,769	222,742	240,374	222,742
Distribution expenses	70,667	58,160	69,716	58,160
Administrative expenses	55,305	60,226	54,140	60,226
	370,741	**341,128**	**364,230**	**341,128**
Staff costs include management remuneration as follows:				
Executive Board	5,094	6,944	5,094	6,944
Board of Directors	50	50	50	50
	5,144	**6,954**	**5,144**	**6,954**

Remuneration to the executive board in 2019 and 2020 includes severance pay to former members of the executive board.

	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Average number of full-time employees	**518**	**502**	**486**	**502**

Notes to the Financial Statements

DKK'000	Parent Company 2020	Parent Company 2019
4 Income from investments in subsidiaries		
Gain from sale of subsidiary	450,300	-
Share of profit/(loss) in subsidiaries	2,474	(9)
Amortisation of goodwill	(23,506)	(23,506)
Change in intercompany profit	2,917	2,917
	432,185	**(20,598)**

DKK'000	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
5 Financial income				
Other interest income	2,121	3,589	2,084	3,580
Foreign exchange rate gains	70,887	37,425	66,665	37,424
	73,008	**41,014**	**68,749**	**41,004**
6 Financial expenses				
Interest expenses to group entities	13,103	18,848	12,966	18,848
Other interest expenses costs	3,111	5,437	3,025	5,428
Foreign exchange rate losses	46,771	79,661	46,028	79,655
	62,985	**103,946**	**62,019**	**103,931**
7 Income tax				
Change in deferred tax for the year	7,444	30,446	7,729	29,623
Previous year adjustment	(29,623)	7,251	(29,623)	7,251
Income tax expense/(income)	**(22,179)**	**37,697**	**(21,894)**	**36,874**

Notes to the Financial Statements

8 Intangible assets

DKK'000	Group: Development projects in progress	Software	Goodwill, customer files and IP rights	Total
Cost at 1 January 2020	-	61,914	1,030,885	1,092,799
Additions on acquisition of subsidiary	-	234	76,998	77,232
Additions	135,475	2,539	-	138,014
Disposals	(58,981)	(4,985)	(344,424)	(408,390)
Cost at 31 December 2020	76,494	59,702	763,459	899,655
Amortisation and impairment losses at 1 January 2020	-	50,260	674,149	724,409
Amortisation on acquisition of subsidiary	-	61	-	61
Amortisation	-	4,361	64,506	68,867
Disposals	-	(3,614)	(188,882)	(192,496)
Amortisation and impairment losses at 31 December 2020	-	51,068	549,773	600,841
Carrying amount at 31 December 2020	**76,494**	**8,634**	**213,686**	**298,814**
Amortised over		3-5 years	10-20 years	

DKK'000	Parent Company: Development projects in progress	Software	Goodwill, customer files and IP rights	Total
Cost at 1 January 2020	-	61,914	543,021	604,935
Additions	135,475	2,539	-	138,014
Disposals	(58,981)	(4,985)	(344,424)	(408,390)
Cost at 31 December 2020	76,494	59,468	198,597	334,559
Amortisation and impairment losses at 1 January 2020	-	50,260	297,133	347,393
Amortisation	-	4,361	41,047	45,408
Disposals	-	(3,614)	(186,012)	(189,626)
Amortisation and impairment losses at 31 December 2020	-	51,007	152,168	203,175
Carrying amount at 31 December 2020	**76,494**	**8,461**	**46,429**	**131,384**
Amortised over		3-5 years	10-20 years	

Development projects in progress

Development projects in progress include development of professional radio and satellite communication equipment focused primarily 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

None of the development projects has been finalized as per 31 December 2020.

9 Property, plant and equipment

	Group					
DKK'000	Right of use assets	Plant and machinery	Fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment under construction	Total
Cost at 1 January 2020	60,035	148,046	26,161	17,270	1,698	253,210
Additions on acquisition of subsidiary	22,066	33,919	9,030	8,349	1,618	74,982
Additions	9,589	2,515	1,478	718	4,566	18,866
Transferred	-	1,428	-	270	(1,698)	-
Disposals	-	(21,405)	(512)	(139)	-	(22,056)
Cost at 31 December 2020	91,690	164,503	36,157	26,468	6,184	325,002
Depreciation and impairment losses at 1 January 2020	12,379	124,507	25,156	15,665	-	177,707
Depreciation on acquisition of subsidiary	15,557	31,631	8,417	6,924	-	62,529
Depreciation	13,537	10,019	467	689	-	24,712
Disposals	-	(15,718)	(512)	(55)	-	(16,285)
Depreciation and impairment losses at 31 December 2020	41,473	150,439	33,528	23,223	-	248,663
Carrying amount at 31 December 2020	**50,217**	**14,064**	**2,629**	**3,245**	**6,184**	**76,339**
Depreciated over	3-13 years	3-7 years	3-7 years	3-13 years		

	Parent company					
DKK'000	Right of use assets	Plant and machinery	Fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment under construction	Total
Cost at 1 January 2020	60,035	148,046	26,161	17,270	1,698	253,210
Additions	9,589	2,515	1,478	718	4,566	18,866
Transferred	-	1,428	-	270	(1,698)	-
Disposals	-	(21,405)	(512)	(139)	-	(22,056)
Cost at 31 December 2020	69,624	130,584	27,127	18,119	4,566	250,020
Depreciation and impairment losses at 1 January 2020	12,379	124,507	25,156	15,665	-	177,707
Depreciation	13,537	10,019	467	689	-	24,712
Disposals	-	(15,718)	(512)	(55)	-	(16,285)
Depreciation and impairment losses at 31 December 2020	25,916	118,808	25,111	16,299	-	186,134
Carrying amount at 31 December 2020	**43,708**	**11,776**	**2,016**	**1,820**	**4,566**	**63,886**
Depreciated over	3-13 years	3-7 years	3-7 years	3-13 years		

Notes to the Financial Statements

	DKK'000	Parent Company 2020	Parent Company 2019
10	**Investments in subsidiaries**		
	Cost at 1 January	661,427	661,427
	Additions	251,135	-
	Disposals	(83,790)	-
	Cost at 31 December	828,772	661,427
	Value adjustments at 1 January	(554,109)	(531,774)
	Foreign exchange adjustment	223	(9)
	Amortisation of goodwill	2,917	2,917
	Change in intercompany profit on inventories	(23,506)	(23,506)
	Actuarial gains/(losses)	(855)	(1,728)
	Share of profit/(loss) for the year	2,474	(9)
	Value adjustments at 31 December	(572,856)	(554,109)
	Carrying amount at 31 December	**255,916**	**107,318**
	Of which the carrying amount of non-depreciated increases in value is	167,257	110,848

Increase in value on initial recognition of the subsidiaries Cobham Aerospace ApS DKK 86,267 thousand and Sea Tel Inc. total DKK 164,868 thousand, including goodwill of DKK 76,998 thousand.

Disposals are related to 100% of the shares in the subsidiary Cobham Aerospace ApS total DKK 83,790 thousand.

Name and registered office	Voting rights and ownership
Thrane & Thrane Norge AS, Billingstad, Norway	100%
Sea Tel Inc., Concord, USA	100%
Cobham Aerospace ApS, Lyngby, Denmark (sold 31 December 2020)	-

All subsidiaries are considered separate entities.

Notes to the Financial Statements

DKK'000	Group 2020	Parent Company 2020
11 Deferred tax		
Deferred tax at 1 January	29,141	29,141
Reversal of prior year, impairment	29,623	29,623
Deferred tax adjustment for the year	(6,730)	(7,838)
Acquisition of subsidiary	13,448	-
Adjustment from disposals	5,579	6,687
Deferred tax at 31 December	**71,061**	**57,613**
Deferred tax relates to:		
Intangible assets	(28,684)	(30,548)
Property, plant and equipment	8,544	8,229
Current assets	9,512	1,101
Provisions	9,896	9,235
Liabilities other than provisions	2,197	-
Tax loss carried forward	69,596	69,596
	71,061	**57,613**
Deferred tax is recognized in the balance sheet as follows:		
Deferred tax assets	71,061	57,613
	71,061	**57,613**

DKK'000	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
12 Contract work in progress				
Selling price of work in progress	115,853	21,759	71,998	21,759
Payments received on account	(84,843)	(20,870)	(55,129)	(20,870)
Contract work in progress	**31,010**	**889**	**16,869**	**889**

13 Prepayments

Prepayments comprise prepaid rent expenses, insurance premiums, subscriptions, etc.

Notes to the Financial Statements

14 Share capital

DKK'000	2020	2019	2018	2017	2016
At 1 January	118,893	118,889	118,885	118,885	118,885
Increase	-	4	4	-	-
At 31 December	**118,893**	**118,893**	**118,889**	**118,885**	**118,885**

The share capital are not divided into classes. Every share carries 1 voting right.

The Group held no treasury shares at the balance sheet date. No treasury shares were acquired or sold in the financial year.

	Group		Parent Company	
DKK'000	**2020**	**2019**	**2020**	**2019**
15 Other provisions				
Other provisions at 1 January	41,132	41,450	41,132	41,450
Utilised during the year	(11,551)	-	(11,551)	-
Unutilised provision, reversed	(3,756)	(4,076)	(3,756)	(4,076)
Disposals	(10,433)	-	(10,433)	-
Provisions from acquisitions	2,815	-	-	-
Provisions for the year	35,265	3,758	35,265	3,758
Other provisions at 31 December	**53,472**	**41,132**	**50,657**	**41,132**

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 DKK 11,449 (2019: DKK 12,390) thousand, have been recognized for warranty claims and expected warranty repairs. Provision for customer financing agreement amounts to zero (2019: DKK 11,552 thousand), provision for restructuring of DKK 35,265 (2019: DKK 0) thousand and other provisions of DKK 6,758 (2019: DKK 17,190) thousand.

16 Lease liabilities

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

For 2020, the Group has paid DKK 15,950 thousand regarding leases, of which interest payments related to recognized leasing commitments amount to DKK 1,455 thousand and repayments on recognized leasing debt DKK 14,495 thousand.

	Group		Parent Company	
DKK'000	**2020**	**2019**	**2020**	**2019**
Maturity:				
0-1 year	20,559	15,092	14,484	15,092
1-5 years	39,053	43,240	39,053	43,240
Lease liabilities at 31 December	**59,612**	**58,332**	**53,537**	**58,332**

Notes to the Financial Statements

DKK'000	Parent Company 2020	Parent Company 2019
17 Distribution of net profit/(loss) for the year		
Retained earnings	170,303	(163,560)
Reserve for development costs	76,494	-
Proposed dividend	312,607	-
	559,404	**(163,560)**

DKK'000	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
18 Fee to auditors appointed at Annual General Meeting				
Audit fee	1,537	957	1,450	885
Other assurance engagements	30	25	30	25
Tax advisory services	55	-	55	-
Other services	680	300	680	300
	2,302	**1,282**	**2,215**	**1,210**

19 Contingent liabilities

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

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

20 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.

DKK'000	Period		Group 2020	Group 2019
Forward exchange contracts	0 – 24 months	Contractual value	249,631	910,783
		Gain/(loss) recognized in the income statement that are expected to be realized after the balance sheet date	33,073	(17,512)

DKK'000	Group 2020	Group 2019
21 Changes in working capital		
Changes in inventories	23,363	57,774
Changes in receivables	75,793	(14,410)
Changes in trade and other payables	29,492	(114,839)
	128,648	**(71,475)**

22 Related parties with controlling interest

Related party transaction comprise transactions with the Executive Board and the Board of Directors, as well as with other companies within the Cobham Group.

Transactions with related parties comprise ordinary business transactions and miscellaneous administration services.

	Group	
DKK'000	**2020**	**2019**
Transactions of operating nature		
Service charges to Parent company	40,743	47,961
Service charges from Parent company	4,290	-
Service charges to Cobham Group companies	14,698	17,947
Service charges from Cobham Group companies	3,949	-
Royalty from Cobham Group companies	19,167	32,862
Sales to Cobham Group companies	153,436	152,682
Purchase of goods from Cobham Group companies	87,139	101,884
Receivables from Parent company	-	162
Payables to Parent company	339	-
Receivables from Cobham Group companies	9,413	34,754
Payables to Cobham Group companies	-	20,884
Loans and dividends		
Interest paid to Parent company	13,103	18,848
Outstanding loan payables to Parent company	15,337	463,833
Outstanding loan receivables from Parent company	309,810	-

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

Notes to the Financial Statements

23 Accounting policies

The Annual Report of Cobham SATCOM Group for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

Effective from the financial year 2020, the Group has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Group's accounting policies on recognition and measurement of assets and liabilities but has solely entailed new and amended presentation and disclosure requirements.

Management accounting estimate on the ability to measure and document development costs recognisable as intangible assets according to accounting policies has changed in the financial year 2020. As a result, development costs of DKK 135,475 thousand has been capitalised as Development projects in progress. This change in accounting estimate had a positive effect on the net profit and equity of DKK 105,671 thousand and an increase in intangible assets of DKK 135,475 thousand.

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

Financial Statements for 2020 are presented in DKK thousand.

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. 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.

Equity investments in associates and joint ventures are recognized in the consolidated financial statements using the equity method.

Business combinations

Newly acquired entities are recognized in the consolidated financial statements from the acquisition date. Entities sold or otherwise disposed of 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 actually obtains control of the acquiree.

Notes to the Financial Statements

23 Accounting policies (continued)

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.

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 reliably 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.

Notes to the Financial Statements

23 Accounting policies (continued)

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.

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.

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. The assets are amortised on a straight-line basis over their useful lives determined at 20 years for goodwill and 10-20 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.

Notes to the Financial Statements

23 Accounting policies (continued)

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.

Contributions received to cover product development costs are offset against development costs incurred on the individual project. Contributions in excess of project development costs incurred are recognized in prepayments.

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:

Land and buildings	20 – 30 years
Plant and machinery	3 – 7 years
Other fixtures and fittings. tools and equipment	3 – 7 years
Leasehold improvements	3 – 13 years

Depreciation period and residual values are reassessed annually. Assets costing less than DKK 14,100 are expensed in the income statement.

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 amounts of intangible assets and property, plant and equipment are reviewed on annual basis to determine whether there is any indication of impairment other than charged amortisation and depreciation. If so, the asset is written down to its lower of its carrying amount or recoverable amount.

Investments in subsidiaries

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 a 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.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies in the consolidated financial statements. Negative goodwill is recognized in the income statement.

Dividend received is deducted from the carrying amount.

23 Accounting policies (continued)

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, property, plant and equipment and equity investments in subsidiaries is tested annually for indication of impairment other than the decrease in perform IT audit review made in reflected by amortisation/depreciation made.

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.

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

Dividend
Dividend distribution proposed by the Management for the year is disclosed as a separate equity item.

23 Accounting policies (continued)

Treasury shares

Purchase and sales prices for treasury shares are recognized directly in equity. A reduction of capital by cancellation of treasury shares reduces the share capital by an amount equal to the nominal value of the shares and increases retained earnings. Dividend on treasury shares is recognized directly in equity under retained earnings.

Reserve for development costs

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.

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.

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. Provisions with an expected maturity exceeding 1 year from the balance sheet date are discounted at the average bond yield.

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 are recognized in the income statement in financial income and expenses.

Financial liabilities

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

Notes to the Financial Statements

23 Accounting policies (continued)

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.

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:	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$