DANISH AEROSPACE COMPANY A/S

Hvidkærvej 31, st.
5250 Odense SV
CVR No. 12424248

Annual report 2022

The Annual General Meeting adopted the annual report on 24.04.2023

Chantal Pernille Patel
Chairman of the General Meeting

Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	7
Income statement for 2022	11
Balance sheet at 31.12.2022	12
Statement of changes in equity for 2022	14
Cash flow statement for 2022	15
Notes	16
Accounting policies	20

Entity details

Entity

DANISH AEROSPACE COMPANY A/S
Hvidkærvej 31 A, st.
5250 Odense SV

Business Registration No.: 12424248
Registered office: Odense
Financial year: 01.01.2022 - 31.12.2022

Board of Directors

Niels Thomas Heering
Søren Bjørn Hansen
Tina Moe
James Vernon Zimmerman

Executive Board

Thomas Axel Esbern Andersen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Munkebjergvænget 1, 3. og 4. sal
5230 Odense M
CVR No.: 33771231

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of DANISH AEROSPACE COMPANY A/S for the financial year 01.01.2022 - 31.12.2022.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2022 and of the results of its operations and cash flows for the financial year 01.01.2022 - 31.12.2022.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Odense, 23.03.2023

Executive Board

Thomas Axel Esbern Andersen

Board of Directors

Niels Thomas Heering

Søren Bjørn Hansen

Tina Moe

James Vernon Zimmerman

Independent Auditor's Report

To the Shareholders of Danish Aerospace Company A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2022, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Danish Aerospace Company A/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of cash flows, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

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

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, 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 in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Odense, 23.03.2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

René Otto Poulsen
State Authorised Public Accountant
mne26718

Kristian Rath
State Authorised Public Accountant
mne42817

Management commentary

Financial highlights

	2022	2021	2020
Key figures (DKK'000)			
Revenue	23,234	20,354	22,072
Gross profit/loss	18,098	15,638	16,891
Other Operating Income	677	0	0
EBITDA	3,358	2,236	3,019
Operating profit/loss	2,590	1,101	1,538
Net financials	656	(116)	(374)
Profit/loss for the year	1,865	175	233
Total assets	36,005	28,170	31,487
Equity	21,306	19,727	19,869
Ratios			
Gross margin (%)	77.89	76.83	76.53
EBITDA margin (%)	14.45	10.99	13.68
Equity ratio (%)	59.18	70.03	63.10
Share performance			
Earnings per share (DKK)	0.17	0.02	0.02
P/E ratio	24.10	304.95	285.17
P/B ratio	2.11	2.71	3.37
Total number of shares	10,908,330	10,908,330	10,908,330
Closing share price (DKK)	4.12	4.90	6.10

Gross margin (%):

$$\frac{\text{Gross profit/loss} * 100}{\text{Revenue}}$$

EDITBA margin (%)

$$\frac{\text{EBITDA} * 100}{\text{Revenue}}$$

Earnings per share

$$\frac{\text{Net income}}{\text{Number of outstanding shares}}$$

P/E ratio

$$\frac{\text{Closing share price}}{\text{Earnings per share}}$$

P/B ratio

$$\frac{\text{Market Price per Share}}{\text{Book Value per Share}}$$

Equity ratio (%):

$$\frac{\text{Equity * 100}}{\text{Total assets}}$$

Primary activities

Danish Aerospace Company A/S (DAC) develops innovative technological solutions for human exploration in space and other extreme environments. The activities include design, development and manufacturing of medical monitoring and exercise equipment, as well as support activities in connection with preparations for and implementation of human space flight.

Key points from the 2022 Annual Report

- Revenue has risen by 14% to DKK 23.3 million. (DKK 20.4 million in 2021)
- EBITDA increased by 50% to DKK 3.36 million. (DKK 2.24 million in 2021)
- The annual result grew to DKK 1.87 million, which is an improvement of 10 times compared to last year.
- DAC won a large contract with Axiom Space, Inc. which has the first private commercial contract with NASA to operate on the International Space Station (ISS). DAC has hereby taken the lead in providing exercise equipment for commercially selected astronauts, and is very well positioned for growth in the commercial human spaceflight market.
- ESA extended DAC's contract in support of health monitoring on ISS and executed options in the contract for the coming years.
- DAC has been allotted a significant part of the available test time for Andreas Mogensen's next flight to ISS in 2023. In this connection DAC received approval to conduct three technological experiments, which will strengthen developments in our product portfolio going forward.
- ESA initiated a new contract with DAC and Aquaporin Space Alliance ApS for further development of Aquaporin Inside water recovery technology for use in space.
- DAC was selected to be a subcontractor to a project under the European Defense Fund -- ABITS (Advanced Biometrics In Training and Simulation) -- to develop an in-door tactical training technology that integrates medical sensor feedback in the simulation environment.
- DAC will receive the GAINTEX (Garments for Advanced INsight with TEXtiles) contract with ESA that is being transferred from the now bankrupt company Ohmatex. DAC will be the new prime contractor and pursue the project to completion.

Management review

DAC realized earnings from operations before depreciation and amortization (EBITDA), of DKK 3.36 million. The DAC earnings before tax were DKK 2.59 million. The Company's equity amounts to DKK 21.3 million as of December 31st, 2022.

In 2022, DAC entered the private commercial space market by signing a contract for exercise equipment with Axiom Space Inc. in January. The contract with Axiom was the result of several years of focused activities. This area has considerable further potential since four other private American consortia also plan to develop private commercial space stations. Accordingly, DAC is realizing one of its ambitious goals, which was set in connection with the IPO in 2019.

DAC has in 2022 completed the FERGO contract with the delivery of three completed FERGO flight ergometers and a training model for NASA. In 2023, NASA expects to launch two of the new FERGO ergometers to the International Space Station (ISS). Thus, four of DAC's ergometers will be on board ISS (two of DAC's original CEVIS ergometers will remain on board as back-up).
Development and manufacturing work on the multifunctional E4D exercise equipment for ESA and comparable exercise equipment for Axiom Space Inc., along with other contract activities is continuing as planned.

DAC has, on several occasions, received extensions and prolongations of this ESA contract for support of medical equipment and health monitoring of astronauts on the International Space Station, a contract that DAC has held since July 2006. The DAC team supports regular health monitoring and exercise tests on the International Space Station from the company's control room in Odense, Denmark.

In pursuit of the second 'pillar' of DAC's strategy outlined in its 2019 IPO – development of wearable technology for extreme environments on Earth – DAC is supporting the European Defense Fund's ABITS (Advanced Biometrics In Training and Simulation) project. DAC's role involves providing a medical sensor feedback capability to the new technology. Meanwhile DAC is continuing internal development work on a variety of new wearable sensors for health monitoring of astronauts and others in extreme environments.

Shortly before the end of the year, the company, in collaboration with its joint venture partner Aquaporin Space Alliance ApS, received a contract for further development of Aquaporin Inside□ Water Recovery technology for use in space.

In connection with Danish ESA Astronaut Andreas Mogensen's upcoming six-month mission (named Hugginn) to the International Space Station, the Danish Ministry of Higher Education and Science has approved three technological DAC experiments for implementation in 2023: (1) testing of the company's wearable technology in space, (2) using virtual reality with DAC's on-orbit exercise equipment and (3) testing of water recovery technologies for the Aquaporin Space Alliance. These experiment demonstrations will support the company's efforts to mature new technologies for the growing commercial human space industry, as well as in development of technologies for extreme environments on Earth.

Expectations for the 2023 fiscal year

Danish Aerospace Company continues to aggressively pursue its objectives in developing and providing innovative exercise and medical monitoring equipment for government and commercial human spaceflight activities and for terrestrial applications in extreme environments.

In the fiscal year 2023 Danish Aerospace Company's expectations are:

- Revenue of DKK 24-26 million; and
- Operating profit (EBITDA) of approx. DKK 3-4 million.

Events after the balance sheet date

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

Income statement for 2022

	Notes	2022 DKK	2021 DKK
Revenue		23,234,026	20,353,842
Own work capitalised		556,692	144,576
Other operating income		677,407	0
Costs of raw materials and consumables		(2,199,901)	(1,647,865)
Other external expenses		(4,170,435)	(3,212,606)
Gross profit/loss		**18,097,789**	**15,637,947**
Staff costs	1	(14,740,059)	(13,402,330)
Depreciation, amortisation and impairment losses	2	(767,855)	(1,134,370)
Operating profit/loss		**2,589,875**	**1,101,247**
Income from investments in group enterprises		(683,517)	(601,050)
Income from investments in associates		(22,657)	(9,427)
Other financial income		702,589	243,986
Other financial expenses		(46,428)	(359,901)
Profit/loss before tax		**2,539,862**	**374,855**
Tax on profit/loss for the year		(675,204)	(199,580)
Profit/loss for the year		**1,864,658**	**175,275**
Proposed distribution of profit and loss:			
Retained earnings		1,864,658	175,275
Proposed distribution of profit and loss		**1,864,658**	**175,275**

Balance sheet at 31.12.2022

Assets

	Notes	2022 DKK	2021 DKK
Completed development projects	7	539,092	803,320
Acquired patents		790,786	523,865
Development projects in progress	7	810,725	254,033
Intangible assets	6	**2,140,603**	**1,581,218**
Other fixtures and fittings, tools and equipment		1,145,585	1,251,549
Leasehold improvements		469,938	579,128
Property, plant and equipment	8	**1,615,523**	**1,830,677**
Investments in group enterprises		0	0
Investments in associates		24,291	46,948
Financial assets	9	**24,291**	**46,948**
Long-term assets		**3,780,417**	**3,458,843**
Raw materials and consumables		4,538,684	193,312
Inventories		**4,538,684**	**193,312**
Trade receivables		5,308,009	1,382,555
Contract work in progress	10	16,641,252	15,524,451
Receivables from group enterprises		4,207,307	3,935,037
Other receivables		860,886	420,665
Income tax receivable	11	122,472	31,807
Prepayments		439,466	540,455
Receivables		**27,579,392**	**21,834,970**
Cash		**106,433**	**2,682,873**
Short-term assets		**32,224,509**	**24,711,155**
Assets		**36,004,926**	**28,169,998**

Equity and liabilities

	Notes	2022 DKK	2021 DKK
Contributed capital		1,090,833	1,090,833
Reserve for development expenditure		1,052,856	824,735
Retained earnings		19,162,537	17,810,947
Equity		**21,306,226**	**19,726,515**
Deferred tax		4,541,525	3,743,849
Provisions		**4,541,525**	**3,743,849**
Other payables		1,126,329	1,109,683
Non-current liabilities other than provisions	12	**1,126,329**	**1,109,683**
Provisions for investments in group enterprises		18,086	0
Bank loans		4,906,187	0
Prepayments received from customers		0	29,782
Trade payables		1,638,688	425,248
Other payables		1,676,448	3,134,921
Deferred income		791,437	0
Current liabilities other than provisions		**9,030,846**	**3,589,951**
Liabilities other than provisions		**10,157,175**	**4,699,634**
Equity and liabilities		**36,004,926**	**28,169,998**
Contingent liabilities	14		
Assets charged and collateral	15		

Statement of changes in equity for 2022

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Equity beginning of year	1,090,833	824,735	17,810,947	19,726,515
Exchange rate adjustments	0	0	(284,947)	(284,947)
Transfer to reserves	0	228,121	(228,121)	0
Profit/loss for the year	0	0	1,864,658	1,864,658
Equity end of year	**1,090,833**	**1,052,856**	**19,162,537**	**21,306,226**

Cash flow statement for 2022

	Notes	2022 DKK	2021 DKK
Operating profit/loss		2,589,875	1,101,247
Amortisation, depreciation and impairment losses		767,855	1,134,370
Working capital changes	13	(10,416,241)	4,938,509
Cash flows from ordinary operating activities		**(7,058,511)**	**7,174,126**
Financial income received		702,589	243,986
Financial expenses paid		(46,428)	(359,901)
Taxes refunded/(paid)		31,807	554,026
Cash flows from operating activities		**(6,370,543)**	**7,612,237**
Acquisition etc. of intangible assets		(856,520)	(329,911)
Acquisition etc. of property, plant and equipment		(255,564)	(270,650)
Cash flows from investing activities		**(1,112,084)**	**(600,561)**
Free cash flows generated from operations and investments before financing		**(7,482,627)**	**7,011,676**
Loans raised		4,906,187	0
Repayments of loans etc.		0	(4,486,867)
Cash flows from financing activities		**4,906,187**	**(4,486,867)**
Increase/decrease in cash and cash equivalents		**(2,576,440)**	**2,524,809**
Cash and cash equivalents beginning of year		2,682,873	158,064
Cash and cash equivalents end of year		**106,433**	**2,682,873**
Cash and cash equivalents at year-end are composed of:			
Cash		106,433	2,682,873
Cash and cash equivalents end of year		**106,433**	**2,682,873**

Notes

1 Staff costs

	2022 DKK	2021 DKK
Wages and salaries	13,463,204	12,313,530
Pension costs	853,985	783,660
Other social security costs	192,845	184,086
Other staff costs	230,025	121,054
	14,740,059	**13,402,330**

Average number of full-time employees	**26**	**24**

2 Depreciation, amortisation and impairment losses

	2022 DKK	2021 DKK
Amortisation of intangible assets	297,135	595,225
Depreciation of property, plant and equipment	470,720	539,145
	767,855	**1,134,370**

3 Other financial income

	2022 DKK	2021 DKK
Financial income from group enterprises	231,506	189,445
Exchange rate adjustments	471,083	54,541
	702,589	**243,986**

4 Other financial expenses

	2022 DKK	2021 DKK
Other interest expenses	46,428	235,414
Exchange rate adjustments	0	124,487
	46,428	**359,901**

5 Tax on profit/loss for the year

	2022 DKK	2021 DKK
Current tax	(122,472)	(31,807)
Change in deferred tax	797,676	231,387
	675,204	**199,580**

6 Intangible assets

	Completed development projects DKK	Acquired patents DKK	Development projects in progress DKK
Cost beginning of year	4,717,765	4,075,042	254,033
Additions	0	299,828	556,692
Cost end of year	**4,717,765**	**4,374,870**	**810,725**
Amortisation and impairment losses beginning of year	(3,914,445)	(3,551,177)	0
Amortisation for the year	(264,228)	(32,907)	0
Amortisation and impairment losses end of year	**(4,178,673)**	**(3,584,084)**	**0**
Carrying amount end of year	**539,092**	**790,786**	**810,725**

7 Development projects

The Company's portfolio of internal development projects comprises a new generation of exercise and medical monitoring equipment for astronauts. The expectation is that the improved and new products may be sold to commercial private aerospace companies such as ESA and NASA. The depreciation periods have been adjusted to the expected sales periods. Projects in progress are progressing as planned and the Company has sufficient resources to complete the projects within the deadlines set out.

8 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	3,930,829	1,488,497
Additions	252,465	3,101
Cost end of year	**4,183,294**	**1,491,598**
Depreciation and impairment losses beginning of year	(2,679,280)	(909,369)
Depreciation for the year	(358,429)	(112,291)
Depreciation and impairment losses end of year	**(3,037,709)**	**(1,021,660)**
Carrying amount end of year	**1,145,585**	**469,938**

9 Financial assets

	Investments in group enterprises DKK	Investments in associates DKK
Cost beginning of year	5,592,667	40,000
Cost end of year	**5,592,667**	**40,000**
Revaluations beginning of year	0	6,948
Share of profit/loss for the year	0	(22,657)
Revaluations end of year	**0**	**(15,709)**
Impairment losses beginning of year	(5,592,667)	0
Exchange rate adjustments	(284,947)	0
Share of profit/loss for the year	(565,870)	0
Adjustment of intra-group profits	(117,647)	0
Investments with negative equity value depreciated over receivables	950,378	0
Investments with negative equity value transferred to provisions	18,086	0
Impairment losses end of year	**(5,592,667)**	**0**
Carrying amount end of year	**0**	**24,291**

Investments in subsidiaries	Registered in	Corporate form	Equity interest %
Danish Aerospace Company - North America, Inc.	USA	Inc.	100
Danish Aerospace Medical Company A/S	Odense	A/S	100

Investments in associates	Registered in	Corporate form	Equity interest %
Aquaporin Space Alliance ApS	Odense	ApS	50

10 Contract work in progress

	2022 DKK	2021 DKK
Contract work in progress	52,484,275	50,984,749
Progress billings regarding contract work in progress	(35,843,023)	(35,460,298)
	16,641,252	**15,524,451**

11 Tax receivable

According to LL §8X, receivable tax is regarding tax credit for incurred development costs which is expected to be paid in November 2023.

12 Non-current liabilities other than provisions

	Due after more than 12 months 2022 DKK	Outstanding after 5 years 2022 DKK
Other payables	1,126,329	1,109,683
	1,126,329	**1,109,683**

13 Changes in working capital

	2022 DKK	2021 DKK
Increase/decrease in inventories	(4,345,372)	613,064
Increase/decrease in receivables	(6,604,137)	3,480,797
Increase/decrease in trade payables etc.	533,268	844,648
	(10,416,241)	**4,938,509**

14 Contingent liabilities

The Company has a rent obligation of DKK 289k in the period of interminabiliy.

The Company has an accumulated lease obligation of DKK 367k.

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these entities.

15 Assets charged and collateral

Credit facilities are secured by a mortgage on following assets:
Corporate mortgage in the company's receivables, inventory, fixed assets, equipment and intangible fixed assets for a total of DKK 6,000k. The carrying amount of pledged assets for credit facilities amounts to DKK 35,229k.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of a few provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in translation reserve in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are recognised directly in translation reserve in equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Own work capitalised

Own work capitalised comprises staff costs and other costs incurred in the financial year and recognised in cost for proprietary intangible assets and property, plant and equipment.

Other operating income

Other operating income comprises subsidies from the European Union.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary writedowns of the relevant inventories.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages, and social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Income from investments in associates
Income from investments in associates comprises the pro rata share of the individual associates' profit/loss after pro rata elimination of intra-group profits or losses.

Other financial income
Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Intellectual property rights etc.
Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity in the reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 5-10 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc. are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment
Buildings, plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

	Useful life
Other fixtures and fittings, tools and equipment	5-8 years
Leasehold improvements	8 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises
Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to the reserve for net revaluation according to the equity method in equity.

Goodwill is the positive difference between cost of investments and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Investments in associates
Investments in associates are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the associates' equity value plus unamortised goodwill and plus or minus unrealised pro rata intra-group profits and losses.

Associates with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in associates is transferred to the reserve for net revaluation according to the equity method in equity.

Goodwill is the positive difference between cost of investments and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area.

Investments in associates are written down to the lower of recoverable amount and carrying amount.

Investments in associates fall within the definitions of both participating interests and associates, yet in the financial statements they have been presented as investments in associates because this designation reflects more accurately the Company's involvement in the relevant entities.

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 of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of raw materials and consumables equals landed cost.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Contract work in progress
Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. The stage of completion is determined as the ratio of actual to total budgeted consumption of resources within the deliverables of the contracts, i.e. design/programming, hardware, assembly etc.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet in receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts, and finance costs are recognised in the income statement as incurred.

Tax payable or receivable
Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash
Cash comprises cash in hand and bank deposits.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset. Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

Other provisions
Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

On acquisition of enterprises and investments in group enterprises, provisions are made for costs relating to restructuring in the acquired enterprise that were decided and published at the acquisition date at the latest.

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

Other financial liabilities
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Prepayments received from customers
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Deferred income
Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities, and cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes, and financial income, financial expenses and income tax paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments, and purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, repayments of interest-bearing debt, including lease liabilities, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.

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