

Saab Danmark A/S

Porten 6, 6400 Sønderborg

CVR no. 14 48 55 46

Annual report 2023

Approved at the Company's annual general meeting on 14 March 2024

Chair of the meeting:

.....
Björn Haar

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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Saab Danmark A/S for the financial year 1 January - 31 December 2023.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2023.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Sønderborg, 14 March 2024
Executive Board:

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Heino Lundgren

Board of Directors:

.....
Pär Jonas Ottosson
Chairman

.....
Björn Haar

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Heino Lundgren

.....
Nils Christian Wang

Independent auditor's report

To the shareholders of Saab Danmark 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 2023 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Saab Danmark A/S for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("the 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 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, 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 of the Management's Review.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with 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.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional 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 note disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Trekantsområdet, 14 March 2024
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Henrik Forthoft Lind
State Authorised Public Accountant
mne34169

Management's review

Company details

Name	Saab Danmark A/S
Address, Postal code, City	Porten 6, 6400 Sønderborg
CVR no.	14 48 55 46
Registered office	Sønderborg
Financial year	1 January - 31 December
Website	www.saabgroup.com
E-mail	info@dk.saabgroup.com
Telephone	+45 36 38 30 00
Board of Directors	Pär Jonas Ottosson, Chairman Björn Haar Heino Lundgren Nils Christian Wang
Executive Board	Heino Lundgren
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Herredsvej 32, DK-7100 Vejle

Financial highlights

DKK'000	2023	2022	2021	2020	2019
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Key figures

Revenue	399,462	287,981	206,833	139,945	161,142
Gross profit	111,526	89,981	93,959	79,710	78,981
Operating profit/loss	1,132	-398	11,950	5,079	13,942
Net financials	-2,529	4,614	114	-257	215
Profit/loss for the year	-1,132	2,648	10,894	5,349	12,951

Total assets	405,323	212,791	255,397	179,733	184,192
Investments in property, plant and equipment	1,738	4,489	880	1,647	1,558
Equity	83,178	85,356	80,106	69,673	62,019

Financial ratios

Gross margin	27.9%	31.2%	45.4%	57.0%	49.0%
Equity ratio	20.5%	40.1%	31.4%	38.8%	33.7%
Return on equity	-1.3%	3.2%	14.5%	8.1%	22.6%
Nettomargin	-0.3%	0.9%	5.3%	3.8%	8.0%

For terms and definitions, please see the accounting policies.

Management's review

Business review

Peace and security are fundamental for human rights and freedom. This is worth protecting. We are a part of Saab Group, a leading defense and security company that pushes intellectual and technological boundaries to create a safer, more sustainable and more equitable world. At Saab Danmark, we deliver IT solutions which support our customers to stay in control of their mission critical operations.

Since we were founded in 1981, we have developed and delivered state-of-the-art integrated communication solutions for the defense and civil security market, both domestic and internationally.

Our integrated communication solution is built around our proven TactiCall product suite. Building upon more than 40 years' experience, we offer a turnkey answer to all technological challenges within the communication domain. We have extensive in-house Communication System Integration experience in system engineering with in all aspects of the domain, from radio integration, IP networks over security accreditations, information assurance and TEMPEST design, all the way to hardware implementation and topside design, including Electromagnetic Interference and Compatibility (EMC).

Drawing on this extensive experience, we can deliver a robust and highly survivable solution with no single point of failure. The modular and scalable design approach ensures seamless interfacing to 3rd party and legacy systems. This creates a configurable solution capable of meeting specific operational and technical requirements of our customers, while protecting prior investment.

Financial review

Management's expectations for 2023 was a positive development in order intake, revenue and profitability compared to 2022. The actual result was 38.7 % growth in terms of Sales compared to last year and the result after tax was a loss 1.1 M which is a negative development in profitability. The main reasons for the negative development is increased costs on a number of large projects as well as increased financial costs.

Revenue and Order Intake

Our order intake in 2023 amounted to 229.7 MDKK versus 377.5 MDKK the previous year. The decrease amounted to 39.2 % which was primarily due to a number of new projects being postponed by customers. At year end 2023 the order backlog was 730.2 M DKK securing a stable starting point for the business in 2024.

Our net sales in 2023 amounted to 399.5 MDKK versus 288.0 MDKK the previous year. The increase amounted to 38.7 % which was due to a strong backlog going into 2023.

Result after tax

In 2023 the net result of the year was a deficit of 1.1 MDKK versus the 2022 surplus of 2.6 MDKK. The management considers the result to be unsatisfactory but in line with expectations in light of the company's significant growth which required large investments in technology and personnel.

Knowledge resources

We have ensured continuous learning for all employees as well as retained competences and skills within core business areas. This combined with a relatively low staff turnover gives us a good position in terms of knowledge for the coming period.

Financial risks and use of financial instruments

Pricing risk

Fluctuation in prices are normally included in the pricing of own products. Consequently there is no significant pricing risk.

Foreign exchange rates

Activities in export markets in foreign currencies can impact the financial result, cash flow and equity. It is our policy to mitigate the risk of exchange rates in currencies other than Danish Kroner. The risk is covered by hedging contracts on expected revenue and procurement of goods and services. It is not our policy to speculate in currency positions.

Management's review

Credit risk

We have interest bearing debt and consequently changes in interest rates will have an impact on our profitability. We have taken measures through its parent company to mitigate interest risk.

Research and development activities

The management has decided to continue to invest in innovative solutions for customers within core business areas. During the fiscal year significant investments have been made to enable development of our products for the benefit of existing customers both domestically and abroad.

Sustainability

An essential part in our engagement for sustainability is to minimize the environmental impact from all parts of our operations. We are committed to maximizing the positive impact on sustainability from our operations while ensuring that research, innovation and technology help enable sustainable development. We aim to reduce emissions and decrease electricity usage. Initiatives such as mandatory sustainability training of employees was carried out to raise awareness and knowledge linked to the company's commitment within the area. Measures were taken to use green energy in our buildings, and all fossil-fuel company vehicles were phased out and replaced with zero-emission/electric cars.

Events after the balance sheet date

After the balance sheet date, no subsequent events have significantly impacted Saab Danmark's financial position.

Outlook

In 2024 the company will continue to strengthen its market position within the defense markets, both domestically and abroad. Management's expectations for 2024 is a positive development in order intake, revenue and profitability compared to 2023. EBIT is expected to be in the range of 10 to 20 MDKK in 2024.

The expected growth should be seen in light of the fact that we continued to make significant investments in new technology, which combined with an efficient cost structure, will create the foundation for growth in the future.

The expected progress will also be secured through the international co-operation with the parent company Saab AB, where Saab Danmark participates with our solutions which can be integrated into the global Saab AB product portfolio.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2023	2022
	Revenue	399,462	287,981
	Other external expenses	-287,936	-198,000
	Gross profit	111,526	89,981
2	Staff costs	-108,686	-89,280
3	Depreciation of property, plant and equipment	-1,708	-1,099
	Other operating expenses	0	-7
	Profit/loss before net financials	1,132	-405
4	Financial income	1,786	4,746
5	Financial expenses	-4,315	-132
	Profit/loss before tax	-1,397	4,209
6	Tax for the year	265	-1,561
	Profit/loss for the year	-1,132	2,648

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2023	2022
	ASSETS		
	Fixed assets		
8	Property, plant and equipment		
	Fixtures and fittings, other plant and equipment	5,474	5,976
	Leasehold improvements	600	49
	Property, plant and equipment under construction	111	130
		<u>6,185</u>	<u>6,155</u>
	Total fixed assets	<u>6,185</u>	<u>6,155</u>
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	3,740	2,516
	Work in progress	2,915	3,342
	Finished goods and goods for resale	5,486	4,187
		<u>12,141</u>	<u>10,045</u>
	Receivables		
	Trade receivables	21,581	34,705
10	Construction contracts	216,821	100,896
	Receivables from group enterprises	18,817	3,874
9	Deferred tax assets	6,366	5,369
	Corporation tax receivable	18	0
	Other receivables	5,461	10,326
11	Prepayments	15,949	26,910
		<u>285,013</u>	<u>182,080</u>
	Cash	<u>101,984</u>	<u>14,511</u>
	Total non-fixed assets	<u>399,138</u>	<u>206,636</u>
	TOTAL ASSETS	<u><u>405,323</u></u>	<u><u>212,791</u></u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2023	2022
	EQUITY AND LIABILITIES		
	Equity		
12	Share capital	3,000	3,000
	Hedging reserve	253	1,069
	Retained earnings	79,925	81,287
	Total equity	83,178	85,356
	Provisions		
13	Other provisions	29,223	21,126
	Total provisions	29,223	21,126
	Liabilities other than provisions		
	Current liabilities other than provisions		
10	Construction contracts	159,173	33,838
	Trade payables	31,333	33,088
	Payables to group enterprises	75,651	24,306
	Corporation tax payable	561	0
	Other payables	13,076	8,429
15	Deferred income	13,128	6,648
		292,922	106,309
	Total liabilities other than provisions	292,922	106,309
	TOTAL EQUITY AND LIABILITIES	405,323	212,791

- 1 Accounting policies
- 7 Appropriation of profit/loss
- 16 Contractual obligations and contingencies, etc.
- 17 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Hedging reserve	Retained earnings	Total
	Equity at 1 January 2022	3,000	960	76,037	79,997
7	Transfer, see "Appropriation of profit/loss"	0	0	2,648	2,648
	Adjustment of investments through foreign exchange adjustments	0	109	2,602	2,711
	Equity at 1 January 2023	3,000	1,069	81,287	85,356
7	Transfer, see "Appropriation of profit/loss"	0	0	-1,132	-1,132
	Adjustment of investments through foreign exchange adjustments	0	-1,046	0	-1,046
	Tax on items recognised directly in equity	0	230	-230	0
	Equity at 31 December 2023	3,000	253	79,925	83,178

Financial statements 1 January - 31 December

Cash flow statement

Note	DKK'000	2023	2022
	Profit/loss for the year	-1,132	2,648
18	Adjustments	12,069	810
	Cash generated from operations (operating activities)	10,937	3,458
19	Changes in working capital	81,585	-46,870
	Cash generated from operations (operating activities)	92,522	-43,412
	Interest received, etc.	1,786	4,746
	Interest paid, etc.	-4,315	-132
	Other cash flows from operating activities	-782	1,042
	Cash flows from operating activities	89,211	-37,756
	Additions of property, plant and equipment	-1,738	-4,489
	Cash flows to investing activities	-1,738	-4,489
	Net cash flow	87,473	-42,245
	Cash and cash equivalents at 1 January	14,511	56,756
	Cash and cash equivalents at 31 December	101,984	14,511

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Saab Danmark A/S for 2023 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

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

Basis of 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.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Foreign currency translation

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

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

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are presented as separate items in the balance sheet.

Fair value adjustments of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement along with changes in the fair value of the hedged asset or liability.

Fair value adjustments of derivative financial instruments designated and qualifying as hedging of future assets or liabilities are recognised as separate items in the balance sheet and in the hedging reserve under equity. If the forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the forecast transaction results in income or expenses, amounts previously recognised in equity are transferred to the income statement in the period in which the hedged item affects the income statement.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income statement

Revenue

Income from the sale of goods for resale and finished goods, is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received.

Income from construction contracts involving a high degree of customisation is recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the market value of the contract work performed during the year (percentage-of-completion method). This method is used where the total income and expenses and the degree of completion of the contract can be measured reliably.

Where income from a construction contract cannot be estimated reliably, contract revenue corresponding to the expenses incurred is recognised only in so far as it is probable that such expenses will be recoverable from the counterparty.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

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

By reference to section 98b(3), (ii) of the Danish Financial Statements Act, remuneration to Management is not disclosed.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Depreciation

The item comprises depreciation of property, plant and equipment.

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

Fixtures and fittings, other plant and equipment	3-5 years
Leasehold improvements	5 years

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Property, plant and equipment are written down to their recoverable amount if they are lower than the carrying amount.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Other operating expenses

Other operating expenses comprise items of a secondary nature relative to the Company's core activities, including losses on the sale of fixed assets.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from group entities and associates, declared dividends from other securities and investments, financial expenses relating to finance leases, realised and unrealised capital gains and losses relating to other securities and investments, exchange gains and losses and amortisation of financial assets and liabilities.

Tax

The parent company is covered by the Danish rules on mandatory joint taxation of the Group's Danish subsidiaries. Subsidiaries are included in the joint taxation arrangement from the date at which they are included in the consolidated financial statements and up to the date when they are no longer consolidated.

The parent company acts as management company for the joint taxation arrangement and consequently settles all corporate income tax payments with the tax authorities.

On payment of joint taxation contributions, the Danish corporate income tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable income.

Tax for the year, which comprises the current income tax charge, joint taxation contributions and deferred tax adjustments, including adjustments arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Leases

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and indirect production overheads.

Indirect production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the sales price.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Construction contracts

Service supplies and contract work in progress for third parties are measured at the market value of the work performed less progress billings. The market value is calculated based on the stage of completion at the balance sheet date and the total expected income from the relevant contract. The stage of completion is calculated based on the expenses incurred relative to the expected total expenses relating to the relevant contract.

Where the outcome of contract work in progress cannot be estimated reliably, the market value is measured at the expenses incurred in so far as they are expected to be paid by the purchaser.

Where the total expenses relating to the work in progress are expected to exceed the total market value, the expected loss is recognised as a loss-making agreement under "Provisions" and is expensed in the income statement.

The value of work in progress less progress billings is classified as assets when the selling price exceeds progress billings and as liabilities when progress billings exceed the market value.

Costs associated with sales work and contract award and financing costs are recognized in the income statement when incurred.

Prepayments

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

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Given the nature of the Group's cash pool arrangement, cash pool balances are not considered cash or loan, but are recognised under "Receivables from group entities" or "Payables to group entities".

Equity

Hedging reserve

The hedging reserve comprises the cumulative net change in the fair value of hedging transactions that qualify for recognition as a cash flow hedge and where the hedged transaction has not yet been realised. The reserve is dissolved when the hedged transaction is realised, if the hedged cash flows are no longer expected to be realised or if the hedging relationship is no longer effective. The reserve does not represent a limitation under company law and may therefore be negative.

Provisions

Provisions comprise anticipated expenses relating to warranty commitments, onerous contracts, restructurings, etc. Provisions are recognised when the Company has a legal or constructive obligation at the balance sheet date as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

Warranty commitments include expenses for remedial action in respect of the contract work within the warranty period. Provisions for warranty commitments are measured at net realisable value and recognised based on past experience. Provisions that are expected to mature more than one year after the balance sheet date are discounted at average bond yields.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income taxes

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

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

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

Other payables

Other payables are measured at net realisable value.

Deferred income

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

Fair value

The fair value measurement is based on the principal market. If no principal market exists, the measurement 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 which are measured at fair value, or whose fair value is disclosed, are classified based on the fair value hierarchy, see below:

Level 1: Value in an active market for similar assets/liabilities

Level 2: Value based on recognised valuation methods on the basis of observable market information

Level 3: Value based on recognised valuation methods and reasonable estimates (non-observable market information).

If a reliable fair value cannot be stated according to the above levels, the asset or liability is measured at cost.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Cash flow statement

The cash flow statement shows the Company's net cash flows broken down according to operating, investing and financing activities, the year's changes in cash and cash equivalents as well as the cash and cash equivalents at the beginning and the end of the year.

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non cash operating items, changes in working capital and paid corporate income tax.

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

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

Cash and cash equivalents comprise cash, short term bank loans and short term securities which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating profit/loss	Profit/loss before net financials +/- Other operating income and other operating expenses
Gross margin	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$
Nettomargin	$\frac{\text{Profit/loss of the year} \times 100}{\text{Revenue}}$

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2023	2022
2 Staff costs		
Wages/salaries	100,102	82,263
Pensions	7,329	5,926
Other social security costs	1,255	1,091
	<u>108,686</u>	<u>89,280</u>
Average number of full-time employees	<u>165</u>	<u>136</u>
Number of employees at the balance sheet date	<u>181</u>	<u>142</u>
Total remuneration to Management and board of directors: DKK 1,445k (2022: DKK 1,409k).		
3 Depreciation of property, plant and equipment		
Depreciation of property, plant and equipment	1,708	1,099
	<u>1,708</u>	<u>1,099</u>
4 Financial income		
Interest receivable, group entities	1,786	0
Exchange adjustments	0	4,746
	<u>1,786</u>	<u>4,746</u>
5 Financial expenses		
Interest expenses, group entities	3,867	23
Other interest expenses	76	109
Exchange adjustments	372	0
	<u>4,315</u>	<u>132</u>
6 Tax for the year		
Estimated tax charge for the year	561	0
Deferred tax adjustments in the year	-997	1,561
Tax adjustments, prior years	171	0
	<u>-265</u>	<u>1,561</u>
7 Appropriation of profit/loss		
Recommended appropriation of profit/loss		
Retained earnings/accumulated loss	-1,132	2,648
	<u>-1,132</u>	<u>2,648</u>

Financial statements 1 January - 31 December

Notes to the financial statements

8 Property, plant and equipment

DKK'000	Fixtures and fittings, other plant and equipment	Leasehold improvements	Property, plant and equipment under construction	Total
Cost at 1 January 2023	12,981	3,172	130	16,283
Additions	1,143	614	111	1,868
Disposals	0	0	-130	-130
Cost at 31 December 2023	14,124	3,786	111	18,021
Impairment losses and depreciation at 1 January 2023	7,005	3,123	0	10,128
Depreciation	1,645	63	0	1,708
Impairment losses and depreciation at 31 December 2023	8,650	3,186	0	11,836
Carrying amount at 31 December 2023	5,474	600	111	6,185
Depreciated over	3-5 years	5 years		

9 Deferred tax assets

Recognition of deferred tax assets includes differences in property, plant and equipment, inventories, work in progress for foreign accounts and taxable carry-over deficit.

DKK'000	2023	2022
10 Construction contracts		
Selling price of work performed	1,110,830	709,900
Progress billings	-1,053,182	-642,842
	57,648	67,058
recognised as follows:		
Construction contracts (assets)	216,821	100,896
Construction contracts (liabilities)	-159,173	-33,838
	57,648	67,058

11 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years.

Financial statements 1 January - 31 December

Notes to the financial statements

12 Share capital

The Company's share capital has remained DKK 3,000 thousand over the past 5 years.

DKK'000	2023	2022
13 Other provisions		
The provisions are expected to be payable in:		
> 1 year	29,223	21,126
	<u>29,223</u>	<u>21,126</u>

Other provisions include expected costs for guarantee obligations, losses on ongoing work for third parties, etc.

Other provisions are recognized and measured as the best estimate of the costs incurred necessary to settle the liabilities at the balance sheet date. Provisions with expected maturity beyond one year from the balance sheet date is measured at discounted value.

Warranty obligations include commitments to remedy faults and deficiencies within the warranty period.

When it is probable that the total cost will exceed the total revenue of one ongoing work for third parties is provided to cover the total loss expected at the work in question.

14 Derivative financial instruments

Fair value disclosures

The Company has the following assets and liabilities measured at fair value:

DKK'000	Derivative financial instruments
Fair value at year end	324
Unrealised fair value adjustments for the year, recognised in hedging reserve	324
Fair value level	2

The derivative financial instruments are categorised i level 2 in the fair value hierarchy, and no significant unobservable input is included in the valuation.

Other receivables include the positive value of forward exchange rate contracts at DKK 324k. The company hedges expected currency risks relating to sales of goods and cost of sales with forward exchange rate contracts. The company has entered into forward exchange rate contracts at the end of the year 31.12.2023 to secure future sales of DKK 30.630k.

15 Deferred income

Deferred income consists of payments received from customers that may not be recognised until the subsequent financial year.

Financial statements 1 January - 31 December

Notes to the financial statements

16 Contractual obligations and contingencies, etc.

Other contingent liabilities

As management company, the Company is jointly taxed with other Danish group entities and is jointly and severally with other jointly taxed group entities for payment of income taxes for income year 2017 onwards as well as withholding taxes on interest, royalties and dividends falling due for payment on or after 01.10.2016.

Other financial obligations

Other rent and lease liabilities:

DKK'000	2023	2022
Rent and lease liabilities	46,152	48,968

The company has entered into lease contracts with a total commitment of DKK 45,327k.

The company has entered into operating leases with an average annual lease payment of DKK 487k. The leases have an average maturity of 22 months and a total residual lease payment of DKK 825k.

17 Related parties

Saab Danmark A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
SAAB AB	P.O. Box 12062, SE-102 22 Stockholm, Sverige	Participating interest

Information about consolidated financial statements

Parent	Domicile
SAAB AB	P.O. Box 12062, SE-102 22 Stockholm, Sverige

Related party transactions

The Company solely discloses related party transactions that have not been carried out on an arm's length basis, cf. section 98c(7) of the Danish Financial Statements Act.

All transactions have been carried out on an arm's length basis.

DKK'000	2023	2022
18 Adjustments		
Amortisation/depreciation and impairment losses	1,708	1,099
Gain/loss on the sale of non-current assets	0	7
Provisions	8,097	2,757
Financial income	-1,786	-4,746
Financial expenses	4,315	132
Tax for the year	-265	1,561
	<u>12,069</u>	<u>810</u>

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2023	2022
19 Changes in working capital		
Change in inventories	-2,095	139
Change in receivables	-136,748	3,604
Change in trade and other payables	220,428	-50,613
	<u>81,585</u>	<u>-46,870</u>

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Statsautoriseret revisor

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