NORDIC UNMANNED

# ANNUAL REPORT 2022

08.05.2023

# Building leading, sustainable businesses in the drone market

As the Interim CEO of Nordic Unmanned, I am honored to lead a team of talented professionals who are building leading products and services positions in the global drone market. Despite challenging financial conditions in 2022, we are grateful for the support of our loyal customers, trusted suppliers, and long-term financing partners. We have taken significant steps to simplify the organization and reduce costs, while delivering on our commitments. We are proud to report commercial achievements that will benefit our shareholders, employees, and other stakeholders.

Our platform includes two standalone product companies and two service businesses, each serving distinct markets with significant growth opportunities ahead. AirRobot, our Germany-based company, has secured major contracts and partnerships for its lightweight military-grade sensors and drone systems. We acquired a controlling stake in Belgian drone-in-a-box developer DroneMatrix, highlighting our commitment to invest in innovative technologies with a short time to market. Our flight services business completed a record number of flight hours for the European Maritime and Surveillance Agency, and secured a major framework contract that could add more than EUR 20 million of backlog to the Nordun business unit from 2024. Ecoxy, our domestic business focused on measurement and verification of emissions, achieved all-time high revenues and a healthy margin contribution.

To finance investments, operating expenses and working capital, Nordic Unmanned raised equity from shareholders on two occasions last year. In March this year, we completed a refinancing with Sparebank1 SR-Bank and Export Finance Norway. The board announced a review of strategic alternatives aimed at evaluating certain options, including partnerships, to improve our balance sheet and creating a strong foundation for the future.

Our greatest strength is the quality of our people and their knowledge of advanced unmanned aerial systems. They are dedicated, diligent and it's a privilege to work at their side. Our people, together with Nordic Unmanned's strong market position, make me enthusiastic about having the opportunity to lead Nordic Unmanned into the future, securing a sustainable and healthy growth.

Sincerely,

Arne Roland

BOARD OF DIRECTORS' REPORT

## Key highlights 2022

- Nordic Unmanned reported consolidated operating income of EUR 17 million in 2022, compared to EUR 9.2 million in 2021, an increase of 85%
- The Group had a negative EBITDA EUR 9 million in 2022 compared to negative EUR 5.3 million in 2021
- Raised NOK 155 million in equity from new and existing shareholders through private placements in June and December
- Nordic Unmanned acquired 55% share of the Belgian drone company DroneMatrix
- AirRobot, the Nordic Unmanned subsidiary won its largest contract ever for the delivery of novel and modular AR-100 drones to the German armed forces of EUR 7.5 million plus MRO services over the next 10 years
- On the 21st of October, Nordic Unmanned was awarded the OP/5 contract with the European Maritime Safety Agency (EMSA), with a value of up to EUR 20.5 million.
- On the 16th of December, Nordic Unmanned UK Ltd received a 10-year framework contract from Lockheed Martin UK Ltd for the delivery of the Heimdal sensor and software with a contract value expected to exceed EUR 5 million in 2023. The sensors are manufactured by AirRobot.
- In Q4 2022, Nordic Unmanned closed the Staaker drone development office in Oslo, Norway and increased the focus on existing product lines in AirRobot and DroneMatrix.
- Simplification of organization and reduction of cost base started with reduction of business units from four to two and cost reduction from overhead.

# Board of Directors' Report

Annual Report 2022

## Group overview

Nordic Unmanned ASA is the parent of the Nordic Unmanned Group, which is headquartered in Sandnes in Norway.

The business unit NUTech has two legal entities:

- Founded in 2005 and acquired by Nordic Unmanned in 2021, **AirRobot®** GmbH & Co. KG ("AirRobot") is a pioneer in the European drone industry. The company is an OEM with a leading product platform in lightweight drones tailored for military infantry use and is a long-standing supplier to the German Armed Forces (Bundeswehr) of both drone systems and Maintenance, Repair and Overhaul (MRO) services. The company has offices in Arnsberg, Germany.

- Following the acquisition in 2022, Nordic Unmanned holds a majority share of 55% in Belgian drone manufacturer DroneMatrix NV ("**DroneMatrix**") with its main product being a fully integrated and autonomous drone system (drone-in-a-box) with proprietary software. DroneMatrix is in Hasselt, Belgium.

The business unit Nordun has two legal entities:

- Founded in 2003 and acquired by Nordic Unmanned in 2021, Ecoxy AS ("**Ecoxy**") focuses on NOx measurements in Scandinavia, following the introduction of NOx taxes. Ecoxy has so far completed almost 1,200 measurement assignments, and has long-standing relations with environmental authorities in Norway, Sweden, Denmark, including Norwegian NOx Fund as well as shipping companies, engine builders and suppliers of emission reduction services. The company has their office in Molde, Norway.

- NUAer AS ("**NUAer**") supports the acceleration of the green transition in the maritime industry through control of marine air pollution. NUAer is a joint venture between Nordic Unmanned and the Finnish company Aeromon, one of the global leaders in development of emission monitoring technology. The company is located in Sandnes Norway.

Additionally, Nordic Unmanned has fours sales and operating companies:

- **NORDIC UNMANNED UK** Ltd. provides Nordic Unmanned with a local base to serve its UK customers, that includes Lockheed Martin. The company is strategically located at Cranfield University, known for its aeronautical focus.

- **Nordic Unmanned DK** ApS provides access to important facilities for testing and training of pilots. Offices is in Odense, Denmark.

- **Nordic Unmanned North America** Group LLC is the North American entity of Nordic Unmanned and is in Baltimore, USA.

- Nordic Unmanned holds a 35% share in the Joint Venture **OMNI Unmanned** together with OMNI Helicopters International. The company is registered in Luxembourg (2023).

## Business strategy

Unmanned aviation represents an alternative to legacy solutions which reduces time, costs and CO2 emissions, while increasing safety of operations. Nordic Unmanned aims to be a leading provider of drone flight services in Europe and a niche UAV technology provider with global ambitions. The operational priorities are safety, data driven decisions, services, and unique technology development and commercialization. The Group's overall objectives are to be the preferred solution provider of unmanned systems and services to its customers and to generate profitability and returns to its shareholders..

BOARD OF DIRECTORS' REPORT


# Financial review

*Background*

Although the growth trajectory was not as steep as anticipated, 2022 was another year of solid revenue growth for Nordic Unmanned. During H2 2022, significant efforts were made to simplify the business and reduce the cost base to align with the lower growth and higher cost of capital. This was achieved by reducing the number of business units from four to two and decreasing the total workforce from 123 FTEs at the beginning of the year to 161 FTEs by year-end.
Nordic Unmanned maintained its position as a leading rotary wing operator passing 1357 flight hours of operations on the Schiebel S100 Camcopter of which Nordic Unmanned have a fleet of 3 modern systems. Nordic Unmanned also invested in training and obtained full operational capability on the long-endurance fixed-wing platform Textron Aerosonde. Nordic Unmanned has added two Aerosonde systems to its fleet , whereof the last parts were delivered in April 2023. The total number of flight hours with Aerosonde Fixed Wing was 1277 for the full year.

Nordic Unmanned has also established itself, through subsidiaries DroneMatrix and AirRobot, as a provider of proprietary technology by being awarded several contracts related to sale of products. The 145-unit AR-100 contract to German armed forces (The MIKADO II contract) and the contract as subcontractor to Lockheed Martin for delivery of the Heimdal sensor to the UK MOD, with initial call off of 110 units, as the two largest contracts.

# Financial results

*Numbers in brackets refer to 2021 financial unless otherwise is stated*

Nordic Unmanned reported consolidated operating income of EUR 17 million in 2022, (EUR 9.2 million), an increase of 85% from 2021. The Parent Company reported operating income of EUR 13.2 million in 2022 (EUR 8.3 million).

The Group had a negative EBITDA of EUR 9 million in 2022 (negative EUR 5.3 million), and negative EUR 8 million for the Parent Company (negative EUR 5.5 million). In Q4, Nordic Unmanned closed the Staaker development office in Oslo as part of a cost saving plan, and increased focus on the existing product lines in AirRobot and DroneMatrix. The Board decided in Q4 , based on the discontinuation of some of the drone projects (Staaker, Railway and Fuelcell), to do a write down assets related to products with EUR 2.4 million. Another 0.6 million of cost related to contract assets and inventory obsoleteness affects the results of Staaker and AirRobot.

As stated in the Q4 results published on 23 February 2023, the NUMAR business unit, which includes the interest in the NUAer JV and the share ownership of Ecoxy AS, has been merged with the Nordun business unit. As part of Nordic Unmanned's cost reduction efforts and focus on profitable businesses, the day-to-day activities of NUAer have been discontinued in 2022. Moving forward, Nordun will manage its technology portfolio and any customer prospects. Consequently, the Board has decided to write down the value of its subsidiary NUAer's shares, resulting in a EUR 1.3 million in the Parent Company.

Depreciation for the Group amounted to EUR 5.5 million, of which EUR 2.5 million is related to fixed assets and EUR 3 million to intangible assets and right-of-use assets. The Group's EBIT amounted to negative EUR 16.9 million, compared to negative EUR 7.3 million in 2021, while the Parent Company's EBIT amounted to negative EUR 14.6 million, compared to negative EUR 7.1 million in 2021.

The Group incurred a net loss of EUR 19.9 million for the year, compared to a loss of EUR 5.8 million in 2021, while the Parent Company incurred a net loss of EUR 18.6 million compared to a net loss of EUR 5.6 million in 2021.

The Contract Backlog increased by 50% from EUR 60 million to EUR 90 million, with services representing the largest portion of the backlog at 66%, while products represented the fastest growing part of the backlog, now accounting for 33%, driven by the significant awards related to the sale of the AR100-H drone and the Heimdal sensor.

Total assets for the Group were EUR 45.9 million in 2022, compared to EUR 45.5 million in 2021 and EUR 44 million, compared to EUR 42.4 million for the Parent Company. The Group's total equity decreased from EUR 27.6 million in 2021 to EUR 23.6 million in 2022, but still represents a solid equity ratio of 51%. The Parent Company had a total equity of EUR 23.7 million as of the end of 2022, compared to EUR 26.5 million in 2021.


## Financial review

Nordic Unmanned raised NOK 175 million in equity from new and existing shareholders through private placements in June and December.

At the year-end, the Group had available credit lines of EUR 5.1 million (compared to EUR 2.2 million in 2021), of which the Parent Company held available credit lines of EUR 5 million. The Group's cash and cash equivalents were EUR 0.8 million (compared to EUR 5.6 million in 2021).

Interest-bearing debt increased from EUR 10.0 million in 2021 to EUR 13 million in 2022 for the Group, and from EUR 9.4 million in 2021 to EUR 12.0 million in 2022 for the Parent Company. The short-term portion decreased from EUR 3.1 million to EUR 2.7 million for the Group and from EUR 2.7 million to EUR 2.7 million for the Parent Company.

The net cash flows for 2022 were negative with EUR 4.8 million for the Group and negative EUR 4.8 million for the Parent Company. The net cash from operations was negative with EUR 9 million and EUR 9.6 million for the Group and the Parent Company, respectively. The cash flows from investments for the Group were negative with EUR 13 million, and negative 12.7 million for the Parent Company. The proceeds from the equity issue of EUR 16.3 million contributed to the positive net cash flow of EUR 17.3 million for financing activities.

In the General Meeting of 2022, Nordic Unmanned converted to a public limited liability company (ASA). As of Q1 2022, Nordic Unmanned has also reported according to the IFRS standard and converted the accounts for 2021 accordingly. From 1 January 2022, the functional and reporting currency has been changed from NOK to EUR.

## Events after reporting period

14$^{th}$ of February:
Nordic Unmanned completed a subsequent offering with subscription of 1 614 238 new shares raising NOK 9.7 million in gross proceeds.

22$^{nd}$ of February:
Nordic Unmanned signed a 4-year extension of the MRO contract with Bundeswehr for MRO services (Maintenance, repair and overhaul) for the original MIKADO I existing Bundeswehr drone fleet. The contract is expected to have a value of EUR 3 million.

13$^{th}$ of March:
Industry veteran Arne Roland appointed as interim CEO as Knut Roar Wiig steps down from his leadership role.

27$^{th}$ of March:
Nordic Unmanned appointed Pareto Securities AS as advisor to evaluate strategic options, including partnership, in order to support the next growth phase of Nordic Unmanned.

Nordic Unmanned signed an agreement for a new finance arrangement with Sparebank1 SR-Bank AS of up to EUR 16 million. The new financing include i) a EUR 12.4 million term-loan facility for the refinancing of existing EUR 9.6 million fleet loan, to inter alia finance new equipment to be used in multi-site campaigns for EMSA under the OP46 and OP5 contracts, and for general corporate purposes, ii) a renewal of the existing EUR 3 million working capital facility and iii) a EUR 0.6 million guarantee facility covering Nordic Unmanned's need for contractual performance guarantees related to its operations.

14$^{th}$ of April:
Nordic Unmanned announced new interim CFO. Trond Østerhus steps down after two years in the role and Knut Stålen becomes the interim CFO of Nordic Unmanned whilst the process for filling the position permanently has been initiated.


## Financial risk and capital management

- Nordic Unmanned Parent Company currently have seasonality in its Nordun operations with negative cash flow from operations in low season.
- Nordic Unmanned's business plan assumes additional revenue from existing and new products under development.
- Revenue from Nordic Unmanned's products depends, among other things, on market factors which are not controlled by Nordic Unmanned. Revenue generation from existing Nordun contracts can be delayed as a result of customers delaying their missions.
- Planned sale of noncore assets and Nordun fleet optimization could be delayed or generate less cash than planned
- Competing companies' products have entered the commercial stage, and the competitive situation for Nordic Unmanned's products is constantly changing.
- Nordic Unmanned's intended markets are undergoing rapid technological changes and Nordic Unmanned's services and products could fail to adjust.
- Nordic Unmanned manages its liquidity passively, which means that funds are placed in floating-interest bank accounts.
- Nordic Unmanned reported results and net assets denominated in currencies other than EUR are influenced by fluctuations in currency exchange rates. Revenues in other currencies than EUR are limited, however a substantial part of the operational cost is related to NOK including personnel expenses representing approximately 30% of operating expenses in 2022. In addition, some capex and operational cost are related to USD. Nordic Unmanned uses financial instruments from time to time for hedging purposes.
- Credit risks arise from cash and cash equivalents, deposits with banks as well as credit exposure to commercial customers. The risks arising from receivables are monitored closely. Nordic Unmanned's commercial credit exposure is related to the B2G and B2B segment, where the B2G segment is by far the largest. The credit risk is considered low.

## Liability insurance

The Group has directors and officer's liability insurance with a NOK 50 million total coverage, and it covers legal costs, emergency costs and multiple other types of contingency costs.

## Safety and compliance

Our management system is an integrated system that combines quality, safety, environmental and occupational health management.

The operational focus is always on safety and compliance, where safety standards are based on compliance to the regulations and to the internal Safety Management System principles. As a LUC holder, Nordic Unmanned is audited on an annual basis by the Civil Aviation Authority of Norway.

In 2022, Nordic Unmanned extended the scope of the SO 9001-2015 certificate to cover the UK and US entities and is now certified by DNV-GL for all operation, maintenance & sales of unmanned systems and sensor technology.

Nordic Unmanned implemented ISO 14001 and successfully completed the Initial Certification Program in December 2022 as planned. The updated certificate is expected to be published and effective from Q2 2023.

The production at AirRobot is one of the very few aviation-standard drone design and production facilities in Europe that is certified in accordance with EN 9100.

Ecoxy is the leading Norwegian provider of accredited emission measurements for the shipping and oil and gas industry. Ecoxy is also accredited to verify GHG reporting under EU ETS and holds an ISO 9001 certificate.


## Employees

The number of employees increased from 123 at year end 2021 to 161 at year end 2022, whereof 57 were employed in the subsidiaries (39 at year end 2021). There was a steady growth in the number of employees until a peak of 178 employees in August 2022. Natural turnover and a restructuring to leverage synergies between the acquired companies reduced the number of employees for the remainder of the year. During the restructuring of Nordic Unmanned in Q3 2022 13 employees were laid off. The full effect of this did not impact the cost base before January 2023 due to a three months notice period.

Employees who are on paid leave due to sickness or parental leave are given full salary compensation during their leave . Absence due to illness increased to 4,74% in 2022 (from 2,4% in 2021), mainly driven by not work-related long-term sick-leaves and a peak of short-term sick-leaves towards the end of the year. There have not been reported any major injuries which have caused absence from work. The Group has a pension scheme for all employees, following local legislation for each company.

The Board considers the working environment in the Group to be satisfactory. Work Committee (AMU) is functioning well, and the occupational health service have been included as a member of the committee from Q2 2022. The first union agreement for a drone company was put in place and have been effective from March 1st, 2022. The management has a close cooperation with the Union on an ongoing basis.

## Diversity & inclusion

The management has continued to focus on diversity and inclusion and recognizes that a diverse workforce brings an essential contribution to the Group's success and its ability to be innovative. Drawing on the various experiences and perspectives of our employees adds great value. In 2022 this was formalized in an Equality, diversity and inclusion policy. Nordic Unmanned have more than 15 nationalities and all age groups are represented in the organization.

During the last year, the percentage of female employees increased from 19% to 23%.

Unfortunately, there are few female pilots and technicians available within the industry. In administrative roles there are 35% are women. In the senior management team 2 out of 7 is female (29%), and in the Board there are 3 female members out of total 7 members (43%).

Analysis is made on a regular basis to ensure no gender gap in pay occurs. No deviation in pay based on gender has been identified. Compensation for pilots and technicians follows the Union agreement, and for other personnel compensation is determined based on responsibility, qualifications and seniority. Diversity and inclusion are part of the AMU agenda. Through our JUST culture there is a low threshold to report concerns and incidents. No reports have been made regarding breach of the Equality, diversity and inclusion policy. Based on the work environment in Nordic Unmanned, no elevated risk in this area has been identified.

All employees in Nordic Unmanned are employed in full time positions, and any part time employees in the subsidiaries are offered part time positions based on their own requests.

## Research and development (R&D)

Nordic Unmanned has closed down all of its R&D operations in Norway. There are R&D operations in the subsidiaries AirRobot and DroneMatrix related to the product lines, including further development of the groups drone systems, payloads and sensors.


## ESG

Nordic Unmanned is committed to sustainable business practices. Nordic Unmanned has made significant contributions to the environment and society in 2022. Our successful completion of the initial certification program for ISO 14001 and implementation of an environmental management system formalizes our existing commitment to protecting the planet and working towards our vision of guarding the lives of the many.
In 2022, Nordic Unmanned is also proud to have achieved the following accomplishments;;

- Assisted in saving the lives of over 3,000 people
- Conducted SOx and NOx measurements on 977 vessels
- Conducted emission measurements and general maritime surveillance by flying over 1,713 vessels.
- Flown for nearly 3000 hours, replacing higher-emission alternatives and saving our customers for an estimated 4770 tones worth of $CO^2$ compared to manned aviation

Nordic Unmanned’s commitment to sustainability is a core value, and Nordic Unmanned actively seeks to increase positive impact and reduce negative impact on the economy, environment, and people, including climate and human rights. Together with the industry, Nordic Unmanned is working to make its business, and the industries it operates in, more sustainable.

Nordic Unmanned is committed to fostering a workplace culture that values diversity, equality, and inclusion, provides a safe and healthy work environment, and promotes continuous learning and development. Additionally, Nordic Unmanned has played a pivotal role in establishing the drone education at Sola high school starting in 2023 and have entered a collaboration with the local vocational school, Fagskolen, to help them establish their drone studies. Nordic Unmanned also hosted the inaugural Drone Safety Summit as part of Solakonferansen last year, which will now be a fixed conference moving forward, in partnership with Avinor. These initiatives aim to contribute to the local community and advance the latest developments and best practices in drone safety and regulations.

Nordic Unmanned is dedicated to upholding transparency and accountability in our ESG endeavors. As part of this commitment, Nordic Unmanned has updated its supplier selection process and implemented a human rights due diligence process, allowing Nordic Unmanned to identify key risks and prioritize actions to mitigate them. Nordic Unmanned has also fulfilled mandatory elements required by the transparency act, such as reporting on the supply chain due diligence efforts, reporting on efforts to address conflict minerals, and updating anti-corruption policies and procedures.

Nordic Unmanned's ESG policies are available online at Nordic Unmanned’s website. These documents describe the approach to a sustainable business and outline how Nordic Unmanned manages sustainability topics. It must be seen in conjunction with other governing documents and policies, available at the online sustainability library.

The CEO, together with the executive team, is the owner of and responsible for the overarching ESG management, setting the tone from the top, ensuring that ESG is embedded across systems and functions, and ensuring that the work is in line with stakeholders’ expectations.

These documents are available at https://nordicunmanned.com/investor-relations/esg-in-nordic-unmanned/

## Outlook

In 2023, Nordic Unmanned will have a simplified structure and clear market focus to secure profitable growth within the central business units. The NUMar business unit has become a part of Nordun in 2023, representing the drone-as-a-service offered by Nordic Unmanned.  NUGlobal has developed into a sales and distribution unit for the NUTech portfolio of products.

In 2023, the focus will be on drone flight services (Nordun) and technology products (NUTech). Revenue from the two segments, operations, and technology, is expected to be of equal size in 2023 after a year with significant growth and contract award within sale of own technology.  The contracts awarded in the second half of 2022 provide a strong backlog for both segments.

The 2022 awards related to Mikado II (145 AR100-H for the German Army), and the Tiquila contract (Partner with Lockheed Martin as subcontractor delivering the Heimdal sensor to the UK MOD) represent a significant part of the backlog. The Board wishes to underline that there are uncertainties related to this future guidance and that the result may differ from the guiding, both better and worse.

Nordic Unmanned will seek to drive profitability through improved efficiency, utilization of crew and assets, reduction of operational costs and the next generation of BVLOS contracts with a rate increase. The expected shift in technology product mix from reseller products only, to primarily sales and distribution of our own product portfolio will materially improve margins and profits.

Nordic Unmanned has engaged Pareto Securities AS to advise on and evaluate certain strategic options, including partnerships, in order to support the next growth phase of Nordic Unmanned and unlock shareholder value.

Nordic Unmanned is operating in a market with rapid growth and is an experienced operator of advanced drone platforms. This market is highly fragmented, has high entry barriers and with only a few large players.

## Going concern

In accordance with §3-3a of the Norwegian Accounting Act, the Board of Directors confirms that the financial statements have been prepared under the assumption of going concern.

The growth of Nordic Unmanned is capital intensive and the operation has currently a seasonality were the 2nd and 3rd quarter represent high season, while the 4th and 1st quarter represent closing down of operations, and then preparation and training for new season. This represents a challenge for operational cash flow, which is negative, especially in the 1st quarter. Also, the growth of Nordic Unmanned has been strong but also with challenges resulting in negative results and cash flow, putting pressure on our liquidity situation. Nordic Unmanned is committed to restructure, simplify its business model, and cut costs in 2023. This may lead to sale of non-strategic assets, and adjustment of the drone fleet. These conditions give rise to a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern.

As a consequence of all factors mentioned above, management and the Board of Directors have initiated processes to help solve this situation:

Nordic Unmanned raised new equity of NOK 155 million in 2022, with a subsequent offering of NOK 9.7 million in 2023.

In March 2023, Nordic Unmanned signed an agreement for a new finance arrangement with Sparebank1 SR-Bank AS of up to EUR 16 million. The refinancing included 2.7 in increased loans, and a restructured repayment schedule for the purpose financing Nordic Unmanned short-term working capital needs. The new financing facility is provided under the condition that Nordic Unmanned will raise EUR 13 million through either disposal of assets and/or equity issue within year end 2023.

Nordic Unmanned has in March 2023 appointed Pareto Securities as advisor to evaluate strategic options, including partnership, to support the next growth phase of Nordic Unmanned. Nordic Unmanned's Nordun drone flight services, as well as its technology businesses, AirRobot GmbH (military-grade lightweight drone systems) and DroneMatrix NV (drone-in-a-box solutions), are currently European leaders in their categories and set to experience significant growth in the years ahead. Disposal of assets may include both sale of parts of the modern drone fleet with a book value of EUR 22 million. The Board has acted and believe therefore that these activities will have a significant effect on the cash debt ratios and strengthen the balance sheet.

Despite the material uncertainties above, the Board's assessment is that it is appropriate to apply the going concern assumption. The Board anticipates that the Group can continue its operation activities and will have the financial resources to apply the going concern principle as the basis for the financial statements.

# Sandnes, 8 May 2023

The board of Nordic Unmanned ASA

Natasha Friis Saxberg (8. mai. 2023 21:46 GMT+2)

Jan Henrik Jelsa (9. mai. 2023 02:11 GMT+2)

Andreas C Pay (8. mai. 2023 15:36 MDT)

Astrid Skarheim Onsum (8. mai. 2023 [illegible])

Erik Ålgård (8. mai. 2023 19:49 GMT+2)

**Nils Johan Holte**
Chairman of the board

**Astrid Skarheim Onsum**
Deputy chairman of the board

**Natasha Friis Saxberg**
Member of the board

**Jan Henrik Jelsa**
Member of the board

**Andreas Pay**
Member of the board

**Siw Ødegaard**
Member of the board

**Erik Ålgård**
Member of the board

**Arne Roland**
Interim CEO

# Consolidated statement of comprehensive income

| Amounts in EUR | Notes | 2022 | 2021 |
|---|---|---|---|
| Revenues | 2.1,2.2 | 16 097 447 | 9 088 767 |
| Other operating income | | 888 768 | 97 143 |
| **Total operating income** | | **16 986 215** | **9 185 911** |
| Cost of goods sold | 2.1 | 2 942 532 | 1 539 041 |
| Personell expenses | 2.1,2.3 | 12 795 030 | 6 440 359 |
| Depreciation and amortisation expenses | 3.1,3.2,3.3 | 5 519 030 | 2 066 650 |
| Impairments | 3.2 | 2 417 950 | |
| Other operating expenses | 2.1,2.4 | 10 229 747 | 6 460 748 |
| **Total operating expenses** | | **33 904 289** | **16 506 798** |
| **Operating profit (loss)** | | **-16 918 074** | **-7 320 887** |
| Interest income | 4.6 | 13 823 | 12 730 |
| Other financial income | 4.6 | 763 854 | 465 893 |
| Interest expenses | 3.3,4.2,4.6 | -880 154 | -227 048 |
| Other financial expenses | 4.6 | -968 260 | -101 676 |
| **Net financial income and expenses** | | **-1 070 738** | **149 899** |
| **Income (loss) before tax** | | **-17 988 812** | **-7 170 988** |
| Income tax expense (income) | 5.1 | 1 913 589 | -1 344 803 |
| **Net income (loss)** | | **-19 902 401** | **-5 826 185** |
| ***Allocation of profit or loss:*** | | | |
| Profit/loss attributable to non-controlling interests | | -325 210 | -42 572 |
| Profit/loss attributable majority interest | | -19 577 191 | -5 783 613 |
| ***Other comprehensive income:*** | | | |
| *Items that subsequently may be reclassified to profit or loss:* | | | |
| Currency translation differences | | 56 913 | 465 298 |
| **Total other comprehensive income for the period** | | **56 913** | **465 298** |
| **Total comprehensive income for the period** | | **-19 845 488** | **-5 360 887** |
| ***Allocation of total comprehensive income*** | | | |
| Total comprehensive income attributable to non-controlling interests | | -325 210 | -42 572 |
| Total comprehensive income attributable to owners of the parent | 4.8 | -19 520 278 | -5 318 315 |
| **Earnings per share ("EPS"):** | | | |
| Basic EPS - profit or loss attributable to equity holders of the parent | 4.8 | -0,67 | -0,25 |
| Diluted EPS - profit or loss attributable to equity holders of the parent | 4.8 | -0,67 | -0,25 |

# Consolidated statement of financial position

| | Notes | 2022 | 2021 | 01.01.2021 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Goodwill | 3.2 | 3 307 553 | 1 747 063 | 77 817 |
| Other intangible assets | 3.2 | 12 507 085 | 11 812 673 | 1 593 269 |
| Deferred tax assets | 5.1 | - | 2 956 735 | 1 645 844 |
| **Total intangible assets** | | **15 814 638** | **16 516 471** | **3 316 930** |
| Aircraft and spareparts | 3.1 | 19 115 274 | 8 978 943 | 3 934 459 |
| Assets under construction | 3.1 | 452 902 | 5 814 778 | - |
| Fixtures and fittings | 3.1 | 1 730 228 | 1 788 938 | 939 079 |
| Right-of-use assets | 3.3 | 985 414 | 1 255 568 | 189 588 |
| **Total tangible assets** | | **22 283 818** | **17 838 227** | **5 063 126** |
| Investment in associated companies | 6.1 | - | 3 003 | 2 865 |
| **Total financial non-current assets** | | - | **3 003** | **2 865** |
| Other non-current assets | | 168 718 | - | - |
| **Total non-current assets** | | **38 267 174** | **34 357 702** | **8 382 922** |
| **Current assets** | | | | |
| Inventory | 2.5 | 1 818 525 | 2 830 111 | 581 129 |
| | | | | - |
| Trade receivables | 2.6,6.2,7.2 | 908 787 | 433 715 | 387 124 |
| Other short-term receivables | 2.6,7.2 | 4 131 412 | 2 320 083 | 1 226 214 |
| **Total receivables** | | **5 040 199** | **2 753 797** | **1 613 337** |
| Cash and cash equivalents | 4.5 | 811 852 | 5 594 033 | 5 088 113 |
| **Total current assets** | | **7 670 576** | **11 177 941** | **7 282 579** |
| **TOTAL ASSETS** | | **45 937 750** | **45 535 643** | **15 665 501** |

# Consolidated statement of financial position

| | Notes | 2022 | 2021 | 01.01.2021 |
|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| Share capital | 4.4 | 4 192 395 | 2 631 846 | 1 921 629 |
| Treasury stock | 4.4 | -737 395 | -213 | -203 |
| Share premium | 4.4 | 46 867 796 | 33 067 697 | 11 423 121 |
| Retained earnings | 4.7 | -27 399 374 | -9 060 040 | -2 613 782 |
| **Equity attributable to equity holders of the parent** | | **22 923 422** | **26 639 291** | **10 730 765** |
| Non-controlling interests | 6.1 | 632 080 | 957 576 | - |
| **Total equity** | | **23 555 501** | **27 596 866** | **10 730 765** |
| **Non-current liabilities** | | | | |
| Interest bearing loans and borrowings | 4.2 | 10 334 323 | 6 893 392 | 2 007 339 |
| Non-current lease liabilities | 3.3 | 715 229 | 923 666 | 58 461 |
| Other non-current liabilities | 6.2 | 2 079 864 | 409 212 | - |
| Deferred tax liabilities | 5.1 | - | 807 477 | - |
| **Total non-current liabilities** | | **13 129 416** | **9 033 747** | **2 065 800** |
| **Current liabilities** | | | | |
| Trade payables | 2.8,7.2 | 2 384 500 | 1 166 000 | 1 406 096 |
| Interest bearing loans and borrowings | 4.2 | 2 673 760 | 3 086 797 | 418 263 |
| Current lease liabilities | 3.3 | 369 242 | 369 242 | 136 253 |
| Public duties payable | 4.7 | 1 015 045 | 743 818 | 282 296 |
| Other current liabilities | 2.8,4.2,7.2 | 2 810 286 | 3 539 173 | 626 028 |
| **Total current liabilities** | | **9 252 832** | **8 905 030** | **2 868 936** |
| **Total liabilities** | | **22 382 248** | **17 938 777** | **4 934 736** |
| **TOTAL EQUITY AND LIABILITIES** | | **45 937 750** | **45 535 643** | **15 665 501** |

# Consolidated statement of cash flows

For the years ended 31 December

| Cash flows from operating activities (EUR) | Notes | 2022 | 2021 |
|---|---|---|---|
| **Profit or loss before tax** | | **-17 988 812** | **-7 170 988** |
| *Adjustments to reconcile profit before tax to net cash flows:* | | | |
| Net financial income/expense | 4.6 | 892 381 | -149 899 |
| Depreciation and impairment | 3.1,3.2 | 7 572 363 | 1 846 807 |
| Amortisation and impairment of Right-of-use assets | 3.3 | 270 154 | 219 843 |
| Share-based payment expense | 4.7 | 309 190 | 361 208 |
| *Working capital adjustments:* | | | |
| Changes in trade receivables | 2.6 | -581 474 | 258 765 |
| Changes in trade payables | 2.7 | 994 250 | -458 430 |
| Change in inventories | 2.5 | 987 387 | -1 757 460 |
| Changes in provisions and other liabilities | 2.8 | -1 466 330 | 538 239 |
| **Net cash flows from operating activities** | | **-9 010 891** | **-6 311 916** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 3.1 | -8 155 007 | -11 733 653 |
| Purchase of capitalized other intangible assets | 3.2 | -3 290 400 | -1 929 740 |
| Consideration paid in AirRobot, Ecoxy and NUAer transactions (net of cash acquired) | 6.2 | -1 563 315 | -6 088 149 |
| Interest received | 4.8 | - | 12 729 |
| **Net cash flow from investing activities** | | **-13 008 723** | **-19 738 813** |
| **Cash flow from financing activities** | | | |
| Proceeds from issuance of equity | 4.4 | 16 260 597 | 21 053 214 |
| Transaction costs on issue of shares | 4.4 | -899 949 | -901 705 |
| Net disbursements overdraft facility | | - | - |
| Proceeds from new debt (short/long term) | | 6 191 191 | 7 353 305 |
| Repayment of debt (short/long term) | | -3 274 171 | -475 881 |
| Payments for the principal portion of the lease liability | 3.3 | -273 089 | -219 843 |
| Payments for the interest portion of the lease liability | 3.3 | -53 377 | -27 662 |
| Interest paid | 4.8 | -703 185 | -191 751 |
| **Net cash flows from financing activities** | | **17 248 018** | **26 589 677** |
| **Net increase/(decrease) in cash and cash equivalents** | | **-4 771 596** | **538 948** |
| Cash and cash equivalents at beginning of the year/period | 4.6 | 5 594 033 | 5 088 113 |
| Net foreign exchange difference | | -10 585 | -33 028 |
| **Cash and cash equivalents, end of year** | | **811 852** | **5 594 033** |

# Consolidated statement of changes in equity

| Amounts in EUR | Share capital | Share premium | Treasury shares | Retained earnings | Shareholders Equity | Non-Controlling Interests | Total Equity |
|---|---|---|---|---|---|---|---|
| **Balance at 1 january 2021** | **1 921 629** | **11 423 121** | **-203** | **-2 613 782** | **10 730 765** | **-** | **10 730 765** |
| Profit (loss) for the year | | | | -5 783 613 | -5 783 613 | -42 572 | -5 826 185 |
| Retained earnings | | | | | - | | - |
| Issue of share capital (Note 4.5) | 614 783 | 20 960 678 | | | 21 575 461 | | 21 575 461 |
| Merger The Staaker Company AS | | 37 705 | | -37 705 | - | | - |
| Acquisition of NUAer | | | | | - | 1 000 898 | 1 000 898 |
| Share-based payments (Note 4.7) | | | | 361 208 | 361 208 | | 361 208 |
| Effect of put option on own shares (Note 6.2) | | | | -737 182 | -737 182 | | -737 182 |
| Other | | | | 7 149 | 7 149 | | 7 149 |
| Currency translation effects (OCI) | 95 433 | 646 193 | -10 | -256 114 | 485 502 | -750 | 484 752 |
| **Balance at 31 December 2021** | **2 631 846** | **33 067 697** | **-213** | **-9 060 040** | **26 639 291** | **957 576** | **27 596 866** |
| Profit (loss) for the year | | | | -19 577 191 | -19 577 191 | -325 221 | -19 902 412 |
| Issue of share capital (Note 4.5) | 1 560 550 | 13 800 099 | | | 15 360 648 | | 15 360 648 |
| Share-based payments (Note 4.7) | | | | 443 486 | 443 486 | | 443 486 |
| Purchase of own shares | | | -737 182 | 737 182 | | | |
| Other | | | | | - | | - |
| Currency translation effects (OCI) | | | | 57 189 | 57 189 | -275 | 56 914 |
| **Balance at 31 December 2022** | **4 192 395** | **46 867 796** | **-737 395** | **-27 399 374** | **22 923 422** | **632 080** | **23 555 501** |

NORDIC UNMANNED

# Sandnes, 8 May 2023

The board of Nordic Unmanned ASA

**Nils Johan Holte**
Chairman of the board

Astrid Skarheim Onsum (8. mai. 2023 20:57 GMT+2)

**Astrid Skarheim Onsum**
Deputy chairman of the board

Natasha Friis Saxberg
Natasha Friis Saxberg (8. mai. 2023 21:46 GMT+2)

**Natasha Friis Saxberg**
Member of the board

Jan Henrik Jelsa
Jan Henrik Jelsa (9. mai. 2023 02:11 GMT+2)

**Jan Henrik Jelsa**
Member of the board

Andreas C Pay (8. mai. 2023 15:36 MDT)

**Andreas Pay**
Member of the board

**Siw Ødegaard**
Member of the board

Erik Ålgård (8. mai. 2023 19:49 GMT+2)

**Erik Ålgård**
Member of the board

**Arne Roland**
Interim CEO

# BUSINESS UNITS

## Nordun

Nordun is the world's first fully integrated BVLOS (Beyond Visual Line of Sight) drone as a service pure-play business unit, incorporating all functions required to operate complex drone missions with advanced platforms and sensors. The previous maritime Data-As-A-Service (DaaS) business unit which includes the subsidiary NUAer and Ecoxy will be a part of the Nordun business unit going forward.

Nordun is the holder of a multiplatform LUC (Light Unmanned UAS Operator Certificate), allowing for operations utilizing both large tactical drones and smaller lightweight drones.

The business unit is ISO 9001 certified and has fully integrated maintenance control, operational maintenance, and training departments. In addition, the business unit includes administrative functions such as an HSEQ department, logistics department and commercial resources.

The business unit has a modern fleet of three rotary-wing Schiebel CAMCOPTER® S-100 systems (five air vehicles) and two fixed-wing Textron Aerosonde® systems (five air vehicles), in addition to a fleet of 27 smaller lightweight drones, the vast majority being Lockheed Martin Indago 3 drones. The aggregate fleet value is EUR 21 million.

Investments have been made in building an operational organization of 79 FTEs that includes trained pilots and technicians.

Nordun delivers drone services to four markets: Maritime, Defense & Security, Offshore Energy and Rail for both governmental and private enterprise clients.

# BUSINESS UNITS

## NUTech

The NUTech business unit is the owner of Nordic Unmanned's proprietary drone product and solutions portfolio. The current portfolio is designed, developed, and produced in European NATO countries. This includes the AirRobot product family developed and produced in Germany under AS9100 and ISO 9001 certifications, the DroneMatrix product family developed in Belgium, and the Staaker product family, developed in Norway. Technologies include UAV's ('drones') as well as technology attachments such as the Heimdal sensor, and the patent for coaxial configuration.

NUTech currently employs software developers and engineers, manufacturing and administrative resources. The size of the production facility in Germany is 1500m2. Nordic Unmanned has invested EUR 11 million in NUTech, including its own IP and the acquisition of AirRobot and DroneMatrix.

NUTech leverages a global sales and distribution network which markets Nordic Unmanned's own products, solutions, and services, as well as managing the distributors and system integration activity and our reseller activity of third-party products. The business unit represents important OEM partners such as Lockheed Martin, Textron Systems and Sky Hero.

The distribution network makes use of Nordic Unmanned established subsidiaries in Norway, the UK, Denmark, Germany, Belgium, and the US as local sales representatives, as a pathway to market.

NUTech provides products and solutions to Nordun and Nordic Unmanned's global distribution network.

# Notes to Financial Statement Group

## 1.1 General information

**Corporate information**
The consolidated financial statements of Nordic Unmanned ASA and its subsidiaries (collectively, "the Group" or "Nordic Unmanned") for the year ended 31 December 2022 were authorised for issue in accordance with a Board resolution on 8 May 2023. Nordic Unmanned ASA is a public limited liability company incorporated and domiciled in Norway and the whose shares are publicly traded. The Group's head office is located at Rådhusgata 3, 4306 Sandnes, Norway.

Nordic Unmanned is a global leader of high-end products and services related to drones and data capture. Through world-wide operational experience and industry leading expertise, Nordic Unmanned supports large governmental and industrial clients in the adaption of unmanned systems and services.

## 1.2 Basis of preparation

The consolidated financial statements of the Group comprise consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity, and related notes. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by The European Union ("EU"), and represents the first financial statements of the Group in accordance with IFRS. See section 8.1 for information related to first time adoption.

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value. Further, the financial statements are prepared based on the going concern assumption.

Comparative financial information is provided for the preceding period in the Consolidated statement of comprehensive income, Consolidated statement of financial position and Consolidated statement of cash flows. In extension, an additional statement of financial position as at 1 January 2021 is presented in these financial statements due to the first time adoption of IFRS.

*Presentation currency and functional currency*
The consolidated financial statements are presented in Euros (EUR), which is also the functional currency of the parent company effective from 1 January 2022. Prior to 1 January 2022 the functional currency of the parent was NOK. The Group has elected to present its financial statements in EUR, primairly as this is the common currency in the industry and the market that the Group operates within.

For entities in the group which have a functional currency different from the EUR, balance sheet items are translated from functional currency to presentation currency by using exchange rates at the reporting date. Items within total comprehensive income are translated from functional currency to presentation currency by applying average exchange rates for the period. If currency rates are fluctuating significantly, transaction date exchange rates are applied for significant transactions.

## 1.3 Significant accounting policies

Nordic Unmanned AS has selected a presentation in which the description of accounting policies as well as estimates, assumptions and judgemental considerations are disclosed in the notes to which the policies relate. Other accounting policies are presented below:

*Current versus non-current classification*
The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:
- Expected to be realised or intended to be sold or consumed in the normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in the normal operating cycle,
- It is held primarily for the purpose of trading,
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

## 1.4 Significant accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements in accordance with IFRS and applying the chosen accounting policies requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis.

The accounting policies applied by management which includes a significant degree of estimates and assumptions or judgements that may have the most significant effect on the amounts recognised in the financial statements, are summarised below:

*Estimates and assumptions:*
- Share based payments (note 4.7)
- Recognition and measurement of deferred tax assets (note 5.1)
- Purchase price allocations in acquisitions and related goodwill amounts (note 6.2)
- Impairment testing of significant non-financial assets, including goodwill, other intangible assets and property, plant and equipment (note 3.2)

The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

A detailed description of the significant estimates and assumptions are included in the individual note where applicable.

*Accounting judgements:*
- Determining whether contracts with customers should be recognised over-time or point-in-time (note 2.1)
- Determining to what extent deferred tax assets should be recognised (note 5.1)
- Determining whether investees are controlled or jointly controlled (note 6.1). No investments held in 2021 and/or 2022 have been determined to constitute jointly controlled entities

A detailed description of the significant accounting judgements are included in the individual note where applicable.

## 1.5 Fair value measurement

**ACCOUNTING POLICIES**
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

**Fair value disclosures**
Management has assessed that the fair values of cash and short-term deposits, other receivables, trade and other payables approximate to their carrying amounts largely due to the short-term maturities of these instruments and the current risk free interest rates. The fair value of borrowings is also considered to approximate carrying values as the interest rates are floating.

## 2.1 Segment

**Segments**
The Group’s operating segments are components of the business for which discrete financial information is reviewed regularly by the Chief Operating Decision Maker (or CODM) to assess performance and make decisions regarding resource allocation. The Group has assessed the CODM to be its Chief Officers team. During the year, as part of the strategic update, the CODM have reassessed the Group's operating segments, and as at 31 December 22, the Group’s operating segments are Nordun, NUTech, NUGlobal and NUMar segments. Historical numbers have been allocated to the new operating segments. Assets are not allocated to segments in the reporting to CODM.

*Nordun – Drone-As-A-Service Airline:*
Nordun is the world’s first fully integrated BVLOS (Beyond Visual Line of Sight) drone as a service pure-play business unit, incorporating all functions required to operate complex drone missions with advanced platforms and sensors.
Nordun is the holder of a multiplatform LUC (Light Unmanned UAS Operator Certificate) allowing for operations utilizing both large tactical drones and smaller lightweight drones.
The business unit is ISO 9001 certified and has fully integrated maintenance control, operational maintenance, and training departments. In addition, the business unit includes administrative functions such as an HSEQ department, logistics department and commercial resources.
The business unit has a modern fleet of three rotary-wing Schiebel Camcopter S-100 systems (five air vehicles) and two fixed-wing Textron Aerosonde systems (five air vehicles), in addition to a fleet of 27 smaller lightweight drones, the vast majority being Lockheed Martin Indago 3 drones.

Nordun serves four markets: Maritime, Defense & Security, Offshore Energy and Rail for both governmental and enterprise clients.

*NUTech – Development and Production of own IP drone systems:*
NUTech is the portfolio owner of Nordic Unmanned Group’s own products, all designed, developed, and produced in European NATO countries. This includes the Staaker product family, developed in Norway, and the AirRobot product family, which is developed and produced in Germany under the AS9100 and ISO 9001 certifications. Additionally, with effect from the 30th of June, the DroneMatrix product family is also included. These products are developed in Belgium and will be produced by AirRobot in Germany.
NUTech will provide products and solutions to Group customers and Nordic Unmanned’s global distribution network.

*NUGlobal – Sales and Distribution:*
NUGlobal is the global sales and distribution network offering Nordic Unmanned’s own products, solutions, and services, as well as managing the reseller and system integration activity. The business unit represents important OEM partners such as Lockheed Martin, Textron Systems and Sky Hero. NUGlobal makes use of Nordic Unmanned established subsidiaries in Norway, UK, Denmark, Germany, Belgium and the US as local sales representatives, as a pathway to market. NUGlobal will focus on offering customers the best possible products and solutions, by direct sales, utilizing subsidiaries and the Group’s global distribution network.

*NUMar- Data-As-A-Service:*
NUMar is a maritime Data-As-A-Service (DaaS) business unit and includes subsidiaries Ecoxy and NUAer.
Ecoxy offers accredited NOx emission monitoring services, NOx predictive emission monitoring systems (PEMS) and EU-ETS Co2 emission verification. The highly specialized environmental data company has a unique database of more than 1300 unique accredited measurements of NIS/NOR registered vessels and drilling rigs.
NUAer offers mobile maritime SOx and NOx measurement technology. NUMar serves the maritime market, which includes governmental clients, vessel owners, shipyards, and the maritime service industry

The following tables include the results for the Groups's reportable segments for the periods presented in these consolidated financial statements:

| Year Ended 31 December 2022 | Nordun | NUTech | NUmar | NUGlobal | Overhead | Total |
|---|---|---|---|---|---|---|
| Revenues | 10 175 642 | 2 875 797 | 1 866 865 | 2 069 723 | -1 811 | **16 986 215** |
| Costs of goods sold | 141 833 | 1 283 052 | 168 185 | 1 399 418 | -49 956 | **2 942 532** |
| Personnel Expenses | 6 345 837 | 1 837 404 | 987 321 | 1 025 676 | 2 598 792 | **12 795 030** |
| Impairments | 0 | 2 417 950 | 0 | 0 | 0 | **2 417 950** |
| Other Operating Expenses | 5 249 700 | 1 024 133 | 509 302 | 710 273 | 2 736 339 | **10 229 747** |
| **EBITDA** | **-1 561 728** | **-3 686 742** | **202 057** | **-1 065 644** | **-5 286 987** | **-11 399 044** |

| Year Ended 31 December 2021 | Nordun | NUTech | NUmar | NUGlobal | Overhead | Total |
|---|---|---|---|---|---|---|
| Revenues | 6 270 488 | 1 433 283 | 408 583 | 1 075 634 | -2 077 | **9 185 911** |
| Costs of goods sold | 427 963 | 326 515 | 57 101 | 719 494 | 7 968 | **1 539 041** |
| Personnel Expenses | 3 339 018 | 525 848 | 270 453 | 468 423 | 1 836 617 | **6 440 359** |
| Other Operating Expenses | 3 818 931 | 197 466 | 92 581 | 375 442 | 1 976 328 | **6 460 748** |
| **EBITDA** | **-1 315 424** | **383 454** | **-11 553** | **-487 724** | **-3 822 991** | **-5 254 237** |

European Maritime Safety Agency ("EMSA") is the Group's only customer that accounts for more more than 10% of the Group's consolidated revenues in 2022 and 2021. In 2022 EMSA accounted for 50% of total consolidated revenue (62% in 2021), and is recognized in the Nordun segment.

## 2.2 Revenue

**ACCOUNTING POLICIES**

**Revenue**

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Revenue from the sale of goods is recognised over-time to the extent the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Progress is measured using a cost-to-cost based approach. Other sale of goods are recognised at the point-in-time when control of the asset is transferred to the customer. The determination of over-time versus point-in-time revenue recognition and determining progress requires the use of judgement. The input method is used for revenue recognition over time and measures performance based on efforts or inputs towards satisfying revenue recognition relative to the total expected inputs. Key inputs are cost of goods sold, engineering cost and production cost related to labor hour expended.
The Group have remaining delivery commitments towards the MIKADO II contract of delivering 145 AR-100 drone systems to Bundeswehr.

Revenue from services is recognised over-time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

The Group's revenue from contracts with customers has been disaggregated and presented in the tables below:

| **Timing of revenue recognition:** | **2022** | **2021** |
|---|---|---|
| Products and services transferred at point in time | 16 260 213 | 9 185 911 |
| Products and services transferred over time according to input method | 726 002 | - |
| **Total** | **16 986 215** | **9 185 911** |

| **Per area of operation:** | **2022** | **2021** |
|---|---|---|
| Nordun | 10 175 642 | 6 270 488 |
| NUTech | 2 875 797 | 1 433 283 |
| NUmar | 1 866 865 | 408 583 |
| NUGlobal | 2 069 723 | 1 075 634 |
| Overhead | -1 811 | -2 077 |
| **Total** | **16 986 215** | **9 185 911** |

| **Per geographic market:** | **2022** | **2021** |
|---|---|---|
| Norway | 4 618 654 | 1 511 858 |
| France | 2 084 655 | 1 678 777 |
| Spain | 2 332 135 | 1 617 587 |
| Germany | 3 495 481 | 1 366 423 |
| Estonia | 1 460 503 | - |
| Finland | 1 009 267 | 3 410 |
| Portugal | 475 695 | 668 050 |
| Romania | 57 519 | 360 783 |
| Lithuania | - | 1 178 603 |
| Other | 1 452 307 | 800 420 |
| **Total** | **16 986 215** | **9 185 911** |

## 2.3 Employee benefit expenses

**ACCOUNTING POLICIES**

Employee benefit expenses comprise all types of remuneration to personnel employed by the Group (ie. not contracted manpower) and are expensed when earned. Ordinary salaries can be both fixed pay and hourly wages and is earned and paid periodically. Holiday pay is earned on the basis of ordinary pay and is normally paid in the holiday months of the following year. The employer's national insurance contribution (social security) is calculated and expensed for all payroll related costs including pensions. Pension contributions are earned on a monthly basis. Other employee expenses consist of other benefits such as insurance, telephones and remuneration to the Board of Directors.

**Pensions**

The Norwegian entities in the Group have defined contribution pension plans for its employees which satisfies the statutory requirements in the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon"). A total of 161 employees were part of the Group's pension plan at 31.12.22.

Contributions are made to the pension insurance plans and the related expenses are charged to the income statement in the period to which the contributions relate. Once the contributions have been paid, the group has no further pension payment obligations.

| Employee benefit expenses | 2022 | 2021 |
|---|---|---|
| Salaries | 10 810 595 | 5 946 816 |
| Social security costs | 2 079 284 | 895 372 |
| Share-based payments (Note 4.7) | 443 069 | 361 208 |
| Social security costs Share-based payments | -170 200 | 101 835 |
| Pension costs | 499 281 | 90 728 |
| Capitalized assets and work in progress | -1 678 123 | -745 741 |
| Hired Personnel* | 977 742 | 158 932 |
| Other employee expenses | -166 618 | -368 791 |
| **Total employee benefit expenses** | **12 795 030** | **6 440 359** |
| Average number of full time employees (FTEs)* | 161 | 76 |

*Personnel Expense include short term hired crew personnel. These are not included in the number of FTE's.

At the end of the reporting period, members of the Board and management held shares and share options in Nordic Unmanned AS. For information on remuneration to Management and the Board of Directors, including also disclosures on shares and share held, see note 7.1.

**Employee share program**

The company has a share purchase program for all employees, including senior executives. No new awards were granted in 2022. The shares in the 2020 and 2021 programs were offered at a 30 percent discount and are subject to a three-year lock-up during which employees are not allowed to sell the shares. In connection with the share purchase program, all employees are also offered an interest free loan of 2/3 of the basic amount in the National Insurance scheme ("G"), to be repaid within one year. In total, employees subscribed for EUR 1.08 million in 2021. See note 4.7 for more information about share-based payments.

## 2.4 Operating expenses

**ACCOUNTING POLICIES**

Other operating expenses are recognised when they occur and represent a broad range of operating expenses incurred by the Group in its day-to-day activities. Other operating expenses consist of expenses that are not classified on the lines for cost of materials, employee benefit expenses, depreciation and amortisation.

| Other operating expenses | 2022 | 2021 |
|---|---|---|
| Audit and accounting fees | 770 085 | 406 982 |
| HR consulting fees | 39 346 | 135 798 |
| Insurance expenses | 964 149 | 334 609 |
| Lease expenses (see note 3.3) | 928 270 | 147 379 |
| Legal expenses | 817 913 | 401 737 |
| Other consulting fees | 2 023 648 | 1 607 229 |
| Other operating expenses | 952 736 | 902 637 |
| Training expenses | 1 983 464 | 1 694 623 |
| Travel expenses | 1 750 137 | 829 752 |
| **Total other operating expenses** | **10 229 747** | **6 460 748** |

| Auditor fees | 2022 | 2021 |
|---|---|---|
| Audit fee | 158 556 | 63 517 |
| Other services | 56 979 | 65 637 |
| **Total remuneration to the auditor** | **215 535** | **129 155** |

**Audit fee:**

The amounts above are excluding VAT.

## 2.5 Inventory

**ACCOUNTING POLICIES**

Spare parts and consumables are measured at cost on a first-in/first-out basis.

| | 31.12.2022 | 31.12.2021 | 01.01.2021 |
|---|---|---|---|
| Work in progress and materials | 1 382 693 | 1 063 611 | 563 380 |
| Finished goods | 1 026 369 | 2 181 966 | 304 274 |
| Provision of obsolescence | -590 537 | -415 465 | -286 525 |
| **Total** | **1 818 525** | **2 830 111** | **581 129** |

During 2022 EUR 1 million (2021: EUR 0.11 million) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

Work in progress and finished goods include consumable spare partes, rotables and products for sale. Rotables and spareparts which have undergone maintenance, repair and overhaul (engines and related components).

## 2.6 Receivables

**ACCOUNTING POLICIES**
**Trade receivables**
A receivable represents the Group's right to an amount of consideration that is unconditional.

**Contract assets**
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

| | 31.12.2022 | 31.12.2021 | 01.01.2021 |
|---|---|---|---|
| Trade receivables from third-party customers | 908 787 | 433 715 | 387 124 |
| VAT receivable | 135 781 | 251 717 | 103 952 |
| Contract asset | 727 003 | 947 470 | 287 279 |
| Pre-paid suppliers* | 1 369 850 | 892 059 | 378 041 |
| Other receivable** | 1 898 777 | 228 836 | 456 942 |
| **Total current receivables** | **5 040 199** | **2 753 797** | **1 613 337** |

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.
For terms and conditions relating to related party receivables, refer to Note 7.2.

* Pre-paid suppliers contains pre-payments from AirRobot, following purchases for the MIKADO II contract that amounts to 0.5 MEUR.

** Other receivable contains rewarded insurance claims for total loss of assets. Awaiting payments of 1.5 MEUR in 2023.

**Guarantees**
The Group has contractual guarantees totalling EUR 24 025 expiring in 2023.

**Expected credit loss**
The Group does not expect credit loss of current outstanding receivables. The Groups main costumers are government institutions based on contract. There are non ongoing disputes.

## 2.7 Provisions

**ACCOUNTING POLICIES**

Provisions are liabilities with uncertain timing or amount and are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date, that is, the amount that an entity would rationally pay to settle the obligation at the balance sheet date or to transfer it to a third party. Social security provisions related to the share based payments are made based on the social security contributions expected to be paid on exercise of the share options when the options are fully vested.

A provision is made and calculated based on management's assumptions at the time the provision is made and is updated as and when new information becomes available. All provisions are reviewed at the end of each reporting period.

**Other commitments and contingencies**

Contingent liabilities are not recognised in the financial statements. Significant contingent liabilities are disclosed, with the exception of contingent liabilities where the possibility of an outflow of economic resources is considered remote.

Contingent assets are not recognised in the financial statements but are disclosed when an inflow of economic benefits is considered probable. The Group has no contingent assets or liabilities that meet the criteria for disclosure.

**Other commitments**

The Group did not provide guarantees to or on behalf of third parties or related parties. The Group has no other significant commitments to disclose.

## 2.8 Payables

**ACCOUNTING POLICIES**

Trade and other payables are liabilities, i.e. present contractual obligations arising from a result of past events where settlement is expected to result in an outflow of resources (payment). Trade payables consist of invoices for goods and services where the Group has received the significant risks and rewards of ownership as of 31.12.

Trade and other payables are measured at fair value upon initial recognition and subsequently at amortised cost. Trade and other payables are expected to be settled within the normal operating cycle within twelve months after the reporting period.

| | 31.12.2022 | 31.12.2021 | 01.01.2021 |
|---|---|---|---|
| Trade payables | 2 384 500 | 1 166 000 | 1 406 096 |
| **Total trade payables** | **2 384 500** | **1 166 000** | **1 406 096** |

| | | | |
|---|---|---|---|
| Accrued salaries | 1 519 256 | 1 064 247 | 361 914 |
| Short term PPA consideration | -209 304 | 775 314 | - |
| Put option on own shares (see Note 6.2) | - | 872 332 | - |
| Other accrued expenses | 1 500 333 | 827 281 | 264 114 |
| **Other current liabilities** | **2 810 286** | **3 539 173** | **626 028** |

## 3.1 Property, plant and equipment

**ACCOUNTING POLICIES**
Property, plant and equipment ("PP&E") is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. When significant parts of PP&E are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The residual values, useful lives and methods of depreciation of PP&E are reviewed at each financial year end and adjusted prospectively, if appropriate.

The Group assesses, at each reporting date, whether there is an indication that property, plant and equipment may be impaired. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Assets under construction include assets that have not yet been fully delivered and accepted by the Group at the reporting date. The construction and delivery time of these systems are normally in the range of 6-12 months and will be transferred to Aircrafts and spareparts upon delivery and final acceptance test. No depreciation charge are regognized towards assets under construction.

**Impairment**
There has been no impairment losses recognised related to property, plants and equipment. However, impairment triggers has been identified related to part of the drone fleet that were not generating revenue as per year end and that were not committed to any contract or source of revenue as per year end. Sources of measurement of fair value used in impairment testing include quoted prices for similar systems from Original Equipment Manufacturer and sale / lease offers sent to potential buyers of the systems. There is not an established 2nd hand market or market prices for drone assets, and there is hence a significant uncertainty related to the book values in the balance sheet related to our drone fleet. Including market for sale and use cases for each type of drone, as well as discount rate and residual value assumptions related to net present value calculations. Relativly small changes to key assumtions will cause impairment.

| | Fixtures, fittings and tools | Aircraft and spareparts | Assets under construction | Total |
|---|---|---|---|---|
| **Cost as at 1 January 2021** | **1 213 809** | **4 371 893** | **-** | **5 585 701** |
| Additions | 1 493 816 | 5 494 757 | 5 714 103 | 12 702 677 |
| Transfer | -194 246 | 194 246 | - | - |
| Currency translation effects | 124 829 | 347 553 | 100 675 | 573 057 |
| **Cost as at 31 December 2021** | **2 638 209** | **10 408 449** | **5 814 778** | **18 861 435** |
| Additions | 445 265 | 6 989 230 | 959 249 | 8 393 744 |
| Transfers | - | 6 321 124 | -6 321 124 | - |
| Disposals* | - | -1 352 454 | - | -1 352 454 |
| Currency translation effects | -29 275 | 684 | - | -28 591 |
| **Cost as at 31 December 2022** | **3 054 199** | **22 367 033** | **452 903** | **25 874 135** |
| | | | | |
| **Depreciation and impairment as at 1 January 2021** | **274 730** | **437 433** | **-** | **712 163** |
| Depreciation for the year | 294 893 | 949 145 | - | 1 244 038 |
| Transfer | -27 733 | 27 733 | - | - |
| Additions | 302 116 | - | - | 302 116 |
| Currency translation effects | 5 265 | 15 194 | - | 20 458 |
| **Depreciation and impairment as at 31 December 2021** | **849 271** | **1 429 505** | **-** | **2 278 776** |
| Depreciation | 473 882 | 2 021 742 | - | 2 495 623 |
| Disposals* | - | -199 488 | - | -199 488 |
| Currency translation effects | 819 | - | - | 819 |
| **Depreciation and impairment as at 31 December 2022** | **1 323 971** | **3 251 759** | **-** | **4 575 730** |
| | | | | |
| **Net book value:** | | | | |
| **At 1 January 2021** | **939 079** | **3 934 459** | **-** | **4 873 538** |
| **At 31 December 2021** | **1 788 938** | **8 978 943** | **5 814 778** | **16 582 659** |
| **At 31 December 2022** | **1 730 228** | **19 115 275** | **452 903** | **21 298 405** |
| | | | | |
| Economic life (years) | 3-5 | 5-10 | | |
| Depreciation plan | Straight-line method | Straight-line method | No depreciation | |

*Disposals is related to total loss of assets (drones and payloads) in are all insurance claims. Pending insurance claim at 31.12.22 is 1.5 MEUR.

## 3.2 Intangible assets

**ACCOUNTING POLICIES**
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

**Research and development costs**
Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:
- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

**Patents and licences**
The Group has, directly as well as through acquisitions of other entities, acquired patents and licences and allocated value to these in the balance sheet. The patents have generally been granted for an original period of 10 years by the relevant government agency. The licences are assessed to have economic lives from five to ten years from origination.

**Goodwill**
Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

**Impairment and key assumptions**
Goodwill and PPA values has been tested for impairment with Discounted Cash Flow (DCF) as main valuation method, using a weighted average cost of capital (WACC) of 15% as discount rate, and a cash flow over normally 6 years period based on next years budget with managements assumptions of future growth thereafter, and a residual value based on Gordon growth with a 3% growth rate from steady state.
Conducted sensitivity analyses of the key parameters shows a reasonable headroom for changes in key parameters defined above.

The Group recognized Impairment in development where the Staaker product line, Railway drone and the Fuelcell drone are fully written off. There are no remaining CGUs categorized as development with impairment indicators at 31.12.2022

| | Development | Concessions, patents and licenses | Goodwill | Total |
|---|---|---|---|---|
| **Cost as at 1 January 2021** | **750 583** | **1 219 897** | **77 817** | **2 048 297** |
| Additions | 5 744 266 | 4 889 483 | 1 616 621 | 12 250 370 |
| Disposals | - | - | - | - |
| Currency translation effects | 91 366 | 144 950 | 33 172 | 269 488 |
| **Cost as at 31 December 2021** | **6 586 216** | **6 254 330** | **1 747 064** | **14 587 609** |
| Additions | 5 130 724 | 473 001 | 1 596 130 | **7 199 855** |
| Currency translation effects | -46 516 | -17 765 | 24 838 | **-39 442** |
| **Cost as at 31 December 2022** | **11 670 424** | **6 709 566** | **3 368 032** | **21 748 022** |

| | | | | |
|---|---|---|---|---|
| **Depreciation and impairment as at 1 January 2021** | **181 905** | **195 306** | **-** | **377 211** |
| Depreciation for the year | 407 176 | 214 352 | - | 621 528 |
| Impairment for the year | - | - | - | - |
| Disposals | - | - | - | - |
| Currency translation effects | 15 942 | 13 191 | - | 29 134 |
| **Amortization and impairment as at 31 December 2021** | **605 023** | **422 849** | **-** | **1 027 873** |
| Amortization | 1 736 695 | 847 828 | - | **2 584 523** |
| Impairment | 2 254 265 | - | 60 478 | **2 314 743** |
| Currency translation effects | 4 208 | 2 036 | - | **6 244** |
| **Amortization and impairment as at 31 December 2022** | **4 600 191** | **1 272 713** | **60 478** | **5 933 383** |

| | | | | |
|---|---|---|---|---|
| **Net book value:** | | | | |
| **At 1 January 2021** | **568 678** | **1 024 591** | **77 817** | **1 671 086** |
| **At 31 December 2021** | **5 981 192** | **5 831 481** | **1 747 063** | **13 559 736** |
| **At 31 December 2022** | **7 070 233** | **5 436 852** | **3 307 553** | **15 814 638** |

| | | | | |
|---|---|---|---|---|
| Economic life (years) | 5-10 | 5-10 | | |
| Depreciation plan | Straight-line method | Straight-line method | | |

## 3.3 Right-of-use assets and lease liabilities

**ACCOUNTING POLICIES**
At inception of a contract, The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The agreement creates enforceable rights of payment and obligations
- The identified asset is physically distinct
- The supplier does not have a substantive right to substitute the asset throughout the period of use
- It has the right to obtain substantially all of the economic benefits from use of the asset
- It has the decision-making rights that are most relevant to changing how and for what purpose the asset is used throughout the contract period

**Group as a lessee**
At the commencement date, the Group recognises a lease liability and corresponding right-of-use asset for all lease agreements in which it is the lessee, except for the following exemptions applied:

- Short-term leases (defined as 12 months or less)
- Low value assets (with an underlying value of less than 5 thousand EUR)

For these leases, the Group recognises the lease payments as operating expenses in the consolidated statement of comprehensive income.

*Measuring the lease liability*
The lease liability is initially measured at the present value of the lease payments for the right to use the underlying asset during the lease term that are not paid at the commencement date. The lease term represents the non-cancellable period of the lease, together with periods covered by an option to extend the lease when the Group is reasonably certain to exercise this option, and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

The lease payments included in the measurement comprise:

- Fixed lease payments, less any lease incentives received
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect adjustments in lease payments due to an adjustment in an index or rate.

The Group presents its lease liabilities as separate line items in the consolidated statement of financial position.

*Measuring the right-of-use asset*
The right-of-use asset is initially measured at cost. The cost of the right-of-use asset includes the corresponding amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date and initial direct costs incurred.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses, applying the same policies for impairment as for property, plant and equipment (Note 3.1). The right-of-use asset is depreciated from the commencement date to the earlier of the lease term and the remaining useful life of the right-of-use asset. Depreciation is calculated on a straight-line basis.

The Group presents its right-of-use assets as separate line items in the consolidated statement of financial position.

**The Group's leased assets**
The Group has lease agreements for office buildings, located in Sandnes and Fornebu in Norway, one officebuilding in Birmingham in England and one in Germany. The Group are also leasing cars.

The Group's right-of-use assets recognised in the consolidated statement of financial position are presented in the table below:

**Right-of-use assets**

| | Vehicles | Office Buildings | Total |
|---|---|---|---|
| **Acquisition cost at 1 January 2021** | **81 238** | **254 007** | **335 245** |
| Additions of right-of-use assets | - | 1 258 387 | 1 258 387 |
| Currency translation effects | | 22 171 | 22 171 |
| **Acquisition cost at 31 December 2021** | **81 238** | **1 534 565** | **1 615 803** |
| Additions of right-of-use assets | 0 | 0 | 0 |
| Currency translation effects | 0 | 0 | 0 |
| **Acquisition cost at 31 December 2022** | **81 238** | **1 534 565** | **1 615 803** |
| | | | |
| **Depreciation and impairment at 1 January 2021** | **19 366** | **126 292** | **145 658** |
| Depreciation of right-of-use assets | 20 425 | 196 216 | 216 641 |
| Currency translation effects | | -2 064 | -2 064 |
| **Depreciation and impairment at 31 December 2021** | **39 791** | **320 444** | **360 235** |
| Depreciation of right-of-use assets | 20 785 | 249 369 | 270 154 |
| Currency translation effects | 0 | - | 0 |
| **Depreciation and impairment at 31 December 2022** | **60 576** | **569 813** | **630 389** |
| | | | |
| **Carrying amount at 1 January 2021** | **61 872** | **127 716** | **189 588** |
| **Carrying amount at 31 December 2021** | **41 447** | **1 214 121** | **1 255 568** |
| **Carrying amount at 31 December 2022** | **20 662** | **964 751** | **985 414** |
| Remaining lease term or remaining useful life | 2-5 | 2-8 | |
| Depreciation plan | | Straight-line method | |

**The Group's lease liabilities**

| **Undiscounted lease liabilities and maturity of cash outflows** | **31.12.2022** | **31.12.2021** | **01.01.2021** |
|---|---|---|---|
| Less than one year | 285 703 | 283 449 | 139 617 |
| One to two years | 244 483 | 300 719 | 39 712 |
| Two to three years | 194 810 | 257 333 | 18 397 |
| Three to four years | 389 620 | 205 049 | 5 556 |
| More than four years | 169 673 | 383 641 | 0 |
| **Total undiscounted lease liabilities** | **1 284 290** | **1 430 190** | **203 282** |

| **Changes in the lease liabilities - 2021** | **Total** |
|---|---|
| **At first time adoption of IFRS 1 January 2021** | **194 714** |
| New leases recognised during the period | 1 258 386 |
| Cash payments for the principal portion of the lease liability | -216 113 |
| Interest expense on lease liabilities | 27 684 |
| Currency translation effects | 28 237 |
| **Total lease liabilities at 31 December 2021** | **1 292 908** |
| Current lease liabilities in the statement of financial position | 369 242 |
| Non-current lease liabilities in the statement of financial position | 923 666 |

| **Changes in the lease liabilities - 2022** | **Total** |
|---|---|
| **At 1 January 2022** | **1 292 908** |
| New leases recognised during the period | 0 |
| Cash payments for the principal portion of the lease liability | -280 218 |
| Interest expense on lease liabilities | 53 377 |
| Currency translation effects | 18 404 |
| **Total lease liabilities at 31 December 2022** | **1 084 471** |
| Current lease liabilities in the statement of financial position | 369 242 |
| Non-current lease liabilities in the statement of financial position | 715 229 |

**Lease commitments not included in the lease liabilities**

*Inflation adjustments*

In addition to the lease liabilities presented above, the Group is committed to pay variable lease payments for its office buildings, mainly related to future inflation adjustments which is not included in the initial calculation of lease liabilities. The lease liability and right-of-use asset will be adjusted to reflect the inflation adjustment when the uncertainty related to the adjustment has been resolved, however, due to low inflation forecasts these adjustments are expected to be immaterial.

*Extension and termination options*

The Group has some lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the Group's business needs. Management applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, they considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Group did not include the renewal period for leases as part of the lease term because management were not reasonably certain to exercise the option to renew the leases. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

*Other matters*

The Group's leases does not contain provisions or restrictions that impacts that Group's dividend policies or financing possibilities. Further, the Group does not have significant residual value guarantees related to its leases.

## 4.1 Financial instruments

**ACCOUNTING POLICIES**
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**Classification of financial instruments**
The Group's financial instruments are grouped in the following categories:

**Financial Assets**
- Financial assets measured subsequently at amortised cost: Includes mainly trade receivables, other receivables and cash equivalents

The Group's financial assets are part of the Group's business model with the sole objective to collect contractual cash flows. Additionally, the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, thereby passing the "SPPI test", constituting debt instruments measured at amortised cost.

**Financial Liabilities**
- Financial liabilities measured subsequently at amortised cost: Represent the Group's non-interest bearing liabilities such as trade payables, and borrowings, see note 4.2.
- Other liabilities measured at fair value: these are primarily contingent considerations in earn-out arrangements entered into as part of business combinations, see note 6.2.

The Group does not have derivative financial instruments measured at fair value. All financial assets and liabilities, except for the earn-out arrangements are measured subsequently at amortised cost.

As part of the acquisition of AirRobot, see note 6.2, the group had a contractual obligation to purchase its own equity instruments. This gave rise to a financial liability for the present value of the redemption amount even if the obligation to purchase was conditional on the counterparty exercising the written put option that gave the counterparty the right to sell ishares in Nordic Unmanned to Nordic Unmanned for a fixed price. The financial liability was initially recognised at the present value of the redemption amount, and reclassified from equity. Subsequently, the financial liability was measured at fair value through profit or loss. Had the contract expired without delivery, the carrying amount of the financial liability would have been reclassified to equity. As at year end 2022 the put option has been exercised and the liability settled, except for an agreed deferred payment presented as other current liabilities and measured at amortised cost.

**Initial recognition and subsequent measurement**
*Financial assets and liabilities at amortised cost*
The Group's financial assets and liabilities are initially recognised at fair value plus directly attributable transaction expenses. Subsequently, these instruments are measured at amortised cost using the effective interest method (EIR). Gains and losses are recognised in profit or loss upon impairment, when the instruments are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The amortisation is included as finance costs in the consolidated statement of comprehensive income.

*Impairment of financial assets*
Financial assets measured at amortised cost are considered for impairment by recognising an allowance for expected credit losses (ECLs). The Group applies a simplified approach (as applicable for trade receivables) in calculating ECLs, where the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group bases its ECLs on its historical losses, adjusted for forward-looking factors specific to the debtors and the economic environment. See note 4.3 for further information related to management of credit risk.

*Derecognition of financial instruments*
A financial asset is derecognised when the rights to receive cash flows from the asset have expired, the Group has transferred its rights to receive cash flows from the asset or the Group has assumed an obligation to pay the received cash flows in full under a "pass-through" arrangement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

**Offsetting of financial instruments**
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

| 31.12.2022 | Notes | Financial instruments at amortised cost | Financial instruments at fair value through profit or loss | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Trade and other receivables | 2.6 | 5 040 199 | - | 5 040 199 |
| Cash and cash equivalents | 4.5 | 811 852 | - | 811 852 |
| **Total financial assets** | | **5 852 051** | **-** | **5 852 051** |
| | | | | |
| **Liabilities** | | | | |
| Trade payables | 2.8 | 2 384 500 | - | 2 384 500 |
| Accruals | 2.8 | 3 019 589 | - | 3 019 589 |
| Contingent consideration - current | 2.8 | - | -209 304 | -209 304 |
| Contingent concideration - non-current | | - | 2 025 000 | 2 025 000 |
| Loan from related parties | | 54 864 | | 54 864 |
| Interest bearing loans and borrowings current | | 2 673 760 | - | 2 673 760 |
| Interest bearing loans and borrowings non-current | | 10 334 323 | - | 10 334 323 |
| **Total financial liabilities** | | **18 467 036** | **1 815 696** | **20 282 733** |

| 31.12.2021 | Notes | Financial instruments at amortised cost | Financial instruments at fair value through profit or loss | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Trade and other receivables | 2.6 | 2 753 797 | - | 2 753 797 |
| Cash and cash equivalents | 4.5 | 5 594 033 | - | 5 594 033 |
| **Total financial assets** | | **8 347 830** | **-** | **8 347 830** |
| | | | | |
| **Liabilities** | | | | |
| Trade payables | 2.8 | 1 166 000 | - | 1 166 000 |
| Accruals | 2.8 | 1 950 347 | - | 1 950 347 |
| PPA consideration - current | 2.8 | - | 775 314 | 775 314 |
| PPA consideration - non-current | 2.8 | - | 350 392 | 350 392 |
| Effect of put option on own shares (see Note 6.2) | 6.2 | 872 332 | - | 872 332 |
| Interest bearing loans and borrowings current | | 3 086 797 | - | 3 086 797 |
| Interest bearing loans and borrowings non-current | | 6 893 392 | - | 6 893 392 |
| **Total financial liabilities** | | **13 968 868** | **1 125 706** | **15 094 574** |

| 01.01.2021 | Notes | Financial instruments at amortised cost | Financial instruments at fair value through profit or loss | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Trade and other receivables | 2.6 | 1 613 337 | - | 1 613 337 |
| Cash and cash equivalents | 4.5 | 5 088 113 | - | 5 088 113 |
| **Total financial assets** | | **6 701 450** | **-** | **6 701 450** |
| | | | | |
| **Liabilities** | | | | |
| Trade payables | 2.8 | 1 406 096 | - | 1 406 096 |
| Accruals | 2.8 | 626 028 | - | 626 028 |
| Interest bearing loans and borrowings current | | 418 263 | - | 418 263 |
| Interest bearing loans and borrowings non-current | | 2 007 339 | - | 2 007 339 |
| **Total financial liabilities** | | **4 457 726** | **-** | **4 457 726** |

There are no changes in classification and measurement for the Group’s financial assets and liabilities.
Finance income and finance costs arising from the Group's financial instruments are disclosed separately in note 4.6.
All financial instruments measured at amortised cost are assumed to have a fair value not significantly different from the carrying amount as they are either short term or have a short term interest rate fixing period.

## 4.2 Maturity of financial liabilities

Contractual undiscounted cash flows from financial liabilities is presented below:

| 31.12.2022 | Remaining contractual maturity 1-12 months | 1-2 years | 2-3 years | 3-4 years | 4-5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | | |
| Interest bearing loans and borrowings | 3 180 161 | 4 084 104 | 2 933 553 | 2 328 864 | 2 021 747 | - | 14 548 429 |
| Total financial liabilities | **3 180 161** | **4 084 104** | **2 933 553** | **2 328 864** | **2 021 747** | **-** | **14 548 429** |

| 31.12.2021 | Remaining contractual maturity 1-12 months | 1-2 years | 2-3 years | 3-4 years | 4-5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | | |
| Interest bearing loans and borrowings | 3 433 273 | 2 880 467 | 2 805 902 | 1 311 948 | - | - | 10 431 590 |
| **Total financial liabilities** | **3 433 273** | **2 880 467** | **2 805 902** | **1 311 948** | **-** | **-** | **10 431 590** |

**Reconciliation of changes in liabilities incurred as a result of financing activities:**

| 2022 Interest bearing loans and borrowings | 01.01.2022 | Cash flow effect | Non-cash changes Foreign exchange movement | Other changes | 31.12.2022 |
|---|---|---|---|---|---|
| SR-bank | 8 885 728 | 791 272 | - | - | 9 677 000 |
| Innovasjon Norge | 550 617 | 1 623 450 | 167 854 | - | 2 341 920 |
| Other | 543 844 | 445 311 | - | - | 989 155 |
| **Total liabilities from financing** | **9 980 189** | **2 860 032** | **167 854** | **-** | **13 008 075** |

| 2020 Interest bearing loans and borrowings | 01.01.2022 | Cash flow effect | Non-cash changes Foreign exchange movement | Other changes | 31.12.2020 |
|---|---|---|---|---|---|
| SR-bank | - | 1 852 544 | - | - | 1 852 544 |
| Sandnes Sparebank | 455 656 | -455 656 | - | - | - |
| Innovasjon Norge | 202 955 | 370 102 | - | - | 573 057 |
| **Total liabilities from financing** | **658 611** | **1 766 991** | **-** | **-** | **2 425 602** |

**Credit facilities - utilised and unused amount**

| | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Drawn amount credit facility | - | 123 837 |
| Undrawn amount credit facilities | 5 105 971 | 2 178 574 |

| Booked value of assets pledged as collateral for liabilities to financial institutions | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Fixed assets | 21 776 209 | 15 861 310 |
| Inventory | 1 766 603 | 1 563 490 |
| Account receivable | 319 201 | 158 391 |
| Investments | 2 145 220 | - |

The following financial covenants are applicable to The Group at 31.12.22:

Equity ratio of 40%
Working capital ratio of 1,15 (No longer applicable after new financial structure in 2023)
Mimimum value clause of 60% of assets

The Group is in compliance with all covenants as of 31.12.2022.

In March 2023, Nordic Unmanned ASA signed an agreement for a new finance arrangement with Sparebank1 SR-Bank AS of up to 16 MEUR. The refinancing included 2.7 MEUR in increased loans, and a restructured repayment schedule for the purpose financing Nordic Unmanned short term working capital needs until positive cash flow from operations from end of the 2nd quarter. The Agreement include financial covenants requirements related to equity ratio and loan to value ratio. The refinanced senior secured term loan has a 5 year repayment profile with maturity on the 31st of December 2024.

The weighted average effective interest rate on interest-bearing liabilities was 4,8%.

The borrowings are subject to floating interest rate and the rate fixing period is short. Consequently, fair values of the borrowings are assumed to be equal to book values. "Contractual undiscounted cash flows from financial liabilities" is presented including expected interest based of latest know applicable interest rate.

## 4.3 Financial risk management

**Overview**
The Group's principal financial liabilities, comprise liabilities to financial institutions and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade and other receivables, and cash and short-term deposits that derive directly from its operations.

The Group is exposed to a range of risks affecting its financial performance, including market risk, credit risk and liquidity risk. The Group seeks to minimise potential adverse effects of such risks through sound business practise, risk management and hedging.

Risk management is based on the principle that risk evalution is an integral part of all business activities. The Group has establised policies and procedures to manage risk and to face risks and uncertainties in a global marketplace.

**Market risk**
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk for the Group comprises two types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include liabilities to financial institutions, accounts receivable and other currenct receivables, cash and cash and cash equivalents, lease liabilities and trade and other payables.

*Interest rate risk*
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to the risk of changes in market interest rates as it has interest bearing debt. The Group does not currently hedge interest rate risk exposure with the use of financial instruments, but may enter into contracts to offset some of the risk depending on the future expected interest rates.

*Interest rate sensitivity*
The sensitivity to a possible change in interest rates, with all other variables held constant, on the Group's profit before tax, is illustrated below. In calculating the sensitivity analyses, the Group assumes that the sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective financial risks.

| Interest rate sensitivity | Increase / decrease in basis points | Effect on profit before tax | Effect on OCI |
|---|---|---|---|
| 31 December 2022 | +/- 100 | 88 882 | - |
| 31 December 2021 | +/- 100 | 65 431 | - |
| 1 January 2021 | +/- 100 | 26 081 | - |

*Foreign currency risk*
Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's reported result and net assets denominated in foreign currencies are influenced by fluctuations in currency exchange rates and in particular the NOK as some of the interest bearing loans and significant expenditures are in NOK.

Some of the Group's revenues and expenses are denominated in foreign currencies, where revenues are exposed to changes in foreign currencies against the EUR. Interest-bearing debt facilities are denominated in NOK and EUR. The main strategy for mitigating risk related to volatility in cash flows is to maintain an operational hedge in the composition of the debt.

Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

*Foreign currency sensitivity*
The following table illustrates the sensitivity for a hypothetical increase or decrease in the foreign exchange rates in the

| Foreign currency sensitivity | Date | Change in FX rate | Effect on profit before tax | Effect on OCI |
|---|---|---|---|---|
| Increase / decrease in NOK/EUR | 31.12.2022 | +/- 10% | 234 193 | |
| Increase / decrease in EUR/NOK | 31.12.2021 | +/- 10% | 649 211 | |
| Increase / decrease in EUR/NOK | 01.01.2021 | +/- 10% | 490 198 | |

**Credit risk**
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or contract, leading to a financial loss.

The Group is exposed to credit risk arising from cash and cash equivalents, deposits with banks as well as credit exposure to commercial customers. The risk arising from receivables are monitored closely.

**Liquidity risk**
Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets. The Group monitors rolling forecasts of the liquidity reserves and cash and project cash flows in major currencies and estimating the level of liquid assets required.

A set of financial covenants are established with its lenders under the loan agreement linked to equity ratio and working capital. The company was in compliance with all covenants as per year end.

## 4.4 Equity and shareholders

**ACCOUNTING POLICIES**

**Treasury shares**

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group’s own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium.

**Costs related to equity transactions**

Transaction costs are deducted from equity, net of associated income tax.

**Distribution to shareholders**

The Group recognises a liability to make distributions to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the Group. As per the corporate laws of Norway, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.
The annual financial statement can be obtained from the Group's head office , Rådhusgata 3, 4306 Sandnes Norway, or though the company's website: https://nordicunmanned.com/

No distributions were made to shareholders in the current or prior period.

**Capital management**

For the purpose of the Group’s capital management, capital includes issued ordinary share capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group’s capital management is to maximise the shareholder value. The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group’s policy is to keep the gearing ratio between 20% and 40%. The Group includes within net debt, interest bearing

### Issued capital and reserves:

| Share capital in Nordic Unmanned AS | Number of shares authorised and fully paid | Par value per share (NOK) | Financial Position (EUR) |
|---|---|---|---|
| **At 1 January 2021** | **20 120 032** | 1,000 | **1 921 629** |
| Issue of shares | 6 168 952 | 1,000 | 614 783 |
| Currency translation effects | - | - | 95 433 |
| **At 31 December 2021** | **26 288 984** | **1,000** | **2 631 846** |
| Issue of shares | 16 174 861 | 1,000 | 1 560 550 |
| Currency translation effects | - | - | - |
| **At 31 December 2022** | **42 463 845** | **1,000** | **4 192 395** |

All shares are ordinary and have the same voting rights and rights to dividends.

Reconciliation of the Group's equity is presented in  the statement of changes in equity.

**The Group's shareholders:**

| Shareholders in Nordic Unmanned ASA at 31.12.2022 | Total shares | Ownership/ Voting rights |
|---|---|---|
| WALLCROSS AS | 2 281 221 | 5 % |
| JELSA INVESTERING AS | 2 273 356 | 5 % |
| HELGØ INVESTERING AS | 2 273 356 | 5 % |
| SKAULEN AS | 1 870 410 | 4 % |
| NORDNET LIVSFORSIKRING AS | 1 456 322 | 3 % |
| DZ Privatbank S.A. | 1 158 020 | 3 % |
| GH HOLDING AS | 1 049 668 | 2 % |
| CLEARSTREAM BANKING S.A. | 902 932 | 2 % |
| PAY EIENDOM AS | 828 084 | 2 % |
| INTERVEST AS | 808 867 | 2 % |
| AINO AS | 791 667 | 2 % |
| DRAGESUND INVEST AS | 791 667 | 2 % |
| Morgan Stanley & Co. Int. Plc. | 742 348 | 2 % |
| RAVI INVESTERING AS | 725 000 | 2 % |
| BJØRNØY INVEST AS | 705 836 | 2 % |
| BERGEN KOMMUNALE PENSJONSKASSE | 675 000 | 2 % |
| SKIPS AS TUDOR | 617 500 | 1 % |
| DALLAS ASSET MANAGEMENT AS | 604 888 | 1 % |
| ÅLGÅRD HOLDING AS | 573 827 | 1 % |
| SUBSEA TO AIR AS | 518 602 | 1 % |
| Other | 20 815 274 | 49 % |
| **Total** | **42 463 845** | **100 %** |

*Skaulen AS is controlled by former CEO Knut Roar Wiig.
The Group holds 207 423 treasury shares at a total book value of EUR 871 thousand.

Shares held by management or the Board at the end of the reporting periods are summarised in note 7.1.

## 4.5 Cash and cash equivalents

**ACCOUNTING POLICIES**

Cash and cash equivalents in the statement of financial position comprise cash at banks and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits. Restricted bank deposits comprise of cash for withholding taxes which may not be used for other purposes.

| Cash and cash equivalents | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Bank deposits, unrestricted | 396 474 | 5 274 183 |
| Bank deposits, restricted | 415 378 | 319 850 |
| **Total cash and cash equivalents** | **811 852** | **5 594 033** |

Bank deposits earns a low interest at floating rates based on the bank deposit rates.

## 4.6 Financial income and expenses

**ACCOUNTING POLICIES**

Interest income and interest expenses are calculated using the effective interest method.

Foreign currency gains or losses are reported as gain or loss on foreign exchange within finance income or finance costs, except for currency translation effects from investments in foreign subsidiaries which are presented within OCI. For other accounting policies related to the underlying financial instruments, reference is made to note 4.1.

Interest costs on lease liabilities represents the interest rate implicit in the lease, or the incremental borrowing rate used to measure the lease liabilities recognised in the statement of financial position, for further disclosures see note 3.3.

| **Finance income** | **2022** | **2021** |
|---|---|---|
| Interest income | 13 821 | 12 730 |
| Other finance income | 77 741 | 3 846 |
| Gain on foreign exchange | 686 115 | 462 047 |
| **Total finance income** | **777 677** | **478 624** |

| **Finance costs** | **2022** | **2021** |
|---|---|---|
| Interest expenses | 839 040 | 82 208 |
| Interest expense on lease liabilities | 41 252 | 27 662 |
| Other finance costs | 108 239 | 83 674 |
| Loss on foreign exchange | 859 466 | 135 180 |
| **Total finance costs** | **1 847 997** | **328 724** |

Interest income represents mainly interest income on cash deposits, and interest expenses represents mainly interest expenses on financial liabilities, measured and classified at amortised cost in the statement of financial position.

## 4.7 Share based payments

**ACCOUNTING POLICIES**
Employees (including management) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

**Equity-settled transactions**
The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using the Black-Scholes-Merton valuation model.

That cost is recognised in employee benefits expense, together with a corresponding increase in equity, over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in note 4.9)

Social security tax on share based payments are recorded as a liability (see note 2.7).

**SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS**
Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. Due to limited historical data and liquidity these assumptions include significant estimates by management. The most significant assumptions are described further below.

**Share option plan - Description**
Under the Share Option Plan (SOP), share options of the parent are granted to management and key employees of the Group. The exercise price of the share options is generally set equal to the market price of the underlying shares on the date of grant, but from time to time awards are made with an exercise price significantly lower than the share price. The share options were granted on the 1 December 2019, 15 December 2020 and 19 November 2021 and are split into tranches that generally vest over two or three years.

The share options can be exercised up to five years after the grant date and expire approximately three years from the balance sheet date 31 December 2022. The Group settles the share options by delivery of shares. Share options held by management at the end of the reporting period are summarised in note 7.1.

The fair value of the options were determined at the grant dates and expensed over the vesting period. EUR 443 thousand (EUR 361 thousand in 2021) has been expensed as employee benefit expenses and a reduction of expenses (credit) of EUR 170 thousand (EUR 102 thousand expense in 2021) as social security charges in the period.

**Movements during the year**
The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

| | 2022 WAEP (NOK) | 2022 Number | 2021 WAEP (NOK) | 2021 Number |
|---|---|---|---|---|
| **Outstanding options 1 January** | 10,62 | 1 095 000 | 9,80 | 1 050 000 |
| Options granted | | | 14,70 | 125 000 |
| Options forfeited | 5,00 | -15 000 | 5,00 | |
| Options exercised* | 5,00 | -155 000 | 5,00 | -67 000 |
| Options terminated | | | 5,00 | -13 000 |
| **Outstanding options 31 December** | 11,65 | 925 000 | 10,62 | 1 095 000 |
| Exercisable at 31 December | 11,18 | 400 000 | 5,00 | 55 000 |

* The closing share price at the date of exercise of the 155 000 options (17 January 2022) was NOK 31.80).

The weighted average remaining contractual life for the share options outstanding as at 31 December 2022 was 2.96 years (2021: 3.96 years).

The range of exercise prices for options outstanding at the end of the year was NOK 10 to NOK 14.70 (2021: NOK 5 to NOK 14.70).

No new options were granted in 2022. The weighted average fair value of options granted during 2021 was NOK 20.29).

**Assumptions used to determine fair value of share option grants:**

| | 2022 | 2021 |
|---|---|---|
| Weighted average fair values at the measurement date (NOK) | N/A | 20,29 |
| Dividend yield (%) | N/A | 0 |
| Expected volatility (%) | N/A | 53,59 |
| Risk–free interest rate (%) | N/A | 1,375 |
| Expected life of share options (years) | N/A | 3,0 |
| Weighted average share price (NOK) | N/A | 32,48 |
| Model used | N/A | BSM |

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

## 4.8 Earnings per share

**ACCOUNTING POLICIES**

Basic earnings per share (EPS) is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the EPS calculations:

| | **2022** | **2021** |
|---|---|---|
| Profit or loss attributable to ordinary equity holders - for basic EPS | -19 577 191 | -5 783 613 |
| Profit or loss attributable to ordinary equity holders adjusted for the effect of dilution | -19 577 191 | -5 783 613 |
| Weighted average number of ordinary shares - for basic EPS | 29 040 420 | 22 991 203 |
| Weighted average number of ordinary shares adjusted for the effect of dilution | N/A (*) | N/A (*) |
| | | |
| **Basic EPS - profit or loss attributable to equity holders of the parent** | -0,67 | -0,25 |
| **Diluted EPS - profit or loss attributable to equity holders of the parent** | -0,67 | -0,25 |

(*) Dilutive effect on number of shares not calculated because it would have antidilutive effect

## 5.1 Taxes

**ACCOUNTING POLICIES**

*Current income tax*

Current income tax is measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Current income tax relating to items recognised directly in equity is recognised in equity (OCI) and not in the statement of profit or loss.

*Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Group has EUR 31 million as at 31.12.2022 (EUR 13 million as at 31.12.2021) of tax losses carried forward. The tax losses carried forward may be offset against future taxable income and will not expire. Due to significant uncertainty as to when the related deferred tax assets may be recovered, no deferred tax assets have been recognised as at year end 2022.

| Current income tax expense: | 2022 | 2021 |
|---|---|---|
| Tax payable | 0 | 0 |
| Change deferred tax/deferred tax assets (ex. OCI effects) | 1 913 589 | -1 344 803 |
| **Total income tax expense** | **1 913 589** | **-1 344 803** |

| Deferred tax assets: | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Development Concessions, patents, licenses | | |
| Trade receivables | 0 | 2 002 |
| Other short-term receivables | 0 | 3 645 899 |
| Inventory | 570 859 | 390 437 |
| Lease liabilities | 1 084 470 | 1 063 427 |
| Public duties payable | 0 | 172 162 |
| Other current liabilities | 0 | 230 285 |
| Losses carried forward | 30 841 810 | 13 132 995 |
| **Basis for deferred tax assets:** | **32 497 139** | **18 637 207** |

| Deferred tax liabilities | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Development Concessions, patents, licenses | 6 309 374 | 6 404 944 |
| Property, plant and equipment | 5 006 573 | 2 813 202 |
| Right-of-use assets | 985 414 | 980 506 |
| **Basis for deferred tax liabilities** | **12 301 362** | **10 198 653** |
| | | |
| **Net basis for deferred tax liabilities/(-assets)** | **-20 195 777** | **-8 438 555** |
| **Net basis for deferred tax liabilities/(-assets) at 22% tax rate** | **-21 207 907** | **-13 485 284** |
| **Net basis for deferred tax liabilities/(-assets) at foreign tax rates** | 1 012 130 | 5 046 729 |
| Calculated net deferred tax assets | -4 666 530 | -2 149 258 |
| - Deferred tax assets not recognised | 4 666 530 | |
| | | |
| **Net deferred tax assets recognised** | **-** | **-2 149 258** |
| | | |
| **Calculated deferred tax liabilities** | | 807 477 |
| | | |
| **Deferred tax liabilities recognised in the statement of financial position** | **-** | **807 477** |
| | | |
| **Deferred tax assets recognised in the statement of financial position** | **-** | **2 956 735** |

The Group's operations are subject to income tax in various foreign jurisdictions. The statutory income tax rates vary from 16% to 22%, which results in a difference between the statutory income tax rate in Norway and the average tax rate applicable to the Group.

A reconciliation of the differences between the theoretical tax expense under the rate applicable in Norway and the actual tax expense is as follows:

| Reconciliation of income tax expense | 2 022 | 2021 |
|---|---|---|
| **Profit or loss before tax** | -17 988 811 | -7 170 988 |
| Tax expense 22% (Norwegian tax rate) | -3 957 538 | -1 577 617 |
| Change to prior period tax expense | 0 | - |
| Permanent differences* | 30 708 | -215 667 |
| Effects of foreign tax rates | 98 745 | -21 186 |
| Effects of changes in tax rate | 0 | - |
| Currency effects | 1 033 749 | - |
| Effect of not recognising deferred tax assets | 4 707 925 | 469 668 |
| **Recognised income tax expense** | **1 913 589** | **-1 344 803** |

* The permanent differences are primarily transaction costs related to share issues which have been recognised against share premium.

## 6.1 Interests in other entities

**ACCOUNTING POLICIES**

**Basis of consolidation**

The consolidated financial statements comprise the financial statements of Nordic Unmanned AS and its subsidiaries as at 31 December 2022. The subsidiaries are consolidated when control is achieved as defined by IFRS 10. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. However, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to non-controlling interests. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group does not have ownership in joint arrangements, associates, or unconsolidated structured entities or interests in unconsolidated subsidiaries. NUAer AS has certain characteristics and similarities with a joint arrangement, but has been determined to be controlled by the Group and consequently, fully consolidated, with a 40% non-controlling interest.

**The consolidated entities**

The subsidiaries of Nordic Unmanned AS are presented below:

| Consolidated entities 31 December 2022 | Office | CUR | Shareholding and the Group's voting ownership share | Date of consolidation |
|---|---|---|---|---|
| AirRobot® GmbH & Co. KG | Arnsberg, Germany | EUR | 100 % | 01.10.2021 |
| AirRobot Beteiligungs GmbH | Arnsberg, Germany | EUR | 100 % | 01.10.2021 |
| DroneMatrix NV | Hasselt, Belgium | EUR | 55%* | 16.06.2022 |
| Ecoxy AS | Molde, Norway | NOK | 100 % | 21.09.2021 |
| Nordic Unmanned North America Group LLC | Baltimore, USA | USD | 100 % | 01.10.2022 |
| Nordic Unmanned North America LLC | Baltimore, USA | USD | 92 % | 01.10.2022 |
| Nordic Unmanned UK Ltd. | Birmingham, UK | GBP | 100 % | 01.10.2021 |
| Nordic Unmanned DK ApS | Odense, Denmark | DKK | 100 % | 07.12.2021 |
| NUAer AS | Sandnes, Norway | NOK | 60 % | 01.10.2021 |

* Nordic Unmanned ASA has an agreement to buy the remaining 45% of the non-controlling shareholder position within 3 years of acquisition date. Nordic Unmanned will after this hold 100% of DroneMatrix NV shares. It has been assumed that Nordic Unmanned has present access to the returns of these shares and that there are no non-controlling interests related to this subsidiary.

All subsidiaries are included in the consolidated financial statements.

## 6.2 Business combinations and acquisition of non-controlling interests

**ACCOUNTING POLICIES**

**Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

**Acquisitions in 2022**

*DroneMatrix*

On 16 June 2022, Nordic Unmanned acquired 55 percent of the shares in DroneMatrix. DroneMatrix is a leading hi-tech company building and implementing the next generation of aerial robotic technology. These automated intelligent drone solutions are safe, reliable and flexible to implement in any kind of industrial environment. Central in the offering is a highly reliable 'drone-in-a-box' technology (YACOB), characterized by high quality and highly reliable data connectivity and controlled based on a flawless and comprehensive Command & Control UOM platform, the Aerial Robotic Worksystem (AR-WS). DroneMatrix is the founding father of the unmanned drone technology in Belgium and responsible for the development of the commercial air layer operated by aerial robotics (6th NeTWorK). DroneMatrix is committed to making its mark in a growing global unmanned market through important references and solid partnerships. Founded in 2015 by the family Vanwelkenhuyzen and located in Hasselt, Belgium. The total consideration paid was EUR 2.5 million whereof 1.5 million were an equity issue in the company and EUR 1 million was share purchase.

**Assets aquired and liabilities assumed**

The fair value of the identifiable assets and liabilities of DroneMatrix as at the date of acquisition were:

| | Acquired assets and liabilities assumed | Fair value adjustments | Fair value recognised on acquisition |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | - | 1 507 952 | 1 507 952 |
| Other intangible assets | 630 142 | 1 775 165 | 2 405 307 |
| **Total intangible assets** | **630 142** | **3 283 117** | **3 913 259** |
| Fixtures and fittings | 43 338 | - | 43 338 |
| **Total tangible assets** | **43 338** | **-** | **43 338** |
| **Total non-current assets** | **673 480** | **3 283 117** | **3 956 597** |
| **Current assets** | | | |
| Inventory | 125 612 | - | 125 612 |
| Trade receivables | 228 480 | - | 228 480 |
| Intercompany | 1 125 000 | - | 1 125 000 |
| Other short-term receivables | 154 516 | - | 154 516 |
| Cash and cash equivalents | 216 685 | - | 216 685 |
| **Total current assets** | **1 850 293** | **-** | **1 850 293** |
| **TOTAL ASSETS** | **2 523 773** | **3 283 117** | **5 806 890** |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | - | 443 791 | 443 791 |
| **Total non-current liabilities** | **-** | **443 791** | **443 791** |
| Trade payables | 195 917 | - | 195 917 |
| Interest bearing loans and borrowings | 200 000 | - | 200 000 |
| Public duties payable | 34 850 | - | 34 850 |
| Other current liabilities | 432 332 | - | 432 332 |
| **Total current liabilities** | **863 099** | **-** | **863 099** |
| **Total liabilities** | **863 099** | **443 791** | **1 306 890** |
| Net assets and liabilities | | | 4 500 000 |
| **Fair value of consideration of the acquisition** | | | **4 500 000** |

| | |
|---|---|
| *Purchase consideration* | |
| Cash | 1 350 000 |
| Deferred payment | 1 125 000 |
| Contingent consideration liability | 2 025 000 |
| **Total consideration** | **4 500 000** |

***Contingent consideration***

Within the next three years, Nordic Unmanned will acquire the remaining shares based on a pre-agreed performance-based valuation matrix, with a minimum valuation of EUR 3 million and a maximum valuation of EUR 8 million on an enterprise value basis. Until then, the outstanding 45 per cent of the shares remain with the founders of DroneMatrix, the Vanwelkenhuyzen family.

| | |
|---|---|
| *Analysis of cash flows on acquisition* | |
| Transaction costs of the acquisition (included in cash flows from operating activities) | - 249 483 |
| Cash consideration (net of cash acquired with the subsidiary) - included in cash flows from in | - 1 133 315 |
| **Net cash flow on acquisition** | **- 1 382 798** |

***Contribution to the 2022 financial statements and pro forma information***

The activities of DroneMatrix contributed to the consolidated statement of comprehensive income for 2022 with a total operating income of EUR 397 thousand and a net loss of EUR 358 thousand. Had the company been acquired with the control transfer date 1 January 2022, the total operating income contribution would have been EUR 484 thousand, and the net loss contribution would

**Acquisitions in 2021**

*Ecoxy AS*

On 21 September 2021, Nordic Unmanned acquired 100 percent of the shares in Ecoxy AS, the leading Norwegian provider of accredited emission measurements for the shipping and oil and gas industry. Ecoxy is also accredited to verify GHG reporting under EU ETS. Nordic Unmanned is becoming a leading authority within emission monitoring in Europe, and the acquisition of Ecoxy fits perfectly with the Group's strategy as increasing demands are expected due to new regulations both globally and through EU's green transisiton plan.

**Assets aquired and liabilities assumed**

The fair value of the identifiable assets and liabilities of Ecoxy AS as at the date of acquisition were:

| | Acquired assets and liabilities assumed | Fair value adjustments | Fair value recognised on acquisition |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | - | 388 018 | 388 018 |
| Other intangible assets | - | 1 306 208 | 1 306 208 |
| Deferred tax assets | - | - 354 811 | - 354 811 |
| **Total intangible assets** | **-** | **1 339 415** | **1 339 415** |
| Fixtures and fittings | 113 650 | 306 571 | 420 221 |
| **Total tangible assets** | **113 650** | **306 571** | **420 221** |
| **Total non-current assets** | **113 650** | **1 645 986** | **1 759 636** |
| **Current assets** | | | |
| Trade receivables | 149 702 | - | 149 702 |
| Other short-term receivables | 17 437 | - | 17 437 |
| Cash and cash equivalents | 274 318 | - | 274 318 |
| **Total current assets** | **274 318** | **-** | **274 318** |
| **TOTAL ASSETS** | **555 106** | **1 645 986** | **2 201 092** |
| Trade payables | 51 482 | - | 51 482 |
| Public duties payable | 23 498 | - | 23 498 |
| Other current liabilities | 71 176 | - | 71 176 |
| **Total current liabilities** | **146 156** | **-** | **146 156** |
| **Total liabilities** | **146 156** | **-** | **146 156** |
| **TOTAL EQUITY AND LIABILITIES** | **555 106** | **1 645 986** | **2 201 092** |

*Purchase consideration*

| | |
|---|---|
| Shares issued, at fair value | 491 024 |
| Contingent consideration liability | 613 780 |
| Cash | 950 132 |
| **Total consideration** | **2 054 936** |

*Contingent consideration*

There are certain performance targets over the coming years which may lead to cash payments up to a total of EUR 737 thousand. As at acquisition date, the fair value of these considerations were estimated to EUR 614 thousand. Subsequent changes to this fair value estimate are being recognized through profit and loss.

*Analysis of cash flows on acquisition*

| | | |
|---|---|---|
| Transaction costs of the acquisition (included in cash flows from operating activities) | - | 49 509 |
| Cash consideration (net of cash acquired with the subsidiary) - included in cash flows from in | - | 675 814 |
| **Net cash flow on acquisition** | **-** | **725 323** |

*AirRobot GmbH*

On 14 October 2021, Nordic Unmanned acquired 100 percent of the shares in AirRobot GmbH, a leading German drone developer and manufacturer. The acquisition secures patented world-leading last-mile unmanned delivery technology and extends the product and customer portfolio as a system integrator. Nordic Unmanned plan to leverage AirRobot's German customer relationships, technical capabilities, and product portfolio to expand customer relationships and offerings.

**Assets aquired and liabilities assumed**

The fair value of the identifiable assets and liabilities of AirRobot GmbH as at the date of acquisition were:

| | Acquired assets and liabilities assumed | Fair value adjustments | Fair value recognised on acquisition |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | - | 1 267 567 | 1 267 567 |
| Other intangible assets | - | 5 089 617 | 5 089 617 |
| **Total intangible assets** | **-** | **6 357 184** | **6 357 184** |
| Fixtures and fittings | 86 502 | 299 389 | 385 891 |
| Right-of-use assets | 163 231 | - | 163 231 |
| **Total tangible assets** | **249 733** | **299 389** | **549 123** |
| **Total non-current assets** | **249 733** | **6 656 573** | **6 906 307** |
| **Current assets** | | | |
| Inventory | 306 304 | - | 306 304 |
| Trade receivables | 627 944 | - | 627 944 |
| Other short-term receivables | 269 837 | - | 269 837 |
| Cash and cash equivalents | 425 | - | 425 |
| **Total current assets** | **1 204 511** | **-** | **1 204 511** |
| **TOTAL ASSETS** | **1 454 244** | **6 656 573** | **8 110 818** |

**Non-current liabilities**

| | | | |
|---|---|---|---|
| Interest bearing loans and borrowings | 679 668 | - | 679 668 |
| Non-current lease liabilities | 104 299 | - | 104 299 |
| Other non-current liabilities | 505 860 | - | 505 860 |
| Deferred tax liabilities | - | 862 241 | 862 241 |
| **Total non-current liabilities** | **1 289 827** | **862 241** | **2 152 068** |

**Current liabilities**

| | | | |
|---|---|---|---|
| Trade payables | 11 722 | - | 11 722 |
| Interest bearing loans and borrowings | 278 566 | - | 278 566 |
| Current lease liabilities | 58 933 | - | 58 933 |
| Other current liabilities | 251 372 | - | 251 372 |
| **Total current liabilities** | **600 592** | **-** | **600 592** |
| | | | |
| **Total liabilities** | **1 890 420** | **862 241** | **2 752 661** |

*Purchase consideration*

| | |
|---|---|
| Shares issued, at fair value | 747 805 |
| Cash | 3 989 595 |
| Contingent consideration liability | 620 758 |
| **Total consideration** | **5 358 157** |

*Contingent consideration*

There is a performance target over the coming months which may lead to a cash payment of EUR 500 thousand.As at acquisition date, the fair value of this consideration has been estimated to EUR 499 thousand. Subsequent changes to this fair value estimate will be recognized through profit and loss.
In addition the seller has a put option on Nordic Unmanned to repurchase these shares issued at a fixed price. The fair value of the put option on the acquisition date is included in the contingent consideration liability above by EUR 122 thousand. Based on the provisions of IAS 32.23, the Group has subsequent to the acquisition date, recognized a gross liability of EUR 872 thousand, which represent the gross cash outflow should the shares be purchased. The difference between the EUR 872 thousand and EUR 122 thousand was charged through Equity.

*Analysis of cash flows on acquisition*

| | | |
|---|---|---|
| Transaction costs of the acquisition (included in cash flows from operating activities) | - | 376 668 |
| Cash consideration (net of cash acquired with the subsidiary) - included in cash flows from in | - | 3 989 169 |
| **Net cash flow on acquisition** | **-** | **4 365 837** |

## 7.1 Remuneration to Management and the Board

**Remuneration to the Board of Directors**
Remuneration for the members of the Board is determined by the Annual General Meeting (AGM). The remuneration is not linked to the Group's performance but reflects the Board's responsibilities, expertise, time and commitment.

**Remuneration to the management team**
The Board of Nordic Unmanned ASA determines the principles applicable to the Group's policy for compensation to the management team. The Board is directly responsible for determining the CEO's salary and other benefits. The Group's management team includes the Chief Executive Officer, Chief Operations Officer, Chief Finance Officer, Chief Revenue Officer, Chief Legal Officer, Chief Technical Officer and Chief People Officer.

*Principles for determining salary*
The main principle for determining salary for each executive management member has been a fixed annual salary, bonus, Stock Options, Employee Share Subscription program and with the addition of benefits in kind such as telephone and insurance. The fixed salary has been determined based on the following factors: competitive salary level, scope of work and responsibilities. Bonus is determined 50% based on business results and 50% based on individual goal achievement and performance.

*Pension*
The executive management members are part of the defined contribution pension scheme. In addition, the executive management members are part of a pension savings agreement with 6% defined contribution.

*Other benefits*
Members of the management team have been granted share options under the Group's share option plan, described in note 4.8. The share options held by the management team is summarised further below. Members of the management team have been awarded the possibility to purchase stocks with 30% discount through the Employee Share Subscription Program made available to all employees as part of the private placement on September 29th, 2021. The members of the management team are part of a collective annuity agreement.

*Severance Arrangements*
If the CEO is terminated by the Board, he is entitled to severance pay of 12 months in addition to the ordinary notice period of 3 months. The severance pay shall be calculated based on the monthly pay the CEO receives at the time the termination is notified in writing and the monthly average bonus payment last 12 months.

*Loans and guarantees*
No loans or guarantees have been granted to any member of the management or the Board of Directors.

**Remuneration to the management team for the year ended 31 December 2022*:**

| EUR | Position | Salary | Bonus | Pension | Other compensation | Total remuneration | Outstanding shares (number) | Outstanding share options (number) |
|---|---|---|---|---|---|---|---|---|
| Knut Roar Wiig (1) | CEO** | 191 124 | 19 794 | 3 822 | 25 548 | 240 288 | 1 922 536 | 310 000 |
| Trond Østerhus | CFO*** | 136 323 | 11 691 | 2 726 | 10 165 | 160 905 | 46 565 | 100 000 |
| Lars A. Landsnes | COO | 154 873 | 27 836 | 3 097 | 25 096 | 210 902 | 223 755 | 240 000 |
| Cecilie Drange | CRO | 137 168 | 22 964 | 2 743 | 9 500 | 172 376 | 137 621 | 100 000 |
| Steffan Lindsø | CTO | 116 007 | 5 799 | 2 320 | 9 357 | 133 484 | 9 027 | 50 000 |
| Thomas Alexander Ladsten | CLO | 138 775 | 31 702 | 2 775 | 11 488 | 184 740 | 60 915 | 75 000 |
| Katrine Elin Meldahl (2) | CLO | 118 267 | 3 629 | 2 365 | 8 669 | 132 931 | 66 328 | - |
| Arne Roland (Interim CEO, 2023) | | - | - | - | - | - | 1 535 | - |
| **Total** | | **992 538** | **123 415** | **19 851** | **99 822** | **1 235 626** | **2 468 282** | **875 000** |

*All remuneration to management is paid in NOK and converted to EUR using a yearly average EUR/NOK-rate of 10.104
** Former CEO
*** Former CFO
(1) Severence payments to former CEO amounts to EUR 246 590 and will be paid out through March 23 - June 24.
(2) Employment from 1 January .

**Remuneration to the management team for the year ended 31 December 2021*:**

| EUR | Position | Salary | Bonus | Pension | Other compensation | Total remuneration | Outstanding shares (number) | outstanding share options (number) |
|---|---|---|---|---|---|---|---|---|
| Knut Roar Wiig | CEO | 163 081 | 85 470 | 13 295 | 16 844 | 278 689 | 2 793 625 | 315 000 |
| Trond Østerhus (1) | CFO | 91 820 | 11 621 | 10 649 | 408 | 114 498 | 27 760 | 100 000 |
| Lars A. Landsnes | COO | 146 342 | 27 669 | 12 174 | 17 276 | 203 461 | 193 755 | 245 000 |
| Cecilie Drange (2) | CRO | 110 676 | 22 827 | 10 684 | 531 | 144 718 | 50 404 | 100 000 |
| Steffan Lindsø (3) | CTO | 30 743 | 5 764 | 2 776 | 153 | 39 437 | 9 027 | 50 000 |
| Thomas Alexander Ladsten (4) | CLO | 38 027 | 31 512 | 3 315 | 153 | 73 007 | 17 249 | 75 000 |
| **Total** | | **580 689** | **184 863** | **52 893** | **35 364** | **853 810** | **3 091 820** | **885 000** |

*All remuneration to management is paid in NOK and converted to EUR using a yearly average EUR/NOK-rate of 10.164
(1) Employment from 1 April 2021
(2) Employment from 1 February 2021
(3) Employment from 1 October 2021
(4) Employment from 1 October 2021

**Fees in 2022***

| Name | Comments | Fee (EUR) | Total number of shares |
|---|---|---|---|
| Nils Johan Holte | Chairman of the Board from 2018. Chair of the Remuneration Committee | 21 774 | 105 282 |
| Eirik Ålgård | Vice Chair from May 2021 until May 2022. Member of the Audit and Chair of the M&A Committee | 18 804 | 887 329 |
| Roald Helgø | Board member from 2019. Deputy board member from May 2021 | 4 949 | 2 278 636 |
| Jan Henrik Jelsa | Board member from 2019. Member of the M&A Committee | 11 877 | 2 278 636 |
| Liv Annike Kverneland | Board member from September 2020 and Chair of the Audit Committee until October 2022 | 11 877 | 24 176 |
| Andreas Christoffer Pay | Board member from May 2021. Member of the Audit Committee | 11 877 | 2 281 221 |
| Natasha Friis Saxberg | Board member from August 2021. | 7 423 | - |
| Karen Elisabeth Ohm Heskja | Chairperson of the Nomination Committee from February 2021 | 19 064 | - |
| Arne Roland | Member of the Nomination Committee from February 2021 | 13 690 | - |
| Astrid Skarheim Onsum | Vice Chair from May 2022 | - | 33 333 |
| **Total** | | **121 333** | **7 888 613** |

* Fee to board members are paid in NOK and converted to EUR using a yearly average EUR/NOK-rate of 10.104

**Fees in 2021***

| Name | Comments | Fee (EUR) | Total number of shares |
|---|---|---|---|
| Nils Johan Holte | Chairman of the Board from 2018. Chair of the Remuneration Committee | 28 543 | 85 282 |
| Eirik Ålgård | Vice Chair from May 2021. Member of the Audit and Chair of the M&A Committee | 25 660 | 687 286 |
| Roald Helgø | Board member from 2019. Deputy board member from May 2021 | 17 626 | 1 991 893 |
| Jan Henrik Jelsa | Board member from 2019. Member of the M&A Committee | 21 643 | 1 991 893 |
| Liv Annike Kverneland | Board member from September 2020. Chair of the Audit Committee | 16 110 | 24 176 |
| Andreas Christoffer Pay | Board member from May 2021. Member of the Audit Committee | 6 887 | 1 634 258 |
| Natasha Friis Saxberg | Board member from August 2021. | 4 099 | - |
| Erik Berge | Board member from September 2020 until May 2021 | 10 453 | - |
| Kristin Sundsbø Alne | Deputy board member from September 2020 until August 2020. | 8 239 | - |
| Karen Elisabeth Ohm Heskja | Chairperson of the Nomination Committee from February 2021 | 4 919 | - |
| Arne Roland | Member of the Nomination Committee from February 2021 | 1 968 | - |
| **Total** | | **120 568** | **6 414 788** |

* Fee to board members are paid in NOK and converted to EUR using a yearly average EUR/NOK -rate of 10.165
Remuneration to board members in 2021 include a total of EUR 74 045 related to 2020, recognized in 2021

## 7.2 Related party transactions

Related parties are major shareholders, members of the Board and management in the parent company and the group subsidiaries. Note 6.1 and 4.5 provides information about the Group structure, including details of the subsidiaries and shareholders. Significant agreements and remuneration paid to management and the Board for the current and prior period is presented in note 7.1. Shares, share options held by management and the Board are also summarised in note 7.1.

All transactions within the Group or with other related parties are made based on the principle of arm's length terms.

The following table provides the total amount of transactions that have been entered into with related parties (outside the Group) for the relevant financial period:

| **Related party transactions in 2022 and balances at 31 December 2022** | **EUR** |
|---|---|
| Current trade and other payables to related parties | 66 943 |
| Purchases from related parties* | 333 673 |

* Nordic Unmanned have bought services from Board Member Eirik Ålgårds private company, Ålgård Handel & Industri AS, in a agreement to provide the group with necessary historical revenue to bid for the OP46 contract with EMSA. A letter of intent were signed. Purchased services in 2022 were 0.07 MEUR.

| **Related party transactions in 2021 and balances at 31 December 2021** | **EUR** |
|---|---|
| Current trade and other payables to related parties | 34 864 |
| Purchases from related parties* | 2 401 058 |

* During 2021, NUAer AS purchased Concessions, patents and licenses from the 40% owner, Aeromon OY, for net proceeds of EUR 2 401 058.

## 7.3 Events after the reporting period

**ACCOUNTING POLICIES**

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, the Group will assess if the information affects the amounts that it recognises in the Group's consolidated financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its consolidated financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

14th of February:
Nordic Unmanned completed a subsequent offering with subscription of 1 614 238 new shares raising NOK 9.7 million in gross proceeds.

22nd of February:
Nordic Unmanned signed a 4-year extension of the MRO contract with Bundeswehr for MRO services (Maintenance, repair and overhaul) for the original MIKADO I existing Bundeswehr drone fleet. The contract is expected to have a value of EUR 3 million.

13th of March:
Industry veteran Arne Roland appointed as interim CEO as Knut Roar Wiig steps down from his leadership role.

27th of March:
Nordic Unmanned appoints Pareto Securities AS as advisor to evaluate strategic options, including partnership, in order to support the next growth phase of the Company.
Nordic Unmanned signs an agreement for a new finance arrangement with Sparebank1 SR-Bank AS of up to EUR 16 million. The new financing include a EUR 12.4 million term-loan facility for the refinancing of existing EUR 9.6 million fleet loan, to inter alia finance new equipment to be used in multi-site campaigns for EMSA under the OP46 and OP5 contracts, and for general corporate purposes, ii) a renewal of the existing EUR 3 million working capital facility and iii) a EUR 0.6 million guarantee facility covering the Company's need for contractual performance guarantees related to its operations.

14th April:
CFO Trond Østerhus steps down from his role and Knut Stålen has been appointed interim CFO with immediate effect.

There have been no other significant non-adjusting events subsequent to the reporting date.

## 7.4 Going Concern

I In accordance with §3-3a of the Norwegian Accounting Act, the Board of Directors confirms that the financial statements have been prepared under the assumption of going concern.

The growth of Nordic Unmanned is capital intensive and the operation has currently a seasonality were the 2nd and 3rd quarter represent high season, while the 4th and 1st quarter represent closing down of operations, and then preparation and training for new season. This represents a challenge for operational cash flow, which is negative, especially in the 1st quarter. Also, the growth of Nordic Unmanned has been strong but also with challenges resulting in negative results and cash flow, putting pressure on our liquidity situation. Nordic Unmanned is committed to restructure, simplify its business model, and cut costs in 2023. This may lead to sale of non-strategic assets, and adjustment of the drone fleet. These conditions give rise to a material uncertainty that may cast significant doubt on the entity’s ability to continue as a going concern.

As a consequence of all factors mentioned above, management and the Board of Directors have initiated processes to help solve this situation:

Nordic Unmanned raised new equity of MNOK 155 in 2022, with a subsequent offering of MNOK 9,7 in 2023.

In March 2023, Nordic Unmanned signed an agreement for a new finance arrangement with Sparebank1 SR-Bank AS of up to EUR 16 million. The refinancing included 2.7 in increased loans, and a restructured repayment schedule for the purpose financing Nordic Unmanned short-term working capital needs. The new financing facility is provided under the condition that the Company will raise EUR 13 million through either disposal of assets and/or equity issue within year end 2023.

Nordic Unmanned has in March 2023 appointed Pareto Securities as advisor to evaluate strategic options, including partnership, to support the next growth phase of the Company. Nordic Unmanned’s Nordun drone flight services, as well as its technology businesses, AirRobot GmbH (military-grade lightweight drone systems) and DroneMatrix NV (drone-in-a-box solutions), are currently European leaders in their categories and set to experience significant growth in the years ahead. Disposal of assets may include both sale of parts of the modern drone fleet with a book value of EUR 22 million. The Board has acted and believe therefore that these activities will have a significant effect on the cash debt ratios, and strengthen the balance sheet.

Despite the material uncertainties above, the Board’s assessment is that it is appropriate to apply the going concern assumption. The Board anticipates that the Group can continue its operation activities and will have the financial resources to apply the going concern principle as the basis for the financial statements.

## 8.1 First time adoption of IFRSs

These financial statements, for the period ended 31 December 2022 are the first the Group has prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

The Group has prepared financial statements that comply with IFRSs applicable as at 31 December 2022, together with the comparative period data for the year ended 31 December 2021, as described in the basis of preparation (Note 1.2). In preparing the financial statements, the Group's opening statement of financial position was prepared as at 1 January 2021, the Group's date of transition to IFRSs.

This note explains the principal adjustments made by the Group when transitioning to IFRSs from its previous reporting framework; Generally Accepted Accounting Principles in Norway ("NGAAP").

**Exemptions applied**
IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The Group has applied the exemptions from full retrospective application of IFRS 16 *Leases* and recognised right-of-use assets at an amount equal to the lease liabilities calculated using the Group's incremental borrowing rates at the date of transition to IFRSs.

*Estimates*
The estimates at 1 January 2021 and at 31 December 2021 are consistent with those made for the same dates in accordance with NGAAP (after adjustments to reflect any differences in accounting policies).

**Reconciliation of transitional effects**

| Amounts in EUR | | As at 1 January 2021 | | | | |
|---|---|---|---|---|---|---|
| **ASSETS** | **Note** | **NGAAP (NOK)** | **NGAAP (EUR)** | **Effect of transition to IFRS** | **Reclassification from NGAAP to IFRS** | **IFRS (EUR)** |
| **Non-current assets** | | | | | | |
| Goodwill | | 814 767 | 77 817 | - | - | 77 817 |
| Other intangible assets | | 16 682 002 | 1 593 269 | - | - | 1 593 269 |
| Deferred tax assets | E | 16 091 926 | 1 536 912 | 108 933 | - | 1 645 844 |
| **Total intangible assets** | | **33 588 695** | **3 207 997** | **108 933** | **-** | **3 316 930** |
| Aircraft and spareparts | | 41 194 968 | 3 934 459 | - | - | 3 934 459 |
| Fixtures and fittings | | 9 832 437 | 939 079 | - | - | 939 079 |
| Right-of-use assets | A | - | - | 189 588 | - | 189 588 |
| **Total tangible assets** | | **51 027 405** | **4 873 538** | **189 588** | **-** | **5 063 126** |
| Investment in associated companies | | 30 000 | 2 865 | - | - | 2 865 |
| Prepayments and financial receivables | | 6 400 | 611 | - | -611 | - |
| **Total financial non-current assets** | | **36 400** | **3 477** | **-** | **-611** | **2 865** |
| **Total non-current assets** | | **84 652 500** | **8 085 012** | **298 521** | **-611** | **8 382 922** |
| **Current assets** | | | | | | |
| Inventory | | 6 084 599 | 581 129 | - | - | 581 129 |
| Trade receivables | C | 8 202 645 | 783 420 | - | -396 297 | 387 124 |
| Other short-term receivables | C | 13 271 041 | 1 267 494 | -438 188 | 396 908 | 1 226 214 |
| Cash and cash equivalents | | 53 274 068 | 5 088 113 | - | - | 5 088 113 |
| **Total current assets** | | **80 832 352** | **7 720 156** | **-438 188** | **611** | **7 282 579** |
| **TOTAL ASSETS** | | **165 484 852** | **15 805 168** | **-139 667** | **0** | **15 665 501** |

**EQUITY AND LIABILITIES**

**Equity**

| | | | | | | |
|---|---|---|---|---|---|---|
| Share capital | | 20 120 032 | 1 921 629 | - | - | 1 921 629 |
| Treasury stock | | -2 127 | -203 | - | - | -203 |
| Share premium | | 119 603 508 | 11 423 121 | - | - | 11 423 121 |
| Other equity | **D** | 27 496 243 | 2 626 118 | - | -2 626 118 | 0 |
| Retained earnings | **D** | -50 819 529 | -4 853 684 | -386 216 | 2 626 118 | -2 613 782 |
| **Total equity** | | **116 398 127** | **11 116 981** | **-386 216** | **-** | **10 730 765** |
| **Non-current liabilities** | | | | | | |
| Interest bearing loans and borrowings | **B** | 25 396 776 | 2 425 602 | -418 263 | - | 2 007 339 |
| Non-current lease liabilities | **A** | - | - | 58 461 | - | 58 461 |
| Other non-current liabilities | | - | - | - | - | - |
| Deferred tax liabilities | | - | - | - | - | |
| **Total non-current liabilities** | | **25 396 776** | **2 425 602** | **-359 802** | **-** | **2 065 800** |
| **Current liabilities** | | | | | | |
| Trade payables | | 14 722 252 | 1 406 096 | - | - | 1 406 096 |
| Interest bearing loans and borrowings | **B** | - | - | 418 263 | - | 418 263 |
| Current lease liabilities | **A** | - | - | 136 253 | - | 136 253 |
| Public duties payable | | 2 271 163 | 216 915 | 65 381 | - | 282 296 |
| Other current liabilities | | 6 696 534 | 639 574 | -13 546 | - | 626 028 |
| **Total current liabilities** | | **23 689 949** | **2 262 585** | **606 351** | **-** | **2 868 936** |
| **Total liabilities** | | **49 086 725** | **4 688 187** | **246 549** | **-** | **4 934 736** |
| **TOTAL EQUITY AND LIABILITIES** | | **165 484 852** | **15 805 168** | **-139 667** | **-** | **15 665 501** |

**A:** The IFRS adjustments reflect the recognised right-of-use assets as well as the related lease liabilities for office space leases. Under NGAAP lease payments were accounted for as operating expenses and hence no assets or liabilities relating to such leases have previously been recognised.
**B:** The IFRS adjustments reflect reclassifications from non-current to current of borrowings for wich the group did not have an unconditional right to defer payment for at least twelve months from the balance sheet date.
**C:** The IFRS adjustments reflect reclassifications from trade receivables to other short-term receivables as they represent contract assets (earned, not invoiced, revenues) rather than invoiced revenues.
**D**: The adjustment reflects a transfer from other equity to retained earnings.
**E:** The IFRS adjustments for deferred income taxes reflect the tax effect on the IFRS adjustments made.

**Reconciliation of equity and financial position as at 31 December 2021:**

| | | As at 31 December 2021 | | | | |
|---|---|---|---|---|---|---|
| **ASSETS** | **Note** | **NGAAP (NOK)** | **NGAAP (EUR)** | **Effect of transition to IFRS** | **Reclassification from NGAAP to IFRS** | **IFRS (EUR)** |
| **Non-current assets** | | | | | | |
| Goodwill | **A** | 21 412 921 | 2 143 693 | -396 630 | - | 1 747 063 |
| Other intangible assets | | 118 156 905 | 11 828 939 | -16 266 | - | 11 812 673 |
| Deferred tax assets | **I** | 21 972 568 | 2 199 721 | 757 014 | - | 2 956 735 |
| **Total intangible assets** | | **161 542 395** | **16 172 352** | **344 119** | **-** | **16 516 471** |
| Aircraft and spareparts | | 89 688 867 | 8 978 943 | - | - | 8 978 943 |
| Assets under construction | | 58 082 653 | 5 814 778 | - | - | 5 814 778 |
| Fixtures and fittings | | 17 918 764 | 1 793 886 | -4 948 | - | 1 788 938 |
| Right-of-use assets | **B** | - | - | 1 255 568 | - | 1 255 568 |
| **Total tangible assets** | | **165 690 284** | **16 587 607** | **1 250 620** | **-** | **17 838 227** |
| Investment in associated companies | | 30 000 | 3 003 | - | - | 3 003 |
| Prepayments and financial receivables | | 6 400 | 641 | - | -641 | - |
| **Total financial non-current assets** | | **36 400** | **3 644** | **-** | **-641** | **3 003** |
| **Total non-current assets** | | **327 269 079** | **32 763 603** | **1 594 739** | **-641** | **34 357 702** |
| **Current assets** | | | | | | |
| Inventory | **K** | 19 687 999 | 1 971 007 | 859 104 | - | 2 830 111 |
| Trade receivables | **G** | 4 352 288 | 435 717 | - | - | 435 717 |
| Other short-term receivables | **C, H** | 58 871 027 | 5 893 704 | -3 576 274 | 641 | 2 318 070 |
| Cash and cash equivalents | | 55 877 776 | 5 594 043 | - | - | 5 594 043 |
| **Total current assets** | | **138 789 090** | **13 894 471** | **-2 717 170** | **641** | **11 177 941** |
| **TOTAL ASSETS** | | **466 058 169** | **46 658 074** | **-1 122 431** | **-** | **45 535 643** |

**EQUITY AND LIABILITIES**

**Equity**

| | | | | | | |
|---|---|---|---|---|---|---|
| Share capital | | 26 288 984 | 2 631 846 | - | - | 2 631 846 |
| Treasury stock | | -2 127 | -213 | - | - | -213 |
| Share premium | E | 330 306 616 | 33 067 697 | - | - | 33 067 697 |
| Other equity | I | 9 565 032 | 957 576 | - | - | 957 576 |
| Retained earnings | C | -56 121 037 | -5 618 396 | -3 349 032 | - | -8 967 428 |
| Currency translation differences | | - | - | -92 611 | - | -92 611 |
| **Total equity** | | **310 037 468** | **31 038 510** | **-3 441 643** | **-** | **27 596 866** |
| **Non-current liabilities** | | | | | | |
| Interest bearing loans and borrowings | D | 99 690 116 | 9 980 189 | -3 086 797 | - | 6 893 392 |
| Non-current lease liabilities | B | - | - | 923 666 | - | 923 666 |
| Other non-current liabilities | A | 4 087 532 | 409 212 | - | - | 409 212 |
| Deferred tax liabilities | | 8 226 286 | 823 551 | -16 074 | - | **807 477** |
| **Total non-current liabilities** | | **112 003 934** | **11 212 952** | **-2 179 205** | **-** | **9 033 747** |
| **Current liabilities** | | | | | | |
| Trade payables | | 11 646 944 | 1 166 000 | - | - | 1 166 000 |
| Interest bearing loans and borrowings | D | - | - | 3 086 797 | - | 3 086 797 |
| Current lease liabilities | B | - | - | 369 242 | - | 369 242 |
| Public duties payable | F | 5 710 152 | 571 655 | 172 162 | - | 743 818 |
| Other current liabilities | | 26 659 671 | 2 668 956 | 870 217 | - | 3 539 173 |
| **Total current liabilities** | | **44 016 767** | **4 406 612** | **4 498 418** | **-** | **8 905 030** |
| **Total liabilities** | | **156 020 701** | **15 619 564** | **2 319 213** | **-** | **17 938 777** |
| **TOTAL EQUITY AND LIABILITIES** | | **466 058 169** | **46 658 074** | **-1 122 431** | **-** | **45 535 643** |

**A:** The IFRS adjustment reflects the reversal of acquisition costs of EUR 428 thousand capitalised under NGAAP, but expensed under IFRS, partly offset by reversal of amortisation of goodwill. Under NGAAP goodwill is amortised over its estimated economic life, while under IFRSs goodwill is not amortised, but tested for impairment when there are indocators of impairments, and as a minimum, annually.

B**:** The IFRS adjustments reflect the recognised right-of-use assets, less depreciation for the year, as well as the related lease liabilities for office space leases. Under NGAAP lease payments were accounted for as operating expenses and hence no assets or liabilities relating to such leases have previously been recognised.

**C:** The IFRS adjustment in other short term receivables with related offsetting entries in retained earnings reflects expenditures on training of personnel and tender costs capitalised under NGAAP, but which are not eligible for capitalisation under IFRSs (IAS 38 Intangible assets and IFRS 15 Revenue from contracts with customers).

**D:** The IFRS adjustments reflect reclassifications from non-current to current of borrowings for wich the group did not have an unconditional right to defer payment for at least twelve months from the balance sheet date.

**E:** The IFRS adjustments reflect the offsetting impact on equity of the accounting for the costs of share based payment awards as salaries (see note 4.8) under the provisions of IFRS 2 *Share based payment*.

**F**: The IFRS adjustments reflect provisions for social security amounts payable relating to share-based payment awards. Under the group's pervious accounting policy, provisions for social security related to share based payments were made in the period in which the amounts became payable (i.e. when the share based payment awards were fully vested and exercised).

**G:** The IFRS adjustments reflect reclassifications from trade receivables to other short-term receivables as they represent contract assets (earned, not invoiced, revenues) rather than invoiced revenues.

**H:** Included in the EUR 3 576 274 amount is an IFRS adjustment for an amount of EUR 1 169 607 reflecting the exclusion of a contract for which revenues were recognised over time under NGAAP, while under IFRS 15 it was determined that the contract represents production of goods for inventory and qualifying for revenue recognition at the point in time of delivery of the products.

**I**: The IFRS adjustments for deferred income taxes reflect the tax effect on the IFRS adjustments made.

**J**: The adjustment reflects a transfer from other equity to retained earnings.

**K**: The IFRS adjustment reflects contracts which under NGAAP were accounted for as construction contracts with revenue recognition over time, but which, under IFRS 15, have been determined to constitute manufacturing for inventory as the components are deemed to have alternative use. Hence,under IFRS 15, revenue will be recognised on a point in time basis at the time of control transfer to the customers.

**Reconciliation of total comprehensive income for 2021:**

| | Note | NGAAP (NOK) | NGAAP (EUR) | Effect of transition to IFRS | Reclassification from NGAAP to IFRS | IFRS (EUR) |
|---|---|---|---|---|---|---|
| Revenues | **D** | 105 042 130 | 10 333 921 | -1 245 154 | - | 9 088 767 |
| Other operating income | | 987 442 | 97 143 | - | - | 97 143 |
| **Total operating income** | | **106 029 572** | **10 431 064** | **-1 245 154** | **-** | **9 185 911** |
| Cost of goods sold | **C, D** | 28 233 803 | 2 777 608 | -1 020 406 | -218 161 | 1 539 041 |
| Personell expenses | **B, C, D** | 50 602 235 | 4 978 188 | 1 303 239 | 158 932 | 6 440 359 |
| Depreciation and amortisation expenses | **A** | 20 077 371 | 1 975 188 | 91 462 | - | 2 066 650 |
| Other operating expenses | **C, D, F** | 48 247 929 | 4 746 574 | 1 654 945 | 59 229 | 6 460 748 |
| **Total operating expenses** | | **147 161 339** | **14 477 559** | **2 029 239** | **-** | **16 506 798** |
| **Operating profit (loss)** | | **-41 131 767** | **-4 046 495** | **-3 274 393** | | **-7 320 887** |
| Interest income | | 129 400 | 12 730 | - | - | 12 730 |
| Other financial income | | 4 735 703 | 465 893 | - | - | 465 893 |
| Interest expenses | **A** | -2 026 716 | -199 386 | -27 662 | - | -227 048 |
| Other financial expenses | | -2 009 597 | -197 702 | 96 026 | - | -101 676 |
| **Net financial income and expenses** | | **828 791** | **81 535** | **68 364** | **-** | **149 899** |
| **Income (loss) before tax** | | **-40 302 977** | **-3 964 959** | **-3 206 029** | **-** | **-7 170 988** |
| Income tax | **E** | -7 378 315 | -725 870 | -618 933 | - | -1 344 803 |
| **Net income (loss)** | | **-32 924 661** | **-3 239 089** | **-2 587 096** | **-** | **-5 826 185** |
| ***Allocation of profit or loss:*** | | | | | | |
| Profit/loss attributable to the parent | | -32 924 661 | -3 239 089 | -2 587 096 | - | -5 826 185 |
| ***Other comprehensive income:*** | | | | | | |
| *Items that subsequently may be reclassified to profit or loss:* | | | | | | |
| Exchange differences on translation of foreign operations | | - | - | 484 752 | - | 484 752 |
| Total items that may be reclassified to profit or loss | | - | - | 484 752 | - | 484 752 |
| **Total other comprehensive income for the period** | | **-** | **-** | **484 752** | **-** | **484 752** |
| **Total comprehensive income for the period** | | **-32 924 661** | **-3 239 089** | **-2 102 344** | **-** | **-5 341 433** |

**A:** Included in the IFRS adjustments is EUR 219 843 of depreciation of the right of use assets, partly offset by EUR 128 381 reflecting the reversal of amortisation of goodwill which was recognised under NGAAP. The interest amout relates to interest on lease liabilities.

**B**: Of the total IFRS adjustments of EUR 1.3 million, EUR 0.7 million reflect expenditures on training of personnel and tender costs capitalised under NGAAP, but which are not eligible for capitalisation under IFRSs (IAS 38 Intangible assets and IFRS 15 Revenue from contracts with customers). EUR 0.1 million relates to a customer contract discussed in D below. EUR 0.4 million relates to share based payment awards and related social security charges of EUR 0.1 recognised as salaries (see note 4.8) under the provisions of IFRS 2 Share based payment. Under the group's previous accounting policy provisions for social security related to share based payments were made in the period in which the amounts became payable (i.e. when the share based payment awards were fully vested and exercised).

**C:** The IFRS adjustment reflect purchased services relating to service revenues rather than sale of goods and have consequently been reclassified from cost of goods sold to other operating expenses.

**D:** The IFRS adjustment reflects the exclusion of a contract for which revenues and related costs were recognised over time under NGAAP, while under IFRS 15 it was determined that the contract represents production of goods for inventory and qualifying for revenue recognition at the point in time of delivery of the products.

**E:** The IFRS adjustments for income taxes reflects the tax effect on the IFRS adjustments made.

**F**: Of the total IFRS adjustments of EUR 1.7 million, EUR 1.4 million reflect expenditures on training of personnel and tender costs capitalised under NGAAP, but which are not eligible for capitalisation under IFRSs (IAS 38 Intangible assets and IFRS 15 Revenue from contracts with customers), and an amount of EUR 0.5 million relating to acquisition costs which are not eligible for capitalisation under IFRS 3, but which had been caplitalised uinder NGAAP. Partly offsetting this is an amount of EUR 0.2 million reversing out the NGAAP lease expenditures which have been replaced by the IFRS 16 effects discussed in A above.

## 8.2 Changes in IFRS and new standards

**Standards issued but not yet effective**

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are not expected to have a significant impact on the financial statements of the Group.


# Financial Statement of Parent including notes

## Statement of profit or loss and other comprehensive income

| Amounts in EUR | Notes | 2022 | 2021 |
|---|---|---|---|
| Revenues | 2.1 | 12 413 814 | 8 156 448 |
| Other operating income | | 771 147 | 97 143 |
| **Total operating income** | | **13 184 961** | **8 253 591** |
| Cost of goods sold | 2.1 | 1 723 537 | 1 327 639 |
| Personell expenses | 2.1,2.2 | 10 491 883 | 6 125 561 |
| Depreciation and amortisation expenses | 3.1,3.2,3.3 | 3 091 224 | 1 596 512 |
| Impairments | | 3 457 578 | - |
| Other operating expenses | 2.1,2.3 | 8 991 635 | 6 317 033 |
| **Total operating expenses** | | **27 755 856** | **15 366 746** |
| **Operating profit (loss)** | | **-14 570 895** | **-7 113 155** |
| Interest income | 4.6 | 12 045 | 12 729 |
| Other financial income | 4.6 | 1 214 702 | 464 544 |
| Interest expenses | 3.3,4.2,4.6 | -780 228 | -219 413 |
| Other financial expenses | 4.6 | -956 318 | -82 653 |
| **Net financial income and expenses** | | **-509 800** | **175 209** |
| **Income (loss) before tax** | | **-15 080 695** | **-6 937 946** |
| Income tax expense (income) | 5.1 | 3 499 706 | -1 379 463 |
| **Net income (loss)** | | **-18 580 401** | **-5 558 484** |
| ***Allocation of profit or loss:*** | | | |
| Profit/loss attributable to non-controlling interests | | - | - |
| Profit/loss attributable to the parent | | -18 580 401 | -5 558 484 |
| ***Other comprehensive income:*** | | | |
| *Items that subsequently may be reclassified to profit or loss:* | | | |
| Currency translation differences | | -91 543 | 532 203 |
| **Total other comprehensive income for the period** | | **-91 543** | **532 203** |
| **Total comprehensive income for the period** | | **-18 671 944** | **-5 026 280** |
| ***Allocation of total comprehensive income*** | | | |
| Total comprehensive income attributable to non-controlling interests | | - | - |
| Total comprehensive income attributable to owners of the parent | | -18 671 944 | -5 026 280 |

## Statement of financial position

| | Notes | 2022 | 2021 | 01.01.2021 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Other intangible assets | 3.2 | 2 058 090 | 2 644 577 | 1 024 591 |
| Deferred tax assets | 5.1 | - | 3 403 057 | 1 044 469 |
| **Total intangible assets** | | **2 058 090** | **6 047 634** | **2 069 059** |
| Aircraft and spareparts | 3.1 | 18 887 557 | 8 978 943 | 3 934 459 |
| Assets under construction | 3.1 | 452 902 | 5 814 778 | - |
| Fixtures and fittings | 3.1 | 952 494 | 1 067 589 | 918 018 |
| Right-of-use assets | 3.3 | 857 628 | 1 051 540 | 189 588 |
| **Total tangible assets** | | **21 150 582** | **16 912 850** | **5 042 066** |
| Investment in subsidiaries | 6.1 | 12 217 220 | 9 058 109 | 1 187 070 |
| Investment in associated companies | 6.1 | - | 3 003 | 2 865 |
| Prepayments and financial receivables | | - | - | - |
| **Total financial non-current assets** | | **12 217 220** | **9 061 113** | **1 189 935** |
| Other non-current assets | | **169 359** | **-** | **-** |
| **Total non-current assets** | | **35 595 250** | **32 021 597** | **8 301 061** |
| **Current assets** | | | | |
| Inventory | 2.4 | 1 327 168 | 2 422 594 | 304 274 |
| Trade receivables | 2.5,,7.2 | 319 201 | 158 381 | 384 035 |
| Short term receivables from group companies | 7.2 | 3 253 503 | 826 150 | - |
| Other short-term receivables | 2.5,7.2 | 3 124 292 | 1 955 299 | 1 224 538 |
| Cash and cash equivalents | 4.5 | 415 176 | 5 009 335 | 5 083 427 |
| **Total current assets** | | **8 439 340** | **10 371 759** | **6 996 274** |
| **TOTAL ASSETS** | | **44 034 591** | **42 393 356** | **15 297 335** |

| | Notes | 2022 | 2021 | 01.01.2021 |
|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| Share capital | 4.4 | 4 192 396 | 2 631 846 | 1 921 629 |
| Treasury stock | 4.4 | -737 395 | -213 | -203 |
| Share premium | 4.4 | 46 867 796 | 33 067 697 | 11 423 121 |
| Other equity | | | - | -2 626 118 |
| Retained earnings | 4.7 | -26 652 950 | -9 161 257 | -353 472 |
| **Equity attributable to equity holders of the parent** | | **23 669 846** | **26 538 073** | **10 364 958** |
| Non-controlling interests | | - | - | - |
| **Total equity** | | **23 669 846** | **26 538 073** | **10 364 958** |
| **Non-current liabilities** | | | | |
| Interest bearing loans and borrowings | 4.2 | 9 345 168 | 6 769 555 | 2 007 339 |
| Non-current lease liabilities | 3.3 | 647 710 | 782 041 | 58 461 |
| Other non-current liabilities | | 2 025 000 | 350 392 | - |
| Deferred tax liabilities | 5.1 | - | - | - |
| **Total non-current liabilities** | | **12 017 878** | **7 901 988** | **2 065 800** |
| **Current liabilities** | | | | |
| Trade payables | 2.7,7.2 | 1 917 465 | 977 219 | 1 402 634 |
| Interest bearing loans and borrowings | 4.2 | 2 673 760 | 2 666 797 | 418 263 |
| Current lease liabilities | 3.3 | 306 839 | 305 802 | 136 253 |
| Current liabilities to group companies | | 1 021 065 | 344 886 | - |
| Public duties payable | 4.7 | 700 100 | 685 893 | 282 296 |
| Other current liabilities | 2.7,4.2,7.2 | 1 727 638 | 2 972 697 | 627 132 |
| **Total current liabilities** | | **8 346 867** | **7 953 294** | **2 866 577** |
| **Total liabilities** | | **20 364 745** | **15 855 282** | **4 932 377** |
| **TOTAL EQUITY AND LIABILITIES** | | **44 034 591** | **42 393 356** | **15 297 335** |

## Statement of cash flows

For the years ended 31 December

| Cash flows from operating activities (EUR) | Notes | 2022 | 2021 |
|---|---|---|---|
| **Profit or loss before tax** | | **-18 580 401** | **-5 558 484** |
| *Adjustments to reconcile profit before tax to net cash flows:* | | | |
| Net financial income/expense | 4.6 | 509 800 | -175 209 |
| Depreciation and impairment | 3.1,3.2 | 4 818 176 | 1 395 222 |
| Amortisation and impairment of Right-of-use assets | 3.3 | 186 583 | 201 290 |
| Impairment of subsidiaries | | 1 283 376 | - |
| Share-based payment expense | 4.7 | 272 869 | 361 208 |
| *Working capital adjustments:* | | | |
| Changes in trade receivables | 2.5 | -158 818 | 237 971 |
| Changes in trade payables | 2.6 | 940 246 | -484 491 |
| Change in inventories | 2.4 | 1 095 426 | -2 067 231 |
| **Net cash flows from operating activities** | | **-9 632 743** | **-6 089 724** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 3.1 | -8 012 488 | -12 692 135 |
| Sale of property, plant and equipment | 3.1 | 1 352 454 | - |
| Purchase of capitalized other intangible assets | 3.2 | -1 998 916 | -2 085 306 |
| Sale of intangible assets | 3.2 | - | 210 893 |
| Sale of interests in associated companies | | 3 003 | - |
| Investments in subsidiaries | | -4 014 227 | - |
| Consideration paid in AirRobot, Ecoxy and NUAer transactions (net of cash acquired) | | - | -8 099 377 |
| Interest received | | | |
| **Net cash flow from investing activities** | | **-12 670 174** | **-22 665 925** |
| **Cash flow from financing activities** | | | |
| Proceeds from issuance of equity | 4.4 | 16 260 597 | 21 053 214 |
| Transaction costs on issue of shares | 4.4 | -899 949 | -901 705 |
| Net disbursements overdraft facility | | - | - |
| Proceeds from new debt (short/long term) | 4.2 | 4 630 162 | 8 899 968 |
| Repayment of debt (short/long term) | 4.2 | -2 001 343 | -50 064 |
| Payments for the principal portion of the lease liability | 3.3 | -197 159 | -189 632 |
| Payments for the interest portion of the lease liability | 3.3 | -46 255 | -24 222 |
| Interest paid | | -193 465 | -191 751 |
| **Net cash flows from financing activities** | | **17 552 588** | **28 595 808** |
| **Net increase/(decrease) in cash and cash equivalents** | | **-4 750 329** | **-159 841** |
| Cash and cash equivalents at beginning of the year/period | 4.6 | 5 009 335 | 5 083 427 |
| Net foreign exchange difference | | 156 170 | 85 749 |
| **Cash and cash equivalents, end of year** | | **415 176** | **5 009 335** |

### Statement of changes in equity

| Amounts in EUR | Share capital | Share premium | Treasury shares | Retained earnings | Shareholders Equity | Total Equity |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2021** | **1 921 629** | **11 423 121** | **-203** | **-2 979 590** | **10 364 958** | **10 364 958** |
| Profit (loss) for the year | | | | -5 558 484 | -5 558 484 | -5 558 484 |
| Issue of share capital (Note 4.5) | 614 783 | 20 960 586 | | | 21 575 370 | 21 575 370 |
| Merger The Staaker Company AS | | 37 705 | - | -37 705 | - | - |
| Share-based payments | | | | 361 208 | 361 208 | 361 208 |
| Effect of put option on own shares (Note 4.1) | | | | -737 182 | -737 182 | -737 182 |
| Other | | | | | - | - |
| Currency translation effects (OCI) | 95 434 | 646 284 | -10 | -209 505 | 532 203 | 532 203 |
| **Balance at 31 December 2021** | **2 631 846** | **33 067 697** | **-213** | **-9 161 257** | **26 538 073** | **26 538 073** |
| Profit (loss) for the year | | | | -18 580 401 | -18 580 401 | -18 580 401 |
| Issue of share capital (Note 4.5) | 1 560 550 | 13 800 099 | | | 15 360 648 | 15 360 648 |
| Merger The Staaker Company AS | | | | | - | - |
| Acquisition of NUAer | | | | | - | - |
| Share-based payments (Note 4.7) | | | | 443 069 | 443 069 | 443 069 |
| Purchase of own shares (Note 4.1) | | | -737 182 | 737 182 | - | - |
| Other | | | | | - | - |
| Currency translation effects (OCI) | | | | -91 543 | -91 543 | -91 543 |
| **Balance at 31 December 2022** | **4 192 396** | **46 867 796** | **-737 395** | **-26 652 950** | **23 669 846** | **23 669 846** |

## 1.1 General information

**Corporate information**

The financial statements of Nordic Unmanned ASA ("the Company" or "Nordic Unmanned") for the year ended 31 December 2022 were authorised for issue in accordance with a Board resolution on 8 May 2023. Nordic Unmanned ASA is a public limited liability company incorporated and domiciled in Norway and the whose shares are publicly traded. The company's head office is located at Rådhusgata 3, 4306 Sandnes, Norway.

Nordic Unmanned is global leader of high-end products and services related to drones and data capture. Through world-wide operational experience and industry leading expertise, Nordic Unmanned supports large governmental and industrial clients in the adaption of unmanned systems and services.

## 1.2 Basis of preparation

The financial statements of Nordic Unmanned ASA comprise statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and related notes. The financial statements have been prepared in accordance with "IFRS-light" as regulated by the Norwegian Accounting Act. and represents the first financial statements of the company in accordance with IFRS-light. See section 8.1 for information related to first time adoption.

The financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value. Further, the financial statements are prepared based on the going concern assumption.

Comparative financial information is provided for the preceding period in the statement of comprehensive income, statement of financial position and statement of cash flows. In extension, an additional statement of financial position as at 1 January 2021 is presented in these financial statements due to the first time adoption of IFRS.

*Presentation currency and functional currency*

The financial statements are presented in Euros (EUR), whcih is also the functional currency of the company effective from 1 January 2022. Prior to 1 January 2022 the functional currency was Norwegian kroner (NOK). The company has elected to present its financial statements in EUR, primairly as this is the common currency amongst the industry and market that the company operates within.

## 1.3 Significant accounting policies

Nordic Unmanned AS has selected a presentation in which the description of accounting policies as well as estimates, assumptions and judgemental considerations are disclosed in the notes to which the policies relate. Other accounting policies are presented below:

*Current versus non-current classification*
The company presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:
- Expected to be realised or intended to be sold or consumed in the normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in the normal operating cycle,
- It is held primarily for the purpose of trading,
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

## 1.4 Significant accounting judgements, estimates and assumptions

The preparation of the financial statements in accordance with IFRS and applying the chosen accounting policies requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis.

The accounting policies applied by management which includes a significant degree of estimates and assumptions or judgements that may have the most significant effect on the amounts recognised in the financial statements, are the same as for the Group .

Refer to note 1.4 in the Group consolidated financial statements for a summary of estimates and assumptions or judgements applied.

## 1.5 Fair value measurement

**ACCOUNTING POLICIES**
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

**Fair value disclosures**
Management has assessed that the fair values of cash and short-term deposits, other receivables, trade and other payables approximate to their carrying amounts largely due to the short-term maturities of these instruments and the current risk free interest rates. The fair value of borrowings is also considered to approximate carrying values as the interest rates are floating.

## 2.1 Revenue

**ACCOUNTING POLICIES**

**Revenue**

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Revenue from the sale of goods is recognised over-time to the extent the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Progress is measured using a cost-to-cost based approach. Other sale of goods are recognised at the point-in-time when control of the asset is transferred to the customer. The determination of over-time versus point-in-time revenue recognition and determining progress requires the use of judgement.

Revenue from services is recognised over-time as the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Group performs.

The Company's revenue from contracts with customers has been disaggregated and presented in the tables below:

| Per area of operation: | 2022 | 2021 |
|---|---|---|
| Nordun | 10 677 980 | 6 207 354 |
| NUTech | 723 326 | 811 974 |
| NUmar | 212 745 | 81 718 |
| NUGlobal | 1 569 331 | 1 111 740 |
| Overhead | 1 579 | 40 805 |
| **Total** | **13 184 961** | **8 253 591** |

| Per geographic market: | 2022 | 2021 |
|---|---|---|
| Norway | 2 853 553 | 1 201 482 |
| France | 2 084 655 | 1 678 777 |
| Spain | 2 162 079 | 1 617 587 |
| Germany | 1 527 106 | 753 110 |
| Estonia | 1 460 503 | - |
| Finland | 839 211 | 3 410 |
| Portugal | 475 695 | 668 050 |
| Romania | 57 519 | 360 783 |
| Lithuania | -25 000 | 1 178 603 |
| Other | 1 749 641 | 791 790 |
| **Total** | **13 184 961** | **8 253 591** |

## 2.2 Employee benefit expenses

**ACCOUNTING POLICIES**

Employee benefit expenses comprise all types of remuneration to personnel employed by the Compnay (ie. not contracted manpower) and are expensed when earned. Ordinary salaries can be both fixed pay and hourly wages and is earned and paid periodically. Holiday pay is earned on the basis of ordinary pay and is normally paid in the holiday months of the following year. The employer's national insurance contribution (social security) is calculated and expensed for all payroll related costs including pensions. Pension contributions are earned on a monthly basis. Other employee expenses consist of other benefits such as insurance, telephones and remuneration to the Board of Directors.

**Pensions**

Nordic Unmanned AS has defined contribution pension plans for its employees which satisfies the statutory requirements in the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon").
A total of 104 employees were part of the Company's pension plan at 31.12.22.

Contributions are made to the pension insurance plans and the related expenses are charged to the income statement in the period to which the contributions relate. Once the contributions have been paid, the company has no further pension payment obligations.

| **Employee benefit expenses** | **2022** | **2021** |
|---|---|---|
| Salaries | 8 678 686 | 5 647 320 |
| Social security costs | 1 318 131 | 880 070 |
| Share-based payments | 443 069 | 361 208 |
| Social security costs Share-based payments | -170 200 | 101 835 |
| Pension costs | 184 238 | 90 728 |
| Capitalized assets and work in progress | -1 279 882 | -745 741 |
| Hired Personnel* | 977 742 | 158 932 |
| Other employee expenses | 340 098 | -368 791 |
| **Total employee benefit expenses** | **10 491 883** | **6 125 561** |
| Average number of full time employees (FTEs)* | 108 | 66 |

*Personnel Expense include short term hired crew personnel. These are not included in the number of FTE's.

At the end of the reporting period, members of the Board and management held shares and share options in Nordic Unmanned AS. For information on remuneration to Management and the Board of Directors, including also disclosures on shares and share held, see note 7.1.

**Employee share program**

The company has a share purchase program for all employees, including senior executives. No new awards were granted in 2022. The shares in the 2020 and 2021 programs were offered at a 30 percent discount and are subject to a three-year lock-up during which employees are not allowed to sell the shares. In connection with the share purchase program, all employees are also offered an interest free loan of 2/3 of the basic amount in the National Insurance scheme ("G"), to be repaid within one year. In total, employees subscribed for EUR 1.08 million in 2021.

## 2.3 Operating expenses

**ACCOUNTING POLICIES**

Other operating expenses are recognised when they occur and represent a broad range of operating expenses incurred by the Company in its day-to-day activities. Other operating expenses consist of expenses that are not classified on the lines for cost of materials, employee benefit expenses, depreciation and amortisation.

| Other operating expenses | 2022 | 2021 |
|---|---|---|
| Audit and accounting fees | 687 541 | 406 982 |
| HR consulting fees | - | 135 798 |
| Insurance expenses | 934 800 | 334 609 |
| Lease expenses | 673 154 | 147 379 |
| Legal expenses | 716 967 | 401 737 |
| Other consulting fees | 2 068 162 | 1 607 229 |
| Other operating expenses | 334 096 | 758 922 |
| Training expenses | 1 966 400 | 1 694 623 |
| Travel expenses | 1 610 515 | 829 752 |
| **Total other operating expenses** | **8 991 635** | **6 317 033** |

| Auditor fees | 2022 | 2021 |
|---|---|---|
| Audit fee | 145 174 | 63 517 |
| Other services | 50 157 | 65 637 |
| **Total remuneration to the auditor** | **195 331** | **129 155** |

**Audit fee:**

The amounts above are excluding VAT.

## 2.4 Inventory

**ACCOUNTING POLICIES**

Spare parts and consumables are measured at cost on a first-in/first-out basis.

| | 31.12.2022 | 31.12.2021 | 01.01.2021 |
|---|---|---|---|
| Work in progress and materials | 943 259 | 1 063 611 | - |
| Finished goods | 974 447 | 1 749 420 | 304 274 |
| Provision for obsolescence | -590 537 | -390 437 | - |
| **Total** | **1 327 168** | **2 422 594** | **304 274** |

During 2022 EUR 1 million (2021: EUR 0.11 million) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

Work in progress and finished goods includes consumable spare partes, rotables and products for sale. Rotables and spareparts which have been undertaken maintenance, repair and overhaul on the company's engines and other related components.

## 2.5 Receivables

**ACCOUNTING POLICIES**

**Trade receivables**

A receivable represents the Company's right to an amount of consideration that is unconditional.

**Contract assets**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

| | 31.12.2022 | 31.12.2021 | 01.01.2021 |
|---|---|---|---|
| Trade receivables from third-party customers | 319 201 | 158 381 | 384 035 |
| VAT receivable | 134 919 | 235 511 | 103 952 |
| Contract asset | 674 332 | 511 979 | 287 279 |
| Pre-paid suppliers | 809 856 | 923 604 | 378 041 |
| Other receivable* | 1 505 185 | 284 204 | 455 267 |
| **Total current receivables** | **3 443 493** | **2 113 680** | **1 608 574** |

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.
For terms and conditions relating to related party receivables, refer to Note 7.2.

* Other receivable contains rewarded insurance claims for total loss of assets. Awating payments of 1,5 MEUR in 2023.

**Expected credit loss**

The company does not expect credit loss of current outstanding receivables. The company's main customers are government institutions based on contracts. There are no ongoing disputes.

## 2.6 Provisions

**ACCOUNTING POLICIES**

Provisions are liabilities with uncertain timing or amount and are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date, that is, the amount that an entity would rationally pay to settle the obligation at the balance sheet date or to transfer it to a third party. Social security provisions related to the share based payments are made based on the social security contributions expected to be paid on exercise of the share options when the options are fully vested.

A provision is made and calculated based on management's assumptions at the time the provision is made and is updated as and when new information becomes available. All provisions are reviewed at the end of each reporting period.

**Other commitments and contingencies**

Contingent liabilities are not recognised in the financial statements. Significant contingent liabilities are disclosed, with the exception of contingent liabilities where the possibility of an outflow of economic resources is considered remote.

Contingent assets are not recognised in the financial statements but are disclosed when an inflow of economic benefits is considered probable. The Company has no contingent assets or liabilities that meet the criteria for disclosure.

**Other commitments**

The Company did not provide guarantees to or on behalf of third parties or related parties. The Company has no other significant commitments to disclose.

## 2.7 Payables

**ACCOUNTING POLICIES**

Trade and other payables are liabilities, i.e. present contractual obligations arising from a result of past events where settlement is expected to result in an outflow of resources (payment). Trade payables consist of invoices for goods and services where the Company has received the significant risks and rewards of ownership as of 31.12.

Trade and other payables are measured at fair value upon initial recognition and subsequently at amortised cost. Trade and other payables are expected to be settled within the normal operating cycle within twelve months after the reporting period.

| | 31.12.2022 | 31.12.2021 | 01.01.2021 |
|---|---|---|---|
| Trade payables | 1 917 465 | 977 219 | 1 402 634 |
| **Trade payables** | **1 917 465** | **977 219** | **1 402 634** |

| | 31.12.2022 | 31.12.2021 | 01.01.2021 |
|---|---|---|---|
| Accrued salaries | 1 367 033 | 1 064 247 | 361 914 |
| Short term contingent consideration acquisition of shares | -209 304 | 775 314 | - |
| Put option on own shares (see Note 6.2) | - | 872 332 | - |
| Other accrued expenses | 569 909 | 260 805 | 265 218 |
| **Other current liabilities** | **1 727 638** | **2 972 697** | **627 132** |

## 3.1 Property, plant and equipment

**ACCOUNTING POLICIES**

Property, plant and equipment ("PP&E") is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. When significant parts of PP&E are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The residual values, useful lives and methods of depreciation of PP&E are reviewed at each financial year end and adjusted prospectively, if appropriate.

The Company assesses, at each reporting date, whether there is an indication that property, plant and equipment may be impaired. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

No indicators for impairment of property, plant and equipment were identified in the current or prior period.

Assets under construction include assets that have not yet been fully delivered and accepted by the Company at the reporting date. The construction and delivery time of these systems are normally in the range of 6-12 months and will be transferred to Aircrafts and spareparts upon delivery and final acceptance test. No depreciation charge are regognized towards assets under construction.

**Impairment**

There has been no impairment losses recognised related to property, plants and equipment. However, impairment triggers has been identified related to part of the drone fleet that were not generating revenue as per year end and that were not committed to any contract or source of revenue as per year end. Sources of measurement of fair value used in impairment testing include quoted prices for similar systems from Original Equipment Manufacturer and sale / lease offers sent to potential buyers of the systems. There is not an established second hand market or market prices for drone assets, and hence there is a significant uncertainty related to the book values in the balance sheet related to our drone fleet. Including market for sale and use cases for each type of drone, as well as discount rate and residual value assumptions related to net present value calculations. Relativly small changes to key assumtions will cause impairment.

| | Fixtures, fittings and tools | Aircraft and spareparts | Assets under construction | Total |
|---|---|---|---|---|
| **Cost as at 1 January 2021** | **1 106 260** | **4 371 893** | **-** | **5 478 153** |
| Additions | 504 088 | 6 036 556 | 5 814 778 | 6 540 644 |
| Currency translation effects | - | - | | - |
| **Cost as at 31 December 2021** | **1 610 348** | **10 408 449** | **5 814 778** | **17 833 574** |
| Additions | 245 234 | 6 808 006 | 1 379 312 | 8 432 552 |
| Transfer | - | 6 321 124 | -6 741 188 | -420 064 |
| Currency translation effects | - | 684 | | 684 |
| Disposals | - | -1 352 454 | | -1 352 454 |
| **Cost as at 31 December 2022** | **1 855 582** | **22 185 809** | **452 903** | **24 494 293** |
| | | | | |
| **Depreciation and impairment as at 1 January 2021** | **188 241** | **437 433** | **-** | **625 674** |
| Depreciation for the year | 354 517 | 992 072 | - | 1 346 589 |
| Currency translation effects | - | - | | - |
| **Depreciation and impairment as at 31 December 2021** | **542 759** | **1 429 505** | **-** | **1 972 264** |
| Depreciation for the year | 359 510 | 2 068 235 | - | 2 427 745 |
| Disposals | - | -199 488 | | |
| Currency translation effects | 819 | - | | **819** |
| **Depreciation and impairment as at 31 December 2022** | **903 088** | **3 298 252** | **-** | **4 201 340** |
| | | | | |
| **Net book value:** | | | | |
| **At 01 January 2021** | **918 018** | **3 934 459** | **-** | **4 852 476** |
| **At 31 December 2021** | **1 067 589** | **8 978 943** | **5 814 778** | **15 861 309** |
| **At 31 December 2022** | **952 494** | **18 887 557** | **452 902** | **20 292 952** |
| | | | | |
| Economic life (years) | 3-5 | 5-10 | | |
| Depreciation plan | Straight-line method | Straight-line method | No depreciation | |

## 3.2 Intangible assets

**ACCOUNTING POLICIES**
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

**Research and development costs**
Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

**Patents and licences**
The company has, directly as well as through acquisitions of other entities, acquired patents and licences and allocated value to these in the balance sheet. The patents have generally been granted for an original period of 10 years by the relevant government agency. The licences are assessed to have economic lives from five to ten years from origination.

**Impairment and key assumptions**
Development, concessions, patens and licenses has been tested for impairment with Discounted Cash Flow (DCF) as main valuation method, using a weighted average cost of capital (WACC) of 15% as discount rate, and a cash flow over normally 6 years period based on next years budget with managements assumptions of future growth thereafter, and a residual value based on Gordon growth with a 3% growth rate from steady state.

Based on the imapairment tests an impairment has been recognised in the Development category as at 31 December 2022. There are no other impairments . At 31 December 2022, there are no other impairment triggers. the intangible assets with impairment indications have been impaired.

| | Development | Concessions, patents and licenses | Total |
|---|---|---|---|
| **Cost as at 1 January 2021** | **-** | **1 184 350** | **1 184 350** |
| Additions | 2 116 952 | - | 2 116 952 |
| | | -210 893 | |
| Currency translation effects | | 3 821 | 3 821 |
| **Cost as at 31 December 2021** | **2 116 952** | **977 278** | **3 094 230** |
| Additions | 1 431 077 | 567 839 | **1 998 915** |
| Disposals | - | - | **-** |
| Currency translation effects | | 3 599 | **3 599** |
| **Cost as at 31 December 2022** | **3 548 029** | **1 548 716** | **5 096 744** |
| | | | |
| **Depreciation and impairment as at 1 January 2021** | **-** | **159 759** | **159 759** |
| Depreciation for the year | 289 137 | 69 806 | 358 943 |
| Disposals | | -69 049 | |
| Currency translation effects | | | - |
| **Depreciation and impairment as at 31 December 2021** | **289 137** | **160 516** | **449 653** |
| Depreciation for the year | 449 174 | 66 029 | **515 204** |
| Impairment for the year | 2 070 996 | - | **2 070 996** |
| Disposals | - | - | **-** |
| Currency translation effects | 2 802 | | **2 802** |
| **Depreciation and impairment as at 31 December 2022** | **2 812 109** | **226 545** | **3 038 654** |
| | | | |
| **Net book value:** | | | |
| **At 01 January 2021** | **-** | **1 024 591** | **1 024 591** |
| **At 31 December 2021** | **1 827 815** | **816 762** | **2 644 577** |
| **At 31 December 2022** | **735 920** | **1 322 170** | **2 058 090** |
| | | | |
| Economic life (years) | 5-10 | 5-10 | |
| Depreciation plan | Straight-line method | Straight-line method | |

## 3.3 Right-of-use assets and lease liabilities

**ACCOUNTING POLICIES**

At inception of a contract, The company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company assesses whether:

- The agreement creates enforceable rights of payment and obligations
- The identified asset is physically distinct
- The supplier does not have a substantive right to substitute the asset throughout the period of use
- It has the right to obtain substantially all of the economic benefits from use of the asset
- It has the decision-making rights that are most relevant to changing how and for what purpose the asset is used throughout the contract period

**Nordic Unmanned as a lessee**

At the commencement date, the company recognises a lease liability and corresponding right-of-use asset for all lease agreements in which it is the lessee, except for the following exemptions applied:

- Short-term leases (defined as 12 months or less)
- Low value assets (with an underlying value of less than 5 thousand EUR)

For these leases, the company recognises the lease payments as operating expenses in the consolidated statement of comprehensive income.

*Measuring the lease liability*

The lease liability is initially measured at the present value of the lease payments for the right to use the underlying asset during the lease term that are not paid at the commencement date. The lease term represents the non-cancellable period of the lease, together with periods covered by an option to extend the lease when the Group is reasonably certain to exercise this option, and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

The lease payments included in the measurement comprise:

- Fixed lease payments, less any lease incentives received
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect adjustments in lease payments due to an adjustment in an index or rate.

The company presents its lease liabilities as separate line items in the consolidated statement of financial position.

*Measuring the right-of-use asset*

The right-of-use asset is initially measured at cost. The cost of the right-of-use asset includes the corresponding amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date and initial direct costs incurred.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses, applying the same policies for impairment as for property, plant and equipment (Note 3.1). The right-of-use asset is depreciated from the commencement date to the earlier of the lease term and the remaining useful life of the right-of-use asset. Depreciation is calculated on a straight-line basis.

The Company presents its right-of-use assets as separate line items in the consolidated statement of financial position.

**Nordic Unmanned's leased assets**

The company has lease agreements for office buildings, located in Sandnes and Fornebu in Norway. The Company is also leasing cars.

The Company's right-of-use assets recognised in the consolidated statement of financial position are presented in the table below:

.

**Right-of-use assets**

| | Vehicles | Office Buildings | Total |
|---|---|---|---|
| **Acquisition cost at 1 January 2021** | **81 238** | **254 007** | **335 245** |
| Additions of right-of-use assets | 0 | 1 039 551 | 1 039 551 |
| Currency translation effects | 0 | 15 305 | 15 305 |
| **Acquisition cost at 31 December 2021** | **81 238** | **1 308 864** | **1 390 102** |
| Additions of right-of-use assets | 0 | 0 | 0 |
| Currency translation effects | 0 | 0 | 0 |
| **Acquisition cost at 31 December 2022** | **81 238** | **1 308 864** | **1 390 102** |
| | | | |
| **Depreciation and impairment at 1 January 2021** | **19 366** | **126 292** | **145 658** |
| Depreciation of right-of-use assets | 20 425 | 180 865 | 201 290 |
| Currency translation effects | | -8 386 | -8 386 |
| **Depreciation and impairment at 31 December 2021** | **39 791** | **298 771** | **338 562** |
| Depreciation of right-of-use assets | 20 785 | 173 127 | 193 912 |
| Currency translation effects | 0 | | |
| **Depreciation and impairment at 31 December 2022** | **60 576** | **471 897** | **532 473** |
| | | | |
| **Carrying amount at 1 January 2021** | **61 872** | **127 716** | **189 588** |
| **Carrying amount at 31 December 2021** | **41 447** | **1 010 093** | **1 051 540** |
| **Carrying amount at 31 December 2022** | **20 662** | **836 966** | **857 628** |
| Remaining lease term or remaining useful life | 2-5 | 2-8 | |
| Depreciation plan | | Straight-line method | |

**The Company's lease liabilities**

| **Undiscounted lease liabilities and maturity of cash outflows** | **31.12.2022** | **31.12.2021** | **01.01.2021** |
|---|---|---|---|
| Less than one year | 203 722 | 197 159 | 139 617 |
| One to two years | 200 343 | 214 429 | 39 712 |
| Two to three years | 194 810 | 210 873 | 18 397 |
| Three to four years | 389 620 | 205 049 | 5 556 |
| More than four years | 169 673 | 365 998 | 0 |
| **Total undiscounted lease liabilities** | **1 158 169** | **1 193 509** | **203 282** |

| **Changes in the lease liabilities - 2021** | **Total** |
|---|---|
| **At first time adoption of IFRS 1 January 2021** | **194 714** |
| New leases recognised during the period | 1 039 551 |
| Cash payments for the principal portion of the lease liability | -189 632 |
| Interest expense on lease liabilities | 24 222 |
| Currency translation effects | 18 988 |
| **Total lease liabilities at 31 December 2021** | **1 087 843** |
| Current lease liabilities in the statement of financial position | 305 802 |
| Non-current lease liabilities in the statement of financial position | 782 041 |

| **Changes in the lease liabilities - 2022** | **Total** |
|---|---|
| **At 1 January 2022** | **1 087 843** |
| New leases recognised during the period | |
| Cash payments for the principal portion of the lease liability | -197 159 |
| Interest expense on lease liabilities | 46 255 |
| Currency translation effects | 17 611 |
| **Total lease liabilities at 31 December 2022** | **954 549** |
| Current lease liabilities in the statement of financial position | 306 839 |
| Non-current lease liabilities in the statement of financial position | 647 710 |

**Lease commitments not included in the lease liabilities**

*Inflation adjustments*

In addition to the lease liabilities presented above, the Company is committed to pay variable lease payments for its office buildings, mainly related to future inflation adjustments which is not included in the initial calculation of lease liabilities. The lease liability and right-of-use asset will be adjusted to reflect the inflation adjustment when the uncertainty related to the adjustment has been resolved, however, due to low inflation forecasts these adjustments are expected to be immaterial.

*Extension and termination options*

The company has some lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the company's business needs. Management applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, they considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Company did not include the renewal period for leases as part of the lease term because management were not reasonably certain to exercise the option to renew the leases. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

*Other matters*

The company's leases does not contain provisions or restrictions that impacts that company's dividend policies or financing possibilities. Further, the company does not have significant residual value guarantees related to its leases.

## 4.1 Financial instruments

**ACCOUNTING POLICIES**
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**Classification of financial instruments**
The Company's financial instruments are grouped in the following categories:

**Financial Assets**
- Financial assets measured subsequently at amortised cost: Includes mainly trade receivables, other receivables and cash equivalents
- Financial assets measured subsequently at fair value through profit or loss: Includes other current financial assets

With the exception of other current financial assets, the Company's financial assets are part of the Company's business model with the sole objective to collect contractual cash flows. Additionally, the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, thereby passing the "SPPI test", constituting debt instruments measured at amortised cost.

**Financial Liabilities**
- Financial liabilities measured subsequently at amortised cost: Represent the Company's non-interest bearing liabilities such as trade payables, and borrowings, see note 4.2.

The Company does not have derivative financial instruments measured at fair value. All financial assets and liabilities are measured subsequently at amortised cost, with the exception of other current financial assets measured at fair value.

As part of the acquisition of AirRobot, the company had a contractual obligation to purchase its own equity instruments. This gave rise to a financial liability for the present value of the redemption amount even if the obligation to purchase is conditional on the counterparty exercising a written put option that gives the counterparty the right to sell its own equity instruments to the entity for a fixed price. The financial liability was recognised initially at the present value of the redemption amount, and reclassified from equity. Subsequently, the financial liability was measured at fair value through profit or loss. Had the contract expired without delivery, the carrying amount of the financial liability would have been reclassified to equity. As at year end 2022 the put option has been exercised and the liability settled, except for an agreed deferred payment presented as other current liabilities and measured at amortised cost.

**Initial recognition and subsequent measurement**
*Financial assets and liabilities at amortised cost*
The Company's financial assets and liabilities are initially recognised at fair value plus directly attributable transaction expenses. Subsequently, these instruments are measured at amortised cost using the effective interest method (EIR). Gains and losses are recognised in profit or loss upon impairment, when the instruments are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The amortisation is included as finance costs in the consolidated statement of comprehensive income.

*Financial assets at fair value through profit or loss*
Financial assets at fair value through profit or loss are recognised at fair value and carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

*Impairment of financial assets*
Financial assets measured at amortised cost are considered for impairment by recognising an allowance for expected credit losses (ECLs). The Company applies a simplified approach (as applicable for trade receivables) in calculating ECLs, where the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company bases its ECLs on its historical losses, adjusted for forward-looking factors specific to the debtors and the economic environment. See note 4.3 for further information related to management of credit risk.

*Derecognition of financial instruments*
A financial asset is derecognised when the rights to receive cash flows from the asset have expired, the Company has transferred its rights to receive cash flows from the asset or the Company has assumed an obligation to pay the received cash flows in full under a "pass-through" arrangement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

**Offsetting of financial instruments**
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

| 31.12.2022 | Notes | Financial instruments at amortised cost | Financial instruments at fair value through profit or loss | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Trade and other receivables | 2.5 | 319 201 | - | 319 201 |
| Other current financial assets* | | | - | - |
| Cash and cash equivalents | 4.5 | 415 176 | - | 415 176 |
| **Total financial assets** | | **734 377** | - | **734 377** |
| **Liabilities** | | | | |
| Trade payables | 2.7 | 1 917 465 | | **1 917 465** |
| Accruals | 2.7 | 1 936 942 | | **1 936 942** |
| Liabilities to related parties | 7.2 | 1 021 065 | | **1 021 065** |
| Contingent consideration - current | 2.7 | | -209 304 | **-209 304** |
| Contingent consideration - non-current | | | 2 025 000 | **2 025 000** |
| Interest bearing loans and borrowings current | | 2 673 760 | | **2 673 760** |
| Interest bearing loans and borrowings non-current | | 9 345 168 | | **9 345 168** |
| **Total financial liabilities** | | **16 894 401** | **1 815 696** | **18 710 097** |

| 31.12.2021 | Notes | Financial instruments at amortised cost | Financial instruments at fair value through profit or loss | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Trade and other receivables | 2.6 | 2 113 680 | - | 2 113 680 |
| Cash and cash equivalents | 4.5 | 5 009 335 | - | 5 009 335 |
| **Total financial assets** | | **7 123 015** | - | **7 123 015** |
| **Liabilities** | | | | |
| Trade payables | 2.8 | 977 219 | - | 977 219 |
| Accruals | 2.8 | 1 325 052 | - | 1 325 052 |
| Contingent consideration - current | 2.8 | - | 775 314 | 775 314 |
| Contingent consideration - non-current | 2.8 | - | 350 392 | 350 392 |
| Effect of put option on own shares (see Note 6.2) | 6.2 | 872 332 | - | 872 332 |
| Interest bearing loans and borrowings current | | 2 666 797 | - | 2 666 797 |
| Interest bearing loans and borrowings non-current | | 6 769 555 | - | 6 769 555 |
| **Total financial liabilities** | | **12 610 954** | **1 125 706** | **13 736 660** |

| 01.01.2021 | Notes | Financial instruments at amortised cost | Financial instruments at fair value through profit or loss | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Trade and other receivables | 2.6 | 1 610 249 | - | 1 610 249 |
| Cash and cash equivalents | 4.5 | 5 083 427 | - | 5 083 427 |
| **Total financial assets** | | **6 693 675** | - | **6 693 675** |
| **Liabilities** | | | | |
| Trade payables | 2.8 | 1 402 634 | - | 1 402 634 |
| Accruals | 2.8 | 627 132 | - | 627 132 |
| Interest bearing loans and borrowings current | | 418 263 | - | 418 263 |
| Interest bearing loans and borrowings non-current | | 2 007 339 | - | 2 007 339 |
| **Total financial liabilities** | | **4 455 367** | - | **4 455 367** |

There are no changes in classification and measurement for the company’s financial assets and liabilities.
Finance income and finance costs arising from the company's financial instruments are disclosed separately in note 4.6.
All financial instruments measured at amortised cost are assumed to have a fair value not significantly different from the carrying amount as they are either short term or have a short term interest rate fixing period.

## 4.2 Maturity of financial liabilities

Contractual undiscounted cash flows from financial liabilities is presented below:

| | Remaining contractual maturity | | | | | | |
|---|---|---|---|---|---|---|---|
| **31.12.2022** | **1-12 months** | **1-2 years** | **2-3 years** | **3-4 years** | **4-5 years** | **More than 5 years** | **Total** |
| **Financial liabilities** | | | | | | | |
| Interest bearing loans and borrowings | 3 150 487 | 3 065 274 | 2 933 553 | 2 328 864 | 2 021 747 | - | 13 499 924 |
| **Total financial liabilities** | **3 150 487** | **3 065 274** | **2 933 553** | **2 328 864** | **2 021 747** | **-** | **13 499 924** |

| | Remaining contractual maturity | | | | | | |
|---|---|---|---|---|---|---|---|
| **31.12.2021** | **1-12 months** | **1-2 years** | **2-3 years** | **3-4 years** | **4-5 years** | **More than 5 years** | **Total** |
| **Financial liabilities** | | | | | | | |
| Interest bearing loans and borrowings | 2 756 559 | 2 748 002 | 2 676 866 | 1 251 616 | - | - | 9 433 043 |
| **Total financial liabilities** | **2 756 559** | **2 748 002** | **2 676 866** | **1 251 616** | **-** | **-** | **9 433 043** |

| | Remaining contractual maturity | | | | | | |
|---|---|---|---|---|---|---|---|
| **01.01.2021** | **1-12 months** | **1-2 years** | **2-3 years** | **3-4 years** | **4-5 years** | **More than 5 years** | **Total** |
| **Financial liabilities** | | | | | | | |
| Interest bearing loans and borrowings | 526 870 | 577 874 | 626 039 | 605 197 | 468 696 | - | 2 804 675 |
| **Total financial liabilities** | **526 870** | **577 874** | **626 039** | **605 197** | **468 696** | **-** | **2 804 675** |

**Reconciliation of changes in liabilities incurred as a result of financing activities:**

| | | | **Non-cash changes** | | |
|---|---|---|---|---|---|
| **2022 Interest bearing loans and borrowings** | **01.01.2022** | **Cash flow effect** | **Foreign exchange movement** | **Other changes** | **31.12.2022** |
| SR-bank | 8 885 735 | 791 272 | - | - | 9 677 007 |
| Innovasjon Norge | 550 617 | 1 623 450 | 167 855 | - | 2 341 921 |
| **Total liabilities from financing** | **9 436 352** | **2 414 721** | **167 855** | **-** | **12 018 928** |

| | | | **Non-cash changes** | | |
|---|---|---|---|---|---|
| **2021 Interest bearing loans and borrowings** | **01.01.2021** | **Cash flow effect** | **Foreign exchange movement** | **Other changes** | **31.12.2021** |
| SR-bank | 1 824 921 | 7 075 054 | -14 240 | - | 8 885 735 |
| Innovasjon Norge | 600 681 | -50 064 | - | - | 550 617 |
| **Total liabilities from financing** | **2 425 602** | **7 024 990** | **-14 240** | **-** | **9 436 352** |

**Credit facilities - utilised and unused amount**

| | **31.12.2022** | **31.12.2021** |
|---|---|---|
| Drawn amount credit facility | - | - |
| Undrawn amount credit facilities | 4 975 971 | 2 002 243 |

| **Booked value of assets pledged as collateral for liabilities to financial institutions** | **31.12.2022** | **31.12.2021** |
|---|---|---|
| Fixed assets | 21 150 582 | 15 861 310 |
| Inventory | 785 058 | 1 563 490 |
| Account receivable | 319 201 | 158 391 |
| Investments | 2 145 220 | - |

The following financial covenants are applicable to The Company at 31.12.22:

Equity ratio of 40%
Working capital ratio of 1,15 (No longer applicable after new financial structure in 2023)
Mimimum value clause of 60% of assets

The Company is in compliance with all covenants as of 31.12.2022.

In March 2023, Nordic Unmanned ASA signed an agreement for a new finance arrangement with Sparebank1 SR-Bank AS of up to 16 MEUR. The refinancing included 2.7 MEUR in increased loans, and a restructured repayment schedule for the purpose financing Nordic Unmanned short term working capital needs until positive cash flow from operations from end of the 2nd quarter. The Agreement include financial covenants requirements related to equity ratio and loan to value ratio. The refinanced senior secured term loan has a 5 year repayment profile with maturity on the 31st of December 2024.

The weighted average effective interest rate on interest-bearing liabilities was 4,4%.

The borrowings are subject to floating interest rate and the rate fixing period is short. Consequently, fair values of the borrowings are assumed to be equal to book values. "Contractual undiscounted cash flows from financial liabilities" is presented including expected interest based of latest know applicable interest rate.

## 4.3 Financial risk management

**Overview**

The Company's principal financial liabilities, comprise liabilities to financial institutions and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade and other receivables, and cash and short-term deposits that derive directly from its operations.

The Company is exposed to a range of risks affecting its financial performance, including market risk, credit risk and liquidity risk. The Company seeks to minimise potential adverse effects of such risks through sound business practise, risk management and hedging.

Risk management is based on the principle that risk evalution is an integral part of all business activities. The Company has establised policies and procedures to manage risk and to face risks and uncertainties in a global marketplace.

For an overview and description of the financial risk management, see note 4.3 in the Consolidated financial statements for the Group.

## 4.4 Equity and shareholders

**ACCOUNTING POLICIES**
**Treasury shares**
Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium.

**Costs related to equity transactions**
Transaction costs are deducted from equity, net of associated income tax.

**Distribution to shareholders**
The Company recognises a liability to make distributions to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the company. As per the corporate laws of Norway, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.
The annual financial statement can be obtained from the Group's head office , Rådhusgata 3, 4306 Sandnes Norway, or though the company's website: https://nordicunmanned.com/

No distributions were made to shareholders in the current or prior period.

**Capital management**
For the purpose of the Company's capital management, capital includes issued ordinary share capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Company's capital management is to maximise the shareholder value. The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company's policy is to keep the gearing ratio between 20% and 40%. The Company includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and short-term deposits.

### Issued capital and reserves:

| **Share capital in Nordic Unmanned AS** | **Number of shares authorised and fully paid** | **Par value per share (NOK)** | **Financial Position (EUR)** |
|---|---|---|---|
| **At 1 January 2021** | **20 120 032** | 1,000 | **1 921 629** |
| Issue of shares | 6 168 952 | 1,000 | 614 783 |
| Currency translation effects | | | 95 434 |
| **At 31 December 2021** | **26 288 984** | **1,000** | **2 631 846** |
| Issue of shares | 16 174 861 | 1,000 | 1 560 550 |
| Currency translation effects | | | - |
| **At 31 December 2022** | **42 463 845** | **1,000** | **4 192 396** |

All shares are ordinary and have the same voting rights and rights to dividends.

Reconciliation of the Company's equity is presented in  the statement of changes in equity.

## 4.5 Cash and cash equivalents

**ACCOUNTING POLICIES**

Cash and cash equivalents in the statement of financial position comprise cash at banks and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits. Restricted bank deposits comprise of cash for withholding taxes which may not be used for other purposes.

| Cash and cash equivalents | 31.12.2022 | 31.12.2021 | 01.01.2021 |
|---|---|---|---|
| Bank deposits, unrestricted | 36 148 | 4 723 756 | 4 957 234 |
| Bank deposits, restricted | 379 028 | 285 580 | 126 192 |
| **Total cash and cash equivalents** | **415 176** | **5 009 335** | **5 083 427** |

Bank deposits earns a low interest at floating rates based on the bank deposit rates.

## 4.6 Financial income and expenses

**ACCOUNTING POLICIES**

Interest income and interest expenses are calculated using the effective interest method.

Foreign currency gains or losses are reported as gain or loss on foreign exchange within in finance income or finance costs, except for currency translation effects from investments in foreign subsidiaries which are presented within OCI. For other accounting policies related to the underlying financial instruments, reference is made to note 4.1.

Interest costs on lease liabilities represents the interest rate implicit in the lease, or the incremental borrowing rate used to measure the lease liabilities recognised in the statement of financial position, for further disclosures see note 3.2.

| Finance income | 2022 | 2021 |
|---|---|---|
| Interest income | 12 045 | 12 730 |
| Other finance income | 528 577 | 24 222 |
| Gain on foreign exchange | 686 125 | 752 579 |
| **Total finance income** | **1 226 747** | **789 531** |

| Finance costs | 2022 | 2021 |
|---|---|---|
| Interest expenses | 733 974 | 199 386 |
| Interest expense on lease liabilities | 46 255 | 27 662 |
| Other finance costs | 96 434 | 88 209 |
| Loss on foreign exchange | 859 884 | 299 066 |
| **Total finance costs** | **1 736 547** | **614 323** |

Interest income represents mainly interest income on cash deposits, and interest expenses represents mainly interest expenses on overdue payables, measured and classified at amortised cost in the statement of financial position.

Other finance income is related to income from other current financial assets.

## 4.7 Share based payments

**Share option plan - Description**

Under the Share Option Plan (SOP), share options of the parent are granted to management and key employees. The exercise price of the share options is generally set equal to the market price of the underlying shares on the date of grant, but from time to time awards are made with an exercise price significantly lower than the share price. The share options were granted on the 1 December 2019, 15 December 2020 and 19 November 2021 and are split into tranches that generally vest over two or three years.

The share options can be exercised up to five years after the grant date and expire approximately four years from the balance sheet date 31 December 2021. The Group settles the share options by delivery of shares. Share options held by management at the end of the reporting period are summarised in note 7.1.

The fair value of the options were determined at the grant dates and expensed over the vesting period. EUR 443 thousand has been expensed as employee benefit expenses and EUR 170 thousand of social security charges have been reversed in the period (employee expenses of EUR 361 thousand and social security charges of EUR 102 thousand were expensed in 2021).

See Note 4.7 in the Group consolidated financial statements for more detailed disclosures on share based payments for Nordic Unmanned AS.

## 5.1 Taxes

**ACCOUNTING POLICIES**

*Current income tax*

Current income tax is measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income. Current income tax relating to items recognised directly in equity is recognised in equity (OCI) and not in the statement of profit or loss.

*Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Company has EUR 28 million as at 31.12.2022 (EUR 13 million as at 31.12.2021 and EUR 8 million as at 01.01.2021) of tax losses carried forward. The tax losses carried forward may be offset against future taxable income and will not expire. Due to significant uncertainty as to when the related deferred tax assets may be recovered, no deferred tax assets have been recognised as at year end 2022.

| **Current income tax expense:** | **2022** | **2021** |
|---|---|---|
| Tax payable | - | - |
| Change deferred tax/deferred tax assets (ex. OCI effects) | 3 499 706 | -1 379 463 |
| **Total income tax expense** | **3 499 706** | **-1 379 463** |

| **Deferred tax assets:** | **31.12.2022** | **31.12.2021** | **01.01.2021** |
|---|---|---|---|
| Trade receivables | 0 | 2 002 | 1 910 |
| Other short-term receivables | 0 | 3 645 899 | 438 188 |
| Inventory | 570 859 | 390 437 | 262 648 |
| Lease liabilities | 954 549 | 1 087 843 | 194 714 |
| Public duties payable | 0 | 172 162 | 65 381 |
| Other current liabilities | 0 | 230 285 | 0 |
| Losses carried forward | 28 272 671 | 13 222 336 | 7 949 872 |
| **Basis for deferred tax assets:** | **29 798 079** | **18 750 965** | **8 912 713** |

| **Deferred tax liabilities** | **31.12.2022** | **31.12.2021** | **01.01.2021** |
|---|---|---|---|
| Development Concessions, patents, licenses | 0 | 0 | 0 |
| Property, plant and equipment | 4 562 536 | 2 230 984 | 888 301 |
| Right-of-use assets | 857 628 | 1 051 540 | 189 588 |
| **Basis for deferred tax liabilities** | **5 420 164** | **3 282 524** | **1 077 889** |
| | | | |
| **Net basis for deferred tax liabilities/(-assets)** | **-24 377 915** | **-15 468 441** | **-7 834 824** |
| **Net basis for deferred tax liabilities/(-assets) at 22% tax rate** | **-24 377 915** | **-15 468 441** | **-7 834 824** |
| Calculated net deferred tax assets | -5 363 141 | -3 403 057 | -1 723 661 |
| - Deferred tax assets not recognised | 5 363 141 | | 679 193 |
| | | | |
| **Net deferred tax assets recognised** | **-** | **-3 403 057** | **-1 044 468** |
| | | | |
| **Calculated deferred tax liabilities** | - | | |
| | | | |
| **Deferred tax liabilities recognised in the statement of financial position** | **-** | **-** | **-** |
| | | | |
| **Deferred tax assets recognised in the statement of financial position** | **-** | **3 403 057** | **1 044 468** |

A reconciliation of the differences between the theoretical tax expense under the applicable rate and the actual tax expense is as follows:

| **Reconciliation of income tax expense** | **2022** | **2021** |
|---|---|---|
| **Profit or loss before tax** | -15 080 695 | -6 937 946 |
| Tax expense 22% | -3 317 753 | -1 526 348 |
| Change to prior period tax expense | - | - |
| Permanent differences* | -148 693 | -235 450 |
| Effects of changes in tax rate | - | - |
| Currency effects | 983 000 | 382 335 |
| Effect of not recognising deferred tax assets | 5 983 152 | - |
| **Recognised income tax expense** | **3 499 706** | **-1 379 463** |

* The permanent differences are primarily transaction costs related to share issues which have been recognised against share premium.

## 6.1 Subsidiaries and associated companies

**ACCOUNTING POLICIES**
**Shares in subsidiaries**
Shares in subsidiaries are accounted for using the cost method in accordance with IAS 27 *Separate Financial Statements.* Dividends from subsidiaries are recognised when the right to receive the dividend is established. The dividend is recognised in profit or loss.

**The subsidiaries:**
On 21 September 2021, Nordic Unmanned acquired 100 percent of the shares in Ecoxy AS, the leading Norwegian provider of accredited emission measurements for the shipping and oil and gas industry. Total consideration paid was EUR 2 054 936 and consisted of a cash payment of EUR 950 132, EUR 491 024 for shares issued at fair value and a contingent consideration of EUR 613 780.

On 14 October 2021, Nordic Unmanned acquired 100 percent of the shares in AirRobot GmbH, a leading German drone developer and manufacturer. The total consideration paid was EUR 5 358 157 and consisted of EUR 3 989 595, shares issued at fair value of EUR 747 805 and a contingent cosidertion of EUR 620 758.

On the 16th of June 2022, Nordic Unmanned acquired 55% percentage of the shares in DroneMatrix NV, a leading drone technology company in Belgium, and with the right and obligation to acquire the remaining 45% within 3 years after the date of the transaction. The total consideration paid was EUR 2.5 million whereof 1.5 million were an equity issue in the company and EUR 1 million was share purchase.

The subsidiaries of Nordic Unmanned AS are presented below:

| Subsidiaries<br>31 December 2022 | Office | CUR | Shareholding and voting ownership share | Book value | Net investment | Equity (100%) | Profit/loss |
|---|---|---|---|---|---|---|---|
| AirRobot® GmbH & Co. KG | Arnsberg, Germany | EUR | 100 % | 5 232 976 | | 3 861 423 | -78 382 |
| AirRobot Beteiligungs GmbH | Arnsberg, Germany | EUR | 100 % | 49 057 | | 40 000 | |
| DroneMatrix NV* | Hasselt, Belgium | EUR | 55%* | 4 500 000 | | 1 435 947 | -224 726 |
| Ecoxy AS | Molde, Norway | NOK | 100 % | 2 094 820 | | 769 234 | 352 602 |
| Nordic Unmanned North America Group LLC | Baltimore, USA | USD | 100 % | | 4 731 | | |
| Nordic Unmanned North America LLC | Baltimore, USA | USD | 92 % | | 75 677 | 43 343 | -43 343 |
| Nordic Unmanned UK Ltd. | Birmingham, UK | GBP | 100 % | | 273 857 | -181 557 | -106 374 |
| Nordic Unmanned DK ApS | Odense, Denmark | DKK | 100 % | 5 366 | | 5 366 | |
| NUAer AS** | Sandnes, Norway | NOK | 60 % | 300 000 | | 1 580 887 | |
| **Total investment in subsidiaries** | | | | **12 217 219** | **354 265** | **7 654 643** | **-100 223** |

* Nordic Unmanned ASA has an agreement to buy the remaining 45% of the non-controlling shareholder position within 3 years. Nordic Unmanned will after this hold 100% of DroneMatrix NV shares.
** During 2022, Nordic Unmanned AS has recognised an impairment of 1,28 MEUR in NUAer. The investment in NUAer has been tested for impairment using two Discounted Cash Flow scenarios relating to sales and lease opportunity that is weighted 50/50. Discounted Cash Flow method, using a weighted average cost of capital (WACC) of 15% as discount rate, and a cash flow over normally 5 years period based on next years budget with managements assumptions of future growth with no terminal value.
Conducted sensitivity analyses of the key parameters shows a reasonable headroom for changes in key parameters defined above.

## 7.1 Remuneration to Management and the Board

**Remuneration to the Board of Directors**
Remuneration for the members of the Board is determined by the Annual General Meeting (AGM). The remuneration is not linked to the company's performance but reflects the Board's responsibilities, expertise, time and commitment.

**Remuneration to the management team**
The Board of Nordic Unmanned ASA determines the principles applicable to the company's policy for compensation to the management team. The Board is directly responsible for determining the CEO's salary and other benefits. The management team includes the Chief Executive Officer, Chief Operations Officer, Chief Finance Officer, Chief Revenue Officer, Chief Legal Officer, Chief Technical Officer and Chief People Officer.

*Principles for determining salary*
The main principle for determining salary for each executive management member has been a fixed annual salary, bonus, Stock Options, Employee Share Subscription program and with the addition of benefits in kind such as telephone and insurance. The fixed salary has been determined based on the following factors: competitive salary level, scope of work and responsibilities. Bonus is determined 50% based on business results and 50% based on individual goal achievement and performance.

*Pension*
The executive management members are part of the defined contribution pension scheme. In addition, the executive management members are part of a pension savings agreement with 6% defined contribution.

*Other benefits*
Members of the management team have been granted share options under the company's share option plan, described in note 4.8. The share options held by the management team is summarised further below. Members of the management team have been awarded the possibility to purchase stocks with 30% discount through the Employee Share Subscription Program made available to all employees as part of the private placement on September 29th, 2021. The members of the management team are part of a collective annuity agreement.

*Severance Arrangements*
If the CEO is terminated by the Board, he is entitled to severance pay of 12 months in addition to the ordinary notice period of 3 months. The severance pay shall be calculated based on the monthly pay the CEO receives at the time the termination is notified in writing and the monthly average bonus payment last 12 months.

*Loans and guarantees*
No loans or guarantees have been granted to any member of the management or the Board of Directors.

**Remuneration to the management team for the year ended 31 December 2022*:**

| EUR | Position | Salary | Bonus | Pension | Other compensation | Total remuneration | Outstanding shares (number) | Outstanding share options (number) |
|---|---|---|---|---|---|---|---|---|
| Knut Roar Wiig (1) | CEO** | 191 124 | 19 794 | 3 822 | 25 548 | 240 288 | 1 922 536 | 310 000 |
| Trond Østerhus | CFO*** | 136 323 | 11 691 | 2 726 | 10 165 | 160 905 | 46 565 | 100 000 |
| Lars A. Landsnes | COO | 154 873 | 27 836 | 3 097 | 25 096 | 210 902 | 223 755 | 240 000 |
| Cecilie Drange | CRO | 137 168 | 22 964 | 2 743 | 9 500 | 172 376 | 137 621 | 100 000 |
| Steffan Lindsø | CTO | 116 007 | 5 799 | 2 320 | 9 357 | 133 484 | 9 027 | 50 000 |
| Thomas Alexander Ladsten | CLO | 138 775 | 31 702 | 2 775 | 11 488 | 184 740 | 60 915 | 75 000 |
| Katrine Elin Meldah | CLO | 118 267 | 3 629 | 2 365 | 8 669 | 132 931 | 66 328 | - |
| Arne Roland (Interim CEO, 2023) | | - | - | - | - | - | 1 535 | - |
| **Total** | | **992 538** | **123 415** | **19 851** | **99 822** | **1 235 626** | **2 468 282** | **875 000** |

*All remuneration to management is paid in NOK and converted to EUR using a yearly average EUR/NOK-rate of 10.104
** Former CEO
*** Former CFO
(1) Severence payments to former CEO amounts to EUR 246 590 and will be paid out through March 23 - June 24.

**Remuneration to the management team for the year ended 31 December 2021*:**

| EUR | Position | Salary | Bonus | Pension | Other compensation | Total remuneration | Outstanding shares (number) | outstanding share options (number) |
|---|---|---|---|---|---|---|---|---|
| Knut Roar Wiig | CEO | 163 081 | 85 470 | 13 295 | 16 844 | 278 689 | 2 793 625 | 315 000 |
| Trond Østerhus (1) | CFO | 91 820 | 11 621 | 10 649 | 408 | 114 498 | 27 760 | 100 000 |
| Lars A. Landsnes | COO | 146 342 | 27 669 | 12 174 | 17 276 | 203 461 | 193 755 | 245 000 |
| Cecilie Drange (2) | CRO | 110 676 | 22 827 | 10 684 | 531 | 144 718 | 50 404 | 100 000 |
| Steffan Lindsø (3) | CTO | 30 743 | 5 764 | 2 776 | 153 | 39 437 | 9 027 | 50 000 |
| Thomas Alexander Ladsten (4) | CLO | 38 027 | 31 512 | 3 315 | 153 | 73 007 | 17 249 | 75 000 |
| **Total** | | **580 689** | **184 863** | **52 893** | **35 364** | **853 810** | **3 091 820** | **885 000** |

*All remuneration to management is paid in NOK and converted to EUR using a yearly average EUR/NOK-rate of 10.164
(1) Employment from 1 April 2021
(2) Employment from 1 February 2021
(3) Employment from 1 October 2021
(4) Employment from 1 October 2021

**Fees in 2022***

| Name | Comments | Fee (EUR) | Total number of shares |
|---|---|---|---|
| Nils Johan Holte | Chairman of the Board from 2018. Chair of the Remuneration Committee | 21 774 | 105 282 |
| Eirik Ålgård | Vice Chair from May 2021 until May 2022. Member of the Audit and Chair of the M&A Committee | 18 804 | 887 329 |
| Roald Helgø | Board member from 2019. Deputy board member from May 2021 | 4 949 | 2 278 636 |
| Jan Henrik Jelsa | Board member from 2019. Member of the M&A Committee | 11 877 | 2 278 636 |
| Liv Annike Kverneland | Board member from September 2020 and Chair of the Audit Committee until October 2022 | 11 877 | 24 176 |
| Andreas Christoffer Pay | Board member from May 2021. Member of the Audit Committee | 11 877 | 2 281 221 |
| Natasha Friis Saxberg | Board member from August 2021. | 7 423 | - |
| Erik Berge | Board member from September 2020 until May 2021 | 19 064 | - |
| Kristin Sundsbø Alne | Deputy board member from September 2020 until August 2020. | 13 690 | - |
| Astrid Skarheim Onsum | Vice Chair from May 2022 | - | 33 333 |
| **Total** | | **121 333** | **7 888 613** |

* Fee to board members are paid in NOK and converted to EUR using a yearly average EUR/NOK-rate of 10.104

**Fees in 2021***

| Name | Comments | Fee (EUR) | Total number of shares |
|---|---|---|---|
| Nils Johan Holte | Chairman of the Board from 2018. Chair of the Remuneration Committee | 28 543 | 85 282 |
| Eirik Ålgård | Vice Chair from May 2021. Member of the Audit and Chair of the M&A Committee | 25 660 | 687 286 |
| Roald Helgø | Board member from 2019. Deputy board member from May 2021 | 17 626 | 1 991 893 |
| Jan Henrik Jelsa | Board member from 2019. Member of the M&A Committee | 21 643 | 1 991 893 |
| Liv Annike Kverneland | Board member from September 2020. Chair of the Audit Committee | 16 110 | 24 176 |
| Andreas Christoffer Pay | Board member from May 2020. Member of the Audit Committee | 6 887 | 1 634 258 |
| Natasha Friis Saxberg | Board member from August 2021. | 4 099 | - |
| Erik Berge | Board member from September 2020 until May 2021 | 10 453 | - |
| Kristin Sundsbø Alne | Deputy board member from September 2020 until August 2020. | 8 239 | - |
| Karen Elisabeth Ohm Heskja | Chairperson of the Nomination Committee from February 2021 | 4 919 | - |
| Arne Roland | Member of the Nomination Committee from February 2021 | 1 968 | - |
| **Total** | | **120 568** | **6 414 788** |

* Fee to board members are paid in NOK and converted to EUR using a yearly average EUR/NOK -rate of 10.165
Remuneration to board members in 2021 include a total of EUR 74 045 related to 2020, recognized in 2021

## 7.2 Related party transactions

Related parties are major shareholders, members of the Board and management in the company and the subsidiaries. Note 6.1 provides information about the subsidiaries. Significant agreements and remuneration paid to management and the Board for the current and prior period is presented in note 7.1. Shares, share options held by management and the Board are also summarised in note 7.1.

All transactions with related parties are made based on the principle of arm's length terms.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial period:

| **Related party transactions in 2022 and balances at 31 December 2022** | **EUR** |
|---|---|
| Current trade and other receivable on related parties | 2 797 136 |
| Current trade and other payables to related parties | 1 021 065 |
| Income from related parties | 136 569 |
| Purchases from related parties* | 2 730 580 |

* Nordic Unmanned have bought services from Board Member Eirik Ålgårds private company, Ålgård Handel & Industri AS, in a agreement to provide the group with necessary historical revenue to bid for the OP46 contract with EMSA. A letter of intent were signed. Purchased services in 2022 were 0.07 MEUR.

| **Related party transactions in 2021 and balances at 31 December 2021** | **2021** |
|---|---|
| Current trade and other payables to related parties | 826 150 |
| Purchases from related parties | 344 886 |
| Other current debt | 7 573 |

## 7.3 Events after the reporting period

**ACCOUNTING POLICIES**

If the company receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, the company will assess if the information affects the amounts that it recognises in the financial statements. The company will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the company will not change the amounts recognised in its consolidated financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

14th of February:
Nordic Unmanned completed a subsequent offering with subscription of 1 614 238 new shares raising NOK 9.7 million in gross proceeds.

22nd of February:
Nordic Unmanned signed a 4-year extension of the MRO contract with Bundeswehr for MRO services (Maintenance, repair and overhaul) for the original MIKADO I existing Bundeswehr drone fleet. The contract is expected to have a value of EUR 3 million.

13th of March:
Industry veteran Arne Roland appointed as interim CEO as Knut Roar Wiig steps down from his leadership role.

27th of March:
Nordic Unmanned appoints Pareto Securities AS as advisor to evaluate strategic options, including partnership, in order to support the next growth phase of the Company.
Nordic Unmanned signs an agreement for a new finance arrangement with Sparebank1 SR-Bank AS of up to EUR 16 million. The new financing include a EUR 12.4 million term-loan facility for the refinancing of existing EUR 9.6 million fleet loan, to inter alia finance new equipment to be used in multi-site campaigns for EMSA under the OP46 and OP5 contracts, and for general corporate purposes, ii) a renewal of the existing EUR 3 million working capital facility and iii) a EUR 0.6 million guarantee facility covering the Company's need for contractual performance guarantees related to its operations.

14th April:
CFO Trond Østerhus steps down from his role and Knut Stålen has been appointed interim CFO with immediate effect.

There have been no other significant non-adjusting events subsequent to the reporting date.

## 7.4 Going Concern

I In accordance with §3-3a of the Norwegian Accounting Act, the Board of Directors confirms that the financial statements have been prepared under the assumption of going concern.

The growth of Nordic Unmanned is capital intensive and the operation has currently a seasonality were the 2nd and 3rd quarter represent high season, while the 4th and 1st quarter represent closing down of operations, and then preparation and training for new season. This represents a challenge for operational cash flow, which is negative, especially in the 1st quarter. Also, the growth of Nordic Unmanned has been strong but also with challenges resulting in negative results and cash flow, putting pressure on our liquidity situation. Nordic Unmanned is committed to restructure, simplify its business model, and cut costs in 2023. This may lead to sale of non-strategic assets, and adjustment of the drone fleet. These conditions give rise to a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern.

As a consequence of all factors mentioned above, management and the Board of Directors have initiated processes to help solve this situation:

Nordic Unmanned raised new equity of MNOK 155 in 2022, with a subsequent offering of MNOK 9,7 in 2023.

In March 2023, Nordic Unmanned signed an agreement for a new finance arrangement with Sparebank1 SR-Bank AS of up to EUR 16 million. The refinancing included 2.7 in increased loans, and a restructured repayment schedule for the purpose financing Nordic Unmanned short-term working capital needs. The new financing facility is provided under the condition that the Company will raise EUR 13 million through either disposal of assets and/or equity issue within year end 2023.

Nordic Unmanned has in March 2023 appointed Pareto Securities as advisor to evaluate strategic options, including partnership, to support the next growth phase of the Company. Nordic Unmanned's Nordun drone flight services, as well as its technology businesses, AirRobot GmbH (military-grade lightweight drone systems) and DroneMatrix NV (drone-in-a-box solutions), are currently European leaders in their categories and set to experience significant growth in the years ahead. Disposal of assets may include both sale of parts of the modern drone fleet with a book value of EUR 22 million. The Board has acted and believe therefore that these activities will have a significant effect on the cash debt ratios, and strengthen the balance sheet.

Despite the material uncertainties above, the Board's assessment is that it is appropriate to apply the going concern assumption. The Board anticipates that the Group can continue its operation activities and will have the financial resources to apply the going concern principle as the basis for the financial statements.

## 8.1 First time adoption of IFRSs

These financial statements, for the period ended 31 December 2022 are the first the company has prepared in accordance with IFRS-light (NGAAP using the special IFRS-light legislation allowing for recognition and measurement generally in accordance with IFRSs and disclosure requirements generally in accordance with NGAAP).

The company has prepared financial statements that comply with IFRS-light together with comparative amounts for the period ended 31 December 2021. In preparing the financial statements, the company's opening statement of financial position was prepared as of 1 January 2021, the company's date of transition to IFRS-light.

This note explains the principal adjustments made by the company when transitioning to IFRS-light from its previous reporting framework; Generally Accepted Accounting Principles in Norway ("NGAAP") for small entities.

**Exemptions applied**
IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The company has applied the exemptions from full retrospective application of IFRS 16 *Leases* and recognised right-of-use assets at an amount equal to the lease liabilities calculated using the Group's incremental borrowing rates at the date of transition to IFRSs.

*Estimates*
The estimates at 1 January 2021 and at 31 December 2021 are consistent with those made for the same dates in accordance with NGAAP (after adjustments to reflect any differences in accounting policies).

**Reconciliation of transitional effects**

**As at 1 January 2021**

| ASSETS | Note | NGAAP (NOK) | NGAAP (EUR) | Effect of transition to IFRS | Reclassification from NGAAP to IFRS | IFRS (EUR) |
|---|---|---|---|---|---|---|
| **Non-current assets** | | | | | | |
| Goodwill | | - | - | - | - | - |
| Other intangible assets | | 10 727 772 | 1 024 591 | - | - | 1 024 591 |
| Deferred tax assets | E | 9 795 343 | 935 536 | 108 933 | - | 1 044 469 |
| **Total intangible assets** | | **20 523 115** | **1 960 127** | **108 933** | **-** | **2 069 059** |
| Aircraft and spareparts | | 41 194 968 | 3 934 459 | - | - | 3 934 459 |
| Fixtures and fittings | | 9 611 928 | 918 018 | - | - | 918 018 |
| Right-of-use assets | A | - | - | 189 588 | - | 189 588 |
| **Total tangible assets** | | **50 806 896** | **4 852 478** | **189 588** | **-** | **5 042 066** |
| Investment in subsidiaries | | 12 428 978 | 1 187 070 | - | | 1 187 070 |
| Investment in associated companies | | 30 000 | 2 865 | - | - | 2 865 |
| Prepayments and financial receivables | | - | - | - | - | - |
| **Total financial non-current assets** | | **12 458 978** | **1 189 935** | **-** | **-** | **1 189 935** |
| **Total non-current assets** | | **83 788 990** | **8 002 540** | **298 521** | **-** | **8 301 061** |
| **Current assets** | | | | | | |
| Inventory | | 3 185 840 | 304 274 | - | - | 304 274 |
| Trade receivables | C | 8 170 305 | 780 332 | - | -396 297 | 384 035 |
| Other short-term receivables | C | 13 259 901 | 1 266 430 | -438 188 | 396 297 | 1 224 538 |
| Cash and cash equivalents | | 53 225 002 | 5 083 427 | - | - | 5 083 427 |
| **Total current assets** | | **77 841 047** | **7 434 462** | **-438 188** | **-** | **6 996 274** |
| **TOTAL ASSETS** | | **161 630 037** | **15 437 001** | **-139 667** | **-** | **15 297 335** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | | | |
| **Equity** | | | | | | |
| Share capital | | 20 120 032 | 1 921 629 | - | - | 1 921 629 |
| Treasury stock | | -2 127 | -203 | - | - | -203 |
| Share premium | | 119 603 508 | 11 423 121 | - | - | 11 423 121 |
| Other equity | **D** | - | - | - | -2 626 118 | -2 626 118 |
| Retained earnings | **D** | -27 153 404 | -2 593 374 | -386 216 | 2 626 118 | -353 472 |
| **Total equity** | | **112 568 009** | **10 751 173** | **-386 216** | **-** | **10 364 958** |
| **Non-current liabilities** | | | | | | |
| Interest bearing loans and borrowings | **B** | 25 396 776 | 2 425 602 | -418 263 | - | 2 007 339 |
| Non-current lease liabilities | **A** | - | - | 58 461 | - | 58 461 |
| Other non-current liabilities | | - | - | - | - | - |
| Deferred tax liabilities | | - | - | - | - | |
| **Total non-current liabilities** | | **25 396 776** | **2 425 602** | **-359 802** | **-** | **2 065 800** |
| **Current liabilities** | | | | | | |
| Trade payables | | 14 685 994 | 1 402 634 | - | - | 1 402 634 |
| Interest bearing loans and borrowings | **B** | - | - | 418 263 | - | 418 263 |
| Current lease liabilities | **A** | - | - | 136 253 | - | 136 253 |
| Public duties payable | | 2 271 163 | 216 915 | 65 381 | - | 282 296 |
| Other current liabilities | | 6 708 094 | 640 678 | -13 546 | - | 627 132 |
| **Total current liabilities** | | **23 665 251** | **2 260 227** | **606 351** | **-** | **2 866 577** |
| **Total liabilities** | | **49 062 027** | **4 685 828** | **246 549** | **-** | **4 932 377** |
| **TOTAL EQUITY AND LIABILITIES** | | **161 630 037** | **15 437 001** | **-139 667** | **-** | **15 297 335** |

**A:** The IFRS adjustments reflect the recognised right-of-use assets as well as the related lease liabilities for office space leases. Under NGAAP lease payments were accounted for as operating expenses and hence no assets or liabilities relating to such leases have previously been recognised.
**B:** The IFRS adjustments reflect reclassifications from non-current to current of borrowings for wich the company did not have an unconditional right to defer payment for at least twelve months from the balance sheet date.
**C:** The IFRS adjustments reflect reclassifications from trade receivables to other short-term receivables as they represent contract assets (earned, not invoiced, revenues) rather than invoiced revenues.
**D**: The adjustment reflects a transfer from other equity to retained earnings.
**E:** The IFRS adjustments for deferred income taxes reflect the tax effect on the IFRS adjustments made.

**Reconciliation of equity and financial position as at 31 December 2021:**

| | | As at 31 December 2021 | | | | |
|---|---|---|---|---|---|---|
| **ASSETS** | **Note** | **NGAAP (NOK)** | **NGAAP (EUR)** | **Effect of transition to IFRS** | **Reclassification from NGAAP to IFRS** | **IFRS (EUR)** |
| **Non-current assets** | | | | | | |
| Other intangible assets | | 26 416 150 | 2 644 577 | - | - | 2 644 577 |
| Deferred tax assets | H | 26 430 798 | 2 646 043 | 757 014 | - | 3 403 057 |
| **Total intangible assets** | | **52 846 948** | **5 290 620** | **757 014** | **-** | **6 047 634** |
| Aircraft and spareparts | | 89 688 867 | 8 978 943 | - | - | 8 978 943 |
| Assets under construction | | 58 082 653 | 5 814 778 | | | 5 814 778 |
| Fixtures and fittings | | 10 663 932 | 1 067 589 | - | - | 1 067 589 |
| Right-of-use assets | **A** | - | - | 1 051 540 | - | 1 051 540 |
| **Total tangible assets** | | **158 435 453** | **15 861 310** | **1 051 540** | **-** | **16 912 850** |
| Investment in subsidiaries | | 94 757 436 | 9 486 368 | -428 259 | - | 9 058 109 |
| Investment in associated companies | | 30 000 | 3 003 | - | - | 3 003 |
| Prepayments and financial receivables | | 6 400 | 641 | - | -641 | - |
| **Total financial non-current assets** | | **94 793 836** | **9 490 012** | **-428 259** | **-641** | **9 061 113** |
| **Total non-current assets** | | **306 076 237** | **30 641 943** | **1 380 295** | **-641** | **32 021 597** |
| **Current assets** | | | | | | |
| Inventory | **J** | 15 617 390 | 1 563 490 | 859 104 | - | 2 422 594 |
| Trade receivables | **F** | 1 602 037 | 160 383 | -2 002 | - | 158 381 |
| Short-term receivables from group companies | | 8 252 252 | 826 150 | | | 826 150 |
| Other short-term receivables | **B, G, J** | 55 922 745 | 5 598 545 | -3 643 887 | 641 | 1 955 299 |
| Cash and cash equivalents | | 50 037 345 | 5 009 345 | -10 | - | 5 009 335 |
| **Total current assets** | | **131 431 770** | **13 157 914** | **-2 786 796** | **641** | **10 371 759** |
| **TOTAL ASSETS** | | **437 508 007** | **43 799 857** | **-1 406 501** | **-** | **42 393 356** |

**EQUITY AND LIABILITIES**

**Equity**

| | | | | | | |
|---|---|---|---|---|---|---|
| Share capital | | 26 288 984 | 2 631 846 | - | - | 2 631 846 |
| Treasury stock | | -2 127 | -213 | - | - | -213 |
| Share premium | | 330 306 616 | 33 067 697 | - | - | 33 067 697 |
| Other equity | | - | - | - | - | - |
| Retained earnings | B, G, J | -56 182 354 | -5 624 535 | -3 536 723 | - | -9 161 257 |
| **Total equity** | | **300 411 119** | **30 074 796** | **-3 536 723** | **-** | **26 538 073** |

**Non-current liabilities**

| | | | | | | |
|---|---|---|---|---|---|---|
| Interest bearing loans and borrowings | C | 94 257 841 | 9 436 353 | -2 666 797 | - | 6 769 555 |
| Non-current lease liabilities | A | - | - | 782 041 | - | 782 041 |
| Other non-current liabilities | | 334 279 | 350 392 | - | - | 350 392 |
| Deferred tax liabilities | | - | - | - | - | - |
| **Total non-current liabilities** | | **94 592 119** | **9 786 745** | **-1 884 757** | **-** | **7 901 988** |

**Current liabilities**

| | | | | | | |
|---|---|---|---|---|---|---|
| Trade payables | | 9 761 241 | 977 219 | - | - | 977 219 |
| Interest bearing loans and borrowings | C | - | - | 2 666 797 | - | 2 666 797 |
| Current lease liabilities | A | - | - | 305 802 | - | 305 802 |
| Current liabilities to group companies | | 3 445 000 | 344 886 | - | - | 344 886 |
| Public duties payable | E | 5 131 555 | 513 731 | 172 162 | - | 685 893 |
| Other current liabilities | | 21 001 251 | 2 102 480 | 870 217 | - | 2 972 697 |
| **Total current liabilities** | | **39 339 047** | **3 938 316** | **4 014 979** | **-** | **7 953 294** |
| | | | | | | |
| **Total liabilities** | | **133 931 166** | **13 725 061** | **2 130 222** | **-** | **15 855 282** |
| | | | | | | |
| **TOTAL EQUITY AND LIABILITIES** | | **434 342 286** | **43 799 857** | **-1 406 501** | **-** | **42 393 356** |

**A:** The IFRS adjustments reflect the recognised right-of-use assets, less depreciation for the year, as well as the related lease liabilities for office space leases. Under NGAAP lease payments were accounted for as operating expenses and hence no assets or liabilities relating to such leases have previously been recognised.

**B:** The IFRS adjustment in other short term receivables with related offsetting entries in retained earnings reflects expenditures on training of personnel and tender costs capitalised under NGAAP, but which are not eligible for capitalisation under IFRSs (IAS 38 Intangible assets and IFRS 15 Revenue from contracts with customers).

**C:** The IFRS adjustments reflect reclassifications from non-current to current of borrowings for wich the company did not have an unconditional right to defer payment for at least twelve months from the balance sheet date.

**D:** The IFRS adjustments reflect the offsetting impact on equity of the accounting for the costs of share based payment awards as salaries (see note 4.8 in the Condolidated Financial Statements) under the provisions of IFRS 2 *Share based payment*.

**E**: The IFRS adjustments reflect provisions for social security amounts payable relating to share-based payment awards. Under the company's pervious accounting policy, provisions for social security related to share based payments were made in the period in which the amounts became payable (i.e. when the share based payment awards were fully vested and exercised).

**F:** The IFRS adjustments reflect reclassifications from trade receivables to other short-term receivables as they represent contract assets (earned, not invoiced, revenues) rather than invoiced revenues.

**G:** Included in the EUR 3 643 887 amount is an IFRS adjustment for an amount of EUR 1 169 607 reflecting the exclusion of a contract for which revenues were recognised over time under NGAAP, while under IFRS 15 it was determined that the contract represents production of goods for inventory and qualifying for revenue recognition at the point in time of delivery of the products.

**H**: The IFRS adjustments for deferred income taxes reflect the tax effect on the IFRS adjustments made.

**I**: The adjustment reflects a transfer from other equity to retained earnings.

**J**: The IFRS adjustment reflects contracts which under NGAAP were accounted for as construction contracts with revenue recognition over time, but which, under IFRS 15, have been determined to constitute manufacturing for inventory as the components are deemed to have alternative use. Hence,under IFRS 15, revenue will be recognised on a point in time basis at the time of control transfer to the customers. EUR 807 798 relates to the contract mentioned in G above.

**Reconciliation of total comprehensive income for 2021:**

| | Note | NGAAP (NOK) | NGAAP (EUR) | Effect of transition to IFRS | Reclassification from NGAAP to IFRS | IFRS (EUR) |
|---|---|---|---|---|---|---|
| Revenues | **C** | 95 565 297 | 9 401 601 | -1 245 154 | - | 8 156 448 |
| Other operating income | | 987 442 | 97 143 | - | - | 97 143 |
| **Total operating income** | | **96 552 739** | **9 498 745** | **-1 245 154** | **-** | **8 253 591** |
| Cost of goods sold | **C, D** | 26 084 950 | 2 566 207 | -1 020 406 | -218 161 | 1 327 639 |
| Personell expenses | **B, C, D** | 47 402 380 | 4 663 390 | 1 303 239 | 158 932 | 6 125 561 |
| Depreciation and amortisation expenses | **A** | 13 993 550 | 1 376 669 | 219 843 | - | 1 596 512 |
| Other operating expenses | **C, D, F** | 46 787 102 | 4 602 860 | 1 654 945 | 59 229 | 6 317 033 |
| **Total operating expenses** | | **134 267 983** | **13 209 126** | **2 157 620** | **-** | **15 366 746** |
| **Operating profit (loss)** | | **-37 715 243** | **-3 710 381** | **-3 402 774** | | **-7 113 155** |
| Interest income | | 129 392 | 12 729 | - | - | 12 729 |
| Other financial income | | 4 721 994 | 464 544 | - | - | 464 544 |
| Interest expenses | **A** | -1 949 107 | -191 751 | -27 662 | - | -219 413 |
| Other financial expenses | | -1 816 227 | -178 678 | 96 026 | - | -82 653 |
| **Net financial income and expenses** | | **1 086 053** | **106 845** | **68 364** | **-** | **175 209** |
| **Income (loss) before tax** | | **-36 629 190** | **-3 603 537** | **-3 334 410** | **-** | **-6 937 946** |
| Income tax | **E** | -7 600 844 | -747 762 | -631 701 | - | -1 379 463 |
| **Net income (loss)** | | **-29 028 346** | **-2 855 774** | **-2 702 709** | **-** | **-5 558 484** |
| ***Allocation of profit or loss:*** | | | | | | |
| Profit/loss attributable to the parent | | -29 028 346 | -2 855 774 | -2 702 709 | - | -5 558 484 |
| ***Other comprehensive income:*** | | | | | | |
| *Items that subsequently may be reclassified to profit or loss:* | | | | | | |
| Exchange differences on translation of foreign operations | | - | - | 532 203 | - | 532 203 |
| Total items that may be reclassified to profit or loss | | - | - | 532 203 | - | 532 203 |
| **Total other comprehensive income for the period** | | **-** | **-** | **532 203** | **-** | **532 203** |
| **Total comprehensive income for the period** | | **-29 028 346** | **-2 855 774** | **-2 170 506** | **-** | **-5 026 280** |

**A:** Included in the IFRS adjustments is EUR 219 843 of depreciation of the right of use assets, partly offset by EUR 128 381 reflecting the reversal of amortisation of goodwill which was recognised under NGAAP. The interest amout relates to interest on lease liabilities.

**B**: Of the total IFRS adjustments of EUR 1.3 million, EUR 0.7 million reflect expenditures on training of personnel and tender costs capitalised under NGAAP, but which are not eligible for capitalisation under IFRSs (IAS 38 Intangible assets and IFRS 15 Revenue from contracts with customers). EUR 0.1 million relates to a customer contract discussed in D below. EUR 0.4 million relates to share based payment awards and related social security charges of EUR 0.1 recognised as salaries (see note 4.8) under the provisions of IFRS 2 Share based payment. Under the company's previous accounting policy provisions for social security related to share based payments were made in the period in which the amounts became payable (i.e. when the share based payment awards were fully vested and exercised).

**C:** The IFRS adjustment reflect purchased services relating to service revenues rather than sale of goods and have consequently been reclassified from cost of goods sold to other operating expenses.

**D:** The IFRS adjustment reflects the exclusion of a contract for which revenues and related costs were recognised over time under NGAAP, while under IFRS 15 it was determined that the contract represents production of goods for inventory and qualifying for revenue recognition at the point in time of delivery of the products.

**E:** The IFRS adjustments for income taxes reflects the tax effect on the IFRS adjustments made.

**F**: Of the total IFRS adjustments of EUR 1.7 million, EUR 1.4 million reflect expenditures on training of personnel and tender costs capitalised under NGAAP, but which are not eligible for capitalisation under IFRSs (IAS 38 Intangible assets and IFRS 15 Revenue from contracts with customers), and an amount of EUR 0.5 million relating to acquisition costs which are not eligible for capitalisation under IFRS 3, but which had been caplitalised uinder NGAAP. Partly offsetting this is an amount of EUR 0.2 million reversing out the NGAAP lease expenditures which have been replaced by the IFRS 16 effects discussed in A above.

## 8.2 Changes in IFRS and new standards

**Standards issued but not yet effective**

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are not expected to have a significant impact on the financial statements of the Company.

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To the General Meeting of Nordic Unmanned ASA

# Independent Auditor’s Report

## Opinion

We have audited the financial statements of Nordic Unmanned ASA, which comprise:

- the financial statements of the parent company Nordic Unmanned ASA (the Company), which comprise the statement of financial position as at 31 December 2022, the statement of profit or loss and other comprehensive income, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- the consolidated financial statements of Nordic Unmanned ASA and its subsidiaries (the Group), which comprise statement of financial position as at 31 December 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards 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 and the Group as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material Uncertainty Related to Going Concern

We draw attention to Note 7.4 in the financial statements, which states that the Company and the Group has negative results and cash flow putting pressure on their liquidity and that the company and the Group needs to raise 13 MEUR either through disposal of assets and/or equity issue within the year of 2023. As stated in Note 7.4, these events indicate that a material uncertainty exists that may cast significant doubt on the Company and Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

## Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and true and fair view of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, 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 and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group 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 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 in accordance with ISAs, we exercise professional judgment 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. We 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 and the Group'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 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 and the Group'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 and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves 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 the Board of Directors 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.

Stavanger, 9 May 2023
KPMG AS

Mads Hermansen
*State Authorised Public Accountant*
(This document is signed electronically)

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*The signatures in this document are legally binding. The document is signed using Penneo™ secure digital signature. The identity of the signers has been recorded, and are listed below.*

*"By my signature I confirm all dates and content in this document."*

**Mads Aleksander Hermansen**
**Partner**
On behalf of: KPMG AS
*Serial number: 9578-5997-4-280077*
*IP: 80.232.xxx.xxx*
*2023-05-09 07:31:09 UTC*

bankID

**Mads Aleksander Hermansen**
**Statsautorisert revisor**
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