



NORDIC
UNMANNED

Q1-2023 REPORT

06.06.2023

CONTENTS



04

LETTER
FROM THE
CEO

06

GROUP
FINANCIAL
SUMMARY

08

REVIEW OF STRATEGIC
ALTERNATIVES AND
NEW FINANCING
FACILITY

9

INTERIM UNAUDITED
FINANCIAL
STATEMENTS



ABOUT NORDIC UNMANNED

Nordic Unmanned is a leading company in the drone industry, providing advanced drone products, data capture solutions, and flight services. AirRobot and DroneMatrix, are responsible for the design and manufacturing of our drones and sensors used in various applications, including civil uses and security purposes. Our Flight Operations division is highly experienced in operating both rotary and fixed-wing drone systems, offering services such as pollution monitoring, fishery control, surveillance, and logistics support. We serve clients such as coast guards, intelligence services, and government agencies.

One of the things that sets Nordic Unmanned apart from competition is our extensive permit to fly beyond visual line of sight (BVLOS). This is made possible through our EASA-approved Light UAS operator Certificate (LUC). Additionally, our operations, maintenance, and sale of unmanned systems and sensor technology are certified to meet ISO 9001-2015, ISO 14001, and AS9100 standards.

Founded in Norway in 2014, Nordic Unmanned has established a global presence with offices in Sandnes, Molde, Odense, Cranfield, Hasselt, Arnsberg, and Baltimore. We also have local representation in Canada, Japan, and the Caribbean region.

06.06.2023

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LETTER FROM THE CEO

Nordic Unmanned, like other players in the UAV industry, has been significantly impacted by several macro factors that have emerged in the recent business landscape. The uncertainties in financial markets, reduced access to capital and increased cost of capital, and general geopolitical uncertainty, have all influenced the overall dynamics of our industry, and thus impacted Nordic Unmanned's operations and the strategic direction we must take. Since my appointment as CEO in March, these factors have directly influenced my focus and priorities.

As announced on March 27, Nordic Unmanned secured a financing package of up to EUR 16 million from Sparebank 1 SR-Bank, supported by the Export Finance Norway. Additionally, we announced a review of strategic alternatives aimed at evaluating certain options, including partnerships, in order to improve our balance sheet and creating a stronger foundation for the future. The strategic review is ongoing and further comments will not be made until the company determines that disclosure is required or appropriate.

We have shifted our operational focus from top-line growth towards streamlining operations, simplifying processes, cash preservation and delivering on existing backlog. Cost reductions have been made in both group overhead and operational cost, and will continue with full force in the coming quarters. Part of our cost reduction program involves simplification and a greater emphasis on our core operating business units. Going forward, we will primarily report on three key operational units: Nordic Unmanned Flight Services (previously reported as Nordun, NUGlobal and NUMar), AirRobot, and DroneMatrix.

Q1-2023 financials are as expected influenced by the seasonality in our flight operations, where Q1-2023 and Q4 typically have low flight activity. In the quarter, we have incurred cost for operational planning and training for the upcoming season. As a result, we successfully started flight service under the EMSA (European Maritime and Surveillance Agency) OP46 contracts in Estonia, Latvia, Finland and Denmark. We are also preparing to initiate operations in Spain, which will result in three concurrent operations under the EMSA OP46 contract. Furthermore, we have prepared for the EMSA OP5 contract, set to start flight operations in 2024. Our light UAV operations, flying from vessels, under the EMSA OP1 contract, has continued through the period. Our joint venture with Omni Helicopters in Brazil is progressing, and we hope to commence operations later this year.

Significant historical fleet investments, and a relatively aggressive growth strategy, continues to strain the company's liquidity. Entering the summer season, we are increasing fleet utilization and we also look forward to start OEM product deliveries to the German Army and Lockheed Martin. The board of directors and the management are committed to monitor, manage, and address the situation. In the annual report the board of directors and the auditor noted that there were material uncertainties related to going concern, and therefore the announced strategic review is actively ongoing.

LETTER FROM THE CEO

While geopolitical influences have slowed down some of the contract awards, we also see a positive impact on market dynamics, and a notable increase in demand for smaller unmanned systems. Our subsidiary, AirRobot, is well-positioned and we are about to deliver the first batch of AR-100H systems for the Mikado II contract to the German Army. Additionally, AirRobot is preparing to supply Heimdal sensors to Lockheed Martin UK as part of the TIQUILA Indago 4 UAS delivery program for the UK Ministry of Defence (UK MOD).

Our subsidiary, DroneMatrix, has made considerable progress, delivering six drone-in-a-box systems to the Port of Antwerp. We have also initiated production for systems to be delivered to Infrabel, the Belgian railroad provider.

Furthermore, Nordic Unmanned has been awarded a consultancy agreement for a major European aviation project, involving operational planning for large systems in unsegregated airspace. This opportunity may open doors for future opportunities in heavy logistics over longer distances.

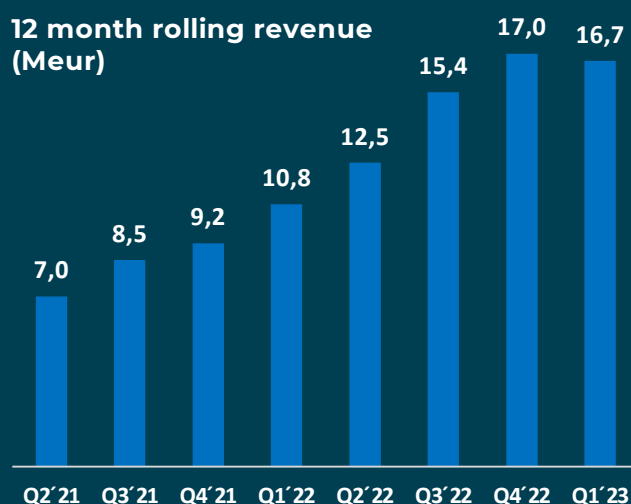
At Nordic Unmanned, we remain dedicated to fulfilling our commitments, improving efficiency, and striving for operational excellence, leveraging our strong market position, while identifying the right strategic solutions for the future. I extend my gratitude to our employees, shareholders, suppliers, and customers for their invaluable support. I look forward to updating you on our future achievements.

Yours sincerely,

Arne Roland,
CEO

GROUP FINANCIAL SUMMARY

12 month rolling revenue
(Meur)



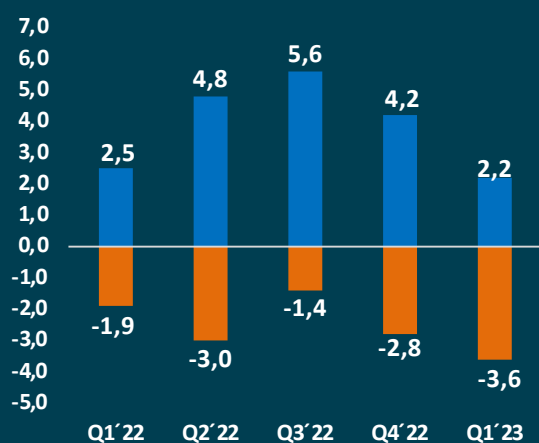
Consolidated Group Revenue was EUR 2.2m in Q1-2023, compared to EUR 2.5m in Q1-2022.

Flight Services reports revenues in Q1-2023 of EUR 1.0 million (including resale of OEM products). Q1 is usually a low season, with only limited lightweight drone deployments and some site preparation activities. Throughout Q2, the Flight Services business is ramping up towards three simultaneous fixed-wing deployments.

AirRobot reports revenue in Q1-2023 of EUR 1.0 million. The organization is fully focused on the production and testing of products for the German Army (Mikado II) and Heimdal (EO/IR) sensors for Lockheed Martin Indago 4 UAS (for UK MOD). DroneMatrix reports revenue in Q1 2023 of EUR 0.2 million.

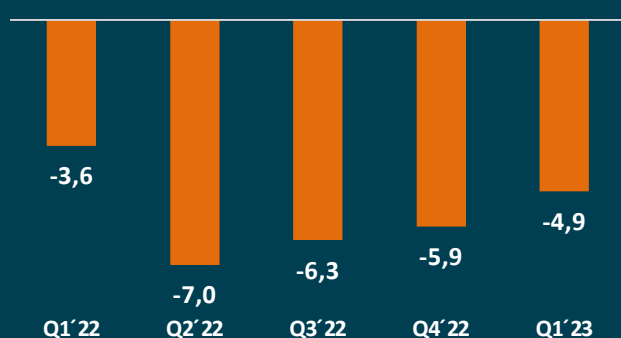
Q1-2023 EBITDA for the Consolidated Group was negative EUR 3.6 million, compared to negative EUR 1.9 million for the same period last year. This is related to a lower activity level and higher recognized personnel costs compared to last year.

■ Quarterly Revenues ■ EBITDA



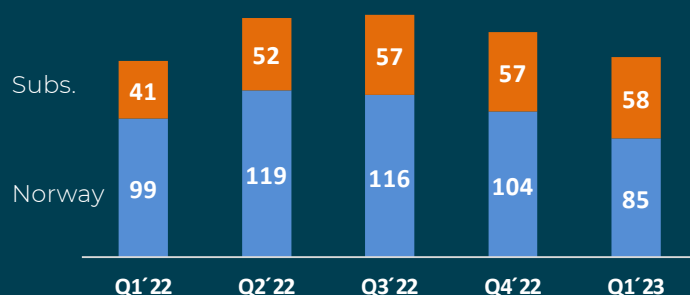
GROUP FINANCIAL SUMMARY

Personnel and other operating expenses



In Q1-2023, Group personnel and other operating expenses were EUR 4.9 million, compared to EUR 3.6 million in Q1-2022. The increase is partly due to an increase of international activities (AirRobot, DroneMatrix, UK and US) of EUR 0.7 million.

Number of FTE´s



As of the end of Q1-2023, the total number of full-time employees (FTEs) was 143, compared to 140 FTEs in Q1-2022 and 161 at year end 2022. Restructuring and rightsizing of the organization is still in progress.

REVIEW OF STRATEGIC ALTERNATIVES AND NEW FINANCING FACILITY

Engagement with Pareto Securities AS

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 the Company and unlock shareholder value.

Nordic Unmanned flight services, as well as its technology businesses, AirRobot GmbH (military-grade lightweight drone systems) and DroneMatrix NV (drone-in-a-box solutions for a wide range of civil and security applications), are currently European leaders in their categories and set to experience significant growth in the years ahead.

No further public comments regarding the review will be made until it has been completed, or the Company determines that disclosure is required or appropriate. There is no certainty whether (or when) any transaction, initiative or event will materialize.

Extract from stock exchange notice published 27 March 2023

Agreement with SR-Bank on new financing facility

The Company signed 27 March 2023 a financing package from SpareBank 1 SR-Bank ASA ("SR-Bank") of up to EUR 16 million (the "New Financing").

The new financing facility includes:

a EUR 12.4 million term loan facility for the refinancing of the existing EUR 9.6 million term loan facility of the Company, to inter alia, finance new equipment to be used in multi-site campaigns for EMSA under the OP/46 and OP/5 contracts, and for general corporate purposes,

a renewal of the existing EUR 3 million working capital facility, and

a EUR 0.6 million facility covering the Company's need for contractual performance guarantees related to its operations. The new financing facility is partially guaranteed by Export Finance Norway (Eksfin). The initial drawdown on the new financing facility is expected within Q1 2023 and remains subject to precedent documentation and customary conditions. The new financing facility is provided under the condition that the Company will raise EUR 13 million through disposal of assets and/or equity issue by year end 2023.



NORDIC
UNMANNED

Q1-23

Financial statements

MAY 2023

Unaudited condensed consolidated financials

Statement of profit and loss and other comprehensive income

Amounts in EUR	Q1 2023	Q1 2022	FY 2022
Operating revenue	2 167 342	2 519 308	16 986 215
Cost of goods sold	806 505	840 398	2 942 532
Personnel expenses	3 165 143	2 196 046	12 795 030
Depreciation and amortisation expenses	1 497 175	1 012 477	5 519 030
Impairments			2 417 950
Other operating expenses	1 773 933	1 370 907	10 229 747
Total operating expenses	7 242 756	5 419 828	33 904 289
Operating profit (loss)	-5 075 413	-2 900 520	-16 918 074
Net financial income / (expense)	-603 952	-259 777	-1 070 738
Profit (loss) before tax	-5 679 365	-3 160 297	-17 988 812
Income tax expense (benefit)	-1 068 761	-634 584	1 913 589
Profit (loss) for the period	-4 610 604	-2 525 713	-19 902 401
Allocation of profit or loss:			
Profit/loss attributable to non-controlling	-50 627	-54 149	-325 210
Profit/loss attributable to the parent	-4 559 978	-2 471 564	-19 577 191

Unaudited condensed consolidated financials

Statement of financial position

Amounts in EUR	31 Mar 2023	31 Mar 2022	31 Dec 2022
ASSETS			
Non-current assets			
Goodwill	3 278 523	1 805 251	3 307 553
Other intangible assets	11 695 209	12 549 434	12 507 085
Deferred tax assets	0	3 554 638	0
Total intangible assets	14 973 732	17 909 323	15 814 638
Aircraft and spare parts	18 801 564	20 120 930	19 115 274
Assets under construction	452 902	0	452 902
Fixtures and fittings	1 615 264	1 940 300	1 730 228
Right-of-use assets	965 414	1 188 488	985 414
Total tangible assets	21 835 144	23 249 719	22 283 818
Investment in associated companies	0	3 303	0
Total financial non-current assets	0	3 003	0
Other non-current assets	168 719	0	169 719
Total non-current assets	36 977 595	41 162 045	38 267 174
Current assets			
Inventory	1 908 677	1 757 165	1 818 525
Trade receivables	1 097 056	2 241 513	908 787
Other short-term receivables	3 537 877	3 085 562	4 131 412
Cash and cash equivalents	529 848	610 161	811 852
Total current assets	7 073 459	7 694 401	7 670 576
TOTAL ASSETS	44 051 054	48 856 447	45 937 750

Unaudited condensed consolidated financials

Statement of financial position cont.

Amounts in EUR	31 Mar 2023	31 Mar 2022	31 Dec 2022
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the	18 378 003	24 813 880	22 923 422
Non-controlling interests	581 453	903 342	632 080
Total equity	18 959 456	25 717 222	23 555 501
Non-current liabilities			
Interest bearing loans and borrowings	13 804 462	8 584 337	10 334 323
Non-current lease liabilities	715 229	877 271	715 229
Other non-current liabilities	2 034 902	34 864	2 079 864
Deferred tax liabilities	0	764 978	0
Total non-current liabilities	16 554 593	10 261 450	9 033 747
Current liabilities			
Trade payables	756 016	914 926	2 384 500
Interest bearing loans and borrowings	3 508 321	6 654 869	2 673 760
Current lease liabilities	349 242	369 242	369 242
Public duties payable	557 970	831 859	1 015 045
Other current liabilities	3 365 457	4 106 879	2 810 286
Total current liabilities	8 537 005	12 877 775	9 252 832
Total liabilities	25 091 597	23 139 225	22 382 248
TOTAL EQUITY AND LIABILITIES	44 051 054	48 856 446	45 937 750

Unaudited condensed consolidated financials

Consolidated statements of cash flows

Amounts in EUR

Cash flows from operating activities	Q1 2023	Q1 2022	2022
Profit or loss before tax	-5 679 366	-3 160 297	-17 988 812
<i>Adjustments to reconcile profit before tax to net cash flows:</i>			
Net financial income/expense	114 226	134 987	892 381
Depreciation and amortisation	1 433 955	945 397	7 572 363
Amortisation and impairment of Right-of-use assets	63 220	67 080	270 154
Share-based payment expense	102 161	132 564	309 190
<i>Working capital adjustments:</i>			
Change in inventory	156 608	265 148	987 387
Changes in trade receivables	-193 444	-1 807 799	-581 474
Changes in trade payables	-1 583 613	-251 073	994 250
Changes in other operating assets and liabilities	827 571	703 291	-1 466 330
Net cash flows from operating activities	-4 758 682	-2 970 703	-9 010 891
Cash flows from investing activities			
Purchase of property, plant, and equipment	-270 156	-5 841 601	-8 155 007
Purchase of capitalised intangible assets	-116 210	-1 319 127	-3 290 400
Consideration paid in DroneMatrix transaction (net of cash acquired)	0	1 062	-1 563
Net cash flow from investing activities	-386 365	-7 159 666	-13 008 723
Cash flow from financing activities			
Proceeds from issuance of equity	898 031	79 127	16 260 597
Transaction costs on issue of shares	-58 104	-3 302	-899 949
Net disbursements overdraft facility	1 443 140	3 388 835	6 191 191
Proceeds from new debt (short / long term)	2 723 000	2 515 897	-3 274 171
Repayment of debt (short / long term)	-29 295	-645 715	-273 089
Payments of lease liability	-75 355	-81 426	-53 377
Interest paid	-36 363	-120 733	-703 185
Net cash flows from financing activities	4 865 054	5 132 683	17 248 018
Net increase/(decrease) in cash and cash equivalents	-279 993	-4 997 685	-4 771 596
Cash and cash equivalents at beginning of the period	811 852	5 594 033	5 594 033
Net foreign exchange difference	-2 011	13 813	-10 585
Cash and cash equivalents, end of period	529 848	610 161	811 852