

# NORDIC UNMANNED

## Q2 2023 Report

August 29<sup>th</sup>, 2023

Above All – We Protect Values and Lives

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## About Nordic Unmanned

Nordic Unmanned is a leading European manufacturer (OEM) and certified operator of unmanned aircraft systems (“UAS”).

We are serving large corporations, government agencies and security customers by offering systems, solutions and flight services for environmentally friendly delivery of productivity improvements and time critical, actionable data insights and logistics services.

Our solutions and services are organized in the three business segments as follows:

**Flight Services:** is a technology-agnostic flight services operator providing time-critical actionable data to large corporate and governmental customers. The segment also includes Ecoxy AS, NUAer AS and Resale.

**AirRobot:** is an Equipment Manufacturer (OEM) with a leading product platform in lightweight drones and sensors (payloads) tailored for defence and security.

**DroneMatrix:** is an Equipment Manufacturer (OEM) offering a fully integrated and autonomous drone system with proprietary software for surveillance and security.

Nordic Unmanned is ISO 9001:2015 and ISO 14001:2015 certified for the operation, maintenance, and sales of unmanned systems and sensor technology. AirRobot is ISO 9001:2015 and EN 9100:2018 certified for its development and production capabilities of unmanned systems.

Founded in Norway in 2014, Nordic Unmanned has offices in Sandnes (NO), Molde (NO), Cranfield (UK), Hasselt (BE) and Arnsberg (GER). Nordic Unmanned also comprise joint venture – Omni Unmanned SA with OHI Group SA (registered in Luxemburg) and joint venture – NUAer AS with Aeromon OY (registered in Norway).

# Q2 2023 highlights

## The Group

Unaudited figures in EUR '000	Q2 2023	Q2 2022	YTD 2023	YTD 2022
<b>Operating revenue</b>	<b>6,584</b>	<b>4,821</b>	<b>8,751</b>	<b>7,313</b>
Cost of goods sold	582	769	1,389	1,515
Personell expenses	2,795	3,550	5,961	5,850
Other operating expenses	2,195	3,455	3,969	4,919
<b>Adjusted EBITDA</b>	<b>1,010</b>	<b>2,953</b>	<b>2,568</b>	<b>4,971</b>
Adjusted EBITDA %	15%	0%	-29%	0%
Non-recurring items	2,850	-	2,850	-
<b>EBITDA</b>	<b>1,839</b>	<b>2,953</b>	<b>5,418</b>	<b>4,971</b>
EBITDA%	-28%	-61%	-62%	-68%
Depreciation and amortisation expenses	1,515	1,322	3,012	2,334
Impairments	2,887	-	2,887	-
<b>EBIT</b>	<b>6,241</b>	<b>4,274</b>	<b>11,317</b>	<b>7,305</b>
Net financial items	34	398	638	658
<b>Income (loss) before tax</b>	<b>6,275</b>	<b>4,672</b>	<b>11,955</b>	<b>7,963</b>
Income tax	867	988	202	1,623
<b>Net income (loss)</b>	<b>7,142</b>	<b>3,684</b>	<b>11,753</b>	<b>6,340</b>

The second quarter and the period after balance sheet end have been characterized by higher activity and revenues, cost reductions taking effect and full focus on the earlier announced strategic review process with a view to create a best possible basis for a sustainable solution for the company.

- Revenues of EUR 6.6 million in the quarter and EUR 8.8 million for the first half 2023, up 37% and 20% respectively compared to the same periods in 2022.
- Adjusted EBITDA of EUR 1.0 million in Q2 2023, excluding non-recurring costs of EUR 2.9 million. Underlying profitability, measured as adjusted EBITDA, is positive and improved by EUR 4.0 million compared to Q2 2022. This is due to reduced group costs, high activity in Flight Services and higher activity in the Equipment Manufacturer (OEM) segments AirRobot and DroneMatrix.
- Year to date total flight hours surpassed 2.000, with Aerosonde drone operations in Estonia and Denmark in addition to lightweight drone activity on fishery inspection and oil spill prevention vessels. Third Aerosonde drone operation

commenced in early Q3. The projects for German Bundeswehr (Mikado 2) and Lockheed Martin/UK Ministry of Defence (Tiquila) have been the main activity in OEM AirRobot, with planned sensor and drone deliveries in Q3 2023. The OEM DroneMatrix's Port of Antwerp contract became operational in first half of the year and a counter UAV win for a major national bank was awarded in the period.

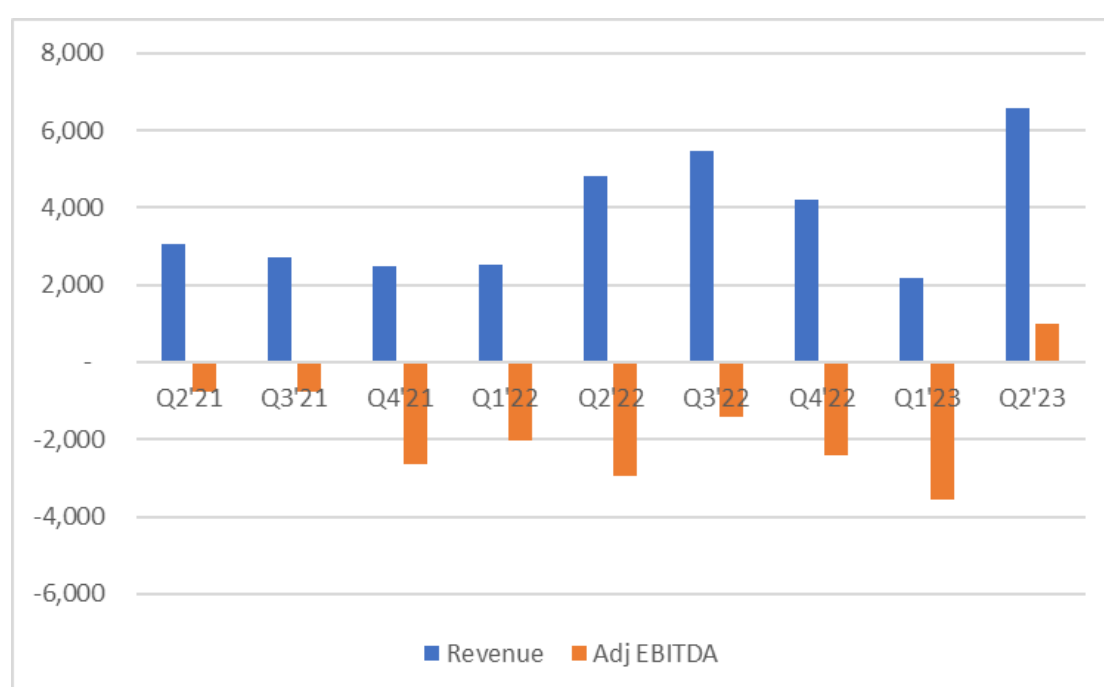
- The quarter ended with an estimated contract backlog of EUR 63 million, of which EUR 45.5 million relates to framework contracts and EUR 17.5 million relates to firm purchase orders and contracts.
- A review of the carrying values of assets have resulted in impairment charges amounting to EUR 2.9 million in the quarter.
- The Strategic Review is progressing as planned and the company continues to evaluate all options that can strengthen its balance sheet. Information memorandum has been prepared and discussions are ongoing with financial and strategic parties to address the stressed liquidity situation. Constructive dialogue is also ongoing with secured financial creditors and professional suppliers to defer payments.

The company has secured necessary waivers from its secured financial creditors till end October 2023 which covers financial covenants and deferral of instalments during the same period. The period till end October 2023 corresponds with anticipated progress milestones towards a sustainable financial and strategic solution. A final solution may include equity raise and/or sale of certain assets.

The target remains to arrive at a sustainable capital structure and strategic solution for the company by end 2023

# Group financial summary

In Q2 2023, Group revenues ended at EUR 6.6 million, representing a 37% increase from Q2 2022 mainly due to higher activity and an insurance claim. Adjusted for this insurance claim the underlying revenue growth is 17% compared to Q2 2022. For the first half of 2023, Group revenues ended at EUR 8.8 million, representing an increase of 20% compared to the same period for 2022.



Adjusted EBITDA for the Group before non-recurring items showed a profit of EUR 1.0 million, compared to a loss of EUR 3.0 million for the same period last year. YTD adjusted EBITDA ended at a loss of EUR 2.6 million compared to a loss of EUR 5.0 million in YTD 2022.

**Flight Services** revenue ended in line with same quarter last year at EUR 4.4 million (EUR 4.5 million). Adjusted for insurance claim of EUR 0.9 million, revenue is EUR 1.0 million lower compared to Q2 2022. In Q2 2023 the number of flight hours increased as compared to same period in 2022, while the previous year revenue included the Equinor logistics project (approx. EUR 700.000) and 3 parallel Long Endurance Deployments. Margin improvement is due to cost savings and insurance

claim. Adjusted EBITDA improved from a loss of EUR 1.1 in Q2 2022 to a profit of EUR 1.1 million in Q2 2023.

**AirRobot** achieved revenues of EUR 1.8 million in the quarter representing a growth of 237% from the same quarter last year. The main reasons are progress related to the Mikado 2 project for Bundeswehr and the Tiquila project for LockheedMartin/UK Ministry of Defence (MOD). EBITDA ended at EUR 0.6 million compared to a breakeven in the same quarter last year. These large industrial long-term contracts (10+ years) awarded to AirRobot generate stability in revenue for the future and help balance seasonality in the current Flight Services' revenue stream.

**DroneMatrix** reported revenue of EUR 0.4 million for Q2 2023. DroneMatrix was consolidated into the group in Q3 2022. EBITDA ended at EUR 0.1 million in the period.

**Group overhead cost** in the quarter was EUR 1.0 million, a decrease of 46% compared to Q2 2022. EBITDA is adjusted for non-recurring cost of EUR 1.3 million.

### **Impairments and non-recurring cost**

Impairment expense of EUR 2.9 million is recorded in the quarter, of which EUR 0.5 million relates to the Camcopter drone system, EUR 0.9 million for the investment in Ecoxy AS and EUR 1.5 million for the NUAer assets (joint venture company). The impairment related to the Camcopter drone system is based upon the prevailing resale rates and market transaction, the impairment in Ecoxy AS is due to current valuation in respect of the current strategic review and sale of non-strategic assets. Impairment indicators in NUAer is due to uncertainty in the tender processes and anticipated start of any future contract awarded.

Non-recurring cost of EUR 2.9 million were recognized in the quarter as a consequence of rightsizing the organization, scaling down of the company's office in Baltimore US to focus on the European activity (EUR 1.0 million), a review of receivables (EUR 0.9 million) and provisions for anticipated cost related to the ongoing Strategic Review (EUR 1.0 million). The Nordic Unmanned entities in North America will be maintained as dormant in order to be ready if any future contract opportunities present themselves.

Depreciation and amortization for the quarter amounted to EUR 1.5 million compared to EUR 1.3 million in the same quarter last year.

The pre-tax loss amounted to EUR 6.3 million for the quarter and EUR 12.0 million for the YTD 2023.

## Liquidity

Nordic Unmanned Group had cash and cash equivalents of EUR 0.6 million as of end of Q2 2023. Please refer to the Strategic Review section for further comments.

## Financial position

Flight Services invested EUR 1.9 million in Q2 2023 in the Textron Aerosonde drone fleet to meet contractual obligations and deliver revenue on EMSA<sup>1</sup> OP<sup>2</sup> 46 and OP 5 contracts. Inventory increased in AirRobot with EUR 1.3 from previous quarter, to fulfil the delivery and production of AR-100 H drone systems and Heimdal Sensors. Delivery of the drone systems and the sensors are expected to start in Q3 and Q4 2023.

Total assets amounted to EUR 45.4 million. Total equity amounted to EUR 12.4 million, representing a book equity ratio of 27.3%.

Current assets amounted to EUR 10.5 million, and current liabilities amounted to EUR 30.2 million of which EUR 20.3 million relates to the use of the Group credit lines. EUR 11.7 million related to the use of the Group credit lines is payable more than one year in the future, however has been reclassified as current as the company has secured necessary waivers from secured lenders till end October 2023.

## Cash flow

Cash flow from operating activities was EUR 0.6 million for Q2 2023.

Net cash flow from investing activities in Q2 2023 was an outflow of EUR 3.1 million, of which EUR 1.9 million was related to investment in the Textron Aerosonde drones

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<sup>1</sup> European Maritime Safety Agency

<sup>2</sup> Operations contract

for Flight Services while EUR 1.2 million was related to intangibles, mainly the development of products and technology in the OEM<sup>3</sup>'s AirRobot and DroneMatrix.

Cash flow from financing activities was positive EUR 2.5 million in Q2 2023, related to draw down of the Group credit lines.

### **Estimated order backlog**

The estimated order backlog<sup>4</sup> at the end of Q2 2023 was EUR 63 million.

### **Going concern**

Based on the development of the performance of the underlying business operations, book value of assets and estimated order backlog, progress in ongoing strategic review and the constructive dialogue with financial and strategic parties, hereunder professional suppliers and secured lenders, and waivers till end October 2023 from the latter, it is the Board's assessment that the company continues to operate on a going concern basis as there is justified and reasonable grounds to assume that a sustainable solution is within reach and can be achieved in due course.

See note 8, going concern, for details.

### **Subsequent events**

The company provided an update to the market on 2<sup>nd</sup> July 2023 on the progress of the strategic review. As part of this update the 2023 revenue guiding was withdrawn.

Stig H. Christiansen was appointed CEO on 7<sup>th</sup> July 2023.

The company is in breach of its financial covenants under its loan facilities per Q2 2023. However, the company has secured waivers from its secured lenders till end October 2023 which includes deferred instalments for the same period.

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<sup>3</sup> Original Equipment Manufacturer

<sup>4</sup> (1) Contract backlog includes the maximum remaining estimated value of signed and/or awarded Master Service (call-off) contracts and signed contracts/PO's as of Q2 2023. Annual utilization under Master service Agreements s based on call offs, contract estimates based on historic utilization and client feedback. Master Service Agreements with no anticipated call-offs are not included.

(2) Nordic Unmanned cannot guarantee that these values will materialize as indicated, nor when they may materialize over the period



# Operational review

## Nordic Unmanned Flight Services (100% ownership)

*Nordic Unmanned Flight Services is a tech-agnostic flight services operator providing time-critical actionable data to large corporate and governmental customers.*

Unaudited figures in EUR '000	Q2 2023	Q2 2022	YTD 2023	YTD 2022
Operating revenue	4,407	4,491	5,442	6,501
<b>Adjusted EBITDA</b>	<b>1,133</b>	<b>-1,081</b>	<b>-1,891</b>	<b>-1,600</b>
Adjusted EBITDA %	26%	-24%	-35%	-25%
Non-recurring items	1,595	-	1,595	-
<b>EBITDA</b>	<b>-461</b>	<b>-1,081</b>	<b>-3,486</b>	<b>-1,600</b>
EBITDA%	-10%	-24%	-64%	-25%

Operationally, Flight Services started the quarter with two simultaneous deployments on the EMSA<sup>5</sup> OP<sup>6</sup> 46 with the Textron Aerosonde system. A third deployment will commence in August 2023.

The EMSA OP 5 contract will be delivered using the modified Aerosonde drone with vertical take-off and landing capabilities (Aerosonde Hybrid Quad). For the second quarter, investments have been made in preparing and training the crew and instructors for the Textron Aerosonde Hybrid Quad. The Aerosonde crew has now the capacity to run 3 simultaneous operations.

Activity level has been high on the EMSA OP 1 contract (lightweight capability), and during the quarter, the crew has been deployed on one European Fishery Control Agency vessel. This activity has increased to two deployments in July 2023.

During the quarter the Resale business sold Lockheed Martin Indago 3 drone systems to a German customer and received the first order for the Lockheed Martin Indago 4 system, including the AirRobot Heimdal sensor, to a European Ministry of Defence (MOD).

<sup>5</sup>European Maritime Safety Agency

<sup>6</sup> Operations project

EMSA was once again the largest customer of Flight Services in the quarter. Flight Services performed maritime surveillance work under the EMSA OP1, OP5, OP12 and OP46 contracts.

The crew flew longer flights and achieved 1.416 flight hours compared to 838 in the same period last year.

The activity in Ecoxy was at the same level in Q2 2023 as in Q2 2022. The business is currently subject to a strategic review and has consequently incurred non-recurring cost in the quarter.

NUAer delivered one set of emission monitoring sensor to SASEMAR (Maritime Safety and Rescue Society) integrated on a Camcopter S-100 drone.

### **Financial results**

Flight Services recorded revenues of EUR 4.4 million in the quarter, compared to EUR 4.5 million from Q2 2022, with the EMSA OP46 contract as the primary source of revenue. Adjusted EBITDA was positive EUR 1.1 million, compared to a loss of EUR 1.1 million in Q2 2022.

Flight Services has streamlined crewing to enhance cost-effectiveness and implemented a precise differentiation between operations and clients to establish a well-directed organisation. Measures initiated in 2022, have reduced expenses with EUR 1.2 million, at the same revenue levels, compared with the corresponding period last year.

Non-recurring cost of EUR 1.6 million was expensed, whereas EUR 0.8 million relates to other receivables and EUR 0.8 relates to personnel and other operating restructuring costs.

## ORIGINAL EQUIPMENT MANUFACTURER (OEM): AirRobot (100% ownership)

*AirRobot is an OEM with a leading product platform in lightweight drones tailored for defense & security.*

Unaudited figures in EUR '000	Q2 2023	Q2 2022	YTD 2023	YTD 2022
Operating revenue	1,843	547	2,903	887
EBITDA	601	-12	291	-34
EBITDA%	33%	-2%	10%	-4%

Growth in AirRobot is driven by the milestone-based progress of delivering the AR-100H drone system to the Bundeswehr (Mikado 2) and the Heimdal Sensor integrated into the Lockheed Martin Indago 4 drone (Tiquila). Significant milestones have been reached for both contracts, with the scheduled start of delivery of sensors and drones set for Q3 2023 and Q4 2023, respectively. Recurring revenue from MRO (Maintenance, repair and operations) and development activity for Bundeswehr (Mikado I) are contributing to the growth in activity and profitability in Q2 2023.

### Financial results

Revenue ended at EUR 1.8 million, a 237% increase from Q2 2022.

EBITDA ended at EUR 0.6 million, with a margin of 32,6%, compared to a minor loss in Q2 2022.

YTD 2023 revenue ended at EUR 2.9 million, an increase of 227%, while adjusted EBITDA ended at EUR 0.3 million, compared to a minor loss YTD 2022.

Investment in own technology (IP<sup>7</sup>) during the quarter was EUR 0.7 million.

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<sup>7</sup> Intellectual property

## ORIGINAL EQUIPMENT MANUFACTURER (OEM): DroneMatrix (55%\* majority ownership)

DroneMatrix is an OEM offering a fully integrated and autonomous drone system with proprietary software.

Unaudited figures in EUR '000	Q2 2023	Q2 2022	YTD 2023	YTD 2022
Operating revenue	371	n/a	584	n/a
<b>EBITDA</b>	<b>64</b>	<b>n/a</b>	<b>80</b>	<b>n/a</b>
<b>EBITDA%</b>	<b>17%</b>	<b>0%</b>	<b>14%</b>	<b>0%</b>

The first delivery of the Yacob drone system for Infrabel (national railway operator) was completed during the quarter.

During the quarter, DroneMatrix completed the installation of 6 Yacob drone systems in Port of Antwerp and began remote operations. The BVLOS<sup>8</sup> part of the remote operations is conducted through Nordic Unmanned Flight Services, utilizing the LUC<sup>9</sup>. Business development activities focus on global ports and other critical infrastructure.

DroneMatrix was awarded a large-scale counter UAV<sup>10</sup> project for a major financial institution in Belgium in Q2 2023. The project is scheduled for delivery in 2023 and has a contract value of Euro 0.6 million.

### Financial results

For the second quarter, revenue for DroneMatrix ended at EUR 0.4 million.

DroneMatrix was consolidated into the group in Q3 2022. EBITDA ended at positive EUR 0.1 million.

For YTD 2023, DroneMatrix ended with a revenue of EUR 0.6 million, with an EBITDA of EUR 0.1 million representing an EBITDA margin of 14 %.

\*) Nordic Unmanned has an obligation to acquire the remaining 45% by end 2025.

<sup>8</sup> Beyond Visual line of sight

<sup>9</sup> Light UAS Operator Certificate

<sup>10</sup> Unmanned Aviation Vehicle

# Strategy and Outlook

## Business Model

Nordic Unmanned has further simplified its business model into three strategic business segments;

- Flight Services (including Ecoxy, NUAer and Resale)
- AirRobot (Original Equipment Manufacturer)
- DroneMatrix (Original Equipment Manufacturer)

Each segment has a clear strategic plan, while complementing and supporting each other on key competencies such as technical, regulatory, operational, as well as on market and client approach.

## Strategy

Our strategy is to be a leader in the development, construction, provision, operation, and resale of environmentally friendly, cost effective and reliable unmanned aircraft systems and flight services, system integration and data collection.

Based on our technology and flight services, we meet our customers' needs across governmental agencies and large corporates for the purpose of protecting values and lives by providing surveillance, data capture and logistics in key geographical markets with main focus on Europe.

In the years ahead, as we grow our business, our main objectives are to build a more robust and less seasonal business model with a steady revenue stream. We will focus on growing and optimising fleet management for the flight services and sale of drones and payloads developed in-house at AirRobot and DroneMatrix.

## Outlook

Nordic Unmanned's estimated order backlog per end of Q2 2023 is EUR 63 million. This provides a strong basis for the company's continued operations and relations with key clients in Europe.

The drone solutions and services industry is anticipated to grow significantly in the years ahead, impacting the lives and work of many in numerous ways. In Europe, where Nordic Unmanned currently has its main focus, there are strong expectations for a significant expansion in the market. Nordic Unmanned's core strategy is to pursue a controlled and profitable growth.

The key drivers for the anticipated growth are an increasingly favourable regulatory environment in Europe, improved awareness and education, substantial environmental benefits, cost efficiencies as well as safety and security benefits, and continued technological advancements.

We believe that Nordic Unmanned is uniquely positioned given its license to operate, track record, technology and competence, and not least, trusted partners and competent clients. Pending the outcome of the strategic review, where the aim is to arrive at a sustainable financial solution for the company, we believe in continued and profitable growth in the years ahead.

## Disclaimer – forward looking statement

*In addition to historical information, this presentation contains statements relating to our future business, events and/or results. These “forward-looking” statements include certain estimates, assumptions and projections of Nordic Unmanned ASA (the “Company”), based on information currently available to the Company. All statements, other than statements of historical fact, are statements that could be deemed forward-looking statements, including statements preceded by, followed by words that include the words “estimate, “plan,” “project,” “forecast,” “intend,” “expect,” “predict,” “anticipate,” “believe,” “think,” “view,” “seek,” “target,” “goal” or similar expressions; any projections of earnings, revenues, expenses, synergies, margins or other financial items; any statements of the plans, strategies and objectives for future operations, including integration and any potential restructuring plans; any statements concerning proposed new products, services, developments or industry rankings; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing.*

*Forward-looking statements do not guarantee future performance and involve risks and uncertainties. By their nature, forward-looking information and statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company to differ materially from any future results, performance or achievements that may be expressed or implied by the forward-looking information and statements in this report. These forward-looking statements are based on the current estimates and projections of the Company. No update or revision will be made to forward-looking statements contained herein, whether as a result of new information, future events or otherwise. Although the Company believes that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies, which are impossible to predict and are beyond Company’s control, the Company cannot assure achievement or accomplishment of such expectations, beliefs or projections.*

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# Financial Statements

## Consolidated Statement of Income

Unaudited figures in EUR '000	Notes	Q2 2023	Q2 2022	YTD 2023	YTD 2022
<b>Total operating income</b>	<b>3.4</b>	<b>6,584</b>	<b>4,821</b>	<b>8,751</b>	<b>7,313</b>
Cost of goods sold		582	769	1,389	1,515
Personell expenses		3,785	3,550	6,951	5,850
Depreciation and amortisation expenses	5.6	1,515	1,322	3,012	2,334
Impairments	5.6	2,887	-	2,887	-
Other operating expenses		4,055	3,455	5,829	4,919
<b>Total operating expenses</b>		<b>12,825</b>	<b>9,095</b>	<b>20,067</b>	<b>14,619</b>
<b>Operating profit (loss)</b>		<b>-6,241</b>	<b>-4,274</b>	<b>-11,317</b>	<b>-7,305</b>
<b>Net financial income (expenses)</b>		<b>-34</b>	<b>-398</b>	<b>-638</b>	<b>-658</b>
<b>Income (loss) before tax</b>		<b>-6,275</b>	<b>-4,672</b>	<b>-11,955</b>	<b>-7,963</b>
Income tax expense (benefit)		867	-988	-202	-1,623
<b>Net income (loss)</b>		<b>-7,142</b>	<b>-3,684</b>	<b>-11,753</b>	<b>-6,340</b>
<b>Allocation of profit or loss:</b>					
Profit/loss attributable to non-controlling interests		-633	-62	-683	-116
Profit/loss attributable to the parent		-6,509	-3,622	-11,069	-6,224



# Consolidated Balance Sheet

Unaudited figures in EUR '000	Notes	30 Jun 2023	31 Dec 2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	6	2,986	3,308
Other intangible assets	6	9,650	12,507
<b>Total intangible assets</b>		<b>12,636</b>	<b>15,815</b>
Aircraft and spareparts	5	19,922	19,115
Assets under construction	5	83	453
Fixtures and fittings	5	1,488	1,730
Right-of-use assets		702	985
<b>Total tangible assets</b>		<b>22,195</b>	<b>22,284</b>
Other non-current assets		85	169
<b>Total non-current assets</b>		<b>34,915</b>	<b>38,267</b>
<b>Current assets</b>			
Inventory		3,100	1,819
Trade receivables		2,350	909
Other short-term receivables		4,508	4,131
Cash and cash equivalents		568	812
<b>Total current assets</b>		<b>10,526</b>	<b>7,671</b>
<b>TOTAL ASSETS</b>		<b>45,441</b>	<b>45,938</b>

# Consolidated Balance Sheet

EQUITY AND LIABILITIES	Notes	30 Jun 2023	31 Dec 2022
<b>Equity</b>			
Paid-in equity		51,163	50,323
Retained earnings		-38,637	-27,399
<b>Equity attributable to equity holders of the parent</b>		<b>12,525</b>	<b>22,923</b>
Non-controlling interests		-116	632
<b>Total equity</b>		<b>12,410</b>	<b>23,556</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	7	-	10,334
Non-current lease liabilities		510	715
Other non-current liabilities		2,118	2,080
Deferred tax liabilities		162	-
<b>Total non-current liabilities</b>		<b>2,789</b>	<b>13,129</b>
<b>Current liabilities</b>			
Trade payables		4,529	2,385
Interest bearing loans and borrowings	7	20,309	2,674
Current lease liabilities		306	369
Public duties payable		420	1,015
Other current liabilities		4,678	2,810
<b>Total current liabilities</b>		<b>30,241</b>	<b>9,253</b>
<b>Total liabilities</b>		<b>33,031</b>	<b>22,382</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>45,441</b>	<b>45,938</b>

# Consolidated Statement of Changes in Equity

Unaudited figures in EUR '000	Share capital	Share premium	Treasury shares	Retained earnings	Share-holders Equity	Non-Controlling Interests	Total Equity
<b>Balance at 1 January 2022</b>	2,632	33,068	-0	-9,060	26,639	958	27,597
Profit (loss) for the year				-19,577	-19,577	-325	-19,902
Issue of share capital	1,561	13,800			15,361		15,361
Share-based payments				443	443		443
Purchase of own shares			-737	737			-
Currency translation effects (OCI)				57	57	-0	57
<b>Balance as at 31 December 2022</b>	<b>4,192</b>	<b>46,868</b>	<b>-737</b>	<b>-27,399</b>	<b>22,923</b>	<b>632</b>	<b>23,556</b>
Profit (loss) for the period				-11,069	-11,069	-683	-11,753
Issue of share capital	148	692			840		840
Share-based payments				-206	-206		-206
Other equity				-	-	-64	-64
Currency translation effects (OCI)				38	38		38
<b>Balance as at 30 June 2023</b>	<b>4,340</b>	<b>47,560</b>	<b>-737</b>	<b>-38,637</b>	<b>12,525</b>	<b>-116</b>	<b>12,410</b>

# Consolidated Statement of Cash Flows

Unaudited figures in EUR '000

Cash flows from operating activities	Q2 2023	Q2 2022	YTD 2023	YTD 2022
<b>Profit or loss before tax</b>	-6,275	-4,672	-11,955	-7,963
<i>Adjustments to reconcile profit before tax to net cash flows:</i>				
Net financial income/expense	422	181	536	316
Depreciation and impairment	4,323	1,250	5,756	2,196
Amortisation and impairment of Right-of-use assets	79	71	142	138
Share-based payment expense	-	114	102	228
<i>Working capital adjustments:</i>				
Change in inventory	-1,191	280	-1,034	545
Changes in trade and other receivables	-2,156	-8	-2,350	-1,815
Changes in trade and other payables	3,641	1,126	2,057	875
Changes in provisions and other liabilities	1,746	-1,160	2,574	-727
<b>Net cash flows from operating activities</b>	<b>588</b>	<b>-2,818</b>	<b>-4,171</b>	<b>-6,207</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	-1,865	-1,568	-2,136	-7,000
Changes in capitalized intangible assets	-1,199	-878	-1,316	-2,186
Consideration paid in DroneMatrix and TeAx transaction (net of cash acquired)	-	-1,133	-	-1,133
<b>Net cash flow from investing activities</b>	<b>-3,065</b>	<b>-3,579</b>	<b>-3,451</b>	<b>-10,320</b>
<b>Cash flow from financing activities</b>				
Proceeds from issuance of equity	-	7,832	898	7,911
Transaction costs on issue of shares	-	-392	-58	-395
Net disbursements overdraft facility	1,122	-2,450	2,565	939
Proceeds from new debt (short / long term)	1,903	2,897	4,626	5,410
Repayment of debt (short / long term)	-29	-650	-59	-1,296
Payments of lease liability	-40	-85	-116	-166
Interest paid	-440	-163	-476	-284
<b>Net cash flows from financing activities</b>	<b>2,516</b>	<b>6,989</b>	<b>7,381</b>	<b>12,119</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>39</b>	<b>589</b>	<b>-241</b>	<b>-4,408</b>
Cash and cash equivalents at beginning of the period	530	610	812	5,594
Net foreign exchange difference	-1	-16	-3	-2
<b>Cash and cash equivalents, end of period</b>	<b>568</b>	<b>1,184</b>	<b>568</b>	<b>1,184</b>

# Notes

## **Note 1 General**

Nordic Unmanned ASA is a limited liability company incorporated and domiciled in Norway and whose shares are traded on the Euronext Growth market in Norway. 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 adaptation of unmanned systems and services.

## **Note 2 Basis of preparation**

The Condensed consolidated interim financial statements of Nordic Unmanned ASA and its subsidiaries (collectively, "the Group" or "Nordic Unmanned") for the period ended 30 June 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements do not include all the information required by IFRSs and should be read in conjunction with the Group's 2022 annual financial statements, which is publicly available at [www.nordicunmanned.com](http://www.nordicunmanned.com). The interim financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the financial position, results of operations and cash flows for the dates and interim periods presented. Interim period results are not necessarily indicative of results of operations or cash flows for an annual period. These interim financial statements have not been subject to review or audit by independent auditors. These interim financial statements were authorized for issue by the Company Board of Directors on 28 August 2023.

The interim 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 issued by the IASB and as endorsed by The European Union ("EU").

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value. 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 and Consolidated statement of financial position.

### **Presentation currency and functional currency**

The consolidated financial statements are presented in Euros (EUR), which is also the functional currency of the parent company.

For presentation purposes, 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.

### **Note 3 Revenue**

Revenue from contracts with customers is recognized when control of the goods or services is 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 recognized 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 is

recognized 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 recognized over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

#### **Note 4 Segment**

In general, seasonal factors influence our Flight Service's operations. Weather conditions during parts of the year, mainly the first and fourth quarter of the year, could adversely impact on the operational utilization of the Flight service's operations.

The Original Equipment Manufacturers (AirRobot/DroneMatrix) do not experience the same seasonality issues as the Flight Services segment.

DroneMatrix was first included as part of the Group in Q3 2022.

*Unaudited figures in EUR '000*

	<b>Flight Services</b>	<b>AirRobot</b>	<b>DroneMatrix</b>	<b>Group Costs*</b>	<b>Total</b>
<b>Q2 2023</b>					
Revenues	4,407	1,843	371	-38	6,584
<b>EBITDA</b>	<b>-461</b>	<b>601</b>	<b>64</b>	<b>-2,043</b>	<b>-1,839</b>
<b>Q2 2022</b>					
Revenues	4,491	547		-217	4,821
<b>EBITDA</b>	<b>-1,081</b>	<b>-12</b>		<b>-1,860</b>	<b>-2,953</b>
<b>YTD 2023</b>					
Revenues	5,442	2,903	584	-179	8,751
<b>EBITDA</b>	<b>-3,486</b>	<b>291</b>	<b>80</b>	<b>-2,302</b>	<b>-5,418</b>
<b>YTD 2022</b>					
Revenues	6,501	887		-75	7,313
<b>EBITDA</b>	<b>-1,600</b>	<b>-34</b>		<b>-3,337</b>	<b>-4,971</b>

\*Group Costs include Intercompany transactions eliminated on Group level. Group costs are not allocated to the business segments.

## Note 5 Property, plant, and equipment.

Regarding Q2 2023, the disposal pertains to an event eligible for insurance coverage, with the insurance claim set to be resolved and paid in Q3 2023.

We review the carrying value of our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be appropriate. Recoverability of the carrying value of the Schiebel Camcopter S-100 drone systems has been assessed. An impairment loss of EUR 0.5 million has been recognised in Q2 2023, mainly by considering prevailing market resale rates and recent market transactions.

Unaudited figures in EUR '000	Fixtures, fittings and tools	Aircraft and spareparts	Assets under construction	Total
<b>Cost as at 31 December 2022</b>	<b>3,054</b>	<b>22,367</b>	<b>453</b>	<b>25,874</b>
Additions	49	329	2,002	2,379
Transfer	-	2,372	-2,372	-
Disposals	-	-348	-	-348
<b>Cost as at 30 June 2023</b>	<b>3,103</b>	<b>24,720</b>	<b>83</b>	<b>27,906</b>

<b>Depreciation and impairment as at 31 December 2022</b>	<b>1,324</b>	<b>3,252</b>	<b>-</b>	<b>2,279</b>
Depreciation	291	1,123	-	1,414
Disposals	-	-77	-	-77
Impairment	-	500	-	500
<b>Depreciation and impairment as at 30 June 2023</b>	<b>1,615</b>	<b>4,798</b>	<b>-</b>	<b>6,413</b>

### Net book value:

<b>At 31 December 2022</b>	<b>1,730</b>	<b>19,115</b>	<b>453</b>	<b>21,298</b>
<b>At 30 June 2023</b>	<b>1,488</b>	<b>19,922</b>	<b>83</b>	<b>21,493</b>

Economic life (years)	3-5	5-10	
Depreciation plan	Straight-line method	Straight-line method	No depreciation



## Note 6 Intangible assets

During Q2 2023 the Group recognised impairment of investments in NUAer AS, Ecoxy AS and Nordic Unmanned North America as a part of the Group's ongoing strategic review. Discontinued operations in USA are presented as impairment of receivables and the associated impairments in NUA'er and Ecoxy are recognised as impairment of intangible assets.

Impairment indicators are present at NUA'er, due to the uncertainty related to tender processes and anticipated start on potential tenders awarded. Relevant future cash flows have been difficult to estimate for the long run. Impairments will be reversed if estimates of recoverable amounts can be made using long-term assumptions.

In determining the fair value of Ecoxy, the recent strategic review and the sale of non-strategic assets are considered.

Unaudited figures in EUR '000	Development	Concessions, patents and	Goodwill	Total
<b>Cost as at 31 December 2022</b>	<b>11,670</b>	<b>6,710</b>	<b>3,368</b>	<b>21,748</b>
Additions	646	16	-	662
Adjusted PPA cost	-128	-	-	-128
<b>Cost as at 30 June 2023</b>	<b>12,188</b>	<b>6,726</b>	<b>3,368</b>	<b>22,282</b>

<b>Amortization and impairment as at 31 December 2022</b>	<b>4,600</b>	<b>1,273</b>	<b>60</b>	<b>5,933</b>
Amortization	767	543	-	1,310
Impairment	432	1,535	321	2,289
<b>Amortization and impairment as at 30 June 2023</b>	<b>5,800</b>	<b>3,351</b>	<b>382</b>	<b>9,532</b>

### Net book value:

<b>At 31 December 2022</b>	<b>7,070</b>	<b>5,437</b>	<b>3,308</b>	<b>15,815</b>
<b>At 30 June 2023</b>	<b>6,389</b>	<b>3,375</b>	<b>2,986</b>	<b>12,749</b>

Economic life (years)	5-10	5-10	
Amortization plan	Straight-line method	Straight-line method	No Amortization

## Note 7 Maturity of financial liabilities

Contractual undiscounted cash flows from financial liabilities are presented below. 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" are presented including expected interest based on latest known applicable interest rate.

Unaudited figures in EUR '000	Remaining contractual maturity		
	1-12 months	More than 1 year	Total
<b>Q2 2023 Interest bearing loans and borrowings</b>			
SR-bank	12,400	-	12,400
Innovasjon Norge	2,050	-	2,050
Other	3,162	-	3,162
<b>Total liabilities from financing</b>	<b>17,612</b>	<b>-</b>	<b>17,612</b>
<b>Credit facilities</b>			
		<b>Q2 2023</b>	<b>31 Dec 2022</b>
Undrawn amount credit facilities		599	5,106

The following financial covenants are applicable to The Group at Q2 2023:

- Equity ratio of minimum 40% (Total assets / Total equity)
- Long-term debt to credit institutions to fixed assets ratio below 60% (LT debt / BV of fixed assets)
- Positive working capital

Liabilities are generally classified as current if their maturity is within one year and as non-current liability if their maturity is beyond one year of the balance sheet date. The Group is not in compliance with all covenants as of Q2 2023, however the company has received waivers from its secured lenders till end October 2033. Next year's instalment on non-current interest-bearing debts has consequently been classified as current liabilities. Financial liabilities relate to the use of the Group credit lines. EUR 11.7 million related to the use of the Group credit lines is payable more than one year in the future, however has been reclassified as current for reasons outlined above.

**Note 8 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 Group is not in compliance with the banks' loan covenants and the current working capital is negative. These conditions give rise to a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern.

However, there is positive development of the underlying business operations, progress is made in the ongoing Strategic Review and the dialogue with secured lenders is constructive and waivers are received till end October 2023 which corresponds with anticipated progress milestones towards a sustainable financial and strategic solution. It is likely that a final solution may include equity raise and/or sale of assets. The target remains to arrive at a sustainable capital structure and strategic solution for the company by end 2023. It is the Board's assessment that the company continues to operate on a going concern basis as there is justified and reasonable grounds to assume that a sustainable solution is within reach and can be achieved in due course.

**Note 9 Subsequent events**

The company provided an update to the market on 2nd July 2023 on the progress of the strategic review. As part of this update the 2023 revenue guiding was withdrawn.

Stig H. Christiansen was appointed CEO on 7<sup>th</sup> July 2023.

The company are in breach of its financial covenants under its loan facilities per Q2 2023. However, the company has secured waivers from its secured lenders till end October 2023 which includes deferred instalments for the same period.

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