Sky-Watch A/S

Østre Alle 6, 9530 Støvring

CVR no. 32 65 38 47

Annual report 2022

Approved at the Company's annual general meeting on 26 May 2023

Chair of the meeting:

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Søren Pedersen

Contents

Statement by Management

The Board of Directors and the Executive Board have today discussed and approved the annual report of Sky-Watch A/S for the financial year 1 January – 31 December 2022.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of its operations for the financial year 1 January – 31 December 2022.

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

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

Støvring, 26 May 2023
Executive Board:

Martin Schousboe

Board of Directors:

Per-Erik Edvard Svehag Chair	Søren Pedersen	Niels Jesper Jespersen Jensen

Independent auditor's report

To the shareholder of Sky-Watch A/S

Opinion

We have audited the financial statements of Sky-Watch A/S for the financial year 1 January – 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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

Basis for opinion

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement 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, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Aalborg, 26 May 2023
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Hans B. Vistisen State Authorised Public Accountant mne23254	Mads Obel Knøsgaard State Authorised Public Accountant mne49041

Management's review

Company details

Name	Sky-Watch A/S
Address, postal code, city	Østre Alle 6, 9530 Støvring
CVR no.	32 65 38 47
Established	1 December 2009
Registered office	Rebild
Financial year	1 January – 31 December
Board of Directors	Per-Erik Edvard Svehag, Chair Søren Pedersen Niels Jesper Jespersen Jensen
Executive Board	Martin Schousboe
Auditors	EY Godkendt Revisionspartnerselskab Vestre Havnepromenade 1A, 9000 Aalborg

Management's review

Operating review

Principal activities

The purpose of Sky-Watch A/S is to develop and commercialize market leading mini UAS (Unmanned Aerial Systems) for professional users, primarily in the Defence & Security segment. The Company collaborates with world leading corporations to develop leading edge system components and solutions and serves a growing international customer base.

Development in activities and financial matters

Business review

The Russian invasion in Ukraine in February 2022 has directly and indirectly caused an increase in demand for Sky-Watch solutions. The extent of confirmed sales contracts for delivery in 2023 is strong and both significant growth and a positive result for 2023 is expected.

Supporting the increased activity level and projected growth an expansion of both facilities and organization has been initiated from the beginning of 2023.

Throughout 2022, and into 2023, the Sky-Watch product and technology platform has continued to improve, and an increased spectrum of Defence & Security features and value propositions have been added to the Company's offerings.

In March 2022, the Company was acquired by US based AIRO Group Holdings, Inc. The AIRO Group business model is to consolidate ownership of several companies in the aerospace segment. AIRO Group Holdings, Inc. is in process to go public on Nasdaq (New York) through a merger with blank-check (SPAC) Company Kernel Group Holdings. The merged company, to be known as AIRO Group, will have businesses aligned with avionics, advanced air mobility, uncrewed air systems (UAS) and training.

Financial review

Sky-Watch A/S incurred a profit after tax of DKK 5,503 thousand in the fiscal year 2022. This represents a significant improvement from DKK 23,528 thousand in losses in fiscal year 2021.

Financial position and going concern

As of 31 December 2022, the total cash position was DKK -11,103 thousand (comprising cash, bank debt and other credit institutions), the loss before tax in 2022 was DKK -8,982 thousand and the balance sheet shows equity of DKK 2,377 thousand.

In 2022, the Company entered a finance contract with Dangroup ApS ensuring a loan facility of DKK 33,000 thousand until 30 June 2023, of which DKK 11,250 thousand was utilized as of 31 December 2022.

Management expects a material positive result according to forecast for 2023 based on the above-mentioned orders already placed for delivery in the remainder of 2023 and, according to forecasts, a restraining of these earnings in 2024 and 2025.

The Company believe its cash position and the liquidity from its planned activities and operations in 2023, external borrowings and other current sources are sufficient to satisfy its working capital requirements at least until 31 December 2023.

Based on these assumptions, the Executive Board and Board of Directors have prepared the Financial Statements based on a going concern assumption.

Deferred tax

The Company has a deferred tax asset of approximately DKK 13.8 million as of 31 December 2022, which primarily relates to open-ended carry-forward tax losses. Based on the forecast for 2023 and forecasts for 2024-2025, management has chosen to fully recognize the tax asset in the balance sheet as of 31 December 2022. As of 31 December 2021, no tax asset was recognised in the balance sheet. The recognition of the tax asset therefore results in an income of approximately DKK 13.8 million under tax on the profit for the year in the income statement.

Management's review

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Financial statements 1 January – 31 December

Income statement

Note	DKK'000	2022	2021
	Gross profit/loss	13,343	-4,801
4	Staff costs	-20,163	-17,548
	Amortisation of intangible assets, depreciation of property, plant and equipment and impairment losses	-297	-381
	Profit/loss before net financials	-7,117	-22,730
	Financial expenses, group enterprises	-1,000	-3,880
	Financial expenses	-865	-151
	Profit/loss before tax	-8,982	-26,761
5	Tax for the year	14.485	3,233
	Profit/loss for the year	5.503	-23,528
	Proposed distribution of profit/loss		
	Retained earnings	5,503	-23,528
		5,503	-23,528

Financial statements 1 January – 31 December

Balance sheet

Note	DKK'000	2022	2021
	ASSETS		
	Fixed assets		
6	**Intangible assets**		
	Acquired Intangible assets	13	103
		13	103
7	**Property, plant and equipment**		
	Plant and machinery	244	174
	Other fixtures and fittings, tools and equipment	48	57
	Leasehold improvements	67	188
		359	419
	Total fixed assets	372	522
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	3,136	3,787
	Finished goods and goods for resale	1,929	1,445
		5,065	5,232
	Receivables		
	Trade receivables	105	784
8	Deferred tax	13,763	0
	Income taxes receivable	708	3,234
	Other receivables	282	511
	Deferred income	310	233
		15,168	4,762
	Cash	284	29
	Total current assets	20,517	10,023
	TOTAL ASSETS	20,889	10,545

Financial statements 1 January – 31 December

Balance sheet

Note	DKK'000	2022	2021
	EQUITY AND LIABILITIES		
	Equity		
9	Share capital	1,000	1,000
	Retained earnings	1,377	-103,198
	Total equity	2,377	-102,198
	Provisions		
	Other Provisions	108	0
	Total provisions	108	0
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Bank debt	137	6,388
10	Other credit institutions	11,250	0
	Prepayments received from customers	154	0
	Trade payables	940	647
	Payables to group entities	0	100,601
	Other payables	5,923	5,107
		18,404	112,743
	Total liabilities other than provisions	18,404	112,743
	TOTAL EQUITY AND LIABILITIES	20,889	10,545

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Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total
Equity at 1 January 2021	1,000	-79,670	78,670
Transferred; see distribution of profit/loss	0	-23,528	-23,528
Equity at 1 January 2022	1,000	-103,198	-102,198
Transferred; see distribution of profit/loss	0	5,503	5,503
Other transactions with shareholders	0	99,072	99,072
Equity at 31 December 2022	1,000	1,377	2,377

As of 28 March 2022, the Company was released from its debt towards Dangroup ApS (the previous parent company), amounted to DKK 99,072 thousand. As Dangroup ApS at the time of the debt release was shareholder in the Company, and the substance of the transaction includes a contribution to the Company, the transaction is recognized directly in equity.

Financial statements 1 January – 31 December

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1 Accounting policies

The annual report of Sky-Watch A/S for 2022 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

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

Presentation currency

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

Foreign currency translation

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

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

Fixed assets acquired in foreign currency are measured at the exchange rate at the transaction date.

Income statement

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

On the conclusion of sales contracts that consist of several separate sales transactions, the contract price is split up into the individual sales transactions based on the relative fair value approach. The separate sales transactions are recognised as revenue when the criteria for sale of goods and services are met.

A contract is split up into individual transactions when the fair value of each individual sales transaction can be estimated reliably and when each individual sales transaction represents a stand-alone value for the buyer. Sales transactions are deemed to have a stand-alone value for the buyer when the transaction is individually identifiable and sold separately.

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

Revenue from the sale of goods

Income from the sale of goods for resale and finished goods, including sale of mini UAS (Unmanned Aerial Systems), is recognised in revenue when the most significant rewards and risks have been transferred to the buyer, the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2020.

Income from the sale of goods where installation is a prerequisite for considering significant risks to have been transferred to the buyer is recognised in revenue when the installation is complete.

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Notes

1 Accounting policies (continued)

Revenue from the sale of services

Income from the sale of services, which include service contracts, is recognised in revenue on a straight-line basis as the services are rendered because the services are rendered in the form of an indefinite number of actions over a specified period of time. Revenue corresponds to the selling price of the services rendered in the year (percentage of completion method).

Gross profit/loss

The items revenue, cost of sales and other external costs have been aggregated into one item called gross loss in accordance with section 32 of the Danish Financial Statements Act.

Cost of sales

Cost of sales comprise costs incurred in generating revenue for the year. Such costs include direct costs of raw materials and consumables and wages and salaries.

Other external costs

Other external costs comprise costs of distribution, sale, advertising, administration, premises etc.

Other external costs also comprise research and development costs that do not qualify for capitalisation and payments relating to operating leases.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance and pensions, and other social security costs, etc., for the Company's employees.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. The items comprise interest income and expense, realised and unrealised gains and losses payables and transactions denominated in foreign currencies as well as surcharges and refunds under the on-account tax scheme, etc.

Tax for the year

Tax for the year comprises current tax for the year on expected taxable income and deferred tax adjustment for the year. The tax expense for the year relating to the profit/loss for the year is recognised in the income statement and the tax expense relating to transactions recognised directly in equity.

Until 28 March 2022, the entity was jointly taxed with other Danish group entities. The total Danish income tax charge for the period 1 January 2022 to 28 March 2022 is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

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1 Accounting policies (continued)

Balance sheet

Intangible assets

On initial recognition, intangible assets are measured at cost.

Acquired intangible assets consist of software. Software is measured at cost less accumulated amortisation and impairment losses. Software is amortised on a straight-line basis over the term of the licence, however not exceeding 5-7 years.

Gains and losses on the disposal of intangible assets are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Property, plant and equipment

Plant and machinery and fixtures and fittings, tools and equipment and leasehold improvements are measured at cost less accumulated depreciation and impairment losses, if any.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

The basis of depreciation is calculated as cost and depreciated on a straight-line basis over the expected useful life. The expected useful lives of the assets are as follows:

Plant and machinery	5 – 15 years
Other fixtures and fittings, tools and equipment	3 – 8 years
Leasehold improvements	3 – 5 years

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

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

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

Leases that do not transfer substantially all the risks and rewards incident to ownership to the entity are operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's total liabilities relating to operating leases and other leases are disclosed under contingencies.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment is tested annually for indication of impairment other than the decrease in value reflected by amortisation/depreciation made.

Impairment tests are conducted on individual assets or cash-generating units when there is indication of impairment. Write-down is made to the lower of the recoverable amount and carrying amount.

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs and other costs directly related to the purchase.

Finished goods are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries as well as direct production costs. Production overheads and borrowing costs are not included in cost.

The net realisable value of inventories is determined as the selling price less any discounts, costs of completion and costs incurred to effect the sale, taking into account marketability, obsolescence and developments in the expected selling price.

Receivables

The Company has chosen IAS 39 as interpretation for impairment write-down of financial receivables.

Receivables are measured at amortised cost.

Write-down for bad and doubtful debts is made when there is objective evidence that a receivable has been impaired.

The Company's tax account deposits are classified as "Other receivables".

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Cash

Cash comprise cash.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Equity

Proposed dividend

Proposed dividend is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the year is presented as a separate line item in equity.

Provisions

Provisions comprise anticipated costs related to warranties. Provisions are recognised when the Company has a legal or constructive obligation as a result of a past event at the balance sheet date, and it is probable that an outflow of the Company's resources embodying economic benefits will be required to settle the obligation. Provisions for warranty commitments are measured at net realisable value and recognised based on past experience.

Corporation tax and deferred tax

Current tax payables and receivables are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on taxable income in previous years and tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carry-forwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Prepayments received from customers

Prepayments received from customers include deferred revenue where payment has been received for later sales of goods and services but delivery has not yet taken place.

Liabilities other than provisions

The Company has chosen IAS 39 as interpretation for recognition and measurement of liabilities.

Financial liabilities are recognised at the date of borrowing at the proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Financial statements 1 January – 31 December

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2 Financial position and going concern

In connection with the presentation of the 2022 annual report, the Executive Board and Board of Directors have assessed whether it is justified that the going concern assumption is taken as a basis.

As of 31 December 2022, the total cash position was DKK -11,103 thousand (comprising cash, bank debt and other credit institutions), the loss before tax in 2022 was DKK -8,982 thousand and the balance sheet shows equity of DKK 2,377 thousand.

In 2022, the Company entered a finance contract with Dangroup ApS ensuring a loan facility of DKK 33,000 thousand until 30 June 2023, of which DKK 11,250 thousand was utilized as of 31 December 2022.

Management expects a material positive result according to forecast for 2023 based on orders already placed for delivery in the remainder of 2023 and, according to forecasts, a restraining of these earnings in 2024 and 2025.

The Company believe its cash position and the liquidity from its planned activities and operations in 2023, external borrowings and other current sources are sufficient to satisfy its working capital requirements at least until 31 December 2023.

Based on these assumptions, the Executive Board and Board of Directors have prepared the Financial Statements based on a going concern assumption.

3 Special items

Special items comprise significant income and expenses of a special nature relative to the Company's revenue-generating operating activities. Special items may comprise expenses incurred for extensive structuring of processes and basic structural adjustments as well as any related disposal gains and losses, that have a material impact over time. Special items also comprise significant one-off items that, in Management's opinion, do not form part of the Company's primary operating activities and that are deemed not to be recurring.

As mentioned in the Management's review, profit for the year is affected by recognition of deferred tax asset (income). Please refer to note 8. As Management does not consider this matter part of the operating activities, it has been included in this note.

Special items for the year are specified below, including the line items in which they are recognised in the income statement.

DKK'000	2022	2021
Income		
Recognition of deferred tax asset	13,763	0
	13,763	0
Special items are recognised in the below line items		
Tax for the year	13,763	0
Net profit from special items	13,763	0

Financial statements 1 January – 31 December

Notes

	DKK'000	2022	2021
4	**Staff costs**		
	Wages and salaries	17,722	15,493
	Pensions	1,894	1,659
	Other social security costs	236	220
	Other staff costs	311	176
		20,163	17,548
	Average number of full-time employees	32	29
5	**Tax for the year**		
	Estimated tax charge for the year	-708	-3,232
	Deferred tax adjustments in the year	-13,763	0
	Prior year tax adjustment	-14	-1
		-14,485	-3,233

Development costs cause a part of the tax loss for the year. According to the Danish tax legislation, the tax value (22%) of development costs up to DKK 25,000 thousand can be paid out after the year's taxable income is filed. Accordingly, the tax loss carried forward is reduced.

6 Intangible assets

DKK'000	Acquired intangible assets
Cost at 1 January 2022	757
Cost at 31 December 2022	757
Amortisation and impairment losses at 1 January 2022	654
Depreciation and amortisation	90
Amortisation and impairment losses at 31 December 2022	744
Carrying amount at 31 December 2022	13

7 Property, plant and equipment

DKK'000	Plant and machinery	Fixtures and fittings, tools and equipment	Leasehold improveme nts	Total
Cost at 1 January 2022	540	710	813	2,063
Additions	108	38		146
Disposals	0	-165	0	-165
Cost at 31 December 2022	648	583	813	2,044
Amortisation and impairment losses at 1 January 2022	366	653	625	1,644
Depreciation and amortisation	38	47	121	206
Depreciation, assets sold	0	-165	0	-165
Amortisation and impairment losses at 31 December 2022	404	535	746	1,685
Carrying amount at 31 December 2022	244	48	67	359

Financial statements 1 January – 31 December

Notes

8 Deferred tax

Deferred tax relates to:

DKK'000	Carrying amounts	Tax values	Temporary differences
Intangible assets	3	0	-3
Property, plant and equipment	79	124	45
Tax loss carry forwards	0	13,721	13,721
	82	13,845	13,763

The Company has a deferred tax asset of approximately DKK 13.8 million as of 31 December 2022, which primarily relates to open-ended carry-forward tax losses. Based on the forecast for 2023 and forecasts for 2024-2025, management has chosen to fully recognize the tax asset in the balance sheet as of 31 December 2022. As of 31 December 2021, no tax asset was recognised in the balance sheet. The recognition of the tax asset therefore results in an income of approximately DKK 13.8 million under tax on the profit for the year in the income statement.

Management expects a material positive result according to forecast for 2023 based on orders already placed for delivery in the remainder of 2023 and, according to forecasts, a restraining of these earnings in 2024 and 2025.

Based on this, management expects that the recognised deferred tax asset can be utilised within a period of 3 years. By its nature, there is uncertainty attached to expected future earnings. Management assesses that the valuation of the Company's deferred tax asset as of 31 December 2022 is sound.

DKK'000	2022	2021
9 Share capital		
The share capital comprises:		
1,000,000 shares of DKK 1.00 nominal value each	1,000	1,000
	1,000	1,000

10 Other credit institutions

In 2022, the Company entered a finance contract with Dangroup ApS ensuring a loan facility of DKK 33,000 thousand until 30 June 2023, of which DKK 11,250 thousand was utilized as of 31 December 2022.

11 Contractual obligations and contingencies, etc.

Other contingent liabilities

Share options comprising 30,900 shares have been granted to the Executive Board. The subscription period expires 30 April 2023. No shares have been subscribed in 2023.

Until 28 March 2022, the Company was jointly taxed with the other Danish enterprises in Dangroup ApS group. As of 29 March 2022, the company is not subject to joint taxation. As a consolidated enterprise, together with the other consolidated enterprises included in the joint taxation, the Company has joint and several unlimited liability for Danish corporation taxes. Any subsequent corrections of joint taxation income, etc., may entail that the Company's liability will increase.

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Notes

Operating lease commitments

The company has entered into rent agreements with a remaining term of 3-6 months and with a total obligation of 453 t.kr.

Lease liabilities on operating assets during the notice period total DKK 140 thousand.

12 Collateral

The company has provided security in bank deposits for DKK 94 thousand to Business Park Nord A/S.

13 Related parties

Sky-Watch A/S' related parties comprise the following:

Parent

Airo Group Holdings, Inc., 1209 Orange Street Wilmington, New Castle County Delaware 19801, United States of America.

Sky-Watch A/S is included in the consolidated financial statements of Airo Group Holdings, Inc. Requisition of the parents consolidated financial statements at https://theairogroup.com/investor-relations/.

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."

Martin Schousboe
Executive Board
On behalf of: SkyWatch AS
Serial number: PID:9208-2002-2-540702727603
IP: 178.72.xxx.xxx
2023-05-26 09:47:36 UTC

Niels Jesper Jespersen Jensen
Board of Directors
On behalf of: SkyWatch AS
Serial number: 0e07afd8-25ef-4486-a051-e80e1ee94207
IP: 178.155.xxx.xxx
2023-05-26 10:35:08 UTC

Edvard Per Erik Svehag
Board of Directors
On behalf of: Sky-Watch A/S
Serial number: ce4f5df7-994a-46ba-b03c-88aafe5dc17c
IP: 62.243.xxx.xxx
2023-05-26 10:53:21 UTC

Søren Pedersen
Chairman
On behalf of: Sky-Watch A/S
Serial number: 51d82ef2-a313-4573-afd5-ecd4944e3b43
IP: 93.161.xxx.xxx
2023-05-26 11:09:14 UTC

Søren Pedersen
Board of Directors
On behalf of: Sky-Watch A/S
Serial number: 51d82ef2-a313-4573-afd5-ecd4944e3b43
IP: 93.161.xxx.xxx
2023-05-26 11:09:14 UTC

Hans B. Vistisen
State Authorised Public Accountant
On behalf of: EY Godkendt Revisionspartnerselskab
Serial number: CVR:30700228-RID:1265980830427
IP: 145.62.xxx.xxx
2023-05-26 11:51:39 UTC