

MyDefence ApS

Sundsholmen 25, 9400 Nørresundby

CVR no. 35 53 08 43

Annual report 2020

Approved at the Company's annual general meeting on 19 April 2021

Chair of the meeting:

.....
Claus Christensen





Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	6
Financial statements 1 January - 31 December	9
Income statement	9
Balance sheet	10
Statement of changes in equity	12
Notes to the financial statements	13

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of MyDefence ApS for the financial year 1 January - 31 December 2020.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020.

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

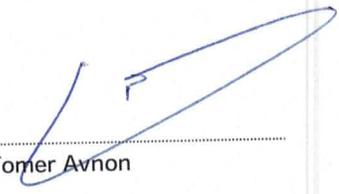
We recommend that the annual report be approved at the annual general meeting.

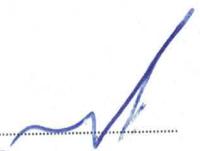
Nørresundby, 19 April 2021
Executive Board:

.....
Dan Dejgård Sommerlund
Hermansen

Board of Directors:

.....
Claus Christensen
Chair

.....

Tomer Avnon

.....

Aviad Matza

.....
Freddy Sørensen

.....
Rasmus Hans Jensen

.....
Karsten Anderskov Madsen

.....
Christian Steiø

Independent auditor's report

To the shareholders of MyDefence ApS

Opinion

We have audited the financial statements of MyDefence ApS for the financial year 1 January - 31 December 2020, 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 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We 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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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 the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional 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 Statement Act. We did not identify any material misstatement of the Management's review.

Independent auditor's report

Non-compliance with the provisions of Danish law regarding shareholder loans

The Company has granted a loan of DKK 16 thousand to one of its shareholders, thus breaching section 210 of the Danish Companies Act, and Management may incur liability in this respect. After the balance sheet date the shareholder has paid back the receivable to MyDefence ApS.

Aalborg, 19 April 2021
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Hans B. Vistisen
State Authorised Public Accountant
mne23254



Management's review

Company details

Name	MyDefence ApS
Address, Postal code, City	Sundsholmen 25, 9400 Nørresundby
CVR no.	35 53 08 43
Established	14 November 2013
Registered office	Aalborg
Financial year	1 January - 31 December
Board of Directors	Claus Christensen, Chair Tomer Avnon Aviad Matza Freddy Sørensen Rasmus Hans Jensen Karsten Anderskov Madsen Christian Steinø
Executive Board	Dan Dejgård Sommerlund Hermansen
Auditors	EY Godkendt Revisionspartnerselskab Vestre Havnepromenade 1A, 9000 Aalborg, Denmark

Management's review

Business review

The Company's purpose is to research in the field of telecommunication, as well as development, production and sale of electronical equipment.

Financial review

The income statement for 2020 shows a profit of DKK 7 thousand against a loss of DKK 1,352 thousand last year, and the balance sheet at 31 December 2020 shows equity of DKK 11,784 thousand. The result follows the strategy from 2019, where a break-even was set as the ultimate goal for 2020.

Completed development projects includes the products Wingman, Watchdog, Wolfpack, Sparrow, Eagle, Dobermann, Pitbull, Locus, Iris and Argos. The carrying amount is DKK 32,912 thousand by 31. december 2020 and comprises ten products (three systems). The systems are depreciated over 10 years. Management has high expectations for the future sales of the systems and has not identified an indication of impairment in relation to the carrying amount.

Development projects in progress primarily include development and testing of new products. The relating expenses primarily consist of internal expenses in the form of payroll costs and production overheads, which are recorded through the Company's internal project module. The carrying amount totalled DKK 2,750 thousand at 31 December 2020. The development of the systems is expected to be complete in 2021 and 2022 after which time marketing and selling efforts will be made.

The new systems are expected to result in considerable competitive advantages and, hence, a significant increase in the level of activity and results of operations from 2021.

The development projects are partly financed by grants, amounting to DKK 21,891 thousand as of 31 December 2020, which is presented as deferred income in the financial statement. The net value of the development projects amounts to DKK 13,771 thousand as of 31 December 2020.

Grants totalling DKK 1,367 thousand has been set of in the development projects as of 31. December 2020.

In November 2020 subject to an investment agreement an investor is to invest in MyDefence ApS in the amount of EUR 2,000 thousand in total by share subscription (capital injection) of 26 % of the company's share capital corresponding to nominally DKK 58,703.10 new shares. The investment is to be completed by subscription of shares in the company in up to six instalments (tranches). The first og second tranche, nominally DKK 23.481, were completed in November and December 2020. The remaining subscriptions are to be completed from January to April 2021.

Sales and business development

The anti-drone market is still evolving in spite of Covid-19. The short term effects of COVID-19 on the anti-drone market is expected to have an impact, especially on the aviation segments like airports and airplanes, but on long term these are expected to come back with new budgets for quick implementations.

The demand is increasing, and the market is showing many maturity signs. In 2020 we have seen numerous large tenders being released from various authorities worldwide, for protection of prisons, borders, and critical infrastructure. Our focus on scalable and modular solutions have proven effective in covering larger areas at lower cost which gives a positive expectation for our position in this market.

The demand for VIP protection and vehicle integration is also increasing, and our compact solutions are very well equipped for these specific segments.

Through our partnerships with prime vendors like General Dynamics Land Systems and end-to-end solution providers like Skylock Systems, MyDefence is well positioned as supplier of both specialized equipment and complete solutions on a Worldwide basis.

Management's review

Research & development activities

The year 2020 has been substantial for the company in terms of development goals achieved.

MyDefence started up the 3 year EU-project from the prestigious Marie Curie research program together with a consortium of prominent partners from private and academia. In the project, referred to as "MOTOR5G", MyDefence is researching on advancing its antenna technologies by using metamaterials to reduce size while increasing accuracy and range. The outcome is expected to have a direct usage in the future products.

The Innobooster project with Innovation Fund Denmark has led to several technological advancements in the wearable products program for Wingman and Pitbull that have been directly implemented and secured increased sales in 2020, both from EU countries and from the US Foreign Military Sales (FMS) program.

The MyDefence Command and Control (C2) system continues to advance forward. In 2020, the user interface (Iris) and the sensor fusion backend (Argos), have been consistently used by customers and partners, which have provided valuable feedback for further improvements. Several ODM partners are now using the MyDefence C2-system to enable anti-drone equipment as part of their overall solution. The C2-system is now also including several 3rd party equipment like radars, cameras and jammers.

The new RF direction finding product called Wolfpack has been demonstrated for several customers in late 2020 and already received substantial orders for delivery in 2021. Our series of ruggedized sensors and jammers for armored vehicles was successfully completed and deployed with the first customer.

Cash resources etc.

In the financial year 2020, the Company realised a loss before tax of DKK 299 thousand. In accordance with the budget for 2020, Management expected a loss before tax at that level. The loss for the year thus lives up to Management's expectations at the beginning of 2020. Due to the capital increases in November and December 2020, cash resources in 2020 have been adequate to carry through operations and the planned activities in 2020 despite the results of operation. At 31 December 2020, cash at bank and in hand totalled DKK 11.4 million.

The budget for 2021 shows a considerable increase in revenue and a profit before tax.

The Company's interim financial statements at 31 March 2021 are in line with the budget.

Realisation of the budget for 2021 inherently depends on the realisation of the budgeted revenue and contribution margin, which may be deferred due to i.a. the timing of market penetration as well as the duration of potential customers' decision-making process, including due to COVID-19.

Management assesses that it is likely that a considerable portion of the existing sales pipeline for 2020 and 2021 will materialise into orders.

Events after the balance sheet date

In the first months of 2021 we have seen significant orders for integrated systems for protection of VIPs, critical assets and military installations.

Outlook

With the new and stronger position as a complete solution provider together with partners, MyDefence sees a significant growth potential in the coming years. Our strong R&D and production capabilities combined with our growing channel partner portfolio is expected to create significant progress going forward.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2020	2019
	Gross profit	12,061	7,562
2	Staff costs	-7,592	-6,406
	Amortisation/ depreciation and impairment of intangible assets and property, plant and equipment	-3,701	-2,655
	Profit/ loss before net financials	768	-1,499
3	Financial income	175	77
4	Financial expenses	-1,242	-299
	Profit/ loss before tax	-299	-1,721
5	Tax for the year	306	369
	Profit/ loss for the year	7	-1,352
	Recommended appropriation of profit/ loss		
	Other statutory reserves	2,097	742
	Retained earnings/ accumulated loss	-2,090	-2,094
		7	-1,352

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2020	2019
	ASSETS		
	Fixed assets		
6	Intangible assets		
	Completed development projects	32,912	31,887
	Acquired intangible assets	0	15
	Development projects in progress	2,750	2,384
		<u>35,662</u>	<u>34,286</u>
7	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	40	42
		<u>40</u>	<u>42</u>
	Investments		
	Investments in group entities, net asset value	54	54
	Other receivables	0	87
		<u>54</u>	<u>141</u>
	Total fixed assets	<u>35,756</u>	<u>34,469</u>
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	1,873	1,245
	Prepayments for goods	0	189
		<u>1,873</u>	<u>1,434</u>
	Trade receivables	1,822	3,747
	Receivables from group entities	5,434	6,746
	Receivables from associates	523	166
	Income taxes receivable	643	598
	Other receivables	104	0
8	Receivables from owners and management	16	0
	Prepayments	45	104
		<u>8,587</u>	<u>11,361</u>
	Cash	<u>11,377</u>	<u>4,008</u>
	Total non-fixed assets	<u>21,837</u>	<u>16,803</u>
	TOTAL ASSETS	<u><u>57,593</u></u>	<u><u>51,272</u></u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2020	2019
EQUITY AND LIABILITIES			
Equity			
9	Share capital	190	167
	Reserve for development costs	10,123	8,026
	Retained earnings	1,471	-1,060
	Total equity	11,784	7,133
Provisions			
	Deferred tax	2,621	2,334
	Total provisions	2,621	2,334
Liabilities other than provisions			
10	Non-current liabilities other than provisions		
	Bank debt	4,769	1,733
	Other credit institutions	10,272	11,076
	Other payables	1,036	322
		16,077	13,131
Current liabilities other than provisions			
10	Current portion of long-term liabilities	1,658	0
	Bank debt	0	2,847
	Prepayments received from customers	0	717
	Work in progress for third parties	177	0
	Trade payables	137	290
11	Other payables	1,979	1,863
	Deferred income	23,160	22,957
		27,111	28,674
		43,188	41,805
	TOTAL EQUITY AND LIABILITIES	57,593	51,272

- 1 Accounting policies
- 12 Contractual obligations and contingencies, etc.
- 13 Collateral

Financial statements 1 January - 31 December

Statement of changes in equity

DKK'000	Share capital	Reserve for development costs	Retained earnings	Total
Equity at 1 January 2020	167	8,026	-1,060	7,133
Capital increase	23	0	4,571	4,594
Transfer through appropriation of profit	0	2,097	-2,090	7
Tax on items recognised directly in equity	0	0	50	50
Equity at 31 December 2020	190	10,123	1,471	11,784

In November 2020 subject to an investment agreement an investor is to invest in MyDefence ApS in the amount of EUR 2,000 thousand in total by share subscription (capital injection) of 26 % of the company's share capital corresponding to nominally DKK 58,703.10 new shares. The investment is to be completed by subscription of shares in the company in up to six instalments (tranches). The first and second tranche, nominally DKK 23.481, were completed in November and December 2020. The remaining subscriptions are to be completed from January to April 2021. The liability at fair value related to the capital injection is calculated to DKK 224 thousand. On initial recognition, the derivative financial instrument is recognised in the balance sheet at cost and are subsequently measured at fair value. The fair value adjustment of the derivative financial instrument is recognised in the income statement on an ongoing basis. The fair value of the derivative financial instrument is presented as other payables in the balance sheet. The fair value is DKK 460 thousand as at 31 December 2020.

Cost of DKK 1.134 thousand regarding the capital increase has been set off against the capital increase in the equity.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of MyDefence ApS for 2020 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.

In accordance with section 110(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

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

Reporting currency

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

Foreign currency translation

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

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

Derivative financial instruments

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

Fair value adjustments of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as net financials.

Certain combined contracts contain elements and characteristics of derivative financial instruments.

If the principal contract is a financial liability or a non-financial contract, the embedded derivative financial instruments are recognised separately and measured at fair value on an ongoing basis with value adjustment over the income statement if it deviates significantly from the principal contract unless the total contract has been recognised and is measured at fair value on an ongoing basis.

Income statement

Revenue

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

Income from the sale of goods for resale and finished goods is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

Income from the rendering of services is recognised as revenue as the services are rendered. Accordingly, revenue corresponds to the market value of the services rendered during the year (percentage-of-completion method).

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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

Gross profit

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

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains or losses on the sale of fixed assets and amortisation of grants.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

Other external expenses

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

Staff costs

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

Amortisation/ depreciation and impairment

The item comprises amortisation/depreciation and impairment of intangible assets and property, plant and equipment.

The cost net of the expected residual value for completed development projects and acquired IP rights is amortised over the expected useful life which is set to 10 years for completed development projects and 3 year for acquired IP rights. Acquired IP rights include patents, rights and licences.

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

Other fixtures and fittings, tools and equipment	2-5 years
--	-----------

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The entity is jointly taxed with other group entities. The total Danish income tax charge 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.

Balance sheet

Intangible assets

Other intangible assets include development projects and other acquired intangible rights, including software licences, distribution rights and development projects.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Development costs comprise expenses, salaries and amortisation directly or indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are identifiable and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually 10 years.

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining term of the patent, and licences are amortised over the term of the licence, however not exceeding 3 years.

Gains and losses on the sale of intangible assets are recognised in the income statement under "Other operating income" or "Other operating expenses", respectively. Gains and losses are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of sale.

Property, plant and equipment

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

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

Investments in subsidiaries

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Investments in subsidiaries and associates are measured at cost. Dividends received that exceed the accumulated earnings in the subsidiary or the associate during the period of ownership are treated as a reduction in the cost of acquisition.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable 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 and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

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. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

Receivables

Receivables are measured at amortised cost.

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

An impairment loss is recognised if there is objective evidence that a receivable is impaired.

Prepayments

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

Cash

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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Equity

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividends or cover losses. The reserve will be reduced or dissolved if the recognised development costs are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Income taxes

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

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

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

Liabilities

Financial liabilities are recognised at the date of borrowing at the net 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.

Prepayments received from customers

Prepayments received from customers comprises payments received from customers prior to the time of delivery of the goods.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years, primarily grants to projects.

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2020	2019
2 Staff costs		
Wages/ salaries	10,535	11,295
Pensions	353	418
Other social security costs	151	114
Other staff costs	253	427
Staff costs transferred to non-current assets	-3,700	-5,848
	<u>7,592</u>	<u>6,406</u>
Average number of full-time employees	<u>17</u>	<u>19</u>
3 Financial income		
Interest receivable, group entities	171	76
Other financial income	4	1
	<u>175</u>	<u>77</u>
4 Financial expenses		
Other interest expenses	1,009	299
Fair value adjustments of financial instruments	233	0
	<u>1,242</u>	<u>299</u>
5 Tax for the year		
Estimated tax charge for the year	-643	-598
Deferred tax adjustments in the year	339	229
Tax adjustments, prior years	-2	0
	<u>-306</u>	<u>-369</u>
Specified as follows:		
Tax for the year	<u>-306</u>	<u>-369</u>
Tax on items recognised directly in equity	<u>-50</u>	<u>0</u>
	<u>-356</u>	<u>-369</u>
Tax on the loss for the year is explained as follows:		
Computed 22 %tax on loss before tax	-66	-379
The tax effect of:		
Adjustment to prior year tax charge	-2	0
Non-deductible costs	5	40
Other tax adjustments	-243	-30
	<u>-306</u>	<u>-369</u>

Financial statements 1 January - 31 December

Notes to the financial statements

6 Intangible assets

DKK'000	Completed development projects	Acquired intangible assets	Development projects in progress	Total
Cost at 1 January 2020	36,459	321	2,384	39,164
Additions in the year	0	0	5,022	5,022
Transfer from other accounts	4,656	0	-4,656	0
Cost at 31 December 2020	41,115	321	2,750	44,186
Impairment losses and amortisation at 1 January 2020	4,572	306	0	4,878
Amortisation/depreciation in the year	3,631	15	0	3,646
Impairment losses and amortisation at 31 December 2020	8,203	321	0	8,524
Carrying amount at 31 December 2020	32,912	0	2,750	35,662

Completed development projects

Completed development projects include the products Wingman, Watchdog, Wolfpack, Sparrow, Eagle, Dobermann, Pitbull, Locus, Iris and Argos. The carrying amount is DKK 32,912 thousand by 31 December 2020 and comprises ten products (three systems). The systems are depreciated over 10 years.

Development projects in progress

Development projects in progress primarily include development and test of new products. The relating expenses primarily consist of internal expenses in the form of payroll costs and production overheads, which are recorded through the Company's internal project module. The carrying amount totalled DKK 2,750 thousand at 31 December 2020. The development of the systems is expected to be complete in 2021 and 2022 after which time marketing and selling efforts will be made.

The new systems are expected to result in considerable competitive advantages and, hence, a significant increase in the level of activity and results of operations from 2021.

Impairment testing

Management has high expectations for the future sales of the systems and has not identified an indication of impairment in relation to the carrying amount.

The development projects are partly financed by grants, amounting to DKK 21,891 thousand as of 31 December 2020, which is presented as deferred income in the financial statement.

The net value of the development projects amounts to DKK 13,771 thousand as of 31 December 2020.

Grants totalling DKK 1,367 thousand has been set of in the development projects as of 31 December 2020.

Financial statements 1 January - 31 December

Notes to the financial statements

7 Property, plant and equipment

DKK'000	Other fixtures and fittings, tools and equipment
Cost at 1 January 2020	903
Additions in the year	52
Cost at 31 December 2020	955
Impairment losses and depreciation at 1 January 2020	861
Amortisation/ depreciation in the year	54
Impairment losses and depreciation at 31 December 2020	915
Carrying amount at 31 December 2020	40
Depreciated over	2-5 years

8 Receivables from owners and management

DKK 16 thousand represents a receivable from a shareholder without significant influence. The loan was raised in connection with the payment of an external creditor. After the balance sheet date the shareholder has paid back the receivable to MyDefence ApS.

9 Share capital

Analysis of changes in the share capital over the past 5 years:

DKK'000	2020	2019	2018	2017	2016
Opening balance	167	84	84	84	84
Capital increase	23	83	0	0	0
	190	167	84	84	84

In November 2020 subject to an investment agreement an investor is to invest in MyDefence ApS in the amount of EUR 2,000 thousand in total by share subscription (capital injection) of 26 % of the company's share capital corresponding to nominally DKK 58,703.10 new shares. The investment is to be completed by subscription of shares in the company in up to six instalments (tranches). The first og second tranche, nominally DKK 23.481, were completed in November and December 2020. The remaining subscriptions are to be completed from January to April 2021.

10 Non-current liabilities other than provisions

DKK'000	Total debt at 31/12 2020	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Bank debt	4,912	143	4,769	0
Other credit institutions	11,787	1,515	10,272	933
Other payables	1,036	0	1,036	0
	17,735	1,658	16,077	933

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2020	2019
11 Other payables		
Derivative financial instruments	460	0
Other accrued expenses	1,519	1,863
	1,979	1,863

12 Contractual obligations and contingencies, etc.

Other financial obligations

Rent and lease liabilities include a rent obligation totalling DKK 157 thousand in interminable rent agreements with remaining contract terms of 6-12 months. Furthermore, the Company has liabilities under financial leases for cars, totalling DKK 10 thousand, with remaining contract terms of 5 months.

13 Collateral

As security for the Company's debt to banks and other credit institutions the Company has provided security pledge for at total amount of DKK 11,056 thousand.

PENNEO

Underskrifterne i dette dokument er juridisk bindende. Dokumentet er underskrevet via Penneo™ sikker digital underskrift. Underskrivernes identiteter er blevet registeret, og informationerne er listet herunder.

“Med min underskrift bekræfter jeg indholdet og alle datoer i dette dokument.”

Dan Dejgård Sommerlund Hermansen

Direktion

På vegne af: MyDefence ApS

Serienummer: PID:9208-2002-2-782108821465

IP: 85.191.xxx.xxx

2021-04-19 17:07:59Z

NEM ID 

Claus Christensen

Dirigent

På vegne af: MyDefence ApS

Serienummer: PID:9208-2002-2-365338955621

IP: 87.57.xxx.xxx

2021-04-19 17:15:16Z

NEM ID 

Claus Christensen

Bestyrelse

På vegne af: MyDefence ApS

Serienummer: PID:9208-2002-2-365338955621

IP: 87.57.xxx.xxx

2021-04-19 17:15:16Z

NEM ID 

Karsten Anderskov Madsen

Bestyrelse

På vegne af: MyDefence ApS

Serienummer: PID:9208-2002-2-102771525941

IP: 5.186.xxx.xxx

2021-04-19 18:12:00Z

NEM ID 

Christian Steinø

Bestyrelse

På vegne af: MyDefence ApS

Serienummer: PID:9208-2002-2-049653623183

IP: 93.164.xxx.xxx

2021-04-20 05:49:48Z

NEM ID 

Freddy Sørensen

Bestyrelse

På vegne af: MyDefence ApS

Serienummer: PID:9208-2002-2-922525895303

IP: 80.208.xxx.xxx

2021-04-21 09:12:27Z

NEM ID 

Rasmus Hans Jensen

Bestyrelse

På vegne af: MyDefence ApS

Serienummer: PID:9208-2002-2-221028604780

IP: 77.233.xxx.xxx

2021-04-21 16:23:14Z

NEM ID 

Hans B. Vistisen

Statsautoriseret revisor

På vegne af: EY Godkendt Revisionspartnerselskab

Serienummer: CVR:30700228-RID:1265980830427

IP: 145.62.xxx.xxx

2021-04-22 06:57:39Z

NEM ID 

Dette dokument er underskrevet digitalt via **Penneo.com**. Signeringsbeviserne i dokumentet er sikret og valideret ved anvendelse af den matematiske hashværdi af det originale dokument. Dokumentet er låst for ændringer og tidsstempelt med et certifikat fra en betroet tredjepart. Alle kryptografiske signeringsbeviser er indlejret i denne PDF, i tilfælde af de skal anvendes til validering i fremtiden.

Sådan kan du sikre, at dokumentet er originalt

Dette dokument er beskyttet med et Adobe CDS certifikat. Når du åbner dokumentet

i Adobe Reader, kan du se, at dokumentet er certificeret af **Penneo e-signature service** <penneo@penneo.com>. Dette er din garanti for, at indholdet af dokumentet er uændret.

Du har mulighed for at efterprøve de kryptografiske signeringsbeviser indlejret i dokumentet ved at anvende Penneos validator på følgende websted: <https://penneo.com/validate>