



MyDefence A/S

Bouet Møllevej 5
DK-9400 Nørresundby

CVR no. 35 53 08 43

Annual report 2022

The annual report was presented and approved at the Company's annual general meeting on

1 May 2023

Chairman of the annual general meeting

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

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

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

Nørresundby 1 May 2023

Executive Board:

Dan Dejgård Sommerlund
Hermansen

Board of Directors:

Claus Christensen
Chairman

Rasmus Hans Jensen

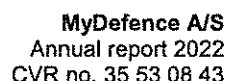
Karsten Anderskov Madsen

Tomer Avnon

Aviad Matza

Itzik Huber

~~Hai Yehezkel~~



To the shareholders of MyDefence A/S

We have audited the financial statements of MyDefence A/S for the financial year 1 January – 31 December 2022 comprising 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.

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 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 that 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.

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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made on the basis of these financial statements.

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 company 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



Independent auditor's report

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 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, 1 May 2023

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Steffen S. Hansen
State Authorised
Public Accountant
mne32737

MyDefence A/S
Annual report 2022
CVR no. 35 53 08 43

Management's review

Company details

MyDefence A/S
Bouet Møllevej 5
DK-9400 Nørresundby

CVR no.: 35 53 08 43
Financial year: 1 January – 31 December

Board of Directors

Claus Christensen, Chairman
Rasmus Hans Jensen
Karsten Anderskov Madsen
Tomer Avnon
Aviad Matza
Itzik Huber
Hai Yehezkel

Executive Board

Dan Dejgård Sommerlund Hermansen

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Østre Havnegade 22D
DK-9000 Aalborg
CVR no. 25 57 81 98

Management's review

Operating review

Principal activities

The Company's principal activity is to research in the field of wireless communication as well as to develop, produce and sell electronic equipment. MyDefence is specialised in providing equipment for drone surveillance and protection, also called anti-drone or C-UAS equipment.

Financial review

The income statement for 2022 shows a profit of DKK 17.729 thousand against a profit of DKK 789 thousand last year, and the balance sheet at 31 December 2022 shows equity of DKK 39.0 million compared to DKK 21.3 million last year. The result follows the budget target from 2021, where a tripling of deliveries was set as the ultimate goal for 2022.

Completed development projects are included in the products for detection, mitigation and C2-systems. The carrying amount is DKK 38.7 million by 31 December 2022 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 include development and testing of new features, as well as 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 3.0 million at 31 December 2022. The developments in 2021 gave significant advantages in the market during 2022 and resulted in significantly increased production capacity. The development is expected to carry on in 2023 after which time marketing and selling efforts will be made.

The new developments are expected to result in considerable competitive advantages and, hence, another significant increase in the level of activity and results of operations from 2023.

In the financial year 2022, the Company realised a profit before tax of DKK 22.829 million, which is significantly better than in 2021, and exceeds the Management's expectations. Due to increased sales cash resources in 2022 have been adequate to carry through operations and the planned activities in 2022. At 31 December 2022, cash at bank and in hand totalled DKK 13.6 million, and with considerable deliveries in November and December the receivables were 15.7 million.

The budget for 2023 shows an increase in revenue and a profit before tax. The Company's interim financial statements at 31 March 2023 are in line with budget, and the Company already has orders to fulfill budget for the first half of 2023. Realisation of the budget for 2023 inherently depends on the realisation of budgeted revenue and contribution margin. Management assesses that it is likely that a considerable portion of the existing sales pipeline for 2022 will materialise into orders.

With the current cash at hand, and inflow of cash from deliveries in the order book, cash resources for the year is considered adequate.

Events after the balance sheet date

In the first months of 2023, we have seen significant orders for protection of soldiers, critical assets and military installations. The Russian invasion of Ukraine had a significant impact in 2022 and is still expected to generate a considerable amount of deliveries in 2023, as well as new business in all segments not directly related to the invasion.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2022	2021
Gross profit		43,822	13,283
Staff costs	2	-15,112	-7,950
Depreciation, amortisation and impairment losses		-5,063	-4,220
Profit before financial income and expenses		23,647	1,113
Other financial income		326	210
Other financial expenses		-1,144	-979
Profit before tax		22,829	344
Tax on profit/loss for the year	3	-5,100	445
Profit for the year		17,729	789
Proposed profit appropriation			
Other statutory reserves		2,248	3,816
Retained earnings		15,481	-3,027
		17,729	789

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2022	31/12 2021
ASSETS			
Fixed assets			
Intangible assets	4		
Completed development projects		38,707	36,602
Development projects in progress		<u>3,019</u>	<u>2,877</u>
		<u>41,726</u>	<u>39,479</u>
Property, plant and equipment			
Fixtures and fittings, tools and equipment		<u>503</u>	<u>469</u>
Investments	5		
Equity investments in group entities		<u>643</u>	<u>643</u>
Total fixed assets		<u>42,872</u>	<u>40,591</u>
Current assets			
Inventories			
Raw materials and consumables		<u>11,302</u>	<u>5,032</u>
Receivables			
Trade receivables		15,713	5,839
Receivables from group entities		6,494	6,606
Receivables from participating interests		166	166
Contract work in progress	6	0	2,256
Other receivables		3,192	424
Corporation tax		0	1,493
Prepayments		<u>43</u>	<u>120</u>
		<u>25,608</u>	<u>16,904</u>
Cash at bank and in hand		<u>13,552</u>	<u>3,702</u>
Total current assets		<u>50,462</u>	<u>25,638</u>
TOTAL ASSETS		<u><u>93,334</u></u>	<u><u>66,229</u></u>

Balance sheet

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Statement of changes in equity

39,018

Notes

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Revenue

The Company has chosen IAS 11/ IAS 18 as the basis of 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® 2020.

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).

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.

Cost of sales

Cost of sales comprises costs incurred to generate revenue for the year.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

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.

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Dividends from equity investments in group entities measured at cost are recognised as income in the Parent Company's income statement in the financial year when the dividends are declared.

In case of indication of impairment, an impairment test is conducted. Indication of impairment exists if distributed dividends exceeds profit for the year or if the carrying amount of equity investments exceeds the consolidated carrying amounts of the net assets in the subsidiary.

Notes

Tax on profit/loss for the year

Balance sheet

Intangible assets

Development projects

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.

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.

Other intangible assets

Other intangible assets acquired intangible rights, including software licences and distribution rights.

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

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.

Notes

Property, plant and equipment

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 are measured at cost. Dividends received that exceed accumulated earnings in the subsidiary during the period of ownership are accounted for as a reduction in the cost of acquisition.

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

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.

Notes

Inventories

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

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

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Reserve for development costs

The reserve for development costs comprises capitalised development costs. The reserve cannot be used for dividends, distribution or to cover losses. If the recognised development costs are sold or in other ways excluded from the Company's operations, the reserve will be dissolved and transferred directly to the distributable reserves under equity. If the recognised development costs are written down, the part of the reserve corresponding to the write-down of the developments costs will be reversed. If a write-down of development costs is subsequently reversed, the reserve will be re-established. The reserve is reduced by amortisation of capitalised development costs on an ongoing basis.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; 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. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with 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. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Liabilities other than provisions

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

Finance lease obligation comprise the capitalised residual lease obligation of finance leases.

Other liabilities are measured at net realisable value.

Deferred income

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

2 Staff costs

DKK'000	2022	2021
Wages and salaries	11,695	6,954
Pensions	2,400	414
Other social security costs	208	134
Other staff costs	809	448
	<u>15,112</u>	<u>7,950</u>
Average number of full-time employees	<u>29</u>	<u>23</u>

3 Tax on profit/loss for the year

DKK'000	2022	2021
Current tax for the year	5,100	-1,493
Deferred tax for the year	-523	1,048
Adjustment of tax concerning previous years	523	0
	<u>5,100</u>	<u>-445</u>

Financial statements 1 January – 31 December

Notes

4 Intangible assets

DKK'000	Completed development projects	Development projects in progress	Total
Cost at 1 January 2022	48,917	2,877	52,041
Additions for the year	6,998	142	7,140
Cost at 31 December 2022	55,915	3,019	59,181
Amortisation and impairment losses at 1 January 2022	-12,315	0	-12,562
Amortisation for the year	-4,893	0	-4,893
Amortisation and impairment losses at 31 December 2022	-17,208	0	-17,455
Carrying amount at 31 December 2022	38,707	3,019	41,726

Completed development projects

Completed development projects include the products Wingman, Watchdog, Wolfpack, Sparrow, Eagle, Dobermann, Pitbull, Locus, Iris and Argos. The carrying amount represented DKK 38,707 thousand by 31 December 2022 and comprises ten products (three systems). The systems are amortised over 10 years.

Development projects in progress

Development projects in progress primarily include development and test of new products. The relating costs primarily consist of internal costs in the form of payroll costs and production overheads, which are recorded through the Company's internal project module. The carrying amount totalled DKK 3,019 thousand at 31 December 2022. The development of the systems is expected to be complete in 2023 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 2023.

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 24,477 thousand as of 31 December 2022, which is presented as deferred income in the financial statements.

The net value of the development projects amounted to DKK 17,249 thousand as of 31 December 2022.

Financial statements 1 January – 31 December

Notes

5 Investments

Name	Registered office	Voting rights and ownership interest
MyDefence North America LLC	USA	100%

6 Contract work in progress

DKK'000	31/12 2022	31/12 2021
Sales price	2,980	2,256
Invoiced on account	-2,980	0
	<u>0</u>	<u>2,256</u>

7 Non-current liabilities other than provisions

Liabilities other than provisions can be specified as follows:

DKK'000	31/12 2022	31/12 2021	Repayment, first year	Outstanding debt after five years
Debt to credit institutions	12,380	13,492	1,710	4,448
Other payables	726	983	0	0
	<u>13,106</u>	<u>14,475</u>	<u>1,710</u>	<u>4,448</u>

8 Contractual obligations, contingencies, etc.

Operating lease obligations

The Company has entered into operating leases with a remaining term of 51 months and an average monthly lease payment of DKK 100 thousand, totalling DKK 5,788 thousand.

Collateral

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

9 Related party disclosures

Control

MyDefence A/S is part of the consolidated financial statements of Skylock Systems Ltd, Tsvi Bergman 20, Petah Tikva, Israel, which is the smallest group in which the Company is included as a subsidiary.

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Claus Christensen

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Dan Dejgård Sommerlund Hermansen

Direktør

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Rasmus Hans Jensen

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Steffen Sjørlev Hansen

Statsautoriseret revisor

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Claus Christensen

Dirigent

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