

MyDefence System Integration IVS

Langebrogade 1, 1., 1411 København K

CVR no. 38 34 11 70

Annual report 2018

Approved at the Company's annual general meeting on 3 May 2019

Chairman:



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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 System Integration IVS for the financial year 1 January - 31 December 2018.

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 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018.

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.

Copenhagen, 3 May 2019
Executive Board:

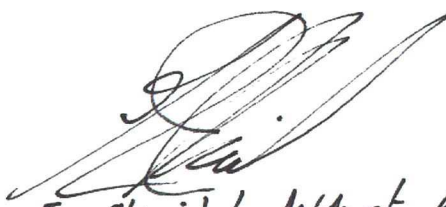


Karsten Anderskov Madsen

Board of Directors:




Christian Steing
Chairman



Ole Torp



Karsten Anderskov Madsen



Hakon Steing



Kim Nødskov

Independent auditor's report

To the shareholders of MyDefence System Integration IVS

Opinion

We have audited the financial statements of MyDefence System Integration IVS for the financial year 1 January - 31 December 2018, 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 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 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.

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.

Independent auditor's report

- ▶ 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.

Aalborg, 3 May 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Hans B. Vistisen
State Authorised Public Accountant
mne23254



Management's review

Company details

Name	MyDefence System Integration IVS
Address, Postal code, City	Langebrogade 1, 1., 1411 København K
CVR no.	38 34 11 70
Established	17 January 2017
Registered office	København
Financial year	1 January - 31 December

Board of Directors	Christian Steinø, Chairman Ole Torp Karsten Anderskov Madsen Hakon Steinø Kim Nødskov
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Executive Board	Karsten Anderskov Madsen
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Auditors	Ernst & Young Godkendt Revisionspartnerselskab Vestre Havnepromenade 1A, 9000 Aalborg, Denmark
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Management's review

Business review

The company's purpose is to research in the field of aircraft communication, as well as the development, production and sale of new communication systems to military aircrafts.

Financial review

The income statement for 2018 shows a loss of DKK 245 thousand against a loss of DKK 39 thousand last year, and the balance sheet at 31 December 2018 shows a negative equity of DKK 283 thousand.

Development projects in progress include development and test of communication systems to military aircrafts. 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 t.DKK 2,899 at 31 December 2018. The development of the system is expected to be complete in 2023 after which time marketing and selling efforts will be made.

The system is expected to result in considerable competitive advantages and, hence, a significant increase in the level of activity and results of operations from 2023.

The development projects in progress is financed by grants, amounting to 3,476 t.DKK as of 31 December 2018, which is presented as deferred income in the financial statement. The net value of the development projects in progress amounts to -577 t.DKK as of 31 December 2018. The Company has no repayment obligations on the grants.

Management is aware that the Company has lost the entire share capital and is thus subject to the capital adequacy rules of section 119 of the Danish Companies Act. The share capital will be re-established i 2019 by infusion of capital.

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	2018	2017
	Gross margin	-311	-56
2	Staff costs	0	0
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-8	-3
	Profit/loss before net financials	-319	-59
	Financial income	0	9
	Financial expenses	-5	0
	Profit/loss before tax	-324	-50
	Tax for the year	79	11
	Profit/loss for the year	-245	-39
	Recommended appropriation of profit/loss		
	Retained earnings/accumulated loss	-245	-39
		-245	-39



Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2018	2017
	ASSETS		
	Fixed assets		
3	Intangible assets		
	Development projects in progress	2,899	536
		<u>2,899</u>	<u>536</u>
4	Property, plant and equipment		
	Fixtures and fittings, other plant and equipment	148	27
		<u>148</u>	<u>27</u>
	Total fixed assets	<u>3,047</u>	<u>563</u>
	Non-fixed assets		
	Receivables		
	Receivables from group enterprises	7	0
	Joint taxation contribution receivable	122	43
	Other receivables	41	51
	Prepayments	37	40
		<u>207</u>	<u>134</u>
	Cash	501	931
	Total non-fixed assets	<u>708</u>	<u>1,065</u>
	TOTAL ASSETS	<u>3,755</u>	<u>1,628</u>
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	1	1
	Retained earnings	-284	-39
	Total equity	<u>-283</u>	<u>-38</u>
	Provisions		
	Deferred tax	75	32
	Total provisions	<u>75</u>	<u>32</u>
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	94	0
	Other payables	393	58
	Deferred income	3,476	1,576
		<u>3,963</u>	<u>1,634</u>
	Total liabilities other than provisions	<u>3,963</u>	<u>1,634</u>
	TOTAL EQUITY AND LIABILITIES	<u>3,755</u>	<u>1,628</u>

1 Accounting policies

5 Contractual obligations and contingencies, etc.



Financial statements 1 January - 31 December

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total
Equity at 1 January 2018	1	-39	-38
Transfer through appropriation of loss	0	-245	-245
Equity at 31 December 2018	1	-284	-283

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of MyDefence System Integration IVS for 2018 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.

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.

Income statement

Gross margin

The items 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 and operating expenses

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

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to 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.

Depreciation

The item comprises depreciation of property, plant and equipment.

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:

Fixtures and fittings, other plant and equipment	2-5 years
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Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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

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

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, but not exceeding 3 years.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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 or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

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.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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. 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.

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.

DKK'000	2018	2017
2 Staff costs		
Wages/salaries	1,363	227
Pensions	12	0
Other social security costs	19	2
Salaries and staff costs capitalised as development projects	-1,394	-229
	0	0
Average number of full-time employees	3	1

Financial statements 1 January - 31 December

Notes to the financial statements

3 Intangible assets

DKK'000	Development projects in progress
Cost at 1 January 2018	536
Additions	2,363
Cost at 31 December 2018	2,899
Carrying amount at 31 December 2018	2,899

Development projects in progress

Development projects in progress include development and test of communication systems to military aircrafts. 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 t.DKK 2,899 at 31 December 2018. The development of the system is expected to be complete in 2023 after which time marketing and selling efforts will be made.

The system is expected to result in considerable competitive advantages and, hence, a significant increase in the level of activity and results of operations from 2023.

The development projects in progress is financed by grants, amounting to 3,476 t.DKK as of 31 December 2018, which is presented as deferred income in the financial statement. The net value of the development projects in progress amounts to -577 t.DKK as of 31 December 2018. The Company has no repayment obligations on the grants.

4 Property, plant and equipment

DKK'000	Fixtures and fittings, other plant and equipment
Cost at 1 January 2018	30
Additions	171
Cost at 31 December 2018	201
Impairment losses and depreciation at 1 January 2018	3
Depreciation	50
Impairment losses and depreciation at 31 December 2018	53
Carrying amount at 31 December 2018	148

Depreciation of 42 t.DKK is capitalized in development projects under progress as IPO.



Financial statements 1 January - 31 December

Notes to the financial statements

5 Contractual obligations and contingencies, etc.

Other contingent liabilities

Rent and lease liabilities include a rent obligation totalling 109 t.DKK in interminable rent agreements with remaining contract terms of 7 months.

The Company is jointly taxed with the other companies in the MyDefence Holding ApS Group. The company has joint and several unlimited liability for Danish corporation taxes and for certain possible withholding taxes such as taxes on dividend, interest and royalties within the joint taxation group. At 31. December 2018, the jointly taxed companies' net liability to SKAT amounted to t.DKK 0. Any subsequent corrections of the taxable income or withholding taxes on dividends, interest and royalties may entail that the company's liability will increase.