

Annual Report.

2023



PRIMOSCO UAV

CONSOLIDATED ANNUAL FINANCIAL REPORT

PRIMOCO UAV SE

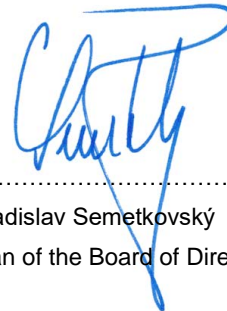
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for the Period 1 January 2023 to 31 December 2023

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Prague, 23 March 2024



.....
Ladislav Semetkovský
Chairman of the Board of Directors

1 Report on Business Activities and the Status of Assets

Dear Shareholders, Business partners, Customers,

I am happy to report that Primoco UAV SE achieved record economic results in 2023. As we start to fully demonstrate the future potential of our company and the growing world market for UAVs, it is important to recognise that there is far more to our sixfold year-on-year growth in sales and net profit than the recent boom in global defence spending. The main drivers for this outstanding growth are Primoco UAV's continuous investments, in modern technology and innovation, to meet the demands of a growing number of customers by providing a superior product and comprehensive aviation services.

Keeping up with the demands of the market, which in our case consists not only of the military and security, but also the civilian sector including private companies, is only possible thanks to the continuous enhancement of production capacity and development skills, co-operation with leading suppliers and rapid responses to changing demands. Thanks to this absolute focus on the customer, we are able to meet the growing demand for technologically advanced unmanned solutions and have become one of the major global leaders in our market category.

As a result, Primoco UAV has seen growing interest from major aviation companies. Last year, we started co-operation with Airbus Defence and Space and its subsidiary Airbus DS Airborne Solutions (ADAS), which includes a Commercial Representation Agreement. This provides Primoco UAV with opportunities to connect to Airbus Defence clients. We expect the first concrete results of this cooperation in the near future.

Finance and Sales

In 2023, Primoco was able to capitalize on the strong interest from existing and new customers and translate it into dynamic growth. The result is a more than sixfold year-on-year increase in revenues to CZK 597 million and EBITDA to CZK 276 million with an operating margin of 46%. We achieved this without using any subsidies or loans. The company's best-ever financial performance reflects the growing demand for UAVs, spare parts, pilot training, complex aerial work and other high value-added Primoco UAV services.

In addition to the war in Ukraine, geopolitical tensions in other regions are also playing a role in the increase in demand for high-end UAVs. A number of European countries have decided to increase spending on defence and security, including border protection, and customers in Africa and Asia are behaving in a similar way. Primoco UAV is also benefiting from the growing number of armies, security forces and private companies that are recognizing the importance of unmanned systems and their use in a wide range of non-combat roles - from intelligence and telecommunications services to integrated rescue systems and airport guidance system calibration. Personally, I am even more excited about the use of unmanned systems equipped with advanced camera and telecommunications technology across different disciplines, because when I founded Primoco UAV that was my target.

The One 150 UAV, which is Primoco's flagship UAV, is one of the world leaders in its category due to its flight parameters, wide range of basic and optional equipment and low operating and acquisition costs. Our solutions are comprehensive and include the ability to equip a UAV with dozens of different interchangeable devices and sensors, including thermal optical EO/IR cameras, calibration sensors, military SIGINT/ELINT tracking sensors, communications transponders and other advanced technologies. All this certified in accordance with European standards.

One of the Leaders in the Global UAV Market and Certification

Thanks to Primoco UAV, the Czech Republic now ranks second in the global ranking of medium-sized UAV deliveries. According to the Swedish Institute for Peace Research SIPRI, a total of 69 dual/military use UAVs with a take-off weight of up to 250 kilograms have been sold globally in 2022. Data from national defence systems licensing registries monitored by SIPRI show that the medium-sized UAV market segment is dominated by US manufacturers, with two-thirds of the sales and Primoco UAV with one-third of the sales. The global market of UAS, with the exception of the pandemic Covid year of 2021, has been growing steadily by tens of percent per year in recent years and the Czech Republic plays a significant role in it.

Throughout last year, Primoco UAVs continued to fly hundreds of hours a month during real combat reconnaissance operations and civilian missions of all kinds. This continues to allow us not only to collect real operational data and feedback from customers, but more importantly to work efficiently on improvements and further upgrades to our aircraft. Primoco UAV can thus keep pace with current mission needs over the long term, adapt to the environment in which UAVs are deployed, and reliably deliver the results users expect.

During the summer of 2023, we completed a new software and hardware version of the Primoco UAV One 150 control system. This is the next step, which, based on flight experience, allows us to move towards maximum automation and even greater safety in air traffic. The investment in this project was three million crowns and customers are already appreciating its results in real missions.

In November 2023, we terminated our contract with the Military Technical Institute s.p. and are now continuing the military certification process with the Ministry of Defence and the Department of Military Aviation Supervision with the aim of completing the One 150M type certificate by the end of this year.

Order Book

In 2023, we produced and delivered 33 aircraft, an almost threefold increase compared to 2022. At the same time, we created the conditions for further production growth, particularly given the advanced stage of negotiations on further orders for 2024. In total, we have produced over 150 machines since Primoco UAV was founded, which are in daily operation in many different places around the world. We want to continue to work on diversifying our target markets. In addition to our dominant position in Europe, we focus on Asia, the Middle East and Africa.

The sales of military One 150 UAVs and the provision of services are handled by our subsidiary Primoco UAV Defence s.r.o., which also holds a licence for trading in military equipment.

The preparation of the project documentation for the revitalisation of the Písek - Krašovice airport area is continuing. In addition to the new assembly hall, the project also includes the construction of a control centre for the operation of Primoco UAVs worldwide, a modern pilot training centre and a research department for the development and testing of new technologies. The total planned investment is approximately CZK 750 million. A significant part of this amount will go towards the robotization and machinery of the modern factory. In addition to expanding our domestic production capacity, we are also working on a secondary production project for the One 150 abroad.

Corporate Events

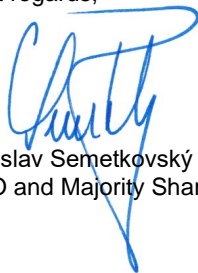
At the General Meeting held on 1 December 2023, the shareholders approved changes in the company's Board of Directors and Supervisory Board. Ladislav Semetkovský, Petr Kováč and Romana Wyllie were appointed as members of the Board of Directors. Jakub Fojtík, Vladan Ševčík and Jan Sechter were elected members as members of the Supervisory Board. Petr Babický, Jan Venglář and Rostislav Kuneš became members of the Audit Committee. The Audit Committee did not perform any work in 2023.

At the December General Meeting, the shareholders voted to apply for admission of all 4,708,910 Primoco UAV registered ordinary shares in book-entry form, constituting the entire share capital of the company, to trading on the regulated Prime Market organized by the Prague Stock Exchange. The year 2023 was the last time Primoco UAV shares were traded on the START market of the Prague Stock Exchange for a full twelve months. Since 29 January 2024, the company's shares have been listed on the main market of the Prague Stock Exchange (Prime Market) and on 18 March 2024 they also became part of the PX index.

Following the March settlement of the option between the founders of the company, Ladislav Semetkovský remains the majority shareholder of Primoco UAV with a 50.4% stake. The shareholders also include three key managers of the company Jakub Fojtík (Sales Director), Radek Suk (Chief Pilot and Engineer) and Josef Št'astný (Production Director).

The success of Primoco UAV is a reflection of the professionalism and work commitment of all our teams. Therefore, I would like to take this opportunity to thank my colleagues for their great work and investors, business partners and customers for their trust in Primoco UAV, our products and services.

Best regards,



Ladislav Semetkovský
CEO and Majority Shareholder

2 Financial Statements

The following pages show the Company's statutory accounts as at the balance sheet date (the last day of the financial year).

The content of this chapter is structured as follows:

- 1) Financial statements of the company consisting of:
 - Balance Sheet
 - Profit and loss account
 - Cash-flow statement
 - Overview of capital changes
 - Notes to the financial statements, including an analysis of assets

The financial statements shown have been approved by the statutory body.

Financial statements

from 1.1.2023 to 31.12.2023

Primoco UAV SE

DATE: 14.3.2024



Statutory body

Ladislav Semetkovský

A handwritten signature in blue ink, appearing to read 'Ladislav Semetkovský', written over the printed name.

Primoco UAV SE

BALANCE SHEET

Reg.No: 03794393
153 00 Praha 5, Výpadová 1563/29f

as at 31.12.2023
in Tsd. CZK

| ROW | CURRENT PERIOD | | | PREVIOUS PERIOD | |
|---|----------------|----------------|----------------|-----------------|--|
| | GROSS | ADJUSTMENTS | NET | NET | |
| TOTAL ASSETS | 394 874 | -11 960 | 382 914 | 157 868 | |
| B. Non-current assets | 90 726 | -11 960 | 78 766 | 36 256 | |
| I. Intangible assets | 13 622 | -3 401 | 10 221 | 4 263 | |
| 1 Research and development | 6 112 | -2 560 | 3 552 | 1 177 | |
| 2 Valuable rights | 1 877 | -841 | 1 036 | 143 | |
| 1 Software | 752 | -739 | 13 | 44 | |
| 2 Other valuable rights | 1 125 | -102 | 1 023 | 99 | |
| 5 Advance payments for intangible assets and intangible assets in progress | 5 633 | 0 | 5 633 | 2 943 | |
| 1 Advance payments for intangible assets | 0 | 0 | 0 | 65 | |
| 2 Intangible assets in progress | 5 633 | 0 | 5 633 | 2 878 | |
| II. Tangible assets | 51 258 | -8 559 | 42 699 | 31 893 | |
| 1 Lands and buildings, halls and structures | 29 988 | -1 563 | 28 425 | 26 679 | |
| 1 Lands | 19 466 | 0 | 19 466 | 17 352 | |
| 2 Buildings, halls and structures | 10 522 | -1 563 | 8 959 | 9 327 | |
| 2 Property, plant and equipment | 16 446 | -6 996 | 9 450 | 5 050 | |
| 5 Advance payments for tangible assets and tangible assets in progress | 4 824 | 0 | 4 824 | 164 | |
| 2 Tangible assets in progress | 4 824 | 0 | 4 824 | 164 | |
| III. Investments | 25 846 | 0 | 25 846 | 100 | |
| 1 Investments - controlling interest | 25 846 | 0 | 25 846 | 100 | |
| C. Current assets | 304 066 | 0 | 304 066 | 121 612 | |
| I. Inventories | 58 911 | 0 | 58 911 | 48 418 | |
| 1 Materials | 38 810 | 0 | 38 810 | 15 336 | |
| 2 Work in progress and semi-finished products | 18 859 | 0 | 18 859 | 14 076 | |
| 3 Finished products and goods | 1 242 | 0 | 1 242 | 1 928 | |
| 1 Finished products | 834 | 0 | 834 | 1 807 | |
| 2 Goods | 408 | 0 | 408 | 121 | |
| 5 Advance payments for inventory | 0 | 0 | 0 | 17 078 | |
| II. Receivables | 5 683 | 0 | 5 683 | 10 116 | |
| 1 Non-current receivables | 630 | 0 | 630 | 123 | |
| 4 Deferred tax asset | 507 | 0 | 507 | 0 | |



| ROW | CURRENT PERIOD | | | PREVIOUS PERIOD |
|--------------------------------------|----------------|-------------|----------------|-----------------|
| | GROSS | ADJUSTMENTS | NET | NET |
| 5 Receivables - other | 123 | 0 | 123 | 123 |
| 2 Advance payments | 123 | 0 | 123 | 123 |
| 2 Current receivables | 5 053 | 0 | 5 053 | 9 993 |
| 1 Trade receivables | 270 | 0 | 270 | 45 |
| 4 Receivables - other | 4 783 | 0 | 4 783 | 9 948 |
| 3 Tax receivables | 2 551 | 0 | 2 551 | 0 |
| 4 Advance payments | 202 | 0 | 202 | 319 |
| 5 Estimated receivables | 1 998 | 0 | 1 998 | 0 |
| 6 Other receivables | 32 | 0 | 32 | 9 629 |
| IV. Cash and Cash equivalents | 239 472 | 0 | 239 472 | 63 078 |
| 2 Cash at bank | 239 472 | 0 | 239 472 | 63 078 |
| D. Accruals and deferrals | 82 | 0 | 82 | 0 |
| 1 Deferred expenses | 77 | 0 | 77 | 0 |
| 3 Accrued income | 5 | 0 | 5 | 0 |



| ROW | CURRENT PERIOD | PREVIOUS PERIOD |
|---|----------------|-----------------|
| TOTAL EQUITY and LIABILITIES | 382 914 | 157 868 |
| A. Equity | 342 992 | 146 654 |
| I. Registered capital | 4 709 | 4 709 |
| 1 Registered capital | 4 709 | 4 709 |
| II. Share premium and reserves | 185 015 | 159 269 |
| 1 Share premium | 159 269 | 159 269 |
| 2 Reserves | 25 746 | 0 |
| 2 Difference from revaluation of assets and liabilities (+/-) | 25 746 | 0 |
| IV. Retained earnings (+/-) | -17 324 | -79 177 |
| 1 Accumulated profits or accumulated losses from previous years (+/-) | -17 324 | -79 177 |
| V. Profit / Loss for the current accounting period (+/-) | 170 592 | 61 853 |
| B. + C. Liabilities | 39 922 | 11 214 |
| B. Provisions | 39 607 | 885 |
| 2 Provision for income tax | 39 169 | 767 |
| 4 Other provisions | 438 | 118 |
| C. Liabilities | 315 | 10 329 |
| II. Current liabilities | 315 | 10 329 |
| 3 Advance payments | 60 | 3 385 |
| 4 Trade payables | 12 | 8 |
| 8 Payables - other | 243 | 6 936 |
| 5 Tax payables and subsidies | 0 | 6 588 |
| 6 Estimated payables | 243 | 348 |



Reg.No: 03794393
153 00 Praha 5, Výpadová 1563/29f

from 1.1.2023 to 31.12.2023
in Tsd. CZK

| ROW | | CURRENT PERIOD | PREVIOUS PERIOD |
|-------------|--|----------------|-----------------|
| I. | Sales of own products and services | 493 800 | 145 480 |
| A. | Production consumed | 255 929 | 73 011 |
| 2 | Materials and energy | 231 818 | 56 453 |
| 3 | Services | 24 111 | 16 558 |
| B. | Change in inventories of own production (+/-) | -3 808 | -2 000 |
| D. | Personnel costs | 18 866 | 15 430 |
| 1 | Wages and salaries | 14 022 | 11 861 |
| 2 | Social security and other expenses | 4 844 | 3 569 |
| 1 | Social security | 4 581 | 3 449 |
| 2 | Other expenses | 263 | 120 |
| E. | Adjustments in operating segment | 2 833 | 767 |
| 1 | Adjustments of non-current tangible and intangible assets | 2 833 | 3 341 |
| 1 | Adjustments of non-current tangible and intangible assets - depreciation | 2 833 | 3 341 |
| 3 | Adjustments of receivables (allowance) | 0 | -2 574 |
| III. | Other operating revenues | 2 993 | 7 765 |
| 1 | Sales of non-current assets | 541 | 7 486 |
| 3 | Sundry operating revenues | 2 452 | 279 |
| F. | Other operating expenses | 1 971 | 3 676 |
| 1 | Net book value of sold non-current assets | 597 | 170 |
| 3 | Taxes and fees from operating activity | 318 | 181 |
| 4 | Provisions and accruals | 320 | 36 |
| 5 | Sundry operating expenses | 736 | 3 289 |
| * | Operating profit/loss (+/-) | 221 002 | 62 361 |
| IV. | Revenues from investments - ownership interests | 0 | 36 |
| 1 | Revenues from securities and interests in subsidiaries | 0 | 36 |
| G. | Costs of sold securities and ownership interests | 0 | 291 |
| VI. | Interest revenues and similar revenues | 6 550 | 1 443 |
| 2 | Other interest revenues and similar revenues | 6 550 | 1 443 |
| VII. | Other financial revenues | 8 103 | 341 |
| K. | Other financial expenses | 26 018 | 1 270 |



| ROW | | CURRENT PERIOD | PREVIOUS PERIOD |
|-----------|--|----------------|-----------------|
| * | Financial profit/loss (+/-) | -11 365 | 259 |
| ** | Profit/loss before tax (+/-) | 209 637 | 62 620 |
| L. | Income tax | 39 045 | 767 |
| 1 | Current income tax | 39 552 | 767 |
| 2 | Deferred tax (+/-) | -507 | 0 |
| ** | Profit/loss after tax (+/-) | 170 592 | 61 853 |
| * | Net turnover for the accounting period = I.+ II.+ III.+ IV.+ V.+ VI.+ VII. | 511 446 | 155 065 |



Primoco UAV SE

Reg.No: 03794393
153 00 Praha 5, Výpadová 1563/29f

CASH FLOW STATEMENT

from 1.1.2023 to 31.12.2023
in Tsd. CZK

| ROW | | CURRENT PERIOD | PREVIOUS PERIOD |
|---------------|---|----------------|-----------------|
| P. | Cash and cash equivalents at the beginning of the period | 63 078 | 28 168 |
| Z. | Accounting profit or loss before tax | 209 637 | 62 620 |
| A.1. | Non-cash transactions | -3 341 | -5 127 |
| A.1.1. | Depreciation of fixed assets (+) with exception of disposed non-current assets and amortization of revaluation difference on acquired assets and goodwill (+) | 2 833 | 3 341 |
| A.1.2. | Change in adjustments to assets and in provisions | 320 | -2 538 |
| A.1.2.1. | Change in adjustments to assets | 0 | -2 574 |
| A.1.2.2. | Change in provisions | 320 | 36 |
| A.1.3. | Profit/(loss) on sale of fixed assets (-/+) | 56 | -7 061 |
| A.1.5. | Interest payable (+) with exception of capitalised interest and interest receivable (-) | -6 550 | -1 443 |
| A.1.5.2. | Interest receivable | -6 550 | -1 443 |
| A.1.6. | Other non-monetary transactions | 0 | 2 574 |
| A.* | Net cash flow from operating activities before taxation and changes of working capital | 206 296 | 57 493 |
| A.2. | Change of non-monetary items of working capital | -15 648 | -24 260 |
| A.2.1. | (Increase) / decrease in current receivables (+/-), deferred assets and estimated receivables | 4 859 | -5 502 |
| A.2.2. | Increase / (decrease) in current payables (+/-), deferred liabilities and estimated payables | -10 014 | 10 090 |
| A.2.3. | (Increase) / decrease in inventories (+/-) | -10 493 | -28 848 |
| A.** | Net cash flow from operating activities before taxes | 190 648 | 33 233 |
| A.4. | Interest received (+) | 6 550 | 1 443 |
| A.5. | Income tax paid and additional tax from previous periods (-) | -1 151 | 0 |
| A.*** | Net cash flow from operating activity | 196 047 | 34 676 |
| B.1. | Purchases of fixed assets | -20 194 | -7 680 |
| B.2. | Proceeds from sales of fixed assets | 541 | 7 522 |
| B.*** | Net cash flow from investment activity | -19 653 | -158 |
| C.2. | Impact from changes in equity on cash and cash equivalents | 0 | 392 |
| C.2.1. | Increase of cash and cash equivalents by increase of share capital, share premiums, or legal reserves including advance payments for this increases (+) | 0 | 392 |
| C.*** | Net cash flow from financial activity | 0 | 392 |



| ROW | | CURRENT PERIOD | PREVIOUS PERIOD |
|-----|---|----------------|-----------------|
| F. | Net increase or decrease of cash and cash equivalents | 176 394 | 34 910 |
| D. | Difference D=P+F-R | 0 | 0 |
| R. | Cash and cash equivalents at the end of the period | 239 472 | 63 078 |



Primoco UAV SE

Reg.No: 03794393

153 00 Praha 5, Výpadohá 1563/29f

STATEMENT OF MOVEMENTS IN EQUITY

from 1.1.2023 to 31.12.2023

in Tsd. CZK

| | Issued / Registered capital and treasury shares | Share premium | Reserves from business transformatio n, revaluation and | Other reserves | Legal reserves | Other reserves from profit | Accumulated profits/losses | Total |
|---|---|------------------|--|-------------------|-------------------|----------------------------------|-------------------------------|---------|
| Balance as at 31.12.2021 | 4 709 | 159 269 | -391 | 0 | 0 | 0 | -79 178 | 84 409 |
| Transactions with shareholders | 0 | 0 | 0 | 0 | 0 | 0 | 61 854 | 61 854 |
| Other | | | | | | | 1 | 1 |
| Profit / Loss - current period | | | | | | | 61 853 | 61 853 |
| Net unrealised gains (losses) total, not recognised in the income statements | 0 | 0 | 391 | 0 | 0 | 0 | 0 | 391 |
| Revaluation of financial investments | | | 391 | | | | | 391 |
| Balance as at 31.12.2022 | 4 709 | 159 269 | 0 | 0 | 0 | 0 | -17 324 | 146 654 |
| Transactions with shareholders | 0 | 0 | 0 | 0 | 0 | 0 | 170 592 | 170 592 |
| Profit / Loss - current period | | | | | | | 170 592 | 170 592 |
| Net unrealised gains (losses) total, not recognised in the income statements | 0 | 0 | 25 746 | 0 | 0 | 0 | 0 | 25 746 |
| Revaluation of financial investments | | | 25 746 | | | | | 25 746 |
| Balance as at 31.12.2023 | 4 709 | 159 269 | 25 746 | 0 | 0 | 0 | 153 268 | 342 992 |



Notes to the Financial Statements

from 1.1.2023 to 31.12.2023

Primoco UAV SE



1 Description of the Accounting Unit

| | |
|--|---|
| Company: | Primoco UAV SE |
| Identification Number: | 03794393 |
| Date of Establishment / Incorporation: | The deed of incorporation was signed on 28.1.2015 and the entry in the Commercial Register took place on 12.2.2015. |
| Registered Office: | 153 00 Praha 5, Výpadová 1563/29f |
| Legal Form: | European Company |
| Trade Register File Number: | Section H, File 1546 of the Commercial Register maintained by the Municipal Court |
| Accounting period: | January 1 to December 31 |
| Subject of Business: | Production, development, design, testing, installation, maintenance, repairs, modifications and design changes of unmanned aircraft |

1.1 Persons with more than 20% share on the registered capital of the accounting unit

| Name / Company | Share in % | |
|----------------------|----------------|-----------------|
| | Current period | Previous period |
| Ladislav Semetkovský | 58,14% | 59,46% |
| Gabriel Fülöpp | 24,00% | 25,59% |

1.2 Statutory bodies in the course of the accounting period

| Name | Function | From (date) | To (date) |
|----------------------|------------------------------------|-------------|------------|
| Ladislav Semetkovský | Chairman of the Board of Directors | 01.01.2023 | 31.12.2023 |
| Ing. Petr Kováč | Member of the Board of Directors | 01.12.2023 | 31.12.2023 |
| Romana Wyllie | Member of the Board of Directors | 01.12.2023 | 31.12.2023 |

1.3 Supervisory bodies in the course of the accounting period

| Name | Function | From (date) | To (date) |
|----------------------------------|-----------------------------------|-------------|------------|
| Gabriel Fülöpp | Chairman of the Supervisory Board | 01.01.2023 | 01.12.2023 |
| Ing. Vladan Ševčík | Member of the Supervisory Board | 01.01.2023 | 31.12.2023 |
| JUDr. Jakub Fojtík, Ph.D., LL.M. | Member of the Supervisory Board | 01.12.2023 | 31.12.2023 |
| Ing. Jan Sechter | Chairman of the Supervisory Board | 01.12.2023 | 31.12.2023 |

1.4 Transactions with related persons

Transactions with related parties take place on the basis of market prices.



2 Accounting methods and general accounting principles

The company's accounting is kept and the financial statements have been prepared in accordance with applicable Czech accounting regulation, i.e. with the Act on accounting (Act No. 563/1991 Coll.), with the Decree implementing this Act (500/2002 Coll.) and with the Czech accounting standards for entrepreneurs (set 001 - 023).

In its profit and loss account the company depicts revenues and expenses as positive amounts.

Unless specified otherwise, the figures in these financial statements are stated in CZK thousand.

Financial statements are prepared on going concern principle.

2.1 Summary of significant accounting policies and procedures

2.1.1 Non-current intangible and tangible assets

Non-current intangible and tangible assets are assets expected to be usable for more than one year and whose valuation in individual case exceeds the amount specified in the following table:

| | Reported in balance sheet | Reported in expenses of the current period*) | Technical improvement |
|-----------------------------|---------------------------------|---|--------------------------|
| Long-term intangible assets | > 60 ths. CZK | > 1 ths. CZK | > 60 ths. CZK |
| Long-term tangible assets | > 80 ths. CZK | > 1 ths. CZK | > 80 ths. CZK |

*) the Company reported these assets in expenses of the current period and further monitors them in its operative records.

Non-current intangible assets are, among other things, intangible results of development with term of usability exceeding one year, these are only activated in case of use for repeated sale. Intangible results of research and development, SW and rights appraisable in money generated internally for own needs will not be activated. They are appraised at real actual costs or reproduction costs of acquisition if they are lower.

Non-current intangible and tangible assets are valued in the following manner:

- purchased non-current assets are valued at acquisition costs reduced by accumulated depreciation and possible adjustments representing the impairment loss.
- non-current assets created by own activities are valued at value including direct costs, indirect costs directly related to the creation of the assets through own activities (manufacturing overhead) and, as appropriate, indirect administrative costs if the length of creation period of assets exceeds one year.

If the technical improvement, in case of an individual asset, exceeds in aggregate for the accounting period the amount specified in the table above, it increases the acquisition costs of non-current tangible assets.



The acquisition costs of non-current assets, except for lands and investments in progress, are depreciated during the estimated lifetime of the assets in the following manner:

| | Depreciation method | No. of years / % |
|--|---------------------|------------------|
| Buildings | linear | 20 - 30 |
| Intangible results of research and development | linear | 6 |
| Software | linear | 3 |
| Transportation vehicles | linear | 5 |
| Other assessable rights | linear | 6 |
| Test aircraft | linear | 5 |
| Negative forms | linear | 3 |

Profits or losses from the sale or retirement of assets are set as the difference between revenues from the sale and net book value of the assets as of the date of sale and are accounted in the profit and loss account.

2.1.2 Non-current financial assets

Non-current financial assets are in particular
- ownership interests

Securities and ownership interests are valued upon their acquisition at acquisition costs. The acquisition costs of a security and ownership interest include also direct costs related to the acquisition, e.g. fees and commissions to brokers, consultants and stock exchange.

As of the date of acquisition of securities and ownership interests, the non-current financial assets of companies are classified, based on the nature, as investments in group undertakings and in associated companies or debentures held to maturity or marketable securities and interests.

As of the financial statements date:

- investments in group undertakings and in associated companies are valued using the equity method – parity in the equity of a subsidiary company

2.1.3 Inventory

Purchased inventory (material, goods) is valued at acquisition costs. Acquisition costs include the purchase price and secondary costs of acquisition - in particular costs of transportation, storage, customs fees, commissions, and discounts. Of the internal corporate services related to acquisition, purchasing and processing of inventory, only freight costs and actual processing costs are activated in the acquisition costs.

Internally produced inventory is valued at real actual costs including direct costs of production or other activity, or also a part of indirect costs related to production or other activity.

Inventory distribution from store is accounted using the FIFO method (first in, first out).

Adjustments to inventory are created in cases when the actual value of inventory is lower than its usable or selling value respectively. The determination of such inventory is based on the analysis of its age, usability or expected selling price respectively.

2.1.4 Receivables

Receivables

- are valued at the nominal value upon their arising, subsequently reduced by the relevant adjustments to dubious and irrecoverable amounts

In case of gradual repayment of the receivable, the part due within one year and the part due in more than a year are reported separately in the balance sheet.

Adjustments to receivables are created on the basis of individual assessment.



2.1.5 Payables

Payables are recorded at their nominal value. In case of gradual repayment of the payable, the part due within one year and the part due in more than a year are reported separately in the balance sheet.

2.1.6 Loans

Loans are recorded at their nominal value.

In case of gradual repayment of the loan, the part due within one year and the part due in more than a year are reported separately in the balance sheet.

2.1.7 Provisions

Provisions are created to cover future risks and expenditures where the purpose is known, they are likely to occur, but the amount or the date of fulfilment is uncertain.

2.1.8 Translation of amounts in foreign currencies to Czech currency

During the year the accounting operations in foreign currencies are recorded at the current exchange rate of the Czech National Bank as of the date of the realization of the accounting transaction.

As of the date of the financial statements, assets and liabilities in foreign currency are translated using the exchange rate of the Czech National Bank as of the date to which the financial statements have been prepared.

2.1.9 Taxes

Current income tax

Tax liability and tax expenses are based on the management's understanding of interpretation of the tax laws applicable in the Czech Republic as of the date of preparation of the financial statements. With regard to various interpretations of tax laws and regulations by third persons including state administrative bodies, the income tax liability reported in the Company's financial statements is subject to change depending on the final opinion of the Tax Office.

Deferred tax

The calculation of the deferred tax is based on the liability method using the balance sheet approach.

As of the date of the financial statements, the accounting value of the deferred tax liability is assessed and decreased to the extent to which availability of a sufficient taxable profit, against which such receivable or part thereof could be applied is no longer likely.

Deferred tax is posted in the profit and loss account, except situations, where the deferred tax relates to items posted directly to equity and where also the related deferred tax is included in equity.

Deferred tax assets and liabilities are mutually set off and reported in the balance sheet at total net value, except situations, where certain individual tax assets cannot be set off against individual tax liabilities.

2.1.10 Government subsidies

Subsidies for the payment of costs are posted to other operating and financial revenues in substantive and temporal relation to posting of specifically allocated expenses.

Subsidies for the acquisition of non-current intangible or tangible assets and technical improvement and subsidies for the payment of interests included in the acquisition cost decrease their acquisition cost or real actual cost.



2.1.11 Revenues

Revenues are recorded at the value of the provided fulfilment or fulfilment to be provided and represent receivables for goods and services provided in the course of the current activity, after the deduction of discounts, value added tax and other taxes related to sales.

Sales from the sale of goods are posted upon delivery of goods and transfer of the rights pertaining to such goods.

2.1.12 Use of estimates

The preparation of the financial statements requires that the Company management uses estimates and assumptions affecting the reported values of assets and liabilities as of the date of the financial statements and also the reported amounts of revenues and expenses for the period under consideration. The Company management established such estimates and assumptions on the basis of all relevant information available to it. Nevertheless, as the substance of estimate implies, the actual values may differ from such estimates in the future.

2.2 Cash flow statement

Cash flow statement has been prepared as a combination of indirect (operating part) and direct (investment and financial part) method. Cash equivalents represent short-term liquid assets which can be easily and readily transferred to a predetermined cash amount. Cash and cash equivalents can be analysed as follows:

| Balance sheet item | Balance as at 31.12.2023 | Balance as at 31.12.2022 |
|--|-----------------------------|-----------------------------|
| Bank accounts | 239 472 | 63 078 |
| Total cash and cash equivalents | 239 472 | 63 078 |

Cash flows from operating, investment or financial activities are specified in the cash flow statement on a non-compensated basis.

3 Significant events between the financial statements date and the date to which the reports are approved for presentation out of the accounting unit

On 24 January 2024, the Czech National Bank approved the prospectus for shares. The prospectus was prepared for the purpose of admitting all 4,708,910 ordinary book-entry shares issued by the Company with a nominal value of CZK 1, which constitute the entire registered capital of the Company, for trading on the regulated Prime Market, which is part of the regulated market organized by the Prague Stock Exchange.

No significant events occurred in the period, that could have a negative impact on the financial position of the company.



4 The impact of the military conflict between Russia and Ukraine on the economic situation of the Company.

In the second half of February 2022, the political tension between Russia and Ukraine escalated into a war conflict. The global response to Russia's violation of international law consisted of the imposition of extensive sanctions against Russia, restricting business activity and leading to the disruption of supply chains and a significant increase in the price level.

It is currently unclear how long the war will last. For this reason, it is not possible to fully assess the consequences of Russian aggression in Ukraine on the situation of the company and its financial position. Based on future developments, the situation may also have negative effects on our company.

The Company's management has considered the potential effects of the war in Ukraine on its operations and business and has concluded that they do not have a material effect on the going concern assumption. Accordingly, the financial statements as of 31.12.2023 have been prepared on the assumption that the Company will be able to continue as a going concern.

Assets

B. Non-current assets

Movements of non-current assets are stated in the table Analysis of assets at the end of this part of the Notes

B.I Intangible assets

| Balance sheet item | Net value as at 31.12.2023 | Net value as at 31.12.2022 |
|--|----------------------------|----------------------------|
| Research and development | 3 552 | 1 177 |
| Software | 13 | 44 |
| Other valuable rights | 1 023 | 99 |
| Advance payments for intangible assets | 0 | 65 |
| Intangible assets in progress | 5 633 | 2 878 |
| Total | 10 221 | 4 263 |

Intangible fixed property under construction are made up of STANAG certification and engine manufacturing copyrights.

B.II Tangible assets

| Balance sheet item | Net value as at 31.12.2023 | Net value as at 31.12.2022 |
|---------------------------------|----------------------------|----------------------------|
| Lands | 19 466 | 17 352 |
| Buildings, halls and structures | 8 959 | 9 327 |
| Property, plant and equipment | 9 450 | 5 050 |
| Tangible assets in progress | 4 824 | 164 |
| Total | 42 699 | 31 893 |

Unfinished tangible fixed assets consist of documentation and work related to the future construction of the production hall in Písek.

B.III. Investments**1. - 5. Investments in subsidiaries and associates**

| Balance sheet item | Net value as at 31.12.2023 | Net value as at 31.12.2022 |
|------------------------------------|----------------------------|----------------------------|
| Investments - controlling interest | 25 846 | 100 |
| Total | 25 846 | 100 |

*** Investments - controlling interest***Balance as at 31.12.2023*

| Company / Place | Share in % | Acquisition costs | Revaluation | Equity | Profit / Loss |
|-----------------------------|------------|-------------------|---------------|---------------|---------------|
| Primoco UAV Defence, s.r.o. | 100% | 100 | 25 746 | 25 846 | 25 778 |
| Total | - | 100 | 25 746 | 25 846 | 25 778 |

Balance as at 31.12.2022

| Company / Place | Share in % | Acquisition costs | Revaluation | Equity | Profit / Loss |
|-----------------------------|------------|-------------------|-------------|-----------|---------------|
| Primoco UAV Defence, s.r.o. | 100% | 100 | 0 | 68 | 74 |
| Total | - | 100 | 0 | 68 | 74 |

*** Change of real value**

| Securities | Type of bookkeeping | Change of real value |
|-----------------------------|---------------------|----------------------|
| Primoco UAV Defence, s.r.o. | EQ | 25 746 |
| Equity | Total | 25 746 |

C. Current assets**C.I. Inventories**

| Balance sheet item | Net value as at 31.12.2023 | Net value as at 31.12.2022 |
|---|----------------------------|----------------------------|
| Materials | 38 810 | 15 336 |
| Work in progress and semi-finished products | 18 859 | 14 076 |
| Finished products | 834 | 1 807 |
| Goods | 408 | 121 |
| Advance payments for inventory | 0 | 17 078 |
| Total | 58 911 | 48 418 |



C.II. Receivables**C.II.1. Non-current receivables**

| Balance sheet item | Net value as at 31.12.2023 | Net value as at 31.12.2022 |
|----------------------------|----------------------------|----------------------------|
| Deferred tax asset | 507 | 0 |
| Receivables - other | | |
| Advance payments | 123 | 123 |
| Total | 630 | 123 |

* **Analysis of non-current receivables (aging)**

| Group | Balance as at 31.12.2023 | | Balance as at 31.12.2022 | |
|---------------------------|--------------------------|-------------|--------------------------|-------------|
| | Acquisition costs total | Adjustments | Acquisition costs total | Adjustments |
| Due after 1 up to 5 years | 630 | 0 | 123 | 0 |
| Total | 630 | 0 | 123 | 0 |

The analysis of the deferred tax asset is stated at the end of this part of the Notes to the financial statements.

C.II.2. Current receivables

| Balance sheet item | Net value as at 31.12.2023 | Net value as at 31.12.2022 |
|----------------------------|----------------------------|----------------------------|
| Trade receivables | 270 | 45 |
| Receivables - other | | |
| Tax receivables | 2 551 | 0 |
| Advance payments | 202 | 319 |
| Estimated receivables | 1 998 | 0 |
| Other receivables | 32 | 9 629 |
| Total | 5 053 | 9 993 |

* **Type of securisation**

Reported receivables are not secured.

C.IV. Cash and Cash equivalents

| Balance sheet item | Net value as at 31.12.2023 | Net value as at 31.12.2022 |
|--------------------|----------------------------|----------------------------|
| Cash at bank | 239 472 | 63 078 |
| Total | 239 472 | 63 078 |



D. Accruals and deferrals

| Balance sheet item | Net value as at 31.12.2023 | Net value as at 31.12.2022 |
|--------------------|----------------------------|----------------------------|
| Deferred expenses | 77 | 0 |
| Accrued income | 5 | 0 |
| Total | 82 | 0 |

Equity and liabilities**A. Equity**

| Balance sheet item | Balance as at 31.12.2023 | Balance as at 31.12.2022 |
|---|--------------------------|--------------------------|
| Registered capital | 4 709 | 4 709 |
| Share premium | 159 269 | 159 269 |
| Difference from revaluation of assets and liabilities (+/-) | 25 746 | 0 |
| Accumulated profits or accumulated losses from previous years (+/-) | -17 324 | -79 177 |
| Profit / Loss for the current accounting period (+/-) | 170 592 | 61 853 |
| Total | 342 992 | 146 654 |

A.I. Registered capital

| Type of shares | Amount | Nominal value | Total | Unpaid subscriptions | Due date |
|--------------------------------|------------------|---------------|--------------|----------------------|----------|
| In the name in book-entry form | 4 708 910 | 0,001 | 4 709 | 0 | - |
| Total | 4 708 910 | 0,001 | 4 709 | 0 | - |

*** Movements in equity**

Movements of equity are stated in the Report on changes in equity

*** Difference from revaluation of assets and liabilities (+/-)**

| Balance sheet item | Balance as at 31.12.2023 | Balance as at 31.12.2022 |
|-----------------------------------|--------------------------|--------------------------|
| Revaluation of subsidiary's stake | 25 746 | 0 |
| Total | 25 746 | 0 |

*** Distribution of profit**

As of the date of compilation of these financial statements, no decision has been made on the proposal for the settlement of the economic result.



B./C. Liabilities**B. Provisions***** Provision for income tax**

| | | |
|---------|--------------------------|--------|
| Balance | Balance as at 31.12.2023 | 39 169 |
| | Balance as at 31.12.2022 | 767 |

The year-on-year increase in income tax is due to a sharp increase in the company's economic result and also to the fact that all tax losses have already been used.

Provision for the corporate income tax was reduced by the sum of advances paid for the corporate income tax.

*** Other provisions**

| | | |
|---------|--------------------------|-----|
| Balance | Balance as at 31.12.2023 | 438 |
| | Balance as at 31.12.2022 | 118 |

C. Liabilities**C.II. Current liabilities**

| Balance sheet item | Balance as at 31.12.2023 | Balance as at 31.12.2022 |
|----------------------------|-----------------------------|-----------------------------|
| Advance payments | 60 | 3 385 |
| Trade payables | 12 | 8 |
| Payables - other | | |
| Tax payables and subsidies | 0 | 6 588 |
| Estimated payables | 243 | 348 |
| Total | 315 | 10 329 |

Contingent assets and liabilities**E. Other contingent assets and liabilities****Undrawn credit lines and liability**

As of the balance sheet date, the company had undrawn credit lines of EUR 5 million available from its banks (revolving credit).

These are secured by a blank promissory note and a pledge of receivables.

In addition, the company had a guarantee agreement with banks for any debts of a related party up to CZK 300 ths.



Profit and loss account

I. Sales of own products and services

| | | |
|---------|-----------------------------|---------|
| Balance | from 1.1.2023 to 31.12.2023 | 493 800 |
| | from 1.1.2022 to 31.12.2022 | 145 480 |

The year-on-year increase in revenues is due to an increase in demand for aircraft and also due to their subsequent sale. The global situation associated with security risks contributed to this increase. All sales were made on the European market.

A.2. Materials and energy

| | | |
|---------|-----------------------------|---------|
| Balance | from 1.1.2023 to 31.12.2023 | 231 818 |
| | from 1.1.2022 to 31.12.2022 | 56 453 |

The increase in costs is associated with the continuing increase in production capacity (with regard to the growing number of contracts), and another reason is the rising price of inputs.

A.3. Services

| | | |
|---------|-----------------------------|--------|
| Balance | from 1.1.2023 to 31.12.2023 | 24 111 |
| | from 1.1.2022 to 31.12.2022 | 16 558 |

Similarly to the costs of material and energy consumption, the costs of services also increased due to the increase in production, when the services of cooperators were used to a greater extent. The auditing firm provided the company with auditing services for individual, consolidated financial statements, audit of statements for special purposes and non-audit services that had no impact on the accounting or the audited information on expenses on the statutory auditor in relevant segmentation forms is a part of the above mentioned consolidated financial statements.

B. Change in inventories of own production (+/-)

| | | |
|---------|-----------------------------|--------|
| Balance | from 1.1.2023 to 31.12.2023 | -3 808 |
| | from 1.1.2022 to 31.12.2022 | -2 000 |



D. Personnel costs

| | | |
|---------|-----------------------------|--------|
| Balance | from 1.1.2023 to 31.12.2023 | 18 866 |
| | from 1.1.2022 to 31.12.2022 | 15 430 |

| Nature of expense | Amount in current period | Amount in prior period | Balance as at 31.12.2023 | Balance as at 31.12.2022 |
|--------------------------------|--------------------------|------------------------|--------------------------|--------------------------|
| Employees - salaries and wages | 21 | 15 | 14 022 | 11 861 |
| Social security | | | 4 581 | 3 449 |
| Other expenses | | | 263 | 120 |
| Total | 21 | 15 | 18 866 | 15 430 |

The average number of managing authorities for 2023 was 1 and the average number of control bodies was 2.

E. Adjustments in operating segment

| Group | Balance as at 31.12.2023 | Balance as at 31.12.2022 |
|--|--------------------------|--------------------------|
| Adjustments of non-current tangible and intangible assets - depreciation | 2 833 | 3 341 |
| Adjustments of receivables (allowance) | 0 | -2 574 |
| Total | 2 833 | 767 |

III. Other operating revenues

| Nature of revenue | Balance as at 31.12.2023 | Balance as at 31.12.2022 |
|-----------------------------|--------------------------|--------------------------|
| Sales of non-current assets | 541 | 7 486 |
| Sundry operating revenues | 2 452 | 279 |
| Total | 2 993 | 7 765 |

F. Other operating expenses

| Nature of expense | Balance as at 31.12.2023 | Balance as at 31.12.2022 |
|---|--------------------------|--------------------------|
| Net book value of sold non-current assets | 597 | 170 |
| Taxes and fees from operating activity | 318 | 181 |
| Provisions and accruals | 320 | 36 |
| Sundry operating expenses | 736 | 3 289 |
| Total | 1 971 | 3 676 |



**VI.-V./
G.-H. Sale of securities and shares**

*** Revenues and costs from investments - ownership interests**

| | | |
|----------|-----------------------------|-----|
| Revenues | from 1.1.2023 to 31.12.2023 | 0 |
| | from 1.1.2022 to 31.12.2022 | 36 |
| Costs | from 1.1.2023 to 31.12.2023 | 0 |
| | from 1.1.2022 to 31.12.2022 | 291 |

**VI. -
VII. Interest revenues and similar revenues, Other financial revenues**

| Nature of revenue | Balance as at 31.12.2023 | Balance as at 31.12.2022 |
|--|-----------------------------|-----------------------------|
| Other interest revenues and similar revenues | 6 550 | 1 443 |
| Other financial revenues | 8 103 | 341 |
| Total | 14 653 | 1 784 |

Other interest and similar income represent income from deposits in term accounts.
Other financial income comes from exchange rate differences.

J.- K. Other financial expenses

| Nature of expense | Balance as at 31.12.2023 | Balance as at 31.12.2022 |
|--------------------------|-----------------------------|-----------------------------|
| Other financial expenses | 26 018 | 1 270 |
| Total | 26 018 | 1 270 |

Other financial costs arise from exchange rate differences.



L. Income tax

| | | |
|---------|-----------------------------|--------|
| Balance | from 1.1.2023 to 31.12.2023 | 39 045 |
| | from 1.1.2022 to 31.12.2022 | 767 |

*** Analysis of deferred tax**

| Temporary differences | Balance as at 31.12.2023 | Balance as at 31.12.2022 |
|---|-----------------------------|-----------------------------|
| Difference in residual value of tangible and intangible fixed assets | 1 975 | 4 435 |
| Accounting provisions | 438 | 118 |
| Differences total | 2 413 | 4 553 |
| Applicable tax rate | 21% | 19% |
| Deferred tax asset (+) / liability (-) relating to temporary differences | 507 | 865 |
| Deferred tax expense arising from write-down, or reversal of a previous write-down, of a deferred tax asset | 0 | -865 |
| Opening balance of a deferred tax asset (+) / liability (-) | 0 | 0 |
| The amount of deferred tax expense relating to temporary differences | -507 | 0 |
| Ending balance of a deferred tax asset (+) / liability (-) | 507 | 0 |



| Item | Development in acquisition costs | | | | | Development of accumulated depreciation and adjustments | | | | | Net | |
|---------------|----------------------------------|---------------|-----------|------------|--------------------------|---|--------------|-----------|------------|--------------------------|--------------------------|--------------------------|
| | Balance as at 31.12.2022 | Additions | Transfers | Disposals | Balance as at 31.12.2023 | Balance as at 31.12.2022 | Additions | Transfers | Disposals | Balance as at 31.12.2023 | Balance as at 31.12.2023 | Balance as at 31.12.2022 |
| B.I.1. | 2 998 | 2 830 | 284 | 0 | 6 112 | 1 821 | 739 | 0 | 0 | 2 560 | 3 552 | 1 177 |
| B.I.2.1. | 752 | 0 | 0 | 0 | 752 | 708 | 31 | 0 | 0 | 739 | 13 | 44 |
| B.I.2.2. | 125 | 1 000 | 0 | 0 | 1 125 | 26 | 76 | 0 | 0 | 102 | 1 023 | 99 |
| B.I.5.1. | 65 | 0 | -65 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 65 |
| B.I.5.2. | 2 878 | 2 974 | -219 | 0 | 5 633 | 0 | 0 | 0 | 0 | 0 | 5 633 | 2 878 |
| B.I. | 6 818 | 6 804 | 0 | 0 | 13 622 | 2 555 | 846 | 0 | 0 | 3 401 | 10 221 | 4 263 |
| B.II.1.1. | 17 352 | 2 114 | 0 | 0 | 19 466 | 0 | 0 | 0 | 0 | 0 | 19 466 | 17 352 |
| B.II.1.2. | 10 522 | 0 | 0 | 0 | 10 522 | 1 195 | 368 | 0 | 0 | 1 563 | 8 959 | 9 327 |
| B.II.2. | 10 656 | 6 617 | 0 | 827 | 16 446 | 5 606 | 1 620 | 0 | 230 | 6 996 | 9 450 | 5 050 |
| B.II.5.2. | 164 | 4 660 | 0 | 0 | 4 824 | 0 | 0 | 0 | 0 | 0 | 4 824 | 164 |
| B.II. | 38 694 | 13 391 | 0 | 827 | 51 258 | 6 801 | 1 988 | 0 | 230 | 8 559 | 42 699 | 31 893 |
| B.III.1. | 100 | 25 746 | 0 | 0 | 25 846 | 0 | 0 | 0 | 0 | 0 | 25 846 | 100 |
| B.III. | 100 | 25 746 | 0 | 0 | 25 846 | 0 | 0 | 0 | 0 | 0 | 25 846 | 100 |
| Total | 45 612 | 45 941 | 0 | 827 | 90 726 | 9 356 | 2 834 | 0 | 230 | 11 960 | 78 766 | 36 256 |

Item: B.I. - Intangible assets
B.I.1. - Research and development
B.I.2.1. - Software
B.I.2.2. - Other valuable rights
B.I.3. - Goodwill
B.I.4. - Other intangible assets
B.I.5.1. - Advance payments for intangible assets
B.I.5.2. - Intangible assets in progress

B.II. - Tangible assets
B.II.1.1. - Lands
B.II.1.2. - Buildings, halls and structures
B.II.2. - Property, plant and equipment
B.II.3. - Revaluation difference on acquired assets
B.II.4.1. - Cultivated areas
B.II.4.2. - Mature animals and groups of mature animals
B.II.4.3. - Other tangible assets
B.II.5.1. - Advance payments for tangible assets
B.II.5.2. - Tangible assets in progress

B.III. - Investments
B.III.1. - Investments - controlling interest
B.III.2. - Borrowings and loans - subsidiaries
B.III.3. - Investments in associated companies
B.III.4. - Loans and borrowings - associates
B.III.5. - Other securities and ownership interest
B.III.6. - Loans and borrowings - other
B.III.7.1. - Other investments
B.III.7.2. - Advance payments for investments



3 Supplementary Information Not Presented in the Financial Statements

This section of the annual report provides additional information that is not reflected in the financial statements.

3.1 Events Occurring After the Balance Sheet Date

There has been no event that has materially affected the financial position of the Company between the balance sheet date and the date of approval of this Annual Report by the statutory body (see the date on the second page of the Annual Report).

The Company was listed on the main market of the Prague Stock Exchange (Prime Market) on 29 January 2024 with a total of 4,708,910 ordinary shares.

3.2 Research and Development Activities

The Company has not adopted a specific research and development policy. Amounts spent on research and development are fully included in the Company's expenses. The Company does not separately account for amounts spent on research and development activities.

3.3 Acquisition of Own Shares or Own Interests

The Company did not acquire any of its own shares or interests during the financial year.

3.4 Environmental Activities

The Company's activities have no particular environmental impact. For this reason, the Company has no specific activities in this area.

3.5 Labour Relations Activities

The employment law agenda is maintained in accordance with the Labour Code and other legal and payroll regulations

3.6 Information on Branches or Other Parts of the Business Establishment Abroad

The Company did not have a branch or other part of a business establishment abroad during the period.

4 Relationship Report

**Related Parties Transactions Report
for the Financial Year 2023**

executed by the Board of Directors of

Primoco UAV SE

(as controlled person)

with registered office at Výpadová 1563/29f, Post Code: 153 00, Prague 5 - Radotín

ID: 037 94 393

The Board of Directors of the controlled person - of Primoco UAV SE, with registered office at Výpadová 1563/29f, Post Code: 153 00, Praha 5 - Radotín, ID No.: 037 94 393, registered in the Commercial Register maintained by the Municipal Court in Prague, Section H, Insert 1546 (hereinafter referred to as "**Company**"), has prepared for the accounting period from 1 January 2023 to 31 December 2023 (hereinafter referred to as "**Accounting Period**") in accordance with the provisions of Section 82 et seq. of Act No. 90/2012 Coll., on Commercial Companies and Cooperatives, as amended (hereinafter referred to as "**CCC**") and taking into account the provisions of Section 504 of Act No. 89/2012 Coll., the Civil Code, as amended, this Report on the Relations between the Company and the controlling persons and between the Company and persons controlled by the same controlling person (hereinafter referred to as the "**Report**").

1 Structure of Relations Between the Company and Controlling Persons and Between the Company and Persons Controlled by the Same Controlling Person

The persons directly controlling the Company are two shareholders acting together, namely Mr. Ladislav Semetkovský and Ing. Gabriel Fülöpp, who together hold 82.14% of the share capital and voting rights of the Company.

Mr. Ladislav Semetkovský is also the sole controlling shareholder of PRIMOCO INVESTMENTS s.r.o., with registered office at Výpadová 1563/29f, Post Code: 153 00, Prague 5 - Radotín, ID: 290 60 231. PRIMOCO INVESTMENTS s.r.o. does not carry out any activity and there were no contractual relationships between it and the Company in 2023. In 2023, Mr. Ladislav Semetkovský was also the sole shareholder of Pístina 69 s.r.o., Pístina 69, Post Code: 378 02, ID: 196 38 728. Pístina 69 s.r.o. was deleted from the Commercial Register on 15 December 2023 and there were no contractual relations between it and the Company in 2023. The company is the sole shareholder of Primoco UAV Defence, s.r.o., with its registered office at Výpadová 1563/29f, Post Code: 153 00, Prague 5 - Radotín, ID: 081 05 111 (hereinafter referred to as "**Primoco Defence**").

The Company, together with the controlling person and persons controlled by it, does not form a group within the meaning of Section 79 et seq. of CCC. The structure of related parties is set out in the Annex to this Report.

2 The Role of the Company in the Structure of the Relationships Mentioned Above

During the Accounting Period, no measures or other legal actions were taken or executed by the Company in the interest of or at the instigation of controlling persons or persons controlled by the same controlling person, providing the Company with special benefits or imposing special obligations. The Company does not derive any special benefits in connection with its control, nor does it incur any additional obligations to the controlling person and/or persons controlled by the same controlling person beyond those agreed in the agreements referred to in Article 5 of this Report.

3 Method and Means of Control

Controlling persons exercise control through their ownership rights, which they exercise by voting at the Company's general meeting as shareholders of the Company. The ways and means of controlling the Company include the Company's Articles of Association and voting at the Company's General Meeting. There are no specific agreements between the Company and the controlling persons regarding the manner and means of controlling the Company.

4 Summary of Actions Taken During the Accounting Period, or part thereof, under Section 82(2) d.) of CCC

No contracts fulfilling the condition set out in the provision in question were concluded during the relevant period.

5 Overview of Mutual Agreements Between the Company and Controlling Persons and Persons Controlled by the Same Controlling Persons

In December 2022, a Framework Purchase Agreement was entered into between the Company, as Seller, and Primoco Defence, as Buyer, for the sale of UAVs, accessories and related services for resale to end customers.

Beyond this, there are no contractual relationships between the Company and controlling persons and persons controlled by the same controlling persons, except for contracts for the performance of duties in connection with membership in an elected body of the Company.

6 Assessment of Whether the Company Has Suffered a Damage and Assessment of Its Compensation Pursuant to Sections 71 and 72 of the CCC

All contracts described in Article 5 of this Report were concluded on normal commercial terms. All services provided and all services received under these agreements were provided on normal commercial terms and the Company has not suffered any detriment as a result of these negotiations and agreements.

During the financial year, there was no influence on the Company's behaviour by an influential person or a controlling person that would have decisively and significantly affected the Company's behaviour to its detriment. The company did not suffer any damage and therefore it is not necessary to assess the compensation of damage under the provisions of Section 71 and Section 72 of the CCC.

7 Evaluation of Advantages and Disadvantages Arising from the Relationship Between the Company and Controlling Persons

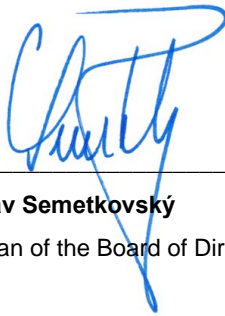
The Board of Directors of the Company declares that it has evaluated the relationships between the Company and the controlling persons and persons controlled by the same controlling person and, based on this evaluation, declares that the Company does not derive any particular advantages or disadvantages from these relationships.

Furthermore, the Board of Directors declares that the relationships between the Company and controlling persons and persons controlled by the same controlling person do not pose any risk to the Company and therefore the Board of Directors does not state in this Relationship Report whether and in what manner the damage has been or will be compensated according to the provisions of Sections 71 and 72 of the CCC.

8 Closing Statement of the Board of Directors

The Board of Directors has prepared this Relationship Report to the best of its knowledge and belief drawn from information and documents available to it and which, with the exercise of due care, the Board of Directors has procured for the purposes of this Relationship Report.

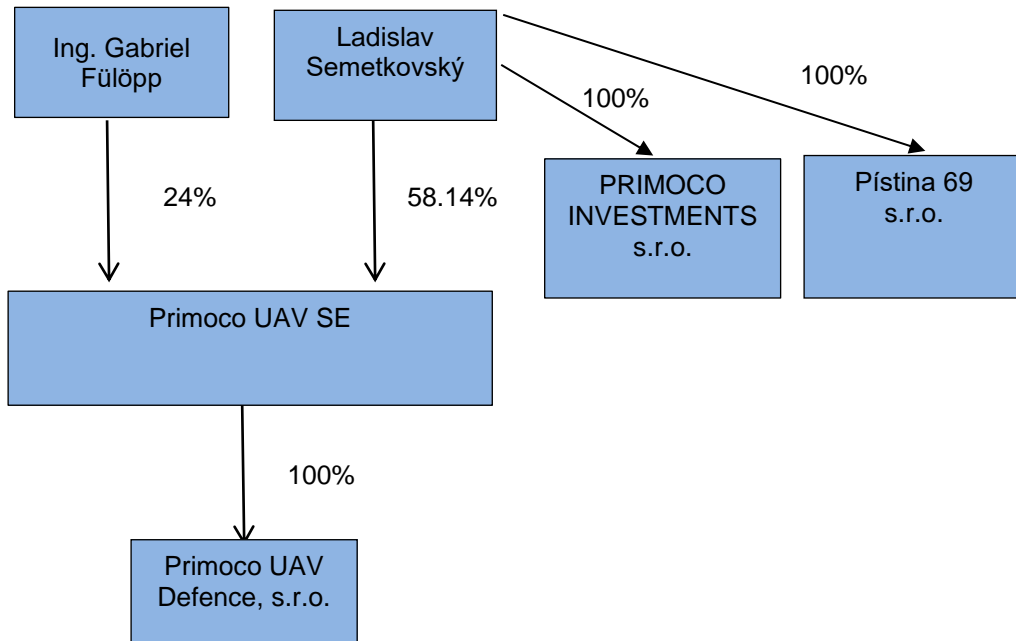
Prague, 23 March 2024



Ladislav Semetkovský

Chairman of the Board of Directors

Appendix: The structure of the relationships described in the Report as captured in the organisation chart.



5 Auditor's Report



Independent Auditor's Report

Primoco UAV SE

Accounting period
from 1.1.2023 to 31.12.2023

Identification of the Company

Company: **Primoco UAV SE**
Identification No.: 03794393
Registered Office: Výpadvová 1563/29f, 153 00 Praha 5
Legal Form: European Company
File Number: H 1546, Trade Register Court Prague

TPA Audit s.r.o.
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Číslo oprávnění 80 Komory auditorů ČR

Albánie | Bulharsko | Černá Hora | Česká republika | Chorvatsko | Maďarsko
Polsko | Rakousko | Rumunsko | Slovensko | Slovinsko | Srbsko

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A Baker Tilly
Europe Alliance member

The auditor's report is determined for shareholders of the company

Auditor's Opinion

We have audited the accompanying the financial statements of the company Primoco UAV SE prepared in accordance with accounting principles generally accepted in the Czech Republic, which comprise of the balance sheet as of 31.12.2023, and the income statement, statement of changes in equity and statement of cash flows, for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Company Primoco UAV SE see Note 1 to the financial statements.

In our opinion, the financial statements give a true and fair view of the financial position of the company Primoco UAV SE as of 31.12.2023, and of its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation 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 Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenues

In 2023, the company achieved revenues from the sale of products and services of MCZK 494. Refer to significant accounting policies, sections 2.1.11 and I. of the notes to the financial statements.

Description of key audit matter

We consider revenues from the sale of products and services to be a key audit matter. Revenue is to be recognised when the company fulfils a contractual obligation to the customer.

The reason for designating revenue as a principal audit matter is that misstatement of revenue, and the related cost of sales, would materially affect the true and fair view of the company and the assessment of its performance.

Our approach

We performed detailed substantive tests to confirm that revenue was recognised in the appropriate amount and in the correct accounting period.



Responsibility of Board of Directors and Supervisory Board for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the Czech Republic and for such internal control as statutory body 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, the board of Directors 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 unless board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for the Audit of the financial statements

Our objectives are to obtain reasonable assurance about 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 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 these financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of 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 the Board of Directors.
- Conclude on the appropriateness of the board of Directors use of the going concern basis of accounting 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 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 content of financial statements, including the disclosures, and whether financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Primoco UAV SE

We communicate with the board of Directors and Supervisory Board 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.

In Prague, on 18.4.2024



.....

Auditor:

Ing. David Mrozek

Certificate No. 2309 KAČR



TPA Audit s.r.o.

Antala Staška 2027/79, Praha 4

Certificate No. 080 KAČR

6 Consolidated Financial Statements

CONSOLIDATED FINANCIAL STATEMENTS

from 1.1.2023 to 31.12.2023

Primoco UAV SE

Date 14.3.2024



Statutory body

Ladislav Semetkovský

A handwritten signature in blue ink, appearing to be "Ladislav Semetkovský", written over a horizontal line.

| Row | Current period Net | Previous period Net |
|--|-----------------------|------------------------|
| TOTAL ASSETS | 392 972 | 166 480 |
| B. Non-current assets | 52 920 | 36 156 |
| I. Intangible assets | 10 221 | 4 263 |
| 1 Research and development | 3 552 | 1 177 |
| 2 Valuable rights | 1 036 | 143 |
| 1 Software | 13 | 44 |
| 2 Other valuable rights | 1 023 | 99 |
| 5 Advance payments for intangible assets and intangible assets in progress | 5 633 | 2 943 |
| 1 Advance payments for intangible assets | 0 | 65 |
| 2 Intangible assets in progress | 5 633 | 2 878 |
| II. Tangible assets | 42 699 | 31 893 |
| 1 Lands and buildings, halls and structures | 28 425 | 26 679 |
| 1 Lands | 19 466 | 17 352 |
| 2 Buildings, halls and structures | 8 959 | 9 327 |
| 2 Property, plant and equipment | 9 450 | 5 050 |
| 5 Advance payments for tangible assets and tangible assets in progress | 4 824 | 164 |
| 2 Tangible assets in progress | 4 824 | 164 |
| C. Current assets | 339 970 | 130 324 |
| I. Inventories | 58 911 | 66 315 |
| 1 Materials | 38 810 | 15 336 |
| 2 Work in progress and semi-finished products | 18 859 | 14 076 |
| 3 Finished products and goods | 1 242 | 19 825 |
| 1 Finished products | 834 | 19 704 |
| 2 Goods | 408 | 121 |
| 5 Advance payments for inventory | 0 | 17 078 |
| II. Receivables | 3 505 | 848 |
| 1 Non-current receivables | 711 | 123 |
| 4 Deferred tax asset | 588 | 0 |
| 5 Receivables - other | 123 | 123 |
| 2 Advance payments | 123 | 123 |
| 2 Current receivables | 2 794 | 725 |
| 1 Trade receivables | 7 | 45 |



| Row | Current period Net | Previous period Net |
|-------------------------------|-----------------------|------------------------|
| 4 Receivables - other | 2 787 | 680 |
| 3 Tax receivables | 2 553 | 0 |
| 4 Advance payments | 202 | 319 |
| 6 Other receivables | 32 | 361 |
| IV. Cash and Cash equivalents | 277 554 | 63 161 |
| 2 Cash at bank | 277 554 | 63 161 |
| D. Accruals and deferrals | 82 | 0 |
| 1 Deferred expenses | 77 | 0 |
| 3 Accrued income | 5 | 0 |



| Row | Current period | Previous period |
|--|----------------|-----------------|
| TOTAL EQUITY and LIABILITIES | 392 972 | 166 480 |
| A. Equity | 342 992 | 114 506 |
| I. Registered capital | 4 709 | 4 709 |
| 1 Registered capital | 4 709 | 4 709 |
| II. Share premium and reserves | 159 269 | 159 269 |
| 1 Share premium | 159 269 | 159 269 |
| IV. Retained earnings (+/-) | -49 471 | -79 283 |
| 1 Accumulated profits or accumulated losses from previous years (+/-) | -49 471 | -79 283 |
| V. Profit / Loss for the current accounting period excluding minority shares | 228 485 | 29 811 |
| 1 Profit / Loss for the current accounting period (+/-) | 228 485 | 29 811 |
| C. + D. Liabilities | 49 980 | 51 974 |
| C. Provisions | 46 107 | 885 |
| 2 Provision for income tax | 45 284 | 767 |
| 4 Other provisions | 823 | 118 |
| D. Liabilities | 3 873 | 51 089 |
| II. Current liabilities | 3 873 | 51 089 |
| 3 Advance payments | 0 | 44 137 |
| 4 Trade payables | 302 | 18 |
| 8 Payables - other | 3 571 | 6 934 |
| 5 Tax payables and subsidies | 0 | 6 586 |
| 6 Estimated payables | 303 | 348 |
| 7 Other liabilities | 3 268 | 0 |



CONSOLIDATED PRO FIT AND LOSS ACCOUNT

Reg.No: 03794393
Praha, Výpadohá 1563/29f

from 1.1.2023 to 31.12.2023
in Tsd. CZK

| Row | Current period | Previous period |
|--|----------------|-----------------|
| I. Sales of own products and services | 597 534 | 102 766 |
| A. Production consumed | 265 732 | 73 189 |
| 2 Materials and energy | 231 820 | 56 455 |
| 3 Services | 33 912 | 16 734 |
| B. Change in inventories of own production (+/-) | 14 087 | -19 903 |
| D. Personnel costs | 37 042 | 15 735 |
| 1 Wages and salaries | 29 276 | 12 097 |
| 2 Social security and other expenses | 7 766 | 3 638 |
| 1 Social security | 7 418 | 3 517 |
| 2 Other expenses | 348 | 121 |
| E. Adjustments in operating segment | 2 833 | 767 |
| 1 Adjustments of non-current tangible and intangible assets | 2 833 | 3 341 |
| 1 Adjustments of non-current tangible and intangible assets - depreciation | 2 833 | 3 341 |
| 3 Adjustments of receivables (allowance) | 0 | -2 574 |
| III. Other operating revenues | 4 853 | 470 |
| 1 Sales of non-current assets | 541 | 191 |
| 3 Different operating revenues | 4 312 | 279 |
| F. Other operating expenses | 2 358 | 3 845 |
| 1 Net book value of sold non-current assets | 597 | 170 |
| 3 Taxes and fees from operating activity | 320 | 182 |
| 4 Provisions and accruals | 705 | 36 |
| 5 Different operating expenses | 736 | 3 457 |
| * Consolidated operating profit/loss (+/-) | 280 335 | 29 603 |
| IV. Revenues from investments - ownership interests | 0 | 36 |
| 1 Revenues from securities and interests in subsidiaries | 0 | 36 |
| G. Costs of sold securities and ownership interests | 0 | 291 |
| VI. Interest revenues and similar revenues | 6 582 | 1 443 |
| 2 Other interest revenues and similar revenues | 6 582 | 1 443 |
| VII. Other financial revenues | 9 925 | 489 |
| K. Other financial expenses | 23 278 | 702 |



| Row | Current period | Previous period |
|---|----------------|-----------------|
| * Consolidated financial profit/loss (+/-) | -6 771 | 975 |
| ** Consolidated profit/loss before tax (+/-) | 273 564 | 30 578 |
| L. Income tax | 45 079 | 767 |
| 1 Current income tax | 45 667 | 767 |
| 2 Deferred tax (+/-) | -588 | 0 |
| ** Consolidated profit/loss after tax (+/-) | 228 485 | 29 811 |
| ** Consolidated profit or loss for the accounting period without shares in equivalence | 228 485 | 29 811 |
| * of which: Consolidated profit or loss for the accounting period excluding minority shares | 228 485 | 29 811 |
| *** Consolidated profit/loss for the accounting period (+/-) | 228 485 | 29 811 |
| * Net consolidated turnover for the accounting period = I.+ II.+ III.+ IV.+ V.+ VI.+ VII. | 618 894 | 105 204 |



| Row | Current period | Previous period |
|---|----------------|-----------------|
| P. Cash and cash equivalents at the beginning of the period | 63 161 | 28 170 |
| Z. Accounting profit or loss before tax | 273 564 | 30 578 |
| A.1. Non-cash transactions | -2 988 | 1 913 |
| A.1.1. Depreciation of fixed assets (+) with exception of disposed non-current assets and amortization of revaluation difference on acquired assets and goodwill (+) | 2 833 | 3 341 |
| A.1.2. Change in adjustments to assets and in provisions | 705 | -2 538 |
| A.1.2.1. <i>Change in adjustments to assets</i> | 0 | -2 574 |
| A.1.2.2. <i>Change in provisions</i> | 705 | 36 |
| A.1.3. Profit/(loss) on sale of fixed assets (-/+) | 56 | -21 |
| A.1.5. Interest payable (+) with exception of capitalised interest and interest receivable (-) | -6 582 | -1 443 |
| A.1.5.2. <i>Interest receivable</i> | -6 582 | -1 443 |
| A.1.6. Other non-monetary transactions | 0 | 2 574 |
| A.* Net cash flow from operating activities before taxation and changes of working capital | 270 576 | 32 491 |
| A.2. Change of non-monetary items of working capital | -41 961 | 7 864 |
| A.2.1. (Increase) / decrease in current receivables (+/-), deferred assets and estimated receivables | -2 149 | 3 768 |
| A.2.2. Increase / (decrease) in current payables (+/-), deferred liabilities and estimated payables | -47 216 | 50 841 |
| A.2.3. (Increase) / decrease in inventories (+/-) | 7 404 | -46 745 |
| A.** Net cash flow from operating activities before taxes | 228 615 | 40 355 |
| A.4. Interest received (+) | 6 582 | 1 443 |
| A.5. Income tax paid and additional tax from previous periods (-) | -1 151 | 0 |
| A.*** Net cash flow from operating activity | 234 046 | 41 798 |
| B.1. Purchases of fixed assets | -20 194 | -7 289 |
| B.2. Proceeds from sales of fixed assets | 541 | 191 |
| B.*** Net cash flow from investment activity | -19 653 | -7 098 |
| C.2. Impact from changes in equity on cash and cash equivalents | 0 | 291 |
| C.2.1. <i>Increase of cash and cash equivalents by increase of share capital, share premiums, or legal reserves including advance payments for this increases (+)</i> | 0 | 291 |
| C.*** Net cash flow from financial activity | 0 | 291 |
| F. Net increase or decrease of cash and cash equivalents | 214 393 | 34 991 |
| D. Difference D=P+F-R | 0 | 0 |
| R. Cash and cash equivalents at the end of the period | 277 554 | 63 161 |



Primoco UAV SE

Reg.No: 03794393
Praha, Výpadová 1563/29f

CONSOLIDATED STATEMENT
OF MOVEMENTS IN EQUITY

from 1.1.2023 to 31.12.2023
in Tsd. CZK

| | Issued / Registered capital and treasury shares | Share premium | Reserves from business transformation, revaluation and recalculation | Other reserves | Legal reserves | Other reserves from profit | Accumulated profits/losses | Total |
|---|--|---------------|--|----------------|----------------|-------------------------------|-------------------------------|---------|
| Balance as at 31.12.2021 | 4 709 | 159 269 | -291 | 0 | 0 | 0 | -79 283 | 84 404 |
| Transactions with shareholders | 0 | 0 | 0 | 0 | 0 | 0 | 29 811 | 29 811 |
| Profit / Loss - current period | | | | | | | 29 811 | 29 811 |
| Net unrealised gains (losses) total, not recognised in the income statements | 0 | 0 | 291 | 0 | 0 | 0 | 0 | 291 |
| Revaluation of financial investments | | | 291 | | | | | 291 |
| Balance as at 31.12.2022 | 4 709 | 159 269 | 0 | 0 | 0 | 0 | -49 472 | 114 506 |
| Transactions with shareholders | 0 | 0 | 0 | 0 | 0 | 0 | 228 486 | 228 486 |
| Other | | | | | | | 1 | 1 |
| Profit / Loss - current period | | | | | | | 228 485 | 228 485 |
| Net unrealised gains (losses) total, not recognised in the income statements | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance as at 31.12.2023 | 4 709 | 159 269 | 0 | 0 | 0 | 0 | 179 014 | 342 992 |



NOTES TO THE CONSOLIDA TED FINANCIAL STATEM ENTS

from 1.1.2023 to 31.12.2023

Primoco UAV SE



Purpose of the Financial Statements

The Company is not obliged to prepare consolidated financial statements.

The consolidated financial statements were prepared on a voluntary basis. It was compiled on the basis of a request from the company's management to be able to present consolidated data for active Czech companies to the company's owners.

1 Description of the Accounting Unit

| | |
|--|---|
| Company: | Primoco UAV SE |
| Identification Number: | 03794393 |
| Date of Establishment / Incorporation: | The deed of incorporation was signed on 28.1.2015 and the entry in the Commercial Register took place on 12.2.2015. |
| Registered Office: | Praha, Výpadová 1563/29f |
| Legal Form: | European Company |
| Trade Register File Number: | Section H, File 1546 of the Commercial Register maintained by the Municipal Court in Prague |
| Accounting period: | January 1 to December 31 |
| Subject of Business: | Production, development, design, testing, installation, maintenance, repairs, modifications and design changes of unmanned aircraft |

1.1 Persons with more than 20% share on the registered capital of the accounting unit

| Name / Company | Share in % | |
|----------------------|----------------|-----------------|
| | Current period | Previous period |
| Ladislav Semetkovský | 58,14% | 59,46% |
| Gabriel Fülöpp | 24,00% | 25,59% |

1.2 Statutory bodies in the course of the accounting period

| Name | Function | From (date) | To (date) |
|----------------------|------------------------------------|-------------|------------|
| Ladislav Semetkovský | Chairman of the Board of Directors | 01.01.2023 | 31.12.2023 |
| Ing. Petr Kováč | Member of the Board of Directors | 01.12.2023 | 31.12.2023 |
| Romana Wyllie | Member of the Board of Directors | 01.12.2023 | 31.12.2023 |



1.3 Supervisory bodies in the course of the accounting period

| Name | Function | From (date) | To (date) |
|----------------------------------|-----------------------------------|-------------|------------|
| Gabriel Fülöpp | Chairman of the Supervisory Board | 01.01.2023 | 01.12.2023 |
| Ing. Vladan Ševčík | Member of the Supervisory Board | 01.01.2023 | 31.12.2023 |
| JUDr. Jakub Fojtík, Ph.D., LL.M. | Member of the Supervisory Board | 01.12.2023 | 31.12.2023 |
| Ing. Jan Sechter | Chairman of the Supervisory Board | 01.12.2023 | 31.12.2023 |

1.4 Transactions with related persons

Transactions with related parties take place on the basis of market prices.

2 Consolidation group

2.1. Definition of consolidation group

| Company name | Abbreviation | Headquarters | Share in % | Method of consolidation |
|-----------------------------|--------------|---|------------|-------------------------|
| PRIMOCO UAV SE | UAV | Výpadová 1563/29f, Radotín, 153 00 Praha 5 | - | P |
| Primoco UAV Defence, s.r.o. | DEF | Výpadová 1563/29f, Radotín, 153 00 Praha 5 | 100 | P |

P = full consolidation, M = proportional method, E = equivalence, S = subconsolidation



3 Accounting methods and general accounting principles

The company's accounting is kept and the financial statements have been prepared in accordance with applicable Czech accounting regulation, i.e. with the Act on accounting (Act No. 563/1991 Coll.), with the Decree implementing this Act (500/2002 Coll.) and with the Czech accounting standards for entrepreneurs (set 001 - 023).

In its profit and loss account the company depicts revenues and expenses as positive amounts.

Unless specified otherwise, the figures in these financial statements are stated in CZK thousand.

Financial statements are prepared on going concern principle.

3.1 Consolidation methods

3.1.1 Scope of consolidation and method of consolidation

Consolidation is carried out according to the relevant method in the form of direct consolidation or by individual levels of sub-groups. Direct consolidation is the consolidation of all entities in a group at the same time, without using consolidated financial statements, if any, prepared for sub-groups. Consolidation on a tiered basis means that the financial statements for lower units are gradually drawn up, which then enter the consolidated financial statements of the higher groups.

The group of enterprises consists of the parent company Primoco UAV SE and its subsidiaries and associates. The definition of subsidiaries and associates is given below.

Subsidiaries

- ownership interests in companies in which the Company may determine the financial and operating processes in order to obtain benefits from their operations.

For the purposes of consolidation, a subsidiary is a company in which the parent has a controlling share through:

- ownership of more than 50% of the shares in the capital, or
- concluded contracts or establishment in the articles of association or memorandum of association

These companies are consolidated using the full consolidation method.

3.1.2 Consolidation by full method

The full consolidation method means:

- a) the inclusion in full of the individual components of the balance sheets and profit and loss accounts of the subsidiaries after any reclassification and adjustments, in the parent's balance sheet and profit and loss account;
- b) the elimination of accounting transactions between group entities that express relationships;
- c) reporting of any consolidation difference and its depreciation,
- d) the distribution of the subsidiaries' equity and profit or loss to the share of the parent company and the minority shareholders' interests and the shares issued by the consolidated undertakings;
- e) the exclusion of equity securities and interests of which the subsidiary and the controlled entity is the issuer and the equity of that person, which is linked to the excluded securities and interests,
- f) settlement of shares with feedback.



Reclassifying and adjusting of the financial statements of the parent and subsidiaries

The reclassification of the data for the parent and subsidiaries is made with respect to the added items of the consolidated balance sheet and the consolidated profit and loss account and their content.

Adjustments will be made in accordance with the announced valuation principles in the consolidation rules. Adjustments of this nature shall be made only to those subsidiaries whose valuation principles differ from those set out in the consolidation rules and would materially affect the view of the valuation of assets in the consolidated financial statements and the reported profit or loss.

The financial statements of subsidiaries resident in foreign currencies are recalculated using the exchange rate prevailing on the date when the consolidated financial statements are prepared.

Adjustments to the valuation of assets and liabilities of a subsidiary

If the valuation of assets and liabilities in the subsidiaries' accounting records differs significantly from the fair value, the valuation is adjusted to the fair value of the assets and liabilities at the date of acquisition or increase in the share capital in connection with the determination of the consolidation difference. The related assets and liabilities of the subsidiary are included in the consolidated financial statements.

If adjustments are made to the valuation of assets and liabilities in accordance with the above provision, adjustments shall be made to reflect differences from operations after the acquisition or increase in equity resulting from the inclusion of the relevant assets or debit of the related liabilities or to the profit or loss of the subsidiary. The valuation of these items in the subsidiary's accounting records and those operations (valued) following the revised valuation of the relevant asset and liability items for consolidation purposes.

Summarization of the financial statements of the parent company and subsidiaries

The parent adds the reclassified and adjusted data from its financial statements to the reclassified and adjusted financial statements of subsidiaries.

Intercompany receivables and payables and expenses and revenues that have a material effect on the assets, liabilities and profit and loss items in the consolidated financial statements are eliminated.

Elimination of accounting transactions affecting the amount of profit and loss account

In preparing the consolidated balance sheet and the consolidated profit and loss account, transactions between the parent and the subsidiary, or between subsidiaries, with significant impact on the Group's operating result, shall be eliminated, besides in the following cases:

- a) the sale and purchase of inventories within the group,
- b) the sale and purchase of fixed assets within the group,
- c) received and paid dividends and profit shares within the group.

The full consolidation method avoids cross-operation between the parent company and subsidiaries as well as between subsidiaries.

The elimination of mutual operations with an impact on profit or loss is carried out in accordance with the announced consolidation rules.

In the case of the exclusion of profit or loss arising from purchases and sales of inventories within the Group, the valuation of inventories and revenues from the sale of inventories are corrected in the consolidated balance sheet and the consolidated profit and loss account.

For the purpose of adjusting consolidated financial statement items it is possible to use the average profitability of sales calculated by suppliers from the total profit or operating profit, or the supplier's profitability or profitability of the supplier or another more precise procedure can be used for adjusting revenues and revaluation of inventories.

In the case of the exclusion of profit or loss from the purchase and sale of fixed assets, the revenues from the sale of fixed assets are adjusted by the difference between the selling price and the net book value of the supplier. At the same time, the depreciation of fixed assets in the consolidated financial statements is adjusted.

The revenue item of the consolidated profit and loss account will be reduced by revenues received from dividends or profit shares, while increase retained earnings from previous years or reduce the accumulated loss of previous years in the consolidated balance sheet.



Consolidation difference

The consolidation difference is the difference between the purchase price of a subsidiary's interest and its fair value measurement of the parent's interest in equity, which results from the difference between the fair value of assets and the fair value of the foreign capital to the date of acquisition or the date of the next increase in participation (further acquisition of securities or shares). The acquisition date is the date from which the effective controlling and controlling entity begins to exercise the relevant influence over the consolidated business.

The consolidation difference is amortized over 20 years by straight-line depreciation, unless there are reasons for a shorter depreciation period. The chosen depreciation period must be reliably demonstrable and must not violate the principle of a true and fair view of the subject of accounting and the financial situation of the entity. The consolidation difference is posted to the net consolidation difference or negative consolidation difference expense or to revenues from ordinary activities, respectively.

Depreciation of the consolidation difference is recognized in a separate item of the consolidated profit and loss account.

Distribution of consolidated equity and elimination of equity securities and ownership interests

The distribution of equity in the consolidated balance sheet is the allocation of a majority interest consisting of the sum of the parent's equity and its equity interests in subsidiaries and their separation from minority interests, ie the remaining interests of other shareholders and partners in the equity of those consolidated companies.

Shares of the issuer of which is a subsidiary and the equity of the subsidiary, which is linked to the shares held by the parent, shall be eliminated from the consolidated balance sheet.

Minority equity

These are passive balance sheet items showing minority interests in subsidiaries' equity broken down by shares in equity, capital funds, profit funds, retained or unpaid profit or loss for the previous year and profit or loss for the current period.

Distribution of consolidated profit or loss for the current period

The Group's profit or loss for the current period is allocated to the consolidated profit or loss for the period attributable to the parent and to the minority's share of the profit and loss for the other shareholders and members of subsidiaries.

Settlement of shares with feedback

Feedback shares will be settled in the consolidated financial statements according to the nature of their acquisition.

If they are acquired in the short term with a view to their sale, they are presented in the assets of the consolidated balance sheet under current financial assets.

When acquired for the purpose of long-term ownership, these shares are presented as an indication of the decrease in equity in the "share capital" of the nominal value and any difference is settled in the capital funds item in the consolidated balance sheet and are disclosed in the Annex.

3.2 Summary of significant accounting policies and procedures**3.2.1 Non-current intangible and tangible assets**

Non-current intangible and tangible assets are assets expected to be usable for more than one year and whose valuation in individual case exceeds the amount specified in the following table:

| | Reported in balance sheet | Reported in expenses of the current period*) | Technical improvement |
|-------------------------|------------------------------|---|--------------------------|
| Intangible fixed assets | > 60 ths. CZK | > 1 ths. CZK | > 60 ths. CZK |
| Tangible fixed assets | > 40 ths. CZK | > 1 ths. CZK | > 40 ths. CZK |

*) the Company reported these assets in expenses of the current period and further monitors them in its operative records.



Non-current intangible assets are, among other things, intangible results of development with term of usability exceeding one year, these are only activated in case of use for repeated sale. Intangible results of research and development, SW and rights appraisable in money generated internally for own needs will not be activated. They are appraised at real actual costs or reproduction costs of acquisition if they are lower.

Non-current intangible and tangible assets are valued in the following manner:

- purchased non-current assets are valued at acquisition costs reduced by accumulated depreciation and possible adjustments representing the impairment loss.

- non-current assets created by own activities are valued at value including direct costs, indirect costs directly related to the creation of the assets through own activities (manufacturing overhead) and, as appropriate, indirect administrative costs if the length of creation period of assets exceeds one year.

If the technical improvement, in case of an individual asset, exceeds in aggregate for the accounting period the amount specified in the table above, it increases the acquisition costs of non-current tangible assets.

The acquisition costs of non-current assets, except for lands and investments in progress, are depreciated during the estimated lifetime of the assets in the following manner:

| | Depreciation method | No. of years / % |
|------------------------|---------------------|------------------|
| Buildings | linear | 20 - 30 |
| Intangible R&D results | linear | 6 |
| Software | linear | 3 |
| Means of transport | linear | 5 |
| Other Valuable Rights | linear | 6 |
| Test Aircraft | linear | 5 |
| Negative forms | linear | 3 |
| Other tangible assets | linear | 3 - 5 |

Profits or losses from the sale or retirement of assets are set as the difference between revenues from the sale and net book value of the assets as of the date of sale and are accounted in the profit and loss account.

3.2.2 Non-current financial assets

Non-current financial assets are in particular

- ownership interests

Securities and ownership interests are valued upon their acquisition at acquisition costs. The acquisition costs of a security and ownership interest include also direct costs related to the acquisition, e.g. fees and commissions to brokers, consultants and stock exchange.

As of the date of acquisition of securities and ownership interests, the non-current financial assets of companies are classified, based on the nature, as investments in group undertakings and in associated companies or debentures held to maturity or marketable securities and interests.

As of the financial statements date:

- investments in group undertakings and in associated companies are valued using the equity method – parity in the equity of a subsidiary company

Based on an individual assessment, adjustments are created to securities and interests which have not been valued at fair value. The particular method of creation of adjustments to individual assets is specified in the summary of changes in the non-current financial assets.



3.2.3 Inventory

Purchased inventory (material, goods) is valued at acquisition costs. Acquisition costs include the purchase price and secondary costs of acquisition - in particular costs of transportation, storage, customs fees, commissions, and discounts. Of the internal corporate services related to acquisition, purchasing and processing of inventory, only freight costs and actual processing costs are activated in the acquisition costs.

Internally produced inventory is valued at real actual costs including direct costs of production or other activity, or also a part of indirect costs related to production or other activity.

Inventory distribution from store is accounted using the FIFO method (first in, first out).

Adjustments to inventory are created in cases when the actual value of inventory is lower than its usable or selling value respectively. The determination of such inventory is based on the analysis of its age, usability or expected selling price respectively.

3.2.4 Receivables

Receivables

- are valued at the nominal value upon their arising, subsequently reduced by the relevant adjustments to dubious and irrecoverable amounts

In case of gradual repayment of the receivable, the part due within one year and the part due in more than a year are reported separately in the balance sheet.

Adjustments to receivables are created on the basis of individual assessment.

3.2.5 Payables

Payables are recorded at their nominal value. In case of gradual repayment of the payable, the part due within one year and the part due in more than a year are reported separately in the balance sheet.

3.2.6 Loans

Loans are recorded at their nominal value.

In case of gradual repayment of the loan, the part due within one year and the part due in more than a year are reported separately in the balance sheet.

3.2.7 Provisions

Provisions are created to cover future risks and expenditures where the purpose is known, they are likely to occur, but the amount or the date of fulfilment is uncertain.

3.2.8 Translation of amounts in foreign currencies to Czech currency

During the year the accounting operations in foreign currencies are recorded at the current exchange rate of the Czech National Bank as of the date of the realization of the accounting transaction.

As of the date of the financial statements, assets and liabilities in foreign currency are translated using the exchange rate of the Czech National Bank as of the date to which the financial statements have been prepared.



3.2.9 Taxes

Current income tax

The Company management posted the tax liability and tax expenses on the basis of tax calculation which is based on the management's understanding of interpretation of the tax laws applicable in the Czech Republic as of the date of preparation of the financial statements and is convinced of the correctness of the tax amount in accordance with applicable tax regulations of the Czech Republic. With regard to various interpretations of tax laws and regulations by third persons including state administrative bodies, the income tax liability reported in the Company's financial statements is subject to change depending on the final opinion of the Tax Office.

Deferred tax

The calculation of the deferred tax is based on the liability method using the balance sheet approach.

As of the date of the financial statements, the accounting value of the deferred tax liability is assessed and decreased to the extent to which availability of a sufficient taxable profit, against which such receivable or part thereof could be applied is no longer likely.

Deferred tax is posted in the profit and loss account, except situations, where the deferred tax relates to items posted directly to equity and where also the related deferred tax is included in equity.

Deferred tax assets and liabilities are mutually set off and reported in the balance sheet at total net value, except situations, where certain individual tax assets cannot be set off against individual tax liabilities.

3.2.10 Government subsidies

Subsidies for the payment of costs are posted to other operating and financial revenues in substantive and temporal relation to posting of specifically allocated expenses.

Subsidies for the acquisition of non-current intangible or tangible assets and technical improvement and subsidies for the payment of interests included in the acquisition cost decrease their acquisition cost or real actual cost.

3.2.11 Revenues

Revenues are recorded at the value of the received fulfilment or fulfilment to be received and represent receivables for goods and services provided in the course of the current activity, after the deduction of discounts, value added tax and other taxes related to sales.

Sales from the sale of goods are posted upon delivery of goods and transfer of the rights pertaining to such goods.

3.2.12 Use of estimates

The preparation of the financial statements requires that the Company management uses estimates and assumptions affecting the reported values of assets and liabilities as of the date of the financial statements and also the reported amounts of revenues and expenses for the period under consideration. The Company management established such estimates and assumptions on the basis of all relevant information available to it. Nevertheless, as the substance of estimate implies, the actual values may differ from such estimates in the future.



3.3 Cash flow statement

Cash flow statement has been prepared as a combination of indirect (operating part) and direct (investment and financial part) method. Cash equivalents represent short-term liquid assets which can be easily and readily transferred to a predetermined cash amount. Cash and cash equivalents can be analysed as follows:

| Balance sheet item | Balance as at 31.12.2023 | Balance as at 31.12.2022 |
|--|-----------------------------|-----------------------------|
| Bank accounts | 277 554 | 63 161 |
| Total cash and cash equivalents | 277 554 | 63 161 |

4 Significant events between the financial statements date and the date to which the reports are approved for presentation out of the accounting unit

On 24 January 2024, the Czech National Bank approved the prospectus for shares. The prospectus was prepared for the purpose of admitting all 4,708,910 ordinary book-entry shares issued by the Company with a nominal value of CZK 1, which constitute the entire registered capital of the Company, for trading on the regulated Prime Market, which is part of the regulated market organized by the Prague Stock Exchange.

No significant events occurred in the period, that could have a negative impact on the financial position of the company.



Assets

B. Non-current assets

Movements of non-current assets are stated in the table Analysis of assets at the end of this part of the Notes

B.I Intangible assets

| | | |
|---------|--------------------------|--------|
| Balance | Balance as at 31.12.2023 | 10 221 |
| | Balance as at 31.12.2022 | 4 263 |

| Balance sheet item | Net value as at 31.12.2023 | Net value as at 31.12.2022 |
|--|-------------------------------|-------------------------------|
| Research and development | 3 552 | 1 177 |
| Software | 13 | 44 |
| Other valuable rights | 1 023 | 99 |
| Advance payments for intangible assets | 0 | 65 |
| Intangible assets in progress | 5 633 | 2 878 |
| Total | 10 221 | 4 263 |

Intangible fixed property under construction are made up of STANAG certification and engine manufacturing copyrights.

B.II Tangible assets

| | | |
|---------|--------------------------|--------|
| Balance | Balance as at 31.12.2023 | 42 699 |
| | Balance as at 31.12.2022 | 31 893 |

| Balance sheet item | Net value as at 31.12.2023 | Net value as at 31.12.2022 |
|---------------------------------|-------------------------------|-------------------------------|
| Lands | 19 466 | 17 352 |
| Buildings, halls and structures | 8 959 | 9 327 |
| Property, plant and equipment | 9 450 | 5 050 |
| Tangible assets in progress | 4 824 | 164 |
| Total | 42 699 | 31 893 |

Unfinished tangible fixed assets consist of documentation and work related to the future construction of the production hall in Písek.



C. Current assets

C.I. Inventories

| | | |
|---------|--------------------------|--------|
| Balance | Balance as at 31.12.2023 | 58 911 |
| | Balance as at 31.12.2022 | 66 315 |

| Balance sheet item | Net value as at 31.12.2023 | Net value as at 31.12.2022 |
|---|-------------------------------|-------------------------------|
| Materials | 38 810 | 15 336 |
| Work in progress and semi-finished products | 18 859 | 14 076 |
| Finished products | 834 | 19 704 |
| Goods | 408 | 121 |
| Advance payments for inventory | 0 | 17 078 |
| Total | 58 911 | 66 315 |

C.II. Receivables

C.II.1. Non-current receivables

| | | |
|---------|--------------------------|-----|
| Balance | Balance as at 31.12.2023 | 711 |
| | Balance as at 31.12.2022 | 123 |

| Balance sheet item | Net value as at 31.12.2023 | Net value as at 31.12.2022 |
|---------------------|-------------------------------|-------------------------------|
| Deferred tax asset | 588 | 0 |
| Receivables - other | 123 | 123 |
| Total | 711 | 123 |

* Non-current receivables - other

| Balance sheet item | Net value as at 31.12.2023 | Net value as at 31.12.2022 |
|--------------------|-------------------------------|-------------------------------|
| Advance payments | 123 | 123 |
| Total | 123 | 123 |

* Analysis of non-current receivables (aging)

| Group | Balance as at 31.12.2023 | | Balance as at 31.12.2022 | |
|---------------------------|--------------------------|-------------|--------------------------|-------------|
| | Acquisition costs total | Adjustments | Acquisition costs total | Adjustments |
| Due after 1 up to 5 years | 711 | 0 | 123 | 0 |
| Total | 711 | 0 | 123 | 0 |



C.II.2. Current receivables

| | | |
|---------|--------------------------|-------|
| Balance | Balance as at 31.12.2023 | 2 794 |
| | Balance as at 31.12.2022 | 725 |

| Balance sheet item | Net value as at 31.12.2023 | Net value as at 31.12.2022 |
|---------------------|-------------------------------|-------------------------------|
| Trade receivables | 7 | 45 |
| Receivables - other | 2 787 | 680 |
| Total | 2 794 | 725 |

*** Type of securisation**

Reported receivables are not secured.

*** Current receivables - other**

| Balance sheet item | Net value as at 31.12.2023 | Net value as at 31.12.2022 |
|--------------------|-------------------------------|-------------------------------|
| Tax receivables | 2 553 | 0 |
| Advance payments | 202 | 319 |
| Other receivables | 32 | 361 |
| Total | 2 787 | 680 |

C.IV. Cash and Cash equivalents

| | | |
|---------|--------------------------|---------|
| Balance | Balance as at 31.12.2023 | 277 554 |
| | Balance as at 31.12.2022 | 63 161 |

| Balance sheet item | Net value as at 31.12.2023 | Net value as at 31.12.2022 |
|--------------------|-------------------------------|-------------------------------|
| Cash at bank | 277 554 | 63 161 |
| Total | 277 554 | 63 161 |

D. Deferred assets**D. Accruals and deferrals**

| | | |
|---------|--------------------------|----|
| Balance | Balance as at 31.12.2023 | 82 |
| | Balance as at 31.12.2022 | 0 |

| Balance sheet item | Net value as at 31.12.2023 | Net value as at 31.12.2022 |
|--------------------|-------------------------------|-------------------------------|
| Deferred expenses | 77 | 0 |
| Accrued income | 5 | 0 |
| Total | 82 | 0 |



Equity and liabilities

A. Equity

| | | |
|---------|--------------------------|---------|
| Balance | Balance as at 31.12.2023 | 342 992 |
| | Balance as at 31.12.2022 | 114 506 |

| Balance sheet item | Balance as at 31.12.2023 | Balance as at 31.12.2022 |
|---|-----------------------------|-----------------------------|
| Registered capital | 4 709 | 4 709 |
| Share premium | 159 269 | 159 269 |
| Accumulated profits or accumulated losses from previous years (+/-) | -49 471 | -79 283 |
| Profit / Loss for the current accounting period (+/-) | 228 485 | 29 811 |
| Total | 342 992 | 114 506 |

A.I. Registered capital

| Type of shares | Amount | Nominal value | Total | Unpaid subscriptions | Due date |
|--------------------------------|------------------|---------------|--------------|-------------------------|----------|
| In the name in book-entry form | 4 708 910 | 0,001 | 4 709 | 0 | - |
| Total | 4 708 910 | 0,001 | 4 709 | 0 | - |

* Movements in equity

Movements of equity are stated in the Report on changes in equity

* Distribution of profit

As of the date of compilation of these financial statements, no decision has been made on the proposal for the settlement of the economic result.

C./D. Liabilities

C. Provisions

* Provision for income tax

| | | |
|---------|--------------------------|--------|
| Balance | Balance as at 31.12.2023 | 45 284 |
| | Balance as at 31.12.2022 | 767 |

The year-on-year increase in income tax is due to a sharp increase in the company's economic result and also to the fact that all tax losses have already been used.

Provision for the income tax was reduced by the sum of advances paid for the income tax.



* **Other provisions**

| | | |
|---------|--------------------------|-----|
| Balance | Balance as at 31.12.2023 | 823 |
| | Balance as at 31.12.2022 | 118 |

D. Liabilities**D.II. Current liabilities**

| | | |
|---------|--------------------------|--------|
| Balance | Balance as at 31.12.2023 | 3 873 |
| | Balance as at 31.12.2022 | 51 089 |

| Balance sheet item | Balance as at 31.12.2023 | Balance as at 31.12.2022 |
|--------------------|-----------------------------|-----------------------------|
| Advance payments | 0 | 44 137 |
| Trade payables | 302 | 18 |
| Payables - other | 3 571 | 6 934 |
| Total | 3 873 | 51 089 |

* **Current payables - other**

| Balance sheet item | Balance as at 31.12.2023 | Balance as at 31.12.2022 |
|----------------------------|-----------------------------|-----------------------------|
| Tax payables and subsidies | 0 | 6 586 |
| Estimated payables | 303 | 348 |
| Other liabilities | 3 268 | 0 |
| Total | 3 571 | 6 934 |

Contingent assets and liabilities**E. Other contingent assets and liabilities****Undrawn credit lines and liability**

As of the balance sheet date, the company had undrawn credit lines of EUR 5 million available from its banks (revolving credit).

These are secured by a blank promissory note and a pledge of receivables.

In addition, the company had a guarantee agreement with banks for any debts of a related party up to CZK 300 ths.



Profit and loss account

I. Sales of own products and services

| | | |
|---------|-----------------------------|---------|
| Balance | from 1.1.2023 to 31.12.2023 | 597 534 |
| | from 1.1.2022 to 31.12.2022 | 102 766 |

The year-on-year increase in revenues is due to an increase in demand for aircraft and also due to their subsequent sale. The global situation associated with security risks contributed to this increase.

All sales were made on the European market.

A.2. Materials and energy

| | | |
|---------|-----------------------------|---------|
| Balance | from 1.1.2023 to 31.12.2023 | 231 820 |
| | from 1.1.2022 to 31.12.2022 | 56 455 |

The increase in costs is associated with the continuing increase in production capacity (with regard to the growing number of contracts), and another reason is the rising price of inputs.

A.3. Services

| | | |
|---------|-----------------------------|--------|
| Balance | from 1.1.2023 to 31.12.2023 | 33 912 |
| | from 1.1.2022 to 31.12.2022 | 16 734 |

Similarly to the costs of material and energy consumption, the costs of services also increased due to the increase in production, when the services of cooperators were used to a greater extent.

The costs of the auditor's remuneration amounted to CZK 268,000 for audit, CZK 80,000 for other audit services and CZK 110,000 for other non-audit services.

The auditing firm provided the company with auditing services for individual, consolidated financial statements, audit of statements for special purposes and non-audit services that had no impact on the accounting or the audited individual and consolidated financial statements.

B. Change in inventories of own production (+/-)

| | | |
|---------|-----------------------------|---------|
| Balance | from 1.1.2023 to 31.12.2023 | 14 087 |
| | from 1.1.2022 to 31.12.2022 | -19 903 |



D. Personnel costs

| | | |
|---------|-----------------------------|--------|
| Balance | from 1.1.2023 to 31.12.2023 | 37 042 |
| | from 1.1.2022 to 31.12.2022 | 15 735 |

| Nature of expense | Amount in current period | Amount in prior period | Balance as at 31.12.2023 | Balance as at 31.12.2022 |
|--------------------------------|--------------------------|------------------------|--------------------------|--------------------------|
| Employees - salaries and wages | 25 | 16 | 29 276 | 12 097 |
| Social security | | | 7 418 | 3 517 |
| Other expenses | | | 348 | 121 |
| Total | 25 | 16 | 37 042 | 15 735 |

The average number of managing authorities for 2023 was 1 and the average number of control bodies was 2.

E. Adjustments in operating segment

| | | |
|---------|-----------------------------|-------|
| Balance | from 1.1.2023 to 31.12.2023 | 2 833 |
| | from 1.1.2022 to 31.12.2022 | 767 |

| Group | Balance as at 31.12.2023 | Balance as at 31.12.2022 |
|--|--------------------------|--------------------------|
| Adjustments of non-current tangible and intangible assets - depreciation | 2 833 | 3 341 |
| Adjustments of non-current tangible and intangible assets - allowance | 0 | 0 |
| Adjustments of inventory (allowance) | 0 | 0 |
| Adjustments of receivables (allowance) | 0 | -2 574 |
| Total | 2 833 | 767 |

III. Other operating revenues

| | | |
|---------|-----------------------------|-------|
| Balance | from 1.1.2023 to 31.12.2023 | 4 853 |
| | from 1.1.2022 to 31.12.2022 | 470 |

| Nature of revenue | Balance as at 31.12.2023 | Balance as at 31.12.2022 |
|------------------------------|--------------------------|--------------------------|
| Sales of non-current assets | 541 | 191 |
| Sales of materials | 0 | 0 |
| Different operating revenues | 4 312 | 279 |
| Total | 4 853 | 470 |



F. Other operating expenses

| | | |
|---------|-----------------------------|-------|
| Balance | from 1.1.2023 to 31.12.2023 | 2 358 |
| | from 1.1.2022 to 31.12.2022 | 3 845 |

| Nature of expense | Balance as at 31.12.2023 | Balance as at 31.12.2022 |
|---|-----------------------------|-----------------------------|
| Net book value of sold non-current assets | 597 | 170 |
| Taxes and fees from operating activity | 320 | 182 |
| Provisions and accruals | 705 | 36 |
| Different operating expenses | 736 | 3 457 |
| Total | 2 358 | 3 845 |

**VI.-V./
G.-H. Sale of securities and shares***** Revenues and costs from investments - ownership interests**

| | | |
|----------|-----------------------------|-----|
| Revenues | from 1.1.2023 to 31.12.2023 | 0 |
| | from 1.1.2022 to 31.12.2022 | 36 |
| Costs | from 1.1.2023 to 31.12.2023 | 0 |
| | from 1.1.2022 to 31.12.2022 | 291 |

**VI. -
VII. Interest revenues and similar revenues, Other financial revenues**

| | | |
|---------|-----------------------------|--------|
| Balance | from 1.1.2023 to 31.12.2023 | 16 507 |
| | from 1.1.2022 to 31.12.2022 | 1 932 |

| Nature of revenue | Balance as at 31.12.2023 | Balance as at 31.12.2022 |
|--|-----------------------------|-----------------------------|
| Other interest revenues and similar revenues | 6 582 | 1 443 |
| Other financial revenues | 9 925 | 489 |
| Total | 16 507 | 1 932 |

Other interest and similar income represent income from deposits in term accounts.
Other financial income comes from exchange rate differences.



J.- K. Other financial expenses

| | | |
|---------|-----------------------------|--------|
| Balance | from 1.1.2023 to 31.12.2023 | 23 278 |
| | from 1.1.2022 to 31.12.2022 | 702 |

| Nature of expense | Balance as at 31.12.2023 | Balance as at 31.12.2022 |
|--------------------------|-----------------------------|-----------------------------|
| Other financial expenses | 23 278 | 702 |
| Total | 23 278 | 702 |

Other financial costs arise from exchange rate differences.

L. Income tax

| | | |
|---------|-----------------------------|--------|
| Balance | from 1.1.2023 to 31.12.2023 | 45 079 |
| | from 1.1.2022 to 31.12.2022 | 767 |

*** Analysis of deferred tax**

| Temporary differences | Balance as at 31.12.2023 | Balance as at 31.12.2022 |
|---|-----------------------------|-----------------------------|
| Difference in residual value of tangible and intangible fixed assets | 1 975 | 4 435 |
| Accounting provisions | 823 | 118 |
| Tax losses | 0 | 0 |
| Consolidation adjustments | 0 | 32 115 |
| Differences total | 2 798 | 36 668 |
| Applicable tax rate | 21% | 19% |
| Deferred tax asset (+) / liability (-) relating to temporary differences | 588 | 6 967 |
| Deferred tax expense arising from write-down, or reversal of a previous write-down, of a deferred tax asset | 0 | -6 967 |
| Opening balance of a deferred tax asset (+) / liability (-) | 0 | 0 |
| The amount of deferred tax expense relating to temporary differences | -588 | 0 |
| Ending balance of a deferred tax asset (+) / liability (-) | 588 | 0 |



Primoco UAV SE

Reg.No: 03794393

Praha, Výpadová 1563/29f

CONSOLIDATED ANALYSIS OF ASSETS

from 1.1.2023 to 31.12.2023

in Tsd. CZK

| Item | Development in acquisition costs | | | | | | Development of accumulated depreciation and adjustments | | | | | | Net | |
|------------------|----------------------------------|---------------------------|---------------|-----------|------------|--------------------------|---|---------------------------|--------------|-----------|------------|--------------------------|--------------------------|--------------------------|
| | Balance as at 31.12.2022 | Change in consolid. group | Additions | Transfers | Disposals | Balance as at 31.12.2023 | Balance as at 31.12.2022 | Change in consolid. group | Additions | Transfers | Disposals | Balance as at 31.12.2023 | Balance as at 31.12.2023 | Balance as at 31.12.2022 |
| <i>B.I.1.</i> | 2 998 | 0 | 2 830 | 284 | 0 | 6 112 | 1 821 | 0 | 739 | 0 | 0 | 2 560 | 3 552 | 1 177 |
| <i>B.I.2.1.</i> | 752 | 0 | 0 | 0 | 0 | 752 | 708 | 0 | 31 | 0 | 0 | 739 | 13 | 44 |
| <i>B.I.2.2.</i> | 125 | 0 | 1 000 | 0 | 0 | 1 125 | 26 | 0 | 76 | 0 | 0 | 102 | 1 023 | 99 |
| <i>B.I.5.1.</i> | 65 | 0 | 0 | -65 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 65 |
| <i>B.I.5.2.</i> | 2 878 | 0 | 2 974 | -219 | 0 | 5 633 | 0 | 0 | 0 | 0 | 0 | 0 | 5 633 | 2 878 |
| B.I. | 6 818 | 0 | 6 804 | 0 | 0 | 13 622 | 2 555 | 0 | 846 | 0 | 0 | 3 401 | 10 221 | 4 263 |
| <i>B.II.1.1.</i> | 17 352 | 0 | 2 114 | 0 | 0 | 19 466 | 0 | 0 | 0 | 0 | 0 | 0 | 19 466 | 17 352 |
| <i>B.II.1.2.</i> | 10 522 | 0 | 0 | 0 | 0 | 10 522 | 1 195 | 0 | 368 | 0 | 0 | 1 563 | 8 959 | 9 327 |
| <i>B.II.2.</i> | 10 656 | 0 | 6 617 | 0 | 827 | 16 446 | 5 606 | 0 | 1 620 | 0 | 230 | 6 996 | 9 450 | 5 050 |
| <i>B.II.5.2.</i> | 164 | 0 | 4 660 | 0 | 0 | 4 824 | 0 | 0 | 0 | 0 | 0 | 4 824 | 4 824 | 164 |
| B.II. | 38 694 | 0 | 13 391 | 0 | 827 | 51 258 | 6 801 | 0 | 1 988 | 0 | 230 | 8 559 | 42 699 | 31 893 |
| B.III. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross | 45 512 | 0 | 20 195 | 0 | 827 | 64 880 | 9 356 | 0 | 2 834 | 0 | 230 | 11 960 | 52 920 | 36 156 |

Item: B.I. - Intangible assets
 B.I.1. - Research and development
 B.I.2.1. - Software
 B.I.2.2. - Other valuable rights
 B.I.3. - Goodwill
 B.I.4. - Other intangible assets
 B.I.5.1. - Advance payments for intangible assets
 B.I.5.2. - Intangible assets in progress
 B.I.6. - Positive consolidation difference
 B.I.7. - Negative consolidation difference

B.II. - Tangible assets
 B.II.1.1. - Lands
 B.II.1.2. - Buildings, halls and structures
 B.II.2. - Property, plant and equipment
 B.II.3. - Revaluation difference on acquired assets
 B.II.4.1. - Cultivated areas
 B.II.4.2. - Mature animals and groups of mature animals
 B.II.4.3. - Other tangible assets
 B.II.5.1. - Advance payments for tangible assets
 B.II.5.2. - Tangible assets in progress

B.III. - Investments
 B.III.1. - Investments - controlling interest
 B.III.2. - Borrowings and loans - subsidiaries
 B.III.3. - Investments in associated companies
 B.III.4. - Loans and borrowings - associates
 B.III.5. - Securities and ownership interests in equivalence
 B.III.6. - Other securities and ownership interest
 B.III.7. - Loans and borrowings - other
 B.III.7.1. - Other investments
 B.III.7.2. - Advance payments for investments



7 Auditor's Report on the Consolidated Financial Statements



Independent Auditor's Report

Primoco UAV SE

Accounting period
from 1.1.2023 to 31.12.2023

Identification of the Accounting Unit

Company: **Primoco UAV SE**
Identification No.: 03794393
Registered Office: Výpadová 1563/29f, Radotín, 153 00 Praha 5
Legal Form: European Company
File Number: H 1546, Trade Register Court Prague

TPA Audit s.r.o.

140 00 Praha 4, Antala Staška 2027/79
Tel.: +420 222 826 311, E-mail: audit@tpa-group.cz, www.tpa-group.cz
Pobočky: 746 01 Opava, Veleslavínova 240/8, Tel.: +420 553 622 565
IČO: 60203480, Městský soud v Praze, spisová zn. C.25463
Číslo oprávnění 80 Komory auditorů ČR

Albánie | Bulharsko | Černá Hora | Česká republika | Chorvatsko | Maďarsko
Polsko | Rakousko | Rumunsko | Slovensko | Slovinsko | Srbsko



The auditor's report is determined for shareholders of the company

Auditor's Opinion

We have audited the accompanying the consolidated financial statements of the company Primoco UAV SE and its subsidiaries (the Group) prepared in accordance with accounting principles generally accepted in the Czech Republic, which comprise of the consolidated balance sheet as at 31.12.2023, and the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows, for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Company Primoco UAV SE see Note 1 to the consolidated financial statements.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31.12.2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenues

In 2023, the company achieved revenues from the sale of products and services of MCZK 598.

Refer to significant accounting policies, sections 3.2.11 and I. of the notes to the consolidated financial statements.

Description of key audit matter

We consider revenues from the sale of products and services to be a key audit matter. Revenue is to be recognised when the company fulfils a contractual obligation to the customer.

The reason for designating revenue as a principal audit matter is that misstatement of revenue, and the related cost of sales, would materially affect the true and fair view of the company and the assessment of its performance.

Our approach

We performed detailed substantive tests to confirm that revenue was recognised in the appropriate amount and in the correct accounting period.



Other Information

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the consolidated financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in consolidated financial statements is, in all material respects, consistent with consolidated financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Group obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

Responsibility of Board of Directors and Supervisory Board for the consolidated financial statements

The statutory representative is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the Czech Republic and for such internal control as statutory body determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Supervisory Board is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibility for the Audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 these financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:



- Identify and assess the risks of material misstatement of consolidated 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of consolidated financial statements, including the disclosures, and whether represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of Directors and Supervisory Board 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.

In Prague, on 18.4.2024



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Auditor:

Ing. David Mrozek

Certificate No. 2309 KAČR



TPA Audit s.r.o.

Antala Staška 2027/79, Praha 4

Certificate No. 080 KAČR