

## Ten years after the creation of the company, Net income Group share is at break-even (€ 87 K)

- Net income Group share is at break-even (+87 K€),
- The signed order book is close to €25million, made up mainly of customers who are leading industrial groups worldwide.
- More than 70% of the activity is based on multi-year contracts (2 to 5 years), which provides a good basis for medium-term development,
- Debt is very low, and the group has a potential of €17 million in additional equity resources, beyond the positive level of cash.
- The subsidiary Delta Drone International, listed on the Sydney ASX Stock Exchange (DLT: ASX), has significant growth potential and is a significant growth driver in the southern hemisphere.

Dardilly, 30 September 2021

(In K€)	FH 2021 IFRS	FY 2020 IFRS	FY 2020 English GAAP
<b>TURNOVER</b>	6 987	13 417	13 417
Other products of the activity	582	3 865	3 865
Purchases and inventory changes	3 533	8 305	8 305
Personnel costs	6 994	12 726	12 726
Other income and expenses from current operations	268	549	549
<b>EBITDA</b>	<b>(3 226)</b>	<b>(4 298)</b>	<b>(4 298)</b>
Net depreciation allowances	1 040	1 618	3 398
Net provisions and impairments	(42)	(139)	(139)
<b>CURRENT OPERATIONAL RESULT</b>	<b>(4 224)</b>	<b>(5 778)</b>	<b>(7 558)</b>
Other operating income and expenses	(118)	(2 841)	(2 093)
<b>OPERATIONAL RESULT</b>	<b>(4 342)</b>	<b>(8 619)</b>	<b>(9 651)</b>
Cost of net financial debt	(101)	(147)	-
Other financial income and expenses	4 283	163	(582)
<b>RESULT BEFORE TAX</b>	<b>(160)</b>	<b>(8 604)</b>	<b>(10 233)</b>
<b>NET RESULT OF INTEGRATED COMPANIES</b>	<b>(256)</b>	<b>(9 233)</b>	<b>(10 862)</b>
<b>NET INCOME GROUP SHARE</b>	<b>87</b>	<b>(9 956)</b>	<b>(10 697)</b>
<b>SHAREHOLDERS EQUITY</b>	<b>20 948</b>	<b>13 757</b>	<b>10 356</b>
<b>NET CASH POSITON</b>	<b>5 389</b>	<b>4 769</b>	<b>4 769</b>

**Note:**

Delta Drone Group's consolidated financial statements are now presented in compliance with IFRS standards. This change is justified by the Group's international dimension and by a homogenization of presentation standards with its Australian subsidiary Delta Drone International, listed on the Sydney ASX Stock Exchange (DLT:ASX), and the accounts are presented in IFRS standards. In addition, since all listed companies in the sector, including in France, present their accounts in IFRS, it appeared desirable to use the same benchmark so that the Group's economic and financial performance can be more easily compared and evaluated.

## **1 – The major fact of the semester: net income group share is positive**

While Delta Drone celebrated its 10th anniversary at the beginning of this year, the group's result is profitable for the first time in its history. This is a historic turning point for the company, probably also for the entire sector. Everything suggests that comparable companies in the civil drone sector, worldwide, with profit accounts must at best be counted on the fingers of one hand!

The performance is all the more remarkable as it is based exclusively on industrial bases, without the impact of elements of an exceptional nature.

It is therefore structural and sustainable, beyond possible economic turbulence due to exogenous constraints (health crisis, international geopolitical tensions, shortage of components, etc.).

The Group's business model is now very clear, it is based on a strategy of progressive dronification of targeted sectors of global dimension, by means of professional solutions complementary to traditional uses, particularly in terms of human resources. It is therefore a model of gradual and non-disruptive integration of high-tech tools in the service of greater efficiency and safer working conditions.

The maturity of this model required several years of gestation, sometimes trial and error as in any very exploratory approach resulting from innovative technologies. The reasons for this evolution are simple:

- The sector of civilian drones for professional use is entirely new and there was no reference model to easily and immediately define what would be the main vectors of success,
- A confusion has long persisted between recreational drones and professional drones, leading to the illusion of an instant and "easy" implementation, weighing on prices,
- Any strategy must be part of a global context, making the necessary investments to be financed, not only commercial and marketing, but also regulatory, customs, technological, etc.
- The civilian drone industry for professional use is proving to be a "heavy industry", that is to say highly capitalistic: it necessarily requires a very high amount of financial resources in order to prosper and this, given a long R&D process.

The success of Delta Drone's strategy is based on professional solutions and associated services, tailored specifically to target sectors of global dimension. It is not, and could not be, based on drone technology alone. Indeed, the drone is only a tool that must fit into a much larger whole, composed of robotics, electronics, computer science, software and artificial intelligence.

In this respect, the parallel is striking if we look at the IT sector: no one would think of imagining a computer (we are talking here about hardware, hardware) empty of any operating system, software, internet connection, nor without associated training and maintenance.

It is based on the courage to have been able to sell or stop activities that corresponded in a certain way to the period of illusions of the sector, the one during which a simple drone associated with a few image processing made believe in a value-added activity, even though potential customers themselves could easily master the same process at a lower cost.

It is also based on the benefits of a bold policy of creating an ecosystem around Delta Drone, in particular through partnerships and equity investments in promising companies in the sector. These operations have never had an exclusively financial purpose. On the contrary, they were betting on gradually bringing out industrial synergies, combining talents and know-how.

Finally, it is based on the constant desire to create an international group, sometimes at the cost of investments without a future in geographical areas in the form of a mirage (USA). However, perseverance has made it possible to bring out abroad two poles that are extremely promising for growth, in Africa and Australia. Here again, the model was established on the basis of a value-added offer, addressed to a specific market, that of mines.

## **2 – Further development will continue to require financial resources**

As already mentioned above, the sector of civilian drones for professional use is very capitalistic. In this regard, it is no longer a question, for Delta Drone, of financing losses, but of accompanying, supporting and amplifying development, both technological and geographical.

In addition to the available cash (2.6 million € at 24/09/2021), the Group still has a potential of €17 million in additional resources, due to the Ornan contract signed in October 2020 with the American investment fund Yorkville Advisors.

It is true that this type of financing inevitably leads to a phenomenon of dilution for shareholders. However, no one knows today the extent of this dilution, since the number of shares resulting from these mechanisms is directly related to the level of the stock market price, and therefore to the amount of the market capitalization: the higher the market capitalization, the less the extent of the dilution.

All features of the Ornan contract are public and available on the Delta Drone website ([www.deltadrone.com](http://www.deltadrone.com)). Similarly, a constantly updated monitoring table, indicating in particular the number of shares created and the number of bonds still to be converted, is also available on the website.

At the same time, Delta Drone has almost no bank debts. The Group therefore has a very solid balance sheet structure in which equity and cash represent significant part of the balance sheet total (61% and 16% respectively).

## **3 – Detailed commentary on the half-year accounts**

Simultaneously with the publication of this press release, the complete half-year financial statements (balance sheet, income statement and annex) are made available on line, in French and English, on the [company's website \(www.deltadrone.com\)](http://www.deltadrone.com). The reader will find all the information necessary for a complete understanding of the half-year accounts. These accounts have been the subject of a limited review and a report by the Statutory Auditors.

However, two key points should be remembered:

- EBITDA was negative at €3,226K, divided into three divisions: professional solutions (-2,480 K€), training (-170 K€) and Mining professional turnkey solutions (-576 K€). For the first two divisions mentioned, the performance observed is essentially the result of a lack of invoiced turnover, in direct connection with the various difficulties arising from the health crisis. It is certain that the situation has disrupted business projects that were well advanced before the crisis. Regarding the third pole, which concerns the Australian subsidiary Delta Drone International, the effects of the pandemic are also in question, to which are added the first installation costs in Australia.

- Other financial income and expenses were positive at €4,283K. They result from the inclusion at their "fair value", as required in IFRS, of the holdings making up the Group's investment portfolio. Far from being simple financial investments, these investments in high-potential start-ups are the result of an industrial approach, aimed at gradually creating an ecosystem around Delta Drone, a source of multiple highly operational synergies.

#### **4 – Short-term perspectives: the exit from the health crisis can only be gradual**

Because of its roots on three continents, Delta Drone must reason with a global vision of the current situation. It is therefore clear that the pandemic is not evolving in the same way in all regions of the world. It continues to severely disrupt international travel and trade, it has also created a worrying situation of shortage of certain components essential to the manufacture of systems.

Despite this context, which remains tense,

- The first installations of the ISS Spotter system (security solution) have been completed in France. On the other hand, installations, although planned abroad (about ten, especially in Africa), are still pending.
- The first Countbot missions (warehouse inventory solution) have started and the mission schedule is growing week after week, in France and Europe. However, they remain dependent on the production constraints of the systems, linked to the supply of components.
- The activity in Africa in the mining sector (Rocketmine) is experiencing satisfactory development, with the recent renewal of several major multi-year contracts (South Africa, Ghana) and the opening of several new countries (Namibia, Zambia). In Australia, the recent acquisition of Arvista Pty Ltd is a decisive and indispensable step to expand locally.
- The strategy of dronification of the private security sector in France could experience a significant acceleration, in connection with the difficulty for the entire sector to recruit new security guards. Faced with this shortage of human resources that is becoming structural, the offer that consists in offering mixed teams combining physical security agents and "cyber-agents", that is to say technological solutions such as ISS Spotter, finds a new echo in the minds of customers.
- The success of the first joint work carried out by Delta Drone with several of these participations leads us to believe that this synergy movement will greatly increase in the coming months. In any case, they make it possible to considerably strengthen the Group's supply capacity.

In conclusion of all these considerations, consolidated revenue is expected to increase significantly compared to the previous year for the full year 2021. In terms of results, every effort is being made to ensure that the trend observed in the first half of the year can be confirmed in the second half.

**About Delta Drone:** Delta Drone Group is a recognized international player in the field of civilian drones for professional use. It develops a range of professional solutions based on drone technology as well as all associated services that form a complete value chain.

Delta Drone shares are listed on the Euronext Growth Paris market – ISIN code: FR0011522168

BSA Y – ISIN code: FR 0013400991

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