

1st half of 2015:
Order book representing €1.5M as at 30 June
Controlled expenses, in line with goals
Solid balance sheet structure with €5.65M in cash
Acquisition of Fly-N-Sense

(in €K)	S1 2014	S2 2014	FY 2014	S1 2015
Order book	na	na	na	1 511
Sales revenue	517	368	939	400
Other income	585	136	721	187
Operating expenses	2 017	1 293	3 310	1 346
Personnel expenses	1 992	1 783	3 775	1 153
Operating income	-3 745	-3 580	-7 325	-2 643
Consolidated net income	-7 876	-4 372	-12 248	-2 946
Equity & quasi-equity	1 618	-	4 397	6 155
Cash	393	-	4 090	5 685

The first six months of the 2015 financial year were marked by many events that were all perfectly in line with the strategy implemented over the last 12 months.

This strategy can be summarized in four important parts:

- **From a commercial standpoint**, progressively build and develop an order book representing a clientele made up of large French and international accounts, in fields in which Delta Drone has business expertise. In this respect, sales efforts have met with success since, for the first time in its history, Delta Drone has an order book representing €1.5M as at 30 June 2015, including €400K invoiced during the 1st half of the year and €650K to be invoiced before the end of the financial year. The amounts represented by the order book should quickly increase, as witnessed by the recent sales contract entered into with Farmstar Expert in September in the field of agriculture.
- **From a financial standpoint**, give itself sufficient financial means to finance, first, the possible divergence between the order book and invoicing, and, second, growth investments, both internal and external (acquisitions and equity purchases). In parallel, strictly monitor the level of expenses in order to ensure consistency between available cash and liquidity consumption in the context of emerging markets. In this respect, the two successive OCABSA agreements provide Delta Drone with a possible €30M in additional resources, including €8M already accumulated during the 1st half of the year. Simultaneously, operating expenses (personnel costs and expenses) have decreased, in line with our goals, and now amount to €4,5M for the year (€2.3M for the first half of 2015).



- **From an operating standpoint**, having both the ability to perform locally as regards data acquisition (drone operators) and a powerful centralized infrastructure for data processing, integrating business-specific know-how. In addition, ensure that the equipment implemented (drone systems) comply with the regulations in effect, in particular those concerning double-use goods and assets, thus anticipating the inescapable tightening of international and national regulations in the countries in which Delta Drone aims to operate. As at 30 June 2015, the operator network, federated under the Delta Drone Network label, had 15 members, two of which are located in southern Africa. Finally, have the necessary support in order to train operators (including operators who are client employees, in certain cases) and manage – under any and all circumstances – the legality of missions and their performance in a manner that is safe for both people and property. These tasks are currently performed by the two subsidiaries Ecole Française du Drone – EFD and Drone Safety & Legal – DSL.
- **From an international standpoint**, create or acquire footholds in countries where the sectors addressed by Delta Drone show strong development potential. This is illustrated by the acquisition of Cap Minerals Africa (now called Delta Drone Africa) in South Africa, a country with approximately 1 600 mines, and by the creation of Delta Drone USA in Florida (USA) and Delta Drone America in New York (USA).

The main events that affected the 1st half of 2015 are as follows:

- **February 2015**: acquisition de 50.1% of Cap Minerals Africa, a company based in Johannesburg (South Africa). Renamed Delta Drone Africa, the company recruited two of the first members of the network to carry out missions in southern Africa and the Indian Ocean, i.e., Mapali (Réunion Island) and KTS (South Africa). Many discussions are underway, but it should be noted that the legislation authorizing the use of civilian drones was enacted on 1 July 2015 in South Africa.
- **February 2015**: signature of a second *OCABSA* Yorkville Advisors investment fund, concerning the potential issuance of €10M in *OCA* and €10M in *BSA* (€20M total). This agreement was authorized by the extraordinary general shareholders' meeting of 21 May 2015.
- **February 2015**: signature of a partnership agreement between Ecole Française du Drone – EFD and ESMA – Ecole Supérieure des Métiers de l'Aéronautique, aiming to create a training site together for remote pilots in Montpellier (34). This agreement led to the signature of another similar agreement in May with Beach Aviation Academy - BAA in Florida (USA), as ESMA and BAA were parties to cooperation and pilot-exchange agreements.
- **March 2015**: creation of the company DDrone Invest Inc. (USA) based in San Francisco (CA, USA). DDrone Invest is an investment firm, the purpose of which is to take a minority interest in young, high-potential companies that are directly or indirectly in the field of civilian drones throughout the world. A first investment was made in June, in the company Elistair, pursuant to an equity-raising operation. Elistair is a French company that designs, manufactures and sells wire-connected power stations for drones.



- **March 2015:** creation of the Delta Drone Network label in order to federate the independent civilian-drone operators in charge of on-site data acquisition. Following the intent of this label, Delta Drone acquired (pursuant to a capital increase) 5% of the capital of 11 of the 12 French members of the network, in order to provide them with financial support and assist them during the start-up phase.
- **April 2015:** signature of a partnership agreement between Ecole Française du Drone – EFD and Minigroup, aiming to create a training site together for remote pilots in Nantes (44). Minigroup is one of the French leaders in the distribution of civilian drones for professional use.
- **June 2015:** acquisition of 100% of Dronéo, a company located in Tarbes (65). Dronéo has a large, high-caliber regional client base with great commercial capacity throughout the Pyrenees region, in particular in the field of hydrogeology. The direction given to Dronéo is primarily commercial, to serve the members of the Delta Drone Network and the hydro branch of the subsidiary MTSI Hydrogéosphère.

In this context, the sales revenue for the 1st half of 2015 was of €400K and represents only a minor part of the order book, which is the best indicator of the level of activity.

Other income amounted to €187K (€585K as at 30 June 2014) and corresponds only to capitalized production (nine Delta Y drones manufactured and put into service in the network and abroad).

At the same time, operating expenses amounted to €2.5M (including €0.15M in one-time expenses), in accordance with the goals set (operating expenses amounted to €4M as at 30 June 2014). The decrease in expenses is the result of a serious monitoring of expenses and a drop in personnel. As at 30 June 2015, Delta Drone had 27 employees (compared with 67 as at 30 June 2014) and the Group had 36 employees.

Taking into account €731K in depreciation, amortizations and provisions, the operating income amounted to -€2 643K (-€3 745K as at 30 June 2014), but it is now perfectly under control, and consistent with the level of cash (€5.6M as at 30 June 2015) and the Group's financing plan.

After taking into account the financial income and the extraordinary income, the consolidated net income was -€2 946K (-€7 876K).

As regards the balance sheet, the balance sheet's structure has changed significantly in 12 months, with a marked improvement in all indicators:

- As regards the assets, the fixed assets represented 26.4% of the balance-sheet total, compared with 56.1% as at 30 June 2014, inventory 1.3% (compared with 9%), accounts receivable 16.5% (compared with 29%) and cash 55.8% (compared with 5.9%).
- As regards the liabilities, the equity and quasi-equity represented 60.9% of the balance-sheet total (compared with 24.2% as at 30 June 2014), provisions 4.2% (compared with 0.8%), financial debts 12.4% (compared with 25.1%) and accounts payable 22.5% (compared with 49.9%).

In short, the Group now has a very solid financial structure, with the majority of its balance sheet represented by, on the liability side, equity and quasi-equity (€6.2M of the €10.1M balance-sheet total) and, on the asset side, cash (€5.56M).

Events after 30 June 2015:

Many important events have taken place, with the latest taking place on 25 September.

- Structuring of the Group's management team: since 1 September, management of the Group's operations has been entrusted to two deputy CEOs, David Morio in charge of sales and international development, and Stéphane Copin, in charge of operations. Under the direct authority of the Chairman and CEO, these two deputy CEOs are responsible for the Group's operational development in France and internationally, using their extensive professional experience and their mastery of the English language.
- Signature of a partnership agreement between Ecole Française du Drone – EFD and l'INSAValor, the continuing education branch of INSA Lyon. This partnership provides for the creation of a training program for building thermography via drone and the creation of the first professional certification for remote-pilot training. These two projects are major for the entire drone field: the first opens up a very wide scope of application for urban sites where professional expertise and the respect of safety rules will be critical, the second is a pioneer based on the French and European authorities' desire to better classify the level of training of civilian-drone operators.
- Commercial agreement with Farmstar Expert in the field of precision agriculture concerning a first campaign covering 15 000 ha in France. This contract is the culmination of two years' experiments that made it possible to finalize the technical and security aspects of the project. Indeed, crops follow complex agronomic mechanisms that cannot be monitored and steered without know-how and requiring long field experience in order to be effective, which only Airbus DS and Arvalis Institut du végétal have been able to master after 15 years' existence. In addition, the geographic location of the areas to be observed requires that special attention be paid to aeronautic and ground rules as regards the safety of people and property. In this respect, the subsidiary Drones Safety & Légal plays a key role in this project.
- Acquisition of Fly-N-Sense: last Friday, 25 September, Delta Drone and Viva Santé, majority shareholder of Fly-N-Sense, signed an agreement concerning the acquisition via the contribution of shares paid by the creation of new shares in the form of ABSAs of at least 90% of Fly-N-Sense's capital. Fly-N-Sense, a company created in 2008 and based in Bordeaux (33), is a long-standing and iconic player in the field of civilian drones, which has a full line of drones, a high engineering capacity thanks to a design office made up of nine top-level engineers, and is renowned in the specific market of the prevention and monitoring of forest fires, as well as in the viticulture market. This partnership agreement is subject to approval by an extraordinary general shareholders' meeting to be held by Delta Drone in the very near future. Once the transaction is finalized, Viva Santé will become a shareholder, purely an investor in the new partnership. It shall remain a strategic shareholder (with no involvement in the Group's board of directors or management), having the right to subscribe to a future increase in Delta Drone's capital, up to €4M, via the exercise of the share purchase warrants attached to the shares provided for under the agreement.



Confirmation of the roadmap

Twelve months after the launch of the restructuring, and then the reform plans, there is no longer any doubt that Delta Drone is a lasting figure among the indisputable players in the field of civilian drones. The relevance of its economic model and its financial stability are all the more anchored in the sector in that they represent a combination of boldness and long-term vision. The Group is following its roadmap, building lasting business relationships with large accounts, entering into international agreements and has the financial means necessary to finance the time between now and the day the market reaches maturity.

Finally, and most importantly, Delta Drone's top priority is the respect of the laws and regulations as regards both double-use goods and assets, as well as the safety of people and property.

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