

DRONE VOLT

The very substantial investments made in H1 2018 are bearing fruit

Villepinte, September 18, 2018

DRONE VOLT, a French aeronautics manufacturer specializing in professional civilian drones, has announced its H1 2018 results.

<u>Investments made</u>	<u>Results obtained</u>
<ul style="list-style-type: none"> • Integration of AERIALTRONICS • Increased production capacity at DRONE VOLT FACTORY • Increased participation at major trade shows and in international bid tenders 	<ul style="list-style-type: none"> • Unmatched product catalog • Strong rise in deliveries • Increases in gross profit and the gross profit margin • Numerous contract awards and negotiations underway
<u>Financial resources</u>	
<ul style="list-style-type: none"> • Capital increase • Convertible bond issue 	

Olivier Gualdoni, the chairman / CEO of DRONE VOLT, indicated that *“the principal challenge in H1 2018 was to confirm our ability to position ourselves as a manufacturer of high value-added profession civilian drones over the long term. To this end, we showed no hesitation in accelerating our industrial and commercial investments in order to be able to meet the very strong demand from major customers in France and on international markets.*

The numerous contracts won since the beginning of the year have validated our actions, even if these contracts had only a minor impact on H1 sales. This resolutely aggressive strategy is beginning to bear fruit and we are very excited about our very positive commercial prospects, which should lead to concrete results by the end of the year.”

Unaudited figures in €K – IFRS standard	H1 2017	H1 2018
Sales	3,931	3,621
Gross profit	959	965
Gross margin	24.4%	26.7%
Recurring operating profit (loss)	-966	-1,717
Operating profit (loss)	-966	-1,742
Attributable net profit (loss)	-581	-1,374

Gross profit and gross profit margin up thanks to the success of DRONE VOLT FACTORY

In H1 2018, DRONE VOLT FACTORY produced, delivered and billed 26 HERCULES and ALTURA ZENITH drones and six PENSAR cameras piloted through artificial intelligence. In the same period a year earlier, the group produced only 12 HERCULES drones and did not dispose of the products developed by AERIALTRONICS, a company whose assets were acquired through bankruptcy proceedings before the Commercial Court of The Hague in H2 2017 and whose operations were turned around in only a few months. AERIALTRONICS, a company known for numerous years for its capacity for innovation and which had recorded full year sales of €4m, had been unable to deliver products since February 2017.

The DRONE VOLT teams performed an impressive feat by successfully turning around this business in so little time. The industrial facilities resumed operations in March 2018, six months after their acquisition. While the H1 2018 deliveries remained embryonic, they have demonstrated the wisdom of this acquisition and the capacity of integration of the DRONE VOLT teams.

DRONE VOLT has in this manner been able to accelerate its mutation from a distributor to a manufacturer of high valued-added technological products. This shift led to a slight decline in consolidated sales (-8% to €3.6m) but an increase in the group's consolidated gross profit in both absolute terms (+1% to €1.0m) and as a percentage of sales (+2 percentage points to 26.7%).

Earnings affected by the industrial and commercial investments

This commercial momentum was made possible by the development of an unmatched offer by both the DRONE VOLT and AERIALTRONICS teams.

The acquisition of AERIALTRONICS has provided DRONE VOLT with additional capacity for innovation and a second production site. Given the time needed to ramp up operations, the integration of AERIALTRONICS had an impact of -€0.4m on the H2 2018 results. The Group's total workforce has risen from 36 persons to 57 (including 12 at AERIALTRONICS) in one year, with an increased presence of engineer and technician profiles in connection with the production activities.

DRONE VOLT also increased its commercial efforts through its participation in numerous international trade shows (including the CES at Las Vegas and Eurosatory in Paris), where its audience reached levels never before seen. A total of €0.2m in additional charges linked to representation costs (trade shows and travel) were consequently recorded in H1 2018 compared to the same period in 2017.

These additional costs along with a slight reduction in tax credits (€0.3m) explained that bulk of the increase in the net loss to -€1.4m compared to -€0.6m a year earlier.

Good cash management

As in 2017, DRONE VOLT was able to convince investors to accompany this aggressive development strategy, thereby avoiding erosion in its financial position. Thanks to its successful capital increase and convertible bond issue, DRONE VOLT consequently limited its net cash burn to €0.8m in H1 2018.

As of June 30, 2018, DRONE VOLT had €7.7m in equity funds and €2.2m in cash. Financial debt totaled €2.9m, including €1.0m in bonds destined to be converted into shares and with the balance in the form of medium-term loans provided by Bpifrance.

Continued very solid commercial outlook

The commercial successes recorded in the spring and summer of 2018 had no impact on H1 sales but will underpin growth over the coming quarters. As a reminder, the company has notably signed:

- a \$6m five-year contract with one of the distributors working with a **governmental agency in southeast Asia** (cf. press release dated May 7, 2018)
- a multi-year renewable framework agreement with the **French army** for the supply of drones and the training of drone pilots (cf. press release dated May 14, 2018)
- a contract with the **armed forces of a Scandinavian country** (cf. press release dated June 14, 2018)
- a contract with a **government agency in the Netherlands** involving critical applications in the strategic security segment (cf. press release dated July 23, 2018)

- a contract with the **Thailand Pollution Control Department** (cf. press release dated August 2, 2018)
- a contract with **Electricity of Vietnam (EVN)**, the most important energy supplier in Vietnam (cf. press release dated August 9, 2018)

We would note that the last three major contracts won by DRONE VOLT involve ALTURA ZENITH drones and the PENSAR camera piloted through artificial intelligence developed and manufactured by AERIALTRONICS. The design of the ALTURA ZENITH chassis, molded from a single piece of composite material, gives it a unique aerodynamic profile and incomparable solidity. Very powerful and benefiting from large autonomy, the ALTURA ZENITH is also the fastest drone in its category. In contrast to the majority of observation drones produced in Asia, the products developed by AERIALTRONICS do not transmit sensitive information to remote servers but instead preserve all the data locally in order to assure perfect confidentiality. The development of these products cost €6m between 2013 and 2017.

Looking further out, the group remains in the running in around 60 bid tenders or direct negotiations with government agencies and major customers.

In conclusion, Marcel de Graaf, the new head of worldwide sales, noted that *“after having visited all the Group’s subsidiaries, I was able to measure the enormous commercial potential open to us. It is with this high level of confidence that we are addressing a market estimated at over \$12bn in 2021 according to Business Insider. We are convinced that we can rapidly reach the growth rates shown by our best US competitors.”*

Next press release: Q3 2018 sales, week of October 15, 2018

All the DRONE VOLT press releases are available on www.dronevolt.com/Investors

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About DRONE VOLT

Founded in 2011, DRONE VOLT is an aeronautics manufacturer specialized in professional civilian drones with operations in France, Belgium, the Netherlands, Canada, Denmark, the United States, Switzerland and Indonesia. A global partner, DRONE VOLT offers its clients turnkey business solutions including different services and the training of drone pilots.

The DRONE VOLT Group, a member of GICAT (French land and air-land defense and security industry group), recorded sales of 7.8 million euros in 2017.

DRONE VOLT’s customers notably include government administrations and industrial groups such as the French army, the French Ministry of Defense, Engie, Total, Bouygues ES, ADP, the Air Transport Gendarmerie (GTA) and international government agencies.

DRONE VOLT has been designated as an “Innovative Enterprise” by Bpifrance.

DRONE VOLT is listed on the Euronext Growth market in Paris:

Action: Mnemonic: ALDRV.PA - ISIN code: FR0013088606 - Eligible: PEA, PEA-SME

BSA: Mnemonic: DRVBS - ISIN code: FR001286054

For more information go to www.dronevolt.com and www.abid.co/EPA.ALDRV

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