

## **The 2022 accounts reflect the in-depth change in the organization of Delta Drone**

*Dardilly, April 17, 2023, at 7 p.m.*

Faced since the beginning of the second half of 2022 with the difficulties affecting small caps on the financial markets, resulting for Delta Drone in a collapse in its market value and liquidity, the group has reacted by deciding on a radical action plan likely to profoundly modify its structure and organization, and consequently its original economic model.

Of the 4 branches that constituted the group until then:

- The Delta Drone International branch was sold in early 2023.
- Delta Drone Human Tech business could be sold in the short term.
- The UDT business is the subject of a phased disposal program.
- The Delta Drone SA branch has undergone a drastic reorganization.

Details of the action plan implemented are presented below, branch by branch.

The disposals (and divestment projects) are mainly intended to bring cash to the group, without calling into question the quality and history of the relationships established: even when they have left the group's capital scope, the entities sold will continue to be first-rate business partners, particularly in terms of commercial development.

In addition, as part of the action plan to reduce Delta Drone's operating costs, the Chairman and Chief Executive Officer, Christian Viguié, has decided to relinquish his duties as Chief Executive Officer at the next Annual General Meeting, and therefore the remuneration associated with it. On that date, he will cease to exercise any operational function within the company. This decision will require the implementation of new governance, in particular by identifying a new Chief Executive Officer.

**The lightening of the only retained branch, Delta Drone SA, is intended to restore the agility necessary to thrive successfully in a market of civilian drones for professional use still largely in the state of construction and structuring.**

**New advantages that the new Delta Drone configuration will have:**

- **A reduced workforce of 14 employees**
- **Largely positive cash flow, gradually increased due to the program of disposals of assets from the UDT portfolio**
- **A concentration of its commercial development on the security and logistics sectors, thanks to the ISS Spotter, SpotterBot and CountBot systems,**
- **A close partnership with the Chinese group Sichuan AEE Technology, whose challenges are the industrialization and reliability of existing Delta Drone systems and the exclusive distribution of the AEE range of products and solutions in Europe and Africa. For the record, the Sichuan AEE Technology Group is one of the leading groups in the drone sector in China, long focused on its only domestic market before initiating an internationalization strategy two years ago**

The 2022 financial statements have been prepared in line with the action plan initiated, particularly in terms of the value of intangible assets, the 100% of which has been systematically depreciated. At the same time, non-recurring costs related to reorganizations (layoffs in particular) and branch closures also had a heavy impact on the income statement.

These accounts should therefore be analysed with caution, as they mainly reflect the importance of the action plan implemented.

## Summary of the consolidated financial statements for the financial year 2022

(In K€)

|   | 2022-12-31      | 2021-12-31     | 2022 vs 2021   | 2022-06-30     |
|---|-----------------|----------------|----------------|----------------|
|   | IFRS            | IFRS           | IFRS           | IFRS           |
| <b>TURNOVER</b>                                   | <b>13 093</b>   | <b>15 865</b>  | <b>(17,5)%</b> | <b>8 530</b>   |
| Other business income                             | (361)           | 1 420          | (125,4)%       | (393)          |
| Purchases and changes in inventories              | 4 685           | 7 164          | (34,6)%        | 3 861          |
| Staff costs                                       | 14 012          | 15 718         | (10,9)%        | 8 694          |
| Taxes   | 403             | 374            | 7,8%           | 204            |
| Other current operating income and expenses       | 200             | 160            | 25,0%          | 37             |
| <b>EBITDA</b>                                     | <b>(6 568)</b>  | <b>(6 131)</b> | <b>7,1%</b>    | <b>(4 658)</b> |
| Net depreciation and amortization                 | 1 965           | 2 066          | (4,9)%         | 1 241          |
| Net provisions and depreciations                  | (155)           | 294            | (152,7)%       | (241)          |
| <b>CURRENT OPERATING RESULT</b>                   | <b>(8 378)</b>  | <b>(8 491)</b> | <b>(1,3)%</b>  | <b>(5 658)</b> |
| Other operating income and expenses               | (8 668)         | (1 023)        | 747,3%         | (773)          |
| <b>OPERATIONAL RESULT</b>                         | <b>(17 046)</b> | <b>(9 514)</b> | <b>79,2%</b>   | <b>(6 431)</b> |
| Cash and financial equivalent income              | (11)            | (7)            | 57,1%          | (1)            |
| Cost of gross financial debt                      | (222)           | (184)          | 20,7%          | (86)           |
| <b>Cost of net financial debt</b>                 | <b>(233)</b>    | <b>(191)</b>   | <b>22,0%</b>   | <b>(87)</b>    |
| Other financial income and expenses               | (596)           | 5 334          | (111,2)%       | 1 267          |
| <b>RESULT BEFORE TAX</b>                          | <b>(17 875)</b> | <b>(4 371)</b> | <b>N/S</b>     | <b>(5 249)</b> |
| Tax expense                                       | (161)           | (24)           | N/S            | (94)           |
| Share of net income of associates                 | (14)            | (28)           | (50,0)%        | (12)           |
| <b>NET PROFIT OR LOSS OF INTEGRATED COMPANIES</b> | <b>(18 050)</b> | <b>(4 423)</b> | <b>N/S</b>     | <b>(5 355)</b> |

The 2022 financial statements (which are available in full on the [www.deltadrone.com](http://www.deltadrone.com) website) reflect the impact of the action plan, which has strongly impacted the 4 branches constituting the group (see press release of 18 July 2022):

### 1 – The Delta Drone International branch and its operational subsidiaries Rocketmine

One of the important aspects of the action plan concerns the disposal of assets, in order to support the group's cash position. Thus, at the end of December 2022, 16.77% of Delta Drone International's capital was sold, followed by the balance of the group's stake in early January 2023, i.e. 41.37%. This total disengagement in this Australian subsidiary has made it possible to strengthen Delta Drone's cash position by nearly €1 million, while not calling into question the prospects for future commercial collaboration between the entities: these should on the contrary be facilitated, as the rules governing the relationship between two listed companies with capital links are complex, especially in Australia.

It should be noted that this operation leads to the resignation of the two Delta Drone representatives from the Board of Directors.

In terms of consolidation, Delta Drone International and all of its subsidiaries in South Africa, Australia and Ghana have been treated as "Assets classified as held for sale" (application of IFRS 5) whose impacts are as follows:

Respectively €10,758K and €4,321K on the assets and liabilities of the consolidated balance sheet, and a contribution to the result of the period of € (5,641) K.

At the same time, goodwill with a net value of €320K (Rocketmine South Africa) and €185K (Rocketmine West Australia – ex. Arvista) respectively were 100% impaired as at 31 December 2022.

In order to be complete about our presence in Africa, the decision was taken to sell all the shares held by Delta Drone in the capital of Delta Drone Côte d'Ivoire, which left the scope of consolidation of the group in April 2022. This operation was mainly motivated by the creation with the buyer, the Weasure group, of a commercial relationship based on Weasure's teams already strongly established in the geographical area of West Africa and the Gulf of Guinea.

## **2 – The Delta Drone Human Tech branch and its ATM operational subsidiaries**

The presence of this traditional private security activity within the group has made it possible to build extremely strong relationships between teams and to create multiple concrete examples of the combined use of human resources and technological tools. The process of dronification of the security sector is now well under way and is expected to increase significantly in the months and years to come.

In this context, it became clear that it was no longer necessarily necessary to maintain capital links between Delta Drone and the Delta Drone Human Tech division, in an environment where the priority is to maximize its cash position without disrupting commercial and operational developments.

As a result of this strategic analysis and in perfect consultation with the historical leaders of the "private security" division, discussions have opened with a view to selling the interests currently held by Delta Drone in its subsidiary.

With this in mind and for reasons of prudence, an impairment of the entire goodwill relating to the companies forming the Delta Drone Human Tech sub-group has been recorded in the 2022 financial statements for an amount of €2.5 million.

## **3 – The UDT branch – United Drone Technology**

UDT, a 100% subsidiary of Delta Drone, aimed to build a relevant ecosystem in the drone sector, by taking minority stakes in high-potential start-ups with which Delta Drone SA is able to develop industrial synergies.

UDT's portfolio is now composed of five participations: three French companies (Elistair, Donecle and DIODON Drone Technology), a Swiss company (Aero41 SA) and an Israeli company (Sightec).

The UDT portfolio clearly constitutes a very significant asset value, the latest fair value estimate, established in June 2022, corresponds to a cumulative valuation of around €9 million.

As part of the action plan implemented, the gradual sale of all or part of the shareholdings constituting the UDT portfolio was decided, without haste, however, in order to maintain all the chances of obtaining the best possible price according to the opportunities. A mandate to this effect was signed at the beginning of the year with the Linkers bank.

The timetable of the action plan provides that a first transaction, involving an amount of €1 million of disposal, should be completed before the end of the<sup>1st</sup> half of 2023.

#### **4 – The Delta Drone SA branch and its satellite companies in France**

As a reminder, the Delta Drone SA branch consisted of the parent company Delta Drone as well as several French subsidiaries acting as support companies (Technidrone, Delta Drone Experts and Delta Drone Engineering). It specializes in the design and marketing of professional solutions dedicated to two sectors of activity: security and logistics.

- Technidrone: the entity's 9 employees were laid off in September 2022 (for a total cost of €229K) and the entire goodwill attributable to this subsidiary (€515K) was 100% impaired in the 2022 financial statements. Society is now dormant.
- Delta Drone Engineering: after being placed in safeguard by the Commercial Court of Nantes on August 31, 2022, the company was finally put into liquidation on March 1, 2023. These operations have led, either as a result of resignations or by way of redundancies, to the elimination of 14 employees' positions. The entire goodwill attributable to this subsidiary (€906K) was written down 100% in the 2022 financial statements. Similarly, the residual value of research and development expenses (assets recorded prior to the takeover of the company by the Delta Drone group) was fully depreciated, i.e. €1,478K.
- Delta Drone SA and Delta Drone Experts: during the year, the two companies saw their combined workforce decrease by 13 employees, 11 of whom were redundant for an overall cost of approximately €300K.

It should also be mentioned that the branch had integrated, during the 2022 financial year, the Belgian company Ab-Comtech, after the sale of its Solidbot systems ("surveillance trailers") to Delta Drone. Therefore, without activity or personnel, the shareholders of Ab-Comtech decided to liquidate the company, under the Belgian legal and regulatory conditions. In terms of consolidation, goodwill recorded in the 2022 financial statements was depreciated to 100% of net value, representing an impact of €259K.

In summary, the Delta Drone SA branch, now composed of 2 active entities (Delta Drone parent company and Delta Drone Experts), should have only 14 employees at the end of June 2023, compared to 50 employees at the end of 2021. Reorganization costs (mainly redundancies) represented nearly €600K, recorded as expenses for the 2022 financial year. Finally, the full impairment of assets (goodwill and intangible assets) accounts for €2.9 million in the 2022 income statement.

***About Delta Drone:*** *The Delta Drone group is a recognized international player in the sector of civil 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 Euronext Growth Paris – ISIN code: FR0014009LP0*

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