

# Investor half-year report

Avy Group B.V. – August 2024



# About Avy

Avy is a Dutch aviation pioneer based in Amsterdam. Avy specializes in building automatic Drone Networks used by emergency services during incidents and disasters, as well as drones for urgent medical deliveries, and for autonomous inspections.

## Introduction

We are pleased to share the preliminary financial results over the first half year with accompanying explanations. Additionally, this bi-annual report will present an outlook for the year 2024 and discuss the latest developments.

## Preliminary financial results 1st half year 2024

<b>Revenues &amp; costs</b>	<b>1 Januari – 30 June 2024</b>	<b>1 Januari – 30 June 2023</b>
Revenues	189.378	176.601
Cost of sales	-32.507	-95.977
Gross margin	156.871	80.624
Operating costs	-972.256	-1.289.704
EBITDA	-815.385	-1.209.080
Depreciation & amortization	-299.029	-237.079
EBIT	-1.114.414	-1.446.159
Financial income and expenses	-132.224	-5.786
EBT	-1.246.638	-1.451.945
Taxation	0	0
Result after taxation	-1.246.638	-1.451.945

<b>Balance sheet</b>	<b>30-jun-24</b>	<b>30-jun-23</b>
Intangible fixed assets	1.575.122	1.062.863
Tangible fixed assets	204.264	360.892
Financial fixed assets	1.189.147	778.564
Total fixed assets	2.968.534	2.202.319
Inventories	239.157	229.651
Receivables	74.408	73.791
Other current assets	0	43.212
Cash at bank	476.417	32.987
Total current assets	789.982	379.642
Total	3.758.515	2.581.961

	30-jun-24	30-jun-23
Shareholder equity	-5.220.336	-2.871.789
Debt to shareholders	2.083.002*	1.205.000
Non-current liabilities	218.864	284.836
Convertible loans	5.331.186*	2.676.681
Current liabilities	1.345.799	1.287.234
Total	3.758.515	2.581.961

\*Avy is currently in the process to convert nearly €6.5M in shareholder debt and convertible loans (excluding NPEX convertible bonds) into equity, significantly strengthening Avy's balance sheet.

## Explanation of the half year results for 2024

- The delay in Aera 4 has temporarily impacted revenue, but revenue is expected to increase significantly once the Aera 4 development is completed and customer deliveries resume.
- R&D costs increased due to the extended development process
- Other monthly operating expenses are within budget
- Financial expenses are the interest on the convertible loans that are rolled up in the conversion amount
- Current VC investment climate for tech hardware aviation companies remains challenging and meetings with investment firms to raise capital in a new funding round are ongoing.

## Shareholder's equity and investor loans

- Avy recently secured €680K in investment from several core investors
- Since the start of 2024, new investors have contributed an additional €250K
- Shareholders demonstrated strong support by agreeing to convert €440K in initially non-convertible loans into equity
- A total of nearly €6.5M will in the coming weeks be converted into equity through the issuance of new shares
- Informal investors' convertible loans will be converted into depository receipts in a STAK
- Investments via convertible bonds on the NPEX platform have reached €1.002M year to date
- These combined efforts have significantly strengthened Avy's balance sheet, enhancing its financial stability

## Updates and Outlook

### Making Impact – experiences from Dutch police and fire brigade

At Avy, our mission is centered around creating drones for good. That's why it's incredibly rewarding to hear from our customers about the positive impact our aircrafts are making in the real world. Whether it's detecting an oil spill, transporting critical medical supplies, or preventing wildfires, these success stories fuel our passion and drive.

One such instance involved a Dutch police unit operating an Avy drone, which successfully identified an oil spill in a nature reserve. What made this achievement particularly remarkable was that the spill was invisible from the ground. This underscores the unique advantage of having an aerial perspective—allowing us to safeguard the environment in ways that wouldn't be possible otherwise.



*Brandweer locates fires within 5 min after alert (25 km2 area)*

The Fire Brigade has also obtained their operating licenses and has been actively flying in Schoorl and the Veluwe since May. Their primary objective is to prevent wildfires. Additionally, the First Responders from Rotterdam have been conducting surveillance tests, as demonstrated in the video.



## Product Development

- Earlier Aera 4 prototypes from this year highlighted areas for improvement to meet all specified requirements
- This prompted a redesign of several aircraft elements, ensuring a more refined product, which led to an adjusted delivery timeline for the new Aera 4 by a few months.

- Redesign Aera 4 is complete and in full testing mode. First results are very promising. We expect to finalize the necessary tests in the coming weeks
- Aera 4 offers best-of-class specifications, a full weatherproof design and an onboard parachute

## Outlook 2024

- Total of 8 drones, 6 Docking Stations and Control Towers are expected to be sold by the end of the year. Revenue is expected to range between 1 and 2 million euro, depending on the exact number of deliveries.
- EBITDA result is expected to be 15-25% less than budgeted as a result of the additional developments of Aera 4.

## Sales, Projects and pipeline

- Sales pipeline consists of 65 potential deals with a total value € 9.6m. Weighted pipeline value grew from 3 to 4.4 million euro.
- Avy signed a longer term Letter of Intent with an operator in France for 150 Avy systems. Of these 150 systems, 25 would already be required for next year.
- Avy signed a Letter of Intent with an operator in Malta to deploy 6 Avy systems for Advanced Delivery Solutions over the period of 2024-2026.
- Avy decided to explore the opportunities in the defense market, with a focus on a specific kind of use cases (security of bases, search- and rescue missions, securing vital infrastructure) and to refrain from delivering anything related to warfare.
- Avy has received multiple customer inquiries regarding the possibilities of Drone-as-a-Service (DaaS). This business model allows customers to utilize drone services on a subscription or pay-per-use basis, rather than purchasing and maintaining their own fleet. By adopting the DaaS approach, Avy can offer customers more flexibility, reduce their upfront investment costs, and provide ongoing access to the latest drone technology and services. This shift also enables Avy to generate predictable monthly recurring revenues.

## Subsidies:

- The Growth Fund (Nationaal Groeifonds): Avy, together with the Ministry of Water and Infrastructure, was leading the drone hardware development work package in the application process for the growth fund for the rollout of drone networks. After the general elections, a majority of the parties decided that the fund will be immediately halted, at least temporarily. While this subsidy is temporarily suspended, InvestNL received an additional €3 billion to invest in innovative companies. Avy has submitted an investment application to InvestNL since our profile fits their purpose exactly.
- Avy has also submitted a new grant application to a European Fund that specifically targets dual-use cases, which involve technologies and solutions that can be applied both in civilian and military contexts.

On behalf of the entire Avy team, I want to sincerely thank you for your trust and participation in Avy.

Avy Group B.V.  
Patrique Zaman  
CEO