

## Semi-Annual Report January–June 2014 CybAero AB (publ)

- Net sales: SEK 20.8 million (SEK 24.4 million, full year 2013)
- EBITA: SEK -4.7 million (SEK -15 million, full year 2013)
- Operating loss: SEK 10 million (SEK 24.3 million, full year 2013)
- Loss after tax: SEK 10.5 million (SEK 25.4 million, full year 2013)
- Earnings per share: SEK -0.24 (SEK -2.94, full year 2013)

### *Events during the period*

- In January, CybAero received its largest order to date with a value of EUR 5.5 million. The order is for the delivery of a small number of systems to be operated from ships with China Customs being the end user.
- In February, the final delivery of orders on hand to CybAero's U.S. partner AeroVironment was completed.
- In March, AeroVironment chose to convert one of its two convertible loans to CybAero, each worth SEK 10 million, giving them 1,062,699 shares, which is equal to ownership in the company of just over 8.5%.
- In April, CybAero received an order for a demo system from its agent in China.
- In April, CybAero held a directed share issue to four international institutional investors. In total, 1.8 million shares were issued, which is equal to approximately 14.4% of CybAero's total share capital. The share issue brought in approximately SEK 50 million for CybAero before issuing costs.

### *Key events after the period*

- On July 2, the company announced a framework agreement with one of the world's largest companies and aircraft manufacturers, Chinese AVIC. The agreement spans eight years and has a minimum commitment from AVIC for orders of at least 70 systems worth approximately SEK 700–800 million.
- In August, AeroVironment requested conversion of its other convertible loan.
- In August, CybAero received a supplementary order from Airbus Defence & Space for avionics and subsystems for the continuing development of their TANAN 300 demonstrator.

### *The half year in summary*

The first half of 2014 has been even more active than the whole year of 2013. In January, CybAero received its largest order to date with the delivery of a small number of ship-based systems with China Customs as the end user. This is a key breakthrough order that proves our competitiveness in these types of advanced systems. Delivery of the systems is estimated to begin before the end of the year.

Also during this period, we continued our intensive marketing efforts geared toward the Chinese market in particular, which led to a framework agreement with Chinese AVIC at midyear. AVIC consists of a group of companies whose activities include the development and production of aircraft, and it is one of the largest companies in the world with over 500,000 employees. The framework agreement stipulates that AVIC commits to ordering at least 70 systems in the next eight

years. The estimated order value is a minimum of approximately SEK 700–800 million. This is the largest contract ever in our segment and reinforces our position as the world leader in our product and market segment.

We have seen a substantial increase in interest in CybAero from the financial market as well, especially from international institutional investors. We have also seen the company's shareholders consistently increase in number. At midyear, the number of shareholders had increased by around 1,000 to just under 4,000, in comparison to the beginning of the year.

We are very pleased to see clear evidence on a daily basis that the market for our systems has really taken off. The order in January as well as the agreement with AVIC are clear signs of this. We are continuing to build partnerships around the world and to pursue our objective of being a global leader.

### Research and development

In the Fall of 2013, we began working hard to upgrade the performance and reliability of our main product, APID 60. This work has progressed over the first half of 2014 and is estimated to be completed in Fall 2014. The company has revised its production strategy and is now planning to perform the final assembly of aircraft and systems in-house and use subcontractors and partners for the assembly of subsystems.

### Market presence and collaboration agreements

In January, we received clear proof of the success of our marketing efforts when we received the EUR 5.5 million order for China Customs. Our agent in China placed an order in April for a demo system, which means even more intense marketing in the Asian market. On July 2, we were able to announce our agreement with Chinese AVIC, which definitively solidifies CybAero's role as a global leader in supplying computer-controlled helicopter-based systems under 200 kg.

The collaboration with our partner, Indra, is progressing. Indra's project, Pelicano, in which the APID 60 serves as the framework for the system, is however experiencing a heavy delay in comparison to the original schedule.

### Net sales and profit

In the 2013 fiscal year, CybAero switched to recognizing contractual transactions in proportion to the stage of completion of the transaction, which is called the *percentage-of-completion method* (see "Accounting policies" below for further details). This resulted in the company reporting negative sales for the second half of 2013 due to the sharply reduced order from AeroVironment which, in large part, was recognized as revenue in the first half of 2013 but was radically reduced at the end of 2013 due to broken-off negotiations with the U.S. Department of State. A comparison between January–June 2014 and January–June 2013 is therefore misleading, which explains why the company chose to compare the half-year numbers for 2014 with the full-year numbers for 2013 in parentheses.

Revenues for 2014 are mainly attributable to deliveries and other obligations, mainly to China Customs.

Net sales for the period came in at SEK 20.8 million (SEK 24.4 million, full year 2013). Revenues totaled SEK 25.2 million (SEK 34.5 million, full year 2013).

The company reported a loss after tax of SEK 10.5 million (SEK 25.4 million, full-year 2013). The loss can be explained by the fact that CybAero continues to be in an intensive development phase to transition the company into an industrial powerhouse with the ability to handle large-scale development and production operations. In addition to one-time costs, recurring personnel costs have increased as a result of new recruitment, mainly in the development, aviation, and production departments. Personnel costs totaled SEK 10.3 million (SEK 14.4 million, full year 2013).

Capitalized research and development expenditure was amortized in the amount of SEK 5.2 million (SEK 9.1 million, full year 2013).

### *Investments*

Gross investments in fixed assets for the period amounted to SEK 9.6 million (SEK 16.8 million, full year 2013). Capitalization of research and development expenditure accounts for SEK 9.1 million (SEK 15.7 million, full year 2013) of investments.

### *Liquidity and cash flow*

In addition to its standard business operations, the company brought in funds during this period via a directed share issue, which brought in approximately SEK 50 million before issuing costs.

The share issue was held in April, and four international institutional investors participated in it. They were Allianz Global Investors, Metzler Asset Management, SSE Opportunities, and Nuveen Investments. In total, 1.8 million shares were issued, which is equal to approximately 14.4% of the company's total share capital.

Cash flow for the period was SEK 18.4 million (SEK -6.1 million, full year 2013) and the company's cash and bank balances totaled SEK 26.6 million (SEK 8.2 million, full year 2013). The value of available cash and bank balances (including unutilized overdraft facilities) was SEK 30.6 million (SEK 12.2 million, full year 2013).

### *Employees*

The company's staff has grown from 23 to 32 plus a dozen or so consultants since the beginning of the year. Seven additional employees have been hired from today's date, which means that we will have 39 employees as of the end of August. We are planning to hire more people in the Fall to be able to meet rapidly-increasing interest in the company's products from international customers.

### *Equity*

The company held a directed share issue in April. Four international institutional investors subscribed to it and it brought in approximately SEK 50 million before issuing and underwriting expenses. After the share issue, the company's equity totals SEK 60.3 million (12.9, full year 2013).

## *The Company's stock*

CybAero's stock is listed on the Nasdaq OMX First North. The stock's closing price on June 30, 2014 was SEK 31.00 (SEK 15.50 on December 30, 2013). The company had 14,265,003 shares at the end of the period.

## *Other information*

### *Accounting policies*

The company complies with the Swedish Annual Accounts Act and the general advice of the Swedish Accounting Standards Board. The Company's accounting policies can be found in its 2013 annual report and are unchanged from the previous year. As of the 2013 fiscal year, CybAero recognizes revenues from contractual transactions in proportion to the stage of completion of the transaction in compliance with BFNAR 2000:2 Application of the Swedish Financial Accounting Standards Council's Recommendations and Opinions as well as the Swedish Financial Accounting Standards Council's recommendation RR10 Construction Contracts and Similar Contracts. The percentage-of-completion method presents a more true and fair view of the company's earnings during the fiscal year. The comparison year has not been converted.

### *Financial calendar*

The year-end report for 2014 will be presented on February 27, 2015.

These interim financial statements have not been audited by the company's auditors.

Linköping. August 22, 2014

The Board of Directors of CybAero AB via Mikael Hult, CEO

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***Read more online: [www.cybaero.se](http://www.cybaero.se)***

***Videos: [www.youtube.com/cybaero](http://www.youtube.com/cybaero)***

#### ***About CybAero***

*CybAero AB develops, manufactures and markets autonomous unmanned helicopters (VTOL UAVs) with associated sensor systems for use in both civil and military applications. CybAero was founded in 2003, but the foundations of its business were laid in 1992 through a research collaboration between Linköping University and the Swedish Defense Research Agency (FOI). With APID trademark, CybAero is now established as a global VTOL UAV leader. The Company's APID product attracts much attention globally for being user-friendly, robust and price-efficient. CybAero's head office is in the Mjärdevi Science Park in Linköping, Sweden. The company has just over 40 employees and is listed on the NASDAQ OMX First North. Remium Nordic AB (tel. 08-454 32 00) is the company's certified advisor.*

## INCOME STATEMENT

Skr '000

	CybAero AB						
	2014-01-01	2013-01-01	2013-07-01	2013-01-01	2012-01-01	2012-07-01	2012-01-01
	2014-06-30	2013-06-30	2013-12-31	2013-12-31	2012-06-30	2012-12-31	2012-12-31
<b>SALES</b>							
Net sales	20 793	31 607	-7 217	24 390	10 364	5 568	15 932
Change in work in progress and finished goods	-	-	-	-	-	-	-
Capitalized work performed	4 392	7 144	2 954	10 098	2 695	3 344	6 039
Other income	0	1	0	1	712	274	986
<b>Net Sales</b>	<b>25 185</b>	<b>38 752</b>	<b>-4 263</b>	<b>34 489</b>	<b>13 771</b>	<b>9 186</b>	<b>22 957</b>
<b>OPERATING EXPENSES</b>							
Raw materials and consumables	-12 909	-18 900	2 095	-16 805	-2 939	-3 525	-6 464
Other external costs	-6 688	-10 991	-7 294	-18 285	-6 350	-8 886	-15 236
Personnel costs	-10 251	-7 093	-7 312	-14 405	-5 033	-6 449	-11 482
Depreciation of tangible and intangible assets	-5 332	-4 265	-5 054	-9 319	-4 226	-4 518	-8 744
<b>Total Operating Expenses</b>	<b>-35 181</b>	<b>-41 249</b>	<b>-17 565</b>	<b>-58 814</b>	<b>-18 548</b>	<b>-23 378</b>	<b>-41 926</b>
<b>Operating profit/loss</b>	<b>-9 996</b>	<b>-2 497</b>	<b>-21 828</b>	<b>-24 325</b>	<b>-4 777</b>	<b>-14 192</b>	<b>-18 969</b>
<b>RESULT FROM FINANCIAL INVESTMENTS</b>							
Other interest income and similar profit/loss items	3	85	42	127	-	34	34
Interest expense and similar profit/loss items	-472	-543	-681	-1224	-180	-537	-717
<b>Total result from financial investments</b>	<b>-469</b>	<b>-458</b>	<b>-639</b>	<b>-1 097</b>	<b>-180</b>	<b>-503</b>	<b>-683</b>
<b>Profit/loss after financial intems</b>	<b>-10 465</b>	<b>-2 955</b>	<b>-22 467</b>	<b>-25 422</b>	<b>-4 957</b>	<b>-14 695</b>	<b>-19 652</b>
Tax on profit for the year	-	-	-	-	-	-	-
<b>Net profit/loss for the year</b>	<b>-10 465</b>	<b>-2 955</b>	<b>-22 467</b>	<b>-25 422</b>	<b>-4 957</b>	<b>-14 695</b>	<b>-19 652</b>

## BALANCE SHEET

Skr '000

	CybAero AB				
	2014-06-30	2013-06-30	2013-12-31	2012-06-30	2012-12-31
<b>ASSETS</b>					
<b>FIXED ASSETS</b>					
<b>Intangible assets</b>					
Capitalized expenditure for research and development	30 669	23 281	26 820	21 366	20 257
<b>Tangible assets</b>					
Machinery and equipment	1 203	509	833	252	306
<b>Financial assets</b>					
Shares in group companies	485	50	485	50	50
<b>Total fixed assets</b>	<b>32 357</b>	<b>23 840</b>	<b>28 137</b>	<b>21 668</b>	<b>20 613</b>
<b>CURRENT ASSETS</b>					
Raw materials and consumables	4 690	1 171	3 334	2 843	2 583
Products in progress	600	1 925	1 486	1 200	1 438
Advance payments to suppliers	-	-	-	37	37
Accounts receivables	411	9 747	548	5 542	2 388
Other receivables	22 187	2 482	1 820	1 911	1 291
Prepaid expenses and accrued income	921	9 182	654	286	407
Cash and bank balances	26 647	342	8 234	821	14 359
<b>Total current assets</b>	<b>55 455</b>	<b>24 849</b>	<b>16 076</b>	<b>12 640</b>	<b>22 503</b>
<b>TOTAL ASSETS</b>	<b>87 812</b>	<b>48 689</b>	<b>44 213</b>	<b>34 308</b>	<b>43 116</b>

## BALANCE SHEET

Skr '000

CybAero AB

<b>EQUITY AND LIABILITIES</b>	<b>2014-06-30</b>	<b>2013-06-30</b>	<b>2013-12-31</b>	<b>2012-06-30</b>	<b>2012-12-31</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Restricted equity</b>					
Share capital	21 398	13 035	13 035	10 475	10 732
Statutory reserve	493	493	493	493	493
Non registered share issue	-	-	4 068	291	1 139
<b>Non-restricted equity</b>					
Share premium reserve	139 672	71 415	86 160	64 954	72 705
Profit or loss brought forward	-90 819	-65 397	-65 397	-45 744	-45 744
Profit/loss for the year	-10 465	-2 955	-25 422	-4 957	-19 652
<b>Total Equity</b>	<b>60 279</b>	<b>16 591</b>	<b>12 937</b>	<b>25 512</b>	<b>19 673</b>
<b>LIABILITIES</b>					
<b>Provisions</b>					
Other provisions	540	-	540	-	-
<b>Total provisions</b>	<b>540</b>		<b>540</b>		
<b>Long-term liabilities</b>					
Liabilities to credit institutions	1 061	1 071	1 002	1 784	1 435
Other liabilities	10 000	20 000	20 000	-	10 000
<b>Total long-term liabilities</b>	<b>11 061</b>	<b>21 071</b>	<b>21 002</b>	<b>1 784</b>	<b>11 435</b>
<b>Current liabilities</b>					
Accounts payable	4 691	6 998	2 994	3 977	3 147
Other liabilities	1 263	1 200	1 126	1 319	6 374
Accrued expenses and deferred income	9 979	2 829	5 614	1 716	2 487
<b>Total current liabilities</b>	<b>15 933</b>	<b>11 027</b>	<b>9 734</b>	<b>7 012</b>	<b>12 008</b>
<b>Total liabilities</b>	<b>27 533</b>	<b>32 098</b>	<b>31 276</b>	<b>8 796</b>	<b>23 443</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>87 812</b>	<b>48 689</b>	<b>44 213</b>	<b>34 308</b>	<b>43 116</b>
Pledged assets	10 354	10 350	10 354	10 345	10 345
Contingent liabilities	None	None	None	None	None

## CASH FLOW STATEMENT

Skr '000

CybAero AB

	2014-01-01 2014-06-30	2013-01-01 2013-06-30	2013-07-01 2013-12-31	2013-01-01 2013-12-31	2012-01-01 2012-06-30	2012-07-01 2012-12-31	2012-01-01 2012-12-31
Net income	-10 465	-2 955	-22 467	-25 422	-4 957	-14 695	-19 652
Add (deduct) noncash effects on operating income	-4 668	4 265	5 054	9 859	4 226	4 518	8 744
Change in inventories	-469	925	-1 723	-798	-136	21	-115
Change in current receivables	-20 497	-17 288	18 389	1 101	-5 761	3 653	-2 108
Change in current liabilities	6 589	-982	-1 293	-2 275	1 720	4 997	6 717
<b>Net cash provided by operating activities</b>	<b>-29 510</b>	<b>-16 035</b>	<b>-2 040</b>	<b>-17 535</b>	<b>-4 908</b>	<b>-1 506</b>	<b>-6 414</b>
Cash flows from investing activities							
Purchase of intangible assets	-9 052	-7 230	-8 492	-15 722	-2 695	-3 343	-6 038
Purchase of tangible assets	-500	-263	-424	-687	-61	-119	-180
Purchase of financial assets	-	-	-	-435	-50	-	-50
<b>Net cash provided by investing activities</b>	<b>-9 551</b>	<b>-7 493</b>	<b>-8 916</b>	<b>-16 844</b>	<b>-2 806</b>	<b>-3 462</b>	<b>-6 268</b>
Cash flows from financing activities							
Proceeds from issuing stock; new share issue	57 807	-127	18 813	18 686	12 086	8 857	20 943
Repayment of long-term loans	-333	-363	-455	-818	-3 556	-350	-3 906
Raising of loan	0	10 000	386	10 386	0	10 000	10 000
<b>Net cash provided by financing activities</b>	<b>57 474</b>	<b>9 510</b>	<b>18 744</b>	<b>28 254</b>	<b>8 530</b>	<b>18 507</b>	<b>27 037</b>
<b>Cash flow for the period</b>	<b>18 413</b>	<b>-14 018</b>	<b>7 788</b>	<b>-6 125</b>	<b>816</b>	<b>13 539</b>	<b>14 355</b>
Cash and cash equivalents at beginning of the period	8 234	14 360	342	14 359	5	821	5
<b>Cash and cash equivalents at year-end</b>	<b>26 647</b>	<b>342</b>	<b>8 130</b>	<b>8 234</b>	<b>821</b>	<b>14 360</b>	<b>14 360</b>

## STATEMENT OF CHANGES IN EQUITY

Skr '000

CybAero AB

	Share capital	Statutory reserve	New share issue in progress	Share premium reserve	Profit/loss brought forward	Profit/loss for the year	Total equity
Opening balance at January 1, 2014	13 035	493	4 068	86 160	-65 396	-25 422	12 937
Appropriations of profit	-	-	-	-	-25 422	25 422	-
Net income June 30, 2014	-	-	-	-	-	-10 465	-10 465
Stock dividend	-	-	-	-	-	-	-
New share issue	8 362	-	-4 068	53 512	-	-	57 806
<b>Closing balance at June 30, 2014</b>	<b>21 397</b>	<b>493</b>	<b>0</b>	<b>139 672</b>	<b>-90 818</b>	<b>-10 465</b>	<b>60 278</b>
Opening balance at January 1, 2013	10 732	493	8 011	65 833	-45 744	-19 652	19 673
Appropriations of profit	-	-	-	-	-19 652	19 652	-
Net income December 31, 2013	-	-	-	-	-	-25 422	-25 422
Stock dividend	675	-	-	-675	-	-	-
New share issue	1 627	-	-3 943	21 002	-	-	18 686
<b>Closing balance at December 31, 2013</b>	<b>13 034</b>	<b>493</b>	<b>4 068</b>	<b>86 160</b>	<b>-65 396</b>	<b>-25 422</b>	<b>12 937</b>
Opening balance at January 1, 2012	6 414	493	0	57 220	-33 347	-12 397	18 383
Appropriations of profit	-	-	-	-	-12 397	12 397	-
Net income December 31, 2012	-	-	-	-	-	-19 652	-19 652
New share issue	4 318	-	8 011	8 613	-	-	20 942
<b>Closing balance at December 31, 2012</b>	<b>10 732</b>	<b>493</b>	<b>8 011</b>	<b>65 833</b>	<b>-45 744</b>	<b>-19 652</b>	<b>19 673</b>

BUSINESS AND FINANCIAL RATIOS

	CybAero AB				
	2014-06-30	2013-06-30	2013-12-31	2012-06-30	2012-12-31
<b>MARGIN</b>					
Gross margin, %	37,9%	40,2%	71,6%	71,6%	59,4%
Operating margin, %	Neg	Neg	Neg	Neg	Neg
Profit margin, %	Neg	Neg	Neg	Neg	Neg
<b>EARNING CAPACITY</b>					
Earning capacity average capital employed, %	Neg	Neg	Neg	Neg	Neg
Earning capacity average equity, %	Neg	Neg	Neg	Neg	Neg
<b>CAPITAL STRUCTURE</b>					
Equity ratio, %	68,6%	34,1%	29,3%	74,4%	45,6%
Net dept/equity ratio, %	-25,9%	124,9% <span style="color: green;">▲</span>	98,7% <span style="color: green;">▲</span>	3,8% <span style="color: green;">▲</span>	-14,9%
Risk-bearing capital, %	68,6%	34,1%	29,3%	74,4%	45,6%
Interest coverage	Neg	Neg	Neg	Neg	Neg
<b>OTHER</b>					
Gross investments in fixed assets, Skr '000	9 551	7 493	16 419	2 806	6 269
Salaries, other remuneration and social security expenses, Skr '000	12 052	7 673	18 263 <span style="color: red;">▲</span>	6 570	13 529 <span style="color: red;">▲</span>
Average number of employees	29	22	23	20	22
<b>DATA PER AKTIE</b>					
Number of shares at end of period, no (registered)	14 265 003	8 689 844	8 689 844	73 644 535	75 453 908
Number of shares at end of period, no (after dilution)	14 265 003	8 689 844	8 689 844	73 644 535	75 453 908
Average number of shares, no (registered)	12 247 608	8 631 651	8 658 054	60 726 086	67 725 498
Average number of shares, no (after dilution)	12 247 608	8 631 531	8 658 054	60 726 086	67 725 498
Earnings per share, SEK	-0,24	-0,34	-2,94	-0,08	-0,22
Earnings per share after dilution, SEK	-0,24	-0,34	-2,94	-0,08	-0,22
Equity per share, SEK	4,23	1,91	1,49	0,35	0,26
Dividend per share, SEK	n/a	n/a	n/a	n/a	n/a