

Year-End Report January–December 2014 CybAero AB (publ)

- Net sales: SEK 46.8 million (SEK 24.4 million)
- EBITDA: SEK -22.3 million (SEK -15 million)
- Operating loss: SEK -33.7 million (SEK -24.3 million)
- Loss after tax: SEK 34.2 million (SEK 25.4 million)
- Earnings per share: SEK -1.62 (SEK -2.94)

Events during the year

- In January, CybAero receives its largest order to date with a value of EUR 5.5 million. The order is for the delivery of three systems to be operated from ships. China Customs is the end user.
- In February, the final delivery of orders on hand to the company's U.S. partner AeroVironment is completed.
- In March, AeroVironment converts 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 percent.
- In April, CybAero receives an order for a demo system from its agent in China.
- In April, CybAero conducts a private placement to four international institutional investors. In total 1.8 million shares are issued, which is equal to approximately 12.6 percent of CybAero's total share capital. The private placement brings in approximately SEK 50 million for CybAero before issuing costs.
- On July 2, the company announces 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 converts its second convertible loan, which gives them 1,062,699 shares, corresponding to company ownership of over 6.9 percent.
- In August, CybAero receives a supplementary order from Airbus Defence & Space for avionics and subsystems for the continuing development of their TANAN 300 demonstrator.
- In November, CybAero conducts another private placement. In total, 1.6 million shares are issued, corresponding to approximately 9.3 percent of CybAero's total share capital. The private placement brings in approximately SEK 45 million for CybAero before issuing costs.

Key events after the period

In January, the redemption period ends for the TO 8 warrants issued in connection with the preferred issue in December 2013. A total of 1,334,111 warrants are exercised, corresponding to 98.4 percent of the warrants. The company thus receives an injection of approximately SEK 16 million before issue expenses. After registration, there will be 18,497,213 shares, and CybAero's share capital will be SEK 27,745,819.50.

In February, the company commences factory testing on systems to be delivered to China Customs. The deliveries are estimated to begin in March 2015, which is three months later than originally estimated.

Initial training of AVIC staff is held in February. The purpose of this training is to give them knowledge on how to manage the company's systems in order to boost their sales activities in China.

Message from the CEO

The year 2014 was even more intense than 2013 and served as the springboard for CybAero's expansion. In January, we received our largest order ever to deliver three ship-based systems with China Customs as the end user. This is a key breakthrough order that demonstrates our competitiveness in these highly advanced systems. Delivery of the systems was originally estimated to begin before the end of last year, but the deliveries were postponed due to extensive development work. The deliveries are set to begin in March 2015.

We continued to work hard on our marketing during the year, especially to the Chinese market, which led to a major framework agreement with Chinese AVIC at mid-year. AVIC is a group of companies whose activities include development and production of aircraft and is one of the largest companies in the world with over half a million employees. The framework agreement stipulates that AVIC commit to ordering at least 70 systems over the next eight years. The order value is estimated to be at least 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. This was demonstrated by the two successful private placements we conducted during the year, which several renowned international investors participated in, and by the fact that the number of shareholders in the company has increased substantially. At the end of the year, our shareholders numbered nearly five thousand (4,794), which is an increase of around two thousand shareholders in one year.

We are very pleased that we can see clear evidence on a daily basis that the market for our systems is now really taking off. This is manifested in the significant increase in the number of inquiries we are receiving, particularly in regard to the civilian and commercial applications of our products. The order in January and the agreement with AVIC are also clear signs of this. We are continuing to pursue our objective of being a global leader.

Development and production

In late fall, 2013, we commenced major, large-scale work on upgrading the performance and reliability of our main product, APID 60. This work continued in 2014 and is estimated to be completed in March 2015. We have revised our production strategy, and as a result, we now perform the final assembly of aircraft and systems in-house and use subcontractors and partners for the assembly of subsystems. The company is simultaneously expanding its production capacity, which includes expanding its production facilities and increasing the production workforce. In this context, we have also decided to build our own test center, which is estimated to be put into service in April 2015.

Market presence and collaboration agreements

In January, as previously mentioned, we received very clear proof of the success of our marketing efforts when we received an order worth EUR 5.5 million for delivery to China Customs. Our agent in

China placed an order in April for a demo system which will enable more intense marketing on the Asian market. In July, we were able to announce an agreement with Chinese AVIC, which definitively solidifies CybAero's role as a global leader in supplying computer-controlled, helicopter-based systems under 200 kg.

We conducted demonstration flights for potential clients in China over a three-week period in July and August. Many people representing various government authorities and companies were present, including state-owned energy companies, public sector agencies working on environmental initiatives, as well as several private/commercial representatives. The demonstrations were very successful and also made a major breakthrough by exposure on Chinese television and other media outlets.

CybAero finished its work with its partner Indra on their Pelican project where the APID 60 serves as the foundation of the system by delivering the final subsystems during the year. As for us, we plan to focus more on our own work for end users as we move forward.

Linköping, February 27

Mikael Hult
CEO

Net sales and profit

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

Net sales for 2014 came in at SEK 46.8 million (SEK 24.4 million), which is a year-on-year increase of 92 percent. Revenues totaled SEK 55.6 million (SEK 34.5 million).

The company reported a loss after tax of SEK 34.2 million (SEK 25.4 million). The loss is a direct result of CybAero being in a very intensive phase of expansion in order to meet the substantially increasing interest from the world market. CybAero's expansion mainly aims to transition the company into an industrial powerhouse with the ability to handle large-scale development and production operations as well as significantly higher delivery capacity.

Capitalized research and development expenditure was amortized in the amount of SEK 11.0 million (SEK 9.1 million).

Investments

Gross investments in fixed assets for the period amounted to SEK 25.1 million (SEK 16.8 million). Capitalization of research and development expenditure accounts for SEK 24.1 million (SEK 15.7 million) of investments.

Liquidity and cash flow

In addition to its standard business operations, the company raised funds during the period via two private placements which brought in approximately SEK 95 million for the company before issue expenses.

The first placement was conducted in April with the participation of four international institutional investors: Allianz Global Investors, Metzler Asset Management, SSE Opportunities and Nuveen

Investments. Three of them participated in the second placement as well as several institutional investors investing in the company for the first time. In total, 3.4 million shares were issued, corresponding to approximately 19.8 percent of the company's total share capital.

Cash flow for the period was SEK 15.9 million (SEK -6.1 million and the company's cash and bank balances totaled SEK 24.1 million (SEK 8.2 million). The value of available cash and bank balances (including unutilized overdraft facilities and loan commitments) was SEK 34.1 million (SEK 12.2 million).

Employees

In 2014, as part of its expansion, the company increased its workforce from 23 to 32 employees. Another 14 people have been contracted to begin work in 2015. In addition, the company uses the services of around a dozen consultants and academics working on their thesis projects. CybAero is planning to continue its expansion and has budgeted to employ another 20-25 people in 2015.

Equity

As mentioned above, the company conducted two private placements during the year, which brought in approximately SEK 95 million for the company before issue expenses. A total of 3.4 million shares were issued in these placements.

In addition, the company's U.S. partner Aerovironment converted both of its convertible loans, each worth SEK 10 million. The conversion resulted in an additional 2,125,398 shares being issued.

Overall, the company's equity changed during the year as follows:

- Preferred issue of units (2,712,460 shares), January
- Conversion of convertibles (1,062,699 shares), March
- New issue (1,800,000 shares), April
- Conversion of convertibles (1,062,699 shares), August
- Share subscription based on TO 6 warrants (235,400 shares), September
- New issue (1,600,000 shares), November

In total, 8,473,258 million new shares were issued, corresponding to 49.3 percent of the company's total shares. After the share issues, the company's equity totals SEK 92.6 million (SEK 12.9 million).

The Company's stock

CybAero's stock has been listed on the Nasdaq OMX First North since June 2007. The stock's closing price on December 30, 2014 was SEK 31.00 in comparison to SEK 15.50 on December 30, 2013. The company had 17,163,102 shares at the end of the period. This gives the company a market value at the end of the year of SEK 532 million.

Other information

Annual general meeting & annual financial statements

The company's annual general meeting will be held on April 9 at 3 PM in CybAero's offices at Teknikringen 7, Linköping.

Election committee

The election committee during the year was comprised of Claes Drougge, Anna Öhrwall-Rönnbäck and Mikael Hult. The election committee has made the following proposals for the 2015 Annual General Meeting:

Election of Mats Jacobsson. Re-election of Jan Ahlgren, Claes Drougge, Mikael Hult, Göran Larsbrink, Mats Westin and Anna Öhrwall-Rönnbäck.

Dividends

The Board of Directors proposes that no dividends be paid.

Accounting policies

The company complies with the Swedish Annual Accounts Act and the general advice of the Swedish Accounting Standards Board. CybAero applies BFNAR 2012:1 Annual Reports and Consolidated Financial Statements ("K3") effective January 1, 2014. Comparative figures from past years have not been translated and, as a result, comparability may be deficient.

Events after the balance sheet date

Financial calendar

The annual report for the 2014 fiscal year will be available from April 8, 2015, and the 2015 semi-annual report will be presented on August 26, 2015. The year-end report for 2015 will be presented on February 26, 2016.

This full year report has not been audited by the company's auditors.

Linköping, February 27, 2015

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

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About CybAero

CybAero develops and manufactures Remotely Piloted Aircraft Systems (RPAS) and associated sensor systems for safer and more cost-effective operations in hazardous environments.

The company has made a great international impact with its APID 60 helicopter, which can be adapted for applications such as coastal and border surveillance, search and rescue missions, and mapping

CybAero's head office is in the Mjärdevi Science Park, in Linköping, Sweden. The company has more than 40 employees and has been listed on the NASDAQ OMX First North since 2007. Remium Nordic AB is the company's certified adviser.

INCOME STATEMENT

Amounts in SEK thousand

	14-07-01	14-01-01	13-07-01	13-01-01
	14-12-31	14-12-31	13-12-31	13-12-31
SALES				
Net sales	26 006	46 799	-7 217	24 390
Change in work in progress and finished goods	-	-	-	-
Capitalized work performed	4 243	8 635	2 954	10 098
Other income	157	157	0	1
Net sales	30 406	55 591	-4 263	34 489
OPERATING EXPENSES				
Raw materials and consumables	-24 920	-37 829	2 095	-16 805
Other external costs	-9 925	-16 614	-7 294	-18 285
Personnel costs	-13 201	-23 452	-7 312	-14 405
Depreciation/amortization of tangible/intangible assets	-6 023	-11 355	-5 054	-9 319
Total operating expenses	-54 069	-89 250	-17 565	-58 814
Operating profit/loss	-23 664	-33 660	-21 828	-24 325
PROFIT/LOSS FROM FINANCIAL INVESTMENTS				
Other Interest income and similar profit/loss items	18	21	42	127
Interest expenses and similar profit/loss items	-681	-563	-681	-1224
Total profit/loss from financial investments	-663	-542	-639	-1 097
Profit/loss after financial items and before tax	-24 327	-34 202	-22 467	-25 422
Tax on profit for the year	-	-	-	-
NET PROFIT/LOSS FOR THE PERIOD	-24 327	-34 202	-22 467	-25 422

BALANCE SHEET

Amounts in SEK thousand

ASSETS	14-06-30	14-12-31	13-06-30	13-12-31
FIXED ASSETS				
Intangible assets				
Capitalized expenditure for research and development	30 669	39 930	23 281	26 820
Tangible assets				
Machinery and equipment	1 203	1 472	509	833
Financial assets				
Investments in group companies	485	485	50	485
Total fixed assets	32 357	41 887	23 840	28 137
CURRENT ASSETS				
Raw materials and consumables	4 690	5 413	1 171	3 334
Products in progress	600	-	1 925	1 486
Advance payments to suppliers	-	-	-	-
Accounts receivable and other receivables	411	1 497	9 747	548
Other current receivables	22 187	48 847	2 482	1 820
Prepaid expenses and accrued income	921	1 450	9 182	654
Cash and cash equivalents	26 647	24 095	342	8 234
Total current assets	55 455	81 302	24 849	16 076
TOTAL ASSETS	87 812	123 189	48 689	44 213

BALANCE SHEET

Amounts in SEK thousand

LIABILITIES AND EQUITY	14-06-30	14-12-31	13-06-30	13-12-31
EQUITY				
Restricted equity				
Share capital	21 398	25 745	13 035	13 035
Restricted reserves/statutory reserve	493	493	493	493
Non-registered new share issue	-	-	-	4 068
Unrestricted equity				
Share premium reserve	139 672	191 389	71 415	86 160
Unrestricted reserves/profit or loss brought forward	-90 819	-90 819	-65 397	-65 397
Profit/loss for the period/year	-10 465	-34 202	-2 955	-25 422
Total equity	60 279	92 607	16 591	12 937
LIABILITIES				
Provisions				
Other provisions	540	540	-	540
Total provisions	540	540		540
Non-current liabilities				
Non-current liabilities to credit institutions	1 061	281	1 071	1 002
Other liabilities	10 000	-	20 000	20 000
Total non-current liabilities	11 061	281	21 071	21 002
Current liabilities				
Accounts payable	4 691	15 675	6 998	2 994
Other current liabilities	1 263	1 866	1 200	1 126
Accrued expenses and deferred income	9 979	12 220	2 829	5 614
Total current liabilities	15 933	29 761	11 027	9 734
Total liabilities	27 533	30 582	32 098	31 276
TOTAL EQUITY AND LIABILITIES	87 812	123 189	48 689	44 213
Pledged assets	10 354	10 613	10 350	10 354
Contingent liabilities	None	None	None	None

CASH FLOW STATEMENT

Amounts in SEK thousand

	CybAero AB			
	14-01-01 14-06-30	14-01-01 14-12-31	13-01-01 13-06-30	13-01-01 13-12-31
Profit/loss after net finance income/expenses	-10 465	-34 202	-2 955	-25 422
Adjustments for non-cash items	5 332	11 355	4 265	9 859
Change in inventories	-469	-592	925	-798
Change in current receivables	-20 497	-48 773	-17 288	1 101
Change in current liabilities	6 589	19 878	-982	-2 275
Net cash provided by operating activities	-19 510	-52 334	-16 035	-17 535
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of intangible assets	-9 052	-24 142	-7 230	-15 722
Purchase of tangible assets	-500	-961	-263	-687
Investments in financial assets	-	-	-	-435
Net cash provided by investing activities	-9 551	-25 103	-7 493	-16 844
CASH FLOWS FROM FINANCING ACTIVITIES				
Change in equity – new share issue	47 807	93 872	-127	18 686
Repayment of borrowings	-333	-574	-363	-818
Borrowings	0	0	10 000	10 386
Net cash provided by financing activities	47 474	93 298	9 510	28 254
NET CASH FLOW FOR THE PERIOD	18 413	15 861	-14 018	-6 125
Cash and cash equivalents (IB)	8 234	8 234	14 360	14 359
Cash and cash equivalents at end of period	26 647	24 095	342	8 234

STATEMENT OF CHANGES IN EQUITY

Amounts in SEK thousand

	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	-
Profit/loss at December 31, 2014	-	-	-	-	-	-34 202	-34 202
Stock dividend	-	-	-	-	-	-	-
New share issue	12 710	-	-4 068	105 230	-	-	113 872
Closing balance at December 31, 2014	25 745	493	0	191 390	-90 818	-34 202	92 607
Opening balance at January 1, 2013	10 732	493	8 011	65 833	-45 744	-19 652	19 673
Appropriation of earnings	-	-	-	-	-19 652	19 652	-
Profit/loss at December 31, 2013	-	-	-	-	-	-25 422	-25 422
Stock dividend	675	-	-	-675	-	-	-
New share issue	1 627	-	-3 943	21 002	-	-	18 686
Closing balance at December 31, 2013	13 034	493	4 068	86 160	-65 396	-25 422	12 937

FINANCIAL RATIOS

	14-06-30	14-12-31	13-06-30	13-12-31
MARGINS				
Gross margin, %	37,9%	19,2%	40,2%	71,6%
Operating margin, %	Neg	Neg	Neg	Neg
Profit margin, %	Neg	Neg	Neg	Neg
EARNING CAPACITY				
Earning capacity on average capital employed, %	Neg	Neg	Neg	Neg
Earning capacity on average equity, %	Neg	Neg	Neg	Neg
CAPITAL STRUCTURE				
Equity ratio, %	68,6%	75,2%	34,1%	29,3%
Net debt/equity ratio, %	-25,9%	-25,7%	124,9%	98,7%
Risk-bearing capital, %	68,6%	75,2%	34,1%	29,3%
Interest coverage	Neg	Neg	Neg	Neg
OTHER RATIOS				
Gross investments in fixed assets, SEK '000	9 551	25 102	7 493	16 419
Salaries, other rem. & social sec. expenses SEK '000	12 052	26 221	7 673	18 263
Average number of employees,	29	32	22	23
PER SHARE DATA				
Number of shares at end of period (registered)	14 265 003	17 163 102	8 689 844	8 689 844
Number of shares at end of period (diluted)	14 265 003	17 163 102	8 689 844	8 689 844
Average number of shares (registered)	12 247 608	13 838 565	8 631 651	8 658 054
Average number of shares (diluted)	12 247 608	13 838 565	8 631 531	8 658 054
Earnings per share (SEK)	-0,24	-1,62	-0,34	-2,94
Diluted earnings per share (SEK)	-0,24	-1,62	-0,34	-2,94
Equity per share (SEK)	4,23	5,40	1,91	1,49
Dividend per share (SEK)	n/a	n/a	n/a	n/a

DEFINITIONS OF FINANCIAL RATIOS

Gross margin:

Net sales less purchasing costs
as a percentage of net sales.

Operating margin:

Operating profit/loss as a percentage of sales.

Profit margin:

Profit/loss after financial items as a percentage of sales.

Earning capacity on average capital employed:

Profit/loss after finance income/expenses plus financial expenses as a percentage of average capital employed. Average capital employed has been calculated as opening plus closing capital employed divided by two.

Earning capacity on average equity:

Profit/loss after tax as a percentage of average equity.
Average equity has been calculated as opening plus closing equity divided by two.

Equity ratio:

Equity as a percentage of total assets.

Net debt/equity ratio:

Interest-bearing liabilities less financial interest-bearing assets (including cash and bank balances) divided by equity.

Percentage of risk-bearing capital:

The sum of equity and deferred tax liabilities divided by total assets.

Interest coverage:

Profit/loss after finance income/expenses plus financial expenses divided by financial expenses.

Average number of shares:

A weighted average of the number of outstanding shares during the period. The average has been calculated by adding the number of shares at the end of each month and dividing by the number of months during the period.

Earnings per share:

Profit/loss after tax divided by the average number of shares.

Equity per share:

Equity divided by the number of shares at the end of the period.