



## Information Document

27th of April 2022

Admission to Trading of Shares on Euronext Access Paris



**Polígono Las Atalayas, Calle del chelín, 16**

**03114 Alicante, Spain**

**[www.embention.com](http://www.embention.com)**

**EMBENTION SISTEMAS INTELIGENTES S.A.**

Euronext Access est un marché géré par Euronext. Les sociétés admises sur Euronext Access ne sont pas soumises aux mêmes règles que les sociétés du marché réglementé. Elles sont au contraire soumises à un corps de règles moins étendu adapté aux petites entreprises de croissance. Le risque lié à un investissement sur Euronext Access peut en conséquence être plus élevé que d'investir dans une société du marché réglementé.

Euronext Access is a market operated by Euronext Paris. Companies on Euronext Access are not subject to the same rules as companies on a Regulated Market (a main market). Instead, they are subject to a less extensive set of rules and regulations adjusted to small growth companies. The risk in investing in a company on Euronext Access may therefore be higher than investing in a company on a Regulated Market.

The present Information Document does not constitute a prospectus within the meaning of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71.

Le présent Document d'Information ne constitue pas un prospectus au sens du règlement européen (UE) 2017/1129 du Parlement européen et du Conseil du 14 juin 2017 concernant le prospectus à publier en cas d'offre au public de valeurs mobilières ou en vue de l'admission de valeurs mobilières à la négociation sur un marché réglementé.

Ce document peut également être consulté sur le site internet EMBENTION SISTEMAS INTELIGENTES S.A. (<https://www.embention.com/es/>). Copy of this Information Document is available free of charge at EMBENTION SISTEMAS INTELIGENTES S.A. website (<https://www.embention.com/es/>).

L'opération proposée ne nécessite pas de visa de l'Autorité des Marchés Financiers (AMF). Ce document n'a donc pas été visé par l'AMF. / The proposed transaction does not require a visa from the Autorité des Marchés Financiers (AMF). This document was therefore not endorsed by the AMF.

## Glossary

### **(A)**

#### **Accelerometer**

A device that measures directional acceleration; used to stabilise quadcopters.

#### **Aircraft**

A device used for flight in the air.

#### **Air Traffic Control (ATC)**

A service provided by ground-based air traffic controllers (such as FAA in the US) who direct the safe and orderly flow of air traffic.

#### **ATC (Air Traffic Control)**

A service provided by personnel trained and certified by the FAA responsible for monitoring and controlling all air traffic within a specific area.

#### **Auto Leveling**

A flight mode that allows the drone to perform even flight. This is typically an automatic feature that is engaged through a setting on the drone.

#### **Autonomous Flight**

Flight of UAVs that is controlled by internal programming, rather than a person with radio control, that directs the drone where to fly.

### **(B)**

#### **Barometric Altimeter (BARO)**

An altitude measurement sensor that uses barometric pressure.

#### **Bind**

A procedure to link the drone to the controller.

## **Brushless Motor**

Brushless motors are more efficient and durable when compared to brushed motors. They have permanent magnets that rotate around a fixed armature.

## **BVLOS (Beyond Visual Line of Sight)**

The ability to operate an unmanned aircraft beyond the pilot's line of sight. This requires a special permit from the FAA in the USA.

## **(C)**

## **Center of Gravity**

The location where most of the aircraft's weight is located. The center of gravity needs to position almost perfectly in the center of the UAV to ensure level flight and stability in the air.

## **Certificate of Authorization (COA)**

A waiver issued by the FAA that allows a public operator to perform specific UAS operations.

## **Commercial Drones**

A UAS designed for heavy use with a specific purpose in mind such as package delivery, 3D mapping with LiDAR, search and rescue, and professional cinematography. Examples of commercial drones include the DJI Matrice 600 pro and the Freefly ALTA 8.

## **Controlled Airspace**

Airspace of defined dimensions within which ATC services are provided. The level of control varies with different classes of airspace.

## **Collision Avoidance**

A system that prevents pilots from flying into other aircrafts and fixed objects such as buildings, powerlines, trees, and towers.

## **Controller**

A handheld device that uses radio signals to control the drone.

**(D)****Drone**

The common term used to describe UAVs (Unmanned Aerial Vehicles). This term is used to describe many types of UAVs of different sizes and purposes ranging from toy quadcopters to military drones.

**(E)****ESC (Electric Speed Control)**

An electronic device paired with the drones power supply and flight controller to control speed and direction of the drones motors.

**(F)****FAA (Federal Aviation Administration)**

A United States Department of Transportation Agency with authority to oversee and regulate all aspects of American civil aviation.

**FC (Flight Controller)**

The brain of a multirotor.

**Fixed wing drones**

UAVs that consist of a rigid wing that generates lift via aero foil and typically a small push propeller. Fixed wing drones can travel greater distances with less power due to the wing.

**FOV (Field of View)**

The measurement, in degrees, of how much can be seen through a camera lens.

**FPV (First Person View)**

The pilot sees what the drone sees through the use of a screen or mobile device.

**Frequency**

The radio frequency which FPV equipment runs on. Allows for multiple channels so pilots can find a channel with out interference from others.

**(G)****Geofencing**

A virtual geographic boundary created the use of GPS and software to limit where a drone can and cannot fly.

**GCS (Ground Control System)**

A device that measures directional acceleration; used to stabilise quadcopters.

**Gimbal**

The mount on a drone where a camera sits; usually enables the camera to move and stabilise along multiple axes.

**GIS (Geographic Information System)**

A system used to capture, store, manipulate, analyse, manage, and present spatial or geographic data.

**(I)****IMU (Inertial Measurement Unit)**

A controller that combines an accelerometer and a gyroscope, with the purpose of stabilising and orienting a quadcopter.

**INS (Inertial Navigation System)**

A system that calculates position based on the initial GPS reading while incorporating speed and motion sensor readings. Useful when a drone loses GPS signal.

**IOC (Intelligent Orientation Control)**

This sets the forward control of the drone to equal with wherever the nose of the drone is pointing.

**(L)****LAANC (Low Altitude and Notification Capability system)**

LAANC allows drones access to controlled airspace in near real-time. It is a collaboration between the FAA and private companies in support of UAS integration into national airspace.

**(M)****mAh (Milliampere Hours)**

The unit of measurement used to describe the energy capacity of a battery.

**Multicopter**

A multicopter or multicopter is a rotorcraft with more than two or more propellers.

**(N)****NOTAM (Notice to Airmen)**

A notice provided to warn aircraft and pilots of any possible hazards or flight restrictions at a specific location or along a flight route.

**(O)****Obstacle Avoidance**

A vision that allows UAVs to detect obstacles in its path and avoid collision.

**(P)****Part 107**

Regulations that define safety standards and restrictions for commercial drone operators created by the Federal Aviation Administration.

**Professional Drone**

A high-end UAV fitted with the latest technologies designed for a specific type of professional use such for professional media or for precision mapping.

**(Q)****Quadcopter**

A multicopter with four propellers.

**(S)****sUAS (Small Unmanned Aircraft System)**

Unmanned aircraft systems that weigh less than 55lbs.

**(T)****Telemetry**

A two-way digital data stream that relays flight data and instructions between the UAV and ground station.

**(U)****UAS (Unmanned Aircraft System)**

An unmanned aircraft, such as a quadcopter, controlled by an operator on the ground.

**Uncontrolled Airspace**

Airspace that has no ATC (air traffic control) services. Class F and Class G airspace is uncontrolled.

**(V)****VLOS (Visual Line of Sight)**

The operation of an UAV within the operator's direct line of sight without the aid of any device other than corrective lenses.

**VO (Visual Observer)**

An optional crew member whose job is to maintain visual contact with the UAV to ensure its safe operation.



## Content

### **1. General Information About Embention Sistemas Inteligentes, S.L.**

- 1.1 Company purpose **12**
- 1.2 Duration **13**
- 1.3 Financial Year **13**
- 1.4 Dividends **13**
- 1.5 Administrative, management and controlling bodies **13**
  - 1.5.1 Board of directors **13**
  - 1.5.2 Board of directors composition **17**
  - 1.5.3 Directors and Management Team **18**
  - 1.5.4 Assessment of the board of directors related to Bankruptcy, liquidation, and/or fraud related convictions **19**

### **2. History and Key Figures**

- 2.1 History **21**
- 2.2 Selected financial data **24**
  - 2.2.1 Balance Sheet Account **24**
  - 2.2.2 Profit & Loss Account **26**

### **3. Company Activity**

- 3.1 Business Overview **28**
- 3.2 Organization structure **29**
  - 3.2.1 Ownership and shareholding structure **29**
  - 3.2.2 Organizational structure **30**

- 3.2.3 Employees **33**

- 3.3 Business Description **33**

- 3.4 Business model **42**

- 3.5 Strategy **51**

- 3.6 Market **52**

- 3.7 Competition **63**

- 3.8 Suppliers **66**

- 3.9 Dependence on permits and patents **67**

- 3.10 Related party transactions **69**

### **4. Risk Factors**

- 4.1 General risks **71**

- 4.1.1 Geographical **71**

- 4.1.2 Suppliers **72**

- 4.1.3 Economic Cycle **73**

- 4.1.4 Global pandemic **73**

- 4.1.5 Brand and reputation damage **74**

- 4.1.6 Rising Competitors **74**

- 4.2 Operational risks **75**

- 4.2.1 Data protection **75**

- 4.2.2 Cybersecurity **76**

- 4.2.3 Dependence on client contracts **76**

- 4.2.4 Lack of technological advancements **77**

- 4.2.5 Inability to retain key persons **77**

4.2.6 Attraction and retention of users	<b>78</b>
4.2.7 Accidents	<b>78</b>
4.2.8 Business Strategy	<b>79</b>
4.3 Financial Risks	<b>79</b>
4.3.1 Interest rate	<b>79</b>
4.3.2 Liquidity	<b>79</b>
4.3.3 Credit	<b>80</b>
4.3.4 Foreign Currency Exchange	<b>81</b>
4.4 Legal and regulatory risks	<b>81</b>
4.4.1 Regulatory changes	<b>81</b>
4.4.2 Different Jurisdictions	<b>82</b>
4.4.3 Insurance against customer harm	<b>83</b>
4.4.4 Certifications and licenses from authority	<b>83</b>
4.4.5 Procedures and litigations	<b>83</b>
4.4.6 Litigations regarding IP Rights	<b>84</b>
4.5 Risk of the Listing of shares	<b>84</b>
4.5.1 Increase costs following listing of shares	<b>84</b>
4.5.2 Risk of dividend payment	<b>85</b>
4.5.3 Liquidity of the listed shares	<b>85</b>
4.5.4 Risk related to the volatility of shares / market	<b>85</b>
4.5.5 Risk of ownership dilution	<b>86</b>
4.5.6 Tax risk	<b>87</b>
4.5.7 Obligations as a listed company	<b>87</b>

## **5. Information Concerning the Operation**

5.1 Registration with Euronext Access	<b>89</b>
5.2 Objectives of the listing	<b>89</b>
5.3 Company's share capital and evolution of the share capital	<b>89</b>
5.4 Main characteristics of the shares and general meeting rules	<b>90</b>
5.4.1 Characteristics of the shares	<b>90</b>
5.4.2 General Meeting rules	<b>90</b>
5.5 Conditions for the transfer shares	<b>92</b>
5.6 Scheduled date for first shareholder's general meeting and first publication of earnings figures	<b>92</b>
5.7 Applicable law to financial instruments admitted to negotiation	<b>92</b>
5.8 Lock-Up Clause	<b>92</b>

## **6. Company Valuation & Financial Forecast**

6.1. Valuation drivers	<b>94</b>
6.2 Valuation	<b>95</b>
6.3 Company's financial resources for at least twelve months after the first day trading	<b>96</b>

## **7. Financial Information**

7.1 Balance Sheet	<b>98</b>
7.2 Profit & Loss	<b>101</b>

## **8. Other Information**

8.1 Memorandum and Articles of Association	<b>104</b>
--	------------

8.1.1 Description of the corporate purpose and objectives of the Issuer **104**

8.1.2 Directors Meeting **104**

8.1.3 Supervisory Body **104**

8.1.4 Description of rights, privileges and restrictions attached to the Shares **105**

8.1.5 Description of the conditions for convening annual general meetings and general meetings and extraordinary including the conditions of admission **105**

8.1.6 Description of any statutory provisions that could have the effect of delaying, deferring or preventing a change in the control structure of the Issuer **106**

8.2 Ongoing Obligations **106**

## **9. Listing Sponsor**

## Company Representative for Information Document

David Julián Benavente Sánchez, as Chairman of the Board of Directors, acting for and on behalf of EMBENTION SISTEMAS INTELIGENTES S.A. (hereinafter, the “Company” or the “Issuer” or “EMBENTION”) hereby declares, after taking all reasonable measures for this purpose and to the best of his knowledge, that the information contained in this Information Document is in accordance with the facts and that the Information Document makes no material omission.

## Person responsible for the information document

EMBENTION SISTEMAS INTELIGENTES, S.A. incorporated under the laws of Spain, is a Spanish company domiciled in Polígono Las Atalayas, Calle del Chelín, 16 03114 Alicante, Spain. The Company is registered with the Commercial Registry of Alicante at volume 3193, sheet A-107.047., page 150, section 8, with tax identification number A-54249602, is duly represented by David Julián Benavente Sánchez, Chief Executive Officer, who is also the person responsible for the present Information Document.

## Liability statement

Pursuant to as provided for by the Euronext Access Rule Book, Embention Board of Directors declare the following: “We declare that, to the best of our knowledge, the information provided in the Information Document is fair and accurate and that, to the best of our knowledge, the Information Document is not subject to any material omissions, and that all relevant information is included in the Information Document.”

## Listing Sponsor

EMBENTION SISTEMAS INTELIGENTES S.A. appointed FELLOW FUNDERS CAPITAL MARKETS, S.L.U. (hereinafter, Fellow Funders Capital Markets) as a Listing Sponsor in order to lead the incorporation to Euronext Access of the Issuer. It was authorised by the Euronext Listing Board on the 7th of February 2019. FELLOW FUNDERS CAPITAL MARKETS, S.L.U. is domiciled in “Avenida de la Victoria”, 55 (28023), Madrid-SPAIN, registered in the Mercantile Registry, with Identification Code: B-88122825. It is represented in this operation by Mr. Mariano Colmenar, Managing Partner of the firm. FELLOW FUNDERS CAPITAL MARKETS, S.L.U. is represented by a multidisciplinary team of professionals with high experience in securities issuance and overall capital markets activities both in public as well as in private markets. No other consultants concur in the incorporation process or in the preparation of this information document.



## 1. GENERAL INFORMATION ABOUT EMBENTION SISTEMAS INTELIGENTES, S.L.

### General Information:

The company specialises in the manufacture of essential components and ready-to-fly systems and eVTOL drones which are used primarily for civilian purposes. The focus of the operation is on the UAV and UAM industries. EMBENTION has been committed to developing its own product technologies since the beginning of its operations. It is currently the industry leader in autopilots and components for drones and unmanned aerial vehicles and underwater to air missiles.

### Company name, address and register:

Embention Sistemas Inteligentes, S.A.

Calle del Chelín, N°16 of the Poligono Industrial "Las Atalayas", 03006, Alicante, Spain.

Register number: The Company is registered with the Commercial Registry of Alicante at volume 3193, sheet A-107.047., page 150, section 8, with tax identification number A-54249602

### 1.1 Company purpose

The company purpose is set out in Article 2 of its bylaws.

#### **"Article 2 –Corporate Purpose**

*The objects of the company are:*

*The creation and marketing of all types of engineering and information systems services; and the provision of all types of technical consultancy services, both for public bodies and private entities.*

*The activities included in the corporate purpose may be carried out, in whole or in part, indirectly, through the ownership of shares or equity interests in companies with an identical or analogous purpose or by entering service contracts with other persons or companies, whatever their corporate purpose, for the performance and successful completion of the activities that constitute the corporate purpose.*

*Main CNAE: 7112 Technical engineering services and other activities related to technical consultancy."*

## 1.2 Duration

The company duration is set out in Article 4 of its bylaws.

### **“Article 4 – Duration**

*The company is incorporated for an indefinite period and commences operations on the day of the execution of the memorandum of association. The financial years shall coincide with the calendar years beginning on 1 January and closing on 31 December of each year.”*

## 1.3 Financial Year

The company financial year is set out in Article 24 of its bylaws.

### **“Article 24 – Financial Year**

*The financial year of the company shall be annual, beginning on the first day of January and ending on the thirty-first day of December. By way of exception, the first shall begin on the day on which the company’s operations commence.*

*As regards the annual accounts, the provisions of the law shall apply.”*

## 1.4 Dividends

The Issuer has not distributed dividends as of the date of this document, as per the recent constitution of the Company and the stage of its development. The company does not plan in the short term to distribute dividends to their shareholders once they are listed on Euronext Access Paris.

## 1.5 Administrative, management and controlling bodies

### 1.5.1 Board of directors

**“Article 17 – The company will be managed by:**

- A Single Administrator or two or three joint and Solidary or Indistinct Administrators.
- Three Joint or Several Administrators. In the event of the appointment of three Joint Administrators, the intervention and signature of two of them shall be required for any action.
- A Board of Directors, composed of a minimum of three and a maximum of twelve members. Those subject to interdiction, bankrupt or insolvent persons who have not been rehabilitated, minors or incapacitated persons, those sentenced to penalties entailing disqualification from holding public office, those who have been convicted of serious non-compliance with laws or company regulations, and those who, by reason of their position, are unable to carry on business may not

*be members of the board. Neither may they be civil servants in the service of the Administration with functions in their charge that are related to the activities of this company and other cases referred to in state and autonomous community legislation on incompatibilities.*

*Any agreement to alter the way in which the administration of the Company is organised shall not constitute an alteration of the statutes, but must be recorded in a public deed, which shall be entered in the Commercial Register.”*

**“Article 18** – *The General Meeting shall appoint the Directors or persons to form part of the Board of Directors, who may or may not be shareholders, as well as natural or legal persons, under the terms and conditions established by law. It may also, if it deems it appropriate, appoint one or more alternate directors, in this case designating their order, to cover any vacancies arising on the Board.*

*The office of director may be resigned, revoked and re-elected.*

*Directors shall hold office for a term of four years and may be re-elected indefinitely.*

*The removal of a director may be agreed at any time by the General Meeting, even if it is not on the agenda.*

*If, for any reason, one or more vacancies occur on the Board, the Board itself, if it considers it appropriate, may, in the absence of alternate directors, fill the vacancies of directors that occur with shareholders, for the time remaining in the term of the director replaced, and until the next General Meeting is held.”*

**“Article 19** – *Directors shall hold office for a term of FOUR years and may be re-elected indefinitely.*

*The office of director, and in the exercise of such duties, is remunerated by means of a remuneration consisting of a fixed annual allowance and an amount for attendance fees, both amounts being determined jointly for each financial year by resolution of the General Meeting, and shall remain the same until such time as their modification is approved. Unless the General Meeting determines otherwise, the distribution of directors’ remuneration in the exercise of their functions shall be established by resolution of the Board of Directors, which shall, in any case, take into account the functions and responsibilities attributed to each director.*

*In the event of the shares being listed on an organised stock exchange, Directors may be additionally remunerated by means of remuneration systems linked to the listed value of the shares. The application of such systems must be agreed by the Shareholders’ General Meeting, which shall determine the value of the shares to be taken as a reference, the term of the system agreed and any other conditions it deems appropriate.*

*The Company may take out civil liability insurance for Directors and Executives.*

*When a member of the Board of Directors is appointed Chief Executive Officer, or executive powers are conferred by virtue of another title, a contract must be entered into between them and the company, which must be approved by the Board of Directors under the terms established in article 249.3 of the Capital Companies Act. This contract shall detail all the items for*



*which remuneration may be obtained for the performance of executive duties under the terms established in article 249.4 of the Capital Companies Act.*

*If necessary, the General Meeting shall appoint auditors."*

**"Article 20** – *The Board of Directors, with a report to the General Meeting and if it deems it appropriate for its operation, may approve a set of internal rules and regulations for the operation of the Board, in accordance with the Law and the Articles of Association, which shall contain specific measures aimed at ensuring the best possible administration of the company."*

**"Article 21** – *The Board of Directors may elect from among its members a Chairman, a Vice-Chairman to replace the Chairman in the event of his absence or illness, if it deems it appropriate, and a Secretary (who may be a non-director), unless such appointments have already been made by the General Meeting.*

*An executive committee and one or more managing directors may also be elected from among its members, with such powers as may be determined in each case, except those that may not be delegated by law."*

**"Article 22** – *The Board of Directors shall meet at least once a quarter, at the request of the chairman, at his own initiative or at the request of one third of the directors, by means of a written notice sent to the e-mail address that all directors are obliged to have for this purpose, three days before the meeting is to be held.*

*The Board may be held, at the request of the chairman, in several places connected by systems that permit the recognition and identification of the attendees, as well as permanent communication between them in real time, the intervention and casting of votes, regardless of the place where they are located. In this case, the board meeting shall be deemed to be a single meeting held at the place of the registered office. The same rule shall apply to any mandatory or voluntary committees set up by the Board of Directors.*

*The Board shall be validly constituted when, all its members being present or represented, they decide to hold a meeting of the Board of Directors. In order to be validly constituted, more than half of its members must be present in person or by proxy.*

*Any director may be represented on the Board by another director, in writing addressed to the Chairman, which must be special for each meeting.*

*The Chairman shall order the debates, giving the floor to the director who requests it and, once the matter has been deliberated, shall put it to the vote.*

*Resolutions shall be adopted by an absolute majority of the directors present. In the event of a tie, the Chairman shall cast the deciding vote. When it is a question of delegating powers or electing the persons to whom such delegation is granted, the favorable vote of two thirds of the members of the Board is required.*

*The execution of resolutions shall be the responsibility of the chairman, any of the other directors and the non-director secretary, although in the latter two cases, the agreement of the Board is required for this function to be carried out."*

**"Article 23** – *The Board of Directors shall be responsible for the management, representation, direction and administration of the company and the management of its assets, except for those powers reserved by law to the General Meeting.*

*Consequently, it may, with no other exception than that indicated above, enter into all kinds of acts and contracts, of whatever nature, which shall bind and oblige the Company.*

*By way of clarification, and without this list being exhaustive or limitative in nature, the following powers correspond to the administrative body:*

- 1. To exercise the supreme management of the Company in all matters of interest to the Company.*
- 2. To execute the resolutions of the other corporate bodies.*
- 3. To bear the company's signature, representing the company, in and out of court, before any person, whether natural or legal, public or private, national or foreign, even in acts of execution of resolutions of the General Meeting.*
- 4. To appoint management, technical, administrative or junior staff in the service of the Company, as well as their remuneration and other working conditions, and to dismiss or dismiss them, and, in general, the broadest powers within the labor or business sphere.*
- 5. To enter into all kinds of acts and contracts, whether civil or commercial, and especially to acquire, own, administer, dispose of, dispose of, dispose of and encumber all kinds of movable and immovable property, tangible and intangible, including assignments, mortgages and pledges, and, in general, any act deemed necessary or advisable to achieve the corporate purpose.*
- 6. To carry out in the name and on behalf of the Company, and to be responsible for all economic and financial management of the Company, as well as all types of investments.*
- 7. Enter into, without limitation, on behalf of the Company, all kinds of banking or financial transactions, including with entities whose articles of association require express authorisation to enter into contracts with them and, in particular, to make deposits for any term and under any conditions, open current, sight or term accounts, dispose of the balances of the same, apply for and obtain loans, secured or unsecured, for any term and on any terms and conditions, whether in Spain or abroad, provide guarantees, including as security for third-party debts, and cancel them in due course, and draw, draft, discount, endorse, transfer, accept, negotiate and collect bills of exchange, drafts and other commercial documents.*
- 8. To draw up the annual balance sheet and inventory, profit and loss account, proposal on the distribution of profits and explanatory report, to be submitted to and approved, as the case may be, by the General Meeting.*

9. *To carry out all types of procedural acts on behalf of the Company before any court, both as an active or passive party, formulating claims, replies, counterclaims, acceptances, withdrawals, proposing and taking evidence, making confessions or absolving positions, as well as formulating all types of appeals, and for such purposes, appointing lawyers, solicitors and other professionals, whose intervention is necessary or appropriate to defend the company's interests.*
10. *Settle and appoint arbitrators and amiable compositeurs, in accordance with the provisions of the law in force at the time of such appointment.*
11. *Grant general or special powers of attorney in favor of any person, whether natural or legal, national or foreign, to exercise the powers of the directors, except those that cannot be delegated by law.*
12. *Take part in all kinds of tenders or auctions, whether of the State, Province or Municipality or Autonomous Communities or of public or private, national or foreign entities, making all kinds of bids, proposals or offers, deposit any provisional or definitive bonds that may be required, make bids and counter-bids, make the appropriate deposits, make all the appropriate deposits, make all kinds of supplies and withdraw deposits or make payments and collections, even from the General Depository of the Ministry of Finance or similar bodies of the other public administrations.*
13. *To form part, as a partner, of other companies or legal entities, provided that their object is similar to that of the Company, in accordance with the provisions of the provisions in force, either at the time of incorporation or at a later date.*
14. *To carry out all the necessary actions to obtain the Electronic Certificate for legal entities for tax purposes from the National Mint, as well as any other technical or documentary element necessary for the company to be able to file all types of tax and Social Security declarations by telepathic means. To this end, the proxy may carry out all acts necessary or appropriate to ensure that the company obtains the aforementioned certificate, and may, by way of example, represent the principal, provide documentation of all kinds, make statements, receive notifications, formalise documents of any kind and appear before a Notary Public or any administrative or judicial body. In addition, the proxy may proceed to present, by any telepathic means and by means of electronic signature or functionally similar means, any legally stipulated declarations, by means of official forms or by any other procedure, before the different competent tax and social security administrations."*

### 1.5.2 Board of directors composition

David Julian Benavente Sánchez acts as the Sole Administrator of the Company, a position for which he was appointed and accepted for a term of four years as of 30 August 2021, by resolution passed at the Company's Extraordinary General Meeting with all members being present.

**Name:** David Julián Benavente Sánchez

**NIF:** 43 345 189 V

**Status:** Legal age, married, engineer by profession.

### 1.5.3 Directors and Management Team



#### **David Julian Benavente Sánchez - Chief Executive Officer (CEO)**

David is the Founder of Embention who holds a master's degree in Aerospace Engineering (Georgia Institute of Technology, Atlanta, USA), is an aeronautical and computer engineer from the UPM- Universidad Politecnica in Madrid. He was awarded a Ph.D. in Aerospace Science and Technology by ETISA - UPM. He has worked as an R&D engineer (at the Georgia Institute of Technology's UAV Lab and the University of Toronto), as well as a Senior Engineer at Deimos Space and GMV (Madrid).



#### **Virginia Espuch Fernández - Director of Structure and Administration Department**

Virginia is the co-founder and vice president of the company. She graduated from the University of Alicante with a degree in history and a certificate in business and human resources management (CEF). She teaches in a variety of national and international educational institutions (Toronto and Atlanta).



#### **Joaquín González González - Director of Operations (COO) and Director of Project Management (DGP)**

Joaquín is the head of EMBENTION's Hardware Department and previously served as an R&D Engineer at the Bioengineering Institute. He holds a Ph.D. in Electrical and Electronic Engineering Systems and graduated from the UMH of Elche with a degree in Electrical, Electronic, and Communications Engineering.

**Javier Espuch Abad - Chief Sales Officer (CSO)**

Javier is the Intellectual Property Manager at EMBENTION, having previously worked as the Project Manager for the Flamingo (2011-2013), Purchaser and Logistics Manager (2010-2013), and Quality Manager (2013-2014). He has also worked at ITP Aero as an R&D engineer. He graduated as an Engineer in Aeronautical Engineering and Industrial Organization from the Universidad Politécnica de Madrid (UPM) and holds a master's degree of Science in Industrial and Intellectual Property (UA Alicante) and master's in Business Administration (UA Alicante) (Fundesem).

**Amelia Benavente Sánchez - Director of Finance (CFO) and Director of Quality (DQ) (CQO)**

Amelia has served as a Financial Controller for EMBENTION (2009-2018). She has worked with Tormo&Asociados as a Franchising Project Manager, Grupo Miradia as an Internal Auditor and Controller, and PricewaterhouseCoopers as a Senior Auditor (PwC). She graduated from the Universidad de Alicante with a bachelor's degree in economics and a master's degree in business administration from the Instituto de Empresa (Madrid). She is also a Director of Quality Management Systems Training (AENOR Madrid).

**1.5.4 Assessment of the board of directors related to Bankruptcy, liquidation, and/or fraud related convictions**

The Board of Directors declares that they have not been subject to fraud convictions in the past, neither are there any on-going procedures in this regard in which any person in the management and/or Board of the Issuer has been involved.



## 2. HISTORY AND KEY FIGURES

### 2.1 History

#### 2007

**Embention was established in 2007** as a result of the Flamingo project, which was formed by a group of engineers from an Alicante (Spain) business incubator, among whom was the current CEO of Embention, David Benavente. David initially considered using JDAM (Joint Direct Attack Munition) for civilian purposes during his PhD and this was the foundation of the Flamingo project. He intended to combat fires more safely and effectively, therefore he created an autonomous guided firefighting bomb with the first prototype of the Veronte Autopilot as its control center. The business was established with a €3,016 initial capital. The founding partners raised €127,275.20 in capital in November, valuing the company at €127,275.20 pre-money. Following that, founding partner David Benavente Sánchez raised a further €41,688 capital increase in December at a pre-money valuation of €260,582.40.

#### 2008

**Embention specialised in its main product, the Veronte Autopilot:** a vital avionics device for UAS and UAV power. Embention received several awards in the following years as a result of its innovations, including the 2008 “Everis Foundation Entrepreneur Prize,” which recognised the company’s technological innovation. HADA (Helicopter Adaptive Aircraft), a reconfigurable UAV capable of flying both helicopters and fixed-wing aircraft developed in collaboration with INTA (Instituto Nacional de Técnica Aeroespacial), are the examples of this achievement.

#### 2009

**The Veronte Autopilot 4X was developed.** It is currently one of the most reliable autopilots available, with only one competitor who are offering similar features. Since its development, it has been used in a variety of flight projects for populated areas, including distribution, surveillance, and emergency support services, as well as for the Tizino Cuore Foundation’s Defidrone project. **Following these awards and innovations, the company EVERIS AEROESPACIAL Y DEFENSA, SLU** became involved in Embention, resulting in the Everis group becoming a shareholder of Embention, allowing the company to significantly expand its commercial operation.

#### 2010

**Under the trademark “NM&,” Embention began creating its own UAVs,** which include drones for mapping, surveillance, logistics, agriculture, and more. EVERIS AEROESPACIAL Y DEFENSA, S.L.U. invested €63,720 at a Pre-Money valuation of €321,364.80, resulting in a capital increase of €63,720.

#### 2013

**Embention achieved certification for both its physical and digital products.** The Veronte Autopilot became the first commercial autopilot for drones, UAS, and RPAS that complies with aeronautical regulations DO254 & DO178 / ED-

12, thus providing design evidence for UAV certification. With a design assurance level B (Dal B), it met the most rigorous standards of Civil Aviation Authorities (FAA, EASA, AESA, ENAC, DGAC, LBA, CAA) as well as the sector's key regulations (STANAG 4703, JARUS, Experimental Certificates) and thus became ready for UAV certification. The approval of airborne systems and equipment DO-178B / ED-12, which is a software development standard in the field of essential systems for aviation was being considered during this stage. For both design and research, this standard was used in the development of Veronte's on-board software. To ensure the system's reliability, a variety of tests were carried out in accordance with the protocols for the approval of this aviation software. DO-254 (Design Assurance Guidance for Airborne Electronic Hardware), certified that the avionics had been designed and tested to the level of criticality required for operation.

#### 2014

**Project Pelican was under development** in order to provide a fully autonomous and robust system that offered improved endurance and high reliability. Embention worked with Dronetech to refine the design of a hybrid aircraft, which combined a fixed-wing configuration with four engines to allow multi-copter flight modes. To provide autonomous flight capabilities, this hybrid aircraft design employed a single Veronte autopilot unit.

#### 2016

**With €0.6M in sales, Embention reached its break-even point.** Embention required a larger physical workspace due to its ongoing and expected development. As a result, it relocated to Alicante, where it now resides.

#### 2017

**Embention's revenue totaled €1.3M (+110% AGR).** During this stage, it also collaborated with Israel Aerospace Industries (IAI) on the 'Air Hopper' project. The project's aim was to develop a small unmanned aerial vehicle capable of autonomous flight over at least 8 km, with a payload capacity of 150 litres and a minimum weight of 60 kg, as specified by the Ministry. As a result, the aircraft would be able to transport a shipment to a specific location on the battlefield, drop off the cargo and return to base as quickly as possible, all while flying completely autonomously.

#### 2018

**Embention's revenue totaled €2.17M (+65% AGR).** During this stage, the Airbus Skyways project, which aimed to demonstrate the feasibility of using drones for last-mile parcel delivery, officially began. Safety and reliability were two of the most important aspects of the drone package delivery applications. That is why, in addition to the advanced redundancy management, Veronte Autopilot 4X became the only drone autopilot system that complied with DO178 and DO254 requirements for on-board software and hardware.

#### 2019

**Embention contributed to the Hexa project with the integration of Veronte Autopilot 4X.** The Hexa system is an



eVTOL solution for Urban Air Mobility developed by the Lift Aircraft team (Texas, USA) and it transports people with manned flights using an all-electric drone system. The Veronte Autopilot 4X pilot, which served as the backbone of the Hexa multirotor's GNC (Guidance, Navigation, and Control) system, ensures the system's stability. It made flying safe, even in the event of a component failure. For Urban Air Mobility, safety is a major concern in manned flight (UAM).

## 2020

**The Veronte Autopilot 4X allowed EMT to become the first company in Germany to pass VVZ1 TC and VVZ2 TC with LufABw for the LUNA NG system**, which is a high-performance UAV designed by EMT for inspection and surveillance missions in the harshest environments. They also improved the manufacturing and validation processes as well as expanded the facilities.

## 2021

**The company has worked on the consolidation of the Veronte autopilot, in parallel while negotiating supply contract signatures with several customers.** They worked on a business plan scaled with the business plans of the main customers. The restructuring of the management body, the buy-out of the industrial partner and the market launch of Veronte Motor Controller were predominant. This year Embention negotiated a licensing agreement with an Indian company for the manufacture and marketing of the NM& line.

## 2.2 Selected financial data

### 2.2.1 Balance Sheet Account

#### ASSETS

#### EMBENTION SISTEMAS INTELIGENTES, S.A. AGGREGATED BALANCE SHEET AS OF OF DECEMBER 2021 AND 2020

(expressed in EUR €)

BALANCE SHEET	2021 (€)	2020 (€)
<b>NON-CURRENT ASSETS</b>	<b>3,425,995.27</b>	<b>3,318,731.97</b>
Intangible Fixed Assets	3,224,137.04	3,109,857.40
Property, Plant and Equipment	196,032.85	208,874.57
Deferred Tax Assets	0.00	0.00
Long Term Financial Investment	5,825.38	0.00
<b>CURRENT ASSETS</b>	<b>2,241,209.75</b>	<b>2,945,554.97</b>
Inventory	69,161.39	275,853.67
Trade and other Accounts Receivable	266,677.74	401,957.29
Sales and Service Customers	15,144.97	30,964.91
Other Debtors	251,532.77	370,992.38
Short Term Financial Investment	140.00	5,340.00
Cash and other equivalents	1,905,230.62	2,262,404.01
<b>TOTAL ASSETS</b>	<b>5,667,205.02</b>	<b>6,264,286.94</b>

Source: Embention Sistemas Inteligentes, S.A.

**LIABILITIES & SHAREHOLDER'S EQUITY**
**EMBENTION SISTEMAS INTELIGENTES, S.A. AGGREGATED BALANCE SHEET AS OF OF DECEMBER 2021 AND 2020**

(expressed in EUR €)

<b>BALANCE SHEET</b>	<b>2021 (€)</b>	<b>2020 (€)</b>
<b>SHAREHOLDERS EQUITY</b>	<b>2,363,741.72</b>	<b>1,800,403.35</b>
Capital Stock	254,793.60	254,793.60
Share premium	297,182.68	297,182.68
Reserves	566,484.28	249,671.95
Results of previous years	0.00	0.00
Results of the exercise	417,813.35	317,789.58
Grants and subsidies	827,467.81	680,965.54
<b>NON-CURRENT LIABILITIES</b>	<b>2,201,482.94</b>	<b>2,369,197.15</b>
Debt with financial entities	1,361,528.46	1,520,697.54
Other long term debts	839,954.48	848,499.61
Deferred tax liability	0.00	0.00
Long term debt with group and associated companies	0.00	0.00
<b>CURRENT LIABILITIES</b>	<b>1,101,980.36</b>	<b>2,094,686.44</b>
Debt with financial entities	164,133.69	10,701.74
Other short term debt	8,545.13	8,545.13
Short term debt with group and associated companies	0.00	873,126.20
Suppliers	50,928.14	121,694.08
Other suppliers	878,373.40	1,080,619.29
<b>TOTAL SHAREHOLDERS EQUITY AND LIABILITIES</b>	<b>5,667,205.02</b>	<b>6,264,286.95</b>

Source: Embention Sistemas Inteligentes, S.A.

## 2.2.2 Profit & Loss Account

### EMBENTION SISTEMAS INTELIGENTES, S.A. AGGREGATED PROFIT AND LOSS ACCOUNT AS OF OF DECEMBER 2021 AND 2020

(expressed in EUR €)

INCOME STATEMENT	2021 (€)	2020 (€)
Net Sales	3,006,535.65	3,019,605.08
Variation in stocks of finished and ongoing products	-83,152.04	129,817.14
Work carried out by the company for its assets	965,219.89	948,953.63
Procurements	-1,042,833.14	-1,080,176.95
Other operating income	1,499.03	4,285.00
Personnel expenses	-1,673,041.27	-1,571,337.69
Other operating expenses	-434,515.06	-599,030.35
Allocation of fixed assets subsidies	28,497.73	28,477.52
Impairment and return on disposal of fixed assets	-393,822.47	0.00
Other results	581,269.46	-95.03
<b>EBITDA</b>	<b>955,657.78</b>	<b>880,498.35</b>
Depreciation of fixed assets	-503,074.50	-451,780.86
<b>OPERATING INCOME</b>	<b>452,583.28</b>	<b>428,717.49</b>
Interest Income	2,709.93	3.51
Interest Expenses	-37,479.86	-25,941.30
<b>FINANCIAL RESULT</b>	<b>-34,769.93</b>	<b>-25,937.79</b>
<b>INCOME BEFORE TAX</b>	<b>417,813.35</b>	<b>402,779.70</b>
Profit Tax	0.00	-84,990.12
Profit Tax Adjustments	0.00	0.00
<b>NET INCOME</b>	<b>417,813.35</b>	<b>317,789.58</b>

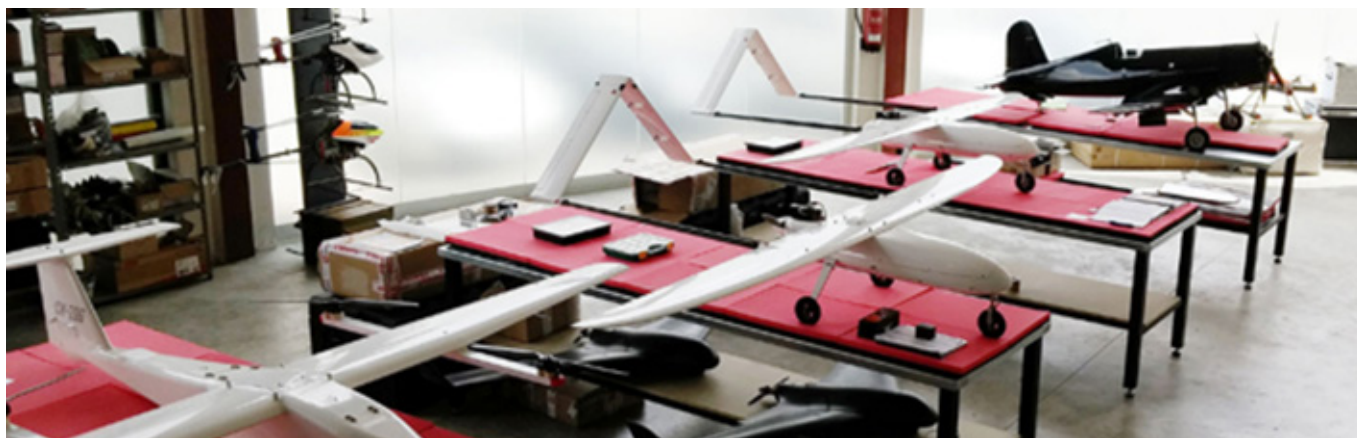
Source: Embention Sistemas Inteligentes, S.A.



## 3. COMPANY ACTIVITY

### 3.1 Business Overview

Embention Sistemas Inteligentes S.A. was established in Alicante on 4 June 2007. The development and commercialisation of engineering services and information systems, as well as the provision of technical consulting services, are the key activities of the company. Their area of expertise is the design of essential components and systems drones and eVTOL vehicles (Vertical Take-Off and Landing Aircraft). The company focuses on the UAV (Unmanned Aircraft Vehicle) and UAM (Urban Aero mobility) industries for professional purposes, mainly civil and military uses.



Since its establishment, Embention has been developing the technology of its own products and are always looking for new ways to increase the efficiency of their products. They have trained and specialised staff in the Drones sector for this purpose. They also have a workshop with machinery to produce equipment as well as its assembly in order to proceed with its sale.

Embention offers comprehensive services to its clients:

- Customised control systems that respond to the client's needs and specifications.
- Training and certification courses to operate RPAS. (Remotely Piloted Aircraft System).
- Integration and maintenance tasks of the solutions provided to the client, as well as continuous system improvement.

Because of the strong commitment to R&D&i, they have been able to build a broad range of high-tech ventures, partnering on projects with organizations such as:

- Dronetech, for the improvement of a hybrid aircraft concept (Project Pelican).
- Airbus, in the Skyways project. The project aims to demonstrate the feasibility of using drones for last mile parcel delivery to enable drone flights over city and populated areas.
- The International Atomic Energy Agency (IAEA) in the "Drones Against TSE" project to control the TSE fly population in Africa.

## Features on Drone Integration and Tuning

Customised drone integration and tuning services allow to speed up any drone integration:

- Simulation model and autopilot tuning.
- Real-time support with remote desktop.
- Dedicated support team.
- Custom payload integration.
- Autopilot setup for any vehicle configuration.
- Embention workshop and flight test facilities.
- Availability to travel worldwide for onsite integration.
- Assistance during first flights.
- Support for mechanical installation & wiring.
- Autopilot tuning and payload configuration.
- Safety pilot support for manual and assisted flight.
- Training and joint development support.

Embention has established itself as a market leader in Autopilots and Components for Drones and UAM as a result of these ventures and its industry expertise.



## 3.2 Organization structure

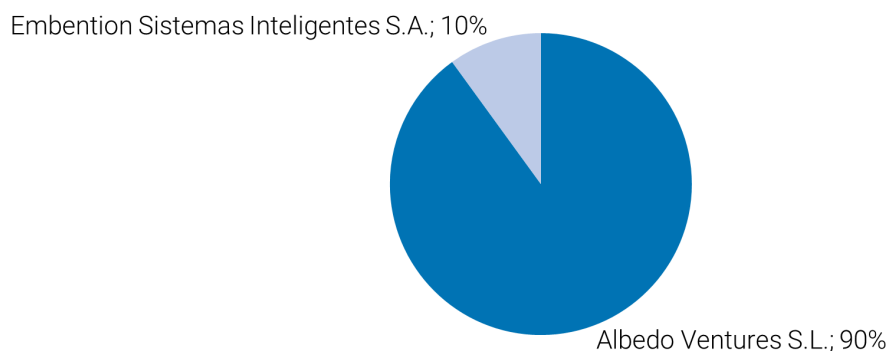
### 3.2.1 Ownership and shareholding structure

The ownership of EMBENTION SISTEMAS INTELIGENTES S.A. is structured and divided between both: David Julian Benavente Sánchez with 3,183,840 shares (74.97%) and Virginia Espuch Fernández with 1,062,720 (25.03%). The total share capital is of 4,246,560 shares.

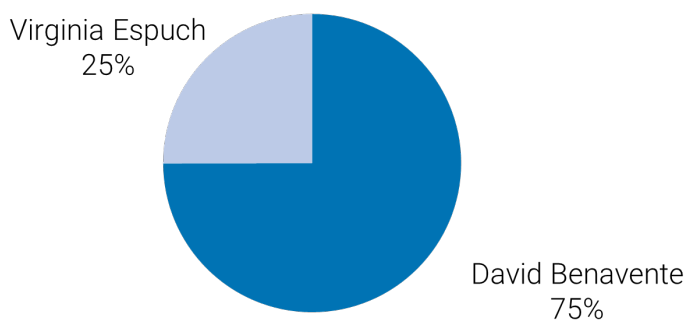
The company EMBENTION SISTEMAS INTELIGENTES S.A. has as main shareholder entities ALBEDO VENTURES S.L. with 90% of the shareholding, divided between sole beneficial owners: David Benavente with 72.16% and Virginia Espuch with 27.84%. The remaining 10% belongs to EMBENTION SISTEMAS INTELIGENTES S.A. in the form of own treasury stock.

In short, and as explained above, the company EMBENTION SISTEMAS INTELIGENTES S.A. is owned 74.97% by David Benavente with 3,183,840 shares and Virginia Espuch with 25.03% with 1,062,720 shares, forming a total share capital of 4,246,560 shares.

### EMBENTION: Shareholding Structure



### EMBENTION: Ultimate beneficial owners shareholding structure



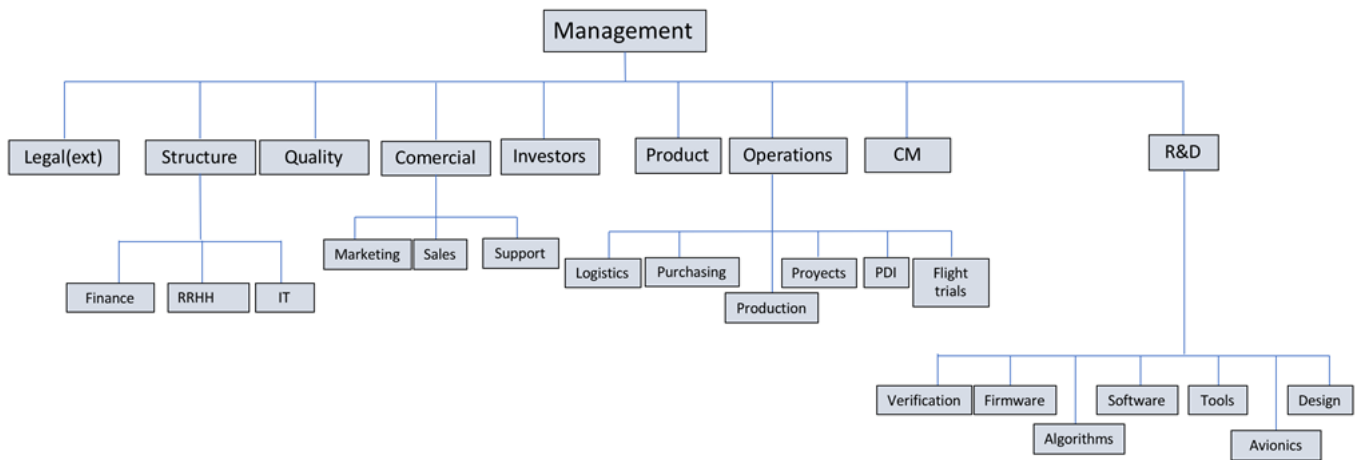
Source: Embention Sistemas Inteligentes, S.A.

### 3.2.2 Organizational structure

The organisational structure of the company is divided in 9 main departments which are supervised and controlled by a management governing body composed by: David Julián Benavente Sánchez and Virginia Espuch Fernández. Of them all, four departments are divided into sub-departments which are focused on specific activities, to provide a major degree of control and specialisation on the relevant business lines that account for a major part of operations.



## EMBENTION: Organizational Structure



Source: Embention Sistemas Inteligentes, S.A.

In addition, the following departments are focused on the subsequent activities:

<p><b>Finance</b></p> <ul style="list-style-type: none"> <li>- Treasury</li> <li>- Accounting</li> <li>- Billing</li> <li>- Fiscal</li> <li>- Controlling</li> </ul>	<p><b>Marketing</b></p> <ul style="list-style-type: none"> <li>- Web programming</li> <li>- Content creation</li> <li>- Social</li> <li>- Design</li> <li>- Audiovisual</li> </ul>	<p><b>Support</b></p> <ul style="list-style-type: none"> <li>- RMA's</li> <li>- Technical Support</li> </ul>
<p><b>Logistics</b></p> <ul style="list-style-type: none"> <li>- Exports</li> <li>- Imports</li> <li>- Shipments</li> </ul>	<p><b>Production</b></p> <ul style="list-style-type: none"> <li>- Prototype</li> <li>- Integration</li> <li>- Veronte Units</li> <li>- NM&amp; Units</li> <li>- Wiring</li> <li>- Rework</li> <li>- Machinery</li> </ul>	<p><b>PDI</b></p> <ul style="list-style-type: none"> <li>- Training</li> <li>- Set-up</li> <li>- HIL</li> </ul>

**Flight Trials**

- Flight Test Plans
- Permits & Licenses
- Flight fields
- Pilots

**Verification**

- Qualification Tests
- Acceptance Tests
- Hardware Tests
- Flight Tests
- System Tests
- Integration Tests
- Unit Tests
- UX

**Firmware**

- Architecture
- Communications

**Algorithms**

- GNC
- Algorithms
- Simulation
- Computer Vision

**Software**

- Vtools
- Veronte Cloud
- UTM

**Tools**

- Python Scripts
- ET4E
- Odoo connectors
- Continuous Integration
- Deployment

**Avionics**

- Engineering System
- Electronics

**Design**

- Aircraft design
- Mechanism/Pieces
- Enclosures
- CFD
- FEM
- Thermal

### 3.2.3 Employees

#### Evolution of employees 2018/2019/2020/2021

As recorded in the databases of the General Treasury of Social Security in the company EMBENTION SISTEMAS INTELIGENTES, S.A. the average number of workers who have remained on active employment during the stipulated periods is as follows:

Year	Number of employees (Avg)	Variation
2018	30.12	-
2019	44.18	32%
2020	51.52	17%
2021	56.79	10%

Source: Embention Sistemas Inteligentes, S.A.

#### Heads of Department

<b>Management</b>	David Benavente (CEO)
<b>Finance</b>	Amelia Benavente (CFO)
<b>Operations</b>	Joaquín González (COO)
<b>Structure</b>	Virginia Espuch (Director)
<b>Sales</b>	Javier Espuch (Director)

### 3.3 Business Description

Embention develops components and critical systems for drones and eVTOL. Founded in 2007, Embention started its activity with the development of autonomous aerial forest firefighting systems. After winning several innovation awards, Embention focused its activity in the UAV and UAM industry. Currently, Embention maintains more than 400 customers around 70 countries.

In the past years, Embention has rapidly climbed positions in the ranking of the main high-tech companies in the UAV and UAM sector, exceeding the company's own expectations.

Embention develops two main product lines including high-reliability drone components and ready to fly autonomous vehicles for professional use. Furthermore, their drone company collaborates with several partners for providing complete drone solutions including transponders, video transmitting, altimeters and other UAV components.

## Product lines



Veronte is the division for high-performance components for autonomous vehicles (RPAS, UAV, UAS, USV, UGV). Including:

- eVTOL ESC
- Tracking Antenas for drones
- Control Stations for drones
- Gimbal Cameras for drones
- Veronte expander modules
- Autopilots for UAV and UAM
- Accesories



NM& team develops and customises ready to fly drone solutions based on the drone systems from the customers and proprietary solutions. Including:

- Captive Drone
- Multi-rotor Drone
- Fixed-wing Drone
- UAV Catapults
- Landing Net

## Resources

EMBENTION currently has 60 employees, mainly engineers specialised in hardware, software and aircraft design. This technical team is segregated into independent development, production and testing teams for ensuring the reliability of their products.

Besides the headquarters area, Embention has manufacturing areas for electronic and mechanical components, an aircraft integration facility and a private airfield. In addition, testing and production facilities include state of the art equipment such as a climate chamber, a vibration table, a calibration table, assembly stations, among others.

## Drone and eVtol Integration Support

There are two main engineer teams involved in the integration of drones and eVTOL:

- PDI Engineers: Experts in autopilot and payload setup and communications for performing the configuration and tuning in all systems.
- Integration Engineers: Mechanical engineers and safety pilots' experts in wiring, mechanical installation, first flight piloting...

The combination of both profiles makes the perfect team for the support of all kinds of drone and UAV integrations, from ground test and first flights even fully autonomous flights.

### Autonomous Vehicles & Drone Projects



Embention takes part in over 500 drone projects worldwide, accumulating more than 100.000 hours of flight time. The team works in more than 70 countries, providing remote and onsite support worldwide. The relationship with these companies is a client relationship. With each of them there are different contracts depending on the needs of the project. Some of the company's most outstanding projects and which have had a major impact in the industry of drones are the following.



### **HEXA - LIFT AIRCRAFT**

Embention began working with them in 2019. Since then, this company has acquired multiple units for internal development stages and for use in the US Agility Prime programme of the US Airforce. In 2022, an agreement has been signed with the company committing to purchase a minimum of 20 systems per year.

Hexa system is developed by the Lift Aircraft team. Having their headquarters in Texas (US), their eVTOL solution for Urban Air Mobility is one of the pioneer systems performing manned flights with a full electric drone system for human transportation. Lift Aircraft is the first company worldwide to offer eVTOL vertical flight as an experience.

**4x Veronte Autopilot** is the core of the GNC (Guidance, Navigation, and Control) system in the Hexa multirotor. This high-performance redundant system is developed according to the DO178 & DO254 standards for onboard software and hardware. It permits to ensure the reliability in the system. It makes the flight safe, even in the event of a failure in one of the components. Safety is a must in manned flights for Urban Air Mobility (UAM).

In addition to the redundancy in the autopilot system, the aircraft has been designed with a unique architecture conformed by a solid network managing eighteen independent rotors. This architecture makes the eVTOL fail-operational and the extensive network of sensors permits early failure detection, so an automatic fail-safe is quickly activated. The flexibility in 4x Veronte Autopilot permits to control the drone from the onboard sticks or from a control center in the ground. With this dual architecture, the control center can monitor the status of all the person transportation drones in real-time. Personnel in the control center oversees ensuring safety in the operation so they can command automatic actions. Such as go home, fly to a point, increase altitude or others. System operators in the control center can also override the onboard manual direction from the on-ground joystick to ensure that all eVTOL pilots can enjoy a safe flight.



## GT20 - AIRIAL ROBOTICS

Embention started working with them in June of 2020. Since then, the company has launched several prototypes and demonstration units. In 2021 the company placed an order for 100 units.

The Gyrotrak GT20 is the first gyrocopter drone from Aerial Robotics, having a technical performance far from any other UAV in the drone industry. With an innovative gyrocopter design, the GT20 can operate in reduced areas, thanks to the vertical takeoff and landing capability, maintaining a long endurance capacity. It has been designed to operate fully automated missions in all kinds of weather conditions.

The Gyrotrak can take off, hover and land vertically and fly at speeds up to 150km/h. With an empty weight of 7.5kg and a maximum take-off weight of 20kg, it is a serious cargo and inspection platform. Furthermore, its all-electric flight time is up to 2.5 hours, depending on payload and environmental factors.

GT20 is equipped with one of the safest Autopilot systems in the world, Embention's Veronte. **Veronte Autopilot** ensures the GT20 multiple levels of redundancy and provides DO-178/ED-12 software and DO-254 hardware compliance, the most demanding aeronautical regulations for onboard electronics. This Autopilot is a miniaturised high reliability avionic system which includes a state-of-the-art suite of sensors and processors.

The Ground Control Station is also powered by Embention's Veronte Pipe software designed for operating the Veronte Autopilot. This software allows users to achieve a combination of easy-to-use application, real-time response and most importantly, safe operation. It allows redirection of stick and PC data to the air segment and manages bidirectional communication between GCS and Gyrotrak. GCS hardware is stored safely in a hard case and there are multiple options to equip the ground control station with different sticks, switches, and buttons, as well as additional monitors.



### **LUNA – EMT PENZBERG**

The order started in 2018, the company has a contract with the German navy to supply 45 units. The company has recently been acquired by Rheinmetall, one of Europe's leading defense companies. This company is currently taking over the company to promote the sales of the LUNA NG system.

LUNA NG is a platform developed by EMT for inspection and surveillance missions in harsh environments. This high-performance UAV stands for its high quality and the reliable, versatile and high-performance aerial equipment installed. Its application is ideal for both military and civil purposes. Embention works together with the German company to cover two dimensions of the aerial platform. The first one is to develop a VTOL version of the platform with fully autonomous flight capabilities. The second one is to use Veronte Autopilot and Embention's extensive experience in certification for system certification with the German military aviation authority.

This 5.3 m wingspan aircraft has been in service since 2000. The **4x Veronte Autopilot** has allowed the certification of the system, being the first company to pass VVZ1 TC and VVZ2 TC with LufABw in Germany. This UAV belongs to one of the main product lines in EMT. The fixed-wing drone together with Veronte Autopilot becomes an essential tool for surveillance, thanks to the ease of operation in any weather condition and its ability to operate in both, day and night missions. Actions such as command, control, communications, intelligence, surveillance or identification are executed with total versatility with the Luna NG.

One of the unique features of the LUNA NG is its ability to glide without using engine power. Therefore, without acoustic signals. After the engine stop, the platform can restart the engine in flight without losing aircraft control. The advantage of this is that LUNA NG can carry out missions where the flight can be performed in total silence so the UAV cannot be recognised when flying through a designated area.

Another distinguishing feature in the UAV LUNA NG is the capacity to start a safe landing in case of a failure or an unexpected event. It incorporates a high-performance parachute release system for landing. This functionality, developed jointly with Embention, in compliance with the DO-178C standard for software development and the DO-254 standard for hardware development make it the safest platform in its category.





### **SKYWAYS – AIRBUS GROUP**

The project started in June 2019. During COVID, Airbus' R&D projects have slowed down but the team continues flight testing. No concrete date for commercial launch is available.

Airbus is one of the pioneers in drone integration within the parcel delivery industry. The Skyways project pretends to demonstrate the feasibility of the use of drones for last-mile parcel delivery. Within the Skyways project, Airbus has developed one of the first drones for urban parcel delivery. First trials have been performed in the city of Singapore. Delivering parcels from the university to ships anchored in the area surrounding the harbor in the city of Singapore.

In order to enable drone flights over the city and populated areas, the Skyways project proposes the use of virtual tubes or Sky Ways in the air. These drone highways establish a safe flight area in which drone flights are allowed without interfering with the ground or air traffic. It also makes the first step into the UTM (Unmanned Traffic Management). And the integration of drones within the controlled airspace.

Deep Embention experience in drone safety and certification applied to the **4x Veronte Autopilot** makes it the perfect choice for the Skyways Project for performing parcel delivery over urban areas. 4x Veronte Autopilot embeds three complete autopilot cores and enables the connectivity for an external autopilot core, all of them managed by an arbiter board switching control from one module to another in case of a system failure. This control system for drones is the perfect solution for parcel delivery with drones, not only because of the advanced redundancy management but also for being the unique drone autopilot system in compliance with DO178 & DO254 standards for onboard software and hardware.



### **CARGO DELIVERY HELICOPTER – IAI (Israel Aerospace Industries)**

The project started in 2017. Afterwards, in 2020, it was decided to replace the vehicle with a better performing one. The integration into the new vehicle is currently being finalised. The aircraft is expected to be commercially available in 2023.

Israel Aerospace Industries (IAI) has developed an unmanned vehicle for the Ministry's Weapons Development Administration, in collaboration with foreign and domestic companies.

The project goal is the development of a small UAV or drone able to fly autonomously a distance of at least 8Km with a carrying capacity of 150 liters with a minimum weight of 60Kg, as specified by the Ministry. The drone mission consists of carrying a package to a determined location in the battlefield, drop the cargo (landing or not) and return to base as fast as possible while flying totally autonomously.

For this purpose, a helicopter design with one main rotor to lift and a second rotor to steer has been chosen. The IAI drone is based on a heavy lifting helicopter constructed in a lightweight structure with a non-covered chassis, reducing the aircraft weight up to the limits of technology. This heavy lifting UAV can fly lifting 180 kilograms with a top speed of 150 kilometers per hour, being a unique system in its category.

The control of the heavy lifting drone is performed fully autonomously with the installation of a high-performance autopilot system, which adds to the system the intelligence needed to perform this kind of autonomous missions.

## Values

The company refers to working daily to “enable drones to populate our skies”. At Embention, they believe in innovation and technological excellence as a differential factor. Some of their core values are:

- Strict validation & verification processes ensure the high quality in products.
- Continuous innovation and R&D policies to maintain their products as the state of the art.
- Safety assurance according to DO160, DO178 / ED-12, DO254, Stanag 4703 & 4586 aircraft standards.

## Awards

### **Everis Foundation Award - 29th October 2008**

A project of forest fire control with intelligent systems for aircrafts, promoted by Embention, was the winner of the 2008 Enterprising Award of the Everis Foundation. In this regard, the forest fires data show that existing methods such as observation towers or forest guard, are not enough. Embention suggests as action plan the use the newest advances in laser technology, satellite, network of sensors, cameras, etc. for improved detection in combination. The project, in addition to the award, won support from Neotec (CDTI), La Caixa Seed, BBVA Entrepreneurs and the Regional Ministry of Industry on the Generalitat Valenciana.

### **EIBT Seal CEEI (Centro Europeo de Empresas Innovadoras) - 1st September 2008**

The EIBT Seal is a special program that each CEEI gives to the Technological Base Companies from its scope and recognises it as EIBTs on a national level. The mark of Innovative Company of Technology Based is meant as a differentiator and communication element for these companies because it is a nationwide award with the support of the National Ministry of Industry, Energy and Tourism. In order to get the EIBT Seal, the technological base of the company must be proven, and it must have a contrasted and differential level of innovation at national level.

### **ENISA by Ministerio de Industria, Energía y Turismo - 1st November 2008**

The National Innovation Company ENISA provided Embention technical and financial support. ENISA is a public company from Spain's National Ministry of Industry, which has several lines to support the creation, growth and consolidation of business projects, as the one given to Embention. ENISA promotes business projects developed by entrepreneurs and small and medium enterprises in any sector, except for real estate and finance.

### **CDTI Iniciativa Neotec - 1st March 2008**

Embention, and Veronte,, its control system for unmanned aircrafts (UAV, UAS, RPAS and Drones) won the support of CDTI with NEOTEC program. This guarantee allowed Embention to expand its R&D efforts in developing their products based on its

autopilot to, among other purposes, achieve a failsafe avionics system for autonomous platform control. Veronte integrates a set of sensors and processors for advanced control of unmanned platforms. The NEOTEC project aims to support the development and strengthening of new technology-based companies in Spain.

### Focus Innova PYME Awards - 6th November 2015

The motivation of the Focus Innova PYME was to award the prize to the better internationalised company, due to the importance in a macroeconomic level of the exports of goods and services to the trade balance, current account and payments of any country. Is a source of demand for domestic production of goods and multiplies the product and incomes of the economy in general and in particular of the economic agents' participants. The award Focus Innova PYME 2015 was a distinction to the most remarkable companies of the Valencian Community.


## 3.4 Business model

EMBENTION creates two primary product lines: high-reliability drone modules and ready-to-fly autonomous vehicles for professional use. Furthermore, the company works with several partners to provide full drone solutions, such as transponders, video transmitters, altimeters, and other UAV components. It should be noted in this regard that the extensive services they provide have a close association with the products they offer, as the services that generate the most revenue are those of technical support for the devices and training for their use.

EMBENTION's primary product or service lines are as follows:



**VERONTE:** This is the current main line of the business. Veronte is a division that specialises in high-performance components for autonomous vehicles (RPAS, UAV, UAS, USV, UGV), such as autopilots, gimbals, antenna trackers and control stations. Among its offerings are:

Veronte Lines	Product Lines
<b>eVTOL ESC</b> 	<b>Veronte MC25K</b> Specifically designed for eVTOL aircrafts, seeking for long endurance flights with the highest levels of safety and reliability.
	<b>Veronte MC280</b> Developed according to the DO178C and DO254 certification standards permitting to control electric motors working in the range of 12-75V.

### Tracking Antenas for drones



#### Veronte Tracker 26NM

High-performance tracking antenna specifically designed for the most demanding applications. The system can install any directional antenna for maximizing system operation capabilities. The system is available in four antenna configurations: 400MHz, 900MHz, 2.4 GHz or custom.

### Veronte expander modules



#### Veronte CEX-CEM Expander

Veronte CEX is a powerful peripheral that extends the I/O in Veronte Autopilot by making it possible to relocate and to group sensors, actuators, payloads and motor controllers. At the time permitted to reduce the amount of cable in autonomous vehicles and the risks of electromagnetic interference.

#### Veronte Stick Expander

The Veronte Stick Expander enables the use of USB sticks within the Veronte ecosystem. This USB to RS232 | USB to PPM converter is developed to be compatible with USB sticks (joysticks, throttle, pedals, etc) combining the stick signals into a generic PPM or RS232 output.

### Gimbal Cameras for drones



#### Veronte Gimbal 10z

Gyro-stabilised video capture equipment with high precision capabilities. Integrated encoder sensors keep the camera stabilised, regardless of vehicle movements, and with a high degree of accuracy.

#### Veronte Gimbal 30z

Gyro-stabilised camera for capturing images from moving vehicles, UAVs, RPAs or professional drones. The dual camera system incorporates a visible camera and an IR camera, installed on a gyro-stabilised platform with sensors for precision aiming. Motorised cameras allow to stabilise the video, point the camera and maintain a good image quality against the appearance of movements in the platform.

## Control Stations for drones



### BCS Autopilot

Enables communications between the PC in the control station and the Veronte Autopilot unit onboard the unmanned vehicle.

### PCS Pole

Advanced ground station system optimised for the control of any Veronte Autopilot powered vehicle. It contains all the necessary components for performing a wide range of operations with UAVs and other unmanned vehicles.

### TCS Tablet

Highly portable tablet control station compatible with Veronte systems. The Veronte TCS embeds Veronte electronics together with datalink radio module for remotely control of any Veronte device.

### PIPE Software

Intuitive software designed for operating the Veronte Autopilot. Users achieve a combination of easy-to-use application, real-time response and, firstly, safe operations.

Veronte powered systems have two main elements, air and ground segments:

- Veronte Air includes any necessary element to communicate with ground segment, take flight measures, control the aircraft and control the payload.
- Veronte Ground redirects stick and PC data to the air segment and manages bidirectional communications between Veronte Pipe and Veronte Air.

### MCS Dual Screen

Portable dual display Control Station for UAVs and drones. It is a ready-to-use system designed for high-performance autonomous vehicle operations.

## Autopilots for UAV and UAM



## HIL Simulator

Tool for Veronte Autopilot integration, development and operator training; permitting to extensively operate the system in a safe environment, prior to conducting real flight operations. HIL simulator module enables communications between Veronte Autopilot and Veronte HIL Simulator running on a PC.

## Veronte Autopilot 1X

Miniaturised high reliability avionics system for advanced control of unmanned systems. This control system embeds a state-of-the-art suite of sensors and processors together with LOS and BLOS M2M datalink radio, all with reduced size and weight.

## Veronte Autopilot 1X Kit

Solution for professionals wishing to perform their first Veronte Autopilot integration within their vehicle. It includes fully operational Veronte Autopilot Advanced, compatible with UAVs, Drones, RPAS, UGV, USV, Hybrid.

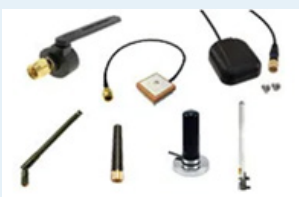
## Veronte Autopilot 4X

Redundant control system for critical operations such as UAM, eVTOL or MALE, HALE and Tactical drones. Fail-operational redundant autopilot architecture has been designed for avoiding single point of failure, all this included in a miniaturised autopilot.

## Veronte Autopilot SIL Simulator

Simulink model that replicates the behavior of the Veronte Autopilot system, permitting to perform advanced UAV and eVTOL simulations without having the physical devices connected.

## Accesorios



## Communications

### Harnesses

### Peripherals

### Power

## NM&

**NM&:** Under the trademark “NM&,” these are their own UAVs, which include drones for mapping, surveillance, logistics, agriculture, and much more. The NMAND team creates and customises drones by providing ready-to-fly solutions based on the drones of its customers or entirely new systems. Among their models are:

- NM& M600
- NM& TS150
- NM& F350G
- NM& L200

### NM& Lines

### Product Lines

#### Captive Drone



#### TS150

Permits to power the UAV directly from an on-ground power source, providing unlimited flight time. Tether Station uses an innovative ultralight cable to connect the NM&TS150 to the base station on the ground, so the drone has access to a continuous power source during the operation.

Characteristics:

- Up to 150m high
- Unlimited Flight time
- Custom power source
- Self-cable winder



### Multi-rotor Drone



### M600WP

The M600WP is a WaterProof multirotor drone suitable for a wide variety of applications such as search and rescue (SAR), surveillance or delivery. With 15kg MTOW, this drone can handle up to 4kg payload, providing 45 min flight time with 1.5Kg gimbal camera. The waterproof multirotor frame is optimised for long endurance flights. This drone is designed specially to stand harsh weather and critical environments.

Characteristics:

- Waterproof
- Vast play load range
- RTK positioning
- Custom missions
- Carbon fiber

### Fixed-wing Drone



### F350G

Fixed-wing aircraft for multipurpose operations. It is a fully autonomous system with advanced control features. With a robust lightweight structure, the aircraft is easy to disassemble in smaller pieces for easy transportation by removing wings and tail. The robust landing gear installed permits both automatic takeoff and landing in almost any field, without needed to have an asphalted runway. Propulsion is provided from a pusher propeller installed on a combustion engine installed on the aircraft back. Fuel selected for these aircraft is unleaded gasoline mixed with oil, which can be easily acquired in any gas station.

Characteristics:

- Easy transportation
- Broad fuel supply
- Low maintenance and robust engine
- Wide variety of applications

### UAV Catapults



### C200R

Rugged aluminum launcher for unmanned aircraft, excellent to fulfil UAV professionals needs. NM& C200R is a folding and man-portable catapult, which permits to deploy it at any stage, being fully operative in less than 4 minutes. Perfect for effectively carrying out high requirement missions. Adaptation interface available for use with different aircraft, being one of the most versatile systems on the market.

### Landing Net



### RN86

The NMAND Recovery Net RN86 permits a quick and efficient recovery of professional UAV systems. Its ease of transport and assembly allows the safe operation of drone systems on boats or remote locations without requiring a landing strip.

**SERVICES:** The company's third line of operation is the extensive services it provides to its clients:

- Custom Control Systems
- Drone and eVTOL Certification
- Design and Operation Training
- Certified Drone Electronics
- Preconfigured UAV Systems
- Drone Integration and Tuning

### Custom Control Systems

Custom autopilot and control system development and manufacturing for all kinds of vehicles: Drone, UAV, USV, UGV, hybrid, eVTOL, etc. The key competency at Embention is the development of control systems for drones, UAVs and all kinds of autonomous manned and unmanned vehicles. Working in autopilot development since 2007, Embention has acquired a strong degree of experience in the field of GNC for drones and eVTOL.

The obtained experience provides them with the ability and knowledge to adapt Veronte Autopilot technology for custom control systems for the control of fixed-wing planes, helicopters, multirotors, hybrid VTOL systems, boats, cars, paragliders, eVTOL, UAM.

Solutions are developed to include:

- Redundant autopilot architectures including IMU or full autopilot.
- Fail-Safe and FTS (Flight Termination Systems) integration.
- Integration with cameras, spraying systems, motors, transponders, sensors, etc.
- Control modes for sea-skimming, spraying, acrobatics and custom figures, etc.
- Custom cabin-like control stations, truck-based systems and control station networks.
- Compliance with specific regulations for hardware and software certification.
- Custom GNC algorithms for the control of any autonomous device.
- Client branding, including customised logos and trademarks.

### Drone & eVTOL Certification

Support for UAVs & eVTOL certification (STANAG, DO178, DO254) according to international regulations: FAA, EASA, AESA, ENAC, DGAC. Embention is a pioneering company in the field of certification for drones and eVTOL systems for UAM (Urban Air Mobility). The company has already been involved in several certification programs worldwide, working in different aspects of UAV certification.



Veronte Autopilot is developed under the DO178 & DO254 standards, being the core of the first RPAS issued with a type certificate in Europe and the core of the first drone to pass VVZ1 TC and VVZ2 TC with LufABw (Military Aviation Authorities) in Germany.

Services cover not only the drone autopilot certification datapack but also providing support for complete system certification. Covering: documentation, certification management, meetings with aircraft authorities, test definition, test performance,

evidence development, procedure identification and draft, operation and maintenance manuals drafting, defining risk assessments and bow ties, etc.

## **Design & Operation Training**

Embention offers training courses for drone integration and operation. It covers all the steps needed to acquire a deep understanding of the Veronte Autopilot installation and on the configuration and operation tools available. During the training both, HIL simulator office training and real flight training are performed. Custom training courses are also available for acquiring proficient skills in guidance, navigation & control (GNC), aircraft assembly, drone wiring.

Overall, Embention training programs cover the following:

- Drone assembly and integration courses.
- Autopilot installation and tuning.
- Payload and device configuration and management.
- Drone operation and flight practice.
- Extended HIL simulation practice.
- Simulation model generation and modifications.
- Fixed-wing, multirotor VTOL, or helicopter training.
- Mapping, Search & Rescue and all kinds of applications.
- Customised syllabus according to user needs and experience.
- Training material and after training support.
- Achievement diploma after the course.

## **Certified Drone Electronics**

Embention develops electronics and critical systems for drones, UAVs, RPAS & eVTOL since 2007. Starting with the development of a customised guidance kit for airships, Embention has fully developed PMUs, ESCs, expansion boards, flare activation boards, autopilots, level shifters, DC/DC, interfacing boards and many others.

With more than 50 engineers in different areas: aircraft, telecommunications, software, hardware and testing. Embention develops certifiable critical electronics for Drones and eVTOL.

Some of the main features for certified drone electronics development:

- Hardware, software and mechanical design for full product development.
- Dedicated testing team for the validation and verification test performance.
- Design and manufacturing documentation with product traceability.
- Compliance with DO178, DO254, STANAG and other standards for certifications.
- Configuration and operation training and support included with the development.

### **Preconfigured UAV Systems**

Embention develops customised UAS & RPAS systems according to specific end-user requirements, including complete autopilot and payload integration for the delivery of a Ready To Fly (RTF) professional drone system.

Embention collaborates with hundreds of professional drone and component manufacturers for providing support for customised drone development.

- Engineering team with deep experience in drone integration and tuning.
- Work team for defining the appropriate equipment for drone installation.
- Aircraft engineers for designing the appropriate drone platform.
- Extensive support from customers having hundreds of RTF drones that can be used.
- Laboratories, ground testing and flight test facilities for drone testing.
- Payloads for surveillance, mapping, spraying, and other applications.

### **Drone Integration & Tuning**

Embention provides support for Autopilot, payload and system integration and tuning in drone & eVTOL systems. Including architecture definition, wiring, installation and flight tuning.

## **3.5 Strategy**

The company is continuously improving its flagship product, the Veronte autopilot, and other products within the company's portfolio. These improvements are being made in terms of software, mechanics and design.

To this end, an intense marketing and communication campaign is planned. The Company is also looking to launch new products in the medium term and expand its human capital in almost all departments.

If the medium-term objectives have been successfully met, Embention wants to use the funds raised in the IPO to undertake a strong investment, both in R&D and in the growth of the company.

The R&D investment would primarily be directed towards:

- Detect & Avoid technologies
- Technologies related to Urban Air Mobility
- Advancing to DAL-A certification for 1xVeronte and 4xVeronte, the highest safety certification that guarantees the reliability of aerial system components. Embention currently holds DAL-B certification, the second highest.
- Development of utm.systems and Veronte DAA for opening the airspace for drones
- Obtaining certifications: ADOA, POA and ISO 9001

This is not only to remain at the technological forefront, but also to be able to meet the growing demand for their components in the eVTOL market. This type of vehicle is likely to multiply in large numbers in the future for an endless number of uses, transport of goods, surveillance, inspection, agriculture, etc., including the transport of people.

Embention also plans to join forces with a number of companies to leverage each other's resources and capabilities and create synergies in drone and eVTOL testing processes for UAM.

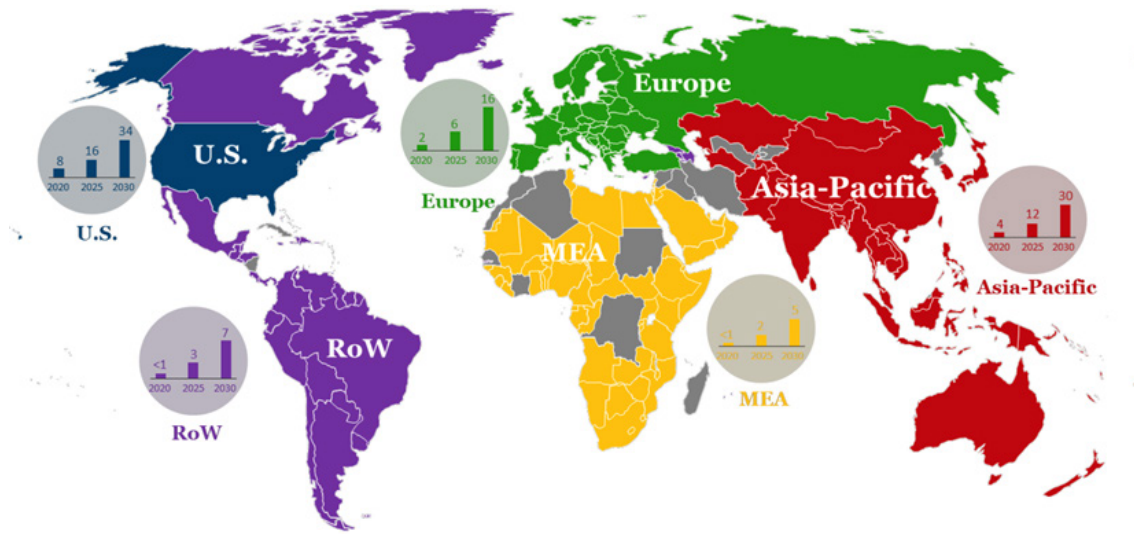
On the other hand, the growth and expansion of the company will be sought through: Investment in marketing and advertising, expand the sales team and the production team, as well as improvement of means and facilities. Future plans are focused on possible openings of subsidiaries in America and Asia.

## 3.6 Market

### Introduction

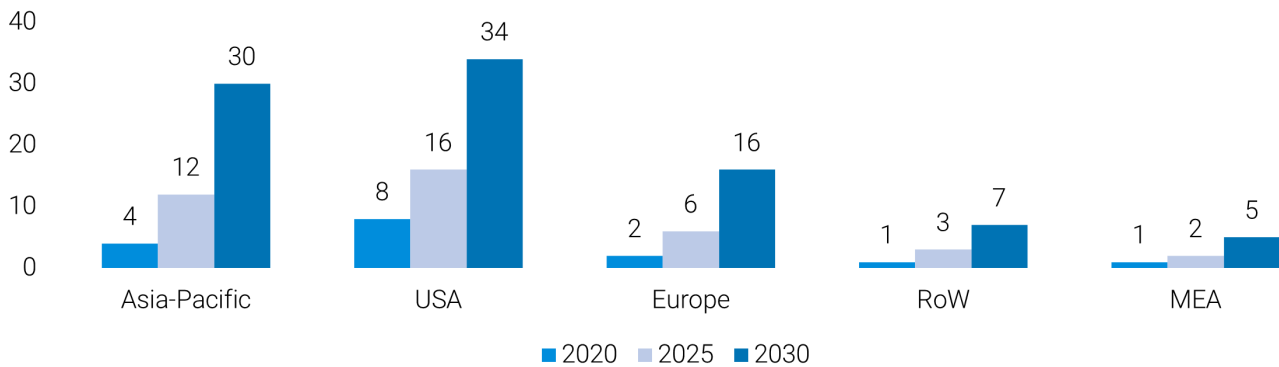
Unmanned aerial vehicles (UAV) are remotely piloted aerial vehicles that play a significant role in the defense and commercial sectors. They are commonly termed drones and are mostly known for their wide usage in various military missions such as border surveillance. These vehicles are also used for mapping, surveying, and determining the weather conditions of a specific area.

**Global Forecast for Aerial Drones**



Source: The future of the Drone Economy – Levitate Capital

**Disaggregated Market Size (\$Billions)**



Source: The future of the Drone Economy – Levitate Capital

The market for Asia- Pacific will experience growth between 2020 and 2030 with an estimated CAGR of 25%. In United States the market between 2020 and 2030 will experience the lowest growth with an estimated CAGR of 17% due to its current consolidated market size. Moreover, in Europe, growth between 2020 and 2030 will have an estimated CAGR of 26%. On the other hand, the market which will experience a slightly CAGR above United States will be Middle East and North of Africa with figures reaching an estimate of 19%. Finally, the Rest of the World market for Aerial Drones is estimated to reach a CAGR of 24% in between the time interval of 2020 and 2030.

The U.S. will remain the largest market for aerial drones when defense spending is included due to a first mover advantage, hence being one of the first players on producing and using UAVs. Additionally, Europe will be the continent with the highest annual growth in terms of market size with a 26% for the next decade, followed by Asia-Pacific with 25%.

With the incorporation of new technologies such as artificial intelligence, sense and avoid systems, and cloud computing in UAV, their demand is expected to increase further. The incorporation of artificial intelligence in UAV has not only enhanced their capabilities but has also enabled them to carry out several activities such as takeoff, navigation, data capture, data transmission, and data analysis without human intervention.

The growth of the UAV market in recent years can be attributed to:

- Increasing adoption of drones in commercial applications
- Acquisitions and new product launches expected to offer lucrative growth opportunities for the market players during the forecast period.
- The surge in defense spending of countries such as India, China and Japan is expected to drive the growth of the market in UAV market in Asia Pacific.
- The growth of the OEM segment of the UAV attributed to the increased demand for new drones in military, as well as civil applications.

In Spain, as in the rest of Europe, there has been a significant growth in the activity of this sector. The approval of Law 18/2014 made it possible for professionals to initiate certain civilian operations with a specific type of drones, those piloted by remote control, with constant intervention by a pilot, (RPA, Remotely Piloted Aircraft). This law allowed, broadly speaking, operations far away from urban environments, outside the airspace in which traditional aviation, and mainly within the visual range of the pilot. The recent Royal Decree approved on 15 December 2017, which regulates the civilian use of remotely piloted aircraft, extends the range of applications allowed in the previous regulation and configures a stable framework that extends across the entire value chain of this industry.

Comparison of professional uses (specialised air operations and experimental flights) permitted under the two national regulatory frameworks.

Application	2016	Real Decree 1036/2017
Night flights	x	✓
Areas outside crowded areas and populations	✓	✓
Overflight of urban areas and over crowds of people	x	✓
Controlled airspace flights	x	✓
Police, customs, CNI and traffic operations	x	✓

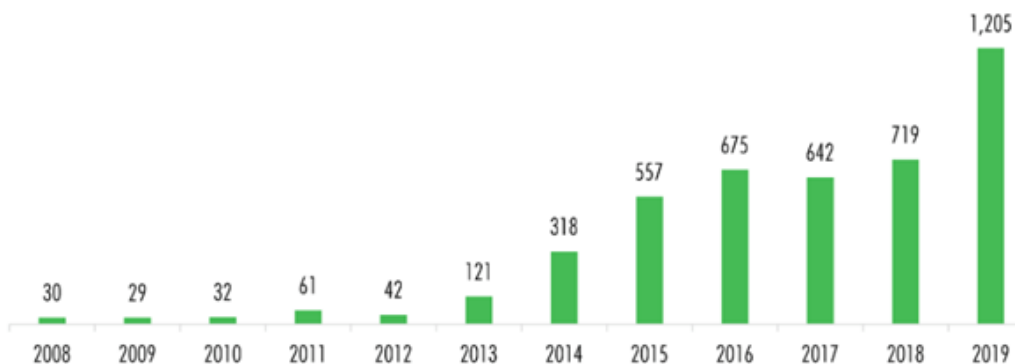
Source: Ministerio de Fomento (Spain)



## Investment

In terms of investment, the figures for development are increasingly high. According to Drone Industry Insights \$4.43 Billion has been invested in the drone industry since 2008.

### Annual Investment in the Drone Industry (USD M)



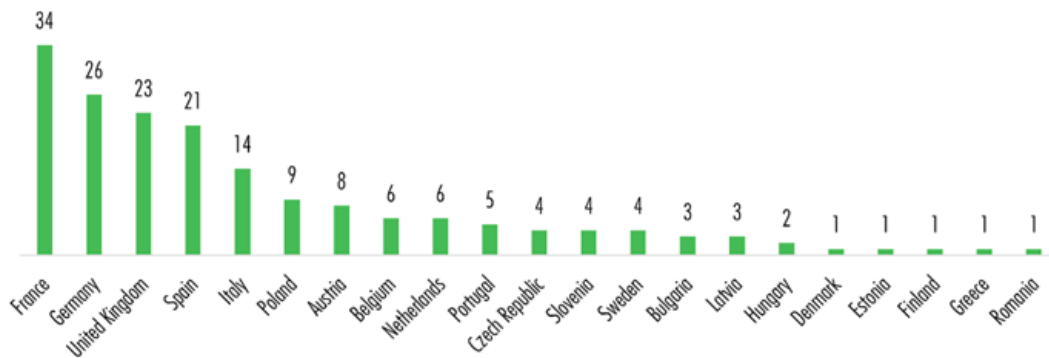
Source: Drone Industry Insights

According to these figures, the United States continues to lead the market, owing in part to the significant progress it made with the implementation of this technology in the military sector between 2010 and 2020. This market leadership is reflected in the fact that the United States accounts for 96% of aircraft sales. The second major player is China, which supplies 70% of the world's commercial drones and currently has over 1,200 manufacturing firms.

## Manufacturers

If we consider the European continent, until recently its position was of no great relevance in the sector. It should be noted, however, that its growth has been accelerated in recent years because of initiatives to fund research projects promoted by specific European Union programs, as well as an emphasis on establishing an effective legislative structure for both the use and production of these aircrafts. In Europe, the existing fleet of business aircraft is estimated to reach 10,000 units. Manufacturing numbers in Europe are rising, with France, Germany, the United Kingdom and Spain leading the way. In terms of numbers, the European fleet of business aircraft is projected to exceed 400,000 units by 2035. Taking these projections into account, the annual turnover of commercial drones in Europe will be €10 Billion by 2035, creating 90,000 jobs both directly and indirectly.

### Number of Manufacturers



Source: Ministerio de Fomento (Spain)

### Market size

The drone sector is experiencing enormous growth due to the significant reduction in the cost of the technologies required for their development and their increasing ease of use. Proof of this boom is the evolution of the number of manufacturers, which has tripled over the last 10 years, and the number of countries in which drones are manufactured is also increasing.

The overall UAV (OEM+ aftermarket) is estimated to be \$27.4 Billion in 2021 and is projected to reach \$58.4 Billion by 2026, at a CAGR of 16.4% from 2021 to 2026 (MarketsandMarkets Report – June 2021). North America is projected to account for the largest size of the UAV market from 2021 to 2026. The incorporation of artificial intelligence in UAV has enabled many activities such as takeoff, navigation, data capture, data transmission, and data analysis without human intervention, that helps to enhance their capabilities.

There are many different uses of these remotely piloted aerial vehicles that play a significant role in the defense and commercial sectors. They are commonly termed drones and are mostly known for their wide usage in various military missions such as border surveillance. These vehicles are also used for mapping, surveying, and determining the weather conditions of a specific area. With the incorporation of new technologies such as artificial intelligence, sense and avoid systems, and cloud computing in UAV, their demand is expected to increase further.

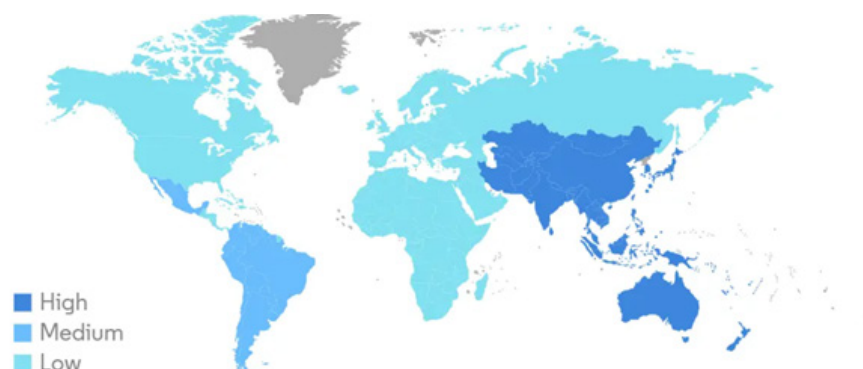
## Global UAV Market (2020-2024)



Source: Technavio

- The **military segment** of the UAV market is projected to grow from \$12.8 Billion million in 2021 to \$19.6 Billion by 2026, at a CAGR of 9.0% from 2021 to 2026. The **commercial segment** of the market is projected to grow at the highest CAGR of 28.0% during the forecast period (*MarketsandMarkets Report – June 2021*); the growth of this segment can be attributed to the developments and advancements in drone technology.
- The **special purpose drones’ segment** of the UAV market is projected to grow from \$9.3 Billion in 2021 to USD 20.5 billion in 2026, at a CAGR of 17.1% from 2021 to 2026 and have the largest market share during the forecast period (*MarketsandMarkets Report – June 2021*). It is due to rising usage of Special Purpose Drones in military and Combat Operations.
- The **OEM segment** of the UAV market is projected to grow from \$22.7 Billion in 2021 to \$49.0 Billion by 2026, at a CAGR of 16.7% from 2021 to 2026 (*MarketsandMarkets Report – June 2021*). This is due to the fact that most of the assembly and modifications required in UAV are carried out at the OEM level. The **aftermarket segment** of the market is projected to grow from \$4.7 Billion in 2021 to \$9.2 Billion by 2026, at a CAGR of 14.5% during the forecast period.

## Drones Market: Growth Rate by Region (2021-2026)



Source: Mordor Intelligence

The rise in the procurement of military UAVs by defense forces worldwide is one of the most significant factors projected to drive the growth of the UAV market. The increasing use of UAVs in various commercial applications, such as monitoring, surveying and mapping, precision agriculture, aerial remote sensing, and product delivery, is also contributing to the growth of the UAV market.

## Segmentation

The UAV market has been segmented based on:

UAV Type	Class	Vertical	Industry	System
Mode of operation	Range	Point of sale	MTOW	Region

Based on range, the UAV market has been classified into visual line of sight (VLOS), extended visual line of sight (EVLOS) and beyond light of sight (BLOS). The beyond line of sight (BLOS) segment of the UAV market is projected to grow at a higher CAGR. This growth can be attributed to the increasing use of these UAVs in commercial and consumer applications.

Based on application, the UAV market has been segmented into military, commercial, government and law enforcement, and consumer. The commercial segment of the UAV market is projected to grow at the highest CAGR to 2025. This growth can be attributed to the increased adoption of UAVs for various commercial applications, such as product delivery, monitoring, surveying, mapping and remote sensing.

Based on class, the UAV market, has been segmented into small UAVs, strategic and tactical UAVs, and special-purpose UAVs. The small UAVs segment is expected to grow during the forecast period, owing to the demand for these UAVs from the defense sector for surveillance and reconnaissance applications. The demand for small UAVs from the commercial sector is also increasing, as these UAVs are used in precision agriculture, logistics and transportation, wildlife survey, search and rescue operations, firefighting, law enforcement, and disaster management.

## Market Ecosystem

The key stakeholders in the UAV market ecosystem are the platform manufacturers, subsystem manufacturers, service providers, software providers, and insurance companies. The following figure lists some global platform manufacturers, subsystem providers, service providers, and software providers:

### Market Ecosystem Map: UAV Market

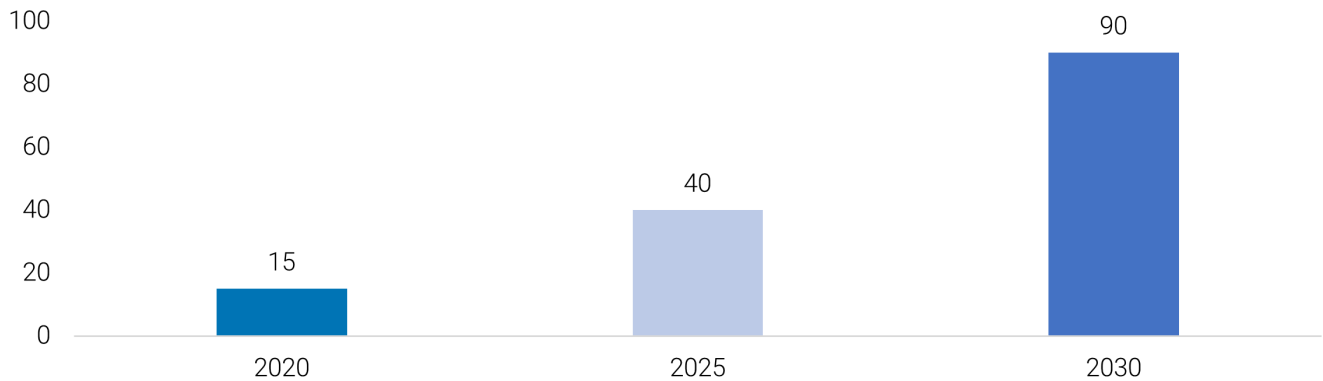


Source: Marketsandmarkets.com

Major players operating in the UAV market include General Atomics (US), Northrop Grumman Corporation (US), EHang (China), Parrot (France), PrecisionHawk (US), Israel Aerospace Industries Ltd. (Israel), DJI Technology Co., Ltd. (China), AeroVironment, Inc. (US), Lockheed Martin Corporation (US). These key players offer UAVs applicable for Defense & Government and Civil & Commercial sectors and have well-equipped and strong distribution networks across North America, Europe, Asia Pacific, and the Middle East, Latin America, and Africa.

## Market Dynamics

### The Global Drone Economy will grow from \$15B to \$90B by 2030 (\$Billion)



Source: The future of the Drone Economy – Levitate Capital

#### **Driver: Increased demand for UAV in military applications**

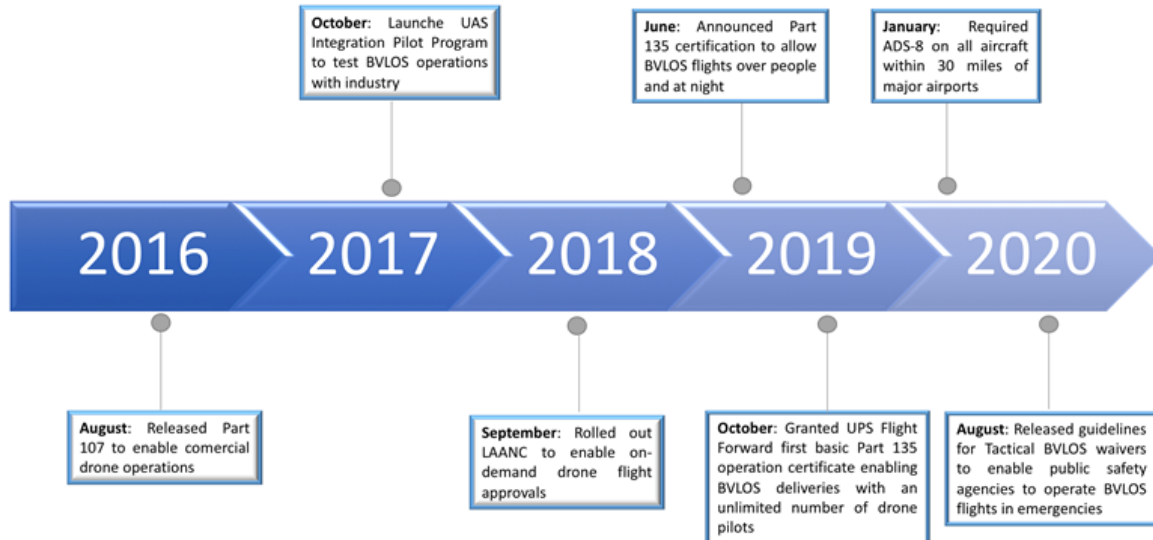
Drones have been employed by military forces of different countries for over a decade. Military expenditure for UAV technology is anticipated to grow as a total percentage of military budgets, offering growth opportunities to specialised drone manufacturers and software developers. In the US, a primary analysis of the budget request of the Department of Defense for 2019 resulted in the identification of \$9.39 Billion for drone-related procurements, research and development projects, and production. This amount was 26% higher than the amount spent in 2018.

#### **Opportunity: Continuous technological advancements in UAV**

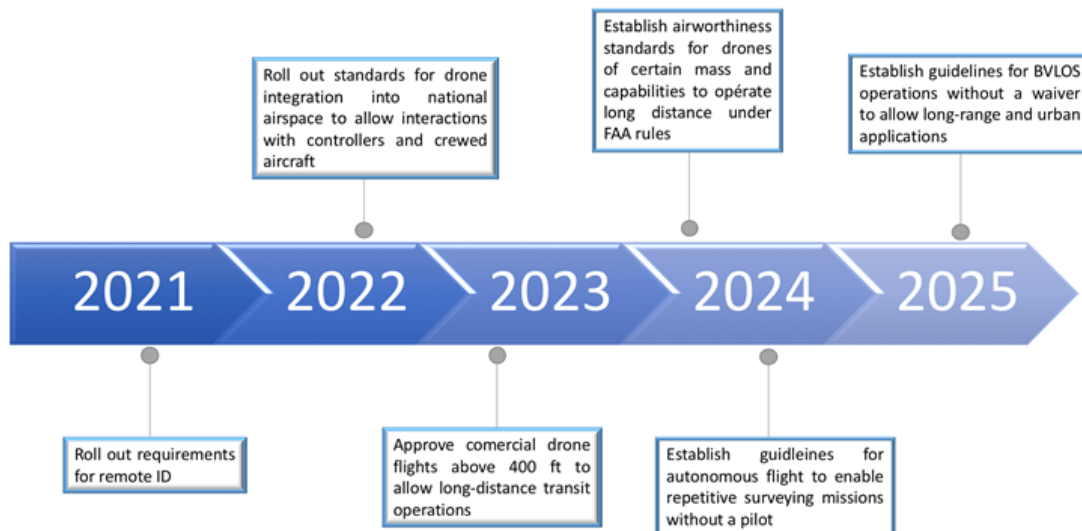
Technological advancements in UAV are taking place at a high pace. These advancements are expected to lead to an increased used of drones in a broad variety of sectors, ranging from commercial to military. One key area of innovation is the development of armed UAV. The US has been a leader in terms of the usage of UAV in warfare for a long time.

## Regulatory Timeline

(This timeline assumes continuous development in drone aircraft technology)



Source: Own Research – Fellow Funders Capital, S.L.



Source: Own Research – Fellow Funders Capital, S.L.

Finally, it is worth mentioning that the 1st of July 2020, the implementation of the new European Regulations 2019/947 and 2019/945, with the objective of standardising the different regulations in the Member States and regulate the civilian use of drones regardless of their size or weight.

However, the situation caused by COVID-19 has meant that the deadlines have been to be delayed. The following table shows the timetable for the implementation of the new European Regulation, contained in the Implementing Regulation 2020/746,

which amends the dates modifies the dates indicated in SR 2019/947:

### 31st of December 2020:

- Partial implementation of EU Regulation 2019/947.
- European Operator Registration (EASA registration and EASA European repository)

### 1st of January 2022:

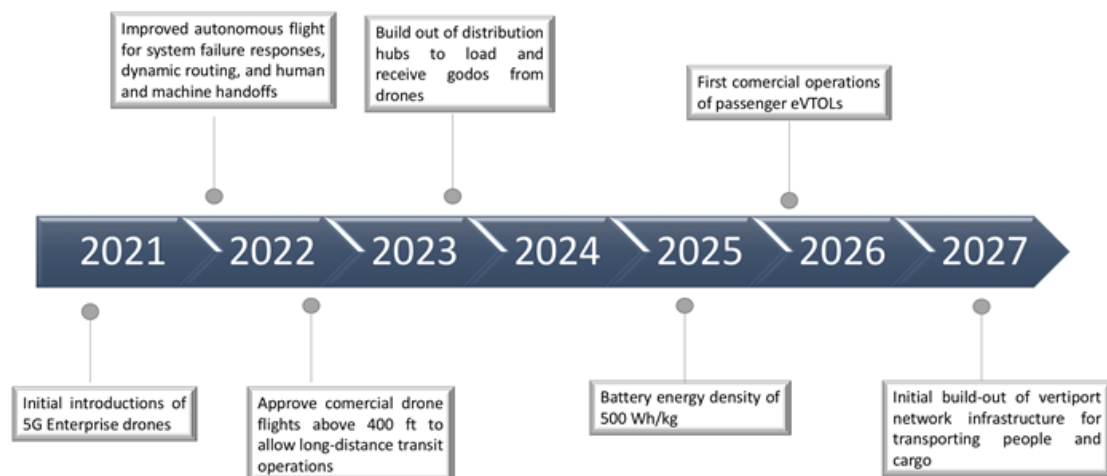
- Spanish legislation is no longer in force.
- Deadline for conversion of operator registration and pilot certification to the standard established by the new European regulation.

### 1st of January 2023:

- Only drones with CE marking may be sold.
- Deadline for drone operations in clubs and drone operations by model aircraft clubs and associations under national regulations.

## Technology Timeline

(This timeline assumes continuous development in drone aircraft technology)



Source: Own Research – Fellow Funders Capital, S.L.



### Covid-19 impact on the UAV Market

As well as rising demand for contactless deliveries of medical supplies and other essentials using drones owing to COVID-19 are some of the factors driving the growth of the UAV market. The strict imposition of lockdowns and travel restrictions in countries has disturbed the normal flow of essential commodities in the healthcare, food, and logistics sectors. However, during the pandemic, various pilot projects and test flights related to drones were carried out in various countries to speed up the testing of COVID-19 samples and prevent the spread of the virus. Additionally, drones were widely used for surveillance and mapping of the COVID-19 hotspots, crowd management and control, and aerial decontamination of outdoor public places by several governments to fulfill the purpose of social distancing norms.

### Future of the sector

In Europe, the number of professional drones is expected to grow strongly in the medium term. Thus, a steady increase is expected to reach 400,000 aircraft by 2035, before growing at a much more moderate pace thereafter.

Within this progress, it is worth highlighting the progress that will be made as a result of the emergence of new applications within the parameters of the certified category. This number of certified complex drones is expected to increase to 10,000 units by 2035, which, although a small fraction of the total of approximately 400,000 drones for professional use expected by that year, includes very novel new applications, such as commercial transport solutions. By that year, approximately 20% of the fleet of cargo, business, commercial and helicopter aircraft is expected to be equipped with some means of ground control. On the other hand, new certified strategic drone systems with long range and autonomy will emerge at European level, which will mainly assume border and coastal surveillance tasks, reaching approximately 1,000 units across Europe.

Operationally, most of the demand in the coming years will focus on the lower levels of airspace (below 150 meters) and within visual range of the pilot. In contrast, by 2035, most unmanned aircraft will operate beyond the visual range of the pilot and many, such as those used for courier applications, will fly in populated environments, affecting many industry sectors.

The foreseeable economic impact of the unmanned aircraft industry would be an annual turnover of more than €10 Billion per year in 2035 and €14.6 Billion in 2050. This turnover will be associated with significant job creation, mainly for personnel dedicated to the control of unmanned aircraft. Europe-wide needs are estimated at 50,000 pilots in 2035 and 55,000 in 2050.

## 3.7 Competition

For the analysis of the most relevant existing competitors, the market has been segregated into 3 different segments: Drone manufacturing and marketing, autopilot manufacturing and marketing and eVTOL (vertical take-off and landing aircraft) manufacturers.

## Drones

### DRONE VOLT

The company is based in France and specialises in the design, manufacture, and marketing of land and aerial drones for the media (primarily television broadcasting), protection and surveillance, transportation, agriculture, and mapping sectors. They also provide training and technical assistance services. Net sales are geographically distributed between France (37.6%), Europe (42.3%) and others (20.1%). The company reported total revenues of €7.1 Million in 2019. The market capitalisation of the company, which is listed on Euronext, is €12.91 Million as of April 2022.

### AEROVIRONMENT

Aerovironment, based in California, designs, creates, and manufactures drones for video surveillance as well as tactical purposes. It is a market leader in the military drone space, focusing on supplying unmanned aerial vehicles (UAVs) to government agencies such as the United States Department of Defense and their international allies. In 2019, the company announced \$314 Million in revenue. Despite their expertise in defense drones, they want to diversify their portfolio with commercial drones, which is why they recently launched the Quantix drone. It is traded on NASDAQ (AVAV) and has a market capitalisation of €2.52 Billion as of April 2022.

### PARROT

Parrot, headquartered in France, designs, develops and sells high-tech devices for smartphones and tablets for public including other technologically advanced solutions in the automotive and civil UAV markets. Its manufacturing is primarily based on wireless products, such as speech recognition and signal processing technologies for embedded devices. With its most famous model 'the AR. Drone', a mid-range hobbyist drone with integrated FPV system powered by a smartphone app, the company has quickly dominated the consumer drone industry. Due to its affordability, the company's Bebop series is one of the most common camera drones on the market, and it competes directly with DJI's products. In 2018, the company reported total revenues of €110 million, with drones accounting for a large portion of that. The market capitalisation of the company, which is listed on Euronext, is currently €121.17 Million as of April 2022.

### DJI

DJI is a Chinese company based in Shenzhen, Guangdong and is well known for manufacturing commercial UAVs for aerial photography and videography. The company sells powerful drones, such as the famous Phantom series, that are easy to fly and capable of filming high-definition footage. The business dominates the commercial and civil drone markets, accounting for more than 70% of the market. In fiscal year 2017, DJI had revenues of approximately \$2.83 Billion. Its turnover is currently estimated to be close to \$3 billion and is considered the most highly valued drone company in the market. In its last funding round in 2018, the firm had an estimated value of \$15 Billion.

## Autopilots

### **MICROPILOT**

The company was founded in 1994 and is based in Canada. MicroPilot is a global leader in professional autopilots for UAVs and drones. It sells on-board autopilots, enclosed autopilots, a triple redundant autopilot and is ISO 9001 certified. It has a line of lightweight autopilots for fixed-wing, transitional, helicopter, and multi-rotor UAVs. XTENDERmp, SDK, and trueHWIL2 are also available from MicroPilot as add-ons. MicroPilot serves over 1,000 customers in 85 countries.

### **COLLINS AEROSPACE**

The company is located in the United States and is a Manufacturer of the Tactical Air Support Element (TASE). The company designs, produces and markets TASE equipment such as imaging systems and accessories. It also offers services related to autopilot, navigation, flight management and ground systems through its Piccolo flight management. Focused on the military field for the programs in the United States.

### **UAV NAVIGATION**

The company was founded in 2004 and is based in Madrid, Spain. It is a private company specialising in the development of guidance, navigation, and control systems for UAVs. UAV Navigation's autopilots can guide multiple target aircraft at 700 km/h, conduct mobile net landings on moving vessels, and convert a manned twin-propeller plane or turbine helicopter into a drone. Its pilots have logged over 60,000 hours in the air. It is known that in 2012 the company made a funding round of €850,000 at an undisclosed valuation.

## eVTOL

### **JOBY Aviation**

It is a company headquartered in the United States that specialises in the production of eVTOLs and mobility services. With over 1,000 test flights, the company has spent more than a decade improving its eVTOLs. Joby's aircraft is a quadcopter with a range of 150 miles and a top speed of 200 mph, allowing for city-to-city connectivity. It is currently the most competitive model for eVTOL air taxis. In 2026, the company expects sales of \$2.1 billion and an EBITDA margin of 40%.

Toyota has granted the company access to mass production through a manufacturing agreement. It is also working on a merger deal with the SPAC Reinvent Technology Partners, which is expected to be done at \$5.91 Billion pre-money valuation.

### **Lilium**

Lilium is a German-based eVTOL and mobility services developer. It is the biggest eVTOL developer in terms of headcount, with over 600 employees. In 2024, the company plans to begin commercialising its services. It does not yet have the certifications needed to develop the operations, but its test results indicate that it has a promising technology. It should be noted that Lilium does not yet have major partners to allow it to mass-produce its models.

The company announced a merger with SPAC QUELL ACQUISITION, with a pro-forma value of \$2.4 Billion and an additional \$450 Million in funding from various investment funds.

### 3.8 Suppliers

Embention currently has a wide variety of suppliers that differ between the products and services they provide for the two main lines of products of the Company: Veronte and NM&.

From the 340 suppliers of services and products the Company has, 14 account for more than 1% of the total distribution. Hereafter, an analysis of the three largest suppliers in 2021 accounted for over 40% of total payments, as there is a higher dependency for their services by the Company.

#### List of Main Suppliers

(Total paid in € to each supplier in 2021)

Main Suppliers	Total paid in €	%
<b>Total Suppliers 2022</b>	<b>1,446,877.28</b>	<b>100%</b>
AVRYDE 2000, S.L.	463,397.28	31.59%
F INICIATIVAS I+D+I, S.L.	78,172.91	5.33%
IBERLEMO	75,741.65	5.16%

Source: Embention Sistemas Inteligentes, S.A.

#### i) AVRYDE 2000, S.L.

**For:** Veronte

**Service:** PCB Assembly Service.

Avryde 2000, S.L. is a company from Valencia founded in 1999. Their activity is based on the manufacture of electronic boards, having achieved throughout its existence a widely recognised position in the market.

#### ii) F INICIATIVAS I+D+I, S.L.

**For:** Embention

**Service:** Certification service for allowances and deductions.

20 years driving innovation, helping from startups to large corporations in the financing of R&D&I at a global level.

### iii) IBERLEMO

**For:** Veronte and NM&

**Service:** Connector solutions

LEMO is the recognised leader in the design and manufacture of precision connector solutions. LEMO's high quality push-pull connectors are found in a wide variety of exciting applications such as medical, industrial control, measurement and control, audio-video and telecommunications. LEMO has been designing precision connectors for six decades. LEMO offers more than 75,000 product combinations that continue to grow with customer designs, together with its sister companies REDEL and COELVER serving more than 100,000 customers in over 80 countries worldwide.

## 3.9 Dependence on permits and patents

There is nothing related to patents, permits and licenses for Embention products, except for the registration of trademarks and registration of commercial name. The following are the only registrations the company possess:

*"Having complied with the provisions of the current Trademark Law 17/2001 of 7 December 2001, this registration certificate is hereby issued for the trade name identified below":*

*"In accordance with the aforementioned Trademark Law, the registration of a trade name confers on its owner the exclusive right to use it in the course of trade. The registration has been granted, without prejudice to third parties, for ten years from the date of filing of the application and may be renewed indefinitely for further periods of ten years."*

Protected products or services:

### 1) Veronte

In-vehicle communication devices; Automatic steering equipment for vehicles; Automatic speed control devices for vehicles; Speed monitoring equipment for vehicles; In-vehicle navigation devices; In-vehicle radios; Automatic driving devices for vehicles ; Charging stations for electric vehicles; Oil level indicators ; Fuel level indicators; Water level indicators; Warning lights for vehicles; Computers for self-driving vehicles; Speed controllers; Voltage regulators; Driving and vehicle control simulators; Ground vehicle operation and control simulators; Autonomous driving control systems; Computer software to operate vehicles; Software for autonomous vehicle control.

### 2) NM&

Remote control of vehicles: Space, civilian drones, military drones, unmanned aerial vehicles with camera, airplanes, propeller planes, turboprop planes, turbojet planes, pilotless aircraft.

## Brand Registers



**Holder's trading name:** Embention Sistemas Inteligentes, S.A.

Date of submission of application: 13th of July 2017

Date registration granted: 23rd of November 2017

Register Number: 375.550



**Holder's trading name:** Embention Sistemas Inteligentes, S.A.

Date of submission of application: 13th of July 2017

Date registration granted: 15th of December 2017

Register Number: 3.675.488



**Holder's trading name:** Embention Sistemas Inteligentes, S.A.

Date of submission of application: 13th of July 2017

Date registration granted: 21st of February 2018

Register Number: 3.675.490

Due to the nature of the products developed by the company and the rapidly evolving nature of the industry, other more effective barriers to entry have been used.

It should be noted that a major component of Embention's products is software and that software is not patentable in Europe and many other countries. Under intellectual property law, software is protected under copyright protection. This protection is automatic and does not require registration or patent application for protection.

Embention opts for industrial secrecy and certification as the main means of protection against its competitors. The source code of Veronte products is protected and is not accessible to customers or competitors. In addition, this code is developed

under the DO178C aeronautical regulations. During this development process, all documentation is generated to demonstrate the reliability and robustness of the software to the aeronautical certification authorities.

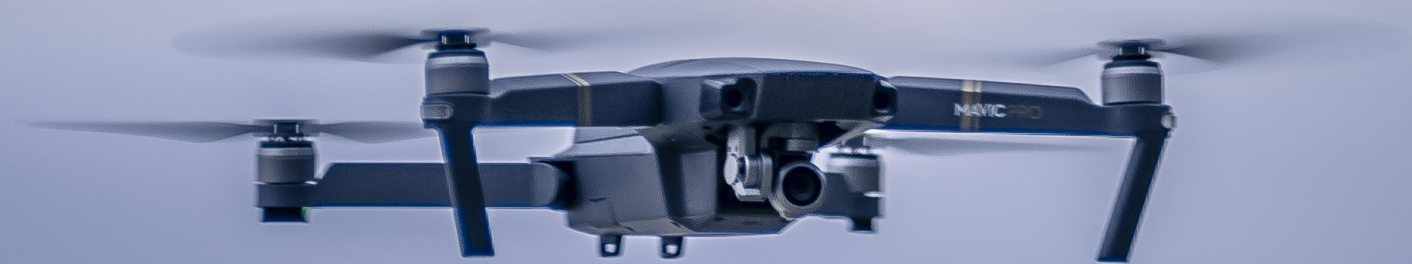
In the event that a competitor were to gain access to the source code, it would not be able to use it due to copyright protection, nor would it be able to obtain the necessary evidence for the certification of the system, which is one of Veronte's main added values.

### **3.10 Related party transactions**

The Board of Directors is responsible for making the decisions concerning the financial and strategic policies of the Company.

Over the years ended 2020, 2019, and 2018, neither advanced payments nor loans have been made to the Board of Directors. Neither the Board of Directors nor the persons related to the same referred to in Article 231 of the Company Law have notified any direct or indirect conflict of interest with the Company.

In 2021, Everis Aeroespacial y Defensa SLU exit from the shareholding was carried out by repaying part of the Company's debt with the former shareholder and another part was cancelled. The dissolution of the Embention shareholding agreement was jointly approved by both parties. Everis now named: NTT DATA, is a multinational consulting firm that offers business and strategic solutions, development and maintenance of technological applications and outsourcing services. The company, which operates in the telecommunications, financial, industrial, utilities, energy, public administrations and health sectors. It currently employs 28,000 professionals at its offices and high-performance centers in 17 countries.





## 4. RISK FACTORS

Investing in the Company involves inherent risks. Prospective investors should carefully consider, among other things, the risk factors set out in this section before making an investment decision in respect of the Shares. The risks and uncertainties described below are not the only ones facing the Group. Additional risks not presently known to the Company or that the Company currently deems immaterial, may also impair the Group's business, and adversely affect the price of the Shares. If any of the following risks materialise, individually or together with other circumstances, the Group's business, prospects, financial position and/or operating results could be materially and adversely affected, which in turn could lead to a decline in the value of the Shares and the loss of all or part of an investment in the Shares.

A prospective investor should consider carefully the factors set forth below, and elsewhere in the Information Document, and should consult his or her own expert advisors as to the suitability of an investment in the Shares. An investment in the Shares is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of an investment in the Shares.

The information herein is presented as of the date hereof and is subject to change, completion or amendment without notice.

All forward-looking statements included in this document are based on information available to the Company on the date hereof, and the Company assumes no obligation to update any such forward-looking statements except as required by applicable law or regulation. Investors are cautioned that any forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties and that actual results may differ materially from those included within the forward-looking statements as a result of various factors. Factors that could cause or contribute to such differences include, but are not limited to, those described in this Information Document.

The order in which the below risks are presented is not intended to provide an indication of the likelihood of their occurrence nor their severity or significance.

### 4.1 General risks

#### 4.1.1 Geographical

Embention takes part in over 500 drone projects worldwide, accumulating more than 100.000 hours of flight time. The team works in more than 70 countries, providing remote and onsite support worldwide. The jurisdictional and economic predictive scenarios by country are core for the growth and success of its business model. Additionally, having more stable operations is the basis of the geographical diversification strategy that would be developed in the medium-term. With so many projects worldwide, the company need to be well informed of the legislation and regulations of the countries in which they operate, to prevent geographical risk. Such risk may affect negatively operations in the countries in which the Company operates as well as leading to a high concentration of companies in which they develop projects causing a negative impact in future revenues and reducing the advantage of client and geographic diversification of operations.

Since the beginning, Embention has been trading in all geographic markets. The sales team is divided by areas. Likewise, there are commercial distributors on all continents. In this way, Embention's sales force directs its efforts where the market demands, without sparing the opportunities that are generated in any market.

The autonomous vehicles sector has been born in a completely globalized market where companies are used to working globally. Since the sector's regulations are being developed almost simultaneously all over the world, the policies adopted in all countries are being very similar, so the geographical risk in this sense is minimal. Furthermore, Embention's medium-term strategy is to increase the network of representatives around the world so that these representatives can provide support in identifying the peculiarities of each market.

#### 4.1.2 Suppliers

The Group's ability to serve its customers in a timely manner depends on the ability of the Group's strategic suppliers and resellers to perform their obligations and deliver their products and/or services in a timely manner and in accordance with contractual requirements.

The Group continuously relies to a substantial extent on supplier and reseller contracts and agreements. Any delay in delivery of parts and materials by original equipment manufacturers ("OEMs") will entail a hindrance in the Group's ability to fulfil its contractual obligations. In addition, changes in pricing, incentives or other terms or non-performance of strategic suppliers and resellers, could adversely affect the Group's ability to perform and subject the Group to additional liabilities. Any non-performance by OEMs, suppliers or resellers, could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and/or prospects.

The supply chain threat exists because the drones are largely manufactured abroad (such as in China), or assembled from components manufactured abroad. With contemporary geo-political tensions, there is always a concern that such devices might contain a hidden backdoor for overseas governments. An associated concern is that today's hobby drones almost invariably come with a video camera. Hackers could obtain recorded data by hijacking the device and stealing the data. But many drones automatically upload recorded data in real-time for storage in the cloud. This raises concerns for even innocently obtained images – if a drone pilot accidentally records something sensitive, that data is immediately online and vulnerable to theft if the storage service is improperly secured.

In the case of Embention, there is a high dependency on one of their main component suppliers: AVRYDE 200, S.L., which accounts for 31.59% of the total supplier's distribution of the Group.

Nevertheless, Embention's products are developed in-house. The design team has an ongoing goal to improve products and monitor both obsolescence and dependency on components. In this way, the designs are adapted to the market, both in customer requirements and in terms of supply of raw materials and components.

### 4.1.3 Economic Cycle

Global macroeconomic conditions affect the Group's customers' businesses, which may have a consequential effect on their spending and demand for the Group's products and/or services. Economic volatility and uncertainty are particularly challenging because many of the projects the Group undertakes for customers require major investment by them, which customers are less willing to make in uncertain economic conditions. Volatile, negative or uncertain economic conditions in the Group's customers' markets, may undermine, business confidence and cause the Group's customers to reduce or defer their spending on new initiatives and technologies, or may result in customers reducing, delaying or eliminating spending relating to the Groups' products and services, or putting pressure on the Group's pricing. In addition, international, national or local political volatility, may negatively impact the Group and its customers. Any of the above-mentioned factors could negatively affect the Group's business, results of operations, financial condition, cash flow and/or prospects.

The RPAS sector is a highly technological and incipient sector, with high growth figures observed in recent years and with a great potential for growth in the future. In addition, RPAS are being implemented for a wide range of applications (agriculture, surveillance, cargo and transport, defense, etc.), and it is expected that many more will emerge in medium and long term. This allows a wide diversification in sales, by targeting different markets, many of them linked to basic or essential products and services for society, which makes it less susceptible to unfavorable economic situations.

### 4.1.4 Global pandemic

Prior to the outbreak COVID-19 pandemic, UAVs were widely used by militaries for a variety of missions like border security, while governments and law enforcement agencies used them on an experimental basis. For civil & commercial applications they are being used for the transportation of medical supplies by companies like Zipline and mostly for aerial photography purposes for the entertainment and news industry. The situation has altered drastically post COVID-19. Due to intermittent lockdowns and imposition of social distancing protocols worldwide, there has been halts in production of UAVs due to shortage of raw materials and staff to carry out manufacturing operation in 2020. In 2021 as well, due to reemergence of second wave of infections, the UAV production is hampered, and it might need more than six months to get back to pre-Covid 19 production scale or to retain normal functioning of UAV supply chain.

The Group may be subject to risk relating to pandemics, including the global outbreak of the COVID-19 pandemic which has lead governments and authorities around the world to implement several temporary measures to deal with the ongoing pandemic, such as economic stimulus packages, travel restrictions, closing of certain businesses, employee safety policies and several other measures. Such policies and factors impacting various businesses' operations are introduced, modified or expanded on almost a day-to-day basis, and it is difficult for the Group to accurately estimate what future measures which may be implemented and potentially have a material effect on its operations. There can be no assurance that pandemics and/or the governmental and authorities' countermeasures throughout the European Union (the "EU")/European Economic Area (the "EEA") to mitigate the consequences of pandemics, including changes in governmental, fiscal, monetary or political

policies, may not have a material impact, directly or indirectly, the Group's operations, business, operating results, financial position, cash flows and/or prospects.

Fortunately, Embention has not been too affected by the COVID pandemic. If it is true that the uncertainty in the markets has caused a slowdown in sales, it is also true that developed countries have financially supported the technology sectors. This fact allowed Embention to carry out its activities without major disruptions from a manufacturing and commercial point of view. Embention has partly compensated for this period of economic slowdown to improve its internal organization and quality of its processes.

#### **4.1.5 Brand and reputation damage**

The nature of the Group's UAV and UAS operations and national and international operations entails that the Group is exposed to the risk of allegations which, whether they are true or not, could damage the Group's trust, standing and reputation towards its shareholders, partners, new investors, suppliers, customers and/or other business relations. For example, negative publicity may ensue if the Group is accused of non-compliance with regulatory requirements, involvement in bribery, unsafe products etc. The Group's standing and reputation may also be negatively affected by the non-compliance of its suppliers, customers and resellers. Negative publicity or a bad reputation may also affect the Group's contacts with regulators, causing regulatory authorities to have a negative attitude towards the Group.

The Embention marketing team has a deep understanding of the market and its competitors and is continuously monitoring the internet and social network for comments regarding their products and industry. Any publication that could affect its reputation will be early detected so it can be mitigated. Furthermore, the company has defined procedures to monitor company opinions on the internet to periodically obtain fair opinions and comments from real users and customers.

#### **4.1.6 Rising Competitors**

The Group operations in UAV and UAS industry with delivery tailor made RPAS is highly competitive. In addition to competing with other UAV companies, the Group competes with traditional industry players providing similar solutions. The Group's competitors may have significantly greater financial, technical, manufacturing, marketing and other resources than the Group and may be able to devote greater resources to the design, development, manufacturing, distribution, promotion, sale and support of their products. The Group expects competition in the industry to intensify in the future considering increased demand for UAVs, continuing globalisation and consolidation in the global UAV industry.

There is a high competitive environment in terms of high barriers of entry, specially technological ones. Nevertheless, there are few players in the competitive landscape that absorb a wide percentage of market share.

Factors affecting competition include ability to innovate, development speed, product quality, reliability, safety and features, pricing and customer service. Increased competition may lead to lower UAV unit sales or UAS sales and increased inventory, which may result in downward price pressure and adversely affect the Group's business, financial condition, operating results, cash flow and/or prospects. The Group's ability to successfully compete in the industry will be fundamental to the Group's future success in existing and new markets and will affect the Group's market share. If the Group's competitors introduce UAVs or UAS that are superior in quality or performance and/or lower in price compared with the Group's offerings, the Group may lose existing customers or be unable to attract new customers at prices that would allow us to generate attractive rates of return on the Group's investments, if at all.

While currently there are only a few players manufacturing autopilots, components for UAVs and professional drones, because the market is still nascent, it is rapidly evolving and the competition within the industry is expected to increase with many small and large players entering the market, eyeing the prospective growth opportunities.

The RPAS industry is a technology sector characterised by strong entry barriers, due to high costs of the necessary technological developments. Embention is one of the few companies in the world that has developed a robust RPAS navigation and guidance system with wide competitive advantages. They are in RPAS market since 2007, when the demand for civil applications was emerging, and they have managed to go through two global economic crises, betting on the continuous improvement of their designs and a permanent adaptation to the market needs. This vision and the well-doing of the employees have led them to reach privileged positions in the leadership of the sector.

## **4.2 Operational risks**

### **4.2.1 Data protection**

The Group may receive, store and process personal information and other user data through its business and operations in multiple jurisdictions. This makes the Group exposed to data protection and data privacy laws and regulations it must comply with, which all impose stringent data protection requirements and provides high possible penalties for non-compliance, in particular relating to storing, sharing, use, processing, disclosure and protection of personal information and other user data. The main regulations are the General Data Protection Regulation (EU) 2016/679 (the "GDPR") and the Spanish Data Protection Regulation 3/2018 of December 5, on the protection of personal data and guarantee of digital rights. It is possible that these laws are interpreted or applied in a manner that is adverse to the Group or otherwise inconsistent with the Group's practices, which could result in litigation, potential legal liability or oblige the Group to change its practices in a manner adverse to its business. As a result, the Group's reputation may be harmed, substantial costs may incur and consumers, customers and/or revenues may be lost.

The management of any type of information or data is organised and kept in digital data warehouses. The main digital data stores are Google Workspaces services, GitHub and our ERP hosted on AWS servers (Amazon Web Services). Data protection is submitted to the protection methods provided by said services.

### 4.2.2 Cybersecurity

As a technology group that delivers highly specialised UAV products and UAS, software and solutions, the Group and its customers are subject to cyber-attacks from cybercriminals. Rapid changes in attack vectors makes it difficult to stop attacks and adapt to new threats and the increased social hacking creates a cyber-threat risk for the Group.

The Group must comply with severe contractual security obligations, including maintaining network and system security, providing security patching, antivirus and malware detection and prevention services and intrusion detection and prevention as well as ensuring the credentials of those employees who work with the Group's customers. Information technology security breaches could lead to shutdowns or disruptions of the Group's systems and potential unauthorised disclosure of confidential information or data, including personal data.

The Group may be required to expend significant capital or other resources to protect against the threat of security breaches or to alleviate problems caused by such breaches. The theft or unauthorised use or publication of confidential information or other proprietary business information, or privacy-related obligations or third parties, or any compromise of security that results in an unauthorised release, transfer of use of personally identifiable information or other customer data as a result of an information technology security incident, could adversely affect the Group's competitive position and reputation, and reduce marketplace acceptance of the Group's products, services and solutions. If the Group is unable to protect its products and services from cyberthreats, this could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and/or prospects.

In the same way, cybersecurity is also subject to that provided by these same services.

### 4.2.3 Dependence on client contracts

At the time this document is written the group has sixty-eight clients. Given the business model of the company, the clients often order drones by contractual terms thus there is a dependency and an obligation to comply with them. In case there is a breach of contract, the company may be subject to trial as well as the client, provided the breach was made by the latter.

Additionally, there are some clients that are recurrent and order drones or services more than once each year. Currently, there are three clients with which Embention has a slight dependency, as these are the only ones that account for more than 10% of the total client distribution. A breach of contract or an ambivalent service may negatively affect the income statement of the company as they are recurrent clients and the quantities in which they order are superior to the rest.

As a component manufacturer, Embention always will have a dependency on its clients. For this Embention offers close engineering support to help customers bringing their projects to success. Embention has a dedicated commercial team that is continuously seeking for new business opportunities.

#### 4.2.4 Lack of technological advancements

The UAV and UAS technologies market are highly competitive and characterised by rapid technological changes and frequent new product and service introductions. The Group's future profitability depends heavily on its ability to enhance and improve its products and services. There can be no assurance that any attempts on enhancements or improvements to the Group's products or services will be compelling to customers or gain market acceptance in a timely and cost-effective manner.

Any delays or competitors' introduction of competitive or substitute products, services and/or technologies could make the Group's products or services obsolete or adversely affect its business financial condition, results of operations, cash flows and/or prospects.

The commercial drone industry is still in its early stage and is expected to grow significantly over the next decade, driven by strong innovation in technology. In order to compete, players within the industry need to come out with new and innovative products regularly, which would distinguish them from the others.

Embention is permanently alert to market demands. Its Product Department studies the needs and determines which developments are technologically and economically feasible. Embention is firmly committed to Research, Development and Investigation, with a team currently made up of 25 researchers, who passionately develop improvements and novelties in the Embention portfolio.

#### 4.2.5 Inability to retain key persons

Since the Company's future success is dependent on its ability to continue to enhance its existing services and introduce new services, the Company is heavily dependent on the ability to attract and retain qualified personnel with the requisite education, background, and industry experience. As the Company expands its business, its success will also depend, in part, on the ability to attract and retain qualified personnel capable of supporting a larger and more diverse customer base. The termination of the employment relationships with a significant number of key persons could be disruptive. Currently, the key persons of the Company are David Benavente (CEO and Owner), Amelia Benavente (CFO), Joaquin Gonzalez (COO), Virginia Espuch (Director and Owner) and Javier Espuch (Director). In addition, if any of the key persons joins a competitor or decides to otherwise compete with the Company, the Issuer may experience a material disruption of operations and business strategy, which may result in a loss of clients, in an increase in operating expenses and in a diversion of personnel's focus.

In Embention there is an awareness of the importance of our human capital. That is why we try to take care of their staff and retain key employees. For this purpose, they use several instruments, such as the development of career plans, the procurement of external and internal training, and many kinds of incentives (productivity supplements, health insurance gratification, flexible timetable and familiar conciliation alternatives, or a stock options plan).

#### 4.2.6 Attraction and retention of users

This risk is parallel with the likelihood of suffering lack of demand on their products and services. Innovation, technological advancements by competitors, product failures or increases in price are reasons for users to lose interest on Embention's services. This could lead to important losses of revenue that may damage the income statement of the Group or even may lead, in a worst-case scenario, into bankruptcy.

The main product developed by Embention is the autopilot system. This autopilot system is a core component within any eVTOL or drone system. Once the aircraft enters the production or certification phase, it is extremely costly for the vehicle manufacturer to switch to a different solution. Embention has a close relationship with its clients, accompanying them during the whole process until this certification/production stage starts.

#### 4.2.7 Accidents

Accidents related to drone usage operations will be divided into two different categories: Unintentional and Intentional.

One of the biggest unintended risks associated with the use of drones is the damage they can cause to third parties as a result of a collision. These situations often occur when there is a software or hardware failure in the drone, or even unintentional human error during piloting. Firstly, drones may collide with buildings they encounter during their piloting, which may affect commercial buildings, houses, historical monuments or even urban infrastructure. Secondly, it is possible for a drone to collide with any type of aircraft (aircraft, other drones, etc.). Thirdly, there can be damage caused to people. Piloting a drone in a crowded or busy space, such as a main street in a city, could result in a terrible accident.

One of the intentional risks is their use in terrorist attacks, as they facilitate actions such as the dropping of small explosive charges, simultaneous attack by several drones, direct attack on the victim and observation of firing. These types of intentional attacks can have a negative impact on third parties, countries and the population, with several lives at risk.

A future risk regarding an accident caused by a drone of Embention may lead to several negative consequences or impacts such as a future damage to population, loss of future and existing clients or damage for reputation as well as a subsequent litigation or legal procedure by a third party affected by such accident.

Regarding the risk of accidents, traditional aviation companies such as Airbus or Boeing have suffered accidents throughout their history and continue to remain market leaders. The impact of an accident in a vehicle equipped with Embention products would be much lower given the size and number of passengers on board (0-2) of the vehicles Embention usually works with. In the event of an accident occurring on an aircraft equipped with Embention products, investigations would be carried out and appropriate measures taken to ensure that this would not happen again. Since Embention has been following aeronautical regulations in the development of its products for more than 10 years, it is much better prepared than its competitors for such an event.



Embention's Operations and Training Manuals address the necessary actions to prevent accidents and how to react in case of urgency and emergency. Some security automations have been implemented in the products.

#### **4.2.8 Business Strategy**

The value of an investment in the Company is dependent, inter alia, upon the Group successfully implementing its growth plans and achieving the aims set out in this document. Although the Group has been successful in implementing its strategy to date and has a clearly defined strategy going forward, there can be no guarantee that its objectives will be achieved or that the Group will achieve the continued level of success that the directors expect or that certain successes might not replicate previous successes. Furthermore, the Group may decide to change aspects of its strategy described in this document. The Group's ability to implement its business strategy successfully may be adversely impacted by factors that the Group cannot currently foresee, such as unanticipated market forces, costs and expenses or technological factors.

### **4.3 Financial Risks**

#### **4.3.1 Interest rate**

The volatility in interest rates may have an impact on the cost of the financial resources necessary for the development of the activity. In addition, indirectly, interest rate variations affect the disposable income of present and future users and may affect EMBENTION's revenues. A higher interest rate will make it more expensive for the company to finance through debt which may cause a variation in the financing strategies followed by the group.

Embention is a low leveraged company. At the close of 2021, the Group's net debt position amounted to €379,568.47. Therefore the impact from a rising interest rate scenario should be negligible on the Group's results.

#### **4.3.2 Liquidity**

Liquidity risk is the risk that the Company will not be able to meet its monetary needs through company financial resources. Financial resources include resources generated by activities and those that can be mobilised by third parties. Liquidity risk is characterised by the existence of an asset with a longer term than the liability which finances that asset, resulting in the inability to repay short-term debts in the event that the assets are not sold.

Embention's has a sound working capital management policy making the company fairly secure in terms of liquidity. Most of customer payments are payments in advance (100% of the operation or a very high percentage, enough to cover the order costs). Payments terms to main suppliers are 30-60 days, and minimum stocks are maintained. Additionally, there are financial instruments to cover possible exceptions and adverse situations, such as export or other temporary credit lines. In addition, the Company will have sufficient working capital to cover its financial and operating needs for the next 12 months (please find reference in section 6.3 of the Information Document).

### 4.3.3 Credit

Credit risk refers to the risk a counterparty defaults on its payment obligations. Credit risk is the possibility of a loss resulting from a borrower's failure to repay a loan or meet contractual obligations. Traditionally, it refers to the risk that a lender may not receive the owed principal and interest, which results in an interruption of cash flows and increased costs for collection. Excess cash flows may be written to provide additional cover for credit risk. When a lender faces heightened credit risk, it can be mitigated via a higher coupon rate, which provides for greater cash flows. Although it's impossible to know exactly who will default on obligations, properly assessing and managing credit risk can lessen the severity of a loss. Interest payments from the borrower or issuer of a debt obligation are a lender's or investor's reward for assuming credit risk.

Embention cares of its financing structure. Some its key policies are the following:

- Paying special attention to public funds earmarked for R&D. They benefit from numerous aids (grants and loans) and incentives (tax deductions and Social Security rebates).
- Working with financial entities that are committed to entrepreneurship, being collaborative when financing is required.

Subsequently, a table with the previous grants and aids the Company has received to provide context on the past experience of these activities:

Program name	Type of aid	Execution period	Repayment term and conditions	Total Quantity	Amount recognized in balance sheet at year-end 2021	Balance Item
NEOTEC (Still-Veronte)	Loan	08-06-2007 to 15-04-2009	Variable (15% s/CF). 0% interest	350,000.00 €	325,788.83 €	Other payables
NEOTEC II (Flamingo)	Loan	17/3/11 to 31-01-12	Variable (20% s/CF). 0% interest	529,357.00 €	497,075.44 €	Other payables
PLATINO (HADA)	Loan	2009	15 years with 5 of grace (end 01/02/2024), 0% interest	85,451.25 €	25,635.34 €	2 installments in Other debts l/p and 1 installment in Other debts c/p
INNPRONTA (PERIGEO)	Subsidy	2011 to 2014	N/A	142,437.61 €	28,497.73 €	Allocation of fixed asset subsidies (Grants, donations and legacies received remain at 0)
H2020 (FALCON)	Subsidy	2019 to 2022	N/A	500,000.00 €	425,000.00 €	Grants, donations and legacies received
EDIDPT (LOTUS)	Subsidy	Dec 2020 to Aug 2024	N/A	687,979.00 €	402,467.81 €	Grants, donations and legacies received

AVI (Mission Computer)	Subsidy	Feb 2021 to Sep 2023	N/A	290,337.75 €	- €	Recognized in 2022, for the amount of the first annuity collection
Misiones (COLIBRI)	Subsidy	Nov 2021 to Dec 2024	N/A	654,426.60 €	- €	To be recognized in 2022, for the amount of the first annual payment (currently being justified).
IMPULSA	Bank loan guaranteed by ASGR	Jan 2021 to Dec 2022	120 months with 24 months of grace	1,000,000.00 €	- €	Granted pending signature

Type of aid	Amount recognized in balance sheet 2021	Item
Research personnel bonuses	75,707.44 €	Lower social security expenses
R&D Deduction	To be determined	Under comptibility assessment right now
EDIDPT (LOTUS)	Subsidy	Dec 2020 to Aug 2024

The risks of no allocation are minimal, since the aid is linked to R&D&I projects and strategic programs at national and European level (Next Generation funds, etc.). for which the Company continuously applies and possess long maturities.

#### 4.3.4 Foreign Currency Exchange

Foreign exchange risk arises when a company engages in financial transactions denominated in a currency other than the one where that company is based. Any appreciation/depreciation of the base currency or the depreciation/appreciation of the denominated currency will affect the cash flows emanating from that transaction. Foreign exchange risk can also affect investors, who trade in international markets, and businesses engaged in the import/export of products or services to multiple countries.

As far as foreign currency is concerned, they have some payments to suppliers in dollars, although they are minor, and in any case, if there is a large payment, they have hired an exchange insurance policy with the bank, but this is not the usual practice.

### 4.4 Legal and regulatory risks

#### 4.4.1 Regulatory changes

The drone industry is a highly regulated and evolving sector. This implies that several legislative changes are likely to occur in the future and companies are required to adapt to these changes. Most countries are already beginning to issue laws regulating the use and manufacture of drones.

Embention operates in different countries under different regulations, so it must obtain the corresponding licenses and authorisations for each of them. The need to adapt to different regulations can lead to increased costs. In addition, any failure to comply with applicable national and/or international laws and regulations could lead to costly litigations, penalties and other sanctions, and thus adversely affect the overall performance of Embention.

To ensure the free circulation of drones and a level playing field within the EU, European Union Aviation Safety Agency (the "EASA") has developed common high safety standard European rules for RPAS operations that are based on an assessment of the risk of operation and strike a balance between the obligations of drone manufacturers and operators in terms of safety, respect for privacy, the environment, protection against noise, and security. Operators will under the new regulations be able to operate their drones more efficiently when travelling across the EU/EEA or when developing a business involving drones around Europe.

Common rules will also foster investment and innovation in this sector. Any delay of implementation of the new regulation in the in the EU/EEA or no implementation in the United Kingdom post withdrawal from the EU (BREXIT) may result in distortions of competition and less access to the European markets, could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and/or prospects.

Additionally, any disruptive changes regarding regulation may fluctuate the direction in which operations of the company will head. Changes in regulation could make Embention switch strategies or even open new lines of products and services that will satisfy the new regulation, whilst excluding and rejecting current operations that will be not permitted under the new modification.

Embention has continuous legal advice, overseeing a very professional team highly focused on their business.

#### **4.4.2 Different Jurisdictions**

Embention is subject to different laws and regulations in multiple countries. Embention's products and services may be subject to governmental export and import control, duties and taxes, which may affect Embention's ability to compete in international and national markets due to specific licensing requirements.

Export controls laws include restrictions and prohibitions on the sale or supply of certain products and services to sanctioned countries, governments, persons, and entities, and requires authorisation for export of products, including within the defense industry. In addition, some countries may regulate or limit the price of some products and services, which may limit Embention's operations in the market.

Any withdrawal of export or import licenses or other decreased use of Embention's products and services, may have material adverse effect on the Embention's business, results of operations, financial condition, cash flow and/or prospects.

Nevertheless, Embention does not operate directly, so far, in other countries and their operations are always produced in-house nationally.

#### **4.4.3 Insurance against customer harm**

The company's activity is fundamentally based on the commercialisation of drones for military usage. This means that there is a risk of harming civilians or other third parties in case of product failure or bad usage, for which in the latter case, the company would not be responsible. In many jurisdictions, compulsory insurance requirements are already in place. For example, in the European Union, commercial drone operators have been required to have public liability insurance to protect against legal liability for third party property damage or injury whilst using a drone since 2004. New Drone Regulations, effective 31 December 2020, extend compulsory insurance requirements by adopting a risk-based approach with the emphasis on the weight, specifications of the drone, and the purpose for which it is being operated, rather than purely upon whether the application is commercial or non-commercial.

The coverage of their multi-risk insurance covers civil security and damage to equipment and materials in their possession, both owned by Embention and third parties.

#### **4.4.4 Certifications and licenses from authority**

Embention has obtained the necessary certifications, authorisations and permits to fly. However, the loss or revocation by the competent authorities of any of these licenses, could have a material adverse effect on the Embention's business, results of operations, financial condition, cash flows and/or prospects. This is a major reason for why the company must be up to date with the latest modifications regarding licenses, permits and certification to operate and sell drones.

Some of Embention's products may require dual-use material export approvals. This means that previous communication to the Spanish authorities is required so they can grant an export license before delivery. Embention has automated this process as much as possible, so it does not affect the delivery times.

#### **4.4.5 Procedures and litigations**

The Group may be involved in various legal proceedings that arise in the ordinary course of its business, including disputes relating to contractual obligations and non-disclosure agreements. The value of contracts, non-disclosure and intellectual property rights are of high importance for the Group, as it operates in a highly competitive commercial environment where the strength of the contracts and intellectual property rights may be an important feature that distinguish the Group from its competitors. It is therefore important for the Group to ensure the value and commercial use of its contracts and intellectual property rights. There can be no assurance that third parties, such as suppliers or customers, have not or may not infringe contracts or intellectual property rights owned by the Group, who may have to challenge such parties' rights to continue to use or sell certain products or services and/or may seek damages from such parties.

Any failure to comply with data protection and data privacy policies, privacy-related obligations to customers or third parties, privacy-related legal obligations, or any compromise of security that results in an unauthorised release, transfer or use of personally identifiable information or other customer data, may result in governmental enforcement actions, litigation or public statements against the Group. Any such failure could cause customers and vendors to lose their trust in the Group. If third parties violate applicable laws or its policies, such violations may also put users of the Group's products at risk and could in turn have an adverse effect on the Group's business. Any significant change to applicable laws, regulations or industry practices regarding the collection, use, retention, security or disclosure of users' content, or regarding the manner in which the express or implied consent of users for the collection, use, retention or disclosure of such content is obtained, could increase the Group's costs and require the Group to modify its services and features, possibly in a material manner, which the Group may be unable to complete and may limit its ability to store and process user data or develop new services and features.

#### **4.4.6 Litigations regarding IP Rights**

There can be no assurance that the Group may not infringe or be alleged to have infringed intellectual property rights owned by third parties who may challenge the Group's rights to continue to use or sell certain products, services and/or may seek damages from the Group. Any claims and legal proceeding made by or against the Group could be time-consuming, result in costly litigation, cause product delays, divert its Management from their regular responsibilities or require the Group to enter settlements. These types of claims and proceedings may expose the Group to monetary damages, direct or indirect costs, direct or indirect financial loss, civil and criminal penalties, loss of licenses or authorisations or loss of reputation, all of which could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and/or prospects.

Embention trademarks are registered within the OEPM to ensure appropriate protection of the company intellectual property. Within the expansion plan of the company, it is planned to extend this protection to more countries.

### **4.5 Risk of the Listing of shares**

#### **4.5.1 Increase costs following listing of shares**

As a listed company, the Issuer will be subject to rules and regulations that listed companies must follow in the market. In order to be compliant, the Issuer may need to establish certain procedures as well as adopt certain policies, which may result in significant compliance costs for the Issuer. Such increased costs may adversely affect the Issuer's business, financial and economic positions and results of operations.

The potential increase in this type of costs should not be significant compared to the expected revenue within the first 2 -3 years.

#### 4.5.2 Risk of dividend payment

The Company's ability to pay dividends on Shares may be restricted by the terms of any future debt incurred or preferred securities issued by the Company or law. Payments of future dividends, if any, may be proposed after considering various factors, including the Group's business, financial conditions, results of operations, current and anticipated cash needs, plans for expansion and any legal or contractual limitation on the Company's ability to pay dividends. There can be no assurance that, in the future, the Company will be able to make dividend payments. If cash is not available to pay dividends, the board may decide to pay in shares.

If cash is not available to pay dividends, the board may decide to pay in shares through a bonus issue. Nevertheless, the Company does not plan to distribute dividends to its shareholders in the short-term, hence this risk should not exist at least in the first year of listing.

#### 4.5.3 Liquidity of the listed shares

An investment in the Shares is associated with a high degree of risk and the price of the Shares may not develop favourably. Prior to the Admission to Trading, there has been no public market for the Shares, as the Shares have not been listed or admitted to trading on any, stock exchange, regulated market or multilateral trading facility. Following an Admission to Trading on Euronext Access, an active or liquid trading market for the Shares may not develop or be sustained. If such market fails to develop or be sustained, it could have a negative impact on the price of the Shares. Investors may not be able to sell their shares quickly, at the market price or at all if there is no active trading in the Shares.

#### 4.5.4 Risk related to the volatility of shares / market

The share prices of companies admitted to trading on Euronext Access can be highly volatile and the trading volume and price of the Shares could fluctuate significantly. Some of the factors that could negatively affect the Share price or result in fluctuations in the price or trading volume of the Shares include, for example, changes in the Company's actual or projected results of operations or those of its competitors, changes in earnings projections or failure to meet investors' and analysts' earnings expectations, investors' evaluations of the success and effects of the Company's strategy, as well as the evaluation of the related risks, changes in general economic conditions or the equities markets generally, changes in the industries in which the Company operates, changes in shareholders and other factors. This volatility has had a significant impact on the market price of securities issued by many companies. Those changes may occur without regard to the operating performance of these companies. The price of the Shares may therefore fluctuate due to factors that have little or nothing to do with the Company, and such fluctuations may materially affect the price of the Shares.

The market price of the Shares may be affected by high level of volatility. In fact, market price for newly listed shares, as the Shares, is often volatile for a period after the Listing. The public capital markets in general, and for smaller companies, may be subject to significant price and volume fluctuations, which are not possible to predict out of the companies' developments

or disclosed results. As a result of this potential volatility, Shareholders may not be able to sell their Shares at or above the initial Listing Price. The market price of the Shares may fluctuate significantly in response to several factors, many of which are beyond the Company's control, including, among others:

- Actual or anticipated fluctuations in the Company or Group's revenues and results of operations.
- Announcements by the Company or its competitors of significant technical innovations, acquisitions, strategic partnerships, joint ventures, or capital commitments.
- The standalone and/or consolidated financial projections that the Company may provide to the public, any changes in these projections, or the Company or the Group's failure to meet these projections.
- Failure of securities analysts to initiate or maintain coverage of the Company and the Group, changes in ratings and financial estimates and the publication of other news by any securities analysts who follow the Company and its Group, or the Company and/or Group's failure to meet these estimates or the expectations of investors.
- The size of the Issuer's free float.
- Price and volume fluctuations in the trading of the Shares and in the overall stock market, including macroeconomic trends such as fluctuations in the economy.
- New laws or regulations or new interpretations of existing laws or regulations applicable to the Group's business or industry, including data privacy, data protection, and information security.
- Lawsuits threatened or filed against the Company and its Group.
- Changes in the Company's Board of Directors or key management.

#### **4.5.5 Risk of ownership dilution**

The Company may in the future decide to offer and issue new Shares or other securities to finance new capital-intensive projects, in connection with unanticipated liabilities or expenses or for any other purposes. Depending on the structure of any future offering, certain existing shareholders may not have the ability to purchase additional equity securities. An issuance of additional equity securities or securities with rights to convert into equity could reduce the market price of the Shares and would dilute the economic and voting rights of the existing shareholders if made without granting subscription rights to existing shareholders. Accordingly, the Company's shareholders bear the risk of any future offerings reducing the market price of the Shares and/or diluting their shareholdings in the Company. Additionally, the Company could implement stock compensation schemes for employees that could dilute previous shareholders.



#### 4.5.6 Tax risk

By purchasing and holding the Shares, investors should take their own tax advice as to the consequences of owning such Shares as well as receiving returns from them. Investors should be aware that ownership of the Shares could be treated in different ways in different jurisdiction.

#### 4.5.7 Obligations as a listed company

Though the constraints are lower than those applicable for a company listed on a regulated market, as a public company, the Company will incur significant legal, accounting, audit, reporting and other expenses in connection with its obligations under applicable securities laws, including the internal and external costs of maintaining the system of internal controls as well as the costs of preparing and distributing periodic public reports, including financial statements and notes, and including the costs related to the ongoing reporting obligations under the EU regulation N°596/2014 of the European Parliament dated April 16th, 2014 on market abuse.

Effective internal controls are necessary for the Company to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could cause the Company to fail to meet its reporting obligations. In addition, changing laws, rules and regulations relating to corporate governance and public disclosure, including regulations implemented by Euronext for companies listed on the Euronext Access market, increase the Companies legal and financial costs, including costs relating to monitoring, evaluating and complying with such laws, rules and regulations.

These laws, rules and regulations are subject to varying interpretations and may evolve over time as new guidance is provided by regulatory and governing bodies, which may result in increased compliance and governance costs and the diversion of management resources. If the Companies efforts to comply with such laws, rules and regulations are not successful, it could be subject to fines, penalties or regulatory proceedings, which can be time consuming and costly to litigate and could lead to negative publicity. If any of these risks occur, or if these requirements divert the management's attention from other business concerns, they could have a material adverse effect on the Companies business, financial condition and results of operations.



## 5. INFORMATION CONCERNING THE OPERATION

### 5.1 Registration with Euronext Access

Admission to trading procedure: Registration of shares for trading on Euronext Access Paris through Technical Admission.

**ISIN:** ES0105639001

**Euronext Ticker:** MLUAV

**Number of shares to be listed:** 4,246,560 shares

**Nominal price per share:** €0.06

**Reference price per share:** €4.54

**Market capitalisation:** €19,279,382

**Initial listing and trading date:** 29th of April 2022

**Listing Sponsor:** FELLOW FUNDERS CAPITAL MARKETS S.L.U

**Financial service:** BANCO SABADELL

**Central Securities Depository:** IBERCLEAR

**Corporate Advisor:** There has been no other Corporate Advisor.

### 5.2 Objectives of the listing

This transaction is carried out within the procedure for a technical admission to trading on the Euronext Access Market operated by Euronext Paris S.A. The proposed transaction does not require a visa from the Autorité des Marchés Financiers (AMF). The listing on Euronext Access will give the company greater credibility among customers, suppliers and investors, allowing it to build stronger relationships and giving it a competitive advantage. The listing gives the company access to a broader and more diverse universe of investors and an indication on how the market evaluates its business model. Moreover, being listed gives current shareholders and new investors access to a built-in liquidity event in the medium-term.

### 5.3 Company's share capital and evolution of the share capital

**"Article 5** – *The share capital of the company is €254,793.60 (TWO HUNDRED AND FIFTY FOUR THOUSAND SEVEN HUNDRED AND NINETY THREE EUROS AND SIXTY CENTS), which is fully subscribed and paid up, divided into 4,246,560 (FOUR MILLION TWO HUNDRED AND TWO HUNDRED AND FORTY SIX THOUSAND FIVE HUNDRED AND SIXTY) shares, represented by book entries, with a par value of 0.06 EURO (SIX CENTS) each, of the same class, equal, cumulative and indivisible."*

Shareholder	Nº of shares	Percentage
David Julián Benavente Sánchez	3,183,840	74.97%
Virginia Espuch Fernández	1,062,720	25.03%

The registered share capital of the Company amounts to €254,793.60 and is divided into 4,246,560 shares with a nominal value of €0.06. The share capital is fully paid-in.

## 5.4 Main characteristics of the shares and general meeting rules

### 5.4.1 Characteristics of the shares

**“Article 6** – *The shares will be represented by book entries, with the legally established requirements. The entity in charge of keeping the accounting record must meet the requirements established in current legislation. The share confers on its legitimate owner the status of partner and implies for him full and total compliance with the provisions of these Bylaws and in the agreements validly adopted by the governing bodies of the company, while empowering him to exercise the rights inherent to their condition, in accordance with these Statutes and the Law.*”

**“Article 7** – *The shares are indivisible. The co-owners of a share are jointly and severally liable to the Company for all obligations arising from the condition of shareholders and must designate a single person to exercise on their behalf the rights inherent to their condition of partner. The same rule will apply to other cases of joint ownership of rights over the shares. In cases of usufruct, seizure and pledge of shares, the provisions of current legislation will be followed.*”

### 5.4.2 General Meeting rules

Article 11, 12, 13, 14, 15 and 16 of the articles of association sets out the operation of the General Meeting:

**“Article 11** – *The shareholders, constituted in a duly summoned General Meeting, will decide by simple majority on the matters pertaining to the competence of the Meeting. However, for the adoption of the resolutions referred to in article 194 of the Capital Companies Act, if the capital present or represented exceeds fifty percent, it will suffice for the resolution to be adopted by an absolute majority. However, the favorable vote of two thirds of the capital present or represented at the meeting will be required when on second call shareholders who represent twenty-five percent or more of the subscribed capital with voting rights without reaching fifty percent attend. All partners, including dissenters and not attending the meeting, are subject to the resolutions of the General Meeting. The rights of separation and challenge established in the law remain safe.*”

**“Article 12** – *General Meetings may be ordinary or extraordinary and must be called by the administrative body. The Ordinary Meeting is the one that must meet within the first six months of each fiscal year, to censor the corporate management, approve, where appropriate, the accounts of the previous fiscal year and decide on the application of the result. Extraordinary meeting is any other than the ordinary annual meeting.*”

**“Article 13** – The ordinary or extraordinary General Meeting will be validly constituted on first call, when the shareholders attending, present or represented, hold at least 25% of the subscribed capital with voting rights. On second call, the meeting of the Board will be valid. On second call, the constitution of the meeting will be valid regardless of the capital attending the same.

Notwithstanding the provisions of the preceding paragraph, so that the ordinary or extraordinary General Meeting may validly agree to increase or decrease capital and any other modification of the bylaws, the issuance of obligations, the suppression or limitation of the right of acquisition preference of new shares, as well as the transformation, merger, spin-off or global assignment of assets and liabilities and the transfer of domicile abroad, it will be necessary, on first call, the concurrence of shareholders present or represented who have, at least, fifty percent of the subscribed capital with voting rights. On second call, the attendance of twenty-five percent of said capital will suffice.

Every General Meeting must be called by the Board of Directors, by means of a notice published on the Company's website created, registered and published under the terms provided in article 11 bis, at least one month before the date set for its celebration, except as provided by the Law for cases of international transfer (minimum advance of two months) or any other case subject to a specific term.

The announcement will state the name of the company, the date and time of the meeting on first call, the order of the day, which will include the issues to be discussed, and the position of the person or persons making the call. The date and time, if applicable, of the second call may also be recorded, at least twenty-four hours after the first. However, the Meeting shall be deemed to have been called and shall be validly constituted to deal with any matter, provided that all the capital stock is present or represented and the attendees unanimously accept the holding of the Meeting.”

**“Article 14** – Shareholders who appear as holders in the corresponding account annotations register five days prior to its celebration may attend the General Meeting, which they may prove by means of the appropriate attendance card, certificate issued by any of the entities legally authorised to this or by any other form admitted by law.

Any shareholder who has the right to attend may be represented at the General Meeting by another person. Proxy must be granted in writing, or, where appropriate, by remote means of communication according to the means determined by the Board of Directors and specifically for each Meeting. This power of representation is understood without prejudice to what is established by the Law for cases of family representation and the granting of general powers.

Representation is always revocable. Personal attendance at the General Meeting of the represented party will be revoked.

The administrative body may call an extraordinary meeting whenever they deem it convenient for the corporate interests. They must also call it when requested by shareholders representing five percent of the share capital, stating in the request the matters to be dealt with therein. In this case, the Meeting must be called to be held within thirty days following the date of the appropriate notarial request to the administrators, who will necessarily include in the agenda the matters that have been the subject of the request.”

**“Article 15** – The General Meeting, if it deems it appropriate, may approve specific regulations for the operation of the General Meeting, which will regulate all matters and matters pertaining to said body, respecting the provisions of the law and these statutes.”

**“Article 16** – The Meeting will be chaired, as appropriate, by the Chairman of the Board of Directors, and in the absence of this, or due to resignation or abandonment of the Board, by the Vice-Chairman or by the director designated by the Board for this purpose. The resolutions of the Board shall be adopted by simple majority, except in cases where, by legal or statutory provision, a higher majority is required. Each share gives the right to one vote. The minutes of the Meeting may be approved by the Meeting itself after it has been held, and, failing that, within a period of fifteen days, by the president and two intervening partners, one representing the majority and the other by the minority. The minutes approved in any of these two ways will have executive force from the date of its approval. The certifications of the minutes will be issued, and the agreements will be made public by the persons entitled to do so as determined by these Statutes and the Regulations of the Commercial Registry. The administrative body may require the presence of a Notary Public to draw up the minutes of the Meeting and they are obliged to do so provided that five days before the date scheduled for holding the Meeting, shareholders who present at least one percent request it. of the capital stock. In both cases, the notarial deed will be considered the meeting’s deed.”

## 5.5 Conditions for the transfer shares

**“Article 8** – The transfer of the shares, as well as the preferential subscription rights, is entirely free, and will not be subject to any consent or authorisation, neither by the Company nor by the Company’s shareholders.”

## 5.6 Scheduled date for first shareholder’s general meeting and first publication of earnings figures

The Company will hold its first Shareholder’s General Meeting as a listed company on the 30th of June of 2022, although the scheduled date has not been determined at the time of writing. Publication of the Company’s earnings figures following the listing admission will be expected to be published on the 30th of July of 2022.

## 5.7 Applicable law to financial instruments admitted to negotiation

The Shares have been issued under the national laws of Spain.

## 5.8 Lock-up Clause

The Company has agreed to establish a lock-up clause of 90% of shares for a period of 2 years commencing on the 29th of April 2022 and concluding on the 29th of April of 2024. The remaining 10% will function as a safety mechanism in the event of an exceptional liquidity shortage.



CBRE

## 6. COMPANY VALUATION & FINANCIAL FORECAST

### 6.1. Valuation drivers

The drone industry has experienced a strong growth for several years, as stated in the Market section of this report. This shift will continue in the coming years, according to future predictions given by various industry agents. As a result, drones are becoming more prevalent in a growing number of sectors, spawning an entire ecosystem encompassing everything from hardware to software and training.

In the case of Embention, it is an aeronautical intelligence business that specialises in autopilots, a branch of the drone industry that is currently experiencing rapid growth within a specialised market in which only a few companies can compete at the highest level and complete the large projects demanded by the market. Embention is one of these competitors, and it offers essential services and sales of its autopilots, which complement with other lines of business such as drone sales and complete equipment, as well as training services, which are becoming increasingly popular.

All Embention's projects to date for foreign companies and organisations, as well as the pipeline of projects in the development process for the coming years, demonstrate the company's leadership in its group.

This leadership is reflected in the company's metrics, which show that the company has significantly increased its revenue by investing in more and more projects and acquired an increasing number of clients who are interested in its technology. Embention is currently working on major projects in both the civil and military sectors, and it continues to grow its recurring revenues and reduce its client concentration year after year by attracting new clients and projects.

The following are the company's key advantages:

- **Sector:** It operates in an emerging industry, where it is years ahead of its rivals and can compete on a technological level with major market players.
- **Technology:** Embention has developed pioneering autopilot technology in recent years, providing some strategic advantages in the industry, such as autopilot redundancy. They have also been able to develop this technology as a result of their involvement in the various projects in which they have been participating.
- **Quick growth in turnover:** The aforementioned factors have resulted in a remarkable revenue growth over the past few years.
- **Financial structure:** The company has an excellent financial and operating framework, with customers paying between 70% and 100% of projects in advance, allowing it to have a high capacity for organic growth.



The following are the primary relevant threats that the company faces:

- **Cutting-edge technology:** Although it is true that they currently have cutting-edge technology, this must continue to be developed so as not to become obsolete and to be able to continue to compete in a leading position in the market. This requires recurrent and high levels of investment.
- **Competition:** Since this is a very appealing industry, there are already many companies operating in it, and many more may want to enter it in the future. However, the technological barriers are remarkably high.
- **Client concentration:** However, it should be noted that this concentration has been decreasing over time, while the recurrence of an increasing number of its customers has also increased. Client diversification is one of EMBENTION's current challenges, in our view.

## 6.2 Valuation

For the valuation of the company, the Discounted Cash Flow methodology was employed:

- The Discounted Cash Flow (DCF) is a business valuation method that considers the company's potential cash generation ability, referred to as its Free Cash Flow (FCF), and discounted at a rate determined by the company, industry, and market risks.

Following a discounted cash-flow (DCF) methodology, with a cost of equity (**Ke**) of **8.97%** and cost of debt (**Kd**) of **3.20%**, Embention's weighted average cost of capital (WACC) used as a discount rate, was considered to be equal to **6.51%**.

The **probability of execution** is determined by the business's own operating risks. The concentration of the business, the project pipeline and the technology, among other variables are all important in this calculation. In the case of Embention, this is a business with a large project pipeline, great technology, with a high client concentration. Despite the strong growth the company is experienced, its current small infrastructure will not allow to capture all the market projected expansion. Therefore, an execution risk of **7%** is established for the calculation of the company's value.

The premium it should have for its likelihood of default given its economic-financial position and business expectations has been considered with the goal of taking the discount rate closer to the company's actual intrinsic risk. This is because the WACC equation does not accurately represent the company's own risk because it only uses market parameters. Therefore, the **probability of default** for the company would be **13.62%**, which raises the discount rate to be used by this amount.

In this way and considering the company risk, the sector risk and the risk associated with the market, we can establish a final weighted average cost of capital (**WACC**) used as a **discount rate** of **27.13%**.

With these assumptions, using EMBENTION's cash-flow forecast for the next five years, the company's Value equals to **19,289,000€**.

### 6.3 Company's financial resources for at least twelve months after the first day trading

#### Cash Flow Forecast 12 Months (January 2022-December 2022):

As highlighted in the table below, from a liquidity perspective, the Group is in a sound position to comfortably cover its financial needs for the next 12 months.

	ene-22	feb-22	mar-22	abr-22	may-22	jun-22	jul-22	ago-22	sep-22	oct-22	nov-22	dic-22
Opening Balance (Including Fund)	1,055,560.73	1,098,010.21	1,131,959.70	1,151,968.90	1,102,705.22	1,116,077.58	1,129,449.94	946,059.80	779,432.15	722,804.51	905,277.62	1,038,649.98
Sales charges		310,000.00	310,000.00	250,000.00	330,000.00	330,000.00	220,000.00	150,000.00	260,000.00	395,000.00	450,000.00	450,000.00
Other charges										104,100.75		
Extraordinary charges												
Personal payments	-127,161.60	-127,161.60	-149,601.88	-149,601.88	-149,601.88	-149,601.88	-149,601.88	-149,601.88	-149,601.88	-149,601.88	-149,601.88	-149,601.88
Purchase payments	-102,001.60	-102,001.60	-102,001.60	-111,274.47	-111,274.47	-111,274.47	-111,274.47	-111,274.47	-111,274.47	-111,274.47	-111,274.47	-111,274.47
General services payments	-33,598.16	-33,598.16	-33,598.16	-33,598.16	-33,598.16	-33,598.16	-33,598.16	-33,598.16	-33,598.16	-33,598.16	-33,598.16	-33,598.16
Debt payments	-4,789.16	-13,289.16	-4,789.16	-4,789.16	-22,153.13	-22,153.13	-22,153.13	-22,153.13	-22,153.13	-22,153.13	-22,153.13	-22,153.13
Tax payments (IS and other non-remunerative taxes)							-55,000.00					
Other payments							-31,762.50					
Extraordinary payments												
Closing Balance	1,098,010.21	1,131,959.70	1,151,968.90	1,102,705.22	1,116,077.58	1,129,449.94	946,059.80	779,432.15	722,804.51	905,277.62	1,038,649.98	1,172,022.34



## 7. FINANCIAL INFORMATION

The Annual Accounts of the Company, which form a single unit, comprise these Balance Sheets, the Profit and Loss Account, Statement of Changes in Equity and the Annual Report.

The financial statements are prepared using the accounting records of the Company and its subsidiaries. The Directors of the company are responsible for the preparation of the accompanying financial statements so that they give a true and fair view of the equity, financial position and results, in accordance with Spanish GAAP, and in accordance with Law 16/2007 of 4 July, 2007 concerning the reform and adaptation of the commercial legislation in terms of accounting for its international harmonisation based on European Union legislation, Royal Decree 1514/2007 of 16 November, 2007 approving the General Accounting Plan, and Royal Decree 1159/2010 of 17 September, 2010 approving the standards for the preparation of annual accounts, in all that does not expressly oppose that set out in the commercial reform mentioned with the aim of presenting a true image of the equity, financial situation and results of the group as well as the accuracy of the cash flows included in the cash flow statement.

### 7.1 Balance Sheet

#### Balance Sheet Account for Embention ended the 31st of December, 2021

##### EMBENTION SISTEMAS INTELIGENTES, S.A. AGGREGATED BALANCE SHEET AS OF DECEMBER 2021 AND 2020

(Expressed in EUR €)

BALANCE SHEET	2021 (€)	2020 (€)
<b>NON-CURRENT ASSETS</b>	<b>3,425,995.27</b>	<b>3,318,731.97</b>
Intangible Fixed Assets	3,224,137.04	3,109,857.40
Property, Plant and Equipment	196,032.85	208,874.57
Deferred Tax Assets	0.00	0.00
Long Term Financial Investment	5,825.38	0.00
<b>CURRENT ASSETS</b>	<b>2,241,209.75</b>	<b>2,945,554.97</b>
Inventory	69,161.39	275,853.67
Trade and other Accounts Receivable	266,677.74	401,957.29
Sales and Service Customers	15,144.97	30,964.91
Other Debtors	251,532.77	370,992.38
Short Term Financial Investment	140.00	5,340.00
Cash and other equivalents	1,905,230.62	2,262,404.01
<b>TOTAL ASSETS</b>	<b>5,667,205.02</b>	<b>6,264,286.94</b>

Balance sheet figures decreased since 2020 due to the negative long-term impact of Covid19 which has had a negative effect extended to activity operations in 2021 as well. Of the Total Assets, only Non-current Assets have increased meaning that the company is working on development of projects as seen in the increase of Intangible Fixed Assets by €114,279.64 mainly due to the new version of Veronte Autopilot and Tether Drone System developments. Overall, Intangible Fixed Assets represent 94.1% of Total Non-Current Assets with an increase of 3.6% compared to 2020 figures. The only account that has been negatively affected has been Property, Plant and Equipment with a decrease of 6% since amortization costs exceed asset additions, in this item.

In regards to Current Assets, the account of Short Term Financial Investment experienced the most drastic decrease with a 97.38% deduction compared to 2020 figures, this was due to several facts: a decrease in inventory (at the end of 2020 there were logistic problems because of BREXIT and COVID19 pandemic, so there were some delays in shippings that led to high levels of inventories), a lower credit with Spanish Authorities due to a less VAT debt to be returned and a decrease in cash and other equivalents due to a slowdown in customer prepayments. Nevertheless, that account does not have too much weight in the Total Assets, unlike Cash and other equivalents, which although it experienced a reduction compared to 2020 figures, it still represents 33.6% of Total Assets. In broad terms, Intangible Assets and Cash and other equivalents make up the bulk of Total Assets and even though it has decreased since 2020, the difference is not substantial to negatively affect day to day operations for 2022.

**EMBENTION SISTEMAS INTELIGENTES, S.A. AGGREGATED BALANCE SHEET AS OF DECEMBER 2021 AND 2020**

(Expressed in EUR €)

<b>BALANCE SHEET</b>	<b>2021 (€)</b>	<b>2020 (€)</b>
<b>SHAREHOLDERS EQUITY</b>	<b>2,363,741.72</b>	<b>1,800,403.35</b>
Capital Stock	254,793.60	254,793.60
Share premium	297,182.68	297,182.68
Reserves	566,484.28	249,671.95
Results of previous years	0.00	0.00
Results of the exercise	417,813.35	317,789.58
Grants and subsidies	827,467.81	680,965.54
<b>NON-CURRENT LIABILITIES</b>	<b>2,201,482.94</b>	<b>2,369,197.15</b>
Debt with financial entities	1,361,528.46	1,520,697.54
Other long term debts	839,954.48	848,499.61
Deferred tax liability	0.00	0.00
Long term debt with group and associated companies	0.00	0.00
<b>CURRENT LIABILITIES</b>	<b>1,101,980.36</b>	<b>2,094,686.44</b>
Debt with financial entities	164,133.69	10,701.74
Other short term debt	8,545.13	8,545.13
Short term debt with group and associated companies	0.00	873,126.20
Suppliers	50,928.14	121,694.08
Other suppliers	878,373.40	1,080,619.29
<b>TOTAL SHAREHOLDERS EQUITY AND LIABILITIES</b>	<b>5,667,205.02</b>	<b>6,264,286.95</b>

On the liability side of the balance sheet, 80.55% of the Total Equity & Liabilities at the end of 2021, was represented by capital, shareholders' contributions, and long-term soft loans and grants. Within the Shareholder's Equity composition, the item of Reserves has experienced an increase of 126.89% compared to 2020 figures due to the lack of dividend payments which made the whole of 2021 earnings to build that the voluntary reserves of the Company. It is note-worthy that the Long-Term debt with financial entities and others, accounts for 38.85% of total liabilities and equity. However, 7% of this debt in 2020 was reduced in 2021, due to the fact that ICO (Instituto de Credito Oficial) loans have been re-classified into short-term debt as their grace periods ends in 2022.

Additionally, current short-term debt experienced a 797.18% increase due to the fact that Embention bought Everis balance of the debt which was partially forgiven as part of the exit agreement of said investor. On the other hand, Accounts Payable to suppliers and others, accounts for a 16.40% of total liabilities and equity, and particularly this item has benefited from

a reduction of 22.71% meaning that the Company has fewer debts with suppliers and creditors due to a slower pace of purchases and lower debts from customer payments in advance. It must be noted that the item of other suppliers of Embention is composed by those payments in advance from customers, as, per company policy. In 2021 was difficult to maintain this policy due to the entry into the portfolio of larger clients with whom it is more difficult to negotiate these terms.

## 7.2 Profit & Loss

### Profit and Loss Account for Embention ended the 31st of December, 2021

#### EMBENTION SISTEMAS INTELIGENTES, S.A. AGGREGATED PROFIT AND LOSS ACCOUNT AS OF DECEMBER 2021 AND 2020

(Expressed in EUR €)

INCOME STATEMENT	2021 (€)	2020 (€)
Net Sales	3,006,535.65	3,019,605.08
Variation in stocks of finished and ongoing products	-83,152.04	129,817.14
Work carried out by the company for its assets	965,219.89	948,953.63
Procurements	-1,042,833.14	-1,080,176.95
Other operating income	1,499.03	4,285.00
Personnel expenses	-1,673,041.27	-1,571,337.69
Other operating expenses	-434,515.06	-599,030.35
Allocation of fixed assets subsidies	28,497.73	28,477.52
Impairment and return on disposal of fixed assets	-393,822.47	0.00
Other results	581,269.46	-95.03
<b>EBITDA</b>	<b>955,657.78</b>	<b>880,498.35</b>
Depreciation of fixed assets	-503,074.50	-451,780.86
<b>OPERATING INCOME</b>	<b>452,583.28</b>	<b>428,717.49</b>
Interest Income	2,709.93	3.51
Interest Expenses	-37,479.86	-25,941.30
<b>FINANCIAL RESULT</b>	<b>-34,769.93</b>	<b>-25,937.79</b>
<b>INCOME BEFORE TAX</b>	<b>417,813.35</b>	<b>402,779.70</b>
Profit Tax	0.00	-84,990.12
Profit Tax Adjustments	0.00	0.00
<b>NET INCOME</b>	<b>417,813.35</b>	<b>317,789.58</b>

In 2021 Company revenues remain broadly flat, demonstrating a solid resistance to the dragging effects of the pandemic suffered in 2020. During that year, Embention focused all its efforts in minimising the negative impact of the pandemic by consolidating future contracts with clients for 2021, ensuring a solid amount of revenue for the Company in the coming year. Variation in stocks of finished and ongoing products lead to a 164% decrease compared to 2020 figures due to the exceptional 2020 inventory figures, as explained above.

The company's policy is to continually seek public funding to support both its operations and its R&D activity, hence will increase at a constant rate in the coming years.

Personnel expenses increased by 6.40% year on year, slightly less compared to the increase seen in 2020 versus 2019 due to the activity slowdown in 2021. On the other hand, the asset impairment arises when there is a sudden drop in the fair value of an asset below its recorded cost. Another item worth highlighting was the "Impairment and return on disposal of fixed assets" of €393,822.47, which resulted from two development projects being paralyzed for a brief period of time, and the Company decided to remove them from the balance sheet, following accounting regulations. The "other results" item for an amount of 581,269€ in 2021 responded to the extraordinary income derived from the partial cancellation of Everis' debt.

Finally, Net Income increased by 31.40% bringing the net margin contribution (as % of sales) to 13.9% from 10.5% in 2020 although on a pre-tax basis margins remained broadly flat.





## 8. OTHER INFORMATION

### 8.1 Memorandum and Articles of Association

#### 8.1.1 Description of the corporate purpose and objectives of the Issuer

**“Article 2 – Corporate Purpose**

*The objects of the company are:*

*The creation and marketing of all types of engineering and information systems services; and the provision of all types of technical consultancy services, both for public bodies and private entities.*

*The activities included in the corporate purpose may be carried out, in whole or in part, indirectly, through the ownership of shares or equity interests in companies with an identical or analogous purpose or by entering service contracts with other persons or companies, whatever their corporate purpose, for the performance and successful completion of the activities that constitute the corporate purpose.*

*Main CNAE: 7112 Technical engineering services and other activities related to technical consultancy.”*

#### 8.1.2 Directors Meeting

**“Article 11 –***The shareholders, in a duly convened General Meeting, shall decide by simple majority on matters within the competence of the General Meeting.*

*However, for the adoption of the resolutions referred to in Article 194 of the Capital Companies Act, if the capital present or represented exceeds fifty per cent, it shall be sufficient for the resolution to be adopted by an absolute majority. However, the favorable vote of two-thirds of the capital present or represented at the meeting shall be required when, at second call, shareholders representing twenty-five per cent or more of the subscribed capital with voting rights attend without reaching fifty per cent. All shareholders, including those dissenting and not attending the meeting, are subject to the resolutions of the General Meeting. The rights of withdrawal and objection established by law remain unaffected.”*

#### 8.1.3 Supervisory Body

**“Article 17 –** *The company will be managed by:*

- A Single Administrator or two or three joint and Solidary or Indistinct Administrators.*
- Three Joint or Several Administrators. In the event of the appointment of three Joint Administrators, the intervention and signature of two of them shall be required for any action.*
- A Board of Directors, consisting of a minimum of three and a maximum of twelve members. Those subject to interdiction, bankrupt or insolvent persons who have not been rehabilitated, minors or incapacitated persons, those sentenced to*

penalties entailing disqualification from holding public office, those who have been convicted of serious non-compliance with laws or company regulations, and those who, by reason of their position, are unable to carry on business may not be members of the board. Neither may they be civil servants in the service of the Administration with functions in their charge that are related to the activities of this company and other cases referred to in state and autonomous community legislation on incompatibilities.

Any agreement to alter the way in which the administration of the Company is organised shall not constitute an alteration of the statutes, but must be recorded in a public deed, which shall be entered in the Commercial Register.”

#### 8.1.4 Description of rights, privileges and restrictions attached to the Shares

“**Article 6** – The shares are represented by book entries, with the legally stipulated requirements. The entity in charge of keeping the accounting register must meet the requirements established in current legislation.

The share confers on its legitimate holder the status of shareholder and implies full and complete compliance with the provisions of these Articles of Association and the resolutions validly adopted by the governing bodies of the company, at the same time as it empowers the holder to exercise the rights inherent to his or her status, in accordance with these Articles of Association and the Law.”

#### 8.1.5 Description of the conditions for convening annual general meetings and general meetings and extraordinary including the conditions of admission

“**Article 12** – General Meetings may be ordinary or extraordinary and must be called by the administrative body. The Ordinary Meeting is the one that must meet within the first six months of each fiscal year, to censor the corporate management, approve, where appropriate, the accounts of the previous fiscal year and decide on the application of the result. Extraordinary meeting is any other than the ordinary annual meeting.”

“**Article 13** – The ordinary or extraordinary General Meeting will be validly constituted on first call, when the shareholders attending, present or represented, hold at least 25% of the subscribed capital with voting rights. On second call, the meeting of the Board will be valid. On second call, the constitution of the meeting will be valid regardless of the capital attending the same.

Notwithstanding the provisions of the preceding paragraph, so that the ordinary or extraordinary General Meeting may validly agree to increase or decrease capital and any other modification of the bylaws, the issuance of obligations, the suppression or limitation of the right of acquisition preference of new shares, as well as the transformation, merger, spin-off or global assignment of assets and liabilities and the transfer of domicile abroad, it will be necessary, on first call, the concurrence of shareholders present or represented who have, at least, fifty percent of the subscribed capital with voting rights. On second call, the attendance of twenty-five percent of said capital will suffice.

*Every General Meeting must be called by the Board of Directors, by means of a notice published on the Company's website created, registered and published under the terms provided in article 11 bis, at least one month before the date set for its celebration, except as provided by the Law for cases of international transfer (minimum advance of two months) or any other case subject to a specific term.*

*The announcement will state the name of the company, the date and time of the meeting on first call, the order of the day, which will include the issues to be discussed, and the position of the person or persons making the call. The date and time, if applicable, of the second call may also be recorded, at least twenty-four hours after the first. However, the Meeting shall be deemed to have been called and shall be validly constituted to deal with any matter, provided that all the capital stock is present or represented and the attendees unanimously accept the holding of the Meeting."*

### **8.1.6 Description of any statutory provisions that could have the effect of delaying, deferring or preventing a change in the control structure of the Issuer**

**"Article 14** – *Shareholders who appear as holders in the corresponding account annotations register five days prior to its celebration may attend the General Meeting, which they may prove by means of the appropriate attendance card, certificate issued by any of the entities legally authorised to this or by any other form admitted by law.*

*Any shareholder who has the right to attend may be represented at the General Meeting by another person. Proxy must be granted in writing, or, where appropriate, by remote means of communication according to the means determined by the Board of Directors and specifically for each Meeting. This power of representation is understood without prejudice to what is established by the Law for cases of family representation and the granting of general powers.*

*Representation is always revocable. Personal attendance at the General Meeting of the represented party will be revoked.*

*The administrative body may call an extraordinary meeting whenever they deem it convenient for the corporate interests. They must also call it when requested by shareholders representing five percent of the share capital, stating in the request the matters to be dealt with therein. In this case, the Meeting must be called to be held within thirty days following the date of the appropriate notarial request to the administrators, who will necessarily include in the agenda the matters that have been the subject of the request."*

## **8.2 Ongoing Obligations**

In accordance with Euronext Access Rule Book, the next Shareholders 'meeting following the Technical Admission will be held by June 30th, 2022, in order to resolve upon the approval of the financial statements for the financial year ended on December 31st, 2021.

### **(i) Website**

An Issuer shall maintain an up-to-date website containing general information on its operations, governance, and contact details. In accordance with the Market Abuse Regime an Issuer shall post inside information on its website.

**(ii) Accounting Standards**

An Issuer must establish its accounting standards in accordance with the accounting standards of IFRS for consolidated accounts and PGC for individual accounts without prejudice to the National Regulations. An Issuer must publish on its website its annual financial statements in accordance with National Regulations timetable. In case no publication is foreseen in local rules and regulation, financial statements shall be published before the end of the first semester of the next year.

**(iii) Report of changes**

An Issuer shall report to Euronext the changes to its senior executive's team (managers with the power to take managerial decisions affecting the future developments and business prospects of the issuer) and the composition of its board as well as any changes to its Beneficial Owners to be made public in accordance with the Market Abuse Regime as soon as the Issuer becomes aware of it. This information shall be sent to Euronext as soon as it is disclosed on the website.

**(iv) Annual Certificate**

An Issuer shall provide Euronext in December of each year a certificate in the form prescribed by Euronext confirming – among other things – that it has and will comply with the Market Abuse Regime and that the changes in the management, board composition and shareholders have been duly notified to Euronext. This provision does not apply to Issuers that are admitted to trading on a Regulated Market or on another organised market subject to equivalent standards as determined by Euronext.

**(v) Corporate action**

Each Issuer shall inform Euronext of events affecting Securities that Euronext deems necessary to run a fair, orderly and efficient market. The relevant information shall be provided to Euronext in due time before the event affecting the Securities or the relevant corporate action, so that Euronext may take any appropriate technical measure. The events covered by this provision include the corporate actions as referred to in Article 61004/2 of Euronext Rule Book I.

**(vi) Application of new securities**

An application for admission to trading must cover all the Issuer's Securities of the same class issued at the time of the application or proposed to be issued for the admission planned. When additional Securities of the same class as Securities already admitted to trading are issued, application for admission to trading of such additional Securities shall be made:(a) as soon as they are issued in the case of a Public Offer of the Securities; and/or(b) no later than ninety (90) days after their issue in cases other than Public Offer.

**(vii) Legal Entity Identifier**

An Issuer shall take all necessary measures to have its LEI for as long as its Securities are admitted to trading on Euronext Access.



## 9. LISTING SPONSOR

### **FELLOW FUNDERS CAPITAL MARKETS, S.L.U.**

**Address:** Avenida de la Victoria 55, Letra N, 28040, Madrid

**Telephone:** +34 910 891 124

**Web:** [www.pmsadvisory.com](http://www.pmsadvisory.com)

EMBENTION SISTEMAS INTELIGENTES S.A. designed FELLOW FUNDERS CAPITAL MARKETS, S.L.U. (hereinafter, Fellow Funders Capital Markets) as a Listing Sponsor in order to lead the incorporation to Euronext Access of the Issuer. It was authorised by the Euronext Listing Board on the 7th of February 2019. FELLOW FUNDERS CAPITAL MARKETS, S.L.U. is domiciled in "Avenida de la Victoria", 55 (28023), Madrid-SPAIN, registered in the Mercantile Registry, with Identification Code: B-88122825. It is represented in this operation by Mr. Mariano Colmenar, Managing Partner and Chief Executive Officer of the firm. FELLOW FUNDERS CAPITAL MARKETS, S.L.U. is represented by a multidisciplinary team of professionals with high experience in security issuance and overall capital markets activities both in public as well as in private markets. No other consultants concur in the incorporation process or in the preparation of this information document.

## Confidentiality Notice

All the information contained in this document is confidential. It has been provided to you solely for your possible investment. For 2 years from the date of access to this document, you are obliged to: I. Maintain the Information in strict confidentiality, i.e. not to transmit it (in whole or in part) to any natural or legal person. This information shall not be transmitted to any other person or entity except with prior authorisation or in cases where its disclosure is legally required, in which case you shall immediately inform the company concerned. II. Use the Information exclusively for the purpose of studying its participation in the Project.

## Notice

This document (hereinafter “the Document”) issued by Fellow Funders has been prepared on the basis of information (hereinafter “the Information”) supplied to it by the Promoter, without the truthfulness and completeness of the Information having been verified by Fellow Funders (without prejudice to the guarantees granted by the Promoter), and therefore Fellow Funders cannot assume, nor does it assume, any type of responsibility with respect to the content of the Document, nor of the Information, nor of the Project. Likewise, any analysis of the future is based on business expectations which, by their nature, are always uncertain. In this sense, from Fellow Funders we insist on the need for every Investor to study and understand the risks involved in this type of investments, as stated in [www.fellowfunders.es](http://www.fellowfunders.es)



