

Delta Drone looks ahead to after the health crisis and secures financing for its growth

Signature of an agreement for ORNAN bonds with warrants representing €10M with Yorkville Advisors, subject to approval by an extraordinary general shareholders' meeting to be held on 24 April 2020

Dardilly, 8 April 2020

PREAMBLE: RISKS IN CONNECTION WITH THE BOND ISSUE AND IMPACT OF THE TRANSACTION IN TERMS OF MANAGING LIQUIDITY AND TIMING RISKS

In view of a cash position of €2.5M at the end of March 2020, setting up new financing via tranche warrants that, upon exercise, will result in the issuance of ORNAN with warrants, would make it possible to have a minimum cash position of €12.5M, which would cover the Company's financing needs for several years.

This analysis takes into account both the current situation and the implementation of the 2020-2021 plan in the event that the Company were unable to generate income from payments due, subject to the terms of the agreement (see below).

CONTEXT FOR THE TRANSACTION

The crisis-recovery period may be one of uncertainty and upheaval...

The current worldwide health crisis is the focus of everyone's attention. However, we must also consider the future, i.e., the world post-crisis. The global economic downturn will likely have a deep and lasting impact, leaving scars affecting many aspects of how the world operates and is organized, such as the economy, finance, labor and urban planning.

At an **economic level**, the closing of many companies for several weeks will likely cause severe financial hardship, even bankruptcies, which could result, on a **labor level**, in job cuts affecting people already traumatized by protracted isolation and forced, continuous family proximity in ill-suited environments, particularly in densely populated urban areas. For those in a more stable situation, there may be a profound questioning of their way of life, a hard look at **planning** codes, to the detriment of urban habitats and in favor of areas further afield but with more space.

In any event, from a microeconomic and **financial** standpoint, regardless of their activity, companies with available cash will be the ones best equipped to face these difficult times.

...but will also create major opportunities for the drone sector

However, during this tragic global event, examples of drone use are multiplying in several countries, currently for basic observation or public warnings. These are undoubtedly just the start of what will be the large-scale use of drone solutions during inevitable similar crises in the future, in particular by contributing in various ways to the management of specific situations such as **monitoring and regulating the flow of people** in essential supply locations, **reinforcing security at sites** that have been left empty by their usual residents, **transporting packages and objects** to help alleviate the effects of distance and isolation, etc.

Delta Drone currently has a range of solutions that are suitable for such future uses and its international position is unique for the sector. In this context, the Group intends to play a major role soon and quickly become one of the leading companies in the field of civilian drones.

The key factor: the ability to finance not only internal disorder caused by the crisis but also future development

It is in this very specific context that the agreement for €10M in ORNAN was entered into with the US company Yorkville Advisors on 7 April 2020. This agreement, subject to approval by the next General Meeting of granting authority to the Board of Directors for its implementation, will provide Delta Drone with the peace of mind needed for the proper implementation of the 2020-2021 plan, the overall cost of which, prior to the health crisis, had been estimated at approximately €3M. The transaction therefore presents itself as a significant and likely decisive safety net for navigating the still-unknown effects of the current health crisis.

Also, the addition of a reference shareholder, Ott Ventures, stabilizes and strengthens the implementation of the Group's growth strategy. While providing new opportunities for commercial development, particularly in Europe, this new shareholder protects Delta Drone from any possible destabilization that might have occurred due to the previously widely dispersed shareholders.

In view of the various difficulties in connection with the isolation period required due to the health crisis, as well as the many operations underway, the annual accounts for the financial year closed on 31 December 2019 will be published on 29 April 2020, after market close.

LEGAL FRAMEWORK FOR THE ISSUING OF ORNAN BONDS WITH BSA

Pursuant to a decision dated 7 April 2020, the Company's Board of Directors approved, on principle, the issuance of tranche warrants (the "**Tranche Warrants**") the exercise of which causes the issuance of bonds redeemable in cash and/or new shares (the "**ORNAN**") with warrants to subscribe shares (the "**BSA**") in favor of the YA II PN, LTD investment fund, subject to approval by the General Meeting held to vote on granting the Board of Directors authority to carry out such issuance.

MAIN CHARACTERISTICS OF THE TRANCHE WARRANTS, ORNAN AND BSA

The main characteristics of the Tranche Warrants, ORNAN and BSA (the terms and conditions of which are available in detail on the Company's website, under the Investors tab) are as follows:

Main characteristics of the Tranche Warrants

The Tranche Warrants require their bearer, at the Company's request and subject to satisfying certain conditions¹

¹ The following conditions must be met on the day the Request is sent and on the day the Tranche Warrants are exercised:

- there must have been no material adverse change;
- the closing price and the daily average volume-weighted price over the five preceding trading days is greater than or equal to 0.01 euro (subject to adjustment due to a reverse stock split or stock split);
- the daily average value of the shares traded during the ten trading days prior to the financing of the tranche in question is greater than or equal to 40 000 euros;
- the par value of the shares falls to 0.001 euro (subject to adjustment due to a reverse stock split or stock split);
- no event of default or event that could constitute a case of default is occurring and has not been resolved;
- the Company's shares have not been suspended from being listed on the stock market (other than an intraday suspension brought about by Euronext) at any time during the preceding 90 days;
- the Company has a number of authorized and available shares equal to at least (i) twice the number of shares to be issued upon conversion of the ORNAN to be issued, plus, as the case may be, the number of shares to be issued upon conversion of the ORNAN

(a “**Request**”), to subscribe for ORNAN with attached BSA, i.e., one ORNAN for each Tranche Warrant exercised, at a subscription price set at 98% of the par value of an ORNAN. Each exercise date of a Tranche Warrant is a “**Tranche Warrant Exercise Date.**”

The Tranche Warrants shall become null and void 36 months following their issue date, or following the date on which Company shares are no longer traded on the Euronext Growth market or any other organized or regulated market.

The Tranche Warrants are freely transferable to any other fund managed by Yorkville Advisors but cannot be transferred to a third party without the Company’s prior approval. They shall not be the subject of a request for admission to trading on a financial market and therefore shall not be listed.

Main characteristics of the ORNAN

The ORNAN shall be issued in 10 Tranches of 100 ORNAN each. The total nominal amount of each Tranche shall therefore be equal to €1M, it being specified that the amount of each Tranche may be increased or decreased by mutual agreement between Yorkville Advisors and the Company.

The ORNAN have a par value of 10 000 euros each and are subscribed at 98% of par.

The ORNAN have a maturity of 12 months from their date of issuance. Upon expiration or in case of an event of default², the ORNAN that have not been converted shall be redeemed by the Company at par (plus accrued interest, if any). The ORNAN do not bear interest (except in the event of default).

At its discretion, the Investor may convert all or any of the ORNAN into new shares (a “**Conversion**”). Upon a Conversion, the Company shall have the right, at its sole discretion, to issue to the Investor: (1) the corresponding number of new shares (as described below), (2) a cash amount (as described below) or (3) a cash amount and new shares. Upon a Conversion, the Investor shall determine the number of ORNAN to be converted and the total amount of the principal and interest (if any) so converted (the “**Conversion Amount**”).

If the Company chooses to remit new shares to be issued, the number of shares to be remitted to the Investor on the Conversion date shall be equal to:

$$N = V_n / P$$

“N”: Number of new shares to be issued;

“V_n”: the Conversion Amount corresponding to the bond claim represented by the ORNAN (par value of one ORNAN, plus accrued interest, if any)

“P”: conversion price (the “**Conversion Price**”) corresponding to 93% of the Market Price (as defined below). The Conversion Price shall be determined (i) to two decimal points and rounded off to the nearest hundredth of a cent if the Conversion Price is greater than or equal to 0.10 euro, (ii) to three decimal points and rounded off to the nearest thousandth of a cent if the Conversion Price is between 0.01 euro and 0.10 euro, and (iii) to four decimal points and rounded off to the nearest ten-thousandth of a cent if the Conversion Price is less than 0.01 euro.

If the Company chooses to remit a cash amount, such amount shall be equal to:

still in circulation (based on the conversion price applicable on the date of the Request) and (ii) the number of shares to be issued upon exercise of the BSA to be issued, plus, as the case may be, the number of shares to be issued upon exercise of the BSA still in circulation.

² Events of default include, in particular, without this list being exhaustive, (i) the failure to reimburse ORNAN upon maturity, (ii) the failure to issue Tranche Warrants, ORNAN and BSA, (iii) the failure to abide by the provisions of the issuance agreement, (iv) the failure to abide by the covenants, (v) it is impossible to convert ORNAN into new shares to be issued, (vi) removal from the stock market or suspension of the listing of the Company’s shares (other than an intraday suspension brought about by Euronext), (vii) a change in control, (viii) the failure to deliver shares upon Conversion of ORNAN and/or exercise of BSA.

$$M = (V_n / P) * C$$

“M”: cash amount payable to the ORNAN bearer;

“V_n”: bond claim that the ORNAN represents (par value of an ORNAN, plus accrued interest, if any);

“P”: 93% of the Market Price;

“C”: daily volume-weighted average price of the Company’s share on the Conversion Date;

The Market Price (“**Market Price**”) shall be the lowest daily volume-weighted average price of the Company’s share over the ten (10) consecutive trading days immediately preceding the applicable date (the “**Pricing Period**”). It is specified that when the Conversion Price or Strike Price are determined on the Reset Date, the Pricing Period does not include the days on which the Investor sold Company shares on the market.

The ORNAN are freely transferable to any other fund managed by Yorkville Advisors but cannot be transferred to a third party without the Company’s prior approval. They shall not be the subject of a request for admission to trading on a financial market and therefore shall not be listed.

Main characteristics of the BSA

Each of the ten Tranches of ORNAN shall be issued with a number of BSA equal to 75% of the par value of the ORNAN from the Tranche in question, divided by the Strike Price for the BSA (the “**Strike Price**”). The BSA shall immediately be detached from the ORNAN, and each BSA shall give its bearer the right to subscribe for one (1) new share in the Company, subject to possible adjustments.

The Strike Price of the BSA attached to the ORNAN of each Tranche shall be equal to 110% of the Market Price on the date of the Request in question. The Strike Price of the BSA in question shall be determined (i) to two decimal points and rounded off to the nearest hundredth of a cent if the Conversion Price is greater than or equal to 0.10 euro, (ii) to three decimal points and rounded off to the nearest thousandth of a cent if the Conversion Price is between 0.01 euro and 0.10 euro, and (iii) to four decimal points and rounded off to the nearest ten-thousandth of a cent if the Conversion Price is less than 0.01 euro.

On the anniversary date set for the 12th month following the respective issuance dates of the BSA (“**Reset Date**”), the BSA Strike Price shall be adjusted and shall be equal to the lowest of either (i) 110% of the Market Price on the trading day immediately preceding the Reset Date and (ii) the actual Strike Price before the Reset Date.

The BSA shall be exercisable in new shares for a period of 4 years from their respective issuance dates.

The BSA are freely transferable to any other fund managed by Yorkville Advisors but cannot be transferred to a third party without the Company’s prior approval. They shall not be the subject of a request for admission to trading on a financial market and therefore shall not be listed.

New shares resulting from the Conversion of ORNAN or the exercise of BSA

The new shares issued upon Conversion of the ORNAN and/or exercise of BSA shall be admitted to trading on Euronext Growth as from their issuance, will carry immediate and current dividend rights and will be fully assimilated to and fungible with the existing shares.

The Company shall update a summary table on its website showing the Tranche Warrants, ORNAN, BSA and number of shares outstanding.

MAIN RISKS CONCERNING THE COMPANY

Shareholders are welcome to acquaint themselves with the main risk factors set forth in the Management Report available on the Company's website under the heading "Investors," in the "Shareholders" section, as well as the risk factors set forth in this press release.

RISKS IN CONNECTION WITH THE COVID-19 HEALTH CRISIS

It is still too early to assess accurately the impact of the COVID-19 health crisis. Nevertheless, the suspension of various assignments could affect the activity level of the first quarter and even the first six months of the current financial year, although it is not possible to evaluate the financial consequences at this time as it is still impossible to predict how long the health crisis will last.

Nevertheless, as for the Delta Drone Group's internal organization, measures were taken pursuant to the implementation of strict internal procedures several months ago. Indeed, a Continued Activity Plan, a Group IT charter and a monitoring unit in case of a crisis, organized by the Group's Security Manager, made it possible to adopt suitable measures very early on to cope as well as prepare.

Simultaneously, the Group has taken care to not systematically or completely defer most of its financial commitments (suppliers, service providers, agencies and administrations), so as to avoid, at the end of the crisis, a glut of accumulated expenses to be paid. To not compromise the Group's future and to guarantee its financial capacity, measures were also implemented so as to have the necessary financial resources to ensure continued operations.

Finally, it should be noted that, in almost all the countries in which the Group has subsidiaries, strict stay-at-home measures have been ordered by the authorities. The main internal measures are to have employees work from home, coupled with taking some paid vacation. To much a lesser extent, partial unemployment has been applied in the cases where no work can be done due to the nature of the jobs in question (this concerns about thirty people within the entire Group worldwide). Some sick leave has also been recorded, generally falling under child-care.

THEORETICAL IMPACT OF THE ISSUANCE OF THE ORNAN WITH BSA ATTACHED (BASED ON THE MARKET PRICE OF THE COMPANY'S SHARE ON 6 APRIL 2020, I.E., 0.0366 EURO)

For reference, assuming the Company decides to remit only new shares upon Conversion of the ORNAN, the impact of the issuance of the ORNAN with BSA attached would be as follows:

- Impact of the issuance on the consolidated net assets per share (based on the shareholders' equity as at 30 June 2019, i.e., €14.9M and the number of shares making up the Company's share capital as at 7 April 2020, i.e., 400 283 427 shares)

	Consolidated net assets per share (non-diluted basis)	Consolidated net assets per share (fully diluted basis) (a)
Before issuance	€0.0544	€0.0614
After issuance of 294 117 647 new shares upon conversion of 1000 ORNAN	€0.0445	€0.0503
After issuance of 294 117 647 new shares upon conversion of 1000 ORNAN and issuance of 187 500 000 new shares resulting from the exercise of 187 500 000 BSA	€0.0435	€0.0484

(a) assuming the exercise/conversion of all the dilutive instruments existing to date that could result in the creation of a theoretical maximum of 117 256 736 new shares.

- Impact of the issuance on the situation of a shareholder owning 1% of the Company's capital, based on the number of shares making up the Company's share capital as at 7 April 2020, i.e., 400 283 427 shares)

	Shareholder investment (%) – non-diluted basis	Shareholder investment (%) – fully diluted basis (a)
Before issuance	1.00%	0.77%
After issuance of 294 117 647 new shares upon conversion of 1000 ORNAN	0.58%	0.49%
After issuance of 294 117 647 new shares upon conversion of 1000 ORNAN and issuance of 187 500 000 new shares resulting from the exercise of 187 500 000 BSA	0.45%	0.40%

(a) assuming the exercise/conversion of all the dilutive instruments existing to date that could result in the creation of a theoretical maximum of 117 256 736 new shares.

The Company specifies that, upon a Conversion of the ORNAN, it shall have the right to remit a cash amount instead of new shares in order to limit dilution for its shareholders.

NOTICE

This transaction does not require or include a prospectus approved by the AMF (French Financial Markets Authority).

About Delta Drone: *The Delta Drone Group is a recognized international player in the field of civilian drones for professional use. It develops a range of professional solutions based on drone technology as well as all related services, thus providing a full value chain.*

Delta Drone is listed on Euronext Growth Paris – ISIN code: FR0011522168

Also listed on Euronext Growth: 33 443 695 BSA Y – ISIN code: FR0013400991

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