

Support for the 2020-2021 plan and growth financing in connection with launch of security and inventory business solutions

PUTTING IN PLACE NEW FINANCING VIA ORNAN BONDS REPRESENTING A TOTAL PAR VALUE OF 3 MILLION EUROS, WITH ATTACHED WARRANTS

Dardilly, 3 December 2019

CONTEXT FOR THE TRANSACTION

Positive development of Delta Drone's economic and financial situation, and prospects tied to strategic plans

On 23 November 2017, Delta Drone announced the 2018-2019 plan and, on 10 June 2019, announced the 2020-2021 plan.

The Group achieved success with the first plan:

- Revenue multiplied by 15;
- Big decrease in operating expenses;
- Set up necessary financing.

The success of the first plan created a solid base for the second plan, which has the following objectives:

- Revenue of €30M;
- Positive operating margin of 10%;
- 30% of revenue generated by activities outside France.

In parallel, in October 2019, Delta Drone finished performing the OCABSA contracts while, earlier in the year, carrying out two transactions to limit the dilution "suffered" by the shareholders:

- In February 2019, allocation of free stock warrants (BSA) to all shareholders ("BSA J"), with an early-exercise period during which additional BSA were granted ("BSA γ"), and both of types of BSA were listed on Euronext Growth in order to promote liquidity.
- In June 2019, Delta Drone bought back and cancelled 32 841 602 BSA that had resulted from the OCABSA contracts, thus helping to limit potential dilution.

General stock-market conditions did not allow the stock price to increase, thus leading the Group to turn to the OCEANE convertible-bonds mechanism to strengthen its financing (cf. press release dated 28 June 2019).

Growth financing in connection with the launch of two business solutions

The two security and inventory business solutions have now been finalized, patented and are in the process of being launched on the market. They provide the Group with two top-tier industrial assets that will contribute to the Group's overall value.

Nevertheless, starting the production phase requires short-term expenses (building an industrial site, acquiring initial supplies) that must be financed. The operating cycle for these two solutions is rather long, especially considering the time it takes to obtain approvals and certification in all the countries in which the Group decides to sell the solutions.

Now, by putting into place new financing via ORNAN bonds with attached BSA, Delta Drone is giving itself the means to continue clarifying its shareholder situation while protecting its financing capacity.

It should be noted that, unlike with the OCEANE convertible bonds, the ORNAN bonds makes it possible for Delta Drone to pay for the conversions in cash, depending on its financial situation.

In practical terms, these transactions put possible changes in dilution back in the hands of the Company's shareholders while securing financing for growth.

As a reminder, on the date hereof:

- there are 53 220 417 BSA _J in circulation that maybe exercised until 18 February 2020 at a price of €0.093 (3 BSA _J for 1 share), representing a possible total capital increase of €1.65M; and
- there are 33 447 177 BSA _γ in circulation that may be exercised until 1 February 2023 at a price of €0.136 (1 BSA _γ for 1 share), representing a possible total capital increase of €4.5M.

LEGAL FRAMEWORK FOR THE ISSUING OF ORNAN BONDS WITH BSA

In accordance with the power granting authority to the Board of Directors, approved by the Extraordinary General Shareholders' meeting held by Delta Drone (the "**Company**") on 18 November 2019, pursuant to its sixth resolution, on 29 November 2019, the Board of Directors:

- approved, on principle, the issuance of 300 tranche warrants (the "**Tranche Warrants**") the exercise of which causes the issuance of 300 bonds redeemable in cash and/or new shares (the "**ORNAN**") with warrants to subscribe shares (the "**BSA**") representing a bond issue with a maximum par value of €3M in favor of the YA II PN, Ltd. investment fund (the "**Investor**"), a fund managed by the US management company Yorkville Advisors; and
- empowered the Chairman and CEO to decide to launch this transaction, approve its final terms and conditions and issue the Tranche Warrants.

Pursuant to the sub-delegation of authority granted him by the Board of Directors on 29 November 2019, the CEO decided, today, to launch this transaction, approve its final terms and conditions and issue the Tranche Warrants.

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 (a "**Request**"), to subscribe for ORNAN with attached BSA, i.e., one ORNAN per Tranche Warrant exercised, at a subscription price set at 99% of the par value of an ORNAN. Each exercise date of a Tranche Warrant is a "**Tranche Warrant Exercise Date.**"

The Tranche Warrants shall be exercised in two tranches, it being specified that the first tranche was exercised on the date hereof and that the Request for the second tranche may be addressed to the Investor at the earliest (i) on the 10th calendar day following the conversion or reimbursement in full of the first-tranche ORNAN or (ii) upon expiration of a two-month period starting on the Tranche Warrant issue date (i.e., 2 February 2020).

The Tranche Warrants shall become null and void six (6) 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 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 two Tranches. The total nominal amount of the first Tranche is equal to €2M. The total nominal amount of the second Tranche shall be equal to €1M.

The ORNAN have a par value of 10 000 euros each and are subscribed at 99% of par.

The ORNAN have a maturity of 12 months from their date of issuance. Upon expiration or in case of an event of default,² 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 un (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**").

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 0.03 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 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 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), (vi) a change in control, (vii) the failure to deliver shares upon Conversion of ORNAN and/or exercise of BSA.

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, and (ii) to three decimal points and rounded off to the nearest thousandth of a cent if the Conversion Price is less than 0.10 euro.

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

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

“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 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 two Tranches of ORNAN shall be issued with a number of BSA equal to half 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 Strike Price is greater than or equal to 0.10 euro, and (ii) to three decimal points and rounded off to the nearest thousandth of a cent if the Strike Price is less than 0.10 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 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.

The issuance of the first Tranche of ORNAN today resulted in the issuance of 16 949 152 BSA.

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.

REPURCHASE OF 120 780 OCEANE CONVERTIBLE BONDS HELD BY THE YA II PN, LTD. FUND

During a meeting held 29 November 2019, the Board of Directors authorized the repurchase by D-DRONE INVEST France, a subsidiary that is wholly owned by the Company, of 120 780 OCEANE held by the YA II PN, Ltd. fund, and issued under the financing program implemented on 27 June 2019, for 930 006 euros.

RISKS IN CONNECTION WITH THE ISSUANCE AND EFFECTS OF THE TRANSACTION ON MANAGING RISK WITH RESPECT TO LIQUIDITY AND FINANCING PROSPECTS

With a cash position of 1 million euros on today's date, setting up this new financing via the issuance of Tranche Warrants that give rise, upon exercise, to the issuance of ORNAN with BSA allows our cash position to increase to 2.9 million euros, which represents over 6 months' coverage of our financing needs based on the current situation and the implementation of the 2018/2019 plan, if the Company were unable to collect on invoices due.

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.

THEORETICAL IMPACT OF THE ISSUANCE OF THE ORNAN WITH BSA ATTACHED (BASED ON THE MARKET PRICE OF THE COMPANY'S SHARE ON 2 DECEMBER 2019, I.E., 0.0540 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 2 December 2019, i.e., 193 999 243 shares)

	Consolidated net assets per share			
	Non-diluted basis		Diluted basis ^(a)	
	1 st Tranche	Total Tranches	1 st Tranche	Total Tranches
Before issuance	€0.1001		€0.0986	
After issuance of a maximum of 39 824 771 (1 st Tranche) or of 41 816 009 (total Tranches) new shares resulting from the Conversion of the ORNAN into new shares	€0.0910	€0.0944	€0.0929	€0.0951
After the issuance of a maximum of 56 773 923 (1 st Tranche) or of 67 239 737 (total Tranches) new shares resulting from the Conversion of the ORNAN into new shares and the exercise of the BSA	€0.0888	€0.0910	€0.0914	€0.0927

^(a) assuming the exercise/conversion of all the dilutive instruments existing to date that could result in the creation of a maximum of 129 390 741 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 2 December 2019, i.e., 193 999 243 shares)

	Shareholder investment (%)			
	Non-diluted basis		Diluted basis ^(a)	
	1 st Tranche	Total Tranches	1 st Tranche	Total Tranches
Before issuance	1.00%		1.00%	
After issuance of a maximum of 39 824 771 (1 st Tranche) or of 41 816 009 (total Tranches) new shares resulting from the Conversion of the ORNAN into new shares	0.83%	0.82%	0.80%	0.79%
After the issuance of a maximum of 56 773 923 (1 st Tranche) or of 67 239 737 (total Tranches) new shares resulting from the Conversion of the ORNAN into new shares and the exercise of the BSA	0.77%	0.74%	0.76%	0.74%

^(a) assuming the exercise/conversion of all the dilutive instruments existing to date that could result in the creation of a maximum of 129 390 741 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.

About Delta Drone: The Delta Drone Group is a renowned international player in the field of civilian drones for professional use. It offers a complete service, from data acquisition to data processing through a specifically developed information system, including a supply of professional pilots.



Delta Drone is listed on Euronext Growth Paris – ISIN code: FR0011522168
www.deltadrone.com

Also listed on Euronext Growth:

- 53 220 417 BSA γ – ISIN code: FR0013400983
 - 33 447 177 BSA γ – ISIN code: FR0013400991
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