

**Accounts for the first half of 2018 reflect significant improvement,
in line with the goals set in the 2018-2019 plan
Resulting launch of the final phase of the OCABSA agreement,
which could include all shareholders**

- Revenue for HY1 2018 was up 164.4% (+220.1% including Pixiel's revenue)
- Annual cost reductions have reached €2.2M
- Net Working Capital was at €5M (€2.1M on 31/12/17)
- Extraordinary General shareholders' meeting to be called to approve the allocation of free stock warrants (BSA) to all shareholders

Dardilly, 16 October 2018

In €K	FY 2017	HY1 2017	HY1 2018
Revenue (*)	5 748	1 608	4 252
Other income (*)	2 123	1 261	240
Operating expenses (other than amortization and personnel expenses) (*)	8 012	3 742	3 437
Personnel expenses	7 275	3 260	4 691
EBITDA (*)	(7 416)	(4 133)	(3 636)
<i>Restatement of non-recurring expenses related to the implementation of the 2018-2019 plan</i>	0	0	1 105
<i>EBITA adjusted for such non-recurring expenses</i>	(7 416)	(4 133)	(2 531)
Amortization expenses (*)	1 828	626	1 066
Operating income (*)	(9 244)	(4 759)	(4 702)
Goodwill amortization (*)	1 148	550	611
Consolidated net income (*)	(10 427)	(5 494)	(6 131)
Equity and quasi equity (*)	95 746	9 282	12 292
Net cash (*)	2 085	2 273	4 453

(*) Figures as they appear in the audited consolidated accounts, without adjustment for the non-recurring expenses related to the implementation of the 2018-2019 plan

Reminder of the three goals of the 2018-2019 plan announced 23 November 2017:

- 1 - Steady growth in revenue
- 2 - Lower the Group's operational expenses
- 3 - Determine exact additional financing needed

1 – Steady growth in revenue

Consolidated revenue for the first half of 2018 amounted to €4 252 K, up 164.4% compared with the same period in 2017. After taking into account the contribution of Pixiel's HY1 2018 revenue (consolidated as from the beginning of July), it amounted to €5 148K.

The pace of development is therefore in line with targets, particularly as it has been sustained: on 30 September 2018, consolidated revenue reached €7.5M.

The breakdown of revenue as at 10 June (including Pixiel) was as follows: Mines (15.1%), Quarries (5.1%), Snow (3.1%), Hydrology (1.5%), Industry (28.5%), Security (24.4%), Events (16.7%), Training (4.4%), Agriculture (1.2%). Within this overall context, special attention should be brought to the mines activity which is led by the Rocketmine subsidiary: its revenue was of €783K, i.e., almost as much as for all of 2017. This service activity, based on the ongoing presence of operators on site in order to perform daily data-acquisition assignments, is progressively being deployed in several countries: South Africa, Namibia, Ghana, Côte d'Ivoire and Mexico.

The sector of civilian drones for professional use seems to finally be past its “prehistoric” times, with the days of the first pioneers being numbered, often due to a lack of financial resources (Xamen Technologies in France), and sometimes due to not having a clear strategic vision (Airware in the United States).

In any event, there is a reason in common: having favored aerial technology over an actual study of the end-clients’ business needs. In addition, there is probably also some giving up (forced? calculated?) due to the continuing confusion between drones for recreation and drones for professional use, which pushed the whole industry toward low-cost solutions, giving it a negative image and opening the way for Chinese manufacturers that now totally dominate the market and mass-produce multi-use drones.

Also, and this is classic in a fledgling industry that is highly technological and “fantastic,” very few players really took into account the very basic requirements for the large-scale use of autonomous systems operating right next to and above our surroundings, i.e., the primary concern of the safety and security of people and property, thus presenting a strict need for monitoring and traceability procedures.

Finally, every business model is confronted with the need, in order to implement a drone system, for a human presence, i.e., that of professional trained remote pilots, the cost of which represents a significant portion of the cost price of an assignment. Moreover, the continuing education of these pilots represents yet another issue: human dexterity relies in good part on ongoing practice, and the lack of assignments requires ongoing and frequent refresher courses, on the model of that required in traditional aviation.

The three pillars of a winning development strategy are therefore as follows: provide business solutions, a chain of value based on the monitoring and safety of people and property, and the ability to train professional operators with an eye toward their employability.

Delta Drone has adopted and strictly follows this roadmap:

- The offer of business solutions is built upon a line of systems specifically adapted to the needs of the clients in question, benefitting from expertise with real added value, distinguishing them from the competition, and integrating systems that combine the system’s relevance and the business specialists’ know-how:
 - o ORION for security: developed by Elistair, in which the Group owns 13% of the capital;
 - o NEOPTER for events: developed by Pixiel, in which the Group is now the biggest shareholder alongside the founders;
 - o NEOSAFE for security: developed by Pixiel, in which the Group is now the biggest shareholder alongside the founders;
 - o GEODRONES for warehouse inventory: developed by Delta Drone in partnership with Geodis;
 - o AGROFLY for crop-spraying by drones;
 - o DONECLE for aviation inspections: developed by Donecle, in which the Group owns approximately 17% of the capital.
- The value chain is based, on the one hand, on the expertise of a team that is built early on and made up of former *gendarmes*, police officers and soldiers who are well-versed in the most rigorous security procedures and, on the other hand, on the development of an IT platform (Delta Drone Cloud Information System – DDCIS) making it possible to manage an entire mission in all respects. Originally together within one subsidiary (DSL – Drone Safety & Legal), the team is now a department of Delta Drone, available to all Group companies.
- By creating the Ecole Française du Drone – EFD in 2012, then taking over Technidrone and the Ecole des Métiers du Drone - EMD (subsidiary of Pixiel) successively, Delta Drone established a “remote-pilot training” business that is by far the leader in France with a combined revenue of almost €1M in 2017.

Nevertheless, training that is limited to teaching how to fly drones is not enough and does not lead to permanent professional employment. It must be a part of a larger curriculum that includes training for a profession (security agent, agricultural technician, topographer, etc.) for which drones represent an additional tool. It is for this reason that the Group recently announced, in partnership with Mare Nostrum, the creation of a training campus focused on “dronable” professions (cf. press release dated 8 October 2018).

2 – Lower the Group’s operational expenses

One cannot hope to achieve big results in a new industry without first going through a very delicate stage of shortfalls. As a reminder, some US companies that are today among the most valued in the world took almost 10 years before starting to turn a profit. The sector of civilian drones for professional use is no exception to this fundamental economic rule, and this is especially true when a strategic choice has been made to be a service provider rather than a hardware manufacturer or distributor. Obviously, a manufacturer and, by extension, a distributor benefits from an immediate volume effect thanks to at least a few clients’ appetite for new technologies, whereas a service provider is penalized by a lack of business solutions and the difficulty of changing existing work methods and habits.

However, and this was proven over the last 20 years of the 20th century in the IT sector, in the end, it is indeed the service providers (solutions integrators and software publishers) that come out on top, and not the manufacturers and distributors that are crushed by the worldwide competition that does not play by the same rules.

In any case, it is the progressive building of revenue that is the first step on the way to a profitable activity, even if the development of said activity requires new expenditures.

It is with this in mind that the Delta Drone Group committed itself to the 2018-2019 plan, with its first goal being to lower its annual costs by €1.5-2M in 2018.

After seven months of implementing the plan, the goal has been exceeded: annual costs have already been lowered by €2.2M and the EBITDA (gross operating profit), adjusted to reflect the non-recurring costs related to the 2018-2019 plan, improved significantly by €1.5M for the first half of the year.

The savings realized or underway (€2.2M) are essentially the result of closing several sites and concern the personnel expenses (€1.5M), rental costs and related expenses (€168K), travel expenses (€206K), fees and miscellaneous expenses (€375K).

3 – Determine exact additional financing needed

The issuing, during the first half of the year, of 720 OCA (bonds convertible into shares) pursuant to the OCABSA agreement entered into with the Yorkville Advisors investment fund was part of the strategic plan to bolster the Group’s financial strength while sustaining its current rapid development. This also facilitated the financing of the 2018-2019 plan (in particular, costs in connection with employee layoffs).

Thanks to these new resources, the balance sheet was much improved: Net Working Capital (permanent capital – fixed assets) was at €5M (compared with €2.1M on 31 December 2017) and Cash amounted to €4.5M (compared with €2M on 31 December 2017).

For the first six months of the 2018 financial year, the financing requirement was of €6.3 M (€13.2M in 2017), broken down as follows:

- Investments: €1.2M (€4M in 2017)
- Repayment of financial debt: €0.3M (€0.8M in 2017)
- Working Capital Requirement (WCR): €0.7M (€0.8M in 2017)
- Financing of overheads: €3M (€7.6M in 2017)
- Costs relating to the 2018-2019 plan: €1.1M

Goal confirmed for the 2018 financial year

In view of the revenue generated as at 30 September, the Group is in a position to confirm its goal of annual revenue exceeding €10M.

Furthermore, the effect of the reduced costs resulting from the 2018-2019 plan will be more visible in the accounts for the second half of the year. This development should contribute to the continued improvement of the Group's performance.

Extraordinary General Shareholders' Meeting to be called

Pursuant to the positive changes in the Groupe Delta Drone Group's overall situation, growth prospects and the successful implementation of the 2018-2019 plan, the Board of Directors has decided to initiate the final phase of the OCABSA III agreement, i.e., the third and final such agreement still in effect.

At such time, the Board wishes to offer shareholders a free allocation of stock warrants that will be reserved entirely for the company's shareholders. Through this offer, all shareholders will be able to strengthen their position in the company's capital and thus participate in its continued development.

The specific terms and conditions of this plan to issue stock warrants will be set forth in the notice of an Extraordinary General Shareholders' Meeting that will be published in the *BALO* (French Bulletin of Mandatory Legal Announcements) and on the website (www.deltadrone.com) in the next few days.

It is important that as many shareholders as possible attend this Extraordinary General Shareholders' Meeting as this meeting represents a milestone in the strategy for building an international group that is a leader in its fields of expertise.

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

4 166 666 BSA are also listed on Euronext Growth Paris. ISIN code: FR001329977

www.deltadrone.com

Contacts:



Jérôme Gacoin

+33 1 75 77 54 65

jgacoin@aelium.fr