



deltadrone
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CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30TH, 2020



Ce document est une traduction de la version en Français des comptes, qui seule fait foi.

This document is a translation of the French version of the accounts, which alone is authentic.



WARNING

The consolidated financial statements attached displays the following characteristics:

Total Balance Sheet: 20 015 K€

Turnover: 6 885 K€

Net Income: (4 361) K€

Dardilly, September 30, 2020

1 – BALANCE SHEET

ASSETS

Net Values in K euros	Memo	June 30th, 2020 (6 month)	June 30th, 2019 (6 month)	December 31st, 2019 (12 month)
FIXED ASSETS				
Acquisition goodwill		9 902	7 753	9 902
Depreciation		(6 380)	(4 490)	(5 450)
Net		3 522	3 264	4 452
Unpaid called capital		2		2
Intangible assets	(1)	9 799	8 611	8 762
Depreciation & provisions	(1)	(6 710)	(6 346)	(6 354)
Net		3 089	2 265	2 408
Tangible assets	(2)	6 105	6 071	6 037
Depreciation & provisions	(2)	(4 703)	(3 962)	(4 453)
Net		1 402	2 109	1 584
Financial assets	(3)	2 727	3 076	3 242
Provisions	(3)	(89)	(130)	(89)
Net		2 638	2 946	3 153
Investments in equity affiliates	(3)	(123)	411	84
TOTAL NET FIXED ASSETS		10 530	10 995	11 683
CURRENT ASSETS				
Inventories and work in progress, net	(4)	596	359	625
Advance and prepayments		0	0	0
Trade receivables, advance payments made, less provisions	(5)	2 433	3 868	3 897
Other receivables	(6) (7)	3 141	2 569	2 834
Deferred Tax - Asset	(6) (7)	74	65	66
Adjustment account	(6) (7)	729	983	452
Investment security, less provisions	(8)	355	15	902
Availability & treasury instruments	(8)	2 157	3 713	1 141
TOTAL NET CURRENT ASSETS		9 485	11 573	9 916
Divested Businesses - Assets		0	0	0
TOTAL ASSETS		20 015	22 568	21 599

LIABILITIES

Net Values in Keuros	Memo	June 30th, 2020 (6 month)	June 30th, 2019 (6 month)	December 31st, 2019 (12 month)
SHAREHOLDERS EQUITY				
Capital	(9)	504	14 960	2 031
Bonuses		38 046	36 173	34 764
Legal reserve and other reserves		(25 355)	(38 512)	(19 395)
Canceling of the treasury stocks		(233)	(395)	(233)
Net Income		(4 361)	(4 879)	(9 539)
Regulated provisions			0	0
Investment grants			0	0
TOTAL EQUITY - GROUP PART		8 601	7 347	7 628
Minority Shareholdings		(1 705)	(2 150)	(1 616)
TOTAL SHAREHOLDERS EQUITY		6 896	5 197	6 012
Other equity	(10)	1 862	5 033	3 722
Provisions for liabilities and charges	(11)	582	1 489	637
<i>Including provisions on negative goodwill</i>		51	757	61
<i>Including provisions on integrated company risks</i>				
<i>Including provisions on deferred tax</i>				
<i>Including post-employment benefit plans</i>				
TOTAL OTHER EQUITY & PROVISIONS		2 444	6 522	4 359
DEBTS				
Bond issues				
Other loans & financial debts	(12)	1 803	2 627	1 754
Bank loans - Financial instruments - Liability	(12)	354	234	226
Trade payables and advances received	(13)	2 215	1 772	2 845
Other debts	(13)	6 010	5 918	6 339
Adjustement account	(13)	293	297	64
Divested activities - Liability		0	0	0
TOTAL DEBTS		10 675	10 849	11 228
TOTAL LIABILITIES		20 015	22 568	21 599

2 – PROFIT & LOSS STATEMENT

In Euros	Memo	June 30th, 2020 (6 month)	June 30th, 2019 (6 month)	December 31st, 2019 (12 month)
REVENUE				
Turnover	(15)	6 885	5 893	15 987
Other operating income	(16)	1 224	695	1 561
OPERATING EXPENSES				
Purchases and changes in inventories	(17)	3 456	3 501	8 051
Taxes, duties and other levies	(17)	231	129	397
Personnel expenses	(17)	6 373	5 512	13 985
Depreciation and provisions expenses	(18)	853	996	1 995
Other operating expenses	(19)	146	8	29
OPERATING RESULT		(2 950)	(3 558)	(6 909)
Income on shared operations				
Expenses on shared operations				
Financial products	(20)	45	619	540
Financial expenses	(20)	247	66	27
FINANCIAL RESULT		(202)	553	513
CURRENT RESULT (BEFORE TAX)		(3 152)	(3 005)	(6 396)
EXTRAORDINARY RESULT	(21)	(51)	(591)	(1 356)
Profit tax		76	107	200
Diferred tax			(7)	(6)
NET RESULT OF INTEGRATED COMPANIES		(3 279)	(3 697)	(7 947)
Portion of the company ME in results		(204)	(144)	(464)
Depreciation charges and aquisition goodwill	(18)	920	703	1 670
CONSOLIDATED NET RESULT		(4 403)	(4 544)	(10 081)
Minority shareholdings		(42)	336	(541)
NET RESULT	(23)	(4 361)	(4 879)	(9 539)

3 – CASH FLOW STATEMENT

In K euros	June 30th, 2020 (6 month)	June 30th, 2019 (6 month)	December 31st, 2019 (12 month)
Net result - GROUP part	(4 361)	(4 879)	(9 539)
Net Result - MINORITY part	(42)	335	(541)
Depreciation and provisions charges (net of reversals)	1 902	1 120	2 801
Deferred tax	76	100	194
Products and expenses with no impact on cash flow	13	(184)	1 080
Canceling of equity shares	204	144	464
CASH FLOW	(2 208)	(3 364)	(5 541)
Financial expenses variation			
Net operating variation	(765)	1 300	1 773
Net non-operating variation			
OPERATING WORKING CAPITAL REQUIREMENT VARIATION	(765)	1 300	1 773
Net cash flow from the activity	(2 973)	(2 064)	(3 768)
INVESTING ACTIVITIES			
Acquisition of intangible assets	(1 043)	(311)	(588)
Acquisition of tangible assets	(388)	(235)	(554)
Acquisition of financial assets	(431)	(387)	(1 795)
Disposal of fixed assets	551	706	676
Net treasury on subsidiaries acquisitions and disposals	(140)	(3 530)	(4 639)
Net cash flow from investments	(1 451)	(3 757)	(6 900)
FUNDING OPERATIONS			
Capital increase or contributions	5 763	5 467	9 629
Change in other equity	476	1 110	517
Financial debt	1 739		387
Financial debt relief	(3 213)	(359)	(1 306)
Acquisition / disposal of treasury shares		590	751
Net cash flow from financing operations	4 765	6 808	9 978
CASH FLOW VARIATION	341	987	(690)
Opening cash position	1 817	2 507	2 507
Closing cash position	2 158	3 494	1 817

4 – CHANGE IN EQUITY STATEMENT

Net values in Keuros	Capital	Bonuses	Consolidated reserves	Result for the period	Total "Group part"	Minority shareholding	Total Equity
Status as of December 31, 2018	8 817	37 407	(26 719)	(10 341)	8 174	293	8 467
Result appropriation			(10 341)	10 341	0		0
Capital increase	10 674	(2 643)			8 031	628	8 659
Capacity reduction	(17 460)		17 460		0	0	0
Change in Scope			762		762	(1 817)	(1 055)
Exchange differential			(37)		(37)	1	(36)
Result for the period				(9 539)	(9 539)	(541)	(10 080)
Activation of the previous deficits					0		0
Consolidation adjustment			(514)		(514)	(180)	(694)
Treasury stocks			751		751		751
Dividend distribution					0		0
Status as of December 31, 2019	2 031	34 764	(18 638)	(9 539)	7 628	(1 616)	6 012
Result appropriation			(9 539)	9 539	0		0
Capital increase	2 481	3 904			6 385		6 385
Capacity reduction	(4 008)	(622)	4 008		(622)		(622)
Change in Scope					0		0
Exchange differential			(429)		(429)	(6)	(435)
Result for the period				(4 361)	(4 361)	(42)	(4 403)
Activation of the previous deficits					0		0
Consolidation adjustment					0		0
Treasury stocks					0		0
Dividend distribution					0	(42)	(42)
Status as of June 30, 2020	504	38 046	(24 598)	(4 361)	8 601	(1 705)	6 896

5 – NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5-1 – HIGHLIGHTS OF THE PERIOD:

5-1-1 – Evolution of the Group's consolidation scope

The scope of consolidation, between the closing on December 31, 2019 and the half-year closing on June 30, 2020, has not changed.

It is strictly identical and as such, we draw the reader's attention to paragraph 5-3-2) of this document.

For information, when the press release was published on July 29, 2020, it was reminded that for comparability with the 2019 half-year accounts, the turnover achieved as at June 30, 2020 should be corrected for the effects of consolidation scope which took place during the first half of 2019, in particular the entry into the scope of ATM entities, on June 1, 2019. At the same time, it is also necessary to take into account the disposals carried out or being finalized at the end of the half of 2020.

Taking into account these various parameters, the "corrected" turnover for the 1st half of 2020 would come to 6,493 K €, down 25.8% compared to the 1st half of 2019.

5-1-2 – Significant events of the period

1) IMPACT OF THE HEALTH CRISIS RELATED TO COVID19

Both nationally and internationally, the end of the 1st quarter of 2020 was particularly marked by the consequences of the health crisis related to COVID19.

With regard to the DELTA DRONE Group, measures have been taken following the implementation, for several months, of strict internal procedures. Thus, a BCP (Business Continuation Plan), a Group IT charter and a crisis monitoring unit, organized by the Group Security Manager, made it possible to take measures adapted to the context and its development very early on.

Meanwhile, the Group's Governance has been careful not to systematically and massively postpone most of its financial commitments (suppliers, service providers, organizations and administrations), so as not to create, when the crisis is over, throttling linked to the accumulation of charges still to be paid. In order not to jeopardize the future of the Group and to guarantee its financial capacity, measures have also been implemented in order to have the financial resources necessary to ensure its operational continuity. As such, we draw the reader's attention to point 3) below.

Thus, the financial consequences related to the governance decision-making are:

a) Deferred payment of social contributions:

Given the difficulty of apprehending at the start of the health crisis the impact that it could have on the Group's cash level, it was decided to postpone the payment of URSSAF and pension contributions, to be paid under February and March 2020.

From April, the payment of the said contributions was resumed according to the normal deadlines.

To date, the staggered pension contributions have been almost entirely paid and the remaining balance will be paid at the end of September 2020. Regarding the URSSAF contributions, the Administration indicated that no later than next November, Settlement plans will be offered in order to clear the outstanding debt.

The amount of URSSAF contributions to be paid for the February and March 2020 delays amounts to € 199,000.

b) Obtaining the State Guaranteed Loan (PGE)

Aiming at optimizing the management of the Group's cash flow in the particular health context, a PGE request was made to the reference financial institution of DELTA DRONE. Thus, after examination of the file, a PGE was granted in the amount of € 133,000.

The Group's request has been calibrated so that it can be used if needed without compromising the Group's financing capacity when it is assessed at the end of the one-year period (i.e. June 2021).

c) Establishment of telecommuting and use of partial unemployment:

Finally, in addition to the national territory, in almost all of the countries in which the Group has subsidiaries, strict lockdown measures were taken by the authorities during the 2nd quarter of 2020. Thus, the main measures taken by the Governance consisted of systematic recourse to teleworking coupled with paid leave. Marginally, partial unemployment is used when no activity can be carried out due to the nature of the assignments (this concerns around thirty people within the Group's overall workforce). Some sick leaves were also recorded, mainly in the framework of the "childcare" mechanism.

2) IMPLEMENTATION OF THE 2020-2021 PLAN


The 2020 - 2021 plan, announced in June 2019, is based on three major axes which are, at the end of the plan, a turnover of 30 M €, a positive operating profitability of 10%, and 30% of the activity to be carried out outside France.

In line with the efforts made under the previous plan (the 2018 - 2019 plan), and given the opening of the new Dardilly site (delayed by a few weeks due to the health crisis), the Group only has, as of June 30, 2020, two main sites in France, Dardilly and Nantes, excluding the independent sites dedicated to the traditional private security activity, located in Grenoble, Valbonne and Cannes (for the record, the Group managed, excluding the private security, 11 sites in France at the start of 2018).

This rationalization process had the following consequences for the first half of 2020:

a) The closure of the Moirans site (38 – Isère)

Taking into account the integration of the Group into the new premises in Dardilly, providing approximately 1,000 m² of offices and 1,000 m² of warehouses / workshops, the

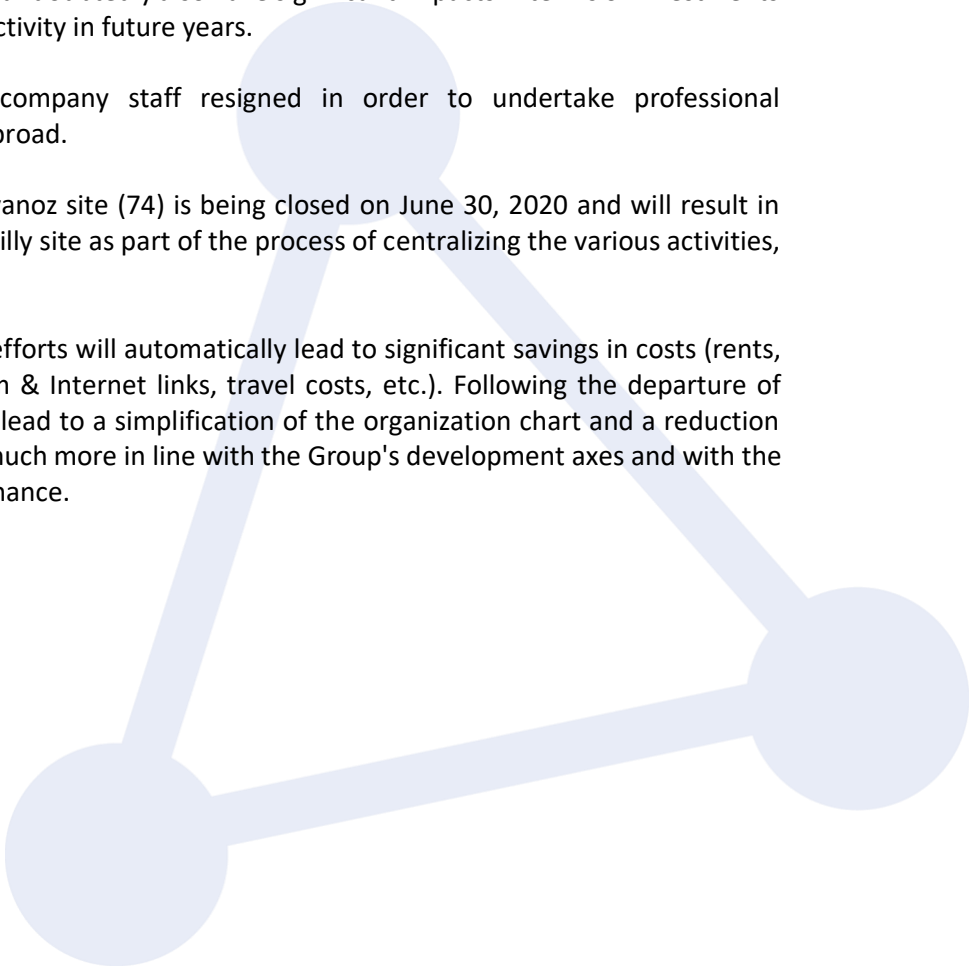


conservation of the Moirans site could no longer be justified. Although reclassification solutions in Dardilly were offered to site staff, none were successful. In addition to the social procedures put in place within this framework, a technician recruitment campaign was undertaken on the main French site of DELTA DRONE and gave rise to several hires, staggered from March to July.

- b) The finalization, with effect from July 1, 2020, of the sale of the HYDROGEOSPHERE entity. This operation, carried out during the second quarter of 2020, aimed to safeguard the employment of the personnel of this entity while allowing the Group to part with an activity that no longer has an objective relationship with its development axes, both in terms of market concerned and in terms of geographic area of establishment. The success of this sale also made it possible to offer the possibility of reclassification for Group personnel whose technical skills were more in line with the activity of the buyer of HYDROGEOSPHERE than with the organization of the Group around its two poles of activity, the "solutions" pole and the "services" pole.
- c) The implementation of a fundamental reflection on the MTSI company. Indeed, the occurrence of several events during the first half of 2020, led the Governance of the Group to organize a reorganization of this company:
 - i) In agreement with the LEICA GEOSYSTEMS Group, the snow measurement solutions distribution contract ended on March 31, 2020. This advance decision was not induced by the consequences of the Covid19 health crisis. However, significant repercussions weighed on the activity of winter sports resorts in 2020 and will undoubtedly also have significant impacts in terms of investments in this field of activity in future years.
 - ii) Some of the company staff resigned in order to undertake professional reorientation abroad.

Consequently, the Chavanoz site (74) is being closed on June 30, 2020 and will result in repatriation to the Dardilly site as part of the process of centralizing the various activities, undertaken since 2018.

All of these reorganization efforts will automatically lead to significant savings in costs (rents, management costs, telecom & Internet links, travel costs, etc.). Following the departure of some employees, they also lead to a simplification of the organization chart and a reduction in the payroll, while being much more in line with the Group's development axes and with the objectives set by the Governance.



Thus, as of June 30, 2020, the combined effects of all of these elements give rise to the following analysis:

In Keuros	June 30th, 2020 (6 month)	June 30th, 2019 (6 month)	December 31st, 2019 (12 month)
Turnover	6 885	5 893	15 987
Inventoried products	0	(3)	(1)
Capitalised production	1 019	299	569
Cost of supplies & consumable materials	1 312	1 154	3 208
GROSS PROFIT	6 592	5 035	13 347
Other purchases & external expenses	2 145	2 347	4 844
ADDED VALUE	4 448	2 688	8 503
Operating subsidies	61	20	490
Taxes, duties & other levies	231	129	397
Personnel expenses	6 373	5 467	13 985
GROSS OPERATING INCOME	(2 095)	(2 887)	(5 389)
Load transfer	118	96	206
Other operating income	26	282	297
Other operating expenses	146	8	29
EARNINGS BEFORE INTEREST	(2 097)	(2 517)	(4 915)
Depreciation & provisions	853	1 041	1 995
NET ACCOUNTING OPERATING RESULT	(2 950)	(3 558)	(6 909)

A restatement of operating income before allocations noted at June 30, 2020 can be carried out as follows:

- Movements observed in the workforce until the end of July 2020: the Group's payroll may be restated for € 590,000 (charges borne over the first half of 2020 but which, in the absence of replacement planned thereafter of the internal reorganization carried out, will not be renewed in the second half of 2020);
- Savings in non-recurring operating expenses incurred in the first half of 2020 for € 145,000;
- Impact of the refocusing of activities on the Dardilly site, inducing a reduction especially regarding rents and associated charges of around € 88,000
- Impact of future changes in scope for the second half of 2020 (in particular the sale of HYDROGEOSPHERE and the sale of AER NESS INTERIM and AER NESS EVENT), leading to a reduction in the operating deficit before allocations of € 344,000.

Thus, the operating profit before depreciation and amortization restated as at June 30, 2020 would amount to (930,000) €. This approach is in line with the analysis carried out in the Group's financial statements from December 31, 2019, where a reduction in expenses of € 1.5 million had been recognized for the consolidated group on an annual basis.

3) EVOLUTION OF THE GROUP'S FINANCING RESOURCES

END OF THE "BSAj" EXERCISE PERIOD RELATED TO THE OCABSA CONTRACT OF OCTOBER 2016

In order to allow the development of the Group and the financing of its activities, the third OCABSA contract, of October 2016, resulted in the issue of 2,500 OCABSAs with a nominal value of € 10,000.

On February 4, 2019, the DELTA DRONE Group announced in a press release the last issue of 300 OCABSA of € 10,000 in nominal value, thus marking the last stage of the OCABSA contract of October 2016, and at the end of which the company has expressed its wish to no longer resort to this type of dilutive financing for shareholders.

Concomitantly, following the delegation voted by the Extraordinary General Meeting of December 13, 2018, the Board of Directors decided on February 1, 2019, to grant free share warrants (BSAs) for all shareholders.

Thus, each DELTA DRONE shareholder has been allocated a free BSA called "BSAj" for one share held in DELTA DRONE as of February 15, 2019. Three BSAj allow the subscription of one DELTA DRONE share at the exercise price of € 0.093. Thus, theoretically, the exercise of all the BSAj must lead to a capital increase of € 3,194,743.44, i.e. the creation of 34,352,080 new shares.

The BSAj have an exercise period of 12 months from their allocation, i.e. an expiry date set on February 18, 2020. They have been admitted to listing on EURONEXT GROWTH

In addition, the Board of Directors wishing to favor the shareholders most committed alongside the Group to participate in its development, during a period of two months starting from the first day of listing of the BSAj on EURONEXT GROWTH, any shareholder proceeding the exercise of the BSAj under the aforementioned conditions will hold one new share, to which is attached a free BSA allowing the subscription of a new DELTA DRONE share. This new BSA, called "BSAy", is fungible with the 22,058,823 BSA created on February 1, 2019 as part of the last drawdown of the OCABSA program.

A BSAy initially allowed to subscribe for one DELTA DRONE share at the exercise price of € 0.136. In theory, the exercise of all the BSAy warrants must lead to a capital increase of € 4,671,882.88, i.e. the creation of 34,352,080 new shares.

The BSAy have exactly the same characteristics as the 22,058,823 BSA created on February 1, 2019, namely, an exercise period of 4 years, i.e. a fixed lapse as of January 31, 2023. They have been admitted to trading on EURONEXT GROWTH.

The impact on the share capital of DELTA DRONE, since the issue date of the BSAj and BSAy is as follows:

Keuros	In unit		In capital amount (based on the nominal value of shares) a)
	BSA exercised	Share created	
Exercise of BSAj	64 645 761	21 548 587	1 710 561
Exercise of BSAy	102 629	102 629	9 196
Including impact of exercises during the 1st half of 2020		BSAj	49 137
		BSAy	35

a) For information, the contributory amount in share capital is impacted by the decision taken by the EGM of November 18, 2019, held on second notice, consisting in lowering the nominal value of DELTA DRONE shares by 10euro cents to 1euro cent.

In addition, a special General Meeting of BSAy holders, convened on June 15, 2020, approved the modification of the exercise price of said BSAy (€ 0.075 compared to € 0.136 previously) as well as their exercise parity (the exercise of a BSAy giving the right to one share).

OCEANE CONTRACT OF JUNE 2019:

On June 28, 2019, DELTA DRONE issued 341,946 bonds convertible and/or exchangeable into new and/or existing shares ("OCEANE") representing a bond loan of € 2,632,984.20 and bought back all of the outstanding BSA issued to YORKVILLE as part of the drawdown of the first eight financing instalments of the OCABSA transaction set up on October 27, 2016 (and which is thus settled, with the exception of the 180 OCA still outstanding at June 30, 2019), i.e. 39,064,042 BSA, for a payment of a sum of € 394,689 paid by offsetting a debt with part of the subscription price of the OCEANE bonds.

For information, the OCEANES were fully subscribed by the YA II PN, Ltd fund, within the framework of a reserved issue.

This transaction is part of the 2020 - 2021 plan (announced in a press release dated June 10, 2019) which aims to achieve by 2021 a consolidated turnover of € 30 million, a margin of positive operation of 10% and activity outside France representing 30% of the total.

To ensure the success of this plan, it is necessary to strengthen the group's financial resources, in order to be able to calmly finance the investments and the resulting WCR (Working Capital Requirements);

In addition, the opportunity to buy back the 39,064,042 BSA, which was held by YORKVILLE following the OCABSA drawdowns between October 2016 and June 2019, is in line with the desire to control the dilutive impact of financial instruments in circulation since, a board of directors canceled 26,718,363 of these BSAs at the beginning of July 2019. Only those of instalment 8, i.e. 12,345,679 remain in circulation as of December 31, 2019.

The main characteristics of OCEANE bonds are as follows:

- The OCEANE will have a nominal value of € 7.70 each and their subscription price will be equal to 95% of par. They will not bear interest (except, by exception, in the event of an event of default) and will have a maturity of 18 months from their issuance.

Upon maturity, or at the request of their holder in the event of a default in issuing new shares or delivering existing shares upon conversion of OCEANE, or in the event of default, unconverted OCEANE must be reimbursed at par price with accrued interest, if applicable, by DELTA DRONE.

- The OCEANE may be converted into Delta Drone shares at the request of their holder during any trading session, according to the following conversion parity: each OCEANE will give the right to subscribe to 100 DELTA DRONE shares (the “Initial Conversion Ratio »), subject to legal or contractual adjustments following the implementation of protective measures for holders of securities giving access to the capital.

At the end of each 3-month period following the issue date of the OCEANES (a “Reset Date”), the number of DELTA DRONE shares issued or to be delivered by the Company to each OCEANE holder upon conversion of an OCEANE will be readjusted so as to be equal to the greater of:

1. (a) The par of the OCEANE divided by (b) 90% of the volume-weighted average price over the last three trading days preceding each Reset Date (rounded down to the nearest hundredth), sessions during which the OCEANE holder undertakes not to sell DELTADRONE shares on the market (the “Reset Conversion Ratio”, and together with the Initial Conversion Ratio being the “Conversion Ratio”);
2. The Conversion Ratio immediately applicable before the relevant Reset Date.

For information, the Conversion Ratio will be determined to three decimal places after the decimal point and rounded to the nearest thousandth (0.0005 being rounded to the next thousandth).

If the issue of new shares or the delivery of existing shares involves the issue or delivery of a fraction of a share, the Company will round this fraction of a share to the nearest lowest whole number.

The OCEANE, which will be freely transferable, will not be the subject to an application for admission to trading on the Euronext Growth Paris market and will therefore not be listed.

The new shares which may be issued upon conversion of the OCEANE will bear current dividend rights. They will have the same rights as those attached to the existing ordinary shares of DELTA DRONE and will be admitted to the Euronext Growth Paris market on the same listing line.

The Board of Directors, in its meeting of November 29, 2019, authorized the repurchase by the company D-DRONE INVEST France, a subsidiary 100% owned by the Company, of 120,780 OCEANES held by the YA II PN, LTD fund and issued under the financing program set up on June 27, 2019 for € 930,000.

On March 27, 2020, the Group signed an agreement with the European investment company OTT VENTURES, which provides DELTA DRONE with a reference shareholder and thus build up a solid shareholder base, in addition to the stake already held by the management of the company.

Under this agreement, the company OTT VENTURES acquired from D-DRONE INVEST, a subsidiary of DELTA DRONE, all of the 120,780 OCEANE it held. All of these OCEANE have been

converted by OTT VENTURES into new DELTA DRONE shares, with current dividend rights, which will be admitted to trading on the Euronext Growth Paris market on the same listing line as the existing ordinary shares DELTA DRONE.

Following these operations, OTT VENTURES took a position of approximately 26% of the capital of DELTA DRONE.

ORNAN CONTRACT OF DECEMBER 2019:

In accordance with the delegation of authority conferred on the Board of Directors and approved by the Extraordinary General Meeting of DELTA DRONE shareholders on November 18, 2019, under its 6th resolution, the Board of Directors on November 29, 2019:

- approved the principle of issuing 300 warrants which give rise, upon exercise, to the issuance of 300 bonds redeemable in cash and/or in new shares (the “ORNAN”) accompanied by subscription warrants (the “BSAs”) representing a bond loan with a maximum nominal amount of € 3 million in favor of the investment fund YA II PN, LTD., a fund managed by the American management company YORKVILLE ADVISORS, and
- delegated to the Chairman and Chief Executive Officer the power to decide on the launch of this operation, to adopt the final terms and to issue the warrants.

Making use of the sub-delegation granted to him by the Board of Directors on November 29, 2019, the Chairman and CEO decided on this day to launch this operation, to adopt the final terms and to issue the said warrants.

ORNAN are to be issued in two instalments. The total nominal amount of the first instalment is equal to € 2 million. The total nominal amount of the second instalment will be equal to € 1 million.

The main characteristics of ORNANs are as follows:

- ORNAN have a nominal value of € 10,000 each and are subscribed at 99% of their nominal value.
- ORNAN have a maturity of 12 months from their issue. Upon maturity or in the event of an event of default, the unconverted ORNAN must be reimbursed by the Company at their nominal value (plus accrued interest, if applicable). ORNAN do not bear interest (except in the event of default).
- If the Company chooses to allocate new shares to be issued, the number of shares to be delivered to the Investor on the Conversion date will be equal to:

$$N = V_n / P$$

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

“V_n”: The converted amount corresponding to the bond debt that the ORNAN represents (nominal value of an ORNAN, increased by accrued interest, if applicable)

“P”: conversion price corresponding to 93% of the Reference Price (as defined below). The Conversion Price will be determined (i) to two decimal places after the decimal point and rounded to the nearest hundredth if the Conversion Price is greater than or equal to 0.10

euro, and (ii) to three decimal places and rounded to the nearest thousandth if the Conversion Price is less than 0.10 euro.

If the Company chooses to allocate an amount in cash, it will be equal to:

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

“M”: Amount in cash payable to the bearer of ORNAN;

“V_n”: Bond debt that ORNAN represents (nominal value of an ORNAN, increased by accrued interest, if applicable);

“P”: 93% of the Reference Price;

“C”: The average daily price weighted by the volumes of the Company's share on the date of Conversion;

The Reference Price will be the lowest average daily price weighted by the Company's share volumes during the ten (10) consecutive trading days immediately preceding the applicable date (the "Pricing Period"). For information, if the Conversion Price or the Exercise Price on the Reset Date is determined, the days during which the Investor sold shares of the Company on the market are excluded from the Pricing Period.

ORNAN will be freely transferable to any fund managed by Yorkville Advisors but cannot be transferred to a third party without the prior consent of the Company. They will not be subject to an application for admission to trading on a financial market and will therefore not be listed.

The main characteristics of the BSA attached to the ORNANs are as follows:

- Each of the two ORNAN instalments will be issued with a number of BSA equal to half of the nominal value of the ORNAN of the relevant instalment, divided by the exercise price of the BSA (the "Exercise Price"). The BSA will be immediately detached from the ORNAN, and each BSA will give its holder the right to subscribe to one (1) new share of the Company, subject to any adjustments.
- The Exercise Price of the BSA attached to the ORNAN of each instalment will be equal to 110% of the Reference Price on the date of the relevant Request. The Exercise Price of the BSA concerned will be determined (i) to two decimal places after the decimal point and rounded to the nearest hundredth if the Exercise Price is greater than or equal to 0.10 euro, and (ii) to three decimal places after the decimal point and rounded to the nearest thousandth if the Exercise Price is less than 0.10 euro.
- On the anniversary date scheduled for the 12th month following the respective issue date of the BSA ("Reset Date"), the Exercise Price of the outstanding BSA will be adjusted and will be equal to the lower of (i) 110% of the BSA Reference Price on the trading day immediately preceding the Reset Date and (ii) the effective Exercise Price before the Reset Date.

- The BSA will be exercisable in new shares for a period of 4 years from their respective issue date.
- The BSA will be freely transferable to any fund managed by Yorkville Advisors but cannot be transferred to a third party without the prior consent of the Company. They will not be subject to an application for admission to trading on a financial market and therefore will not be listed.

The first instalment of ORNAN was issued on December 3, 2019, giving rise to the issue of 16,949,152 BSA and the second instalment was issued on January 21, 2020, giving rise to the issue of 10,638,297 BSA.

The new issued shares offered upon ORNAN conversion and / or on BSA exercise will be admitted to trading on the Euronext Growth market as soon as they are issued, will bear current dividend rights and will be fully assimilated and fungible with the defined shares.

As of June 30, 2020, all of the ORNAN related to this contract have been converted into shares.

ORNAN CONTRACT OF APRIL 2020:

By decision dated April 7, 2020, the Board of Directors of DELTA DRONE decided on the principle of issuing warrants which would give rise, upon exercise, to the issue of bonds redeemable in cash and/or in new shares accompanied by share subscription warrants reserved for the investment company YA II PN, LTD subject to the favorable vote of the General Meeting called to rule on the implementation, for the benefit of the Board of Directors, a delegation of authority enabling said issue to be carried out.

In accordance with the delegation of authority conferred on the Board of Directors by the Extraordinary General Meeting of Shareholders of DELTA DRONE on April 24, 2020 under its 6th resolution, the Board of Directors on April 28, 2020:

- approved the principle of issuing 1,000 warrants, which will give rise, upon exercise, to the issue of 1,000 bonds redeemable in cash and / or in new shares accompanied by share subscription warrants (the “BSA”), for the benefit of the investment fund YA II PN, LTD (the “Investor”), a fund managed by the American management company YORKVILLE ADVISORS, representing a bond financing for a maximum total nominal amount of € 10 millions, and
- delegated to the Chairman and Chief Executive Officer the power to decide on the launch of this operation, to decide on the final terms, to issue the warrants and to proceed with the issue of ORNANs with attached BSA.

Making use of the sub-delegation granted to him by the Board of Directors on April 28, 2020, the Chairman and CEO decided on this day to launch this operation, to adopt the final terms and to issue the warrants and to draw down the first tranche of ORNAN with attached BSA.

Main characteristics of ORNAN are as follows:

- ORNAN will be issued in 10 instalments of 100 ORNAN each. The total nominal amount of each instalment will thus be equal to € 1 million. The amount of each instalment may be increased or decreased by mutual agreement between YORKVILLE ADVISORS and the Company.
- ORNAN have a nominal value of € 10,000 each and are subscribed at 98% of their nominal value.
- ORNAN have a maturity of 12 months from their issue. Upon maturity or in the event of an event of default, the unconverted ORNANs must be reimbursed by the Company at their nominal value (plus accrued interest, if applicable). ORNAN do not bear interest (except in the event of default).

If the Company chooses to allocate new shares to be issued, the number of shares to be delivered to the Investor on the Conversion date will be equal to:

$$N = V_n / P$$

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

“V_n”: The Converted Amount corresponding to the bond debt that the ORNAN represents (nominal value of an ORNAN, increased by accrued interest, if applicable);

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

If the Company chooses to allocate an amount in cash, it will be equal to:

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


“M”: Amount in cash payable to the bearer of ORNAN;

“V_n”: Bond debt that ORNAN represents (nominal value of an ORNAN, increased by accrued interest, if applicable);

“P”: 93% of the Reference Price;

“C”: The average daily price weighted by the volumes of the Company's share on the date of Conversion;

The Reference Price will be the lowest average daily price weighted by the Company's share volumes during the ten (10) consecutive trading days immediately preceding the applicable date (the "Pricing Period"). For information, if the Conversion Price or the Exercise Price on the Reset Date is determined, the days during which the Investor sold shares of the Company on the market are excluded from the Pricing Period.



The ORNANs will be freely transferable to any fund managed by Yorkville Advisors but cannot be transferred to a third party without the prior consent of the Company. They will not be subject to an application for admission to trading on a financial market and will therefore not be listed.

Main characteristics of the BSA

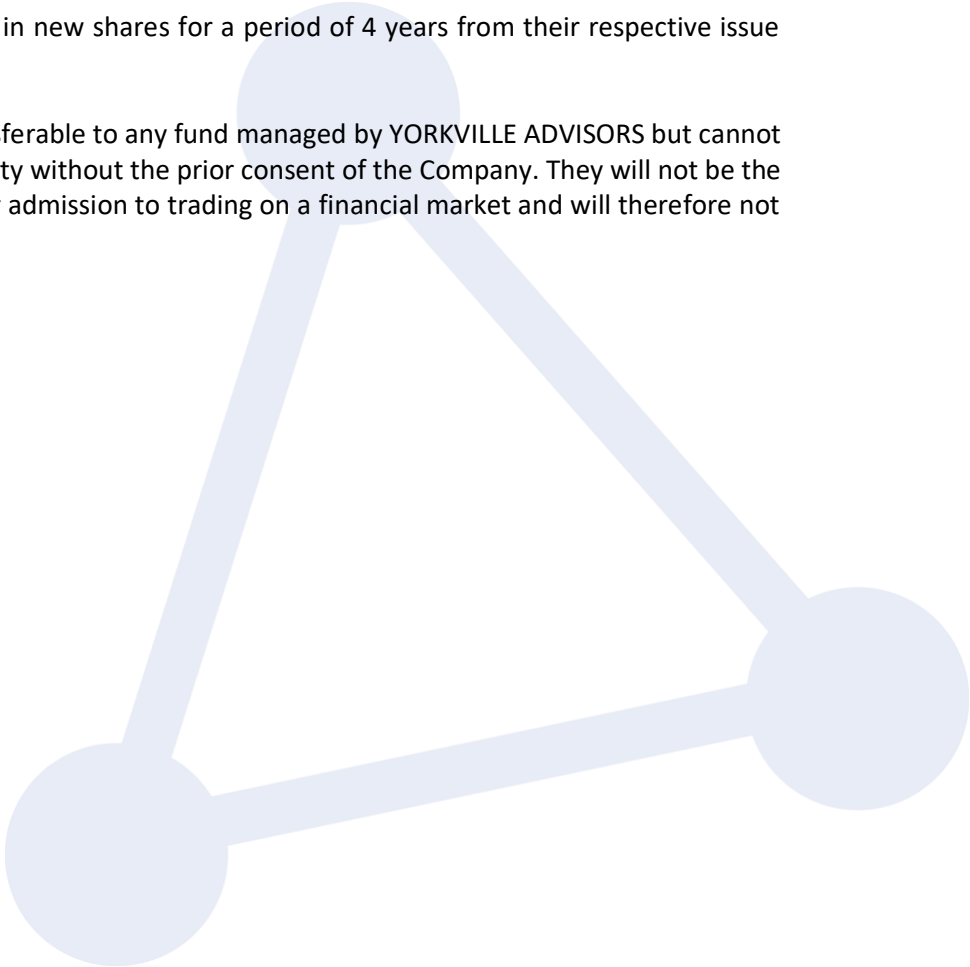
Each of the ten ORNAN instalments will be issued with a number of BSAs equal to 75% of the nominal value of the ORNAN of the relevant instalment, divided by the exercise price of the BSA. The BSA will be immediately detached from the ORNAN, and each BSA will give its holder the right to subscribe to one (1) new share of the Company, subject to any adjustments.

The Exercise Price of the BSA attached to the ORNANs of each instalment will be equal to 110% of the Reference Price on the date of the relevant Request. The Exercise Price of the concerned BSA will be determined (i) to two decimal places after the decimal point and rounded to the nearest hundredth if the Exercise Price is greater than or equal to 0.10 euro, ii) to three decimal places after the decimal point and rounded to the nearest thousandth if the Exercise Price is between 0.01 euro and 0.10 euro and (iii) to four decimal places after the decimal point and rounded to the nearest ten-thousandth if the Exercise Price is less than 0.01 euro.

On the anniversary date scheduled for the 12th month following the respective issue date of the BSA ("Reset Date"), the Exercise Price of the outstanding BSA will be adjusted and will be equal to the lower of (i) 110% of the Reference to the trading day immediately preceding the Reset Date and (ii) the effective Exercise Price before the Reset Date.

The BSA will be exercisable in new shares for a period of 4 years from their respective issue date.

The BSAs will be freely transferable to any fund managed by YORKVILLE ADVISORS but cannot be transferred to a third party without the prior consent of the Company. They will not be the subject of an application for admission to trading on a financial market and will therefore not be listed.



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

Any new shares issued upon Conversion of ORNAN and/or upon exercise of BSA will be admitted to trading on the Euronext Growth market as soon as they are issued, will bear current dividend rights and will be fully assimilated and fungible with existing shares.

On April 29 and June 17, 2020, two instalments of 100 ORNANs with respectively 22,058,823 and 20,833,333 BSA attached were subscribed.

As of June 30, 2020, the “Other equity” line included 1,568 K €, relating to the ORNANs linked to this contract, not yet converted. However, at the time of writing this document, all of these have been converted into shares.

CONVERTIBLE BONDS CONTRACT OF MAY 2020:

By decision dated April 28, 2020, the Board of Directors of the Company, using the delegation granted by the General Meeting of April 24 in its 5th resolution, decided on the principle of the issue of convertible bonds for a total nominal amount of € 1 million reserved for a category of investors.

A mandate was given to the Chairman and CEO to sign a corresponding contract. On May 11, 2020, the Chairman and CEO signed a contract with OTT VENTURES, relating to a Convertible Bonds contract for a nominal amount of € 1 million.

Main characteristics of convertible bonds

The Convertible Bonds (the “CB”) will be issued in 10 instalments of 10 CB each. The total nominal amount of each instalment will thus be equal to € 100,000.

The CB have a nominal value of 10,000 euros each and are subscribed at 90% of their nominal value.

CB have a maturity of 36 months from their issue. Upon maturity, the unconverted CB must be reimbursed by the Company at their nominal value (increased by accrued interest, if applicable).

CB bear interest of 6% per year.

At his discretion, the Investor may convert all or part of the CB into new shares.

Upon Conversion, the Company will deliver the corresponding number of new shares to the Investor.

The conversion of an CB instalment with a nominal value of € 100,000 will result in the issue of 4,504,504 new shares, i.e. a subscription price per share of € 0.0222 (i.e. 65% of the average daily prices weighted by the volumes of the share during the last 5 trading days preceding the date of signing of the contract).

Any new shares issued on Conversion of CB will be admitted to trading on the Euronext Growth market as soon as they are issued, will bear current dividend rights and will be fully assimilated and fungible with existing shares.

As of June 30, 2020, all of the convertible bonds related to this contract have been converted into shares.

4) MAJOR STRATEGIC DEVELOPMENT PROJECT IN AUSTRALIA AND ISRAEL

DELTA DRONE and the Australian company PARAZERO Ltd, a company listed on the Sydney Stock Exchange, announced at the beginning of March 2020 the signing of a letter of intent (LOI) aimed at leading to a major strategic agreement comprising several components: capital, commercial and industrial.

DELTA DRONE SOUTH AFRICA's main activity is to offer, under the ROCKETMINE brand, professional solutions and associated services for the mining sector in Africa (South Africa, Ghana, Namibia, Ivory Coast, etc.). The clientele consists of large multinational groups (GLENCORE, ANGLO-AMERICAN, EXXARO, SOUTH 32, NEWMONT, etc.) largely established in Africa and Australia, several of them being Australo/South African.

The quality of the services provided has enabled the ROCKETMINE brand to recently obtain the "Excellence in Technology Award at Mining Indaba 2020".

The merger with PARAZERO Ltd will allow a first base of establishment to initiate, as a first step, the expansion of mining solutions and services in Australia, a major mining country. Secondly, the operation will allow the marketing of the Group's other solutions, in particular the ISS SPOTTER solution in the security sector.

For its part, PARAZERO IL is a company specializing in the design and marketing of a complete range of security systems for drones, which are the first to be approved in the United States by the FAA and the National Agency for Drone. Brazilian Civil Aviation has approved the first drone delivery operation carried out by SPEEDBIRD AERO, using the PARAZERO security system. Beyond that, PARAZERO IL is an Israeli high-tech company, at the heart of the global aeronautical and electronic innovation.

The entry of PARAZERO IL into the Group will strengthen the R&D teams, which will now be divided between PIXIEL in Nantes and PARAZERO IL in Tel Aviv. All drones integrated in the solutions developed by the Group will also gradually be able to integrate PARAZERO security systems.

"Due diligence" is in progress at the date of this document and is carried out simultaneously with the operations instructed by the ASX (AUSTRALIAN SECURITIES EXCHANGE).

A CON NOTES program (convertible bonds) was set up in the first half of 2020, aimed at enabling the DELTA DRONE Group to acquire a stake in PARAZERO Ltd. As such, part of said CON NOTES have been converted, resulting in DELTA DRONE holding around 6.64% of the capital of PARAZERO Ltd of at the end of August 2020.

Finally, a subsidiary of DELTA DRONE SOUTH AFRICA is being created in Adelaide, Australia. It will be named ROCKETMINE AUSTRALIA.

5-2 – SUBSEQUENT EVENTS

5-2-1 – Sale of DELTA DRONE's stake in the capital of HYDROGEOSPHERE

At the very beginning of July 2020, all of the shares held by DELTA DRONE within the company HYDROGEOSPHERE SAS, were sold to the company 3D SCANNING INGENIERIE SARL.

Thus, as of July 1, 2020, HYDROGEOSPHERE is removed from the Group's consolidation scope.

5-2-2 – Reorganization of the AER'NESS division

The DELTA DRONE and MARE NOSTRUM Groups concluded an agreement in September 2020 to reorganize their respective participation, so as to consolidate the development of the various activities of this division which includes several operational subsidiaries, mainly AER NESS INTERIM, ATM GROUP SRA, AER NESS EVENT and AER NESS TRAINING.

The agreement will be carried out in four concomitant phases:

- First phase: the MARE NOSTRUM Group acquires from AER NESS 100% of the subsidiary AER NESS INTERIM and 65% of the company AER NESS EVENT (the remaining 35% being held by the management). This operation disengages DELTA DRONE from any capital involvement in the temporary employment sector, a direct consequence of less recourse to the use of remote pilots to carry out service missions and its strategic orientation based on professional solutions integrating fully automatic drones. For its part, MARE NOSTRUM, a recognized specialist in the Human Resources sector, is strengthening its commercial positions and will thus be able to freely integrate the two companies into its scope.
- Second phase: the MARE NOSTRUM Group sells its 42.5% stake in AER NESS to DELTA DRONE, which thus becomes the majority shareholder (85%). The main asset of AER NESS is the majority holding (65%), alongside the management, of the sub-group ATM GROUP SRA, specializing in the private security sector through its subsidiary ATM GROUP SECURITE (itself having absorbed the company AER NESS SECURITY in December 2019). This operation will allow DELTA DRONE to accelerate the ongoing development of the "dronification" of the private security sector. At the same time, it allows MARE NOSTRUM to withdraw from a non-strategic asset, with the health crisis encouraging to concentrate its efforts on its areas of expertise.
- Third phase: DELTA DRONE sells to MARE NOSTRUM all of the shares obtained at the time of the listing introduction on the stock market of MARE NOSTRUM, which acquires them as part of its share buyback program.
- Last phase: DELTA DRONE sells to MARE NOSTRUM the 50% stake held in ERGASIA CAMPUS

From the second half of 2020, the consequences of this agreement on the scope of consolidation are the exit of the companies AER NESS INTERIM, AER NESS EVENT and ERGASIA from the latter and the strengthening of the percentage of control of AER NESS in ATM GROUP SRA and its subsidiaries (55.3% versus 27.6% currently).

Carried out in a friendly and concerted manner, these concomitant operations are essentially based on exchanges of shares and debt setoffs. They do not therefore give rise to significant cash flows for any of the parties.

5-2-3 – Exercise of the third ORNAN instalment (April 2020 contract) for an amount of € 1 million

In accordance with the provisions of the ORNAN contract signed with the YORKVILLE ADVISORS fund, and of which the precise characteristics are given in 3) of paragraph 5-1-2 of this document, a third instalment of € 1 million was subscribed on July 29, 2020. It corresponds to 100 ORNANs provided for in the contract, to which 25,862,068 BSA are attached.

5-2-4 – BSAy exercise over the months of July, August and September 2020

For the months of July, August and September 2020, a number of BSAy were exercised, at the initiative of a historical shareholder of the Group.

BSAy exercises over this period amounted to:

- July 2020: Exercise of 1,615,548 BSAy resulting in the creation of an identical number of DELTA DRONE shares and a cash inflow of € 121,200;
- August 2020: Exercise of 1,824,580 BSAy resulting in the creation of an identical number of DELTA DRONE shares and a cash inflow of € 136,800.
- September 2020: Exercise, on September 24, 2020, of 6,631,446 BSAy resulting in the creation of an identical number of DELTA DRONE shares and a cash inflow of € 497,300.

5-3 – ACCOUNTING PRINCIPLES, RULES AND METHODS

5-3-1 – Accounting principles and valuation methods

Consolidation is carried out on the basis of the half-year accounts of the group entities closed as of June 30, 2020. The consolidated financial statements for June 30, 2020 have been prepared and presented in accordance with the rules and principles generally applicable in this area and in compliance with the principle of prudence. The basic method used for entering and valuing items recorded in the general accounts is the historical cost method.

CHANGE IN PRESENTATION

No change in presentation was noted as of June 30, 2020, compared to the closing of the consolidated accounts for the fiscal year ending December 31, 2019.

CONSOLIDATION METHODS

The consolidated financial statements of the Delta Drone group are prepared in accordance with French standards, in accordance with the rules and methods relating to the consolidated financial statements approved by order of 22 June 1999 approving regulation 99-02 of the Accounting Regulation Committee.

Group companies are consolidated using the full consolidation method. Full consolidation amounts to 100% consolidation item by item, with recognition of the rights of minority shareholders and after

elimination of intra-group transactions. The global method is applied to the financial statements of companies in which the company directly or indirectly exercises exclusive control.

The companies are consolidated on the basis of their annual accounts closed on June 30, 2020, brought into line, where applicable, with the accounting principles used by the Group. The companies present consolidated financial statements of the last 6 months, with the exception of entities that entered during the period into the Group's scope of consolidation.

Details of the scope of consolidation are presented in Note 5-3-2 of this document.

RETIREMENTS AND ELIMINATIONS

In order to present the accounts of consolidated companies on an economic and homogeneous basis, the company accounts are subject to various restatements, in accordance with the principles set out below.

After adding up balance sheets and income statements, potential restated, reciprocal balances as well as capital gains or losses resulting from transactions between Group companies are eliminated.

CONVERSION OF ACCOUNTS, FOREIGN SUBSIDIARIES AND STABLE ESTABLISHMENTS ABROAD

The balance sheet of consolidated foreign subsidiaries and permanent establishments are converted on the basis of the exchange rates at the end of the period and the income statement at the average rate for the period.

For information, while the foreign subsidiaries of DELTA DRONE, currently being deployed as of June 30, 2020, have limited financial autonomy at that date, the choice of applying the "closing rate" method rather than that of the "historical rate" is explained by the development prospects in their own geographical area in progress.

For information, the accounts of DELTA DRONE MAROC whose currency is the Moroccan Dirham, of DELTA DRONE AFRICA, DELTA DRONE SOUTH AFRICA, ROCKETMINE SOUTH AFRICA whose currency is the rand, of ROCKETMINE GHANA whose currency is the cedi, of DELTA DRONE COTE D'IVOIRE, whose currency is the CFA franc and AERO41, whose currency is the Swiss Franc, are converted in consolidation into euros, the currency of consolidation of the group.

ACCOUNTING PRINCIPLES

Turnover recognition

The Group mainly provides services, the recognition of which in terms of both turnover and margin is based on the invoicing of said services.

The services to be invoiced are valued at selling prices and represent the portion of turnover not yet invoiced, depending on the progress of the service. At the same time, when the service to the customer exceeds the income recognized when the service is advanced, this excess is restated as accrued income.

When advances and down payments are made by customers in consideration for the progress of the work, these appear on the liabilities side of the balance sheet and are not offset against the invoices to be established that they finance.

Intangible assets

R&D costs

Research and development costs correspond to the effort made by the company on its own account. They are recognized as an asset when they simultaneously meet the following conditions:

- The technical feasibility necessary for the completion of projects and their future commissioning;
- The intention to complete the relevant projects for future use;
- The ability to use the developed projects;
- The projects in question are clearly individualized;
- The projects have a good chance of technical success and commercial profitability, generating probable future economic benefits;
- The company has the ability to reliably assess the expenses attributable to projects under development.

All expenses incurred are exclusively development costs as opposed to basic research costs.

Expenses are recorded as an asset on the basis of the direct costs of each project, to which is added a share of overheads assessed as the ratio between overheads and the sum of the costs of the business. This share is calculated at the end of the year for application to the following year.

Research and development costs are depreciated on a linear basis over a 5 years period. In this context, a harmonization of the depreciation practiced at the level of the PIXIEL company has been carried out in the consolidated accounts: initially depreciated over a period of 12 months for certain activated developments and over 3 years for others, a recalculation of depreciation of 5 years has been achieved. The financial impact on the consolidated accounts at June 30, 2020 is a correction of the 2020 half-year result in the amount of € 93,000.

For information, the research and development costs incurred by PIXIEL, with a net book value of € 1,839,000, relate to the development of the ATMOS “event” solution, used in particular in the context of services provided in Puy du Fou shows, and the security solution by autonomous drone called ISS SPOTTER.

In the accounts of DELTA DRONE ENGINEERING Company, research and development costs, with a net book value of € 178,000, relate to the development of the DELTA X aerial vector.

Finally, in the accounts of DELTA DRONE, research and development costs with a net book value of € 482,000 relate to the development of the warehouse inventory solution called COUNTBOT.

Other intangible assets

Software are recorded as asset on the balance sheet, at their acquisition cost.

Goodwill – Assets and Liabilities

The goodwill recorded in connection with an equity participation or control (difference between the acquisition cost of the fair value of securities and the share of the fair values of assets and liabilities at the date of acquisition) are listed:

- Under the heading "goodwill " on the assets side of the balance sheet when they are positive. They are then depreciated over a 5 years period from their recognition date;
- Under the heading "provisions for risks and charges" on the liabilities side of the balance sheet, when they are negative and represent a significant value.

Goodwill – ASSETS relating to subsidiaries are recognized in the consolidated accounts as at June 30, 2020:

In K euros	Gross value of Goodwill (ASSETS) recognized as of June 30, 2020	Goodwill amortization charge (ASSETS) made in 2020	Cumulative depreciation as of June, 30 2020	Net value of goodwill (ASSETS) recognized as of June 30, 2020
DELTA DRONE ENGINEERING (ex-FLY-N-SENSE)	4 003	400	3 669	334
MTSI	610	0	610	0
HYDOGEOSPHERE (ex-DRONEO)	18	2	18	0
TECHNIDRONE	975	97	558	417
ROCKETMINE	739	74	493	246
AER NESS INTERIM	20	2	12	8
PIXIEL	1 379	138	552	827
ATM GROUP SRA	2 154	215	467	1 687
AER NESS SECURITY SUD (ex ASF)	3	0	1	2
TOTAL	9 902	929	6 380	3 522

Goodwill – LIABILITIES relating to subsidiaries are recognized in the consolidated accounts at June 30, 2020:

In K euros	Gross value of Goodwill (ASSETS) recognized as of June 30, 2020	Goodwill amortization charge (ASSETS) made in 2020	Cumulative depreciation as of June, 30 2020	Net value of goodwill (ASSETS) recognized as of June 30, 2020
PIXIEL	(74)	(9)	(23)	(51)
TOTAL	(74)	(9)	(23)	(51)

The April 2019 acquisition of PIXIEL shares gives rise to the recognition of a “badwill” of € 74,000, recorded, as required by the relevant accounting rules, on the line “Provisions for risks and charges” on the liabilities side of the consolidated balance sheet. This provision will be the subject of a reversal calculated on the basis of the goodwill amortization rate - Assets, recorded in 2018 when PIXIEL entered the Group's scope of consolidation.

Tangible fixed assets

Tangible fixed assets are recorded at their acquisition cost.

The rules for the group's assets depreciation and impairment comply with CRC 2002-10 regulation, especially with regard to the breakdown of buildings according to a prospective approach. Depreciation is calculated using the linear or degressive method over their useful life.

Tangible fixed assets are depreciated based on the following useful lives:

- Fixture, installations	5 to 10 years
- Industrial equipment and tools	5 to 10 years
- Transport equipment	4 to 5 years
- Office equipment and furniture	5 to 10 years
- Computer equipment	3 years

Restatement of Leasing transactions

Assets acquired through leasing contracts are recorded as fixed assets at their gross value. Correlatively, the resulting financial debt is recorded as a liability.

Leasing contracts are accounted for as follows:

- The assets are capitalized at the purchase price of the asset at the start of the contract. They are then depreciated on a linear basis over the term of the lease.
- Rental fees paid are broken down between the financial expense and the debt balance depreciation.
- The financial expense is spread over the different periods covered by the lease so as to obtain a constant periodic interest rate on the outstanding balance for each financial year.
- The amounts corresponding to the purchase option are included in the financial debt relating to the lease.

Financial fixed assets

Financial fixed assets are valued on the balance sheet at their historical value. These are depreciated in the event of lasting losses in value.

They include, in particular:

- Partner companies of the DELTA DRONE NETWORK, to which the group provides support but within which the DELTA DRONE group has no significant influence, either in terms of power or control;
- Equity investments that are part of a financial investment process, without the Group exerting any influence in the governance of said investments. These are the DONECLE, ELISTAIR and GMS SYSTEM companies.

Stocks

Inventory acquisition costs include the purchase price, customs duties and other taxes, excluding taxes subsequently recoverable by the entity from tax administrations, as well as transport, handling and other costs directly attributable to the cost price of raw materials, goods, work in progress and finished products.

Trade rebates, discounts, cash discounts, and the like are deducted when determining acquisition costs.

Inventories are valued using the last purchase price method.

A possible provision for depreciation of inventories, equal to the difference between the gross value determined according to the methods indicated above and the daily rate or the realizable value minus proportional sales costs, is made when this gross value is greater to the other stated term. More specifically, an analysis was carried out on the rotation of the various items stored, in order to understand the level of depreciation to be retained in the accounts for the period considered.

Operating receivables

Trade receivables are valued at their nominal value. A provision for depreciation is made when the probable realizable value is lower than the book value.

If the comparison between the amount recognized on entry into the portfolio and the inventory value shows capital gains or losses, the losses are subject to a provision for depreciation.

Investment Securities

Marketable securities appear on the balance sheet at their acquisition value or at their inventory value, whichever is lower. When the inventory value of the securities established on the basis of the last price recorded before closing is lower than the acquisition price, a provision for depreciation is made.

Provisions

The risks and charges clearly specified as to their object, which events that have occurred or are in progress make probable, result in the constitution of provisions. Provisions for risks and charges are liabilities for which the due date or the amount is not precisely fixed. They are valued for the amount corresponding to the best estimate of the outflow of resources required to settle the obligation.

In this context, with regard to the risks and disputes identified as of June 30, 2020, provisions for risks and charges are recognized on the liabilities side of the balance sheet for € 582,000, of which € 51,000 relates to goodwill - LIABILITIES, mentioned in the "Goodwill" section above.

Deferred taxes

Deferred taxes are recognized for temporary tax differences, consolidation restatements or the recognition of tax losses carried forward. The recording of deferred taxes is recognized with regard to the company's tax situation, in accordance with the principle of prudence.

Thus, deferred tax assets on tax loss carryforwards are only recognized when their allocation to future profits is very probable.

Retirement indemnities

Retirement commitments appear in provisions for risks and charges on the liabilities side of the balance sheet and mainly concern the following companies: DELTA DRONE, DELTA DRONE ENGINEERING (Ex-FNS), HYDROGEOSPHERE (Ex-DRONEO), ECOLE FRANÇAISE DU DRONE, MTSI, TECHNI DRONE, AER 'NESS and PIXIEL.

The subsidiaries of AER NESS and ATM GROUP SRA did not give rise to the calculation of a provision for their retirement commitments as at June 30, 2020, given the insignificance of the latter and the economics model of these companies.

Regarding foreign subsidiaries, no provision for retirement commitments is recognized in the consolidated financial statements as at June 30, 2020, given the absence of such a commitment at the end of the period and given the legislation in force applicable to these subsidiaries.

The Group's commitments in respect of retirement indemnities are estimated using an actuarial calculation in accordance with CNC recommendation 2003-R.01, taking into account a staff turnover rate. They correspond to the probable value of the company's debt to each of its employees. The calculation of retirement rights acquired by employees is determined on the basis of the conventions and agreements in force. The Group has no other significant social commitments.

Exceptional result

Exceptional income and expenses are made up of items which, due to their nature, character and non-recurrence, cannot be considered inherent in the operational activity of the Group.

Conversion of debts and receivables denominated in foreign currencies

Receivables and payables in foreign currencies are converted at the closing price.

Exchange differences noted during the conversion of “intragroup” receivables and debts have been recorded on the “Exchange differences” line recorded in consolidated shareholders' equity. For information, the major part of the amount recorded as at June 30, 2020 comes from the conversion into euros of the accounts of the various foreign subsidiaries, in particular those located in South Africa and Ghana, for which the variation in the conversion rate of the rand and the Ghanaian cedi had a significant impact on the first half of 2020.

5-3-2 – Information related to the scope of consolidation

Companies included in the scope of consolidation:

The companies included in the scope of consolidation are as follows:

Companies	Consolidation method (*)		Equity percentage		Entry date
	As of June 30, 2020	As of December 31, 2019	As of June 30, 2020	As of December 31, 2019	
DELTA DRONE	Parent company		100,0%	100,0%	Prior to 2020
MTSI	I.G.	I.G.	100,0%	100,0%	Prior to 2020
HYDROGEOSPHERE (Ex-DRONEO)	I.G.	I.G.	100,0%	100,0%	Prior to 2020
DELTA DRONE ENGINEERING (Ex-FNS)	I.G.	I.G.	100,0%	100,0%	Prior to 2020
TECHNI DRONE	I.G.	I.G.	100,0%	100,0%	Prior to 2020
PIXIEL	I.G.	I.G.	100,0%	100,0%	Prior to 2020
AER'NESS	I.G.	I.G.	42,5%	42,5%	Prior to 2020
AFS (en cours de changement de dénomination sociale : A)	I.G.	I.G.	42,5%	42,5%	Prior to 2020
ATM GROUP SRA	I.G.	I.G.	27,6%	27,6%	Prior to 2020
ATM GROUP SECURITE	I.G.	I.G.	27,6%	27,6%	Prior to 2020
ATM GROUP ACCUEIL	I.G.	I.G.	27,6%	27,6%	Prior to 2020
AFM	I.G.	I.G.	27,6%	27,6%	Prior to 2020
AER'NESS INTERIM	I.G.	I.G.	42,5%	42,5%	Prior to 2020
AER'NESS EVENT	I.G.	I.G.	27,6%	27,6%	Prior to 2020
AER NESS TRAINING (Ex-ECOLE FRANÇAISE DU DRONE)	I.G.	I.G.	42,5%	42,5%	Prior to 2020
DDRONE INVEST FRANCE	I.G.	I.G.	100,0%	100,0%	Prior to 2020
DRONE PROTECT SYSTEM	M.E.	M.E.	41,9%	41,9%	Prior to 2020
DELTA DRONE EXPERTS (Ex-AGROFLY FRANCE)	I.G.	I.G.	100,0%	100,0%	Prior to 2020
DELTA DRONE MAROC	I.G.	I.G.	51,0%	51,0%	Prior to 2020
DSL SOUTH AFRICA (Ex-DELTA DRONE AFRICA)	I.G.	I.G.	100,0%	100,0%	Prior to 2020
DELTA DRONE SOUTH AFRICA	I.G.	I.G.	100,0%	100,0%	Prior to 2020
ROCKETMINE SOUTH AFRICA	I.G.	I.G.	74,0%	74,0%	Prior to 2020
ROCKETMINE GHANA	I.G.	I.G.	66,6%	66,6%	Prior to 2020
DELTA DRONE COTE D'IVOIRE	I.G.	I.G.	90,0%	90,0%	Prior to 2020
AERO41	M.E.	M.E.	40,3%	40,3%	Prior to 2020
ERGASIA CAMPUS	I.P.	I.P.	50,0%	50,0%	Prior to 2020

(*) :

I.G.: Global Integration

I.P.: Proportional Integration

M.E.: Equity Method

N/A: Not applicable

Companies excluded from the scope of consolidation:

Are excluded from the scope of consolidation as at June 30, 2020:

- Companies forming the DELTA DRONE NETWORK

DELTA DRONE continued its policy of supporting companies that are part of the DELTA DRONE NETWORK, resulting in a strengthening of its percentage of capital ownership in some of the companies.

These investment operations were carried out on the occasion of the annual general meetings of the entities concerned, during the month of June 2016.

The DELTA DRONE group providing support to the network without having any influence on its management, the integration of the companies concerned into the scope of consolidation as of June 30, 2020, was not considered significant.

However, within the framework of the application of the strategic decisions taken by the CoDIR of DELTA DRONE and in order to rationalize its expenses, DELTA DRONE has sold to four members of the network its stake in their capital - for a symbolic euro - and carried out a current account abandonment with a return to better fortune clause. These operations made it possible to integrate the remote pilots concerned into the salaried workforce of DELTA DRONE, through the conclusion of fixed-term contracts. This approach is in line with the need for the Group to have experienced remote pilots during the busiest period of activity in the first half of the year, particularly with regard to assignments related to industrial inspection, while controlling costs attached.

The percentages of DELTA DRONE ownership as at June 30, 2020 in the capital of the remaining entities of the DELTA DRONE NETWORK are as follows:

DELTA DRONE NETWORK Companies	Participation rate as of June 30, 2020
SOLUDRONE	26,1%
R-DRONE	17,5%
RPL VISION	24,4%
DRONE AMS	24,9%
POLIDRONE	5,0%
KAPTURE	0,2%

- Financial participations in high potential Companies

The holdings of minority interests in the companies ELISTAIR, DONECLE and GM SYSTEM, were included in the fixed assets of the DELTA DRONE Group as June 30, 2020.

All the investments made are intended only to invest and secure access to a technology in synergy with the needs of DELTA DRONE for its development, no significant influence is exerted by the group over these entities.

Minority financial holdings	Participation rate as of June 30, 2020
DONECLE	16,7%
ELISTAIR	15,0%
GM SYSTEM	39,0%

5-4 – NOTES ON THE BALANCE SHEET, INCOME STATEMENT, AND CASH FLOW STATEMENT

NOTE 1 – INTANGIBLE ASSETS

Consider the following variation table:

In Keuros	Concessions and patents	Establishment costs	Development costs	Commercial funds	Assets in course	Other intangible assets	Total
Gross	419	0	7 345	202	638	8	8 611
Cumulative depreciation	(310)	0	(5 391)	0	(638)	(7)	(6 346)
Net value as of 30/06/2019	109	0	1 952	202	0	1	2 265
Gross	423	0	7 614	202	515	8	8 762
Cumulative depreciation	(339)	0	(5 493)	0	(515)	(8)	(6 354)
Net value as of 31/12/2019	84	0	2 120	202	0	0	2 408
Change in scope							0
Exchange rate variation							0
Fair value							0
Acquisitions	31		1 019				1 050
Sales	(12)						(12)
Reclassifications							0
Net reversals of receivables	(20)		(336)				(356)
End of period net balance	83	0	2 803	202	0	0	3 089
Gross	441	0	8 633	202	515	8	9 799
Cumulative depreciation	(358)	0	(5 829)	0	(515)	(8)	(6 710)
Net value as of 30/06/2020	83	0	2 803	202	0	0	3 089

The intangible assets, excluding goodwill, of the DELTA DRONE group are largely composed, as of June 30, 2020, of research and development costs incurred for the development of the DELTA X aerial vector, developments made to the DDCIS system and developments undertaken for development of the Group's innovative solutions, ISS SPOTTER and COUNTBOT.

Geographical distribution table:

Net book value (In Keuros)	France	Europe	USA	Africa	South America	Asia/India	Total
Concessions and patents	63			20			83
Establishment costs	0						0
Development costs	2 803						2 803
Commercial funds	202						202
Assets in course	0						0
Other intangible assets	0						0
Net value as of 30/06/2020	3 068	0	0	20	0	0	3 089

NOTE 2 – TANGIBLE FIXED ASSETS

Consider the following table:

In Keuros	Land and buildings	Technical installations	Transport equipment	Office furniture and equipment	Assets in course	Other intangible assets	Total
Gross	0	1 351	135	655	0	3 929	6 071
Cumulative depreciation	0	(795)	(101)	(474)	0	(2 592)	(3 962)
Net value as of 30/06/2019	0	556	34	181	0	1 338	2 109
Gross	0	1 390	164	657	0	3 826	6 037
Cumulative depreciation	0	(900)	(128)	(501)	0	(2 924)	(4 453)
Net value as of 31/12/2019	0	490	36	156	0	902	1 584
Change in scope	0	0	0	0	0	0	0
Exchange rate variation	0	0	0	0	0	0	0
Fair value	0	0	0	0	0	0	0
Acquisitions	0	19	0	129	0	308	455
Sales	0	(47)	0	(57)	0	(70)	(173)
Consolidation adjustments	0	(54)	(15)	(3)	0	126	54
Net reversals of receivables	0	(30)	(5)	(32)	0	(451)	(518)
End of period net balance	0	378	16	193	0	815	1 402
Gross	0	1 346	111	703	0	3 945	6 105
Cumulative depreciation	0	(968)	(95)	(510)	0	(3 128)	(4 703)
Net value as of 30/06/2020	0	378	16	193	0	817	1 402

Tangible fixed assets include the restatement of leasing contracts for a gross value of € 823,000 (including residual values) and cumulative depreciation of € 514,000.

The other fixed assets correspond mainly to the fleet of drones in activity (including the prototypes manufactured) as well as the arrangements carried out within the framework of the establishment of the company in its premises.

The fleet of drones observed in the assets of the balance sheet has been analyzed to assess the group needs in the context of its strategic redeployment. Drones held on the balance sheet are depreciated on a linear basis over a period of 3 years. Having been produced by the company DELTA DRONE ENGINEERING and sold to DELTA DRONE, this sale has been restated in consolidation in order to neutralize the impact of the margin associated with their initial sale, in particular with regard to depreciation recorded over the period.

Table of geographical distribution:

Net accounting value (in K euros)	France	Europe	USA	Africa	South America	Asia/India	Total
Land and buildings	0	0	0	0	0	0	0
Technical installations	378	0	0	0	0	0	378
Transport equipment	9	0	0	7	0	0	16
Office furniture and equipment	135	0	0	57	0	0	193
Other intangible assets	629	0	0	187	0	0	817
Assets in course	0	0	0	0	0	0	0
Net value as of 30/06/2020	1 151	0	0	251	0	0	1 402

NOTE 3 – FINANCIAL ASSETS

Consider the following table:

In K euros	Equity Interest	Securities	Other financial assets	Total
Gross	1 801	962	314	3 076
Cumulative depreciation	(130)			(130)
Net value as of 30/06/2019	1 671	962	314	2 946
Gross	1 889	12	1 341	3 242
Cumulative depreciation	(89)	0	0	(89)
Net value as of 31/12/2019	1 800	12	1 341	3 153
Change in scope	0	0	0	0
Exchange rate variation	0	0	0	0
Fair value	0	0	0	0
Acquisitions	8	422	4	434
Sales	0	0	(940)	(940)
Reclassifications	(10)	0	0	(10)
Net reversals of receivables	0	0	0	0
End of period net balance	1 799	434	405	2 638
Gross	1 888	434	405	2 727
Cumulative depreciation	(89)	0	0	(89)
Net value as of 30/06/2020	1 799	434	405	2 638

Equity interests primarily correspond to non-consolidated equity interests held in member companies of the DELTA DRONE NETWORK and those held following investments made in companies with high potential (see paragraph 5-3-2 of this document).

Other financial assets are composed of deposits and guarantees paid within the framework of rental contracts taken out by the various entities of the Group.

In addition, two companies are included in the scope of consolidation using the equity method (see paragraph 5-3-2 of this document). See following the table:

En Keuros	Equity affiliates	Total
Gross	411	411
Cumulative depreciation	0	0
Net value as of 30/06/2019	411	411
Gross	84	84
Cumulative depreciation	0	0
Net value as of 31/12/2019	84	84
Change in scope	0	0
Exchange rate variation	0	0
Fair value	(207)	(207)
Acquisitions	0	0
Sales	0	0
Reclassifications	0	0
Net reversals of receivables	0	0
End of period net balance	(123)	(123)
Gross	(123)	(123)
Cumulative depreciation	0	0
Net value as of 30/06/2020	(123)	(123)

NOTE 4 – STOCKS

Consider the following table:

In Keuros	30/06/2020	30/06/2019	31/12/2019
Raw materials	626	276	553
In production	0	0	0
Semi-processed & semi-finished goods	40	38	40
Goods	30	45	31
Alternative supply	0	0	0
Gross value	696	359	625
Provisions on raw materials & goods	(60)	0	0
Provisions on semi-processed & semi-finished goods	(40)	0	0
Provisions for alternative supply	0	0	0
Depreciation	(100)	0	0
Net value	596	359	625

NOTE 5 – CLIENTS

Consider the following table:

In Keuros	30/06/2020	30/06/2019	31/12/2019
Trade receivables	2 406	4 098	4 076
Unbilled revenue	209	68	37
Provisions	(182)	(298)	(332)
Net value	2 433	3 868	3 780

NOTE 6 – OTHER RECEIVABLES AND DEFERRED TAXES - ASSETS

Consider the following table:

In Keuros	30/06/2020	30/06/2019	31/12/2019
Advances & prepayments	177	21	116
Advances & prepayments	177	21	116
Tax & social security receivables	1 112	1 009	1 319
Corporate tax	273	286	300
Other operating receivables	1 582	1 260	1 224
Provisions sur les autres créances	(3)	(8)	(8)
Other operating receivables	2 964	2 547	2 834
Net value	3 141	2 569	2 950
Deferred tax - Assets	74	65	66

OTHER RECEIVABLES

The variation in tax and social claims is mainly explained by VAT accounts which are regularly subject to reimbursements. The income tax item mainly corresponds to the CICE to be reimbursed by the Administration to ATM GROUP SECURITE (this company closes its accounts on March 31 of the calendar year).

The significant variation in other operating receivables is due to advances on current accounts made by DELTA DRONE and D-DRONE INVEST FRANCE with participating interests consolidated using the “equity method”, resulting in non-neutralization of said current accounts in the consolidated accounts.

DEFERRED TAXES - ASSETS

The company recorded a deferred tax asset corresponding to the temporary tax interval relating to consolidation restatements for the period. It also incorporates the impact of the harmonization of corporate tax rates observed between the opening and closing of the financial year.

For information, the DELTA DRONE group not having the capacity to precisely determine the timetable in which the tax losses previously generated could be used, no tax debt related to these deficits is activated in the accounts of the Group as of June 30, 2020.

NOTE 7 – ADJUSTMENT ACCOUNT

Consider the following table:

In Keuros	30/06/2020	30/06/2019	31/12/2019
Prepaid expenses	729	983	452
Other adjustment account	0	0	0
Adjustment account	729	983	452

NOTE 8 – CASH EQUIVALENTS AND MARKETABLE SECURITIES

Consider the following table:

In Keuros	30/06/2020	30/06/2019	31/12/2019
Marketable securities	531	15	930
Depreciation of marketable securities	(176)	(0)	(28)
Net marketable securities	355	15	902
Cash and cash equivalent	2 157	3 713	1 141
Cash - Assets	2 157	3 713	1 141
Bank loans (see Note 12)	(354)	(234)	(226)
Cash - Liabilities	(354)	(234)	(226)
Net cash	2 158	3 494	1 817

The other marketable securities are composed of DELTA DRONE securities acquired within the framework of price regulation and MARE NOSTRUM group securities acquired over the period following its initial public offering. They amount to € 518,000. Unrealized capital losses are provisioned in the amount of € 176,000. Finally, investments made in the form of bonds and shares are also recorded for € 13,000.

NOTE 9 – SHARE CAPITAL

Consider the following table:

	Number of Ordinary shares	Shares nominal price (in €)	Share capital amount (in €)
As of 30/06/2019	149 600 630	0,100	14 960 063,00
Increases	44 398 613	0,100	4 439 861,30
Decreases	0	0,000	0,00
As of 18/11/2019	193 999 243	0,100	19 399 924,30
<i>Decrease of the share nominal value (see: a) below)</i>		(0,090)	(17 459 931,87)
Increases	9 162 335	0,010	91 623,35
Decreases	0	0,010	0,00
As of 31/12/2019	203 161 578	0,010	2 031 615,78
Increases	242 271 716	0,010	2 422 717,16
Decreases	0	0,010	0,00
As of 24/04/2020	445 433 294	0,010	4 454 332,94
<i>Decrease of the share nominal value (see: b) below)</i>		(0,009)	(4 008 899,65)
Increases	58 613 158	0,001	58 613,16
Decreases	0	0,001	0,00
As of 30/06/2020	504 046 452	0,001	504 046,46

a) Following the Extraordinary General Meeting, held on second notice, on November 18, 2019, the Board of Directors, using the delegation entrusted to it, reduced the nominal value of DELTA shares DRONE, bringing the latter from € 0.100 to € 0.010. This operation was carried out through a capital reduction by clearing part of the previous losses.

b) Following the Extraordinary General Meeting of April 24, 2020, the Board of Directors, using the delegation entrusted to it, reduced the nominal value of the DELTA DRONE shares, bringing the latter by € 0.010 to € 0.001. This operation was carried out through a capital reduction by clearing part of the previous losses.

CAPITAL INCREASE FOR THE PERIOD

During the first half of 2020, successive capital increases contributed to the creation of 300,884,874 new shares, bringing the number of shares composing the company's share capital from 203,161,578 as at December 31, 2019 to 504,046,452 shares as at June 30, 2020.

Capital transactions originate from the conversion of Convertible Bonds into Shares, in the amount of 295,963,324 new shares, and the exercise of Share Warrants, in the amount of 4,921,550 new shares (broken down into 4,913,661 new shares upon exercise of "BSAj" and 7,889 new shares upon exercise of "BSAy").

For these capital increases, the related operating costs were charged to the "Share premium" item for an amount net of tax of € (622,000).

CAPITAL DECREASE FOR THE PERIOD:

In addition, following the Extraordinary General Meeting of April 24, 2020, the Board of Directors, using the delegation entrusted to it, reduced the nominal value of the DELTA DRONE shares, bringing the latter from € 0.010 to € 0.001. This operation was carried out through a capital reduction by clearing part of the previous losses

NOTE 10 – OTHER EQUITY

Consider the following table:

En Keuros	Net investment subsidy	Conditional advances	Convertible bonds loans	Amount of other equity
As of 30/06/2019	0	749	4 283	5 032
Change in scope	0	0	0	0
Increases	0	0	2 273	2 273
Decreases	0	(455)	(3 133)	(3 588)
As of 31/12/2019	0	294	3 423	3 717
Change in scope	0	0	0	0
Increases	0	0	4 218	4 218
Decreases	0	0	(6 073)	(6 073)
As of 30/06/2020	0	294	1 568	1 862

The other equity corresponds to:

- CONDITIONAL ADVANCES

This table includes the balances of the conditional advances received by the companies DELTA DRONE ENGINEERING SAS (€ 34,289), TECHNI DRONE SAS (€ 90,000) and PIXIEL SAS (€ 170,000).

- CONVERTIBLE BOND LOANS

"Other equity" includes the convertible bond loan - known as ORNAN -, subscribed with YORKVILLE ADVISORS, in April 2020 (€ 1,568K).

Given the gradual conversion of these loans into shares, they are recognized in "Other equity" and not under "Financial debt".

For information, at the date of writing this document, all of the Bonds Convertible into Shares recorded in the accounts as at June 30, 2020 and relating to the ORNAN contract of April 2020, have been converted into capital.

NOTE 11 – PROVISIONS FOR RISKS AND CHARGES

Consider the following table:

In Keuros	Goodwill (LIABILITIES)	Provision for future charges	Provision for risks	Provision for IDR	Total
Net balance as of 30/06/2019	757	0	588	144	1 489
Increases	74	0	85	43	203
Decreases	(771)	0	(272)	(12)	(1 055)
Net balance as of 31/12/2019	60	0	401	175	637
Currency differences	0	0	0	0	0
Change in scope	0	0	0	0	0
Endowment	0	0	30	24	54
Reversal of used provisions	(9)	0	(74)	0	(83)
Reversal of unused provisions	0	0	0	(26)	(26)
Reclassification	0	0	0	0	0
Net balance as of 30/06/2020	51	0	357	173	582

Provisions for risks and charges, recorded as at June 30, 2020, break down as follows:

- RISKS PROVISIONS:

Provisions for risks relate to the various actions taken by former employees with various Labor Councils, following disputes arising from their departure from the Group. The amount of provisions has been determined on the basis of the requests of the various complainants and taking into account the risk incurred by the Group in respect of these proceedings.

The cases provided for are either in the tiebreaker, or pending judgment by the courts, or adjudicated, but the appeal period not having been served, was kept as is.

The provisions made as at June 30, 2020 amount to € 356,000.

- CHARGES PROVISIONS:

No provision for charges was made over the first half of 2020.

- PROVISIONS FOR RETIREMENT BENEFITS:

The Group uses the services of an actuary to calculate retirement benefits. As of June 30, 2020, the calculations have been updated taking into account the changes observed at the staff level. The provision for retirement indemnities amounted to € 173,000 as of June 30, 2020.

NOTE 12 – LOANS AND FINANCIAL DEBTS

Consider the following table:

In Keuros	Loans from credit institutions	Leasing	Non-convertible loans	Bank loans	Total
Net balance as of 30/06/2019	1 812	417	0	234	2 861
Net balance as of 31/12/2019	1 426	329	0	227	1 982
Currency differences	0	0	0	0	0
Change in scope	0	0	0	0	0
Increases	149	65	0	354	568
Decreases	(81)	(74)	0	(227)	(382)
Other movements	0	(10)	0	0	(10)
Actualization	0	0	0	0	0
Net balance as of 30/06/2020	1 494	309	0	354	2 157

CHARACTERISTICS OF LOANS FROM CREDIT INSTITUTIONS

DELTA DRONE SA

- OSEO loan amounting € 150,000, taken out in March 2012, which purpose was to partially finance the innovation program. This loan was concluded on the basis of the application of a variable rate based on 3-month EURIBOR.

A grace period of 3 years was recognized, as provided for in the loan contract, followed by depreciation over 5 years. The repayment term of this loan, initially scheduled for April 2020, has been extended by 6 months in the context of the Covid19.

Finally, this equity loan does not benefit from any personal guarantee or any real security, or any financial covenant to be respected, but benefits from a guarantee from the AI / ISI intervention guarantee fund in the amount of 20 %, a guarantee from the National Innovation Guarantee Fund up to 40% and a guarantee from OSEO Regions under the Rhône-Alpes Regional Guarantee Fund up to 40%.

- CREDIT AGRICOLE RHONE ALPES loan amounting € 252,000, taken out in December 2013, which purpose was to finance the company's industrial and commercial launch expenses.

The repayment term of this loan is scheduled for December 2020.

This loan comes with a guarantee consisting of a pledge of business assets, but no financial covenant.

Finally, this loan benefits from a BPI FRANCE guarantee for 60% of the loan.

- PRET GARANTI PAR L'ETAT (PGE) (Loan Guaranteed by the State) taken out with BNP PARIBAS for € 133,000. This loan, with an initial term of 12 months, is due to be repaid in June 2021.

This kind of loan is not subject to any guarantee from DELTA DRONE.

DELTA DRONE ENGINEERING SAS

- OSEO loan amounting € 100,000, taken out in April 2012, which purpose was to partially finance the innovation program. This loan was concluded on the basis of the application of a variable rate based on 3-month EURIBOR.

A grace period of 3 years was recognized, as provided for in the loan contract, followed by depreciation over 5 years. The repayment term of this loan, scheduled for April 2020, has benefited from a 6-month extension in the context of the Covid19

Finally, this equity loan does not benefit from any personal guarantee or any real security, or any financial covenant to be respected, but benefits from a guarantee from the AI / ISI intervention guarantee fund in the amount of 20 %, a guarantee from the National Innovation Guarantee Fund up to 40% and a guarantee from OSEO Region under the Aquitaine Regional Guarantee Fund up to 40%.

TECHNI DRONE SAS

- BPI FRANCE loan amounting € 100,000, taken out in April 2016, which is a “seed” type loan. It was concluded on the basis of the application of a variable rate based on the Average Monthly Rate of Return on Long-Term Government Loans.

A grace period of 3 years was recognized, as provided for in the loan contract, followed by depreciation over 5 years. The repayment term of this loan, scheduled for April 2024, has been extended by 6 months in the context of the Covid19.

Finally, this equity loan does not benefit from any personal guarantee, any real security, or any financial covenant to be respected, but benefits from a guarantee from Fonds Prêt d’Amorçage up to 80%.

- CAISSE D’EPARGNE LOIRE DROME ARDECHE loan amounting € 60,000, taken out in August 2016, which purpose was to finance the acquisition of the company's standard equipment.

The repayment term of this loan is scheduled for August 2021.


This loan is subject to a real security consisting of a pledge of the financed equipment, but no financial covenant.

Finally, this loan benefits from a BPI FRANCE guarantee for 50% of the loan.

- CREDIT COOPERATIF loan amounting € 250,000, taken out in May 2017, which purpose was to finance the acquisition of equipment and miscellaneous as part of an innovation program.

The repayment term of this loan, scheduled for January 2022, has been extended by 6 months in the context of the Covid19.

This loan comes with a guarantee consisting of a pledge of business assets, but no financial covenant.



Finally, this loan benefits from a BPI FRANCE guarantee in the amount of 50% of the loan and the guarantee of the company S.O.M.U.D.I.M.E.C., the securities acquired from the latter, by the company, in the amount of € 7,503, are also pledged as warrant.

- CIC loan amounting € 30,000, taken out in November 2017, which purpose was to finance the acquisition of drones and equipment.

The repayment term of this loan, scheduled for December 2020, has benefited from a 6-month extension in the context of the Covid19.

This loan is subject to a real security consisting of a bank account pledge, but no financial covenant. In addition, it also benefits from a guarantee granted by PIXIEL, in the form of a joint surety.

PIXIEL SAS

- BPI FRANCE loan amounting € 100,000, taken out in January 2015, which purpose was to strengthen the financial structure of the company.

A 2-year grace period was recognized, as provided for in the loan contract, followed by 5-year depreciation. The repayment term of this loan, scheduled for February 2022, has been extended by 6 months in the context of the Covid19.

Finally, this loan does not benefit from any personal guarantee or any real security or any financial covenant to be respected but benefits from a 100% guarantee from the "CCI Innovation Pays de la Loire" Fund.

- CIC loan amounting € 32,157, taken out in July 2015, which purpose was to finance various materials - DAS Formation.

The repayment term of this loan, scheduled for August 2020, has benefited from a 6-month extension in the context of the Covid19.

This loan comes with a real security consisting of a bank account pledge, but no financial covenant.

- CIC loan amounting € 12,107, taken out in July 2015, which purpose was to finance various equipment - DAS Audiovisual Filming Services.

The repayment term of this loan, scheduled for August 2020, has benefited from a 6-month extension in the context of the Covid19.

This loan comes with a real security consisting of a bank account pledge, but no financial covenant.

- CIC loan amounting € 300,000, taken out in August 2016, which purpose was to finance the working capital requirement.

The repayment term of this loan, scheduled for August 2023, has been extended by 6 months in the context of the Covid19.

This loan is subject to a real security consisting of a pledge of the business assets, but to any financial covenants. In addition, it also benefits from a guarantee granted by BPI FRANCE for 60% of the borrowed funds.

- BPI FRANCE loan amounting € 500,000, taken out in June 2017, which purpose was to finance intangible expenses related to the industrial and commercial launch of an innovation.

A 2-year grace period was recognized, as provided for in the loan contract, followed by 5-year depreciation. The repayment term of this loan, scheduled for September 2024, has been extended by 6 months in the context of the Covid19.

Finally, this loan benefits from a real security constituted by a "cash pledge" amounting € 25,000, but no financial covenant to be respected. In addition, it also benefits from a guarantee granted by:

- The Fonds de Garantie PPI for 30% of the borrowed funds and,
- The European Investment Fund (EIF) for 50% of the borrowed funds.

ATM GROUP SRA SAS

- LCL loan amounting € 800,000, taken out in December 2016, which purpose was to finance the acquisition of a private security company (APIC SECURITE).

The repayment term of this loan is scheduled for December 2022.

This loan is subject to two real securities consisting of a pledge of financial securities and a blocking of the current account opened in the books of ATM GROUP SRA in the name of Mr. Christian BARD, in the amount of € 300,000

This loan also benefits from a partial guarantee granted by Bpifrance Financement for 40% of the outstanding amounts due.

In addition, this loan is subject to a financial covenant clause known as "Leverage covenant" which calculation formula is as follows:

Sum of net debts increased by outstanding leases and factoring at the closing date of the financial years of the company ATM Group SRA, ATM Group Sécurité and APIC Sécurité

proportionally with

Sum of Gross Operating Surpluses of ATM Group Sécurité and APIC Sécurité.

The "leverage covenant" must be less than or equal to 2% from the financial year ended in 2016 until the extinction of the loan.

ATM GROUP SECURITE SAS

- LCL loan amounting € 40,000, taken out in July 2017, which purpose was to finance current investments related to the activity.

The repayment term of this loan is scheduled for July 2020.

This loan is not subject to any financial covenants or guarantees.

- LCL loan amounting € 40,000, taken out in April 2018, which purpose was to finance current investments related to the activity.

The repayment term of this loan is scheduled for April 2021.

This loan is not subject to any financial covenants or guarantees.

LEASING DEBT

Leasing contracts relate to the financing of vehicles, IT equipment and technical equipment. The outstanding amount as of June 30, 2020 is € 309,000.

BANK LOANS

Bank credit facilities amounted to € 354,000 as of June 30, 2020.

LOANS SCHEDULE

In Keuros	Less than a year	From one to two years	From two to three years	From three to four years	From four to five years	From five to six years	From six to seven years	From seven to eight years	Total
Loans from credit institutions	560	382	306	161	85	0	0	0	1 494
Leasing	106	106	97	0	0	0	0	0	309
Non-convertible bonds	0	0	0	0	0	0	0	0	0
Non-current debts	666	488	403	161	85	0	0	0	1 803
Bank loans	354	0	0	0	0	0	0	0	354
Current debts	354	0	0	0	0	0	0	0	354
Total loans and debts	1 020	488	403	161	85	0	0	0	2 157

NOTE 13 – PAYABLES, OTHER DEBTS AND ADJUSTMENT ACCOUNTS

Consider the following table:

In Keuros	30/06/2020	30/06/2019	31/12/2019
Trade payables	1 753	1 733	2 348
Debt on purchase of fixed assets	397	37	397
Down payment received	66	2	89
Debt to suppliers and related accounts	2 215	1 772	2 834
Tax debts	1 049	1 401	1 601
Social debts	2 309	2 580	2 388
Tax and social debts	3 357	3 981	3 989
Corporate tax	294	279	285
Other operating liabilities	2 330	1 659	2 076
Deferred tax - LIABILITIES	28	(1)	0
Total other debts	2 653	1 937	2 361
Total trade payables, social and tax debts and other debts	8 225	7 689	9 184
Deferred revenue	293	297	64
Total adjustment accounts	293	297	64

NOTE 14 – DEADLINES OF OPERATING RECEIVABLES AND PAYABLES

Consider the following table:

In Keuros	Less than a year	From one to five years	More than five years	Total
Down Payments made	177	0	0	177
Trade receivables and similar, net of provisions	2 433	0	0	2 433
Other receivables, net of provisions	1 949	1 089	0	3 037
Operating receivables	4 559	1 089	0	5 648
Non-current financial debts	0	0	0	0
Current financial debts	0	0	0	0
Suppliers payables and related account	2 215	0	0	2 215
Other payables	3 911	2 099	0	6 010
Operating payables	6 126	2 099	0	8 225

NOTE 15 – TURNOVER AND SECTORIAL DATA

The turnover recorded in the consolidated financial statements of the DELTA DRONE Group as of June 30, 2020, corresponds to “non-group” billings amounting € 6,885,000.

Sectorial breakdown of the turnover

In K euros	30/06/2020	30/06/2019	31/12/2019
Turnover - Services	6 690	5 388	14 850
Turnover - Billed training	87	237	445
Turnover - Goods sold	108	268	691
Consolidated turnover for the period	6 885	5 893	15 987

The breakdown of turnover by geographic area is as follows:

In K euros	France	Europe	USA	Africa	Central America	South America	Asia/India	Total
Turnover - Services	5 723			967				6 690
Turnover - Billed training	87							87
Turnover - Goods sold	108							108
Consolidated turnover for the period	5 918	0	0	967	0	0	0	6 885

NOTE 16 – OTHER OPERATING INCOME

Consider the following table:

In Keuros	30/06/2020	30/06/2019	31/12/2019
Inventoried products	0	(3)	(1)
Capitalized productions	1 019	299	569
Operating subsidies	61	20	490
Load transfer	118	96	206
Other operating revenue	26	282	297
Total operating revenue	1 224	695	1 561

NOTE 17 PURCHASES, TAXES AND PERSONNEL EXPENSES

Consider the following table:

In Keuros	30/06/2020	30/06/2019	31/12/2019
Material purchase	1 387	1 101	3 418
Inventory changes	(75)	53	(210)
Other supplies and external expenses	2 145	2 347	4 844
Purchases and changes in inventories	3 456	3 501	8 052
Taxes, duties and other levies	231	129	397
Taxes, duties and other levies	231	129	397
Wages and salaries	4 830	4 193	10 984
Social costs	1 543	1 319	3 001
Total personnel expenses	6 373	5 512	13 985
Total operating expenses	10 060	9 142	22 433

- Breakdown of the Group's workforce by entity

Consider the following table:

Company	Workforce as of June 30, 2020
DELTA DRONE	26
MTSI	1
HYDROGEOSPHERE	3
TECHNIDRONE	3
DELTA DRONE EXPERTS	5
PIXIEL	9
DELTA DRONE ENGINEERING	2
AER'NESS INTERIM	3
DELTA DRONE SOUTH AFRICA	1
ROCKETMINE SOUTH AFRICA	26
ROCKETMINE GHANA	6
DSL AFRICA	1
DELTA DRONE MAROC	10
DELTA DRONE COTE D'IVOIRE	0
ATM GROUP SRA	5
ATM GROUP ACCUEIL	13
ATM GROUP SECURITE	221
AMF	0
Total Group Workforce	335

NOTE 18 – DEPRECIATION AND OPERATING PROVISIONS

Consider the following table:

In K euros	30/06/2020	30/06/2019	31/12/2019
Intangible assets	(362)	(309)	(628)
Tangible assets	(518)	(642)	(1 293)
Endowments net of operating reversals	(879)	(951)	(1 921)
Current assets	52	(52)	(86)
Risks and charges	(27)	7	12
Endowments net of reversals	26	(46)	(74)
Total depreciation and reversals	(853)	(996)	(1 995)
Goodwill	(920)	(703)	(1 670)
Endowments net of reversals	(920)	(703)	(1 670)

NOTE 19 – OTHER OPERATING EXPENSES

They amount to € 146,000.

NOTE 20 – FINANCIAL RESULT

Consider the following table:

In K euros	30/06/2020	30/06/2019	31/12/2019
Income from participating interest	0	0	41
Income from selling financial investments	0	4	6
Other interest and similar income	13	11	47
Exchange gain	29	7	3
Reversal of financial provisions	2	598	444
Total financial income	45	619	540
Interest expenses	(77)	(47)	(130)
Expenses from selling financial investments	0	0	0
Exchange loss	(1)	(5)	(31)
Endowment for financial provisions	(150)	(2)	(323)
Other financial expenses	(20)	(13)	(24)
Consolidation adjustments	0	0	481
Total financial expenses	(248)	(66)	(27)
Financial result for the period	(203)	553	513

NOTE 21 – EXTRAORDINARY RESULT

Consider the following table:

In K euros	30/06/2020	30/06/2019	31/12/2019
Income from management operations	115	8	10
Income from capital transactions	41	876	664
Exceptional changes in provisions	74	420	780
Total extraordinary income	230	1 304	1 454
Management operations expenses	(230)	(207)	(655)
Capital transactions expenses	(51)	(1 689)	(2 036)
Exceptional changes in provisions	0	(0)	(119)
Total extraordinary expenses	(281)	(1 895)	(2 810)
Extraordinary result for the period	(51)	(591)	(1 356)

NOTE 22 – CORPORATE INCOME TAX

The tax expenses amount to € 76,000.

NOTE 23 – NET INCOME PER SHARE

BASIC RESULT

Basic earnings per share are obtained by dividing the net income attributable to the shareholders of DELTA DRONE by the number of shares in circulation at the end of the financial years concerned.

In euros	30/06/2020	30/06/2019	31/12/2019
Profit (loss) for the period	(4 361 174)	(4 879 824)	(9 539 362)
Number of share used for basic earning per share	504 046 452	149 600 630	203 161 578
Earning per share	(0,01)	(0,03)	(0,05)

DILUTED RESULT

Diluted earnings per share is obtained by dividing the net income attributable to the shareholders of DELTA DRONE by the number of shares in circulation as of June 30, 2020, adjusted for the maximum impact of:

- The number of potential shares relating to exercisable "BSA" in circulation at June 30, 2020 (OCABSA contract from October 2016), i.e. 34,404,502 shares;
- The number of potential shares relating to the exercisable "BSAy" in circulation as of June 30, 2020, i.e. 11,376,983 shares;
- The number of potential shares relating to the BSA attached to the ORNAN contract issued on December 2, 2019, i.e. 27,587,449 shares;
- The number of potential shares relating to the ORNAN contract issued on April 24, 2020, i.e. 68,561,871 shares;
- The number of potential shares relating to the BSA attached to the ORNAN contract issued on April 24, 2020, i.e. 42,892,156 shares;

- The number of potential shares relating to free shares to be acquired by officers and employees, i.e. 40,028,342 shares.

Thus, taking these elements into account, the potential number of shares to be issued is 224,851,303 shares, i.e., added to those comprising the capital as of June 30, 2020, a total of 728,897,755 shares.

In euros	30/06/2020	30/06/2019	31/12/2019
Profit (loss) for the period	(4 361 174)	(4 879 824)	(9 539 362)
Number of share used for basic earning per share	728 897 755	286 602 257	365 358 466
Earning per share	(0,01)	(0,02)	(0,03)

NOTE 24 – OFF-BALANCE-SHEET COMMITMENTS

COVENANTS:

Only a loan taken out by the company ATM GROUP SRA, prior to its entry into the Group, is accompanied by a financial agreement. In this regard, please refer to note 12 of this document.

DISCOUNTED BILLS PENDING MATURITY

No discounted bills pending maturity is recorded as of June 30, 2020.

OTHER COMMITMENTS GIVEN OR RECEIVED:

	Commitment given	Commitment received
DELTA DRONE SA		
OSEO LOAN - 150 K€	NONE	Guarantee from the AI / ISI intervention guarantee fund for 20%, a guarantee from the National Innovation Guarantee Fund for 40% and a guarantee from OSEO Régions under the Regional Guarantee Fund Rhône-Alpes for 40%
CREDIT AGRICOLE LOAN - 252 K€	Pledge of business assets up to 100% of the loan	BPI FRANCE guarantee for 60% of the loan
PGE BNP PARIBAS LOAN - 133 K€	NONE	State guarantee granted to the banking establishment
DELTA DRONE ENGINEERING SAS		
OSEO LOAN - 100 K€	NONE	Guarantee from the AI / ISI intervention guarantee fund for 20%, a guarantee from the National Innovation Guarantee Fund for 40% and a guarantee from OSEO Régions under the Regional Guarantee Fund Rhône-Alpes for 40%
TECHNI DRONE SAS		
OSEO LOAN - 100 K€	NONE	Guarantee of the Fonds Prêt d'Amorçage for 80%
CAISSE D'EPARGNE LOIRE DROME ARDECHE LOAN - 60 K€	Pledge on financed material	BPI FRANCE guarantee for 50% of the loan

CREDIT COOPERATIF LOAN - 250 K€	Pledge of business assets up to 100% of the loan and pledge of SOMUDIMEC shares	BPI FRANCE guarantee for 50% of the loan
CIC LOAN - 30 K€	Bank account pledge up to 100% of the loan	Joint surety from PIXIEL SAS up to the amount borrowed
PIXIEL SAS		
BPI LOAN - 100 K€	NONE	100% guarantee from the "CCI Innovation Pays de la Loire" Fund
CIC LOAN - 32,1 K€	Bank account pledge for 100% of the loan	NONE
CIC LOAN - 12,1 K€	Bank account pledge for 100% of the loan	NONE
CIC LOAN - 300 K€	Pledge of business assets for 100% of the loan	BPI FRANCE guarantee for 60% of the loan
BPI LOAN - 500 K€	Retention of € 25 K as a "cash pledge"	Guarantee of the loan by: - The PPI Guarantee Fund for 30% and, - the European Investment Fund (EIF) for 50%
ATM GROUP SRA SAS		
LCL LOAN - 800 K€	Pledge of financial securities and blocking of the current account opened in the books of ATM GROUP SRA in the name of Mr. Christian BARD, amounting € 300,000	Partial guarantee granted by Bpifrance Financement for 40% of the outstanding amounts due
ATM GROUP SECURITE SAS		
LCL LOAN - 40 K€	NONE	NONE
LCL LOAN - 40 K€	NONE	NONE

(1) – This loan is accompanied by a financial covenant, as such, please refer to note 12 of this document.

NOTE 25 – AUDIT RELATED FEES

Consider the following table:

In Euros		
Entity	Statutory audit of accounts (as of June 30, 2020)	Services provided as part of the due diligence directly related to the statutory audit mission
DELTA DRONE SA	20 500	19 000
HYDROGEOSPHERE SAS	1 250	N/A
DELTA DRONE ENGINEERING SAS	3 000	N/A
ECOLE FRANCAISE DU DRONE SAS	1 250	N/A
TECHNI DRONE SAS	2 000	N/A
AER NESS SAS	500	N/A
AER'NESS EVENT SAS	625	N/A
PIXIEL SAS	2 250	N/A
D-DRONE INVEST FRANCE	1 250	N/A
DELTA DRONE EXPERT	1 250	N/A
DRONE PROTECT SYSTEM	1 250	N/A