

Exosens

Statutory Auditors' review report on the half-yearly consolidated financial information

For the period from January 1st to June 30, 2024

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Exosens

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This is a free translation into English of the statutory auditors' review report on the interim / half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the shareholders of Exosens,

In compliance with the assignment entrusted to us by your Articles of Association and decision of the shareholders and in accordance with the requirements of article L. 451-1-2 III of the French monetary and financial code ("code monétaire et financier"), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of EXOSENS, for the period from January 1st to June 30, 2024,
- the verification of the information presented in the half-yearly management report.

As this is the first time that the Company has prepared condensed half-yearly consolidated financial information at June 30, 2024, information for the period from January 1st to June 30, 2023, presented for the purposes of comparison, has not been subject to an audit or review.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I - Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – standard of the IFRSs as adopted by the European Union applicable to interim financial information.

II - Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Toulouse and Nantes, September 3, 2024

The Statutory Auditors

PricewaterhouseCoopers Audit

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CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

for the period ended June 30, 2024

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EXOSENS

Consolidated Statement of Financial Position

At June 30, 2024

<i>(in € thousand)</i>	Note	June 30, 2024	December 31, 2023
Goodwill	13	174,338	174,344
Intangible assets	14	198,757	202,351
Property, plant and equipment	15	79,400	72,051
Right-of-use assets	16	9,942	10,759
Investments in equity-accounted companies	17	3,410	3,410
Non-current financial assets and other non-current assets		1,150	744
Deferred tax assets		1,468	44
NON-CURRENT ASSETS		468,466	463,703
Inventories	18	94,906	78,544
Trade receivables	19	60,310	69,189
Derivative financial instruments	23	598	152
Current financial assets and other current assets	20	36,877	29,366
Cash and cash equivalents	21	123,166	15,458
CURRENT ASSETS		315,857	192,709
TOTAL ASSETS		784,323	656,412
Share capital	22	21,583	1,948
Share premiums	22	340,586	188,052
Reserves		19,808	14,065
TOTAL EQUITY		381,977	204,065
Non-current loans and borrowings	23	248,982	300,844
Non-current lease liabilities	23	7,623	7,693
Provisions for employee benefit obligations	25	7,730	7,595
Non-current provisions and other non-current liabilities	24	9,293	8,554
Deferred tax liabilities		16,976	17,578
NON-CURRENT LIABILITIES		290,604	342,263
Current loans and borrowings	23	1,729	7,026
Current lease liabilities	23	2,274	2,360
Derivative financial instruments	23	0	0
Trade payables	26	35,229	32,304
Current provisions and other current liabilities	24	72,511	68,394
CURRENT LIABILITIES		111,743	110,084
TOTAL EQUITY AND LIABILITIES		784,323	656,412

Notes 1 to 31 are an integral part of the condensed half-year consolidated financial statements.

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Consolidated Income Statement

For the period ended June 30, 2024

<i>(in € thousand)</i>	Note	June 30, 2024	June 30, 2023
Revenue	5	186,887	124,983
Cost of sales		(45,571)	(30,480)
Other purchases and external expenses	6	(33,939)	(24,142)
Taxes and duties other than income tax		(1,216)	(913)
Employee benefits expense	7	(55,537)	(38,850)
Other operating income		1,682	1,557
Other operating expenses		(2,261)	(69)
Depreciation, amortization and additions to provisions	8	(15,499)	(11,548)
RECURRING OPERATING PROFIT		34,546	20,537
Other income	9	119	0
Other expenses	9	(3,982)	(1,354)
OPERATING PROFIT		30,683	19,184
Cost of net debt		(27,366)	(11,939)
Net gains on derivative instruments		1,981	2,200
Other		(311)	283
Net financial expense	10	(25,696)	(9,456)
NET PROFIT BEFORE TAX		4,987	9,728
Income tax	11	(2,123)	(1,421)
NET PROFIT, ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY		2,864	8,307
EARNINGS (LOSS) PER SHARE			
Basic	12	(0.07)	0.10
Diluted	12	(0.07)	0.10

Notes 1 to 31 are an integral part of the condensed half-year consolidated financial statements.

EXOSENS

Consolidated Statement of Comprehensive Income

For the period ended June 30, 2024

<i>(in € thousand)</i>	June 30, 2024	June 30, 2023
NET PROFIT FOR THE PERIOD	2,864	8,307
Actuarial gains (losses) on retirement benefit commitments and equivalent, before tax	(40)	(41)
Deferred tax on retirement benefit commitments and equivalent	10	10
<i>Other comprehensive income (loss) that will not be reclassified subsequently to profit or loss</i>	(30)	(31)
Fair value gains (losses) on hedging instruments, before tax		166
Deferred tax on fair value gains (losses) on hedging instruments		(42)
Translation adjustments	107	(43)
<i>Other comprehensive income (loss) that may be reclassified subsequently to profit or loss</i>	107	81
Other comprehensive income	77	50
TOTAL COMPREHENSIVE INCOME	2,941	8,357
Attributable to the shareholders of the Company	2,941	8,357

Notes 1 to 31 are an integral part of the condensed half-year consolidated financial statements.

EXOSENS

Consolidated Statement of Cash Flows

For the period ended June 30, 2024

<i>(in € thousand)</i>	Note	June 30, 2024	June 30, 2023
Net profit for the period		2,864	8,307
Adjustments			
• Cost of net debt	10	16,050	8,808
• Other financial income and expenses	10	9,646	648
• Income tax	11	2,123	1,421
• Additions net of reversals to depreciation/amortization	8	15,499	11,548
• Other income and expenses (1)		2,889	1,346
Income tax received/(paid)		(1,617)	(3,047)
Change in working capital, net of impairment		(7,653)	(13,164)
Net cash from operating activities		39,802	15,866
Acquisition of intangible assets and PP&E	14/15/16	(18,300)	(15,102)
Proceeds on disposal of intangible assets and PP&E		-	-
Acquisition of equity investments, net of cash acquired (2)		(909)	(7,769)
Proceeds on disposal of equity investments, net of cash divested		-	-
Investment grants received		-	-
Cash flows relating to other financial assets		(25)	57
Net cash used in investing activities		(19,234)	(22,815)
Share capital increase		180,000	
Share capital increase costs	3.2	(7,801)	
Interest paid on convertible bonds	23	-	-
Refinancing of non-current borrowings	23	250,000	
Repayment of non-current borrowings	23	(306,307)	
Refinancing of current borrowings	23	-	6,000
Repayment of current borrowings	23	(5,115)	(2,260)
Financial expenses with cash impact related to borrowings*		(15,044)	(10,375)
Repayment of IFRS 16 lease liabilities	23	(1,099)	(828)
Financial expenses with cash impact related to IFRS 16 lease liabilities		(405)	(251)
Financial income with cash impact related to derivative instruments		654	2,330
Loan issue costs (3)	23	(6,955)	
Loan early repayment costs		(856)	
Other		(30)	
Net cash from (used in) financing activities		87,043	(5,383)
Effect of changes in exchange rates		95	(74)
Increase/(decrease) in cash and cash equivalents		107,706	(12,405)
Opening cash and cash equivalents	21	15,458	28,955
Closing cash and cash equivalents	21	123,166	16,550

(1) “Other income and expenses” for the half year ended June 30, 2024 mainly comprise an IFRS 2 impact of €2.9 million and income of €0.1 million relating to the deferred recognition of grants (non-cash). “Other income and expenses” for the half year ended June 30, 2023 mainly comprise an IFRS 2 impact of €0.9 million.

(2) At June 30, 2023: primarily acquisitions of Telops securities net of cash acquired.

(3) Loan issue costs total €7.0 million for the half year ended June 30, 2024 and comprise costs of €3.0 million in respect of a financing that was not secured, €3.5 million in respect of new capitalized financing and €0.5 million in respect of new non-capitalizable financing.

* Financial expenses with a cash impact include the change in accrued interest for -€106 thousand at June 30, 2024 and €513 thousand at June 30, 2023.

Notes 1 to 31 are an integral part of the condensed half-year consolidated financial statements.

EXOSENS

Consolidated Statement of Changes in Equity

<i>(in € thousand)</i>	Share capital (Note 22)	Share premiums (Note 22)	Reserves			Total
			Translation adjustments	Other reserves	Retained earnings	
At January 1, 2023	1,941	188,059	206	(14,961)	7,808	183,053
Changes in cash flow hedges				125		125
Actuarial gain/(loss) on post-employment benefits				(31)		(31)
Translation adjustments			(43)			(43)
Other comprehensive income	-	-	(43)	94	-	51
Profit for the period					8,306	8,306
Total comprehensive income for the period	-	-	(43)	94	8,306	8,357
Share capital increase	6	(6)				0
Other				869		869
At June 30, 2023	1,947	188,053	163	(13,997)	16,114	192,279
At January 1, 2024	1,947	188,053	768	(12,917)	26,214	204,065
Changes in cash flow hedges						0
Actuarial gain/(loss) on post-employment benefits				(30)		(30)
Translation adjustments			107			107
Other comprehensive income	0	0	107	(30)	0	77
Profit for the period					2,864	2,864
Total comprehensive income for the period	0	0	107	(30)	2,864	2,941
Share capital increase (1)	19,757	170,455				190,212
Share capital decrease (2)	(122)	(17,921)				(18,043)
Other (3)				2,802		2,802
At June 30, 2024	21,583	340,586	875	(10,145)	29,078	381,977

- (1) *The share capital increase for €190.2 million is described in Note 22 below. Share capital increase costs in the half year ended June 30, 2024 are deducted from share premiums (see Note 3.2 below).*
- (2) *Share capital decreases of €18.0 million correspond to merger journal entries with no cash impact relating to share capital transactions conducted as part of the initial public offering on June 7, 2024 (transactions described in Note 22 below). The share capital decrease is recognized through a share capital increase.*
- (3) *Mainly the corresponding journal entry to the IFRS 2 impact.*

Notes 1 to 31 are an integral part of the condensed half-year consolidated financial statements.

Note 1 - General information

Exosens (“the Company”) and its subsidiaries (together “the Group” or “the Exosens Group”) are a high-tech group, with over 85 years’ experience in innovation, development, manufacturing and sale of technology for the detection, photo detection and imaging sectors.

Exosens offers its customers detectors and imaging solutions, such as image intensifier tubes, digital cameras, ion, electron, neutron and gamma detectors and traveling wave tubes. Exosens responds to complex issues in extremely demanding environments by offering tailor-made solutions to its customers in the defense and surveillance, life sciences, nuclear and industrial control sectors. Thanks to sustained and constant investment in R&D, the Group is internationally recognized as a major innovator in optoelectronics, with ten production sites in Europe and North America and over 1,600 employees.

Exosens is a limited liability company (*Société Anonyme (SA)*) governed by French law. Its registered office is located at Domaine de Pelus, Axis Business Park, Bloc E, 18 avenue Pythagore, Mérignac, France.

The Company is listed on the Paris stock exchange (Euronext - Compartment A).

The condensed half-year consolidated financial statements for the six-month period from January 1, 2024 to June 30, 2024 were authorized by the Board of Directors on September 2, 2024. All amounts are presented in thousands of euros, unless otherwise stated.

Note 2 - Basis of preparation

2.1 Declaration of compliance

The Group’s condensed interim consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*. They do not include all the disclosures required for annual financial statements and must be read in conjunction with the Group consolidated financial statements for the periods ended December 31, 2023 and December 31, 2022, which were prepared in accordance with IFRS as adopted by the European Union at the reporting date and of mandatory application.

2.2 Accounting policies

The accounting policies applied in the preparation of the condensed interim consolidated financial statements are consistent with those applied by the Group to prepare the consolidated financial statements for the periods ended December 31, 2023 and December 31, 2022.

2.3 New standards, amendments to existing standards and interpretations adopted by the European Union and of mandatory application for fiscal periods beginning on or after January 1, 2024

The new standards, amendments and interpretations of mandatory application for fiscal periods beginning on or after January 1, 2024 have no material impact on the Group’s consolidated financial statements, and mainly concern:

- Amendment to IFRS 16, *Leases*: recognition of lease liabilities in a sale and leaseback;
- Amendments to IAS 1, *Presentation of Financial Statements*: classification of liabilities as current or non-current and classification of non-current liabilities with covenants;
- Amendments to IAS 7, *Statement of Cash Flows* and IFRS 7, *Financial Instruments*: new disclosure obligations regarding supplier finance arrangements.

2.4 New standards, amendments to existing standards and interpretations that are not yet of mandatory application at January 1, 2024

The Group has not early adopted any of the following new standards and interpretations that could concern it and which are not of mandatory application at January 1, 2024:

- Amendments to IAS 21, *Lack of Exchangeability*;
- IFRS 18, *Presentation and Disclosure in Financial Statements*.

We are currently studying the impacts and practical consequences of these amendments. Nonetheless, they do not present any provisions contrary to the current accounting practices of the Group.

2.5 Climate risk

The Group incorporates climate risks, to the best of its knowledge, in closing assumptions and integrates their potential impacts in the financial statements.

The process implemented and described in the consolidated financial statements for the periods ended December 31, 2023 and December 31, 2022 in Note 2.5, "Climate Risk", is unchanged at June 30, 2024.

2.6 Critical accounting assumptions and estimates

The preparation of these condensed interim consolidated financial statements requires management to use assumptions and estimates to calculate the value of assets and liabilities at the date of the consolidated statement of financial position and the amount of income and expenses for the half year. Actual results could differ from those estimates.

The main sources of uncertainty relating to key assumptions and judgments concern the capitalization of development costs, impairment of non-financial assets, employee benefits, the recognition and measurement of deferred tax, goodwill, intangible assets acquired in business combinations and the assets' estimated useful lives, the definition of the enforceable period of a lease and disputes and litigation.

2.7 Specific measurement rules and methods adopted by the Group for interim closures

Seasonality of activity

Group revenue is impacted by the seasonal nature of products sold to its customers. Order levels are generally higher at the end of the year, in particular for Amplification products, mainly delivered to the defense sector, due primarily to the close-out of budgets. Revenue recognized by the Group in the first half of the year is generally lower than in the second six months and cannot therefore be extrapolated over the full year.

The impact of seasonal factors was not corrected in the Group's half-year consolidated financial statements.

Ordinary income and expenses received or incurred by the Group on a seasonal, cyclical or occasional basis are recognized in accordance with the same rules applied at the year end. They are not anticipated or deferred at the end of the semester. Income and expenses invoiced on an annual basis (e.g. patent royalties and licenses) are recognized based on an annual estimate in proportion to the period of time elapsed.

Risks arising during the half year are provided in the accounts for the period. In the case of onerous contracts in particular, losses to completion identified in the first six months are provided in full.

Measurement of the income tax expense

The income tax expense recognized in respect of the first half of the year is based on the best estimate of the expected average annual tax rate for the fiscal year. This rate may be adjusted for the tax impacts of unusual items during the period.

Retirement benefit commitments

Post-employment benefit commitments and the related provision are measured based on the most recent actuarial valuations available at the end of the previous fiscal year. Actuarial assumptions are reviewed for the main employee benefit plans and the key assumptions are adjusted if changes during the half year are considered material.

Note 3 - Changes in consolidation scope and major events

3.1 Changes in consolidation scope

3.1.1 Transactions in 2024

On January 26, 2024, the Group entered into an agreement for the acquisition of Centronic in the United Kingdom. Centronic mainly specializes in the design and manufacture of nuclear instrumentation components, such as neutron detectors, Geiger Muller tubes and silicon photodiodes, primarily used in the detection of light or X rays.

Centronic reported revenue of £11.0 million for the period ended January 4, 2024 (unaudited, UK GAAP figures).

This acquisition was finalized on July 31, 2024 (see Note 31 below) and the Group will consolidate the company and conduct the purchase price allocation in the second half of 2024.

3.1.2 Purchase price allocation process for transactions in 2023

ProxiVision

The purchase price allocation was finalized in the first half of 2024 and the definitive goodwill is €1,622 thousand (provisional goodwill at December 31, 2023: €1,622 thousand) as detailed below:

<i>(in € thousand)</i>	At the acquisition date
Fair value of the consideration transferred	6,750
Less: fair value of net assets acquired	5,128
Goodwill after deferred tax	1,622

This goodwill was allocated to the Detection and Imaging CGU.

In the first half of 2024, ProxiVision contributed €4,089 thousand to Group revenue and -€22 thousand to net profit.

El-Mul

The purchase price allocation was finalized in the first half of 2024 and the definitive goodwill is €11,583 thousand (provisional goodwill at December 31, 2023: €11,583 thousand) as detailed below:

<i>(in € thousand)</i>	At the acquisition date
Fair value of the consideration transferred	24,011
Less: fair value of net assets acquired	12,428
Goodwill after deferred tax	11,583

This goodwill was allocated to the Detection and Imaging CGU. In the first half of 2024, El-Mul contributed €6,484 thousand to Group revenue and €127 thousand to net profit.

Telops

The purchase price allocation was finalized in the first half of 2024 and the definitive goodwill is €21,492 thousand (provisional goodwill at December 31, 2023: €21,492 thousand) as detailed below:

<i>(in € thousand)</i>	At the acquisition date
Fair value of the consideration transferred	39,137
Less: fair value of net assets acquired	17,645
Goodwill after deferred tax	21,492

This goodwill was allocated to the Detection and Imaging CGU. In the first half of 2024, the companies of the former Telops group (Telops Inc., Telops France, Telops USA Inc.) contributed €7,561 thousand to Group revenue and -€989 thousand to net profit.

3.2 Major events

▪ Change in Exosens' legal form

On May 31, 2024, Exosens was converted from a simplified joint stock company (*Société par Actions Simplifiée*, SAS) to a limited liability company (*Société Anonyme*, SA) with a view to its initial public offering on the Euronext Paris market on June 7, 2024. This change sought to align the company's structure and governance with that expected by international investors and guarantee the transparency required by the financial market.

▪ Initial Public Offering (IPO)

On June 7, 2024, Exosens began operating as an independent listed company following its listing on Euronext Paris (ticker symbol "EXENS") by way of a private placement, including an over-allotment option representing a maximum of 15% of the cumulative number of New Shares and Initial Sale Shares (i.e. a maximum of 2,625,002 Additional Sale Shares). The technical reference price of the Exosens share (€20.00 per share) on market opening was confirmed by a notice issued by Euronext Paris on June 7, 2024. On June 12, 2024, the Over-Allotment Option covering all the shares placed under the IPO was exercised in full.

IPO costs totaled €12.2 million and were recognized €7.8 million in equity and €4.4 million in the income statement.

▪ Share capital transactions

The Company carried out several share capital transactions in the first half of 2024, as part of preferred share grant plans and to prepare its IPO on June 7. In particular, it converted all preferred shares, terminating the free share grant plans.

These transactions are described in Note 22.

▪ Financing

At the time of the IPO, the Group repaid all term loans (A1 Facility, A2 Facility, and Acquisition Facility) secured under the Senior Debt Agreement, canceled all available commitments under the revolving credit facility (RCF) and redeemed in full the A bonds, B bonds and Additional Bonds issued under the Bond Issue Agreement.

To finance its development and external growth transactions, Exosens secured a new Senior Debt Agreement in the first half of 2024, which provides for two credit facilities of a maximum total amount of €350 million as follows:

- a euro-denominated 5-year term loan of a maximum amount of €250 million, paying interest ranging from 1.50% to 2.50% + 3-month Euribor, repayable on maturity;
- a 5-year revolving credit facility (RCF) of a maximum amount of €100 million, paying interest ranging from 1.50% to 2.50% + 3-month Euribor, not drawn at June 30, 2024.

Note 4 - Segment reporting

Accounting policies

Operating segments are reported in a manner consistent with the internal reporting provided to Group Management.

The Chief Executive Officer regularly examines segment gross margin to assess segment performance. He has therefore been identified as the Group's chief operating decision-maker.

Segment information is presented for the following two operating segments:

- Amplification, comprising systems using electron or electromagnetic wave amplification to produce images or a power source;
- Detection and Imaging, comprising systems to detect signals (optical or electronic) or create images across different wavelengths of the optical spectrum (from ultra-violet to infrared);

Operating segment performance is measured primarily based on sales and segment gross margin, calculated according to the same measurement principles used in the Group consolidated income statement.

The gross margin (adjusted), presented below by segment, is equal to the difference between the selling price and the cost price of products and services (including notably employee benefits expense).

The Group defines EBITDA (adjusted) as operating profit, less (i) additions net of reversals to depreciation, amortization and impairment of non-current assets; (ii) non-recurring income and expenses as presented in the Group's consolidated income statement within "Other income" and "Other expenses", and (iii) the impact of items that do not reflect ordinary operating performance (in particular business reorganization and adaption costs, costs relating to acquisition and external growth transactions, as well as the IFRS 2 share-based payment expense).

June 30, 2024					
<i>(in € million)</i>	Amplification	Detection and Imaging	Other and eliminations	Total	
Sales	138.5	50.4	(2.0)	186.9	
Contribution (% of total sales)	74.1%	27.0%	-1.1%		
Gross margin (adjusted)	65.2	25.8	0.1	91.1	
As a percentage of sales	47.1%	51.1%			

EBITDA (adjusted)	56.1
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June 30, 2023					
<i>(in € million)</i>	Amplification	Detection and Imaging	Other and eliminations	Total	
Sales	94.3	31.5	(0.8)	125.0	
Contribution (% of total sales)	75.5%	25.2%	-0.7%		
Gross margin (adjusted)	42.1	14.4	0.0	56.6	
As a percentage of sales	44.6%	45.8%			

EBITDA (adjusted)	34.0
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Revenue included within "Other and elimination" mainly concerns the elimination of inter-segment flows.

Gross margin (adjusted) not allocated mainly includes the elimination of inter-segment flows

Reconciliation with the consolidated financial statements

<i>(in € million)</i>	June 30, 2024	June 30, 2023
EBITDA (adjusted)	56.1	34.0
Depreciation, amortization and impairment	(15.9)	(11.1)
Other income and expenses (Note 9)	(3.8)	(1.4)
Other *	(5.7)	(2.4)
OPERATING PROFIT	30.7	19.2

* In the 6-month period ended June 30, 2024, the "Other" line mainly comprises the IFRS 2 share-based payment expense for €2.9 million and non-recurring advisory and strategy fees relating to the Group's external growth policy (recorded in Other operating expenses) for €2.0 million.

In the 6-month period ended June 30, 2023, the "Other" line mainly comprises the IFRS 2 share-based payment expense and miscellaneous non-recurring items that are not individually material.

Non-current assets break down by geographic area as follows:

<i>(in € million)</i>	At June 30, 2024				At December 31, 2023			
	France	Europe excluding France	North America	Other	France	Europe excluding France	North America	Other
Goodwill, intangible assets, property, plant and equipment and right-of-use assets	308.5	86.2	54.8	12.9	289.9	93.3	62.9	13.4

Note 5 - Revenue

Group revenue breaks down as follows:

<i>(in € thousand)</i>	June 30, 2024	%	June 30, 2023	%
Sales of goods	183,746	98%	118,194	95%
Sales of services and License rights	3,141	2%	6,790	5%
Total revenue	186,887	100%	124,983	100%

Group revenue breaks down by geographic area as follows:

<i>(in € thousand)</i>	June 30, 2024	%	June 30, 2023	%
Europe	121,549	65%	80,332	64%
Of which Greece	76,147	41%	33,907	27%
Of which France	5,222	3%	3,878	3%
North America	23,029	12%	18,214	15%
Of which USA	20,771	11%	15,832	13%
Asia	41,409	22%	26,343	21%
Oceania	795	0%	33	0%
Africa	53	0%	31	0%
Other	52	0%	31	0%
Total revenue	186,887	100%	124,983	100%

Sales recognized on the transfer of control of the goods or services to the customer represented 98.9% of Group sales in the first six months of the year (2023 – 6-month period: 99.2%) and totaled €184.9 million (2023 – 6-month period: €124.0 million).

In 2024, sales recognized on the progressive satisfaction of performance obligations totaled €2.0 million and represented 1.1% of total sales in the first six months of the year (2023 – 6-month period: €1.0 million and 0.8%).

The Group estimates that around 80% of its revenue is linked to the sale of dual-use goods. Dual-use goods are products, software and technologies which can be used for both civil and military applications.

Note 6 - Other purchases and external expenses

<i>(in € thousand)</i>	June 30, 2024	June 30, 2023
Temporary employees	(13,009)	(7,567)
Professional fees	(6,285)	(4,699)
Travel and entertaining	(1,731)	(1,562)
Sub-contracting	(2,621)	(3,908)
Rent	(1,094)	(764)
Maintenance	(3,671)	(2,800)
Advertising, publications, public relations	(1,297)	(552)
Insurance premiums	(733)	(564)
Transport of goods and collective passenger transport	(462)	(319)
Postal and telecommunication costs	(321)	(311)
Bank services & equivalent	(332)	(211)
Other services - miscellaneous	(919)	(239)
Studies and research	(1,059)	(350)
Other (sundry external services, building charges, rent)	(405)	(297)
Other purchases and external expenses	(33,939)	(24,142)

Note 7 - Employee benefits expense

<i>(in € thousand)</i>	June 30, 2024	June 30, 2023
Wages and salaries	(37,862)	(25,992)
Social security contributions	(12,535)	(10,010)
Post-employment benefits	(85)	(84)
Other employee costs	(5,054)	(2,764)
Employee benefits expense	(55,537)	(38,850)

Other employee costs mainly comprise statutory profit sharing and incentive payments of €4,737 thousand at June 30, 2024, compared to €2,524 thousand for the first six months of 2023.

Note 8 - Depreciation, amortization and additions to provisions

Depreciation, amortization and additions to provisions break down as follows:

<i>(in € thousand)</i>	Note	June 30, 2024	June 30, 2023
On other non-current assets (excluding IFRS 16)	14/15	(14,590)	(10,260)
On other non-current assets (IFRS 16 restatement)	16	(1,244)	(934)
On impairment of current assets		185	(720)
On provisions		150	367
Total additions and reversals		(15,499)	(11,548)

Note 9 - Other income and expenses

Other operating income and expenses correspond to items that are not taken into account by management when measuring the performance of the operating segments due to their nature or their significant or unusual characteristics.

Other income and expenses represented a net expense of €3,863 thousand at June 30, 2024 (2023 – 6-month period: net expense of €1,354 thousand) and mainly comprise fees of €3.9 million relating to the IPO. In the first half of 2023, other income and expenses mainly comprised company acquisition costs and non-recurring advisory and strategy fees of individual non-material amounts.

<i>(in € thousand)</i>	June 30, 2024	June 30, 2023
IPO costs	(3,853)	0
Company acquisition costs	0	(1,065)
Other	(10)	(289)
Other income and expenses	(3,863)	(1,354)

Note 10 - Net financial expense

The cost of net debt and other financial income and expenses break down as follows:

<i>(in € thousand)</i>	June 30, 2024	June 30, 2023
Interest expense on bank borrowings*	(26,961)	(11,688)
Interest expense on leases	(405)	(251)
Other financial expenses	0	0
Cost of net debt	(27,366)	(11,939)
Foreign exchange gains and losses	903	(732)
Financial income from derivative instruments	1,078	2,932
Net financial gains/(losses) on derivative instruments	1,981	2,200
Other	(311)	283
Net financial expense	(25,696)	(9,456)

* In the 6-month period ended June 30, 2024, the interest expense on bank borrowings includes €8.2 million related to the extinguishment of the former debt, €0.9 million penalties related to early repayments, €3.0 million costs in respect of financing that was not secured and €0.5 million costs in respect of new non-capitalizable financing.

Foreign exchange gains and losses consist of the currency impact on loans.

Financial income/(expenses) on derivative instruments mainly reflect the unwinding of caps, floors and cross-currency swaps recognized in profit or loss for the period.

Note 11 - Income tax

The income tax expense for the first half of 2024 is €2,123 thousand, compared to €1,421 thousand for the first half of 2023.

On December 14, 2022, the European Union adopted a directive implementing the OECD's "Pillar 2" reform. France enacted this directive into law as part of the 2024 Finance Bill. The so-called "Pillar 2" rules therefore apply to all entities effectively controlled by Exosens SA from January 1, 2024. This reform has no impact on Exosens' financial statements at June 30, 2024.

Note 12 - Earnings per share

Basic earnings per share are calculated by dividing net profit attributable to the shareholders of the Company by the weighted average number of shares outstanding during the period, excluding shares bought back by the Group and held as treasury shares.

Diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding to take account of the potentially dilutive effect of all equity instruments issued by the Company and particularly unvested performance shares. Following the conversion of the preferred shares as described in Note 22, there are no potentially dilutive instruments at June 30, 2024.

	June 30, 2024			June 30, 2023 *		
	Average number of shares	Net profit (in K€)	Earnings per share (in €)	Average number of shares	Net profit (in K€)	Earnings per share (in €)
Ordinary shares	32,510,681			30,387,344		
Net profit (loss) before dilution	32,510,681	(2,285)	(0.07)	30,387,344	3,047	0.10
Conversion of preferred shares	0			0		
Net profit (loss) after dilution	32,510,681	(2,285)	(0.07)	30,387,344	3,047	0.10

* Basic earnings per share and diluted earnings per share were calculated for the 2023 comparative period taking into account ordinary shares and performance shares issued or canceled in the first half of 2024, as described in Note 22.

(in € thousand)	June 30, 2024	June 30, 2023
Net profit (loss) for the period (A)	2,864	8,307
Preferential dividend attributable to A preferred shares (B)	5,149	5,260
Net profit (loss) attributable to the Company (A-B)	-2,285	3,047

Note 13 - Goodwill

Pursuant to IAS 36, *Asset Impairment*, an entity must assess at each reporting date the existence of any indication that an asset has suffered a loss in value.

The recoverable amount is determined based on the value in use. In this context, the Group verified that the business plans prepared at the 2023 annual closing based on management assumptions in line with macro-economic forecasts, had not been materially called into question.

At June 30, 2024, the Group did not identify any indication of a loss in value of the cash-generating units (CGUs) requiring the performance of specific impairment tests.

The methodologies applied by the Group and additional disclosures are presented in Note 16, "Goodwill", to the consolidated financial statements for the periods ended December 31, 2023 and December 31, 2022.

Goodwill breaks down as follows

<i>(in € thousand)</i>	Gross value	Impairment	Total
Amount at December 31, 2023	174,344	0	174,344
Translation adjustments	(5)		(5)
Changes in consolidation scope			0
Impairment, net			0
Other			0
Amount at June 30, 2024	174,338	0	174,338

At June 30, 2024, Goodwill is allocated to the CGUs as follows:

<i>(in € thousand)</i>	June 30, 2024	December 31, 2023
Amplification	94,042	94,041
Detection and Imaging	80,297	80,302
Goodwill	174,338	174,344

Note 14 - Intangible assets

Group intangible assets break down as follows:

<i>(in € thousand)</i>	Development costs and technologies	Software, concessions, patents	Customer relationships and brands	Other intangible assets	TOTAL
Gross amount at December 31, 2023	77,827	4,064	146,123	8,722	236,737
Changes in consolidation scope	0	0	0	0	0
Additions	4,584	480	0	1,132	6,196
Disposals	0	0	0	0	0
Translation adjustments	30	157	(37)	(0)	150
Transfers and other	0	23	0	0	23
Gross amount at June 30, 2024	82,442	4,724	146,087	9,854	243,106
Amortization and impairment at December 31, 2023	(17,067)	(1,388)	(16,044)	112	(34,387)
Changes in consolidation scope	0	0	0	0	0
Amortization	(4,930)	(356)	(4,399)	(137)	(9,822)
Impairment, net	0	0	0	0	0
Disposals	0	0	0	0	0
Translation adjustments	(25)	(118)	2	0	(140)
Transfers and other	0	0	0	0	0
Amortization and impairment at June 30, 2024	(22,023)	(1,862)	(20,440)	(24)	(44,349)
Net amount at June 30, 2024	60,418	2,862	125,647	9,830	198,757
Net amount at December 31, 2023	60,760	2,676	130,080	8,834	202,351

Development costs:

At June 30, 2024, research and development costs and technologies are recognized in the consolidated statement of financial position in the net amount of €60,418 thousand (December 31, 2023: €60,760 thousand) and relate to development projects for new products and services. Research and development costs not capitalized total €7,283 thousand in the first half of 2024 (June 30, 2023: €4,066 thousand).

Brands:

At June 30, 2024, brands are recognized in the consolidated statement of financial position in the net amount of €28,431 thousand (December 31, 2023: €28,431 thousand) and comprise brands with an indefinite useful life. They mainly consist of brands recognized as part of business combinations and, in particular Exosens International.

Customer relationships:

At June 30, 2024, customer relationships are recognized in the consolidated statement of financial position in the net amount of €97,216 thousand (December 31, 2023: €101,215 thousand). They mainly consist of the value of customer lists recognized as part of business combinations, and in particular Exosens International, Xenics, Telops and El-Mul.

Note 15 - Property, plant and equipment

The Group's main categories of property, plant and equipment at June 30, 2024 are as follows:

(in € thousand)	Land	Buildings	Technical installations	Other	PP&E under construction	Total
Gross amount at December 31, 2023	2,772	16,419	43,741	4,235	19,886	87,053
Changes in consolidation scope	0	0	0	0	0	0
Additions	26	698	4,598	295	5,858	11,475
Disposals	0	(335)	(154)	0	0	(490)
Translation adjustments	0	42	482	90	86	700
Transfers and other	0	0	31	0	(54)	(23)
Gross amount at June 30, 2024	2,797	16,824	48,698	4,620	25,776	98,716
Depreciation and impairment at December 31, 2023	0	(2,629)	(11,246)	(1,127)	0	(15,002)
Changes in consolidation scope	0	0	0	0	0	0
Depreciation	0	(631)	(3,414)	(414)	0	(4,459)
Impairment, net	0	0	0	0	0	0
Disposals	0	313	154	0	0	467
Translation adjustments	0	(29)	(411)	(83)	0	(523)
Transfers and other	0	201	0	0	0	201
Depreciation and impairment at June 30, 2024	0	(2,775)	(14,917)	(1,624)	0	(19,316)
Net amount at June 30, 2024	2,797	14,049	33,781	2,996	25,776	79,400
Net amount at December 31, 2023	2,772	13,790	32,495	3,108	19,886	72,051

Note 16 - Right-of-use assets

Right-of-use assets break down as follows:

(in € thousand)	IFRS16 Right-of-use assets			
	Buildings	Technological installations	Other	Total
Gross amount at December 31, 2023	11,017	3,658	48	14,723
Changes in consolidation scope	0	0	0	0
Additions	847	0	0	847
Disposals	(426)	0	0	(426)
Translation adjustments	214	7	0	222
Transfers and other	0	0	0	0
Gross amount at June 30, 2024	11,651	3,665	49	15,365
Depreciation and impairment at December 31, 2023	(2,709)	(1,227)	(28)	(3,964)

Changes in consolidation scope	0	0	0	0
Depreciation	(1,012)	(535)	(5)	(1,552)
Impairment, net	0	0	0	0
Disposals	426	0	0	426
Translation adjustments	(125)	(6)	(0)	(132)
Transfers and other	(201)	0	0	(201)
Depreciation and impairment at June 30, 2024	(3,622)	(1,768)	(33)	(5,423)
Net right-of-use assets at June 30, 2024	8,030	1,897	16	9,942
Net right-of-use assets at December 31, 2023	8,307	2,432	20	10,759

Note 17 - Investments in equity-accounted companies

The joint venture in which the Group holds an interest is structured as a separate company. Under the joint arrangement agreement, unanimous consent is required from all parties to the agreement for all relevant activities. The Group and its partner have rights to the net assets of the company in accordance with the terms of the contractual agreements.

(in € thousand)	Total
At December 31, 2023	3,410
Changes in consolidation scope	-
Acquisitions of equity investments	-
Net profit (loss) of equity-accounted companies	-
Translation adjustments	(0)
Impairment	-
At June 30, 2024	3,410

At June 30, 2024, investments in associates and joint ventures comprise a 49% stake in IGG Photonis Night Vision Electronics and Equipment Repairs and Testing LLC (“IGG”), an 11% stake in FBGS Technologies GmbH and a 10% stake in Think Deep AI SAS. There is no indication of an impairment identified at June 30, 2024.

IGG was dormant in the first half of 2024.

Note 18 - Inventories

Inventories break down as follows:

(in € thousand)	June 30, 2024	December 31, 2023
Raw materials	40,326	36,497
Work in progress	52,405	41,197
Finished goods	13,652	12,887
Bought-in goods	910	513
Inventories - gross value	107,293	91,094
Provision for obsolescence	(12,388)	(12,549)
Inventories - net value	94,906	78,544

The increase in net inventories compared to December 31, 2023, amounts to €16,4 million and is mainly explained by the significant growth of revenue. Inventories as a percentage of sales remain stable.

Note 19 - Trade receivables

The carrying amount of trade receivables breaks down as follows:

<i>(in € thousand)</i>	June 30, 2024	December 31, 2023
Trade receivables and related accounts - gross	56,456	62,692
Trade receivables - sales invoice accruals	4,100	6,883
Provision for impairment of trade receivables	(246)	(386)
Trade receivables - net	60,310	69,189

The provision for impairment of trade receivables is €246 thousand at June 30, 2024 (€386 thousand at December 31, 2023).

Note 20 - Current financial assets and other current assets

Current financial assets and other current assets break down as follows:

<i>(in € thousand)</i>	June 30, 2024	December 31, 2023
VAT and other tax receivables	13,003	8,478
Income tax	11,056	10,141
Other receivables	12,599	8,351
Tax and employee-related receivables	126	2,326
Current financial assets	93	70
Current financial assets and other current assets	36,877	29,366

Note 21 - Cash and cash equivalents

Cash and cash equivalents break down as follows:

<i>(in € thousand)</i>	June 30, 2024	December 31, 2023
Cash and cash equivalents	103,166	15,444
Bank deposits subject to a notice period of up to three months	20,000	14
Cash and cash equivalents	123,166	15,458
Cash and cash equivalents net of bank overdrafts	123,166	15,458

Note 22 - Share capital and share premiums

Issued capital

At June 30, 2024, the Company's issued share capital amounts to €21,582,584.60 and consists of 50,782,552 ordinary shares with a par value of €0.425, subscribed and paid up in full.

These issues include total share premiums of €340,586 thousand.

HLD Europe is the majority shareholder.

The following table presents outstanding ordinary and preferred shares:

(thousands of shares)	Ordinary shares	A preferred shares	R2 preferred shares	R3 preferred shares	R1 preferred shares	O' preferred shares	A' preferred shares	Total
At December 31, 2023	75,968	113,953	50	39	2,770	792	1,188	194,760
Increase	11,660				1,180	208	312	13,360
Decrease (*)	45,846	113,953	50	39	3,950	1,000	1500	166,337
Capital subscription	9,000							9,000
At June 30, 2024	50,783	-	-	-	-	-	-	50,783

* In accordance with the Bylaws, the Company converted all 119,499,391 preferred shares in the context of its IPO on June 7, 2024. The classes and rights attached to the preferred shares existing prior to the IPO are described in Note 26 to the consolidated financial statements for the periods ended December 31, 2023 and December 31, 2022.

In the first half of 2024, the Company carried out several share capital transactions in the context of its IPO on June 7, 2024:

On March 15, 2024

- Issue of 205,795 R1 preferred shares.

On June 6, 2024

- Issue of 195,920 R1 preferred shares;
- Increase in the par value of ordinary shares from €0.01 to €0.17;
- Cancellation of 45,581,016 ordinary shares and increase in the par value of ordinary shares from €0.17 to €0.425.

On June 11, 2024

- Issue of 208,000 O' preferred shares, 312,000 A' preferred shares and 778,348 R1 preferred shares;
- Issue of 63,145 new ordinary shares and cancellation of 992,149 A preferred shares;
- Issue of 264,059 new ordinary shares and cancellation of 264,526 ordinary shares;
- Cancellation of all 119,499,391 existing preferred shares and issue of a total of 11,332,529 new ordinary shares;
- Issue of 9,000,001 new ordinary shares as part of the public offering.

The above transactions led to a total share capital increase at June 30, 2024 (including issue premiums) of €190,212 thousand, partially offset by a total share capital decrease of €18,043 thousand.

The company does not hold any of its own shares at June 30, 2024.

Note 23 - Financial liabilities

The carrying amount of financial liabilities breaks down as follows:

(in € thousand)	Note	June 30, 2024			December 31, 2023*		
		Total	Current	Non-current	Total	Current	Non-current
Term loan B	1	246,528		246,528	-		
Lease liabilities		9,898	2,274	7,624	10,043	2,360	7,683
Other financial liabilities	2	3,164	710	2,454	6,166	1,565	4,601
Accrued interest	3	1,021	1,021	0	1,127	1,127	
A Bonds	4	-			185,111		185,111
B Bonds	4	-			9,840		9,840
2023 Bonds	4	-			33,712		33,712
Senior debt	4	-			71,924	4,334	67,590
Financial liabilities		260,611	4,004	256,605	317,922	9,386	308,537
Derivative financial instruments (liabilities)	Note 28	-			-		
Derivative financial instruments (assets)	Note 28	(598)	(598)		(152)	(152)	
Derivative financial instruments (net)		(598)	(598)	0	(152)	(152)	
Cash and cash equivalents	Note 21	(103,166)	(103,166)		(15,444)	(15,444)	
Bank deposits subject to a notice period of up to three months	Note 21	(20,000)	(20,000)		(14)	(14)	
Cash and cash equivalents		(123,166)	(123,166)	0	(15,458)	(15,458)	
Total financial liabilities, net		136,847	(119,760)	256,605	302,312	(6,224)	308,537

* The terms and conditions of the financial liabilities are described in Note 27 to the consolidated financial statements for the periods ended December 31, 2023 and December 31, 2022.

- (1) Term Loan B pays interest ranging from 1.50% to 2.50% + 3-month Euribor and consists of a gross amount of €250.0 million, less loan issuance costs of €3.5 million.
- (2) Other financial liabilities mainly comprise several loans subscribed by Xenics (€2.2 million), Photonis Germany (€0.5 million), Telops (€0.5 million) and Photonis Infrared France (€0.2 million).
- (3) Accrued interest in 2024 mainly concerns the term loan. Interest is accrued and payable according to the contractual debt schedule.
- (4) During the first half of 2024, financial liabilities existing at March 31, 2024 (A Bonds, B Bonds, 2023 Bonds and Senior debt) were repaid in full in the context of the IPO.

Changes in financial liabilities and derivative instruments are detailed by flow in the table below:

<i>(in € thousand)</i>	Opening balance at January 1, 2024	Cash flows		"Non-cash" movements			06/30/2024
		Inflows	Outflows	Accrued interest	Other changes	Total "non- cash"	
Bonds, loans and other	300,843	246,500	(306,307)		7,945	7,945	248,981
Lease liabilities	7,694				(70)	(70)	7,624
Derivative instruments	-						-
Non-current loans and borrowings	308,537	246,500	(306,307)	0	7,876	7,876	256,605
Bonds, loans and other	7,026		(5,115)	(106)	(76)	(182)	1,729
Lease liabilities	2,360		(1,099)		1,013	1,013	2,274
Derivative instruments	0						
Current loans and borrowings	9,386	-	(6,214)	(106)	937	831	4,004
TOTAL FINANCIAL LIABILITIES	317,923	246,500	(312,521)	(106)	8,812	8,707	260,611
Derivative instrument assets	(152)				(446)	(446)	(598)
Net impact (inflows/outflows) in the consolidated statement of cash flows			(66,021)				

The other "non-cash" changes mainly include the accelerated amortization of debt issue costs relating to debt repaid in the context of the IPO.

Financial covenants

Certain financing agreements contain early repayment clauses if the Company does not comply with a leverage ratio, calculated as the ratio of consolidated net debt to consolidated adjusted EBITDA.

At December 31, 2024, the leverage ratio (net debt/adjusted EBITDA) must be below 3.00 for Term Loan B.

At June 30, 2024, the Group's total net debt/adjusted EBITDA ratio was 1.28x (unaudited figure).

The Group regularly monitors changes in its financial covenants. In fiscal 2023 and the first six months of 2024, the Group did not breach the financial covenant based on the leverage ratio.

There are no financial covenants based on Group consolidated equity.

Note 24 - Provisions and other liabilities

Provisions and other liabilities total €81,804 thousand at June 30, 2024 (€76,948 thousand at December 31, 2023) and mainly comprise provisions for customer warranties, payroll tax liabilities and amounts payable to the State.

Provisions

In the ordinary course of the Group's business activities, the Company and its subsidiaries have entered into various warranty contracts that include compensation and guarantee provisions, especially in the case of product returns. The Group records a provision for these warranties, based on product return rates.

<i>(in € thousand)</i>	Provisions for disputes	Customer warranties	Other provisions	Total
Opening balance at January 1, 2024	1,365	2,163	1,449	4,976
Changes in consolidation scope	0	0	0	0
Addition	100	115	358	573
Reversal	0	(220)	(48)	(268)
Reclassification	0	256	(279)	(23)
Other movements	0	0	(9)	(9)
Translation adjustments	0	10	(1)	9
At June 30, 2024	1,465	2,324	1,470	5,259

Other non-current and current liabilities

Other non-current liabilities total €4,891 thousand (€4,872 thousand at December 31, 2023) and mainly comprise research and development grants and current accounts in credit.

Other current liabilities break down as follows:

<i>(in € thousand)</i>	June 30, 2024	December 31, 2023
Payroll tax liabilities	28,182	21,448
VAT and other taxes	17,084	9,940
Accrued expenses	7,001	7,583
Capital expenditure payables	2,126	2,755
Advances and down-payments received on orders	11,644	19,394
Miscellaneous liabilities	5,617	5,979
Other current liabilities	71,654	67,099

At June 30, 2024, the increase in other current liabilities is mainly due to the increase in amounts payable to the State and payroll tax liabilities partially offset by lower advances and down-payments received on orders.

Note 25 - Post-employment benefit obligations

The Group has commitments under long-term employee benefit plans. Pursuant to IAS 19, *Employee Benefits*, the obligation to provide benefits under defined benefit plans is determined by independent actuaries using the projected unit credit actuarial valuation method.

At June 30, 2024, provisions for retirement commitments total €7,730 thousand (€7,595 thousand at December 31, 2023).

They include provisions for retirement termination payment commitments and provisions for complementary pension commitments and primarily concern France.

The net benefit expense in respect of the first half of 2024 is equal to 50% of the projected 2024 expense determined based on actuarial assumptions at December 31, 2023 in accordance with IAS 19 and in the absence of any material market changes since the prior period end.

A breakdown of Group employee benefits is presented in Note 30, "Post-employment benefit obligations", to the consolidated financial statements for the periods ended December 31, 2023 and December 31, 2022.

Note 26 - Trade payables and related accounts

<i>(in € thousand)</i>	June 30, 2024	December 31, 2023
Trade payables	22,154	24,703
Purchase invoice accruals	12,987	7,531
Notes receivable	87	70
Trade payables and related accounts	35,229	32,304

Trade payables represent approximately 56 days' purchases at June 30, 2024 (59 days at end 2023).

Note 27 - Off-balance sheet commitments

At June 30, 2024	Type of commitment	Commitment given
Exosens SAS	Sureties	Bank surety of €121,191 (BNP) covering the lease for Exosens' premises (signed on 07/22/2022; lease start date of 07/01/2022 and end date of 06/30/2031)
	Guarantees issued by CIC	In favor of HOLD-KEY - \$60K warranty bond (Lot 4) expiring 08/31/2024
Exosens International SAS	Guarantees issued by CIC	In favor of TWOWAY - \$60K warranty bond (Extension 1000) expiring 08/10/2024
	Guarantees issued by LCL	In favor of OPNET System CO. Ltd - \$45K Minijol warranty bond expiring 07/13/2024 - \$45K Minijol warranty bond expiring 11/20/2024
PHOTONIS France SAS	Guarantees given in respect of foreign export contracts	- AED 4,682K performance bond (CIC) - INR 500K guarantee to EMD (CIC) - USD 36K performance bond (SG) - €2,119K mandatory performance bond (SG + CIC + LCL + BNP) - €1,306K performance bond (CIC + LCL) - INR 12,000K performance bond (CIC) - €2,077K early payment guarantee (CIC + LCL + BNP)
IMAGING SENSORS INTERNATIONAL	Guarantees given in respect of foreign export contracts	- €106K performance bond - €106K advance payment guarantee - INR 2,000K guarantee covering a foreign export contract
PHOTONIS Netherlands B.V.	Guarantees given in respect of foreign export contracts	Customer warranties of €439K
PHOTONIS Germany	Personalized warranty	€10,000 bond given to the Darmstadt Custom Office (Zollamt Darmstadt) by Volksbank Kurpfalz.
EI-Mul	Guarantee issued for a real estate lease	Bank guarantee of ILS 1,442K with counter-guarantee issued by BNP
Telops	Guarantee given to banks	Guarantee given for the bank margin (EDC) of CAD 2,000K
	Sureties given to banks	Sureties given for ATA carnets of USD 1,000K
	Other commitments	Goods purchase commitments with various suppliers totaling USD 4.4 million and CAD 0.5 million
Total		

Note 28 - Financial risk management

Risks

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and foreign exchange risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management systems

The Group uses derivative financial instruments to manage foreign exchange risk and interest rate risk on borrowings. Most of the financial instruments subscribed by the Group are interest rate caps and swaps and forward currency purchases and sales. These derivatives are subscribed to protect the Group against both an increase in interest rates and an adverse change in exchange rates. By offsetting market risks on underlying debts with derivatives, the Group manages risk concentration on financial liabilities.

In addition, to protect against counterparty risk on derivatives, the Group enters into contracts with several banks. For all financial instruments, the carrying amount best represents the maximum exposure to credit risk.

The financial risk management policy and procedures defined by the Group are identical to those described in Note 33.1, "Financial risk management policy", to the consolidated financial statements for the periods ended December 31, 2023 and December 31, 2022.

Hedging instrument transactions entered into or unwound during the half year do not significantly modify the Exosens Group's exposure to financial risks. The main risks (liquidity risk, foreign exchange risk, interest rate risk, credit risk and counterparty risk) are described in Notes 33.1.2, 33.1.3, 33.1.4 and 33.1.5, respectively, to the consolidated financial statements for the periods ended December 31, 2023 and December 31, 2022.

Derivative financial instruments

Financial instruments break down as follows:

(in € thousand)	June 30, 2024		December 31, 2023	
	Assets	Liabilities	Assets	Liabilities
Current portion				
Cross-currency swaps - cash flow hedge				
Caps/Floors	380		152	
Fixed budget	218			
TOTAL	598	0	152	0
Non-current portion				
Cross-currency swaps - cash flow hedge				
Caps/Floors				
TOTAL				

The carrying amount best represents the maximum exposure to credit risk for all derivatives subscribed by the Group (no collateral held as security, etc.).

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

At June 30, 2024, derivative financial instruments used by the Group break down as follows:

Company	Instrument	Nominal amount	Maturity	Bank
Exosens	SWAP	€170 million	12/31/2024	BNP
Exosens	CAP	€40 million	12/31/2024	BNP
Exosens	Foreign exchange hedge	GBP 20.2 million	09/11/2024	CIC

Financial instruments and fair value estimation

Pursuant to IFRS 13, valuation techniques used for financial assets and liabilities must be ranked.

The categories are defined as follows:

- Level 1: direct reference to quoted prices (unadjusted) in active markets, for identical assets or liabilities;
- Level 2: valuation techniques based on inputs other than quoted prices that are observable, either directly or indirectly;
- Level 3: valuation techniques based on non-observable inputs.

The fair value of financial assets and liabilities recognized at amortized cost is close to the carrying amount, except for financial debt.

The fair value of financial debt is determined for each borrowing by discounting future cash flows at a rate corresponding to the Euribor interest rate at the reporting date, adjusted for the Group credit risk (level 2).

The fair value of derivatives is measured using models commonly used to value these financial instruments (models integrating observable market inputs). The inclusion of counterparty default risk and the specific credit risk of the entity does not have a material impact on the fair value of derivatives.

Financial instruments break down as follows:

(in € thousand)	June 30, 2024		Financial instruments by category				Fair value assumptions			
	Net carrying amount	Cash and cash equivalents	Loans and receivables	Other financial assets at amortized cost	Assets / Liabilities at fair value through profit and loss	Hedging financial derivatives	Fair value	Level 1 (*)	Level 2 (**)	Level 3 (***)
Non-current financial assets	1,150		1,150				1,150	1,150		
Derivative financial instruments	598					598	598		598	
Trade receivables and related accounts	58,327		58,327				58,327	58,327		
Current financial assets	93		93				93	93		
Cash and cash equivalents	123,166	123,166					123,166	123,166		
Total assets	183,334	123,166	59,571	-	-	598	183,334	182,737	598	-
Loans and borrowings	260,609			260,609			260,609	260,609		
Derivative financial instruments	0						0			
Trade payables and related accounts	22,154			22,154			22,154	22,154		
Other current liabilities (1)	20,710			20,710			20,710	20,710		
Total liabilities	303,473	-	-	303,473	-	-	303,473	303,473	-	-

(1) "Other current liabilities" for the 6-month period ended June 30, 2024 consist mainly of residual purchase invoice accruals of €12.9 million, other liabilities of €5.7 million and liabilities to fixed assets suppliers of €2.1 million.

(*) Quoted prices (unadjusted) in active markets for identical assets or liabilities.

(**) Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (i.e. derived from prices).

(***) Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The fair value of financial debt is not materially different from its net carrying amount as it was recently financed.

Loans and borrowings include variable-rate loans from banking institutions.

There is no material customer concentration risk.

Note 29 - Transactions with related parties

Group transactions with related parties mainly concern:

- compensation and benefits allocated to management bodies;
- business and financial transactions with unconsolidated subsidiaries and associates: the Group does not have any material relationships with its unconsolidated subsidiaries and has no associates in its scope of consolidation.

Transactions with related parties are performed based on market prices.

There were no significant changes in the nature of transactions between the Group and related parties during the first half of 2024 compared to December 31, 2023.

Note 30 - Consolidated companies

Group legal entities (“the Entities”) were fully consolidated or equity-accounted using the functional currencies presented below:

Fully consolidated companies at June 30, 2024	% interest	% control	Functional currency
Exosens	Parent company		EUR
Exosens International	100.0%	100.0%	EUR
Photonis France	100.0%	100.0%	EUR
Photonis Netherlands B.V.	100.0%	100.0%	EUR
Imagine Sensors International	100.0%	100.0%	EUR
Photonis Infrared France	100.0%	100.0%	EUR
Photonis Holding Inc.	100.0%	100.0%	USD
Photonis Scientific Inc.	100.0%	100.0%	USD
Photonis Defense Inc.	100.0%	100.0%	USD
Photonis Asia Pacific Pte Ltd	100.0%	100.0%	SGD
Photonis Shenzhen Technologies	100.0%	100.0%	CNY
Xenics NV	100.0%	100.0%	EUR
Xenics Inc.	100.0%	100.0%	USD
SIInfrared	100.0%	100.0%	SGD
Telops France	100.0%	100.0%	EUR
Telops Inc.	100.0%	100.0%	CAD
Telops USA Inc.	100.0%	100.0%	USD
El-Mul Technologies	100.0%	100.0%	ILS
Photonis Germany	100.0%	100.0%	EUR
Equity-accounted companies	% interest	% control	Functional currency
IGG Photonis night vision electronics and equipment repairs and testing LLC	49.0%	49.0%	AED

Note 31 - Post-balance sheet events

Liquidity agreement

On July 7, 2024, Exosens signed a liquidity agreement with Kepler Cheuvreux to enhance the liquidity of its own shares admitted to trading on Euronext Paris, allocating an amount of €2 million. The agreement is for an initial period ending on December 31, 2024 and is renewable by tacit agreement for successive periods of one year.

Completion of the acquisition of Centronic

On July 31, 2024, the Group completed the acquisition of Centronic (transaction described in Note 3.1 above) for GBP 20.6 million and will consolidate the company and conduct the purchase price allocation in the second half of 2024.

Acquisition of LR Tech

On September 1st, 2024, the Group acquired LR Tech in Canada. LR Tech mainly specializes in Fourier transform infrared spectroscopy applied to research, gas detection, and environment.

LR Tech reported revenue of CAD 6.6 million for the period ended August 31, 2023 (unaudited local GAAP figures).

From the second semester of 2024, the Group will consolidate the company and implement the purchase price allocation process.

There were no other material events between the reporting date and the date the financial statements were authorized by the Board of Directors.