

ARCURE

2024 Half-Year Financial Report

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Declaration by the person responsible for the half-year financial report

DECLARATION BY THE PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

PERSON RESPONSIBLE FOR THE HALF-YEAR REPORT

Franck Gayraud, Chairman of Arcure's Board of Directors

DECLARATION BY THE PERSON RESPONSIBLE

"I declare that, to the best of my knowledge, the financial statements for the half-year just ended were prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, the financial position and earnings of the Company as well as all the Companies within the consolidation scope, and that the half-year Management Report presents a fair view of significant events that have occurred over the first six months of the fiscal year, their impact on the financial statements and describes the Group's main risks and uncertainties for the remaining six months of the fiscal year."

Pantin, 18 September 2024

Franck Gayraud

Chairman of the Board of Directors

Half-Year Management Report

HALF-YEAR MANAGEMENT REPORT

Dear Shareholders,

The purpose of this report is to detail the Company's position, business, and earnings during the half-year ended on 30 June 2024, in accordance with legal and regulatory requirements.

1. Summary of 2024 Half-Year Results

Arcure Group's consolidated income statement as of 30 June 2024 is detailed below:

<i>(in thousands of euros)</i>	2024 (6 months)	2023 (6 months)	2023 (6 months) <i>proforma</i>
Revenue	10,089	8,106	8,106
Other operating income	1,997	2,064	1,692
Operating income	12,086	10,169	9,798
Purchases consumed	(4,226)	(3,634)	(3,634)
Personnel expenses	(3,331)	(3,041)	(3,041)
Taxes and duties	(58)	(63)	(63)
Other operating expenses	(2,053)	(1,853)	(1,853)
Depreciation, amortization and provisions	(1,609)	(1,346)	(1,346)
Operating expenses	(11,276)	(9,938)	(9,938)
Operating profit/(loss) before depreciation, amortization and provisions for goodwill	809	232	(140)
Operating profit/(loss) before depreciation and amortization of goodwill	-	-	-
Operating profit/(loss) after depreciation and amortization of goodwill	809	232	(140)
<i>Of which gross operating surplus</i>	<i>2,212</i>	<i>1,555</i>	<i>1,183</i>
Net financial income/(expenses)	(149)	(186)	(186)
Net non-recurring income/(expenses)	86	87	87
Income tax	467	(0)	371
Net income/(expenses) from consolidated companies	1,214	133	133
Net income/(expenses) from the consolidated tax group	1,214	133	133
Net profit/(loss) – Group share	1,214	133	133
Basic earnings per share	0.21	0.02	0.02
Diluted earnings per share	0.17	0.01	0.01

Since ANC regulation 2020-01 no longer authorizes the practice of reclassifying the Research Tax Credit (including the CIR, the tax credit on research collaborations, and the innovation tax credit), to operating income as from fiscal years starting in 2024, we started keeping these tax credits under taxes as of 30 June 2024. A “2023 pro-forma” column adopting the new rule compares 2023 and 2024 half-years.

Half-Year Management Report

During the first half of 2024, Arcure demonstrated substantial business growth once again, delivering €10.1 million in revenue, up +24.5% compared to the first half of 2023, building on an already exceptionally strong fiscal year and second half of 2023.

The first half of the year was characterized by unwavering international expansion—we generated 81% of our revenue outside France. This figure is on par with 2023 (84%)—a well-earned reward for our years of hard work to grow international sales both in Europe and in North America. We recorded sharp growth in these two key regions—North America (+34% compared to the first half of 2023) and Europe (+23%). The Asia Pacific region and the rest of the world continue to offer new opportunities, accounting for 7% of total revenue during the first half of the year, up 21% compared to this region's revenue during the first half of 2023.

As part of our efforts to expand our international presence, on 17 June, Arcure announced we were opening an office in Barcelona, Spain. The office now has sales, marketing, and R&D departments.

In keeping with our development plan, which forecasts a massive roll-out of our high-performing industrial AI solutions, we have grown all our distribution channels, with a marked increase in business among franchise dealers, distributors, and machinery manufacturers.

Regarding sales, our product mix is dominated by award-winning Blaxtair® Origin, our wildly successful global bestseller launched in 2022, which was our primary growth driver during the first half of the year. We launched Blaxtair's® fifth and latest version to-date in April 2024, and we will deliver our first sales of this version during the second half of 2024. Our increasingly efficient latest generation embedded AI platform expands our portfolio of solutions even more, with the launch of a panel of options dedicated to industrial safety and productivity that can be installed directly and à la carte in the on-board equipment.

During the first half of the year, we also delivered a substantial volume of Blaxtair® 3 as part of a last order placed for the previous version of Blaxtair® by a major European manufacturer sourcing in advance for their needs and spare parts for 2024- 2025. These deliveries will be finished during the second half of 2024, bringing an end to the Blaxtair® 3 product line.

In addition to revenue growth during the first half of the year, we also started improving profitability, which we already started to see in 2023. At Arcure, as of 30 June, we achieved a historic gross margin of €5.8 million, compared to €4.5 million during the first half of 2023 (i.e. a gross margin rate of 58%, up 2 points compared to the first half of 2023). This performance underscores how high our Blaxtair® Origin sales have been—the Company's highest gross profit margin product—and how hard we're working to streamline production costs.

Gross operating surplus reached €2.2 million, compared to €1.2 million for the first half of 2023 (on a like-for-like basis with CIR recognized under taxes rather than operating income). This result stemmed from our business growth, our high gross margin, and our ability to control operating expenses while supporting our sales efforts. Personnel expenses stood at €3.3 million during the first half of 2024, compared to €3.0 million over the same period last year. At the same time, other operating expenses also remained under control at €2.1 million, versus €1.8 million one year ago.

Half-Year Management Report

Net profit totaled €1.21 million as of 30 June 2024, or 12% of revenue—a 6-month record for us (€0.13 million for the first half of 2023).

2. Cash

<i>(in thousands of euros)</i>	2024 (6 months)	2023 (6 months)
Net cash flow from operating activities	715	(329)
Net cash flow from investing activities	(1,296)	(1,156)
Net cash flow from financing activities	(494)	(498)
Impact of foreign exchange fluctuations on cash	45	(26)
Change in cash	(1,030)	(2,009)
Cash at the beginning of the period	3,733	4,886
Cash at the end of the period	2,703	2,877

Self-financing capabilities net of fixed assets amounted to €1.1 million over the half-year. To be noted, the Company has continued investing in R&D (-€1.2 million), which is necessary to maintain its technological leadership. The contribution to the change in cash from the change in working capital amounted to -€1,5 million, related to an increase in trade receivables (-€0.8 million), in Research Tax Credit (CIR, -€0.5 million), inventories (-€0.8 million) and trade payables (+€0.6 million). The impact of financial expenses paid amounted to -0.1 million. The Company has also continued to decrease its debt steadily and viably (-€0.5 million). Therefore, cash declined by €1 million over the half-year. As of 30 June 2024, gross cash amounted to €2.7 million and financial debt totaled €7.3 million, which comprised a majority of long maturity convertible bonds (2027). Post-closing, Arcure has secured two additional credit lines for €1.750 million to be cashed in the second half of the year.

3. Outlook

This first half of the year is in line with business growth forecasts for 2024. As a result, the Company is confirming the goal for the year—€20 million in revenue by the end of the year, accordingly to the guidance released in 2021, doubling the revenue since 2021, and continuing to improve profitability.

Half-Year Management Report

To continue our development, we intend to capitalize on our technological advances such as algorithms and onboard AI functionalities in industrial vehicles that meet global industrial companies' needs. To do that, we are launching a business strategy to be laser-focused on our core expertise and added value—AI and software.

Over the medium term, the industrial vehicle market is changing technologically, trending toward equipping industrial machinery with increasingly smarter features and functions to ensure greater safety, autonomy, and productivity. As a pioneer and long-standing leader in industrial vehicle digitalization, Arcure is ready to tackle the numerous challenges this new market presents. As a result, we are continuing to lead several discussions with prominent stakeholders (OEMs and industrial companies) regarding new business partnerships abroad.

Over the shorter term, our extensive range of products and services covered by the 5th generation of Blaxtair® should continue to support our leading position in a market that continues to thrive despite a slow-down in the industrial sector in Europe and in the United States. At the same time, we will continue to sell the Blaxtair® Origin product line to our customers throughout 2025.

4. Description of the Main Risks and Uncertainties

Historically, our business has depended on a single product—Blaxtair®. However, we have reduced dependency risk by developing and selling new features in addition to a solutions platform approach.

The industrial machinery digitalization industry is changing fast and not going back. This booming industry supports our business outlook for the products and services we offer, despite entering an uncertain global macroeconomic environment.

Generating more than 80% of our revenue outside France, Arcure's geographic diversity proves how strong and resilient we are.

Competition in the market can lead to a decrease in the selling prices of products. Nevertheless, Blaxtair® remains the benchmark in the high-end segment and the latest generation of Blaxtair® can address the entry-level segment of the market.

HALF-YEAR FINANCIAL STATEMENTS AS OF 30 JUNE 2024

Consolidated Income Statement

<i>(in thousands of euros)</i>	2024 (6 months)	2023 (6 months)	2023 (6 months) <i>proforma</i>
Revenue	10,089	8,106	8,106
Other operating income	1,997	2,064	1,692
Operating income	12,086	10,169	9,798
Purchases consumed	(4,226)	(3,634)	(3,634)
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Income tax	467	(0)	371
Net income/(expenses) from consolidated companies	1,214	133	133
Net income/(expenses) from the consolidated tax group	1,214	133	133
Net profit/(loss) – Group share	1,214	133	133
Basic earnings per share	0.21	0.02	0.02
Diluted earnings per share	0.17	0.01	0.01

Since ANC regulation 2020-01 no longer authorizes the practice of reclassifying the Research Tax Credit (including the CIR, the tax credit on research collaborations, and the innovation tax credit), to operating income starting from fiscal years starting in 2024, we started keeping these tax credits under taxes as of 30 June 2024. We created a “2023 pro-forma” column adopting the new rule to compare the 2023 and 2024 half-years.

Half-Year Financial Statements as of 30 June 2024

Consolidated Balance Sheet

<i>(in thousands of euros)</i>	Note	30 June 2024	31 December 2023
Intangible assets	5.1	5,369	5,242
Property, plant and equipment	5.2	234	190
Financial assets	5.3	224	236
Non-current assets		5,827	5,668
Inventory and works-in-progress	5.4	3,190	2,373
Trade and accounts receivable	5.5	4,778	3,962
Other receivables, prepayments and accrued income	5.6	3,663	3,097
Cash	5.7	2,703	3,733
Current assets		14,335	13,165
Total Assets		20,162	18,833

<i>(in thousands of euros)</i>	Note	30 June 2024	31 December 2023
Capital		580	575
Premiums related to capital		4,374	4,379
Consolidated reserves		1,614	(128)
Net profit/(loss) – Group share		1,214	1,801
Other equity		106	197
Shareholders' equity – Group share		7,888	6,824
Non-controlling interests		-	-
Shareholders' equity	5.8	7,888	6,824
Provisions for liabilities and charges	5.9	678	252
Loans and financial debt	5.10	7,280	7,775
Trade and accounts payable	5.11	2,847	2,294
Other liabilities, prepayments and accrued income	5.12	1,468	1,688
Borrowings and payables		11,596	11,757
Total equity and liabilities		20,162	18,833

Half-Year Financial Statements as of 30 June 2024

Consolidated Cash Flow Statement

<i>(in thousands of euros)</i>	2024 (6 months)	2023 (6 months)
Operating profit/(loss)	809	232
Transfer to and write-backs from depreciation, amortization and provisions	1 568	1 290
Operating profit/(loss) before depreciation, amortization and provisions	2 378	1 522
Change in working capital requirements	(1 513)	(1 530)
Net operating cash flow	865	(8)
Frais financiers nets payés	(144)	(321)
Charges et produits exceptionnels nets reçus (payés)	(5)	(0)
Net cash flow from operating activities	715	(329)
Net cash flow from investing activities	(1 296)	(1 156)
Net cash flow from financing activities	(494)	(498)
Impact of foreign exchange fluctuations on cash	45	(26)
Change in cash	(1 030)	(2 009)
Cash at the beginning of the period	3 733	4 886
Cash at the end of the period	2 703	2 877

Half-Year Financial Statements as of 30 June 2024

Change in Consolidated Shareholders' Equity

<i>(in thousands of euros)</i>	Capital	Premiums Related to Capital	Shareholders' Equity	Reserves	Currency Translation Reserves	Net Income	Other Equity	Shareholders' Equity – Group Share	Non- Controlling Interests	Total Shareholders' Equity
1 January 2023	570	4,632	(115)	(327)	(101)	55	380	5,096	-	5,096
Allocation of earnings 2022	-	(249)	-	304	-	(55)	-	-	-	-
Capital increase by converting bonus shares	4	(4)	-	-	-	-	-	-	-	-
Income 12.2023	-	-	-	-	-	1,801	-	1,801	-	1,801
Foreign exchange differences	-	-	-	-	61	-	-	61	-	61
New subsidies	-	-	-	-	-	-	(183)	(183)	-	(183)
Changes in shareholders' equity	-	-	51	-	-	-	-	51	-	51
31 December 2023	575	4,379	(64)	(23)	(41)	1,801	197	6,824	-	6,824
Allocation of earnings 2023	-	-	-	1,801	-	(1,801)	-	-	-	-
Capital increase by converting bonus shares	6	(6)	-	-	-	-	-	-	-	-
Cash capital increase	-	-	-	-	-	-	-	-	-	-
06.2024 Income	-	-	-	-	-	1,214	-	1,214	-	1,214
Foreign exchange differences	-	-	-	-	(52)	-	-	(52)	-	(52)
New subsidies	-	-	-	-	-	-	(92)	(92)	-	(92)
Changes in shareholders' equity	-	-	(75)	68	-	-	-	(7)	-	(7)
30 June 2024	580	4,374	(139)	1,846	(93)	1,214	106	7,888	-	7,888

Notes

All amounts are listed in thousands of euros unless otherwise specified.

1. Introduction

Arcure (the “Company”) is a French corporation (*société anonyme*) founded in 2009. Arcure is the parent company of Arcure Group (the “Group”) and is governed under French law. Our headquarters has been located at 108 avenue Roger Salengro, Savigny-sur-Orge (91600) France since 4 January 2024. Arcure is listed in the Evry Business Register under No. 519 060 131, and we have been listed on the Euronext Growth Market since February 2019.

The Group has elected to prepare consolidated financial statements voluntarily since 2019, even though Groups are not required to do so until at least two of the three following thresholds have been met for two (2) fiscal years:

- Total balance sheet: €24 million
- Revenue: €48 million
- Workforce: 250 employees

2. Business Activities, Fiscal Year Highlights and Subsequent Events

a) Business activities

At Arcure, we specialize in safety and productivity Artificial Intelligence solutions onboard industrial machinery. We have been a pioneer and tech leader in this industry since 2009.

We design and sell smart, high-performing and efficient solutions called “Blaxtair®” that prevent collisions involving vehicles operating in demanding industrial environments. Blaxtair® is a system designed for off-road industrial vehicles, construction vehicles and handling equipment operating in a wide array of settings ranging from factories to warehouses, recycling sites, construction sites, quarries and more. We equip these dangerous vehicles and machinery with cutting-edge AI perception technologies to detect and prevent risks related to industrial vehicle traffic flow. Our long-standing Blaxtair® smart pedestrian detection solution has been awarded overseas many times for its performance.

b) *Highlights of the half-year*

Vesting and allocation of bonus shares

Converting half-year bonuses into free shares

As part of the option offered to employees to choose between taking their half-year performance-based bonus in cash and/or in free shares every six months, on 26 March 2024, the Board of Directors allocated 18,716 bonus shares, as twelve (12) employees chose to be paid their half-year bonus (2nd half of 2023) in free shares.

Capital increase

On 26 March 2024, the Chairman of the Board of Directors recorded: the vesting of 17,001 free shares, and recorded the corresponding capital increase totaling a face value of €1,700.10 by withdrawing said amount from the “issue premium” account by creating and issuing 17,001 new shares with a par value of ten cents (€0.10).

On 4 April 2024, the Chairman of the Board of Directors recorded: the vesting of 38,559 free shares, and recorded the corresponding capital increase totaling a face value of €3,855.90 by withdrawing said amount from the “issue premium” account by creating and issuing 38,559 new shares with a par value of ten cents (€0.10).

c) Subsequent events

Allocation of free shares

As part of the option offered to employees to choose between taking their half-year performance-based bonus in cash and/or in free shares every six months, on 17 September 2024, the Board of Directors allocated 3,955 bonus shares, as ten (10) employees chose to be paid their half-year bonus (1st half of 2024) in free shares.

New financing

Since 30 June 2024, Arcure has obtained €1,750,000 in new financing from our longstanding partners:

- €750,000 under a BPI Innovation loan granted with a 4.12% interest rate, maturing in 7.5 years and with a three-year deferral option;
- €1 million loan from BNP to finance the working capital requirement. This loan was granted with a 4.532% interest rate and matures in seven years.

None of these funds have yet been paid to the company, these payments are expected by the end of the 2024 financial year.

3. Accounting Principles and Valuation Methods

3.1. Compliance statement

The Group prepares our financial statements in accordance with applicable legal and regulatory provisions in France, and particularly French Accounting Standards Authority (Autorité des Normes Comptables – ANC) regulation 2020-01 dated 9 October 2020, which replaced French Accounting Regulation Committee (CRC) regulation CRC 99-02 dated 29 April 1999 relating to corporate consolidated financial statements in its consolidated version dated 1 January 2017. This new regulation applies to fiscal years starting as of 1 January 2021.

3.2. Comparative data

Fiscal year 2024 is the 4th consecutive fiscal year presented according to regulation 2020-01. The consolidated data shown in this financial report is therefore comparable to the previous fiscal year in terms of comparative basis of accounting. However, since ANC regulation 2020-01 no longer authorizes the practice of reclassifying the Research Tax Credit (including the CIR, the tax credit on research collaborations, and the innovation tax credit), to operating income as from fiscal years starting in 2024, we are keeping these credits under taxes as of 30 June 2024.

3.3. Consolidation methods

a) Consolidation method

The consolidated financial statements include the financial statements of companies the Group controls exclusively either directly or indirectly.

When the Group exercises significant influence over a company, that company's financial statements are accounted for using the equity method.

When the Group shares joint control over a company, that company's financial statements are consolidated proportionately based on how much control they hold.

b) Scope of consolidation

Our scope of consolidation includes Arcure and our wholly-owned and fully-consolidated U.S. subsidiary Blaxtair Inc.

	30 June 2024		31 December 2023		Country	Accounting Closing Date
	Consolidation Method	% Interest	Consolidation Method	% Interest		
Arcure SA	Parent company	100.00	Parent company	100.00	France	31 December
Blaxtair Inc.	FC	100.00	FC	100.00	USA	31 December

FC: Full consolidation

NC: Not consolidated

c) **Translating foreign subsidiary financial statements denominated in a foreign currency**

The Group converts the assets and liabilities of our foreign subsidiaries that operate in a foreign currency into euros at period-end.

We translate income and expenses for these subsidiaries at the average exchange rate for the period.

Any resulting differences are transferred directly under the “Foreign exchange differences” line item in consolidated shareholders’ equity.

Consolidated companies’ currency rates against the euro for the first half of 2024:

Currency	Interest Rate at the Beginning of the Year	Average Interest Rate	Interest Rate at the End of the Year
USD	0.904977376	0.924812725	0.934142924

The average USD/EUR exchange rate used for the first half of 2023 was 0.925363.

d) **Accounting principles and methods**

The Group applied the same principles and methods as well as the same valuation rules for the consolidated half-year financial statements as of 30 June 2024 as we used for the annual consolidated financial statements for the fiscal year ended 31 December 2023.

4. Notes on Income Statement Items

4.1. Revenue

a) **Breakdown by type**

<i>(in thousands of euros)</i>	2024 (6 months)	2023 (6 months)
Sales of goods	1	13
Sale of finished goods	9,125	7,225
Services rendered	951	860
Income from related operations	11	8
Revenue	10,089	8,106

Half-Year Financial Statements as of 30 June 2024

b) Breakdown of Revenue by Geographic Area

<i>(in thousands of euros)</i>	2024 (6 months)	2023 (6 months)
France	1,915	1,563
Rest of Europe	5,308	4,355
North America	2,154	1,604
Asia Pacific	400	540
Rest of the world	312	44
Revenue	10,089	8,106

Half-Year Financial Statements as of 30 June 2024

Revenue is shown by area where customers operate

4.2. Gross margin

<i>(in thousands of euros)</i>	2024 (6 months)	2023 (6 months)
Revenue	10,089	8,106
Cost of goods sold	(4,286)	(3,587)
Gross margin	5,803	4,518
<i>Gross margin rate</i>	58%	56%

4.3. Other operating income

<i>(In thousands of euros)</i>	2024 (6 months)	2023 (6 months)
Stored production	555	541
Capitalized production	1,192	1,013
Operating subsidies	20	-
Reversal of provisions for liabilities and charges	34	23
Reversal of impairment on current assets	173	0
Foreign exchange gains on debts/trade receivables	-	58
Other income	23	428
Other operating income	1,997	2,064

The amount of expenditure capitalized in 2024 amounted to €1,192k relating to Blaxtair® development fees, compared to €1,013k as of the first half of 2023.

Since ANC regulation 2020-01 no longer authorizes the practice of reclassifying the Research Tax Credit (including the CIR, the tax credit on research collaborations, and the innovation tax credit), to operating income as from fiscal years starting in 2024, the Group recognized these tax credits, totaling €465k, under tax revenue. The amount of Research Tax Credit recognized under Other income in 2023 amounted to €371k.

With restatements of the Research Tax Credit totaling €371k, Other operating income would have totaled €1,692k as of 30 June 2023.

4.4. Personnel and employee expenses

<i>(in thousands of euros)</i>	2024 (6 months)	2023 (6 months)
Personnel compensation	(2,411)	(2,238)
Social security expenses	(937)	(789)
Other personnel expenses	16	(14)
Personnel expenses	(3,331)	(3,041)

Half-Year Financial Statements as of 30 June 2024

<i>Average Headcount</i>	2024 (6 months)	2023 (6 months)
Executives	59	47
Employees, supervisors and technicians	5	8
Total average headcount	64	55

4.5. Other operating expenses

<i>(in thousands of euros)</i>	2024 (6 months)	2023 (6 months)
Rentals of movable and immovable property	(210)	(163)
Studies and research	(208)	(127)
Maintenance, repairs and software royalties	(71)	(57)
Insurance premiums	(124)	(104)
Seconded and temporary personnel	(22)	(26)
Compensation to intermediaries and professional fees	(326)	(339)
Recruitment costs	(82)	(36)
Advertising, publications, public relations	(77)	(81)
Transportation	(239)	(322)
Travel, assignments and entertainment	(381)	(371)
Postal and telecommunications expenses	(60)	(56)
Banking fees	(19)	(16)
Licensing fees	(181)	(141)
Other expenses	(51)	(14)
Other operating expenses	(2,053)	(1,853)

Other operating expenses totaled €2,053k as of 30 June 2024, up €200k compared to the first half of 2023. This increase is primarily due to the following:

- Research and study costs were up €82k and corresponded to studies led by various service providers as part of our development of the latest version of Blaxtair®;
- The €63k rise in recruitment costs is in line with the increase in staff;
- Transportation costs dropped €83k, consistent with changes in business conditions and several months of streamlining transportation and customs fees.

4.6. Depreciation, amortization and provisions

<i>(in thousands of euros)</i>	2024 (6 months)	2023 (6 months)
Amortization and depreciation of intangible assets	(1,068)	(1,053)
Amortization and depreciation of property, plant and equipment	(64)	(45)
Amortization and depreciation of deferred charges	(17)	(17)
Provisions for liabilities and charges	(454)	(197)
Depreciation of current assets	(6)	(33)
Depreciation, amortization and provisions	(1,609)	(1,346)

Amortization and depreciation of intangible assets mainly relate to the amortization of capitalized development costs.

Deferred expenses pertain to bond issue costs (see Section 5.6).

Provisions for liabilities and charges are detailed in Note 5.9. Depreciation of current assets comprise trade receivables in 2023. As of 30 June 2023, these provisions only included inventories and trade receivables.

4.7. Gross operating surplus

<i>(in thousands of euros)</i>	Note	2024 (6 months)	2023 (6 months)
Operating profit/(loss)		809	232
Closures of:			
Depreciation, amortization and provisions for liabilities and charges	4.6	1,609	1,346
Reversals of provisions for liabilities and charges	4.3	(34)	(23)
Reversals of impairment on current assets	4.3	(173)	(0)
Gross operating surplus		2,212	1,555
CIR kept under taxes		465	
Restated gross operating surplus		2,677	1,555

We have calculated a restated gross operating surplus as of 30 June 2024 to compare the totals presented since the ANC no longer authorizes us to recognize the CIR under operating income as from 1 January 2024.

4.8. Net financial income/(expense)

<i>(in thousands of euros)</i>	2024 (6 months)	2023 (6 months)
Reversal of provisions for impairment losses	3	9
Foreign exchange gains on financial transactions	20	2
Other financial income	13	2
Financial income	36	13
Interest expense	(177)	(195)
Provisions for impairment losses	(7)	(4)
Financial expenses	(184)	(200)
Net financial income/(expenses)	(149)	(186)

In 2024, as in 2023, financial expenses mainly comprised financial interest related to financial debt, including €157k involving bond debt (see Note 5.10 Loans and financial debt).

4.9. Net non-recurring income/(expenses)

<i>(in thousands of euros)</i>	2024 (6 months)	2023 (6 months)
Income from the disposal of property, plant and equipment	-	3
Investment subsidies transferred to profit and loss for the year	92	92
Non-recurring income/(expenses)	92	95
Non-recurring expenses on operating transactions	(5)	(0)
Net book value of property, plant and equipment sold	-	(7)
Non-recurring expenses	(5)	(7)
Net non-recurring income/(expenses)	86	87

Investment subsidies transferred to the income statement relate to the staggering of investment subsidies received for the COVR and CPS4EU projects.

4.10. Income tax

A reconciliation between tax expenses on the books and reported tax is as follows:

<i>(in thousands of euros)</i>		2024 (6 months)	2023 (6 months)
Income/(expenses) from the consolidated tax group	A	1,214	133
Recognized tax expense ⁽¹⁾	B	(467)	(0)
Consolidated earnings before tax	A – B	747	133
<i>Group interest rate</i>		25.0%	25.0%
Tax expense on the books		(187)	(33)
Tax on company automobiles		(2)	(1)
Rent and depreciation surplus		(2)	(4)
Non-recognition of deferred taxes on losses for the year			(16)
De-recognition of deferred taxes on losses from previous years		294	
Research tax credit		465	93
Other permanent differences		(102)	(39)
Income tax		467	0
<i>(1) Of which current tax</i>		-	-
<i>(1) Of which deferred tax</i>		2	(0)

As of 30 June 2024, tax loss carryforwards totaled €17,010k in France and €1,601k in the United States (€17,821k in France and €1,601k in the United States as of 31 December 2023).

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Considering the change in earnings and short-term outlook, we have capitalized deferred taxes from a base of €2,000k in tax loss carryforwards as of 31 December 2023, corresponding to an amount that has a high likelihood of being recovered over the short term. We maintained these amounts as of 30 June 2024.

4.11. Earnings per share

<i>(in thousands of euros)</i>	2024 (6 months)	2023 (6 months)
Net profit/(loss) – Group share	1,214	133
Weighted average number of common shares outstanding	5,759,524	7,146,286
Basic earnings per share	0.21	0.02
Net profit/(loss) – Group share	1,214	133
Weighted average number of common shares outstanding to calculate diluted earnings per share	7,355,070	7,146,286
Diluted earnings per share	0.17	0.02

5. Notes on Balance Sheet Items

5.1. Intangible assets

Intangible assets break down as follows:

<i>(in thousands of euros)</i>	31 December 2023	Increase	Reclassification	Foreign Exchange Differences	30 June 2024
Concessions, patents, licenses	13,364	3	-	-	13,366
Intangible assets in progress	2,865	1,192	-	-	4,058
Gross value	16,229	1,195	-	-	17,424
Concessions, patents, licenses	(10,987)	(1,068)	0	-	(12,055)
Amortization/depreciation	(10,987)	(1,068)	0	-	(12,055)
Concessions, patents, licenses	2,376	(1,065)	0	-	1,311
Intangible assets in progress	2,865	1,192	-	-	4,058
Net value	5,242	127	0	-	5,369

Intangible assets primarily include development costs related to software projects and licenses.

Concessions, patents, and licenses correspond to capitalized production, totaling €12,520k as of 30 June 2024, €4,875k of which for Blaxtair® Origin, which reached shelves in 2022.

Intangible assets in progress correspond to capitalized production related to versions of Blaxtair® currently in development and not yet on shelves, amounting to €4,058k, up €1,192k (including €193k subcontracted out) compared to 31 December 2023.

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During the first half of 2024, research and development costs totaled €1,234k, €1,192k of which was capitalized and €42k of which was recognized as expenses. During the first half of 2023, research and development costs totaled €1,157k, €997k of which was capitalized and €104k was recognized as expenses.

5.2. Property, plant and equipment

Property, plant and equipment break down as follows:

<i>(in thousands of euros)</i>	31 December 2023	Increase	Decrease	Foreign Exchange Differences	30 June 2024
Technical installations, industrial equipment & tools	356	11	-	-	367
Other property, plant and equipment	478	95	-	3	576
Gross value	834	106	-	3	942
Technical installations, industrial equipment & tools	(265)	(32)	-	-	(296)
Other property, plant and equipment	(379)	(32)	-	(1)	(413)
Amortization/depreciation	(644)	(64)	-	(1)	(709)
Technical installations, industrial equipment & tools	92	(21)	-	-	71
Other property, plant and equipment	98	63	-	2	163
Net value	190	42	-	2	234

No property, plant, and equipment has been rented out under a finance lease.

5.3. Financial assets

<i>(in thousands of euros)</i>	Gross Value	Impairment	30 June 2024	31 December 2023
Deposits and guarantees	172	-	172	177
Other	53	-	53	60
Financial assets	224	-	224	236

As of 30 June 2024, like as of 31 December 2023, deposits and guarantees paid have due dates falling between one and five years.

The “Other” line item corresponds to the liquidity agreement signed with Oddo BHF. Payments made under the agreement total €200k.

5.4. Inventory and works-in-progress

<i>(in thousands of euros)</i>	Gross Value	Impairment	30 June 2024	31 December 2023
Component inventory	1,230	-	1,230	1,103
Finished products and goods inventory	1,976	(15)	1,961	1,271
Inventory and works-in-progress	3,205	(15)	3,190	2,373

The increase in inventory is due to our increase in business throughout the half year. The Group recorded a €15k provision for impairment on inventories as of 30 June 2024 on used equipment inventory and outdated equipment (€183k as of 31 December 2023).

5.5. Trade and accounts receivable

<i>(in thousands of euros)</i>	Gross Value	Impairment	30 June 2024	31 December 2023
Trade and accounts receivable	4,795	(17)	4,778	3,962
Trade and accounts receivable	4,795	(17)	4,778	3,962

As of 30 June 2024, like as of 31 December 2023, trade receivables are due within less than one year. As of 31 December 2023, trade receivables were impaired for €41k.

5.6. Other receivables, prepayments and accrued income

<i>(in thousands of euros)</i>	Gross Value	Impairment	30 June 2024	31 December 2023
Deferred taxes – Assets	497	-	497	495
Advances and prepayments made	246	-	246	253
Employee and social security organization	12	-	12	16
Tax receivables (excl. corporate income tax)	612	-	612	379
Tax credits	1,999	-	1,999	1,534
Other receivables	20	-	20	19
Deferred charges	101	-	101	118
Foreign exchange losses	17	-	17	144
Prepaid expenses	159	-	159	140
Other receivables, prepayments and accrued income	3,663	-	3,663	3,097

As of 30 June 2024 and 31 December 2023, tax credits correspond to research and innovation tax credits:

- Totaling €465k for the first half of 2024
- Totaling €1,534k for fiscal years 2022 and 2023

Tax receivables pertain to the Company's deductible VAT.

As of 30 June 2024, like as of 31 December 2023, other receivables, prepayments and accrued income are due within less than one year.

Deferred expenses pertain to bond issue costs and are spread out over the duration of the loan.

5.7. Cash

<i>(in thousands of euros)</i>	30 June 2024	31 December 2023
Cash	2,703	3,733
Cash	2,703	3,733
Bank overdrafts	-	-
Bank overdrafts	-	-
Net cash	2,703	3,733

5.8. Shareholders' equity

As of 30 June 2024, the Company's share capital amounted to €580,104.90, comprising 5,801,049 fully paid-up common shares with a par value of €0.10 each.

Free share allocation monitoring is as follows:

	BSA 2019	BSA 2020	BSA 2022	BSA 2023	BSA 2024	Total
Number of bonus share plans issued and outstanding as of 31 December	12,501	7,000	16,000	276,259	-	311,760
Number of bonus share plans issued in 2024					18,716	18,716
Number of bonus share plans canceled in 2024	-	-	-	-	-	-
Number of bonus share plans issued in 2024	12,501	4,500	4,000	34,559		55,560
Number of bonus share plans issued and outstanding as of 30 June 2024	-	2,500	12,000	241,700	18,716	274,916

The conversion of bonus share plans acquired during the half-year represented a €5,556 capital increase.

<i>Number of BSCPE Stock Options</i>	BSCPE 2014-2	BSCPE 2016	BSCPE 2023	Total
Outstanding as of 31 December 2023	1 500	17 000	117 240	135 740
Issued during the year	-	-	-	-
Canceled during the year	-	-	-	-
Exercised during the year	-	-	-	-
Outstanding as of 30 June 2024	1 500	17 000	117 240	135 740
Total number of shares likely to be created by exercising outstanding stock options (BSCPE) as of 30 June 2024	15 000	170 000	117 240	302 240

5.9. Provisions for liabilities and charges

<i>(in thousands of euros)</i>	31 December 2023	Allocations	Write-Backs Used	Foreign Exchange Differences	30 June 2024
Provisions for warranties	109	454	(34)	1	529
Provisions for impairment losses	144	7	(3)	0	149
Provisions for liabilities and charges	252	461	(37)	1	678

The provision for warranties was allocated to cover future repair costs of Blaxtair® products returned by customers. The increase in this provision is particularly related to the impact from a one-off customer service issue encountered with certain equipment, totaling €426k. This problem was linked to a non-compliance issue with certain components impacting the Blaxtair® Origin installed base and a portion of the Blaxtair® 3 installed base. This provision covers the estimated retrofit and after-sales service costs.

5.10. Loans and financial debt

<i>(in thousands of euros)</i>	31 December 2023	New Loans	Repayments	Other	Foreign Exchange Differences	30 June 2024
Non-current bonds	4,210	66	-	-	-	4,276
Loans from credit institutions	3,020	-	(514)	-	-	2,506
Loans from local authorities	-	-	-	-	-	-
Contingency advances	262	-	(29)	-	-	234
Other similar loans and borrowings	271	-	(16)	-	-	255
Other similar loans and borrowings - current	0	-	-	-	-	-
Accrued interest on loans	-	-	-	-	-	-
Accrued interest on loans	12	(2)	-	-	-	10
Loans and financial debt	7,775	64	(558)	-	-	7,280

No new loans have been taken out during the first half of 2024.

The amount of €4,276k relating to the bond includes €276k in capitalized interest as of 30 June 2024, compared to €210k as of 31 December 2023.

Covenants

For the first half of 2024, the bond agreement will require us to comply with the following ratios:

- Net Financial Debt / EBITDA < 4.5
- EBITDA / Financial Interests > 5

These ratios may change over time.

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Maturities of loans and financial debt

30 June 2024	Total	< 1 year	1 to 5 years	> 5 years
Convertible bond loans	4,276		4,276	
Loans from credit institutions	2,506	905	1,601	
Loans from local authorities	-			
Contingency advances	234	72	162	
Other similar loans and borrowings	255	83	172	
Accrued interest on loans	10	-	10	
Loans and financial debt	7,280	1,059	6,221	-

31 December 2023	Total	< 1 year	1 to 5 years	> 5 years
Convertible bond loans	4,000		4,000	
Loans from credit institutions	3,020	1,027	1,993	
Loans from local authorities	-	-	-	
Contingency advances	262	57	205	
Other similar loans and borrowings	271	66	205	-
Accrued interest on loans	222	222		
Loans and financial debt	7,775	1,372	6,403	-

5.11. Trade and accounts payable

<i>(in thousands of euros)</i>	30 June 2024	31 December 2023
Trade payables	2,847	2,294
Trade and accounts payable	2,847	2,294

5.12. Other liabilities, prepayments and accrued income

<i>(in thousands of euros)</i>	30 June 2024	31 December 2023
Advances & prepayments received on orders	95	262
Social security liabilities	993	1,144
Tax liabilities (excl. corporate income tax)	157	124
Government - corporation tax	-	-
Other payables	38	18
Foreign exchange gains	106	13
Prepaid income	79	125
Other liabilities, prepayments and accrued income	1,468	1,688

Tax debts mainly correspond to accounts with VAT collected.

As of 30 June 2024, like as of 31 December 2023, other liabilities, prepayments and accrued income are due within less than one year.

6. Segment Reporting

6.1. Segment information by region

Revenue-related data is provided in Note 4.1 Revenue.

Operating profit/(loss) and Group non-current assets are primarily generated in France.

6.2. Segment information by business

The Group only has one business segment.

7. Other Information

7.1. Related-party transactions

a) Related-party transactions

The Group has not performed related-party transactions that fall outside normal market conditions.

b) Management compensation

Gross compensation allocated to corporate officers for the first half of 2024 totaled €304k (€372k for the first half of 2023).

7.2. Off-balance sheet commitments

Off-balance sheet commitments given and received did not change significantly since the financial statements were approved on 31 December 2023.